MORTGAGE BANK

MBH Mortgage Bank Plc.

Annual report
for the year ending 31.12.2024.

(Free translation)

Budapest, 28 March 2025

31 December 2024

M B H M o r t g a g e B a n k P l c.

Table of contents

1. Standalone Financial Statements and Standalone Management Report - 31.12.2024.
    a. Standalone Financial Statements
    b. Standalone Management Report
2. Issuer declaration for Standalone Financial Statements

MBH MORTGAGE BANK

M B H M o r t g a g e B a n k P l c.

12321942 6492 114 01
Statistic code

Standalone Financial Statements

Prepared under
International Financial Reporting Standards
(IFRS) as adopted by the European Union

Budapest, 28 March 2025

31 December 2024

TABLE OF CONTENTS

Standalone Statement of Financial Position 4
Standalone Statement of Profit or Loss and other comprehensive income 5
Standalone Statement of Changes in Equity 7
Standalone Statement of Cash Flows 8
1. GENERAL INFORMATION 9
1.1. Ownership structure 10
1.2. Availability of financial statements and annual report 11
1.3. Changes in the legal and regulatory environment and its effect on the stand-alone financial statements 12
1.4. Sustainability activity (ESG) 13
1.5. Segment report 13
2. MATERIAL ACCOUNTING POLICY INFORMATION 13
2.1. Basis of reporting 13
2.2. Foreign currencies 13
2.3. Presentation in the financial statements 14
2.4. Use of estimates and judgements 14
2.5. Change in estimates 14
2.6. Offsetting 15
2.7. Errors 15
2.8. Adaptation of revised and new IFRS/IAS Standards 15
2.8.1. The effect of adopting new and revised International Reporting Standards effective from 1 January 2024 15
2.8.2. New standards and amendments to the existing standards issued by IASB not yet effective and/or not yet adopted by the EU 15
2.8.3. New standards and amendments to the existing standards issued by IASB but rejected or deffered by the EU 16
2.8.4. Annual Improvements to IFRS Accounting Standards (Issued in July 2024 and effective from 1 January 2026) 16
3. RISK MANAGEMENT 17
3.1. Introduction and overview 17
3.2. Risk factors 21
3.2.1. Credit risk 21
3.2.2. Liquidity risk 34
3.2.3. Market risk 39
3.2.4. Operational risk 42
3.3. Encumbered assets 43
3.4. Capital management 43
4. NOTES 44
4.1. Net interest income 44
4.2. Net income from fees and commissions 45
4.3. Results from remeasurement and derecognition of financial instruments 46

4.4. Allowances for expected credit losses, provisions for liabilities and charges and impairment of non-financial assets 46
4.5. Administrative and other operating expenses 47
4.6. Other income and expense 48
4.7. Income tax income / (expense) 48
4.8. Notes for financial instruments 50
4.9. Cash and cash-equivalents 51
4.10. Financial assets measured at fair value through profit or loss 52
4.10.1. Loans and advances to customers mandatorily at fair value through profit or loss 52
4.10.2. Derivative financial assets and liabilities 52
4.10.3. Offsetting of financial assets and liabilities according to IFRS7.13 A-F 53
4.11. Hedging derivative assets and liabilities 54
4.12. Financial assets measured at fair value through other comprehensive income 55
4.12.1. Debt and equity securities 55
4.13. Financial assets measured at amortised cost 57
4.13.1. Loans and advances to banks 58
4.13.2. Loans and advances to customers 60
4.13.3. Debt securities 62
4.13.4. Other financial assets 64
4.14. Property and equipment; and Intangible assets 66
4.15. Leases 68
4.16. Deferred tax assets and liabilities 71
4.17. Other assets 72
4.18. Financial liabilities measured at fair value through profit or loss 72
4.19. Financial liabilities measured at amortised cost 72
4.19.1. Amounts due to banks and sale and repurchase liabilities 72
4.19.2. Issued debt securities 73
4.19.3. Reconciliation of liabilities arising from financing activities 75
4.19.4. Other financial liabilities 75
4.20. Provisions 75
4.21. Contingent liabilities 76
4.22. Other liabilities 77
4.23. Equity 77
4.24. Fair value of financial instruments 80
4.25. Related party transactions 84
4.26. Earnings per share 88
4.27. Events after the reporting period 88

Data in HUF million except stated otherwise

STANDALONE STATEMENT OF FINANCIAL POSITION

	Note	31.12.2024	31.12.2023
Assets			
Cash and cash-equivalents	4.9	**1 249**	**19 305**
Financial assets measured at fair value through profit or loss		**6 860**	**7 875**
Loans and advances to customers mandatorily at fair value through profit or loss	4.10.1	5 481	6 310
Derivative financial assets	4.10.2	1 379	1 565
Hedging derivative assets	4.11	**1 431**	**640**
Financial assets measured at fair value through other comprehensive income		**47 196**	**9 999**
Debt and equity securities	4.12.1	47 196	9 999
Financial assets measured at amortised cost		**834 702**	**867 975**
Loans and advances to banks	4.13.1	593 463	523 272
Loans and advances to customers	4.13.2	16 468	20 540
Debt securities	4.13.3	224 418	323 975
Other financial assets	4.13.4	353	188
Property and equipment	4.14, 4.15	**104**	**143**
Intangible assets	4.14	**150**	**247**
Income tax assets		**363**	**337**
Deferred income tax assets	4.16	363	337
Other assets	4.17	**256**	**66**
Total assets		**892 311**	**906 587**
Liabilities			
Financial liabilities measured at fair value through proft or loss		**159**	**1 372**
Derivative financial liabilities	4.10.2	159	1 372
Financial liabilities measured at amortised cost		**803 370**	**820 600**
Amounts due to banks	4.19.1	374 995	445 316
Issued debt securities	4.19.2	427 599	374 647
Other financial liabilities	4.19.4	776	637
Hedging derivative liabilities	4.11	**3 569**	**5 214**
Provisions for liabilities and charges	4.20	**7**	**16**
Income tax liabilities		**200**	**264**
Current income tax liabilities		200	264
Other liabilities	4.22	**478**	**916**
Total liabilities		**807 783**	**828 382**
Equity			
Share capital	4.23	**10 849**	**10 849**
Treasury shares	4.23	**(207)**	**(207)**
Share premium	4.23	**27 926**	**27 926**
Retained earnings	4.23	**36 129**	**30 126**
Other reserves	4.23	**2 946**	**2 286**
Profit for the year	4.23	**6 597**	**6 663**
Accumulated other comprehensive income	4.23	**288**	**562**
Total equity		**84 528**	**78 205**
Total liabilities and equity		**892 311**	**906 587**

Approved for issue on behalf of the Board of Directors in Budapest on 28 March 2025.

Dr. Gyula László Nagy
CEO

Illés Tóth
Deputy CEO

Data in HUF million except stated otherwise

STANDALONE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	01.01.2024-31.12.2024	01.01.2023-31.12.2023
Interest income		**61 507**	**61 348**
Interest income using effective interest rate method	4.1	53 422	51 645
Other income similar to interest	4.1	8 085	9 703
Interest expense		**(48 672)**	**(52 825)**
Interest expense using effective interest rate method	4.1	(40 665)	(43 369)
Other income similar to interest	4.1	(8 007)	(9 456)
Net interest income		**12 835**	**8 523**
Fee and commission income	4.2	**186**	**219**
Fee and commission expenses	4.2	**(288)**	**(366)**
Net income from fees and commission		**(102)**	**(147)**
Result from remeasurement and derecognition of financial instruments	4.3	**(2 206)**	**966**
Result from remeasurement and derecognition of financial instruments measured at fair value through profit or loss		884	2 193
Result from derecognition of debt and equity securities measured at fair value through other comprehensive income		147	399
Results from derecognition of loans and debt securities measured at amortised cost		(3 874)	(162)
Results from hedge accounting		380	(1 254)
Foreign exchange gains less losses		257	(210)
Allowances for expected credit losses, provisions for liabilities and charges and impairment of non-financial assets	4.4	**(535)**	**877**
Expected credit loss on financial assets, financial guarantees and loan commitments		(137)	1 345
Provisions for litigation, restructuring and similar charges		10	1
(Loss) / gain on modification of financial instruments that did not lead to derecognition		(357)	(469)
(Impairment) / reversal of impairment on other financial and non-financial assets		(51)	0
Administrative and other operating expense	4.5	**(2 641)**	**(2 734)**
Other income	4.6	**9**	**36**
Other expense	4.6	**(183)**	**(136)**
Profit before taxation		**7 177**	**7 385**
Income tax income / (expense)	4.7	**(580)**	**(722)**
Profit for the year		**6 597**	**6 663**

Data in HUF million except stated otherwise

	Note	01.01.2024-31.12.2024	01.01.2023-31.12.2023
Items that may be reclassified to profit or loss		**(274)**	**505**
Debt instruments at fair value through other comprehensive income:		(235)	495
Fair value changes		(118)	877
Reclassification of accumulated remeasurements to profit or loss upon de-recognition		(117)	(382)
Income tax relating to items that may be reclassified subsequently	4.7	(39)	10
Items that may not be reclassified to profit or loss		**0**	**0**
Other comprehensive income/ (loss) for the year net of tax		**(274)**	**505**
Total comprehensive income		**6 323**	**7 168**
Earnings per share (HUF 100 face value)			
Basic	4.26	**54.84**	**55.40**
Diluted	4.26	**54.84**	**55.40**
Weighted average number of shares (piece)		**108 236 699**	**108 236 699**

Data in HUF million except stated otherwise

STANDALONE STATEMENT OF CHANGES IN EQUITY

	Note	Share capital	(-) Treasury shares	Share premium	Retained earnings	Other reserves	Profit for the year	Accumulated other comprehensive income	Total equity
01.01.2023		**10 849**	**(207)**	**27 926**	**28 981**	**1 620**	**1 811**	**57**	**71 037**
Profit for the year		0	0	0	0	0	6 663	0	**6 663**
Other comprehensive income for the year net of tax		0	0	0	0	0	0	505	**505**
Total comprehensive income for the year		**0**	**0**	**0**	**0**	**0**	**6 663**	**505**	**7 168**
General reserve for the year		0	0	0	(666)	666	0	0	**0**
Transfer of previous year's profit		0	0	0	1 811	0	(1 811)	0	**0**
Transactions with Owners		**0**	**0**	**0**	**1 145**	**666**	**(1 811)**	**0**	**0**
01.01.2024		**10 849**	**(207)**	**27 926**	**30 126**	**2 286**	**6 663**	**562**	**78 205**
Profit for the year		0	0	0	0	0	6 597	0	**6 597**
Other comprehensive income/(loss) for the year net of tax		0	0	0	0	0	0	(274)	**(274)**
Total comprehensive income for the year		**0**	**0**	**0**	**0**	**0**	**6 597**	**(274)**	**6 323**
General reserve for the year		0	0	0	(660)	660	0	0	**0**
Transfer of previous year's profit		0	0	0	6 663	0	(6 663)	0	**0**
Transactions with Owners		**0**	**0**	**0**	**6 003**	**660**	**(6 663)**	**0**	**0**
31.12.2024		**10 849**	**(207)**	**27 926**	**36 129**	**2 946**	**6 597**	**288**	**84 528**

Data in HUF million except stated otherwise

STANDALONE STATEMENT OF CASH FLOWS

	Note	01.01.2024-31.12.2024	01.01.2023-31.12.2023
Cash flow from operating activities			
Profit/ (Loss) before taxation		**7 177**	**7 385**
Adjustments for non-cash income and expenses, interest, dividends and tax:			
Depreciation, amortisation and impairment	4.4, 4.5	160	88
Expected credit loss / (reversal) on financial instruments held for credit risk management	4.4	156	(1 745)
Impairment / (Reversal of impairment) on securities, associates and other investments	4.4	(47)	231
(Reversal of provisions for) / Recognise provision on other items	4.4	(10)	(1)
Revaluation of loans and advances to customers mandatorily at fair value through profit or loss	4.10.1	(15)	(1 043)
Other revaluation differences	4.3	6 867	312
Net interest income	4.1	(11 803)	(8 421)
Foreign Exchange movement	4.3	(24)	0
Interest received	4.1	62 344	61 275
Interest paid	4.1	(45 273)	(55 831)
Income tax	4.7	(670)	(432)
Adjusted profit / (loss) before taxation		**18 862**	**1 818**
Change in loans and advances to banks	4.13.1	(70 680)	(89 806)
Change in loans and advances to customers	4.13.2	5 150	10 819
Change in financial assets measured at fair value through other comprehensive income	4.12.1	(37 531)	8 690
Change in derivative assets	4.10.2	(605)	4 031
Change in other assets	4.17	(175)	(114)
Change in amounts due to banks (short term)	4.19.1	(198)	(124 402)
Change in other financial liabilities	4.19.4	189	70
Change in other liabilities	4.22	(477)	105
Change in derivative liabilities	4.10.2	(2 858)	(1 199)
Net change in assets and liabilities of operating activities		**(107 185)**	**(191 806)**
Net cash (used in) / generated by operating activities		**(88 323)**	**(189 988)**
Cash flow from investing activities			
Purchases of property, equipment and intangible assets	4.14	(40)	(53)
Disposals of property, equipment and intangible assets	4.14	1	23
Purchase of securities measured at amortised cost	4.13.3	(97 718)	(24 679)
Redemption of securities measured at amortised cost	4.13.3	191 328	25 670
Net cash (used in) / generated by investing activities		**93 571**	**961**
Cash flow from financing activities			
Increase in issued securities	4.19.2	130 306	70 967
Decrease in issued securities	4.19.2	(83 584)	(55 556)
Cash outflows due to leases	4.15	(50)	(46)
Decrease in long term amounts due to banks	4.19.1	(210 000)	(17 375)
Increase in long term amounts due to banks	4.19.1	140 000	210 000
Net cash (used in) / generated by financing activities		**(23 328)**	**207 990**
Net increase / (decrease) of cash and cash-equivalents		**(18 080)**	**18 963**
Cash and cash-equivalents at 1 January		**19 305**	**342**
FX change on cash and cash-equivalents	4.9	24	0
Net cash-flow of cash and cash-equivalents	4.9	(18 080)	18 963
Cash and cash-equivalents at the end of the year		**1 249**	**19 305**

1. GENERAL INFORMATION

The stand-alone financial statements for the year ended 31 December 2024 were approved by the resolution of the Board of Directors as of 28 March 2025. The final approval on the stand-alone financial statements is provided by the General Meeting.

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. (between 25th June 2018 and 1st of May 2023).
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 Institutions. 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.

Mortgage Bank starting from April 2018 has stopped its own lending activity, operates as pure refinancing mortgage bank, its main activities being the refinancing of mortgage loans for members of the MBH Integration Group and partner banks outside the Group, and the issuance of mortgage bonds.

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 Bankholding (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. 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.

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.

Data in HUF million except stated otherwise

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 2024.

In 2024, mortgage bonds with a nominal value of HUF 59.6 billion were issued in eight transactions, of which green mortgage bonds were issued in two transactions for a total of nearly HUF 14.5 billion. The active market enviroment was driven by an improving market environment, a reduction in mark-ups due to higher mortgage rating and an increase in mortgage lending. In August 2024, for the first time since March 2018, an unsecured bond issue of HUF 70 billion was also launched.

As of 22 July 2024, Moody's Investor Service again rating MBH Mortgage Bank (Ba3/NP for its long- and short-term issuer ratings and Baa3/P-3 for its long- and short-term Counterparty Risk Ratings (CRRs)), its long and short-term Counterparty Risk (CR) Assessment Baa3(cr)/P-3(cr), and mortgage bonds issued by MBHJ for which it has assigned a long-term A1 rating (the Counterparty Risk (CR) Assessment is Baa3(cr)). The rating of the mortgage bonds is 4 notches higher than the rating of Hungarian sovereign debt.

Based on the decision of MBH Mortgage Bank's Board of Directors, MBH Mortgage Bank has withdrawn the Standard and Poor's rating of its mortgage bonds, which is 4 notches lower than Moody's rating. Subsequently, on 5 November 2024, S&P Global Ratings announced that it has withdrawn its 'BBB' rating (stable outlook) on MBH Mortgage Bank Plc's mortgage bond issuance programme and its mortgage bonds at the request of the Issuer.

In 2024, MBH Mortgage Bank successfully continued its green mortgage bond fundraising activities, which resulted in an increase in its green mortgage bond portfolio to HUF 48.6 billion. In its ESG Strategy, MBH Mortgage Bank has set a target for increasing the share of green mortgage bonds to 15% in the total outstanding mortgage bond portfolio by 2025. The share of green mortgage bonds was 12.9% at the end of Q3 2024.

1.1. Ownership structure

The shareholder structure of MBH Mortgage Bank Plc. is the following as of 31 December 2024:

Shareholder	2024		2023	
	Holding (%)	Number of shares (piece)	Holding (%)	Number of shares (piece)
Ordinary shares listed on BSE (Series "A")				
Domestic institutional investors	52.1	56 520 385	52.1	56 527 499
Foreign institutional investors	0.01	7 278	0.01	6 705
Domestic private investors	2.82	3 056 794	2.83	3 052 987
Foreign private investors	0.03	33 618	0.01	21 489
Treasury shares	0.23	253 601	0.23	253 601
Part of public finance	44.79	48 597 602	44.8	48 597 602
Other	0.02	21 022	0.03	30 417
Subtotal (Series "A")	**100**	**108 490 300**	**100**	**108 490 300**

MBH Bank's controlling stake in MBH Mortgage Bank is 52,0801%. The MBH Bank has no ultimate controlling party.

Data in HUF million except stated otherwise

Direct owners with more than 5% ownership relating to listed series

Ownership structure	Custodian Bank (yes/no)	2024 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**

Ownership structure	Custodian Bank (yes/no)	2023 Number of shares (piece)	Részesedés (%)
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**

Direct owners with more than 5% ownership relating to total equity

Ownership structure	Custodian Bank (yes/no)	2024 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**

Ownership structure	Custodian Bank (yes/no)	2023 Number of shares (piece)	Részesedés (%)
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**

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

1.2. Availability of financial statements and annual report

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.

Seat: 1117 Budapest, Magyar Tudósok körútja 9. G. ép.
Website adress: www.mbhjelzalogbank.hu

MBH Mortgage Plc. prepares its Stand-alone Financial Statements under IFRS, that is published and available at:
https://www.mbhmortgagebank.hu/for-investors/financial-data

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

Auditor company

PricewaterhouseCoopers Auditing Ltd.

Statutory registered auditor

Balázs Árpád Mészáros

Responsible person for the control and management of accounting services:

Ildikó Brigitta Tóthné Fodor (registration number 007048)

Fee of audit and other services provided by the auditor*:

	2024	2023
Annual fee of audit services	36	31
Total fee of services provided by the auditor	**36**	**31**

* The fees shown are in million HUF and not include VAT and also there was no other, non-audit fee.

1.3. Changes in the legal and regulatory environment and its effect on the stand-alone financial statements

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

- the Government Decrees on the different application of Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises and certain related legal provisions;
- the amendments to Government Decree No 197/2022 (4.VI.) on extra-profit taxes (most recently 356/2024 (21.XI.)), which change the relevant regulation of the special tax for credit institutions and financial undertakings;
- Government Decree No 522/2023 (30.11.23) on the different application of Act CLXII of 2009 on credit for consumers in emergency situations Government Decree No 782/2021 (24.12.21) 130/2024 (20.6.24) (XII.24.), extending the interest rate freeze measure applicable to residential mortgage credit contracts until 31 December 2024, and amending Decree No 374/2024 (XII.2.), extending the interest rate freeze measure applicable to residential mortgage credit contracts until 30 June 2025

In 2022, the MNB revised again the regulations on JMM (Mortgage Funding Adequacy Ratio). 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.

From 1 July 2022, mortgage funding denominated in foreign currency will also be eligible for the calculation of the mortgage funding compliance ratio (JMM), subject to certain restrictions. For these sources, the MNB has planned to introduce the eligibility of green mortgage bonds only from autumn 2024 in order to enforce and strengthen environmental sustainability objectives.
However, given the still uncertain market environment, the still low proportion and slow recovery of the pools of loans eligible as collateral and the administrative difficulties of raising funds and entering the foreign currency mortgage bond markets, it has become necessary to postpone the entry into force of the

requirement from 1 October 2024. The amendment will support banks' compliance with the JMM regulation in a different economic environment than in the past, and will also help to reap the financial stability benefits of denomination and investor diversification.

The members of the banking group are subject to the global minimum tax under Act LXXXIV of 2023, but are temporarily exempted from paying the tax under Article 47 of this Act.

1.4. Sustainability activity (ESG)

MBH Mortgage Bank published its 2023 standalone Sustainability Report in July 2024, in line with the ESG development roadmap.
(https://www.mbhjelzalogbank.hu/sw/static/file/FIN_MBH_JZB_ESG_jelentes_2024_HUN_0711.pdf)
Following the practice of previous years, MBH Mortgage Bank will publish a separate Sustainability Report in 2025 for the year 2024..

1.5. Segment report

Considering that, Mortgage Bank starting from April 2018 has stopped its own lending activity, operates as pure refinancing mortgage bank, therefore separate segments cannot be identified. MBH Bank Plc. as the parent company publishes the segment report in its consolidated financial statement.

2. MATERIAL ACCOUNTING POLICY INFORMATION

Accounting policies are the specific principles, bases, conventions, rules and practices adopted by the Bank in preparing and presenting the separate financial statements. Current note contains the main accounting policies and principles that can be interpreted at a general level, for more detailed accounting policies related to specific balance sheet and profit and loss items please see Note 4.

2.1. Basis of reporting

The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards as adopted by the EU (hereinafter: “IFRS”).

The functional currency of the members of the Bank is the Hungarian forint (HUF). In these financial statements, all figures are presented in millions of HUF, and any different amounts are indicated separately.

2.2. 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.

2.3. Presentation in the financial statements

The separate financial statements have been prepared based on going concern assumption. The management neither intends to liquidate the Bank nor to cease trading. The management is not aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the Bank's ability to continue as a going concern. The Bank has a history of profitable operations and ready access to financial resources.

2.4. Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense.
Management discusses with the Bank's Supervisory Board the development, selection and disclosure of the critical accounting policies and estimates, and the application of these policies and estimates. These disclosures supplement the commentary on financial risk management (see Note 3).

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Allowances for credit losses

Credit risk is identified and measured in accordance with the Bank's impairment and provisioning policy, so in this context, when applying impairment models based on expected credit losses, the Bank considers all reasonable supportable information available without undue cost or effort. Forward-looking information, including other past and macroeconomic factors affecting the debtor and influencing the evolution of credit risk (for example, the probability of default (PD), the loss-to-default ratio (LGD), the exposure value, the historical and expected changes in the collateral) is taken into account in expected credit loss (hereinafter: ECL) models. In determining the recognition and reversal of ECL, as well as the creation, release and use of provisions, the Bank takes into account the parameters above and the expected return in accordance with the principles of IFRS. When determining the expected credit loss and the expected return, the probability and magnitude of the loss, as well as the probability and extent of the return, must be taken into account. More details can be found in Note 3.2.1.

Determining fair values

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in accounting policy. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument (see Note 4.24).

Deferred tax on tax loss carryforward

Deferred tax assets are recognised 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. Judgement is required to determine the amount of deferred tax asset that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax planning strategies.

For further information about the deferred tax on tax loss carryforward, please refer to Note 4.16.

2.5. Change in estimates

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

2.6. 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.

2.7. Errors

After the balance sheet date of the consolidated financial statements of 2023 there were no mistakes or errors discovered which are significant and affect the decision made by the users based on the financial statements.

2.8. Adaptation of revised and new IFRS/IAS Standards

2.8.1. The effect of adopting new and revised International Reporting Standards effective from 1 January 2024

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

- **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).
- **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).

The adoption of these amendments to the existing standards (not mentioned above) has not led to any material changes in the Bank's financial statements.

2.8.2. New standards and amendments to the existing standards issued by IASB not yet effective and/or not yet adopted by the EU

- **Amendments to IAS 21 „Lack of Exchangeability”** (issued on 15 August 2023 and effective for annual periods beginning on or after 1 January).
- **Amendments to IFRS 9 and IFRS 7** (issued on 30 May 2024 and effective for annual periods beginning on or after 1 January 2026). Amendments to the Classification and Measurement of Financial Instruments.
- **IFRS 18 „Presentation and Disclosure in Financial Statements”** (issued on 9 April 2024 and effective for annual periods beginning on or after 1 January 2027). IFRS 18 will replace IAS 1.
- **IFRS 19 „Subsidiaries without Public Accountability: Disclosures”** (issued on 9 May 2024 and effective for annual periods beginning on or after 1 January 2027).

The Bank is currently assessing the impact of the amendments on its financial statements.

2.8.3. New standards and amendments to the existing standards issued by IASB but rejected or deffered 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, only applicable in a first-time adopter's first financial statements under IFRS) - 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 is currently assessing the impact of those above-mentioned standards.

2.8.4. Annual Improvements to IFRS Accounting Standards (Issued in July 2024 and effective from 1 January 2026)

- **IFRS 1** was clarified that a hedge should be discontinued upon transition to IFRS Accounting Standards if it does not meet the ‘qualifying criteria’, rather than ‘conditions’ for hedge accounting, in order to resolve a potential confusion arising from an inconsistency between the wording in **IFRS 1** and the requirements for hedge accounting in **IFRS 9**.
- **IFRS 7** requires disclosures about a gain or loss on derecognition relating to financial assets in which the entity has a continuing involvement, including whether fair value measurements included ‘significant unobservable inputs’. This new phrase replaced reference to ‘significant inputs that were not based on observable market data’. The amendment makes the wording consistent with **IFRS 13**.
- **IFRS 16** was amended to clarify that when a lessee has determined that a lease liability has been extinguished in accordance with **IFRS 9**, the lessee is required to apply **IFRS 9** guidance to recognise any resulting gain or loss in profit or loss. This clarification applies to lease liabilities that are extinguished on or after the beginning of the annual reporting period in which the entity first applies that amendment.
- In order to resolve an inconsistency between **IFRS 9** and **IFRS 15**, trade receivables are now required to be initially recognised at ‘the amount determined by applying **IFRS 15**’ instead of at ‘their transaction price (as defined in **IFRS 15**)’.
- **IFRS 10** was amended to use less conclusive language when an entity is a ‘de-facto agent’ and to clarify that the relationship described in paragraph B74 of **IFRS 10** is just one example of a circumstance in which judgement is required to determine whether a party is acting as a de-facto agent.
- **IAS 7** was corrected to delete references to ‘cost method’ that was removed from IFRS Accounting Standards in May 2008 when the IASB issued amendment ‘Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate’.

Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Bank’s consolidated financial statements.

3. RISK MANAGEMENT

3.1. Introduction and overview

MBH Mortgage Bank Plc. (in the following: Bank) is a member of the Integration Organization, as well as the management organization of the Integration under Act CXXXV of 2013 on the Integration of Cooperative Credit Institutions (in the following: Szhitv.). As a consequence of its Integration membership, the Bank is subject to the risk management policies of the Integration. The Bank is a member of the MBH Group, therefore its operation must also comply with the group-wide internal regulations of MBH Bank Plc.

Based on the Section 5/A (1) of the Act on the Integration of Cooperative Credit Institutions 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 forms an independent (sub)consolidation group (MBH Integration Group) with subsidiaries subject to consolidated supervision of MBH Investment Bank Ltd., which is also part of the MBH Group controlled by MBH Bank Plc.

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 cooperative credit istitutions 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.

The Integration and its member institutions seek to create an integrated and Integration-wide risk culture that ensures the identification, measurement and management of emerging risks in accordance with their risk appetite and their level of risk tolerance.

MBH Bank's group-level risk strategy defines the range of risks that the Bank and other members of the MBH Integration Group can take on, the risk management and measurement tools to be applied, and 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 Bank activities involve a certain degree of risk assumption. The measurement, evaluation, acceptance and management of these risks are integral parts of the Bank's daily operative activity.

Risk management is an integral part of the Bank's operations and a crucial component of its business and overall financial performance. The Bank's risk management framework has been designed to support the continuous monitoring of the changes of the risk environment and is supported by the strong commitment to a prudent risk management culture both on the strategy and business line levels.

The main principles and priorities of the risk management function include the ultimate oversight by the Board of Directors (the approval of the Supervisory Board is also required for some specifically defined risk decisions), the importance of independent review of all risk-taking activities separately from business lines, and the proper evaluation, diversification, limitation, monitoring and reporting of all risks. Decisions in respect of major risk principles are approved at group level, and are implemented individually by the own decision making boards of the Bank members.

The risk self-assessment and the identification of material risks are prepared at least annually as part of the Internal Capital Adequacy Assessment Process (ICAAP) review process.

The most significant risks MBH Mortgage Bank needs to manage are the followings:

Credit risk

- ***Credit risk***

The risk of lending comprises the potential risk of the business partner failing to fulfill its payment obligations or failing to do so on time as well as the risk of the value of the receivable diminishing because the business partner's credit rating decreases. Risks originated from loans or other loan type commitments extended to associated enterprises are also included in the Bank's credit risk managing mechanism.

- ***Counterparty risk***

Counterparty risk means potential losses from a counterparty's failure to perform its contractual obligation before the conclusion of the specific transaction (i.e. before the final settlement of cash flows). As a type of credit risk, this risk affects derivatives, repurchase agreements (hereinafter: „repo") and other securities financing transactions. Another characteristic feature of counterparty risks is their bilateral character; in other words, the respective positions can take on an opposing (market) risk profile from the perspective of the counterparties participating in the given transaction which, among other things, provides an opportunity for netting positions and settlements.

- ***Credit valuation adjustment risk (CVA)***

Credit valuation adjustment risk is defined as the adjustment of the counterparty's portfolio to the average market value.

- ***Concentration risk***

The concentration of risks means the risk exposure that is able to generate such losses that endangers the institution's business activities or causes significant changes in the risk profile of the institution. It is fundamentally originated from credit risk, but it causes effect with other risks in tight interaction.

- ***Foreign exchange (FX) lending risk***

FX lending risk is the potential threat of a loss from lending in a currency other than the legal currency of the country of the borrower's residence.

Liquidity risk

Liquidity is the institution's ability to finance the growth of its assets and meet its maturing obligations without incurring significant and unexpected losses. Liquidity risk is embodied in long-term lending from short-term liabilities (maturity transformation carried out for the sake of profitability), mass disinvestment before maturity, the renewability of funds, changes in funding costs, environmental effects and the uncertainty of the behaviour of other market participants.

Market risk

Market risk is the current or prospective risk of losses on balance sheet and off-balance sheet positions arising from changes in market prices (changes in bond prices, security or commodity prices, exchange rates or interest rates that impact the positions).

- ***Currency risk***

Currency risk means the risk of having the profit or the capital of the Bank decreasing or being totally lost due to changes in the levels and proportions of the currency exchanges.

- ***Interest rate risk in the banking book***

Interest rate risk in the banking book is the possibility that income and/or institution's economic value of equity originating from banking book positions changes adversely as a result of changes in market interest rates.

- ***Credit spread risk from non-trading book activities***

Risk driven by changes of the market price for credit risk, for liquidity and for potentially other characteristics of credit-risky instruments, which is not captured by another existing prudential framework such as IRRBB or by expected credit/(jump to-) default risk. Credit spread risk captures the risk of an instrument's changing spread while assuming the same level of creditworthiness, i.e. how the credit spread is moving within a certain rating/PD range.

Operational risks

Operational risk means the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

- ***Legal and business risk***

Legal risk is the risk of losses due to the non-observance of the scope set by legal provisions and jurisdiction caused by ignorance, lack of diligence in applying law, a delay in reacting to changes in legal framework conditions, unexpected or ex post facto changes in legal framework respectively courts diverse legal judgements from the Bank's side. The legal risk includes conduct risk in the supply of financial services originated from an inadequate supply of services or deliberately exhibited impermissible conduct. This includes risks arising from fraud and unfair, unethical or aggressive trading practices harmful to consumers.

- ***Reputational risk***

Reputational risk is the current or prospective indirect risk to liquidity, earnings and capital arising from adverse perception of the image of the financial institution on the part of customers, counterparties, shareholders, investors or regulators. It is manifested in the fact that the external opinion on the institution is less favourable than desired.

- ***Modelling risk***

Modelling risk is the risk of loss resulting from decisions based on using insufficiently accurate models. Mistakes in models are not necessarily, or not primarily occur from negligence instead limitations of knowledge, not enough data, or changes that cannot be read from past data: simply the fact that the models are never perfect.

- ***Information and communication technology (ICT) risk***

ICT risk means the current or prospective risk of losses due to the inappropriateness or failure of the hardware and software of technical infrastructures, which can compromise the availability, integrity, accessibility and security of such infrastructures and of data. ICT risk also includes risks occurring from outsourcing of ICT relevant systems.

Other significant risks

- ***Strategic and business risk***

Strategic risk is defined as the negative impact on capital and income of business policy decisions, deficient or unsatisfactory implementation of decisions, or slow adjustment to changes in the economic environment. Business risk is defined as unexpected changes in the economic environment that cause negative changes in business volume or margins and are not attributable to other types of risk. It quantifies the difference between planned and actual costs and income.

Risk management governance

The Bank's Risk Strategy was set up in accordance with the Business Strategy and the regulations of the NBH. The tasks incorporated in the Risk Strategy aiming to ensure a balanced risk / return relationship, development of a disciplined and constructive control environment, defining the Bank’s risk assumption willingness, risk appetite and the on-going ability of the Bank to manage its risks and the maintenance of its funds to cover risk exposures in long-term. This will also ensure the capital preservation and guarantee the solvency of the Bank at any time.

Committees	Main responsibilities
Supervisory Board	The Supervisory Board controls the management of the Company in order to protect the interests of the Company; It controls the harmonized and prudent operation of the Company and the credit institutions, financial enterprises and investment companies under its controlling influence; The Supervisory Board steers the company’s internal audit organization; Its task is to analyse regular and ad-hoc reports prepared by the Board of Directors; It decides on matters conferred to its competence by the Civil Code, Credit Instituions Act or the Articles of Association.
Audit Committee	The Audit Committee assists the Supervisory Board in the audit of the financial reporting system and in the selection of the auditor and in cooperation with the auditor.
Nomination Comittee	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. It is furthermore responsible for determining the skills and tasks required for membership of the management bodies, evaluating the composition and performance of the management bodies and its members. Determining the gender ratio within the management body and developing the strategy necessary to achieve this. It regularly reviews the Company's policy on the selection and appointment of managing directors.
Board of directors	As the company’s operative managing body the Board of Directors carries out management-related tasks and ensures the keeping of the company’s business books in compliance with the regulations; It pursues tasks related to the shares and dividend, tasks related to the company’s organization and scope of activities, tasks related to strategic planning (preparation of the business policy and financial plan, and approval of the risk strategy), it approves the policies related to risk assumptions, it evaluates regular and ad-hoc reports.
Asset and Liability Committee (J-EFB)	The J-EFB exercises its powers in relation to MBH Jelzálogbank Nyrt. on an individual level within the framework defined by MBH Bank Nyrt. as the group controller, the Integration Organisation and the Integration Business Management Organisation. The Asset and Liability Committee is the primary responsible body for the Bank's asset and liability management. It is responsible for reviewing and discussing the returns, interest expenses and changes in asset holdings, as well as the impact and potential impact on results. Discussion and approval of the Bank's medium and long-term liquidity and financing plans. Preliminary approval of the mortgage bond issuance programme and its parameters, approval of the parameters of individual issues within a given mortgage bond programme. Prior approval of a non-voting or non-convertible private placement programme and its parameters. It decides on the pricing of the Bank's products and services, approving the standard (public) terms and conditions for the Bank's own loan portfolios and approving the terms and conditions applied in refinancing operations. It decides on the setting of limits for market risks and makes proposals to the Board of Directors in accordance with the risk policy/risk strategy, and monitors compliance with the limits.
Methodology Committee (MC)	The JMB cooperates with the MBH Methodology Committee and carries out the tasks assigned to it by this committee. The JMB exercises its powers within the framework defined by MBH Bank Nyrt., the Integration Organisation and the Integration Business Management Organisation. It is responsible for reviewing the Bank's risk profile, approving risk methodologies and setting the internal mortgage bank limit for exposures to a client/counterparty group. Monitoring credit and counterparty risk in treasury and ALM activities, taking the necessary measures, monitoring compliance with credit and counterparty risk for the client or group of clients. Setting limits for country risks, monitoring compliance with the limits. Taking decisions on operational risk management measures. As the NPL Committee, it monitors compliance with the allocated risk limits for the portfolio under its responsibility and takes action in the event of a breach of the limits. Regular review of the NPL portfolio, approval of risk methodologies under its responsibility.
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).

Green Covered Bond Committee	Bank 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.

3.2. Risk factors

3.2.1. Credit risk

Credit risk is the risk of financial loss if a customer or a counterparty fails to meet an obligation under a contract. It arises principally from the Bank's lendingbusiness, but also from certain off-balance products such as guarantees, and from assets held in the form of debt securities.

For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk).

Credit risk management

The Bank has standards, policies and procedures dedicated to the effective monitoring and managing risk from lending (including debt securities) activities. The risk management of the Bank controls and manages credit risks at high standards, in a centralised manner. Its responsibilities include:

- Formulating the Bank's credit policy in consultation with business units by establishing credit approval policies, standards, limits and guidelines that define, quantify, and monitor credit risk.
- Establishing the authorisation structure for the approval and renewal of credit facilities. In order to establish an adequate credit decision-making system in which decisions are made on time, the limit amounts are established differently according to the customer segment, the customer quality and the business line, for the delegated credit decision authorities and the boards and individual decision-makers of the Business and Risk Units.
- Monitoring the performance and management of retail and wholesale portfolios across the Bank.
- Supervising the management of exposures to debt securities by establishing controls in respect of securities held for trading purposes.
- Establishing and maintaining the Bank's concentration risk management policies ensuring that the concentration of exposure does not exceed the limits stated in the internal and regulatory limit systems and concentration risks are effectively managed without any need for additional capital requirements if possible.
- Developing and maintaining the Bank's risk assessment systems in order to categorise the exposures according to the degree of the risk of financial loss faced and to manage the existing risks adequately. The purpose of the credit (deal) classification system is to define when ECL may be required against specific credit exposures. The risk categorisation system consists of several grades which reflect sufficiently the varying degrees of risk of default and the availability of collateral or other credit risk mitigation options with regard to a specific exposure.
- Providing position statements, guidance and professional support to the business units of the Bank members in credit risk management.

In order to comply with the prudential requirements, the Bank developed and operates its borrower group forming concept. As part of that, the borrower group-level monitoring concept is to be highlighted. According to the processes, the complete risk assumption process must be executed at the level of borrower groups: in the case of the individual groups the limit proposal and monitoring process for each individual group member takes place at the same time based on the collective analysis and consideration of risks.

With regards to the management of concentration risks, the Bank implemented the global concept of concentration risk limits. As part of the concept, the Bank set up bank and sector level KPI's (key performance indicator) set and product limits, in order to restrain the assumption of further risks arising from the characteristics / risks rooted in different sectors and the assumption of risks of products representing high or special risk. Aiming to avoid high risk concentration within the portfolio, the concentration risk limit value has been established for the total bank portfolio, with the stipulation that the limits of the individual customers / customer groups may exceed this target value only in extraordinary and justified cases, based exclusively on the strategic guidelines approved by the relevant Committee.

As of the reporting date, environmental, social and governance (ESG) aspects have not been considered in the models used for the Bank's risk management. The method of collecting and storing ESG relevant information has been already developed to ensure the subsequent analysis and usability in usual business procedures. ESG data taxonomy has been set up. In longer terms by analysing the composition of the ESG index and the gradual implementation of ESG customer-level data from 1st July 2025 in accordance with the Recommendation No 9/2024 (IX.24.) of the Magyar Nemzeti Bank information data can be utilised during stress test modelling as well as the estimation of life-time PD and LGD parameters.

In addition, MBH Bank's risk parameters were updated based on the latest macro forecasts, in accordance with the expectations of the NBH. The macro scenarios used at the Bank were provided by the Research Center, thus ensuring that the macro forecasts used in ECL calculation and the macro parameters used in financial planning are even more closely consistent. Based on the forecasts, the Bank will use the current macroeconomical PD forecast models to calculate the new parameters required for macroeconomic adjustments (Macro overlay factor – MOF) on a segment level. Using these new parameters the IFRS PD (without macro correction) values will be adjusted to reflect the expectations of the macroeconomic scenarios. The weighting of the macroeconomic scenarios is calculated in accordance with the recommendations of the (internal use only) management letter from NBH, which is also in line with the weighting recommended by the Research Center. At reporting date, the weights used are the following: 30% - stress scenario (2023: 30%), 65% - base scenario (2023: 65%), 5% - optimistic scenario (2023: 5%). The resulting IFRS PD values, adjusted to the new macroeconomic environment and expectations will be implemented after the approval of the Methodology Committee. The Bank's macroeconomic models will be validated with every update, both with statistical methods and business side validation, thus ensuring the applicability of the model.

Quarterly reports on the development of ECL for credit risks are presented to the Methodology Committee, and quarterly reports on the development and utilisation of sectoral and transaction type limits are also presented.

Determination and recognition of expected credit loss (ECL)

When classifying the Bank's exposures, the customer's / partner's ability to pay is taken into account as the primary cover for the exposure. Except for those transactions that are covered by collateral which is independent of the financial and legal situation of the customer / partner and the recovery of the loan is fully guaranteed.

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.
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:

- deterioration of client treatment
- change in the master scale PD compared to the initial value, exceed a deterioration of 500 bps
- changes in life-time PD exceed the absolute threshold of 500 bps

- relative changes in life-time PD exceed the thresholds established for the following rating categories
    - 1-9 rating category: 500%
    - 10-14 rating category: 400%
    - 15-18 rating category: 300%
    - 19-21B rating category: 200%
- performing forborne exposures under probation period
- delay in payment (more than 30 days past due),
- the amount of the client's exposure classified as Stage 2 exceeds a significant proportion of its gross exposure, which the Bank has set at 20%.

The existence of any of these conditions is assessed by the Bank as a significant increase in the credit risk. In case the conditions for a Stage 2 rating are not met, the transaction my be transferred to Stage 1, if the Bank does not maintain the client or transaction in a higher rating category due to other prudential rules (e.g. recovery).

Financial assets whose default risk has increased to such an extent after initial recognition that there is objective evidence of ECL have to be assigned to Stage 3 and loss allowance has to be recognised by calculating the lifetime expected credit loss (ECL). Bank defines materiality threshold, exposure that is below that threshold should be considered as a small amount (below the limit). The ECL 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 ECL should be calculated according to the relevant principles of IFRS 9 for classes of clients calculated on a monthly basis, automatically.

Factors taken into account when determining expected credit loss:
- remaining lifetime,
- exposure at default (EAD),
- loss given default (LGD),
- probability of default (PD),
- credit conversion-factor (CCF),
- effective interest rate (EIR).

The amount of impairment and allowance equals to the amount of expected credit loss. In Stage 1 the expected credit loss is equal to 12-month ECL.In Stage 2 and Stage 3 the expected credit loss is equal to the lifetime ECL.

The applied risk parameters are determined on the basis of statistical models for homogeneous 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:
- financial instruments except for trade receivables, which credit risk did not significantly increase compared to initial recognition.

The Bank does not use the low credit risk exemption.

For tradereceivables 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 gain or loss for the expected credit loss on the following financial instruments not measured at fair value through Profit or Loss:

- debt instruments,
- 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 component 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 (FVTOCI), the impairment loss is not recognised 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 ECL for contingent liabilities (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 the case of clients / debtors subject to collective valuation, the Group determines the EAD and the amount of provision by the probability of default of the guarantor.

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.

ECL are based on the amount of loss calculated as above.

3.2.1.1 Individually and collectively assessed exposures

Expected credit loss accounted for loans to be assessed individually and collectively

On the balance sheet date, and during the monthly monitoring, an assessment is made for the relevant financial instruments to determine the expected credit loss and the amount of the loss allowance for impairment. Individual calculation approach is applied in case of individually significant exposures to defaulted wholesale customers in Stage 3. The customer is individually significant if the total on- and off-balance exposure or the customer group exposure exceeds the predefined materiality limit. Workout experts calculate the loss allowances by discounting the expected recoveries from cash flows with the effective interest rate of transactions and deducted it from the gross exposures. The experts provide estimates in more probability-weighted scenarios on transaction basis. The Bank has not got individually assessed exposures in 2024.

Credit loss allowance of loans to be assessed collectively is determined in accordance with the provisions of IFRS 9. Allowance of loans to be assessed collectively is calculated on a monthly basis and the risk parameters used are determined on the basis of statistical models developed for homogeneous groups or groups of transactions. The models are validated at least once a year and revised if necessary. For Stage 1 loans, the expected credit loss is determined on the basis of the 12-month expected credit loss. For Stage 2 and Stage 3 loans, the expected lending loss is determined with the lifetime expected credit loss.

The aim of the IFRS 9 credit risk scoring system is to assign a PIT (point-in-time) PD to each relevant customer. The Pillar II. capital requirement calculation was modified according to IFRS 9 requirements. Both rating systems use the same default definition and model structure, including the quantitative and qualitative sub-models and the explanatory variables. The calibration processes are different. In the case of IFRS 9 it depends on the stage of a given customer. In Stage 1, the time horizon is one year, in Stage 2 the lifetime PIT PDs are estimated. Stage 3 contains the defaulted customers, where the PD equals to 1.

In Stage 2, the one-year PD is transformed to the lifetime PD, based on the Markov chain estimation of transition probabilities and taken into account the macroeconomic forecast, especially the year-on-year GDP forecasts, in the first three years of the estimation horizon. From the fourth year, the TTC (through-the-cycle) PD has been used. The Bank classified its retail portfolio in homogenous credit risk clusters, and allocates PD, LGD and CCF parameters.

The internal rating-based models calculate the risk parameters which determine the level of impairment.

Data in HUF million except stated otherwise

Collectively assessed exposures of the Bank are the followings:

31.12.2024	Cash and cash-equivalents	Loans and advances to banks	Loans and advances to customers	Securities	Repurchase agreements and other financial assets	OFF B/S exposures
Collectively assessed						
Non-default	1 249	594 023	16 848	271 817	353	31
Default	0	0	927	0	3	1
Total collectively assessed gross amount	**1 249**	**594 023**	**17 775**	**271 817**	**356**	**32**
Total expected credit loss on collectively assessed items	0	(560)	(1 307)	(203)	(3)	(2)
Total collectively assessed carrying amount	**1 249**	**593 463**	**16 468**	**271 614**	**353**	**30**
Total gross amount	**1 249**	**594 023**	**17 775**	**271 817**	**356**	**32**
Total expected credit loss	**0**	**(560)**	**(1 307)**	**(203)**	**(3)**	**(2)**
Total carrying amount	**1 249**	**593 463**	**16 468**	**271 614**	**353**	**30**

Data in HUF million except stated otherwise

31.12.2023	Cash and cash-equivalents	Loans and advances to banks	Loans and advances to customers	Securities	Repurchase agreements and other financial assets	OFF B/S exposures
Collectively assessed						
Non-default	19 311	523 285	19 674	334 213	188	35
Default	0	0	1 594	0	3	1
Total collectively assessed gross amount	**19 311**	**523 285**	**21 268**	**334 213**	**191**	**36**
Total expected credit loss on collectively assessed items	(6)	(13)	(728)	(249)	(3)	(1)
Total collectively assessed carrying amount	**19 305**	**523 272**	**20 540**	**333 964**	**188**	**35**
Total gross amount	**19 311**	**523 285**	**21 268**	**334 213**	**191**	**36**
Total expected credit loss	**(6)**	**(13)**	**(728)**	**(249)**	**(3)**	**(1)**
Total carrying amount	**19 305**	**523 272**	**20 540**	**333 964**	**188**	**35**

Data in HUF million except stated otherwise

3.2.1.2 Credit risk classification

Tables below show the breakdown of gross value and expected loss of loans and advances to customers and banks measured at amortised cost, by credit quality and stages:

31.12.2024	Gross amount			
	Stage 1	Stage 2	Stage 3	POCI
Loans and advances to banks				
Low risk	561 022	0	0	0
Total loans and advances to credit institutions	***561 022***	***0***	***0***	***0***
Retail loans				
Low risk	2	0	0	0
Medium risk	13 253	0	0	0
High risk	402	2 901	0	0
Default	0	0	927	0
Total Retail loans	***13 657***	***2 901***	***927***	***0***
Wholesale loans				
High risk	0	290	0	0
Total Wholesale loans	***0***	***290***	***0***	***0***
Total	**574 679**	**3 191**	**927**	**0**

31.12.2024	Expected credit loss			
	Stage 1	Stage 2	Stage 3	POCI
Loans and advances to banks				
Low risk	(522)	0	0	0
Total loans and advances to credit institutions	***(522)***	***0***	***0***	***0***
Retail loans				
Medium risk	(926)	0	0	0
High risk	(47)	(98)	0	0
Default	0	0	(204)	0
Total Retail loans	***(973)***	***(98)***	***(204)***	***0***
Wholesale loans				
High risk	0	(32)	0	0
Total Wholesale loans	***0***	***(32)***	***0***	***0***
Total	**(1 495)**	**(130)**	**(204)**	**0**

Data in HUF million except stated otherwise

31.12.2023	Gross amount			
	Stage 1	Stage 2	Stage 3	POCI
Loans and advances to banks				
Low risk	502 274	0	0	0
Total loans and advances to credit institutions	***502 274***	***0***	***0***	***0***
Retail loans				
Low risk	9	0	0	0
Medium risk	13 942	0	0	0
High risk	481	4 671	0	0
Default	0	0	1 790	0
Total Retail loans	***14 432***	***4 671***	***1 790***	***0***
Wholesale loans				
High risk	0	375	0	0
Total Wholesale loans	***0***	***375***	***0***	***0***
Total	**516 706**	**5 046**	**1 790**	**0**

31.12.2023	Expected credit loss			
	Stage 1	Stage 2	Stage 3	POCI
Loans and advances to banks				
Low risk	(13)	0	0	0
Total loans and advances to credit institutions	***(13)***	***0***	***0***	***0***
Retail loans				
Medium risk	(81)	0	0	0
High risk	(21)	(193)	0	0
Default	0	0	(401)	0
Total Retail loans	***(102)***	***(193)***	***(401)***	***0***
Wholesale loans				
High risk	0	(32)	0	0
Total Wholesale loans	***0***	***(32)***	***0***	***0***
Total	**(115)**	**(225)**	**(401)**	**0**

3.2.1.3 Restructured assets

During the normal course of business, the Bank enters into forbearance measures to decrease the potential loan loss and maximize collection opportunities for the borrowers who have problems with their payment ability but not with their willingness and capacity to pay.

Restructured exposures are renegotiated, rescheduled (prolonged) or otherwise revised loans, receivables and credits (including also purchased ones) originated in the framework of an amendment or termination of a previously concluded contract, initiated either by the borrower or the Bank, where

- the contract is amended to avoid default because the borrower is unable to fulfil its payment obligations in compliance with the conditions of the original contract due to significant deterioration in its financial position or payment ability, and
- the amendments significantly change the original terms and conditions of the outstanding contract largely in favour of the borrower, as compared to the market terms and conditions generally applicable to contracts of the same type and concluded under the same conditions, or
- a supplementary agreement or a new contract is concluded between the borrower and the Bank that relates to a new loan provided for the repayment of the outstanding debts (principal and / or interest) arising from the original contract that is not terminated, or to any further commitment assumed to avoid any increase in the credit risks and to mitigate the possible loss.

Under its forbearance policies, the Bank grants loan forbearance on a selective basis where the borrower is in default on its debt, or there is a high risk of future default, and there is evidence that the borrower made all reasonable efforts to pay under the original contractual terms, and it is expected that the borrower will be able to meet the revised terms. Both corporate and retail loans are subject to forbearance policies.

The Bank generally applies the following types of forbearance measures:
- extension of the tenor / final maturity of the loan,
- renegotiation of original repayment schedule, reschedule instalments,
- agreement on instalment payment,
- reduction of the collateral coverage parallel reducing exposure,
- refinancing of the loan,
- interest rate cut, or lower conditions,
- interest capitalization.

Such exposures and associated credit risks are managed, monitored and reported distinctly by specific restructuring and debt management units of the Bank on the basis of guidelines and procedure rules set by internal regulations incorporating also both legal and supervisory requirements and recommendations. When the conditions of forbearance cease to exist and the following cure period expires, respective assets are returned to normal / business treatments both from business and risk management perspectives.

Based on qualitative and quantitative information the Bank terminates the forborne status of non-performing loans. After 1 year the fulfilment of non-default requirements, and after a further 2 years the fulfilment of monitoring period requirements, the forborne status of non-performing loans are reverting to normal treatment.

To revert to normal treatment regarding corporate customers, additional criteria is that the customer performs its amended contractual obligations duly through a specified period (90 days or 365 days) and its risk position shows significant improvement. The amended terms and conditions of the contract are indicated in the records.

Data in HUF million except stated otherwise

Recognition, derecognition and subsequent valuation of these assets are carried out according to the general rules of accounting as specified by the relevant IFRS.

The detailed requirements of risk classification and impairment valuation of forborne exposures are included in the accounting policies, and other internal regulations on the valuation of assets and liabilities, as well as in impairment and provisioning policies.

Based on these internal guidelines, forbearance measures are regarded as ECL triggers and, as a consequence, ECL assessment should be performed for such exposures where the general methodologies and principles of assessment are to be applied. On the results of such risk assessments, ECL losses and the reversals of previously charged ECL are accounted for according to the common rules defined by IFRS 9.

Compared to the previous financial year, there were no changes in forbearance policies and in practices applied by the Bank. It is obligatory to examine and define the effect of proposed construction (modification of the contracts), forborne contract on the NPV in all the cases of clients to forborne, treated by Business Units. If the change of NPV would be higher than 1%, thus the treatment should be transferred to the Restructuring and Debt Management Unit.

The following tables show the gross and net book value of the Bank's forborne exposures:

Gross amount of forborne assets	Non-default	Default	Total
31.12.2024			
Households	46	13	**59**
Total	***46***	***13***	***59***
31.12.2023			
Non-financial corporations	375	0	**375**
Households	2 190	653	**2 843**
Total	***2 565***	***653***	***3 218***

Net amount of forborne assets	Gross amount	ECL	Total
31.12.2024			
Households	59	(5)	**54**
Total	***59***	***(5)***	***54***
31.12.2023			
Non-financial corporations	375	(32)	**375**
Households	2 843	(246)	**2 597**
Total	***3 218***	***(278)***	***2 940***

Definition of non-performing (default)

In the context of internal credit risk management objectives, the Bank considers the following to be events of default, the occurrence of which, based on past experience, would be likely to result in the non-recovery of the financial asset:

- breach of financial covenants by the debtor;
- based on information from an internal or external source, the debtor is likely to default on its debt service (e.g. the debtor is more than 90 days in arrears);
- loans restructured with a loss of more than 1% of the NPV.

The Bank, in accordance with the provisions of its risk management policy, continuously monitors the changes in the quality of its credit portfolio. The business fields and the management are informed on a weekly basis on past due receivables and the registered risk-mitigating assets underlying these receivables. The risk classification of loans is carried out by the Bank quarterly, in the framework of risk monitoring. Decisions related to individual ECL losses of exposures are made during the monitoring.

3.2.1.4 Portfolio affected by interest rate cap

Due to the first moratorium on repayment set out in Act LVIII of 2020 on transitional rules and epidemiological preparedness related to the termination of emergency, it was 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 could 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. 374/2024 (XII.2.) 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 2025 the applicable reference interest rate cannot 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.
MBH Mortgage Bank modified the ECL 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, considering the expected macroeconomic effects. This ensured that appropriate loss levels were established for the different credit risk categories.

Data in HUF million except stated otherwise

Clients effected by the interest rate cap program 2024

Financial assets modified during the period 31 December 2024 (interest rate cap extend until the end of half year of 2025)	12 month ECL	Lifetime ECL	Total
Gross carrying amount before modification	5 491	3 238	8 729
Loss allowance before modification	(34)	(192)	(226)
Net amortised cost before modification	**5 457**	**3 046**	**8 503**
Net modification gain/(loss) (change in gross carrying amount)	(114)	(63)	(177)
ECL gain or loss	1	3	4
Net amortised cost after modification	**5 344**	**2 986**	**8 330**

Clients affected by interest rate cap program/ number of loans:

Interest rate cap extend until the year end 2024	Number of loans	Outstanding balance	% of portfolio
Retail loans	4 421	8 330	51.39 %
Total (retail loans)	**4 421**	**8 330**	**51.39 %**

Clients affected by interest rate cap program / Carrying amount of the loans:

31.12.2024	Stage 1	Stage 2	Stage 3	Total
Retail loans	*5 378*	*2 682*	*492*	*8 552*
Investment grade	5 378	0	0	5 378
Default grade	0	0	492	492
Non-Investment grade	0	2 682	0	2 682
Gross carrying amount	5 378	2 682	492	8 552
Allowances for credit losses	(34)	(78)	(110)	(222)
Carrying amount	**5 344**	**2 604**	**382**	**8 330**

3.2.1.5 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 are established on such real estate that are registered in Hungary and have long term and stable collateral 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. 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.

Data in HUF million except stated otherwise

Other

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

The table below shows the structure of the collaterals:

	2024.12.31.	2023.12.31.
Mortgage	2 274 257	2 023 628
Bail	15	14
Guarantee	24 437	26 959
Total	**2 298 708**	**2 050 601**

The table below shows the maximum credit risk exposure:

	2024.12.31.	2023.12.31.
Other demand deposit	115	160
Financial assets at fair value through other comprehensive income	47 232	9 989
Debt securities at amortised cost	224 585	324 218
Retail loans	17 485	20 893
Corporate loans	290	375
Dues from banks	594 022	523 285
Advances	356	191
Off-balance sheet commitments	30 711	28 539
Total gross credit risk exposure	**914 796**	**907 650**

3.2.2. Liquidity risk

Liquidity risk is the risk that the Bank's cash flows may not be adequate to fund operations and meet commitments on a timely and cost-effective basis. This risk arises from mismatches in the timing of cash flows.

Liquidity risks can fundamentally be divided into two categories, and their subcategories:

- funding liquidity risk, including:
  - maturity (maturity mismatch) liquidity risk arising from the fact that the cash flows of assets and liabilities are not properly matched and maturing liabilities in certain periods exceed the amount of receivables due. The nearer the period of the mismatch, the more significant the risk.
  - withdrawal (massive withdrawal of funds before maturity) liquidity risk - funds are withdrawn prior to the contractual expiry.
  - structural liquidity risk - the risk of funds being renewed with difficulty and only at higher cost;
- market liquidity risk - the risk that a market position cannot be closed at the market price in the short term, only at a less favorable price, therefore the position will need to be maintained so that the proper market price can be realized, and this may require committing/using liquid assets.

Management of liquidity risk

The Bank’s approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank’s reputation.

The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions on MBH Integration group level. All liquidity policies and procedures are subject to approval by the Board of Directors following the prior review and approval by the Asset-Liability Committee (hereinafter: ALCO)

Liquidity risk means the MBH Integration Group does not possess the necessary amount of cash and cash-equivalents to pay due and legitimate obligations.

Liquidity risks are curtailed by the following MBH Integration Group-level limits:

- Liquidity coverage ratio (LCR)
- Net stable funding ratio (NSFR)
- Liquidity stress test
- Limits specified in the early warning system

The decisions by the management of the Bank are, however, also based on the liquidity gap between contractual inward and outward flows (net position), and therefore both financial assets and financial liabilities are rated in liquidity categories.

Data in HUF million except stated otherwise

The following table shows the distribution of financial assets according to contractual maturity (undiscounted):

31.12.2024	Book value	Total principal and interest	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	5 years and over
Cash and cash-equivalents	**1 249**	**1 249**	**1 249**	**0**	**0**	**0**	**0**
Financial assets measured at fair value through profit or loss and hedging derivative assets	**8 291**	**33 612**	**495**	**4 435**	**4 517**	**14 816**	**9 348**
Loans and advances	5 481	9 038	78	145	639	2 945	5 230
Derivative financial assets and hedging derivative assets	2 810	24 574	417	4 290	3 878	11 871	4 118
Financial assets measured at fair value through other comprehensive income	**47 196**	**55 829**	**0**	**3 259**	**2 891**	**46 153**	**3 526**
Debt and equity securities	47 196	55 829	0	3 259	2 891	46 153	3 526
Financial assets measured at amortised cost	**834 072**	**882 984**	**28 745**	**7 541**	**228 150**	**196 939**	**421 610**
Loans and advances	609 931	614 349	28 367	5 512	168 726	24 647	387 098
Debt securities	224 418	268 281	24	2 029	59 424	172 292	34 512
Other financial assets	353	353	353	0	0	0	0
Total financial assets	**891 438**	**973 673**	**30 488**	**15 234**	**235 557**	**257 908**	**434 484**

31.12.2023	Within the year	Over the year	Total
Assets			
Cash, cash balances at central banks and other demand deposits	19 305	0	19 305
Financial assets held for trading	88	7 787	7 875
Non-trading financial assets mandatorily at fair value through profit or loss	0	640	640
Financial assets at fair value through other comprehensive income	6 757	3 242	9 999
Financial assets at amortised cost	224 043	643 932	867 975
Total financial assets	**232 193**	**655 601**	**887 794**

Data in HUF million except stated otherwise

The below table shows the undiscounted contractual cash flows of the Bank's financial liabilities and loan commitments based on their earliest possible date of maturity. The disclosure for derivatives shows the gross inflow and outflow amount of derivatives (for example: forward exchange contracts and currency swaps).

31.12.2024	Book value	Total principal and interest	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	5 years and over
Financial liabilities measured at fair value through profit or loss and hedging derivative liabilities	**(3 728)**	**(26 866)**	**0**	**(3 160)**	**(6 165)**	**(13 222)**	**(4 319)**
Derivative financial liabilites and hedging derivative liabilities	(3 728)	(26 866)	0	(3 160)	(6 165)	(13 222)	(4 319)
Financial liabilities measured at amortised cost	**(803 370)**	**(914 776)**	**(16 598)**	**(4 085)**	**(236 368)**	**(452 925)**	**(204 882)**
Amounts due to banks	(374 995)	(374 995)	0	(2 000)	(210 219)	(162 776)	0
Issued debt securities	(427 599)	(539 005)	(15 822)	(2 085)	(26 142)	(290 074)	(204 882)
Other financial liabilities	(776)	(776)	(776)	0	(7)	(76)	0
from which: Lease liabilities	(83)	(83)	0	0	(7)	(76)	0
Total financial liabilities	**(807 098)**	**(941 642)**	**(16 598)**	**(7 244)**	**(242 533)**	**(466 148)**	**(209 201)**
Credit limits	(30 711)	(30 711)	(30 711)	0	0	0	0
Off balance sheet items	**(30 711)**	**(30 711)**	**(30 711)**	**0**	**0**	**0**	**0**

31.12.2023	On demand	Within 3 months	3 - 12 months	1 –5 years	5 – 10 years	10 – 15 years	Total
Financial liabilities measured at fair value through profit or loss							
Derivative financial liabilites	0	0	0	0	0	0	**0**
Financial liabilities measured at amortised cost							
Loans received	0	(2 185)	0	(443 131)	0	0	**(445 316)**
Mortgage bonds	0	(20 843)	(62 340)	(147 797)	(141 780)	(1 887)	**(374 647)**
Other financial liabilities	(514)	0	(44)	(79)	0	0	**(637)**
from which: Lease liabilities	0	0	0	(12)	(36)	(69)	**(117)**
Total financial liabilities	**(514)**	**(51 566)**	**(62 384)**	**(591 007)**	**(141 780)**	**(1 887)**	**(849 139)**
Credit limits	0	(28 539)	0	0	0	0	**(28 539)**
Off balance sheet items	**0**	**(28 539)**	**0**	**0**	**0**	**0**	**(28 539)**

Data in HUF million except stated otherwise

The following table shows the breakdown of financial liabilities by expected maturity (undiscounted):

31.12.2024	Book value	Total principal and interes	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	5 years and over
Financial liabilities measured at fair value through profit or loss and hedging derivative liabilities	**(3 728)**	**(26 866)**	**0**	**(3 160)**	**(6 165)**	**(13 222)**	**(4 319)**
Derivative financial liabilites and hedging derivative liabilities	(3 728)	(26 866)	0	(3 160)	(6 165)	(13 222)	(4 319)
Financial liabilities measured at amortised cost	**(803 370)**	**(914 776)**	**(16 598)**	**(4 085)**	**(236 368)**	**(452 925)**	**(204 882)**
Amounts due to banks	(374 995)	(374 995)	0	(2 000)	(210 219)	(162 776)	0
Issued debt securities	(427 599)	(539 005)	(15 822)	(2 085)	(26 142)	(290 074)	(204 882)
Other financial liabilities	(776)	(776)	(776)	0	(7)	(76)	0
from which: Lease liabilities	(83)	(83)	0	0	(7)	(76)	0
Total financial liabilities	**(807 098)**	**(941 642)**	**(16 598)**	**(7 244)**	**(242 533)**	**(466 148)**	**(209 201)**
Credit limits	(30 711)	(30 711)	(30 711)	0	0	0	0
Off balance sheet items	**(30 711)**	**(30 711)**	**(30 711)**	**0**	**0**	**0**	**0**

The Bank maintains its liquidity and fulfill its due payment obligations.

The Bank analyses the consequences of any potential severe liquidity stress.

The following are viewed by the Bank as liquidity stress positions:

- sudden and large-scale withdrawal of clients' deposits, and this needs to be hedged by selling or borrowing against liquid assets.

Assumptions used in the liquidity stress test applied by the MBH Integration Group:

- decrease of the market value of liquid assets;
- withdrawal of a certain part of the customer deposit portfolio;
- drawdown of undrawn credit facilities and guarantees;
- a certain roll-over of customer loans;
- partial repurchase of bonds issued.

A stress position may arise due to a fault attributable to the Bank (reputational risk) or due to a fault beyond its control (general market influence).

The Bank, in part, prepares for liquidity stress positions by:

- creating liquidity reserves;
- entering long-term cross-currency interest rates swaps (CCIRS) for currency refinancing.

The Bank has in place a contingency plan to manage any critical situations arising from liquidity disturbances/crises, which the affected business lines and functions comply with so that they can take prudent and optimal measures in due time under the given circumstances.

3.2.3. Market risk

Market risk is the risk that changes in market prices, such as interest rate (interest rate risk), equity prices (equity risk), and foreign exchange rates (foreign exchange risk) will affect the Bank's income or the value of its holdings of financial instruments.

Management of market risks

As part of the Risk strategy, the Board of Directors approves the maximum amount and scope of market risks incurable by the Bank, ensured by a comprehensive limit structure broken down by relevant portfolios. The main market risk limit is arising from the annual capital allocation process based on ICAAP requirements.

ALCO is responsible for developing and monitoring the Bank's market risk management policies. ALCO has the overall responsibility for establishing and managing market risk policies for the Bank, within the framework of internal policies, covering risk management, assessment of risk and related limits, competence and decision-making mechanism, and regulation for breaches of limits, approved by the Board of Directors. The members of the ALCO are senior executives who have principal decision-making responsibilities for businesses throughout the whole Bank.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

The Bank has only non-trading portfolios.

Non-trading portfolios include positions that arise from the Bank's retail and commercial banking activity and the interest rate management of the Bank's retail and commercial banking assets and liabilities. The

Data in HUF million except stated otherwise

Bank's non-trading activities encompass all activities, including lending, accepting deposits, and issuing debt instruments.

3.2.3.1 Exposure to market risks – Currency risk

Currency risk means the risk of having the profit or the capital of the Bank decreasing or being totally lost due to changes in the levels and proportions of the currency exchanges. The Bank is exposed to currency risks because of collecting deposits denominated in different currencies, providing loans, the sale and purchase of securities and various derivative transactions. The Bank measures currency risks daily.

The financial position of the Bank in foreign exchange at the end of the reporting periods were the following:

Forreign currency positions	31.12.2024				Total
	HUF	EUR	CHF	Other currency	
Assets	892 379	(99)	35	(4)	**892 311**
Liabilities	(807 722)	(45)	(5)	(11)	**(807 783)**
Off-balance items	(12 155)	(18 556)	0	0	**(30 711)**
Total	**72 502**	**(18 700)**	**30**	**(15)**	**53 817**

Forreign currency positions	31.12.2023				Total
	HUF	EUR	CHF	Other currency	
Assets	902 320	3 917	350	0	**906 587**
Liabilities	(828 362)	(12)	(4)	(4)	**(828 382)**
Off-balance items	(10 626)	(17 913)	0	0	**(28 539)**
Total	**63 332**	**(14 008)**	**346**	**(4)**	**49 666**

The following table shows the VaR position of the Bank's trading portfolio at 99% confidence level with a one-day holding period:

VAR status	Average	Maximum	Minimum	15%- stress
31.12.2024				
Currency risk	2	13	1	(14)
Total	**2**	**13**	**1**	**(14)**

The Bank applies historical and parametric VaR for general market risk:

- Historical VaR: (1 day holding period; 99% confidence level, number of observations: 250 business days),
- Parametric VaR: Risk metrics methodology (1 day holding period; 99% confidence level, 0.94 decay factor, number of observations: 100 business days).

Sensitivity test

Moving the exchange rates by -15% during the sensitivity test would result in an overall loss of HUF 14 million on the open foreign exchange position by the end of the period. The breakdown by currency is shown in the table below:

Data in HUF million except stated otherwise

31.12.2024	CHF	GBP	USD	Total
Loss by currency	(2)	(8)	(4)	**(14)**

3.2.3.2 Exposure to market risks - Interest risk

Interest rate risk registered in the banking book

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows of financial instruments because of a change in market interest rates.

The management of interest rate risk is supplemented by monitoring the sensitivity of the financial assets and liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that are considered on a monthly basis include a 200 basis point parallel fall or rise in all yield curves worldwide.

At the end of the reporting period, the interest rate structure of the interest-bearing financial instruments of the Bank was the following:

Interest rate structure of financial instruments*	31.12.2024			Total
	HUF	EUR	USD	
Fixed rate assets	182 236	18	0	182 254
Variable rate assets	702 123	3 068	0	705 191
from which: transactions affected by the interest rate cap program	8 330	0	0	8 330
Total assets	***884 358***	***3 086***	***0***	***887 445***
Fixed rate liabilities	558 104	0	0	558 104
Variable rate liabilities	263 468	0	0	263 468
Total liabilities	***821 572***	***0***	***0***	***851 572***

*table does not include derivative transactions

Sensitivity tests

Tha following table shows the sensitivity of the Bank to the increase or decrease of market interest rates per currency:

	31.12.2024	
	Effect on equity	Effect on P/L*
HUF		
200 bp increase	939	1 198
200 bp decrease	1 743	1 198
EUR		
200 bp increase	0	4
200 bp decrease	0	4
USD		
200 bp increase	0	0
200 bp decrease	0	0

*The table shows the effect on net interest income of a 200 bp change in market interest rates.

3.2.4. Operational risk

Operational risk means the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, and includes legal risk, conduct risk, reputational risk, modelling risk and information and communication technology (ICT) risk. Operational risk does not include business and strategic risks.

The principles, rules and procedures that serve to properly identify, manage and monitor operational risk are defined in the Risk Strategy and in the OpRisk Policy.

Until 30 of September, 2023 the operational risk capital requirement of MBH Bank Plc. is calculated by using The Standardised Approach (TSA) both at single and group level, from 31 of December, 2023 as a result of the methodological harmonization process, the Bank apply the Basic Indicator Approach (BIA).

Risk management and monitoring

The system that serves to evaluate operational risk is fully integrated in the Bank's risk management process and in the working processes.

The centralised unit of the Bank's operational risk management is the OpRisk Management that is responsible for the establishment and maintenance of the internal regulation and organisation of operational risk management and for the establishment and coordination of the Oprisk management methods and tools. Besides, its task is to ensure proper loss data collection and in connection with that the reporting obligations.

Besides the OpRisk Management, OpRisk Network (extended to the whole organisation) were established in order to identify, report and manage operational risks. The network's tasks and responsibilities are included in the OpRisk regulations. The OpRisk Management keeps independent control over the OpRisk Champions that are assigned in the various units and responsible for managing operational risk and reporting of loss events.

At group level the OpRisk Management of the Bank determines the operational risk regulations required from the subsidiaries, and also the framework for operational risk management at group level and in this respect supervises the subsidiaries as well. The centralised and decentralised operational risk management units have also been established in the subsidiaries that have loss data collection and reporting obligation towards the OpRisk Management.

The OpRisk Management prepares reports on the current status of the operational risk management of the Bank for the Board of Directors on a quarterly basis. The Bank has a half-yearly reporting obligation about operation risks in COREP (Common Reporting Framework) data delivery to NBH.

Business Continuity Planning

In order to undisturbedly maintain the Bank's operational processes it is necessary to evaluate the potential risks and the potential damages resulting from the fallout of the processes. This analysis and the procedures needed to maintain the functionality of the Bank's organisation is included in the Business Continuity Regulation and Plans (BCP). The BCP includes measures that must be taken when the processes that are critical regarding the Bank's operation and resources (eg. IT) that support these processes get damaged or become unmaintainable.

Data in HUF million except stated otherwise

3.3. Encumbered assets

According to implementation regulation (EU) 680/2014, the following encumbered assets existed at the end of the reporting period:

Encumbered assets	31.12.2024		31.12.2024	
	Book value	Fair value	Book value	Fair value
Debt securities	271 460	261 399	316 232	301 419
Loans and advances other than loans and demand	417 112	417 112	408 443	408 443
Total	**688 572**	**678 511**	**724 675**	**709 862**

Assets, collateral received, and own debt securities issued	Nominal value of collateral received or own debt securities issued non available for encumbrance
31.12.2024	
Other collateral received	416 107
Total	**416 107**
31.12.2023	
Other collateral received	406 574
Total	**406 574**

3.4. Capital management

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 Investment Bank Co. Ltd. publishes audited financial statements on the capital adequacy of the members of the integration in the disclosure document of the business year.

Data in HUF million except stated otherwise

4. NOTES

4.1. Net interest income

Interest income and interest expense are recognised 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 assets among the “Interest income”.

The Bank applies the simplified approach for financial assets that have no payment schedule, or the short-term financial assets (maximum 12 month maturity), if the effect is not material.

Interest income	**01.01.2024-31.12.2024**	**01.01.2023-31.12.2023**
Interest income from financial asssets measured at AC	51 520	50 316
Interest income from financial assets measured at FVTOCI	1 902	1 329
Interest income calculated using the effecive interest rate method	***53 422***	***51 645***
Interest income from financial assets held for trading	836	2 574
Financial assets held for non-trading purposes measured at FVTPL	541	438
Interest income from derivatives	5 676	6 589
Interest income from other financial assets	1 032	102
Other interest income	***8 085***	***9 703***
Total interest income	**61 507**	**61 348**

Interest expense	**01.01.2024-31.12.2024**	**01.01.2023-31.12.2023**
Interest expense from financial liabilities measured at AC*	(40 665)	(43 369)
Interest expense calculated using the effective interest rate method	***(40 665)***	***(43 369)***
Interest expense from financial liabilities held for trading	(1 848)	(3 159)
Interest expense from derivatives for trading	(6 149)	(6 297)
Interest expense from other liabilities	(10)	0
Other interest expense	***(8 007)***	***(9 456)***
Total interest expense and expenses similar to interest expense	**(48 672)**	**(52 825)**
Net interest income	**12 835**	**8 523**

** In 2020, the MNB introduced a new fixed-rate secured loan facility to cushion the negative consequences on the money market and the real economy (LTRO – Long Term Refinanicing Operations program). The interest expense on the stock of funds borrowed from the MNB appears in the interest expense on financial liabilities measured at amortised cost.*

Data in HUF million except stated otherwise

4.2. Net income from fees and commissions

The Bank applies IFRS 15 for the "Net income from fees and commission" that are not part of the EIR calculation based on IFRS 9. The fee and commission that is part of the Effective Interest Rate (hereinafter: EIR) calculation are represented as interest income and expense.

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. 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.

Fees and commission income	**01.01.2024-31.12.2024**	**01.01.2023-31.12.2023**
Own-disbursement mortgage loans	47	73
Handling commission	3	2
Real estate appraisal fee	35	52
Refinanced mortgage loans	101	92
Total fee and commission income	***186***	***219***
Fees and commissions to banks and to clearing house	(11)	(15)
Agency fee expense	(160)	(228)
Real estate appraisal fee	(15)	(37)
Treasury services	(102)	(84)
Other	0	(2)
Total fee and commission expense	***(288)***	***(366)***
Net income from fees and commissions	**(102)**	**(147)**

Data in HUF million except stated otherwise

4.3. Results from remeasurement and derecognition of financial instruments

„Results from remeasurement and derecognition of 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.

Results from financial instruments	01.01.2024.-31.12.2024.	01.01.2023-31.12.2023
Gains/(losses) on derivative instruments	869	1 150
Changes in fair value of loans mandatorily measured at FVTPL	15	1 043
Result from remeasurement and derecognition of financial instruments measured at FVTPL	***884***	***2 193***
Gains/(losses) on debt securities measured at FVTOCI	147	399
Result from derecognition of debt securities measured at FVTOCI	***147***	***399***
Gains/(losses) on loans and advances measured at AC	(16)	(162)
Gains/(losses) on debt securities measured at AC	(4 138)	0
Gains/(losses) on mortgage bonds issued	280	0
Results from derecognition of loans and debt securities measured at AC	***(3 874)***	***(162)***
Results from hedge accountuing	***380***	***(1 254)***
Foreign exchange gains less losses	***257***	***(210)***
Total	**(2 206)**	**966**

4.4. Allowances for expected credit losses, provisions for liabilities and charges and impairment of non-financial assets

ECL	01.01.2024-31.12.2024	01.01.2023-31.12.2023
Loans and advances to banks and customers	(183)	1 576
Provisions for commitments and guarantees	(1)	0
Investment in securities	47	(231)
ECL on financial assets, financial guarantees and loan commitments	***(137)***	***1 345***
Provision for litigation	10	(11)
Other provision	0	12
Provisions for litigation, restructuring and similar charges	10	1
(Loss) / gain on modification of financial instruments that did not lead to derecognition	***(357)***	***(469)***
(Impairment) / reversal of impairment on other investments	***0***	***0***
(Impairment) / Reversal of impairment on other financial and non financial assets	***(51)***	***0***
Total	**(535)**	**877**

Data in HUF million except stated otherwise

4.5. Administrative and other operating expenses

Operating expenses	01.01.2024-31.12.2024	01.01.2023-31.12.2023
Wages and salaries	(501)	(450)
Severance payment	(5)	(1)
Compulsory social security obligations	(53)	(51)
General and administrative expenses	(29)	(28)
Property costs	(49)	(46)
Legal and advisory services	(367)	(104)
IT costs	(334)	(463)
Marketing and public relations	(3)	(3)
Communication and data processing	(23)	(21)
Postal fee	(16)	(14)
Insurance fees	(1)	(3)
Membership fees	(456)	(245)
Other services used	(64)	(137)
Bank tax	(332)	(407)
Extraprofit tax	(194)	(576)
Other tax related costs	(60)	(49)
Other fees and charges paid	(45)	(48)
Administrative costs	***(2 532)***	***(2 646)***
Depreciation	***(109)***	***(88)***
Total operating expenses	**(2 641)**	**(2 734)**

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. Under the Bank's policy, the employer must grant employees their paid leave in the period the leave is earned, except for the paid leave emerges during maternity leave. Deferment of the expected cost of leave appears in operating expenses.

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 recognised in social security contributions 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 recognises 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 recognised when the employee's contract of employment is terminated.

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.

Data in HUF million except stated otherwise

The bank tax is presented in the line “Administrative and other operating expenses” as it does not meet the definition of income tax according to IFRS.

According to the Government Decree No 197/2022. (4.VI) credit institutions and financial enterprises are subject to extra profit tax in 2024 as well. The tax base is the amended net profit before tax of the 2022 tax year. The tax rate is 13% up to HUF 20 billion of the tax base, and 30% above that limit.

The 2024 extra profit tax liability may be reduced up to 50 % if the daily average amount of Hungarian government securities held by a Bank for the period from 1 January 2024 to 30 November 2024 increased compared to the daily average between 1 January 2023 and 30 April 2023. The Bank was able to take advantage of the extra profit tax relief in 2024.

The extra profit tax must be presented among operating expenses, and the total amount of expenditure for the year must be accounted for at the beginning of the year. The Bank presents the whole expense of extra profit tax and bank tax according to IFRIC 21.

In 2024, the Bank's average statistical employee number was 15.6 (2023: 16.5).

4.6. Other income and expense

Other income and expense	01.01.2024-31.12.2024	01.01.2023-31.12.2023
Sales of property, plant, equipments	0	9
Service-level agreement income	0	21
Income from enforcement and recovery operations	7	3
Income from tax refunds	2	0
Other income	0	3
Other operating income total	***9***	***36***
Subsidies*	(161)	(125)
Fines, penalty for late payment	(4)	0
Loss on damages compensations paid	0	(10)
Other expense	(18)	(1)
Other expense total	***(183)***	***(136)***

**The Bank recognises among other expenses the subsidy charged by law from bank tax.*

4.7. Income tax income / (expense)

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.

Both in the reporting period and in the comparative period, the corporate income tax rate was 9% levied on the taxable profit in Hungary. Due to this, a 9% nominal income tax rate was applied both for current income tax and deferred tax purposes. The Bank classifies the local business tax and innovation contribution as income taxes.

Data in HUF million except stated otherwise

Income tax expense recognized in the Statement of Profit or Loss and Other Comprehensive Income:

	01.01.2024-31.12.2024	01.01.2023-31.12.2023
Current tax income/(expense)	***(644)***	***(581)***
Corporate income tax expense on current year's profit	(308)	(321)
Corporate income tax expense - effect of self-revision of previous years	3	0
Local business tax	(295)	(226)
Innovation contribution	(44)	(34)
Deferred tax income/(expense)	***64***	***(141)***
Recognize (reversal) of deductible temporary differences	(1)	0
Recognize (reversal) of carryforward and unused tax losses	65	(141)
Income tax income / (expense)	**(580)**	**(722)**

For further information on deferred tax assets and liabilities please see Note 4.16

The members of the Group are considered subjects of the global minimum tax under Act LXXXIV. of 2023, however, they are temporarily exempted from paying the tax under Article 47 of this Act.

A reconciliation of corporate tax payable for pre-tax profit or loss, calculated with the tax rate determined by law, and the Bank's current rate of tax, applicable to the balance sheet date, is the following:

Determination of the effective tax rate	01.01.2024-31.12.2024		01.01.2023-31.12.2023	
	%	million HUF	%	million HUF
Profit before taxation		7 177		7 385
Income tax using the domestic corporation tax rate	9.00%	(646)	9.00%	(665)
Local business tax	4.11%	(295)	3.05%	(225)
Innovation contribution	0.61%	(44)	0.46%	(34)
Non-deductible expense	0.01%	(1)	0.01%	(1)
Tax exempt income	(0.43%)	31	(0.31%)	23
Change of unrecognised tax losses carryforward*	(5.18%)	372	(2.44%)	180
Effect of corporate tax group	0.00%	0	0.00%	0
Previous year's corporate tax adjustment	(0.04%)	3	0.00%	0
Income tax income / (expense)	**8.08%**	**(580)**	**9.78%**	**(722)**

*The Group relies on its available business plans for calculating the amount of tax losses that can be offset against future tax bases.

Tax losses can be offset against up to 50% of future tax bases.
On 31 December 2024, the Bank had unused tax losses amounting to HUF 18,744 million (2023: HUF 22,162 million) with the following maturity:

Unused tax losses	01.01.2024-31.12.2024	01.01.2023-31.12.2023
Without maturity	18 744	22 162
Total	**18 744**	**22 162**

The rules of utilization of tax losses carried forward have tax losses arising in following years, can be utilized solely in the subsequent five years following the tax year in which they were generated.

The tax authority conducted a full tax authority investigation at the Bank for the 2022 tax year. The tax authority may examine books and records at any time within 6 years after the 2024 tax year.

4.8. Notes for financial instruments

Initial recognition and measurement of financial instruments

Financial assets are recognised by the Bank on settlement date. All financial instruments are measured at fair value at initial recognition. Trade receivables, if they do not contain a significant financing component, are recognised at transaction price by the Bank. The Bank measures its financial assets at amortised cost if supported by the results of the business model test and if they meet the criteria of the SPPI (Solely Payments of Principal and Interest) test. Interest income and interest expense should be determined using the effective interest rate method and then recognised in the Profit or Loss statement.

In those cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument, the Bank uses the contractual cash flows over the full contractual term of the financial instrument.

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:

- fair value through Profit and Loss (FVTPL);
- fair value through other comprehensive income (FVTOCI);
- amortised cost (AC).

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. If the Bank sells a particular portfolio or financial asset in a ‘stress case’ scenario, it does not affect the evaluation of the business model.

For selected financial instruments the Bank makes an irrevocable election to measure the investments in equity instruments, which are not held for trading at “Financial assets measured at fair value through other comprehensive income” category at initial recognition, in other cases 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.

Classification and subsequent measurement of financial liabilities

The Bank classifies its financial liabilities into the following categories:

- mandatory FVTPL measurement (FVTPL category) if liabilities are held for trading,
- at amortised cost – in case of all other financial liabilities.

Derecognition of financial instruments

Financial asset transfer

The Bank derecognises financial assets in accordance with IFRS 9.

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 a 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.

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).

The Bank derecognises financial liability (or a part of a financial liability) from its consolidated statement of financial position when the obligation specified in the contract is fulfilled, cancelled or expired.

4.9. Cash and cash-equivalents

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

The most part of Cash reserves are the bank account and term deposits at MNB, the rest of it are the nostro accounts at other banks, cash on hand and sweep account related to cash reserves.

Data in HUF million except stated otherwise

	31.12.2024	31.12.2023
Receivables from central banks	1 134	19 145
Other current receivables from banks	115	160
Total	**1 249**	**19 305**

4.10. Financial assets measured at fair value through profit or loss

4.10.1. Loans and advances to customers mandatorily at fair value through profit or loss

The fair value of loans and advances is based on observable market transactions. In the absence of observable market transactions, fair value is estimated using discounted cash flow models. Performing loans are grouped, as far as possible, into homogeneous pools segregated by coupon rates. In general, contractual cash flows are discounted using a rate which is the sum of the available interest rate which would have been offered if the customer applied for the loan at the end of the reporting period plus the counterparty margin. The rediscounted cash flows are decreased using the same impairment percentage as it was used for impairment purposes, and it is considered as fair value of the loan portfolio.

Non-performing loans which are assessed for ECL individually are discounted with discount factors which are calculated as in case of performing loans, but that estimated cash flows are used for calculation, which was also used for impairment purposes. In the case of work-out loans where the Bank expects cash flows only from sale of collaterals and therefore they are impaired to the net present value of this amount, the fair value is equal to the carrying amount.

The Group performed SPPI test for the related loans, based on which the Group determined that the pricing method of the loans does not exclusively reflect the time value of money and credit risk, given the interest component containing the leverage determined by the Regulator.

In connection with loans mandatorily measured at FVTPL the Group has identified the following effects in the profit or loss:

Loans mandatorily measured at FVTPL	Total
Opening fair value at 01.01.2024	***6 310***
Fair value and other movements	15
Financial assets derecognised during the period	(844)
Closing fair value at 31.12.2024	***5 481***
Opening fair value at 01.01.2023	***6 593***
Fair value and other movements	1 043
Financial assets derecognised during the period	(1 326)
Closing fair value at 31.12.2023	***6 310***

4.10.2. Derivative financial assets and liabilities

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.

Data in HUF million except stated otherwise

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 recognised in „Other interest income" and „Other interest expense". Fair value differences related to derivatives are recognised in „Result from remeasurement and derecognition of financial instruments measured at fair value through profit or loss".

The fair values of the Bank's derivatives not designated as hedges were as follows:

Derivative financial instruments	31.12.2024		31.12.2023	
	Assets	Liabilities	Assets	Liabilities
Interest rate swaps	1 369	159	1 555	1 369
Foreign exchange swaps	10	0	10	3
Total	**1 379**	**159**	**1 565**	**1 372**

4.10.3. Offsetting of financial assets and liabilities according to IFRS7.13 A-F

This disclosure represents the financial instruments that are set off or that are subject to an enforceable master netting agreement or similar agreement, irrespective whether they are set off or not.

As of reporting date the Bank had no enforceable master netting agreement or similar agreement which should be set off in accordance with IAS 32.42.

This is because the agreements constitute rights for an offset that is enforceable only in case of default, insolvency or bankruptcy of the Bank or its counterparties. In addition the Bank or the counterparties do not intend to settle on a net basis or realize the assets and settle the liabilities simultaneously.

Similar agreements include derivative clearing agreements, GMRA (Global master repurchase agreements). Similar financial instruments include derivatives, sale and repurchase agreements and reverse sale and repurchase agreements. Financial instruments such as loans and deposits are not disclosed in the tables below unless they are offset in the consolidated statement of financial position.

The Bank receives and gives collateral in the form of cash and marketable securities in respect of following transactions:

- derivatives,
- sale and repurchase agreements, reverse sale and repurchase agreements.

Such collateral is subject to standard industry terms, including an ISDA Credit Support Annex.

The table below presents the potential effect of the not implemented offsetting as well.

31.12.2024 Offsetting and enforceable master netting arrangements	Gross amounts before offsetting in the statement of financial position	Gross amounts set off in the statement of financial position	Net amount after offsetting in the statement of financial position	Amounts subject to master netting and similar agreements not set off in the statement of financial position			Net amount of exposure
				Financial instruments	Cash collateral received	Other non-cash collateral received	
Financial assets for trading	1 379	0	1 379	159	0	0	1 220
Total assets subject to offsetting	**1 379**	**0**	**1 379**	**159**	**0**	**0**	**1 220**
Financial liabilities for trading	159	0	159	159	0	0	0
Total liabilities subject to offsetting	**159**	**0**	**159**	**159**	**0**	**0**	**0**

Data in HUF million except stated otherwise

31.12.2023 Offsetting and enforceable master netting arrangements	Gross amounts before off-setting in the statement of financial position	Gross amounts set off in the statement of financial position	Net amount after offset-ting in the statement of financial position	Amounts subject to master netting and similar agreements not set off in the statement of financial position			Net amount of exposure
				Financial instruments	Cash collateral received	Other non-cash collate-ral received	
Financial assets for trading	2 205	0	2 205	2 205	0	0	0
Total assets subject to offsetting	**2 205**	**0**	**2 205**	**2 205**	**0**	**0**	**0**
Financial liabilities for trading	6 586	0	6 586	2 205	0	0	4 381
Total liabilities subject to offsetting	**6 586**	**0**	**6 586**	**2 205**	**0**	**0**	**4 381**

4.11. Hedging derivative assets and liabilities

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 hedges 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 regards a hedge relationship as 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 stand-alone statement of profit or loss and other comprehensive income the following lines contain the gains and losses in connection with the hedging instruments (including the ineffective part):

I. Interest income / expense similar to interest
II. Results from hedge accounting, (including change in the fair value of hedged instruments)

In the consolidated statement of financial position the fair value change of hedging instruments recorded in “Hedging derivative assets” and “Hedging derivative liabilities”.

12.31.2024

Type of hedging trasaction	Type of hedged trasaction	Fair value of hedging transaction	Fair value of hedged transaction	Result of hedging transaction	Result of hedged transaction
IRS	Mortgage bonds issued	(615)	45 008	(591)	591
IRS	Securities purchased	(1 522)	27 776	1 595	(1 640)

12.31.2023

Type of hedging trasaction	Type of hedged trasaction	Fair value of hedging transaction	Fair value of hedged transaction	Result of hedging transaction	Result of hedged transaction
IRS	Mortgage bonds issued	892	25 113	1 131	(1 135)
IRS	Securities purchased	3 644	37 157	3 996	(4 266)

Data in HUF million except stated otherwise

4.12. Financial assets measured at fair value through other comprehensive income

4.12.1. Debt and equity securities

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 ECL gains / losses, interest income and foreign exchange differences should be accounted for 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 “Result from derecognition of debt securities measured at fair value through other comprehensive income”.

The table below shows the composition of equity and debt instruments measured at FVTOCI:

Securities measured at FVTOCI	31.12.2024	31.12.2023
Debt securities	47 232	9 996
Equity instruments	0	10
Total securities measured at FVTOCI (gross)	***47 232***	***10 006***
Breakdown of securities (Gross)		
Government bonds	44 043	3 006
Credit institution bonds	3 189	6 990
Non-listed shares	0	10
ECL losses	(36)	(7)
Total	***47 196***	***9 999***

During the reporting period, the Bank did not recognise dividends on investments in equity instruments measured at fair value as opposed to other comprehensive income.

The amount of ECL of the FVTOCI financial assets, which is accounted for between other comprehensive income reserve and profit or loss, does not decrease the carrying amount of the financial assets.

Data in HUF million except stated otherwise

The following tables show the composition of debt securities measured at FVTOCI by stage (all of the securities have low credit risk):

Debt securities by stage	Stage 1	Stage 2	Stage 3	Total
31.12.2024				
Goverment bonds	44 043	0	0	44 043
Credit institution bonds	3 189	0	0	3 189
Expected credit loss	(36)	0	0	(36)
Total	***47 196***	***0***	***0***	***47 196***
31.12.2023				
Goverment bonds	3 006	0	0	3 006
Credit institution bonds	6 990	0	0	6 990
Expected credit loss	(7)	0	0	(7)
Total	***9 989***	***0***	***0***	***9 989***

Gross book value – debt securities	Stage 1	Stage 2	Stage 3	Total
01.01.2024	***9 996***	***0***	***0***	***9 996***
Change in EAD*	37 236	0	0	37 236
31.12.2024	***47 232***	***0***	***0***	***47 232***

The Bank's securities portfolio has changed in accordance with the strategy of the Asset and Liability Committee.

Expected credit loss of assets (ECL) – debt securities	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
01.01.2024	***(7)***	***0***	***0***	***(7)***
Change in EAD	(29)	0	0	(29)
31.12.2024	***(36)***	***0***	***0***	***(36)***

Gross book value – debt securities	Stage 1	Stage 2	Stage 3	Total
01.01.2023	***18 164***	***0***	***0***	***18 164***
Change in EAD	(8 168)	0	0	(8 168)
31.12.2023	***9 996***	***0***	***0***	***9 996***

Expected credit loss of assets (ECL) – debt securities	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
01.01.2023	***(2)***	***0***	***0***	***(2)***
Change in EAD	(5)	0	0	(5)
31.12.2023	***(7)***	***0***	***0***	***(7)***

4.13. Financial assets measured at amortised cost

Financial assets are measured at amortised cost if they are held in a business model whose objective is to collect contractual cash flows. On the balance sheet, these assets are carried at amortised cost (gross carrying amount less expected credit loss). Interest income on these assets is calculated by effective interest method and is included under the line "Interest income" in the statement of profit or loss. Impairment and impairment reversal is included in the line "Expected credit loss on financial financial assets, financial guarantees and loan commitments". Gains and losses from derecognition (such as sales) of the assets are reported under the line item "Results from financial instruments measured at amortised cost".

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.

Data in HUF million except stated otherwise

4.13.1. Loans and advances to banks

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 ECL 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 ECL (if there is any).

Loans and advances to banks	31.12.2024	31.12.2023
Interbank term deposits	33 000	21 012
Interbank loans granted	561 022	502 273
Expected credit loss	(559)	(13)
Total	**593 463**	**523 272**

The following tables show of loans to banks at AC by stage:

Loans and advances to banks at AC by stage	Stage 1	Stage 2	Stage 3	Total
31.12.2024				
Interbank term deposits	33 000	0	0	33 000
Interbank loans granted	561 022	0	0	561 022
Expected credit loss	(559)	0	0	(559)
Total	***593 463***	***0***	***0***	***593 463***
31.12.2023				
Interbank term deposits	21 012	0	0	21 012
Interbank loans granted	502 273	0	0	502 273
Expected credit loss	(13)	0	0	(13)
Total	***523 272***	***0***	***0***	***523 272***

Data in HUF million except stated otherwise

Gross book value – Loans and advances to banks	Stage 1	Stage 2	Stage 3	Total
01.01.2024	***523 285***	***0***	***0***	***523 285***
Change in EAD	25 897	0	0	25 897
Assets derecognized except write off	(17 188)	0	0	(17 188)
Financial assets originated or purchased	62 028	0	0	62 028
31.12.2024	***594 022***	***0***	***0***	***594 022***

Expected credit loss of assets (ECL) – Loans and advances to banks	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
01.01.2024	***(13)***	***0***	***0***	***(13)***
Change in EAD*	(510)	0	0	(510)
Assets derecognized except write off	1	0	0	1
Financial assets originated or purchased	(37)	0	0	(37)
31.12.2024	***(559)***	***0***	***0***	***(559)***

* For the consolidated subsidiary exposures, the Bank applied a 0% impairment and provision rate as at 31 Deccember 2023. This rule was reviewed and removed in 2024. The related PDs were applied to the counterparties, which caused a significant increase in the ECL portfolio for impairment losses on loans to credit institutions.

Gross book value – Loans and advances to banks	Stage 1	Stage 2	Stage 3	Total
01.01.2023	***437 041***	***0***	***0***	***437 041***
Change in EAD	(74 409)	0	0	(74 409)
Assets derecognized except write off	(19 229)	0	0	(19 229)
Financial assets originated or purchased	179 882	0	0	179 882
31.12.2023	***523 285***	***0***	***0***	***523 285***

Expected credit loss of assets (ECL) – Loans and advances to banks	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
01.01.2023	***(31)***	***0***	***0***	***(31)***
Change in EAD	17	0	0	17
Assets derecognized except write off	1	0	0	1
31.12.2023	***(13)***	***0***	***0***	***(13)***

Data in HUF million except stated otherwise

4.13.2. Loans and advances to customers

From 2024 the Bank presents the movement of loans measured at amortised cost by sectoral breakdown. The following movement tables contain cumulative data for the financial year.

Gross book value – retail segment	Stage 1	Stage 2	Stage 3	Total
01.01.2024	***14 432***	***4 671***	***1 790***	***20 893***
Reclassifications				
from Stage 1 to Stage 2	(167)	157	0	(10)
from Stage 1 to Stage 3	(131)	0	124	(7)
from Stage 2 to Stage 1	1 569	(1 804)	0	(235)
from Stage 2 to Stage 3	0	(51)	44	(7)
from Stage 3 to Stage 1	264	0	(344)	(80)
from Stage 3 to Stage 2	0	267	(306)	(39)
Change in EAD	(1 246)	(171)	(81)	(1 498)
Assets derecognized except write off	(1 064)	(168)	(300)	(1 532)
31.12.2024	***13 657***	***2 901***	***927***	***17 485***

Expected credit loss of assets (ECL) – retail segment	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
01.01.2024	***(102)***	***(193)***	***(401)***	***(696)***
Reclassifications				
from Stage 1 to Stage 2	1	(8)	0	(7)
from Stage 1 to Stage 3	2	0	(24)	(22)
from Stage 2 to Stage 1	(13)	75	0	62
from Stage 2 to Stage 3	0	4	(10)	(6)
from Stage 3 to Stage 1	(4)	0	76	72
from Stage 3 to Stage 2	0	(17)	69	52
Change in EAD	(865)	35	19	(811)
Assets derecognized except write off	8	6	67	81
31.12.2024	***(973)***	***(98)***	***(204)***	***(1 275)***
Net book value				
01.01.2024	***14 330***	***4 478***	***1 389***	***20 197***
31.12.2024	***12 684***	***2 803***	***723***	***16 210***

In 2024, a business decision was made to modify a sub-porfolio within the Bank's retail portfolio, which resulted in a significant change in the ECL portfolio.

Gross book value – wholesale segment	Stage 1	Stage 2	Stage 3	Total
01.01.2024	***0***	***375***	***0***	***375***
Change in EAD	0	(85)	0	(85)
31.12.2024	***0***	***290***	***0***	***290***

Data in HUF million except stated otherwise

Expected credit loss of assets (ECL) – wholesale segment	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
01.01.2024	***0***	***(32)***	***0***	***(32)***
31.12.2024	***0***	***(32)***	***0***	***(32)***
Net book value				
01.01.2024	***0***	***343***	***0***	***343***
31.12.2024	***0***	***258***	***0***	***258***

Gross book value – retail segment	Stage 1	Stage 2	Stage 3	Total
01.01.2023	***10 137***	***13 223***	***2 437***	***25 797***
Reclassifications				
from Stage 1 to Stage 2	(199)	158	0	(41)
from Stage 1 to Stage 3	(67)	0	58	(9)
from Stage 2 to Stage 1	6 926	(6 986)	0	(60)
from Stage 2 to Stage 3	0	(412)	390	(22)
from Stage 3 to Stage 1	178	0	(206)	(28)
from Stage 3 to Stage 2	0	155	(182)	(27)
Change in EAD	(1 517)	(196)	(90)	(1 803)
Assets derecognized except write off	(1 026)	(1 271)	(617)	(2 914)
31.12.2023	***14 432***	***4 671***	***1 790***	***20 893***

Expected credit loss of assets (ECL) – retail segment	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
01.01.2023	***(8)***	***(758)***	***(584)***	***(1 350)***
Reclassifications				
from Stage 1 to Stage 2	0	(14)	0	(14)
from Stage 1 to Stage 3	0	0	(12)	(12)
from Stage 2 to Stage 1	(54)	688	0	634
from Stage 2 to Stage 3	0	8	(89)	(81)
from Stage 3 to Stage 1	(2)	0	29	27
from Stage 3 to Stage 2	0	(11)	26	15
Change in EAD	(38)	(134)	(4)	(176)
Assets derecognized except write off	0	28	233	261
31.12.2023	***(102)***	***(193)***	***(401)***	***(696)***
Net book value				
01.01.2023	***10 129***	***12 465***	***1 853***	***24 447***
31.12.2023	***14 330***	***4 478***	***1 389***	***20 197***

Data in HUF million except stated otherwise

Gross book value – wholesale segment	Stage 1	Stage 2	Stage 3	Total
01.01.2023	***1***	***1***	***483***	***485***
Reclassifications				
from Stage 3 to Stage 1	0	0	(76)	(76)
from Stage 3 to Stage 2	0	375	(407)	(32)
Assets derecognized except write off	(1)	(1)	0	(2)
31.12.2023	***0***	***375***	***0***	***375***

Expected credit loss of assets (ECL) – wholesale segment	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
01.01.2023	***0***	***0***	***(202)***	***(202)***
Reclassifications				
from Stage 3 to Stage 1	0	0	39	39
from Stage 3 to Stage 2	0	(32)	163	131
31.12.2023	***0***	***(32)***	***0***	***(32)***
Net book value				
01.01.2023	***1***	***1***	***281***	***283***
31.12.2023	***0***	***343***	***0***	***343***

4.13.3. Debt securities

	31.12.2024	31.12.2023
Goverment bonds	196 325	285 667
Corporate bonds	2 759	3 996
Credit institution bonds	19 687	29 619
Mortgage bonds	5 814	4 936
Expected credit loss	(167)	(243)
Total	**224 418**	**323 975**

The following tables show the composition of debt instruments measured at amortised cost by stage (all of the securities have low credit risk):

Securities measured at amortised cost by stage	Stage 1	Stage 2	Stage 3	Total
31.12.2024				
Goverment bonds	196 325	0	0	196 325
Corporate bonds	2 759	0	0	2 759
Credit institution bonds	19 687	0	0	19 687
Mortgage Bonds	5 814	0	0	5 814
Expected credit loss	(167)	0	0	(167)
Total	***224 418***	***0***	***0***	***224 418***

Data in HUF million except stated otherwise

31.12.2023				
Goverment bonds	285 667	0	0	285 667
Corporate bonds	3 996	0	0	3 996
Credit institution bonds	29 619	0	0	29 619
Mortgage Bonds	4 936	0	0	4 936
Expected credit loss	(243)	0	0	(243)
Total	***323 975***	***0***	***0***	***323 975***

Gross book value – debt securities	Stage 1	Stage 2	Stage 3	Total
01.01.2024	***324 218***	***0***	***0***	***324 218***
Change in EAD	(6 023)	0	0	(6 023)
Assets derecognized except write off	(191 328)	0	0	(191 328)
Financial assets originated or purchased	97 718	0	0	97 718
31.12.2024	***224 585***	***0***	***0***	***224 585***

Expected credit loss of assets (ECL) – debt securities	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
01.01.2024	***(243)***	***0***	***0***	***(243)***
Change in EAD	4	0	0	4
Assets derecognized except write off	144	0	0	144
Financial assets originated or purchased	(72)	0	0	(72)
31.12.2024	***(167)***	***0***	***0***	***(167)***

Gross book value – debt securities	Stage 1	Stage 2	Stage 3	Total
01.01.2023	***319 743***	***0***	***0***	***319 743***
Change in EAD	5 466	0	0	5 466
Assets derecognized except write off	(25 670)	0	0	(25 670)
Financial assets originated or purchased	24 679	0	0	24 679
31.12.2023	***324 218***	***0***	***0***	***324 218***

Expected credit loss of assets (ECL) – debt securities	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
01.01.2023	***(17)***	***0***	***0***	***(17)***
Change in EAD	(230)	0	0	(230)
Assets derecognized except write off	21	0	0	21
Financial assets originated or purchased	(17)	0	0	(17)
31.12.2023	***(243)***	***0***	***0***	***(243)***

Data in HUF million except stated otherwise

4.13.4. Other financial assets

Other financial assets	31.12.2024	31.12.2023
Other receivables related to lending activities	235	60
Accounts relating to subsidised loans	35	123
Trade receivables (Customers)	8	5
Advance payments	1	1
Other	77	2
Expected credit loss	(3)	(3)
Total	**353**	**188**

Data in HUF million except stated otherwise

Other financial assets at AC by stage	Stage 1	Stage 2	Stage 3	Total
31.12.2024				
Other financial assets	353	0	3	356
Expected credit loss	0	0	(3)	(3)
Total	***353***	***0***	***0***	***353***
31.12.2023				
Other financial assets	188	0	3	191
Expected credit loss	0	0	(3)	(3)
Total	***188***	***0***	***0***	***188***

Gross book value – Other financial assets	Stage 1	Stage 2	Stage 3	Total
01.01.2024	***188***	***0***	***3***	***191***
Change in EAD	165	0	0	165
31.12.2024	***353***	***0***	***3***	***356***

Expected credit loss of assets (ECL) – Other financial assets	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
01.01.2024	***0***	***0***	***(3)***	***(3)***
31.12.2024	***0***	***0***	***(3)***	***(3)***

Gross book value – Other financial assets	Stage 1	Stage 2	Stage 3	Total
01.01.2023	***266***	***0***	***4***	***270***
Change in EAD	(78)	0	0	(78)
Assets derecognized except write off	0	0	(1)	(1)
31.12.2023	***188***	***0***	***3***	***191***

Expected credit loss of assets (ECL) – Other financial assets	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
01.01.2023	***0***	***0***	***(4)***	***(4)***
Change in EAD	0	0	1	1
31.12.2023	***0***	***0***	***(3)***	***(3)***

Data in HUF million except stated otherwise

4.14. Property and equipment; and Intangible assets

Tangible assets and Intangible assets that have a finite useful life are measured initially at cost and subsequently carried at cost less any accumulated amortisation and any accumulated impairment losses.

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

Property and equipment	
Property	
Building, other facility	2%
Image items	14%
IT networks	12%
Reconstruction of property	6% - 14.7%
Office equipment	9% - 33%
IT devices	33% - 50%
Vehicles	10% - 33%
Other equipments	7% - 50%
Intangible assets	
Softwares	5% - 50%
Rights	3.5% - 25%

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

Intangible assets that have an indefinite useful life, or are not yet ready for use, are tested for impairment annually. Depreciation of property, plant and equipment are included in the “Administrative and other operating expense” line in the consolidated statement of profit or loss and other comprehensive income.

Net gains and losses on disposal of property and equipment and intangible assets are recognised in “Other income” or “Other expense”, in the year of disposal.

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 reliable 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.

Data in HUF million except stated otherwise

Tangible assets and intangible assets	Property rights	Intangible assets	Own properties	Equipment	Right-of use assets	Total
Cost or deemed cost						
Opening balance at 01.01.2024	**1 261**	**30**	**36**	**76**	**153**	**1 556**
Additions	39	40	0	1	3	83
Disposals	(229)	(70)	0	(4)	0	(303)
Other modifications	0	0	0	0	13	13
Closing balance at 31.12.2024	**1 071**	**0**	**36**	**73**	**169**	**1 349**
Depreciation and impairment losses						
Opening balance at 01.01.2024	**(1 044)**	**0**	**(36)**	**(46)**	**(40)**	**(1 166)**
Depreciation charged for the year	(54)	0	0	(2)	(53)	(109)
Impairment loss	(52)	0	0	0	0	(52)
Disposals	229	0	0	3	0	232
Closing balance at 31.12.2024	**(921)**	**0**	**(36)**	**(45)**	**(93)**	**(1 095)**
Carrying amounts						
01.01.2024	**217**	**30**	**0**	**30**	**113**	**390**
31.12.2024	**150**	**0**	**0**	**28**	**76**	**254**

Data in HUF million except stated otherwise

Tangible assets and intangible assets	Property rights	Investment intangible assets	Own properties	Equipment	Right-of use assets	Total
Cost or deemed cost						
Opening balance at 01.01.2023	**1 238**	**0**	**36**	**122**	**63**	**1 459**
Additions	23	30	0	2	134	189
Disposals	0	0	0	(48)	0	(48)
Other modifications	0	0	0	0	(44)	(44)
Closing balance at 31.12.2023	**1 261**	**30**	**36**	**76**	**153**	**1 556**
Depreciation and impairment losses						
Opening balance at 01.01.2023	**(999)**	**0**	**(36)**	**(77)**	**(45)**	**(1 157)**
Depreciation charged for the year	(45)	0	0	(2)	(41)	(88)
Disposals	0	0	0	33	0	33
Other modifications	0	0	0	0	46	46
Closing balance at 31.12.2023	**(1 044)**	**0**	**(36)**	**(46)**	**(40)**	**(1 166)**
Carrying amounts						
01.01.2023	**239**	**0**	**0**	**45**	**18**	**302**
31.12.2023	**217**	**30**	**0**	**30**	**113**	**390**

The tables contains the tangible assets of the Bank expected the right-of-use assets.
The tangible assets line of the Separate Statement of Financial Position includes also the right-of-use assets under IFRS 16.
The right-of-use assets under IFRS 16 have been reported in Note 4.15.
The Bank has carried out an estimate of recoverable amount of the tangible assets. The recoverable amount of an asset is the higher of the asset's fair value less costs to sell and its value in use. When the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised for the asset.

The Bank estimates the recoverable amount of the intangible asset. Based on this were not such an asset by the Bank, where the recoverable amount would have been lower than the the carrying amount of an asset, therefore impairment have not been recognised on intangible assets in 2023. In 2024, an impairment of 52 million HUF recognition was made for intangible assets.

4.15. 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.

Data in HUF million except stated otherwise

The Bank recognises the right-of-use asset and the lease liability as at the commencement date of the lease at the cost determined by IFRS 16.
On subsequent measurement, the Bank measures the right-of use assets at cost and recognises depreciation on it 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 classifies its leasing contracts as finance or operating lease 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 “Property and equipment” and the lease liabilities in “Other financial liabilities” in the statement of financial position.
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 line “Other expense similar to interest”. The depreciation of a right-of-use asset is recognised as “Administrative and other 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.

Right-of-use assets

Right-of-use assets	Properties	Vehicles	Total
Cost or deemed cost			
Opening balance at 01.01.2024	**134**	**19**	**153**
Additions	0	3	3
Other modificiations	6	7	13
Closing balance at 31.12.2024	**140**	**29**	**169**
Depreciation and impairment losses			
Opening balance at 01.01.2024	**(29)**	**(11)**	**(40)**
Depreciation for the year	(45)	(8)	(53)
Closing balance at 31.12.2024	**(74)**	**(19)**	**(93)**
Carrying amounts			
01.01.2024	**105**	**8**	**113**
31.12.2024	**66**	**10**	**76**

Data in HUF million except stated otherwise

Right-of-use assets	**Properties**	**Vehicles**	**Total**
Cost or deemed cost			
Opening balance at 01.01.2023	**44**	**19**	**63**
Additions	134	0	134
Other modificiations	(44)	0	(44)
Closing balance at 31.12.2023	**134**	**19**	**153**
Depreciation and impairment losses			
Opening balance at 01.01.2023	**(38)**	**(7)**	**(45)**
Depreciation for the year	(37)	(4)	(41)
Other modifications	46	0	46
Closing balance at 31.12.2023	**(29)**	**(11)**	**(40)**
Carrying amounts			
01.01.2023	**6**	**12**	**18**
31.12.2023	**105**	**8**	**113**

Lease liabilities

Lease liabilities presented in the statement of financial position

Lease liabilities	**31.12.2024**	**31.12.2023**
Short-term	7	44
Long-term	76	73
Total	**83**	**117**

Maturity analysis - undiscounted contractual payments	**31.12.2024**	**31.12.2023**
Up to 1 year	61	54
1 year to 5 years	28	79
Total	**89**	**133**

Total cash outflows related to leases	**2024**	**2023**
Interest expense recognized on lease liabilities	(10)	(10)
Payments related to the capital component of a lease	(50)	(46)
Items presented in the cash-flow statement	**(60)**	**(56)**

The value of contracts for which the Bank does not expect to exercise the extension and / or exercise option is immaterial.

Data in HUF million except stated otherwise

The Bank elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low-value assets (e.g including printers, IT equipment). Expenses relating to leases of low-value assets and short-term leases for the reporting period are considered not material.

4.16. Deferred tax assets and liabilities

Deferred tax is provided using the balance sheet 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.

For further information about the deferred tax on tax loss carryforward, please refer to Note 4.7.

Deferred tax assets and liabilities arise under the following grounds:

Net deferred tax assets / (liabilities)	31.12.2023	Credited/ (charged) to profit or loss	Credited/ (charged) to other comprehensive income	31.12.2024
Intangibles, property and equipment	6	(1)	0	5
Securitites	10	0	(38)	(28)
Carry forward loss	321	65	0	386
Net tax assets / (liabilities)	**337**	**64**	**(38)**	**363**

Net deferred tax assets / (liabilities)	31.12.2022	Credited/ (charged) to profit or loss	Credited/ (charged) to other comprehensive income	31.12.2023
Intangibles, property and equipment	6	0	0	6
Securitites	0	0	10	10
Carry forward loss	462	(141)	0	321
Net tax assets / (liabilities)	**468**	**(141)**	**10**	**337**

Data in HUF million except stated otherwise

4.17. Other assets

Other assets	31.12.2024	31.12.2023
Assets received in exchange of claims	2	2
Inventories	4	4
Prepaid cost and acrued income	171	39
Reclaimable taxes	2	2
Several other assets	77	19
Total	**256**	**66**

Special epidemic tax is presented among taxes, duties and other fiscal items, as the Government 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).

4.18. Financial liabilities measured at fair value through profit or loss

	31.12.2024	31.12.2023
Derivative financial liabilities	159	1 372
Total	**159**	**1 372**

4.19. Financial liabilities measured at amortised cost

4.19.1. Amounts due to banks and sale and repurchase liabilities

Amounts due to banks and repurchase liabilities	31.12.2024	31.12.2023
Deposits	373 392	443 516
Borrowings	1 603	1 800
Total	**374 995**	**445 316**

Data in HUF million except stated otherwise

4.19.2. Issued debt securities

Debt securities issued 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.

The following table represents the amount of issued debt securities measured at amortised cost:

	31.12.2024		31.12.2023	
	Net book value	**Face value**	**Net book value**	**Face value**
Listed bonds				
Floating interest	70 348	70 000	0	0
Total	***70 348***	***70 000***	***0***	***0***
Listed mortgage bonds				
Fixed interest	304 136	311 459	321 438	332 442
Floating interest	53 115	53 468	53 209	54 776
Total	***357 251***	***364 927***	***374 647***	***387 218***
Total issued securities	**427 599**	**434 927**	**374 647**	**387 218**

Book value of securities issued by currency	31.12.2024		31.12.2023	
	Net book value	**Face value**	**Net book value**	**Face value**
Denominated in HUF	427 599	434 927	374 647	387 218
Total	***427 599***	***434 927***	***374 647***	***387 218***

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 (1a) 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.

Claims based on the Mortgage Bond against the Issuer do not expire.

Bonds

In addition to issuing mortgage bonds, the Issuer can also appear on the securities market by issuing unsecured bonds. The Bank issued Senior Bonds again in 2024 for the first time since 2019, which provide the structural, long-term unsecured resource requirements for mortgage banking operations.

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.

Claims based on the Unsecured Bond against the Issuer do not expire.

Data in HUF million except stated otherwise

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 instrument has been satisfied, pursuant to Section 57, Paragraph (2) b.) of the Credit Institutions Act.

4.19.3. Reconciliation of liabilities arising from financing activities

The table below sets out movements in the Bank's liabilities from financing activities for each of the periods presented. The items of these liabilities are those that are reported as financing activities in the statement of cash flows.

	Amounts due to banks	Issued debt securities	Other financial liabilities	Total
31.12.2022	**377 771**	**355 799**	**613**	**734 183**
Cash flow from financing activities	192 625	15 411	(46)	207 990
New leasing	0	0	135	135
Cash flow from operating activities	(124 402)	0	0	(124 402)
Other changes	(678)	3 437	(65)	2 694
31.12.2023	**445 316**	**374 647**	**637**	**820 600**
Cash flow from financing activities	(70 000)	46 722	(50)	(23 328)
New leasing	0	0	9	9
Cash flow from operating activities	(321)	6 230	180	6 089
31.12.2024	**374 995**	**427 599**	**776**	**803 370**

4.19.4. Other financial liabilities

Other financial liabilities	31.12.2024	31.12.2023
IFRS 16 lease liability	83	117
Trade payables	26	37
Other liabilities related to lending activities	452	483
Accruals for other costs	215	0
Total	**776**	**637**

For further information about lease liability, see Note 4.15.

4.20. 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.

Risk reserves are made in particular for existing commitments and contractual obligations.

Loan commitments are firm commitments to provide credit under prespecified terms and conditions. Loan commitments are generally not recognised in the balance sheet before they are drawn. Loan commitments result in recognition of provisions based on the expected credit loss impairment model.

Data in HUF million except stated otherwise

Provisions for litigation are made for those contingent liabilities of the Bank in relation to which the third parties involved may pursue claims against the Bank. The outcome and schedule of litigations is uncertain.

Following table shows the movement of provision by title:

	Opening at 01.01.2024	Provisions made during the year	Use of provisions	Release of provisions	Closing 31.12.2024
Expected credit loss (IFRS9)	1	2	0	(1)	2
Provision allocated for unused vacation days	4	6	(5)	0	5
Provision for litigation	11	6	0	(17)	0
Total	**16**	**14**	**(5)**	**(18)**	**7**

	Opening at 01.01.2023	Provisions made during the year	Use of provisions	Release of provisions	Closing 31.12.2023
Expected credit loss (IFRS9)	1	11	0	(11)	1
Provision allocated for unused vacation days	4	0	0	0	4
Provision for litigation	0	11	0	0	11
Other provision	12	0	(12)	0	0
Total	**17**	**22**	**(12)**	**(11)**	**16**

4.21. Contingent liabilities

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

Commitments related to loans include commitments to extend credit lines and guarantees, the purpose of which is to meet the demands of the clients of the Bank.

Commitments to extend loans refer to contractual commitments to provide credit line and revolving loans. Commitments typically have fixed expiry dates or have other provisions regarding its termination and typically generate an obligation for the client to pay a fee.
Since most commitments related to loans expire without being enforced or are terminated, the full contractual amount does not necessarily correspond to the future cash requirement. After initial recognition, an issuer of such a contract shall subsequently measure it in accordance with IFRS 9. There are no significant non-financial guarantee contracts that should be measured based on IFRS 17 standard.

Contingent liabilities	31.12.2024	31.12.2023
Loan commitments	30 711	28 539
Total	**30 711**	**28 539**

The Bank has only contingent liabilities with a Stage 1 and low credit risk rating regarding the available limit under the loan agreement.

Data in HUF million except stated otherwise

4.22. Other liabilities

Other liabilities	31.12.2024	31.12.2023
Tax liabilities	53	49
Accrued expenses	401	865
Jubilee benefit obligation	2	2
Wage liabilities to employees	22	0
Total	**478**	**916**

4.23. Equity

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.

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.

Treasury shares	31..12.2024	31.12.2023
Opening balance	207	207
Repurchase	0	0
Closing balance	**207**	**207**

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

Share premium

Share premium comprises of premiums on share capital issuances.

General reserve

According to the Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises (Banking Act), banks shall set aside as general reserve 10% of Profit after taxation. Dividends can be paid only after the recognition of the general reserve. This reserve can be utilized only for losses derived from ordinary activity. A credit institution can reclassify part of the total of its retained earnings into general reserve. Supervisory authority can allow the entity not to set aside the amount calculated as above stated.

Data in HUF million except stated otherwise

The Bank discloses the general reserve as a part of the retained earnings. In 2024, the Bank recognized a general reserve of HUF 2,946 million (2023: HUF 2,286 million).

General reserve	**31.12.2024**	**31.12.2023**
General reserve	2 946	2 286
Closing balance	**2 946**	**2 286**

Retained earnings

Retained earnings comprise the accumulated profit after taxes earned in the course of the operating life of an entity of the Bank less any dividend payment.

Revaluation reserves

Revaluation reserve of financial assets measured at FVTOCI includes the cumulative net change in the fair value until the derecognition. For financial instruments measured at fair value through other comprehensive income, the Bank has recognized an impairment loss in accordance with IFRS 9, which is shown in the Revaluation reserve.

Data in HUF million except stated otherwise

The changes in equity of the Bank based on paragraph 114/B § of Act on Accounting as at 31 December 2024:

Staement of changes in equity based on Hungarian Acccount law	Share capital	Capital reserve	General reserve	Retained earnings and other reserve	Revaluation reserve	Tied-up reserve	Treasury shares	Profit for the year	Total equity
31.12.2024									
Total equity under IFRS as adopted by EU	**10 849**	**27 926**	**0**	**39 363**	**0**	**0**	**(207)**	**6 597**	**84 528**
Accumulated other comprehensive income	0	0	0	(288)	288	0	0	0	0
Repurchased treasury shares	0	0	0	(207)	0	207	0	0	0
General reserve	0	0	2 946	(2 946)	0	0	0	0	0
Total equity under Accounting Act 114/B §	**10 849**	**27 926**	**2 946**	**35 922**	**288**	**207**	**(207)**	**6 597**	**84 528**
31.12.2023									
Total equity under IFRS as adopted by EU	**10 849**	**27 926**	**0**	**32 974**	**0**	**0**	**(207)**	**6 663**	**78 205**
Accumulated other comprehensive income	0	0	0	(562)	562	0	0	0	0
Repurchased treasury shares	0	0	0	(207)	0	207	0	0	0
General reserve	0	0	2 286	(2 286)	0	0	0	0	0
Total equity under Accounting Act 114/B §	**10 849**	**27 926**	**2 286**	**29 919**	**562**	**207**	**(207)**	**6 663**	**78 205**

Data in HUF million except stated otherwise

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:

Reconciliation of share capital registered on the Registry Court and share capital under IFRS as adopted by the EU	**31.12.2024**	**31.12.2023**
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	**0**	**0**

Schedule of the profit reserves availbale for dividend	**31.12.2024**	**31.12.2023**
Retained earnings and other reserve	39 363	32 974
Accumulated other comprehensive income	(288)	(562)
Repurchased treasury shares	(207)	(207)
General reserve	(2 946)	(2 286)
Profit for the year	6 597	6 663
Total profit reserves available for dividend	**42 519**	**36 582**

4.24. Fair value of financial instruments

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 consolidated 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.

The estimated fair values disclosed below are designated to approximate values at which these instruments could be exchanged in an arm's length transaction. However, many of the financial instruments have no active market and therefore, fair values are based on estimates using net present value and other valuation techniques, which are significantly affected by the assumptions used on the amount and timing of the estimated future cash flows and discount rates. In many cases, it would not be possible to realise immediately the estimated fair values given the size of the portfolios measured.

In determining fair values, the Bank does not use averages of reasonably possible alternative inputs as averages may not represent a price at which a transaction would take place between market participants on the measurement date. When alternative assumptions are available within a wide range, judgements exercised in selecting the most appropriate point in the range include evaluation of the quality of the sources of inputs (for example: the experience and expertise of the brokers providing different quotes within a range, giving greater weight to a quote from the original broker of the instrument who has the most detailed information about the instrument) and the availability of corroborating evidence in respect of some inputs within the range.

Data in HUF million except stated otherwise

The following tables set out the carrying amounts and fair values of the Bank's financial assets and financial liabilities and the applied evaluation methods.

	31.12.2024		31.12.2023	
	Total carrying amount	Total fair value	Total carrying amount	Total fair value
Financial assets				
Cash and cash-equivalents	**1 249**	**1 249**	**19 305**	**19 305**
Financial assets measured at fair value throughprofit or loss	**6 860**	**6 860**	**7 875**	**7 875**
Loans and advances to customers mandatorily at FVTPL	5 481	5 481	6 310	6 310
Derivative financial assets	1 379	1 379	1 565	1 565
Hedging derivative assets	**1 431**	**1 431**	**640**	**640**
Financial assets measured at fair value through other comprehensive income	**47 196**	**47 196**	**9 999**	**9 999**
Debt and equity securities	47 196	47 196	9 999	9 999
Financial assets measured at amortised	**834 702**	**828 921**	**867 975**	**844 903**
Loans and advances to banks	593 463	593 463	523 272	523 272
Loans and advances to customers	16 468	14 408	20 540	15 797
Debt securities	224 418	220 067	323 975	305 646
Other financial assets	353	353	188	188
Total financial assets	**891 438**	**885 027**	**905 794**	**882 722**
Financial liabilities				
Financial liabilities measured at fair value through profit or loss	**159**	**159**	**1 372**	**1 372**
Derivative financial liabilities	159	159	1 372	1 372
Financial liabilities measured at amortised cost	**803 370**	**765 963**	**820 600**	**788 722**
Amounts due to other banks	374 995	374 995	445 316	445 316
Issued debt securites	427 599	390 192	374 647	342 769
Other financial liabilities	776	776	637	637
Hedging derivative liabilities	**3 569**	**3 569**	**5 214**	**5 214**
Total financial liabilities	**807 098**	**769 691**	**827 186**	**795 308**

The Bank measures fair values using the following measurement hierarchy:

- Level 1 (quoted prices available on the active market): Fair values of financial instruments traded in active markets are based on quoted market prices or dealers' price quotations. This category includes treasury bills, government bonds, other bonds, investment units, capital instruments and currency derivatives and stock futures transactions listed on a stock exchange or having an active market.

- Level 2 (valuation techniques - with observable parameters): this category includes instruments measured with the application of the following: quoted market prices in an active market of similar instruments; quoted prices of similar instruments in a market considered inactive; or other valuation techniques where every significant input originates from directly or indirectly observable market data. Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments with observable market prices, and other valuation models. Assumptions and inputs applied in the valuation techniques include risk-free rates and benchmark rates, credit risk premiums and other premiums used to estimate discount rates, bond and share prices, foreign exchange rates, share indices, and the projected price volatilities. The majority of derivative transactions belong to this category, for example currency forwards and swaps, currency and interest rate swaps, and bonds whose market is active with limitations.

- Level 3 (valuation techniques - with significant non-observable parameters): valuation techniques applying a significant amount of unobservable inputs. This category contains all the instruments in the case of which the valuation techniques apply inputs that are based on unobservable data and where the unobservable inputs may have a significant impact on the valuation of the instrument. This category contains instruments which we value based on quoted prices of similar instruments, and in the case of which significant unobservable modifications or assumptions are necessary to reflect the differences between the instruments.

No reclassification was carried out between the levels of the fair value hierarchy in the fiscal year.

The methods and the assumptions applied in determining fair values of financial instruments when a valuation technique is used were as follows:

Cash and cash-equivalents

Due to the short-term nature, the carrying amount of Cash and cash-equivalents is a reasonable approximation of their fair value.

Derivative financial instruments

Fair values of derivative financial instruments are traded in active markets are based on quoted market prices or dealer price quotations.

As part of its trading activities the Bank enters into OTC structured derivatives, primarily options indexed to equity prices, foreign exchange rates and interest rates, with customers and other banks. Some of these instruments are valued using models with significant unobservable inputs, principally expected long-term volatilities and expected correlations between different asset prices or foreign currency exchange rates. These inputs are estimated based on
extrapolation from observable shorter-term volatilities, recent transaction prices, quotes from other market participants and historical data.

Securities

The fair values of instruments grouped into securities are based on quoted market prices, when available. If quoted market prices are not available, fair value is estimated using quoted market prices of similar securities. For further information, please refer to Note 4.12.1, 4.13.3, 4.19.2.
The value of investment units held is determined based on the net asset value of the related investment funds.

The net asset value of the investment funds is established by the Fund Manager, the calculated net asset value is checked by the Depositary. The net asset value of the funds is determined at least on a quarterly basis. The determined net asset value of the funds is the value of the assets minus all the liabilities of the investment funds. Investments must be measured at fair value based on market prices. When calculating the net asset value of the first three quarters of each financial year, the Fund Manager continuously monitoring the management of the investments, the development of market prospects and having the information at its disposal - which includes the latest available quarterly reports on the investments, financial information - updates the valuation of investments based on the valuation model, which is taken into account during the calculation of the net asset value for the relevant quarter.

The Fund Manager uses fair value valuation when calculating the year-end net asset value of the funds. After the end of the year, the Fund Manager prepares a business evaluation of all investments in a given fund based on the latest financial data and information available at the time of the evaluation, in which the fair value of the investments is determined. The evaluation is reviewed by a requested independent expert and a report containing the findings of the evaluation is issued. The value of the investments in the consolidated financial statements is determined based on the mentioned business valuations.

There is no active quotation of discount government bonds when they reach within 3-month maturity. For discount government bonds within the maturity of 3 months, MBH Bank is using yield-curve valuation technique. The inputs of the yield-curve are the relevant active market prices, consequently it is considered as Level 2 valuation.

Data in HUF million except stated otherwise

Loans to banks and customers

The fair value of loans and advances is based on observable market transactions, where available. In the absence of observable market transactions, fair value is estimated using discounted cash flow models.
For the valuation of the loans to banks and customers, please refer to Note 4.14.

Amounts due to other banks

For the purposes of estimating fair value, Amounts due to other banks are grouped by residual maturity. Fair values are estimated using discounted cash flows, applying current rates offered for deposits of similar remaining maturities plus Bank's own credit risk. For determining own credit risk (DVA – Debit Value Adjustment) the Bank uses the own PD and LGD used also for risk purposes which is also in line with the DVA calculation method for negative fair value derivatives. The fair value of a deposit repayable on demand is assumed to be the amount payable on demand at the end of the reporting period.

Issued debt securities and Subordinated debt

Fair values are determined using quoted market prices at the end of the reporting period where available, or by reference to quoted market prices for similar instruments plus own credit risk.

The following tables set out the valuation methods used to determine the fair value of the Bank's financial assets and financial liabilities:

31.12.2024	Quoted market prices in active markets	Valuation techniques – with observable inputs	Valuation techniques – with significant non observable inputs
Financial assets measured at fair value trhough profit or loss	**0**	**1 379**	**5 481**
Loans and advances to customers mandatorily at FVTPL	0	0	5 481
Derivative financial assets	0	1 379	0
Hedging derivative assets	**0**	**1 431**	**0**
Financial assets measured at fair value through other comprehensive income	**44 009**	**3 187**	**0**
Debt and equity securities	44 009	3 187	0
Total	**44 009**	**5 997**	**5 481**
Financial liabilities measured at fair value through profit or loss	**0**	**159**	**0**
Derivative financial liabilities	0	159	0
Total	**0**	**159**	**0**

31.12.2023	Quoted market prices in active markets	Valuation techniques – with observable inputs	Valuation techniques – with significant non observable inputs
Financial assets measured at fair value trhough profit or loss	**0**	**1 565**	**6 310**
Loans and advances to customers mandatorily at FVTPL	0	0	6 310
Derivative financial assets	0	1 565	0
Hedging derivative assets	**0**	**640**	**0**
Financial assets measured at fair value through other comprehensive income	**9 999**	**0**	**0**
Debt and equity securities	9 999	0	0
Total	**9 999**	**2 205**	**6 310**
Financial liabilities measured at fair value through profit or loss	**0**	**1 372**	**0**
Derivative financial liabilities	0	1 372	0
Total	**0**	**1 372**	**0**

4.25. Related party transactions

The Bank identifies the related parties using the 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 – **MBH Bank Ltd. reports from the point of view of a main parent company**) 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 2024 is the following. The following table shows the Bank related companies from the point of view of MBH Bank Plc. as of 31 December 2024.The Bank has no subsidiaries or associates.

Company	Classification	Share%	Core business
MBH Bank Nyrt.	**Ultimate Parent Company**	**0%**	**Other monetary intermediation**
MBH Befektetési Bank Zrt.	**Parent company**	**0%**	**Other monetary intermediation**
MBH Blue Sky Kft.	Related company	0%	Asset management
MBH Duna Bank Zrt.	Related company	0%	Other monetary intermediation
Mitra Informatikai Zrt	Related company	0%	Data services, web hosting ser-vices
Euroleasing Ingatlan Zrt.	Related company	0%	Other lending
Takarék Ingatlan Zrt.	Related company	0%	Other lending
MBH Szolgáltatások Zrt.	Related company	0%	Estate agent service
MBH Domo Kft.	Related company	0%	Own renting and operating real estate
Takarék Faktorház Zrt.	Related company	0%	Own property real estate buying and selling
Takarékszövetkezeti Informatikai Kft.	Related company	0%	Other lending
Takarék Zártkörű Befektetési Alap	Related company	0%	IT service
Takarék Mezőgazdasági és Fejlesztési Magántőkealap	Related company	0%	Investment fund
Takarék Kockázati Tőkealap	Related company	0%	Investment fund
MBH High-Risk Származtatott Részvény Alap	Related company	0%	Investment fund
MBH Ingatlan Befektetési Alap	Related company	0%	Investment fund
MBH Magántőkealap	Related company	0%	Investment fund
OPUS TM1 Ingatlan Befektetési Alap	Related company	0%	Investment fund
MBH Vállalati Abszolút Hozamú Kötvény Befektetési Alap	Related company	0%	Investment fund
Magyar Strat-Alfa Zrt.	Related company	0%	Investment fund
MBH Ingatlanfejlesztő Kft.	Related company	0%	Own property real estate buying and selling
Euroleasing Zrt.	Related company	0%	Own renting and operating real estate
MBH Bank MRP Szervezet	Related company	0%	Financial leasing
HUN Bankbiztosítás Kft.	Related company	0%	Bancassurance
Budapest Eszközfinanszírozó Zrt.	Related company	0%	Other lending
Budapest Lízing Zrt.	Related company	0%	Other tangible assets leasing
MBH Befektetési Alapkezelő Zrt.	Related company	0%	Financial leasing
Fundamenta csoport	Related company	0%	Home savings fund

Data in HUF million except stated otherwise

The Bank did not have any loans to members of the Bank's management bodies as at 31 December 2024 and 2023.

	31.12.2024		31.12.2024	
	Headcount	**The amount of compensation**	**Headcount**	**The amount of compensation**
Members of Board of Directors	6	78	7	101
Members of Supervisory Board	6	57	6	58
Total	**12**	**135**	**13**	**159**

Compensation for managers in a key position includes only short-term benefits without the social security contributions.

Data in HUF million except stated otherwise

The details of transaction in 2024 and 2023 between the Bank and other related parties are disclosed in the next table.

31.12.2024	Parent	Subsidiaries and Related companies	Key management
Due from banks	33 045	0	0
Interbank loans granted	549 095	3 655	0
Other assets	2 167	136	0
Total assets	**584 307**	**3 791**	**0**
Due to banks	(140 000)	0	0
Other liabilities	(160 136)	(15 595)	0
Total liabilities	**(300 136)**	**(15 595)**	**0**
Interest income	44 020	157	0
Interest expense	(28 666)	(1 075)	0
Net interest income	**15 354**	**(918)**	**0**
Fee and commission income	126	1	0
Fee and commission expense	(162)	0	0
Net income from fees and commission	**(36)**	**1**	**0**
Net other operating income	4 621	0	0
Net other operating expense	(1 256)	(5)	0
Operating income	**3 365**	**(5)**	**0**
Operating expense	**(183)**	**(347)**	**135**
Profit/loss on transactions with related parties	**18 500**	**(1 269)**	**135**

Magyar Posta Ltd. has 39.71 % direct qualifying stake (voting rights) in MBH Mortgage Bank. There are no material transactions between the two Companies. The Bank discloses the Hungarian government bonds at 4.12.1, 4.13.3 and the related income statement impact at 4.3 notes table.
The Bank applies the exemption according to IAS 24 paragraph 25.

Data in HUF million except stated otherwise

31.12.2023	Parent	Subsidiaries and Related companies	Key management
Due from banks	21 143	0	0
Loans	488 809	4 191	0
Other assets	11	0	0
Total assets	**509 963**	**4 191**	**0**
Due to banks	(210 185)	0	0
Other liabilities	(82 876)	(9 475)	0
Total liabilities	**(293 061)**	**(9 475)**	**0**
Interest income	39 867	4 647	0
Interest expense	(31 949)	(1 807)	0
Net interest income	**7 918**	**2 840**	**0**
Fee and commission income	90	41	0
Fee and commission expense	(213)	(141)	0
Net income from fees and commission	**(123)**	**(100)**	**0**
Net other operating income	4 844	618	0
Net other operating expense	(5 123)	(3)	0
Operating income	**(279)**	**615**	**0**
Operating expense	**(103)**	**(477)**	**(159)**
Profit/loss on transactions with related parties	**7 413**	**2 878**	**(159)**

Data in HUF million except stated otherwise

4.26. 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. There was no dilution factor in the periods presented.

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.
Basic earnings per share of 31 December 2024 was calculated based on attriubutable profit available to ordinary shareholders of HUF 5,937 million (2023: HUF 5,997 million) and the weighted average number of ordinary shares outstanding of 108,237 thousand pieces (2023: 108,237 thousand pieces).

	31.12.2024	31.12.2023
Profit of shareholders of the Bank	6 597	6 663
Change of general reserve	(660)	(666)
Attributable profit	**5 937**	**5 997**
Weighted average number of shares	108 236 699	108 236 699

4.27. Events after the reporting period

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 identifies 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 was 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.

MBH Mortgage Bank Co. Plc issued a total of HUF 14.75bn mortgage bonds in nominal terms in the first two months of 2025. The series of MJ31NF01 was issued through public auction with the nominal amount of HUF 8.75bn (new, fixed coupon mortgage bond with a remaining maturity of 4.8 years) in January. The Bank offered the MJ28NF02 series (new, fixed coupon mortgage bond with a remaining maturity of 3.2 years) by a public subscription placing HUF 6.0 bn in February.

The Bank finished with the review of its Green Covered Bond Framework in Q1 2025, which was aimed at updating the eligibility criteria of classifying Eligible Green Mortgage Loans.

The National Bank of Hungary (NBH) approved the Base Prospectus of the HUF 150 billion 2025-2026 Issue Program of the Issuer with the resolution number of H-KE-III-122/2025 on February 26, 2025.

MBH Mortgage Bank Plc.

12321942 6492 114 01

Statistic code

Standalone Management Report

31 December 2024

TABLE OF CONTENTS

1 Overview of MBH Mortgage Bank Co. PLC. ... 3
2 The macroeconomic Environment in 2024 ... 5
2.1 The Hungarian economy in 2024 ... 5
2.1.1 New mortgage loan contracts ... 6
2.1.2 Mortgage loan portfolio developments ... 6
2.1.3 Mortgage bond market ... 7
3 Report on the bank's business and financial results ... 7
3.1 Major financial indicators (standalone statement figures) ... 7
3.2 Refinancing ... 7
3.3 Lending to clients ... 8
3.4 Portfolio quality, impairment ... 8
3.5 Issued securities ... 8
3.6 Balance sheet developments (standalone statement figures) ... 10
3.6.1 Financial assets measured at fair value through other comprehensive income ... 12
3.6.2 Financial assets measured at amortised cost ... 12
3.6.3 Financial liabilities measured at amortized costs ... 12
3.6.4 Equity, capital adequacy ... 12
3.6.5 Off balance sheet items ... 12
3.7 Profit & Loss developments (standalone statement figures) ... 13
3.7.1 Net interest income ... 14
3.7.2 Net fees and commissions ... 14
3.7.3 Results from financial instruments ... 14
3.7.4 General and administrative expenses ... 14
3.7.5 Impairment / (Reversal) on financial instruments held for credit risk management and provision (loss) / gain ... 14
3.7.6 Modification (loss) / gain on financial instruments ... 15
3.7.7 Pre-tax profit ... 15
4 Liquidity management ... 15
5 Risk management principles ... 16
5.1 Risk Strategy ... 16
5.2 Credit risk ... 16
5.3 Market risk ... 17
5.4 Liquidity and solvency risks ... 18
5.5 Operational risk ... 18
6 Human resources policy ... 18
7 Sustainability ... 21
8 Participation in professional associations ... 22
9 Information pursuant to sections 95/A and 95/B of the accoiunting act ... 22
10 Post Balance Sheet date events ... 35

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 its 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 2024 and 2023

Shareholder	December 31, 2024		December 31, 2023	
	Ownership ratio %	Nr of shares	Ownership ratio %	Nr of shares
Ordinary shares listed on BSE (Series “A”)				
Domestic institutional investors	52.1	56 520 385	52.1	56 527 499
Foreign institutional investors	0.01	7 278	0.01	6 705
Domestic private investors	2.82	3 056 794	2.83	3 052 987
Foreign private investors	0.03	33 618	0.01	21 489
Treasury shares	0.23	253 601	0.23	253 601
Government held owner	44.79	48 597 602	44.8	48 597 602
Other investors	0.02	21 022	0.03	30 417
Subtotal (Series “A”)	100	108 490 300	100	108 490 300

In September 2015 the Bank and former FHB Commercial Bank (hereinafter referred as ‘Commercial Bank’) under the Bank’s majority ownership that time 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 the former 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 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 former Commercial Bank.

From April 2018, the Bank discontinued new own originated loan disbursement. Own originated loans disbursed before 2018 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 based on mortgage refinancing.

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

In the second half of 2019 the shares of Takarék Commercial Bank operating 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, therefore consolidated financial statements were not prepared by the Bank since 2020. The parent company of the Bank (ultimate parent) has been preparing 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 National Bank of Hungary (hereinafter referred as 'NBH') . Based on the NBH'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 accordance 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) became a subsidiary of the merged bank. Takarékbank joined the merged bank in the second quarter of 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, 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 MTB Ltd. in 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 the 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 2024

2.1 THE HUNGARIAN ECONOMY IN 2024

In the developed economics, inflation rates have been further reduced in 2024, but inflation has not yet stably reached the desired targets. The growth figures for 2024 were positive, with the US economy expanding at a steady pace above 2.5%, while growth in the euro area was rather lagging behind last year. Central Banks in the developed countries started their rate cutting cycles in 2024, but with different dynamics. The European Central Bank started its rate-cutting cycle in June and, after a pause in July, maintained it until the end of 2024, bringing the deposit rate down to 3.00% by the end of the year. The Fed cut rates later but by a larger 50 basis points, first in September 2024 and then in the last quarter of 2024, with two 25 basis point rate cuts, to 4.25-4.50% by the end of 2024 overseas.

Although the euro area economy avoided a technical recession in 2024, the weak growth dynamics (and the weakness of our main trading partner, Germany) were also a significant drag on the Hungarian economy. In both the second and third quarters of 2024, domestic GDP declined on a quarterly basis, pushing the Hungarian economy back into a technical recession. Subsequently, however, the Hungarian economy emerged from the technical recession in the fourth quarter of 2024, with economic output expanding by 0.5% in the fourth quarter of 2024 compared to the previous quarter. The growth rate was thus slightly better than expected.

In 2024, prices rose by 3.7% on average compared with the previous year, in line with expectations. The inflation indicator moved out of the central bank's tolerance band in May and July. The moderation in inflation has been supported by a fall in fuel prices, while price increases for services have remained high for a long time. Inflation reached its lowest level in September 2024, when the annual average price increase fell to the 3% target for the first time since January 2021. Inflation in December was 4.6%, higher than the annual average. The main reason for the year-end increase was the base effect. In addition, by the end of 2024, the weakening of the forint was also visible in the rise in the price of consumer durables. Core inflation was 4.7% in December 2024. The price index for services remained high at well above 5% throughout the year, while the price of household energy fell year-on-year and, with the exception of December, the price of consumer durables also fell in 2024.

The MNB continued its cycle of interest rate cuts in 2024, with the base rate falling to 6.50% in September from 10.75% at the beginning of 2024. In the fourth quarter, the MNB paused the rate cuts, leaving the policy rate at 6.50% until the end of 2024. The MNB's room for manoeuvre was also narrowed by the expected upward revision of the Fed's interest rate path and the sharply weakening forint. In addition, inflationary pressures have also increased, which also prevented a rate cut.

According to the Ministry of National Economy's January release, the central sub-system of the general government finances closed with a deficit of HUF 4,095.8 billion in 2024, below the increased deficit target of HUF 4,790 billion. According to the NGM, the accrual-based deficit as a share of GDP could be 4.8% of GDP (final data will be released on 1 April 2025). Expenditure on pensions and pension-like benefits, baby grants and preventive medical care exceeded the amounts spent a year earlier. Tax and contribution revenues of the central subsystem were 8.7% higher than in the previous year. 2024 saw no reduction in the ratio of public debt to the size of the economy. The debt-to-GDP ratio rose from 73.4% at the end of 2023 to 73.6% at the end of last year.

The external financing capacity for 2024 (only preliminary data is available for the fourth quarter) was €6.8 billion (equivalent to 3.3% of GDP), consisting of a surplus of €6.1 billion on the current account and €730 million on the capital account. The trade in goods balance improved by €2.6 billion last year compared to a year earlier, with a surplus of €11.6 billion.

After 2023, the credit institutions sector also had an outstanding year in 2024 in terms of profit after tax: based on unaudited data, domestic banks achieved a profit of HUF 1,632 billion in 2024, which is HUF 153 billion higher than in 2023, and a return on equity of at least 20%. In numerical terms, the improvement over 2023 was driven by an increase in dividend income of nearly HUF 140 billion and an improvement in non-interest income from financial and investment services of more than HUF 90 billion. However, these are not sustainable trends in the long term in terms of volume. Interest income was around HUF 100 billion lower than in 2023, which is better than expected, given that the sector realised significantly lower interest income on its deposit assets held with the MNB due to the decline in central bank interest rates, and in addition, the interest rate limits previously introduced on specific mortgage loans remained largely effective during 2024. This deterioration in interest income was offset by a roughly HUF 55 billion improvement in fee and commission income, although transaction fees increased by more than HUF 100 billion in expenses, and the sector was unable to pass on part of this increase to its clients. Operating costs increased by HUF 150 billion from 2023 to 2024, well above the rate of inflation and slightly above the rate of revenue growth, so the cost-to-revenue ratio increased marginally from its 2023 level but remained below 40%. After a near-neutral impact on profit in 2023, risk costs in 2024 amounted to HUF 108 billion, mainly due to accelerating net impairment charges in the second half of the year. At the same time, the sector's tax payments decreased by around HUF 50 billion (HUF 70 billion taking into account the evolution of the contribution to resolution and deposit insurance funds) compared to 2023, mostly due to the possibility of a reduction in the extra profit tax. Overall, therefore, the banking sector continued to show an outstanding performance in 2024. However, the resulting trends are partly unsustainable in the longer term and, coupled with a moderately continued decline in yields, a meaningful correction in the equity ratio is therefore expected.

2.1.1 New mortgage loan contracts

Due to the improving economic outlook, rapid household income growth (fuelled by high returns on savings in addition to wage growth) and falling interest rates (accelerated by banks' voluntary mortgage APR limits), the volume of new residential mortgage contracts shot up at rocket speed from the beginning of 2024 and this momentum continued throughout the year. Finally, customers signed new contracts with credit institutions worth HUF 1,443 billion, which is more than 110% higher than the HUF 686 billion in 2023. Only for housing loans, the growth rate was even higher (close to 130%), as the volume of mortgages for unlimited use was essentially the same as last year, i.e. no growth. The outstanding growth rate cannot be repeated, as the base in 2023 was abysmally low, but the momentum achieved in 2024 could be maintained in the retail mortgage market, as, in addition to a number of economic policy measures, strong income growth will continue to support families' homeownership intentions in 2025, further strengthening the demand side of mortgage lending.

2.1.2 Mortgage loan portfolio developments

The portfolio of retail mortgage loans amounted to HUF 6356 billion on 31 December 2024, according to data published by the National Bank of Hungary. The annual stock growth exceeded HUF 615 billion (an increase of about 11%) compared to the 2023 year-end stock of HUF 5,739 billion. This growth was driven by the very significant increase in the average transaction size of new housing loans (by nearly 62%) due to the new CSOK Plus scheme, while the number of transactions increased by over 41% compared to 2023. In addition, the amortisation ratio remained low, as prepayments did not return to the levels in the years prior to 2023.

2.1.3 Mortgage bond market

The nominal value of mortgage bonds issued by the five Hungarian mortgage banks increased by less than 1% by the end of 2024 compared to the end of the previous year, with a total nominal value of HUF 2,107 billion outstanding as of 31 December 2024. The nominal value of MBH Mortgage Bank's outstanding mortgage bonds was HUF 365 billion at the end of 2024, showing a decrease of about 6%, which means that the Bank lost more than 1 percentage points of its market share. The Bank remains the second largest player in this market segment with a market share of 17.3%.

3 REPORT ON THE BANK'S BUSINESS AND FINANCIAL RESULTS

3.1 MAJOR FINANCIAL INDICATORS (STANDALONE STATEMENT FIGURES)

The total assets of the Bank based on standalone statement figures decreased by 1.6% (i.e. by HUF 14.3 billion) in 2024, and its volume reached HUF 892.3 billion by the end of the year. Pre-tax profit amounted to HUF 7.2 billion, while profit for the year reached HUF 6.6 billion. The total comprehensive income for 2024 was HUF 6.3 million (2023: HUF 7.2 billion).

Major indicators (HUF million; %)	**31.12.2024.**	**31.12.2023.**	**Change (%)**	**Change**
Total assets	892 311	906 587	-1.6%	-14 276
Financial assets measured at amortised cost from this,	834 702	867 975	-3.8%	-33 273
Loans and advances to banks	593 463	523 272	13.4%	70 191
Loans and advances to customers	16 468	20 540	-19.8%	-4 072
Debt securities	224 418	323 975	-30.7%	-99 557
Financial liabilities measured at amortised cost from this,	803 370	820 600	-2.1%	-17 230
Amounts due to other banks	374 995	445 316	-15.8%	-70 321
Issued debt securities	427 599	374 647	14.1%	52 952
Equity	84 528	78 205	8.1%	6 323
Profit before taxation	7 177	7 385	-2.8%	-208
Profit for the year	6 597	6 663	-1.0%	-66
Total comprehensive income for the year	6 323	7 168	-11.8%	-845
ROAA (average return on assets), %	0.7%	0.8%	-	-0.04%-pt
ROAE (average return on equity), %	8.1%	8.9%	-	-0.8%-pt

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

3.2 REFINANCING

From 2018 the Bank performs solely classic mortgage bank functions, i.e. it issues mortgage bonds for raising funds to refinance its partnerbanks'–both within the MBH Group and also for external partners mortgage loan portfolios. Within the Group, the Bank acts as a special entity: it is eligible to raise funds in the form of mortgage covered bond or uncovered bond issuances either at domestic or international financial markets. Mortgage bonds issued by the Mortgage Bank and the refinancing provided by the Mortgage Bank are a key elements of ensuring MFAR compliance for the partner banks.

MBH Mortgage Bank currently has 8 refinancing partners as of the reporting date, of which MBH Bank has the largest refinancing loan portfolio. 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 increased by 3.6% (or HUF 13.7 billion) in 2024 and their volume at the end of the year came at HUF 395.0 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 active only in the refinancing segment, and thus the portfolio of the still existing client loans is 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 17.8 billion at the end of 2024 down by 16.4% from end-2023's HUF 21.3 billion. 98.4% of this gross portfolio are household loans, the volume of which decreased by HUF 3.4 billion compared to the previous year. The gross stock of corporate loans amounted to HUF 0.3 billion at the end of 2024.

3.4 PORTFOLIO QUALITY, IMPAIRMENT

The Bank's gross loan volume amounted to HUF 578.8 billion at the end of the year. The value of contingent liabilities was HUF 30.7 billion on December 31, 2024. Hence the full exposure of gross loans and contingent liabilities (excluding securities) was HUF 609.5 billion.

Claims on clients amounted to HUF 17.8 billion, moreover, based on already signed contracts there was a commitment for disbursing loans of HUF 0.03 billion at the end of 2024. Out of these volume 892 loan contracts were classified as Stage 3 category with an underlying volume of HUF 0.9 billion in claims with HUF 0.2 billion in impairments. HUF 16.9 billion in claims and HUF 0.03 billion in commitments were classified as Stage 1 and Stage 2 categories, with HUF 1.1 billion in impairments and provisions.

The total stock of refinancing loans was HUF 396 billion with a minimal HUF 0.3 billion in impairments.

The Bank has ownership interest in two entities: the MBH Investment Bank Ltd. and the Takarék United Cooperatives (TESZ). The nominal value of these investments is HUF 0.02 billion at the end of 2024.

In the interbank market the Bank had placements of HUF 33 billion in the form of sight deposits, for which an impairment loss of HUF 0.04 billion was booked.

The share of problem free (Stage 1 and Stage 2) loans was 94.79% as of December 31, 2024, consequently the share of Stage 3 loans was 5.21%.

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

3.5 ISSUED SECURITIES

In 2024, MBH Mortgage Bank raised a total of HUF 129.6 billion of funds from the domestic capital market, of which HUF 75 billion was issued in the form of unsecured floating rate bonds and HUF 59.6 billion in the form of mortgage bonds. Among the mortgage bonds issued in 2024, the share of green mortgage bonds was 24.3% (HUF 14.5 billion). During the year under review, nearly HUF 22 billion (36.6%) of mortgage bonds issued were variable rate and HUF 37.7 billion (63.4%) were fixed rate. Mortgage bonds were all placed through public auctions (8 auctions) with the participation of the Mortgage Bank's four-member dealer consortium, while the unsecured bonds were issued through subscriptions (2 subscriptions).

Despite the uncertain market environment and the decreasing domestic demand, MBH Mortgage Bank retained its general issuance strategy and regularly organised auctions 1-3 times per quarter: it offered mortgage bonds maturing in 2029 and 2032 to investors. Typically, volumes of HUF 6 billion were offered at auctions. Issue spreads compared to benchmark government bond yields declined after the second quarter of 2024 from levels above 120 basis points at the beginning of the year. However, issue spread tightening stopped in the last quarter. MBH Mortgage Bank obtained a new favourable Moody's mortgage rating (A1) in the summer that offset the upward trend in issue spreads, so ultimately neither spreads over government bond nor to interest rate swaps returned to levels above 100 basispoint witnessed in the first half of the year.

In terms of the total mortgage bond market issuance, compared to a total of HUF 117.3 billion issued in the first half of the year, further HUF 260.3 billion of mortgage bonds were issued by five domestic mortgage banks in the second half of the year, of which the third quarter proved to be the most active (HUF 233.2 billion). Green mortgage bond issuance remained subdued with a total of HUF 34.4 billion issued over the year, of which MBH Mortgage Bank’s green issuance amounted to HUF 14.5 billion.

In terms of mortgage bonds, mortgage bonds with a nominal value of HUF 5.9 billion, HUF 27 billion, HUF 25 billion and HUF 7.2 billion were issued by MBH Mortgage Bank in each quarter. In total three variable rate and five fixed rate mortgage bonds were marketed at the 8 mortgage bond auctions.

In August, 2024 the Bank decided to issue new unsecured bonds for the first time since March 2018. 3-year maturity (MK27NV01) and 6-year maturity (MK30NV01) floating rate bonds were placed on the market through subscriptions. The total nominal value of the bonds was HUF 35-35 billion. The purpose of the issue was to fulfill MBH Mortgage Bank's unsecured funding needs. On the one hand, the mortgage bank's operations have a certain volume of unsecured funding needs on an ongoing basis-the part of mortgage loans not eligible for cover pool inclusion and the maintained over collateral portfolio cannot be financed from mortgage bonds-while the long-term funding elements in the form of the issued 3 and 5-year bonds is more in line with the asset-liability structure of the mortgage bank from a maturity perspective compared to short-term interbank funding, which is also supportive from rating prospective.

Three series of mortgage bonds with a total nominal value of HUF 56.5 billion matured during the year, and the Bank also organised two repurchases in 2024: in February it repurchased HUF 20 billion of TJ24NF01 series, and in June it repurchased nearly HUF 5.4 billion of TJ24NV01 floating rate series in a mortgage bond switch auction, which was an innovation in the Hungarian capital market for covered bonds. Investors did not pay the purchase price of the MJ32NV01 floating rate mortgage bond offered for issue in HUF, but the purchase price of the other floating rate mortgage bond (TJ24NV01), also due in October 2024, was offset against the predetermined price of the other floating rate mortgage bond (TJ24NV01) announced for repurchase. The pioneering transaction was successful, with HUF 5.6 billion of the MJ32NV01 series being put into circulation, resulting in the repurchase of HUF 5.6 billion of the switch paper. The introduction of the switch auction for covered bonds could contribute to an even higher level of investor demand and thus market development in the mortgage bond market.

As a result of the above transactions, the total nominal value of outstanding mortgage bonds issued by the Issuer at the end of December 2024 amounted to HUF 364.927 billion, compared to the HUF 387.218 billion a year earlier (quarter IV, 2023).

The Bank continuously monitored required level of collaterals and the fulfilment of the proportionality requirements in accordance with the requirements of the Act on Mortgage Banks and Mortgage Bonds and the Bank's collateral registration regulations. Also, the Bank verified the eligibility criteria for the normal collateralisation after the disbursement of the loans in order to ensure that the mortgage bonds were covered.

The net value of ordinary collaterals for mortgage bonds issued by MBH Mortgage Bank Co. Plc. was HUF 603.2 billion as of 31 December 2024, showing an increase of 3.5% compared to 31 December 2023 (HUF 582.8 billion) as a result of the increase in the refinancing loan portfolio.

Value of mortgage bonds and collaterals

HUF million	December 31, 2024	December 31, 2023	Change
Outstanding mortgage bonds in circulation			
Face value	364 927	387 218	-5.8%
Interest	81 457	70 012	16.3%
Total	446 384	457 230	-2.4%
Value of ordinary collateral			
Principal	403 892	396 276	1.9%
Interest	199 353	186 554	6.9%
Total	603 245	582 830	3.5%
The value of the liquid assets involved (principal and interest amount)	28 284	65 220	-57.7%
Value of assets involved as supplementary collateral	-	-	-
Value of mortgage bonds and assets involved as collateral	-	-	-
Total	28 284	65 220	-57.7%

As of December 31, 2024, the present value of the cover assets was HUF 410.1 billion and the present value of the items to be covered was HUF 344.5 billion, so that the present value of the assets represented 119.07% 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 115.67%, while the ratio of the interest amount of collateral assets and the unpaid interest amount of outstanding mortgage bonds was 256.56% at 31 December 2024.

3.6 BALANCE SHEET DEVELOPMENTS (STANDALONE STATEMENT FIGURES)

As of 31 December 2024, the Bank's total assets amounted to HUF 892.3 billion, 1.6% below the end-2023 figure of HUF 906.6 billion.

Balance sheet items (HUF million; %)	**31 December, 2024**	**31 December, 2023**	**Change (%)**	**Change**
Assets				
Cash and cash equivalents	**1 249**	**19 305**	**(93.5%)**	**(18 056)**
Financial assets measured at fair value through profit or loss	**6 860**	**7 875**	**(12.9%)**	**(1 015)**
Loans and advances to customers mandatorily at fair value through profit or loss	*5 481*	*6 310*	(13.1%)	(829)
Derivative financial assets	*1 379*	*1 565*	(11.9%)	(186)
Hedging derivative assets	**1 431**	**640**	**123.6%**	**791**
Financial assets measured at fair value through other comprehensive income	**47 196**	**9 999**	**-**	**37 197**
Debt and equity securities	*47 196*	*9 999*	-	37 197
Financial assets measured at amortised cost	**834 702**	**867 975**	**(3.8%)**	**(33 273)**
Loans and advances to banks	*593 463*	*523 272*	13.4%	70 191
Loans and advances to customers	*16 468*	*20 540*	(19.8%)	(4 072)
Debt securities	*224 418*	*323 975*	(30.7%)	(99 557)
Other financial assets	*353*	*188*	87.8%	165
Property, plant and equipment	**104**	**143**	**(27.3%)**	**(39)**
Intangible assets	**150**	**247**	**(39.3%)**	**(97)**
Income tax assets	**363**	**337**	**7.7%**	**26**
Deferred income tax assets	*363*	*337*	7.7%	26
Other assets	**256**	**66**	**287.9%**	**190**
	892 311	**906 587**	**(1.6%)**	**(14 276)**
Liabilities				
Financial liabilities measured at fair value through profit or loss	**159**	**1 372**	**(88.4%)**	**(1 213)**
Derivative financial liabilities	*159*	*1 372*	(88.4%)	(1 213)
Financial liabilities measured at amortised cost	**803 370**	**820 600**	**(2.1%)**	**(17 230)**
Amounts due to other banks	*374 995*	*445 316*	(15.8%)	(70 321)
Issued debt securities	*427 599*	*374 647*	14.1%	52 952
Other financial liabilities	*776*	*637*	21.8%	139
Hedging derivative liabilities	**3 569**	**5 214**	**(31.5%)**	**(1 645)**
Provisions for liabilities and charges	**7**	**16**	**(56.3%)**	**(9)**
Income tax liabilities	**200**	**264**	**(24.2%)**	**(64)**
Current income tax liabilities	*200*	*264*	(24.2%)	(64)
Other liabilities	**478**	**916**	**(47.8%)**	**(438)**
Total liabilities	**807 783**	**828 382**	**(2.5%)**	**(20 599)**
Equity				
Share capital	*10 849*	*10 849*	-	-
Treasury shares	*(207)*	*(207)*	-	-
Share premium	*27 926*	*27 926*	-	-
Retained earnings	*36 129*	*30 126*	19.9%	6 003
Other reserves	*2 946*	*2 286*	28.9%	660
Profit for the year	*6 597*	*6 663*	(1.0%)	(66)
Accumulated other comprehensive income	*288*	*562*	(48.8%)	(274)
Total equity	**84 528**	**78 205**	**8.1%**	**6 323**
Total liabilities and equity	**892 311**	**906 587**	**(1.6%)**	**(14 276)**

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 47.2 billion at the end of 2024, significantly higher than a year earlier. The share of debt-type securities in the portfolio increased to 100% by the end of 2024, while the share of ownership-type instruments decreased to 0%.

Government bonds account for 93.2% of the portfolio of debt securities within financial assets measured at fair value through other comprehensive income. The stock of government bonds increased by HUF 41.0 billion to HUF 44.0 billion at the end of 2024. The stock of credit institution bonds, which accounted for 6.8% of the total, fell by 54.4% compared to the previous year (from HUF 7.0 billion to HUF 3.2 billion).

3.6.2 Financial assets measured at amortised cost

The volume of financial assets measured at amortized costs decreased by 3.8% in 2024, thus the volume amounted to HUF 834.7 billion by the end of the period. The gross stock of debt-type securities within this decreased by 30.7% and stood at HUF 224.4 billion at the end of the year. 87.4% of the total securities portfolio is made up of government bonds, the stock of which was HUF 196.3 billion at the end of 2024.

Within this asset class the other major component is the stock of gross loans. This increased by 13.4% in the course of 2024, rising to HUF 593.5 billion by the end of the year.

The gross stock of interbank deposits and claims on central bank increased from HUF 21.0 to HUF 33.0 billion, which represents a significantly higher level (+57.1%).

3.6.3 Financial liabilities measured at amortized costs

Financial liabilities measured at amortized costs take up 90.0% of the Bank's total liabilities. Their volume at the end of 2024 was 2.1% lower than a year before, thus reaching HUF 803.4 billion. Within these liabilities it is debt-type securities, i.e. the mortgage bonds issued by the Bank to provide funding for the long-term refinancing of the mortgage debt portfolio, represent the highest share (53.2%). The value of mortgage bonds issued at the end of 2024 reached HUF 357.3 billion, which represents a 4.6% decrease compared to 2023. During 2024, however, the stock of loans received decreased by 15.8%, reached HUF 375.0 billion.

3.6.4 Equity, capital adequacy

Shareholders' equity amounted to HUF 84.5 billion at the end of 2024, up HUF 6.3 billion (or 8.1%) from the end of 2023.

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 30.7 billion at the end of 2024, 7.6% 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 (standalone statement figures)

P&L items (HUF million; %)	2024.	2023.	Change (%)	Change
Interest and similar to interest income	**61 507**	**61 348**	**0.3%**	**159**
Interest income using effective interest rate method	53 422	51 645	3.4%	1 777
Other income similar to interest	8 085	9 703	(16.7%)	(1 618)
Interest expense	**(48 672)**	**(52 825)**	**(7.9%)**	**4 153**
Interest expense using effective interest rate method	(40 665)	(43 369)	(6.2%)	2 704
Other interest expenses	(8 007)	(9 456)	(15.3%)	1 449
Net interest income	**12 835**	**8 523**	**50.6%**	**4 312**
Income from commission and fees	186	219	(15.1%)	(33)
Expense from commission and fees	(288)	(366)	(21.3%)	78
Net income from commissions and fees	**(102)**	**(147)**	**(30.6%)**	**45**
Results from financial instruments, net	**(2 206)**	**966**	**-**	**(3 172)**
Result from remeasurement and derecognition of financial instruments measured at fair value through profit or loss	884	2 193	(59.7%)	(1 309)
Result from derecognition of debt and equity securities measured at fair value through other comprehensive income	147	399	(63.2%)	(252)
Results from derecognition of loans and debt securities measured at amortised cost	(3 874)	(162)	-	(3 712)
Results from hedge accounting, net	380	(1 254)	(130.3%)	1 634
Foreign exchange gains less losses	257	(210)	(222.4%)	467
Allowances for expected credit losses, provisions for liabilities and charges and impairment of non-financial assets	**(535)**	**877**	**(161.0%)**	**(1 412)**
Expected credit loss on financial assets, financial guarantees and loan commitments	(137)	1 345	(110.2%)	(1 482)
Provisions for litigation, restructuring and similar charges	10	1	-	9
(Loss) / gain on modification of financial instruments that did not lead to derecognition	-	-	-	-
(Impairment) / reversal of impairment on other financial and non-financial assets	(51)	-	-	(51)
Administrative and other operating expense	**(2 641)**	**(2 734)**	**(3.4%)**	**93**
Other income	**9**	**36**	**(75.0%)**	**(27)**
Other expense	**(183)**	**(136)**	**34.6%**	**(47)**
Profit before taxation	**7 177**	**7 385**	**(2.8%)**	**(208)**
Income tax income / (expense)	(580)	(722)	(19.7%)	142
Profit for the year	**6 597**	**6 663**	**(1.0%)**	**(66)**
Other Comprehensive Income				
Items that may be reclassified to profit or loss	**(274)**	**505**	**(154.3%)**	**(779)**
Debt instruments at fair value through other comprehensive income	(235)	495	(147.5%)	(730)
Fair value changes	(118)	877	(113.5%)	(995)
Reclassification of accumulated remeasurements to profit or loss upon derecognition	(117)	(382)	(69.4%)	265
Income tax relating to items that may be reclassified subsequently	(39)	10	-	(49)
Items that may not be reclassified to profit or loss	**0**	**0**	**-**	**-**
Fair value changes of equity instruments measured at fair value through other comprehensive income	0	0	-	-
Other comprehensive income for the year net of tax	**(274)**	**505**	**(154.3%)**	**(779)**
Total comprehensive income for the year	**6 323**	**7 168**	**(11.8%)**	**(845)**

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

The Bank's pre-tax profit was HUF 7.2 billion in 2024, which represents by HUF 0.2 billion lower level compared to the profit of the previous year (2023: HUF 7.4 billion). Full-year profit reached HUF 6.6 billion in 2023 (HUF 6.7 billion in 2023). The total comprehensive income was also below the performance of the previous year, reaching HUF 6.3 billion in 2024 (HUF 7.2 billion in 2023).

3.7.1 Net interest income

Net interest income reached HUF 12.8 billion in 2024 (HUF 8.5 billion in 2023) as a result of HUF 61.5 billion in interest income (up 0.3% from 2023) and HUF 48.7 billion in interest expenses (down 7.95% from 2023). In sum, net interest income was HUF 4.3 billion (50.6%) higher in 2024 than in the previous year.

In terms of interest income, the interest income from financial assets measured at amortized cost in 2024 was decisive. Its value was HUF 51.5 billion in 2024 (HUF 50.3 billion in 2023).

Interest expenses were HUF 4.2 billion lower than the previous year, totalling HUF 48.7 billion (2023: HUF 52.8 billion). Among the interest expenses, the interest expenses of financial liabilities measured at amortized cost represent the most significant item; this amounted to HUF 40.7 billion in 2024 which was HUF 2.7 billion lower than the previous year (HUF 43.4 billion in 2023).

3.7.2 Net fees and commissions

The net fees and commissions result was HUF 102 million in loss in 2024 (HUF 147 million loss in 2023).

Income from fees and commissions reached HUF 186 million (down 15.1% from 2023). The lower revenues were caused by the decrease in other fee and commission revenues related to own-originated mortgages and the real estate appraisal fee.

The amount of fee and commission expenses in 2024 was HUF 288 million (HUF 366 million in 2023). The lower level of fees and commission expenses is mainly explained by lower agency fee.

3.7.3 Results from financial instruments

The result related to financial assets amounted to HUF 2,2 billion loss compared to last year's HUF 966 million profit 2023. The loss 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 3.4% (i.e. by HUF 93 million) in 2024, reaching a level of HUF 2.6 billion overall compared to HUF 2.7 billion in 2023. The decrease in operating costs was driven by lower IT costs and lower extra profit tax paid. The extra profit tax amounted to HUF 194 million in 2024 (HUF 576 million in 2022).

However, in 2024, legal and advisory services and expert fees increased by HUF 263 million, while the amounts paid into the solvency fund, which is included in membership fees, increased by HUF 211 million.

Salaries and wage-related costs increased by HUF 51 million to a total of HUF 501 million in 2024.

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 137 million in 2024.

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 357 million loss in 2024 (HUF 469 million in 2023).

3.7.7 Pre-tax profit

The Bank's pre-tax profit amounted to HUF 7.2 billion in 2024 (HUF 7.4 billion in 2023).

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 decreased by 5.8% (- HUF 22.3 billion) year-on-year from HUF 387.2 billion to HUF 364.9 billion in 2024. 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 2024 the weight of long-term (3- and 5-year) central bank refinancing 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 2024:

Maximum daily net liquidity outflow within 180 days (HUF million)	-12 895
Liquidity buffer (market) value of the cover pull set (HUF million)	18 832

The Bank has terminated its contract with S&P Global Rating in 2019 for the purpose of rating its mortgage loans during 2024, and the BBB rating at the time of termination has been withdrawn by MBH Mortgage Bank's own decision.

MBH Mortgage Bank's mortgage covered bonds are currently rated by Moody's Investor Service, which announced on 22 July 2024 that it has assigned a long-term A1 rating to the mortgage-covered bonds issued by MBH Mortgage Bank (the Partner Risk (CR) Rating is Baa3(cr). At the same time, Moody's also announced that MBH Mortgage Bank's long- and short-term issuer ratings were Ba3/NP, its long- and short-term Counterparty Risk Ratings (CRRs) were Baa3/P-3, and its long- and short-term Counterparty Risk (CR) Assessment was Baa3(cr)/P-3(cr). The outlook on the ratings was assessed by Moody's as stable.

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 2024.

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 2024, the main drivers of credit risk changes remained the Russian-Ukrainian war, the geopolitical and economic situation, increased risk in the construction sector, and the end of the payment moratorium, 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.
- As a general rule, 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 and had a stage 2 classification before entering the agricultural moratorium, 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.

Transactions classified as restructured due to participation in the agricultural moratorium are subject to the terms of the general 24-month probation period. 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, the updated risk parameters have also been implemented in the lifetime ECL calculation.

As at the reporting date, environmental, social and governance (ESG) aspects have not been taken into account in the Bank's risk management models. The methodology for collecting and storing the relevant ESG information has been developed and will be available for future analysis and use. An ESG data taxonomy has also been established. By analysing the composition of the ESG index, in accordance with National Bank of Hungary Recommendation 9/2024 (IX.24.), information to be available through ESG data collection to be phased in from 1 July 2025, will be incorporated in the longer term in the stress tests to be carried out and in the estimation of lifetime PD and LGD parameters.

In exceptional economic situations, the Bank has the possibility to adjust the models on an expert basis. The portfolio-level management adjustment calculated in this context is one-off expected loss value that the Bank's models are not able to capture or not fully capture, but the level of risk is assumed to be significant (e.g. increases in credit loss due to default events after the end of the moratorium).

The Bank regularly reviews and maintains accountability for the management overlay values determined on the basis of the assessment criteria. The components of the management overlay are subject to change at the discretion of the Methodology Committee, ensuring compliance with the requirements of the relevant NBH Management Circular

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, share price 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.

Share price risk:

Share price risk means the risk of having the profit or the capital of the Group decreasing or being totally lost due to changes in the levels and proportions of the stock prices in the market.

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 2024 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.

Regarding 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 2024 was 16.

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.

Start program:

The first element of the Generation Diversity programme, the award-winning Start programme, was a milestone in the MBH Group's talent retention activities. Start is one of the largest internship programmes in the country, with more than 400 talented students aged 19-25 from across the country currently working for MBH Group. For the trainees, the Group represents the first milestone in the start of their careers in the labour market. During the programme, they gain relevant work experience, which provides a solid supply base for the Bank. The internship programme is designed to give the MBH Group more than just professional experience: through its own onboarding processes, dedicated HR colleagues accompany the students' professional work and development. In 2024, 100 Start colleagues have been recruited to full-time positions in the MBH Group.

Start+ program:

The next element of the Generational Diversity programme, the MBH Group's programme for young people, was the awards received Start+ programme.

In 2024, the Bank launched the second phase of the Start+ programme, within the framework 12 talented young people start their careers in the banking sector. During the year-long programme, they rotate through a specific field, learning about the beauty of banking and practicing their profession. One of the key elements of the programme is a presentation to the bank's senior management in the final quarter, when they solve a critical strategic problem for the bank. Of the first class of 2023, 92% remain with the bank after one year.

Baby+ programme:

The Generational Diversity programme's focus on colleagues about to start a family: Baby+ programme. Through this programme, the bank offers financial, professional and personal support to help prospective parents in their changing life situation. An important factor is that the Bank thinks not only about mothers but also about fathers-to-be, and offers them individual solutions. The programme is very popular, with 340 cases paid and over 500 colleagues answered questions.

MMM+ program:

The latest element of the Generational Diversity programme is the MBH Group's programme for people with disabilities. In 2024, the Bank identified 62 people and helped them with their living situation: they are eligible for tax relief and the programme's elements also provide them with a range of support.

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 online 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.

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 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.

MBH Group and sports:

MBH provides significant support to its sports association where effective professional and recreational sports work is carried out. In 2024, the association has a membership of between 600 and 650 people, including 900-950 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, triathlon, thai boxing. In 2024, we organised several sports club in-house championships in 20 sports. 300 certificates were awarded.

The Sports Association prepares our competitors in 11 sports for the annual Hungarian Banks Sports Tournament, where the MBH Group team achieved third place in Győr in 2024. /13 banks competed/

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.

SA members in rural areas receive a recreational sports grant, which they could spend on sports facilities near their workplace or home. In 2024, 250 colleagues in 40 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. (Kassák Lajos u. Headquarters, Tüskecsarnok/ At the Kassák gym, our members could participate in several group classes led by 13 trainers. / zumba, yoga, TRX, spinning, crossfit, pilates, body shaping)

The SA has also improved in communication. In 2024, it ran a months-long campaign to raise awareness among colleagues about the importance of recreational sports and the priority of a preventive, physically active lifestyle (posters, lockscreen page, Horizon, MBH SE faces videos, sports news, dedicated sub-page on the main Horizon website) FaceBook group (MBHSE) now has 677 members.

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. Elections for the Works Council and the Labour Representative are currently underway.

7 SUSTAINABILITY

MBH Banking Group is committed to sustainability, therefore, it has integrated all three – environmental, social and corporate governance – pillars of ESG into its operations and strives for continuous improvement. Details are available in the Sustainability Report of the Banking Group. Details are provided in the Group's Consolidated Sustainability Report, prepared in accordance with Article 29a of Directive 2013/34/EU of the European Parliament and of the Council.

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 and in 2024. The published standalone 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.

According to the EU Corporate Sustainability Reporting Directive (CSRD), MBH Mortgage Bank - due to its stock exchange status will have to prepare its first sustainability report for the financial year 2025, in 2026, in accordance with the European Sustainability Reporting Standards (ESRS). The CSRD integrates sustainability reporting into its financial reporting, providing a single view of the bank's operations and thus ensuring increased transparency and credibility of sustainability reporting for both the domestic and EU markets.

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 published on EEML and on its website.

Green Mortgage Bond Keretrendszer

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, then and reviewed in December 2023, and published its updated Green Mortgage Certificate Framework in February 2024, together with a rating opinion. The 2024 Framework has not changed in terms of the principles applied, but it has been complemented by improvements in corporate governance and transparency to enhance sustainable operations, and by green acceptability criteria that take into account changes in the regulatory regime for the energy performance of buildings. MBH Mortgage Bank Plc. provides a quarterly green mortgage bond allocation report based on the transparency requirements related to the framework, and annually publishes a review report on the consistency of its green mortgage bond issuance activity with the Framework and an impact assessment report. The external certification of the Green Mortgage Bond Framework (valid on December 31, 2024) was issued 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. The Bank focuses on improving the ESG knowledge and awareness of its employees and top management and has organised targeted training to help them implement the ESG strategy in a more informed way.

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 INFORMATION PURSUANT TO SECTIONS 95/A AND 95/B OF THE ACCOUNTING ACT

INFORMATION RELATED TO SHARES AND OWNERS

The shareholder structure of MBH Mortgage Bank Plc. is the following as of 31 December 2024:

Shareholder	2024		2023	
	Holding (%)	Number of shares (piece)	Holding (%)	Number of shares (piece)
Ordinary shares listed on BSE (Series "A")				
Domestic institutional investors	52.1	56 520 385	52.1	56 527 499
Foreign institutional investors	0.01	7 278	0.01	6 705
Domestic private investors	2.82	3 056 794	2.83	3 052 987
Foreign private investors	0.03	33 618	0.01	21 489
Treasury shares	0.23	253 601	0.23	253 601
Part of public finance	44.79	48 597 602	44.8	48 597 602
Other	0.02	21 022	0.03	30 417
Subtotal (Series "A")	**100**	**108 490 300**	**100**	**108 490 300**

MBH Bank's controlling stake in MBH Mortgage Bank is 52,0801%. The MBH Bank has no ultimate controlling party.

Direct owners with more than 5% ownership relating to listed series

Ownership structure	Custodian Bank (yes/no)	2024 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**

Ownership structure	Custodian Bank (yes/no)	2023 Number of shares (piece)	Részesedés (%)
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**

Direct owners with more than 5% ownership relating to total equity

Ownership structure	Custodian Bank (yes/no)	2024 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**

Ownership structure	Custodian Bank (yes/no)	2023 Number of shares (piece)	Részesedés (%)
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**

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 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 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 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.

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.

SUPREME, EXECUTIVE AND MANAGEMENT BODIES, SUPERVISORY BODY, COMPOSITION AND OPERATION OF COMMITTEES OF THE COMPANY

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 2024.

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 2024 the Board of Directors conducted 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, 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 his 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 2024 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.

The members of the Board of Directors, the Supervisory Board and the Management Team

Board of Directors

In 2024 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.
Ildikó Ginzer – Member of the Board of Directors since 3 December 2021
Dr. Ilona Török – Member of the Board of Directors since 14 November 2022
Szabolcs Károly Brezina – Member of the Board of Directors since 9 December 2022

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
Illés Tóth Deputy Chief Executive Officer – Member of the Board of Directors since 1 December 2022

No change occurred in the membership of the Board of Directors in 2024.

Supervisory Board

In 2024 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
Dr. Éva Szilvia Gödör – Member of the Supervisory Board of the since 1 August 2018
Dr. Tibor Lélfai Koppány - Member of the Supervisory Board since 3 January 2022
Dr. Ákos Ferenc Tisza-Papp – Member of the Supervisory Board since 29 November 2022
Péter Krizsanovich – Member of Supervisory Board since 29 June 2023
András Bakonyi – a member of the Supervisory Board since 29 April 2024.

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 2024:

The Company's Management Team

In 2024 the Company's management team was made up of the following persons:
András Bakonyi was elected to the Supervisory Board in 2024 (member of the Supervisory Board from 24 April 2024).

Chief Executive Officer:
Dr. Gyula László Nagy – since 26 April 2017
Internal Member of the Board of Directors.

Deputy Chief Executive Officer:
Illés Tóth Deputy Chief Executive Officer – since 1 December 2022

Internal Member of the Board of Directors.

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.

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.

The Supervisory Board's Cooperation with Other Organisations

The SB had a continuous, objective and effective working relationship with with the Board of Directors, the management team and the Company's Auditor in 2024 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.

The Audit Committee

The members – as at 31 December 2024:

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 by-laws of the Audit Committee contains the structure of the Committee, the rules for obligations and responsibilities of committee members, the rights and authorisation of the committee, the rules for preparing, calling and holding the meeting, and furthermore it contains the rules for making resolutions within the frames of the meeting and aside of it in writing, and the rules on minutes of making resolutions, and its documentation.

The Committee Operating with the Participation of Supervisory Board Members as Specified in the Hpt.

Nomination Committee

The Nomination Committee is responsible for nominating and recommending nominees to the Supervisory Board and the Board of Directors defining the skills and responsibilities required for membership of the governing body, and evaluating the composition and performance of the governing body and its members. Decision on the target for the representation of genders in the executive board and elaboration of a strategy required to meet that target, He 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 2024 the Nomination Committee assessed and evaluated the 2023 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 as at 31 December 2024:

Dr. Géza Károly Láng
Péter Krizsanovich
Dr. Koppány Tibor Lélfai

Standing Committees as defined in the Company's Rules of Procedure and Standing Committees' Rules of Procedure

Asset and Liability Committee (J-EFB)
The J-EFB exercises its powers in relation to MBH Jelzálogbank Nyrt. on an individual level within the framework defined by MBH Bank Nyrt. as the group controller, the Integration Organisation and the Integration Business Management Organisation.
The Asset and Liability Committee is the primary responsible body for the Bank's asset and liability management. It is responsible for reviewing and discussing the returns, interest expenses and changes in asset holdings, as well as the impact and potential impact on results. Discussion and approval of the Bank's medium and long-term liquidity and financing plans. Preliminary approval of the mortgage bond issuance programme and its parameters, approval of the parameters of individual issues within a given mortgage bond programme. Prior approval of a non-voting or non-convertible private placement programme and its parameters.
It decides on the pricing of the Bank's products and services, approving the standard (public) terms and conditions for the Bank's own loan portfolios and approving the terms and conditions applied in refinancing operations.
It decides on the setting of limits for market risks and makes proposals to the Board of Directors in accordance with the risk policy/risk strategy, and monitors compliance with the limits.

Methodology Committee (JMB)
The JMB cooperates with the MBH Methodology Committee and carries out the tasks assigned to it by this committee. The JMB exercises its powers within the framework defined by MBH Bank Nyrt., the Integration Organisation and the Integration Business Management Organisation.
It is responsible for reviewing the Bank's risk profile, approving risk methodologies and setting the internal mortgage bank limit for exposures to a client/counterparty group.
Monitoring credit and counterparty risk in treasury and ALM activities, taking the necessary measures, monitoring compliance with credit and counterparty risk for the client or group of clients. Setting limits for country risks, monitoring compliance with the limits.
Taking decisions on operational risk management measures.
As the NPL Committee, it monitors compliance with the allocated risk limits for the portfolio under its responsibility and takes action in the event of a breach of the limits. Regular review of the NPL portfolio, approval of risk methodologies under its responsibility.

Refinancing Credit Committee (RHB)
The purpose of the Refinancing Loan Committee is to take decisions on the refinancing exposures necessary for the establishment of certain framework conditions for the cooperation agreement (framework agreement) to be concluded with a given counterparty bank in connection with JZB's refinancing business.

Green Mortgage Bond Committee (ZJB)
The Committee is responsible for setting up and maintaining the Green Mortgage Bond Framework, deciding on the eligibility of Green Mortgage Loans, monitoring the use of funds from the issuance of Green Mortgage Loans. It determines the maximum number of green mortgage bonds that can be placed and informs the EFB.
The Committee is responsible for establishing and maintaining the Green Mortgage Bond Framework, decides on the eligibility of Green Mortgage Loans and monitors the use of funds from the issuance of Green Mortgage Bonds. Approves the environmental impact and allocation reports defined in the Green Mortgage Bond Framework. Supports the creation and implementation of the MBH Group's green strategy.

MAIN FEATURES OF THE INTERNAL CONTROL SYSTEM OF THE COMPANY

The system of internal control mechanisms was implemented and operated in 2024 in accordance with the provisions of the applicable legal regulations, the Responsible Corporate Governance Recommendations of Budapesti Értéktőzsde Zrt. and MNB Recommendation 12/2022 (11 August) 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.

The Group Leader MBH Bank Compliance and Anti-Money Laundering is specialised in the following areas:
Capital market, DDC and sanctions compliance
General compliance
Money laundering prevention monitoring
Money laundering prevention assessment and evaluation

BRIEF DESCRIPTION OF THE COMPANY'S RISK MANAGEMENT SYSTEM AND PRINCIPLES APPLIED IN RISK MANAGEMENT

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 Htp. 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 Szhtv. 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.

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.

Control, Feedback

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, Within this framework, in addition to the operation of the risk management organisation, MBH Bank Nyrt's Compliance and Prevention of Money Laundering (hereinafter "Compliance and Prevention of Money Laundering") ensures compliance with the principles and regulations laid down in legislation, other professional conventions and practices not constituting legislation, recommendations, directives and decisions of public authorities, internal regulations (hereinafter "Compliance Rules"), the prevention, prevention, control of violations and breaches thereof, and 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.

The compliance function is performed by MBH Bank Compliance and Prevention of Money Laundering instead of MBH Befektetési Bank as of 01 March 2024, based on a service level agreement (SLA). This division coordinates and ensures conformity to the compliance rules.

The Compliance and Prevention of Money Laundering conducts its work on the basis of an annual work plan approved by the Management Board. The purpose of its activity is to promote the organisation's prudent, reliable, effective and efficient operation, in compliance with the applicable statutory regulations across the bank group and thereby to facilitate the organisation's undisturbed and successful operation, the maintenance of confidence in the institution, and help the Company 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.

General compliance
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, among others, 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).

General Compliance participates in the development of the terms and conditions of new and changing products and services, reviews the compliance of new and changing products and services with the requirements of legislation and supervisory regulatory instruments, provides its views on the development of a monitoring system for complaint handling practices and monitors the adequacy of complaint handling activities, except for complaints concerning investment services activities.

Capital market, DDC and sanctions compliance
In the framework of the Capital Markets, DDC and Sanctions Compliance activities within the Compliance and Prevention of Money Laundering, MBH Jelzálogbbank maintains a list of insiders and informs persons with access to inside information about their inclusion 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 Investigation and Review and the Money Laundering Prevention Monitoring units within Compliance and Prevention of Money Laundering conduct screening and analysis activities using customer record systems and external software to support the operation of a modern and effective anti-money laundering system by screening and reviewing clients and transactions on a risk basis. Through their analytical and evaluation activities, these divisions identify and mitigate existing and future customer, transactional and geographical risks, thereby supporting risk management and business processes as well.

Reporting
The Compliance and Prevention of Money Laundering has fulfilled its obligation under the SLA contract to inform the Board of Directors and the Supervisory Board of the Company's compliance activities through its quarterly reports.

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 2024 according to the division's records.

Data Protection and Secrecy
The Data and Confidentiality Unit within the Law and Governance Division is responsible for the protection of personal data and confidentiality, in accordance with the regulations issued by the Central Organisation of Integrated Credit Institutions at the integration level. For the year 2024, the department required regular annual training in HR Master for the employees concerned and did not provide any other specific training.
In 2024, the provision of data protection support for possible new data management notices, by providing data protection opinions on mortgage bank regulations and data protection opinions on documents related to certain mortgage bank products and services.

An integral part of the internal monitoring system is the Internal Audit organisation, which is independent of the internal control system (first and second lines of defence).

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 Company's Head of Internal Audit reports directly to the SB.

In 2024, Internal Audit reported to the Supervisory Board and the Company's management on its activities in accordance with the requirements of the Hpt. in a regular and comprehensive manner, and its report included a presentation of the results of the investigations conducted, which were discussed in detail by the Supervisory Board, an overview of the performance of the tasks required in the course of the investigations, the current status of the external investigations and the performance of the tasks required at the conclusion of the investigations, and a summary of the fines imposed.

The planning and implementation of the activities of Internal Audit is based on risk analysis. The scope of the audits covers all organisational units of the Company, including those areas with internal control functions and those with special control functions and tasks, all business areas and activities, processes, products and services of the Company - including outsourced activities and the activities of dependent intermediaries it has appointed - and all Company records, documents and IT systems and databases supporting business or back office processes, i.e. Internal Audit has unrestricted access to all information and documents necessary to conduct investigations. In 2024, Internal Audit continued to have at its disposal all the planning documents (Audit Universe, Long-Term Audit Plan, Annual Work Plan, Capacity Plan) prepared in accordance with the methodology required by the Group Controller's Internal Audit, which were previously reviewed by the IHKSZ, approved by the Group Controller's Internal Audit of MBH Bank and subsequently approved by the Supervisory Board of the Company. The Group Internal Audit Policy and the Internal Audit Rules, which also apply to the Company's Internal Audit, have been discussed by the Supervisory Board and recommended to the Board of Directors for approval. In 2024, Internal Audit also had a manual to facilitate the conduct of internal audit activities, including the rules for conducting investigations, the procedures for preparing reports and statements, and reporting lines.

The core mission of Internal Audit in 2024 was to assess and improve the effectiveness of risk management, control and governance processes through systematic and controlled procedures, thereby helping to achieve organisational objectives.

10 POST BALANCE SHEET DATE EVENTS

MBH Mortgage Bank Co. Plc issued a total of HUF 14.75bn mortgage bond in nominal terms in the first two months of 2025. The series of MJ31NF01 was issued through public auction with the nominal amount of HUF 8.75bn (new, fixed coupon mortgage bond with a remaining maturity of 4.8 years) in January. The Bank offered the MJ28NF02 series (new, fixed coupon mortgage bond with a remaining maturity of 3.2 years) by a public subscription placing HUF 6.0 bn in February.

The Bank finished with the review of its Green Covered Bond Framework in Q1 2025, which aimed at updating the eligibility criteria of classifying Eligible Green Mortgage Loans.

The National Bank of Hungary (NBH) approved the Base Prospectus of the HUF 150 billion 2025-2026 Issue Program of the Issuer with the resolution number of H-KE-III-122/2025 on February 26, 2025.

Budapest, 28 March 2025

Dr. Gyula László Nagy	***Illés Tóth***
CEO	*Deputy CEO*

Issuer Declaration
for Standalone Financial Statements

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 **2024 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 **Standalone Financial Statements** give a true and fair view of assets, liabilities, financial position and profit of MBH Mortgage Bank Co. Plc., furthermore the **Standalone 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 2025.

MBH Mortgage Bank Co. Plc.

Dr. Gyula László Nagy
CEO

Illés Tóth
Deputy CEO