MBH MORTGAGE BANK

MBH MORTGAGE BANK CO. PLC.

GENERAL SHAREHOLDER'S MEETING

BUDAPEST

24 APRIL 2024

ANNOUNCEMENT
ON THE CONVENING OF THE ANNUAL GENERAL MEETING

MBH Jelzálogbank Nyilvánosan Működő Részvénytársaság (registered office: 1117 Budapest, Magyar Tudósok körútja 9, Building G; company registration number: 01-10-043638; registered with the Budapest Regional Court, Court of Registration; hereinafter referred to as the "Company"), in compliance with its legal obligations, hereby informs the shareholders and investors of the Company that the Board of Directors of the Company decided to convene the Annual General Meeting of the Company (hereinafter referred to as the "General Meeting") on 22 March 2024.

The Board of Directors of the Company shall convene the General Meeting as follows:

Date of the General Meeting:
24 April 2024 (Wednesday), 10:00 a.m.
The start of the registration for the General Meeting is 24 April 2024 (Wednesday), 09:00 a.m.

Place of the General Meeting:

1117 Budapest, Magyar Tudósok körútja 9., Building G

The agenda of the General Meeting:

1. **Report of the Board of Directors on the Company's business, financial position, business policy and management for the year 2023, including: the separate management report and separate financial statements of the Company for the year 2023 under International Financial Reporting Standards ("IFRS"); decision on the appropriation of profit after taxation; report of the Supervisory Board on the Company's separate financial statements and separate management report for 2023 under IFRS; Report of the Audit Committee on the Company's separate financial statements and separate management report for 2023 under IFRS; the report of the auditor on the Company's separate IFRS 2023 financial statements and separate management report; decisions on performance-related remuneration for the year 2023**

2. **Opinion vote on the Remuneration Policy pursuant to Act LXVII of 2019 (Hrsztv.)**

3. **Adoption of the 2023 Corporate Governance Report**

4. **Hold-harmless warrant for the members of the Board of Directors and the Supervisory Board of the Company**

5. **Election of the auditor and determination of their remuneration for the year 2024, approval of the appointment of the person responsible for the audit and determination of the terms of the contract to be concluded with the auditor**

6. **Authorisation of the Board of Directors to acquire treasury shares**

7. **Election of the member of the Supervisory Board**

8. **Establishment of the remuneration of the members of the Board of Directors, the Supervisory Board and the Audit Committee**

22 March 2024

Manner of holding the General Meeting

The General Meeting is held with the direct participation of shareholders.

Conditions to participation in the General Meeting and to exercising the voting rights

A According to Section 3.1.24.1 (e) of the Articles of Association of the Company, each ordinary share of Series A with a nominal value of HUF 100, i.e. one hundred forints, entitles the holder to one vote at the General Meeting.

B The Company's General Meeting may be attended by the shareholder or the shareholder's proxy specified in Sections 151-155 of the Capital Markets Act, who was registered in the Register of Shares at the Closing of the Register of Shares by the General Meeting in accordance with the result of the shareholder matching.

C The Company requests a verification of owner from KELER Zrt for the date of the General Meeting, as corporate event. The 'as of' date of the shareholder identification related to the General Meeting is **17 April 2024**. The rules on shareholder identification are set forth in KELER Zrt's prevailing General Business Rules.

D On the second working day preceding the day of the General Meeting, at 6 p.m. Budapest time, the Company shall delete all data in effect at the time of the shareholders registration from the Register of Shares and shall record the data according to the result of the shareholders registration in the Register of Shares, and closes it with the details of the shareholder matching ('**Closing of the Register of Shares by the General Meeting**').

Date of Closing of the Register of Shares at the General Meeting: 22 April 2024, 18:00 hours.

The earliest date thereafter when any entry can be made in the share register regarding shareholders' shareholdings is the first working day following the General Meeting.

E Shareholders may also exercise their rights at the General Meeting by proxy. Members of the Board of Directors, the Supervisory Board, the auditor and the asset auditor may not act as shareholder's proxy. Shareholders may authorise an executive employee of the Company as well to exercise their rights relating to the General Meeting. The proxy authorisation of the authorised representative shall be valid for one General Meeting or for the period of time defined therein, but in any case not more than 12 months. The proxy authorisation shall also be valid for the continuation of the suspended General Meeting and for the repeated General Meeting convoked due to the lack of quorum. The authorisation shall be drawn up in the form of a notarial deed or a private document with full probative force and shall be lodged with the Company at the place and time indicated in the notice of the General Meeting. The authorisation issued by the shareholder's proxy shall state that the representative is acting as shareholder's proxy.

In the case of a non-natural person shareholder, the power of representation of the person(s) signing the proxy or acting as proxy for the non-natural person shareholder at the General Meeting must be evidenced by the presentation of a certificate issued by a public registry (e.g. a company certificate) and a certified company signature statement (a notarially certified copy of the address of the company) or an original or notarially certified copy of the specimen signature countersigned by a lawyer. If the document(s) evidencing the power of representation is (are) not issued in Hungarian, a certified Hungarian translation must be attached to the document. If the power of attorney is drawn up abroad, the formality of the power of attorney must comply with the law on the authentication or re-authentication of documents drawn up abroad.

F The shareholder has the right to be informed of any matter placed on the agenda of the General Meeting. Accordingly, upon written request of a shareholder submitted at least eight days before the date of the General Meeting, the Board of Directors will provide the information necessary for the discussion of the agenda item of the General Meeting at the latest three days before the date of the General Meeting. The Board of Directors may make the exercise of the right to information as described above conditional on the submission of a written confidentiality statement by the shareholder requesting the information. The Board of Directors may refuse to disclose information and access to documents if it violated the Company's business, banking, securities or other similar secrets, if the person requesting the information abuses their right or fails to make a confidentiality statement even if requested.

If the party requesting information considers the refusal of information unjustified, they may request the Court of Registration to order the Company to provide the information.

G The Company ensures that the rights to be informed, to comment and to suggest at the General Meeting are granted to every shareholder attending the General Meeting, on the condition that the exercising of these rights shall not hinder the lawful and proper operation of the General Meeting. In the interest of exercising the shareholder's rights specified in this present point the Chairman of the General Meeting shall grant the right of speech to the shareholder at the General Meeting, on the condition that the Chairman of the General Meeting may specify the duration of the speech, may withdraw the right to speak, especially in case the shareholder is off the point, furthermore he/she can specify the sequence of the speeches, if there are several speeches at the same time, in order to ensure the lawful and proper operation of the General Meeting. The Company shall have 5 (five) business days following the day of the General Meeting to answer question arisen at the General Meeting and not answered to the satisfaction of the shareholder within its framework.

H If the conditions for attending the General Meeting and exercising the right to vote are fulfilled, the shareholder or his/her proxy may, after signing the attendance sheet, request an electronic or other means of casting votes at the place of the General Meeting, upon proof of their identity.

Quorum;
if the General Meeting is not quorate, the time and place of the reconvened General Meeting

Pursuant to Article 3.1.9 of the Articles of Association, the General Meeting has a quorum when shareholders representing more than 50% of the voting shares are present. If a quorum is not present at the General Meeting, the Company will hold the reconvened General Meeting convened by this Announcement **at the place of the original General Meeting on 24 April 2024 (Wednesday) at 12 noon**. The repeated General Meeting has a quorum with respect to the issues on the original agenda, regardless of the number of the members present. Separate registration is required for the repeat General Meeting, which will start on **24 April 2024 (Wednesday) at 11:00**.

Publication of proposals for the General Meeting and the proposed resolutions

The Board of Directors of the Company shall publish, in accordance with the provisions of the Articles of Association relating to the publication of notices of the Company, the aggregate number of shares and voting rights existing at the time of the meeting (including separate aggregates for each class of shares), the summary of the proposals relating to the matters on the agenda, the reports of the Supervisory Board and the proposals for resolutions relating thereto, and the forms to be used for voting by proxy (if not sent directly to shareholders) on the Company's official website (www.mbhjelzalogbank.hu) and on the electronic publication forum operated by the Magyar Nemzeti Bank (www.kozzetetelek.mnb.hu), as well as on the official website of the Budapest Stock Exchange (www.bet.hu) - in Hungarian and English at least 21 (twenty-one) days before the General Meeting. Thereafter, written submissions and draft resolutions relating to the items on the agenda of the General Meeting will also be available at the registered office of the Company.

MBH Jelzálogbank Nyilvánosan Működő Részvénytársaság

PROPOSAL
TO ITEM 1 ON THE AGENDA

THE BOARD OF DIRECTORS' REPORT ON THE COMPANY'S BUSINESS OPERATION, ASSET POSITION, BUSINESS POLICY AND MANAGEMENT IN 2023, INCLUDING: THE COMPANY'S SEPARATE MANAGEMENT REPORT FOR 2023 INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") AND ITS SEPARATE IFRS FINANCIAL STATEMENTS; DECISION ON THE ALLOCATION OF THE PROFIT AFTER TAXES; THE AUDITOR'S REPORT ON THE COMPANY'S SEPARATE IFRS FINANCIAL STATEMENTS AND SEPARATE MANAGEMENT REPORT FOR 2023

THE COMPANY'S SEPARATE 2023 FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

Separate statement on the Company's financial position as at 31 December 2023

Data: in HUF million

	Notes	31 December 2023	31 December 2022
Assets			
Cash and cash equivalents	**14**	**19,305**	**342**
Financial assets measured at fair value through profit or loss		**7,875**	**11,854**
Loans and advances to customers mandatorily at fair value through profit or loss	18	6,310	6,593
Derivative financial assets	15	1,565	5,261
Hedging derivative assets	**28**	**640**	**975**
Financial assets measured at fair value through other comprehensive income	**16**	**9,999**	**18,172**
Securities		9,999	18,172
Financial assets measured at amortised cost	**17**	**867,975**	**781,737**
Loans and advances to banks	17	523,272	437,013
Loans and advances to customers	17	20,540	24,733
Securities	17	323,975	319,726
Other financial assets	17	188	265
Property, plant and equipment	**20,21**	**143**	**63**
Intangible assets	**19**	**247**	**239**
Income tax assets		**337**	**468**
Deferred income tax assets	12	337	468
Other assets	**22**	**66**	**98**
Total assets		**906,587**	**813,948**

	Notes	31 December 2023	31 December 2022
Liabilities			
Financial liabilities measured at fair value through profit or loss	**15**	**1,372**	**5,146**
Derivative financial liabilities		1,372	5,146
Financial liabilities measured at amortised cost	**23**	**820,600**	**734,183**
Amounts due to other banks		445,316	377,771
Issued debt securities		374,647	355,799
Other financial liabilities		637	613
Hedging derivative liabilities	**28**	**5,214**	**2,639**
Provisions	**24**	**16**	**17**
Income tax liabilities	**12**	**264**	**105**
Current income tax liabilities		264	105
Other liabilities	**25**	**916**	**821**
Total liabilities		**828,382**	**742,911**
Equity			
Share capital	26	10,849	10,849
Treasury shares		(207)	(207)
Share premium		27,926	27,926
Retained earnings		30,126	28,981
Other reserves	26	2,286	1,620
Profit for the year		6,663	1,811
Accumulated other comprehensive income		562	57
Total equity		**78,205**	**71,037**
Total liabilities and equity		**906,587**	**813,948**

Separate Profit and Loss Statement and Separate other comprehensive profit/loss in the financial year ending on 31 December 2023

Data: in HUF million

	Notes	1 January 2023 - 31 December 2023	1 January 2022 - 31 December 2022
Interest and similar to interest income	**4**	**61,348**	**32,640**
Interest income using effective interest rate method		51,645	28,248
Other interest income		9,703	4,392
Interest and similar to interest expense	**4**	**(52,825)**	**(26,085)**
Interest expense using effective interest rate method		(43,369)	(21,102)
Other interest expenses		(9,456)	(4,983)
Net interest income		**8,523**	**6,555**
Income from commission and fees	5	219	557
Expense from commission and fees	5	(366)	(548)
Net income from commissions and fees		**(147)**	**9**
Results from financial instruments measured at fair value through profit or loss, net	8	2,193	(886)
Gains on financial assets and liabilities designated at fair value through profit or loss		-	50
Results from financial instruments measured at fair value through other comprehensive income, net	7	399	(273)
Results from financial instruments measured at amortized cost, net	7	(162)	361
Results from hedge accounting, net	32	(1,254)	(8)
Exchange differences result, net	6	(210)	449
Results from financial instruments, net		**966**	**(307)**
Impairment / (Reversal) on financial instruments held for credit risk management	29	1,345	(557)
Provision (loss) / gain	25	1	2
Modification (loss) / gain on financial instruments	29	(469)	(622)
(Impairment) / Reversal on other financial instruments		-	1
Impairment / (Reversal) on financial and non-financial instruments		**877**	**(1,176)**
Operating expense	10,11	(2,734)	(2,808)
Other income	9	36	75
Other expense	9	(136)	(190)
Profit before taxation		**7,385**	**2,158**
Income tax income / (expense)	12	(722)	(347)
PROFIT FOR THE YEAR		**6,663**	**1,811**

Profit for the year		**6,663**	**1,811**
Other comprehensive income	**13**	**505**	**290**
Items that will not be reclassified to profit or loss		**-**	**-**
Income tax relating to items that will not be reclassified		**-**	**-**
Items that may be reclassified to profit/loss		**505**	**290**
Hedging instruments (unmarked items)		-	-
Debt instruments at fair value through other comprehensive income		495	290
Income tax relating to items that may be reclassified to profit or (-) loss		10	-
Total comprehensive income for the year		**7,168**	**2,101**

Separate Statement of Changes in the Shareholders' Equity in the financial year ending on 31 December 2023

Data: in HUF million

	Notes	Share capital	Share premium	Accumulated other comprehensive income	Retained earnings	Other reserves	(-) Treasury shares	Total equity
At 1 January 2022 - Opening		**10,849**	**27,926**	**(233)**	**29,162**	**1,439**	**(207)**	**68,936**
Profit for the year		-	-	-	1,811	-	-	1,811
Other comprehensive income for the year		-	-	290	-	-	-	290
General reserve		-	-	-	(181)	181	-	-
At 31 December 2022 - Closing		**10,849**	**27,926**	**57**	**30,792**	**1,620**	**(207)**	**71,037**
At 1 January 2023 - Opening		**10,849**	**27,926**	**57**	**30,792**	**1,620**	**(207)**	**71,037**
Profit for the year		-	-	-	6,663	-	-	6,663
Other comprehensive income for the year		-	-	505	-	-	-	505
General reserve		-	-	-	(666)	666	-	-
At 31 December 2023 - Closing		**10,849**	**27,926**	**562**	**36,789**	**2,286**	**(207)**	**78,205**

Separate Cash-flow Statement for the financial year ending on 31 December 2023

Data: in HUF million

	Notes	1 January 2023 - 31 December 2023	1 January 2022 - 31 December 2022
Cash flow from operating activities			
Profit for the year		**6,663**	**1,811**
Non-cash adjustments to net profit from			
Depreciation and amortization		88	67
Impairment/provision/ (-) Release of impairment/provision for losses		(603)	522
Provision/ (-) Release of other impairment/ provision		(1)	(11)
(Gain)/Loss on tangible assets derecognized		(9)	5
Interest expense on the lease liability		10	-
Fair value adjustments of derivatives held for trading and derivatives from hedge accounting		124	1,354
Operating profit before change in operating assets		**6,272**	**3,748**
Decrease/ (-) Increase in operating assets			
Derivatives held for trading and derivatives from hedge accounting		1 665	-
Non-trading financial assets mandatorily at fair value through profit or loss		1,326	2,327
Financial assets at fair value through other comprehensive income		8,677	8,360
Financial assets at amortised cost		(85,645)	(157,082)
Other assets		163	357
Increase/ (-) Decrease in operating liabilities			
Financial liabilities at amortised cost		71	(50)
Other liabilities		255	(49)
Net cash flow from operating activities		**(67,216)**	**(142,389)**

	Notes	31 December 2023	31 December 2022
Cash flow from investing activities			
Proceeds from sales of tangible		24	46
Purchase of tangible assets		(138)	(55)
Purchase of intangible assets		(53)	(67)
Net cash outflow from investing activities		**(167)**	**(76)**
Cash flow from financing activities			
Repayment of leasing liabilities		(46)	(27)
Repayment/borrowing of long-term loans and issued securities		86 392	142,605
Net cash inflow from financing activities		**86,346**	**142,578**
Increase/ (-) Decrease in cash and cash equivalents		18,963	113
Opening balance of cash and cash equivalents		342	229
Closing balance of cash and cash equivalents		**19,305**	**342**
Breakdown of cash and cash equivalents			
Balances with the National Bank of Hungary		19,145	14
Due from banks with a maturity of less than 90 days		160	328
Closing balance of cash and cash equivalents		**19,305**	**342**

DECISION ON THE ALLOCATION OF THE PROFIT AFTER TAXATION

Proposal of the Board of Directors for the appropriation of the profit for 2023:

	million HUF
1. Profit before taxation	7,385
2. Income tax liabilities	722
3. Profit for the year (1.-2.)	6,663
Retained earnings gain after the profit for the year	6,663

Establishment of the dividend:

The amount of dividend proposed to be paid from the uncommitted profit reserve increased with the 2023 profit is zero forint, in other words, no dividend shall be paid.

Proposal for the General Meeting

The Board of Directors proposes that the whole amount of the distributable profit for the year be added to the profit reserve from which the statutory general reserve is generated.

Generation of the general reserve:

Pursuant to the provisions of the Hpt. the **Profit Reserve** is reduced by an amount equalling 10% of the profit after taxes, i.e. **HUF 666.3 million** which amount is transferred to **Other Reserve**.

	million HUF
1. Generation of the general reserve	666,3
Retained earnings loss/Other reserves gain after generation of the general reserve	666,3

PROPOSED RESOLUTION:

I.

a) The General Meeting accepts the Company's Separate Management Report (The Board of Directors' report on the Company's 2023 business operation) prepared for year 2023 in accordance with the International Accounting Standards ("IFRS") adopted by the European Union .

b) The General Meeting accepts the Company's Separate Financial Reports (Separate Comprehensive Profit and Loss Statement, Separate Other Comprehensive Profit and Loss Statement, Separate Statement on the Financial position, Separate Cash-Flow Statement, Separate Statement of Changes in the Shareholders' Equity, Notes) prepared for year 2023 in accordance with the International Accounting Standards ("IFRS") adopted by the European Union.

The General Meeting establishes the Separate Financial Statements of MBH Jelzálogbank Nyrt. for 2023 prepared in accordance with the International Financial Reporting Standards with the following main figures:

Balance sheet total: HUF 906,587 million
Profit (after taxation) for the year: HUF 6,663 million
Total comprehensive income for the year: HUF 7,168 million

II.

The General Meeting makes the following decision regarding the allocation of the profit for the year:

- **for Series "A" shares the Company pays no dividend for year 2023.**
- **the Company transfers its profit for 2023 to the profit reserve from which it generates the statutory general reserve in an amount of HUF 666.3 million.**

MORTGAGE BANK

Annual report

for the year ending **31.12.2023.**

Budapest, 28 March 2024

31 December 2023

Table of contents

MBH Mortgage Bank Public Limited Company
Stand-alone Financial Statements in accordance with the International Financial Reporting Standards adopted by the European Union

For the year ended 31 December 2023

Stand-alone Financial Statements in accordance with the International Financial Reporting Standards adopted by the European Union – 31 December 2023

Table of Contents **Pages**

GENERAL INFORMATION

Chairman of the Board of Directors
József Vida

Chairman of the Supervisory Board
Dr. Géza Károly Láng

Members of the Board of Directors
Dr. Gyula László Nagy
Illés Tóth
Ildikó Ginzer
Dr. Ilona Török
Szabolcs Károly Brezina
Gábor Kalenyák (Resigned as of 31 December 2023)

Responsible person for the control and management of accounting services:
Ildikó Brigitta Tóthné Fodor, registration number 007048

Auditor company
PricewaterhouseCoopers Auditing Ltd.

Statutory registered auditor
Árpád Balázs Mészáros

MBH Mortgage Bank Co. Plc. (formerly Takarek Mortgage Bank Plc. hereinafter: Bank, Mortgage Bank) is involved in the consolidation by its parent company, MBH Bank Plc. (superior parent company), and prepares this consolidated report for companies included in the scope of accounting consolidation.

The annual report, which is prepared by the Bank every year, does not contain the Business Report, while it is available for inspection on the Bank's website and at the registered office.

Headquarter of the Bank, central office
Budapest
Magyar Tudósok körútja 9. G. ép.
1117

Stand-alone Statement of Profit or Loss and Stand-alone Statement of Other Comprehensive Income **for the year ended 31 December 2023**

	Notes	1 January 2023 - 31 December 2023	1 January 2022 - 31 December 2022
Interest and similar to interest income	**4**	**61,348**	**32,640**
Interest income using effective interest rate method		51,645	28,248
Other interest income		9,703	4,392
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PROFIT FOR THE YEAR		**6,663**	**1,811**

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Stand-alone Statement of Other Comprehensive Income for the year ended 31 December 2023	Notes	1 January 2023 - 31 December 2023	1 January 2022 - 31 December 2022
Profit for the year		**6,663**	**1,811**
Other comprehensive income	**13**	**505**	**290**
Items that will not be reclassified to profit or loss		**-**	**-**
Income tax relating to items that will not be reclassified		**-**	**-**
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Hedging instruments (unmarked items)		-	-
Debt instruments at fair value through other comprehensive income		495	290
Income tax relating to items that may be reclassified to profit or (-) loss		10	-
Total comprehensive income for the year		**7,168**	**2,101**
Earnings per share (HUF 100 face value)			
Basic earnings per share (HUF)	26	55.41	15.06
Weighted average number of shares (piece)		108,236,699	108,236,699

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Stand-alone Statement of Financial Position as at 31 December 2023

	Notes	31 December 2023	31 December 2022
Assets			
Cash and cash equivalents	**14**	**19,305**	**342**
Financial assets measured at fair value through profit or loss		**7,875**	**11,854**
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Total assets		**906,587**	**813,948**

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Total liabilities		**828,382**	**742,911**
Equity			
Share capital	26	10,849	10,849
Treasury shares		(207)	(207)
Share premium		27,926	27,926
Retained earnings		30,126	28,981
Other reserves	26	2,286	1,620
Profit for the year		6,663	1,811
Accumulated other comprehensive income		562	57
Total equity		**78,205**	**71,037**
Total liabilities and equity		**906,587**	**813,948**

Budapest, 28. March 2024

dr. Gyula László Nagy
CEO

Illés Tóth
Deputy CEO

All figures in tables are in HUF million except otherwise noted

Stand-alone Statement of Cash Flows for the year ended 31 December 2023

	Notes	1 January 2023 - 31 December 2023	1 January 2022 - 31 December 2022
Cash flow from operating activities			
Profit for the year		**6,663**	**1,811**
Non-cash adjustments to net profit from			
Depreciation and amortization		88	67
Impairment/provision/ (-) Release of impairment/provision for losses		(603)	522
Provision/ (-) Release of other impairment/ provision		(1)	(11)
(Gain)/Loss on tangible assets derecognized		(9)	5
Interest expense on the lease liability		10	-
Fair value adjustments of derivatives held for trading and derivatives from hedge accounting		124	1,354
Operating profit before change in operating assets		**6,272**	**3,748**
Decrease/ (-) Increase in operating assets			
Derivatives held for trading and derivatives from hedge accounting		1 665	-
Non-trading financial assets mandatorily at fair value through profit or loss		1,326	2,327
Financial assets at fair value through other comprehensive income		8,677	8,360
Financial assets at amortised cost		(85,645)	(157,082)
Other assets		163	357
Increase/ (-) Decrease in operating liabilities			
Financial liabilities at amortised cost		71	(50)
Other liabilities		255	(49)
Net cash flow from operating activities		**(67,216)**	**(142,389)**

All figures in tables are in HUF million except otherwise noted
The Notes comprising a summary of significant accounting policies and other explanatory information form an integral part of the Stand-alone Financial Statements

Stand-alone Statement of Cash Flows for the year ended 31 December 2022 (continued)

	Notes	31 December 2023	31 December 2022
Cash flow from investing activities			
Proceeds from sales of tangible		24	46
Purchase of tangible assets		(138)	(55)
Purchase of intangible assets		(53)	(67)
Net cash outflow from investing activities		**(167)**	**(76)**
Cash flow from financing activities			
Repayment of leasing liabilities		(46)	(27)
Repayment/borrowing of long-term loans and issued securities		86 392	142,605
Net cash inflow from financing activities		**86,346**	**142,578**
Increase/ (-) Decrease in cash and cash equivalents		18,963	113
Opening balance of cash and cash equivalents		342	229
Closing balance of cash and cash equivalents		**19,305**	**342**
Breakdown of cash and cash equivalents			
Balances with the National Bank of Hungary		19,145	14
Due from banks with a maturity of less than 90 days		160	328
Closing balance of cash and cash equi valents		**19,305**	**342**

All figures in tables are in HUF million except otherwise noted

Stand-alone Statement of Changes in Equity for the year ended 31 December 2023

	Notes	Share capital	Share premium	Accumulated other comprehensive income	Retained earnings	Other reserves	(-) Treasury shares	Total equity
At 1 January 2022 - Opening		**10,849**	**27,926**	**(233)**	**29,162**	**1,439**	**(207)**	**68,936**
Profit for the year		-	-	-	1,811	-	-	1,811
Other comprehensive income for the year		-	-	290	-	-	-	290
General reserve		-	-	-	(181)	181	-	-
At 31 December 2022 - Closing		**10,849**	**27,926**	**57**	**30,792**	**1,620**	**(207)**	**71,037**
At 1 January 2023 - Opening		**10,849**	**27,926**	**57**	**30,792**	**1,620**	**(207)**	**71,037**
Profit for the year		-	-	-	6,663	-	-	6,663
Other comprehensive income for the year		-	-	505	-	-	-	505
General reserve		-	-	-	(666)	666	-	-
At 31 December 2023 - Closing		**10,849**	**27,926**	**562**	**36,789**	**2,286**	**(207)**	**78,205**

All figures in tables are in HUF million except otherwise noted

Notes to the Stand-alone Financial Statements

1. DESCRIPTION OF THE BANK

The stand-alone financial statements for the year ended 31 December 2023 were approved by the resolution of the Board of Directors as of 28 March 2024. The final approval on the stand-alone financial statements is provided by the General Meeting.

Name:	MBH Mortgage Bank Co. Plc.
Seat:	1117 Budapest, Magyar Tudósok körútja 9. G. ép.
Website address:	https:// www.mbhmortgagebank.hu
Mailing address:	1908 Budapest
Phone number:	+36-1-4529-100Registration number: 01-10-043638
Tax number:	12321942-4-44
KSH statistical number sign:	12321942-6492-114-01
Year of foundation:	1997

Chairman of the Supervisory Board:	Dr. Géza Károly Láng
Chairman of the Board:	József Vida

MBH Mortgage Bank Public Limited Company (hereinafter MBH Mortgage Bank Co. Plc., Mortgage Bank, Bank, Company) was established on October 21, 1997 under the name of FHB Land Credit and Mortgage Bank Company and later under the name of Takarék Mortgage Bank Co. Plc.
The Bank's operations are provided by the Act XXX of 1997 on Mortgage Loan Companies and Mortgage Bonds as well as Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises (Credit Institution Act).
The license of operation, issued by the Hungarian Financial Supervisory Authority, specifies the Bank's activities and their conditions.
The Bank's core business as a specialized credit institution includes primarily the refinancing of long-term mortgage loans secured by mortgaged properties, and the issuance of long-term mortgage covered bonds (mortgage bonds).
On September 23, 2015 the Bank joined the Integration of Cooperative Credit Institution. Consequently, the H-N-I-654/2015. resolution of the Hungarian National Bank declared that members of the former Bank Group are under the combined supervision of the MTB Bank of Hungarian Savings Cooperatives Co. Ltd. Group from 1st of January 2017 onwards.
From 24 September 2015 the principle of joint and several responsibilities-defined in Section 4 of Article 1 of Szhitv-covered both Takarék Mortgage Bank and Takarék Commercial Bank (hereinafter Commercial Bank), according to the decision of the Board of Directors of MTB Ltd., thus Takarék Mortgage Bank and Commercial Bank have become members of the Guaranty Community of Savings Cooperatives.

In December 2017 the Bank sold the majority of their direct and indirect investments, while Takarék Commercial Bank Ltd. remained in its portfolio until 29 October 2019. As a result of a transaction dated on the same day Takarék Mortgage Bank sold its 51% share in Takarék Commercial Bank to the MTB Ltd., since 1 May 2023 MBH Investment Bank Ltd.
The Commercial Bank, as the agent of Takarék Mortgage Bank Co. Plc., was fully responsible for direct lending, loan monitoring and qualified loan management until 31 October 2019, when it merged into Takarékbank Ltd. However, Takarék Commercial Bank, have had a part of its loan portfolio refinanced by Takarék Mortgage Bank Co. Plc in order to obtain favourable funding cost. Following the merger of the Commercial Bank, Takarékbank Ltd. carried out the credit management and qualified loan management activities in respect of the Mortgage

All figures in tables are in HUF million except otherwise noted

Notes to the Stand-alone Financial Statements

Bank's own originated loan portfolio until its merger with MKB Bank Plc. on 30 April 2023. Mortgage Bank starting from April 2018 has stopped its own lending activity.

In accordance with the resolution of the Magyar Nemzeti Bank (central bank of Hungary, MNB) and after the decision of the General Meeting, Budapest Bank and Hungarian Takarék Bank-holding (MTBH) merged into MKB Bank on 1 April 2022. At that time, MTB Bank of Hungarian Savings Cooperatives had a direct ownership of 88.13% in Takarék Mortgage Bank Co. Plc. and also directly owned 88.33% of the voting rights. Since MTBH's 88.13% ownership stake and 88.33% of the voting rights in Takarék Mortgage Bank Co. Plc. were exercised through MTB Bank of Hungarian Savings Cooperatives, as a result of MTBH's the merger MKB Bank (as the legal successor of MTBH) became the indirect owner of Takarék Mortgage Bank Co. Plc. with a stake of 88.13%, and also acquired indirectly the 88.33% of the voting rights in the company.

The extraordinary general meeting of Takarék Mortgage Bank held on 12 July 2022 converted 14,163,430 pcs from series "B" preference shares (dividend preference shares) with a nominal value of HUF 100 per share, with a total nominal value of HUF 1,416,343,000 into 14,163,430 pcs of series "A" ordinary shares with a nominal value of HUF 100 per share and a total nominal value of HUF 1,416,343,000. At the same time 2,832,686 pcs of series "C" ordinary shares with a nominal value of HUF 1,000 per share and a total nominal value of HUF 2,832,686,000 were also converted into 28,326,860 series "A" ordinary shares with a nominal value of HUF 100 per share and a total nominal value of HUF 2,832,686,000. The converted shares were registered on the Budapest Stock Exchange (BÉT) as of 7 October 2022.

On 18 October 2022, as a result of the sale and purchase of shares, MKB Bank Plc. acquired 43,076,417 pcs of series "A" dematerialized ordinary shares with a nominal value of HUF 100 per share owned by MTB Ltd. in Takarék Mortgage Bank. With this transaction, MKB Bank acquired 39.8 % direct qualifying stake (voting rights) in Takarék Mortgage Bank. Hence, MTB Ltd.'s ownership decreased to 48.42%. Magyar Posta Ltd. acquired MKB Bank Plc.'s full stake in Takarék Mortgage Bank on 2 December 2022. As a result of this transaction based on exchange of shares, Magyar Posta Ltd. acquired a 39.71 % direct qualifying stake (voting rights) in Takarék Mortgage Bank.

On 9 December 2022, the supreme bodies of MKB Bank and Takarékbank Zrt. adopted the proposals for the merger of the two member banks as part of the implementation of the second step of the merger schedule of Magyar Bankholding. According to the decisions of the General Meetings, the two member banks of the banking group, MKB Bank Nyrt. and Takarékbank Zrt., merged on 30 April 2023 and then continue their operations under the name MBH Bank Nyrt, with a single brand name and image. In February 2023, the MNB approved the merger of Takarékbank Zrt. into MKB Bank Nyrt. with effect from 30 April 2023, and the merger was registered by the Court of Registration.

On 10 March 2023, the Extraordinary General Meeting of the Bank decided in its Resolution 1/2023 (10.03.2023) to change the name of the Mortgage Bank with effect from 1 May 2023: it will continue to operate under the name MBH Mortgage Bank Co. Plc.

Despite the still complex geopolitical and macroeconomic environment, MBH Mortgage Bank has maintained its status as an active issuer of mortgage bonds in 2023. Adapting to the fluctuating investor sentiment, the Mortgage Bank has sought to adjust the parameters of its mortgage bonds to investor demand, both in terms of maturity, interest rate and nature (green/non-green instrument). Another important pillar of the issuance strategy during the

period was to use the MNB's still operating Mortgage Bond Renewal Facility to roll over the volume of maturing mortgage bonds in an efficient and safe manner. The successful re-purchase auction of mortgage bonds in March, aimed at reducing maturity concentration, was also organised for this purpose.
In 2023, the Mortgage Bank issued mortgage bonds with a total nominal value of HUF 74.8 billion (eight public auctions). As a result of these successful transactions, MBH Mortgage Bank remains the most active issuer of mortgage bonds in the domestic capital market.

The Bank's mortgage bonds have been rated by S&P Global Rating (Madrid) since 28 March 2019. MBH Mortgage Bank Plc's mortgage bond issuance programme and the BBB rating of its series of mortgage bonds issued in HUF and foreign currencies was confirmed by S&P on 25 April 2023 - a rating one category higher than the rating of domestic sovereign debt - and was accompanied by a positive outlook of stable, which has not changed since then.

In 2023, MBH Mortgage Bank successfully continued its green mortgage bond fundraising activities. In 2023, integration of sustainability factors into corporate governance played a key role in MBH Mortgage Bank's ESG efforts, enhancing its stand-alone ESG reporting (based on) GRI (Global Reporting Initiative). The ESG report for 2022 was published in August 2023.

2. BASIS OF PREPARATION

2.1. Statement of Compliance

The stand-alone financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and in all material respects in accordance with the provisions of the Hungarian Act C of 2000 on Accounting (the „Accounting Act") relevant to the entities preparing financial statements in accordance with IFRS adopted by the EU.

2.2. Functional and presentation currency

The stand-alone financial statements are presented in Hungarian forint (HUF) that is the functional and presentation currency used by Bank. The figures are rounded to the nearest million, except if indicated otherwise.

2.3. Basis of measurement

The stand-alone financial statements have been prepared on a historical cost bases, except for financial assets and liabilities measured at fair value through profit or loss , financial assets at fair value through other comprehensive income (FVOCI) and financial liabilities designated at fair value through profit or loss, that are recorded at fair value in the financial statements.

2.4 Change in accounting policies

2.4.1 Initial application of new amendments to the existing standards effective for the current reporting period

The following new standards and amendments to the existing standards issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current reporting period:

- **IFRS 17 “Insurance Contracts”** - (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2023).

- **Amendments to IFRS 17 and an amendment to IFRS 4** (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023).

- **Amendments to IFRS 17 “Insurance contracts”** Transition option to insurers applying IFRS 17 – Comparative Information (issued on 9 December 2021 and effective for annual periods beginning on or after 1 January 2023).

- **Amendments to IAS 1 “Presentation of Financial Statements” and IFRS Practice Statement 2** - Disclosure of Accounting policies (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023). IAS 1 was amended to require companies to disclose their material accounting policy information rather than their significant accounting policies.

- **Amendments to IAS 8 “Accounting policies, Changes in Accounting Estimates and Errors”** – Definition of Accounting Estimates (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023).The amendment to IAS 8 clarified how companies should distinguish changes in accounting policies from changes in accounting estimates.
- **Amendments to IAS 12 “Income Taxes”** – Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023). The amendments specify how to account for deferred tax on transactions such as leases and decommissioning obligations.

- **Amendments to IAS 12 “Income Taxes”** – International Tax Reform – Pillar Two Model Rules (issued on 23 May 2023 and effective for annual periods beginning on or after 1 January 2023).

The adoption of these amendments to the existing standards has not led to any material changes in the Bank’s financial statements.

2.4.2 Standards and amendments to the existing standards issued by IASB and adopted by the EU but not yet effective

- **Amendments to IFRS 16 Leases**: Lease Liability in a Sale and Leaseback (issued on 22 September 2022 and effective for annual periods beginning on or after 1 January 2024).

- **Amendments to IAS 1 “Presentation of Financial Statements”** - Classification of Liabilities as Current or Non-Current (originally issued on 23 January 2020 and subsequently amended on 15 July 2020 and 31 October 2022, ultimately effective for annual periods beginning on or after 1 January 2024).

2.4.3 New standards and amendments to the existing standards issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for IAS 39 Financial Instruments: Recognition and Measurement (as adopted by the EU with carve-out) and the following new standards, amendments to the existing standards and new interpretation, which were not endorsed for use in EU as at the date of publication of financial statements:

- **Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures:** Supplier Finance Arrangements (issued on 25 May 2023 and effective for annual periods beginning on or after 1 January 2024).

- **Amendments to IAS 21 Lack of Exchangeability** (issued on 15 August 2023 and effective for annual periods beginning on or after 1 January 2024).

2.4.4 New standards and amendments to the existing standards issued by IASB but rejected or deferred by the EU

- **IFRS 14 "Regulatory Deferral Accounts"** (issued on 30 January 2014 and effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard.

- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB). The effective date is deffered indefinitely.

The Bank anticipates that the adoption of these new standards and amendments to the existing standards will have no material impact on the financial statements of the Bank in the period of initial application.

3. SIGNIFICANT ACCOUNTING POLICIES

Accounting policies are the specific principles, bases, conventions, rules and practices that the Bank applies in preparing and presenting financial statements. The accounting policies described below have been applied consistently for all periods presented in these financial statements.

3.1. Cash and cash equivalents

Cash and cash equivalents include liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Bank in the management of its short-term commitments.

3.2. Initial recognition and measurement of Financial Instruments

Financial assets are recognized by the Bank on settlement date. All financial instruments measured at fair value at initial recognition. If accounts payables do not contain significant financing component, they are recognized at transaction price by the Bank. The Group's financial assets are measured at amortised cost if it is consistent with the business model and meet the criteria of the SPPI test. Interest income and interest expense should be determined using the effective interest rate method and then recognized in the Profit or Loss statement.

A simplified approach for financial contractual instruments and lease receivables

In the event that it is not possible to estimate reliably the cash flows or life expectancy of a financial instrument (or group of financial instruments), the Bank uses the contractual cash flows over the entire contractual term of the financial instrument (or group of financial instruments). For financial instruments where, due to product characteristics, future cash flows cannot be estimated reliably and contractual cash flows are not available, it is not possible to determine the effective interest rate on the instrument. Interest, fees, commissions and other items relating to such transactions are recognised against profit or loss in a simplified method as they arise (i.e. effective interest is equal to nominal interest in terms of rate).

3.3. Classification and subsequent measurement of Financial Instruments

Based on the principles of IFRS 9 standard the Bank applies the following three main categories to classify and measure the financial assets: amortised cost (AC), fair value through other comprehensive income (FVTOCI) and fair value through Profit and Loss (FVTPL).

The Bank uses in accordance with IFRS 9 standard the following business models to manage its financial instruments.

- Held to Collect (HTC): an instrument is held for the collection of contractual cash flows. The intention is to hold to maturity, however sale is permitted especially in case of increase in credit risk, not significant sales (even if frequent), infrequent sales (even if significant) – regardless of the reason behind the sales. Sales could be also consistent with the business model if the credit concentration risks change or if close to maturity.
- Both Held to Collect and For Sale (HTCS): an instrument that is held for the collection of contractual cash flows and for the sale of financial assets at the same time. Compared to the HTC sales occur more frequently and are higher in value.
- Other trading business model (TRADING): mainly trading financial instruments that are purchased for short-term gain.

The listing in the business model reflects the expectations of the Bank, not just the intent, but also the ability. The classification is not based on scenarios that are not reasonably expected ('worst case' or 'stress case' scenario). If the Group sells a particular portfolio or financial asset in a 'stress case' scenario, it does not affect the evaluation of the business model. Classification not only depends on the business model but also on the cash flow related characteristics associated with the financial instrument.

By Cash Flow Test the Bank examines whether the contractual cash flows are solely payments of principal and interest on the principal amount outstanding.

Contractual cash flows that are solely payments of principal and interest on the principal amount outstanding are consistent with a basic lending arrangement. However, contractual terms that introduce exposure to risks or volatility in the contractual cash flows that is unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. An originated or a purchased financial asset can be a basic lending arrangement irrespective of whether it is a loan in its legal form.

The Bank is able to make an irrevocably election to measure the investments in equity instruments, which are not held for trading at "fair value through other comprehensive income" category at initial recognition, in other case these financial assets should be measured at fair value through profit or loss.

All other financial assets are classified by the Bank as the fair value through profit or loss category.

3.4. Classification and subsequent measurement of financial liabilities

The Bank classifies its financial liabilities into the following categories:

- Mandatory FVTPL measurement (FVTPL category) measurement if liabilities are held for trading,
- Amortised cost – other financial liabilities.

3.5. Determination and recognition of the Expected Credit Loss

During classification of the Bank's financial instruments the primary collateral is determined as the ability and intention of the client to pay. Except for those transactions that are covered by collateral which is independent of the financial and legal position of the client accordingly the return can be unequivocally ensured.

The Bank assigns exposures at each reporting period – in this case monthly – during which the exposures are allocated to the segments and to the so-called 'stages' (stage 1, stage 2, stage 3 and / or POCI) in accordance with the principles of IFRS 9 standard. The Bank assesses at each reporting date whether the credit risk of the financial asset has increased significantly since the initial recognition.

The Bank determines the significant increase in credit risk based on the examination of the following four conditions:

- changes in the clients' rating after the issuance,
- PD change in the master scale compared to the initial value,
- default in payment,
- the amount of the client's exposure classified as Stage 2 exceeds a certain proportion of its gross exposure.

The existence of any of these conditions is assessed by the Bank as a significant increase in the credit risk. In case there is no evidence of significant increase of credit risk the financial instrument has to be transferred from Stage 2 to Stage 1.

Notes to the Stand-alone Financial Statements

Financial assets whose default risk has increased to such an extent after initial recognition that there is objective evidence of impairment have to be assigned to Stage 3 and a loan loss allowance has to be recognised by calculating the Lifetime Expected Credit Loss (ECL). Bank defines materiality threshold, exposure that are below that threshold should be considered as a small amount (below the limit). The impairment of those assets which are above the threshold should be estimated individually.

In order to determine the impairment and allowance for classes of clients, the expected credit loss (ECL) should be calculated according to the relevant principles of IFRS 9 impairment model for classes of clients calculated on monthly basis, automatically.

Factors taken into account when determining expected credit loss:

- remaining lifetime in years,
- exposure at default (EaD),
- loss given default (LGD),
- probability of default (PD),
- credit conversion-factor (CCF),
- discount rate calculated on the remaining lifetime.

The amount of impairment and allowance equals to amount of expected credit loss. In Stage 1 the impairment is equal to the 12-Month expected credit loss. In Stage 2 and Stage 3 the impairment is equal to the lifetime expected credit loss.
The applied risk parameters are determined on the basis of statistical models for homogeneous groups and transaction groups. The models are validated at least once a year, and if necessary they will be revised.

The Bank calculates lifetime ECL, except for the following financial instruments for which the loss is calculated for 12 months:

- debt securities (mainly government bonds) with low credit risk at the reporting date,
- financial instruments except for lease receivables and trade receivables, which credit risk do not significantly increased compared to initial recognition.

For trade and lease receivables the Bank always calculates lifetime expected credit loss.

Expected credit losses are probability-weighted estimates of credit losses during the life expectancy of a financial asset. These are assessed by the Bank as follows:

- financial assets not impaired at the reporting date: discounted loss on cash flow (difference between the contractual cash flows and the expected cash flows),
- financial assets impaired at the reporting date: difference between the gross carrying amount and the estimated present value of the expected outstanding amount,
- undrawn loan commitments: present value of the difference between the contractual cash flows that are due to the entity if the holder of the loan commitment draws down the loan and the cash flows that the entity expects to receive if the loan is drawn down,
- financial guarantee contracts: expected payments to the holder, reduced by the amounts that are expected to be recovered.

The Bank recognises loss for the expected credit loss on the following financial instruments not measured at fair value through Profit or Loss:

- debt instruments,
- lease receivables,

- accounts receivables,
- financial guarantees, and
- loan commitments.

The expected credit loss should be recognised by the Bank as the following:
- deducted amount from the gross carrying value (impairment) – in case of financial assets measured at amortised cost,
- provision – in case of financial guarantees and loan commitments, if the financial instrument includes both a loan and an undrawn components and the Bank is unable to distinguish the expected credit loss calculated for the loan and for the undrawn components, the Bank will therefore determine the impairment loss on the two components together. To the extent that the combined expected credit losses exceed the gross carrying amount of the financial asset, the expected credit losses should be recognised as a provision,
- in case of financial assets measured at fair value through other comprehensive income (OCI), the impairment loss is not recognized in the financial statement as part of the assets' fair value. The recognised impairment modifies the cumulative other comprehensive income and the statement of profit or loss.

For purchased or originated credit-impaired financial assets at the reporting date the Bank recognises the accumulated changes in the lifetime expected credit loss since the initial recognition.

The Bank assesses provision for loan commitments (i.e. contracted but undrawn loan commitments, issued financial guarantees, letter of credits) as follows:
- in the case of clients / debtors subject to individual valuation, the Bank determines the amount of provision individually,
- in other case the Bank calculates provision based on the EAD corrected by CCF.

For transactions accounted as commitments showing loss on the reporting date, the calculated provision is based on the negative difference between the expected drawn amount and the gross carrying amount.
Impairment and provision are based on the amount of loss calculated as above.

3.6. Determination of fair value

All financial instruments are recognised initially at fair value. In the normal course of business, the fair value of a financial instrument on initial recognition is the transaction price (that is, the fair value of the consideration given or received). In certain circumstances, however, the initial fair value will be based on other observable current market transactions in the same instrument, or on a valuation technique whose variables include only data from observable markets, such as interest rate yield curves, option volatilities and currency rates. When such evidence exists, the Bank recognises a trading gain or loss on inception of the financial instrument. When unavailable market data have a significant impact on the valuation of financial instruments, the entire initial difference in fair value indicated by the valuation model from the transaction price is not recognised immediately in the statement of profit or loss and other comprehensive income but is recognised over the life of the transaction on an appropriate basis, or when the inputs become observable, or the transaction matures or is closed out, or when the Bank enters into an offsetting transaction.

Subsequent to initial recognition, the fair values of financial instruments measured at fair value that are quoted in active markets are based on bid prices for assets held and offer prices for liabilities issued. When independent prices are not available, fair values are determined by using valuation techniques which refer to observable market data. These include comparison with similar instruments where market observable prices exist, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants. Valuation techniques can be used for measuring the fair values of financial instruments inculding assumptions that are not supported by active marker prices or observable market figures.

3.7. Refinanced mortgage loans

The Bank has a substantial refinanced mortgage loans portfolio. As part of the refinancing arrangements, the partner credit institutions sell independent mortgage rights to the Bank to cover the retail mortgage loans it provides, or – in case of applying a separate mortgage right – in addition by the transfer of the mortgage rights, uses a refinancing mortgage loan from the Bank.

The repurchase of the stand-alone mortgage and the repayment of the refinancing mortgage loan are carried out by the partner credit institution during the period of the refinanced loan transactions in such a way that the repurchase or repayment is adjusted to the partner bank's client's principal repayment schedule.

The refinanced loans of the partner banks meet the requirements regulated by law (therefore these loans are problem-free), the rating and impairment recognition obligation, as well as the receivable from the customer is recognised the given commercial bank. Refinanced mortgages are classified as performing because by purchasing a stand-alone line or a separate line, the Bank lends a long-term loan to the partner commercial bank and the customer risk is recognised entirely at the partner bank, the Bank is only exposed to the partner bank's credit risk. The Bank presents refinanced mortgage loans at amortized cost less impairment (if there is any).

3.8. Derecognition of financial assets

The Bank derecognises a financial asset in case of transfer in accordance with the IFRS 9 standard. When the Bank transfers a financial asset, based ont he IFRS 9 it shall evaluate the extent to which it retains the risks and rewards of ownership of the financial asset.

The transfer of risks and rewards is evaluated by comparing the Bank’s exposure, before and after the transfer, with the variability in the amounts and timing of the net cash flows of the transferred asset. The computation and comparison are made using the current market interest rate as discount rate. All reasonably possible variability in net cash flows is considered, with greater weight being given to those outcomes that are more likely to occur.

The Bank has retained substantially all the risks and rewards of ownership of a financial asset if its exposure to the variability in the present value of the future net cash flows from the financial asset does not change significantly as a result of the transfer.

Asset transfers holding all or substantially all of the risks and rewards could be for example repo transactions (for repo transactions, the Bank considers whether the risks and rewards incurred in the transaction are substantially transferred or not).

Derecognition due to significant changes in contractual cash flows of financial instruments

The terms are substantially different if under the new terms the present value discounted at the original effective interest rate of the cash flows – including fees received and paid – is at least 10% different from the discounted present value of the remaining cash flows of the original financial asset. If the exchange of debt instruments or the modification of the terms is treated as derecognition, the Bank will recognize any costs or fees incurred as a gain or loss related to the termination of the asset. If the exchange or modification is not accounted for as derecognition, the costs or fees incurred will modify the carrying amount of the asset and will be amortised over the remaining maturity of the modified loan.

For debt instrument assets not measured at FVPL that are subject to contractual modifications that do not result in derecognition, the gross carrying amount of the asset is adjusted against recognising a modification gain or loss in the statement of profit or loss and other comprehensive income. In the statement of income, the modification gain or loss is presented in the line 'Interest and similar to interest income' under 'Interest income using effective interest rate method' if the modification relates to financial assets in Stage 1. For financial assets in Stage 2 and 3 and POCI financial assets, the modification gain or loss is presented in the line 'Impairment/ Reversal on financial and non-financial instruments'. However, to the extent that the contractual modification involves the bank giving up its rights of collecting cash flows in respect of an outstanding amount of the asset, such as waiving (part of) principal or accrued interest amount, it is treated as a write-off.

The Bank considers it a significant change if the contractual currency is modified, or if the contractual interest rate is changed from variable to fix, or inversely.

When this condition is met management may consider the specific characteristics of the financial instrument and make a formal decision to derecognize and recognize. The fulfilment of the condition does not necessarily result derecognition of the financial instrument.

Write-off of financial assets under legal proceeding

Loans which are under legal proceeding (bankruptcy, liquidation and final proceedings) and in case of enforcement collateral transactions:

- the Bank's contractual right to receive cash flows from the financial asset does not expire,
- the Bank did not transfer the right of collecting cash flows from the financial asset,
- the Bank did not assume any obligation to pay the cash flows from the financial asset,

therefore the Bank does not derecognize such items entirely from its books, but may partially derecognize them.

When the Bank can reasonably not expect to recover part of the financial asset while maintaining the legal claim it is considered as a partial derecognition. In such cases, the Bank directly derecognises the gross carrying amount of the financial asset.
After the legal waiver of the claim, the Bank may write down the total gross carrying amount of the financial asset if it is not able to be recovered and void according to the relevant internal rules (in this case there is no legal claim).

3.9. Derecognition of financial liabilities

The Bank removes a financial liability (or a part of a financial liability) from its statement of financial position when, and only when, it is extinguished – when the obligation specified in the contract is fulfilled or cancelled or expires.

3.10. Financial guarantee contracts

After initial recognition, an issuer of such a contract shall subsequently measure it in accordance with the IFRS 9 standard.

There are no significant non-financial guarantee contracts that should be measure based on IFRS 17 standard.

3.11. Non-trading financial assets mandatorily at fair value through profit or loss

Financial assets that do not meet the criteria for amortised cost or FVTOCI are measured mandatorily at fair value through profit or loss.

The Bank measures mandatorily at fair value through profit or loss those financial assets, which are not held for trading and do not give rise contractual cash flows that are solely payments of principal and interest on the principal amount outstanding.

3.12. Securities measured at FVTOCI

Securities are classified as held to collect and sell if there was a decision made previously about possible disposal in case of the changes in market conditions. By these assets the objective is to achieve both collecting contractual cash flows and selling financial assets. Financial investments are recognised on trade date, when the Bank enters into contractual arrangements with counterparties to purchase securities and are derecognised when either the securities are sold or the borrowers repay their obligations. The liquid securities are initially measured at fair value modified by direct and incremental transaction costs. Securities measured at FVTOCI are subsequently remeasured at fair value, and changes therein are recognised in the Other comprehensive income. Relating to these assets impairment gains / losses, interest income and foreign exchange differences should be accounted in Statement of Profit or Loss. When these securities are sold, cumulative gains or losses are recognised in the Statement of Profit or Loss and Other Comprehensive Income as “Results from financial instruments measured at FVTOCI, net”.

3.13. Derivatives

Derivatives are recognised initially, and are subsequently remeasured, at fair value. Fair values of exchange-traded derivatives are obtained from quoted market prices. Fair values of over-the-counter derivatives are obtained using valuation techniques, including discounted cash flow models and option pricing models.Derivative assets and liabilities arising from different transactions are only offset if the transactions are with the same counterparty, a legal right of offset exists, and the parties intend to settle the cash flows on a net basis. Interest income on derivatives are recognized in Other interest income/expenses. Fair value differences related to derivatives are recognized in Results from financial instruments measured at FVTPL.

3.14. Hedging transactions

The Bank offsets the fluctuating net income effects of the fair value and the cash flow changes of certain financial instruments through hedge transactions and related hedge accounting. Based on the used hedge methodology there are two types of hedge in the Bank: micro hedge. The Bank prepares hedging documentation containing the purpose of the hedge relationship, the ID codes, the terms and conditions of the hedged and hedge transactions, the risk intended to be hedged and the method for measuring hedging efficiency. The Bank assesses hedging efficiency on the day of the creation of the hedge and monthly thereafter, at the end of the month. Assessment methods used: dollar offset and scenario analysis (parallel changing the interest rates of the transactions under the terms and conditions by +/-250 basis points). The Bank considers a hedge relationship effective if there is an economic relationship between the hedged and the hedge items (interest rates move between the hedging transaction and the underlying transaction in the same way in the opposite directions) and the hedge effectiveness is at a pre fixed required level.

In the Statement of Profit or Loss the following lines contain the gains and losses in connection with the hedging instruments (including the ineffective part):

- Other interest income / expense

- Results from hedge accounting

Changes in the fair value of derivatives classified as a hedge, which, according to the definition of the hedging transaction is presented in “Results from hedge accounting”. In the Statement of Financial Position the fair value change of hedging instruments recorded in Hedging Derivative assets/liabilities.

Micro hedge transaction

The Bank makes use of derivative instruments to manage exposures to interest rate, foreign currency and credit risk, including exposures arising from forecast transactions and firm commitments. These transactions fall under IFRS 9. In order to manage particular risks, the Bank applies hedge accounting for transactions which meet specified criteria.
For the calculation of fair value change of the hedged instruments the Bank uses a so called hypothetical transaction; each parameter of this transaction is identical to that of the original transaction. Upon the valuation at fair value of the instruments included in the hedge relationship, the Bank only considers the impacts attributable to interest rate risk, while excluding the effect of credit risk of customers. Changes in the fair value of derivatives that are designated and qualify as fair value hedges and that prove to be highly effective in relation to the hedged risk, are recorded in the Statement of Financial Position along with the corresponding change in fair value of the hedged asset or liability that is attributable to the specific hedged risk.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognized in other comprehensive income re-mains in other comprehensive income until the forecasted transaction occurs. Where the hedged transaction is no longer expected to occur, the net cumulative gain or loss recognized in other comprehensive income is transferred to the net profit/loss for the period. The fair value change of hedged item is recorded in the same Statement of Financial Position line as the underlying transaction.

For hedges, which do not qualify for hedge accounting (economic hedges), any gains or losses arising from changes in the fair value of the hedging instrument are taken directly to the statement of profit or loss for the period.

3.15. Leases

In accordance with the requirements of IFRS 16, the Bank, as lessee, introduces a single model to recognise right-of-use asset and lease liability on balance sheet. In this case, the Bank presents separately the interest expense for the lease liability and the depreciation charge for the right-of-use asset. In some cases (e.g when there is a change in the lease term or in future lease payments arising from a change in an index or rate) the Bank as lessee remeasures the lease liability.

At the commencement date, the Bank assesses whether the lessee is reasonably certain to exercise an option to extend or not to exercise an option to terminate the lease. The Bank considers all relevant facts and circumstances that create an economic incentive for the lessee to exercise, or not to exercise, the option. The Bank recognises the right-of-use asset and the lease liability as at the commencement date of the lease, at the cost determins the IFRS 16. On subsequent measurement, the Bank recognises depreciation on the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. After the commencement date of the lease term, the Bank depreciates the asset on a straight-line basis. After the commencement date, the Bank measures the lease liability at amortised cost using the effective interest rate method.

The Bank as the lessor classifes its leasig contracts as financial or operative leasing based on requirements of the standard.

Presentation in the financial statements

During the lease term, the Bank recognises lease payments for short-term leases and low value leases (HUF 1,5 million) as an expense in Statement of Profit or Loss and Other Comprehensive Income. The right-of-use assets are included in "Intangibles, property and equipment" and lease liabilities in "Other financial liabilities" in the Statement of Profit or Loss and Other Comprehensive Income. After the commencement date the Bank recognises the related costs in Statement of Profit or Loss and Other Comprehensive Income, if these are not recognised as part of the cost of the right-of-use asset. Interest on lease liabilities is included in "Other interest expenses". The depreciation of a right-of-use asset is recognised as "Operating expense".
The Bank classifies the right-of-use assets arising from operating leases that are leased or subleased in the Statement of Financial Position by reference to the nature of the underlying asset.

3.16. Intangible assets

Intangible assets that have a finite useful life are measured initially at costs and subsequently carried at costs less any accumulated amortisation and any accumulated impairment losses. Intangible assets are amortised over their estimated useful from the date when the asset is available for use, applying the straight-line method. The useful lives are reviewed annually.

Following depreciation rates are applied by the Bank for the intangible assets:

Softwares	5% - 50%
Rights	3.5% - 25%

Intangible assets that have an indefinite useful life, or are not yet ready for use, are tested for impairment annually. Expenditure on internally developed intangible asset (software) is recognised as an asset when the Bank is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development. The capitalised costs of internally developed software include all costs directly attributable to developing the software and are amortised over its useful life.

3.17. Tangible assets

Items of property and equipment including leasehold improvements are measured initially at cost, including transaction cost, then subsequently cost less accumulated depreciation and impairment losses. Depreciation of property, plant and equipment are included in "Operating expense" line in Statement of Profit or Loss and Other Comprehensive Income.

The Bank applies the following linear depreciation rates for the deprecation cost calculation:

Property	0-2%
Renovation of property	6% - 14,7%
Office equipments	9% - 33%
IT devices	33% - 50%
Vehicles	10% - 33%
Other equipments	7% - 50%

All figures in tables are in HUF million except otherwise noted

3.18. Impairment of non-financial assets

On the balance sheet date the Bank assesses if there is any indication of impairment. If there is, or in cases where an annual impairment test is required the Bank estimates the recoverable amount of the asset. Recoverable amount is the fair value of the asset net of the costs of sale, or the value in use, whichever is higher. Where the carrying amount of an asset exceeds its recoverable amount, the Bank recognises impairment on the asset, by this the carrying amount is written down to the recoverable amount. When determining value in use the estimated future cash flows are discounted to their present value considering current market assessment of the time value of money and the risks specific to the asset. The appropriate valuation method is applied for the determining fair value net of cost of sales. Several assessments are used to underpin these calculations such as listed share prices or other available fair value indicators.

Each asset is assessed annually, when any indication of a reversal or reduction of earlier impairment is performed. If there is such an indication the Bank estimates the recoverable value of the asset. Reversal of previously entered impairment is only done in cases where there has been a change in the estimates applied for determining the asset's recoverable value since the last reporting of impairment. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the stand-alone statement of profit or loss. Impairment losses relating to goodwill cannot be reversed in future periods.

3.19. Deposits, debt securities issued and subordinated liabilities

Deposits, debt securities issued and subordinated liabilities are the Bank's sources of debt funding. When the Bank sells a financial asset and simultaneously enters into a "repo" or "stock lending" agreement to repurchase the asset (or a similar asset) at a fixed price on a future date, the arrangement is accounted for as a deposit, and the underlying asset continues to be recognised in the Bank's financial statements.

Deposits, debt securities issued and subordinated liabilities are initially measured at fair value plus transaction costs, and subsequently measured at their amortised cost using the effective interest method, except for the items which at initial recognition are designated by the Bank to fair value through profit or loss category.

3.20. Provisions

A provision is recognised if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Contingent liabilities determined by the IAS 37 are not recognised in the financial statements but are disclosed in the additional notes.

3.21. Income tax

Income tax comprises of current tax and deferred tax.

By accounting treatment for current and future income tax, the Bank recognises the tax consequences of the future recovery / settlement of the carrying amount of assets, liabilities, transactions and other events of the current period that are recognised in the statement of financial position.

Current tax is the tax expected to be payable on the taxable profit for the year, calculated using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is measured at tax rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is provided using the financial position method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The Bank recognises deferred tax asset for the carryforward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised. Deferred tax assets and liabilities are offset when they arise in the same entity and relate to income taxes levied by the same taxation authority, and when a legal right to offset exists in the entity. Deferred tax relating to fair value re-measurement of financial assets measured at fair value through other comprehensive income, which are charged or credited directly to other comprehensive income.

3.22. Interest and similar to interest income and expense

Interest income and interest expense (the interest subsidy received from the Hungarian State or from the client) are recognized time-proportionately using the effective interest rate method. Interest income and interest expense include the amortization of discount or premium on securities.

The carrying amount of the financial asset or financial liability is adjusted if the Bank revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense. The Bank has recorded the modification loss of stage 1 financial asset among the interest income.

Interest income and expenses related to financial instruments are separated by the Bank based on each financial instruments category. Interest income and interest expenses are accounted on a gross basis by the Bank. “Interest income using effective interest rate method" includes interest income on financial assets measured at amortised cost and financial assets measured at fair value through other comprehensive income. In addition, "Other interest income" includes interest income on financial assets held for trading, financial assets not held for trading that are required to be measured at fair value through profit or loss, derivatives, other assets and financial liabilities. "Interest expense using effective interest rate method" includes interest expense on financial liabilities measured at amortised cost, while "Other interest expense" includes interest expense on financial liabilities held for trading, financial liabilities designated as at fair value through profit or loss, derivatives, other liabilities and financial receivables.

3.23. Net income from commissions and fees

„Net income from commission and fees” comprises fee and commission income and expense that are not part of the amortised cost of the financial instruments. The fee and commission that is part of the EIR calculation are presented as interest income and expense.

The Bank applies the IFRS 5 standards for the fee and commission incomes, that are not part of the EIR calculation method based on the IFRS 9 standard.

Fee and commission income that is not part of the EIR calculation is accounted for as follows:

- income earned on the execution of a significant act is recognised as revenue when the act is completed (for example the arrangement for the acquisition of shares or other securities) and
- income earned from the provision of services is recognised as revenue as the services are provided (for example asset management and service fees).

The Bank applies simplified approach for financial assets, that have no payment schedule (e.g. revolving loans, overdaft, or credit cards), or the short-term financial assets (maximum 12 month maturity), if the effect is not material. According to the simplified approach no fee and commission items (received or paid) are taken into account when calculating the effective interest. These items are recognized as revenue or expense at arisen date.

3.24. Interest subsidy

State interest subsidy- retail loans

Interest subsidy is available to clients who have been granted loans in accordance with the specific provisions of the Hungarian legislation (Government Decree 12 of 2001). There are two types of interest subsidy: mortgage bond’s interest subsidy and supplementary interest subsidy. Both methods are designed to reduce the interest payable by the client. The mortgage bond’s interest subsidy being based indirectly on the bank’s costs (mortgage bond’s interest subsidy), and the supplementary interest subsidy on the actual amount of interest payable by the client (asset side subsidy). Both types of subsidies are presented in the Bank’s revenues, thus the Bank only passes on these subsidies to the clients as they pay a lower-than-market interest rate to the Bank. The interest subsidy is available for a period not exceeding the first 20 years of a loan.

Mortgage bond interest subsidy

The mortgage bond interest subsidy is available for housing loans up to the stipulated amounts and based on conditions as specified in the government decree 12/2001 and calculated in accordance with the criteria set. The condition of the maximum interest percentage payable by the customer also has to be met. The subsidy is available for housing loans eligible for subsidy as specified in the decree such as:

- Mortgage loans granted by the Bank or with partner banks; and
- Independent and separated liens purchased by the Bank then repurchased by the partner bank under refinancing arrangements, and for receivables from the repurchased part(s) of lien packages.

The subsidy is available on a monthly basis up to the total of mortgage bonds outstanding in the given month. The underlying calculation is based on the daily balance of subsidized loans or mortgage bonds.

Supplementary interest subsidy- own loans

The amount of supplementary interest subsidy and the underlying calculation method thereof (reflecting the maximum interest) are laid down in the contract between the Bank and the client. The monthly interest subsidy is one-twelfth of the prevailing subsidized outstanding principal as determined by the amount of the non-due repayable principal as of the date of the transaction.

3.25. Results from financial instruments

„Results from financial instruments" comprises gains less losses related to trading and investment assets and liabilities, and includes all realised and unrealised fair value changes and foreign exchange differences.

3.26. Dividends

Dividend income is recognised when the right to receive income is established. Usually this is the ex-dividend date for equity securities.

3.27. Employee benefits

Short-term employee benefits
Short-term employee benefits, such as wages, salaries and social security contributions, paid annual leave and paid sick leave are settled in the period in which the employees render the related service.

Long-term employee benefits

The Bank has a defined jubilee benefit plan for all employees of the Bank. The employees receive jubilee benefit only if they remain with the entity for a specified period and benefits are determined by the length of their service. The authority for jubilee benefit, its condition and the benefit are regulated in the Bank's policy. In the normal course of business, the Bank pays fixed contributions into the Hungarian State and private pension funds on its employees, which is recognized in social security contribu-tions and which cannot be considered as employee benefit plan. The Bank itself does not offer a pension scheme or post-retirement benefit plan, and consequently has no legal or contractual obligation to make further contributions.

Termination benefits
The Bank recognizes termination benefits as a liability and an expense when it has a demonstrable obligation to terminate the employment of an employee or a group of employees before the normal retirement date or to offer termination benefits as an incentive to encourage employees to voluntarily leave the Bank. In case of redundancy, obligation can be recognized when the employee's contract of employment is terminated. In the case of a reorganisation, the group has unavoidable obligation to pay termination benefits when it has a detailed formal plan and no possibility of withdrawal. The detailed plan includes, as a minimum, the following elements: the job, function and number of employees whose employment will be terminated; the termination benefits for each group; and the date of implementation.

3.28. Bank tax, extra profit tax

Hungarian credit institutions are obliged to pay bank tax. The base of the banking tax is the adjusted balance sheet total according to Hungarian Accounting Standards at the actual calendar year minus two years. The bank tax is presented as other operating expense in the Consolidated Statement of Profit or Loss and Other Comprehensive Income because it does not meet the definition of income tax according to IFRS.

According to the Government Decree No 197/2022. (4.VI) the credit institutions and financial enterprises are obligated to pay extra profit tax. The determination approach of the tax liabilitiy for the year 2023 has been amended by the Government Decree No 206/2023 (31.V), therefore separeted tax-base is to be determined for the period between 1 January 2023 - 30 June, 2023 and for the period between 1 July 2023 – 31 December 2023. The tax-base for the period of 1. January 2023 - 30 June 2023 is still the net turnover under the Local Tax Act calculated on the basis of the annual financial statements of the previous tax year, which tax base must be used to calculate the tax liability by using the tax rate (8%) determined by the prior Decree. The tax base for the period of 1 July, 2023 – 31 December, 2023 has been amended from the net turnover to the net profit before tax of the prior tax year. Tax brackets have been introduced for the tax rate. The tax rate is 13% up to HUF 20 billion of the tax base, and 30% above that limit.

The extra profit tax liability is presented among the operating expense. (see note 10)

3.29. Segment report

Mortgage bank, a specialized credit institution subject to the Jht. Act, does not prepare a separate segment report, the consolidated financial statement of its parent company, MKB Bank Plc. contains segment information related to the group.

3.30. Foreign currencies

Items included in the financial statements of each of the Bank's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency').

Transactions in foreign currencies are translated to the respective functional currencies of Bank entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the official exchange rate of the NBH at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the official exchange rate of the NBH at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss. The Bank currently does not apply this accounting policy.

3.31. Share capital

Shares are classified as share capital when there is no contractual obligation to deliver cash or other financial assets to the holders. Incremental costs directly attributable to the issue of equity instruments are presented in equity as a deduction from the proceeds, net of tax.

3.32. Treasury shares

The cost of the Bank's repurchased equity instruments ('treasury shares') is deducted from equity. Gain or loss is not recognised on the purchase, sale, issue, or cancellation of treasury shares. Treasury shares may be acquired by any members of the Bank. Consideration paid or received is recognised directly in equity.

3.33. Earnings per share

The Bank presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares. For further information about basic and diluted EPS, please see Note 26.4.

3.34. Contingent liabilities / contingent assets

The Bank has recorded into off-balance sheet their contingent liabilities, they are not recognised in the financial statements. The contingent liabilities are presented in the Notes. This off-balance sheet items such as guarantees and similar obligations, commitments to extend credit, accepted value of non-balance sheet assets serving as collateral for third party debt.

Contingent liabilities are reported in the balance sheet when it becomes probable.

The Bank has recorded into off-balance sheet their contingent assets, they are not recognised in the financial statements. The contingent assets are disclosed in the Notes where an inflow of economic benefits is probable (more than 50%).

This off-balance sheet items such as write-off uncollected debts, received guarantees and bailment.

3.35. Post balance sheet events

Events after the balance sheet date are those events that occur between the balance sheet date and the date when the financial statements are authorised by management (Board of Directors, Supervisory Board) for issue.

The Bank is identified adjusting events after the balance sheet date and non-adjusting events after the balance sheet date. Adjusting events after the balance sheet date are incidences that provide evidence of conditions that existed at the balance sheet date, but information are received after the balance sheet date. The Bank shall adjust the amounts recognised in its financial statements to reflect adjusting events after the balance sheet date. Non-adjusting events after the balance sheet date are incidences that are indicative of conditions that arose after the balance sheet date. The Bank shall not adjust the amounts recognised in its financial statements to reflect non-adjusting events after the balance sheet date, but its expected effects are disclosed in the Notes when material.

3.36. Offsetting

The Bank does not offset financial assets and financial liabilities, incomes and expenses unless required or permitted by a standard or an interpretation. (For example year-end not realized foreign exchange gains and losses, or exceptional financial instruments and cash-flow statements.). Usually, the Bank use offsetting if the economic events are the same or similar and gains and losses arising from similar transactions are not material or their separation is not material, when offsetting reflects the economic content better.

3.37. Trade date and settlement date accounting

A regular purchase or sale of a financial asset is recognized on the date of delivery. Exemptions are derivatives where recognition of purchase is done on the day when the deal is contracted. The date of settlement is the day on which the Bank takes possession of the asset. A regular sale or purchase transaction is a transaction where the asset sold and purchased must be delivered within a set interval prescribed by law or as customary in the market.

3.38. Critical accounting judgements and estimates

The preparation of financial statements in conformity with IFRS requires using of estimates and assumptions that affect the amounts reported in the financial statements and notes thereto. Although these estimates are based on management’s best knowledge of current event and actions the actual results may differ from those estimates. Estimates are applied in the following areas.

Fair value of financial instruments
In cases where the fair value of financial assets and liabilities are not measured at marked to market, other kind of assessment model is necessary to be used to determine fair value. Wherever possible, the input of these models is observable market data. Where such data are not available the Bank uses valuation model to determine fair value. (Note 29)

Deferred tax assets
Deferred tax assets are recognized in respect of tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Judgment is required to determine the amount of deferred tax asset that can be recognized, based upon the likely timing and level of future taxable profits, together with future tax planning strategies. (Note 3.22)

Loan impairment test and its result
The Bank assesses whether it is necessary to set up provisions for impairment of loans and advances to customers. The management makes the relevant decision in view of estimations of amounts and future cash flows. When estimating future cash flows the Bank makes judgments regarding the debtor's financial situation and the net sales price of the collateral.
For the loans and advances that have been assessed individually and found not to be impaired as well as for individually insignificant loans and advances, impairment is also assessed on a portfolio basis, if necessary, taking into consideration the type and classification of loan into homogeneous categories based on clearly defined transaction risks, non-performance history and losses.

Impairment of non-financial assets
The Bank assesses the existence of possible impairment of assets. The Bank estimates the recoverable value of the asset. Recoverable value is the fair value of the asset net of the costs of sale, or the value in use, whichever higher.
When determining value in use expected cash is discounted in consideration of the time value of cash and asset-specific risks.
Each asset is assessed annually (except stated otherwise), when any indication of a reversal or reduction of earlier impairment is assessed. If there is such an indication the Bank estimates the recoverable value of the asset.

3.39. Error

After the balance sheet date of the consolidated financial statements of 2022 there were no mistakes or errors discovered which are significant and affect the decision made by the users based on the financial statements.

3.40. Changes in the legal and regulatory environment and its effect on the stand-alone

During the year, the Group's activities were affected by the following government regulations and other legal regulatory instruments and amendments:

- Government Decrees on the different application of the provisions of CCXXXVII of 2013 on Credit Institutions and Financial Enterprises and certain related legislative provisions;

- the amendment of Government Decree No 197/2022 (4.VI.) on extraprofit taxes Decree No 206/2023 (31.V.) and 317/2023 (17.VII.), changing the relevant regulation of the special tax for Credit Institutions and Financial Enterprises;
- Government Decree 522/2023 (30.XI.) amending Government Decree 782/2021 (24.XII.) on the different application of Act CLXII of 2009 on credit to consumers in emergency situations, extending the "interest rate cap" until 30 June 2024 under unchanged conditions.
- MNB Decree 58/2022. XII.22.) amendment of MNB Decree 22/2022. (VI.11.) regulating the maturity match of the mortgage-backed assets and liabilities of credit institutions (JMM Decree).
- client effected by payment relief program see note 29.4.3.

In 2022, the MNB revised again the regulations on JMM. Pursuant to the amendment from 1 July, 2022 under the specified conditions foreign currency mortgage-based sources can also be taken into account when calculating the indicator, thus supporting the expansion of the range of investors in mortgage bonds. It is only possible to set off funds secured by corporate loans secured by commercial real estate to a limited extent. At the same time the indicator's denominator will also be extended to foreign currency residential mortgage loans.

In view of the uncertain macroeconomic and financial environment, the MNB reviewed its further decisions of aggravation and postponed by one year to 1 October, 2023 the increasing of the minimum expected level of the JMM indicator from 25 to 30 percent, as well as the tightening of restrictions on cross-ownership of mortgage bonds between banks.

3.41. Change in estimates

There are not any significant areas, where there is any material change in estimates.

4. INTEREST AND SIMILAR INCOME AND EXPENSE

	1 January 2023 - 31 December 2023	1 January 2022 - 31 December 2022
Interest and similar income		
Financial assets at amortised cost	50,316	27,365
Financial assets at fair value through other comprehensive income	1,329	883
Interest income calculated using the effective interest method	**51,645**	**28,248**
Financial assets held for trading	2,574	1,648
Non-trading financial assets mandatorily at fair value through profit or loss	438	534
Derivatives – Hedge accounting, interest rate risk/ hedging derivatives	6,589	2,207
Other assets	102	1
Interest income on financial liabilities	-	2
Income similar to interest income/ other similar interest income	**9,703**	**4,392**
Total Interest income and similar to interest income	**61,348**	**32,640**

For stock data, see asse part of the Stand-alone Statement of Financial Position notes. The increase in interest rates and similar items is due to changes in the market yield environment..

All figures in tables are in HUF million except otherwise noted

	1 January 2023-31 December 2023	1 January 2022-31 December 2022
Interest and similar expense		
Financial liabilities measured at amortised cost*	43,369	21,102
Interest expense calculated using the effective interest method	**43,369**	**21,102**
Financial liabilities held for trading	3,159	1,645
Derivatives – Hedge accounting, interest rate risk	6,297	3,277
Financial liabilities designated at fair value through profit or loss	-	59
Interest expense on financial assets	-	2
Expense similar to interest expense / Other interest expense	**9,456**	**4 983**
Interest expense and expense similar to interest expense	**52,825**	**26 085**

**By actively participating in tenders, the Mortgage Bank has incorporated HUF 233,392 million December 31 2023. (HUF 235,768 million until the end of December 31, 2022)* the central bank has built 3- and 5-year loans into its long liabilities. *At the same time, the stock of securities formed, partly due to the use of LTRO funds.*

5. FEE AND COMMISSION INCOME AND EXPENSE

	1 January 2023 - 31 December 2023	1 January 2022 - 31 December 2022
Fee and commission income		
Mortgage loans	73	230
Handling commission	2	6
Real estate appraisal fee	52	107
Refinanced mortgage loans	92	214
Total	**219**	**557**

All figures in tables are in HUF million except otherwise noted

	1 January 2023-31 December 2023	1 January 2022-31 December 2022
Fee and commission expense		
Fees and commissions to banks and to clearing house	15	12
Agency fee expense	228	208
Real estate appraisal fee	37	206
Treasury services	84	119
Other	2	3
Total	**366**	**548**

6. EXCHANGE DIFFERENCES RESULT, NET

	1 January 2023 - 31 December 2023	1 January 2022 - 31 December 2022
FX transactions realized results	(2)	(5)
FX transactions non-realized results	(208)	454
Total	**(210)**	**449**

7. RESULT FROM FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME AND RESULTS FROM FINANCIAL INSTRUMENTS MEASURED AT AMORTIZED COST

	1 January 2023-31 December 2023	1 January 2022-31 December 2022
Sale of debt securities	399	(273)
Results from financial instruments at fair value through other comprehensive income, net	**399**	**(273)**
Financial assets at amortised cost (securitites, loans)	(255)	1
Repurchase of issued mortgage bond at amortised cost	93	360
Results from financial instruments measured at amortized cost, net	**(162)**	**361**
Total	**237**	**88**

All figures in tables are in HUF million except otherwise noted

8. RESULTS FROM FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	1 January 2023-31 December 2023	1 January 2022-31 December 2022
IRS deals*	4,115	(2,399)
CCIRS deals**	-	-
MIRS deals***	(2,713)	2,477
FX deals	(252)	(97)
Result from financial assets and liabilities held for trading	**1,150**	**(19)**
Result from non-trading financial assets mandatorily at fair value through profit or loss, net	1,043	(867)
Total	**2,193**	**(886)**

*IRS= Interest Rate Swap
**CCIRS=Cross Currency Interest Rate Swap
***MIRS=Monetary Interest Rate Swap
The change in items is due to a change in the market yield environment.

9. OTHER INCOME AND EXPENSE

	1 January 2023-31 December 2023	1 January 2022-31 December 2022
Other income		
Sales of property, plant, equipments	9	5
SLA services income	21	49
Other income	6	21
Total	**36**	**75**

	1 January 2023-31 December 2023	1 January 2022-31 December 2022
Other expense		
Subsidies paid from banking tax *	125	175
Loss on damages compensations paid	10	6
Other expense	1	9
Total	**136**	**190**

** The Bank recognised among other expenses the subsidy granted from bank tax under the law.*

All figures in tables are in HUF million except otherwise noted

10. OPERATING EXPENSES

	1 January 2023-31 December 2023	1 January 2022-31 December 2022
Staff costs	505	449
Marketing and advertising	-	5
General and administrative costs	124	107
Rental fee	1	-
Depreciation of tangible assets	43	36
Amortisation of intangible assets	44	31
Consultancy fees and audit fees*	130	230
Maintenance costs**	450	433
Banking tax*	983	842
Other taxes	48	55
Insurance fees	3	6
Database system usage	28	24
Supervisor fee	1	32
SLA service costs***	103	81
CBIC**** fee, CBIC**** Capital Fund and Resolution and Compensation Fund fees	234	439
Other	37	38
Total	**2,734**	**2,808**

In **2023, according to the audit fee contract, the annual audit fee was HUF **30.96** million (+ VAT).* The auditor performed no other services during the year.
***The special tax on financial institutions line was increased by the HUF **575.6** million extra profit special tax paid during the year (**HUF 616 million until 31 December 2022**), and HUF **407** million (**HUF 226 million until 31 December 2022**) was incurred as a special tax on financial organizations*
****The SLA settlement agreement between the members of the **MBH** Bank Group was settled (among others, HR services, IT services, accounting services, compliance services, controlling management services, marketing services, legal services, background operations services). Central Organisation of Integrated Credit Institutions*

All figures in tables are in HUF million except otherwise noted

11. STAFF COSTS

	1 January 2023-31 December 2023	1 January 2022-31 December 2022
Wages and salaries	445	405
Social security contribution	51	44
Other personnel related payments	9	-
Total	**505**	**449**

Social security contribution is payable by the Bank based on gross wages and salaries paid to employees. The full-time head count of the Bank at the end of the reporting period was 17 (2022: 14).

12. INCOME TAX

Income tax expense recognized in the **Stand-alone** Statement of Profit or Loss and Other Comprehensive Income

	2023	2022
Current tax expense	*321*	*86*
Corporate tax charge – on current year profit	321	86
Deffered tax (income) / expense	*141*	*44*
Origination (reversal) of temporary differences	-	(6)
Origination (reversal) of non temporary differences	141	50
Local tax	226	189
Innovation fee	34	28
Income tax expense	**722**	**347**

Both in the reporting period and in 2022 9% current income tax rate was applied on taxable profit in Hungary. Due to this, 9% rate was applied both for current income tax and deferred tax purposes.

All figures in tables are in HUF million except otherwise noted

Reconciliation of effective tax rate

	2023		2022	
	%	HUF million	%	HUF million
Profit before income tax		7,385		2,158
Income tax using the domestic corporation tax rate	9.00%	665	9.00%	194
Local tax	3.05%	226	8.72%	189
Innovation fee	0.46%	34	1.30%	28
Permanent difference	(0.30%)	(23)	(0.88%)	(19)
Re-assessment of unrecognised tax losses carryforwards	(2.44%)	(180)	-	-
Other effect	-	-	(2.09%)	(45)
Income tax / expense	**9.77%**	**722**	**16.08%**	**347**

The Bank managed tax losses prudently. When accounting for deferred tax revenue, the Bank accounted for the value calculated on the basis of the available plan numbers, on the basis of which the unused tax loss base remains. According to the legislation, in the future, the carried forward losses of previous tax years can be accounted for up to 50% of the tax base.

On 31 December 2023, the Bank had unused tax losses amounting to HUF 22,162 million (2022: HUF 25,732 million) with the following maturity:

	2023	2022
Used indefinitely	22,162	-
Maturity up to 2030	-	25,732
Tax carryforward loss	**22,162**	**25,732**

Due to a change in legislation, the accrued tax carryforward loss that were previously usable until 2030 can now be used indefinitely.

The following table presents the main factors of change in deferred tax:

2023 P/L-effective and neutral effects on deffered tax assets (DTA) and deffered tax liabilities (DTL)	Opening balance DTA/DTL	P/L-effective movement of DTA/DTL	P/L-neutral movement of DTA/DTL	Closing balance DTA/DTL
Deffered Tax Assets - due to taxable temporary differences				
Assets				
Securities		10		10
Intangible assets	6			6
Liabilities				
Provisions				
Deffered Tax Assets – due to tax losses	462	(141)		321
Subtotal DTA before netting	**468**	**(131)**	**-**	**337**
Subtotal DTA after netting of balance sheet position	**468**	**(131)**	**-**	**337**

2022 P/L-effective and neutral effects on deffered tax assets (DTA) and deffered tax liabilities (DTL)	Opening balance DTA/DTL	P/L-effective movement of DTA/DTL	P/L-neutral movement of DTA/DTL	Closing balance DTA/DTL
Deffered Tax Assets - due to taxable temporary differences				
Assets				
Intangible assets and tangible assets	-	6	-	6
Deffered Tax Assets – due to tax losses	512	(50)	-	462
Subtotal DTA before netting	**512**	**(44)**	**-**	**468**
Subtotal DTA after netting of balance sheet position	**512**	**(44)**	**-**	**468**

The tax authority conducted a full-scale tax investigation at the Bank for the years 2018-2019. The tax authority can examine the accounting records for up to six years after the period to which they relate, according to law.

All figures in tables are in HUF million except otherwise noted

13. OTHER COMPREHENSIVE INCOME

Components of other comprehensive income

	1 January 2023 - 31 December 2023	1 January 2022 - 31 December 2022
Items that will not be reclassified to profit or loss	**-**	**-**
Items that may be reclassified to profit or loss	**505**	**290**
Debt instruments at fair value through other comprehensive income	495	290
Income tax relating to items that may be re-classified to profit or (-) loss	10	-
Total comprehensive income	**505**	**290**

14. CASH AND CASH EQUIVALENTS

	31 December 2023	31 December 2022
Cash balances at central banks	19,145	14
Other demand deposits	160	328
Total	**19,305**	**342**

14.1. On the basis of applicable Reserve Decree the Bank maintained it's regulatory. Accordingly the applied reserve ratio was 10% on balance sheet date (2022: 7%). In case of over-reserving on the Bank's accounts NBH pays the value of the actual base rate of the central bank - similarly to the payable interest of the obligatory reserve.

15. FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING

	31 December 2023	31 December 2022
Derivative financial assets		
Swap deals	10	70
IRS deals	-	-
MIRS deals	1,555	5,191
Total	**1,565**	**5,261**

The fair value of derivatives developed in line with the market yield environment.

All figures in tables are in HUF million except otherwise noted

	31 December 2023	31 December 2022
Derivative financial liabilities		
Swap deals	3	
IRS deals	1,369	5,128
MIRS deals	-	18
Total	**1,372**	**5,146**

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31 December 2023	31 December 2022
Equity instruments	10	10
Debt securities	9,989	18,162
from this: Discount treasury tickets	-	-
from this: Government bonds	*3,004*	*8,947*
from this: Credit institution bonds	*6,985*	*9,215*
Total	**9,999**	**18,172**

Financial assets measured against other comprehensive income developed along the lines of the Bank's ALM strategy.

The Equity instruments contain securities acquired for non-trading purposes by the Bank that its ownership ratio is under 20%. The table below presents the fair value of these shares as at 31 December 2023:

Shares	Fair Value at (thousand HUF) 31 December 2023
MBH Investment Bank Ltd.	2
Central Body of Integrated Credit Institutions	10,000
Takarék Egyesült Szövetkezet	10
Total	**10,012**

The Bank is not derecognised any investments in equity instruments at fair value through other comprehensive income during the reporting period.

17. FINANCIAL ASSETS AT AMORTISED COST

	31 December 2023	31 December 2022
Debt securities gross	324,218	319,743
from this: Government bonds	285,667	289,044
from this: Mortgage bonds	8,932	3,069
from this: Corporate	29,619	27,630
Impairment on debt securities	(243)	(17)
Loans gross	*523,541*	*394,744*
from this: Due from banks	*502,273*	*368,462*
from this: Retail	*20,893*	*25,797*
from this: Corporate	*375*	*485*
Impairment on loans	(741)	(1,563)
from this: Due from banks	(13)	(14)
from this: Retail	(696)	(1,347)
from this: Corporate	(32)	(202)
Advances gross	191	270
Impairment on advances	(3)	(5)
Deposit from central bank and other banks gross	21,012	68,582
Impairment on deposit from central bank and other banks gross	-	(17)
Total	**867,975**	**781,737**

All figures in tables are in HUF million except otherwise noted

Individial and collective expected credit loss accoring to stage:

31 December 2023	Stage 1	Stage 2	Stage 3	POCI	Total
	12-month Expected Credit Loss (ECL)	Lifetime Expected Credit Loss (ECL)	Lifetime Expected Credit Loss (ECL)	Purchased or originated credit-impaired assets	
Individual	-	-	-	-	-
Collective	370	226	403	-	999
Total	**370**	**226**	**403**	**-**	**999**

The gross exposure of group impairment financial assets measured at amortised cost is HUF 868,962 million at December 31, 2023. There are no individually assessed transactions. Among group impairment transactions, gross corporate loans amounted to HUF 375 million (related impairment HUF 32 million), and gross retail loans amounted to HUF 20,893 million (related impairment HUF 696 million) at December 31, 2023.

31 December 2022	Stage 1	Stage 2	Stage 3	POCI	Total
	12-month Expected Credit Loss (ECL)	Lifetime Expected Credit Loss (ECL)	Lifetime Expected Credit Loss (ECL)	Purchased or originated credit-impaired assets	
Individual	-	586	427	-	1,013
Collective	58	172	359	-	589
Total	**58**	**758**	**786**	**-**	**1,602**

The gross exposure of individual-impaired financial assets at amortised cost is HUF 1,849 million, and the gross exposure of collective-impaired financial assets at amortised cost is HUF 781,490 million at 31 December 2022. From the individual-impaired financial assets the gross corporate portfolio is HUF 406 million (related impairment HUF 162 million) and the gross retail loan portfolio is HUF 1,442 million (related impairment HUF 851 million) on 31 December 2022. Among the collective-impaired financial assets, the gross corporate portfolio is HUF 79 (related impairment HUF 40 million) and the gross retail loan portfolio is HUF 24,355 million (related impairment HUF 496 million) at 31 December 2022.

All figures in tables are in HUF million except otherwise noted

18. LOANS AND ADVANCES TO CUSTOMERS MANDOTORILY AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2023	31 December 2022
Loans	6,310	6,593
Total	**6,310**	**6,593**

Loans included in non-trading financial assets that are required to be measured at fair value through profit or loss are those groups of loans that do not pass the cash flow test. Loss on non-trading financial assets mandatorily at fair value through profit amounted to HUF 1,043 million at 31 December 2023 (31 December 2022 is HUF 867 million, loss).

19. INTANGIBLE ASSETS

31 December 2023	Software	Total
Gross value		
Opening balance	1,238	1,238
Increase	53	53
Decrease	-	-
Closing balance	**1,291**	**1,291**
Depreciation		
Opening balance	901	901
Annual depreciation	45	45
Decrease	-	-
Closing balance	**946**	**946**
Impairment		
Opening balance	98	98
Increase	-	-
Decrease	-	-
Closing balance	98	98
Net value	**247**	**247**

The Bank estimates the recoverable amount of the intangible asset. Recoverable amount is the fair value of the asset net of the costs of sale, or the value in use, whichever is higher. Where the carrying amount of an asset exceeds its recoverable amount, the Bank recognises impairment on the asset, by this the carrying amount is written down to the recoverable amount.

All figures in tables are in HUF million except otherwise noted

31 December 2022	Software	Total
Gross value		
Opening balance	1,195	1,195
Increase	67	67
Decrease	(24)	(24)
Closing balance	**1,238**	**1,238**
Depreciation		
Opening balance	894	894
Annual depreciation	31	31
Decrease	(24)	(24)
Closing balance	**901**	**901**
Impairment		
Opening balance	98	98
Increase	-	-
Decrease	-	-
Closing balance	98	98
Net value	**239**	**239**

20. TANGIBLE ASSETS

31 December 2023	Property	Office equipment	Total tangible assets
Gross value			
Opening balance	36	122	158
Increase	-	2	2
Decrease	-	(48)	(48)
Closing balance	36	76	112
Depreciation			
Opening balance	36	77	113
Annual depreciation	-	2	2
Decrease	-	(33)	(33)
Closing balance	36	46	82
Impairment			
Opening balance	-	-	-
Increase	-	-	-
Decrease	-	-	-
Closing balance	-	-	-
Net value	**-**	**30**	**30**

All figures in tables are in HUF million except otherwise noted

The Bank estimates the recoverable amount of the tangible asset. Recoverable amount is the fair value of the asset net of the costs of sale, or the value in use, whichever is higher. Where the carrying amount of an asset exceeds its recoverable amount, the Bank recognises impairment on the asset, by this the carrying amount is written down to the recoverable amount.
Tangible assets of the stand-alone financial statement contains the right-of-use assets under IFRS 16. The net carrying amount of the right-of-use assets was HUF 113 million at 31 December 2023. (Note 21)

31 December 2022	Property	Office equip-ment	Total tangible assets
Gross value			
Opening balance	36	147	183
Increase	-	-	-
Decrease	-	(25)	(25)
Closing balance	36	122	158
Depreciation			
Opening balance	36	92	128
Annual depreciation	-	3	3
Decrease	-	(18)	(18)
Closing balance	36	77	113
Impairment			
Opening balance	-	-	-
Increase	-	-	-
Decrease	-	-	-
Closing balance	-	-	-
Net value	**-**	**45**	**45**

Tangible assets of the stand-alone financial statement contain the right-of-use assets under IFRS 16. The net carrying amount of the right-of-use assets was HUF 18 million at 31 December 2022. (Note 21)

All figures in tables are in HUF million except otherwise noted

21. IFRS 16 LEASES

Right-of-use asset and tangible assets

	31 December 2023	31 December 2022
Owned property, plant and equipment	30	45
Right-of-use assets, expect investment properties	113	18
Total property, plant and equipment	**143**	**63**

Lease liability

Lease liabilities presented in the statement of financial position

	31 December 2023	31 December 2022
Short term	44	11
Long term	73	9
Total lease liabilities	**117**	**20**

Maturity analysis - undiscounted contractual payments

	31 December 2023	31 December 2022
Up to 1 year	54	12
1 year to 5 years	79	9
Total undiscounted lease liabilities	**133**	**21**

Right-of-use asset

	Property	Company Car	Total
Opening balance at 1 January 2022	**39**	**10**	**49**
Increase	46	9	55
Amortization for the year	(28)	(5)	(33)
Decrease	(33)	(11)	(44)
Balance at 31 December 2022	**6**	**12**	**18**
Increase	223	-	223
Amortization for the year	(37)	(4)	(41)
Decrease	(87)	-	(87)
Balance at 31 December 2023	**105**	**8**	**113**

The lease agreement of the office building has been extended in 2023, and the impact of the contract amendment will be shown in the line item "The increase in the right to use the real estate" instrument.

All figures in tables are in HUF million except otherwise noted

Total cash outflow for leases

	1 January 2023 – 31 December 2023	1 January 2022 – 31 December 2022
Total cash outflow for leases	(56)	(27)

Items related to lease liabilities presented in profit or loss

	1 January 2023– 31 December 2023	1 January 2022– 31 December 2022
Interest expense on the lease liabilities	(10)	-
Total	**(10)**	**-**

Items presented in the statement of cash flows

	1 January 2023 – 31 December 2023	1 January 2022 – 31 December 2022
Cash payments for the principal portion of the lease liability	(46)	(27)

22. OTHER ASSETS

	31 December 2023	31 December 2022
Prepaid expenses*	39	89
Stocks	4	4
Repossessed collateral	2	2
Reclaimable taxes**	2	3
Others	19	-
Total	**66**	**98**

** A significant part of the prepaid expenses was the revenue not yet invoiced, in 2022 recognised under the SLA settlement agreement between the members of the MBH Bank group.*
*** A significant amount of reclaimable taxes has been accrued due to the special epidemiological tax, as the Goverment Decree No. 108/2020 (IV.14.) on the special tax on credit institutions related to the epidemiological situation. The tax paid can be deducted from the special tax payment obligation of financial institutions in the next 5 years (2021-2025).*

All figures in tables are in HUF million except otherwise noted

23. FINANCIAL LIABILITIES MEASURED AT AMORTISED COST

	31 December 2022	31 December 2022
Loans received*	445,316	377,771
Debt securities issued	374,647	355,799
Other financial liabilities	637	613
Total	**820,600**	**734,183**

**By actively participating in tenders, the Mortgage Bank has incorporated HUF 233,392 million December 31 2023. (HUF 235,768 million until the end of December 31, 2022)* the central bank has built 3- and 5-year loans into its long liabilities. *At the same time, the stock of securities formed, partly due to the use of LTRO funds.*

All figures in tables are in HUF million except otherwise noted

23.1. Issued debt securities

The Bank reports mortgage bonds and bonds that are recognised at amortised cost on ‘Issued debt securities’ line in the statement of financial position:

	31 December 2023		31 December 2022	
	Net book value	Face value	Net book value	Face value
Non-listed mortgage bonds				
Listed mortgage bonds				
Fixed interest	321,438	332,442	324,940	336,923
Floating interest	53,209	54,776	30,859	30,326
Total mortgage bonds	**374,647**	**387,218**	**355,799**	**367,249**
Total issued securities	**374,647**	**387,218**	**355,799**	**367,249**

All figures in tables are in HUF million except otherwise noted

Mortgage bonds

Mortgage bonds are strictly regulated transferable, registered securities and, pursuant to the Act XXX of 1997 on Mortgage Loan Companies and on Mortgage Bonds (Mortgage Act), can be issued only by mortgage banks.

Special status in case of liquidation and resolution

The obligations arising from the Mortgage Bonds are equal in rank to each other (pari passu) in the event of the liquidation or resolution of the Issuer. Unlike the Issuer's other unsecured, non-subordinated obligations, they enjoy a special status under the Section 20 Subsection (5) and Section 21 Subsection (2) of the Mortgage Act, given that these claims do not form part of the liquidation assets.

Security of Mortgage Bonds

According to the Section 14 Subsection (1) Mortgage Act Mortgage loan companies shall at all times have sufficient cover assets to ensure that all liabilities of the mortgage bonds are covered. The liabilities referred to in Subsection (1) shall include:

a) the obligations for the payment of the principal amount of outstanding mortgage bonds;
b) the obligations for the payment of any interest on outstanding mortgage bonds;
c) the obligations attached to derivative contracts held in accordance with the requirements set out in this Act; and
d) the expected costs related to maintenance and administration for the winding-down of the mortgage bond program.

According to the Section 14 Subsection (1b) Mortgage Act the following cover assets shall be considered to contribute to the coverage requirement:

a) *ordinary assets*; principal, interest, costs according to Section 14 subsection (3). The amount of ordinary collaterals must always reach 80% of outstanding mortgage bonds with a remaining maturity of longer than 180 days. In case of loans secured by a residential real estate the principal arising from a mortgage loan can be considered as ordinary collateral up to 70% of the mortgage lending value of the property. In case of loans secured by commercial real estate the limit is 60%.
b) *complementary assets* serve to complement ordinary security and shall contain assets set out in Section 14 subsection (11)
c) *liquid assets* held in accordance with Section 14/B, other than those mentioned in Section 14. Subsection (1b) sub-subsection b) hereof; and
d) claims for payment attached to *derivative contracts* held in accordance with the requirements set out in the Mortgage Act (Section 14 subsection (6))

According to Section 14/B Subsections (1) and (2) in order to cover the net liquidity outflow, the mortgage bond program shall contain a cover pool liquidity buffer composed of liquid assets. The cover pool liquidity buffer shall cover the maximum cumulative net liquidity outflow over the next 180 days. The Subsection (3) regulates which types of segregated assets shall the cover pool liquidity buffer consist of.

According to Section 14 Subsection (4) collaterals of mortgage bonds have to be calculated and monitored based on both on nominal and present value calculation.

In accordance with Section 14 subsection (17) the overcollateralization of outstanding mortgage bonds have to be least 2 percent.

The independent property supervisor monitors and certifies the permanent availability of the collateral for the mortgage bonds, as well as the registration of the collateral providing the ordinary collateral of the mortgage bonds, of their real estate registration data and loan to value, as well as of the ordinary and additional collateral.

Based on its decision no., H-KE-III-533/2022 dated September 12, 2022. of the Hungarian National Bank, mortgage bonds issued by MBH Mortgage Bank Co. Plc. are entitled to use the "European (premium) covered bond" logo.

Bonds

From 2007 the Bank issued senior unsecured bonds in addition to mortgage bonds. However, the Bank did not issue senior unsecured bonds since 2019.

Bonds are registered, dematerialized, transferable debt securities issued on the basis of Act CXX of 2001 on Capital Markets as amended and of Government Decree No. 285 of 2001 (26 December).

The Issuer may issue (i) Senior Unsecured Bonds and (ii) Subordinated Contributory Capital Instrument Bonds.

The Senior Unsecured Bonds incorporate the Bank's direct, unconditional, non-subordinate unsecured liabilities, which are equal in rank (pari passu) to the Bank's other outstanding unsecured non-subordinate liabilities at any time in the hierarchy of repayment in the event of bankruptcy, voluntary liquidation or foreclosure except for liabilities, which have precedence on the basis of the governing laws on voluntary liquidation or other relevant statutory provisions.

The Subordinated Contributory Capital Instrument Bonds are classified as collateral capital instruments of the Issuer in accordance with the provisions of Article 63 of the CRR, and in the event of the liquidation of the Issuer, the debt arising from the Subordinated Contributory Capital Instrument Bonds can only be satisfied after the debt arising from the subordinated debt instruments that do not qualify as a solvency capital istrument has been satisfied, pursuant to Section 57, Paragraph (2) b.) of the Credit Institutions Act.

24. PROVISIONS

Provisions are set up mainly for current and contractual obligation. Provision is also set up for a pending lawsuit. The changes in provisions are accounted for in credit loss expense or in other operating expense.

2023	*Provision for loan commitments and guarantees*	Provisions for litigation	Provision for amounts relating to accrued vacation pay	Other provision	Total
Opening balance at 1 January 2023	**1**	**-**	**4**	**12**	**17**
Increase in the period	11	11	-	-	22
Derecognition / Use of provision in the period	(11)	-	-	(12)	(23)
Closing balance at 31 December 2023	**1**	**11**	**4**	**-**	**16**

Individual Investors Interest Association (TEBÉSZ) filed a lawsuit in the Capital Court for the annulment of the Company's resolutions number; 4/2019 (08.27.), 6/2019 (08.27.) and 7/2019 (08.27.) taken on the General Meeting of the Company held on August 27, 2019, and also asked

All figures in tables are in HUF million except otherwise noted

the suspension of the enforcement of the resolutions. The Court of first instance rejected the lawsuit of TEBÉSZ on 17 of December 2020. The Bank has won the lawsuit in the second instance in 2021.
TEBÉSZ filed an application for review against the final judgment of the Budapest Court of Appeal. By its order dated 7 June 2022, the Curia as a review court set aside the judgment of the Budapest Court of Appeal and ordered the court of second instance to conduct a new procedure and issue a new decision. In the repeated proceedings, the Budapest Court of Appeal annulled the judgment of the Budapest Regional Court at first instance and instructed the court of first instance to conduct a new procedure and issue a new decision. The procedure is ongoing. Despite the foregoing, the creation of a provision in 2023 was not justified either, since the possible annulment of the contested decisions does not have retroactive effect, i.e. the annulment would not take place at the time of the decisions but when the judgment becomes final, therefore, in our view, the risk that their possible future annulment would have a practical disadvantage for MBH Mortgagebank Plc. is remote.

2022	*Provision for loan commitments and guarantees*	Provision for amounts relating to accrued vacation pay	Other provision	Total
Opening balance at 1 January 2022	**1**	**13**	**14**	**28**
Increase in the period	1	4	-	5
Derecognition / Use of provision in the period	(1)	(13)	(2)	(16)
Closing balance at 31 December 2022	**1**	**4**	**12**	**17**

25. OTHER LIABILITIES

	31 December 2023	31 December 2022
Taxes payable	50	35
Accrued expenses	866	783
Other	-	3
Total	**916**	**821**

All figures in tables are in HUF million except otherwise noted

26. SHARE CAPITAL

26.1. Ownership structure

The table shows the ownership structure of the owners from different sectors as follows:

Shareholder	31 December 2023		31 December 2022	
	Holding %	Number of shares (piece)	Holding %	Number of shares (piece)
Ordinary shares listed on BSE (Series "A")				
Domestic institutional investors	52.10	56,527,499	52.1	56,527,893
Foreign institutional investors	0.01	6,705	-	5,980
Domestic private investors	2.81	3,052,987	2.83	3,062,275
Foreign private investors	0.02	21,489	0.01	10,089
Employees, directors and senior management	-	-	-	0
Treasury shares	0.23	253,601	0.23	253,601
Government held owner	44.80	48,597,602	44.8	48,597,602
Other	0.03	30,417	0.03	32,860
Subtotal (Series "A")	*100.00*	*108,490,300*	*100.00*	*108,490,300*

MBH Bank's controlling stake in MBH Mortgage Bank is 52.0801%. Considering that the majority owner of MBH Bank Plc. is Hungarian Bankholding Ltd. with its ownership share of 98.87%, Hungarian Bankholding Ltd. can also be designated as the ultimate owner of MBH Mortgage Bank.

All figures in tables are in HUF million except otherwise noted

26.2. Owners with more than 5% ownership relating to listed series

Name	Custodian Bank (yes/no)	Number of shares (piece)	Stake (%)
MBH Investment Bank Ltd.	no	52,531,760	48.42%
Magyar Posta Ltd.	no	43,076,417	39.71%
Total		**95,608,177**	**88.13%**

On 18 October 2022, MBH Bank Plc.(formerly MKB Bank Plc.) acquired 43,076,417 pcs of series “A” dematerialised ordinary shares with a nominal value of HUF 100 each owned by MBH Investment Bank Ltd. (formerly MTB Ltd.) in Takarék Mortgage Bank (currently MBH Mortgage Bank). With this transaction, MKB Bank acquired a 39.71 % direct qualifying holding (voting rights) in Takarék Mortgage Bank. The ownership stake of MTB Ltd. decreased to 48.42%. On 2 December 2022, Magyar Posta Ltd. acquired from MKB Bank Plc. its full stake in Takarék Mortgage Bank as a result of an exchange of shares; with this transaction, Magyar Posta Ltd. acquired a 39.71 % direct qualifying holding (voting rights) in Takarék Mortgage Bank.

26.3. Owners with more than 5% ownership relating to total equity

Name	Custodian Bank (yes/no)	Number of shares (piece)	Stake (%)
MBH Investment Bank Ltd.	no	52,531,760	48.42%
Magyar Posta Ltd.	no	43,076,417	39.71%
Total		**95,608,177**	**88.13%**

26.4. The following amounts were used in the calculation of earnings per share:

	31 December 2023	31 December 2022
Loss of shareholders of the Bank	6,663	1,811
Change of general reserve	(666)	(181)
Attributable profit	**5,997**	**1,630**
Weighted average number of shares	108 236 699	108 236 699

Earnings per share ratio is calculated as the profit attributable to shareholders of the Bank divided by the weighted average number of shares outstanding during the period excluding treasury shares. For the diluted earnings per share figure the profit attributable to shareholders and the weighted average number of shares outstanding needs to be adjusted by all of the potentially diluting securities. For the normal earnings per share figure the profit attributable to shareholders means the result for the year decreased by the amount of the general reserves which is divided by the number of the shares excluding the number of the treasury shares by the Bank. The Bank has no dilutive potential ordinary shares. Earnings per share figure therefore equals to the diluted earnings per share figure.

All figures in tables are in HUF million except otherwise noted

26.5. Treasury shares purchased

	31 December 2023	31 December 2022
Opening balance	207	207
Purchase	-	-
Closing balance	**207**	**207**

During the reporting period there were no changes in the cumulative balance of Treasury share purchased.

26.6. Other reserve

	31 December 2023	31 December 2022
General reserve	2,286	1,620
Closing balance	**2,286**	**1,620**

26.6.1 General reserve

In accordance with statutory requirements, the Bank is required to set up a non-distributable general reserve equal to 10% of statutory profit after tax. Increases in the general risk reserve are separated from retained earnings, as calculated under Hungarian regulatory rules, and thus are not charged against income. According to the Section 13 (8) of the Government Decree No. 250/2000 (XII.24.) on the specifics of the annual reporting and bookkeeping tasks of investment companies are required to release the general reserve when loss after tax deduction occurs. The amount of the General reserve is HUF 2,286 million as at 31 December 2023 (General reserve was HUF 1,620 million as at 31 December 2022).

All figures in tables are in HUF million except otherwise noted

26.7. Cumulated other comprehensive income

	1 January 2023 - 31 December 2023	1 January 2022 - 31 December 2022
Opening balance at the beginning of the period	57	(233)
Cumulated other comprehensive income	**505**	**(290)**
Items that will not be reclassified to profit or loss	**-**	**-**
Income tax relating to items that will not be re-classified	-	-
Items that may be reclassified to profit or loss	**505**	**290**
Debt instruments at fair value through other comprehensive income	505	290
Income tax relating to items that may be reclas-sified to profit or loss	-	-
Closing balance at the end of the period	**562**	**57**

27. COMMITMENTS

To meet the financial needs of customers, the Bank enters into various irrevocable commitments and contingent liabilities. Even though these obligations may not be recognised on the stand-alone statement of financial position, they do contain credit risk and are therefore part of the overall risk of the Bank.
Off-balance sheet commitments comprise of loans not drawn and other contracted future payments to suppliers of the Bank:

	31 December 2023	31 December 2022
Loan commitments	28,539	27,103
Total	**28,539**	**27,103**

All figures in tables are in HUF million except otherwise noted

28. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used to estimate the fair value of the on- and off-balance sheet financial assets and liabilities:

Financial instruments stated at amortized cost: due to short-term maturity profiles, the carrying values of certain financial assets and liabilities were assumed to approximate their fair values. These include cash and due from banks and with the National Bank of Hungary as well as deposits.

Securities at fair value through other comprehensive income: Securities at fair value through other comprehensive income held for liquidity purposes are marked to market. For investments traded in organised financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business on the balance sheet date. For investments where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to the current market value of another instrument which is substantially the same, or is based on the expected discounted cash flows.

28.1. Fair value of financial assets measured at amortised costs

The Bank calculates the fair value of loans and advances to customers and refinanced loans and securites at amortized cost on an individual basis.
The applied valuation model takes into account the following:

- The scheduled and calculated repayments, with certain restrictions.
- In case of loan repricing events the model recalculates the interest cash flow.
- In case of loans where amortized cost is calculated with simplified approach no FV correction is applied.

The cash flow series calculated in this way are discounted with the yield curve applied in the Bank's evaluation, which contains the following components:

- Relevant market yield curve
- Spread implied by the annual risk cost
- Spread implied by the capital allocated to the loans (regulatory minimum requirement and all addons)
- Allocated operational costs

The net value of assets, i.e. the fair value of the total portfolio of loans is determined by combining and exchanging to HUF the FX values.

Under IFRS 13 a fair value measurement requires during the selection of appropriate valuation techniques an entity to determine all the following:

- all information what is reasonably available for the Bank;
- current and expected market conditions;
- the invesment timeline and the type of investment (for example in measuring the fair value of short-term financial investment the current market sentiment to be better reflected by some valuation technique than others);
- an entity's life-cycle of an equity instruments (the fair value of the investments in different life cycles is better reflected by some valuation models than by others);
- pro- and counter-cyclicality of an entity's business activity; and
- there are entity-specific factors, in which the entity operates.

In case of illiquid quoted equity instruments are applied 180 days weighted average price in accordance with the market practice for measuring fair value by the Bank.
When a quoted price of an equity instrument is not available the Bank shall measure during the selection of appropriate valuation techniques that primarily takes into account the future cash flows that a market participant would expect to receive from holding the equity instruments. Dividend and cash flow expectations are available from market reporting agent (Bloomberg,Refinitive), business reports, management letter of intent, etc.

	31 December 2023		31 December 2022	
	Net book value	Fair value	Net book value	Fair value
Financial assets measured at amortised cost	867,975	841,340	781,737	724,470

28.2. Fair value of other items in the statement of financial position

No estimation is made in respect of the fair value of assets and liabilities that are not considered to be financial instruments, such as fixed assets and other assets and liabilities. Given the use of subjective judgement and uncertainties, the fair values should not be interpreted as being realisable in an immediate settlement of the instruments.

28.3. Fair value of derivative transactions

Swap transactions are contracts between two parties to swap the differences of interests or exchange rates for a fixed amount. In case of interest rate swap (IRS) transactions, parties usually swap the fixed and variable interest payments of a given currency. In FXS, they swap fixed payments and given amounts of different currencies. CCIRSs are swap transactions where parties swap fix amounts in different currencies as well as fixed and variable interest payments.

	Fair value		Notional amount	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Swap deals	10	70	3,675	4,657
IRS	-	-	-	-
MIRS	1,555	5,191	8,766	17,751
Total trading derivatives	**1,565**	**5,261**	**12,441**	**22,408**
Hedge deals	640	975	3,545	21,500
Total derivative financial assets	**2,205**	**6,236**	**15,986**	**43,908**

All figures in tables are in HUF million except otherwise noted

	Fair value		Notional amount	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Swap deals	3	-	165	-
IRS	1,369	5,127	7,512	17,501
MIRS	-	19	-	151
Total trading derivatives	**1,372**	**5,146**	**7,677**	**17,652**
Hedge derivatives	5,214	2,639	61,950	37,000
Total derivative financial liabilities	**6,586**	**7,785**	**69,627**	**54,652**

The fair value of derivative deals is also calculated based on a cash flow basis by the Bank, the derivatives are broken down to elementary cash flows and the present value is calculated.
The present value of the future cash flows of fixed interest rate deals is calculated by the Bank using the zero-coupon swap yield curve corresponding to the appropriate currency. The fair value of swap deals is the difference of the present value of the two series of cash flows not yet due (incoming and outgoing).

In the case of floating rate deals the expected interest rates are estimated on a forward basis including interest premium. The interest cash flow calculated and the principal payments are discounted to present value using the multi-level yield curve (forward yield curve, and discounting curve). The fair value of the deal is the aggregate of the present values.

The risk premium is significant and permanent, it is justified to incorporate it into the evaluation method of swaps. The yield curve is adjusted with the risk premium. The application of the appropriate risk premium enhances the accuracy of the fair value calculation (please also refer to Note 3) taking counterparty and own credit risk into amount (CVA/DVA) in accordance with IFRS 13.

For the Bank's existing derivative contracts designated as fair value hedges, the purpose of the transaction is to exchange fixed interest rate contracts for floating rate transactions and to hedge the resulting fair value risk. The parameters of the hedging instrument (maturity, amount, currency, interest rate, etc.) and thus its cash flow are the same as the parameters of the hedged security and the cash flow of capital and interest.

In the valuation of hedging transactions, the Bank establishes a so-called hypothetical swap and measures its efficiency accordingly. The Bank introduced hedge accounting in the second quarter of 2019 for swap transactions in the individual IFRS financial statements of Bank. The effect of this is shown in the table on December 31,2023.

All figures in tables are in HUF million except otherwise noted

28.4. Fair value hedge transactions

Description of the hedging instrument	Types of hedged items	Fair value of the hedging instrument 31 December 2023	Fair value of the hedged items 31 December 2023	Gains on the hedging instrument 2023	Losses on the hedged items 2023
IRS	Issued mortgage bonds	892	25,113	1,131	(1,135)
IRS	Securities	3,644	37,157	3,996	(4,266)

Description of the hedging instrument	Types of hedged items	Fair value of the hedging instrument 31 December 2022	Fair value of the hedged items 31 December 2022	Gains on the hedging instrument 2022	Losses on the hedged items 2022
IRS	Issued mortgage bonds	(2,438)	21,707	(2,337)	2,708
IRS	Securities	774	24,353	878	(911)

28.5. Financial assets subject to offsetting and potential offsetting agreements in- 2023

	Gross amounts in Statement of Financial Position	Net amounts in Statement of Financial Position	Potential effects of netting agreements not qualifying for offsetting in Statement of Financial Position	Net amount after potential offsetting
			Financial instruments	
Financial assets for trading	2,205	2,205	2,205	-
Total	**2,205**	**2,205**	**2,205**	**-**

Liabilities subject to offsetting and potential offsetting agreements - 2023

	Gross amounts in Statement of Financial Position	Net amounts in Statement of Financial Position	Potential effects of netting agreements not qualifying for offsetting in Statement of Financial Position	Net amount after potential offsetting
			Financial instruments	
Financial liabilities for trading	6,586	6,586	2,205	4,381
Total	**6,586**	**6,586**	**2,205**	**4,381**

All figures in tables are in HUF million except otherwise noted

Financial assets subject to offsetting and potential offsetting agreements in- 2022

	Gross amounts in Statement of Financial Position	Net amounts in Statement of Financial Position	Potential effects of netting agreements not qualifying for offsetting in Statement of Financial Position	Net amount after potential offsetting
			Financial instruments	
Financial assets for trading	1,046	1,046	7,766	(6,720)
Total	**1,046**	**1,046**	**7,766**	**(6,720)**

Liabilities subject to offsetting and potential offsetting agreements - 2022

	Gross amounts in Statement of Financial Position	Net amounts in Statement of Financial Position	Potential effects of netting agreements not qualifying for offsetting in Statement of Financial Position	Net amount after potential offsetting
			Financial instruments	
Financial liabilities for trading	7,766	7,766	7,766	-
Total	7,766	7,766	7,766	**-**

Bank employs repurchase agreements and master netting agreements as a means of reducing credit risk of derivative and financing transactions. They qualify as potential offsetting agreements. Master netting agreements are relevant for counterparties with multiple derivative contracts. They provide for the net settlement of all the contracts in the event of default of any counterparty.

For derivatives transactions the values of assets and liabilities that would be set off as a result of master netting agreements are presented in the column ‘Financial instruments’. If the net position is further secured by cash collateral or non-cash financial collaterals the effects are disclosed in columns ‘Cash collateral received / pledged’ and ‘Non-cash financial collateral received / pledged’ respectively.

All figures in tables are in HUF million except otherwise noted

Repurchase agreements are primarily financing transactions. They are structured as a sale and subsequent repurchase of securities at a pre-agreed price and time. This ensures that the securities remain in the hands of the lender as collateral in case the borrower defaults on fulfilling any of its obligations. Offsetting effects from repurchase agreements are disclosed in the column ‘Non-cash financial collateral received / pledged’ respectively. Collateral is presented at the fair value of the transferred securities. However, if the fair value of collateral exceeds the carrying amount of the receivable/liability from the repo transaction the value is capped at the level of the carrying amount. Remaining position may be secured by cash collateral. Cash and non-cash financial collateral involved in these transactions is restricted from being used it by the transferor during the time of the pledge.

28.6. Fair value of financial instruments carried at fair value

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The Bank calculates the fair value of non-trading financial assets mandatorily at fair value through profit or loss on an individual basis.
The applied valuation model takes into account the following:

- The scheduled and calculated repayments, with certain restrictions.
- In case of loan repricing events the model recalculates the interest cash flow
- In case of loans where amortized cost is calculated with simplified approach no fair value correction is applied

The cash flow series calculated in this way are discounted with the yield curve applied in the Bank's evaluation, which contains the following components:

- Relevant market yield curve
- Surcharge implied by liquidity costs
- Spread implied by the annual risk cost
- Spread implied by the capital allocated to the loans (regulatory minimum requirement and all addons)
- Allocated operational costs

The net value of assets, i.e. the fair value of the total portfolio of loans is determined by combining and exchanging to HUF the FX values.

Under IFRS 13 a fair value measurement requires during the selection of appropriate valuation techniques an entity to determine all the following:

- all information what is reasonably available for the Bank;
- current and expected market conditions;
- the investment timeline and the type of investment (for example in measuring the fair value of short-term financial investment the current mar-ket sentiment to be better reflected a some valuation technique than others);
- an entity's life-cycle of an equity instruments (the fair value of the investments in different life cycles is better reflected by some valuation models than by others);
- pro- and counter-cyclicality of an entity's business activity; and
- there are entity-specific factors, in which the entity operates.

In case of illiquid quoted equity instruments are applied 180 days weighted average price in ac-cordance with the market practice for measuring fair value by the Bank.

When a quoted price of an equity instrument is not available the Bank shall measure during the selection of appropriate valuation techniques that primarily takes into account the future cash

flows that a market participant would expect to receive from holding the equity instruments. Dividend and cash flow expectations are available from market reporting agent (Bloomberg, Refinitive, business reports, management letter of intent, etc.
The following table shows an analysis of financial instruments carried at fair value.

	31 December 2023		
	Level 1	Level 2	Level 3
Assets			
Derivative financial assets	-	1,565	-
Non-trading financial assets mandatorily at fair value through profit or loss	-	-	6,310
Securities at fair value through other comprehensive income	9,999	-	-
Hedging derivative assets	-	640	-
Total assets carried at fair value	**9,999**	**2,205**	**6,310**

	31 December 2023		
	Level 1	Level 2	Level 3
Liabilities			
Derivative financial liabilities	-	1,372	-
Hedging derivative liabilities	-	5,214	-
Total assets carried at fair value	**-**	**6,586**	**-**

All figures in tables are in HUF million except otherwise noted

	31 December 2022		
	Level 1	Level 2	Level 3
Assets			
Derivative financial assets	-	5,261	-
Non-trading financial assets mandatorily at fair value through profit or loss	-	-	6,593
Securities at fair value through other comprehensive income	18,172	-	-
Hedging derivative assets	-	975	-
Total assets carried at fair value	**18,172**	**6,236**	**6,593**

	31 December 2022		
	Level 1	Level 2	Level 3
Liabilities			
Derivative financial liabilities	-	5,146	-
Hedging derivative liabilities	-	2,639	-
Total assets carried at fair value	**-**	**7,785**	**-**

Instruments' movements in Level 3	Non-trading financial assets mandatorily at fair value through profit or loss 2023	Non-trading financial assets mandatorily at fair value through profit or loss 2022
Opening balance – 1 January	**6,593**	**9,787**
Stand-alone Statement of profit or loss	-	-
Profit/(Loss)	1,043	(867)
Porfolio decrease	(1,326)	(2,327)
Closing balance – 31 December	**6,310**	**6,593**

29. RISK MANAGEMENT

29.1. Overview

MBH Mortgage bank Plc. (in the following: Bank) is a member of the Integration Organization under Act CXXXV of 2013 on the Integration of Cooperative Credit Institutions (Section.). As a consequence of its Integration membership, the Bank is subject to the risk management policies of the Integration. The operation of the Bank's risk management is governed by the applicable Hungarian and EU legislation and further supervisory requirements. The Bank is a member of the MBH Group, so its operation must also comply with MBH Bank's internal regulations at group level.

All figures in tables are in HUF million except otherwise noted

Based on the Section 5/A (1) of the Integration Organization and its members shall be jointly and severally liable for each other's obligations in accordance with the rules of the Civil Code. Joint and several liability shall extend to all claims against the Integration Organization and its members, irrespective of the date on which they arose.

Based on the Section 5 of Article 1 of Szhitv the Integration Organisation and its members are under the combined supervision according to Credit Institution Act. The Bank is a member of the MBH Integration Group controlled by MBH Investment Bank, which is part of the MBH Group controlled by MBH Bank.

As part of the merger processes taking place in the MBH Group, from 01.05.2023 MKB Bank Plc. will continue its activities as MBH Bank Plc. (in the following MBH Bank), Takarek Mortgage Bank Co. Plc. as MBH Mortgage Bank Co. Plc., while MTB Ltd. will continue its activities as MBH Investment Bank Ltd.

If the conditions are met in the Article 10 of the EU Regulation No 575/2013 (CRR) of the European Parliament and of the Council based on the Section 5 of Article 1 of Szhitv the integration of credit institutions is exempted from individual applying of the requirements are defined in the Section (2)-(8) of CRR. According to the resolution no. H-JÉ-I-209/2014 (on 3 March 2014) the National Bank of Hungary (MNB) authorized the members of the Integration to apply individual exemption based on the Article 10 of CRR.

MBH Bank's group-level risk strategy defines the range of risks the Bank can take and the risk management and measurement tools to be applied, as well as defines the general risk-taking principles and rules to be followed by the Bank. In the course of its operations, the Bank strives to maintain a risk culture that ensures the identification, measurement and management of emerging risks in accordance with risk appetite. Internal policies, strategies, regulations and guidelines, communication and employee training are the primary tools for a corresponding risk culture.

The Integration and its member institutions seek to create an integrated risk culture which covering the whole Integration and which is in line with their risk appetite, and their risk tolerance ensure the identification, measurement and management of the emerged risks.

The risk capacity of the Bank should be in line with the financial resources that are available to cover potential losses. In order to achieve this the current and future economic, capital requirements and the capital requirements under Pillar 1 for quantifiable risk types are calculated.

Prudent risk taking is a fundamental value for the Bank. In order to achieve this risk management identifies, evaluates and analyses the exposures. It processes the information gained, develops risk guidelines, and operates risk management systems.

The Group-wide Risk Strategy is based on the following main pillars:

- in risk management application of the best approaches and methods applied in market practice
- identification of risk and yield profile of segments, products and risk positions and continuous monitoring
- consideration of the risks in business decisions
- separation the risk management organisation from the business division
- the importance of all stages of the risk management process

- the risk management process is the part of the Bank Group's management system, its aspects are integrated into the strategic and annual planning.

29.2. Risk management structure

The Group's risk management is subject to multiple levels of control, the most important of which are final control at the level of the Board of Directors, independent control separate from risk-taking areas, and adequate measurement, diversification, monitoring and reporting of risks.

The highest level of risk management from the organisational point of view is the Supervisory Board and the Board of Directors.

Board of Directors
The Boards of Directors of the banks are responsible for the MBH Mortgage Bank's risk management policy and strategy. The Boards of Directors approve the basic framework rules for risk management and guidelines of applicable methodologies. Due to the Integration Membership MBH Mortgage Bank follows the Integration Risk Policy/ Strategy, applies uniform risk management policies and reports about its risks to the Central Bodies of the Integration (IHKSZ) to the Integration Business Management Organization (MBH Investment Bank Ltd) and MBH Bank Plc.
Based on regular risk exposure reports, the Boards of Directors evaluate the risk management activities and the level of exposure of the banks. If the level of exposure undertaken by the banks does not correspond to the strategy the Board takes measures to contain risks.

Supervisory Board
The Supervisory Board of the Bank is responsible for monitoring the overall risk and risk management processes within the Bank. In this context it also supervises and monitors the suitability of methods and systems applied by the Bank in order to ensure compliance with the statutory capital adequacy requirements.

Risk Control and Assets and Liabilities Committee (KK-EFB)
The Risk Control and Assets and Liabilities Committee exercise its authority on an individual level referring to the Bank.
The responsibilities of the Risk Control and Asset-Liability Committee include asset-liability management, planning / controlling, pricing, sales, product development, market risk management, liquidity risk management, credit and counterparty risk, concentration risk, and operational risk management - risk policy / risk strategy - , capital management.
It constantly monitors the liquidity position of MBH Mortgage Bank and makes proposals on its interest rate policy. It creates and continuously maintains a balance between income and liquidity, always adhering to the principles of prudent operation.

Refinancing Lending Committee
The purpose of the operation of the Refinancing Lending Committee is to make the necessary decisions to establish certain terms and conditions of the Bank's refinancing business that will be concluded with a particular partner bank (framework agreement).

Methodology Committee (MB)

The competence of the Methodology Committee is exercised at the individual level of MBH Bank Plc. and the Bank.

The Methodology Committee performs all the tasks required by law or supervisory recommendations from a risk control, a risk methodology, an operational risk management and an NPL committee in the areas specified in the Rules of Procedure of the Standing Committees. In detail:

• Defining risk strategy, risk self-assessment, risk appetite and related limits - proposing to the Board of Directors, allocating limits to group members
• Setting concentration and country risk limits, approving risk management principles, allocating and re-measuring limits
• Approval of changes in risk parameters affecting risk appetite, including risk methodological proposals related to product development
• Approval of risk regulations
• Regular and adhoc risk reports (credit risk, operational risk, large exposures, internal credit, other risks, except market and liquidity, which is the responsibility of the EFB)
• ICAAP-SREP methodological changes, parameters, credit ratings, etc. approval (Pillar 1 and Pillar 2, including market risk topics), monitoring, supervisory control
• Develop and monitor an SREP action plan
• Modeling framework changes, model validation system approval

Internal Audit

The elements of the internal control system (management control and management information system incorporated in processes, and an independent internal control unit function) cover the Bank's all organizational units and are incorporated in day-to-day operation. They are traceable and provide feedback to the appropriate levels of management and control.

Risk management processes are audited regularly by the internal audit organization that examines both the adequacy of the procedures and the compliance with the procedures. Internal Audit reports its findings to the Supervisory Board and the Management of the Bank.

Risk evaluation and reporting system

The Bank is measured the risk exposure in accordance with the methods defined in laws and integration policies.

In terms of liquidity as well as interest and exchange rate risks, risks are essentially monitored and controlled by means of setting up limits of acceptable exposure. The limits reflect the willingness to undertake risks, and the market environment. The Bank collects and analyses data about events and losses related to risk from operation. As a result of risk assessment, the Bank determines the level of capital justified by the level of acceptable exposure.

The Boards of Directors and The Supervisory Board evaluate the reports on risks on a quarterly basis.

Green Covered Bond Committee

TMB established its Green Covered Bond Committee (hereinafter referred as GCBC) to increase the role of green factors in its business and risk management governance. The Committee consists of the CEO, deputy CEO responsible for the Risk Management – Chairman of GCBC, Heads of Capital Market, Refinancing, ALM, Collateral Registry, Collateral Management. GCBC reports directly to the Management of Board. Pursuant to the internal regulations, the GCBC decides on the 'green' quality if new collateral is involved, and regularly reviews the adequacy of the green collateral behind the issued green mortgage bonds.

29.3. Risk mitigation

Interest rate and exchange rate risks
To minimize the risk of interest- and foreign exchange rate risks the Bank manages their asset and liability structure.

Credit risk
Credit risk is the risk of the Bank suffering losses because the borrowers (clients or partners) fail to meet their contractual obligation to the Bank.

The Bank is suspended the new loan placement activity based on strategy decision during 2018, keep handling the existing loan portfolio. There through the Bank monitors client and partner rating on an ongoing basis.
The Bank rates the creditworthiness of their clients and partners and classifies them into client or partner categories. Risk is only accepted if the client's or partner's rating is appropriate. The Bank monitors client and partner rating on an ongoing basis.

Risk taking to retail clients is based on the use of standardized loan schemes and lending processes, resulting in a portfolio characterized by high number of customers, small amounts of individual loans and diversification.
Corporate lending is based on individual assessment and the continuous monitoring is in focus.
The Bank applied strict regulations to determine the scope of eligible collaterals, their valuation method and the coverage ratio.

29.4. Credit risk

29.4.1. Credit risk

IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The standard has been endorsed by the European Union (EU).

Impairment

The impairment requirements of IFRS 9 apply to all debt instruments that are measured at amortized cost or FVOCI, and to off balance sheet lending commitments such as loan commitments and financial guarantees (hereafter collectively referred to as "Financial Assets").

Under IFRS 9, the Bank first evaluates individually the Financial Assets whether objective evidence of impairment exists for loans that are individually significant. It then collectively assesses loans that are not individually significant and loans which are significant but for which there is no objective evidence of impairment available under the individual assessment.

Staged Approach to the Determination of Expected Credit Losses

IFRS 9 introduces a three-stage approach to impairment for Financial Assets that are performing at the date of origination or purchase. This approach is summarised as follows.

Stage 1:
The Bank recognizes a credit loss allowance at an amount equal to 12-month expected credit losses. This represents the portion of lifetime expected credit losses from default events that are expected within 12 months of the reporting date, assuming that credit risk has not increased significantly after initial recognition.

Stage 2:
The Bank recognizes a credit loss allowance at an amount equal to lifetime expected credit losses (LTECL) for those Financial Assets which are considered to have experienced a significant increase in credit risk since initial recognition. This requires the computation of ECL based on lifetime probability of default (LTPD) that represents the probability of default occurring over the remaining lifetime of the Financial Asset. Allowance for credit losses are higher in this stage because of an increase in credit risk and the impact of a longer time horizon being considered compared to 12 months in Stage 1.

Stage 3:
The Bank recognizes a loss allowance at an amount equal to lifetime expected credit losses, reflecting a Probability of Default (PD) of 100 %, via the recoverable cash flows for the asset, for those Financial Assets that are credit-impaired. The Bank definition of default is aligned with the regulatory definition. The treatment of loans in Stage 3 remains substantially the same as the treatment of impaired loans under IAS 39 except for homogeneous portfolios as described below. Financial Assets that are credit impaired upon initial recognition are categorised purchased or originated credit-impaired (POCI) with a carrying value already reflecting the lifetime expected credit losses. The accounting treatment for these (POCI) assets is discussed further below.

Significant Increase in Credit Risk

Under IFRS 9, when determining whether the credit risk (i.e., risk of default) of a Financial Asset has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes quantitative and qualitative information based on the Bank historical experience, credit risk assessment and forward-looking information (including macro-economic factors). The assessment of significant credit deterioration is key in determining when to move from measuring an allowance based on 12-month ECLs to one that is based on lifetime ECLs (i.e., Stage 1 to Stage 2). The Bank's framework aligns with the internal Credit Risk Management process and covers rating related and process related indicators which are discussed further in the section below on Model Descriptions.

Credit Impaired Financial Assets in Stage 3

The Bank has aligned its definition of credit impaired under IFRS 9 to when a Financial Asset has defaulted for regulatory purposes, according to the Capital Requirements Regulation (CRR) under Art. 178.
The determination of whether a Financial Asset is credit impaired focusses exclusively on default risk, without taking into consideration the effects of credit risk mitigants such as collateral or guarantees. Specifically, a Financial Asset is credit impaired and in Stage 3 when:

- The Bank considers the obligor is unlikely to pay its credit obligations. Determination may include forbearance actions, where a concession has been granted to the borrower or economic or legal reasons that are qualitative indicators of credit impairment; or
- Contractual payments of either principal or interest by the obligor are past due by more than 90 days.

For Financial Assets considered to be credit impaired, the ECL allowance covers the amount of loss the Bank is expected to suffer. The estimation of ECLs is done on a case-by-case basis for non-homogeneous portfolios, or by applying portfolio-based parameters to individual Financial Assets in these portfolios via the Bank's ECL model for homogeneous portfolios.
Forecasts of future economic conditions when calculating ECLs are considered. The lifetime expected losses are estimated based on the probability-weighted present value of the difference

between 1) the contractual cash flows that are due to the Bank under the contract; and 2) the cash flows that the Group expects to receive.

A Financial Asset can be classified as in default but without an allowance for credit losses (i.e., no impairment loss is expected). This may be due to the value of collateral. The Bank's ECL calculation is conducted on a quarterly basis.

Default

The Bank uses the CRR definition of default as a primary indicator of loss events in accordance with Article 178 (1) of CRR. A default shall be considered to have occurred with regard to a particular obligor when either or both of the following have taken place:
(a) the Bank considers that the obligor is unlikely to pay its credit obligations to the institution, the parent undertaking or any of its subsidiaries in full, without recourse by the institution to actions such as realising security;
(b) the obligor is past due more than 90 days on any material credit obligation to the institution, the parent undertaking or any of its subsidiaries.

Purchased or Originated Credit Impaired Financial Assets

A Financial Asset is considered purchased or originated credit-impaired if there is objective evidence of impairment at the time of initial recognition (i.e., rated in default by Credit Risk Management). Such defaulted Financial Assets are termed POCI Financial Assets. Typically, the purchase price or fair value at origination embeds expectations of lifetime expected credit losses and therefore no separate credit loss allowance is recognised on initial recognition. Subsequently, POCI Financial Assets are measured to reflect lifetime expected credit losses, and all subsequent changes in lifetime expected credit losses, whether positive or negative, are recognised in the income statement as a component of the provision for credit losses.

Write-off

Loans and debt securities are written off when the Bank has no reasonable expectations of recovering the financial asset (either in its entirely or a portion of it). This is the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event. The Bank may apply enforcement activities to financial assets written off. Recoveries will be presented in Provision for impairment losses in the stand-alone statement of Profit or Loss.

29.4.2. Model Descriptions - Expected Credit Loss

Stage determination

At initial recognition, Financial Assets which are not POCI are reflected in Stage 1. If there is a significant increase in credit risk, the Financial Asset is transferred to Stage 2. Significant increase in credit risk is determined by using rating-related and process- related indicators as discussed below. In contrast, the assignment of a financial instrument to Stage 3 is based on the status of the obligor being in default.

Rating-Related Indicators: Based on a dynamic change in counterparty PDs that is linked to all transactions with the counter- party, the Bank compares lifetime PD at the reporting date, with expectations at the date of initial recognition. Based on historically observed migration behaviour and available forward-looking information, an expected forward rating distribution is obtained. A quantile of this distribution, which is defined for each counterparty class, is chosen as the threshold. If for the remaining lifetime the PD of a transaction given current expectations exceeds the PD of the relevant threshold rating, the Financial Asset is considered as significantly deteriorated. The thresholds used to determine Stage 2 indicators are determined using expert judgment and validated annually.

Process-Related Indicators: Process-related indicators are derived via usage of existing risk management indicators, which allow the Bank to identify whether the credit risk of Financial Assets has significantly increased. These include obligors being added mandatorily to a credit watchlist, being mandatorily transferred to workout status, payments being 30 days or more overdue or in forbearance.

On an ongoing basis, as long as the condition for one or more of the indicators is fulfilled and the Financial Asset is not recognized as defaulted, the asset will remain in Stage 2. If none of the indicator conditions is any longer fulfilled and the Financial Asset is not defaulted, the asset transfers back to Stage 1. In case of a default, the Financial Asset is allocated to Stage 3.

Expected Lifetime model

The expected lifetime of a Financial Asset is a key factor in determining the lifetime expected credit losses. Lifetime expected credit losses represent default events over the expected life of a Financial Asset. The Bank measures expected credit losses considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk.
Retail overdrafts, credit card facilities and certain corporate revolving facilities typically include both a loan and an undrawn commitment component. The expected lifetime of such on-demand facilities exceeds their contractual life as they are typically cancelled only when the Bank becomes aware of an increase in credit risk.In determining the expected lives of these transactions with no cash-flow, the Bank applies a fixed lifetime on an expert basis.

Forward-Looking Information

Under IFRS 9, the allowance for credit losses is based on reasonable and supportable forward - looking information obtainable, which takes into consideration past events, current conditions and forecasts of future economic conditions.

To incorporate forward-looking information into allowance for credit losses, the Bank uses two key elements: As its base scenario, the Bank uses the macroeconomic forecasts provided by Hungarian National Bank. These forecasts cover a number of macroeconomic variables (e.g., GDP, unemployment rates, inflation) and reflect Regulator search's view as to the most likely development of those variables, typically over a two-year (three in the medium/large sized enterprise segments) period and updated quarterly.

This base scenario is then translated into a multiple scenario analysis by leveraging the stress test environment. This environment generates the impact of a multitude of economic scenarios and is used as basis for deriving multi-year PD curves for different rating and counterparty classes, which are applied in the calculation of expected credit losses and in the identification of significant deterioration in credit quality of Financial Assets.

The general use of forward-looking information, including macro-economic factors, as well as adjustments taking into account the extraordinary factors, are monitored by the Bank's Risk Management.

Assumptions and the Estimation Techniques

IFRS 9 does not distinguish between individually significant or not individually significant Financial Assets and as such the Bank calculates expected credit losses for each Financial Asset individually. Similarly, the determination of the need to transfer between stages is made on an individual asset basis.

The Bank uses three main components to measure ECL. These are PD, Loss Given Default (LGD) and Exposure at Default (EAD).

Incorporating forecasts of future economic conditions into the measurement of expected credit losses influences the allowance for credit losses for each stage. In order to calculate lifetime expected credit losses, the Bank's calculation includes the PDs that reflect economic forecasts.

The expected credit loss calculation for stage 3 distinguishes between transactions in homogeneous and non-homogenous portfolios and purchased or originated credit-impaired transactions. For transactions that are in Stage 3 and in a homogeneous portfolio, a similar approach as for Stage 1 and 2 transactions is taken. Since a Stage 3 transaction is defaulted, the probability of default is equal to 100 %.

Below the estimation techniques for the input factors are described in more detail.

The one-year PD for counterparties is derived from our internal PD model. The Bank assigns a PD to each relevant counterparty credit exposure for our exposure.

The counterparty ratings assigned are derived based on internally developed rating models which specify consistent and distinct customer-relevant criteria and assign a rating grade based on a specific set of criteria as given for a certain customer. The set of criteria is generated from information sets relevant for the respective customer segments including general customer behaviour, financial and external data. The methods in use range from statistical scoring models to expert-based models taking into account the relevant available quantitative and qualitative information. Expert-based models are usually applied for counterparties in the exposure classes "Central governments and central banks", "Institutions" and "Corporates" with the exception of those "Corporates" segments. For the latter as well as for the retail segment statistical scoring or hybrid models combining both approaches are commonly used. Quantitative rating methodologies are developed based on applicable statistical modelling techniques, such as logistic regression.
In addition to these, categories based on the number of days past due in impairment calculations also influence the allocation of the parameters related to the probability of default.

One-year PDs are extended to multi-year PD curves using conditional transition matrices. The first step in the estimation process is the calculation of through-the-cycle (TTC) matrices, which are derived from a multi-year rating history. For the next three years, economic forecasts are available. These forecasts are used to establish "point-in time" (PIT) PDs based on TTC matrices.

LGD is defined as the likely loss intensity in case of a counterparty default. It provides an estimation of the exposure that cannot be recovered in a default event and therefore captures the severity of a loss. Conceptually, LGD estimates are independent of a customer's probability of default. The LGD models ensure that the main drivers for losses (i.e., different levels and quality of collateralization and customer or product types or seniority of facility) are reflected in specific

LGD factors. In our LGD models we assign collateral type specific LGD parameters to the collateralized exposure.

The EAD over the lifetime of a Financial Asset is modelled taking into account expected repayment profiles. We apply specific Credit Conversion Factors (CCFs) in order to calculate an EAD value. Conceptually, the EAD is defined as the expected amount of the credit exposure to a counterparty at the time of its default. In instances where a transaction involves an unused limit, a percentage share of this unused limit is added to the outstanding amount in order to appropriately reflect the expected outstanding amount in case of a counterparty default.

Impact of the pandemic on credit risk management

In accordance with the MNB's expectations, and in line with the Hungarian Bankholding's and MKB Bank Plc’s uniform impairment calculation methodology the staging logic for customers still in and out of moratorium has been standardised by adding the following to the normal processes:

- for retail customers in moratorium 1-2, not affected by moratorium 3 and/or moratorium 4, or who have exited from moratorium 1-2-3-4 and no other Stage3 indicator, then Stage2 classification is justified for at least 6 months after the end of the moratorium,
- for retail customers entering moratorium 3 or 4, a Stage3 classification is justified for the entire period of the moratorium if a significant deterioration in the income situation is justified on the basis of the client's declaration,
- for corporate customers in moratorium 1-2 that have been reclassified to Stage 2 and is not affected by moratorium 3 and or moratorium 4, or have exited moratorium 1-2-3-4 and no other Stage3 indicator is present, then Stage2 classification is justified for at least 24 months after the end of the moratorium,
- for corporate customers entering moratorium 3 or moratorium 4, a Stage3 classification is justified for the entire duration of the moratorium, from which can only be deviated with a detailed, objective justification supported by evidence, but only up to maximum of stage 2.
- customers who entered into „agricultural moratorium” have to be classified minimum as Stage2, but if the customer previously spent at least 9 months in moratorium has to be classified as stage3. They can be classified in Stage1 only on the basis of individual monitoring after the declaration has been made and taken into account. Individual deviations are possible from the application of Stage 3 and Stage2 triggers, which must be supported by detailed justification based on objective evidence in all cases.

For customers exiting the moratorium or customers on a contractual repayment schedule who never taking advantage of moratorium, the measurement of traditional credit behaviour will continue to be implemented. For retail customers, the Bank has reverted to the normal lifetime ECL/Expected Credit Loss calculation.
In case of corporate customers, the Bank will continue to determine the level of impairment based on the rating and the monitoring result.

In addition to the above, the Bank has updated the macro parameters for the entire portfolio, using the latest parameters available in the MNB Inflation Report. The updated risk parameters have also been implemented in the lifetime ECL calculation.

Given that no new information has emerged on the payment ability of customers during the moratorium period and that the repayments of customers affected by the interest rate cap are lower than the contractual instalments, it is necessary to take into account the uncertainties about the ability and willingness of debtors to pay. In addition, MNB expects that the risk arising from modelling uncertainty needs to be mitigated.

In determining the management overlays, the Bank has taken into account the following criteria:

- in case of customers who entered into „agricultural moratorium", the models are not aware of the agricultural moratorium and therefore the willingness and ability to pay may contain a hidden high probability of default,
  the application of transitional staging rules alone does not always translate into a full increase in lifetime credit loss, even if macro parameters are updated.

In summary, the Bank's current modelling methodology, using the above information, provides the opportunity to develop risk profiles that are well-defined from a client management perspective. The management overlays have been created due to the uncertainties arising from the current economic situation, the expectations of the regulatory environment and the future volatility of the economic situation.

IFRS 9 credit risk tables are presented below. *Credit risk exposure - Gross carrying amount per asset type, and loss allowance – 31 December 2023*

31 December 2023	Stage 1 12-month Expected Credit Loss (ECL)	Stage 2 Lifetime Expected Credit Loss (ECL)	Stage 3 Lifetime Expected Credit Loss (ECL)	POCI Purchased or originated credit-impaired	Total
Gross carrying amount per asset type					
Cash on hand	**-**	-	-	-	**-**
Cash balances at central banks	**19,151**	-	-	-	**19,151**
Investment grade	*19,151*	-	-	-	19,151
Other demand deposits	**160**	-	-	-	**160**
Investment grade	*160*	-	-	-	160
Securities at fair value through other comprehensive income	**9,995**	-	-	-	**9,995**
Investment grade	*9,995*	-	-	-	9,995
Securities at amortized cost	**324,218**	-	-	-	**324,218**
Investment grade	*324,218*	-	-	-	324,218
Due from banks	**523,285**	**-**	**-**	**-**	**523,285**
Investment grade	523,285				523,285
Retail	**14,432**	**4,671**	**1,790**	**-**	**20,893**
Investment grade	*13,933*	*3,949*	-	-	17,882
Default grade	-	-	*1,593*	-	1,593
Non-investment grade	*499*	*722*	*197*	-	1,418

All figures in tables are in HUF million except otherwise noted

Credit risk exposure - Gross carrying amount per asset type, and loss allowance – 31 December 2023 (continued)

31 December 2023 (continued)	Stage 1	Stage 2	Stage 3	POCI	Total
	12-month Expected Credit Loss (ECL)	Lifetime Expected Credit Loss (ECL)	Lifetime Expected Credit Loss (ECL)	Purchased or originated credit-impaired	
Gross carrying amount per asset type					
Corporate	**-**	**375**	**-**	**-**	**375**
Investment grade	-	-	-	-	-
Default grade	-	-	-	-	-
Non-investment grade	-	*375*	-	-	*375*
Advances	***188***	**-**	***3***	**-**	**191**
Investment grade	*188*	-	-	-	*188*
Default grade	-	-	*3*	-	*3*
Non-investment grade	-	-	-	-	-
Total gross carrying amount	**891,429**	**5,046**	**1,793**	**-**	**898,268**
Loss allowance	370	226	403	**-**	999
Carrying amount	**891,059**	**4,820**	**1,390**	**-**	**896,269**

All figures in tables are in HUF million except otherwise noted

IFRS 9 credit risk tables are presented below. *Credit risk exposure - Gross carrying amount per asset type, and loss allowance – 31 December 2022*

31 December 2022	Stage 1	Stage 2	Stage 3	POCI	Total
	12-month Expected Credit Loss (ECL)	Lifetime Expected Credit Loss (ECL)	Lifetime Expected Credit Loss (ECL)	Purchased or originated credit-impaired	
Gross carrying amount per asset type					
Cash on hand	**-**	-	-	-	**-**
Cash balances at central banks	**14**	-	-	-	**14**
Investment grade	*14*	-	-	-	14
Other demand deposits	**328**	-	-	-	**328**
Investment grade	*328*	-	-	-	328
Securities at fair value through other comprehensive income	**18,164**	**-**	**-**	**-**	**18,164**
Investment grade	*18,164*	-	-	-	18,164
Securities at amortized cost	**319,743**	-	-	**-**	**319,743**
Investment grade	*319,743*	-	-	-	319,743
Due from banks	**437,044**	**-**	**-**	**-**	**437,044**
Investment grade	437,044				437,044
Default grade	-	-	-	-	-
Non-investment grade	-	-	-	-	-
Retail	**10,137**	**13,223**	**2 437**	**-**	**25 797**
Investment grade	*9,856*	*12,455*	-	-	22 311
Default grade	-	-	*2 437*	-	2 437
Non-investment grade	*281*	*768*	-	-	1 049

All figures in tables are in HUF million except otherwise noted

Credit risk exposure - Gross carrying amount per asset type, and loss allowance – 31 December 2022 (continued)

31 December 2022 (continued)	Stage 1	Stage 2	Stage 3	POCI	Total
	12-month Expected Credit Loss (ECL)	Lifetime Expected Credit Loss (ECL)	Lifetime Expected Credit Loss (ECL)	Purchased or originated credit-impaired	
Gross carrying amount per asset type					
Corporate	**1**	**1**	**483**	**-**	**485**
Investment grade	*1*	*1*	*-*	*-*	*2*
Default grade	*-*	*-*	*483*	*-*	*483*
Non-investment grade	*-*	*-*	*-*	*-*	*-*
Advances	***265***	**-**	***5***	**-**	**270**
Investment grade	*265*	*-*	*-*	*-*	*265*
Default grade	*-*	*-*	*5*	*-*	*5*
Non-investment grade	*-*	*-*	*-*	*-*	*-*
Total gross carrying amount	**785,696**	**13,224**	**2,925**	**-**	**801,845**
Loss allowance	58	758	786	-	1,602
Carrying amount	**785, 638**	**12,466**	**2,139**	**-**	**800,243**

All figures in tables are in HUF million except otherwise noted

Impairment

31 december 2023	Gross exposure	Impairment allowance	Carrying amount
Credit-impaired assets (stage 3)			
Retail loans	1,790	400	1,390
Corporate loans	-	-	-
Advances	3	3	-
Total credit-impaired assets	**1,793**	**403**	**1,390**

Impairment

31 December 2022	Gross exposure	Impairment allowance	Carrying amount
Credit-impaired assets (stage 3)			
Retail loans	2,437	580	1,857
Corporate loans	483	201	282
Advances	5	5	-
Total credit-impaired assets	**2,925**	**786**	**2,139**

31 December 2023	Stage 1	Stage 2	Stage 3	Total
	12-month Expected Credit Loss (ECL)	Lifetime Expected Credit Loss (ECL)	Lifetime Expected Credit Loss (ECL)	
Individual	-	-	-	-
Collective	370	226	403	999
Total	**370**	**226**	**403**	**999**

Due to the change in the Impairment and Provisioning policy, the materiality level of individual impairment increased, as a result of which the clients still involved in the stock of the Mortgage Bank on 31 December 2022 were removed from the individual qualified circle and transferred to the group methodology.

31 December 2022	Stage 1	Stage 2	Stage 3	Total
	12-month Expected Credit Loss (ECL)	Lifetime Expected Credit Loss (ECL)	Lifetime Expected Credit Loss (ECL)	
Individual	-	586	427	1,013
Collective	58	172	359	589
Total	**58**	**758**	**786**	**1,602**

All figures in tables are in HUF million except otherwise noted

Impairment movement table 2023

Asset type all	Stage 1 12-month Expected Credit Loss (ECL)	Stage 2 Lifetime Expected Credit Loss (ECL)	Stage 3 Lifetime Expected Credit Loss (ECL)	POCI Purchased or originated credit-impaired	Total
Impairment loss as at 1 January 2023	**58**	**758**	**786**	**-**	**1,602**
Movements with P&L impact					
Transfers:					
Transfers from Stage 1 to Stage 2	-	14	-	-	14
Transfers from Stage 1 to Stage 3	-	-	12	-	12
Transfers from Stage 2 to Stage 1	54	(688)	-	-	(634)
Transfers from Stage 2 to Stage 3	-	(8)	89	-	81
Transfers from Stage 3 to Stage 1	-	-	(68)	-	(66)
Transfers from Stage 3 to Stage 2	-	43	(189)	-	(146)
Changes in PDs/LGDs/EADs	257	134	4	-	395
Other movements with no P&L impact					
Financial assets derecognised during the period other than write-offs	(1)	(27)	(231)	-	(259)
Impairment loss as at 31 December 2023	**370**	**226**	**403**	**-**	**999**

All figures in tables are in HUF million except otherwise noted

Impairment movement table 2023

Asset type	Stage 1 12-month Expected Credit Loss (ECL)	Stage 2 Lifetime Expected Credit Loss (ECL)	Stage 3 Lifetime Expected Credit Loss (ECL)	POCI Purchased or originated credit-impaired	Total
Impairment loss as at 1 January 2023	**58**	**758**	**786**	**-**	**1,602**
Due from banks	**(12)**	**-**	**-**	**-**	**(12)**
Changes in PDs/LGDs/EADs	(12)	-	-	-	(12)
New financial assets originated or purchased	-	-	-	-	-
Financial assets derecognised during the period other than write-offs	-	-	-	-	-
Retail	**93**	**(564)**	**(181)**	**-**	**(652)**
Transfers:					
Transfers from Stage 1 to Stage 2	-	14	-	-	14
Transfers from Stage 1 to Stage 3	-	-	12	-	12
Transfers from Stage 2 to Stage 1	54	(688)	-	-	(634)
Transfers from Stage 2 to Stage 3	-	(8)	89	-	81
Transfers from Stage 3 to Stage 1	2	-	(29)	-	(27)
Transfers from Stage 3 to Stage 2	-	11	(26)	-	(15)
Changes in PDs/LGDs/EADs	38	134	4	-	176
Modification of contractual cash flows of financial assets	-	-	-	-	-
Financial assets derecognised during the period other than write-offs	(1)	(27)	(231)	-	(259)

All figures in tables are in HUF million except otherwise noted

Impairment movement table – 2023 (continued)

Asset type	Stage 1 12-month Expected Credit Loss (ECL)	Stage 2 Lifetime Expected Credit Loss (ECL)	Stage 3 Lifetime Expected Credit Loss (ECL)	POCI Purchased or originated credit-impaired	Total
Corporate	**231**	**32**	**(202)**	**-**	**61**
Transfers:					
Transfers from Stage 2 to Stage 1	**-**	**-**	-	**-**	**-**
Transfers from Stage 3 to Stage 1	**-**	**-**	(39)	**-**	(39)
Transfers from Stage 3 to Stage 2	**-**	32	(163)	**-**	(131)
Changes in PDs/LGDs/EADs	231	-	-	-	231
Modification of contractual cash flows of financial assets	-	-	-	-	-
Financial assets derecognised during the period other than write-offs	-	-	-	-	-
Securities	**-**	**-**	**-**	**-**	**-**
Changes in PDs/LGDs/EADs	-	-	-	-	-
Impairment loss as at 31 December 2023	**370**	**226**	**403**	**-**	**999**

All figures in tables are in HUF million except otherwise noted

Impairment movement table 2022

Asset type all	Stage 1 12-month Expected Credit Loss (ECL)	Stage 2 Lifetime Expected Credit Loss (ECL)	Stage 3 Lifetime Expected Credit Loss (ECL)	POCI Purchased or originated credit-impaired	Total
Impairment loss as at 1 January 2022	**37**	**662**	**381**	**-**	**1,080**
Movements with P&L impact					
Transfers:					
Transfers from Stage 1 to Stage 2	(3)	17	-	-	14
Transfers from Stage 1 to Stage 3	-	-	12	-	12
Transfers from Stage 2 to Stage 1	2	(7)	-	-	(5)
Transfers from Stage 2 to Stage 3	-	(46)	249	-	203
Transfers from Stage 3 to Stage 1	-	-	(8)	-	(8)
Transfers from Stage 3 to Stage 2	-	1	(13)	-	(12)
Changes in PDs/LGDs/EADs	20	214	208	-	442
New financial assets originated or purchased	4	-	-	-	4
Other movements with no P&L impact					
Financial assets derecognised during the period other than write-offs	(2)	(83)	(43)	-	(128)
Impairment loss as at 31 December 2022	**58**	**758**	**786**	**-**	**1,602**

All figures in tables are in HUF million except otherwise noted

Impairment movement table 2022

Asset type	Stage 1 12-month Expected Credit Loss (ECL)	Stage 2 Lifetime Expected Credit Loss (ECL)	Stage 3 Lifetime Expected Credit Loss (ECL)	POCI Purchased or originated credit-impaired	Total
Impairment loss as at 1 January 2022	**37**	**662**	**381**	**-**	**1,080**
Due from banks	**20**	**-**	**-**	**-**	**20**
Changes in PDs/LGDs/EADs	17	-	-	-	17
New financial assets originated or purchased	4	-	-	-	4
Financial assets derecognised during the period other than write-offs	(1)	-	-	-	(1)
Retail	**(2)**	**107**	**228**	**-**	**333**
Transfers:					
Transfers from Stage 1 to Stage 2	(3)	17	-	-	14
Transfers from Stage 1 to Stage 3	-	-	12	-	12
Transfers from Stage 2 to Stage 1	2	(7)	-	-	(5)
Transfers from Stage 2 to Stage 3	-	(46)	249	-	203
Transfers from Stage 3 to Stage 1	-	-	(8)	-	(8)
Transfers from Stage 3 to Stage 2	-	1	(13)	-	(12)
Changes in PDs/LGDs/EADs	-	214	30	-	244
Modification of contractual cash flows of financial assets	-	-	-	-	-
Financial assets derecognised during the period other than write-offs	(1)	(72)	(42)	-	(115)

All figures in tables are in HUF million except otherwise noted

Impairment movement table – 2022 (continued)

Asset type	Stage 1	Stage 2	Stage 3	POCI	Total
	12-month Expected Credit Loss (ECL)	Lifetime Expected Credit Loss (ECL)	Lifetime Expected Credit Loss (ECL)	Purchased or originated credit-impaired	
Corporate	**-**	**(11)**	**177**	**-**	**166**
Changes in PDs/LGDs/EADs	-	-	178	-	178
Modification of contractual cash flows of financial assets	-	-	-	-	-
Financial assets derecognised during the period other than write-offs	-	(11)	(1)	-	(12)
Securities	**3**	**-**	**-**	**-**	**3**
Changes in PDs/LGDs/EADs	3	-	-	-	3
Impairment loss as at 31 December 2022	**58**	**758**	**786**	**-**	**1,602**

All figures in tables are in HUF million except otherwise noted

Provision movement table

Asset type	Stage 1	Stage 2	Stage 3	Total
	12-month Expected Credit Loss (ECL)	Lifetime Expected Credit Loss (ECL)	Lifetime Expected Credit Loss (ECL)	
Provision as at 1 January 2022	**-**	**1**	**-**	**1**
Movements with P&L impact				
Transfers:				
Transfers from Stage 2 to Stage 3	-	-	-	-
Changes in PDs/LGDs/EADs	-	-	-	
Other movements with no P&L impact				
Financial assets derecognised during the period other than write-offs	-	-	-	-
Provision as at 31 December 2022	**-**	**1**	**-**	**1**
Provision as at 1 January 2023	**-**	**1**	**-**	**1**
Movements with P&L impact				
Transfers:				
Transfers from Stage 2 to Stage 3	-	-	-	-
Changes in PDs/LGDs/EADs	(1)	-	-	(1)
Other movements with no P&L impact				
Financial assets derecognised during the period other than write-offs	-	-	-	-
Provision as at 31 December 2023	**(1)**	**1**	**-**	**-**

Exposure to credit risk on loan commitments and financial guarantees

31 December 2023	Stage 1 12-month Expected Credit Loss (ECL)	Stage 2 Lifetime Expected Credit Loss (ECL)	Stage 3 Lifetime Expected Credit Loss (ECL)	Total
Retail	25	10	1	36
Total exposure to credit risk	**25**	**10**	**1**	**36**

31 December 2022	Stage 1 12-month Expected Credit Loss (ECL)	Stage 2 Lifetime Expected Credit Loss (ECL)	Stage 3 Lifetime Expected Credit Loss (ECL)	Total
Retail	44	47	1	92
Total exposure to credit risk	**44**	**47**	**1**	**92**

All figures in tables are in HUF million except otherwise noted

29.4.3 Clients effected by payment relief program

Due to the first moratorium on repayment set out in Act LVIII of 2020 on transitional rules and epidemiological preparedness related to the cessation of emergency, it is not necessary to pay instalments for all corporate and retail loan agreements from 19 March 2020.
The next piece of legislation is Act CVII of 2020 on transitional measures to stabilize the situation of certain priority social groups and enterprises in financial difficulties, supplementing it Act 637/2020 (XII.22.), (second moratorium) entered into force on 1 January 2021, according to which the repayment moratorium can be used until 30 June 2021. This legislation was extended until 31 July 2022, and then, according to a further statement, until 31 December 2022.

Unpaid interest accrued during the moratorium, together with the instalment due for the remaining term, shall be paid in equal annual instalments during the term of the moratorium after the expiration of the moratorium on payment. The monthly instalment cannot increase due to unpaid interest and principal. The term is extended accordingly.

Based on Government Decree No. 782/2021 (XII.24.) (modification No. 522/2023 (XI.30.) Government Decre) on different application in the state of emergency of Act CLXII of 2009 on Consumer Credit in the case of a mortgage contract tied to a reference interest rate, if the repricing date is before 30 June 2024 the applicable reference interest rate must not be higher than the reference interest rate the applicable reference interest rate must not be higher than the reference interest rate valid on 27 October 2021.

The modification loss due to the program was calculated based on the expected cash flow, estimated under these legislations.
Takarék Mortgage Bank modified the impairment methodology in accordance with the legislation and recommendations after the onset of the emergency. Credit risk monitoring is a key element in the methodology for measuring the significant increase in credit risk since its initial publication. During the pandemic period, the Bank placed even more emphasis on this activity.
In the individual monitoring processes, a stricter procedure was applied, and new methodologies were introduced to identify companies in a deteriorating risk situation. In addition, the Bank has recalculated the parameters of the previously applied IFRS, taking into account the expected macroeconomic effects. This ensured that appropriate loss levels were established for the different credit risk categories.

29.4.4. Client effected by payment relief program 2023

Clients effected by interest rate cap program 2023 (1 July 2023 – 31 December 2024)

Based on Government Decree No. 782/2021 (XII.24.) (modification No. 522/2023 (XI.30.) Government Decree) on different application in the state of emergency of Act CLXII of 2009 on Consumer Credit in the case of a mortgage contract tied to a reference interest rate, if the repricing applicable reference interest rate must not be higher than the reference interest rate the applicable reference interest rate must not be higher than the reference interest rate valid on 27 October 2021.

Financial assets modified during the period 31 December 2023 (interest rate cap extend until the end of half year of 2024)	with loss allowance based 12 months ECL	with loss allowance based on lifetime ECL	Total
Gross carrying amount before modification	8,200	5,957	14,157
Loss allowance before modification	(58)	(494)	(552)
Net amortised cost before modification	**8,142**	**5,463**	**13,605**
Net modification gain/(loss) (change in gross carrying amount)	(182)	(138)	(320)
Impairment gain or loss	1	10	11
Net amortised cost after modification	**7,961**	**5,335**	**13,296**

Clients affected by interest rate cap program/ number of loans *31 December 2023*

Interest rate cap extend until the year end 2024	Number of loans	Outstanding balance	% of portfolio
Retail loans	8,868	19,002	94,08 %
Total (retail and corporate loans)	**8,868**	**19,002**	**94,08 %**

Clients affected by interes rate cap programs / Carrying amount of the loans in 2023

31 December 2023	*Non-impaired loans*		*Impaired loans*	*FVTPL loans*	*Total*
	Stage 1	*Stage 2*	*Stage 3*		
Retail loans	*8,018*	*4,426*	*1,393*	*5,706*	*19,543*
Investment grade	*8,018*	*3,789*	*0*	*5,393*	*17,200*
Default grade	*0*	*0*	*1,220*	*177*	*1,397*
Non-Investment grade	*0*	*637*	*173*	*136*	*945*
Gross carrying amount	*8,018*	*4,426*	*1,393*	*0*	*19,543*
Allowances for credit losses	*(57)*	*(174)*	*(310)*	*0*	*(541)*
Carrying amount	***7,961***	***4,252***	***1,083***	***5,706***	***19,002***

All figures in tables are in HUF million except otherwise noted

29.4.5. Forborne loans

The Bank recognizes a receivable that contains concession as a restructured loan when the original contract was modified in order to avoid the non-payment of the receivables in cases when the debtor was not able to fulfil the original contractual requirements on repaying the loan or would not be able to fulfil those requirements without those concessions made.

Modification of contractual terms that meets the criteria of concession:

a) modifications of contractual terms that qualify as concessions can be the followings:
   - postponement on repayment (on principal and on interest as well) for a transitional period (grace period)
   - instalment
   - modification of interest rate, repricing (in a form of discount)
   - capitalization of interest
   - change in currency
   - prolonging the maturity of the loan
   - rescheduling the repayments
   - reducing the amount of required collateral, replacing present collateral to another one, forfeiture of collateral (release of collateral)
   - determination of new contractual terms, termination a part of original contractual terms.

b) a contract modification that qualifies as a concession may result in a supplementary agreement or a new contract between the parties or between a related party of the debtor and the original creditor that is a loan granted in order to repay the current outstanding balance of the loan (principal and interest) determined based on original contractual terms that was terminated or not yet terminated and also in order to avoid the increase in risk classification and to mitigate the loss in which cases the supplementary agreement or the new contracts that result in a new loan in the Bank's records are considered as restructured loans.

The Bank considers the following cases as non-performing restructuring:

a) the modified contracted loan was considered to be non-performing loan before the modification or the loan would be considered to be non-performing without the modification,
b) the contract contains partial or complete release of the debt,
c) the debtor performed a principal or interest repayment on loans that would be considered as non-performing loans without concession around when a concession was made in case of another debt,
d) modification of contractual terms when repayment involves the usage of collateral in cases of which the modification includes concession as well.

Change in monitoring/recovery of restructured loans:

- recovery period in case of restructured performing loans is 730-day (delay in repayment can be no longer than 30 days during this period), after successful recovery the deal can be treated under normal or intensified monitoring;
- recovery period in case of non-performing deals – deals with default flag or restructured – is 365-day (no delay in payment can occur during this period), after successful recovery the deal can be treated under intensive/preventive monitoring.

An analysis of forborne loan portfolio by loan types

31 December 2023	Gross value	Impairment	Carrying amount	Number of loans
Individual loans	2,843	246	2,597	1,985
Corporate loans	375	32	343	1
Total	**3,218**	**278**	**2,940**	**1,986**

31 December 2022	Gross value	Impairment	Carrying amount	Number of loans
Individual loans	3,487	166	3,321	1,980
Corporate loans	407	163	244	1
Total	**3,894**	**329**	**3,565**	**1,981**

29.4.6. Collaterals and other means for improving the loans portfolio

Collaterals for lending risk applied by the Bank:

Real estate
The Bank accepts as collateral mortgages, independent or separated liens established on such real estate that is registered in Hungary and have long live stable value.
Real estate is valued by independent appraisers who are not involved in decision-making regarding the loan. Collateral Management establish the value of credit collateral conservatively.

State guarantee and GHG Ltd. or AVGHA guarantee
All instances of State guarantee and other guarantee accepted by the Banks involve joint and several liability set forth by law. The rules governing the guarantee are laid down in statutory provisions.

Bail
Deposit can take the form of cash, bank deposit or securities.

Other
In addition to the above the Banks also accept assigned claims, lien on claims.

All figures in tables are in HUF million except otherwise noted

The table below shows the structure of the collaterals:

	31 December 2023	31 December 2022
Mortgage	2,023,628	1,592,836
Bail	14	22
Guarantee	26,959	2,536
Total	**2,050,601**	**1,595,394**

The table below shows the maximum credit risk exposure:

	31 December 2023	31 December 2022
Other demand deposit	160	328
Financial assets at fair value through other comprehensive income	9,989	18,162
Debt securities at amortised cost	324,218	319,744
Individual loans	20,893	25,797
Corporate loans	375	485
Dues from banks	523,285	437,043
Advances	191	270
Off-balance sheet commitments	28,539	27,103
Total gross credit risk exposure	**907,650**	**828,932**

29.5. Market risk

The Bank maintains the maturity-, interest rate- and foreign exchange rate risk at low level derived from the asset, liability and off-balance sheet commitments.

29.6. Interest rate risk

Interest rate risk derives from interest rate changes, which affect the value of financial instruments. A bank is also exposed to interest rate risk when the amounts of assets, liabilities and off-balance sheet instruments maturing or re-priced in a particular period are not in harmony. The Bank assess interest rate risk on a continuous basis applying Gap-analysis, sensitivity analysis. Interest rate risk is managed through mortgage bond issues and interest rate swaps, taking into account the breakdown of the loan portfolio by interest rate.

Interest rate risk exposure – basis point sensitivity analysis (figures in HUF million)

	Sensitivity of interest income 2023	Sensitivity of interest income 2022
HUF	(9)	(12)

The basis point sensitivity measurement in an economic capitalisation-based approach shows the long-term impact of a 1 basis point increase in the yield curve on the value of an institution's equity. As of 31.12.2023, the impact of the 1 basis point increase in the forint yield curve on economic capitalisation is -HUF 9 million, while no significant impact can be detected for EUR and CHF.

	Sensitivity of interest income 2023	Sensitivity of interest income 2023
HUF +200 bp	542	(241)
HUF -200 bp	(542)	241

The sensitivity test assumes interest rate changes of +200 and -200 basis points.

Net income sensitivity is the estimated effect of changes in interest rates on interest earnings one year in advance, based on changes in net interest income from financial assets and liabilities with variable rates held at the last day of the current year or repriced in the following year. This means that from 31 December 2023, with a 200 basis point decrease in interest rates, the estimated net interest income for HUF items may decrease by approximately HUF 542 million, while no effect can be detected for EUR and CHF.

29.6.1. Exchange rate risk management

The business policy of the Mortgage Bank is to keep exchange rate risk at a low level.
The Bank strives to immediately hedge the exchange risks related to its core business as allowed by market circumstances. Therefore an open FX position can serve primarily for the purpose of liquidity management, settlements related to lending and refinancing, or active and passive accruals.

FX risk (in the case of 1% increase in exchange rate) HUF thousand

FX	Effect on earning before income tax (31 December 2023)	Effect on capital (31 December 2023)	Effect on earning before income tax (31 December 2022)	Effect on capital (31 December 2022)
EUR	69	69	70	70
USD	-	-	(20)	(20)
CHF	103	103	130	130

The sensitivity analysis is performed according to the standard method of using 1% increase in foreign exchange rates, the excursion is symmetric meaning 1% decrease in foreign exchange rates would result in the same figures with opposite sign.

Due to the Bank's currency position 1 percent increase in the exchange rate in case of EUR items the estimated net earnings before tax and the share capital could increase with HUF 69 thousand, in case of CHF items it could increase with HUF 103 thousand. In case of USD items the estimated net earnings before tax and the share capital could decrease with HUF 0 thousand, items it could decrease with HUF 0 thousand. The total effect is not significant.

Stand-alone FX financial position of the bank in terms of main currencies:

31 December 2023	HUF	EUR	CHF	Other	Total
Total assets	902,320	3,917	350	-	906,587
Total liabilities	(828,362)	(12)	(4)	(4)	(828,382)
Equity	(78,205)	-	-	-	(78,205)
Off-balance sheet items	(10,626)	(17,913)	-	-	(28,539)
Position	**(14,873)**	**(14,008)**	**346**	**(4)**	**(28,539)**

31 December 2022	HUF	EUR	CHF	Other	Total
Total assets	809,113	4,572	263	-	813,948
Total liabilities	(742,847)	(44)	(20)	-	(742,911)
Equity	(71,037)	-	-	-	(71,037)
Off-balance sheet items	91	(4,587)	-	-	(4,496)
Position	**(4,680)**	**(59)**	**243**	**-**	**(4,496)**

29.7. Liquidity and maturity risk

Liquidity risk is defined as the risk that the Bank could encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Maintaining liquidity is an essential element of banking, which can be ensured by managing the maturity mismatch of receivables and payables. Also, the Bank applies maturity transformation regulated by limits to manage profitability while maintaining solvency at all times.
The Bank regularly reviews clients' prepayments prior to the maturities of loans and takes into consideration their impact in managing market and liquidity risks.

The Bank prepares its plans for liquidity management and financing position based on different assumption that also considers the impact of stress scenarios. The Bank maintains a significant amount of liquid assets on an ongoing basis, mainly in the form of government securities and deposits at the Bank.

All figures in tables are in HUF million except otherwise noted

Contractual maturities of undiscounted cash flows of financial liabilities

31 December 2023	On demand	Within 3 months	3 - 12 months	1 –5 years	5 – 10 years	10 – 15 years	Total
Banking liabilities							
Loans received	-	2,185	-	443,131	-	-	445,316
Issued debt securities	-	20,843	62,340	147,797	141,780	1,887	374,647
from this: Mortgage bonds	*-*	*20,843*	*62,340*	*147,797*	*141,780*	*1,887*	*374,647*
Other financial liabilities	514	-	44	79	-	-	637
Commitments		**28,539**					**28,539**
Total banking liabilities	**514**	**51,566**	**62,384**	**591,007**	**141,780**	**1,887**	**849,139**

31 December 2022	On demand	Within 3 months	3 - 12 months	1 –5 years	5 – 10 years	10 – 15 years	Total
Banking liabilities							
Loans received	-	37,265	92,375	248,131	-	-	377,771
Issued debt securities	-	26,608	26,386	195,617	105,312	1,876	355,799
from this: Mortgage bonds	*-*	*26,608*	*26,386*	*195,617*	*105,312*	*1,876*	*355,799*
Other financial liabilities	592	3	9	9	-	-	613
Commitments		**27 103**					**27 103**
Total banking liabilities	**592**	**90 979**	**118,770**	**443,757**	**105,312**	**1,876**	**761,286**

In the table, the interest maturity breakdown includes only the value of accrued interest.

All figures in tables are in HUF million except otherwise noted

Maturity analysis of assets and liabilities as of 31 December 2023

	Less than 12 months	Over 12 months	Total
Assets			
Cash and cash equivalents	19,305	-	19,305
Financial liabilities measured at fair value through profit or loss	88	7,787	7,875
Hedging derivative assets	-	640	640
Financial assets at fair value through other comprehensive income	6,757	3,242	9,999
Financial assets measured at amortised cost	224,043	643,932	867,975
Property, plant and equipment	-	143	143
Intangible assets	-	247	247
Income tax assets	-	337	337
Other assets	66	-	66
Total assets	**250,259**	**656,328**	**906,587**
Liabilities			
Financial liabilities measured at fair value through profit or loss	3	1,369	1,372
Financial liabilities measured at amortised cost	86,004	734,596	820,600
Hedging derivative liabilities	-	5,214	5,214
Provisions	16	-	16
Income tax liabilities	264	-	264
Other liabilities	916	-	916
Total liabilities	**87,203**	**741,179**	**828,382**

All figures in tables are in HUF million except otherwise noted

Maturity analysis of assets and liabilities as of 31 December 2022

	Less than 12 months	Over 12 months	Total
Assets			
Cash and cash equivalents	342	-	342
Financial liabilities measured at fair value through profit or loss	800	11,054	11,854
Hedging derivative assets	-	975	975
Financial assets at fair value through other comprehensive income	3,130	15,042	18,172
Financial assets measured at amortised cost	95,845	685,892	781,737
Property, plant and equipment	-	63	63
Intangible assets	-	239	239
Income tax assets	-	468	468
Other assets	98	-	98
Total assets	**100,215**	**713,733**	**813,948**
Liabilities			
Financial liabilities measured at fair value through profit or loss	553	4,593	5,146
Financial liabilities measured at amortised cost *	183,247	550,936	734,183
Hedging derivative liabilities	2,438	201	2,639
Provisions	17	-	17
Income tax liabilities	105	-	105
Other liabilities	821	-	821
Total liabilities	**187,181**	**555,730**	**742,911**

29.8. Management of operational risk

Operational risk is managed primarily by improving internal rules and regulations, training staff involved in the various processes, and further enhancement of the internal control mechanisms. The exploration and measurement of risks are performed by the Bank through the collection of the data of operational risk events and losses, the monitoring of Key Risk Indicators and the implementation of risk self-assessment.
The Bank has performed oprisk self-assessment referring to the key activities and determined incidences that are unfrequent, but in case of occurrence they inflict heavy losses, which effects are measured by scenario analysis.
In accordance with the supervisory expectations the Bank has compiled an inventory of models used to assess model risks and a product inventory to identify the risks inherent in the products.

All figures in tables are in HUF million except otherwise noted

29.9. Treatment of risk concentration

The Bank is significantly exposed to the status of real estate market regarding due to the high proportion of real estates for securing mortgage loans. This concentration risk is mitigated by applying conservative method in collateral valuation and cover rate.

30. CALCULATION OF REGULATORY CAPITAL, CAPITAL ADEQUACY AND ROAE

MBH Mortgage Bank Plc. is a member of the Central Body of Integrated Credit Institutions (CBIC). The members of CBIC should examine prudential requirements on consolidated bases. The exemption of individual compliance is ensured by the relevant legislation and the respective resolution of the National Bank of Hungary.
MBH Nyrt. publishes audited financial statements on the capital adequacy of the members of the integration in the disclosure document of the business year.

31. RELATED PARTY TRANSACTION

For the purpose of the financial statements, MBH Bank Plc. (as ultimate parent company) identified related parties based on definition of IAS 24 including all the enterprises that directly or indirectly through one or more intermediaries are controlled by the reporting enterprise (this includes parents and subsidiaries) and key management personnel, including the member of the Board and Supervisory Board. For the purposes of this Report, related parties also include shareholders whose holding in the Bank exceeds 10%. Related parties have the power of control over or have a significant influence in, decisions relating to the finances and operation of another enterprise. The Group enters into transactions with related parties under market conditions.

The list of the related parties, - including the subsidiaries, associates and other shares of the MBH Mortgage Bank Plc. - as of 31 December 2023 is the following. The following table shows the Bank related companies freom the point of view of MBH Bank Plc. as of 31 December 2023.The Bank has no subsidiaries or associates.

Company	Classification	Share%	Core business
MBH Bank Nyrt.	**Ultimate Parent Company**	**-%**	**Other monetary inter-mediation**
MBH Befektetési Bank Zrt.	**Parent company**	**-%**	**Other monetary inter-mediation**
MBH Blue Sky Kft.	Related company	-%	Asset management
MBH Duna Bank Zrt.	Related company	-%	Other monetary inter-mediation
Mitra Informatikai Zrt.	Related company	-%	Data services, web hosting ser-vices
MBH Jelzálogbank Nyrt.	Related company	-%	Other lending
Euroleasing Ingatlan Zrt.	Related company	-%	Other lending
Takarék Ingatlan Zrt.	Related company	-%	Estate agent service
MBH Szolgáltatások Zrt.	Related company	-%	Own renting and oper-ating real estate
MBH Domo Kft.	Related company	-%	Own property real es-tate buying and selling
Takarék Faktorház Zrt.	Related company	-%	Other lending
Takarékszövetkezeti Informati-kai Kft.	Related company	-%	IT service
Takarék Zártkörű Befektetési Alap	Related company	-%	Investment fund
Takarék Mezőgazdasági és Fejlesztési Magántőkealap	Related company	-%	Investment fund
OPUS TM1 Ingatlan Befekte-tési Alap	Related company	-%	Investment fund
MBH Vállalati Abszolút Ho-zamú Kötvény Bef. Alap	Related company	-%	Investment fund
Magyar Strat-Alfa Zrt.	Related company	-%	Own property real es-tate buying and selling
MBH Ingatlanfejlesztő Kft.	Related company	-%	Own renting and oper-ating real estate
Euroleasing Zrt.	Related company	-%	Financial leasing
MBH Bank MRP Szervezet	Related company	-%	Other activities auxiliary to financial services
Retail Prod Zrt.	Related company	-%	Other lending
Budapest Eszközfinanszírozó Zrt.	Related company	-%	Other tangible assets leasing
Budapest Lízing Zrt.	Related company	-%	Financial leasing
MBH Befektetési Alapkezelő Zrt.	Related company	-%	Fund Management

As at 31 December 2023 and 2022, the Bank did not have any loans to members of the Bank's management bodies.

	31 December 2023		31 December 2022	
	Head-count	Amount of emoluments	Head-count	Amount of emoluments
Members of Board of Directors	7	101	8	58
Members of Supervisory Board	6	58	9	41
Total payments	**13**	**159**	**17**	**99**

Details of transaction in 2023 and 2022 between the Bank and other related parties are disclosed on the next table.

31 December 2023	Parent and main parent company	Related company	Key management
Due from banks	21,143	-	-
Loans and advances to customers at amortised cost	488,809	4,191	-
Other assets	11	-	-
Total assets	**509,963**	**4,191**	**-**
Due to banks	(210,185)	-	-
Other liabilities	(82,876)	(9,475)	-
Total liabilities	**(293,061)**	**(9,475)**	**-**
Interest income	39,867	4,647	-
Interest expense	(31,949)	(1,807)	-
Net interest income	**7,918**	**2,840**	**-**
Fee and commission income	90	41	-
Fee and commission expense	(213)	(141)	-
Net fee and commission income	**(123)**	**(100)**	**-**
Other operating income	4,844	618	-
Other operating expense	(5,123)	(3)	-
Operating income	**(279)**	**615**	**-**
Operating expense	(103)	(477)	(159)
Profit/loss on transactions with related parties	**7,413**	**2,878**	**(159)**

All figures in tables are in HUF million except otherwise noted

31 December 2022	Parent and main parent company	Related company	Key man-agement
Due from banks	50,254	18,608	-
Loans and advances to customers at amortised cost	160,398	191,987	-
Other assets	1,046	37	-
Total assets	**211,698**	**210,632**	**-**
Due to banks	122,293	15,007	-
Other liabilities	38,149	35,254	-
Total liabilities	**160,442**	**50,261**	**-**
Interest income	9,519	8,628	-
Interest expense	(9,696)	(1,742)	-
Net interest income	**(177)**	**6,886**	**-**
Fee and commission income	88	314	-
Fee and commission expense	(69)	(375)	-
Net fee and commission income	**19**	**(61)**	**-**
Other operating income	466	894	-
Other operating expense	(1,259)	(2,225)	-
Operating income	**(793)**	**(1,331)**	**-**
Operating expense	(184)	(122)	-99
Profit/loss on transactions with related parties	**(1,135)**	**5,372**	**-99**

All figures in tables are in HUF million except otherwise noted

32. NET GAINS

The allocation of operating income to financial instrument categories excluding gains from foreign exchange transactions:

1 January 2023 – 31 December 2023	Financial assets and liabilities held for sale	Financial assets and liabilities designated at fair value through profit or loss	Financial assets and liabilities at fair value through other comprehensive income	Financial assets and liabilities measured at amortised cost	Derivatives – Hedge accounting, interest rate risk	Other assets/ Other liabilities	Not linked to financial instruments	TOTAL
Interest income	2,574	438	1,329	50,316	6,589	101	-	61,348
Interest expenses	(3,159)	-	-	(43,369)	(6,297)	-	-	(52,825)
NET INTEREST INCOME	**(585)**	**438**	**1,329**	**6,947**	**292**	**101**	**-**	**8,523**
Fee and commission income	-	-	-	-	-	219	-	219
Fee and commission expenses	-	-	-	-	-	(366)	-	(366)
NET FEE AND COMMISSION INCOME	**-**	**-**	**-**	**-**	**-**	**(147)**	**-**	**(147)**
Gains or (losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss	-	-	399	(162)	-	-	-	237
Gains on financial assets and liabilities held for trading, net	1,150	-	-	-	-	-	-	1,150
Gains on financial assets and liabilities designated at fair value through profit or loss	-	1,043	-	-	-	-	-	1,043
Gains on financial assets and liabilities mandatorily at fair value through profit or loss	-	-	-	-	-	-	-	-
(Losses) from hedge accounting, net	-	-	-	-	(1,254)	-	-	(1,254)
Other operating income	-	-	-	-	-	-	36	36
Other operating expense	-	-	-	-	-	-	(136)	(136)
OPERATING INCOME	**565**	**1,481**	**1,728**	**6,785**	**(962)**	**(46)**	**(100)**	**9,452**

All figures in tables are in HUF million except otherwise noted

1 January 2022 – 31 December 2022	Financial assets and liabilities held for sale	Financial assets and liabilities designated at fair value through profit or loss	Financial assets and liabilities at fair value through other comprehensive income	Financial assets and liabilities measured at amortised cost	Derivatives – Hedge accounting, interest rate risk	Other assets/ Other liabilities	Not linked to financial instruments	TOTAL
Interest income	1,648	-	883	27,899	2,208	2	-	32,640
Interest expenses	(1,645)	(59)	-	(21,102)	(3,277)	(2)	-	(26,085)
NET INTEREST INCOME	**3**	**(59)**	**883**	**6,797**	**(1,069)**	**-**	**-**	**6,555**
Fee and commission income	-	-	-	-	-	557	-	557
Fee and commission expenses	-	-	-	-	-	(548)	-	(548)
NET FEE AND COMMISSION INCOME	**-**	**-**	**-**	**-**	**-**	**9**	**-**	**9**
Gains or (losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss	-	-	(273)	361	-	-	-	88
Gains on financial assets and liabilities held for trading, net	(19)	-	-	-	-	-	-	(19)
Gains on financial assets and liabilities designated at fair value through profit or loss	-	50	-	-	-	-	-	50
Gains on financial assets and liabilities mandatorily at fair value through profit or loss	-	(867)	-	-	-	-	-	(867)
(Losses) from hedge accounting, net	-	-	-	-	(8)	-	-	(8)
Other operating income	-	-	-	-	-	-	75	75
Other operating expense	-	-	-	-	-	-	(190)	(190)
OPERATING INCOME	**(16)**	**(876)**	**610**	**7,158**	**(1,077)**	**9**	**(115)**	**5,693**

All figures in tables are in HUF million except otherwise noted

33. EQUITY CORRELATION TABLE

Based on paragraph 114/B of Act on Accounting Equity Correlation Table is prepared and disclosed as a part of the Notes for the reporting date by the Bank.
Equity correlation table shall contain the opening and closing balances of the shareholder's equity in accordance with IFRS, furthermore deducted from this the opening and closing balances of the specified equity elements. Equity correlation table shall contain also untied retained earnings available for the payment of dividends, covering retained earnings from the last financial year for which accounts have been adopted comprising net profit for the last financial year, reduced by the cumulative income tax accounted for under IAS 12 - Income Taxes. Furthermore the equity correlation table contains the reconciliation of the value of Share capital registered on the Registry Court and the value of Share capital in accordance with IFRS adopted by EU.

The equity correlation table of the Bank based on paragraph 114/B of Act on Accounting as at 31 December 2023:

31 December 2023	Share capital	Unpaid capital which has been called up	Capital reserve	General reserve	Retained earnings and other reserves	Revaluation reserves	Tied-up reserve	(-) Repurchased treasury shares	Profit for the year	Total equity
Components of Shareholder's equity in accordance with IFRS adopted by EU	**10,849**	**-**	**27,926**	**-**	**32,974**	**-**	**-**	**(207)**	**6,663**	**78,205**
Accumulated other comprehensive income	-	-	-	-	(562)	562	-	-	-	-
Repurchased treasury shares	-	-	-	-	(207)	-	207	-	-	-
General reserve	-	-	-	2,286	(2,286)	-	-	-	-	-
Components of Shareholder's equity in accordance with paragraph 114/B of Act on Accounting	**10,849**	**-**	**27,926**	**2,286**	**29,919**	**562**	**207**	**(207)**	**6,663**	**78,205**

All figures in tables are in HUF million except otherwise noted

The equity correlation table of the Bank based on paragraph 114/B of Act on Accounting as at 31 December 2022:

31 December 2022	Share capital	Unpaid capital which has been called up	Capital reserve	General reserve	Retained earnings and other reserves	Revaluation reserves	Tied-up reserve	(-) Repurchased treasury shares	Profit for the year	Total equity
Components of Shareholder's equity in accordance with IFRS adopted by EU	**10,849**	**-**	**27,926**	**-**	**30,658**	**-**	**-**	**(207)**	**1,811**	**71,037**
Accumulated other comprehensive income	-	-	-	-	(57)	57	-	-	-	-
Repurchased treasury shares	-	-	-	-	(207)	-	207	-	-	-
General reserve	-	-	-	1,620	(1,620)	-	-	-	-	-
Components of Shareholder's equity in accordance with paragraph 114/B of Act on Accounting	**10,849**	**-**	**27,926**	**1,620**	**28,774**	**57**	**207**	**(207)**	**1,811**	**71,037**

All figures in tables are in HUF million except otherwise noted

Reconciliation of the value of Share capital registered on the Registry Court and the value of Share capital in accordance with IFRS adopted by EU:

	31 December 2023	31 December 2022
Share capital in accordance with IFRS adopted by EU	10,849	10,849
Share capital registered on the Registry Court	10,849	10,849
Difference	**-**	**-**

Untied retained earnings available for the payment of dividends are as follows:

	31 December 2023	31 December 2022
Retained earnings and other reserves	32,974	30,658
Unused portion of reserve for developments	-	-
Other capital reserve	-	-
Accumulated other comprehensive income	(562)	57
Repurchased treasury shares (Tied-up reserve)	(207)	207
General reserve	(2,286)	(1,620)
Profit for the year	6,663	1,811
Untied retained earnings available for the payment of dividends	**36,582**	**31,113**

All figures in tables are in HUF million except otherwise noted

34. POST BALANCE SHEET EVENTS

Mortgage bond issuance and repurchase.

MBH Mortgage bank Plc. announced an auction on the early secondary market repurchase of mortgage bonds publicly traded by MBH. With a value date of 22 February 2024. Original maturity of the mortgage bond series affected by the repurchase TJ24NF01: 26.06.2024. Mortgage bonds that are expected back will be withdrawn from circulation. The result of the auction: the nominal value of valid submitted bids for sale is HUF 26,729 million, the total nominal value of the present buyback is HUF 20,000 million, and the total nominal value of the series still outstanding is HUF 18,500 million. The mortgage bonds that have been recovered will be withdrawn from circulation, so that the remaining nominal value will continue to bear interest at the same interest rate.

On 11.03.2024, the Bank issued the MZJ29NF1 series of green mortgage bonds expiring on 22.11.2029 in a total nominal value of HUF 5.9 billion in the framework of a public stock exchange auction.

MBH Mortgage Bank Co. Plc. has won the "Mortgage Bond Issuer of the Year" category Budapest Stock Exchange award 2023.

MBH MORTGAGE BANK CO. PLC.

MANAGEMENT REPORT FOR 2023

Budapest, 28 March 2024.

TABLE OF CONTENTS

1 OVERVIEW OF MBH MORTGAGE BANK CO. PLC.

MBH Mortgage Bank Public Limited Company (formerly FHB Mortgage Bank Co. Plc.,or later,as Takarék Mortgage Bank Co. Plc. hereafter referred to as “the Bank” or “the Company”) was established on October 21, 1997 as a limited liability company with a share capital of HUF 3 billion.

The Bank received its operating license as a specialized financial institution in accordance with the provision of Act CXII of 1996 on Credit Institutions and Financial Enterprises (previous Hpt.) and Act XXX of 1997 on Mortgage Loan Companies and Mortgage Bonds (Jht.) on March 6, 1998. The Bank started operation as of March 16, 1998.

The Bank grants refinancing mortgage loans provided by commercial banks to their customers and issues mortgage bonds to raise funds for its refinancing activity.

On October 31, 2003 the Hungarian Financial Supervision Authority (HFSA) granted permission for the Bank to publish an issuance prospectus and introduce its shares to the Budapest Stock Exchange (BSE). The ordinary shares were listed on the BSE on November 24, 2003.

The ownership structure of MBH Mortgage Bank Co. Plc. at the end of 2023 and 2022

Shareholder	December 31, 2023		December 31, 2022	
	Ownership ratio %	Nr of shares	Ownership ratio %	Nr of shares
Ordinary shares listed on BSE (Series “A”)				
Domestic institutional investors	52.10	56 527 499	52.10	56 527 893
Foreign institutional investors	0.01	6 705	0.00	5 980
Domestic private investors	2.81	3 052 987	2.83	3 062 275
Foreign private investors	0.02	21 489	0.01	10 089
Employees, management	0	0	0	0
Treasury shares	0.23	253 601	0.23	253 601
Government held owner	44.80	48 597 602	44.80	48 597 602
Other investors	0.03	30 417	0.03	32 860
Subtotal (Series “A”)	*100.00*	*108 490 300*	*100.00*	*108 490 300*

In September 2015 the Bank and the formerly Commercial Bank (under the Bank’s majority ownership) became a member of the Integration Organisation of Cooperative Credit Institutions (SZHISZ), the latter created by Act CXXXV of 2013 on the integration of cooperative credit institutions and the amendment of selected economic legislation. In parallel, it also became the member of the Guarantee Community of Cooperative Credit Institutions.

At the end of December 2015 the Bank increased its share capital by HUF 4,249 million face value, which equalled HUF 30.5 billion issue value. The capital increase took place through private issuance of dematerialized dividend preference shares (Series “B”) and registered, dematerialized ordinary shares (Series “C”). The new shares (Series “B” and Series “C”) were not listed on the Budapest Stock Exchange, they were purchased by the members of formerly Takarék Group.

The integration process of the Bank and the Commercial Bank into the Integration of Cooperative Credit Institutions (today known as the Central Organization of Integrated Credit Institutions, i.e. COICI) that started in the autumn of 2015 was finished in 2017.

As a first step, the Bank simplified its business profile retaining only mortgage bond issuance and refinancing functions, while all other human resources and capacities were transferred to the MTB (since 1 May 2023 MBH Investment Bank Ltd.) and the formerly Commercial Bank.

From April 2018 the Bank discontinued new own originated loan disbursement. Previously made credit contracts are kept in the Bank's portfolio until their expiry, while the active functions of the Bank remained solely those that relate to classic mortgage bank functions.

The General Assembly of the Company drew a decision on changing the name of the Bank on April 27, 2018. From June 25, 2018 the official Company's name is Takarék Mortgage Bank Plc.

In the second half of 2019 the shares of Takarék Commercial Bank operarting as Commercial Bank Ltd. since April 2018 – upon approval of General Assembly held on August 27 2019 – were sold to MTB Bank of Hungarian Savings Cooperatives Ltd. by Takarék Mortgage Bank (hereinafter: the Bank), therefore consolidated financial statements were not prepared by the Bank since 2020. The parent company of the Bank (ultimate parent) prepared the Bank's consolidated financial statement for companies included in the scope of consolidation.

On December 30, 2020 MTB Bank of Hungarian Savings Cooperatives Ltd. published through official publication platforms its mandatory public purchasing bid for all shares issued by the Bank, and submitted its application for a permit to the Hungarian central bank. Based on the central bank's permit the period for the purchase offer started on January 19, 2021, while the deadline for the acceptance of the bid was February 17, 2021. MTB accepted all the shares that were offered and declared the mandatory public purchasing bid process successful. With all the preconditions set in the bidding process being met, following the transfer of the shares the ownership ratio of MTB in the Bank increased from 86.20% to 88.14%, whereas the combined share of MTB and other owners acting in concert with it increased from 94.82% to 96.76%.

The bid was made after the majority owners of Budapest Bank, MKB Bank (since 1 May 2023 MBH Bank) and MTB transferred their shares to the Magyar Bankholding on December 15, 2020.

On December 15, 2021 the main bodies of MKB, Budapest Bank and MTBH Ltd. (which was the owner of Takarék Group) approved the first step of the fusion process of MKB, Budapest Bank and Takarék Group. According to this, two member banks of MBH, namely MKB and Budapest Bank as well as MTBH Ltd. merged on March 31, 2022. During this process Budapest Bank merged into MKB, while MTB (Takarék Group) becomes a subsidiary of the merged bank. Takarékbank joined the merged bank in the second quarter of 2023. The unified brand for the new banking group were introduced in early-2023.

Upon request of Hungarian Bankholding the National Bank of Hungary with its decision nr. H-EN-I-119/2022. dated on 8 March 2022, revoked the licence issued to Hungarian Bankholding by decision nr. H-EN-I-358/2020. dated 12 June 2020 for operating as a financial holding company with effect from 29 April 2022, and MKB Bank took over the group management function over the banking group after 29 April 2022, based on a new group resolution issued by the National Bank.

In accordance with the authorisation by the National Bank of Hungary (hereinafter: NBH), Budapest Bank and Hungarian Takarék Bankholding (MTBH) merged into MKB Bank on 1 April 2022. At that time, MTB Bank of Hungarian Savings Cooperatives had a direct ownership stake of 88.13% in Takarék Mortgage Bank Co. Plc. and directly owned 88.33% of the voting rights. Given that MTBH had 88.13% ownership stake and 88.33% of the voting rights in Takarék Mortgage Bank Co. Plc. through MTB Bank of Hungarian Savings Cooperatives, as a result of the merger MKB Bank as the legal successor of MTBH became the indirect owner of Takarék Mortgage Bank Co. Plc. with a stake of 88.13%, and indirectly acquired 88.33% of the voting rights that may be exercised in the company.

The extraordinary general meeting of Takarék Mortgage Bank held on 12 July 2022 converted the 14,163,430 series “B” preference shares (dividend preference shares) with a nominal value of HUF 100 each, with a total nominal value of HUF 1,416,343,000 into 14,163,430 series “A” ordinary shares with a nominal value of HUF 100 each and a total nominal value of HUF 1,416,343,000, and converted its 2,832,686 series “C” ordinary shares with a nominal value of HUF 1,000 each and a total nominal value of HUF 2,832,686,000 into 28,326,860 series “A” ordinary shares with a nominal value of HUF 100 each and a total nominal value of HUF 2,832,686,000. The converted shares were registered on the Budapest Stock Exchange (BÉT) on 7 October 2022.

On 18 October 2022, as a result of the sale and purchase of shares, MKB Bank Plc. acquired 43,076,417 series “A” dematerialised ordinary shares with a nominal value of HUF 100 each owned by MBH Investment Bank Ltd. in MBH Mortgage Bank. With this transaction, MKB Bank acquired a 39.8 % direct qualifying holding (voting rights) in Takarék Mortgage Bank. The ownership stake of MTB Ltd. decreased to 48.42%. On 2 December 2022, Magyar Posta Ltd. acquired from MKB Bank Plc. its full stake in Takarék Mortgage Bank by way of an exchange of shares; with this transaction, Magyar Posta Ltd. acquired a 39.71 % direct qualifying holding (voting rights) in Takarék Mortgage Bank.

MBH Group was established on 1 May 2023. As a member of the Group, the new name of the Bank was changed to MBH Mortgage Bank.

2 THE MACROECONOMIC ENVIRONMENT IN 2023

2.1 THE HUNGARIAN ECONOMY IN 2023

International and domestic economic developments continued to be affected by the military conflict between Russia and Ukraine in 2023, which broke out in February 2022, and the conflict in the Middle East that started last October. Due to the latter, the prolonged conflict in Israel increased the oil's risk premium, which partly curbed the decrease in crude oil prices in the last quarter of 2023. In addition, since late December, some merchant ships bounded for Israel were attacked, as a result of which some ships can only safely carry goods around Africa, which could increase inflation risks in Europe in 2024 and potentially cause disruptions in supply chains.

Meanwhile, developed economies have struggled to fight inflation last year, which has and could lead to high interest rates and put the brakes on economic growth. Although preliminary data suggest that the euro zone economy avoided a technical recession last year, the weak growth dynamism (or recession in the case of our main external trading partner, Germany) was a significant drag on the Hungarian economy: In the fourth quarter of 2023, domestic GDP stagnated compared to the same period last year, while in 2023 economic output was 0.9% lower year-on-year according to raw (unadjusted) data.

The year 2023 was characterised by disinflationary trends, i.e. a moderation in inflation. Last year, base effects, moderation in demand, the emergence of a wider range of price corrections and competition-enhancing measures for food, and the fading price increases for durable goods, reflecting the strengthening of the forint, were beneficial for the decline in inflation. The base effects reflect the fact that international commodity and energy prices already fell back to 2021 levels in 2023 in most cases. The pace of disinflation has been partly moderated by the addition to the base of the gasoline price freeze, which was lifted in December 2022, as well as by the September increases in the prices of gambling and some public transport fares, as well as the emergence of a price-wage spiral in some service sectors. Despite the factors holding back the decline in the CPI, the annual rate of inflation in December came better than analysts' expectations at 5.5%, with the year-on-year average money inflation stood at 17.6%.

The NBH has tightened interest rates sharply over 2022, raising the base rate from 2.4% to 13%, but the effective interest rate actually rose to 18% through the restructuring of the asset base. In May 2023, the Monetary Council began its cycle of rate cuts, which continued so far and contributed to the policy rate converged to the base rate by September 2023. By the end of 2023, the base rate had fallen to 10.75%; the rate cut was facilitated by a steeper-than-expected fall in inflation in the second half of last year, a spectacular improvement in the external balance and a more favourable global investor mood towards the end of the year.

According to the January release of the Ministry of Finance, the central budget cash deficit in 2023 was HUF 4,593.4 billion, 135% of the revised estimate. The cash balance of the budget is worsened by the fact that in 2023, pre-financing of EU tenders exceeded the payments received from the EU, without which the cash deficit would have been HUF 573 billion lower. The fiscal picture is also affected by indirect acquisitions of public assets. The deficit is also influenced by the burden of household utility expense subsidies for the protection of the population. Based on the financial accounts, the budget could reach an accrual deficit of around 6.5% of GDP in 2023. The reduction in the debt-to-GDP ratio could continue despite the large government deficit, with the ratio falling to close to 72% by the end of 2023, thanks in large part to strong nominal GDP growth.

A surplus of EUR 410 million was generated in the current account in the third quarter of 2023, showing a significant improvement of EUR 5 billion compared to a year earlier. Including the capital account, the net external financing position (surplus), seasonally adjusted, amounted to EUR 760 million, an improvement of EUR 5.1 billion compared to a significant deficit a year earlier. Reflecting the improvement in the external balance, the goods balance reached a surplus of EUR 298 million. The improvement in the goods balance was partly due to improving terms of trade as energy prices fell, and partly to falling domestic demand through a reduction in imports. The current account deficit could drop from 8.2% of GDP in 2022 to 0.1% in 2023.

The credit institutions sector had an outstanding year in 2023 in terms of profit after tax: preliminary data show that domestic banks reported profits of over HUF 1,370 billion, almost HUF 900 billion higher than in 2022, and a return on equity of over 20%. Two factors played a key role in the improvement compared to 2022. The interest income was almost HUF 500 billion higher, although this was largely achieved passively, namely by banks placing their free liquidity in NBH’s high interest paying deposit instruments. In fact, without the interest received on the liquidity held with the NBH, no improvement would have occurred. Although the margins between lending and deposit rates widened, the interest rate ceilings on the former resulted in substantial revenue shortfalls. Another factor behind the improvement was the evolution of risk costs. In net terms, more than HUF 400 billion less impairment and provisions were needed in 2023 than a year earlier, as the previously assumed deterioration in the loan portfolio did not materialise and the non-performing portfolio ratio even declined. While inflation has led to an increase in banks' operating costs, this has been broadly offset by an improvement in fee and commission income and other operating income (difference between received and paid dividend, trading profit, etc.). All in all, therefore, the banking sector has shown an outstanding performance of its domestic operations in 2023, not only in terms of profit after tax, but also in terms of key efficiency indicators (cost/income ratio, net interest margin, etc.). However, a significant part of the income improvement is not sustainable; a meaningful correction is expected in the declining yield environment.

2.1.1 New mortgage loan contracts

As a result of soaring lending rates and the worsening economic outlook, residential mortgage lending stalled in the second half of 2022, which then continued throughout 2023, with customers signing new contracts with credit institutions worth only HUF 686 billion, a 46% annual drop versus HUF 1,276 billion signed in 2022. For housing loans only, the rate of decline was even higher (over 50%), mitigated by the fact that there was a modest pick-up in the all-purpose mortgage lending during the year, but this was more likely to be mainly due to a favourable arbitrage opportunity in the short term. In the last two months of the year, when the turnaround in market interest rates on mortgage contracts had been already recognized, the volume of new contracts increased, indicating that significant deferred demand is likely once interest rates have normalised.

2.1.2 The outstanding stock of household mortgage loans

The portfolio of residential mortgage loans amounted to HUF 5,739 billion on 31 December 2023, according to data published by the Magyar Nemzeti Bank. The annual portfolio increase was only HUF 45 billion (+0.8%) compared to HUF 5,694 billion at the end of 2022. The decline in new contracts resulted by the fact that the volume of actual disbursements fall less (as the loans under the Green Home Programme contracted before 2023 have phased disbursements, there were also drawdowns from them in 2023), while the amortisation also fell significantly due to the minor shrinkage of prepayments. The portfolio of household loans for housing purposes stood at HUF 5,006 billion at the end of December 2023, up 1.3% from HUF 4,943 billion at the end of 2022, while the portfolio of all-purpose mortgage loans fell from HUF 751 billion at the end of 2022 to HUF 734 billion (-2.3%). The share of foreign currency loans in the portfolio of residential mortgages at the end of 2023 was symbolic: it did not even reach 0.1%.

2.1.3 Mortgage bond market

The total nominal value of mortgage bonds issued by the five Hungarian specialized mortgage banks increased by 8% from end-2022 to end-2023, and consequently on December 31, 2023 the aggregate nominal value of outstanding mortgage bonds was HUF 2,095 billion. The nominal value of MBH Mortgage Bank's outstanding mortgage bond portfolio amounted HUF 387 billion at the end of 2023, which represents an annual growth rate of 5.4%, i.e. below overall growth rate of the market. As a result the Bank has lost around 0.5 percentage points of market share, but with a market share of 18.5% it remained the second largest player in this market segment.

3 REPORT ON THE BANK'S BUSINESS AND FINANCIAL RESULTS

3.1 MAJOR FINANCIAL INDICATORS (IFRS, STANDALONE STATEMENT FIGURES)

The total assets of the Bank based on standalone statement figures according to IFRS increased by 11.3% (i.e. by HUF 92.0 billion) in 2023, and its volume reached HUF 905.9 billion by the end of the year. Pre-tax profit amounted to HUF 7.4 billion, while profit for the year reached HUF 6.7 billion significantly above the 2022 performance. The total comprehensive income for 2023 was HUF 6.5 million (2022: HUF 2.1 billion).

Major indicators (HUF million; %)	31.12.2023.	31.12.2022.	Change (%)	Change
Total assets	906,587	813,948	11.4%	92,639
Financial assets measured at amortised cost	867,975	781,737	11.0%	86,238
from this,				
Loans and advances to banks	523,272	437,013	19.7%	86,259
Loans and advances to customers	20,540	24,733	-17.0%	-4,193
Securities	323,975	319,726	1.3%	4,249
Financial liabilities measured at amortised cost	820,600	734,183	11.8%	86,417
from this,				
Amounts due to other banks	445,316	377,771	17.9%	67,545
Issued debt securities	374,647	355,799	5.3%	18,848
Equity	78,205	71,037	10.1%	7,168
Profit before taxation	7,385	2,158	242.2%	5,227
Profit for the year	6,663	1,811	267.9%	4,852
Total comprehensive income for the year	7,168	2,101	241.2%	5,067
ROAA (average return on assets), %	0.8%	0.2%	-	0,5%-pt
ROAE (average return on equity), %	8.9%	2.6%	-	6,3%-pt

A change of more than +/- 300% compared to the previous year cannot be interpreted, marked with "-".

3.2 REFINANCING

From the second quarter of 2018 the Bank performs solely classic mortgage bank functions, i.e. it issues mortgage bonds, raising funds for refinancing its partnerbanks'–both within the MBH Group and also for external partners mortgage loan portfolios. Within the Group, the Bank is a special entity: it is able to raise funds in the form of mortgage bond or uncovered bond issuances either at domestic or international financial markets. Due to the latter, it is able to obtain foreign currency financing if needed.

In its strategy the Bank puts special emphasis on co-operating with external partners. It strives to become an attractive alternative for banking groups that are involved in mortgage lending but do not have their own mortgage bank license and thus need mortgage refinancing.

The stock of refinancing loans granted by the Bank went up by 3.7% (or HUF 13.6 billion) in 2023 and their volume at the end of the year was HUF 381.3 billion.

3.3 LENDING TO CLIENTS

The Bank discontinued originating new loans from the second quarter of 2018, lending activity is provided by MBH Bank. The existing old own originated loan portfolio remains in the Bank's books until full expiry. From the second quarter of 2018 the Bank is only active in the refinancing segment, and thus the stock of its still existing client loans are gradually shrinking due to natural amortization.

Among financial assets measured at amortised cost, gross amounts due from customers (retail and corporate) in line with the above continued to decrease sinking to HUF 21.3 billion at the end of 2023 down by 19.1% from end-2022's HUF 26.3 billion. 98.2% of this gross portfolio are household loans, the volume of which decreased by HUF 4.9 billion compared to the previous year. The gross stock of corporate loans amounted to HUF 0.3 billion at the end of 2023.

3.4 PORTFOLIO QUALITY, IMPAIRMENT

The Bank's gross loan volume amounted to HUF 523.5 billion at the end of the year. The value of contingent liabilities was HUF 28.5 billion on December 31, 2023. Hence the full exposure of gross loans and contingent liabilities (excluding securities) was HUF 552.1 billion.

Claims on clients amounted to HUF 21.26 billion, moreover, based on already signed contracts there was a commitment for disbursing loans of HUF 0.04 billion at the end of 2023. Out of these volume 1,808 loan contracts were classified as Stage 3 category with an underlying volume of HUF 1.79 billion in claims with HUF 0.40 billion in impairments. HUF 19.47 billion in claims and HUF 0.04 billion in commitments were classified as Stage 1 and Stage 2 categories, with HUF 0.33 billion in impairments and provisions.

The total stock of refinancing loans was HUF 382.20 billion with a minimal HUF 13.2 million in impairments.

The Bank has ownership interest in three entities: the MBH Investment Bank Ltd., the Takarék United Cooperatives (TESZ) and the Central Body of Integrated Credit Institutions (CBIC). The nominal value of these investments is HUF 0.01 billion.

In the interbank market the Bank had placements of HUF 19.3 billion in the form of sight deposits.

The share of problem free (Stage 1 and Stage 2) loans was 91.59% as of December 31, 2023, consequently the share of Stage 3 loans was 8.41%.

Average impairment levels for both the total portfolio (excluding swaps) and the loan portfolio have decreased since the previous measurement date.

3.5 ISSUED SECURITIES

In 2023, MBH Mortgage Bank Co. Plc. issued mortgage bonds with a total nominal value of nearly HUF 75 billion in eight public auctions, compared to HUF 70.3 billion a year earlier. MBH Mortgage Bank did not organise any unsecured bond issues in 2023. All placements were made through a public auction with the participation of a four-member syndicate of distributors of MBH Mortgage Bank.

In 2023, MBH Mortgage Bank continued to rely on NBH's ongoing Mortgage Bond Renewal Facility under which the NBH also emerged among the investors with an offer (a mortgage bond portfolio maturing within six months, fixed rate mortgage bond issuance) subject to certain conditions. Under this framework, MBH Mortgage Bank sold mortgage bonds with a total volume of HUF 45.8 billion in 5 auctions to renew the maturities due in 2024.

In spite of the uncertain market environment and the decreasing demand, MBH Mortgage Bank continued its announced issuance strategy and organised regular auctions 1-3 times per quarter: it offered its mortgage bonds maturing in 2026, 2027, 2029, 2032 and 2033 to investors. It typically offered between 3 billion and 16 billion in these auctions. Yield spreads increased significantly in 2023 compared to benchmark government bond yields and stabilised at persistently high levels (between +100 and +150 bps depending on maturity), reflecting deteriorating domestic and international market sentiments and continued adverse macroeconomic developments and investor caution.

Mortgage bonds with a nominal value of HUF 10 billion, HUF 31 billion, HUF 26 billion and HUF 7.8 billion were issued by MBH Mortgage Bank Co. Plc. in each quarter. With the exception of two auctions, mainly fixed rate mortgage bonds were placed on the market.

Of the total HUF 75 billion of mortgage bonds issued in 2023, HUF 20.5 billion, or more than 27.4% of the total annual issuance in 2023, were green mortgage bonds. Out of the total mortgage bond issuance, the share of fixed rate mortgage bonds (HUF 50.3 billion) amounted to 67.3% and the share of variable rate mortgage bonds (HUF 24.35 billion) to 32.7%.

In the first quarter of 2023, the FJ23NF01 fixed-rate mortgage bond series with an original maturity of 5 years and a total nominal value of HUF 26.2 billion matured, followed by the FJ23NF02 mortgage bond series with a total nominal value of HUF 26.3 billion in the third quarter of 2023.

In March 2023, MBH Mortgage Bank organised a public buy-back auction for the FJ23NF02 series in order to reduce maturity concentration. Investors returned 2.3 billion nominal value of the series to MBH Mortgage Bank Co. Plc., which was redeemed in accordance with the law.

MBH Mortgage Bank Co. Plc. continuously monitored the collateralisation status and the fulfilment of the proportionality requirements in accordance with the requirements of the Act on Mortgage Loans and the Bank's collateral registration regulations, and verified the existence of the conditions for the normal collateralisation of the mortgage bonds after the disbursement of the loans in order to ensure that the mortgage bonds were covered.

The net value of ordinary collateral backing mortgage bonds issued by MBH Mortgage Bank Co. Plc. was HUF 582.8 billion as of 31 December 2023, an increase of 10.1% compared to 31 December 2022 (HUF 529.1 billion) as a result of the increase in the refinancing loan portfolio.

Value of mortgage bonds and cover assets

HUF million	December 31, 2023	December 31, 2022	Change
Outstanding mortgage bonds in circulation			
Face value	387 218	367 249	5.4%
Interest	70 012	55 666	25.8%
Total	457 230	422 915	8.1%
Value of ordinary collateral			
Principal	396 276	376 389	5.3%
Interest	186 554	152 742	22.1%
Total	582 830	529 131	10.1%
The value of the liquid assets involved (principal and interest amount)	65 220	35 827	82%
Value of assets involved as supplementary collateral	-	-	-
Value of mortgage bonds and assets involved as collateral	-	-	-
Total	65 220	35 827	82%

As of December 31, 2023, the present value of the cover assets was HUF 444.9 billion and the present value of the items to be covered was HUF 367 billion, so that the present value of the assets represented 121.1% of the present value of the outstanding mortgage bonds. The ratio of the net value of collateral assets' principal to the nominal amount of outstanding mortgage bonds was 117.18%, while the ratio of the interest amount of collateral assets and the unpaid interest amount of outstanding mortgage bonds was 276.87% at 31 December 2023.

3.6 BALANCE SHEET DEVELOPMENTS (IFRS, STANDALONE STATEMENT FIGURES)

As of 31 December 2023, the Bank's total assets according IFRS figures amounted to HUF 906.6 billion, 11.4% above the end-2022 figure of HUF 813.9 billion.

Balance sheet items (HUF million; %)	31 December, 2023	31 December, 2022	Change (%)	Change
Assets				
Cash and cash equivalents	**19,305**	**342**	**-**	**18,963**
Financial assets measured at fair value through profit or loss	**7,875**	**11,854**	**-33.6%**	**-3,979**
Loans and advances to customers mandatorily at fair value through profit or loss	*6,310*	*6,593*	*-4.3%*	*-283*
Derivative financial assets	*1,565*	*5,261*	*-70.3%*	*-3,696*
Hedging derivative assets	**640**	**975**	**-34.4%**	**-335**
Financial assets measured at fair value through other comprehensive income	**9,999**	**18,172**	**-45.0%**	**-8,173**
Securities	*9,999*	*18,172*	*-45.0%*	*-8,173*
Financial assets measured at amortised cost	**867,975**	**781,737**	**11.0%**	**86,238**
Loans and advances to banks	*523,272*	*437,013*	*19.7%*	*86,259*
Loans and advances to customers	*20,540*	*24,733*	*-17.0%*	*-4,193*
Securities	*323,975*	*319,726*	*1.3%*	*4,249*
Other financial assets	*188*	*265*	*-29.1%*	*-77*
Property, plant and equipment	**143**	**63**	**127.0%**	**80**
Intangible assets	**247**	**239**	**3.3%**	**8**
Income tax assets	**337**	**468**	**-28.0%**	**-131**
Deferred income tax assets	*337*	*468*	*-28.0%*	*-131*
Other assets	**66**	**98**	**-32.7%**	**-32**
	906,587	**813,948**	**11.4%**	**92,639**
Liabilities				
Financial liabilities measured at fair value through profit or loss	**1,372**	**5,146**	**-73.3%**	**-3,774**
Derivative financial liabilities	*1,372*	*5,146*	*-73.3%*	*-3,774*
Financial liabilities measured at amortised cost	**820,600**	**734,183**	**11.8%**	**86,417**
Amounts due to other banks	*445,316*	*377,771*	*17.9%*	*67,545*
Issued debt securities	*374,647*	*355,799*	*5.3%*	*18,848*
Other financial liabilities	*637*	*613*	*3.9%*	*24*
Hedging derivative liabilities	**5,214**	**2,639**	**97.6%**	**2,575**
Provisions	**16**	**17**	**-5.9%**	**-1**
Income tax liabilities	**264**	**105**	**151.4%**	**159**
Current income tax liabilities	*264*	*105*	*151.4%*	*159*
Other liabilities	**916**	**821**	**11.6%**	**95**
Total liabilities	**828,382**	**742,911**	**11.5%**	**85,471**
Equity				
Share capital	*10,849*	*10,849*	*0.0%*	*0*
Treasury shares	*-207*	*-207*	*0.0%*	*0*
Share premium	*27,926*	*27,926*	*0.0%*	*0*
Retained earnings	*30,126*	*28,981*	*4.0%*	*1,145*
Other reserves	*2,286*	*1,620*	*41.1%*	*666*
Profit for the year	*6,663*	*1,811*	*267.9%*	*4,852*
Accumulated other comprehensive income	*562*	*57*	*-*	*505*
Total equity	**78,205**	**71,037**	**10.1%**	**7,168**
Total liabilities and equity	**906,587**	**813,948**	**11.4%**	**92,639**

A change of more than +/- 300% compared to the previous year cannot be interpreted, marked with "-".

3.6.1 Financial assets measured at fair value through other comprehensive income

The value of financial assets measured at fair value through other comprehensive income was HUF 9.9 billion at the end of 2023, 45.0% lower than a year earlier. Debt-type securities are the most significant within this item, whereas the share of ownership-type instruments is below 1%.

Credit institution bonds account for 69.9% of the portfolio of debt securities within financial assets measured at fair value through other comprehensive income. The stock of credit institution bonds decreased by 24.4% to HUF 7.0 billion at the end of 2023. The stock of government bond, which accounted for 30.0% of the total, fell by 66.4% compared to the previous year (from HUF 8.9 billion to HUF 3.0 billion).

3.6.2 Financial assets measured at amortised cost

The volume of financial assets measured at amortized costs increased by 11.0% in 2023, thus the volume amounted to HUF 868.0 billion by the end of the period. The gross stock of debt-type securities within this increased by 1.4% and stood at HUF 324.2 billion at the end of the year. 88.1% of the total securities portfolio is made up of government bonds, the stock of which was HUF 285.7 billion at the end of 2023.

Within this class of assets the other major component is the stock of gross loans. This increased by 32.6% in the course of 2023, rising to HUF 523.5 billion by the end of the year.

The gross stock of interbank deposits and claims on central bank decreased from HUF 68.6 to HUF 21.0 billion, which represents a significantly lower level.

3.6.3 Financial liabilities measured at amortized costs

Financial liabilities measured at amortized costs take up 90.5% of the Bank's total liabilities. Their volume at the end of 2023 was 11.8% higher than a year before, thus reaching HUF 820.6 billion. Within these liabilities it is debt-type securities, i.e. the mortgage bonds issued by the Bank to secure the long-term refinancing of the mortgage debt portfolio, represent the highest share (45.7%). The value of mortgage bonds issued at the end of 2023 reached HUF 374.6 billion, which represents a 5.3% increase compared to 2022. During 2023, however, the stock of loans received increased by 17.9%, thanks to the increase in loans from the NBH with maturities beyond one year. At the end of the period, it reached HUF 455.3 billion.

3.6.4 Equity, capital adequacy

Shareholders' equity amounted to HUF 78.2 billion at the end of 2023, up HUF 7.2 billion (or 10.1%) from the end of 2022.

The Bank is member of Central Body of Integrated Credit Institutions (CBIC). The members of CBIC should examine the prudential requirements on consolidation bases. The exemption of individual compliance is ensured by the relevant statutory and resolution of the National Bank of Hungary.

On the capital adequacy of the members of the integration the MBH Bank Plc. publishes the audited financial statements in the disclosure document of the business year.

3.6.5 Off balance sheet items

The value of off balance sheet items amounted HUF 28.5 billion at the end of 2023, 5.3% higher than a year before. It entirely consisted of the volume of unused (or not yet drawn upon) credit lines by clients and refinancing partners.

3.7 PROFIT & LOSS DEVELOPMENTS (IFRS, STANDALONE STATEMENT FIGURES)

P&L items (HUF million;%)	2023.	2022.	Change (%)	Change
Interest and similar to interest income	**61,348**	**32,640**	**88.0%**	**28,708**
Interest income using effective interest rate method	*51,645*	*28,248*	*82.8%*	*23,397*
Other interest income	*9,703*	*4,392*	*120.9%*	*5,311*
Interest expense	**-52,825**	**-26,085**	**102.5%**	**-26,740**
Interest expense using effective interest rate method	*-43,369*	*-21,102*	*105.5%*	*-22,267*
Other interest expenses	*-9,456*	*-4,983*	*89.8%*	*-4,473*
Net interest income	**8,523**	**6,555**	**30.0%**	**1,968**
Income from commission and fees	219	557	-60.7%	-338
Expense from commission and fees	-366	-548	-33.2%	182
Net income from commissions and fees	**-147**	**9**	**-**	**-156**
Results from financial instruments, net	**966**	**-307**	**-**	**1,273**
Results from financial instruments measured at fair value through profit or loss, net	2,193	-886	-	3,079
Gains on financial assets and liabilities designated at fair value through profit or loss	0	50	-	-50
Results from financial instruments measured at fair value through other comprehensive income, net	399	-273	-	672
Results from financial instruments measured at amortized cost, net	-162	361	-	-523
Results from hedge accounting, net	-1,254	-8	-	-1,246
Exchange differences result, net	-210	449	-	-659
Impairment / (Reversal) on financial and non-financial instruments	**877**	**-1,176**	**-**	**2,053**
Impairment / (Reversal) on financial instruments held for credit risk management	1,345	-557	-	1,902
Provision (loss) / gain	1	2	-50.0%	-1
Modification (loss) / gain on financial instruments	-469	-622	-24.6%	153
(Impairment) / Reversal on other financial instruments	0	1	-	-1
Operating expense	-2,734	-2,808	-2.6%	74
Other income	36	75	-52.0%	-39
Other expense	-136	-190	-28.4%	54
Profit before taxation	**7,385**	**2,158**	**242.2%**	**5,227**
Income tax income / (expense)	-722	-347	108.1%	-375
Profit for the year	**6,663**	**1,811**	**267.9%**	**4,852**

Other Comprehensive Income				
Profit for the year	**6,663**	**1,811**	**267.9%**	**4,852**
Other comprehensive income	**505**	**290**	**74.1%**	**215**
Items that will not be reclassified to profit or loss	**0**	**0**	**-**	**0**
Items that may be reclassified to profit/loss	**505**	**290**	**74.1%**	**215**
Hedging instruments (unmarked items)	0	0	-	0
Debt instruments at fair value through other comprehensive income	495	290	70.7%	205
Income tax relating to items reclassified to profit or loss	10	0	-	10
Total comprehensive income for the year	**7,168**	**2,101**	**241.2%**	**5,067**

A change of more than +/- 300% compared to the previous year cannot be interpreted, marked with "-".

The Bank's pre-tax profit was HUF 7.4 billion in 2023, which represents a significant higher level compared to the profit of the previous year (2022: HUF 2.2 billion). Full-year profit was HUF 6.7 billion in 2023 (HUF 1.8 billion in 2022). The total comprehensive income was also over the performance of the previous year, reaching HUF 7.2 billion in 2023 (HUF 2.1 billion in 2022).

3.7.1 Net interest income

Net interest income reached HUF 8.5 billion in 2023 (HUF 6.6 billion in 2022) as a result of HUF 61.3 billion in interest income (up 88.0% from 2022) and HUF 52.8 billion in interest expenses (up 102.5% from 2022). In sum, net interest income was HUF 2.0 billion (30.0%) higher in 2023 than in the previous year.

In terms of interest income, the HUF 23.0 billion increase in interest income from financial assets measured at amortized cost in 2023 was decisive. Its value was HUF 50.3 billion in 2023 (HUF 27.4 billion in 2022).

Interest expenses were HUF 26.7 billion higher than the previous year, totalling HUF 52.8 billion (2022: HUF 26.1 billion). Among the interest expenses, the interest expenses of financial liabilities measured at amortized cost represent the most significant item; this amounted to HUF 43.4 billion in 2023 which was HUF 22.3 billion higher than the previous year (HUF 21.1 billion in 2022).

3.7.2 Net fees and commissions

The net fees and commissions result was HUF 147 million in loss in 2023, compared to the HUF 9 million profit in 2022.

Income from fees and commissions reached HUF 219 million (down 60.7% from 2022). The lower revenues were mainly caused by the decrease in fee and commission revenues related to the valuation, and to a lesser extent to the own-disbursement mortgages.

The amount of fee and commission expenses in 2023 was HUF 66 million (HUF 548 million in 2022). The lower level of fees and commission expenses is mainly explained by lower valuation expenses.

3.7.3 Results from financial instruments

The result related to financial assets amounted to HUF 966 million profit compared to last year's HUF 307 loss 2022. The positive result is mainly due to gains on financial instruments at fair value through profit or loss.

3.7.4 General and administrative expenses

The general and administrative expenses of the Bank decreased by 2.6% (i.e. by HUF 74 million) in 2023, reaching a level of HUF 2.7 billion overall compared to HUF 2.8 billion in 2022. One element, the extra profit tax had a significant impact on the development of operating costs. The extra profit tax amounted to HUF 575.6 million in 2023 (HUF 615.7 million in 2022).

The fall in operating expenses was driven by a decrease in consultancy fees from HUF 230 million in the previous year to HUF 130 million, while fees related to CBIC fee, CBIC Capital Fund and Resolution and Compensation Fund fees decreased by HUF 205 million.

The increase of HUF 56 million in salary expenses is the result of several factors: the growth of the remuneration of the members of the Board of Directors and the Supervisory Board, the increase in salaries and in bonuses.

Operating expenses (HUF million)	**2023**	**2022**	**change (%)**	**change**
Staff costs	505	449	12.5%	56
Marketing and advertising	0	5	-	-5
General and administrative costs	124	107	15.9%	17
Rental fee	1	0	-	1
Depreciation of tangible assets	43	36	19.4%	7
Amortisation of intangible assets	44	31	41.9%	13
Consultancy fees	130	230	-43.5%	-100
Maintenance costs	450	433	3.9%	17
Banking tax	983	842	16.7%	141
Other taxes	48	55	-12.7%	-7
Insurance fees	3	6	-50.0%	-3
Database system usage	28	24	16.7%	4
Supervisor fee	1	32	-96.9%	-31
CBIC* fee, CBIC* Capital Fund and Resolution and Compensation Fund fees	234	439	-46.7%	-205
SLA service costs	103	81	27.2%	22
Other	37	38	-2.6%	-1
Total	**2,734**	**2,808**	**-2.6%**	**-74**

* CBIC= Central Body of Integrated Credit Institutions

A change of more than +/- 300% compared to the previous year cannot be interpreted, marked with "-".

3.7.5 Impairment / (Reversal) on financial instruments held for credit risk management and provision (loss) / gain

The net balance of impairment and provisioning was HUF 1.3 billion million in 2023.

3.7.6 Modification (loss) / gain on financial instruments

The cost of the repayment moratorium that came into effect on March 18, 2020 is derived from the loss impact on the net present value of not served and thus accrued credit cash-flows. The total impact for the Bank was HUF 469 million loss in 2023 (HUF 622 million in 2022).

3.7.7 Pre-tax profit

The Bank's pre-tax profit amounted to HUF 7.4 billion in 2023 (HUF 2.2 billion in 2022).

4 LIQUIDITY MANAGEMENT

Due to its special legal mortgage bank status the MBH Mortgage Bank is not allowed to collect client deposits, hence among its liabilities the components with the highest weight are mortgage bonds and interbank liabilities.

The structure of the Bank's liabilities - following the adoption of the purely mortgage bank strategy in 2018 - are primarily influenced by developments in the stock of refinanced loans, and the level of activity in primary mortgage bond issuances with a view to secure the MFAR compliance of MBH Group.

In line with the above, the stock of mortgage bonds increased by 5.44% (+ HUF 20 billion) year-on-year from HUF 367.2 billion to HUF 387.2 billion in 2023. Based on the decision of the NBH No. H-KE-III-533/2022 dated 12 September 2022, all mortgage bonds of MBH Mortgage Bank Co. Plc. are considered as "European (premium) covered bonds".

In the course of 2023 the weight of long-term (3- and 5-year) central bank refinancing sources originating from the NBH's long-term covered refinancing operations was also decisive (at the end of July 2021 the central bank finished these operations, new deals are not available, but the outstanding stock remains intact).

Based on the amendment to the Act, entered into force on 8 July 2022, the cover pool assets (regular and assets involved as supplementary collateral) have been extended to liquid assets, and detailed rules on the liquidity buffer have been developed. In accordance with the above the Bank has been applying a liquidity buffer consisting of liquid assets with the aim of covering the net liquidity outflow in relation to its coved bond issue programme from July 8, 2022. Also, based on the amended Jht. the Bank maintains a minimum overcollateralization level of 2%.

Liquidity buffer at 31 December 2023:

Maximum daily net liquidity outflow within 180 days (HUF million)	-44 747
Liquidity buffer (market) value of the cover pull set (HUF million)	56 156

The Bank's mortgage bonds have been rated by S&P Global Rating (Madrid) since 28 March 2019. MBH Mortgage Bank Plc's mortgage bond issuance programme and the BBB rating of its series of mortgage bonds issued in HUF and foreign currencies was confirmed by S&P on 25 April 2023 - a rating one category higher than the rating of domestic sovereign debt - and was accompanied by a positive outlook of stable, which has not changed since then.

5 Risk management principles

The Bank's risk management is governed by the Hungarian and EU legislation in force, as well as by additional supervisory regulations. MBH Bank performs the governance functions of the MBH banking group and defines for its members the mandatory internal rules and guidelines related to prudent risk taking and risk management.

Bank considers prudent risk-taking to be a core value, and its risk management and risk control activities are performed in accordance with the principles laid down in the Risk Strategy. The Bank's risk management is subject to several levels of control, the most important of which are ultimate control at the level of the Board of Directors (some specific and identified risk decisions require the approval of the Supervisory Board), independent control separate from the risk-taking areas, and appropriate measurement, diversification, monitoring and reporting of risks. The Bank continued to comply with the regulatory requirements throughout 2023.

5.1 RISK STRATEGY

MBH's Group level Risk Strategy defines the scope of risks that can take and the risk management and measurement tools to be applied, as well as the general risk-taking principles and rules to be followed by the Bank.

In its operations, Bank strives to maintain a risk culture that ensures the identification, measurement and management of emerging risks in accordance with the risk appetite. Internal policies, strategies, regulations and guidelines, communication and employee training are the primary means of ensuring a corresponding risk culture.

The primary objectives of Bank’s risk management activities are to protect the Bank's and Banking Group’s financial strength and reputation and to contribute to the use of capital for competitive business activities that enhance shareholder value.

The Bank's risk appetite should be consistent with the financial resources available to cover potential losses. In order to ensure this, the Bank calculates on standalone and group level the current and future economic capital requirements for the quantifiable types of risk, as well as the capital requirements under Pillar 1.

Bank is primarily exposed to credit, liquidity, market and operational risks.

5.2 CREDIT RISK

In 2023, the main drivers of credit risk changes were the Russian-Ukrainian war, the geopolitical and economic situation, the end of the payment moratorium and the agricultural moratorium until 31 December 2023, as well as changes in the methodologies applied to both the corporate and retail portfolios.

The impact of moratoria and interest cap on credit risk management:

In line with the NBH's expectations, the staging logic for customers participating in the general credit moratorium and the agricultural moratorium has been standardised at MBH Group level by adding the following to the normal processes:

- Transactions that have been included in the general moratorium and have been classified as restructured are subject to the default recovery rules based on the default status in force, and to a 6-month probationary period for retail clients and 24 months for corporate clients. During the probationary period, restructured transactions shall not be assigned a rating higher than Stage 2.
- Customers entering an agricultural moratorium are classified as Stage 2 or above, but if the client has previously been in moratorium for at least 9 months, they are classified as Stage 3. They can only be placed in Stage 1 on the basis of individual monitoring after a declaration has been made and taken into account. Individual derogations from the application of Stage 3 and Stage 2 classification are possible and must in all cases be supported by detailed objective evidence.

For customers with a retail interest rate cap, the Group examined the monthly repayment increases without the cap and applied a minimum Stage 2 rating for changes deemed to be significant.

The Group has updated the macro parameters for the entire portfolio using the latest parameters available in the NBH Inflation Report. The updated risk parameters have also been implemented in the lifetime ECL calculation.

Given that no new information on the ability of customers to pay has emerged during the moratorium period and that the repayments of customers affected by the interest rate freeze are lower than those in the contracts, it is necessary to take into account the uncertainties about the ability and willingness of debtors to pay. In addition, NBH expects that the risk arising from modelling uncertainty needs to be mitigated.

In determining the management overlay, the Group has considered the following aspects:

- For customers entering an agrarian moratorium, the models are not aware of the agrarian moratorium and therefore the willingness and ability to pay may contain a hidden high probability of default.

In summary, the Group's current modelling and impairment methodology, using the credit risk management methods and process additions detailed above, provides the opportunity to develop risk profiles that are well-defined from a customer management perspective and to establish adequate risk provisions to cover expected future credit losses.

5.3 MARKET RISK

Market risks include interest rate risk and foreign exchange risk arising from all banking activities. Bank keeps its market risks low by means of an appropriate limit system and in-process controls.

Interest rate risk:

Interest rate risk arises from the fact that changes in interest rates affect the value of a financial instrument. A credit institution is also exposed to interest rate risk if the amounts of its maturing or repricing assets, liabilities and off-balance sheet instruments are not consistent with each other in a given period. Bank measures interest rate risk by performing sensitivity tests on an ongoing basis. In addition, the impact of adverse interest rate scenarios is continuously measured and limited through the application of stress tests. Interest rate risks are managed through an appropriate composition of the securities and derivatives portfolio and through the consistency of other assets and liabilities in the bank's books.

Management of currency risk

Bank aims to keep its exposure to foreign exchange risk low by maintaining open foreign exchange positions up to the limit set in the banking book.

Foreign exchange risk arising in the course of core banking activities is managed by the Bank in the course of its operations, depending on market conditions. The Bank also performs VAR calculations and stress tests to measure foreign exchange risk.

5.4 LIQUIDITY AND SOLVENCY RISKS

Bank analyses liquidity risks with a number of indicators and mitigates them with limits, the most important of which are based on regulatory indicators (LCR, NSFR, required reserve ratio) and stress tests relevant to liquidity. In addition, Bank operates an early warning system for the timely detection of liquidity disturbances, which is presented to the Asset and Liability Committee and to management without delay in the case of an alert and on a regular basis during normal operations.

5.5 OPERATIONAL RISK

Bank continues to manage operational risk primarily through internal policies, rules of procedure and the operation of built-in control mechanisms in line with defined supervisory requirements. MBH's Group Level Operational Risk Management Policy and Operational Risk Management Rules set out the methodology for the operational risk management framework tools used by the Bank.

The operational risk loss data collection is based on uniform definitions and limits. The Bank promotes the recognition and identification of operational risks with internal training.

The adequacy of key risk indicators (KRIs) is reviewed by the Bank every year, several KRIs were modified in 2023 and new group level KRIs defined by MBH were introduced.

Bank conducts operational risk self-assessments for its key activities, and uses scenario analysis to assess the impact of events that occur infrequently but could result in severe losses if they were to occur.

Bank's operational risk events and the results of operational risk monitoring are reported on a quarterly basis.

With regard to operational risk, the Bank's management attaches great importance to feedback. An essential aspect is the implementation and monitoring of the effectiveness of the measures taken to eliminate operational risks.

6 HUMAN RESOURCES POLICY

The full-time equivalent employment of MBH Mortgage Bank at the end of 2023 was 17.

Talent management at MBH Group:

The MBH Group places great emphasis on training employees and nurturing talent, supporting the development of professional knowledge and skills through a wide range of educational programmes. The following programmes were launched for colleagues:

Digitised and gamified pre-boarding programme

The programme focuses on colleagues who are in the pre-entry period after accepting offer of the Bank. The solution, available online, supports new talent engagement in the pre-joining period; we not only accompany prospective employees on their journey until their onboarding day, but also maintain a positive experience while providing them with ongoing engagement.

Fusion programme:

The next step in the talent retention activities in 2023 was the award-winning Fusion programme. Fusion is one of Hungary's largest internship programmes, currently hosting nearly 300 talented students aged 19-25 from across the country. For trainees, the Bank Group is usually the first milestone at the start of their career. During the programme they gain relevant work experience, which provides us with a solid pool of young talent. The internship programme is designed to give more than just work experience: through their own onboarding processes, with dedicated HR colleagues to guide university students through their professional work and development.

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Ambassador Academy:

The MBH Group's Ambassador Academy is an innovative tool to introduce new values and associated behaviours and leadership tools, a new culture roadmap and an innovative tool to retain talent and sustain engagement, with around 100 participants. It is a change management initiative, with members working together to ensure engagement across talent, teams and the delivery of information to all colleagues. With high-profile on- and offline sessions focusing on different change-related topics, the initiative has been very enthusiastically received. They work together on some elements of the culture programme in joint workshops, for example they created the questions for the organisation-wide heart rate measurement, which was relevant and customised so it was really about colleagues.

Leadership Academy:

Leadership Academy is an integral part of preparing managers for the transition to the new way of banking. The leadership training programme is modular and supports the continuous development of talented leaders through a variety of solutions and topics (inspiring leadership, heterogeneous cross-generational teams, transparent leadership, motivating leadership, etc.). A specific programme supports the training of newly appointed managers.

The retention programmes focus on colleagues with specialist skills, as retention is key (Key Employee Programme), and equally focus on those with a consistently high performance and excellent attitude (High Performer Retention Programme).

MBH Bank’s 2022 talent management programme was recognised with a special award by the Joint Ventures Association in 2023.

Work-life balance at MBH Group:

At MBH Group, flexible working is a core element of the HR strategy and an important component of improving the employee experience.

As part of its HR strategy, MBH Group aims to increase the share of atypical employment. In addition, the company aims to make working from home available to as many employees as possible, which is why it is also continuously improving its equipment. Working from home reduces workplace stress, improves work-life balance and thus increases employee satisfaction, morale, efficiency and loyalty.

Extensive fringe benefits:

MBH Group, as one of the largest banks in Hungary, has the ambition to become a market leader in the sector. All our employees have a key role to play in achieving this goal. As an employer, our main objective is to maintain a performance-based culture, but we also strengthen the commitment of our employees through our outstanding benefits system.

In addition to the Cafeteria, our fringe benefits include school and camping allowances and social assistance.

Our generational diversity programme provides support for the specific life situations of our employees. Within the framework of this programme, we offer colourful programmes and varied benefits for people starting out in their careers (Start+), parents with young children (Baby+), employees with reduced working capacity (MMM+) and colleagues preparing for retirement (Active+).

MBH Group and health:

Health promotion and health maintenance is an important area for MBH ***Group***, which is emphasised in various sports and health campaigns. Providing sporting opportunities for employees in a variety of ways and promoting healthy lifestyles is being implemented on multiple fronts.

Employees have access to preferential health insurance, including diagnostic services and extended occupational health services within the Bank, seven days a week.

MBH ***Group*** also offers hobby and recreation rooms in its buildings. Fitness menus and other special dietary meals are available in the canteens at the workplace, and restaurant services were also made available through delivery during the pandemic.

MBH Group and sports:

MBH provides significant support to its sports association where effective professional and recreational sports work is carried out. In 2023, the association has a membership of between 580 and 620 people, including 350-365 members in the various sports sections, a significant increase of more than 40% compared to the previous year.

Our sports sections are: squash, volleyball, fishing, go-kart, dragon boat, cycling, running, table tennis, men's and women's football, hiking, bowling, boxing, basketball, throwing sports, swimming, wall climbing, spartan/crossfit, kayak-canoe and SUP, target shooting, dodgeball, trapshooting, triathlon, thai boxing, aerobics. In 2023, we organised several sports club in-house championships in 18 sports. 220 certificates were awarded.

In addition to sports sections support, the association also provides its members with sports equipment, logoed sportswear, sports accessories, and even individual support to sports section members on request. The Sports Association prepares our competitors in 9 sports for the annual Hungarian Banks Sports Tournament, where in 2023, the MBH Group team was hosted in Debrecen and finished 2nd again after 2005.

The runners regularly take part in large numbers in races such as the Wizzair Half Marathon and the SPAR Marathon. In team sports, the men's football, basketball and bowling teams are top finishers in the Business Leagues. Dragon boaters have won medals in several national competitions, anglers also regularly place well, the table tennis team is supported by the training methods of two excellent NB/1 colleagues, and go-kart teams always have successful monthly meets.

Cycling section has been running a joint programme with BKK BUBI for several years, 150 SA member colleagues received annual discounted BUBI passes.

SA members in rural areas receive a recreational sports grant, which they could spend on sports facilities near their workplace or home. In 2023, 165 colleagues in 27 cities received a sports grant.

The SA considers it important that SA members can exercise regularly near all work bases, which is why we have a gym near our priority sites.

Safe working environment:

MBH Bank complies with its legal obligations by carrying out a workplace risk assessment of its headquarters and premises, including all bank branches. As the Bank is an office working environment, the risk of accidents is fortunately low. The incidence of accidents at work is therefore low and on a downward trend.

Every year, employees are required to attend mandatory training on health and safety and fire prevention. Special training material has been prepared for bank branch staff on what to do in the event of an attack on the branch. The personnel, material and organisational conditions for safe work are laid down in the Bank’s Health and Safety at Work Manual in accordance with the legal requirements.

The Bank also employs a safety and health representative on behalf of the Works Council, who is entitled to check that the requirements for safe and healthy working conditions are met.

7 SUSTAINABILITY

ESG strategy and reporting

The Bank pays particular attention to the risks posed to its own operations and society by climate change. In line with the above MBH Mortgage Bank identified the specialities of its business and profile (mortgage-based refinancing and mortgage bond issuance functions) by which the Bank influence its environment through reducing climate risk and improving social well-being in the medium and long term. In 2022, the Bank published its ESG strategy, which includes its identified values, mission and vision, as well as sustainability objectives by topic.

MBH Mortgage Bank, as a listed company, published an annual Sustainability Report in line with the Budapest Stock Exchange's Sustainability Recommendation, first in 2022 and then in 2023. The published stand-alone sustainability reports are prepared in accordance with the international (Global Reporting Initiative-GRI) standard, covering the Bank's specific environmental, social and corporate governance achievements. The report published in 2023 (for 2022) marks a milestone in the Bank's history by publishing for the first time detailed data on its direct (Scope 1) and indirect, purchased (Scope 2) and indirect financed (Scope 3) Greenhouse Gas (GHG) emissions.

In 2022, MBH Mortgage Bank joined the Energy Efficient Mortgage Label (EEML), under which it publishes a quarterly public transparency report on the composition, energy profile and environmental impact of green mortgages and green property securities backing green mortgage bonds.

Green Mortgage Bond Framework

MBH Mortgage Bank considers green mortgage refinancing and the issuance of green mortgage bonds as key pillars of its sustainability activities. For that purpose it established a Green Mortgage Bond Framework based on the Green Bond Principles 2021 (GBP), international standards in 2021, under which it conducts its green mortgage bond issuance activitiy. Based on the transparency requirements of the Framework, the Bank also publishes a quarterly Green Bond allocation reports and also an Annual review report on the consistency of its Green Bond issuance activities with the Framework, as well as an annual Impact report. The second-party opinion for the Green Mortgage Bond Framework was provieded out by Sustainalytics

Corporate governance

Green Mortgage Bond Committee

The Bank established the Green Mortgage Bond Committee (hereinafter according to the Hungarian abbreviation: ZJB or GMBC) to strengthen the role of sustainability factors in the Bank's corporate governance, particularly in the areas of business and risk management. The Committee is composed of the CEO, Deputy CEO, Head of Capital Markets, Head of Refinancing, Head of ALM, Head of Collateral Register, Head of Collateral Management and reports directly to the Board of Directors on its work. According to the internal regulations the ZJB decides on the green quality of new collateral and existing collateral and regularly reviews the availability of green collateral behind the issued green mortgage bonds.

Sustainability and organisation

The Bank's Rules of Organisation and Operation (ROO) assign ESG responsibilities to each job, and management reports quarterly to the Board of Directors and the Supervisory Board on MBH Mortgage Bank's green mortgage bond issuance and other sustainability activities, as well as on the commitments and performance indicators defined in the Sustainability Reports and the ESG Strategy.

8 PARTICIPATION IN PROFESSIONAL ASSOCIATIONS

The Bank actively participates in the work of the statistical, legal and capital market groups of the Hungarian Banking Association and the European Mortgage Federation/European Mortgage Bond Council (EMF - ECBC).

9 POST BALANCE SHEET DATE EVENTS

Mortgage bond issuance and repurchase

MBH Mortgage bank Plc. announced an auction on the early secondary market repurchase of mortgage bonds publicly traded by MBH. With a value date of 22 February 2024. Original maturity of the mortgage bond series affected by the repurchase TJ24NF01: 26.06.2024. Mortgage bonds that are expected back will be withdrawn from circulation. The result of the auction: the nominal value of valid submitted bids for sale is HUF 26,729 million, the total nominal value of the present buyback is HUF 20,000 million, and the total nominal value of the series still outstanding is HUF 18,500 million. The mortgage bonds that have been recovered will be withdrawn from circulation, so that the remaining nominal value will continue to bear interest at the same interest rate.

On 11.03.2024, the Bank issued the MZJ29NF1 series of green mortgage bonds expiring on 22.11.2029 in a total nominal value of HUF 5.9 billion in the framework of a public stock exchange auction.

MBH Mortgage Bank Co. Plc. has won the "Mortgage Bond Issuer of the Year" category Budapest Stock Exchange award 2023.

Budapest, 28 March 2024

dr. Gyula László Nagy Chief Executive Officer	**Illés Tóth** Deputy CEO

Issuer Declaration

MBH Jelzálogbank Nyrt. (MBH Mortgage Bank Co. Plc.) as the Issuer (represented by: dr.Gyula László Nagy CEO, and Illés Tóth Deputy CEO), hereby declares that the **2023 Annual report** of MBH Mortgage Bank Co. Plc. has been prepared in accordance with the applicable accounting standards, its best knowledge and accordance with the International Financial Reporting Standards adopted by the European Union. The included **Stand-alone Financial Statements** give a true and fair view of assets, liabilities, financial position and profit of MBH Mortgage Bank Co. Plc., furthermore the **Stand-alone Management report** gives a fair view of the position, development and performance of MBH Mortgage Bank Co. Plc., disclosing the risks and the factors of uncertainty.

Budapest, 28 March 2024.

MBH Mortgage Bank Co. Plc.

dr. Gyula László Nagy	**Illés Tóth**
Chief Executive Officer	Deputy Chief Executive Officer

The independent auditor's report will be published
in accordance with Act C of 2000 on accounting after the approval
of the Standalone Financial Statements by the General Assembly.

INDEPENDENT AUDITOR'S REPORT

(Free translation)

To the shareholders of MBH Mortgage Bank Public Limited Company

Report on the audit of the standalone financial statements

Opinion

We have audited the Stand-alone financial statements of MBH Mortgage Bank Public Limited Company (the "Company") included in the digital file 5299007F4BUUY6S14E44-2023-12-31-HU.xhtml (SHA 256 HASH algorithm value: 562C3F8CA26022AD3485B989677B705E61F9B5C201E5AF41F786E70C4478C7B9) for the financial year ended on 31 December 2023 which comprise the Stand-alone Statement of Financial Position as at 31 December 2023 (in which total assets equal to total liabilities and equity are MHUF 906,587), the Stand-alone Statement of Profit or Loss and Stand-alone Statement of Other Comprehensive Income (in which the Total comprehensive income for the year is MHUF 7,168 profit), the Stand-alone Statement of changes in Equity, the Stand-alone Statement of Cash Flows for the financial year then ended and the Notes to the Stand-alone Financial Statements comprising material accounting policy information and other explanatory information

In our opinion, the standalone financial statements give a true and fair view of the standalone financial position of the Company as at 31 December 2023, and of its standalone financial performance and its standalone cash flows for the financial year then ended in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and they have been prepared, in all material respects, in accordance with the supplementary requirements of Act C of 2000 on Accounting ("Accounting Act") relevant for the annual financial statements prepared in accordance with IFRS as adopted by the EU.

Our opinion is consistent with our additional report to the audit committee dated 28 March 2024.

Basis for opinion

We conducted our audit in accordance with Hungarian National Standards on Auditing ("HNSA") and with applicable laws and regulations in force in Hungary. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the standalone financial statements" section of our report.

We are independent of the Company in accordance with the applicable laws of Hungary, with the Hungarian Chamber of Auditors' Rules on ethics and professional conduct of auditors and on disciplinary process and, for matters not regulated in the Rules, with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and we also comply with further ethical requirements set out in these.

We did not provide non-audit services to the Company, in the period from 1 January 2023 to 31 December 2023.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview

Overall materiality	Overall materiality applied was MHUF 782
Key Audit Matter	Expected credit loss allowance for loans and advances

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the standalone financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the standalone financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the standalone financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the standalone financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the standalone financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the standalone financial statements as a whole.

Materiality	MHUF 782
Determination	1% of the standalone equity
Rationale for the materiality benchmark applied	We chose standalone equity as the benchmark because, in our view, it is a balanced benchmark which reflects the interests of the shareholders and of the regulator and is a generally accepted benchmark. We chose 1% which is consistent with quantitative materiality thresholds used for companies in this sector.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the standalone financial statements of the current period. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	*How our audit addressed the key audit matter*
Expected credit loss allowance for loans and advances	
The net amount of loans and advances to customers measured at amortized cost is HUF 20,540 million on December 31, 2023. The amount of credit losses recognized in the balance sheet is HUF 728 million. Management disclosed the related assumptions, balances and estimates in section 3.5 and 3.38 of the notes to the standalone financial statements on accounting policy, as well as in notes 17 and 29.4. The method of the expected credit loss is based on of subjective assumptions and requires a high degree of estimation from the management, regarding both the individual and collective expected credit loss, especially considering the current uncertain economic environment. The first step of the expected credit loss calculation is to identify whether the credit risk has increased significantly. This information determines whether a 12-month or full lifetime expected credit loss should be presented. The Company applies impairment models to calculate expected credit loss which quantify the probability of default, exposure at default and the loss given default as the primary parameters in the estimation of the recoverable amount taking into account forward looking information – in line with the requirements of *IFRS 9 Financial instruments* standard.	We gained an understanding of the monitoring process and the process of the impairment calculation. We identified the main control points and tested their operational effectiveness. For loss allowances we assessed with the support of our internal modelling experts whether the methodology applied by the Company was compliant with *IFRS 9 Financial Instruments* and checked the parameters applied. The selected parameters and the impairment balances were recalculated on a sampling basis. Furthermore, input data used to calculate the impairment and the reasonability of the parameters was tested. We analyzed development of the expected credit loss. We have read section 17 and 29.4 of the standalone financial statements to assess whether the disclosures are consistent with the requirements of *IFRS 9 Financial Instruments* and *IFRS 7 Financial Instruments: Disclosures* standards.

The modelling methodologies are developed using historical experience, which - in uncertain economic conditions that currently vary across customer segments and industry sectors - can result in limitations in their reliability to appropriately estimate ECL.

A further limitation is caused by the fact, that, in order to reduce the economic consequences of the COVID-19 pandemic, the repayment moratoria programs introduced by Hungarian Government in the past few years complicated the timely reflection of a potential deterioration of the loan portfolio and resulted in artificially low observed default rates.

We paid considerable attention to this area during our audit due to the significance of the amounts involved and because of the subjective nature of the judgments and assumptions that management is required to make, particularly due the high level of uncertainty that can be experienced in the current economic environment.

Other information: the standalone business report (that is referred to as the management report in the annual report)

Other information comprises the standalone business report (that is referred to as the management report in the annual report). Management is responsible for the preparation of the standalone business report in accordance with the provisions of the Accounting Act and other relevant regulations, and for the preparation of the annual report in accordance with Act CXX. of 2001 on Capital Market. Our opinion on the standalone financial statements does not cover the standalone business report or the annual report.

In connection with our audit of the standalone financial statements, our responsibility is to read the standalone business report and the annual report and, in doing so, consider whether the standalone business report and the annual report is materially inconsistent with the standalone financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If based on our work performed we conclude that the standalone business report and the annual report is materially misstated, we are required to report this fact, and based on the Accounting Act, also the nature of the misstatement.

Based on the Accounting Act, it is also our responsibility to consider whether the standalone business report has been prepared in accordance with the provisions of the Accounting Act and other relevant regulations, if any, and to express an opinion on this and on whether the standalone business report is consistent with the standalone financial statements.

Because the Company's transferable securities are admitted to trading on a regulated market of a Member State of the European Economic Area, our opinion on the standalone business report shall cover the information prepared under Paragraphs e) and f) of Subsection (2) of Section 95/B, and state whether the information referred to in Paragraphs a)-d), g) and h) of Subsection (2) of Section 95/B of the Accounting Act has been provided.

As the Company is a public interest entity and the conditions in Paragraph a) and b) of Subsection (1) of Section 95/C of the Accounting Act are met at the balance sheet date, the Company shall publish a non-financial statement required by 95/C in its standalone business report. In this respect, we shall state whether the standalone business report includes the non-financial statement required by Section 95/C.

In the course of fulfilling our obligation, in respect of forming our opinion on the standalone business report we have considered the requirements set out in the Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 on Supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format ("ESEF Regulation") as the regulation prescribing further requirements for the standalone business report.

In our opinion, regarding the financial year ended on 31 December 2023, the standalone business report, also including the information prepared under Paragraphs e) and f) of Subsection (2) of Section 95/B, and the annual report of the Company is consistent, in all material respects, with the standalone financial statements for the financial year ended on 31 December 2023, and the standalone business report has been prepared in accordance with the provisions of the Accounting Act and the other relevant regulation referred to above.

We are not aware of any other material inconsistency or material misstatement in the standalone business report and the annual report and therefore we have nothing to report in this respect.

We state that the information referred to in Paragraphs a)-d), g) and h) of Subsection (2) of Section 95/B of the Accounting Act has been provided. The standalone business report includes the non-financial statement required by Section 95/C.

Responsibilities of management and those charged with governance for the standalone financial statements

Management is responsible for the preparation of the standalone financial statements that give a true and fair view in accordance with IFRS as adopted by the EU and to prepare the standalone financial statements in accordance with the supplementary requirements of the Accounting Act relevant for the annual financial statements prepared in accordance with IFRS as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of standalone financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the standalone financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the standalone financial statements

Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HNSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone financial statements.

As part of an audit in accordance with HNSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Appointment

We were first appointed as auditors of the Company on 28 April 2022. Our appointment has been renewed annually by shareholders' resolutions representing a total period of uninterrupted engagement appointment of two years.

The engagement partner on the audit resulting in this independent auditor's report is Mészáros Balázs Árpád.

Report on the compliance of the presentation of the standalone financial statements with the requirements of the regulation on the European single electronic format

We have undertaken a reasonable assurance engagement on the compliance of the presentation of the standalone financial statements of the Company included in the digital file 5299007F4BUUY6S14E44-2023-12-31-HU.xhtml ("standalone financial statements in ESEF format") with the requirements set out in the ESEF Regulation.

Responsibilities of the management and those charged with governance for the standalone *financial statements in ESEF format*

The management is responsible for the presentation of the standalone financial statements in ESEF format that comply with the ESEF Regulation. This responsibility includes:

- the preparation of the standalone financial statements in the applicable XHTML format;
- the design, implementation and maintenance of internal control relevant to the application of the ESEF Regulation.

Those charged with governance are responsible for overseeing the Company's financial reporting process including compliance with the ESEF Regulation.

Our responsibility and summary of the work performed

Our responsibility is to express an opinion on whether the presentation of the standalone financial statements in ESEF format complies, in all material respect, with the requirements of the ESEF Regulation based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with Hungarian National Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000).

A reasonable assurance engagement in accordance with ISAE 3000 involves performing procedures to obtain evidence about compliance with the ESEF Regulation. The nature, timing and extent of procedures selected depend on the auditor's judgement, including the assessment of the risks of material departures from the requirements set out in the ESEF Regulation whether due to fraud or error. Our reasonable assurance engagement included obtaining an understanding of the Company's internal controls relevant to the application of the requirements of the ESEF Regulation, and verifying whether the XHTML format was applied properly.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the presentation of the standalone financial statements in ESEF format of the Company's for the financial year ended 31 December 2023 included in the digital file 5299007F4BUUY6S14E44-2023-12-31-HU.xhtml complies, in all material respects, with the requirements of the ESEF Regulation.

Budapest, 28 March 2024

Mészáros Balázs Árpád
Partner
Statutory auditor
Licence number: 005589
PricewaterhouseCoopers Könyvvizsgáló Kft.
1055 Budapest, Bajcsy-Zsilinszky út 78.
Licence number: 001464

Translation note:

This English version of our report is a translation from the original version prepared in Hungarian on the standalone financial statements prepared in Hungarian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this English translation.

PROPOSAL
TO ITEM 1.2 ON THE AGENDA

THE SUPERVISORY BOARD'S REPORT ON THE COMPANY'S 2023 IFRS SEPARATE FINANCIAL STATEMENTS AND SEPARATE MANAGEMENT REPORT

Report of the Supervisory Board

The Supervisory Board has reviewed MBH Jelzálogbank Nyrt's separate management report for business year 2023 as well as its Separate Financial Statements for business 2023 prepared on the basis of the International Financial Reporting Standards adopted by the European Union, which includes as its constituents, the separate profit and loss statement, the separate other profit and loss statement, separate statement on the financial position, the separate cash-flow statement, the separate statement on changes in the shareholders' equity and notes to the separate financial statements.

MBH Jelzálogbank Nyrt. has prepared its 2023 Separate Financial Statements and Separate Management Report in accordance with the provisions of the Accounting Act and the general accounting principles.

Based on the report of the Company's auditor the Supervisory Board establishes that Company kept its books and records and prepared its financial reports in accordance with the applicable statutory regulations.

The financial statements have been audited and validated by MBH Jelzálogbank Nyrt's auditor elected at its regular 2023 annual general meeting, that is, **PricewaterhouseCoopers Könyvvizsgáló Kft.** which established that MBH Jelzálogbank Nyrt's 2023 Separate Management Report is in line with the data contained in the Company's 2023 Separate Financial Statements. The Supervisory Board has familiarised itself with the auditor's report on the basis of which it has concluded that the **2023 Separate Financial Statements** are in conformity to the applicable statutory regulations and provide a **reliable and true picture of the asset, financial and income position, and the economic results of the operation,** of MBH Jelzálogbank Nyrt. as at 31 December 2023.

According to the content of the annual report in business year 2023 MBH Jelzálogbank Nyrt's profit for the year of 2023 (profit after taxes) amounts to **HUF 6,663 million** while its **balance sheet total amounted to HUF 906,587 million.**

The Supervisory Board **agrees** with the **distribution of the** 2023 **profit** as proposed by the Board of Directors of MBH Jelzálogbank Nyrt., as detailed below:

	HUF million
Profit for the year (profit after taxes)	6,663.0
Profit/loss for the year to be added to profit reserve (+)	6,663.0
Profit reserve decrease as a consequence of general reserve generation (-)	666.3

The amount of dividend proposed to be paid from the uncommitted profit reserve increased with the 2023 profit is zero forint, in other words, no dividend shall be paid.

The Supervisory Board has familiarised itself with, and has studied, the proposal to be submitted to the General Meeting, that is, the **Report of the Board of Directors** on the **Management** of MBH Jelzálogbank Nyrt. **in 2023** and on MBH Jelzálogbank Nyrt's **asset position and business policy** and **proposes that they be discussed and approved** by the General Meeting.

In relation to the above the Supervisory Board has adopted the following resolutions:

I.

The Supervisory Board proposes that the General Meeting should accept the Company's separate financial statement prepared in accordance with the International Financial Reporting Standards ("IFRS") adopted by the European Union with a balance sheet total of HUF **906,587** million and with profit for the year of HUF **6,663** million.

Moreover, the Supervisory Board proposes the acceptance of the separate management report for 2023.

II.

The Supervisory Board proposes to the General Meeting that the Company should add the HUF **6,663** million profit for the year of 2023 to its profit reserve and generate the statutory general reserve in an amount of HUF **666.3** million.

PROPOSAL
TO ITEM 1.3 ON THE AGENDA

THE AUDIT COMMITTEE'S REPORT ON THE COMPANY'S 2023 IFRS SEPARATE FINANCIAL STATEMENT AND SEPARATE MANAGEMENT REPORT

The Audit Committee has reviewed the Separate management report of MBH Jelzálogbank Nyilvánosan Működő Részvénytársaság ("Company") for business year 2023 as well as its Separate Financial Statement for business 2023 prepared on the basis of the International Financial Reporting Standards adopted by the European Union, which includes as its constituents, the separate comprehensive profit and loss statement, the separate other comprehensive profit and loss statement, separate statement on the financial position, the separate cash-flow statement, the separate statement on changes in the shareholders' equity and notes to the separate financial statements.

Based on the report of the Company's auditor the Audit Committee establishes that Company kept its books and records and prepared its financial reports in accordance with the applicable statutory regulations.

The Audit Committee supports the following proposals of the Supervisory Board:

I.
The Supervisory Board proposes that the General Meeting should

approve

the Company's separate financial statement prepared on the basis of the international accounting standards ("IFRS") as at 31 December 2023 with a balance sheet total of

HUF 906,587.

The Supervisory Board proposes to the General Meeting that the Company should add the HUF 6,663 million profit for the year of 2023 to its profit reserve and generate the statutory general reserve in an amount of HUF 666.3 million.

Moreover, the Supervisory Board proposes the acceptance of the separate management report for 2023.

The Audit Committee proposes that the above detailed report of the Supervisory Board be submitted to the General Meeting.

PROPOSAL
TO ITEM 1 ON THE AGENDA

●

ADOPTION OF DECISIONS CONCERNING PERFORMANCE-BASED REMUNERATION IN 2023

Proposal:

EVALUATION OF THE ACHIEVEMENT OF THE CORPORATE VALUATION INDEX

The **Corporate Valuation Index** is an economic indicator used to measure the Bank's economic performance or risk management based on a scoring system. Performance measurement associated with Performance-based Remuneration is based on the target value of the Corporate Valuation Index prescribed for the Year Concerned (in the form of a score). No Performance-based Remuneration may be disbursed if the Index does not reach the target level.

MBH Jelzálogbank is a member of the MBH Bank Group – the group management function has been performed since 29 April 2022 by MBH Bank Nyrt. The Corporate Valuation Index is set on the basis of the relevant annual Business Plan approved within the MBH Group by the Bank's Board of Directors. Decision on the target value of the Corporate Valuation Index for the Year Concerned is made by the Chairman and Chief Executive Officer of MBH Bank Nyrt. in accordance with the group-level Remuneration Policy, which has also been implemented by MBH Jelzálogbank.

Decision on the achievement of the target value of the Corporate Valuation Index for the Year Concerned is made by the Chairman and Chief Executive Officer of MBH Bank Nyrt. which decision is confirmed by the Bank's Board of Directors at its meeting preceding the Annual Regular General Meeting of the year following the Year Concerned and by the Annual Regular General Meeting of the year following the Year Concerned.

The Corporate Valuation Index – which was, according to the preliminary assessment, accomplished – underlying the disbursement of the performance-based remunerations for 2023 at MBH Jelzálogbank Nyrt. as well is approved by the General Meeting of MBH Jelzálogbank Nyrt. Performance-based Remuneration may be granted after confirmation by the General Meeting.

DECISIONS INVOLVING THE CHIEF EXECUTIVE OFFICER

MBH Jelzálogbank targets and their achieveme	MBH Jelzálogbank targets and their achievement in 2023			
MBH Target (KPI) setting	**JZB relevant target description**	**Target**	**Result achieved**	**Note**
RORAC	**JZB income**	**Bottom up plan**	**Actual**	**Note**
Total comprehensive income (TOCI)	**JZB Total comprehensive income**	**HUF 3 436 million**	**HUF 7 168 million**	**more than twice the planned amount**
Profit after taxes	**Profit after taxes, adjusted**	**HUF 4 459 million**	**HUF 8 174 million**	**83% more than the planned figure**
C/I	**JZB C/I**	**17,47%**	**14,78%**	**The C/I ratio was also over the plan**
NPL	**JZB default date**	**n/a**	**7,08%**	**Default rate according to preliminary calculation 7.08%. This equals a 2.4% Y/Y improvement**
FTE/PEREX (without AST)	**FTE/PEREX (without AST)**	**3,17%**	**3,27%**	
Corporate values, culture roadmap, implementation of best workplace	**Implementation of corporate values, culture roadmap, best workplace module**	Implementation of corporate values, culture roadmap, best workplace module	completed	The values have been incorporated in the daily operation.
Retention of key persons	**Retention of key persons, new competences**	Retention of key persons, introduction of new competences	completed	Retaining key persons was an important objective in the reporting year too.
Fusion objectives	**Overachievement of JZB's share of the fusion tasks**	Rebranding, listing on exchange, capital market tasks in relation to fusion	Rebranding and starting of new processes accomplished by completion date(s)	Rebranding and starting of new processes accomplished by completion date(s) JZB communicated the developments in the fusion process adequately and in time both on the exchange and towards capital market investors.
ESG	**ESG**	Continuation of the Company's own ESG programme and harmonisation with that of the Bank	Jelzálogbank's own ESG reports were completed by the prescribed completion dates. Coordination with MBH Bank regarding ESB-related tasks on an ongoing basis.	The annual Green Impact Report was prepared in 2023 (Q4) as well. This was evidenced by a certification report by an international green auditor firm called Sustainalitics. A revision of the green mortgage bond framework was carried out.
	Introduction of AVM (automated valuation model)	Introduction of the use of AVM, preparation of more extensive use	AVM pilot project was started at the end of Q3	Preparations for comprehensive introduction regarding branches involved in mortgage lending took place at the end of the year

Targets are formed like a "cascade" in the performance evaluation process. The group-wide targets are broken down into each area's specific target, and then the employees' targets are determined based on them. Each set target must contribute to the achievement of the given higher-level target in order for the group-wide targets to be met.
The rate of the Chief Executive Officer's individual performance-based remuneration is set on the basis of the combined evaluation of the Group-wide business targets and MBH Jelzálogbank's business targets, factoring in a variety of financial and non-financial criteria as well. Non-business type criteria are evaluated on the basis of competences matching the company's values.

MBH Jelzálogbank Nyrt's business targets were accomplished in relation to business year 2023.

The rate of the actual disbursement is set and disbursement itself takes place in the framework of the group-level performance evaluation process.

PROPOSED RESOLUTION:

The General Meeting of MBH Jelzálogbank Nyilvánosan Működő Részvénytársaság (hereinafter: "Company") approves that the Corporate Valuation Index – which was, according to the preliminary assessment, accomplished – underlying the disbursement of the performance-based remunerations for 2023 at MBH Jelzálogbank Nyrt. as well is approved by the General Meeting of MBH Jelzálogbank Nyrt.. Performance-based Remuneration may be granted after confirmation by the General Meeting.

The Company's General Meeting approves that the rate of the Chief Executive Officer's individual performance-based remuneration is set on the basis of the combined evaluation of the Group-wide business targets and Company's business targets, factoring in a variety of financial and non-financial criteria as well. Non-business type criteria are evaluated on the basis of competences matching the company's values. The Company's General Meeting establishes that MBH Jelzálogbank Nyrt's business targets were accomplished for business year 2023 and approves that the rate of the actual disbursement is set and disbursement itself takes place in the framework of the group-level performance evaluation process.

PROPOSAL
TO ITEM 2. ON THE AGENDA

●

ADVISORY VOTE AS PRESCRIBED BY ACT LXVII OF 2019 (HRSZTV.) ON THE REMUNERATION POLICY STIPULATED IN THE SAME ACT

Proposal:

The purpose of this Directors' Remuneration Policy is for MBH Jelzálogbank Nyrt. to lay down a remuneration policy in accordance with the provisions laid down in Act LXVII of 2019 on the encouragement of long-term shareholder engagement and modification of certain acts with the purpose of legal harmonization ("Hrsztv.") for "Directors" as referred to in the Hrsztv..

According to the Hrsztv. the Remuneration Policy must be put on the agenda of the General Meeting when it is modified significantly, but at least every four years, for advisory voting. A number of changes have taken place in the recent period which necessitated amendments to the Directors' Directors' Remuneration Policy and thus its submission to the General Meeting for advisory voting.

In accordance with Section 2 (2) of the Hrsztv. the personal scope of the Directors' Remuneration Policy extend to the persons holding the following positions at MBH Jelzálogbank Nyrt.: the Chief Executive Officer, the Deputy Chief Executive Officers, the Chairman and the Members of the Board of Directors and the Chairman and the Members of the Supervisory Board (collectively: "Directors").

The Directors' Remuneration Policy has been drafted in accordance with the Hrsztv., and the sectoral remuneration legislation applying to MBH Jelzálogbank Nyrt.

Section 16 (5) of the Hrsztv. stipulates that remuneration may only be paid to Directors on the basis of a Directors' Remuneration Policy submitted to the General Meeting for advisory voting.

The Directors' Remuneration Policy has been amended as detailed below:

(i) in regard to its objectives, declaration of the requirements of long term value creation, sustainability and ethical conduct;

(ii) in regard to its personal scope, it clarifies the categories of Directors: in addition to introducing the category of Directors considered as Managing Body Members as a category under the company law, in terms of the Labour Code it clearly distinguishes between Directors employed and Directors not employed by MBH Jelzálogbank Nyrt.;

(iii) the elements of the remuneration of Directors are detailed in accordance with the categories as per the personal scope;

(iv) the characteristics of the contracts concluded with Directors regarding the performance of work or holding of position or remuneration for these (Annex 1) are detailed in accordance with the categories as per the personal scope;

(v) format clarifications which are of relevance to the content as well, in accordance with the Remuneration Policy under the Hpt.. (corrections of references partly in view of changes that have been made to the Remuneration Policy under the Hpt. in the meantime (e.g. Rules on claiming refunds, provisions concerning the Remuneration Committee)).

If, as a result of the advisory voting, the General Meeting rejects the proposed Directors' Remuneration Policy, the Company must submit the revised Directors' Remuneration Policy to the next General meeting for a repeated advisory voting.

PROPOSED RESOLUTION:

The General Meeting of MBH Jelzálogbank Nyilvánosan Működő Részvénytársaság approves the Remuneration Policy as per Act LXVII of 2019 (Hrsztv.) by way of advisory voting.

MBH JELZÁLOGBANK

Policy
MBH Jelzálogbank Nyrt's Remuneration Policy under the Hrsztv.

Regulation No.	3/2022
Effective date	dd.mm.2024
Effective date of previous modification	11.03.2024
Effective until	Indefinite – until withdrawal
Group-level	No
MNB to be notified?	Yes
Public Access to the regulation and its annexes (mark "x" as appropriate)	X Normal (For internal use only) ☐ Restricted
In the case of a regulation of restricted accessibility: list of the organisational units authorised to view the regulation	
Other provisions	The Remuneration Policy under the Hrsztv. must be put on the agenda of the General Meeting when it is modified significantly, but at least every four years, for advisory voting. The number of the last previous General Meeting Resolution: xx/2024. (mm.dd)

Regulation Owner	Compensation and HR services
Issued by	Supervisory Board of MBH Jelzálogbank Nyrt.
Last modified by	Noémi Laczkó

Annexes		
Number of annex	**Title of annex**	**Authorised to approve modification**
1. Annex No. – in Regulation	Data on contract concluded with Directors regarding the performance of work or holding of position or remuneration for these	Issuer

Repealed regulations
▪ Policy No. 3/2022 (MBH Jelzálogbank Nyrt's Remuneration Policy under the Hrsztv.) V2

The General Meeting of MBH Jelzálogbank Nyrt. adopted version No. V3 of this policy and its attachment by its General Meeting Resolution No. xx/2024. (mm.dd.) adopted on dd.mm.2024.
The Supervisory Board of MBH Jelzálogbank Nyrt. adopted version No. V3 of this policy and its attachment by its Supervisory Board resolution No. …/2024. (……………….) adopted on …… 2024.

Content

MBH Jelzálogbank Nyrt's Remuneration Policy under the Hrsztv.
("Remuneration Policy under the Hrsztv." / "Directors' Remuneration Policy")

Summary of amendments

This Remuneration Policy under the Hrsztv. is a consolidated version of the No. POL-0002/2020/V2. Remuneration Policy under the Hrsztv. including amendments.

The Remuneration Policy under the Hrsztv. has been amended as detailed below:

(i) in regard to its objectives, by the declaration of the requirements of long term value creation, sustainability and ethical conduct;

(ii) in regard to its personal scope, in that it clarifies the categories of Directors: in addition to introducing the category of Directors considered as Managing Body Members as a category under the company law, in terms of the Labour Code it clearly distinguishes between Directors employed and Directors not employed by MBH Jelzálogbank Nyrt. (subsection 3.2);

(iii) the elements of the remuneration of Directors (Section 8) are detailed in accordance with the categories specified in subsection 3.2;

(iv) the characteristics of the contracts concluded with Directors regarding the performance of work or holding of position or remuneration for these (Annex 1) are detailed in accordance with the categories specified in subsection 3.2;

(v) format changes (including references to the remuneration policy under the Credit Institutions Act (Hpt. JP), in view of amendments made to the Hpt. JP in the meantime /see Section 16: Claim of refund rules / Section 18: Remuneration Committee/).

The shareholders' opinions and votes concerning the remuneration policy and the reports are taken into account as specified in Section 4 ("*Validity and amendment of the Remuneration Policy under the Hrsztv.*").

1 The purpose of the Remuneration Policy under the Hrsztv.

The purpose of this Directors' Remuneration Policy is for MBH Jelzálogbank Nyrt. to lay down a remuneration policy for those holding positions of directors specified in subsection **Hiba! A hivatkozási forrás nem található.** of this D irectors' Remuneration Policy in accordance with the provisions laid down in Act LXVII of 2019 on the encouragement of long-term shareholder engagement and modification of certain acts with the purpose of legal harmonization ("Hrsztv.") and reward their performance in such a way that it is in accordance with

a) the Group-wide remuneration policy "On the remuneration policy" as specified in Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises ("Hpt.") (Performance-based Remuneration Policy under the Hpt.; "Hpt. JP"),

b) efficient and effective risk management, and does not encourage risk taking exceeding MBH Jelzálogbank Nyrt's risk taking limits and

c) MBH Jelzálogbank Nyrt's business strategy, objectives, sustainability, values and long term interests and promote the achievement of the same.

This Directors' Remuneration Policy encourages high performance, adequate risk taking in accordance with MBH Jelzálogbank Nyrt's strategy and responsible conduct promoting MBH Jelzálogbank Nyrt's long term interests. Its purpose is to create incentives that will coordinate managers' individual interests with those of MBH Jelzálogbank Nyrt.. The remuneration provided for managers is based on value creation ensuring sustainability and ethical conduct.

2 The relationship between the Remuneration Policy under the Hrsztv. and the Performance-based Remuneration Policy under the Hpt.

2.1 This Directors' Remuneration Policy is a separate remuneration policy prepared on the basis of the Hrsztv., in accordance with the rules laid down in the Performance-based Remuneration Policy under the Hpt., to which the provisions laid down in the Performance-based Remuneration Policy under the Hpt. must be applied, *mutatis mutandis*, with the exception of the provisions that are – by nature or purpose – not applicable or are of no relevance to this Directors' Remuneration Policy.

2.2 The meanings 2.1the terms and expressions appearing in this Directors' Remuneration Policy in a capitalised form are – pursuant to subsection 2.1 – defined in the Performance-based Remuneration Policy under the Hpt..

2.3 This Directors' Remuneration Policy makes multiple references to specific sections and subsections of the Performance-based Remuneration Policy under the Hpt., in order to avoid unnecessary repetitions. In the case of any change in the terms, expressions or processes used in the Performance-based Remuneration Policy under the Hpt., or their numbering, the references contained in this Directors' Remuneration Policy shall apply to the changed terms, expressions and processes, or their changed numbering, as appropriate.

2.4 Consistency between the Performance-based Remuneration Policy under the Hpt. and this Directors' Remuneration Policy shall be ensured by MBH Jelzálogbank Nyrt..

3 The scope of the Remuneration Policy under the Hrsztv. – MBH Jelzálogbank Nyrt. Directors

3.1 The institutional scope of this Directors' Remuneration Policy shall cover MBH Jelzálogbank Nyrt..

3.2 The personal scope of the Remuneration Policy under the Hrsztv. shall, in accordance with the applicable statutory regulations, cover

- the Chairman and Members of MBH Jelzálogbank Nyrt's Board of Directors,
- the Chairman and Members of its Supervisory Board,
- MBH Jelzálogbank Nyrt.'s Chief Executive Officer and Deputy Chief Executive Officers

(hereinafter collectively: "Directors").

In case the Board of Directors determines – in exercise of its power granted by MBH Jelzálogbank Nyrt's Articles of Association – that the Chairman of the Board of Directors and the Chief Executive Officer of MBH Jelzálogbank Nyrt. must be two different persons, the provisions of this Directors' Remuneration Policy shall apply to the Chief Executive Officer as well.

The following groups of persons are to be distinguished from the perspective of the application of the rules on remuneration concerning the Directors:

- ***Directors categorised as members of managing bodies***: the Chairman and the Members of the Board of Directors (hereinafter collectively: "***Board of Directors Members***") and the Chairman and the Members of the Supervisory Board (hereinafter collectively: "***Supervisory Board Members***").
- ***Directors employed by MBH Jelzálogbank Nyrt.***: the Chief Executive Officer, the Deputy Chief Executive Officers (including internal Board of Directors' Members) and the Supervisory Board Members delegated by the employees.
- ***Directors not employed by MBH Jelzálogbank Nyrt.***: the external Board of Directors' Members and the independent Supervisory Board Members.

If a given Director is a member of more than of the above categories at the same time, the provisions of this Directors' Remuneration Policy pertaining to the categories of relevance to the Director concerned shall together be applied to that Director.

4 Validity and amendment of the Remuneration Policy under the Hrsztv.

4.1 Payments may be made to Directors only on the basis of the Directors' Remuneration Policy adopted by the General Meeting of MBH Jelzálogbank Nyrt. (hereinafter: "General Meeting"), providing that Remuneration Policy under the Hrsztv. must be put on the agenda of the General Meeting when it is modified significantly, but at least every four years, for advisory voting. [Section 3:268 of the Civil Code, Section 16 (5) of the Hrsztv.]

4.2 In case the Directors' Remuneration Policy proposed pursuant to Subsection 4.1 of this Directors' Remuneration Policy is rejected by the General Meeting, the revised Directors' Remuneration Policy shall be submitted for voting again, to the next General Meeting.

4.3 The amended or revised Directors' Remuneration Policy submitted to the General Meeting shall contain a description and an explanation of all material amendments made since the voting concerning the Remuneration Policy under the Hrsztv. at the previous General Meeting, along with a description of how they reflect the shareholders' opinions and votes relating to the Remuneration Policy under the Hrsztv..

4.4 In case no Directors' Remuneration Policy has been adopted yet and the General Meeting does not approve the proposed remuneration policy, MBH Jelzálogbank Nyrt. may continue to pay remuneration to the Directors in accordance with its existing practices, providing that the revised Directors' Remuneration Policy must be submitted to the next General Meeting for approval. [Article 9a(2) of Directive 2007/36/EC]

4.5 In case there is an approved Directors' Remuneration Policy and the General Meeting does not approve the proposed new Directors' Remuneration Policy, MBH Jelzálogbank Nyrt. may continue to pay remuneration to the Directors in accordance with its existing Directors' Remuneration Policy, and the revised Directors' Remuneration Policy must be submitted to the next General Meeting for approval. [Article 9a(2) of Directive 2007/36/EC]

5 Possible derogations from the Remuneration Policy under the Hrsztv.

5.1 This Directors' Remuneration Policy may only be derogated from in exceptional cases (for the purposes of MBH Jelzálogbank Nyrt's long term interests and sustainable operation, or to ensure its viability) and on a temporary basis, as specified in subsection I.1.2 of the Performance-based Remuneration Policy under the Hpt..

6 The applicable rules

- Act V of 2013 on the Civil Code (Civil Code),
- Act LXVII of 2019 on the encouragement of long-term shareholder engagement and modification of certain acts with the purpose of legal harmonization (Hrsztv.)
- Directive 2007/36/EC of the European Parliament and of the Council of 11 July 2007 on the exercise of certain rights of shareholders in listed companies (Directive 2007/36/EC)
- the regulatory background and basic principles specified in subsection I.3. of the Performance-based Remuneration Policy under the Hpt..

7 Disclosure

7.1 The provisions laid down in this Directors' Remuneration Policy shall be accessible for all stakeholders.

7.2 MBH Jelzálogbank Nyrt. shall, after voting – or, if it rejected by the first vote, after the repeated voting – at the General Meeting on the Remuneration Policy under the Hrsztv., make the Remuneration Policy under the Hrsztv. accessible free of charge on its website during its validity, together with the date and result of the voting.

8 The elements of the Directors' remuneration

8.1 The Directors' remuneration may – in accordance with Section (55) of the Performance-based Remuneration Policy under the Hpt. – only be either Basic Remuneration or Performance-based Remuneration; there is no third remuneration category, i.e. all components of the remuneration may be associated with the Basic Remuneration or the Performance-based Remuneration.

8.2 Directors categorised as Managing Body Members are eligible for a fixed-amount honorarium. the honorarium shall consist exclusively of a cash allowance for both the Members of the Board of Directors and the Members of the Supervisory Board.

8.3 The remuneration for Directors not employed by MBH Jelzálogbank Nyrt. shall consist entirely of a Basic Remuneration; no Performance-based Remuneration shall be established and paid to such Directors.

8.4 The components of the Basic Remuneration and the Performance-based Remuneration of Directors employed by MBH Jelzálogbank Nyrt., and the proportions of such components, are presented in the table below:

Position	Basic Remuneration	Performance-based Remuneration	Maximum rate of the Performance-

			based Remuneration
Chief Executive Officer, Deputy Chief Executive Officer	basic wage, the allowances (cafeteria, insurance, other fringe benefits) specified in detail in MBH Jelzálogbank Nyrt's internal regulations, mobile phone and vehicle use	annual bonus	12-month basic wage
Member of the Board of Directors(internal Members of the Board of Directors)	basic wage, the allowances (cafeteria, insurance, other fringe benefits) specified in detail in MBH Jelzálogbank Nyrt's internal regulations, mobile phone and vehicle use	performance-based remuneration as detailed in MBH Jelzálogbank Nyrt's Hpt. JP and other internal regulations (annual bonus, premium, area incentive, target premium, project bonus, retention bonus)	12-month basic wage
Member of the Supervisory Board (Members of the Supervisory Board delegated by employees)	basic wage, the allowances (cafeteria, insurance, other fringe benefits) specified in detail in MBH Jelzálogbank Nyrt's internal regulations, mobile phone and vehicle use	performance-based remuneration as detailed in MBH Jelzálogbank Nyrt's Hpt. JP and other internal regulations (annual bonus, premium, area incentive, target premium, project bonus, retention bonus)	12-month basic wage

8.5 The amount of the Basic Remuneration should be large enough to make it possible to reduce the amount of the Performance-based Remuneration to zero. The Directors must not be dependent on the granting of the Performance-based Remuneration because that might, incidentally, encourage excessive short term risk taking [Section 16 (2) and Section 17 (1) b) of the Hrsztv.]

8.6 The amount of the Performance-based Remuneration shall be set such that it encourages Directors to facilitate the successful operation of MBH Jelzálogbank Nyrt. and the MBH Jelzálogbank Prudential Group (hereinafter: Bank Group) in the long run and enable Ex-ante and Ex-post Risk Assessment on the basis of risks as well as claiming refund of amounts of Performance-based Remuneration accounted/paid, as might be necessary. The rules on reduction, and refund claim, regarding 100% of the Performance-based Remuneration shall be applied in accordance with the provisions laid down in this Directors' Remuneration Policy and the Remuneration Policy under the Hpt..

8.7 In determining the rate of the remuneration for the persons covered by the scope of the Remuneration Policy under the Hrsztv.:

- the qualification and experience requirements prescribed for the position concerned and the limiting factors relating to them;
- wage market information;
- the given scope of tasks, responsibilities and powers; and

- the weight of the position in the organisation and the individual's service time, may be taken into account.

9 The basic principle and method of Performance-based Remuneration

9.1 The most important basic principle of the Remuneration Policy under the Hrsztv. is that it links the rate of Performance Remuneration – on the basis of the provisions laid down in the Performance Evaluation Policy and the Incentives Policy – besides the ex-ante and ex-post assessment of risks to the level of achievement of the

- Bank Group and targets
- the Directors' individual targets.

9.2 The rate of Performance-based Remuneration is determined on the basis of an assessment of the combination of the relevant targets, in view of both the financial and the non-financial criteria specified in subsection 10.3.

9.3 The amounts of the Performance-based Remuneration are paid on the due dates specified in the Disbursement Cycle, in accordance with the provisions laid down in the Remuneration Policy under the Hpt..

10 General principles and framework of performance measurement [Section 17 (3) a) of the Hrsztv.]

10.1 One essential prerequisite for performance assessment is that MBH Jelzálogbank Nyrt. sets the Directors' targets for each year. Such targets must be derived from MBH Jelzálogbank Nyrt's business operation and strategy, its corporate values, its risk appetite and long term interests, taking into account the costs of MBH Jelzálogbank Nyrt's capital and liquidity –at the level of the Bank Group – as well.

10.2 All relevant existing and future risks, including on- and off-balance sheet risks – distinguishing between risks of relevance from the perspective of the Directors – must also be taken into account in target setting.

10.3 Quantitative and qualitative performance criteria pertaining to the Directors – in line with MBH Jelzálogbank Nyrt's strategic goas for the year concerned – need to be established for the purposes of target setting. Bank-wide and area-specific financial goals and non-financial performance criteria equally appear among the goals; these ensure the Bank Group's prudent, sustainable and profitable operation in the long run as well.

Such criteria are included at an individual level in the Target Agreements concluded with the Directors.

10.4 The quantitative criteria must cover a period that is long enough for adequately recording the risks taken by MBH Jelzálogbank Nyrt. and the Directors. They must also include the risk adjustment and the economic efficiency metrics.

11 The Performance Measurement element at the level of the Bank Group – Corporate Valuation Index

11.1 At the level of the Bank Group the performance measurement, which is linked to Performance-based Remuneration, is based on the target value of the Corporate Valuation Index prescribed for the Year Concerned (expressed in a number of points), determined on the basis of the Business Plan for the Year Concerned as approved by MBH Jelzálogbank Nyrt's Board of Directors, in accordance with the provisions laid down in the Performance Remuneration Policy under the Hpt.

11.2 The Chief Executive Officer of MBH Jelzálogbank Nyrt. makes his decision on the accomplishment of the target value of the Corporate Valuation Index set for the Year Concerned, which decision is confirmed by MBH Jelzálogbank's Board of Directors – at its meeting preceding the Regular Annual General Meeting of the year following the Year Concerned – and by the Regular Annual General Meeting of the year following the Year Concerned.

12 The Performance Measurement element at the level of the Directors

12.1 At the individual level the performance measurement linked to Performance-based Remuneration takes place on the basis of an evaluation of the target tasks, and the indicators fixed on the basis of quantitative and qualitative criteria, specified in the Target Agreements.

13 Ex-ante Risk Assessment

13.1 At the Bank Group level the Chief Executive Officer of MBH Jelzálogbank has the right to make decisions on modifications (to justified extents) of the Corporate Valuation Index or, on the application of proportional Performance-based Remuneration in accordance with the provisions laid down in the Performance Remuneration Policy under the Hpt..

13.2 At an individual level the Ex-ante Risk Assessment takes place on the basis of a set of criteria laid down in the Target Agreements as per the Performance Evaluation Policy, once a quarter during the Year Concerned, and its results are taken into account in the Performance Evaluation process.

13.3 At the Bank Group level the Ex-ante Risk Assessment period starts when the Corporate Valuation Index is set by the Chief Executive Officer, while at an individual level its starts upon the conclusion of the Target Agreements and lasts until the Performance Evaluation date [Hpt. JP (129) – (131)].

14 The instruments of Performance-based Remuneration

14.1 Half of the Directors' Performance-based Remuneration is made up of a Cash Allowance, the other half is – unless otherwise stipulated by law and in view of the different provisions laid down in the Remuneration Policy under the Hpt. – made up of the Instrument-based Allowance which is in line with Section 118 (11) of the Hpt. [Hpt. JP (135)]

15 Disbursement of the Performance-based Remuneration to the Directors

15.1 The Cash Allowance component of the Directors' Performance-based Remuneration shall be disbursed in cash, while its Instrument-based Allowance component shall – on the basis of the decision taken by MBH Jelzálogbank Nyrt's Board of Directors regarding this – be provided in the form of instruments or cash, in accordance with the provisions laid down in the Performance Remuneration Policy under the Hpt. [Hpt. JP (148)]

15.2 The disbursement of 60% of the Performance-based Remuneration granted to Directors shall be delayed.

15.3 The disbursement of 40% of the Performance-based Remuneration granted shall be delayed in the case of Directors to whom the amount of the Maximum Performance-based Remuneration that may be granted for the Year Concerned is not larger than EUR 250,000. [Hpt. JP (155)]

15.4 The duration of the delay – as per the Disbursement Cycle concerned – of the disbursement of the delayed part of the Performance-based Remuneration granted to Directors shall be 5 years, during which the rate of the delayed disbursement

a) shall, in the case of the 60% delay specified in subsection 15.2 of this Remuneration Policy, be set at equal (12%, 12%, 12%, 12%, 12%) parts in each due year of the Disbursement Cycle,

b) shall, in the case of the 40% delay specified in subsection 15.3 of this Remuneration Policy, be set at equal (8%, 8%, 8%, 8%, 8%) parts in each due year of the Disbursement Cycle,

and both the undelayed (short term) and the delayed disbursements shall be made up of Cash Allowance and Instrument-based Allowance in equal (50%-50%) proportions.

15.5 50% of the first (undelayed) part of the Instrument-based Allowance shall be withheld for one year.

15.6 Impacts occurring in the meantime, resulting from the Directors' activities during each Year Concerned, shall be assessed during the whole period of the delay starting from the closure of Performance Evaluation, and the amount of the Granted Performance-based Remuneration of each Director – payable without a delay or after a delay – shall, depending on such impacts, be reduced if necessary, in the framework of Ex-post Risk Assessment.

15.7 The delayed instalments may be disbursed during each due year of the Disbursement Cycle after the completion of the Ex-post Risk Assessment procedure.

15.8 The Annual Regular General Meeting of the given due year of the Disbursement Cycle shall have the power to make a decision on the reduction of the delayed part of the Directors' Granted Performance-based Remuneration – payable according to the Disbursement Cycle – in the framework of the Ex-post Risk Assessment.

The accounting treatment of the *pro rata temporis* Performance-based Remuneration shall be governed by the general rules, providing that in case the employment relationship is shorter during the Year Concerned than 6 months spent as a member of the active staff, the Eligible Person is not entitled to Performance-based Remuneration, unless otherwise stipulated by MBH Jelzálogbank Nyrt..

16 Claim of refund rules [Section 17 (3) of the Hrsztv.]

16.1 If the Director

a) committed an offence relating to or affecting the operation of a member of the Banking Group,

b) in the event of breach of an obligation, gross negligence, abuse or omission in connection with his or her duties and responsibilities, not considered as a criminal offence, (in particular, if the Director's actions have significantly impaired the credibility and/or profitability of MBH Jelzálogbank Nyrt. or its Subsidiary),

c) was involved in, or responsible for, a practice that has caused a Significant Financial Loss, or

d) does not meet requirements relating to fitness or suitability,

e) commits a breach of compliance in terms of the policy entitled Compliance Mandate Policy,

his or her eligibility for the still outstanding part of his or her Granted Performance-based Remuneration shall lapse and the Chief Executive Officer of MBH Jelzálogbank Nyrt. shall have the right to make a decision – through the procedure specified in Section (173) of the Remuneration Policy under the Hpt. – about claiming the refunding of the Performance-based Remuneration accounted/disbursed for the Director concerned for the period affected by the circumstance giving rise to claiming refund.

16.2 MBH Jelzálogbank Nyrt's General Meeting shall have the right to make decisions on claiming refund of the Performance-based Remuneration of MBH Jelzálogbank Nyrt's Chief Executive Officer.

17 Conflicts of interests [Section 17 (1) d) of the Hrsztv.]

17.1 Any conflict of interest relating to the Remuneration Policy under the Hrsztv. and/or to remuneration determined on the basis of the Remuneration Policy under the Hrsztv. shall be identified and adequately mitigated.

17.2 The Performance Remuneration Policy under the Hpt. ensures that no material conflict of interest involving Directors and persons performing control functions can occur.

18 Remuneration Committee [Section 17 (1) d) of the Hrsztv.]

18.1 The members of the Remuneration Committee are those members of the Board of Directors who are not employed by MBH Jelzálogbank Nyrt. and have been elected by the Board of Directors members of the Remuneration Committee. If the Board of Directors does not have at least three members who are not employed by MBH Jelzálogbank Nyrt., independent members of the Supervisory Board may also be elected members of the Remuneration Committee.

18.2 A member of MBH Jelzálogbank Nyrt's Remuneration Committee shall notify to the Chair of the Remuneration Committee and the Supervisory Board of MBH Jelzálogbank Nyrt. to occurrence of any reason for a conflict of interest involving him or her, immediately upon – but within a maximum of 15 days after – the occurrence of the reason for a conflict of interest. From the occurrence of a reason for a conflict of interest involving him or her, the member MBH Jelzálogbank Nyrt's Remuneration Committee shall not proceed in regard to any case falling within the powers of the Remuneration Committee and any legal representative made by such member on behalf of the Remuneration Committee shall be null and void.

18.3 The tasks of the Remuneration Committee shall include the preparation of the decisions to be adopted by MBH Jelzálogbank Nyrt's Supervisory Board as specified in this Directors' Remuneration Policy and the Remuneration Policy under the Hpt.. The rules of procedure of the Remuneration Committee shall be prepared and adopted by the Board of Directors. The scopes of duties and powers, the operation and the status of the members of the Remuneration Committee shall be laid down in the Remuneration Committee's rules of procedure.

19 Revision of the Remuneration Policy under the Hrsztv. [Section 17 (1) d) of the Hrsztv.]

19.1 The Remuneration Policy under the Hrsztv. shall be revised in the framework of the Ordinary Annual Revision (annual central revision regarding the implementation of the Performance Remuneration Policy under the Hpt. and the Remuneration Policy under the Hrsztv., on the basis of which these may be amended by MBH Jelzálogbank Nyrt's Supervisory Board) to which the rules laid down in subsection IV.2 of the Performance Remuneration Policy under the Hpt. shall be applied as appropriate.

Directors' Remuneration Policy
Annex 1

Data on contract concluded with Directors regarding the performance of work or holding of position or remuneration for these [Section 17 (1) c) of the Hrsztv.]

Rules applying to all Directors employed by MBH Jelzálogbank Nyrt.

<table>
<tr><th>Description</th><th>Chief Executive Officer</th><th>Deputy Chief Executive Officer</th><th>Member of the Board of Directors</th><th>Member of the Supervisory Board</th></tr>
<tr><td>The duration of the contract pertaining to the fulfilment of the position or the related remuneration</td><td colspan="4">Definite period of time based on the General Meeting's resolution and declaration of acceptance, providing that the membership of an internal Board of Directors Member or an employee delegate Member of the Supervisory Board shall lapse by the operation of law upon the termination of the employment of the person concerned. Membership may also lapse even before the end of the definite period of time in the cases specified in the Civil Code.</td></tr>
<tr><td colspan="5">In the case of a legal relationship aimed at work</td></tr>
<tr><td>The duration of the contract aimed at work or pertaining to the related remuneration</td><td colspan="4">Indefinite</td></tr>
<tr><td>Applicable notice period</td><td>In accordance with the relevant provisions of the Labour Code</td><td>In accordance with the relevant provisions of the Labour Code, but at least 60 days.</td><td colspan="2">In accordance with the relevant provisions of the Labour Code, and in the case of an employee in a managerial position as specified in Section 208 (1) of the Labour Code, at least 60 days.</td></tr>
<tr><td>The main characteristics of the supplementary pension or the early old age retirement system</td><td colspan="4">MBH Jelzálogbank Nyrt. does not apply supplementary pension or the early old age pension</td></tr>
<tr><td>Terms and conditions for the termination of the contract</td><td colspan="4">The employment relationship of a Director employed by MBH Jelzálogbank Nyrt. may be terminated in accordance with the relevant provisions of the Labour Code.</td></tr>
<tr><td>Disbursements due upon termination</td><td>In accordance with the relevant provisions of the Labour Code</td><td>12-month absence fee</td><td colspan="2">In accordance with the relevant provisions of the Labour Code, and in the case of Deputy Chief Executive Officers 12-month absence fee</td></tr>
</table>

Rules applying to all Directors not employed by MBH Jelzálogbank Nyrt.

A Director not employed by MBH Jelzálogbank Nyrt. may – in accordance with the provisions of the company law – be removed, and they may resign from their positions, at any time without stating its grounds for doing so. Directors not employed by MBH Jelzálogbank Nyrt. shall not be entitled to a notice period. Directors not employed by MBH Jelzálogbank Nyrt. shall be entitled to the remunerations specified in subsections 8.2 and 8.3 of this Directors' Remuneration Policy. Directors not employed by MBH Jelzálogbank Nyrt. shall receive no specific remuneration upon the termination of their legal relationship. Directors not employed by MBH Jelzálogbank Nyrt. shall not be entitled to participate in the supplementary pension or early old age retirement system.

PROPOSAL
TO ITEM 3. ON THE AGENDA

●

ACCEPTANCE OF THE RESPONSIBLE
CORPORATE GOVERNANCE REPORT

Proposal:

Based on the Responsible Corporate Governance Recommendations issued by the Budapest Stock Exchange ("BSE") issuers on the Exchange are obliged to prepare annual Responsible Corporate Governance Reports which must, according to Section 3:289 of Act V of 2013 on the Civil Code (Civil Code), be accepted by the General Meeting.

According to the notice posted by the BSE the Recommendation is to be regarded as a supplement to the Hungarian legal regulation (essentially, the Civil Code), primarily for public companies, having their registered offices in Hungary and listed on the BSE. The recommendations present a recommended practice to be followed by the companies concerned. Compliance with its rules is recommended but not mandatory for companies listed on the exchange.

Listed companies have to make a declaration in two ways on their responsible corporate governance practices. In the first part of the report they have to present their responsible corporate governance practices applied during the business year concerned in an accurate, comprehensive and easy to understand manner, discussing the their corporate governance policy and any special circumstances. In the second part of the report they have to detail their compliance with the various specific sections of the recommendation in accordance with the "*comply or explain*" principle and whether they apply the various specific proposals contained in the recommendation.

Listed issuers must make their declarations and publish their reports regarding their responsible corporate governance practices within 120 days of the end of the given business year (by 29 April in the case of companies whose business year corresponds to the calendar year).

This submission proposes the acceptance of the Responsible Corporate Governance Report of MBH Jelzálogbank Nyilvánosan Működő Részvénytársaság ("Company") for 2023, with the attached content.

The Supervisory Board agrees with the Board of Directors' proposal.

Proposed resolution:

The General Meeting accepts the Company's Responsible Corporate Governance Report for business year 2023 with the content of the written proposal concerning this agenda item.

MBH Jelzálogbank Nyilvánosan Működő Részvénytársaság

Responsible Corporate Governance Report

for 2023

24 April 2024

Declaration on Responsible Corporate Governance Practices

1 Description of the Operation of the Board of Directors and the Sharing of Responsibility and Tasks Between the Board of Directors and the Management Team

The Board of Directors is the Company's legal representative and executive body, representing the Company towards third persons and before courts and other authorities, managing and directing the Company's business activities and financial management, making sure that the requisites for successful operation are available.

The organisation and operation of the Board of Directors is regulated by its Articles of Association and the Rules of Procedure of the Board of Directors. The Rules of Procedure of the Board of Directors are established by the Board of Directors. The Articles of Association is accessible on the Company's official website at (www.mbhjelzalogbank.hu).

The Board of Directors consists of at least three and not more than nine Members. The Members of the Board of Directors are elected by the General Meeting for a definite term of maximum five years. Of the Members of the Board of Directors the Company's Chief Executive Officer and his deputy/deputies were, Pursuant to Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises (Hpt.) and the Articles of Association, were continuously employed by the Company (internal Members of the Board of Directors) in 2023.

The Members of the Board of Directors are – in accordance with the rules of the civil law – liable towards the Company for any damage or loss caused to the Company by breaching any applicable legal regulation, the Articles of Association, any resolution adopted by the General Meeting or their respective obligations. The board bears joint and several liability for any damage or loss caused as described above. If the damage or loss was caused by a resolution adopted by the Board of Directors, any Member of the Board of Directors who did not participate in the adoption of the decision or voted against the resolution concerned – and notifies this fact in writing to the Supervisory Board within fifteen days of the adoption of the resolution – is exempt from the liability.

The Board of Directors makes its decisions objectively, in view of the interests of all of the shareholders, seeking independence from the influence of management and/or any specific shareholder. Members of the Board of Directors may not, in their capacity as such, be bound by any mandatory instructions from any of the Company's shareholders or from their employer.

In 2023 the Board of Directors carried out its activities on the basis of an annual work plan. The Board of Directors meets as often as necessary but at least once every three months. It discusses the matters referred to it on the basis of written proposals. The Board of Directors makes its decisions in writing – in view of the proposed resolution submitted by its proponent – in the form of resolutions. The proposals and the related proposed resolutions are prepared by the management team for the Board of Directors. Responsibility for the soundness of the content of a proposal lies with the head of the organisational unit which drafted the proposal, together with the Deputy Chief Executive Officer exercising the power of professional supervision or, in the absence of such, the Chief Executive Officer exercising the power of professional supervision. The Members of the Board of Directors receive written invitations to the meetings of Board – specifying the date and time, and the agenda, of the meeting – together with the written proposed resolutions.

A meeting of the Board of Directors has a quorum if it is attended by at least half of the BoD Members. The Board of Directors adopts its resolutions – with the exception of cases specified in its Rules of Procedure – by simple majority of votes, cast by open ballot. A Board Member who is personally involved in any way in the matter being discussed may not take part in the adoption of a resolution on the matter. The Chair of the Board of Directors orders a secret ballot at the request of any Board Member.

In urgent cases the Board of Directors may adopt valid resolutions by telephone, fax, electronic communication and other similar ways if the Company – at least electronically – delivers to the Members of the Board of Directors the written proposal concerning the matter on which a decision is to be made and more than half of the members send their votes to the Company in writing, within the time limit set for this purpose.

The Chair of the Supervisory Board – or the Supervisory Board Member designated by him or her – participates in the meeting of the Board of Directors as a permanent invitee. The Chair of the Board of Directors may invite the Company's auditor, asset controller and any other person to take part in a Board meeting, in an advisory capacity. The supervisor, in charge of the supervision of the Company, of the Magyar Nemzeti Bank acting in its scope of duties relating to the supervision of the financial intermediary system (when referred to as a supervisory body, hereinafter: "Supervision") and the representatives of MBH Befektetési Bank Zrt. and the Central Organisation of Integrated Credit Institutions, were invited to every meeting of the Board of Directors.

The Chair of the Board of Directors is elected by the General Meeting. The work of the Board of Directors is managed by its Chair. The tasks of the Chair are carried out by the Member of the Board of Directors appointed by the Chair when he is prevented for carrying out his or her tasks.

The scope of duties and powers of the Board of Directors are specified in detail in the Articles of Association and the Board of Directors' Rules of Procedure. Included among the powers of the Board of Directors are those relating to the Company's strategy, business and financial activities, scope of duties and powers relating to the Company's operation and organisation, powers relating to capital increases and Treasury shares, rights relating to the representation of the Company and powers linked to the Board of Directors' own operation.

The Company's management team – the Company's top management – performed its activity in 2023 in the following composition: Chief Executive Officer, Deputy Chief Executive Officer. The rights of the employer are exercised in relation to the management team members by the Board of Directors, through the Chair of the Board of Directors.

The Chief Executive Officer is an employee of the Company, its employee in the highest senior management position. The Chief Executive Officer manages and controls the Company's daily operational activities under an employment relationship, and performs his tasks relating to his mandate as a Member of the Board of Directors under a corporate legal relationship. Accordingly, his employment relationship is governed by the provisions of the Labour Code, while his election Member of the Board of Directors, and his membership of the same, are regulated by the provisions of the Hpt. and the Civil Code.

The tasks are shared between the Board of Directors and the Chief Executive Officer in such a way that the Company's daily work is managed by the Chief Executive Officer within the limits of the applicable statutory regulations and the Articles of Association and in accordance with the resolutions adopted by the General Meeting and the Board of Directors. The Chief Executive Officer has the power to make decisions on all matters that are not assigned to the General Meeting's or the Board of Directors' exclusive scope of power. The Chief Executive Officer regularly informs the Board of Directors, and between meetings the Chair of the Board of Directors, about matters relating to the Company's operation. This division of tasks does not affect the statutory responsibilities of the Board of Directors or the Members of the Board of Directors.

The Chief Executive Officer exercises the rights of the employer over the Company's employees, with the exception of Chief Executive Officer. The division of tasks between, and the powers of, the Chief Executive Officer and the Deputy Chief Executive Officer are laid down in the Company's Organisational and Operational Rules, whose modifications resulting in major organisational changes are part of the Board of Directors' powers.

2 The members of the Board of Directors, the Supervisory Board and the Management Team

2.1 Board of Directors

In 2023 the Company's Board of Directors was made up of the following persons:

External, independent Members without any legal relationship with the Company other than their membership relationships:

József Vida – Member of the Board of Directors since 30 November 2016, its Chair of the Board of Directors since 5 December 2016.

He is an economist who obtained diplomas and qualifications from multiple universities and colleges, including the Budapest University of Economics, the Pécs University of Sciences, the Szent István University and the French Université Paris-Nanterre, in fields of IT, economics and law.
His banking career started at Citibank Zrt. in 1999. In 2003 he left his position of Head of Department of Magyar Takarékszövetkezeti Bank for the Active Business Line Director position of Szentgál és Vidéke Takarékszövetkezet, where he worked from 2006 as an executive officer and later as Chairman and Executive Officer.
It was under his management that B3 TAKARÉK Szövetkezet was established on 1 September 2015 through the fusion of ten savings cooperatives. In 2014 he was awarded the Count Sándor Károlyi memorial plaque for his outstanding work in the promotion of savings cooperatives' integration. He played a dominant role in the process of savings cooperatives' integration and in ensuring the competitiveness and long term future of the Takarék Group. It was under his management that the former FHB Group was integrated into the Takarék Group and that twelve regional credit institutions were created through the fusion of fifty two savings cooperatives in 2017, to ultimately merge into a single nationwide universal commercial bank in two stages in 2019. Up to 30 October 2020 he worked as Chairman and Chief Executive Officer of Magyar Bankholding Zrt, while up to 31 December 2021 as Chairman and Chief Executive Officer of MTB Zrt.
In June 2021 he was appointed Vice Chairman of the Board of Trustees of Testnevelési Egyetemért Alapítvány, the foundation maintaining the University of Physical Education, while in July 2021 he became Chairman of the foundation called Jövő Nemzedék Földje Alapítvány, manager of the State Stud-Farm Estate of Mezöhegyes. He was Member of the Board of Directors of MKIF Infrastruktúra Üzemeltető Zrt. and that of MKIF Magyar Koncessziós Infrastruktúra Fejlesztő Zrt. from July 2022. In March 2023 he was appointed Chief Executive Officer of Abraham Goldmann Bizalmi Vagyonkezelő Zrt. and in the same month he was appointed Chairman of the Board of Directors of Volánbusz Zrt – until November 2023 – and then from December 2023 he became Member of the Board of Directors of Volánbusz Zrt and that of MÁV-Start Zrt. In March 2024 he was appointed Member of CONCORDIA Közraktár Zrt's Supervisory Board.
He is also engaged in farming activities, breeding race horses, and holds managerial positions in a variety of social organisations: he is Chairman of the Hungarian Alliance of Associations of Hungarian Dog Breeders and has been member of the board of trustees of the public interest asset management foundation performing public duty, the maintainer of the University of Physical Education.

Ildikó Ginzer – Member of the Board of Directors since 3 December 2021

She attended the Budapest Corvinus University where she obtained master degrees in corporate finances and teacher of business administration. She started her professional career in the banking sector; between 2004 and 2016 she forked for Raiffeisen Bank first as a business manager in the structured and project financing division and later as a risk officer in the corporate intensive management division, participating in the development of the strategies and processes of these areas. She acquired international experience as strategic and business development consultant at Borealis AG, where she was responsible for a number of acquisition projects involving petrochemical companies. At the end of 2016 she joined MKB Bank – a predecessor member bank of MBH Bank – as Deputy Chief Risk Officer, where she was responsible for the Bank's retail and corporate risk management function and its receivable management division. From 2019 she was Deputy Chief Executive Officer for Business in the retail, corporate, Treasury and leasing divisions and from May 2023 she was appointed MBH Bank's Deputy Chief Executive Officer for Standard Services. She is a Member of CIG Pannónia Nyrt's Supervisory Board, Euroleasing's Board of Directors and Chairwoman of MBH Alapkezelő's Supervisory Board. Since 21 June 2023 she has been Member of MBH Befektetési Bank Zrt's Board of Directors.

Dr. Ilona Török – Member of the Board of Directors since 14 November 2022

Dr. Ilona Török has more than twenty years of banking experience. Her career took off at the Hungarian Financial Supervisory Authority where she acquired legal and financial experience in a variety of divisions and was later appointed head of the Directorate for Licensing and Legal Enforcement. Between 2010 and 2021 she held various positions at OTP Bank in the capital market and Treasury divisions and thereafter she was appointed to a managerial position of Corporate Governance, while at the same time she was member of managing bodies of various domestic and foreign subsidiaries of the OTP Group. She headed the Cabinet Office of MKB Bank's Chairman and Chief Executive Officer from March 2021. From November 2021 she held the same position at Magyar Bankholding and its member banks. In September 2022 she was appointed member of MKB Bank Nyrt's Supervisory Board. Since May 2023 she has, as the Head of the Cabinet of MBH Bank's Chairman and Chief Executive Officer, been coordinating the Bank's prudential compliance and managing central areas such as legal and governance, compliance and prevention of money laundering, internal audit, bank security, marketing, events and protocol, international and banking relations, acquisition and credit institutional group governance. She has been Member of MBH Befektetési Bank's Board of Directors since June 2023.

Szabolcs Károly Brezina – Member of the Board of Directors since 9 December 2022

He obtained his diploma in economics in 1998 at IBS – Oxford Brookes University. He started his professional career in 1997 at Kereskedelmi és Hitelbank. Between 2001 and 2003 he worked in Switzerland as an interdealer broker for Continental Capital Markets. From 2003 until 2010 he was director of Takarékbank Zrt's Money and Capital Market division. For three years thereafter he participated in the bank's management as Managing Director and Member of the Board of Directors, and from 2013 as General Deputy Chief Executive Officer. He also held was also Chairman of the Supervisory Board of Takarék Alapkezelő during that period. From 2015 he worked for four years as Managing Director, and Member of the Board of Directors, of Duna Takarék Bank Zrt.. He returned to Takarékbank in 2019 and since 9 June he has been Chief Executive Officer, and Member of the Board of Directors of MBH Befektetési Bank Zrt..

Gábor Kalenyák – Member of the Board of Directors between 19 December 2022 and 31 December 2023

He joined the bank group in 2018 and worked as Managing Director of Enterprise Risk Manegement, while beforehand he dealt with strategy in the financial area, data warehouse risk management and the introduction of the IFRS9 impairment regime. Before joining the bank group he worked as risk officer in various positions for Erste Group in Austria, Hungary and Slovakia and then he also held risk officer positions in the European region of the international insurance companies Munich RE – Ergo Versicherung. He conducted studies in Switzerland, Austria and Hungary and holds qualifications in mathematics and economics. He resigned his Board of Directors' membership with effect from 31 December 2023.

Internal Members of the Board of Directors – employed by the Company:

Dr. Gyula László Nagy, Chief Executive Officer - Member of the Board of Directors since 26 April 2017

He took his degree in foreign trade from the Budapest University of Economics in 1976, after which he obtained a university doctoral degree as a specialist economist and in economic sciences, in 1981. After completing a postgraduate real estate expert training at Nottingham Trent University and the Budapest University of Technology and Economics he obtained an MSC degree in 2006. From 1977 he worked as head of the exports department of the power meter factory Ganz Árammérőgyár. From 1987 he worked as dealer for Unicbank Rt. and from 1989 as head of department of large corporate partner relations at Citibank Hungary Rt.. Between 1991 and 1995 he was Managing Director of the Corporate Division of BNP-Dresdner Bank Rt.. Between 1995 and 1999 he headed the corporate division of HVB Bank Hungary Rt.. Between 1999 and 2001 he was Deputy Chief Executive Officer, and Member of the Board of Directors, of HVB Bank Hungary Rt., and between 2001 and 2007 he was Chief Executive Officer of Unicredit Jelzálogbank Zrt.. From October 2007 on he headed the Independent Partner Refinancing and Integration Department of FHB Nyrt., where he managed the FHB Group's refinancing activity. From 26 April 2017 he was Chief Executive Officer of FHB Jelzálogbank Nyrt., later that of Takarék Jelzálogbank Nyrt. and now he is

Chief Executive Officer of MBH Jelzálogbank Nyrt.. He is a real estate expert with a master's degree, Chairman of the European Mortgage Federation's Research & Data Committee and member of its Executive Committee.
He is Chairman of the Supervisory Board of the Hungarian Windsurfing Association, as a social responsibility.

Illés Tóth Deputy Chief Executive Officer – Member of the Board of Directors since 1 December 2022

He has been head of the Capital Market Department of Takarék Jelzálogbank Nyrt., has been responsible for the mortgage bond issue activity of the mortgage bank, credit rating management and investor relations since 2019. Since 2020 he has been actively involved in implementing the sustainability strategy of the mortgage bank, the drafting of the sustainability report and in managing the Green Covered Bond Framework. Prior to his position as head of the Capital Market Department, he worked as senior capital market expert of the mortgage bank between 2015 and 2019. Between 2008 and 2015, he first assumed a senior position at the Treasury department of Unicredit Jelzálogbank, then carried out ALM and liquidity management duties related to mortgage banking, and mortgage bond issue management related duties as head of the department. In 2015 he worked briefly as senior expert in managing liquidity risks at the market risk management department of Raiffeisen Bank. Between 2000 and 2008, he worked as bond market analyst at the emergent market analysis office of DZ BANK, operating in Budapest in an outsourced form. He received his degree in economics in 2000 at the College of Finance and Accounting in the field of finance/banking.

Changes in the membership of the Board of Directors in 2023:

Gábor Kalenyák resigned his Board of Directors' membership with effect from 31 December 2023.

2.2 Supervisory Board

In 2023 the Company's Supervisory Board was made up of the following persons:

Dr. Géza Károly Láng – Chairman of the Supervisory Board since 5 August 2022

He obtained his law degree from Pázmány Péter Catholic University in 2002, and after passing the bar examination and qualifying as an insurance lawyer, he qualified as a competition lawyer in 2012. He spent 16 years in the insurance sector in various positions, and since 2019 he has been Deputy State Secretary for National Financial Services and Postal Affairs at the Prime Minister's Office. Since 2023 he has been Deputy State Secretary for State Assets and Postal Affairs at the Ministry of National Economy. Between April and August 2022, he was a Member of the Board of Directors of MKB Bank Nyrt. and Magyar Bankholding Zrt. Since September 2022 he was Member of the Supervisory Board of MKB Bank. He is a Member of the Supervisory Board of Magyar Bankholding Zrt. Since May 2023 he has been Member of MBH Bank's Supervisory Board.

Dr. Éva Szilvia Gödör – Member of the Supervisory Board of the since 1 August 2018

She is an attorney, head of the law office called Dr. Gödör Ügyvédi Iroda. She received her diploma in law at the Faculty of Law and Political Science at Eötvös Loránd University in 2002 and passed the professional examination in law in 2006. During her years as a trainee lawyer she dealt with civil and criminal cases; thereafter she focused her professional attention to civil law. She has been working as an attorney-at-law. She established her law office in 2012 which has, from the very beginning, been providing services primarily in support of the activities of several participants of the domestic financial sector, and their subsidiaries. She specialises in real estate transactions, real estate investments, corporate law, financing, receivables management, operational support for financial institutions, mergers, acquisitions, due diligence, project support and procedures relating to civil society organisations. She has been member of the Supervisory Board of OPUS GLOBAL Nyrt. since April 2018.

Péter Darazsacz – Member of the Supervisory Board between 3 January 2022 and 27 April 2023

He graduated from the Faculty of Economics of the University of Szeged as a chartered economist in 2010. . He started his career as an Audit Assistant at Deloitte Üzletviteli és Vezetési Tanácsadó Zrt. and from 2014 he worked as an Audit Manager. From July 2017 to April 2019 he was Director of Finance at B3 Takarékszövetkezet, and after the merger, from May 2019 he was the Chief Financial Officer of MTB Zrt. és a Takarékbank Zrt. From the end of 2020 he headed the financial and reporting division of Magyar Bankholding Zrt., while between November 2021 and April 2023 he performed the same function for MKB Nyrt, MTB Zrt. and Takarékbank Zrt. as well.

Dr. Tibor Lélfai Koppány - Member of the Supervisory Board since 3 January 2022

Between 2000 and 2011 he worked in the business and later in the legal division of MFB Zrt., thereafter he managed Bethlen Gábor Alapkezelő Zrt. as Chief Executive Officer until November 2016. From November 2016 he held a Deputy Chief Executive Officer position and was internal Member of the Board of Directors at MFB Zrt. Between 1 January 2018 and 31 March 2022 he managed Budapest Bank as Chairman and Chief Executive Officer, however, he had already been participating in the management and in the strategic decision making processes of the bank from as early as 1 April 2017. He has, since 2019, been Member of the Supervisory Board of Budapest Alapkezelő Zrt. (today known as; MBH Alapkezelő Zrt.). He was appointed Member of the Board of Directors, and Chief Executive Officer, of OPUS GLOBAL Nyrt. in 2022 and in the same year he also became Member of the Supervisory Board of Takarék Jelzálogbank Nyrt. (today known as: MBH Jelzálogbank Nyrt.),, OPUS TIGÁZ Zrt. and OPUS TITÁSZ Zrt.. In 2023 he was appointed Member of the Supervisory Board of OPTESZ OPUS Zrt..

Dr. Ákos Ferenc Tisza-Papp – Member of the Supervisory Board since 29 November 2022

He obtained his diploma in law in at Eötvös Loránd University of Sciences in 2004 and passed his professional examination in law in 2007. His professional career took off at the Legal Department of the predecessor of what later became UniCredit Bank, and from 2003 until 2007 he worked as a legal associate, later as legal counsel, for Raiffeisen Lízing Zrt. From 2007 he worked as legal counsel for OTP Bank Nyrt., later as head of its Corporate and Capital Market Legal Group and then between 2019 and 2021 he headed the Corporate and Capital Market Legal Department as director. During this period he was Supervisory Board member at the Bulgarian and Ukrainian subsidiaries of the OTP Group, OTP Faktoring Zrt. and OTP Ingatlan Befektetési Alapkezelő Zrt., and was member of the BSE's Responsible Corporate Governance Committee. He joined the MKB Bank Group in 2021 and is currently managing the legal, consumer protection, outsourcing, data protection, controlling and corporate governance areas at the MKB Bank Group's Legal and Governance division as Managing Director. He is also Supervisory Board Member at EXTERIMMO Zrt., and, since 29 June 2023, Member of MBH Befektetési Bank Zrt's Supervisory Board and Audit Committee.

Péter Krizsanovich – Member of Supervisory Board since 29 June 2023

He graduated from Budapest Corvinus University in 2003. He started working in that year as advisor for IFUA Horváth & Partners.
From 2005 he held senior positions at OTP Bank for 17 years, including in the position of the Managing Director of Strategy, Planning and Controlling. As he was involved in regional expansion, he has international experience; he has been involved in the management of several market-leading foreign banks, including OTP Bank in Serbia and CKB Bank in Montenegro, as a Member of the Board of Directors. Between 2017 and 2022, he was a Member of the Board of Directors of OTP Ingatlan Befektetési Alapkezelő Zrt. From September 2022, he worked as Chief Financial, Risk Management and Strategy Advisor to the CEO of Magyar Bankholding from 1 January 2023 he was financial manager and from February 2023 he was Deputy Chief Executive Officer for Finances. Since May 2023 he has been MBH Bank's Deputy Chief Executive Officer for Finances. Since 29 June 2023 he has been a member of MBH Befektetési Bank Zrt's Supervisory Board and Audit Committee.

Each of the above Members of the Supervisory Board is an independent Member without any legal relationship with the Company other than his or her membership relationships.

Changes in the membership of the Supervisory Board in 2023:

Péter Darazsacz resigned from his Supervisory Board membership with effect from 27 April 2023, as a consequence of which his position of Chairman of the Audit Committee also terminated.

2.3 The Company's Management Team

In 2023 the Company's management team was made up of the following persons:

Chief Executive Officer:
Dr. Gyula László Nagy – since 26 April 2017
Internal Member of the Board of Directors For his introduction see subsection 2.1.

Deputy Chief Executive Officer:
Illés Tóth Deputy Chief Executive Officer – since 1 December 2022
Internal Member of the Board of Directors For his introduction see subsection 2.1.

3 Description of the Work Performed by the Board of Directors, the Supervisory Board and their Committees

3.1 Description of the Board of Directors' Activities in 2023

3.1.1 A summary of the tasks carried out by the Board of Directors

The Board of Directors held a total of four meetings in 2023, of which three were joint meetings with the Supervisory Board. Resolutions were adopted on 40 occasions without meetings being held. Each of the meetings was held, and each resolution adopted without a holding a meeting was made, in conformity to the relevant rules and regulations and the Board had a quorum on each occasion.

Along with the tasks set out in the work plans, the Board of Directors decided, both at meetings and by voting in writing, on several occasions regarding issues not originally included in the work plan concerned but falling within the Board's power and requiring a decision.

The agendas of the meetings comprised, in the overwhelming majority of cases, reports, briefings and other submissions in written form, prepared with the assistance of the management team and the heads of the divisions concerned with the matters being discussed. The Board of Directors always discussed the issues on the agendas of its meetings in due depth, and the Members of the Board usually supplemented and clarified the submissions with their professional comments and contributions.

The following of the topics discussed by the Board of Directors in 2023 need to be highlighted:

- The Board of Directors paid particular attention to the implementation of the relevant integration regulations in 2023 as well:

- The Board of Directors laid particular emphasis on the adoption of actions and measures aimed at creating a pure mortgage bank profile in 2023 too.

- The Board of Directors discussed the management team's report on the current business and financial situation of the Company as a standing agenda item at its 2023 meetings as in previous years. By doing so, the Board of Directors continuously monitored the Company's operations and financial situation and the process whereby sustainability factors are integrated into its business strategy and corporate governance. Consequently, the Board of Directors was continuously provided with sufficient information throughout the year on the relevant internal and external circumstances affecting the Company's operations and was able to detect situations entailing negative impacts and adopt, and implement, the necessary response actions, as well as to formulate professional recommendations to support the management team's work.

- The Board of Directors continued to lay particular emphasis on analysing the Company's economic activity in 2023.
- The Board of Directors kept continuously monitoring the Company's general commitments and KPIs and those laid down in its ESG strategy and annual sustainability reports, and paid particular attention to the Company's green mortgage bond issuing activity and the development of the AVM (automated valuation model).
- The Board of Directors discussed the management team's reports on the Company's credit, liquidity, market and operational risks on a regular quarterly basis in 2023 as well.
- In 2023 the Board of Directors continued its practice of discussing the Compliance and Data Protection Department's quarterly reports and the implementation of the tasks set out in the work plan.
- The Board of Directors attended to issues relating to the implementation of the Remuneration policy in 2023 too.
- The Board of Directors found all of the management team's proposed amendments to the regulations falling within its power to be well founded and adopted them without making any changes to their contents.
- As before, the Board of Directors continuously monitored the inspections and audits carried out at the Company by external authorities (NTCA, the MNB), and the elaboration and implementation of task plans in response to their findings, in 2023 as well. No irregularities were found by such inspections and audits, nor objections were made on the basis of findings, in relation to the work of the Board of Directors.

3.1.2 The Board of Directors' Cooperation with Other Organisations

The Board of Directors continued to maintain cooperative and correct relationships with both the Supervisory Board and the management team. Every meeting of the Board of Directors was attended by the Company's Chief Executive Officer, who reported in depth on topical issues of relevance to the Company's operation and answered questions as they arose during the discussions of agenda items. The Chairman of the Supervisory Board was invited to every meeting of the Board of Directors where always had an opportunity to present his opinions and recommendations, thereby ensuring the owner's representation during the processes of corporate governance. Moreover, consultations and exchanges of opinions took place between the Chairmen of the two boards, Chief Executive Officer and his Deputy on a regular basis between the meetings as well.

3.2 Description of the Supervisory Board' Activities in 2023

3.2.1 A summary of the tasks carried out by the Supervisory Board

The Company's Supervisory Board (hereinafter: "SB" operated in 2023 on the basis of the agreed annual work plan. The work plans were made up of the Board's own specific tasks, along with reviews of the audits performed by the Company's internal audit unit (hereinafter: "Internal Audit"). The SB held a total of three meetings in 2023 each as part of a meeting held jointly with the Board of Directors. Resolutions were adopted on 18 occasions without meetings being held. Each of the meetings was held, and each resolution adopted without a holding a meeting was made, in conformity to the relevant rules and regulations and the Board had a quorum on each occasion.

In addition to the matters prescribed on a mandatory basis in the Civil Code and the Hpt. the SB continuously gathered information on the Company's business and financial situation, the most important topical issues of relevance to the Company's operation as well as the meetings of, and the resolutions adopted by, the Board of Directors.

Moreover, the Company assessed, discussed and evaluated the following at its own initiative:

- the implementation of tasks included in the action plans on the basis of the recommendations set forth in the 2023 internal audit reports,
- the Company's quarterly reports on its lending, market, liquidity and operational risks, and
- the Compliance and Data Protection Department's quarterly reports and the implementation of the tasks set out in the work plan.

As before, the SB continuously monitored the inspections and audits carried out at the Company by the Supervision and other external organisations, and the elaboration and implementation of task plans in response to their findings, in 2023 as well. No irregularities were found by such inspections and audits, nor objections were made on the basis of findings, in relation to the work of the SB.

The SB also discussed the audits conducted by Internal Audit on various subjects, focused essentially on governance, management, implementation (processes), compliance and IT security. Accordingly, the audits included reviews and examinations of matters relating to corporate governance, Treasury, the investment service providing activities and the ancillary services, risk taking, financial and ancillary services, other supportive (accounting and financial, data supply) processes and activities, as well as, the IT processes and the IT infrastructure. Moreover, they comprised compliance audits in relation to the Company's organisational operation and the fulfilment of the MNB resolutions.

The Internal Audit organisation kept both the SB and the Company's management team continuously informed about the results of its audits and the execution of the action plans prepared in response to their findings, in accordance with the applicable regulations of the Hpt.. Internal Audit reported on the operation of the control functions and the identified gaps affecting the achievement of the Company's objectives and performance.

The SB paid particular attention to ensuring that the Company has a comprehensive and effective controlling system. The system of internal control mechanisms approved by the SB earlier on was operating throughout 2023, in view of the applicable legal regulations, the Responsible Corporate Governance Recommendation and the Supervision's recommendation on the operation of internal lines of defence.
MBH Bank Nyrt's Internal Audit unit prepared the group-level medium term internal audit strategy for years 2024-2026 – the document was also implemented by JZB's Internal Audit and was also approved by JZB's SB.

3.2.2 The Operation of the Supervisory Board

Reports and proposals were, for the most part, put on the meetings' agendas in a written form. No formal division of work existed among the Board Members. In line with their specific individual technical/professional competences and experience the Members applied different perspectives in the evaluation of the results of each audit.

3.2.3 The Supervisory Board's Cooperation with Other Organisations

The SB had a continuous, objective and effective working relationship with the Board of Directors, the management team and the Company's Auditor in 2023 as well. The Chairman of the SB attended the meetings of the Board of Directors as a permanent invitee where he could explain his position in representation of the SB.

The Chief Executive Officer took part in every meeting and provided the Members of the Board with adequate information and gave satisfactory answers to questions.

Consultations and exchanges of opinions between the Chairman of the Board of Directors, that of the SB, and Chief Executive Officer, took place on a regular basis even between meetings.

The auditor was a permanent invitee to each SB meeting in order to help the Board carry out its tasks by providing technical/professional input, as necessary.

3.3 Description of the Audit Committee' activities in 2023

The Audit Committee provides assistance to the Supervisory Board in supervising the financial report regime, in selecting an auditor, and in working with the auditor. The Audit Committee has 3 Members. The Members of the Audit Committee are elected by the General Meeting from the independent Members of the Supervisory Board. At least one Member of the Audit Committee must have accounting or auditor qualification.

The Members of the Audit Committee[1] (their CVs are presented in subsection 2.2)

Péter Krizsanovich
Dr. Géza Károly Láng
dr. Éva Szilvia Gödör

The operation of the Audit Committee

The Audit Committee adopts its own rules of procedure. The Audit Committee convenes as often as required for the effective performance of its duties and its meetings are held on the basis of the work plan it has adopted for itself. The Audit Committee's rules of procedure determine the structure of the Committee, obligations and responsibilities of Committee Members, the rights and authorisation of the Committee, the way its meetings are prepared, convened and held, the way resolutions are adopted at or outside of meetings in writing, along with the documentation of decisions and resolutions adopted by the Committee.

The Audit Committee held 2 meeting in 2023, and adopted resolutions without holding meetings, on 9 occasions. The items on the agendas of the Audit Committee's meetings included, *inter alia*, proposals regarding the selection, election and remuneration of the Company's auditor, approval of the appointment of the person in charge of the audit, the terms and conditions to be laid down in the contract to be concluded with the auditor and proposals for the conclusion of the audit contract. As regards matters falling within its powers the Audit Committee made decisions on contracts concerning the provision of other services for the Company by the Company's permanent auditor or by other business entities having the same or partly the same, owners.

3.4 The Committee Operating with the Participation of Supervisory Board Members as Specified in the Hpt.

3.4.1 Nomination Committee

The Nomination Committee is responsible for nominating and recommending nominees to the Supervisory Board and the Board of Directors, with the exception of the members of the Supervisory Board representing the employees, specifying the skills and responsibilities required for membership of the governing body, and evaluating the composition and performance of the governing body and its members. The Nomination Committee determines the target for the representation of genders in the executive board and develops a strategy required to meet that target. The Nomination Committee is also responsible for the regular review of the Company's policy on the selection and appointment of the Managing Director.
Before the regular annual General Meeting in 2023 the Nomination Committee assessed and evaluated the 2022 activities of MBH Jelzálogbank's managing bodies and found that their members had adequate knowledge, skills and experience and that the respective numbers of their members, their composition and performance, had also been adequate.

The Members of the Nomination Committee[2] (their CVs are presented in subsection 2.2)

Dr. Géza Károly Láng
Péter Krizsanovich
Dr. Koppány Tibor Lélfai

[1] as at 31 December 2023
[2] as at 31 December 2023

4 Description of the Systems of Internal Control Mechanisms and their Operation in 2023

The system of internal control mechanisms was implemented and operated in 2023 in accordance with the provisions of the applicable legal regulations, the Responsible Corporate Governance Recommendations of Budapesti Értéktőzsde Zrt. and MNB Recommendation 12/2022. (VIII.11.) establishment and operation of internal lines of defence, the management and control functions of financial institutions. The system of internal controls contains the elements of responsible internal management, risk management, the compliance assurance function, control mechanisms integrated in work processes as an element of the internal control system, management control and the independent internal audit function.

In the context of responsible corporate governance the Company's management team coordinates the activities of the organisational units constituting elements of the control functions, gathers information on the observance of, and compliance with, the basic principles and causes the various control functions to report on their activities and integrates their findings and experience in its decisions.

Changes in the compliance assurance function within the internal lines of defence, in 2023

The Compliance and Data Protection Department of the Group Leader MBH Bank – now called Compliance and Money Laundering Prevention according to the organisational and operational rules (OOR), amended as of 1 December 2023 – comprises the following specific functional areas:

1) Capital market, DDC and sanctions compliance
2) General compliance
3) Money laundering prevention monitoring
4) Money laundering prevention assessment and evaluation

4.1. A Summary of the Risk Management Principles

MBH Jelzálogbank Nyrt. is a member of an Integration Organisation as specified in Act CXXXV of 2013 on the Integration of Cooperative Credit Institutions (hereinafter: Szhitv.). The rules of risk management under Integration apply to the Bank, as a member of the integrated organisation. The operation of the Bank's risk management function is governed by the relevant Hungarian and EU legislation in force, as well as by additional supervisory regulations and requirements. Being a member of the MBH Group, the Bank must also comply with MBH Bank's group-wide internal regulations and requirements.

According to Section 5/A (1) of the Szhitv. the Integration Organisation and its members bear joint and several liability for each other's liabilities, in accordance with the rules set forth in the Civil Code. The joint and several liability covers all claims and receivables from the Integration Organisation and its members, regardless on when they arose or arise.

Pursuant to Section 1 (5) of the Szhitv. the Integration Organisation and its members operate under consolidated supervision as specified in the Hpt. The Bank is a member of the MBH Integration Group which is managed by MBH Befektetési Bank and is part of the MBH Group which in turn is managed by MBH Bank.

Section 1 (5) of the Szhitv. stipulates that if the conditions set forth in Article 10 of Regulation (EU) No 575/2013 of the European Parliament and of the Council (CRR) are met, the integration of cooperative credit institutions is exempted from the individual application of the requirements set out in Parts Two to Eight of the CRR. Magyar Nemzeti Bank granted the individual waiver specified in Article 10 of the CRR in to the members of the Integration in its resolution No. H-JÉ-I-209/2014. dated 03.03.2014.

In its group-wide risk strategy MBH Bank specifies the list of risks that may be taken by the Bank and the applicable risk management and risk measurement tools, and prescribes the general risk taking principles and rules to be followed. During its operation the Bank seeks to maintain a risk culture that ensures the identification, measurement and management of emerging risks in line with its risk appetite. The most important tools of such a culture include internal policies, strategies, regulations and guidelines, communication and staff training.

The Integration and its member institutions are developing an integrated risk culture covering the Integration as a whole that will provide for the identification, measurement and management of risks as they arise, in line with their respective risk appetites and risk tolerance.

The Bank's risk appetite must be in line with the financial resources available to cover potential losses. To this end, it calculates the current and future economic capital requirements for each quantifiable type of risk and the Pillar 1 capital requirement.

Prudent risk-taking is considered by the Bank considers as a core value. To this end, the risk management organisation measures and analyses risk exposures, processes the information so gathered, establishes risk taking rules and operates risk management systems.

The group-wide Risk Strategy relies on the following main pillars:

- applying best market practice approaches and methods in risk management
- identifying and continuously monitoring the risk and return profiles of business lines, products and risk positions
- taking risks into account in business decisions
- separating the risk management organisation from the business area
- recognising the importance of all stages of the risk management process
- the risk management process is part of the overall management system and its aspects are integrated into strategic and annual planning.

The boards and committees of Jelzálogbank discuss the proposals regarding revisions and recommended modifications of the risk measurement and management methods and procedures, and reports on changes and trends in risks, at regular intervals.

4.2 Risk Management Organisation

Jelzálogbank's risk management organisation is separated from the organisational units engaged in business management.

The risk management function of Jelzálogbank is operating under a multi-level control system whose most important elements include ultimate control exercised at the level of the Board of Directors, along with independent control separated from the risk taking units, as well as appropriate measurement, diversification, monitoring and reporting of risks.

4.3 Control, Feedeback

To minimise risks the Company is operating the elements of the internal line of defence, in observance of the relevant statutory regulations and supervisory recommendations, in the framework of which, in addition to operating the risk management organisation

a) MBH BB Zrt. ensures, through its Compliance and Data Protection Department (hereinafter: "Compliance and Data Protection" that the principles and rules, and internal regulations (hereinafter: "compliance rules") laid down in the relevant pieces of legislation, other technical/professional standards and practice that are not considered as legislation, in recommendations, guidelines and resolutions issued by competent authorities, are observed and complied with in the Integration Group, including the Company, and that any breach or violation of the same is prevented, blocked and controlled, and

b) operates the internal control system whose elements (in-process management control, management information system and the independent internal audit organisation) extend to all organisations and activities of the Company, are integrated in its daily activity and are traceable, providing regular feedback to the relevant management and governance levels.

ad a) The compliance function is performed by MBH BB Zrt' Compliance and Data Protection Department under a service contract (SLA). This division coordinates and ensures conformity to the compliance rules and provides for the controlling of the bank group members in this regard.
The Compliance and Data Protection Department performs its work on the basis of annual work plans – covering MBH Jelzálogbank as well – approved by the MBH BB Zrt's executive body.

The purpose of its activity is to promote the organisation's (organisations') prudent, reliable, effective and efficient operation, in compliance with the applicable statutory regulations across the bank group, including Jelzálogbank, and thereby to facilitate the organisation's undisturbed and successful operation, the maintenance of confidence in the institution, and help the members of the Group avoid legal sanctions (that could be imposed by the Supervision, or that might be imposed under the competition law or in relation to payment of indemnity), major financial losses or reputation damage.

Data Protection and Secrecy

Data Protection and Secrecy performs personal data protection and secrecy tasks in accordance with the integration-level policies issued by the Central Organization of Integrated Credit Institutions In 2023 the division posted several special training programs in HR Master for the employees concerned. These included a training programme on incident management and the management of enforcement applications, along with a programme offered for N2/N3 level managers involved in data processing in relation to the process of data processing notification. The division supports, on a regular basis, development requirements relating to the retention time monitoring capability of the live operational systems and their capability of erasing/depersonalising data after the end of the retention time and such tasks were integrated in the 2023 Work Plan as needs arose, but no such request was received from MBH JZB.
The rebranding of the relevant privacy notices took place in 2023 before LD2, and the rebranded privacy notices were also posted on the website.

General compliance

The areas under its direct control included Core Compliance and Consumer Protection until 1 December 2023. The main objective of developing a Core Compliance function within the Compliance and Data Protection Department is to continuously monitor compliance with legislation and internal regulatory instruments that ensure the transparency of the Company's operations, and to promote the enforcement thereof.
To ensure this, the purpose of the General Compliance operation is to contribute to the smooth and prudent operation of MBH Jelzálogbank by identifying, assessing and managing compliance risks.
In accordance with the provisions of the Hpt. and the Group Conflict of Interest Policy, employees are, during their employment, not permitted to engage in any conduct that would jeopardise MBH Jelzálogbank's legitimate economic interests.
During the process aimed at establishing legal relationships aimed at work the division also conducts investigations to identify possible conflicts of interests, during the procedure preceding the conclusion of the contract, in regard to candidates selected from applicants for contracting, as well as to employees already having contractual legal relationships and senior officers alike.
In addition to identifying and managing cases involving conflicts of interest involving employees, in order to avoid and prevent any potential conflicts of interest, this function conducts documented investigations during the sale of receivables or assets to determine whether the buyer has any interest in the debtor of the receivable to be sold; this function is also responsible for conducting conflict of interest investigations of intermediaries and of service providers to which activities are to be outsourced (before the conclusion of the relevant contracts).

The specialists of the Consumer Protection Department within the General Compliance Department perform consumer protection control functions and provide support to the Company, thus helping MBH Jelzálogbank comply with consumer protection requirements. The so-called Consumer Protection Officer (CPO) was also notified to the Supervisory Authority in the framework of the group-level consumer protection function.

In addition, the area develops and periodically reviews the group-level consumer protection principles applying to group-level business management group members of relevance to Compliance, and the complaint management principles, and reviews compliance-relevant policies.
It coordinates the liaison with Magyar Nemzeti Bank (MNB) as the supervisory body responsible for consumer protection and ensures the provision of the required data in connection with consumer protection requests.
It ensures that consumer protection-relevant legislation, supervision and other requirements are integrated into the operational system of JZB.
It participates in the development of the terms and conditions of new and changing products and services, and examines the compliance of new and changing products and services with consumer protection legislation and the requirements of supervisory regulatory instruments
It participates in handling complaints as necessary, expressing its opinion on the development of a monitoring system for complaints handling practices and verifying the adequacy of complaints handling activities, except for complaints relating to investment services activities.
It contributes to the processes for measuring the effectiveness of good customer relations, customer information and customer satisfaction, evaluating the results and making any necessary improvements as a result.
It assesses and evaluates the compliance of services provided to consumers with consumer protection legislation, and examines campaign plans from a consumer protection point of view in advance, in order to prevent possible consumer protection risks that fall within the competence of the competition supervisory authority
It ensures that new and existing employees concerned on account of their responsibilities are made more aware of consumer protection and that the principle of fair treatment of customers is embedded in all internal processes of the Bank as an integral part of its business culture.

As a consequence of changes in the OOR of the group manager MBH Bank the consumer protection area and consequently the majority of the tasks were transferred to the Legal department with effect from 1 December 2023 – the performance of the SLA continues unchanged, until its revision.

Money and Capital Market Compliance

As part of its activities – within the Compliance and Data Protection Department – the Money and Capital Market Compliance function maintains a list of insiders for MBH Jelzálogbank and informs persons with access to insider information about their being included in the insider list. Money and Capital Market Compliance also maintains a list for MBH Jelzálogbank of all persons discharging managerial responsibilities and persons closely associated with them.

Preventing and Combating Money Laundering and Terrorist Financing

The Money Laundering Prevention and DDC Unit within the Compliance and Data Protection Department carries out screening and analysis activities, using customer record systems and external software, to support the operation of a modern and effective money laundering prevention system by screening and analysing customers and transactions on a risk basis. Through its analytical and evaluation activities, this division identifies and mitigates existing and future customer, transactional and geographical risks, thereby supporting risk management and business processes as well.

Reporting

The Compliance and Data Protection Department informed the Board of Directors and the Supervisory Board of MBH Befektetési Bank Zrt about its activities of relevance to the Company and about the compliance-related activities of the Company as a member of the bank group through its quarterly reports, thereby fulfilling the obligations, laid down in the SLA, of MBH Befektetési Bank Zrt as the Business Management Organisation of the Integration.

ad b) Elements of control integrated into work processes and management control were included in job descriptions and current procedures, the application principles were included in internal orders, organisational and operational regulations about control systems. The principles of application were established in order to support the Company's efficient operation, the accomplishment of the Company's objectives, its operation in compliance with legal regulations and the identification of possible risks along with providing appropriate responses to them.

Fraud Prevention

The Banking Security Directorate's Fraud Prevention Department is responsible for conducting investigations into internal and external abuses and crimes, and for operating preventive monitoring systems. The division carries out human security activities for employees, and participates, *inter alia*, in the performance of activities related to classified requests from authorities in accordance with applicable laws.
No fraud incident or suspected fraud occurred in relation to MBH Jelzálogbank in 2023 according to the division's records.

The independent Internal Audit unit is an inseparable part of the internal control function.

The independence of the Bank's Internal Audit organisation is guaranteed by the fact that Internal Audit and Internal Auditors may not be tasked with any function other than auditing and it/they do not operationally participate in the bank's processes and decisions according to the relevant regulations. The annual work plan of Internal Audit is approved by the SB and any additional auditing task may only be prescribed by the SB and the head of Internal Audit, or the Company's Chief Executive Officer with the SB's agreement. The Internal Audit organisation is managed by the Supervisory Board. The head of the Company's Internal Audit unit reports to the SB.

The Supervisory Board and the Company's management team were informed by Internal Audit of the results of the audits conducted, in accordance with the relevant provisions of the Hpt. The Company's Internal Audit function reports to the SB on its activities and informs it about the operation of the control functions and any gap or deficiency found. Internal Audit is continuously monitoring and controlling the execution of measures aimed at eliminating the identified gaps and deficiencies on which it also regularly reports, and provides information, to the SB and the Company's management team. Since the Company has joined the Integration Organisation, its Internal Audit organisation fulfilled an obligation to supply data to MBH Bank Nyrt's Internal Audit unit and the Integration Organisation.

Internal Audit plans and executes its activities on the basis of risk analysis whereby it analyses and examines the full range of business processes. Internal Audit had a long-term audit plan, a Group-wide Internal Audit Policy, internal audit regulation, a manual enabling the conduct of internal audit activities, a methodology for risk assessment and audit result evaluation and a regulation of the reporting and information system in 2023 as well, all approved by the SB. Internal Audit prepares its annual work plan in view of the above, which is commented on by the Central Organisation of Integrated Credit Institutions (COICI) and thereafter approved by the SB. In terms of its scope of powers, it has access to all information and documents needed for the audits.

One of the most important tasks of Internal Audit in 2023 was to support, through general and thematic audits, and on the basis of experience drawn from audits conducted in earlier years, adapting to the prevailing market circumstances, the accomplishment of the strategic objectives and the compliant operation of the Company and the MBH Bank Group, including the Integration Group, and the operation of the control system, as well as to meet the expectations and carry out the tasks prescribed by the Company's managers and controlling bodies. Other key tasks included reviewing regularity, and conformity to the regulatory framework in practice, and thus to mitigate risks. Another aim was to ensure that in order to identify and eliminate shortcomings in the satisfaction of requirements of in-process control and management control the audits should promote the actual substantive functioning and operation of the control systems and that in the case of new activities and work processes feedback is provided in the context of audits conducted as quickly as possible to enable efficient and effective management of any shortcomings and risks.

4.4 The Auditor's Activities

Name and Address of the Company's Statutory Auditor:
PricewaterhouseCoopers Könyvvizsgáló Kft. (registered office: 1055 Budapest, Bajcsy-Zsilinszky út 78., Registration number at the Hungarian Chamber of Auditors: 001464

Person in charge of the audit:
Balázs Árpád Mészáros registered auditor (Hungarian Chamber of Auditors membership card number: 005614, registration number: 005589), if prevented from carrying out his duties, Árpád Balázs registered auditor (Hungarian Chamber of Auditors membership card number: 007272, registration number: 006931)

The MBH Jelzálogbank's General Meeting has the power to elect the Statutory auditor.

The Company's statutory auditor was PricewaterhouseCoopers Könyvvizsgáló Kft. in 2023, the auditor was not engaged in any kind of activity which could jeopardize its independence.

The Audit Committee decides on all assignments for the auditor including statutory assignment, as defined in its Rules of Procedure. The Audit Committee receives a quarterly report on the independence of the auditor, and on the mandate agreements signed with them.

5 Presenting the Company's Disclosure Policy and Insider Trading Policy

5.1 The Company's Disclosure Principles

The Company's Board of Directors attaches particular importance – among the requirements of responsible corporate governance – to the transparency of the Company's operation because the Company's disclosure practices fundamentally affect its reputation. Information authentically reflecting the efficiency of operations is of strategic importance in that it enhances shareholders' and other concerned parties' trust towards the Company.

The Company shall fulfil all of its notification and disclosure obligations in accordance with the applicable statutory regulations, in the prescribed form and by the prescribed deadline. In addition to having to fulfil its disclosure obligation the Company shall also prevent the suspicion of misuse of information by any employee and to deliver the same information at the same time to all shareholders by way of organised communication of information. The management team shall make sure that the Company's disclosure practices are in line with the principles prescribed by the Board of Directors.
The Company shall ensure that when making disclosures the information so provided is true, unambiguous and easy to understand, that business secrets are adequately protected and that the appropriate handling of confidential information as well as the adequate and accurate timing of disclosure make it possible to prevent unauthorised persons' accessing the information prematurely, so as to make it possible to preclude any abuse of the information and that the market participants, investors and shareholders can receive information on events relating to the Company simultaneously, through a regulated and publicly disclosed procedure.

The Company's disclosure policy lays particular attention to the presentation of the following factors:
- the Company's most important objectives;
- the Company's policy relating to its core operation, business ethics, its partners, competitors and other parties concerned;
- the result of the Company's activity and financial management;
- risk factors affecting the Company's operation and financial management, and the Company's risk management principles;
- the Company's own funds and the amount of the capital requirement,

- the remuneration policy,
- the Company's senior officers, the professional careers of the members of the management team and the principles underlying their remuneration;
- the corporate governance practice and the structure of the system of corporate governance;
- ownership structure.

The basic principles approved by the Board of Directors for disclosures relating to the Company shall be continuously posted by the Company on its official website. The legal compliance of the disclosure processes shall be checked by Internal Audit.

5.2 The Company’s Insider Trading Policy

Pursuant to Regulation (EU) No 596/2014 of the European Parliament and of the Council on market abuse (hereinafter: "MAR") persons discharging managerial responsibilities at the Company as issuer and, in the cases specified in the MAR, other persons closely associated with them shall notify the Company and the Magyar Nemzeti Bank immediately, but within a maximum of three working days of the date of the transaction, about transactions conducted on their own account involving the Company’s shares or debt instruments or derivatives or other related financial instruments (Article 19(1) of the MAR). The types of transactions to be notified are specified in Article 19(7) of the MAR and the associated implementing decree. The notification obligation applies to any subsequent transaction once a total amount of EUR 5 000 has been reached within a calendar year. The threshold of EUR 5 000 shall be calculated by adding without netting all transactions referred to above (Article 19(8) of the MAR).

Pursuant to Article 19(5) of the MAR the Company shall maintain a list of all persons discharging managerial responsibilities and persons closely associated with them.

A person discharging managerial responsibilities at the Company shall not conduct any transactions on his or her own account or for the account of a third party, directly or indirectly, relating to the shares or debt instruments of the issuer or to derivatives or other financial instruments linked to them during a closed period of thirty calendar days before the announcement of the interim financial report or the year-end report concerned.

6 Methods of Practising Shareholder Rights and the Rules on the Conduct of the General Meetings

6.1 1.5 Rules on the Exercise of Shareholders' Rights

A shareholder shall be entitled to exercise their shareholders' rights in possession of the share(s), or the ownership certificate(s) specified in the statutory regulations pertaining to securities. There shall be no need for an ownership certificate for the exercise of shareholders' rights if the entitlement is established by way of shareholder identification (as specified in the Capital Markets Act, "Tpt.") pursuant to the Articles of Association. In addition to the above, being listed in the share register shall also be necessary for the shareholder's exercise of their rights relating to the general meeting.

A shareholder may exercise their shareholders' rights in person, through a person authorised to do so (their representative) or the shareholder’s proxy specified in the Tpt. Senior officers of the Company may also be authorised by shareholders to participate in the General Meeting as their proxy. The authorisation for participation as proxy shall be valid for one General Meeting, or for the period specified in the authorisation, a maximum of twelve (12) months. An authorisation to act as proxy shall be valid for the continuation of the suspended General Meeting and also for the General Meeting re-convened because of the lack of quorum. The authorisation shall be issued in the form of a private document with full probative force and submitted to the Company at the place and time indicated in the General Meeting announcement. The authorisation submitted by the shareholder’s proxy shall state the fact that the representative acts as shareholder proxy.

A shareholder shall be entitled to a dividend of the distributable profit of the Company, ordered for distribution by the General Meeting, in proportion to the nominal value of their shares.
Upon Company's termination without a legal successor its shareholders shall be entitled to parts of the asset that can be distributed as a result of winding up, in proportion to their shares.

Shareholders shall have the right to attend the Company's General Meetings. Shareholders shall have the right to receive information concerning matters on the General Meeting's agenda Accordingly, upon the shareholder's written request submitted at least eight days before the date of the General Meeting, the Board of Directors shall provide the information necessary for discussing the given item on the agenda of the General Meeting three days in advance. The Board of Directors may make the exercise of the right to information as described above conditional on the submission of a written confidentiality statement by the shareholder requesting the information. The Board of Directors may refuse to disclose information and access to documents if it violated the Company's business, banking, securities or other similar secrets, if the person requesting the information abuses their right or fails to make a confidentiality statement even if requested. If the party requesting information considers the refusal of information unjustified, they may request the Court of Registration to order the Company to provide the information. The Company shall allow all shareholders attending the General Meeting to exercise the right to receive information, making comments commenting and to submitting motions, provided that exercise of such rights does not obstruct the General Meeting's regular and proper operation. To ensure the exercise of shareholder' rights defined hereunder, the Chair of the General Meeting shall give the floor to shareholders at the General Meeting, providing that the Chair may limit speaking time, interrupt the speaker, in particular, upon deviation from the topic, and – when multiple persons are speaking simultaneously – determine the order of contributions to ensure the regular and proper operation of the General Meeting. The Company shall have 3 (three) business days following the day of the General Meeting to answer question arisen at the General Meeting and not answered to the satisfaction of the shareholder within its framework.
A shareholder shall have all minority rights ensured by the Civil Code.

6.2 A Summary of the Rules Governing the Conduct of a General Meeting

The General Meeting is the Company's supreme body. The General Meeting shall be convened by the Board of Directors at least 30 days before the day on which the General Meeting is opened, by publishing an announcement at the places of publication specified in the Articles of Association. Shareholders who send such request in writing to the Company shall be notified of the convening of the General Meeting by electronic means as well, besides the publication in the places of publication.

The business integration management organisation and the Integration Organisation shall be notified of the General Meeting simultaneously with the publication of the invitation.

The key data of the annual report of the Company – prepared in accordance with the Accounting Act – and of the reports of the Board of Directors and the Supervisory Board, as well as a summary of the proposals regarding the items on the agenda and the proposed resolutions shall be disclosed at the places of publication of the Company at least twenty-one days before the date of the General Meeting.

If a General Meeting has not properly been convened, it may adopt resolutions only in the presence of all shareholders with voting rights, if the shareholders have not objected to the holding of the General Meeting.

A General Meeting has a quorum if shareholders representing more than half of the votes embodied by the voting shares are present. If a General Meeting does not have a quorum, the repeated general meeting shall have a quorum regardless of the number of attendees present.

A General Meeting may be suspended not more than once by the Chair. In this case the General Meeting shall be continued within thirty days, in which case the rules applicable to convening the General Meeting and the election of the officers of the General Meeting need not be applied.

Every ordinary share of series “A”, of a nominal value of HUF 100, that is, one hundred forints, carries one voting right at a General Meeting. In relation to its General Meeting the Company carries out the shareholder identification procedure, as prescribed in the Tpt., the rules of the BSE and the regulations of KELER Zrt. The date of the shareholder identification (reference date) may be during the period between the 7th (seventh) and the 5th (fifth) stock exchange trading days (these days also included) before the General Meeting. The shareholder's rights may be exercised at a General Meeting by the person who is the owner of the share concerned on the day of shareholder identification and whose name is listed in the share register at 18:00 on the second working day preceding the day on which the General Meeting is started (the day of the closure of the share register).

The closure of the share register entails no restriction on the right of any person entered in the share register to transfer their shares following the closure of the share register. Any transfer of shares on the day preceding the General Meeting’s starting day does not rule out the right of the person listed in the share register to participate and exercise their rights in the General Meeting as a shareholder.

The General Meeting makes its decisions with a simple majority, except for matters for which the applicable legal regulations stipulate different voting majority. If legal regulations stipulate unanimous decision-making regarding a certain matter, the General Meeting makes a decision on that issue with a unanimous decision.
The detailed rules on the conduct of a General Meeting are laid down in subsections 3.1-3.1.23 of the Articles of Association.

7 Demonstration of compliance with Chapter IV of Act LXVII of 2019 on the encouragement of long-term shareholder engagement and modification of certain acts with the purpose of legal harmonization

Pursuant to the provisions of Section 22 (2) of Act LXVII of 2019 on the encouragement of long-term shareholder engagement and modification of certain acts with the purpose of legal harmonization (hereinafter: ‘Hrsz. tv.’) and the Hpt., MBH Jelzálogbank is not required to prepare a remuneration report complying with Chapter IV of the Hrsz. tv. However, the Bank discloses information on remuneration in accordance with Regulation (EU) No 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms (CRR).

Declaration on compliance with Recommendations on Responsible Corporate Governance

As part of its Responsible Corporate Governance Report MBH Jelzálogbank Nyilvánosan Működő Részvénytársaság (registered office: 1117 Budapest, Magyar Tudósok körútja 9. Infopark G épület.; company registration number: 01-10-043638; hereinafter: "Company") makes a statement regarding the extent to which it has implemented in its own corporate governance practice the recommendations and proposals specified in the relevant sections of the Corporate Governance Recommendations ("CGR") issued by Budapesti Értéktőzsde Zrt., by completing the following questionnaire.

Level of conformity to the Recommendations

The Company indicates whether it follows the relevant recommendation or not, and if not, it briefly explains the reasons why it did not follow that specific recommendation.

1.1.1 The Company has an organisational unit dealing with investor relationship management, or these tasks are performed by a person specifically designated to do so.
Yes

1.1.2 The Company's Articles of Association is available on the Company's website.
Yes

1.1.4 If the Company's Articles of Association allows shareholders to exercise their rights in their absence, the Company published the methods and conditions of doing so, including all necessary documents.
Yes

1.2.1 The Company has published on its website a summary document containing the rules applicable to the conduct of its General Meetings and to the exercise of voting rights by shareholders.
No
Explanation: The Company provides detailed information on the rules governing the conduct of its General Meeting and the exercise of the voting rights of shareholders in the announcement on the convention of the General Meeting, which is always posted on its website.

1.2.2 The Company published the exact date when those entitled to participate in a given company event is set (record date), and also the last day on which the shares granting eligibility for participating in a given company event are traded.
Yes

1.2.3 The Company held its General Meetings in a manner providing for maximum shareholder participation.
Yes

1.2.6 The Company did not restrict the shareholders' right to designate a different representative for each of their securities accounts to represent them at any General Meeting.
Yes

1.2.7 For proposals for the agenda items, the Board of Directors' draft resolution and also the Supervisory Board's opinion were disclosed to the shareholders.
Yes

1.3.3 The Company did not restrict the right of its shareholders attending a General Meeting to request information, add comments and submit proposals, or set any preconditions for these with the exception of some measures taken to conduct the General Meeting in a correct manner and as intended.
Yes

1.3.4. By answering the questions raised at the General Meeting, the Company ensured compliance with the information provision and disclosure principles set out in legal and stock exchange requirements.
Yes

1.3.5 The Company published on its website the answers to the questions that the representatives of the Company's boards or its auditor present at the General Meeting could not satisfactorily answer at the meeting within 3 working days following the General Meeting, or an official statement explaining why it refrained from giving answers.
No
Explanation: No such question was asked in 2023.

1.3.7 The Chairman of the General Meeting ordered a recess or suggested that the General Meeting be postponed when a proposal or proposal relating to a particular issue on the agenda was submitted which the shareholders hadn't had a chance to become familiar with before the General Meeting.
No
Explanation: No such motion or proposal was submitted in 2023.

1.3.8.1 The Chairman of the General Meeting did not use a combined voting procedure for a decision related to electing and recalling executive officers and Supervisory Board Members.
Yes

1.3.8.2 For executive officers or Supervisory Board Members, whose nominations were supported by shareholders, the Company disclosed the identity of the supporting shareholder(s).
Yes

1.3.9 Prior to discussing agenda items concerning the amendment of the Articles of Association, the General Meeting passed a separate resolution to determine whether to decide on each amendment of the Articles of Association by individual votes, joint votes, or votes combined in a specific way.
No
Explanation: The General Meeting always makes its decision regarding an amendment to the Articles of Association in the form of one resolution regardless of the number of sections being amended. The proposal relating to the item on the agenda specifies the sections to be amended and the content of the amendment in detail.

1.3.10 The Company published the minutes of the General Meeting containing the resolutions, the description of the draft resolutions and any important questions and answers related to the draft resolutions within 30 days following the General Meeting.
Yes

1.6.1.1 The Company's publication guidelines cover the procedures for electronic, online disclosure.
Yes

1.6.1.2 The Company designs its homepage by considering the aspects of disclosure and the information of investors.
Yes

1.6.2.1 The Company has an internal publication policy in place which covers the processing the information listed in Section 1.6.2 of the Recommendations.
Yes

1.6.2.2 The internal regulations of the Company cover the methods for the assessment of events judged to be important for publication.
Yes

1.6.2.3 The Board of Directors/Governing Board assessed the efficiency of the publication processes.

No
Explanation: The Board of Directors laid down its guidelines on publication and makes sure – through the management team – that the guidelines are complied with.

1.6.2.4 The Company published the findings of the efficiency assessment of the publication process.
No
Explanation: The Board of Directors laid down its guidelines on publication and makes sure – through the management team – that the guidelines are complied with.

1.6.3 The Company published its annual company event calendar.
Yes

1.6.4 The Company published its strategy, business ethics and policies regarding other stakeholders.
Yes

1.6.5 The Company published the career information of Board of Directors / Governing Board, Supervisory Board and management members in its annual report or on the company website.
Yes

1.6.6 The Company published all relevant information about the internal organisation and the operation of the Board of Directors / Governing Board and the Supervisory Board, about the work of the management, the assessments of these and the changes in the current year.
Yes

1.6.8 The Company published its risk management guidelines and information about its system of internal controls, the main risks and the principles for their management.
Yes

1.6.9.1 The Company published its guidelines relating to the trading of its shares by insiders.
Yes

1.6.9.2 The Company disclosed the share of the Board of Directors / Governing Board, Supervisory Board and management members in the securities issued by the Company in the annual report or in some other way.
Yes

1.6.10 The Company published the relationship of Board of Directors / Governing Board, Supervisory Board and management members may have with third parties which could affect the operation of the Company.
No
Explanation: No such case occurred in 2023. The Company manages conflicts of interest in accordance with applicable sectoral laws and recommendations of the MNB, EBA, ESMA, and continuously monitors changes in the regulations referred to above.

2.1.1 The Company's Articles of Association contain clear provisions regarding the responsibilities and competences of the General Meeting and the Board of Directors / Governing Board.
Yes

2.2.1 The Board of Directors / Governing Board has a rules of procedure in place defining the organisational structure, the actions for arranging for and conducting the meetings, and the tasks regarding the adopted resolutions, as well as other issues related to the operation of the Board of Directors / Governing Board.
Yes

2.2.2 The Company publishes the procedure used for nominating Board of Directors / Governing Board members along with the principles underlying their remuneration system.
Yes

2.3.1 The Supervisory Board provides a detailed description of its operation and duties, as well as the administrative procedures and processes followed by it, in its rules of procedure and work plan.
Yes

2.4.1.1 The Board of Directors / Governing Board and the Supervisory Board held meetings periodically at a predefined interval.
Yes

2.4.1.2 The rules of procedure of the Board of Directors / Governing Board and the Supervisory Board provided rules for the conduct of meetings that cannot be planned in advance, and for decision making using electronic telecommunications means.
Yes

2.4.2.1 Board Members had access to the proposals to be presented at the meeting of the respective board at least five days prior to the meeting.
No
Explanation: The Company partially complies. The general practice is in line with the recommendation, but shorter deadlines are possible in justified cases by way of derogation, subject to the approval of the chairman of the board.

2.4.2.2 The Company arranged the proper conduct of the meetings, the drawing up of the meeting minutes and management of the resolutions made by the Board of Directors / Governing Board and the Supervisory Board.
Yes

2.4.3 The rules of procedure provide for the regular or ad hoc participation of non-board Members at respective board's meetings.
Yes

2.5.1 The members of the Board of Directors / Governing Board and the Supervisory Board were nominated and elected in a transparent process, and was the information about the candidates made public in due time before the General Meeting.
Yes

2.5.2 The composition and size of the boards complies with the principles set out in Section 2.5.2 of the Recommendations.
Yes

2.5.3 The Company ensured that the newly elected Board of Directors / Governing Board and Supervisory Board Members became familiar with the structure and operation of the Company and their tasks were carried out as Members of the respective boards.
Yes

2.6.1 The Governing Board / Supervisory Board requested (in the context of preparing the annual responsible corporate governance report) its Members considered to be independent to confirm their independence at regular intervals.
Yes

2.6.2 The Company provides information about the tools which ensure that the Board of Directors / Governing Board assesses objectively the management's activities.
Yes

2.6.3 The Company published its guidelines concerning the independence of its Governing Board / Supervisory Board Members and the applied independence criteria on its website.

No
Explanation: No separate document on the independence of persons in senior positions is available on the website but the Rules of Procedure of both the Board of Directors and the Supervisory Board contain criteria regarding conflict of interest and independence in relation to their respective members. The Rules of Procedure of the boards are available on the Company's website.

2.6.4 The Supervisory Board of the Company does not have any Members who held any position in the Board of Directors or in the management of the Company in the previous five years, not including cases when they were involved to ensure employee participation.
Yes

2.7.1 Members of the Board of Directors / Governing Board informed the Board of Directors / Governing Board and (if applicable) the Supervisory Board (or the Audit Committee if a uniform governance system is in place) if they, or individuals they have business relations with, or their relatives have interest in any business transactions of the Company (or any subsidiaries thereof) which excludes their independence.
Yes

2.7.2 Transactions and assignments between Members of boards/ Members of the management/individuals closely associated with them and the Company/subsidiaries of the Company were carried out in accordance with the Company's general business practice but applying more stringent transparency rules compared to general business practice, and were they approved.
Yes

2.7.3 Board Members informed the Supervisory Board / Audit Committee (Nominating Committee) if they had received an appointment for board Membership or management position of a company not belonging to the Company Group.
Yes

2.7.4 The Board of Directors / Governing Board developed guidelines for the flow of information and the management of insider information within the Company, and monitor compliance with them.
Yes

2.8.1 The Company created an independent internal audit function that reports directly to the Audit Committee / Supervisory Board.
Yes

2.8.2 Internal Audit has unrestricted access to all information necessary for carrying out audits.
Yes

2.8.3 Shareholders received information about the operation of the system of internal controls.
Yes

2.8.4 The Company has a function ensuring compliance (compliance function).
Yes

2.8.5.1 The Board of Directors / Governing Board or a committee operated by it is responsible for the supervision and management of the entire risk management of the Company.
Yes

2.8.5.2 The relevant organisation of the Company and the General Meeting received information about the efficiency of the risk management procedures.
Yes

2.8.6 With the involvement of the relevant areas, the Board of Directors / Governing Board developed the basic principles of risk management taking into account the special idiosyncrasies of the industry and the Company.
Yes

2.8.7 The Board of Directors / Governing Board defined the principles for the system of internal controls to ensure the management and control of the risks affecting the Company's activities as well as the achievement of its performance and profit objectives.
Yes

2.8.8 Internal control systems functions reported about the operation of internal control mechanisms and corporate governance functions to the competent board at least once a year.
Yes

2.9.2 The Board of Directors / Governing Board invited the Company's auditor in an advisory capacity to the meetings on financial reports.
Yes

Level of compliance with the Proposals

The Company must state whether it follows the relevant proposal included in the Corporate Governance Recommendations, or not (Yes / No).

1.1.3 The Company's Articles of Association provided an opportunity for shareholders to exercise their voting rights also when they are not present in person.
Yes

1.2.4 The Company determined the place and time of General Meetings initiated by shareholders by taking the initiating shareholders' proposal into account.
No
Explanation: No General Meeting was held in 2023 on an initiative by shareholders.

1.2.5 The voting procedure used by the Company ensures clear, unambiguous and fast determination of voting results, and in the case of electronic voting it also ensures the validity and reliability of the results.
Yes

1.3.1.1 The Board of Directors/Governing Board and the Supervisory Board were represented at the General Meeting.
Yes

1.3.1.2 In the event the Board of Directors/Governing Board and the Supervisory Board was absent, it was disclosed by the Chairman of the General Meeting before discussion of the agenda began.
Yes

1.3.2.1 The Articles of Association of the Company did not preclude any individuals from receiving an invitation to the General Meetings of the Company at the initiative of the Chairman of the Board of Directors/Governing Board and being granted the right to express their opinion and to add comments there if that person's presence and expert opinion is presumed to be necessary or help provide information to the shareholders and help the General Meeting make decisions.
Yes

1.3.2.2 The Articles of Association of the Company did not preclude any individual from receiving an invitation to the General Meetings of the Company at the initiative of shareholders requesting to supplement the agenda items of the General Meeting and from being granted the right to express their opinion and to add comments there.
Yes

1.3.6 The annual report of the Company prepared as specified in the Accounting Act contains a brief, easy-to-understand and illustrative summary for shareholders, including all material information related to the Company's annual operation.
Yes

1.4.1 In line with Section 1.4.1, the Company paid dividend within 10 working days to those of its shareholders who had submitted all the necessary information and documents.
No
Explanation: The Company paid no dividend in 2023.

1.6.11 The Company published its information in English as well, in line with the provisions of Section 1.6.11.
Yes

1.6.12 The Company informed its investors about its operation, financial situation and assets on a regular basis, but at least quarterly.
No
Explanation: The Company publishes its report once every six months as specified in the Hpt.

2.9.1 The Company has in place internal procedures regarding the use of external advisors and outsourced activities.
Yes

PROPOSAL
TO ITEM 4 ON THE AGENDA

●

HOLD-HARMLESS WARRANT FOR THE COMPANY'S BOARD OF DIRECTORS AND SUPERVISORY BOARD MEMBERS

Proposal:

In this proposal, we propose that the General Meeting of Shareholders grants the hold-harmless warrant pursuant to Section 3:117 (1) of the Civil Code for the period from 1 January 2023 to 31 December 2023 to all members of the Board of Directors and Supervisory Board of MBH Jelzálogbank Nyrt. who were members in 2023.

The General Meeting concludes that the management activities of the following Board of Directors Members and the controlling activities of the following Supervisory Board Members were satisfactory during the period concerned, therefore it grants the hold-harmless warrant to them pursuant to Section 3:117 of Act V of 2013 on the Civil Code, as detailed below:

Members of the Board of Directors of MBH Jelzálogbank Nyrt.:

József Vida (Chairman):	1 January 2023 – 31 December 2023
Szabolcs Károly Brezina:	1 January 2023 – 31 December 2023
Ildikó Ginzer:	1 January 2023 – 31 December 2023
Gábor Kalenyák:	1 January 2023 – 31 December 2023
dr. Gyula László Nagy:	1 January 2023 – 31 December 2023
Illés Tóth:	1 January 2023 – 31 December 2023
dr. Ilona Török:	1 January 2023 – 31 December 2023

Members of the Supervisory Board of MBH Jelzálogbank Nyrt.:

dr. Géza Károly Láng (Chairman):	1 January 2023 – 31 December 2023
Péter Darazsacz:	1 January 2023 – 27 April 2023
dr. Éva Szilvia Gödör:	1 January 2023 – 31 December 2023
dr. Koppány Lélfai:	1 January 2023 – 31 December 2023
dr. Ákos Ferenc Tisza-Papp:	1 January 2023 – 31 December 2023
Péter Krizsanovich:	29 June 2023 – 31 December 2023

Pursuant to Section 3:117 (1) of the Civil Code[1] the supreme body of the company (i.e. the General Meeting) may establish the adequacy of the management activities of the Members of the Board of Directors and the control activities of the Members of the Supervisory Board during the effective term of their legal relationship by granting them the hold-harmless warrant.

After granting hold-harmless warrant the company may only enforce its claim for damages against the executive officer for the violation of management (controlling) obligations if the facts and information underlying the waiver were false or incomplete.

The year-end 2023 internal audit, compliance and anti-money laundering, safeguarding officer report and operational risk report did not identify any significant deficiencies for the Company that would prevent the issuance of a hold-harmless warrant.

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[1] **Section 3:117** [*Liability of executive officers to the business association for damages*]

(1) If the company's supreme body grants a hold-harmless warrant to an executive officer at the time of the approval of the financial report, thus acknowledging the executive officer's management activities during the previous business year, the company may bring action against the executive officer on the grounds of breaching management obligations in a claim for damages if the facts and information underlying the hold-harmless warrant proved to be false or incomplete.

(2) If an executive officer is removed from office in between two meetings discussing the financial report, the executive officer may request the supreme body's decision for the issue of a hold-harmless warrant in the next session.

The General Meeting is exclusively empowered to grant hold-harmless warrant.

Proposed resolution:

The General Meeting concludes that the management activities of the following Members of the Board of Directors and the controlling activities of the following Supervisory Board Members were satisfactory during the following period therefore grants the hold-harmless warrant to them pursuant to Section 3:117 of Act V of 2013 on the Civil Code. as detailed below:

Members of the Board of Directors of MBH Jelzálogbank Nyrt.:

József Vida (Chairman):	***1 January 2023 – 31 December 2023***
Szabolcs Károly Brezina:	***1 January 2023 – 31 December 2023***
Ildikó Ginzer:	***1 January 2023 – 31 December 2023***
Gábor Kalenyák:	***1 January 2023 – 31 December 2023***
dr. Gyula László Nagy:	***1 January 2023 – 31 December 2023***
Illés Tóth:	***1 January 2023 – 31 December 2023***
dr. Ilona Török:	***1 January 2023 – 31 December 2023***

Members of the Supervisory Board of MBH Jelzálogbank Nyrt.:

dr. Géza Károly Láng (Chairman):	***1 January 2023 – 31 December 2023***
Péter Darazsacz:	***1 January 2023 – 27 April 2023***
dr. Éva Szilvia Gödör:	***1 January 2023 – 31 December 2023***
dr. Koppány Lélfai:	***1 January 2023 – 31 December 2023***
dr. Ákos Ferenc Tisza-Papp:	***1 January 2023 – 31 December 2023***
Péter Krizsanovich:	***29 June 2023 – 31 December 2023***

PROPOSAL
TO ITEM 5 ON THE AGENDA

ELECTION OF THE COMPANY'S AUDITOR AND DETERMINATION OF ITS REMUNERATION, APPROVAL OF THE APPOINTMENT OF THE PERSON IN CHARGE OF AUDITING AND DETERMINATION OF THE TERMS AND CONDITIONS OF THE CONTRACT TO BE CONCLUDED WITH THE AUDITOR

Proposal:

1. ELECTION OF THE AUDITOR AND ESTABLISHING ITS REMUNERATION FOR 2024

Pursuant to Section 155 (6) and (7) of the Accounting Act:
"(6) Where audit is mandatory, the supreme body of the company must - at the time of approval of the annual report or simplified annual report of the previous financial year or, in respect of companies established without legal predecessor, prior to the balance sheet date of the financial year - appoint a registered auditor or audit firm in accordance with subsection (7) to review the company's annual report or simplified annual report on the financial year from the point of view of legitimacy and authenticity.
(7) A member of the Hungarian Chamber of Auditors or an audit firm registered with the Hungarian Chamber of Auditors may be selected for the audit referred to in Section (6)."

In addition to the above, the Hpt. imposes additional requirements on the credit institution's auditor (financial institution rating, multiple conflict of interest requirements, etc.).

The Bank's Articles of Association provides for the possibility of electing the Auditor for a term of one year.

In view of the above statutory requirements and Resolution 2/2024(02.14)-MBHB AB of MBH Bank Nyrt's Audit Committee we propose that PricewaterhouseCoopers Könyvvizsgáló Kft. (hereinafter: PwC Könyvvizsgáló Kft.) be elected permanent auditor for 2024.

The annual audit fee shall cover the following:
- audit of MBH Jelzálogbank Nyrt's 2024 individual (non-consolidated) financial statements prepared on the basis of the international accounting standards (IFRS) and preparing a report reflecting the auditor's position concerning the individual financial statements on the basis of its audit,
- preparation of supplementary audit report for the Magyar Nemzeti Bank in accordance with the provisions laid down in Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises concerning the auditing of credit institutions and the auditing standard No. 6100 on the preparation of the Auditor's Separate Report,
- issuing of the Management Letter,
- auditing of the ESEF (xhtml) disclosures,

The audit fees for any interim reports, interim financial statements, reviews are not included in the annual audit fee.

The amount of the annual audit fee payable to PwC Könyvvizsgáló Kft. for business year 2024 (including the above) shall not exceed HUF 37.2 million + VAT.

2. APPROVAL OF THE APPOINTMENT OF THE PERSON RESPONSIBLE FOR AUDITING

The audit firm has nominated Balázs Árpád Mészáros, registered auditor (membership certificate number of the Chamber of Hungarian Auditors: 005614, registration number: 005589) and, in case he is prevented from performing his duties, Árpád Balázs, registered auditor (membership certificate number of the Chamber of Hungarian Auditors: 007272, registration number: 006931) as the natural persons performing and responsible for the auditing of MBH Jelzálogbank Nyrt.. in 2024.

We propose that the General Meeting approves the person in charge of auditing and his substitute as nominated by the audit firm.

3. APPROVAL OF THE TERMS AND CONDITIONS OF THE CONTRACT TO BE CONCLUDED WITH THE AUDITOR

Pursuant to the applicable provisions of the Civil Code, the General Meeting shall determine the terms and conditions of the contract to be concluded with the auditor simultaneously with the appointment of the Company’s auditor. The contract with the appointed auditor shall be concluded within ninety days of their appointment.

The General Meeting authorises Company's Chief Executive Officer and Deputy Chief Executive Officer to conduct the negotiations relating to the conclusion of the service contract with the auditor.

Decision on the conclusion of the service contract and the final amount payable for the assignment within the limit amount specified by the General Meeting shall be made by the Board of Directors.

The main terms and conditions of the contract to be concluded with the auditor, as determined by the General Meeting:

The audit firm and the auditor:
As per Sections 1 and 2

Remuneration of the audit firm:
As per Section 1

The subject of the contract:
- audit of MBH Jelzálogbank Nyrt's 2024 individual (non-consolidated) financial statements prepared on the basis of the international accounting standards (IFRS) and preparing a report reflecting the auditor's position concerning the individual financial statements on the basis of its audit,
- preparation of supplementary audit report for the Magyar Nemzeti Bank in accordance with the provisions laid down in Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises concerning the auditing of credit institutions and the auditing standard No. 6100 on the preparation of the Auditor's Separate Report,
- issuing of the Management Letter,
- auditing of the ESEF (xhtml) disclosures,

The content of the contract:
Definite period of time, 1 year

Effective date of the contract:
The date on which the Board of Directors approves the assignment contract to be concluded within 90 days of the auditor's appointment.

Date of termination of the contract:
The date of approval by the General Meeting of the annual report and reports (financial statements) under the Accounting Act for the business year ending 31 December 2024 and, if the auditor is reappointed, the day prior to the effective date of the new contract to be concluded with the auditor.

Miscellaneous provisions:

The Company may also commission the auditor to perform other, non-audit tasks within the framework of separate contracts, regarding, for example, the following matters:

- Business consultancy and participation in due diligence procedures;
- Project management, execution of tasks and quality assurance of strategic projects;
- Other consultancy in the fields of business, risk, bank security, accounting, reporting and taxation;
- Trainings.

The auditor will perform the audit of any interim financial statements, interim balance sheets, reviews that may be required based on separate engagements as those will not form part of the annual audit contract.

PROPOSED RESOLUTION:

For business year 2024 the General Meeting appoints PricewaterhouseCoopers Könyvvizsgáló Kft. (Cg 01-09-063022, Hungarian Chamber of Auditors Registration Number: 001464, hereinafter: "PwC Könyvvizsgáló Kft") as the Company's permanent auditor, and sets the annual audit fee for PwC Könyvvizsgáló Kft for the 2024 business year at a maximum of HUF 37.2 million + VAT.

At the same time, the General Meeting authorises Company's Chief Executive Officer and Deputy Chief Executive Officer to conduct the negotiations relating to the conclusion of the service contract with the auditor. The final amount of the assignment contract is decided by the Board of Directors within the limits set by the General Meeting, as well as the conclusion of the contract.

In accordance with the proposal of the audit firm, the General Meeting approves the appointment of Balázs Árpád Mészáros registered auditor (membership certificate number of the Chamber of Hungarian Auditors: 005614, registration number: 005589) as the person responsible for the auditing of MBH Jelzálogbank Nyrt. in 2024.

In accordance with the proposal of the audit firm, the General Meeting approves the appointment of Árpád Balázs registered auditor (membership certificate number of the Chamber of Hungarian Auditors: 00564, registration number: 005589) as the person responsible for the auditing of MKB Bank Nyrt. for 2024 in the event Balázs Árpád Mészáros registered auditor (membership certificate number of the Chamber of Hungarian Auditors: 007272, registration number: 006931) is impeded in his duties.

According to the proposal, the General Meeting approves the main terms and conditions of the Company contract to be concluded with the auditor, and at the same time invites the Board of Directors to conclude the corresponding assignment contract with the appointed auditor within 90 days of their appointment, on behalf of MBH Jelzálogbank Nyrt..

MBH MORTGAGE BANK

PROPOSAL
TO ITEM 6. ON THE AGENDA

●

AUTHORISATION OF THE BOARD OF DIRECTORS TO ACQUIRE TREASURY SHARES

Proposal:

By its Resolution No. 10/2023. (04.26.) adopted on 26 April 2023 MBH Jelzálogbank Nyilvánosan Működő Részvénytársaság ("Company") authorised the Board of Directors to acquire the Company's own Treasury shares pursuant to Section 3:223 (1) of Act V of 2013 on the Civil Code. This authorisation shall be valid for 18 months.

To facilitate the implementation of the Company's business strategy according to plan and to help maintain share price stability as well as enable transactions relating to capital optimisation it is recommended that the Board of Directors be authorised to acquire Treasury shares under the above conditions.

Accordingly, we propose that the General Meeting should – besides specifying the type, class, number, nominal value and smallest and highest price, of the shares that may be acquired, as specified in in the proposal for the resolution – grant a new 18-month authorisation to the Board of Directors again for acquire Treasury shares by way of a resolution as specified in Section 3:223 (1) of Act V of 2013 on the Civil Code.

The Supervisory Board agrees with the Board of Directors' proposal.

Proposed resolution:

Pursuant to Section 3:223 (1) of Act V of 2013 on the Civil Code (Civil Code) and subsection 3.1.16 (g) of the Company's Articles of Association the General Meeting authorises the Board of Directors to acquire the Company's Treasury shares, in particular, but not exclusively, to facilitate the implementation of the Company's business strategy according to plan and to help maintain share price stability as well as enable transactions relating to capital optimisation, with the following terms and conditions.

1. **The type, nominal value and quantity of the Treasury shares to be acquired:**
    - **Series “A” ordinary shares of a nominal value of HUF 100,**

but not more than up to 25% of the total nominal value of the share capital at any given point in time.

2. **The way of the acquisition of Treasury shares:**
    - **on the exchange or through OTC trading, for payment.**

3. **The minimum and maximum price that may be paid for one Treasury share:**
    - **the smallest purchase price is HUF 1, that is, one forint, the highest purchase price is 125% of the turnover-weighted average exchange price of one series “A” share during the last month preceding the date of the transaction;**

4. **This authorisation shall be valid for 18 months following the date of the adoption of this resolution.**

5. **Otherwise the acquisition of Treasury shares shall be governed by the relevant provisions of the Civil Code.**

PROPOSAL
TO ITEM 7. ON THE AGENDA

●

ELECTION OF A SUPERVISORY BOARD MEMBER

The General Meeting has the exclusive power to elect the members of the Supervisory Board, pursuant to Subsection 3.1.16 (m) of the Articles of Association. According to subsection 3.3.6.2 of the Articles of Association the General Meeting elects the members of the Supervisory Board for a definite period of time, not exceeding five (5) years.

To strengthen the prudential control exercised by the Supervisory Board the board of directors has proposed that the Company's General Meeting elects Mr. András Bakonyi (mother's name: Judit Földes; place and date of birth: Budapest, 29.11.1976; address of residence: 1112 Budapest, Rákó utca 26. 2/2) member of the Supervisory Board for a definite period of time until January 2027.

Section 14 (1) e) stipulates that the Magyar Nemzeti Bank's permission is required for the election of a supervisory board member who is a holder of a managerial position. By its resolution No. H-EN-I-121/2024. dated 29 February 2024 the Magyar Nemzeti Bank authorised the election of András Bakonyi Member of the Supervisory Board.
The stipulations laid down in General Meeting resolution No. 8/2023. (27 April) apply to the remunerations of Supervisory Board members.

The nominee:

András Bakonyi

He graduated from Budapest Corvinus University in 2002. He started his career in banking at MKB Bank Zrt. in 2002. From 2003 he worked for CIB Bank Zrt. at the Large Corporate Customer Relations division where he was Head of Department from 2007. From 2010 he joined K&H Bank Zrt. where, from 2011, he was head of the Budapest West Corporate Region, then from 2013, head of the Budapest East Corporate Region. At the same time, from 2013 he was also deputy head of the corporate network. From 2015 he was managing director, head of the corporate division, of MKB Bank Zrt.. In 2017 he was appointed Deputy CEO for Corporate and Treasury, where he was responsible for the Bank's corporate, treasury and leasing activities. From 2019 to 2021 he worked as the Bank's Chief Risk Officer. In the newly launched Magyar Bankholding Zrt. he headed the credit risk management area as managing director from 2021. Since May 2023 he has been MBH Bank's risk officer, performing his tasks since June 2023 as Deputy Chief Executive Officer. Since 30 November 2023 he has been Member of the Supervisory Board of MBH Befektetési Bank Zrt.

Draft General Meeting Resolution:

For the definite period of time between 24 April 2024 and 2 January 2027 the General Meeting elects András Bakonyi (mother's name: Judit Földes; place and date of birth: Budapest, 29.11.1976; address of residence: 1112 Budapest, Rákó utca 26. 2/2) member of the Supervisory Board

PROPOSAL
TO ITEM 8. ON THE AGENDA

●

DETERMINING THE REMUNERATIONS FOR THE MEMBERS OF THE BOARD OF DIRECTORS, THE SUPERVISORY BOARD AND THE AUDIT COMMITTEE

Proposal:

According to subsection 3.1.17 (h) and (m) of the Articles of Association of MBH Jelzálogbank Nyilvánosan Működő Részvénytársaság (hereinafter: "Company") the General Meeting has the exclusive power to elect the members of the Board of Directors, the Supervisory Board and the Audit Committee, and to determine their remunerations.
The Board of Directors proposes that the General Meeting should set the remunerations for the Chairpersons and Members of the Board of Directors, the Supervisory Board and the Audit Committee in unchanged amounts and intervals, from 24 April 2024, as follows:

Chairman of the Board of Directors: a gross amount of 1,500,000 HUF/month
Members of the Board of Directors: a gross amount of 1,000,000 HUF/month

Chairman of the Supervisory Board: a gross amount of 1,000,000 HUF/month
Members of the Supervisory Board: a gross amount of 800,000 HUF/month

Those members of the Supervisory Board who are also members of the Audit Committee, shall be provided no specific remuneration for this.

PROPOSED RESOLUTION

The General Meeting decides to keep the remuneration of the members of the Supervisory Board and the Board of Directors at the same amount as specified in General Meeting resolution 11/2023. (04.26.) and with the payment practice for the period up to the date of approval of the annual report for 2024 prepared in accordance with the provisions of the Accounting Act.

Accordingly, the General Meeting sets the remunerations for the members of the Board of Directors and the Supervisory Board for the period between 24 April 2024 and the date of the acceptance of the 2024 annual report according to the Accounting Act as follows:

- **Chairman of the Board of Directors: a gross amount of 1,500,000 HUF/month**
- **Members of the Board of Directors: a gross amount of 1,000,000 HUF/month**
- **Chairman of the Supervisory Board: a gross amount of 1,000,000 HUF/month**
- **Members of the Supervisory Board: a gross amount of 800,000 HUF/month**

A member of the Supervisory Board who are also a member of the Company's Audit Committee, shall be provided no specific remuneration for that membership.

Information on voting rights attached to its shares and on the share capital of MBH Mortgage Bank Co Plc.

On 31 March 2024, the amount and the composition of the Company's share capital is as follows:

Series	Face value (HUF)	Shares issued	Total face value (HUF)
Series "A" (ordinary shares)	100	108 490 300	10 849 030 000
Amount of share capital		**108 490 300**	**10 849 030 000**

Voting rights attached to the shares on 31 March 2024:

Series	Shares issued	Voting rights attached to shares	Voting rights / shares	Total voting rights	Treasury shares
Series "A" (ordinary shares)	108 490 300	108 236 699	1	108 236 699	253 601
Total	**108 490 300**	**108 236 699**		**108 236 699**	**253 601**

Budapest, on 3 April 2024

MBH Mortgage Bank Co Plc.