



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

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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.