

SUSTAINABILITY REPORT 2023

MBH Bank Plc.



MESSAGE FROM THE CEO

Dear Reader,

The past few years have confirmed to us economic operators, that sustainability and environmental protection are indispensable not only from a moral, but from a business point of view. Sustainability as such is not only an environmentally friendly act, but a strategic benefit by which we seek to benefit the environment by integrating it into our business activities. As a bank, we believe that companies should not only make profits, but also take responsibility for the environment and society, we are working every day to create an ESG-oriented organizational culture in our own operations. On the other hand, as one of the largest financiers of domestic companies and consumers, we also aim to help our customers achieve their own sustainability goals. In line with these plans, our goal is to contribute to the creation of sustainable economic operation as much as possible in proportion to the weight of our organization.

Last year was a defining year for our bank, as we successfully completed the largest merger in Hungarian banking history and launched our new, unified brand, which has made us one of the leading banks in Hungary. Together with the merger process, and despite external challenges, we have achieved outstanding results and strengthened all areas of our operations. ESG is no exception, as we have reaffirmed our commitment to a sustainable future with a number of new programs and commitments.

The good practices of our predecessor banks have provided us with an excellent basis for building on the five pillars of our ESG strategy formulated in 2022, in line with the UN Sustainable Development Goals, and to further expand our sustainability activities. When creating our new initiatives and programs, we could not ignore two strategic goals: on one hand, we strive to be a partner in finance, creating an infrastructure and a range of products and services that effectively help our clients to achieve their own sustainability goals, and in turn, support sustainable economic and social transformation. On the other hand, we want to be a responsible company that can effectively adapt sustainability principles into its own operations, from an environmental, social and corporate governance point of view.

With these goals in mind, we have been able to launch a number of sustainability initiatives and achieve many milestones in 2023, already as a unified large bank, under the name MBH Bank. Among other things, we obtained outstanding ESG ratings, such as an excellent B+ rating from Refinitiv, and our Net Zero Banking project was born, within the framework of which we not only calculated our own and indirect greenhouse gas emissions, but we also intend to be the first Hungarian-owned bank to disclose the amount of indirect carbon dioxide emissions from the value chain of our funded portfolio.

In addition, perhaps the most outstanding milestone reached last year was the creation of our Sustainable Future Bank program, which is a comprehensive framework programme



for sustainability and environmental protection spanning over years, based on three key commitments: green financial solutions and programs to help protect our natural habitats and animal species, supporting Hungary's climate goals and decarbonization efforts. We are proud to be working with such a renowned partner for the conservation of national parks in Hungary as the Ministry of Agriculture, with whom we signed an agreement at the end of last year, to implement our first commitment to conserve and promote biodiversity. As our second commitment, it has become our vision to be the first Hungarian-owned bank to join the Science Based Targets Initiative (SBTi) in 2024 and to have the reduction of our emissions validated on an international, scientific basis. Our last commitment is to increase the stock of green loans by at least 4 percentage points, and to achieve this, we have already expanded our portfolio with several green products last year.

In our report, we would like to give you a detailed overview of the steps we have taken in 2023 to create a more livable future. Our achievements summarized in this report are not the end of our journey, but milestones, which mark our future direction. These achievements will inform our decisions and opportunities for the coming years, and our aim is to continue to continue to achieve significant results in the field of ESG, not only in our own operations, but also in our role as a financier in supporting domestic companies and consumers in their sustainability efforts.

Thank you for following our activities and we wish you a pleasant read!

Sincerely,

Dr. Zsolt Barna
MBH Bank Chairman and CEO

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1. ABOUT THE REPORT

1. ABOUT THE REPORT

MBH Bank Plc. (hereinafter: MBH Bank or Bank) is pleased to publish its sustainability report, which summarizes and presents the Bank's ESG achievements in 2023 along its material topics. The Bank issues its report annually, in accordance with the BSE (Budapest Stock Exchange) ESG reporting recommendations.

The Bank's recent merger, which required the development of new processes, structures and a new strategy, has provided an opportunity to prioritize sustainability and integrate it into our day-to-day operations, which we believe will become a competitive advantage.

We have set ambitious targets in our ESG strategy. Our goal is for MBH Bank to become one of the leading players in the domestic banking market in terms of sustainability. The realization of this vision is supported by two strategic goals stemming from MBH Bank's role as a financial institution and a responsible company. MBH Bank 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.

Content and scope of the report	The report presents the Bank's ESG approach and performance. The scope of the sustainability report covers MBH Bank Plc. exclusively.
Reporting organization	MBH Bank Plc. Seat: 1056 Budapest, Váci u. 38
Reporting period	Financial year 2023 (Between 1 January 2023 and 31 December 2023)
Reporting cycle	Annual
Reporting considerations	The report has been prepared according to the GRI Standards (2021) ¹ "in accordance" level of compliance.
Third party verification	The information and data in the report have not been verified by an external party.

The impact of banking integration on the approaches used in this report

Magyar Bankholding Zrt. was established in December 2020 to implement the merger of the three banking groups - MKB Bank, Budapest Bank and Takarékbank. As the first step of the fusion, Budapest Bank Zrt. merged into MKB Bank on 31 March 2022. It continued to operate under the name MKB Bank until 30 April 2023, when it was merged with Takarékbank, and since 1 May 2023 it operates under the name MBH Bank, with a unified

brand name and image. As the sustainability report covers the year 2023, the organization will be referred to as MBH Bank or Bank. The data and information displayed now contains the details of a unified credit institution.

Questions in relation to the ESG report or published information are welcome at investorrelations@mbhbank.hu.

¹ The GRI (Global Reporting Initiative) is the most widely accepted and used sustainability reporting framework internationally.





2. ABOUT MBH BANK

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MBH Bank is Hungary's second largest and wholly Hungarian-owned credit institution, created in May 2023, by the merger of three banks - MKB Bank, Budapest Bank and Takarékbank - marking the completion the largest fusion in Hungarian banking history. The modern, universal bank provides innovative financial services and a continuously expanding range of products to serves both retail and corporate-institutional clients.

It traditionally has a strong corporate, premium and private banking customer base, as well as advisory and analytical services. The Bank offers a range of services, including:

- banking,
- financial and operational leasing,
- financial and investment services,
- other lending.

In 2023, MBH Bank also had a strong market position in a number of other segments, including micro, small and medium-sized enterprise lending, leasing, agribusiness and food, as well as a broad range of money and capital markets and investment activities. In 2023, we continued to seek to build partnerships with key market players through strategic cooperation agreements, creating win-win situations that can drive sustainable growth. In 2023, MBH Bank Bank has successfully bid for developing the MFB Point Plus corporate network for the 2021-2027 EU financial cycle. The first 74 branches of the new MFB Pont Plus network opened at the end of the year.

Our Bank continued to provide a full range of financial services in Hungary through its network in 2023. Its activities combine respect for traditional banking values with openness to innovative financial solutions, especially digitalization. As a result, in 2023 MBH Bank was at the forefront of innovative financial solutions in Hungary. Through the merger process, it had the largest branch network in the country, as well as operated a mobile banking branch,² unique in the market.

In 2023, MBH Bank had 2 million customers in its retail and commercial business, with more than 7,600 employees in 514 branches and 8 office buildings.

Mission, core values

As one of Hungary's leading credit institutions and one of the largest employers, MBH Bank is committed to supporting Hungary's economic and social development. As a responsible company, in 2023, the Bank has continued to contribute to the wellbeing of its stakeholders in the natural and social environment, to community development and to the wellbeing of its employees and the people of Hungary. It has provided its partners with high-quality, safe and mutually beneficial services based on the corporate values of tradition, innovation and cooperation. In addition, by making a significant contribution to government spending, paying staff wages and benefits and maintaining domestic jobs, our Bank has made a direct and indirect economic impact.

Future goals

The Bank, which has operated under the name of MBH Bank Nyrt. in 2023, will continue to build on the values and experience of MKB Bank Nyrt., the oldest members of the Hungarian banking system – which was more than 70-year-old at the time of the merger, and its other predecessor companies. MBH Bank's strategic goal is to become one of the most influential banks in Hungary, with strong positions in all market segments and a presence in international markets, including the countries of the Central and Eastern European region.

We also aim to be at the forefront of achieving sustainability goals, recognizing the banking sector's prominent role as a financier and driver of the economy. Therefore, our goal is to create a range of infrastructure, products and services for both retail and corporate customers that will help them achieve their own sustainability and climate goals.

² Mobile banking branches are moving units that provide local access to financial services for people living in small settlements.



Professional memberships of MBH Bank

American Chamber of Commerce in Hungary (AmCham), Banking Association for Central and Eastern Europe (BACE), Investment Service Providers Association (BSZSZ), Electronic Payment Service Providers Association (EFISZ), European Payments Council (EPC), Hungarian Business Leaders Forum (HBLF), International Swaps and Derivatives Association (ISDA), Joint Venture Association (JVSZ), LEI Hungary Association, Loan Market Association, Hungarian Banking Association, Hungarian Factoring Association, Hungarian Forex Association, Hungarian Chamber of Commerce and Industry, Hungarian Economic Association, Hungarian Project Management Association, German-Hungarian Chamber of Industry and Commerce, Social Impact Investors' Association, National Association of Entrepreneurs and Employers, Hungarian Fintech Association (MAFISZ), United Nations Environment Programme (UNEP FI), Hungarian Employers Forum on Equal Opportunities, National Association of Managers, Chambers of Commerce and Industry, sectoral organizations³

Economic performance

2023 was a significant milestone for MBH Bank, as it became an indispensable player in the domestic banking sector through a unique merger process. The Bank continued to deliver solid business performance and responsiveness in 2023. The Annual Individual Financial Report contains a detailed presentation of our economic performance in 2023, which, from a financial perspective, shows the cash flows between stakeholders: the revenue generated and the payments to each stakeholder group (shareholders, employees, government), i.e. the economic value distributed.

MBH Bank's financial indicators were significantly affected by the merger of Takarékbank on 1 May 2023, both in terms of balance sheet and profit and loss accounts. Overall, MBH Bank's profitability was positive with a profit after tax of HUF 118,316 billion in the 2023 fiscal year in accordance with the International Financial Reporting Standards („IFRS“).

- HUF 11,008.6 billion in individual balance sheet total
- HUF 6,850.8 billion in customer deposits
- HUF 4,272.3 billion in customer loans

Economic value directly generated and distributed by MBH Bank Nyrt. (2023)⁴

Category	Type	2023
Economic value generated (thousand HUF)	Revenues	569,739,492.20
	Operational costs	119,665,935.76
	Employee wage costs, benefits	116,301,414.92
Economic value distributed (thousand HUF)	Payments to investors (interest, dividends, etc.)	25,092,000.00
	Payments to government (taxes, fines)	108,805,823.11
	Community investments (charity, CSR, etc.)	8,005,039.66
Economic value retained (thousand HUF)	-	191,869,278.74
Items of profit or loss not included in this category (thousand HUF)	Risk charges	59,634,027.83
	Adjustment result	13,918,568.64
	Interest refund	-
Profit/loss after tax	-	118,316,682.28

³ County Chambers of Commerce and Industry

Budapest Chamber of Commerce and Industry; Csongrád-Csanád County Chamber of Commerce and Industry; Fejér County Association of Industrialists; Fejér County Chamber of Commerce and Industry; Győr-Moson-Sopron County Chamber of Commerce and Industry; Hajdú-Bihar County Chamber of Commerce and Industry; Heves County Chamber of Commerce and Industry; Komárom-Esztergom County Chamber of Commerce and Industry; Nógrád County Chamber of Commerce and Industry; Pécs-Baranya Chamber of Commerce and Industry; Pest County and Érd Chamber of Commerce and Industry; Szabolcs-Szatmár-Bereg County Chamber of Commerce and Industry; Vas County Chamber of Commerce; Veszprém County Chamber of Commerce and Industry; Zala County Chamber of Commerce and Industry; Association of Entrepreneurs for Nyíregyháza; Jászság Manager Club Association

Sectoral organizations

Poultry Product Board; Hungarian Public Benefit Organization of Internal Auditors; CFA Institute Worldwide; Association of Hungarian Livestock Breeders; National Association of Agricultural Machinery Manufacturers; Dairy Interprofessional Organization and Product Board; FruitVeB Interprofessional Organization; National Association of Grain Producers; Grémium Association for Succession; IVSZ – Association of Digital Enterprises (formerly: Association of Information Technology, Telecommunications and Electronics Enterprises); Association of the Hungarian Automotive Industry MAGE; Hungarian Marketing Association; Hungarian Real Estate Association; Hungarian Public Relations Association; National Association of Hungarian Spokespersons; Association of Leading IT Professionals in Hungary; MTS Limited; Qorus; World Federation of Advertisers; Hungarian Aquaculture and Fisheries Interprofessional Organization; ÖRT Self-Regulatory Advertising Board

⁴ In line with the scope of the report, the table includes the individual financial data for MBH Bank Plc. for the year 2023 and does not cover other members of the Group.





3. MBH BANK'S KEY ESG RESULTS IN 2023

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Outstanding ESG ratings: Refinitiv B+ and CDP C ratings

Comprehensive ESG Framework Programme: launch of the Bank for a Sustainable Future Programme

Progress towards Net Zero

- Preparing a full carbon inventory: including Scope 1, Scope 2 and Scope 3 financed emissions (based on PCAF methodology)
- Setting up a Net Zero strategy
- Calculating the carbon footprint of our website as part of the Carbon Monitor initiative

Development of a Green Finance Framework and a Green Loan Framework

ESG Education

- Conducting basic ESG trainings at senior management and director level
- Mandatory ESG e-learning for employees

Promoting biodiversity

- Partnership with the Ministry of Agriculture to support 10 national parks of Hungary
- Establishment of the MBH Forest with nearly 23,000 saplings

Highlights in HR and social responsibility

- Introducing a Generational Diversity Programme
- Launch of MBH Conscious Help Program with the Hungarian Interchurch Aid

Sustainability efforts involving our customers

- Launch of a Cybersecurity Education Campaign
- Introduction of an accessible Mastercard bank card with Touch Card function developed for blind and partially sighted people for the first time on the Hungarian financial market
- With our green flat rate package, we continue to protect the red-footed falcon population





4. AWARDS AND RECOGNITIONS OF MBH BANK

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SOME OF THE ACCOLADES WE HAVE RECEIVED RECENTLY

In ESG and CSR

- IFUA Horváth Green Wheel Award 1st place - integrating ESG considerations into product development
- CFI.co Awards 1st place - Best ESG Bank in Hungary
- ESG Awards 2023 1st place - Employee Engagement ESG Programme of the Year
- Mastercard Bank of the Year 2023, 3rd place – CSR Initiative of the Year
- Mastercard Bank of the Year 2023, 3rd place – Cybersecurity Education Campaign of the Year
- 2023 Winner: CSR Excellence Awards - The Business Concept
- CSR Hungary Award in the category „Best CSR Programme (Common Causes – Common Responsibility)” for joint work with the Hungarian Interchurch Aid
- Doing Good – MBH Forest, Special Mention
- Doing Good - MBH Conscious Help Programme, finalist
- Finalist – MBH Bank Forest – Social Responsibility – HRKOMM Award 2023
- 4th Lake Tisza PET Cup, 3rd place



In HR

- Best Practice Institute „Most Loved Workplace” certificate
- Top Employer 2023, Employee Excellence 2023
- JVSZ - „Companies for The Future Award” 2023 Best Talent program category III. place
- Category winner – For conscious management of generational diversity – Open Minded Companies Award 2023
- Gold category - The arrival experience – HR campaigns by employee lifecycle – HRKOMM Award 2023
- Bronze – Generational communities – HR campaigns by employee life cycle – HRKOMM Award 2023
- Finalist – Ready, Set, Start+ - Integrated Employer Branding Strategy – HRKOMM Award 2023
- Finalist – Generational Diversity and Equal Opportunities – Diverse Workplace – HRKOMM Award 2023
- Zynternship Awards Talent Starter - 2023, Silver Certification
- Zynternship Awards Audience Award - 2023, Silver Certification
- APEX HRPOWER HR Toplist, I. place
- Best Workplace for Women 2022 - I. place - Hungarian Women’s Career Development Association
- Gold certification in the Digital Employee Experience category – For a gamified preboarding program - HRBEST 2022
- Mastercard Employer Branding Activity of the Year 2022

In other areas

- Visa #1 Issuer Award 2023
- Visa #1 Special Award 2023
- Mastercard Bank of the Year 2023 – 1st place in the Business Segment Programme of the Year category





5. SUSTAINABILITY FOR MBH BANK

5. SUSTAINABILITY FOR MBH BANK

MBH Bank attaches the utmost importance to contributing to the development of society through its wide-ranging involvement, commensurate with its economic strength, and to being a key player in the creation of sustainable economic activity. Our commitment to environmental and social sustainability is reflected in the alignment of our business and ESG strategy.

MBH Bank continued to support the sustainability of the domestic economy in 2023 through its operations and targeted activities. The year 2023 – the year of integration – required the development of new processes, structures and strategy, which provided an opportunity to prioritise sustainability and integrate it into our daily operations. We believe that fusion is a challenge but also a non-recurring competitive advantage, which is why we have made significant progress towards sustainability in 2023. As a responsible financial institution, we strive to integrate ESG considerations into our business strategy to ensure that these factors are also strongly reflected in business decisions.

5.1 ESG STRATEGY

Strategic vision and pillars

MBH Bank's group-wide ESG strategy has set ambitious targets, which the Bank has continued to pursue in 2023. Our aim for MBH Bank is to become one of the leading players in the domestic banking market in terms of sustainability. The realization of this vision is supported by two strategic objectives, stemming from MBH Bank's role as a financial institution („Partner in sustainable finance”) and as a responsible company („Responsible Group”).

The Bank's ESG strategy focuses on five strategic pillars that support different Sustainable Development Goals, namely Decent Work and Economic Growth (SDG 8⁵), Industry, Innovation and Infrastructure (SDG 9), Responsible Consumption and Production (SDG 12) and Climate Action (SDG 13). In addition, the Bank intends to contribute to the achievement of the Paris Agreement targets through the implementation of its decarbonization goals.

The ESG strategy aims to set out a framework for achieving these objectives with detailed guidelines, an action plan, key performance indicators and clear roles and responsibilities. It is also aligned with the Bank's business strategy, as digitalization

With the completion of the merger process, the senior management of MBH Bank Plc. was also restructured in line with the changing professional and business focus. As a sign of MBH Bank's commitment to sustainability, András Puskás, formerly Senior Advisor to the Chairman, responsible for ESG aspects and sustainability, has joined the bank's senior management as Deputy CEO for municipal services, churches, ESG and sustainability, communication and government relations. His activities have been supported by the ESG and Sustainability function under his direct management. The department has carried out the tasks defined in the strategy in cooperation with the Bank's other business functions.

The ESG governance structure is discussed in more detail in sub-section 5.2 ESG Governance.

efforts support, among others, decarbonization goals and sustainability-related product and service development.

We are also in the process of extending our ESG strategy to include net zero elements, with the clear aim of aligning it with science-based Paris Agreement-compatible targets for all asset classes.

As we move towards becoming one of Hungary's leading banks in terms of sustainability, we continuously strive to improve our practices by benchmarking our performance against international best practices and following recognized sustainability frameworks.

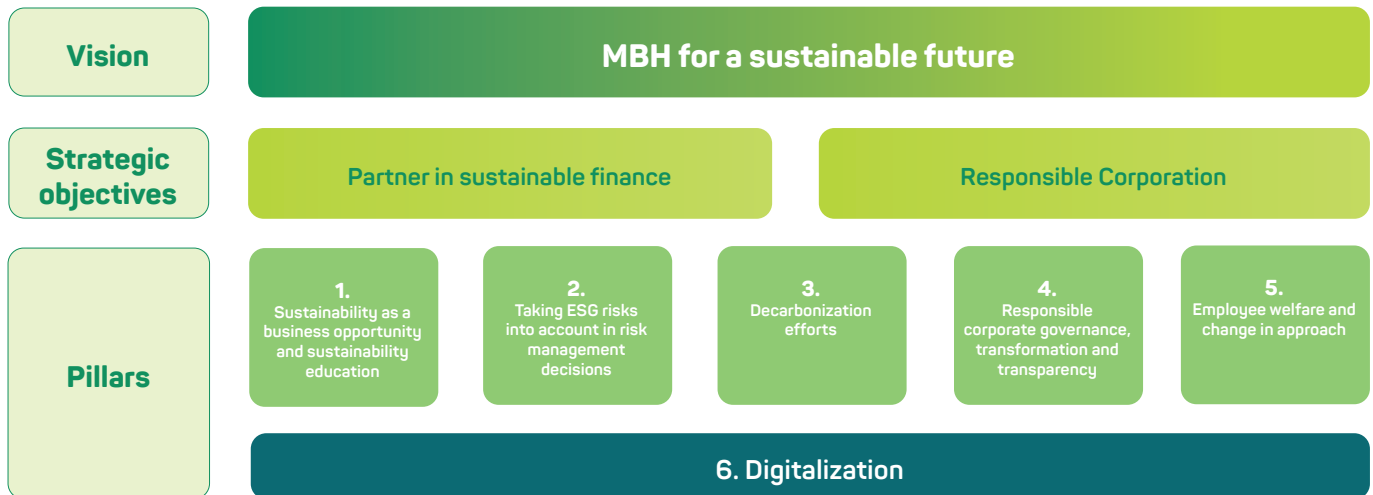
Strategic pillar	Related SDG
Sustainability as a business opportunity and sustainability education	SDG 8
SDG 9	SDG 12
Taking ESG risks into account in risk decisions	SDG 12
Becoming a carbon neutral bank	SDG 13
Responsible corporate governance, transformation and transparency	-
Employee welfare and change in approach	SDG 8

⁵ SDG stands for UN Sustainable Development Goals (SDGs).



GRI 2-22, 2-23, 2-24

SUSTAINABLE VISION, STRATEGIC OBJECTIVES AND PILLARS



Detailed short, medium and long term action plans (covering 6 months, 1 year, 3 years and beyond) have been drawn up, with areas of responsibility identified, to ensure the successful implementation of the strategic objectives.

Key challenges and achievements of 2023

For our Bank, 2023 was the year the merger was finalized, which was the main focus of most colleagues and our management. The biggest challenge was the extraordinary workload our colleagues were facing as a result of the integration. As

such a large merger had never taken place in Hungary before, it was necessary to – besides the tasks related to the transaction – address our employees, sensitize them to sustainability issues and involve them in ESG in data reporting. As a result, the ESG department launched projects that were less demanding on colleagues, but still represented a major step forward for the Bank. Nevertheless, 2023 was a year rich in successes in ESG and sustainability, which the Bank communicated in 2023 to strengthen investor relations, mainly through by the ESG strategy and the good ESG ratings achieved.

	2023 target	Status	Description
1	Obtaining an ESG certification	✓	Refinitiv B+ and CDP C ratings have been obtained.
2	Developing a Green Finance Framework	✓	A Green Bond Framework and Green Loan Framework have been developed.
3	Implementation of the Net Zero Banking project	✓	Funded emissions have been calculated, Net Zero strategy and Net Zero targets have been set.
4	ESG training at board level	✓	We held basic ESG trainings up to the level of senior managers and directors, in accordance with the requirements of the Hungarian National Bank (MNB).
5	Laying the foundation for the ESG repository	✓	The foundations of the Green Data Market have been laid down.
6	Accurate description and disclosure of ESG operations	✓	This has been set out in the Bank's Rules of Organization and Operation.
7	Reviewing and complementing the business strategy by including ESG aspects in a way that ESG considerations and responsibilities are integrated into the responsibilities of the different business areas.	In progress	The Bank's Rules of Organization and Operation have been supplemented for each of the relevant business functions.



We did well in terms of obtaining ESG ratings: we achieved a Refinitiv B+ rating and a CDP C rating, which is an excellent entry rating for a new bank. In addition, we consider the completion of our full carbon inventory another milestone, as it provides a baseline on which we can build and formulate our future emission reduction trajectory.

We also focused on meeting Pillar 3 compliance⁶ and laying the foundation for a Green Data Market. Both projects aim to consolidate and continuously improve the fundamentals of ESG data collection.

In addition, we have also placed a strong emphasis on ESG education and provided basic ESG training for all managers up to director level as well as mandatory ESG training for all employees. Besides education, a lot of attention has been paid to awareness raising, which is described in more detail in subsection „5.3 ESG training and awareness raising“.

Our ESG achievements of 2023 are discussed more comprehensively in chapter „3. MBH Bank’s key ESG results in 2023“, while our ESG awards are presented in chapter „4. Awards and recognitions of MBH Bank“.

Targets for 2024

For 2024, MBH Bank has defined three main directions in relation to ESG:

1. Cooperation with the Hungarian National Parks to strengthen and support biodiversity.
2. Joining the internationally renowned Science Based Targets initiative (SBTi).
3. Increasing green loans by at least 4% points.

The Bank already took steps to achieve these goals in 2023, when it established and announced its comprehensive ESG programme „Bank for a Sustainable Future“.

Bank for a Sustainable Future Programme

The comprehensive Sustainability and Environment Programme provides green financial solutions and programmes to help protect our natural habitats and animal species, and to support Hungary’s climate goals and decarbonisation efforts. MBH Bank has made three key commitments under the programme: to conserve biodiversity, to achieve decarbonisation and to meet green lending targets.

Promoting biodiversity

To achieve biodiversity related goals, MBH Bank has partnered with the Ministry of Agriculture to support 10 national parks in Hungary. In the coming years, the partners will begin to develop comprehensive biodiversity conservation programmes that will help them make the greatest contribution to maintaining a healthy ecosystem.

The Bank will support national parks with HUF 30 million from the ESG budget for 2024. The amount will be used by the partners to finance jointly selected programmes. Through this cooperation, the partners will come up with programme proposals that can help protect our natural habitats and animal species, thereby making a major contribution to biodiversity conservation, thereby greatly contributing to the conservation of biodiversity.



⁶ Pillar 3 disclosures for banks and financial institutions, a set of reporting requirements for disclosing information on their capital and risk exposures.



Decarbonization

In 2024, MBH Bank will be the first Hungarian-owned bank to sign the internationally recognised Science Based Targets initiative, in order to achieve the decarbonization goals defined as the second commitment. This will allow MBH Bank to validate its carbon reduction on an international scientific basis. With its indirect and direct emission reduction measures, the financial institution aims to become Net Zero as soon as possible.

Boosting green lending

The third commitment of the programme is to boost green lending: in line with this commitment, MBH Bank aims to create active and passive products that raise awareness of biodiversity and ecosystem challenges, both on the retail and commercial side. Support from green account management products will be used to protect forests, species and our country's waters, conserve biodiversity and promote waste management. This will not be a novelty for us, as we have been offering our customers a bank account package for years, which not only includes a bank card made mostly from recycled materials, but 0.2% of the purchases made with this card are donated to

the National Beekeeping Association, that supports Hungarian beekeepers from these funds. On the other hand, our green corporate account package was launched in 2023, where, in addition to opening an account online, for every new account opened, we install a red-footed falcon nest with the involvement of the Hungarian Ornithological and Nature Conservation Society (MME), thus safeguarding one of the protected bird species of Hungary.

In addition, the banking group plans to introduce new green loan products to boost green lending, the first stage of which representatives of the various banking areas have already started to identify development directions during a workshop. MBH Bank has decided to increase the proportion of its green loans by at least 4 percentage points by the end of 2024 through its Green Product Development Programme.

Carbon Monitor

At the end of 2023, we mapped and measured the carbon footprint of the MBH Bank website, which you can read about in detail in subsection „8.2 Digitalization and innovation“. Our goal in 2024 is to reduce the carbon emission of

our website, and in the long term to formulate and incorporate website design and development processes, that will continuously keep it at the minimum necessary level, and make it our approach to minimize our environmental impact.

VOLUNTARY COMMITMENT

UN Principles for Responsible Banking

operations, in October 2022 the Bank joined [the United Nations Environment Programme's Guiding Principles for Responsible Banking \(UN PRB\)](#). We believe that the UN PRB is the most impactful initiative in the sector, so our membership also signals to the market our commitment to implementing the ESG strategy.

The commitment refers to the intergovernmental instruments of the UNFCCC Paris Agreement and the UN Sustainable Development Goals.

The guidelines also play an important role in helping banks to integrate sustainability into all areas of their business operations and to assess how their activities can best contribute to a sustainable world.

MBH Bank will publish its first report, based on the UN self-assessment template 18 months after signing, and the second report within 6 months thereafter, which will be available on our website and will provide further information on our progress in sustainability. The work will continue in the coming years, and we plan to join further international initiatives.



5.2 ESG GOVERNANCE

MBH Bank has also improved its processes in the field of corporate governance based on the group-wide ESG strategy. Sustainability objectives and activities continued to be supported by internal instructions and policies.

The single organizational governance structure created as a result of the banking integration has clearly had a positive impact on ESG governance in 2023. As the understanding of the importance of sustainability efforts has increased in the organization, their responsibilities related to this field have become clearer for many, and the employees have helped the ESG function to integrate sustainability considerations into their own activities.

Implementation of the ESG strategy

The ESG strategy, which sets out the main directions for progress, has been defined by the Bank's highest governing body. The detailed tasks of the strategy were developed by the ESG and sustainability functions, while its implementation was coordinated by the ESG department, with the involvement of the relevant business areas.

The ESG strategy declares that the executive board and key personnel should have full information on the ESG strategic objectives and the achievement of the related actions. During 2023, the ESG department reported to the senior management committees on the progress and activities of the ESG organization in biannual status reports. In addition, we conducted basic ESG training from deputy CEOs to directors, including members of the Board of Directors and the Supervisory Board.

The role of management in overseeing ESG activities

Due to the changing legislative and commercial environment, review of the ESG strategy takes place every two years. The highest governing body evaluated the predefined KPIs on a semi-annual basis, in cooperation with stakeholders. It is important to highlight that the highest governing body has worked with stakeholders to support the ESG processes. It was also responsible for reviewing and approving the information provided in the sustainability report.

In 2023, the Bank adopted a list of KPIs to work towards over the coming years, with reports at least every six months. The mandate of the Management Committee (MC), the operational decision-preparation and decision-making body for the overall operations of MBH Bank, has been extended to include the final selection of eligible green projects to be financed through the Green Finance Framework and the assessment of predefined key performance indicators related to green finance. The other Standing Committee that has also been given ESG tasks is the Methodology Committee (MB), which is responsible for approving ESG risk methodologies and concepts related to the implementation of the green framework, for the annual compliance review of eligible green projects and for defining the key performance indicators related to green finance. Thus, the ESG department has a coordinating role to bring the issues to an expert, operational level and implement them.

This area is regulated by the Sustainability Policy and ESG Risk Policy.

ESG governance structure

MBH Bank's Deputy CEO, András Puskás is the appointed senior executive in the highest governing body responsible for sustainability aspects. The Director of ESG and Sustainability reports to the Deputy CEO. A total of seven colleagues worked in ESG in 2023, together with the head of the department, who were responsible for different topics such as risk management, data market, communication, regulation, carbon footprint and business development.

The ESG department reports to the Management Committee every six months, where it presents a pre-defined set of KPIs. In 2023, these typically meant the growth of green loans, the completed trainings and the target audience reached with them. The department also communicates critical ESG-related topics to the highest governing body. The only critical issue to be highlighted in 2023 is the Pillar 3 compliance. In this respect, an internal project involving several partner areas was launched, the launch of which was critical, but the Bank provided all the support and the project progressed according to schedule.



5.3 ESG TRAINING AND AWARENESS RAISING

In the year of the report, MBH Bank continued to strive to ensure that its customers and employees embrace and represent sustainable and environmentally conscious values in their workplace and in their personal lives.

The intersections and objectives shared by the group's ESG strategy and CSR strategy include engaging employees in sustainability efforts, rethinking employee relations and launching internal education programmes, as well as creating voluntary and employee engagement initiatives with an internal ESG focus.

Awareness raising at MBH Bank and beyond

In the autumn of 2022, we launched an internal sustainability communication campaign called Let's act together for sustainability!, extending into 2023. In the first 3 months of the campaign, our ESG ambassadors shared their sustainability tips with colleagues via video messages, we placed awareness-raising posters in our headquarters and provided environmentally conscious workshops for our colleagues. In the second phase, we expanded our campaign with a number of eye-catching visuals - elevator and staircase stickers, posters, stickers encouraging energy savings. On Earth Day in 2023, we announced a clothes collection charity campaign, a drawing contest, and published educational content on our internal channels. Our internal sustainability communication will continue with further actions in the future.

We also encourage our retail customers to adopt habits that prioritize sustainability and raised their awareness of green financial products. As an example, we drew attention in a customer information leaflet to the harmful environmental impacts of household energy, as well as to domestic rules and incentives regarding energy efficiency in homes.

Awareness raising campaigns in 2023

Reducing the amount of plastic takeaway boxes

In September 2023, with the goal of reducing the use of single-use plastics, in addition to the usual plastic boxes, our colleagues could purchase takeaway boxes made of environmentally friendly, natural material – sugar cane – at the same price as plastic ones in the canteen of the Váci út office building in Budapest.

Mastercard Green Friday

In November 2023, MBH Bank also joined MasterCard's Green

Building a climate- and sustainability-conscious employer brand

Maintaining and increasing the engagement of our employees is a top priority, so in 2023 they were again given the opportunity to participate in sustainability initiatives that promote personal involvement.

An ESG sub-page has been created on the corporate intranet site, where we keep colleagues informed with constantly updated articles and information. In addition, we established the MBH Forest in 2023, where we planted 10,000 saplings with the help of nearly 140 colleagues (the participating forestry planted another 13,000 saplings at our request) and we will continue this programme in 2024. The MBH Bank team also participated in the 4th Lake Tisza PET Cup, winning third place and contributing to the clean-up of the lake.

The group-wide CSR strategy, developed along the lines of the ESG strategy, also aims to involve employees in sustainability efforts, for example through internal education programmes and the creation of initiatives with an internal ESG focus, increasing voluntary and employee engagement. More information on MBH Bank's corporate social responsibility activities can be found in chapter 11. Corporate responsibility.



Friday initiative, which draws attention to conscious shopping. In connection with the programme, we also prepared a prize game: after completing an ESG-themed quiz, our colleagues could win a foldable MasterCard shopping cart.

Show me your trash, I will tell you who you are!

To mark the European Waste Reduction Week, the ESG department held two awareness raising webinars providing practical tips. The importance of the topics was based on the changes coming into force on 1 January 2024, which will transform our daily waste management habits (new beverage packaging return system, mandatory separate collection of household bio-waste).



ESG education

MBH Bank made significant progress in ESG education in the year of the report, from mandatory training for employees to basic ESG training of senior management and director level, following the MNB's requirements.

Topics covered in the senior management training included ESG legal obligations and recommendations, ESG reporting, ESG frameworks and rankings, Green Bond and Green Loan, and MBH Bank's ESG strategy.

Regular and recurring trainings in 2023 included general ESG e-learning for all employees, which was designed to introduce the relevance of the topic and provide basic knowledge in line with the MNB recommendation. In 2023, 4,418 participants completed this e-learning, which, although below the total number of employees, is a progressive result despite the stressful merger period. For the dedicated ESG team, training was provided continuously throughout the year.

ESG Education	Participants	Number of participants (persons)
Complementing the lending process with ESG assessment	Agrarian segment	280
	Micro and small business segment (held on 2 dates)	428
	Large enterprise segment	223
Annual mandatory ESG training – Sustainable finance	All colleagues – including new hires	4 418
MBH Pre-boarding and orientation day	New hires	1 073
Top management training	Senior managers	107

5.4 STAKEHOLDER INVOLVEMENT

In 2023, MBH Bank's operations continued to impact a number of stakeholders, who, to varying degrees, influenced the company through their activities. The Bank applied fair treatment based on respect and appreciation in its relations with all stakeholders. As a responsible company, we maintained a continuous, structured, two-way relationship with our stakeholders, reflecting on their feedback.

We have identified the groups of owners, managers and employees as internal stakeholders, and customers and other stakeholders detailed in the table below as key external stakeholders. In 2023, we continued to strive for continuous improvement in the quality of communication – the way we obtain and provide information. The issue of sustainability has become increasingly prominent in the dialogue with stakeholders.

The table below sets out the main issues raised and the form of contact, broken down by stakeholder groups.

Stakeholder group	Channels of communication with stakeholders	Key topics
Internal stakeholders	Owners	General Assembly, annual and quarterly financial reports, disclosures, analyses, investor relations
	Management	everyday work, internal reports
	Employees (including agency staff and trainees)	representation of interests (Works Council), intranet, email, management briefings, internal instructions, rules and regulations, internal events, training courses, work discussions
		stability, corporate governance, financial performance, ESG
		financial performance, ESG
		financial performance, ethical operation, responsible employment (benefits, recognition, training, equal opportunities, work-life balance, occupational safety), volunteering, sustainability in everyday life



Stakeholder group	Channels of communication with stakeholders	Key topics
Retail and corporate customers	<ul style="list-style-type: none"> website newsletter social media interfaces personal, telephone and e-customer service satisfaction measurement complaint handling business meetings customer trainings public reports marketing and PR communication 	<ul style="list-style-type: none"> products and services data and information protection financial education customer-oriented service complaint handling digitalization developments sustainability
Suppliers	<ul style="list-style-type: none"> partner meetings audits, inspections official correspondence 	<ul style="list-style-type: none"> appropriate customer relationship corporate governance quality control
Competitors, professional organizations	<ul style="list-style-type: none"> professional representation organizational memberships associations (e.g. banking associations) 	<ul style="list-style-type: none"> industry regulations fair competition sustainability
Authorities, public bodies	<ul style="list-style-type: none"> website reports, accounts checks official correspondence 	<ul style="list-style-type: none"> transparency cooperation compliance corporate governance pricing complaint handling consumer protection
NGOs, local communities	<ul style="list-style-type: none"> strategic partnerships grants events expert opinions 	<ul style="list-style-type: none"> social engagement cooperation sustainability
Media	<ul style="list-style-type: none"> website annual report press releases interviews marketing and PR campaigns events 	<ul style="list-style-type: none"> stability financial performance business ethics responsible communication social engagement sustainability innovation digitalization

External stakeholders



5.5 MATERIALITY ASSESSMENT

In 2022, the Bank carried out a materiality assessment to identify the topics that are material to the organization. Since no changes have been made to the topics considered material, the Bank will report on its progress in 2023 along these themes.

Materiality assessment process conducted in 2022

As a form of stakeholder engagement, a materiality survey has been used to channel in the views of internal stakeholders (managers and ESG ambassadors). The materiality assessment results were approved by the senior leader of ESG efforts on behalf of the highest governing body.

The survey was conducted with the involvement of an external expert for the merged MKB Bank⁷ and consisted of three steps:

1. Compilation of a long list of topics
2. Impact assessment, identification of stakeholders
3. Stakeholder survey, data evaluation, compiling a short topic list

In compiling the thematic list, based on the characteristics of the benchmark banks and of the merged MKB Bank, the external expert compiled a long list of 50 items on potentially relevant topics, which was then narrowed down to a short list of 20 items covering the main thematic areas. Respondents were asked to rate each of the 20 topics on a scale of 1-5 in an online questionnaire, and the final list of 10 relevant topics was then drawn up.

The materiality assessment also took into account the ESG rating principles, including the rating criteria of Moody's and Refinitiv rating agencies, as well as the UN Guidelines for Responsible Banking.

As a result of the survey, the following 10 relevant topics were selected, in order:

1. Business stability and flexibility ([chapter 2.](#))
2. Data protection and cybersecurity ([chapter 8.3.](#))
3. Creating value for customers and increasing customer satisfaction ([chapter 8.](#))
4. Transparency and regular communication with stakeholders ([chapter 6.1.](#), [chapter 10.4.](#))
5. Transparent ownership, management and organizational structure and operation ([chapter 6.](#))
6. Supporting Hungary's economic and social development ([chapter 2.](#))
7. Responsible employer and maintaining a balanced working environment ([chapter 10.](#))
8. Integrating ESG considerations into business strategy ([chapter 5.](#))
9. Promoting the conservation of natural resources ([chapter 7.](#), [chapter 9.](#))
10. Sustainable and responsible asset, investment and financing portfolio and resource mobilization ([chapter 7.2.](#))

⁷ On 31 March 2022, Budapest Bank was merged into MKB Bank, and the company continued to operate under the name MKB Bank. The materiality assessment concerns the merged MKB Bank (including the former Budapest Bank and MKB Bank).





6. CORPORATE GOVERNANCE

6. CORPORATE GOVERNANCE

MBH Bank is committed to enforcing sustainability aspects – legal compliance, ethical behaviour and transparency – in its operations. In 2023, it continued to pay special attention to the establishment and operation of an efficient and effective corporate governance system in line with market best practices,

developing a transparent remuneration system that promotes employee satisfaction and commitment, creating an ethical and fair corporate environment, and responsible procurement.

6.1 CORPORATE GOVERNANCE STRUCTURE

MBH Bank's commitment to operating as a responsible company is also enshrined in its mission statement, defining the area of „Responsible corporate governance, transformation and transparency“ as one of its strategic pillars. Accordingly, MBH Bank, as a publicly traded company whose shares are listed on the Budapest Stock Exchange (BSE),⁸ has prepared and published its 2023 Corporate Governance Report based on the BSE's Corporate Governance Recommendations. The Bank's governance structure has taken into account the legal, regulatory and stock exchange requirements, as well as the specificities of its business.

In 2023, the Bank's highest governing body was the General Assembly and its executive body was the seven-member Board of Directors⁹. The operational management of the company was carried out by the President and CEO, who also served as Chairman of the Board of Directors. Board members serve for a maximum of five years. In the nine-member Supervisory Board, six independent members performed their tasks. The company also had a three-member Audit Committee, which assisted the Supervisory Board in reviewing the financial reporting system, selecting the auditor and working with the auditor. The members of the Audit Committee were elected by the General Assembly from among the independent members of the Supervisory Board. The establishment of the Bank's standing committees was the responsibility of the Board of Directors. The structure and operating conditions of the Bank are laid down in the Statutes adopted by the General Assembly. The economic, environmental and social performance was managed through the functioning of the governing body and internal audit.

The selection of members of the governing bodies in 2023 was regulated by the Nomination Policy of MBH Bank Nyrt. The Bank attached importance to the diversity of the management body and the independence of candidates. In selecting the board members and key function holders, the Bank ensured non-discrimination on the grounds of gender, race, language,

colour, ethnic or social origin, genetic features, religious or other beliefs, membership of a national minority, property, descent, marital status, health status, disability, geographical location, age or sexual orientation.

For the year 2023, appointments to the Board were again based on the combination of expertise, experience, independence and knowledge of the candidates, taking into account what the Board as a whole needs to function effectively. The Bank has also paid particular attention to gender representation on its Boards and has made efforts to achieve a 15% representation of women. To fulfil this, we were committed to give preference to the under-represented gender in the respective managing body among two similarly qualified and suitable nominees for the given position, unless otherwise justified by other professional considerations.

Remuneration policy

Following the completion of the second step of the merger, a new Remuneration Policy was adopted, which entered into force in May 2023, with institutional scope covering all member companies of the MBH Group, including MBH Bank. The principles related to remuneration are governed by this policy, considering the risk profile of the banking group, its corporate characteristics and compliance with relevant national and EU legal provisions. In addition, sustainability considerations and principles has been incorporated when drafting the policy, which covers all employees of MBH Bank, including members of the highest governing body and senior management. While the remuneration of the internal members of the highest governing body and senior management was in accordance with the Remuneration Policy, the external members of the highest governing body received fixed remuneration. The Remuneration Policy was made public within the organization and was accessible to all stakeholders.

The Remuneration Policy incorporated the environmental, social and corporate governance framework (ESG) of sustainability and the ESG objectives to be achieved into MBH Bank's incentive system. This incentive system includes performance-based and highly differentiated options for managers to re-

⁸ The aim of the BSE's Corporate Governance Recommendations is to formulate guidelines that promote compliance of public limited companies (issuers) in the course of their operation with internationally recognized rules and standards of corporate governance.

⁹ As of 31 December 2023



cognize strong performance and outstanding attitude. In 2023, all components of remuneration had to be linked to either Base Salary or Performance Related Pay. For the members of the Supervisory Board only Base Salary was available, and were not entitled to Performance Related Pay. The Chairman and members of the Board of Directors and the Supervisory Board were entitled to receive a monthly (or at other regular intervals) honorarium. More information on remuneration practices for employees can be found in chapter 10 of this report, which discusses Responsible employment.

The Bank provided information on the remuneration of members of the Board of Directors and senior managers in accordance with its statutory disclosure obligations. As part of the overall corporate performance objectives, ESG considerations have been incorporated into the remuneration system for senior management, including sustainability, CSR, health and safety.

The Supervisory Board was responsible for adopting, maintaining and where necessary, amending the institution's Remuneration Policy and Annex, as well as supervising the implementation of it. MBH Bank Nyrt. had a Remuneration Committee, the activities and competence of this consultative body covered the entire Bank Group, its task was to prepare decisions for the Supervisory Body related to the operation of the Remuneration Policy and to monitor compliance with the policy. The review of the Remuneration Policy takes place at least annually as part of the regular annual review.

Conflict of interest rules

In 2023, the general principles and frameworks for managing conflicts of interest, including the definition of conflicts of interest¹⁰, were laid down in the Conflict of Interest Policy covering members of the Bank Group, including MBH Bank. In it the Bank Group expressed its commitment to protect the legitimate economic interests of its customers and the company, as well as to minimize reputational risks, and to comply with legal obligations and the expectations set out in the relevant recommendation of the MNB. The scope of the Conflict of Interest Policy covers all defined conflict of interest and gift situations, as well as procedures related to the prevention, management and elimination of conflicts of interest that may arise in connection with them. The handling of conflicts of interest within Compliance and Data Protection belonged to General Compliance.

In 2023, our Bank continued to ensure the prevention and mitigation of conflicts of interest in case of the members of the highest governing body. The Nomination Policy is the basis for the selection of the Chairman and members of the highest governing body, which also stipulates that no conflict of interest may exist for the members of the Board of Directors and the Supervisory Board. In order to prevent and resolve potential conflict of interest situations, members of the governing body were required to make declarations during the entry and nomination process and on an annual basis, and the declarations were monitored by the Compliance department. The identified conflicts of interest were disclosed to stakeholders, and Compliance provided feedback to the parties concerned.

Establishing a single organizational structure

According to the decision of the General Assembly and after obtaining the necessary regulatory approvals, MKB Bank Nyrt. and Takarékbank Zrt. merged on 30 April 2023 and continued their operations under the name MBH Bank Nyrt., with a single brand name and image. This completed the triple bank merger led by Magyar Bankholding. A key element of the merger was the creation of a single organizational governance structure in MBH Bank: the professional and labour management of the new unified company has been exercised by the CEO and its deputy CEO, and a unified committee structure has also been established.

MBH Bank performs strategic decision-making, prudential control and group governance functions over the MBH Group. The Management Committee (MC), the operational decision-preparation and decision-making body covering the entire range of MBH Bank's operations, decides on general and strategic issues submitted to it, on business-related matters concerning the Bank's operations, organization, the management, administration and development of human resources. The MC also regularly reviews and discusses current issues affecting the operation of the MBH Group, prescribing measures where necessary.

¹⁰ Cases of conflict of interest include, but are not limited to, holding an executive position / board membership in another organization; shareholding, financial interest in a supplier or other interested party; controlling shareholder; related parties, significant relationships, transactions and significant receivables, etc.



6.2 ETHICAL OPERATION, FAIR BUSINESS PRACTICE

The business reputation and integrity of MBH Bank Nyrt. are primarily in the hands of our employees. Unlawful conduct or conduct that does not comply with fundamental ethical principles may seriously damage the Bank's reputation and adversely affect the Bank's image among its customers, owners and business partners in the wider community. The ethical standards and core values are set out in the Code of Ethics, which is applicable to all members of the Banking Group, including MBH Bank, and which has been publicly available on the website since May 2023.

We expect ethical behaviour not only from our colleagues, but also from our partners and suppliers. The Code of Ethics is intended to guide us in our daily work. In addition to the requirements of the applicable legislation and internal regulations governing the Bank's operations, the Bank has set additional ethical standards for its employees, provided support in identifying ethical risks and reporting and dealing with possible ethical breaches. The regulatory process has helped to maintain the Bank's reputation, to achieve its corporate objectives, and to develop and operate fair and reciprocal business and working relationships in line with its commitment to corporate social responsibility.

Members of the Board of Directors and leadership are responsible for the application and enforcement of the Code of Ethics in their respective fields, and as leaders they must also act in an exemplary manner in this respect. The compliance with the Code of Ethics, which is also the individual responsibility of each employee, was supervised and monitored within

the Bank by the Compliance department in 2023 as well. Internal rules issued by the Compliance area, as well as internal briefings, mandatory training and compliance experts ensured that business ethics were applied in day-to-day operations. The mandatory general compliance training followed by an exam covered ethical operation, anti-corruption, non-discrimination and respect for human rights, and was compulsory for all new hires and had to be completed by all employees as a refresher training.

Our Bank firmly rejects all forms of negative discrimination. Part of its corporate culture is to ensure human decency, an ethical environment and equal opportunities.

Ethics reporting and whistleblowing

In order to report, detect and remedy unlawful or suspected unlawful acts, oversights and other wrongdoings committed by MBH Bank and the employees of the MBH Group, MBH Bank and its subsidiaries subject to the Complaints Act¹¹ operated a whistleblowing system in 2023.

In 2023, there were no significant changes to the regulatory and operational framework of the Code of Ethics, but with the publication of the Complaints Act which entered into force in 2023, the procedures of the Bank's Ethics Committee were also revised, together with the revision of our Whistleblowing Policy.

In 2023, the reports, by subject and by area of competence, were as follows, in accordance with the Bank's Rules of Organization and Operation:

Relevant department	Subject	Example
Banking and Business Security	Fraud	fraud and suspected corruption, etc.
Financial and Capital Market Compliance ¹²	Money and Capital Markets / Investment Services	suspicion of insider trading, abuse of investment advice, etc.
Data Protection and Privacy	Data Protection and Privacy	suspicion of a data protection incident, etc.
Core Compliance	Core Compliance/Ethics/Conflicts of Interest	suspicion of harassment and intimidation, conflict of interest issues, discrimination, violation of human dignity, etc.

¹¹ Act XXV of 2023 on complaints, public interest reports and rules related to whistleblowing

¹² After the Rules of Organization and Operation of 4 December 2023, Capital Market, DDC and Sanctions Compliance.



In its whistleblowing system, the Bank has provided the opportunity to report openly or anonymously. Reports could be made in written or oral form. Written complaint could be made through post or e-mail. The Bank's employees could also file reports through the Anonymous Box available on the Bank's server. According to the Whistleblowing Policy of 2023, incoming correspondence will be seen only by the heads and dedicated staff of the departments designated to conduct the investigation (Compliance and Data Protection, Banking and Business Security, Internal Audit). Within 7 days of receipt of the written report, the Bank will send a written confirmation to the person filing the complaint on receiving the report. Oral notifications shall be recorded in writing by the Bank and a copy thereof shall be handed over to the notifier for verification, correction or acceptance.

Other forums

- Ethics Committee for supporting compliance with the rules of the Code of Ethics and for professionally handling high-profile cases
- The Ethics and Conciliation Committee of the Works Council, in order to ensure employee representation, for clarifying any irregularities or disagreements in the scope of its activities and participating in the resolution of conflicts between employees or between leadership and employees

MBH Bank continues to accept the Code of Conduct for Commercial Banks in Hungary as binding.

Complaint handling

MBH Bank has provided several channels to report any complaints that may arise, either orally or in writing, in person or by proxy. Our aim was to ensure that complaints were handled, investigated and feedback was provided within a strictly regulated framework to ensure customer satisfaction and a high level of service. The procedure to be followed during the complaint handling process has been set out in the Complaints Handling Rules, effective from May 2023, in order to continuously improve the dispute resolution process.

We treated complaints resolution as a priority, investigated them promptly and acted in accordance with the rules of equal treatment, and remedied the errors found. Complaints made in writing were recorded and the outcome of the investigation of the complaint was communicated to the parties concerned within 30 calendar days of the complaint being made, or within 15 working days in the case of complaints related to payment services. In addition, we regularly analyzed the comments received and used the results to continuously improve our services and customer management policy. The parties concerned could appeal against the outcome of the complaint handling.

Nearly 99% of complaints received in 2023 were closed within the deadline. The substantiation rate in 2023 averaged between 30-40% in each quarter.

6.3 REGULATORY COMPLIANCE

MBH Bank constantly monitors changes in national and European legislation in order to ensure maximum compliance. This is guaranteed by a system of existing lines of defense. The responsibilities of the MBH Group's compliance areas have been developed in line with the MNB's recommendation on the establishment of internal lines of defense. The independent Compliance and Data Protection department was responsible for ensuring legal compliance in 2023 as well. The objective of this field was to support the conduct of legitimate business and the operation of the management body with advisory, information, control and investigative activities in areas such as data protection and confidentiality, financial and capital market compliance, conflicts of interest, consumer and investor advocacy, and prevention of money laundering and terrorist financing.

Three lines of defense

MBH Bank strives for maximum regulatory compliance through internal controls along three lines of defense.

- The first was the controls built into processes, management control and other functions that also exercise control (e.g. HR, Controlling, Accounting, etc.).
- A second additional line of defense was provided by specific control functions, supporting the business areas and the management bodies of the MBH Group members with preventive and proactive measures and advice. This includes, for example, Compliance, Risk Management, Data Protection Officer, Security, etc.
- The third line of defense was Internal Audit, which is organizationally and functionally independent.

In 2023, there were no significant changes to the general regulatory compliance framework. The regulations governing compliance activities were amended in 2023 during an annual review and as a result of a full integration, primarily with the aim of establishing joint operational practices. In May 2023, the Complaints Act was adopted, requiring all companies to establish a mandatory whistleblowing system. The publication of the new law resulted in a review of our Whistleblowing Policy, which our company successfully completed.

¹⁹ Act XXV of 2023 on complaints, public interest reports and rules related to whistleblowing



Internal regulation and external supervision

The areas of internal regulation for compliance activities were:

- Compliance Policy
- Anti-corruption Policy
- Conflict of Interest and Gift Rules
- Conflict of Interest Policy
- Code of Ethics and rules for investigating ethics complaints
- Complaints Handling Policy
- Whistleblowing Policy
- Employee Transactions Policy
- General operating rules based on the principles set out in policies
- Administrative instructions containing the rules for implementing the provisions of the policies, as well as internal instructions for each area.

In addition to internal regulation, the independent auditor ensured external supervision, and the clientele and regulatory oversight could also indicate discrepancies and contribute to ensuring a high level of legal compliance.

We consider it essential to incorporate sustainability aspects and ESG policies into our corporate governance processes. As in previous years, Compliance and Privacy department continued to monitor ESG-related legislative and regulatory changes at a high level in 2023. In the short term, in line with regulatory requirements, our aim is to be transparent about our commitment to sustainability within our operations. To this end, we have a separate ESG department within our organization, which is responsible for monitoring legislation and regulatory changes and assessing their impact on operations (see sub-section 5.2 ESG governance for more information).

Number of significant non-compliances

Our priority is to ensure a high level of compliance with the legal provisions in force. In 2023, the number of non-compliance cases resulting in fines and non-financial sanctions increased as a result of the merger. MBH Bank considered significant legal non-compliance to be non-compliance where a decision or audit report was issued in an investigation procedure by bodies acting within their statutory control powers, whether or not the decision or audit report sanctioned the non-compliance by imposing a fine.

The total value of financial penalties imposed in 2023 was HUF 45,250 million, of which the aggregate value of financial penalties of 2023 for cases that occurred in the reporting period was HUF 14,400 million. The total value of financial penalties imposed in 2023 for cases that occurred in years prior to the reporting period was HUF 30,850 million. In 2023, there were a

total of 72 cases of non-compliance, of which 45 cases resulted in fines and 27 cases did not end with financial penalties.

Of the legal non-compliance cases, 15 were related to the provision of information on products and services, of which all cases ended with fines as the Bank violated the legal provisions related to making the loan available to the consumer within 5 working days of the notification of the intention of early repayment and settling debt on time; submission of the annual statement and submission of the statement to be drawn up after the termination of the contract; legal provisions prohibiting unfair commercial practices against consumers; and inconspicuously included the value of the APR in the Advertisement recording commercial communications relating to credit granted to consumers, thereby infringing Section 4 (1) of the Act on Consumer Credit¹⁴.

A further 30 non-product and service-related reprimands were issued for breaches of the legal provisions on incomplete replies to complaints and the legal provisions on reimbursement of the amount of the unauthorized payment transactions and restoration of the payment account to its pre-charging status.

In the 27 cases where no financial penalty was imposed, the Supervisory Authority drew the Bank's attention to the breach of the law in the form of a management letter and a consumer protection warning, including: in relation to early and final repayment in 5 of the 10 transactions examined, the Bank was unable to justify beyond doubt the provision of information to consumers in accordance with the Act on Consumer Credit; in relation to the Credit Card Conditions list, it asked for clarification regarding the description of the interest charged during partial repayment; according to the APR Regulation, the value of the APR in commercial communications was not set at HUF 12 million for mortgages and for a maturity of 20 years; in its Account Management Announcement, the account maintenance fee did not comply with the provisions of the Government Decree; Inadequacy of information published on the website in connection with bank holidays, information on excessive indebtedness, information to heirs, complaint handling policy.

In 2023, the authority ordered the Bank to pay an air quality protection fine of HUF 75,000 for failing to report changes.

During the past four years, no competition proceedings or other legal proceedings relating to anti-competitive behaviour, antitrust or monopoly law violations, fraud, insider trading, market manipulation or irregularities have been brought against the Bank. There were no confirmed cases of corruption.

¹⁴ Act CLXII of 2009 on Consumer Credit



Compliance-based risk assessment

The MBH Group, including MBH Bank, takes a risk-based approach to compliance assurance, with a compliance risk assessment taking into account the relevant supervisory requirements. Risk assessment is used to identify and assess compliance risks, and the Bank identifies the necessary measures to manage the risks recognized and monitors their implementation. A compliance risk assessment has also been prepared for 2023, and considering the completed merger, the most significant risks for 2023 were related to the following topics:

- Investigation of outsourcing activities;
- Management and recording of conflict of interest situations;
- Product sales and customer relations;
- Marketing communications;
- Complaint handling;
- Raising money laundering prevention awareness, training in money laundering reporting practices

6.4 RESPONSIBLE PROCUREMENT

As one of Hungary's leading banks and a responsible company, MBH Bank continued to work with a wide range of suppliers throughout 2023, and in addition to our legal obligations, we also comply with internal ethical standards. As a result of the merger, the focus in the reporting year was on centralization, aiming at standardization of contracts and achieving cost savings, while taking sustainability aspects into account where possible. The efficiency and stabilization of procurement was the process that defined 2023.

Our principles

Ensuring the security of customer data and banking systems is a priority for us, and we keep it in sight when developing supplier relationships. The procurement area is responsible for striking the right balance between quality, price and reliability, and for assessing and, where appropriate, coordinating the mitigation of supplier-related risks during the supplier selection process. The procurement process is carried out with environmental awareness and energy efficiency in mind, without restricting competition and in compliance with ethical standards.

The principles and framework of procurement were determined by the current Procurement Rules of MBH Bank Nyrt., which underwent a review in 2023 in connection

with the integration. The next review deadline is the end of June 2024, by which time the current special management description describing the current processes will be incorporated into the policy.

The goals of objectivity, transparency, fair and efficient tendering and (legal) compliance in procurement remains. The Procurement Rules state that procurement staff will not accept any external remuneration or preferential treatment for their work, other than workplace benefits. Suppliers are expected to comply with the applicable legislation in their contracts.

Revision of contracts

In most cases, MBH Bank uses its own model contract for agreements with suppliers, which includes supplier acceptance of the Code of Ethics. This practice typically differs in the case of larger suppliers, where only the supplier's contract can be accepted. In addition, if a supplier insists on its own contract, this can be applied subject to the involvement and approval of compliance, legal, banking security, data protection departments.

During the procurement procedure, tenderers declare the absence of conflicts of interest indirectly by signing the procurement declaration, while the winning bidders have to declare it directly by signing a document for this purpose, which is checked by the Compliance Department. The review and updating of IT contracts and outsourcing contracts is a priority for the Bank, thus template contracts will be reviewed in 2024 to ensure that all relevant aspects are reflected in the contracts.

Domestic suppliers

Due to the activities of MBH Bank, its most significant suppliers are service providers. Within the bank, IT, property management and marketing are the areas with largest purchasing value. During 2023, purchases exceeding one million forints were related to about 1,004 suppliers. The Bank works mostly with domestic suppliers. Only for cloud services is the share of foreign suppliers dominant. Domestic suppliers are preferred due to ease of contacting, the same economic environment, business culture and legal conditions.

In 2023, due to the merger of the three banks, the number of suppliers increased significantly compared to 2022. In the year of the report, the three former banks were subject to different contracts, but the increased number of suppliers will become less as a result of centralization and consolidation.



	2020	2021	2022	2023
Number of suppliers	299	281	878	1 615
of which domestic supplier	280	268	810	1 504
of which foreign supplier	19	13	68	111
Number of suppliers related to purchases exceeding HUF 1 million per year	190	191	509	1 004
of which domestic supplier	177	183	458	915
of which foreign supplier	13	8	51	89

Supplier risk assessment

The supplier risk management process is intended to guarantee the safety of MBH Bank and its customers, so the Bank carries out the evaluation process for each new business relationship. The description of the risk assessment process includes the auditing areas, which typically carry out the audit in the final phase of contracting. The aim is to identify the outsourced services from a risk perspective and to set up a business continuity planning system where suppliers are categorized into low, medium or high-risk groups in terms of financial, operational and transactional risks. If any of the risk dimensions is high, the supplier is automatically placed in a high-risk category. For a high-risk partner, security elements are built into the contract, depending on the task performed. If the partner does not accept the clauses, MBH Bank withdraws from the contract, but this usually does not happen. The contract of a high-risk supplier is automatically subject to mandatory annual review and the continuation of the supplier relationship requires senior management approval, sometimes accompanied by mitigation measures. In rare cases, at the end of the risk assessment process, the supplier relationship is terminated by the Bank.

Changes in procurement as a result of the merger in 2023

During 2023, both the procurement structure and the area have changed a lot, with the merger resulting in a centralization process in the procurement area. Today, the central procurement area is responsible for the entire MBH Bank and

its affiliated companies, including IT, non-IT procurement and procurement support. To make the procurement process efficient, a targeted project was launched at the end of 2022, with strong results by the last quarter of 2023. A new procurement process and claims reporting system have been launched. The Bank has started to implement an ERP system for claims management, thus building a much more standardized, large-scale process, taking into account the specificities of MBH Bank. In November 2023, the introduction of the new process began in frame of a pilot project for a limited area, with the aim of extending it to other areas in 2024.

Keeping process efficiency and sustainability aspects in mind, the Bank is directing its partners towards electronic signatures. At our company, leadership already have electronic signatures and we strive to give the same opportunity to as many employees as possible. In 2023, an agreement has been reached between the procurement field and the legal area on the acceptance of hybrid signatures, so the Bank can sign electronically with partners using conventional signing. In the future, the goal is to transition to fully electronic signing, but realistically considering the capacities of the partners in this regard, we consider the agreement reached in 2023 to be a great step forward.

The main focus of the Bank in the year of the report was clearly on procurement efficiency and stabilization, building a stable base that will allow for a greater focus on sustainability in the future.





7. PARTNER IN SUSTAINABLE FINANCE

7. PARTNER IN SUSTAINABLE FINANCE

The vision of MBH Bank Nyrt. is to play a key role in creating sustainable banking in the domestic financial market. One of the pillars of the realization of the vision is the role of MBH Bank as a „Partner in Sustainable Finance“. In the course of this objective, we intend to create an infrastructure, product and service range, risk framework and customer education platform that helps achieve sustainability goals, taking into account both retail and corporate customers. We want to be at the forefront of the domestic banking market, supporting sustainable social and economic transformation. To promote our competitiveness, it is essential to introduce and continuously develop ESG-oriented products and services. During the development of the portfolio, we prioritize the needs and goals of our clients related to sustainability, increasing customer satisfaction, and encouraging the shift towards a sustainable economy.

„As a responsible credit institution, we must prioritize environmental sustainability and the fight against climate change, which is why we develop credit and investment policies that support environmentally friendly projects and exclude business activities that cause environmental damage. Green finance aims to promote sustainable economic growth and minimize environmental damage. In order to be able to join the green financing system, it is essential to proceed with precisely defined values in mind, which is why it is important to set measurable goals and continuously measure our activities“

András Puskás
Deputy CEO of MBH Bank

7.1 ESG RISK MANAGEMENT

MBH Bank aims to create a balanced portfolio that takes environmental, social and governance sustainability into account. The Risk Strategy, Sustainability Policy (Environmental, Social Responsibility and Corporate Governance Policy) and Practical Application of Sustainability Guidelines in Credit Risk Management Processes are the relevant internal documents in this area.

Risk management principles

The risk-taking principles include that the MBH Group – including MBH Bank – does not engage in activities prohibited by law, does not take risks in connection with activities that are prohibited by law, illegal, morally challengeable, or that involve environmental destruction or are likely to cause environmental damage in connection with the activity, endanger the achievement of the Group’s sustainability goals, or are contrary to the Group’s business goals, strategies, interests of owners and customers. The Group shall not incur any risk in relation to persons whose conduct in bad faith has caused, to the best of its knowledge, a loss to creditors.

From now on, the Group will determine non-preferred sectors annually. Risk-taking is not prohibited in the non-preferred

sector, but the objectives include a possible reduction of their proportion year by year, especially regarding sustainability risks, and stricter risk management aspects are expected when taking risks in these sectors.

The main types of material risks for the Bank include credit risk, operational risk, market risk, liquidity risk and other risks, such as ESG risk. Risks are also categorized according to their relevance and significance.

PROHIBITED AND DISADVANTAGEOUS ACTIVITIES¹⁵

MBH Bank annually determines for the Group as a whole the activities (prohibited activities) in which it does not carry out financing and those activities that it does not favour and intends to further control and/or reduce funding (disadvantageous activities) based on sectoral performance indicators of the portfolio or other aspects. Based on portfolio monitoring, MBH Bank continuously monitors the activities of these sectors. MBH Bank’s Risk Strategy in force in 2023 specifically stipulates that the Bank will not take risks in relation to activities that involve environmental degradation, where environmental damage is likely to occur in connection with the activity, or those that endanger the achievement of the Bank’s sustainability goals.

¹⁵ Simplified list of prohibited activities: manufacture and trafficking of arms, ammunition, explosives; production of military fighting vehicles; trade in diamonds and gold/precious metals; financing political goals. Simplified list of preferential activities: oil-based fuel retail; gas trading; within the food and beverage industry, the preservation subsector; agency wholesale; wholesale of beverages; trade in waste; mining; watches, jewelry/wholesale; pawnshop activity; purchase of receivables; provider of electronic money; a financial service provider operating a payment system; payment service provider; Lending transactions with cities, municipalities, associations of municipalities and non-profit institutions outside Hungary.



SK7, FN-CB-410a.2

Compliance with the Green Recommendation of MNB

The Group implements its business and risk strategy in line with the provisions of the MNB's Green Recommendation and supervisory expectations. Thus, ESG risk management elements are included in the Bank's risk management strategy.

SUPERVISORY EXPECTATIONS

The MNB has formulated its recommendation for credit institutions on climate change and environmental risk management and the mainstreaming of environmental sustainability aspects to encourage banks to operate more sustainably by setting clear priority targets. By completing three phases, the MNB expects domestic credit institutions and branches to switch to green operations by 2025, i.e. to identify, measure, manage, supervise and disclose climate-related and environmental risks.

The steps implemented in 2023 primarily affected the corporate governance function, and we also took important steps in risk management to comply with the Recommendation. ESG trainings for senior managers and employees were implemented during the year. In addition, the ESG organization was formed, formalizing the move by appointing senior management responsibilities and indicating responsibilities in the Rules of Organization and Operation. Management will be informed of progress in this area through regular reports.

In terms of risk management, ESG due diligence has been included in the decision-making process and ESG assessments are made for certain transaction and client segments. In terms of operational risks, transition and physical risks have been integrated into the loss record, and reputational and legal risk implications are also included.

MBH Bank's business continuity plan is high-level and applies to critical systems as well. Our ESG policy has been developed with international standards in mind and demonstrates the Bank's commitment to integrating sustainability principles at a high standard.

We are in the process of quantifying ESG risks and supplementing the management information system with ESG data within the framework of the Data Market project. Furthermore, we strive to reduce our carbon footprint. For this purpose we calculated our own (Scope 1) emissions as well as our indirect (Scope 2) and financed emissions (according to Scope 3, PCAF methodology). Based on the results, we formulated our decarbonization efforts. We have launched forward-looking processes in several areas and will continue to fully elaborate the tasks started in 2024.

MBH Bank acted in accordance with the supervisory deadlines in implementing the self-assessment and action plan under MNB's Green Recommendation. The merger significantly slowed down the implementation of tasks set for 2023, which only affected internal deadlines. The fulfilment of the tasks set out in the recommendation is continuous, thus the deadline for completion by MBH Bank is in line with MNB's expectations of completion up to 2025.

ESG risk assessment

MBH Bank considers risk-taking to be a fundamental feature of financial service provision and treats it as a natural part of its business activities. Accordingly, we place emphasis on risk assessment, taking sustainability aspects into account where possible.

More progress has been made in improving the risk framework from an ESG perspective in 2023. ESG assessment methodology has been developed for all lending processes - retail loans (housing), micro, small, medium and large commercial loans - using Opten, EBRD Heatmap and text analysis. The policy was first issued for large corporations and special lending. For the remaining segments, the related regulation is already under review and will be introduced in the course of 2024. This framework is continuously monitored and improved based on current regulations and industry best practices.

To improve the ESG aspects of bank risk management to comply with the ESG disclosure requirement under Pillar 3 (P3)¹⁶ of the Capital Requirements Reporting (CRR) (Pillar 3 disclosure for short), a PMO project was carried out in the year under review. During the project, it was identified that in connection with and in addition to data collection, it will be necessary to establish several processes related to business operations to minimize manualities.

The Bank's objective remains to develop a retail and commercial unified data taxonomy, to fully integrate ESG considerations into credit risk processes, to quantify operational risks, and to integrate ESG considerations into the risk-appetite framework, risk models and stress tests, and in the long run into the calculation of internal capital needs.

In addition, ESG considerations have been considered at a high level in sectoral strategies throughout 2023; quantified, measurable targets are planned to appear in the 2024 business and risk strategies. In addition, ESG risk assessment and monitoring of the corporate portfolio is also planned for 2024.

¹⁶ P3 is the EU's obligation to disclose qualitative and quantitative information on the risks to which banks are exposed and on their capital and risk management, with the aim of increasing transparency and strengthening market discipline. EUR-Lex - 32022R2453 - EN - EUR-Lex (europa.eu)

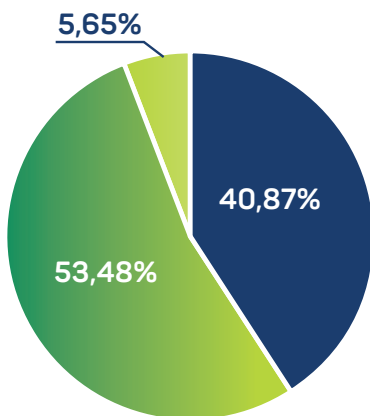


ESG risk exposure of the bank portfolio

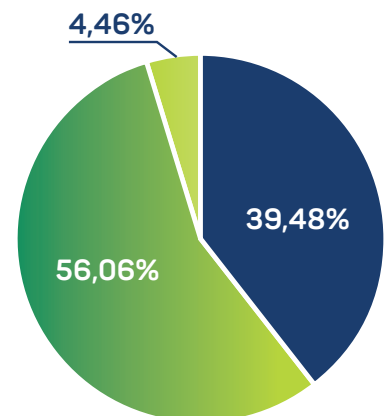
To assess and monitor the corporate portfolio from an ESG point of view, regular, annual ESG assessments of clients and transactions are necessary, which was carried out in 2023,

primarily based on the OPTEN (Company Information System) database and, in case of data shortages, by EBRD (European Bank for Reconstruction and Development) categories¹⁷.

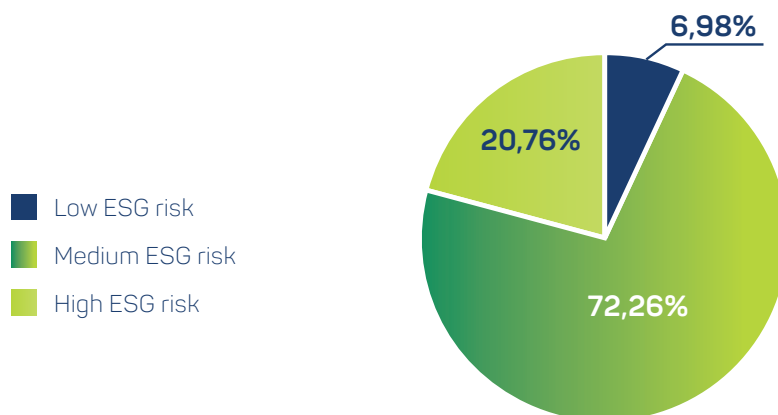
ENTERPRISE EXPOSURE – ESG VALUATION (%)



MIDSIZE COMPANY EXPOSURE – ESG VALUATION (%)



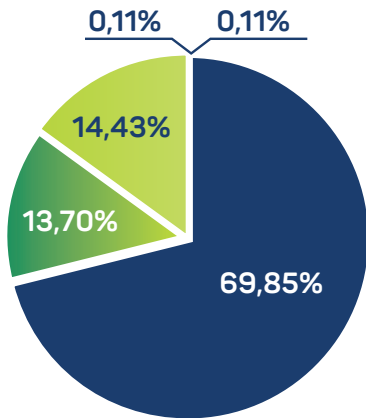
AGRICULTURAL EXPOSURE – ESG ASSESSMENT (%)



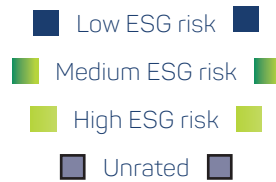
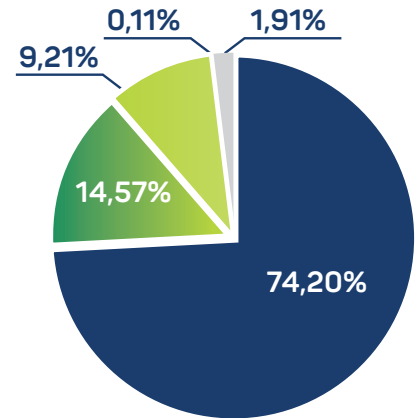
¹⁷ The definition of risk exposure in agriculture, medium and large enterprises is primarily based on the OPTEN database, and the EBRD Heatmap was also used as the basis for determining risk exposure.



SOCIAL RISKS

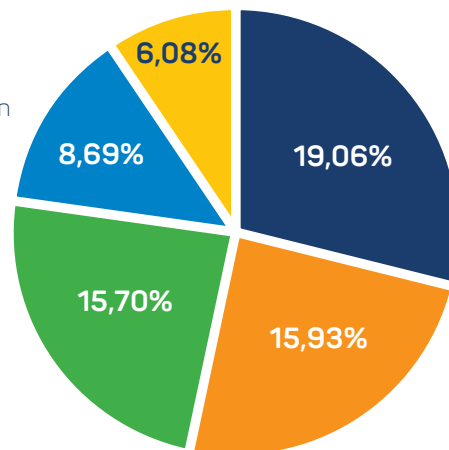
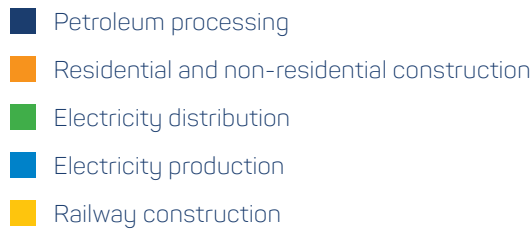


ENVIRONMENTAL RISKS



Exposure of banks' portfolio to social and environmental risks according to EBRD Heatmap (2023)

HIGH-RISK SECTORS IN THE PORTFOLIO



Sectoral breakdown of risks identified as high in the portfolio (2023)

The charts show that around 70% of the portfolio is considered low risk based on environmental and social risks. Among the sectors with high ESG risk, petroleum processing, residential and non-residential construction, and electricity distribution represent the most significant part.



7.2 PARTNER IN GREEN FINANCE

MBH Bank continued to strive to develop a sustainable and responsible asset, investment and financing portfolio and fundraising in 2023. To this end, we continue to aim to continuously reduce the environmental footprint of funded activities. During our operation, we strive to create schemes that support our clients in achieving their sustainability goals, both on the retail and commercial side.

The need for greening banking products has become a kind of expectation. For retail customers, taking into account the need for sustainable, environmentally friendly solutions, modern, energy-efficient housing facilities (e.g. installation of solar panels, support for heating modernization) have been established. More and more online loan products have also become available, for example, our retail clients can apply for a personal loan on our online loan application interface. These efforts indirectly help to reduce greenhouse gas emissions. On the corporate lending side, loan objectives for financing sustainable investments, such as commercial solar parks or even for the implementation of own non-commercial projects, are outstanding.

The Bank's strategic goals for green product development are in line with the 5 strategic goals of the Bank's ESG strategy. When it comes to banking products, sustainability goals primarily cover the environmental dimension.

Below are the green products and other initiatives provided by MBH Bank to our retail and corporate clients.

Green finance framework

At MBH Bank, we are committed to giving sustainability an ever-increasing role in our operations. Our Green Finance Framework for 2023 is an important step in aligning our financing strategy with our sustainability commitments. This Framework is also an additional opportunity to communicate with investors and other market participants about our commitment to creating shared value for business, society and the environment. Furthermore, we aim to diversify the Issuer's investor base and engage in sustainability dialogues with socially responsible investors.

To ensure our commitment to a wider uptake of sustainability products, we have established an internal Green Loan Framework throughout 2023, in line with the criteria set out in the Green Finance Framework. Through the Green Loan Framework, we aim to identify and finance transactions that have a positive environmental impact and contribute to achieving the global Sustainable Development Goals („SDGs¹⁸„) and the European Union's sustainability goals. The framework identifies four categories: sustainable real estate, renewable energy, clean transport and sustainable agriculture. The green criteria are defined based on consistency with the EU Taxonomy, which is currently the strongest set of green criteria.

Under the Green Finance Framework, MBH Bank can issue green financing instruments, which can be covered bonds, senior bonds (senior and non-preference), subordinated bonds, medium-term tickets, commercial papers, loans and other financing instruments.

The Green Finance Framework¹⁹ is based on international standards and aligned with market guidelines and rules. These standards will be used for revenue use, project evaluation and selection, revenue management and reporting. MBH Bank's entire Green Finance Framework is supported by an external second-party opinion (SPO) to ensure its credibility and intends to request an assurance report prepared by an external review service provider, starting one year after issuance and annually for the duration of the green finance instruments, on the allocation of revenues from the Green Finance Facility into eligible green projects and the impact reports on project categories.

Green company portfolio

In terms of corporate lending, MBH Bank, as a commercial bank, has played a catalytic role in green lending, which has become even clearer due to the energy crisis that continued in 2023. According to current trends, the application ratio for working capital loans and investment loans has shifted towards working capital loans, as our clients sought to create a safety and liquidity buffer due to volatile exchange rates. Investment loans were also requested. That shift does not apply to energy efficiency projects. These investments have continued to gain momentum recently, which can be driven by both green thinking and the desire to save money.

¹⁸ SDG stands for UN Sustainable Development Goals (SDGs).

¹⁹ The framework aligns with the following reporting recommendations: Green Bond Principles (GBP, 2021) as communicated by the International Capital Market Association (ICMA) and Green Loan Principles (GLP, 2023), Loan Market Association (LMA), Loan Syndications and Trading Association (LSTA) and Asia Pacific Loan Market Association (APLMA). It is also fully aligned with the technical screening criteria defined by the EU Taxonomy (Regulation (EU) 2020/852 of the European Parliament and of the Commission) – for credit purposes for which the EU Taxonomy already has a technical screening criterion.



Despite economic difficulties, MBH Bank did not experience the same decline in green lending in 2023 as for other investment and project loans. There is a demand for investment loans that typically serve some kind of sustainability and energy saving purpose. The bank aims to increase its share of green loans by at least 4 percentage points by the end of 2024.

In our experience, ESG-minded clients are less likely to incur credit risk, and those who also consider ESG aspects think more prudently about loan repayment.

On the corporate lending side, the following products should be highlighted:

- Lending for renewable energy generation and green bond purchases
- Green loan target financing
- Supporting green real estate development
- Paperless account management
- Other Green Business Products

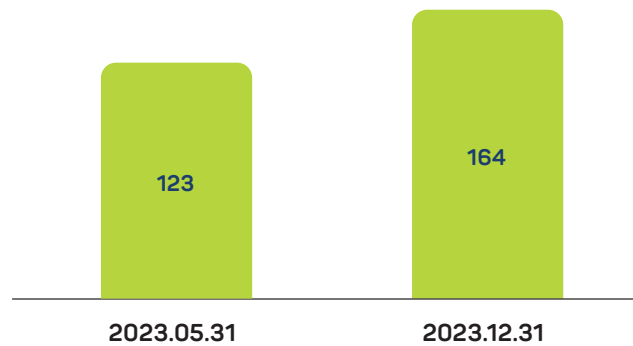
You can read more about the products listed in the rest of this chapter.

Lending for renewable energy generation and green bond purchases

In addition to lending renewable energy production, the bank helped to achieve green economic goals and fight climate change by purchasing green bonds, for which products it also applied a capital requirement discount.

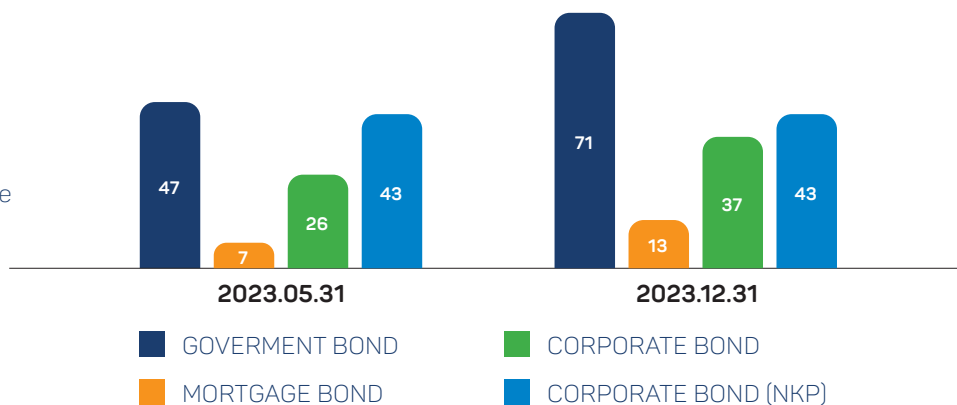
MBH Bank's total green bond portfolio for 2023 stood at HUF 164 billion at the end of the year, an increase of 33% compared to HUF 123 billion in May.

TOTAL GREEN BOND PORTFOLIO OF MBH BANK IN 2023



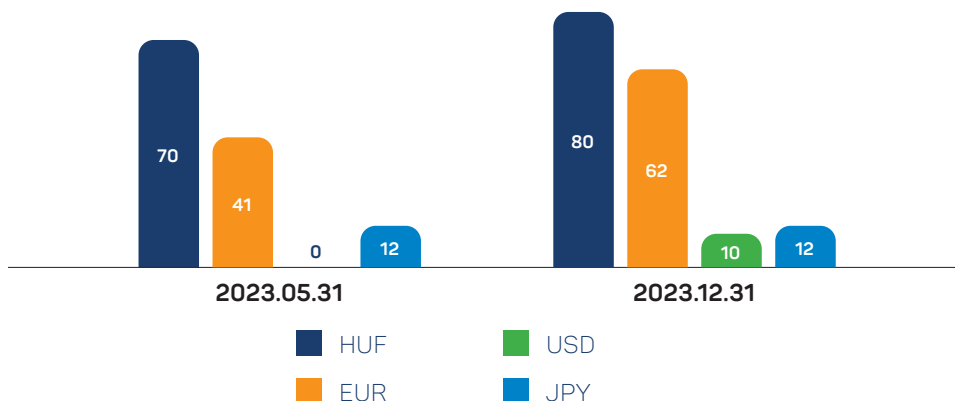
MBH BANK'S GREEN BOND PORTFOLIO BY TYPE IN 2023

In terms of the type of green bond portfolio, almost half of the year-end holdings were government bonds.



MBH BANK'S GREEN BOND PORTFOLIO BY CURRENCY IN 2023

In terms of currency distribution of green bonds, nearly 50% of the year-end holdings were issued in forints and 38% in euros.



Green loan target financing

When financing a green loan target, our clients can take advantage of capital discounts. In addition, we encourage colleagues at MBH Bank to develop the green loan portfolio, with special regard to project financing, so the related incentive system has also been developed along the lines of preferred green lending.

- MBH Bank has also been at the forefront of providing loans for solar parks in project financing in 2023. At the end of 2023, the stock of solar power plant financing in the Bank's portfolio amounted to HUF 75.13 billion. Compared to 2022, it represents an increase of approximately HUF 24.57 billion²⁰, corresponding to 2% of commercial loans. The stock of renewable energy financing other than solar energy was HUF 14.67 billion in 2023, which means an increase of HUF 10.05 billion compared to last year.
- Green bonds purchased under the MNB's Growth Bond Programme (NKP) amounted to approximately HUF 27.82 billion in the bank's portfolio, an increase of approximately HUF 6 billion compared to 2022.

Supporting green real estate development

In the Bank's portfolio, the stock of office buildings with environmental certification (e.g. BREEAM) exceeded HUF 55.28 billion at the end of 2023, compared to HUF 54.83 billion in the previous year.

Eximbank Gábor Baross Reindustrialization loans

MBH Bank has included among its previous objectives the implementation of the green modalities of the Baross Gábor Loan Programme, which was successfully implemented in 2023. The loan programme aims to finance domestic SMEs and large companies exposed to the negative economic effects of the energy crisis and disruptions in international value chains.

²⁰ This growth is the result of continuous growth and the merger of Takarékbank.

In 2023, Eximbank announced two refinancing programmes – the Baross Gábor Reindustrialization Green loans and the Baross Gábor Reindustrialization Green Future Exporters investment loans – under which it provided preferential funding specifically for green credit purposes. Accordingly, the loans could be used for investments leading to improvements in energy efficiency and renewable energy production, as well as for technological modernization and capacity expansion as additional elements of the energy investment. These products targeted medium and large enterprise customers. MBH Bank was one of the first to implement these green modalities, and among the loan goals, the establishment of solar parks appeared to an outstanding extent in the field of project financing. The success of the loan placement is proven by the fact that in addition to the Bank of the Year award established by Eximbank, MBH Bank also won the Green Refinancing of the Year award.

Paperless account management

In account management, MBH Bank has launched a paperless corporate account management package, under which no paper-based statement is provided for banking through electronic channels. At MBH Bank, we try to encourage electronic administration among our customers. In connection with digital administration, our goal is to achieve high electronic channel penetration among corporate customers, primarily through installed or cloud-based internet banking or dedicated corporate mobile banking/mobile application. The service of corporate customers differ from the retail segment, as the operation of the digital channel used must be stable and work in coordination with the own corporate system.



Other green business products

- *Széchenyi Card Program*

At the beginning of 2023, it was possible to apply for state-supported preferential credit facilities under the name of Széchenyi Card Program MAX+, and green, energy efficiency products also appeared within the optional loan types. The aim of the programme was to support businesses in overcoming temporary liquidity problems.

- *Green flat rate package*

MBH Bank prepared its Green Monthly Flat Fee package in 2022, which was introduced in 2023 as an important element of our sustainability and climate strategy. In frame of this initiative, we help protect the endangered red-footed falcon population of Hungary. The invoice package ensures paperless, fully electronic invoice management for our corporate clients with a turnover of more than HUF 1 billion or those that belong to the Custom Business Unit, and in cooperation with the Hungarian Ornithological Society, we install a kestrel breeding box on behalf of our clients for every green flat-rate package sold. In 2023, MBH Bank supported the Society's Red-footed Falcon Protection Working Group with HUF 3.5 million, which in turn manufactured and installed 200 nesting boxes from the budget. A total of 171 different nests were found, from which 128 kestrel chicks were calculated to have flown out.

- *BUPA – Digital financial assistant and online invoicing*

To reduce everyday administrative burden, we created the BUPA digital financial assistant, which helps with invoicing, cash flow and financial assistance. It also reduces paper usage and costs incurred by businesses. Today, it has more than 23 000 registered business users. The BUPA interface has been optimized for all devices, and there is no need to download an application. In addition, the website's Knowledge Base provides educational information on green topics.

One of our future objectives is to extend the BUPA system with additional functions. In 2024, the multibanking module will be introduced, which will allow more and more customers of domestic commercial banks to use BUPA's open banking services. In addition, the development of the MFB Energy Efficiency Loan Programme²¹ started already in the year of the report.

Green retail products

The Bank's goal is to familiarize retail customers with green products, which are currently being developed. In 2023, we also offered our retail customers several opportunities to create sustainable homes:

- *MNB's Funding for Growth Scheme Green Home Program (NHP ZOP)*

Credit institutions participating in the MNB's NHP Green Home

Loan Program could provide a home loan of up to HUF 70 million per debtor, with a maximum maturity of 25 years, for the purchase and construction of energy-efficient, new residential properties. From October 2022, the MNB's NHP Green Home Programme provided HUF 300 billion in funding for new housing market loans. However, the Central Bank did not provide any additional funds within the framework of the programme, so taking into account the available envelope, by the end of the year the focus shifted to introducing and modifying subsidies that encourage families and childbearing (e.g. CSOK Plus, Baby Loan).

- *Mortgage loan – ECO preferential home loans, MBH Green Qualified Consumer Friendly Home Loan*

Today, buildings are responsible for nearly 40 percent of energy use in Hungary, while most of them are technically and thermally outdated. That is why it is important to provide customers with the opportunity to buy modern, energy-efficient homes from the home loans we offer, for which interest discounts are also available. The demand for green loans and ESG products has steadily increased, so MBH Bank has introduced its Green Qualified Consumer Friendly Home Loan (MFL) from April 1, 2023. The newly introduced loan scheme is available at a 0.25% interest rate discount to those who purchase a new home in Hungary, with a primary energy demand of up to 76 kWh/m²/year, and an energy quality rating of „A” or better according to the Ministry of Construction and Transport (ÉKM) Regulation 9/2023 (V.25.) on the energy certification of buildings²².

In the same year, from 1 May 2023, we renewed our ECO Home Loan, which can also be used to purchase a new home and modernize a residential property, also with a 0.25% interest rate discount. These were created primarily because of the amended utility rules in the summer of 2022 (increased demand for smaller-sized and energy-efficient properties) and to serve the emerging sustainable and environmentally friendly consumer demands.

In terms of volume, since the 1 May 2023 (after the merger of MKB Bank Nyrt. and Takarékbank Zrt.), green home loans (ECO and Green Qualified Consumer Friendly Home Loan) accounted for approximately 1% of MBH Bank's disbursed mortgage loans.

- *Other initiatives*

In case of retail credit cards, we continuously shift from paper-based monthly statements to e-statements, and we draw our customers attention to the use of digital channels in customer information materials, on our website, during activation calls, thus aiming to reduce the amount of paper used. From 2023, customers who choose cheque repayment but do not regularly pay with it will be switched to wire

²¹ MFB Zrt.'s MFB Energy Efficiency Loan Programme will also be available at MBH Bank's distinguished branches.

²² 9/2023 (V. 25) ÉKM Regulation on determining energy performance of buildings



transfer in the method of repayment of credit card payment obligations and will no longer be sent cheques. The repayment method is reviewed monthly and adjusted, if necessary, continuously reducing the number of paper checks.

Our ESG goals for personal loans are to increase digitalization and support energy efficiency loan targets. Digitalization supports our ESG goals through reducing paper consumption and customer contact, and financing sustain-

nability loan targets through completed investments.

Another initiative this year was the introduction of the Student Loan Account and Bank Card that could be applied for through digital channels. The Student Loan Bank Card is made of environmentally friendly 100% recycled materials, and communication with customers is also carried out primarily through digital channels.

7.3 DISCOUNTED AND SOCIALLY RESPONSIBLE PRODUCTS

MBH Bank's clients in commercial and retail segments can achieve a functioning economy together with appropriate state assistance. In line with customer requirements, MBH Bank had a wide range of products available with state subsidy in 2023, as in the previous period.

Discounted commercial products

MBH Bank continued to pay attention to the needs of small and medium-sized enterprises in difficult economic conditions. Our bank continued to support businesses with preferential credit facilities, ensuring easy and fast use of available funds to cover operational expenses, as well as to manage and overcome liquidity problems.

Széchenyi Card Program MAX+

Within the Széchenyi Card Program MAX+, our clients could choose from five new loan types. These facilities could be applied for at preferential loan rates due to state subsidies. In addition to green investment loans, businesses had the opportunity to apply for preferential overdrafts, which provided support their day-to-day operations. Another advantage of the scheme is that the amount first drawn down became available again after replenishment. The Széchenyi Tourism Card Max+, which can be applied for as a sub-facility of the Széchenyi Card

Overdraft Max+, aided specifically the tourism industry in overcoming liquidity problems. Another type of loan was the Széchenyi Liquidity Loan MAX+, which is a free use working capital loan with financing without an account. Our clients were able to use the requested amount to cover costs incurred during operation, such as the purchase of working capital, financing other services used, but they also had the opportunity to redeem an outstanding working capital loan.

Discounted retail products

MKB SZÉP Card

The operation of the MBH SZÉP Card in 2023 has been affected by various government measures in several respects. The possibility of accepting SZÉP Card for food purchasing from August and the increase in annual budget by HUF 200 000 together contributed to the significant increase in SZÉP Card turnover. At the same time, the elimination of „pockets” (differentiating between the purpose of use) significantly reduced the number of employer transfers.

The MBH SZÉP Card has also achieved good results in 2023. The number of SZÉP Card holders increased by 4.4%, while the amount spent with the card also showed an increase of 9.7% compared to the previous year. The number of acceptance points also increased significantly, by more than 12%.

The 2023 results are illustrated in the table below:

MBH SZÉP Card results in 2023

Number of MBH SZÉP Card holders	260 000 people
Number of employer transactions	819 000 pcs
Value of employers' contributions	HUF 33.6 billion
MBH SZÉP Card holders' number of transactions	5.7 million pc
Annual amount spent by MBH SZÉP Card holders	nearly HUF 35 billion
Average annual value of assets in MBH SZÉP Card accounts	HUF 9.15 billion
Number of SZÉP Card acceptance locations	39 500



Other socially responsible retail products

Among the Family Home Creation Grants available through MBH Bank in 2023, the following were available:

- Support for expecting a child: the childbearing support available in addition to the MBH Baby Loan is a form of state subsidy provided by the Government of Hungary through domestic credit institutions in order to support childbearing and raising of children. Compared to 2022, there was a 47% decrease in the amount of support disbursed. The significant decline was mainly due to the fact that the decision to continue the Baby Loan was only made at the end of December 2022, so there was significant upfront demand that year.
- CSOK (Family Home Creation Allowance) grants and tax refund support, which supported the purchase, modernization and expansion of properties available in rural regions and smaller settlements. Compared to 2022, there was a 17% increase in disbursed amounts.

MBH Bank also offered customers additional products that consider social aspects. In 2023, our bank also had the opportunity to apply for housing accessibility support, which is implemented in cooperation with the National Federation of Associations of Disabled People (MEOSZ). The aid is available to persons with reduced mobility or specific persons with regard to their circumstances, for the construction or purchase of accessible housing and as non-refundable state aid for the additional costs of accessibility.

In addition to the above, MBH Bank remains committed to continuously expanding its state-supported product range in line with the needs of our customers.





8. RESPONSIBLE PROVISION OF SERVICES

8. RESPONSIBLE PROVISION OF SERVICES

Increasing customer satisfaction, providing high-quality customer service and creating value for customers are our fundamental goals, which we have achieved through user experience-based services.

8.1 CUSTOMER SATISFACTION

The results of satisfaction surveys form the basis for the development of our services and customer service, therefore, we conducted various customer satisfaction surveys in 2023 too to understand the expectations and opinions of our customers. Among other things, we conducted surveys on branches, mortgages, personal loans and complaint handling services, as well as research by customer segments²³, measured the branch and customer service experience index and assessed the bank's customer experience maturity. Customer satisfaction metrics measured included Repurchase, Willingness to abandon, Satisfaction, Simplicity and NPS (Net Promoter Score) metrics.

Based on the survey results, NPS values measuring satisfaction and loyalty²⁴ vary across different segments. Among retail customers, we measured the highest value among private customers (81 points), with which MBH Bank ranked second among domestic banks in 2023, two points behind the average score of the sector. In terms of corporate clientele, we measured the highest satisfaction with small business clients (10 points), with which MBH Bank was below the sector average (47 points). Our clients would recommend our Bank because of its reliability, capital strength and stability. There is potential for development in the development of our digital channels and faster and more flexible customer service.

Continuous improvement of our services

Customer feedback is essential for improving our services. Research and customer feedback clearly confirm that the professionalism and proactive attitude of our administrators and key account managers are extremely important for both the retail and corporate client segments. When informing the customer, it is also important to be able to see the process through their lens, be aware of lead times and the main milestones that they may encounter during a process.

During our developments, it is extremely important to minimize potential customer irritations and to fully explore possible pain points based on customer feedback and the professional opinion of the partner areas involved. We also conducted the bank's Customer Experience Maturity Survey on the year 2023. As part of the survey, interviews were conducted with the entire management of the bank to assess the perspectives and methodologies used in each area to improve processes and customer journeys, and how customer needs are reflected in the objectives of each area of expertise.

As a result of full integration, the customer satisfaction area has expanded in 2023, with additional process improvement tasks added to its remit, so that customer needs are directly integrated into initiatives. The focus will be on the operation of the process improvement framework and quality assurance.

8.2 DIGITALIZATION AND INNOVATION

The continuous development of electronic services and digital channels, considering the continuous growth of online banking habits, is essential to improve customer experience.

Electronic services

The rise of digitalization is both an opportunity and a challenge, therefore, in developing of our digital channels, while ensuring a high level of data security, we strive to exploit the potential of technology and provide a fast, simple and convenient administrative process for our customers.

Electronic services are an integral part of customer orientation and the guarantee of customer experience. Customer needs are assessed by the retail and commercial product manage-

ment areas, while its integration into operations is basically carried out by the development and operation of digital customer solutions. In 2023, following the successful merger, we focused on developing our digital services.

We have introduced Google Pay on all the bank's cards, providing an even better customer experience in day-to-day banking. The biggest challenge in 2023 was to deliver a unified mobile application with retail-focused functionality, but also available to corporate customers. By extending the former Budapest Bank mobile app, customers can now manage their finances in one app.

Our corporate customers are now available in two architectures instead of three: the Business Terminal has been phased out and the Corporate Netbank and the Corporate App have beco-

²³ In terms of segments, in 2023 we examined the retail MASS, premium retail, private banking retail, micro enterprise, small and medium-sized enterprise and corporate agricultural segments, using a nationwide representative sampling.

²⁴ NPS can range from -100 to +100. A higher score is associated with higher customer satisfaction.



me available to customers, which have also affected channel usage habits. New products have also been introduced as a result of corporate migration, , such as the authority transfer function or the possibility of instant currency conversion for all corporate customers. Feedback from these changes will be used to improve channels in 2024.

Alignment and development of digital channels

Thanks to the implementation of full bank integration, „centralization” expectations have accelerated in relation to the use of systems, therefore continuous development of several of our systems is still necessary. In addition to the introduction of a unified mobile application, the most important achievement of 2023 is the introduction of the so-called Digital Zone solution at several universities in the country.

Based on research results, we created the MBH Digital Zones, with which we were the first in Europe and thus in Hungary to install smart capsules for opening bank accounts at universities. In response to the expectations of the target group, the MBH Digital Zone combines the proximity of a bank branch with the convenience of fast, electronic channels. Within this framework, students can initiate opening an account using an outsourced, closed-plan target device via video banking. In the first phase, the bank installs the smart capsules at ten Hungarian universities, and in 2023 these spaces were handed over to students for the first time at the University of Miskolc and Széchenyi István University of Győr, as well as at the University of Veterinary Medicine in Budapest. The installation of devices in new locations is continuous.

Another achievement was that the payment initiation service (PISP) function became available on all available open access technical (OpenAPI) channels, the MultiCash electronic banking system was introduced within the bank²⁵, and the developments of the Instant Payment System 2 project also began.

At our request, at the end of 2023, digital carbon emission expert Carbon. Crane audited our website. The carbon footprint calculation was based on Bilan's Carbone Clim'Foot metho-

dology²⁶. Based on the data recorded as of 22.12.2023, our website has a gross carbon footprint of 6.08 tons of CO₂ in the 8 months measured, so the annualized value is approximately 10 tons. Based on the results, the Bank's website falls into the good/improvable category. Following a detailed assessment, an action plan has been prepared for reduction, which we plan to implement in the first and second quarters of 2024. Thanks to the cooperation and the action plan, our website has been awarded the so-called carbon monitored website (Website Carbon Monitor) certification.

Online banking habits

Online banking habits continued to show an increasing trend in 2023, with our customers opening up more and more to mobile banking, and mobile payment services becoming popular.

In the retail segment, the use of the unified mobile application introduced as a result of corporate migration in 2023 increased compared to the previous year. In 2023 35% of customers in this segment were users, while penetration was 77% in the case of netbank interfaces. Our application is used more often by customers than our netbank interfaces: the entry frequency is five times higher for our application.

By the end of 2023, MBH Bank's retail application was used by 17% more customers compared to the previous year.

The importance of online administration is supported by the fact that the proportion of online interfaces has increased in different corporate segments, but to different degrees. According to the survey conducted in 2023, 92% of CEOs in the medium-sized enterprise segment use online banking monthly, while 64% use the financial institution's application. These rates are significantly higher than in 2022, with app use tripling in this corporate segment. Also, more people use paper-based administration and the business terminal. Telephone services and dedicated consultants are unavoidable, still represents a high percentage in various corporate segments, but significantly decreased compared to the previous 2022 survey.

Dr. Zsolt Barna, Chairman and CEO of MBH Bank said at the inauguration ceremony of one of the digital kiosks:

„We know that the younger generation has different needs and banking habits. They are looking less for face-to-face presence than for digital administration options. We are constantly exploring the future of banking and are open to innovations that meet the expectations of this age group. Our goal is to contribute to the growth of a financially conscious and responsible generation through education and services tailored to their needs.”



²⁵ Regarding the remote data transmission (EBICS) channel.

²⁶ The methodology of Bilan Carbone Clim'Foot is in line with ISO 14064 and GHG Protocol requirements and Directive 2003/87/EC of the European Parliament and of the Council.



8.3 INFORMATION SECURITY AND DATA PROTECTION

The protection of customers' confidential data and money is ensured by regulating banking operations. In 2023, MBH Bank continued to place special emphasis on maintaining the bank's information security and integrity, both regarding customer data and internal information. A high level of protection of digital information and data, i.e. cybersecurity, is essential.

Information security

Security plays a key role in our lives and in managing our finances. With this in mind, MBH Bank makes every effort to create an environment where, in addition to providing comfort and the simplest possible use of quality services, customers and employees can feel safe. To protect the confidentiality and integrity of sensitive data processed by us, especially customer data, and to ensure their availability, we operate an information security framework in compliance with the current legal environment. To ensure the appropriate level of tasks related to IT security, the Bank established a dedicated information security organizational unit, the structure of which and the tasks and responsibilities of the employees were defined and recorded in written form. For proper functioning, a person responsible for information security has been designated. The principles of information security were laid down in the Information Security Policy in force in 2023. The organization has previously developed an Information Security Strategy which is reviewed annually. The Bank has developed and operated its data security measures in close cooperation with the Data Protection Officer.

The main challenges in this area were the unification of the various processes of member banks and the full performance of the tasks related to organizational mergers at the highest possible level in 2023. In an ever-changing organization and infrastructure, in addition to preparing and carrying out merger-related tasks, an adequate level of protection and control of the organization's processes and systems had to be maintained, while regulatory, process and systemic tasks related to mergers were given high priority.

The information security policy was revised due to the changes brought about by integration, thus the responsibilities and tasks of the consolidated information security and IT organization were clarified, and the unification of operation began. The different information security controls and methodologies applied by previous organizations have been merged and, where appropriate, tightened and standardized, considering their feasibility and the risks that may arise from the consolidation.

Identification and management of information security risks

In 2023, the identification and management of information

security risks continued to receive significant attention. The identified risks were treated as a priority, and an independent regulation on Information Security Risk Management was also developed.

In addition to consolidating and managing previous risks, a comprehensive risk analysis and corresponding action plan for the entire organization and relevant group members have been prepared. In accordance with the specified deadlines, risks are continuously managed and, if necessary, mitigation controls are defined and enforced.

Continuous IT security readiness for cybersecurity

MBH Bank operates its systems in accordance with the highest banking security requirements, for example its servers are protected by a multi-level firewall system. The bank also pays special attention to the security of digital channels. The security of the Internet bank is regularly checked by the IT Security Department and by specialized independent experts, and system changes can only be made if it has passed an expert audit.

Internal and external vulnerability assessments are ongoing at the organization to meet legal requirements and follow industry best practices, and was implemented in 2023 as required. In connection with the second step of the merger, the merger with Takarékbank Zrt., a comprehensive project was launched to carry out vulnerability assessments of the systems concerned, where 10 systems were subjected to a comprehensive vulnerability assessment. The strategy for consolidating information security and IT protection systems is currently being implemented. The organization's preference is for solutions that provide both long-term stability and future-proof technological capabilities in line with industry standards. The management of security preparedness at policy level has also been continuously updated to ensure that the integrated organization operates in a coherent way, including the requirements of the supervision and Information Security area of the organization. In addition to what has been described so far, the reorganization of the Bank Security area and the establishment of specific responsibilities have also contributed greatly to the proper and professional functioning of the processes.

Data protection

The priority task for MBH Bank is the lawful management of the data it processes, including personal data. The Bank conducted its data protection activities in accordance with the recommendations of the European Data Protection Board, NAIH (National Authority for Data Protection and Freedom of Information) and the good practices of major European data protection authorities. The most significant challenge for 2023 was the second step of the merger, the preparation for it and the completion of further tasks that followed.



In 2023, a unified data protection operation, the development and implementation of common practices was achieved, creating an effective data protection support unit within the Bank. The Group-level Privacy Policy has been amended with the merger of Takarékbank Zrt. and is regularly reviewed. In addition, the data processing information structure was completely reformed, and a 3-level information structure was introduced uniformly. The solution was novelty for the majority of the organization, therefore, it was necessary to prepare information materials and communicate them on the network. In accordance with Article 37 of the GDPR, the Bank employed an independent data protection officer. Data protection mechanisms cover the entire operation, and both the Procurement Policy and Outsourcing Policy contain data protection implications.

Anti-phishing measures

MBH Bank fights phishing on several fronts. As a preventive measure, our website contains a detailed security information sheet, which draws our customers' attention to potential dangers and provides suggestions on how to avoid misuse.

We have implemented measures to identify and address the incidents that have occurred and to mitigate the damage caused. The number of cases handled by Data Protection showed an increase in 2023 compared to previous years, mainly since the registration of complaints has become easier to filter. The majority of cases can be classified as data leaks, which typically consisted of incorrect postal mailing/emailing (23 cases), incorrect bank card mailing (7 cases), unauthorized netbank access (9 cases) or sending of incorrect attachments (2 cases), incorrect email (9 cases) or incorrect SMS (1 case), but there were also cases of unlawful disclosure of bank secrets (2 cases) and other internal cases (5 cases). Of the explicit data theft incidents, 1 was fully resolved. No data loss cases were handled by the Data Protection area, several enquiries were received regarding loss of documents, but the data remained accessible from the system.

In 2023, the Data Protection department handled a total of 21 substantiated complaints related to the processing of personal data. Most cases concerned correspondence (postal or electronic) sent to the wrong recipient. NAIH launched a total of 5 investigations in 2023, 2 of which were closed without imposing sanctions. None of the cases concerned customer data breaches.

There has been no misuse of customers' personal data in the past 4 years at MBH Bank.

In 2023, a total of 10 data protection authority investigations were conducted, 6 at the initiative of clients and in 4 cases fol-

lowing a data breach notification. One case was closed in 2023, and the authority closed the investigation without imposing action or sanctions. In the other cases, the Bank has responded to the authority's requests in a timely manner, and we are waiting for further questions from the authority or a decision. Each case is unique, no „typical“ cases can be identified.

Cybersecurity education campaign

To prevent cybercrime, which is on the rise, there is a concerted effort at both international and national level, with the cooperation of banks, Supervisory Bodies and Authorities, the central element of which is customer education and the development of other preventive measures, processes and monitoring systems by the sector and supervisory bodies. MBH Bank joined this cooperation and flagged the importance of education from the beginning of 2023. In our cybersecurity approach, we draw attention to the most common combined fraud themes and methods, which are: phishing, phone fraud, remote access program fraud, investment fraud, online marketplace fraud, love scam²⁷. Our communication concept aims to raise awareness of cybersecurity exposures among our business partners, to help our customers reduce their exposure.

In our communication strategy, we aim to educate 3 groups on cybersecurity. In the autumn cybersecurity education of our employees, we used 2 different approaches. In educating internal employees supporting the corporate sector, we focused on some specific forms of fraud specific to the corporate sector (such as CEO fraud²⁸) so that they could communicate these precautions to their clients. In our education for all our employees, we tried to provide them with security tips not only as employees, but also as „consumers“, mainly on the topics of phishing, love scam and password management. In terms of educating professional groups, we aimed to evangelize the topic by participating in various professional conferences and through our various media appearances, because we believe that not enough can be said about its importance. Our customers are targeted by our „Time matters! Be alert! Take action!“ comprehensive communication message with the help of educational videos on digital displays in our branch network, educational screens in our ATM network, various content on our social media platforms. In addition, we have published up-to-date and continuously updated information on a dedicated subpage of our website. We provide customized cybersecurity training to our corporate clients, which we started in the last quarter of 2023 and plan to expand and scale this up in 2024.

During the year, the bank joined the CyberShield program, under which we actively communicated to raise awareness of data protection. We published additional awareness-raising content on relevant global days related to security, such as Safer Internet Day.

²⁷ Love scam is an extremely common type of scam that spreads on some social platform, typically Facebook. The fraudster develops a romantic emotional relationship with his victim in order to make money, and in many cases causes serious financial damage to the victims in addition to emotional shock.

²⁸ Fraud with an executive or business email address is tricking a company's financial administrator into paying a fake bill or transferring money from the company's account.



Data Protection (GDPR) Training

In 2023, the Bank continued to provide its employees with the same annual general data protection and confidentiality training with a compulsory examination as in the previous year. A novelty is the introduction of three special educational materials without exams. On the one hand, these are awareness-raising materials prepared for complaint handling and Contact Center staff, which help to identify and separate data protection complaints from data subject requests under GDPR, as well as provide information about the incident management process, and on the other hand, an awareness-raising educational material has been prepared for some of our managers about the obligation to report data processing.

In 2023, attendance at the annual GDPR training was close to 100%, as from 2022 it is mandatory for all employees.

8.4 ACCESSIBLE CUSTOMER SERVICE

MBH Bank considers it important to promote equal access to financial services for its clients with disabilities. Our equal access strategy is a continuation of the strategy set out by our predecessor banks. We strive to pay special attention to consumers who are only able to represent their interests to a limited extent, including people with disabilities, both during the use of financial services and personal administration.

In August 2023, we were the first in the Hungarian financial market to introduce Mastercard's accessible card standard with Touch Card functionality for blind and partially sighted people to make life easier for visually impaired and elderly people. Since its launch, 14 130 Mastercard Standard debit cards with Touch Card were sold in 2023, while from GO! a total of 6 016 credit cards were issued. To assess and designate further development directions, in cooperation with the Hungarian Association of the Blind and Partially Sighted (MVGYSZ), we conducted comprehensive research on the banking habits of visually impaired people.

We are constantly working to make our website accessible and comply with accessibility regulations and standards as much as possible. For visually impaired users, our website is easy to use with screen readers. Content on this site is also available in high contrast view to help our colorblind and color-deficient customers.

In 2023, there were no changes to the physical accessibility of our branches. In 2021, 100% of the accounts held at our bank were accessible. With the merger resulting in an increased number of accounts, 2022 saw this figure drop to 88.56%, and then to 72% a year later. In terms of full accessibility, there is still work to be done, but MBH Bank's commitment in this regard is shown by the fact that

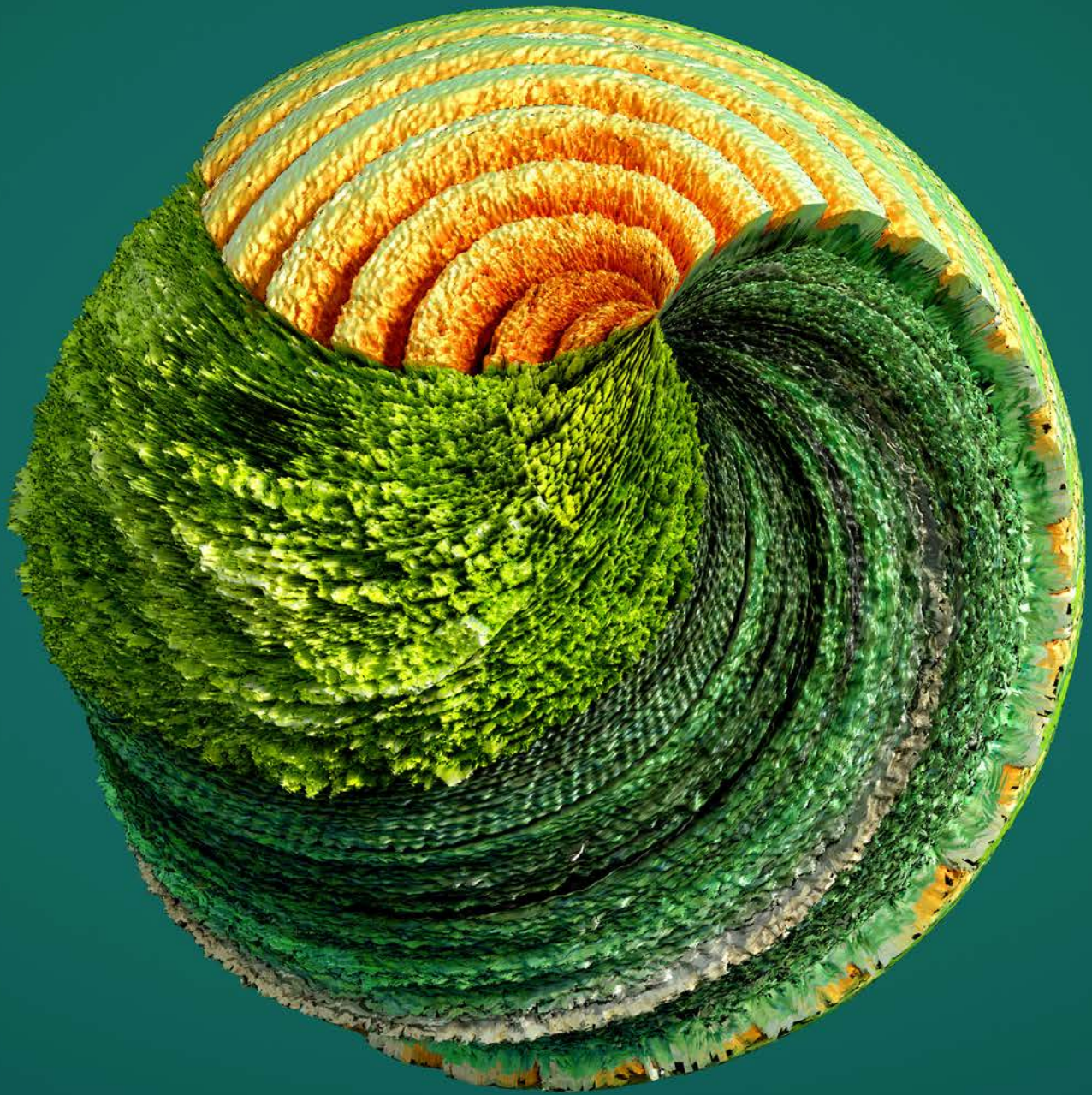
in 2021 it had its branches assessed for accessibility by an external, independent professional organization.

In 2021, based on Access4you's audit at 11 branches, the Bank received the special bronze rating.

To further facilitate equal access, we have published a Service Map on our website, containing detailed information on the various assistance options we offer and where they are available within our branch network. These include scheduled appointments and, upon request, separate meeting rooms, if available. Our clients with vision impairment are welcome to visit us with guide dogs, and the hard of hearing can arrive with a sign language interpreter. To promote responsible financial decision-making, we use a special method of information prior to the conclusion of the contract, tailored to the needs of our clients with disabilities, which can be reading out the documents in their entirety or helping to familiarize themselves with written information.

„MBH Bank strives to provide similar conditions for all its clients in the spirit of its social responsibility efforts. With the introduction of Touch Card, we wanted to make bank card use easier and safer for visually impaired customers and the elderly. Results of the research now enable to provide them with new solutions tailored to their needs” – Ildikó Ginzer, Deputy CEO of MBH Bank responsible for standard service





9. REDUCING OUR ENVIRONMENTAL FOOTPRINT

9. REDUCING OUR ENVIRONMENTAL FOOTPRINT

MBH Bank is committed to protecting the environment. As part of this effort, both in its operations and through its role as a financial institution, we are seeking to mitigate negative impacts to the environment and promote positive changes. Work continued in 2023 along the Group’s ESG strategy to maximize the Bank’s contribution to the Paris Agreement by reducing its greenhouse gas emissions (GHG emissions) as quickly as possible.

Within the framework of the ESG strategy’s „Hungarian Bank Holding, the responsible group” pillar, the Bank has also set itself the goal of supporting the achievement of sustainability targets and the transition to carbon-neutral operations. In line with this decision, the Bank focuses on two main areas:

- 1) Operations in line with ESG aspects
- 2) Development of paperless, contactless processes

9.1 OPERATIONS IN LINE WITH ESG ASPECTS

Mainstreaming sustainability aspects into operations is a multifaceted task, an important element of which is energy management in buildings, company cars, and waste management.

Characteristics of energy consumption

Most of MBH Bank’s energy use in 2023 came from its buildings. Another large category was fuel consumption of the

vehicle fleet. Energy consumption is monitored and regulated by onsite building management teams at the headquarters, in all office buildings and at a significant part of the branches. MBH Bank underwent a full energy efficiency audit in 2023 as required by law. In addition, an energy policy officer’s report was prepared monthly, featuring detailed breakdowns of energy use.

TOTAL ENERGY CONSUMPTION OF MBH BANK (2023)²⁹

	Unit	2023
Electricity	GJ	88,348.03
of which non-renewable	GJ	88,348.03
of which renewables	GJ	0.0
District heating	GJ	11,106
Natural gas	GJ	82,825
Petrol	GJ	35,771.51 ³⁰
Diesel	GJ	20,547.34
Total	GJ	238,597.9

²⁹ Due to the merger, a direct comparison of 2023 data with those from previous years is not practical because of large changes in organizational boundaries. Depending on the availability of data for 2023, assumptions and estimates were used in reporting. As a result, the data includes utility consumption figures for buildings relevant to banking operations. A detailed overview of the related methodology is given in the Annex.

³⁰ The conversion of petrol and diesel from litres to GJ was based on the IPCC Guidelines for the Establishment of National GHG Inventories (2006) based on net calorific value.



GRI 302-1, 305-1, 305-2, 305-3, 306-1, 306-2, 306-3

Fleet energy consumption

At the end of 2023, two-thirds of MBH Bank's vehicle fleet was owned by the Bank and one-third was leased. The Bank keeps records of fuel consumption by vehicle type. Electric and hybrid cars are only used as a part of employee benefit packages and were therefore low in number during the reporting year. In addition, the Bank had cars for specific job categories and, if necessary, vehicles from the fleet could be requested on a single-trip basis. In 2023, apart from the replacement of a few vehicles, there have been no significant changes in the composition of the fleet, which the Bank plans to renew and green in 2024. This concerns the purchase of new cars, the replacement of older vehicles, the number of vehicles in the fleet and the method of the further operation of the fleet.

The Bank encourages environmentally conscious means of transport, with public transit being recommended for our employees. In addition, electric car sharing is available among our employees, and charging stations can be found in the underground garages of the Bank's office buildings.

Energy efficiency measures

MBH Bank has not made any significant energy efficiency investments in 2023, but several smaller energy efficiency measures have been taken in overhauling our heating and lighting systems.

In 2023, branch closures had a significant impact on our energy consumption, resulting in a noticeable drop in energy use. In addition, the renovation of 15 branches and the opening of branches in 2023 also saw an upgrade to our lighting systems. In terms of energy-saving investments, boilers were replaced in our building in Békéscsaba, and 91 fan-coil units were replaced at the Infopark site³¹. Plans were made in 2023 for an energy efficiency project to be carried out in the main building of the former Budapest Bank in 2024, featuring the installation of heat pumps.

In 2023, a decision was made for MBH Bank to build a cutting edge and sustainable headquarters in Budapest's District 13.

According to plans, construction can be completed by the beginning of 2026, providing employees of the banking group with a modern and pleasant working environment. In line with the ESG aspirations of MBH Bank, the modern office building will also be at the forefront of sustainability.

The new, energy-efficient and modern headquarters will not only bring significant cost savings to the bank and reduce its ecological footprint but will also increase operational and organizational efficiency, as the bank's Budapest staff currently work in four older office buildings scattered throughout the city. In addition, it is an important foundation of ours that the new headquarters should be built taking into account the objectives of the EU Taxonomy and obtain the most important green building certificates (LEED, BREEAM, WELL)³², emphasized Beatrix Mészáros, Deputy CEO of MBH Bank responsible for subsidiaries in connection with the project.

Carbon footprint

The primary metric used to measure and monitor banks' environmental impact is their greenhouse gas emissions (carbon footprint). Following GHG Protocol terminology, in 2023 the Bank's own operational direct emissions (Scope 1) came from natural gas use and the fuel consumption of company vehicles, while own indirect emissions (Scope 2) include those related to electricity use and district heating.

MBH Bank's 2023 emissions connected to its own operations (Scope 1 and Scope 2) totaled 13,399.88 tonnes of carbon dioxide equivalent.

MBH BANK'S GHG EMISSIONS IN SCOPE 1 AND SCOPE 2 CATEGORIES (2023)³²

Emission value (tCO ₂ e)	2022	2023
Scope 1 - Own direct GHG emissions (use of natural gas, fuel)	5,739.78	8,063.57
Scope 2 - Own indirect GHG emissions (use of electricity, district heating)	3,555.34	5,336.31
Total GHG emissions of own operations (Scope 1 + Scope 2)	9,295.12	13,399.88

³¹ The fan-coil is a heat exchange surface suitable for both heating and cooling.

³² Our 2023 carbon footprint calculation was conducted in accordance with the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard. The data reported refer to the buildings of the predecessor banks owned by MBH Bank Nyrt. in 2023 (MKB, Budapest Bank and Takarekbank), the data only include data on properties used by banks, as previously described. The calculation includes all greenhouse gases included in the Kyoto Protocol. Scope 2 emissions are calculated in a location-based manner only. Biogenic emissions have not been quantified. A detailed overview of the related methodology is given in the Annex. The increase in 2023 figures can be explained by the fact that the 2022 figures did not yet include Takarekbank's issuance data.



Overview of MBH Bank's Scope 3 financed emissions

In 2023, the Bank assessed its Scope 3 financed emissions, the results of which will be published in this report for the first time.

MBH Bank was among the first players in the Hungarian banking system to quantify its greenhouse gas emissions financed through its banking activities for 2022, following the met-

hodological guidelines of the PCAF (Partnership for Carbon Accounting Financials)³³ global GHG accounting and disclosure standard. The range of asset classes covered by the methodology³⁴ is being expanded, and the most recent version of the standard at the time of the calculation was issued in 2022, covering seven asset classes, in connection with which the Bank reviewed its financed emissions.

PCAF Asset Class	Exposures included in calculation (HUF bn)	Financed Scope 1+2 emissions (tCO ₂ e)	Financed Scope 3 emissions (tCO ₂ e)	PCAF minimum total emissions per PCAF (tCO ₂ e) ³⁵	Emission intensity (tCO ₂ e PCAF-minimum/HUF bn)	PCAF Data Quality Score (súlyozott)
Listed shares, bonds	590.1	98,382.5	313,353.3	363,157.7	615.43	2.61
Commercial loans	1,996.7	865,195.2	763,089.0	1,628,284	552.0	3.93
Project financing	70.2	3,250.6	-	3,250.56	0.0074 ³⁶	3
Residential mortgages	103.1	31,371.8	-	31,371.8	0.000343	3.86
Commercial real estate financing	18.35	6,286.2	-	6,286.2	0.000304	4.22
Car loans (leasing)	151.5	52,107.0	-	52,107.0	344.01	3.50
Sovereign debt	2,249.1	1,214,807.1	-	1,214,807.1	540.13	1
Total	5,179.05	2,271,400.4	1,076,442.3	3,299,264.4	-	-

Among the Bank's total financed emissions, sovereign debt, commercial loans and listed shares and bonds are key asset classes, as they cover a significant proportion of the financed portfolio both in terms of exposure and emission intensity.

Results of the Net Zero project conducted in 2023

1. Scope 3 inventory completed

MBH Bank was one of the first in the Hungarian banking system to quantify Scope 3 financed emissions following the PCAF methodology with a relatively good data quality score.

2. Emission hot-spots have been identified

The bank's emission hot-spots have been identified and industry-wide work started on decarbonizing individual sectors.

3. The project builds on the Bank's previous efforts

Work is typically already underway in the identified hot-spots (e.g. agriculture), and the aim is to further strengthen this, as well as to ensure alignment with the Green Loan Framework.

4. Decarbonization instruments defined

During the project, the tools were selected, on the basis of which the Bank will be able to demonstrate significant progress towards the implementation of Net Zero operation in the coming years.

³³ PCAF is a global partnership of financial institutions that collaborate to develop and implement a harmonised approach to assessing and reporting greenhouse gas (GHG) emissions from their loans and investments.

³⁴ Since in many cases the actual data required for the calculation were not available, the data were generated using average values, proxies, which were necessarily fought with high uncertainty. For the future, an important goal is to improve the quality of data available in this area. A detailed methodological description is given in the Annex.

³⁵ Sectors subject to inclusion under Regulation (EU) 2020/1818

³⁶ **tonnes of CO₂e/MWh



Waste management

In addition to complying with legislation in the field of waste management, the Bank has set the goal of selectively collecting and recycling waste at the widest possible scale to protect the environment.

Scrapping policy

The Scrapping Policy identifies the areas of expertise, processes and material flows involved in the scrapping process. The purpose of the policy is to ensure the efficient, cost-saving, value-preserving and value-adding use of tangible and intangible assets owned and managed by MBH Bank Nyrt. and MBH Group Members in accordance with their intended purpose.

The Bank's waste management was complex during the reporting year, as various types of waste generated by the Bank's operations were treated differently. In bank branches and office buildings, waste paper, metal beverage cans, plastics (typi-

cally PET bottles and Tetra Pak cartons), batteries, bottle caps and electronic waste (toner cartridges, etc.) could be collected separately in designated collection bins. A significant proportion of paper waste is generated by the destruction of documents, mainly at archives and central office buildings, but our digitalization strategy has had a positive impact on the bank's overall paper consumption. We also paid special attention to the management of electrical waste. The transport, disposal and recycling of materials were handled by specialist companies commissioned by MBH Bank. The Bank prepares an annual waste management report, which includes the classification and quantities of waste generated.

In 2023, MBH Bank generated a total of 479,330 kg of waste. This consisted of 58,781 kg of paper and cardboard waste and 27,916 kg from electrical and electronic equipment (WEEE). The amount of waste fluctuated throughout the year, mainly due to the cyclical nature of scrapping and the merger of Takarekbank.

COMPOSITION OF WASTE GENERATED BY MBH BANK

	Unit of measurement	2020	2021	2022	2023
Total waste generated	kg	62,335	71,031	275,771	479,330
Hazardous waste	kg	10,420	251	1,706	585
Hazardous electronic waste	kg	10,150	0	350	170
Batteries	kg	25	11	163	0
Fluorescent lamps, bulbs	kg			30	195
Silt				967	0
Filter	kg			96	220
Nvh. Materials removed from equipment	kg	245	240	100	0
Non-hazardous waste	kg	51,915	70,780	274,065	478,745
Waste paper and cardboard	kg	49,445	68,250	103,860	58,781
Municipal waste	kg			154,448	370,683 ³⁷
Plastic waste	kg			580	1,865
Discarded electrical and electronic equipment	kg	2,470	2,530	15,177	27,916 ³⁸
Discarded furniture	kg				19,500
Printing ink	kg	0	230	0	0

³⁷ Only entails municipal waste generated at the main buildings. No data on bank branches was available due to numerous branch closures and the opening of new branches.

³⁸ Electrical and electronic equipment discarded in 2023 includes IT devices and bank security devices, a category not taken into account in the 2022 data due to an administrative error.



Branch modernization

Once the merger was complete, MBH Bank acquired the branches of three predecessor banks, resulting in the largest branch network in the country by 2023. In the post-merger unification process, some branches were closed. Thus, due to the transfer of employees between branches, we created a suitable working environment for all employees by redesigning accounts and installing extra workstations.

During the reporting year, several new branches were opened and aesthetic renovations of 15 branches were carried out, including the replacement of lighting fixtures, furniture and office equipment. In addition, more than 400 branches received new corporate imagery and design, which was all carried out by external contractors. The remaining equipment was placed in storage or scrapped at the given location according to the scrapping report and then destroyed.

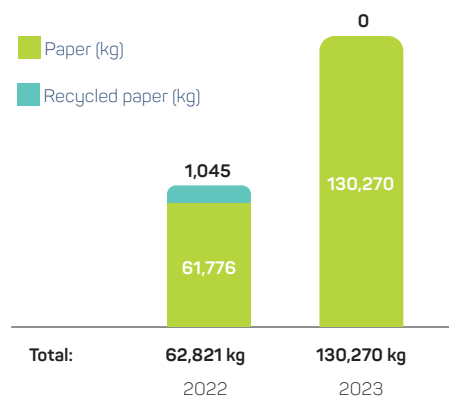
9.2 PAPERLESS, CONTACTLESS PROCESSES

Office paper consumption

In addition to recycling paper as much as possible, our goal is to prevent waste generation by creating paperless processes. This is what we strive for both internally and in our work with our customers. An example of the latter is a paperless bank statement, which can be accessed electronically and also saves significant time.

The table below details MBH Bank's office paper consumption, the increase of which is justified by the merger of Takarekbank.

OFFICE PAPER CONSUMPTION OF MBH BANK³⁹



Development of digital processes

Our comprehensive, multi-year project aimed at setting up a paperless and contactless operating model at MBH Bank continued during 2023. This included the process of due diligence, development and transformation of internal operations.

We strive to hand out less and less paper to our clients, and ask for less paper-based documentation. In addition, the use of new IT solutions, such as tablet-based administration, and the availability of a wide range of digital services aimed to reduce the use of paper in branches in 2023.

We have encouraged the use of electronic signatures in internal processes, while also reducing printing and extending digital solutions for record-keeping. In addition, in line with the Bank's ESG strategy, the transition to digital business card use has also started in 2023.

Keeping process efficiency and sustainability aspects in mind, the Bank also directs its partners towards electronic signatures. At the Bank, managers already have electronic signatures and we strive to have it set up for as many employees as possible.

Other measures to reduce paper consumption and promote digitalization in 2023:

- To facilitate daily banking, we've introduced Google Pay for all credit and debit cards.
- Introduction of the Digital Zone solution at several universities countrywide, where students can initiate account opening via video banking.
- The internet banking and mobile application services of the unified MBH Bank app have been introduced, facilitating simple and secure online banking.
- Our Bank continues to provide the possibility of opening an account online, and our goal is to reduce and fully digitize signatures during contracting.
- We keep our customers informed about the possibilities of using digital channels and encourage them to choose an e-statement instead of a monthly paper bank statement.
- From this year, the method of repayment will be automatically changed for customers who choose the cheque payment solution but do not pay with it.

By the end of 2023, MBH Bank's retail mobile application was used by 17% more customers compared to the previous year.

³⁹ 2022 figures include paper consumption after Budapest Bank's merger with MKB Bank in 2022. 2023 data was generated on the basis of a print report, which already includes the data of the merged Takarekbank. In 2023, no distinction was made between the types of paper used. Thus, we cannot disclose the proportion of recycled paper.





10. RESPONSIBLE EMPLOYMENT

10. RESPONSIBLE EMPLOYMENT

One of the pillars of our ESG strategy is to „Ensure employee well-being and raise awareness „. We place special emphasis on creating a balanced work environment, which includes support for work-life balance and mental well-being, encouraging a healthy lifestyle, and providing transparent remuneration. Our commitment to this is reinforced by our success in responsible employment in 2023: we were named one of the 100 Best Places to Work, earning the Best Practice Institute „Most Preferred Workplace” certification and being named the Best Workplace for Women.

employee programs providing support in all employee life situations.

Bank integration also posed challenges for the HR area in 2023, as with the merger of Takarékbank Plc., the total number of our employees increased significantly, which stood at 7,604 at the end of 2023⁴⁰. Female employees accounted for 69% of the total workforce in 2023. The share of local residents in the bank’s top management⁴¹ was 100% during the reporting period.

MBH Bank Plc. directly contributed to the maintenance of more than 7600 jobs in Hungary.

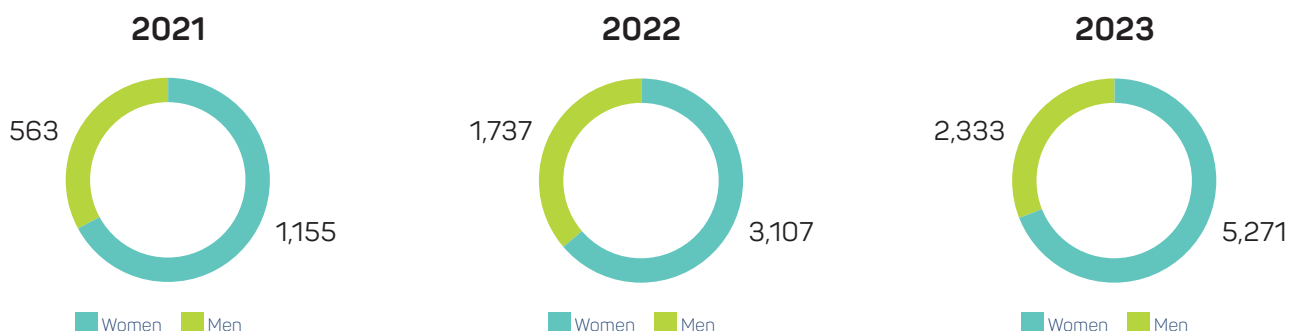
10.1 EMPLOYMENT

MBH Bank carried out a risk assessment in the field of employment and identified risks relevant to its operations, which it also takes into account in its human resources activities. Our HR strategy focuses on improving the employee experience, increasing engagement, promoting flexible working and using available digital tools, developing a collaborative corporate strategy, especially with regard to the merger completed in May 2023. Based on global trends, and domestic and MBH specific surveys, our human policy actions focused on targeted areas such as talent and career management, mentoring, employee satisfaction, training and development, supportive work environment, as well as the continuous review of work processes, increasing their efficiency and, last but not least,

The collective agreement was terminated in January 2023. Our employees working at head offices and bank branches all had open-ended contracts (99.96%), with only 3 colleagues remaining on fixed-term contracts at the end of the year. 2% of our employees took advantage of part-time employment.

In 2023, we employed 41 temporary workers and 315 trainees through student cooperatives. Both groups helped us with administrative tasks.

NUMBER OF EMPLOYEES BY GENDER AND TYPE OF CONTRACT



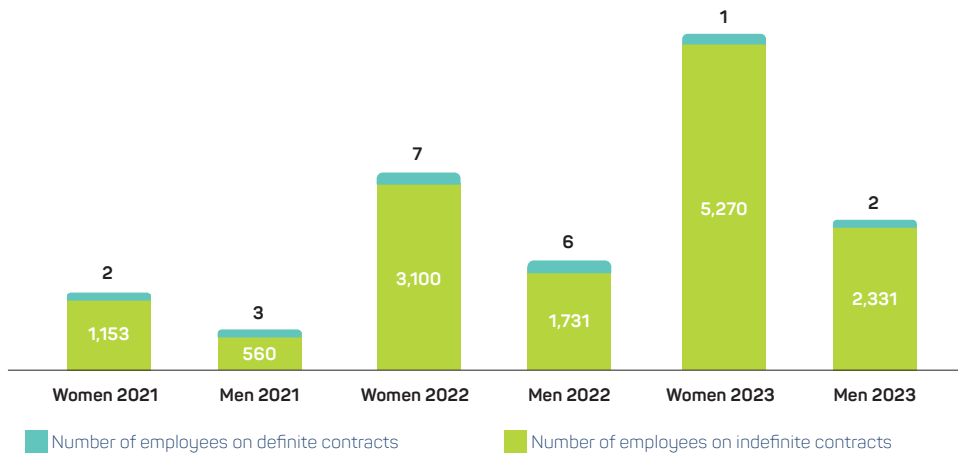
⁴⁰ The determination of the number of employees refers to the closing date of the reporting period.

⁴¹ The definition of senior management for MBH Bank means the CEO and CEOs, a total of 10 people.

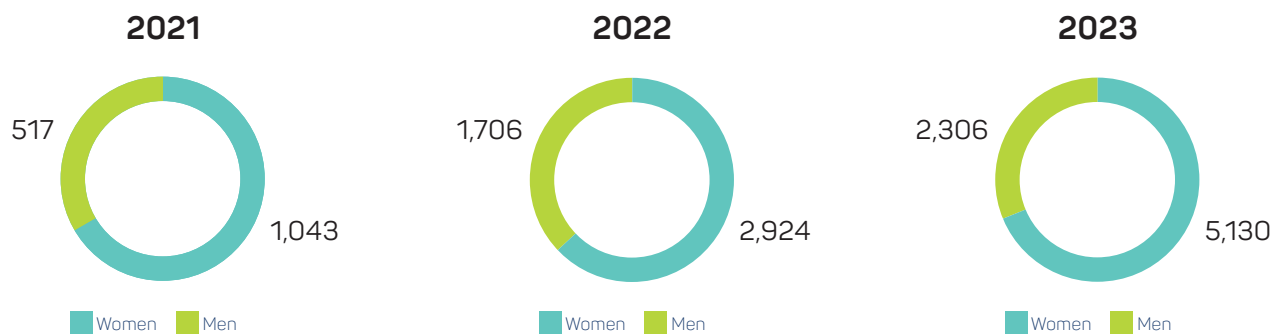


GRI 2-7, 2-8, 2-30, GRI 202-2, GRI 401-1, SK2

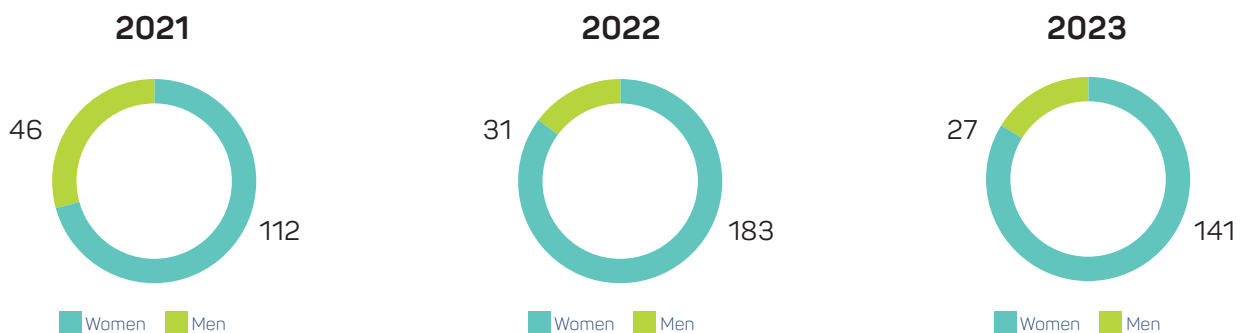
NUMBER OF EMPLOYEES BY GENDER AND TYPE OF CONTRACT



NUMBER OF FULL-TIME EMPLOYEES BY GENDER



NUMBER OF PART-TIME EMPLOYEES BY GENDER



Award-winning unified internship program (Fusion)

In 2023, our Fusion program was dedicated with multiple awards. Fusion is one of the largest internship programs in the country, currently employing more than 300 talented university students between the ages of 19 and 25 from all over the country. For our trainees, we are usually the first milestone at the beginning of their career. During the program, they gain relevant professional experience, which means a stable youth base for us. The aim of the internship program is to provide more than just professional experience: we help them through our own onboarding processes, and dedicated HR colleagues closely follow the students' professional development. This reinforces our commitment to our corporate value: We give more.



Work-life balance at MBH Bank

At MBH Bank, flexible working is one of the central elements of our HR strategy and an important component of improving the employee experience, so we strive to increase the share of non-conventional modes of employment. In addition, we want to make working from home accessible to the widest possible range of employees, therefore we are constantly developing our equipment. We believe that working from home reduces work-related stress, improves work-life balance and thus increases employee satisfaction, as well as work ethic, efficiency and loyalty.

From 2020, home office work was 100% implemented in jobs that did not require personal presence, and flexible employment remained even after the pandemic. Perhaps one of the most preoccupied labour law issues in 2022 was the regulation of teleworking. As a result of the legislative changes on the 1st of June 2022⁴², the management of the MBH Group reviewed the work schedule introduced so far and decided to change it. From the above date, based on the provisions of the Labour Code, telework is considered not only to be an activity performed with computer equipment, but also any work performed in part or all of the working time at a place separate from the employer's premises. We believe that this new work schedule will help teams operate more efficiently and

improve face-to-face collaboration, while giving managers the flexibility they need to address the needs of individual teams and colleagues.

On September 16, 2023, MBH Bank's first Family Picnic was held, where all our employees and their families could participate. This day was about celebrating successful fusion, recreation and our employees with various thematic programs, including children's and youth programs, a wide range of food and drinks, raffles, valuable prizes, work-life balance, training and recruitment, career development lectures and concerts at the end of the day.

New hires and turnover

At MBH Bank, we firmly believe that one of the drivers of our successful operation is our employees, therefore employee retention and the creation of a stable employee community are key aspects for us. In 2023, the turnover rate (27.9%) was not significantly higher than in the previous year, and its development was affected by the implementation of the second stage of the merger. In order to retain employees, we are committed to improving working conditions and work processes, which is supported by our values-based corporate culture and the implementation of our community building programs. 62% of new hires were women and 33% were in the under-30 age group in 2023.

BREAKDOWN OF NEW HIRES AND LEAVERS BY GENDER AND AGE GROUPS⁴³

	2021	2022	2023
Total employees	1,718	4,844	7,604
Number of hires	352	1,466	1,073
By gender			
Women	222	780	666
Men	130	686	407
By age			
Under 30 years old	79	369	357
30-50 years old	228	879	578
Over 50 years old	45	218	138
Proportion of new employees	20,5%	30,3%	14,1%
Number of leavers ⁴⁴	303	998	2,122
By gender			
Women	186	600	1,584
Man	117	398	538
By age			
Under 30 years old	na	na	364
30-50 years old	na	na	1 196
Over 50 years old	na	na	562
Rate of employees leaving	17,6%	20,6%	27,9%

⁴² During the period of the state of emergency, the rules of teleworking were laid down in Article 487/2020. Government decree, the rules of which were incorporated into Act I of 2012 on the Labour Code (Labour Code) and Act XCIII of 1993 on Occupational Safety and Health (Mvtv.) with the termination of the state of emergency, on 1 June 2022.

⁴³ In the table, the percentages show the ratio of people leaving and leaving relative to the number of employees at the end of the given year. In 2023, the outstanding value of the total number of employees was the result of the merger of Takarékbank Plc.

⁴⁴ The Bank did not collect data on the age distribution of leavers in 2022, the first data collection on this was for 2023.



10.2 EMPLOYEE RECOGNITION, REMUNERATION AND BENEFITS

As one of Hungary's leading credit institutions, we believe that in a rapidly changing external environment and difficult labour market situation, we need to develop a modern remuneration system that offers market-leading value to all members of highly diverse employee groups. In 2023, following the completion of the full merger, we focused on creating an integrated, uniform remuneration system, in which, the principles of fair, performance-based remuneration apply. In order to realize our ambitious plans and dynamic growth, it is essential to monitor the goals set. Our unified group-wide performance management covers all employees and aims to define individual goals to be achieved in a given year, monitor them during the year and measure their achievement at the end of the year. The process includes goal setting, unified performance evaluation, career management, training development and performance related pay. ESG aspects are part of the company's performance goals, and sustainability, CSR, health and safety aspects have also appeared in the benefit system of senior management.

In accordance with MBH Bank's Remuneration Policy and Code of Ethics, we ensure equal conditions for our female and male employees regarding their basic salary. There is no difference in entitlement to benefits between full-time workers and temporary or part-time employees. All components of remuneration must be attributed to Base Salary or Performance Related Pay. The main types of basic remuneration are basic salary, cafeteria and other fringe benefits. Performance Related Pay may include bonuses/annual bonuses, signing bonuses, commissions/incentives, project bonuses, target bonuses, retention bonuses, optional pension benefits and compensation. In addition to monetary benefits, the multi-element fringe benefit package enhances the working environment, supports a healthy lifestyle, and in addition to employee well-being, it strengthens motivation and the sense of belonging to the community. Some benefits, such as life insurance, parental leave and cafeteria, are also provided for full-time, part-time and temporary workers.

Employee Share Ownership Program (MRP)

MBH Bank also provided the opportunity to participate in the Employee Share Ownership Program (MRP) in 2023. MRP is a form of benefit that provides income to the Bank's employees in addition to their salary, with a lower tax burden. Creating an ownership interest is both an incentive to achieve business goals and increase motivation and satisfaction. To ensure long term and predictable remuneration, MBH Bank applied the MRP Performance Remuneration Policy through its own MRP organization.

Recognition of our employees

The outstanding performance of our employees is rewarded through the Employee Recognition Program, which is already uniform for MBH Bank as a result of the merger completed in 2023. With the program, we have created a transparent recognition framework to reward commitment to the company and exemplary individual and team performance that goes far beyond the performance of duties. In addition to moral recognition, employees who are rewarded individually or as a team also receive significant financial recognition.

Our corporate culture combines the strengths of three very valuable but different organizations, in which we operate a

so-called „Thank you” culture, which is based on the emphasis on non-material recognition. Our Employee Recognition Program builds on „on-spot” and formalized elements. On-spot individual or team level rewards are always accompanied by a „Thank you!” card. Within formalized recognitions, the Employee of the Quarter is regularly rewarded based on the achievement of the goals set and performance, and the Employee of the Year and Team of the Year are also awarded. Our colleagues celebrating their 5, 10, 15, 20 etc. year anniversaries will also be recognized in the form of a one-off payment and will be handed a diploma certificate. We reward employees' long term commitment with the Retirement Reward for 10 years of service.



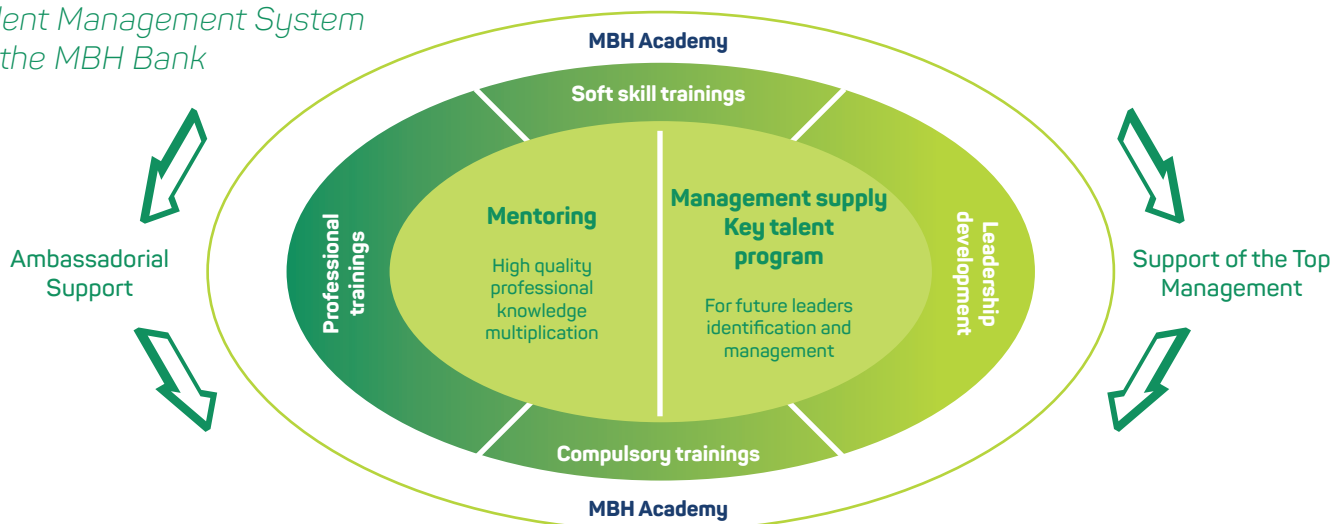
GRI 2-19, 2-20, 401-2

10.3 TRAINING AND TALENT MANAGEMENT

One of the defining elements of our organizational culture is talent management and lifelong learning. In talent management, on the one hand, we ensure the continuous increase

of individual performance and professional standards, the development and retention of internal talents, and on the other hand, we identify and prepare future leaders, and ensure succession to key positions in the organization. Well-executed talent management supports the implementation of our modern banking culture and workforce strategy based on our values.

Talent Management System at the MBH Bank



MBH Academy

In 2023, the MBH Academy provided the basis for our organizational development system. In addition to the mandatory professional trainings required for each position and the company-wide mandatory trainings due to general legal compliance, it provided soft skill and leadership development trainings for all our colleagues.

In 2023 we spent HUF 500 million on training of our employees.⁴⁵

Number of internal professional trainings in 2023

1) Professional trainings (product, system and process trainings, e.g. investment products, bank cards, operational processes)	
2) General mandatory training (e.g. fire and occupational safety, compliance, health and safety trainings)	13,203
3) Professional compulsory trainings (e.g. capital market, currency teller)	
4) Soft skill trainings	50
5) Sustainability-related trainings	22
Altogether:	13,275

In 2023, the Bank conducted a total of 13,275 internal professional trainings. The compulsory vocational training sessions were complemented by a number of general compulsory trainings in areas such as fire safety, compliance, occupational health and safety. To promote conscious career development and strengthen the Bank's organizational unit, we have also

involved external experts as lecturers in our program supporting conscious career development. A digitized and gamified pre-boarding program was available to support new hires, focusing on our colleagues in the period prior to their entry. With this solution available in the online space, in addition to supporting the engagement of new talents, they provide them with continuous connection, thus strengthening the experience of belonging to the team. The training range of the Change Management Academy established in 2022 has been continuously expanded throughout 2023, thus supporting the strengthening of MBH Bank's corporate culture. In the Academy, we not only provide the skills necessary for change management, but we have introduced the communication of corporate values in an interactive form, and work with colleagues through workshops to understand and accept them. In addition to the above-mentioned training opportunities, we supported talent management at MBH Bank with the following programs:

Talent Management Program

Our Talent Management Program (Leadership Succession and Key Talent Program) was open to colleagues already in some level of leadership or expert position. The aim of the program is to identify key talents within the company and to create a framework for leadership succession. Colleagues were admitted to this program through a senior management nomination process and a development center-based selection process, and were prepared with a separate training plan to be able to perform a wider and more diverse range of tasks at the highest

⁴⁵ Member bank's aggregate budget, framework of costs settled by bill payment, i.e. does not include the calculated cost of internal training courses' own internal resources.



possible level in the future. The program not only promoted the development of our unified corporate culture, but also had an impact on the personal development of the individuals participating in the trainings.

Leadership Academy

Our Leadership Academy has been an integral part of preparing executives for the transition to new banking. Our leadership training program is modular, supporting the continuous development of talented leaders with different solutions and topics (inspiring leadership, heterogeneous generational teams,

transparent leadership operation, motivating leadership, etc.). A separate program helped train newly appointed managers.

Mentoring

With the introduction of the Mentoring Program, our goal is to multiply high-quality professional knowledge and further build a uniform knowledge base. The Mentoring Program is attended by mentor colleagues who excel professionally in a banking field and are willing to share this professional knowledge with other colleagues in a more formalized way in a mentor-mentee relationship. The program was launched as a pilot throughout 2023.

10.4 INFORMATION AND AWARENESS-RAISING

The relationship we build with our employees is based on mutual respect and dialogue. We consider transparency and regular stakeholder communication essential to maintain trust, which is one of the defining principles of our unified corporate culture. We believe that one of the foundations of smooth work is open and two-way communication. In line with this, both colleagues and the Works Council were continuously and thoroughly notified of changes related to the operation of the company affecting employees in accordance with the provisions of the Labour Code. The statutory notice period was applied as minimum notice period. Up-to-date and comprehensive information for colleagues was provided via intranet, e-mails, newsletter; magazines, leaflets, senior management meetings, webinars and, of course, face-to-face meetings. Our intranet portal has been renewed in 2023 for more efficient communication.

In 2023, the Works Council was the number one advocacy forum, our employees could participate in the decision-making on issues affecting them through the Works Council, and could be informed about the changes. In addition, our colleagues could report issues, problems and suggestions directly to their superiors or colleagues working in the HR area.

Ambassador Academy as part of the integration process

Due to the turbulence of a merging organization and the uncertainty caused by the changes, we paid special attention to communicating about integration, merger and change and managing related employee reactions. The introduction of new values and associated leadership toolkits and behaviours, new culture roadmap, as well as an innovative tool for retaining talent and maintaining engagement were needed. Thus, we established the Ambassador Academy with about 100 members. It's a change management initiative,

with members working together to ensure engagement between talents, teams, and spreading information to all colleagues. All our employees can turn to them with confidence. The high-interest online and offline meetings focused on different topics related to change, and colleagues were very enthusiastic about the initiative. They worked together in joint workshops on certain elements of the culture program, employer brand and technological skill development, for example, prepared the questions of the so-called pulse check affecting the whole organization, which was a truly customized solution.

Employee satisfaction survey

To retain employees and assess their needs, an annual employee satisfaction survey is conducted. Previously, a survey was conducted in 2022 in the framework of the so-called pulse check, or organizational sentiment survey, with which we examined how our employees feel about fusion, reflecting in advance on the merger of Takarékbank to be implemented in 2023. Feedback on the survey and its results was provided to managers and employees. Another survey has been prepared in 2023 and is scheduled for early 2024. The satisfaction survey participation rate was 74%, which is considered a high response rate based on international benchmarks. The evaluation of the latest results is ongoing, based on which we will define proposals at company level.

In addition to the satisfaction survey, we regularly ask our colleagues for their opinion on significant issues affecting our operation. In connection with the construction of our new headquarters, announced in 2023, we assessed their everyday office usage habits and needs in an employee questionnaire. When designing the building complex, we try to consider not only sustainability aspects but also the opinion of our colleagues.



10.5 ENSURING EQUAL OPPORTUNITIES AND ORGANIZATIONAL DIVERSITY

We are a major employer in the capital and - as the bank with the largest branch network in Hungary - in the countryside as well, so we set an example by introducing best practices in the Hungarian labour market and by operating in a lawful, ethical and responsible business manner. Respect for human rights and equal opportunities are among our fundamental principles, and our commitment to this is framed by the Code of Ethics. Our colleagues must act in accordance with the principles and rules set out in the current Code of Ethics in their daily work. MBH Bank did not employ child labour or applied forced labour. The Bank continued to reject all forms of discrimination and did its utmost to avoid any occurrence of such.

In 2023, there was 1 case of discrimination at our Bank. A customer submitted a consumer complaint to the MNB claiming that video banking is not accessible for the hearing impaired.

The Bank informed the MNB that currently persons with disabilities are not excluded from the clientele available for video banking, however, depending on the nature of the disability, the type of personal assistance required might not currently be available, making video banking partially accessible. Prior to contacting the Supervisory Authority, the Bank started to develop new procedural processes, which include identifying and removing accessibility obstacles to fully serve everyone in need, so that its clients with disability who would otherwise need assistance will also be able to use the service.

Supporting diversity within the organization

In 2023, 25% of Governing Board members were women, unchanged from the previous year. We are also proud that 25% of our employees are over 50 years old.

The age and gender distribution ratio supports MBH Bank's diversity and diverse work environment. The specific ratios are shown in the following tables:

AGE DISTRIBUTION AND PROPORTION OF WOMEN IN THE GOVERNING BODY OF MBH BANK

Board of Directors and Supervisory Board	2021	2022	2023
By gender			
Women	42,9%	25%	25%
Men	57,1%	75%	75%
By age			
Under 30 years old	0%	0%	0%
30-50 years old	64,3%	75%	75%
Over 50 years old	35,7%	25%	25%

AGE DISTRIBUTION AND PROPORTION OF WOMEN BY EMPLOYEE CATEGORIES

Senior managers	2021	2022	2023
By gender			
Women	27%	23%	20%
Men	73%	77%	80%
By age			
Under 30 years old	6%	2%	0
30-50 years old	82%	83%	77%
Over 50 years old	12%	15%	23%



Middle managers	2021	2022	2023
By gender			
Women	34%	36%	40%
Men	66%	64%	60%
By age			
Under 30 years old	0%	2%	2%
30-50 years old	76%	77%	73%
Over 50 years old	24%	21%	25%

Subordinates	2021	2022	2023
By gender			
Women	71%	67%	71%
Men	29%	33%	29%
By age			
Under 30 years old	11%	17%	14%
30-50 years old	68%	67%	61%
Over 50 years old	22%	16%	25%

With our programs introduced within our generational diversity HR strategy, we strive to cover the entire spectrum of employee lifecycles, with special emphasis on the unique needs of each employee life cycle, such as interns, young professionals, pregnant and returning mothers, programs for young fathers, and support for employees over 60. We have worked to create a healthy, non-discriminatory working environment for our employees to ensure the compatibility of family, employment and career development. We have provided employees with children under the age of 14 with an additional 1 day of parental leave. In addition, at the beginning of each school year, they could apply for a schooling allowance, and we also tried to help them with a camping grant during the summer holidays.

69% of MBH Bank's employee community are women. International Women's Day was an excellent opportunity to further strengthen the commitment of our female colleagues as a family-friendly and best workplace for women. At our full theme week called KollégaNők (Female colleagues' Week) in March, we tried to reach and involve as many colleagues as possible online, in person and in a hybrid way by passing on professional messages and content that is especially useful for women.

Highlight figure: Best Workplace for Women in 2023

Generational Diversity Program

Launched in 2023, our Generational Diversity program aims to help employees in every life situation. Our Employee Life Cycle Program currently supports four priority employee groups, and accordingly consists of four elements. MBH Start+ is aimed at young professionals starting their career, where we provide a complex training package and a one-year employment contract exclusively designed for recent graduates. During the 1-year program the employees get to know 4 different areas during rotations. During this time, participants can earn a salary increase even quarterly, with personal mentoring support. The MBH Baby+ Maternal-Fraternal program is aimed at families; we support our colleagues who have children with a complex benefit package. Parents with children get help as soon as the baby is born: we provide cash grants to help with baby room equipment or, if needed, mobility training, and a working time allowance to give fathers three weeks of paternity leave. In addition, we have developed and operate multifaceted, digital communication channels that can ensure close, smooth coordination and cooperation between our maternity staff and HR in all situations. Our MBH Active+ employee program is aimed at people over sixty years of age. We do our best to increase their commitment, because the knowledge and loyalty of our senior colleagues are a significant value to us. We organize community programs for colleagues with many decades of experience, in addition to continuous training and knowledge



sharing. As quality time is key, employees with grandchildren can have an extra day off, and we also provide a framework for cultural recreation. In addition to countless other benefits, MBH Bank also provides health screenings, according to their age needs. The fourth element of our Generational Diversity Program is MMM+, an initiative supporting our employees with disabilities, employment of which we are committed to strengthening. As part of our program, we strive to provide diverse assistance and create equal opportunities for them to work in a joyful, safe and supportive environment. We provide special professional advice and mentoring to our existing and new employees with disabilities with the help of professionals, who accompany them throughout their entire employee life. In addition to all this, we also draw attention to the importance

of financial contribution. Thus, in case of an altered state of health, we provide solutions and assistance in accessibility both in terms of work and housing, flexible working hours for self-care, support for commuting and financing medical care.

MBH bank's HR programs for 2023 have been recognized with 2 international and nearly 10 domestic professional awards.

10.6 HEALTH AND SAFETY OF OUR EMPLOYEES

Encouraging physical and mental well-being and maintaining a healthy lifestyle contributes to creating a pleasant and attractive workplace and increasing employee productivity. Creating the conditions for safety and health is a priority for MBH Bank. In line with our internal policies, in 2023 we provided sports opportunities for our employees in several ways, and the support of a healthy lifestyle was implemented on several fronts.

MBH Bank and health

The well-being and health of employees is of paramount importance to MBH Bank. As an employer, it is both our responsibility and our goal to ensure that our employees feel well, because we believe that the healthier our colleagues are, the healthier our organization is as a whole. Extended group accident and life insurance is available for the entire MBH Bank. In the spirit of the Year of Health program series announced in 2018, we organized medical screening for employees in 2023 as well. In addition to occupational health care, discounted health insurance provided for years was also available to our employees in 2023, through which diagnostic services and extended occupational health clinic was also available seven days a week. Hobby and recreational rooms are also available in MBH Bank's buildings, while fitness menus and other special diet meals are available in workplace canteens. We have been emphasizing our commitment to health promotion in various sports and health-related campaigns, such as the #20minuteshealth programme for years.

MBH Bank and sports

MBH Bank provides a wide range of sports opportunities for employees. In the headquarters in Váci Street and in the office building in Kassák Lajos Street, gym space of nearly 400 m² were available in 2023 as well.

In addition, we support our employees' sports activities in other ways: MBH Sports Club operates several sports sections depending on the interests and activities of our employees. In 2023, the Bank contributed HUF 45 million to the operation of the sports association and its successful professional and recreational sports activities. The association had nearly 500 members, including 200-250 section members⁴⁶.

The association operates two fitness rooms with a total area of 780 m² in the headquarters of MBH and in the office building on Kassák Lajos Street, where TRX, kettlebell, yoga, pilates, bodyart, group strength trainings, cardio and strength training equipment are available. In addition to the support of the sport sections, the association also provides sports equipment, branded sportswear and even individual support to the members of the section if required. The sports club prepared our competitors in 9 sports for the annual Hungarian Banks Sports Games, where we came 3rd place for the fourth time in 2022.

The 35th edition of The Sports Games of Hungarian Banks was held in Debrecen in 2023, hosted by MBH Bank. At the

⁴⁶ Our sports sections: squash, volleyball, fishing, karting, dragon boat, bicycle, running, table tennis, men's and women's football, hiking, bowling, „teke” bowling, boxing, basketball, throwing sports, swimming, wall climbing, spartan/crossfit, canoeing and SUP, sport shooting, dodgeball.



event with more than 800 participants, our bank was represented with 85 colleagues. Thanks to the outstanding performance of our teams, MBH Bank secured a second place during the event. MBH Bank employees also managed to win medals in all sports.

Our runners regularly participate in competitions such as the Wizz air Half Marathon or the SPAR Marathon. In team sports, our men’s football team, basketball players and bowlers achieve top positions in the Business Leagues. Our dragon boaters have won medals in several local competitions, our anglers also regularly perform strong, and our table tennis team is supported by the training methods of two excellent NB/1 colleagues. Our bicycle department started a joint program with Budapest Transport Centre’s (BKK) BUBI bicycle sharing network for years. 150 colleagues received annual discounted BUBI passes.

We are also proud of our „MBH MOVE” competition in spring and autumn, where registered colleagues could collect kilometers in walking, running and cycling. For them, we created a Facebook group called MBHSE, which now has more than 500 members.

Safe working environment

In accordance with the statutory requirements, MBH Bank has defined the personal, material and organizational conditions of safe work in its Occupational Safety and Health Policy, which covers employees and those performing activities in the part in the area covered.

Employees could turn to an occupational health and safety expert performing occupational safety tasks, who is not only responsible for enforcing the requirements of healthy

and safe work environment, but also to investigate workplace accidents. Workers shall be entitled to elect safety representatives from among themselves to represent their rights and interests in relation to safe and healthy work conditions. In 2023, the mandate of the previously elected OSH representative has expired, and new OSH representative elections are planned at the Bank.

MBH Bank complies with its legal obligations to prepare a workplace risk assessment of its headquarters and premises, including all branches. The number of work accidents remained low in 2023. Occupational safety and fire inspections are carried out regularly, especially in workplaces where the general use of personal protective equipment is required.

Every year, employees are obliged to take part in occupational safety and fire safety refresher trainings, which end with a knowledge level assessment. Upon entry, in case of absence for more than six months, upon re-entry into employment, or in case of substantial change in working conditions, it is also mandatory to complete training and take a knowledge assessment. A separate training material has been created for branch employees on what to do if the branch is attacked.

The number of accidents at work has typically remained low in 2023 due to the nature of office work, the preparedness and responsible behavior of colleagues. During the reporting period, there were only 11 recorded accidents, mainly involving falls, slips and trips, mostly when climbing stairs.

Work-related injuries	2022	2023
Total accidents at work (number)	10	11
Total hours worked by employees	7,763,540	6,459,762
Total occupational accident rate*	1,288	1,703

*Per 1 million hours worked





11. CORPORATE RESPONSIBILITY

11. CORPORATE RESPONSIBILITY

MBH Bank's business strategy is to help people move forward in their finances and to make banking understandable and likeable. We also consider it important to contribute to community development and the well-being of those affected by the natural and social environment to the best of our economic

potential through partnerships with various non-profit organizations, as well as through the involvement of our employees, volunteer work, targeted grants and sponsorships.

11.1 CSR STRATEGY AT MBH BANK

In December 2022, the credit institution adopted its new CSR Strategy based on previous member bank initiatives, customer and employee research, and the ESG strategy, which aims to incorporate existing, operational social responsibility initia-

tives into a strategic framework. The 2023 corporate social responsibility initiatives have already been implemented in an integrated way for the entire Bank in line with to the four pillars of the strategy:



In line with international best practices and expectations, in 2023 the CSR area was managed and its objectives implemented primarily by the Deputy CEO for Municipal and Church Services, ESG and Sustainability, Communications and Government Relations, the Executive Director of Communications

and the CSR Manager and his team colleagues. The progress of the CSR strategy is periodically reviewed by the relevant stakeholders of MBH Bank to ensure that the achievement of the set targets and performance indicators can be monitored.



11.2 SOCIAL INCLUSION AND SPONSORSHIP COOPERATIONS

Along the pillars set out in its CSR strategy, MBH Bank has made it a priority to take responsibility for the disadvantaged and to participate in the fight against inequalities. We aim to focus on local communities and values through social inclusion and immediate assistance, building a culture of social solidarity, giving and volunteering, and supporting bottom-up, employee-driven initiatives. In 2023, our support activities will be completely separated from our long-term sponsorship framework.

Social inclusion programmes with the Hungarian Interchurch Aid

MBH Bank and Hungarian Interchurch Aid signed a strategic agreement in May 2023, to support the Aid Agency with an annual program package of HUF 100 million. As part of the cooperation, we launched the MBH Conscious Help Program, which contributes to helping tens of thousands of families through the National Aid Center of the Interchurch Aid. The project helps socially disadvantaged people along three pillars: by developing energy and financial awareness of families in need, by supporting the sustainability of the National Aid Centre and by providing various one-off crisis supports, such as food, medicine and hygiene packages.

As part of the strategic cooperation, in addition to the program, we also help the work of Interchurch Aid by involving and sensitizing our colleagues. During the year we joined other charity initiatives launched by the charity. In the spring of 2023, we helped those in need with 60 bags of clothing during a charity clothes collection. In September 2023, we contributed 25 boxes of school supplies to the organization's Back to School Together! relief programme. In October 2023, our colleagues joined the Don't just cheer, help! running community of the Aid during the Spar Budapest marathon race.

At the end of 2023, we also participated in the Aid's Advent charity programs, which aimed to encourage donation and

social solidarity among our former staff. At the beginning of the Christmas period, our volunteers collected non-perishable food for families in need, and from 4 December, more than 80 of our volunteer colleagues participated in the five-day gingerbread baking program at the Basilica in the capital. On 18 December, we handed over nearly two hundred gift packages



to disadvantaged children in Baranya, which were compiled by the organizers of the program from the incoming "shoebox" donations. As the last stage of the program series, between 20 and 21 December, the employees of the Aid Agency and MBH Bank participated in a two-day food distribution in Csepel.

Social inclusion programmes with the International Children's Emergency Service

MBH Bank signed a cooperation agreement with the organization in November 2022, and will continue to assist the work of the International Children's Emergency Service and support young people in need for the next three years. The credit institution's joint strategic cooperation with the organization has a history of 25 years, when the former MKB Bank scholarship was co-founded to support socially disadvantaged children in their studies. From 2023 the program will continue under the name MBH scholarship. The total value of the scholarships awarded so far during the initiative exceeds half a billion forints, and in the past five years we have provided support in the value of over HUF 40 million per year, which is divided equally among

As a responsible financial institution, it is important for us to contribute to the growth of the Hungarian economy with our services, expertise and financial resources, and the integration of disadvantaged people plays an important role in this, both directly and indirectly. It is a great honor for us to start an innovative, forward-looking strategic cooperation with the Hungarian Interchurch Aid, where we will jointly develop projects that help social inclusion in a sustainable way." – dr. Zsolt Barna, President and CEO of MBH Bank



the 100 individuals receiving the scholarship. The program is open to all students who have completed the first and second grades of primary school, have an average grade above 4.5, and the monthly income per capita in their family does not exceed HUF 48,000. If good academic results are maintained, students can receive the scholarship all the way up to obtaining a master's degree.



The scholarship has helped hundreds of children in 25 years
Ágnes Tokárszki, former fellow: currently working as a medical diagnostic analyst. She has had to overcome many trials and tribulations in her life to get into this not easy profession, but support has helped her through the difficult times, she admits. During her university years, she was able to cover both her college's fee and her weekly living expenses from the scholarship, which allowed her to concentrate on her studies and continue on the path she dreamed of. She also advises young people of school age to always have a goal in mind, because wherever they start from, they will surely be able to reach it.

In addition to the scholarship program, MBH Bank has been supporting the annual Christmas Children's Gala organized by the Children's Emergency Service for nearly a quarter of a century, where in 2023 we invited 800 disadvantaged children or children living in state care from different cities and beyond the border to the Hungarian State Opera. The traditional program of the gala is The Nutcracker fairytale ballet. With the festive performance, we try to make Christmas more beautiful, richer and a real experience for children every year. In the summer of 2023, we joined the National Bank of Hungary's a Better Place for Your Change! coin collection campaign, one of the beneficiaries of which is our partner, the International Children's Emergency Service.

Comprehensive donation campaign of MBH Bank and Mastercard
MBH Bank and Mastercard have partnered during the 2023 Advent season to engage customers in a joint campaign to support the work of the Interchurch Aid. The campaign was



implemented with the aim of raising awareness of the importance of donation and reaching as many people in need as possible. The campaign lasted between 4 and 31 December, during which Mastercard bank card purchases issued by MBH Bank contributed to the support of the Aid organization. In addition to using bank cards, customers had the opportunity to make additional, individual donations through a dedicated interface created on the website of Interchurch Aid, from which an additional nearly HUF 500,000 was collected for the organization. At the end of the campaign, MBH Bank handed over HUF 50 million and Mastercard HUF 15 million to the charity.

Volunteering

MBH Bank considers corporate volunteering to be part of its culture, and encourages it as part of its corporate social responsibility strategy. We are proud that our colleagues have joined several volunteer programs in 2023 as well.

Blood donation

In 2023, we joined the Bank Blood Donor Week established by the Hungarian Banking Association, where more than two hundred people rolled up their sleeves for this noble goal at Bankholding level. In addition to the initiative, we regularly provided on-site blood donations for our colleagues in our



headquarters, and a total of 215 of our volunteer colleagues participated in these events in 2023.

MBH Forest

In the spring of 2023, as an internal initiative, ten thousand native Hungarian saplings were planted by our volunteer colleagues near the village of Dúzs in South Transdanubia. The aim of our program was twofold, as it combined our goals to achieve carbon neutrality defined in our ESG Strategy and our ambition to actively participate in shaping our employees and clients regarding sustainability. The saplings planted with the involvement of a professional partner are expected to develop into a complete MBH forest of 2.5 hectares by 2025, which, according to estimated calculations, will absorb more than a thousand tons of carbon dioxide over a 100-year period. 140 of our volunteers participated in the program.

PET Cup

The MBH Bank team also took part in the IV. Lake Tisza PET Cup, where 12 of our volunteer colleagues collected waste for 3 days with a raft built by themselves. Our active colleagues won third place in the competition, contributing to the overall success of the event: 6.5 tons of waste were collected in 3 days, which could fit into about 1500 bags.



In 2023, a total of 1122 colleagues participated in various CSR and ESG activities as volunteers.



Sponsorship collaborations

During our operation, we pay special attention to supporting and sponsoring domestic sports, art and culture, as well as charitable initiatives. MBH Bank has defined the overall goals and guidelines of its sponsorship and support activities in its Sponsorship and Support Strategy, which is aligned with the Bank's CSR strategy as well as its business and marketing strategy. In cooperation with the relevant professional areas, the Head of Event and Protocol is responsible for the full implementation of the Bank's sponsorship and support activities, as well as for the supervision of sponsorship and support activities of the member banks.

MBH Bank has also supported the work of foundations and organizations throughout 2023, such as the Red Nose Clown Doctors Foundation, the Together for Autistic People Foundation and the Adopt a Bear Foundation.



11.3 DEVELOPING FINANCIAL CULTURE AND DIGITAL LITERACY SKILLS

Our company considers it its responsibility to achieve its goals under the second pillar of its CSR strategy: to raise financial awareness and spread digital literacy skills among the Hungarian population, secondary school and university students, as well as disadvantaged people, and to promote entrepreneurial knowledge and financial awareness among female entrepreneurs. To achieve these objectives, we have continued to implement several programmes in 2023.

Strategic cooperation to improve financial literacy of young people

Financial and digital education of young people is an important element of our corporate social responsibility strategy, and to this end we are constantly looking for opportunities to cooperate with educational organizations. MBH Bank, the National Conference of Student Unions and the HÖÖK service group signed a long term strategic cooperation agreement in May 2023, involving 290,000 students to develop students' financial awareness through the Educatio+ Program. By participating as a professional mentor in the Educatio+ Programme, we contribute to young people's experiential learning, reduce social anxiety and prepare them for the future.

MBH Junior Digital Program

In the fall of 2023, we partnered with the Skool Foundation for Technology Education to launch a comprehensive series of digital competence development programs for elementary and secondary school children. During the programme, the partners will be involved in school education: our experts will teach classroom teachers about the profession and safe digital finance, while Skool staff will introduce young people to the latest technology trends. Our main goal with the program is to support at least 8,000 students and their teachers in acquiring the latest digital competences during 2024, while passing on the basics of financial and programming knowledge to children in a playful way. The programme also aims to create opportunities for children in the convergence regions to change their careers. It is important to introduce the atmosphere of technology companies to as many young people as possible through the MBH Junior Digital Program, to offer career opportunities in the technology and financial sector for everyone, and to inspire and encourage children to use technology creatively.

Cooperation with the DUE media network – Great Banking Test

In September 2023, the DUE Media Network launched the Great Student Banking Test with the support of MBH Bank to enable those who want to test their financial and eco-

nomical knowledge to do so in a simple and entertaining way. As a responsible bank, our goal is to provide financial knowledge and a framework that increases the knowledge and awareness of the population, including the younger generation, with regards to economic and financial issues. Over the past decade, the world of banking has seen significant progress in terms of modernization, with some banking services moving from branches and paper to smartphones and the digital space, bringing about significant transformation and a plethora of new services. The Great Student Banking Test is a brand new quiz that tests and teaches at the same time, promoting young people's financial awareness and deepening it in digital banking and innovative financial solutions. With the support of MBH Bank, anyone could participate in the game, which will take place in the first semester of the 2023-2024 academic year, and university students could compete for valuable prizes. Young people between the ages of 18 and 26 in higher education could join the three-round, online, educational competition, but anyone could take the test. More than 13,000 people took part in the first, online round. The 1,000 players with the best results were then invited to the semi-finals on 11 December, from where the top 10 students qualified for the final. The results of the competition were announced and the prizes were handed over in a ceremony at the Educatio Exhibition in January 2024.

MBH Dobbantó (Step Forward) Program

The „MBH Bank Dobbantó – about finance for women” program was launched in 2010 by one of MBH Bank's former member banks, Budapest Bank, together with the SEED Small Business Development Foundation. As the owner of the program, MBH Bank continues to consider the expansion of women's financial literacy to be a priority goal, and we continue the heritage by organizing activities to develop the knowledge and skills of women entrepreneurs. In the spring of 2023 – for the 25th time – the program was launched, which was opened by the professional day „DoboGO – Platform of successful female entrepreneurs” held on International Women's Day. The most important elements of the Dobbantó program are the 6-week, 12-day, 90-hour competency development trainings and club events open to everyone. The Dobbantó training develops the most important entrepreneurial skills with tools specifically tailored to the needs of women entrepreneurs. Participants gained experiential knowledge of the most important skills needed for running a business, as well as knowledge in marketing, management, creation of financial resources and taxation, which are important for business success. In addition to the training, we also helped the participants achieve their business goals with awareness-raising, consulting and mentoring, who could leave at the end of the program with a ready-made business plan reviewed by the experts of the training.



Money7

The European Money Week initiative, known in Hungary as Money7, takes place simultaneously in nearly 30 countries across Europe. In spring 2023, we rejoined the Money7 series to help young people get to know and understand the banking sector and banking better. The experience oriented MONEY7

unusual lessons playfully transfer the knowledge necessary for responsible decision-making and develop creative problem-solving skills, taking into account the characteristics of each age group. The program attracted a lot of interest again this year: we are proud that 37 of our colleagues contributed to the success of the program as volunteer financial mentors.

11.4 SUPPORT AND DEVELOPMENT OF HUNGARIAN ART

MBH Bank is committed to supporting art and related activities. According to our goals set out in our corporate social responsibility strategy, we focus our activities primarily on finding and nurturing young talents, helping them enter the market by creating exhibition and auction opportunities, as well as making MBH Bank's art collection accessible to a wide audience and organizing exhibitions.

MBH Bank Foundation for the Support and Development of Art

At MBH Bank, the promotion of art, including Hungarian visual arts, and the linking of financial and artistic education, with a view to the development of the community and the contribution to social welfare, is a priority social role. In autumn 2022, MBH Bank established the MBH Bank Foundation for the Support and Development of Art, which play a key role in the preservation and dissemination of Hungarian art and culture in Hungary and beyond the borders of Hungary, the promotion of young Hungarian artists and contemporary art, and the promotion of exhibition opportunities for artworks owned by MBH Bank. In 2023, with the Foundation's support, we created the Hungarian Art & Business (HAB) art centre, whose mission is based on the belief that art truly belongs to everyone, and we want to make it accessible to everyone. The HAB's priority is to care for and expand the bank's collection of over 260 works of art. The bank's CSR ambition is to involve its employees and customers as widely as possible in art activities and programmes.

Junior Prima Award – Theatre and Film category

In 2007, the founders of Prima Primissima decided to create a separate prize for young talented people under 30 who are among the best in their age group. As one of the predecessors of MBH Bank, Takarékszövetkezet Group has been curating the Junior Prima Award in this category since 2017, and MBH Bank is determined to continue this tradition. The uniqueness and significance of the award is enhanced by the fact that young talents receive confirmation and recognition as well as visibi-

lity through an independent professional jury. In 2023, at the request of MBH Bank, theatres, professional and advocacy organizations nominated 48 candidates for the Junior Prima Award, of which the jury selected five young artists in the theatre, film and dance categories. Professional recognition is always important, but it is even more so at a young age, as it is often given to outstanding theatre professionals from rural areas. This prestigious award supports the Bank's efforts to support Hungarian arts and artists, in addition to its efforts to strengthen local communities and culture.

In 2023, the Junior Prima Award was presented for the fifteenth time in the theatre, film and dance categories, and together with this year's winners, the award has been awarded to 111 young Hungarian talents so far.

Support of the Media for Families Special Award

This award expresses the dedication and recognition that is due to those outstanding journalists who, through their work and writing, indirectly provide information, strength and help in choosing a partner, commitment, family planning, solving problems and a happy family life. It is important for MBH Bank to support those who publish value-oriented, family-strengthening, professionally demanding, problem-solving material on the subject of family, thereby making many readers think. For our bank, family and community are fundamental values, and we want to celebrate these values together with the award-winning journalists. As in previous years, in 2023 the jury nominated one entry each month for the Media for Family and Media for Family Awards abroad. From online or printed articles, radio and television appearances, the winners of the award were selected for the seventeenth time in 2023. The audience prizes were sponsored by MBH Bank.





12. ANNEX

12. ANNEX

12.1 METHODOLOGY FOR CALCULATING ENERGY CONSUMPTION

The second phase of the merger process underpinning the establishment of MBH Bank Nyrt. took place in May 2023. At the time of the calculation, at this stage of the ongoing data migration and consolidation steps, it was not possible to fully report data related to energy use in buildings for 2023. As a consequence, the energy consumption values belonging to buildings include only buildings of former MKB Bank, Budapest Bank and Takarekbank that are directly relevant from the point of view of banking operations and partly rely on estimates. We identified the following buildings directly relevant to banking operations: bank branches (and related electric charging stations), headquarters, operational and back-up centers.

The estimation was based on the following methodology:

- In the case of gas consumption, the recorded consumption data included in the settlement accounts were decisive, if at least 7 months' consumption data (hereinafter: data point)

12.2 METHODOLOGY FOR CARBON FOOTPRINT CALCULATION

The consolidation approach to the calculation is based on operational control, with the limitation that the Scope 1 stationary emissions category includes natural gas consumption related emissions of buildings used by banks, based on the approach detailed for the 302-1 GRI indicator. The same applies to the data for Scope 2 for the purchased electricity and district heating categories. The Scope 1 fugitive emissions category is calculated from the potential refill demand of refrigerant in air conditioning systems.

Methodological information on the calculation of MBH Bank's Scope 3 financed emissions

Due to the fact that in many cases the actual data required for the calculation were not available, the data were generated using average values and proxies. These are necessarily fraught with high uncertainty, for which PCAF has defined a 5-element data quality scale to indicate the accuracy of the calculation, in order to ensure adequate transparency. Based on the scale, 1 indicates the highest quality (e.g. published, third-party verified GHG inventory), while 5 indicates the lowest (e.g. carbon intensity emissions calculated on industry-specific sales).

The Bank made considerable efforts to prepare the calculation with the highest possible data quality, but in many cases it was still not possible to circumvent the use of industry-based estimation methodologies with higher margins of error. For the future, an important goal is to improve the quality of data available in this area.

were available for a given property. The consumption of the missing months was estimated by the average of these data points in order to have a full annual data series. Where the place of consumption was under discontinuation or termination, we did not calculate a full year for the existing data, fractional consumption was taken as a basis.

- In case of purchased electricity and district heating, flat-rate consumption typically appears, which provided the basis for the calculation. Where necessary, missing months were corrected.
- It is important to note that, like any approximation or estimation methodology, the Bank's calculation also contains necessary limitations, for example, the calculation does not include seasonality or the geographical location of individual buildings. The database used for the calculation was created using data from energy bills, so the values may differ from the real consumption of a given building.

Conversion factors:

The conversion of petrol and diesel from liters to GJ was based on the IPCC Guidelines for National Greenhouse Gas Inventories (2006) based on net calorific value.

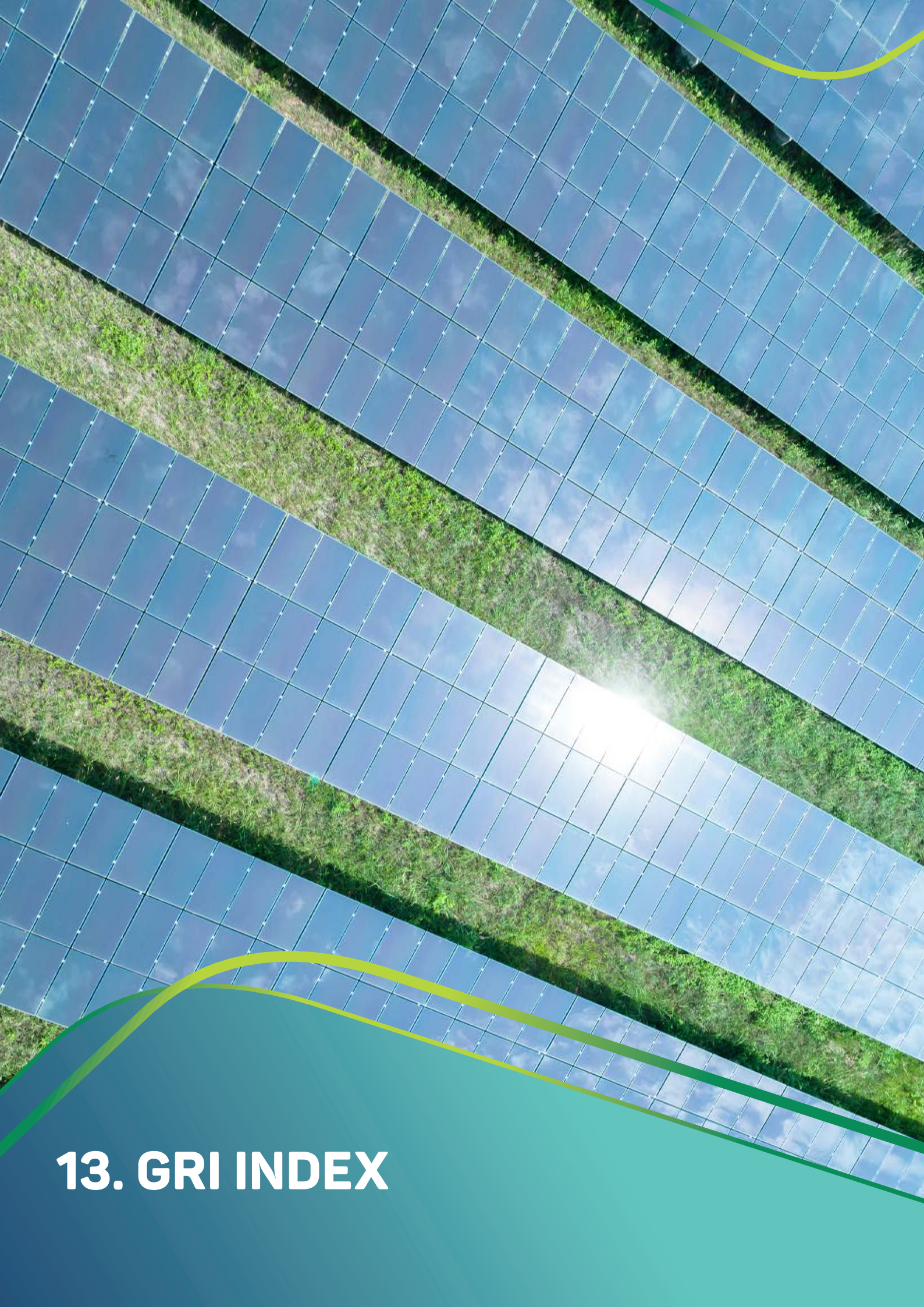
Emission factors

To determine the emission factors, we calculated our consumption of natural gas, purchased electricity and district heating based on the International Energy Agency (IEA) (IEA Emission Factor Database 2022) database. For petrol and diesel, we calculated using data from the Environmental Protection Agency (EPA) (Emission Factors for Greenhouse Gas Inventories). Refrigerants (R-134A, R-32, R-407C, R-410A, R-422D) have been converted to carbon equivalent units at the 100-year GWP in IPCC Assessment Report Editions 4 and 6.

PCAF - Partnership for Carbon Accounting Financials

PCAF is a global partnership of financial institutions that collaborate to develop and implement a harmonized approach to assessing and reporting greenhouse gas (GHG) emissions from their loans and investments.

A harmonized CO₂ accounting approach provides financial institutions with the starting point needed to set science-based targets and align their portfolios with the Paris Agreement. PCAF enables transparency and accountability and has developed an open-source global GHG accounting standard for financial institutions, the Global GHG Accounting and Reporting Standard for the Financial Industry.



13. GRI INDEX

13. GRI INDEX

MBH Bank Plc. reported in accordance with GRI Standards 2021 for the period from January 1, 2023 to December 31, 2023.

GRI Indicator	GRI Publication Title	Chapter	Page Number	Comment/ Omission Justification
GRI 2: General disclosures 2021				
2-1	Organization details	1. About the report	5, 59	
2-2	Entities included in the organization's sustainability reporting	1. About the report	5	
2-3	Reporting period, frequency and contact point	1. About the report 5.2. ESG governance	5, 18	
2-4	Restatements of informations	-	-	There has been no republication.
2-5	External assurance	1. About the report	5	The information and data contained in this Report have not been authenticated by a third party.
2-6	Activities, value chain and other business relationships	2. About MBH Bank 6.4. Responsible procurement	7, 29	
2-7	Employees	10.1. Employment	55	
2-8	Workers who are not employees	10.1. Employment	55	
2-9	Governance structure and compositions	6.1. Corporate governance structure	24	
2-10	Nomination and selection of the highest governance body	6.1. Corporate governance structure	24	
2-11	Chair of the highest governance body	6.1. Corporate governance structure	24	
2-12	Role of the highest governance body in overseeing the management of impacts	5.2. ESG governance	18	
2-13	Delegation of responsibility for managing impacts	5.2. ESG governance	18	
2-14	Role of the highest governance body in sustainability reporting	5.2. ESG governance	18	

GRI Indicator	GRI Publication Title	Chapter	Page Number	Comment/ Omission Justification
GRI 2: General disclosures 2021				
2-15	Conflicts of interest	6.1. Corporate governance structure 6.3. Regulatory compliance 6.4. Responsible procurement	24, 27, 29	
2-16	Communication of critical concerns	5.2 ESG governance 6.1. Corporate governance structure	18, 24	
2-17	Collective knowledge of the highest governance body	5.2. ESG governance 5.3. ESG training and awareness raising	18, 19	
2-18	Evaluation of the performance of the highest governance body	6.1. Corporate governance structure	24	
2-19	Remuneration policies	6.1. Corporate governance structure 10.2. Employee recognition, remuneration and benefits	24, 58	
2-20	Process to determine remuneration	6.1. Corporate governance structure 10.2. Employee recognition, remuneration and benefits	24, 58	
2-21	Annual total compensation ratio	-	-	The Bank considers the information confidential and therefore does not wish to publish it.
2-22	Statement on sustainable development strategy	CEO welcome 5.1. ESG strategy	2, 14	
2-23	Policy commitments	5.1. ESG strategy	14	
2-24	Embedding policy commitments	5.1. ESG strategy	14	
2-25	Processes to remediate negative impacts	6.2. Ethical operation, fair business practices	26	
2-26	Mechanisms for seeking advice and raising concerns	6.2. Ethical operation, fair business practices	26	
2-27	Compliance with laws and regulations	6.3. Regulatory compliance	27	
2-28	Membership associations	2. About MBH Bank	7	

GRI Indicator	GRI Publication Title	Chapter	Page Number	Comment/ Omission Justification
GRI 2: General disclosures 2021				
2-29	Approach to stakeholder engagement	5.4. Stakeholder involvement	20	
2-30	Collective bargaining agreements	10.1. Employment	55	
Material topics				
3-1	Process to determine material topics	5.5. Materiality assessment	22	
3-2	List of material topics	5.5. Materiality assessment	22	
1. Business stability and flexibility				
3-3	Management of material topics	2. About MBH Bank	6	
Innováció-1	Presentation of product design and innovation activities	8.2. Digitalisation and innovation 9.2. Paperless, contactless processes	43, 53	
SK5	Number of suppliers related to purchases exceeding HUF 1 million	6.4. Responsible procurement	29	
2. Data protection and cybersecurity				
3-3	Management of material topics	8.3. Information security and data protection	38	
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	8.3. Information security and data protection	45	
FN-CB-230a.2	Description of the approach to identifying and managing data security risks	8.3. Information security and data protection	45	
SK4	Number of employees who participated in GDPR training	8.3. Information security and data protection	45	
3. Creating value for customers, increasing customer satisfaction				
3-3	Management of material topics	8. Responsible provision of services	37	
GRI FS16	Initiatives to enhance financial literacy by type of beneficiary.	11.3. Developing financial culture and digital literacy skills	69	

GRI Indicator	GRI Publication Title	Chapter	Page Number	Comment/ Omission Justification
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Ügyféle.-1	Degree of customer satisfaction	8.1. Customer satisfaction	43	
Akadálym.-1	Percentage of accessible accounts	8.4. Accessible customer service	47	
SK11	Frequency of Netbank usage (%)	8.2. Digitalisation and innovation	43	
4. Transparency and regular stakeholder communication				
3-3	Management of material topics	6.1. Corporate governance structure 10.4. Information and awareness raising	19, 52	
417-2	Incidents of non-compliance concerning product and service information and labelling	6.3. Regulatory compliance	27	
417-3	Incidents of non-compliance concerning marketing communications	6.3. Regulatory compliance	27	
5. Transparent ownership, management and organizational structure and operation				
3-3	Management of material topics	6. Responsible corporate governance	19	
205-3	Confirmed incidents of corruption and actions taken	6.3. Regulatory compliance	27	
206-1	Legal actions for anti-competitive behaviour, anti-trust and monopoly practices	6.3. Regulatory compliance	27	
307-1	Non-compliance with environmental laws and regulations	6.3 Regulatory compliance	27	
FN-CB-510A.1	Total amount of monetary losses resulting from legal proceedings relating to fraud, insider dealing, antitrust, anti-competitive conduct, market manipulation, abuse of office or other related financial sector laws or regulations	6.3. Regulatory compliance	27	
6. Support of Hungary's economic and social development				
3-3	Management of material topics	2.AboutMBHBank	6	

GRI Indicator	GRI Publication Title	Chapter	Page Number	Comment/ Omission Justification
GRI 2: General disclosures 2021				
201-1	Direct economic value generated and distributed	2. About MBH Bank	7	
SK14	Donation and sponsorship amount	-	-	The Bank considers the information confidential and therefore does not wish to publish it.
7. Responsible employer and maintaining a balanced working environment				
3-3	Management of material topics	10. Responsible employment	46	
202-2	Proportion of senior management hired from the local community	10.1. Employment	55	
401-1	Proportion of senior management hired from the local community	10.1. Employment	55	
401-2	New employee hires and employee turnover	10.1. Employment	58	
402-1	Benefits provided to full-time employees that are not provided to temporary or part-time employees	10.2. Employee recognition, remuneration and benefits	60	
403-1	Minimum notice periods regarding operational changes	10.4. Information and awareness raising	63	
403-2	Occupational health and safety management system	10.6. Health and safety of our employees	63	
403-3	Hazard identification, risk assessment and incident investigation	10.6. Health and safety of our employees	63	
403-4	Occupational health services	10.6. Health and safety of our employees	63	
403-5	Worker training on occupational health and safety	10.6. Health and safety of our employees	63	
403-6	Promotion of workers health	10.6. Health and safety of our employees	63	
403-9	Work-related injuries	10.6. Health and safety of our employees	63	

GRI Indicator	GRI Publication Title	Chapter	Page Number	Comment/ Omission Justification
GRI 2: General disclosures 2021				
405-1	Diversity of governance bodies and employees	10.5. Ensuring equal opportunities and organisational diversity	61	
406-1	Incidents of discrimination and corrective actions taken	10.5. Ensuring equal opportunities and organizational diversity	61	
FN-CB-510a.2	Introduction to whistleblowing policies and procedures	6.2. Ethical operation, fair business practices	26	
SK1	Annual amount spent on staff training	10.3. Training and talent management	50	
SK2	Number of trainees	10.1. Employment	55	
8. Integrating ESG considerations into business strategy				
3-3	Management of material topics	5. Sustainability for MBH Bank	10	
Megfizeth.-1	Discounted Products	7.3. Discounted and socially responsible products	40	
FN-CB-410A.2	Description of the approach to taking environmental, social and governance (ESG) factors into account in credit valuation	7.1. ESG risk management	32	
SK7	ESG risk management in the bank's portfolio	7.1. ESG risk management	32	
9. Promoting the conservation of natural resources				
3-3	Management of material topics	7. Partner in sustainable finance 9. Reducing our environmental footprint	26, 41	
302-1	Energy consumption within the organization	9.1. ESG operation 12. Annex	49, 72	
305-1	Direct (Scope 1) GHG emissions	9.1. ESG operation 12. Annex	49, 72	
305-2	Energy indirect (Scope 2) GHG emissions	9.1. ESG operation 12. Annex	49, 72	
305-3	Other indirect (Scope 3) GHG emissions	9.1. ESG operation 12. Annex	49, 72	

GRI Indicator	GRI Publication Title	Chapter	Page Number	Comment/ Omission Justification
GRI 2: General disclosures 2021				
306-1	Waste generation and significant waste-related impacts	9.1. ESG operation	49	
306-2	Management of significant waste-related impacts	9.1. ESG operation	49	
306-3	Waste generated	9.1. ESG operation	49	
SK12	Paper consumption and recycling	9.2. Paperless, contactless processes	53	
10. Sustainable and responsible asset, investment and financing portfolio and fundraising				
3-3	Management of material topics	7.2. Partner in green finance	31	
FN-CB-410a.2	Description of the approach to taking environmental, social and governance (ESG) factors into account in credit valuation	7.1. ESG risk management	28	
SK10	Share of green corporate portfolio in corporate debt	7.2. Partner in green finance	36	

We look forward to hearing from you!

Your comments and questions are welcome at the investorrelations@mbhbank.hu email address!



14. LSEG ESG RATING INDEX

14. LSEG ESG RATING INDEX

MBH Bank Plc.'s environmental, social and governance (ESG) performance for reporting year 2023 will be evaluated by LSEG ESG rating agency, one of the world's largest providers of financial markets data and infrastructure. LSEG provides a number of ESG scores designed to transparently and objectively measure a company's relative ESG performance, commitment and effectiveness. The evaluation process is currently in progress. The Bank's LSEG ESG Rating for year 2023 is expected to be published in late autumn 2024.

Metric Name	Answer (2023)	Chapter
Pillar: Climate		
POLICY EMISSIONS	NO	-
INDEPENDENT VERIFICATION OF OPERATIONAL GHG EMISSIONS DATA	NO	-
CLIMATE CHANGE COMMERCIAL RISKS OPPORTUNITIES	YES	7.1 ESG risk management 7.2 Partner in green finance
FOSSIL FUEL DIVESTMENT POLICY	NO	-
EMISSIONS TRADING	NO	-
CO2 EQUIVALENT EMISSIONS DIRECT, SCOPE 1	8 063,57 Tonnes	9.1 Operations in line with ESG aspects
CO2 EQUIVALENT EMISSION INDIRECT SCOPE 2 LOCATION-BASED	5 336,31 Tonnes	9.1 Operations in line with ESG aspects
CO2 EQUIVALENT EMISSIONS TOTAL LOCATION-BASED	13 399,88 Tonnes	9.1 Operations in line with ESG aspects
CO2 EQUIVALENT EMISSIONS INDIRECT, SCOPE 3 2023	N/A	- Notes: For 2023, the Bank has not calculated Scope 3 financed emissions. MBH Bank calculated its Scope 3 emissions for the first time for reporting year 2022. Next calculation is planned for 2024.
CO2 EQUIVALENT EMISSIONS INDIRECT, SCOPE 3 2022	3 299 264,4 Tonnes	9.1 Operations in line with ESG aspects Notes: In 2023, MBH Bank assessed its Scope 3 financed emissions for reporting year 2022, the results of which are published in this report for the first time.
GHG EMISSION METHOD	GHG Protocol Corporate Accounting and Reporting Standard	12.1 Methodology for calculating energy consumption 12.2 Methodology for carbon footprint calculation
ENERGY CONSUMPTION EXTERNAL ASSURANCE	NO	-
POLICY ENERGY EFFICIENCY	NO	-
TARGETS ENERGY EFFICIENCY	NO	-
ENERGY USE TOTAL	238 597,91 Gigajoules	9.1 Operations in line with ESG aspects
ENERGY PURCHASED DIRECT	238 597,91 Gigajoules	9.1 Operations in line with ESG aspects
ENERGY PRODUCED DIRECT	0 Gigajoules	-

ELECTRICITY PURCHASED	88 348,03 Gigajoules	9.1 Operations in line with ESG aspects
ELECTRICITY PRODUCED	0 Gigajoules	-
RENEWABLE ELECTRICITY PRODUCED WITHOUT BI-FURCATION	0 Gigajoules	-
RENEWABLE ENERGY USE	NO	-
TOTAL RENEWABLE ENERGY	0 Gigajoules	-
RENEWABLE ENERGY PURCHASED	Data is not available for year 2023.	-
RENEWABLE ENERGY PRODUCED	0 Gigajoules	-
Pillar: Environmental		
POLICY WATER EFFICIENCY	NO	-
TARGETS WATER EFFICIENCY	NO	-
WATER WITHDRAWAL TOTAL	75 377 Cubic Meters	-
FRESH WATER WITHDRAWAL TOTAL	75 377 Cubic Meters	-
STAFF TRANSPORTATION IMPACT REDUCTION	YES	10.1 Employment
WASTE REDUCTION INITIATIVES	YES	9.1 Operations in line with ESG aspects
E-WASTE REDUCTION	YES	9.1 Operations in line with ESG aspects
WASTE TOTAL	479,33 Tonnes	9.1 Operations in line with ESG aspects
NON-HAZARDOUS WASTE	478,745 Tonnes	9.1 Operations in line with ESG aspects
HAZARDOUS WASTE	0,585 Tonnes	9.1 Operations in line with ESG aspects
WASTE RECYCLED TOTAL	Data is not available for year 2023.	-
WASTE RECYCLING RATIO	Data is not available for year 2023.	-
PRODUCT ENVIRONMENTAL RESPONSIBLE USE	YES	7.2 Partner in green finance
ENVIRONMENTAL PRODUCTS	YES	7.2 Partner in green finance
RENEWABLE/CLEAN ENERGY PRODUCTS	YES	7.2 Partner in green finance
ENVIRONMENTAL ASSETS UNDER MGT	YES	7.2 Partner in green finance
ENVIRONMENTAL PROJECT FINANCING	YES	7.1 ESG risk management 7.2 Partner in green finance
EQUATOR PRINCIPLES	NO	-
ISO 14000 OR EMS	NO	-
GREEN BUILDINGS	YES	7.2 Partner in green finance
ENVIRONMENT MANAGEMENT TEAM	YES	5.2 ESG governance
ENVIRONMENTAL EXPENDITURES	17 500 000 HUF	-
SELF-REPORTED ENVIRONMENTAL FINES	75 000 HUF	6.3 Regulatory compliance
ENVIRONMENTAL PARTNERSHIPS	YES	5.1 ESG strategy

ENVIRONMENTAL RESTORATION INITIATIVES	YES	11.2 Social inclusion and sponsorship cooperations
ENVIRONMENTAL INVESTMENTS INITIATIVES	YES	5.3 ESG training and awareness raising 11.2 Social inclusion and sponsorship cooperations
ENVIRONMENT MANAGEMENT TRAINING	YES	5.3 ESG training and awareness raising
POLICY ENVIRONMENTAL SUPPLY CHAIN	NO	-
ENVIRONMENTAL MATERIALS SOURCING	NO	-
ENVIRONMENTAL SUPPLY CHAIN MANAGEMENT	NO	-
ENV SUPPLY CHAIN PARTNERSHIP TERMINATION	NO	-
ENVIRONMENTAL SUPPLY CHAIN MONITORING	NO	-
Pillar: Social		
POLICY DIVERSITY AND OPPORTUNITY	YES	10.2 Employee recognition, remuneration and benefits 10.5 Ensuring equal opportunities and organizational diversity
TARGETS DIVERSITY AND OPPORTUNITY	YES	10.2 Employee recognition, remuneration and benefits 10.5 Ensuring equal opportunities and organizational diversity
HRC CORPORATE EQUALITY INDEX	N/A	-
WOMEN EMPLOYEES	69,32 %	10.1 Employment
WOMEN MANAGERS	40 %	10.5 Ensuring equal opportunities and organizational diversity
EMPLOYEES WITH DISABILITIES	0,14 %	-
FLEXIBLE WORKING HOURS	YES	10.1 Employment
INTERNAL PROMOTION	YES	10.3 Training and talent management
DAY CARE SERVICES	NO	-
POLICY SKILLS TRAINING	YES	10.3 Training and talent management
POLICY CAREER DEVELOPMENT	YES	10.3 Training and talent management
MANAGEMENT TRAINING	YES	10.3 Training and talent management
AVERAGE TRAINING HOURS	95	-
TRAINING COSTS TOTAL	1 450 000 000 HUF	-
EMPLOYEE SATISFACTION	N/A Survey was prepared in 2023 but conducted in early 2024.	10.4 Information and awareness-raising

POLICY EMPLOYEE HEALTH & SAFETY	YES	10.6 Health and safety of our employees
EMPLOYEES HEALTH & SAFETY TEAM	YES	-
TOTAL INJURY RATE TOTAL	1,70	10.6 Health and safety of our employees
TOTAL INJURY RATE EMPLOYEES	1,70	10.6 Health and safety of our employees
ACCIDENTS TOTAL	11	10.6 Health and safety of our employees
EMPLOYEE ACCIDENTS	11	10.6 Health and safety of our employees
LOST WORKING DAYS	8745	-
EMPLOYEE LOST WORKING DAYS	8745	-
OCCUPATIONAL DISEASES	0	-
SUPPLY CHAIN HEALTH & SAFETY TRAINING	NO	-
POLICY SUPPLY CHAIN HEALTH & SAFETY HEALTH & SAFETY TRAINING	YES	10.6 Health and safety of our employees
GENDER PAY GAP PERCENTAGE	100 %	10.2 Employee recognition, remuneration and benefits
POLICY CYBER SECURITY	YES	8.3 Information security and data protection
POLICY COMMUNITY INVOLVEMENT	YES	-
EMPLOYEE ENGAGEMENT VOLUNTARY WORK	YES	11.2 Social inclusion and sponsorship cooperations 11.3 Developing financial culture and digital literacy skills
CRISIS MANAGEMENT SYSTEMS	YES	-
PRODUCT ACCESS LOW PRICE	YES	7.2 Partner in green finance
CRITICAL COUNTRY 1	N/A	-
DONATIONS TOTAL	Confidential	-
COMMUNITY LENDING AND INVESTMENTS	0 HUF	-
CORPORATE RESPONSIBILITY AWARDS	YES	10.4 Information and awareness-raising
POLICY FREEDOM OF ASSOCIATION	YES	-
POLICY CHILD LABOR	YES	10.5 Ensuring equal opportunities and organizational diversity
POLICY FORCED LABOR	YES	10.5 Ensuring equal opportunities and organizational diversity
POLICY HUMAN RIGHTS	YES	10.5 Ensuring equal opportunities and organizational diversity
FUNDAMENTAL HUMAN RIGHTS ILO UN	YES	-
HUMAN RIGHTS CONTRACTOR	NO	-
HUMAN RIGHTS BREACHES CONTRACTOR	NO	-
ISO 9000	NO	-
SIX SIGMA AND QUALITY MGT SYSTEMS	YES	-
EMPLOYEES HEALTH & SAFETY OHSAS 18001	NO	-
TRADE UNION REPRESENTATION	0,12%	-

TURNOVER OF EMPLOYEES	27,9 %	10.1 Employment
POLICY FAIR COMPETITION	YES	6.2 Ethical operation, fair business practice
POLICY BRIBERY AND CORRUPTION	YES	6.2 Ethical operation, fair business practice
POLICY BUSINESS ETHICS	YES	6.2 Ethical operation, fair business practice
IMPROVEMENT TOOLS BUSINESS ETHICS	YES	6.2 Ethical operation, fair business practice
WHISTLEBLOWER PROTECTION	YES	6.2 Ethical operation, fair business practice
CUSTOMER SATISFACTION	36 %	8.1 Customer satisfaction
POLICY DATA PRIVACY	YES	8.3 Information security and data protection
NUMBER OF EMPLOYEES FROM CSR REPORTING	7604	10.1 Employment
Pillar: Governance		
CSR SUSTAINABILITY REPORTING	YES	1. About the report
ESG REPORTING SCOPE	100 %	-
GRI REPORT GUIDELINES	YES	1. About the report
CSR SUSTAINABILITY REPORT GLOBAL ACTIVITIES	YES	-
CSR SUSTAINABILITY EXTERNAL AUDIT	NO	1. About the report
INTEGRATED STRATEGY IN MD&A	YES	-
GLOBAL COMPACT SIGNATORY	NO	-
STAKEHOLDER ENGAGEMENT	YES	5.4 Stakeholder involvement
CSR SUSTAINABILITY COMMITTEE	NO	-
UNPRI SIGNATORY	NO	-
EXTERNAL CONSULTANTS	YES	-
POLICY BOARD SIZE	YES	-
POLICY BOARD INDEPENDENCE	YES	-
POLICY BOARD DIVERSITY	YES	-
POLICY BOARD EXPERIENCE	YES	-
INTERNAL AUDIT DEPARTMENT REPORTING	YES	-
BOARD MEMBER MEMBERSHIP LIMITS	No Limit	-
BOARD MEMBER TERM DURATION	5 Years	-
BOARD STRUCTURE TYPE	TWO-TIER	-
NUMBER OF BOARD MEETINGS	5	-
BOARD MEETING ATTENDANCE AVERAGE	100%	-
POLICY EXECUTIVE COMPENSATION PERFORMANCE	YES	-
POLICY EXECUTIVE COMPENSATION ESG PERFORMANCE	YES	6.1 Corporate governance structure
POLICY EXECUTIVE RETENTION	YES	-
COMPENSATION IMPROVEMENT TOOLS	YES	-
SUCCESSION PLAN	YES	-
SHAREHOLDERS APPROVAL STOCK COMPENSATION PLAN	NO	-
CEO COMPENSATION LINK TO TSR	NO	-

<u>POLICY SHAREHOLDER ENGAGEMENT</u>	YES	-
<u>POLICY EQUAL VOTING RIGHT</u>	YES	-
<u>DIFFERENT VOTING RIGHT SHARE</u>	NO	-
<u>VOTING CAP</u>	NO	-
<u>VOTING CAP PERCENTAGE</u>	100 %	-
<u>MINIMUM NUMBER OF SHARES TO VOTE</u>	NO	-
<u>DIRECTOR ELECTION MAJORITY REQUIREMENT</u>	YES	-
<u>SHAREHOLDERS VOTE ON EXECUTIVE PAY</u>	YES	-
<u>PUBLIC AVAILABILITY CORPORATE STATUTES</u>	YES	-
<u>VETO POWER OR GOLDEN SHARE</u>	YES	-
<u>STATE OWNED ENTERPRISE SOE</u>	NO	-
<u>LITIGATION EXPENSES</u>	47 207 341 HUF	-
<u>UNLIMITED AUTHORIZED CAPITAL OR BLANK CHECK</u>	NO	-
<u>CLASSIFIED BOARD STRUCTURE</u>	NO	-
<u>STAGGERED BOARD STRUCTURE</u>	NO	-
<u>SUPERMAJORITY VOTE REQUIREMENT</u>	YES	-
<u>GOLDEN PARACHUTE</u>	NO	-
<u>LIMITED SHAREHOLDER RIGHTS TO CALL MEETINGS</u>	NO	-
<u>ELIMINATION OF CUMULATIVE VOTING RIGHTS</u>	YES	-
<u>PRE-EMPTIVE RIGHTS</u>	NO	-
<u>COMPANY CROSS SHAREHOLDING</u>	NO	-
<u>CONFIDENTIAL VOTING POLICY</u>	NO	-
<u>LIMITATION OF DIRECTOR LIABILITY</u>	NO	-
<u>SHAREHOLDER APPROVAL SIGNIFICANT TRANSACTIONS</u>	NO	-
<u>FAIR PRICE PROVISION</u>	NO	-
<u>LIMITATIONS ON REMOVAL OF DIRECTORS</u>	NO	-
<u>ADVANCE NOTICE PERIOD DAYS</u>	21 Days	-
<u>WRITTEN CONSENT REQUIREMENTS</u>	YES	-
<u>EXPANDED CONSTITUENCY PROVISION</u>	YES	-
<u>TOTAL COMPENSATION - OFFICERS</u>	Confidential	-
<u>EXECUTIVE COMPENSATION LT OBJECTIVES</u>	NO	-
<u>HIGHEST REMUNERATION PACKAGE</u>	Confidential	-



15. MSCI ESG RATING INDEX

15. MSCI ESG RATING INDEX

MBH Bank Plc.'s environmental, social and governance (ESG) performance will be evaluated by MSCI ESG rating agency. This table provides an additional disclosure of the necessary data for their assessment. MSCI is a leading global provider of ESG research and ratings, helping investors identify and understand the potential risks and opportunities associated with environmental, social and governance factors. The evaluation process is currently in progress. The Bank's MSCI ESG Rating is expected to be published in autumn 2024.

Pillar	MSCI Key Issue	Question	Response Summary
Social	Human Capital Development	[Does the company provide financial support or sponsorship for degree programs or external certifications?] [If yes,] what % of the workforce is covered by these educational support programs?	[Yes.] 92% of the workforce is covered by educational support programs.
Social	Human Capital Development	[Does the company conduct employee engagement surveys to measure employee satisfaction?] If yes, Please share the topics that are assessed in the survey.	[Yes.] Assessed topics included in the Bank's employee satisfaction survey 2024: „Say, Stay, Strive“ Partnership Credibility and Professionalism Desire to Learn Value-Creating Leadership Controlled and Stable Operations
Social	Access to Finance	What % of total loans is to SMEs (small and medium-sized enterprises) or small businesses in the most recent fiscal year?	Due to the merger process, associated database-related changes, and terminological differences in the thresholds for SMEs, the Bank can currently provide data on SME financing for the last two years only. The main uncertainty lies within agricultural-related financing, where the SME flag for clients (regardless of size) is still under development. Therefore clients served through the agricultural service line are not included in the data provided below. The Bank is actively working on the development of an exact flag for all its clients. Reference date: December 31, 2023 SME: 16,4% Micro: 3,2% Reference date: December 31, 2022 SME: 16,8% Micro: 4,2%

<p>Social</p>	<p>Access to Finance</p>	<p>Please provide details of outstanding loans (for last 3 years - absolute value in USD/local currency) to SMEs (small and medium-sized enterprises) or small businesses</p>	<p>Due to the merger process, associated database-related changes, and terminological differences in the thresholds for SMEs, the Bank can currently provide data on SME financing for the last two years only.</p> <p>The main uncertainty lies within agricultural-related financing, where the SME flag for clients (regardless of size) is still under development. Therefore clients served through the agricultural service line are not included in the data provided below.</p> <p>The Bank is actively working on the development of an exact flag for all its clients.</p> <p>Reference date: December 31, 2023 SME: 845.952 million HUF Micro: 168.013 million HUF</p> <p>Reference date: December 31, 2022 SME: 845.855 million HUF Micro: 210.945 million HUF</p>
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