

Responsible Banking Progress Statement for PRB Signatories

UN 
environment
programme

finance
initiative

Principles for
Responsible Banking

Summary template

MBH Bank Plc. 2025

Principle 1: Alignment	Principle 2: Impact & Target Setting	Principle 3: Clients & Customers
<p>Content</p> <p><i>MBH Bank is committed to becoming a leader in sustainability within Hungary's banking sector.</i></p> <p><i>As MBH Bank embarked on the implementation of a comprehensive multiple-year strategic plan in 2024, it aims to enhance internal efficiency and drive robust expansion.</i></p> <p><i>The Bank's ESG Strategy, closely integrated with the business strategy, is intricately aligned with various international frameworks including the goals of the Paris Agreement and the United Nations Sustainable Development Goals (SDGs), specifically targeting SDG 8 (Decent Work and Economic Growth), SDG 9 (Industry, Innovation, and Infrastructure), SDG 12 (Responsible Consumption and Production), and SDG 13 (Climate Action).</i></p> <p><i>The Bank is dedicated to defining its decarbonization goals, promoting sustainable investments, and incorporating biodiversity considerations into its ESG Strategy.</i></p>	<p>Content</p> <p><i>In 2024, MBH Bank prioritized climate stability and biodiversity & healthy ecosystems within its PRB impact analysis, identifying key financed sectors.</i></p> <p><i>For climate stability, the Bank continued to assess its Scope 3-15 financed emissions, which will inform the integration of Net Zero elements into its ESG Strategy. Moreover, the baseline for target setting for FY2024 was calculated according to the PCAF (Partnership for Carbon Accounting Financials) global GHG accounting and disclosure standard. To thoroughly define its targets and establish annual progress metrics, MBH Bank plans to align with the Science Based Targets initiative (SBTi) methodologies. Future steps include setting sector- and asset class-level climate targets and developing a comprehensive transition plan for its financed portfolio.</i></p> <p><i>Regarding biodiversity, the Bank used the Nature Key Sectors guidance by UNEP FI to screen the biodiversity impacts of its corporate exposure in connection to the different ecosystems. This initial screening was complemented by a review of international and national frameworks,</i></p>	<p>Content</p> <p><i>MBH Bank is committed to responsible client engagement, emphasizing high-quality services and transparent communication. Guided by a strong ESG and marketing strategy, the Bank fosters responsible relationships through different policies including its code of conduct and code of ethics.</i></p> <p><i>MBH Bank is dedicated to promoting sustainability through a variety of impactful initiatives that encourage responsible practices. The Bank's green product offerings include an established green lending framework. Retail clients have benefited so far from sustainability-focused products such as the Green Home Program and ECO preferential mortgage loans. We will expand this product range in the future, which will be supported by digital services that ensure easier access.</i></p> <p><i>Aligned with international frameworks such as the EU Taxonomy and the Hungarian National Bank's Green Recommendation, MBH Bank supports the SDGs. The Bank is focused on strengthening its client engagement strategy while actively evaluating the impact of its sustainability</i></p>

	<p><i>allowing the Bank to identify and prioritize relevant global and regional biodiversity targets. These combined efforts have informed key practice commitments for its biodiversity target-setting journey, focusing on the areas of governance, further impact assessment, strategy implementation and client engagement.</i></p> <p><i>The Bank plans to transition its current membership status within this year, aiming to establish a Group-level membership for the PRB. This Group-level membership will involve a comprehensive reassessment of the portfolio composition and the impact analysis.</i></p>	<p><i>initiatives, including exploring opportunities related to biodiversity.</i></p>
<p>Links & references</p> <p><u>Separate sustainability statement 2024 according to CSRD</u></p>	<p>Links & references</p> <p><u>Separate sustainability statement 2024 according to CSRD</u></p>	<p>Links & references</p> <p><u>Separate sustainability statement 2024 according to CSRD</u></p>

<p>Principle 4: Stakeholders</p>	<p>Principle 5: Governance & Culture</p>	<p>Principle 6: Transparency & Accountability</p>
<p>Content <i>The Bank has developed a structured relationship with stakeholders, integrating their feedback to enhance sustainability understanding. In 2024, the Bank conducted its first double materiality assessment under the CSRD at a group-level to identify key ESG impacts, engaging stakeholders through questionnaires and workshops.</i> <i>While climate stability was recognized as a material topic, biodiversity impacts are yet to be assessed on a Group level. We are currently treating the group-level double materiality assessment and the impact analysis of the UN PRB applicable to MBH Bank Plc. separately. However, in the future, we aim to align the two processes, which will include a reassessment of the materiality of biodiversity topics during the next double materiality assessment. In addition, the Bank plans to refine its stakeholder engagement towards biodiversity, particularly with clients in high-impact sectors. It closely monitors the initiatives of the Hungarian National Bank regarding nature-related guidelines.</i></p>	<p>Content <i>The Bank employs a comprehensive corporate governance framework that ensures sustainability issues are integral to management discussions, guided by established work plans. The Board of Directors sets the ESG Strategy, leveraging its diverse expertise (legal, economic, business and digital) to consider sustainability impacts, risks, and opportunities, with support from the ESG department. The Deputy CEO oversees sustainability considerations, and effectiveness is reported annually to the Management Committee, which will transition to biannual reporting in 2025. This committee monitors sustainability-related impacts and may adjust policies as necessary.</i> <i>To foster a culture of responsible banking, the Bank integrates ESG specialists across departments and prioritizes sustainability training for leadership. The newly launched ESG Academy offers comprehensive training to all employees, complementing over 370,000 hours of internal training organized in 2024.</i> <i>Another important tool for the effective implementation of the ESG strategy is the integration of sustainability elements into the compensation system. The Bank is exploring the possibility of integrating sustainability elements into the compensation of board members, ensuring that their targets align with</i></p>	<p>Content <i>While this report is not assured, we will examine the assurance options for the upcoming PRB reports, with particular attention to the possibility of aligning them with the Bank's other reporting obligations.</i> <i>The MBH Bank's Annual Report 2024 includes the statutory Sustainability Statement, which provides information on the Bank's sustainability performance. The Sustainability Statement is assured by a third-party with limited assurance.</i></p>

	<p><i>the overarching corporate strategic objectives in accordance with the ESG Strategy. Currently, one member of senior management has ESG-related KPI. The Remuneration Policy of MBH Bank Plc. is approved by the Supervisory Board, which endorses the principles of the compensation policy and oversees its periodic review. Plans are in place to more deeply integrate climate-related performance into compensation by 2025.</i></p> <p><i>The Bank's double materiality assessment has identified key ESG risks, prompting a review of its business model and strategies, although quantitative financial implications and resilience analyses are yet to be established.</i></p>	
<p>Links & references</p> <p><u>Separate sustainability statement 2024 according to CSRD</u></p>	<p>Links & references</p> <p><u>Separate sustainability statement 2024 according to CSRD</u></p>	<p>Links & references</p> <p><u>Separate sustainability statement 2024 according to CSRD</u></p>

Supplement templates

Principle 1: Alignment

We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.

Business model

Describe (high-level) your bank's business model, including the main business lines, customer segments served, types of products and services provided, the main sectors and types of activities across the main geographies in which your bank operates or provides products and services. Please also quantify the information by disclosing e.g. the distribution of your bank's portfolio (%) in terms of geographies, business areas or by disclosing the number of customers and clients served.

Links & references

[Separate sustainability statement 2024 according to CSRD](#)

Response

MBH Bank was established in May 2023 due to the merger of three banks - MKB Bank, Budapest Bank and Takarékbank. The integration has brought together the knowledge and expertise of the former member banks, greatly enhancing the Bank's successful operation. Today, the Bank is one of the leading credit institutions in Hungary and as a universal bank it serves both retail and corporate-institutional clients with its modern financial services and continuously expanding product range.

The banks before the merger traditionally had a strong corporate, premium and private banking client base, as well as advisory and analytical services. The Bank offers a range of services, notably in:

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

MBH Bank also has strong market positions in several other segments, including micro, small and medium enterprise lending, leasing, agri-food and a wide range of financial and capital markets and investment activities.

The overall strategy and business model of the MBH Bank play a vital role in identifying and understanding the relevant sustainability issues. While 2023 was dedicated to the merger process, 2024 marks the beginning of the implementation of a four-year strategic plan focused on enhancing internal efficiency and driving robust expansion. In 2024, MBH Group had 2,4 million clients across its retail and corporate business, employing over 9,629 individuals and operating 507 branches.

Strategy alignment

Please describe how your bank has aligned and/or is planning to align its strategy to be consistent with the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and other international frameworks such as the Kunming-Montreal Global Biodiversity Framework (GBF), the United Nations Guiding Principles on Business and Human Right (UNGPs), the forthcoming instrument on plastic pollution etc.

Include any other national and/or regional frameworks that your bank has a strategy to align with where relevant.

Links & references

[Separate sustainability statement 2024 according to CSRD](#)

Response

MBH Bank's commitment to embed environmental and social sustainability in its operations is reflected in the alignment between its business strategy and ESG Strategy. Digitalization efforts support, among other things, decarbonization goals and sustainability-related product and service development.

In our ESG Strategy we set ambitious goals. Our goal is to make MBH Bank one of the leaders of the domestic banking market in terms of sustainability. The realization of the vision is supported by two strategic goals, which stem from the role MBH Bank both as a financial institution and as a responsible corporation.

The Bank's ESG Strategy focuses on five strategic pillars, which support different Sustainable Development Goals, namely Decent work and economic growth (SDG 8), Industry, innovation and infrastructure (SDG 9), Responsible consumption and production (SDG 12) and Climate action (SDG 13), as detailed below.

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

Table 1: The Bank's strategic pillars and related SDGs

The ESG Strategy is intended to set out a framework for achieving these objectives with detailed guidelines, an action plan, key performance indicators and clear roles and responsibilities.

Our ESG Strategy is closely aligned with addressing climate change and energy consumption, and we are committed to supporting the achievement of both global and European sustainability objectives. We strive to prioritize financing and supporting sustainable, climate-focused investments. In line with our decarbonization efforts, the Bank is determined to make a meaningful contribution to the climate protection goals set out in the Paris Agreement, working towards reducing the carbon emissions linked to our financing as quickly as possible. Additionally, we are committed to decarbonizing our own operations and embedding ESG principles throughout all levels of our organization, striving to set a standard for responsible corporate behavior. We strive to minimize the environmental impact of our operations while fostering sustainable and climate-conscious investments.

The Bank is dedicated to aligning with the Kunming-Montreal Global Biodiversity Framework (GBF), alongside the EU Biodiversity Strategy for 2030 and the Hungarian Biodiversity Strategy. We will incorporate biodiversity considerations into our ESG Strategy, ensuring the preservation and

restoration of ecosystems as a key pillar of our long-term sustainability objectives.

The Bank will comply with standards established or under development at the EU level, including the EU Taxonomy and the frameworks set by the EBA. Moreover, we continuously strive to meet expectations established by the Hungarian National Bank while diligently monitoring their developments and novelties.

We continuously aim to improve our practices by measuring ourselves up to international best practices and following recognized sustainability frameworks.

Principle 2: Impact & Target Setting

We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.

Impact Analysis

Show how your bank has identified, prioritized and measured the most significant impacts associated with its portfolio (both positive and negative). Determine the priority areas for target-setting. Include details regarding: Scope, Portfolio Composition, Context, and Performance Measurement.

The impact analysis should include assessment of the relevance of the four priorities laid out in [Leading the Way to a Sustainable Future: Priorities for a Global Responsible Banking Sector](#), as part of its initial or ongoing impact analysis.

Links & references

[Separate sustainability statement 2024 according to CSRD](#)

[IPCC's sixth assessment report](#)

[OECD environmental performance reviews: Hungary](#)

[European Green Deal Package](#), [Farm to Fork](#), [REPowerEU](#), [European Battery Alliance](#)

Progress on SDGs published by the [Hungarian Central Statistical Office](#), [Ministry of Foreign Affairs and Trade of Hungary](#) and the [European Environment Agency](#)

[National Clean Development Strategy 2020-2050](#)

[National Energy and Climate Plan](#)

[UNEP FI Nature Key Sectors \(November 2023\)](#)

[Kunming-Montreal Global Biodiversity Framework](#)

[EU Biodiversity Strategy for 2030](#)

[Hungarian National Biodiversity Strategy](#)

[A supervisory framework for assessing nature-related financial risks published by OECD](#)

[Guidelines on the management of environmental, social and governance \(ESG\) risks published by EBA](#)

Response

The Bank plans to transition its current membership status within the UN Principles for Responsible Banking (PRB) this year, aiming to establish a Group-level membership for the PRB, aiming to align with other mandatory reporting frameworks such as the CSRD. This Group-level membership will involve a comprehensive reassessment of the portfolio composition and the impact analysis. For the current reporting period, the analysis is based on the original portfolio scope; however, future reports will include an expanded scope.

SCOPE

In the impact analysis in 2023, we included our corporate banking portfolio, which is 74% of our total exposure in terms of balance sheet and 24,13% in terms of revenue.

The remainder of our portfolio (most notably the retail and investment banking portfolio) has not been assessed yet due to the lack of data for a thorough analysis. We aim to include the remaining part of our portfolio in the subsequent years in alignment with the progressive approach outlined by UNEP FI. The improvement of data collection coverage is a cornerstone of our ESG Strategy, and we have dedicated resources to its implementation accordingly.

PORTFOLIO COMPOSITION

We conducted the portfolio composition assessment based on the main activity of our clients as per the NACE classification.

Most of our corporate banking exposure is concentrated in 6 NACE Level 1 sections: Manufacturing (16%), Wholesale and retail trade (13%), Real estate activities (12%), Agriculture, forestry and fishing (10%), Financial and insurance activities (10%) and Construction (9%).

To conduct a detailed assessment, we analyzed the impacts of our exposure more granularly, ie. on NACE Level 2 and took NACE Level 4 into account as well.

On NACE Level 2, the share of our exposure in Real estate activities (12,2%), Crop and animal production (10%), Financial service activities (9,8%), Wholesale trade (8,9%), Construction of buildings (4,3%) and Electricity, gas, steam and air conditioning supply (4%) gives further indication of where the focus points of our exposure lie.

We consulted the UNEP FI Portfolio Impact Analysis Tool (January 2024) and relied on the pre-populated impact associations as an element guiding us on the decision on our most relevant impact areas.

CONTEXT

As a financial intermediary, our operations are shaped not only by the sectoral composition of our clients but also by the broader context in which both we and our clients operate. The regulatory framework, the challenges faced, and the priorities the country sets are all important determinants of which impact areas should be given more emphasis. The Context assessment is therefore a fundamental part of our Impact Analysis with great influence on the selection of the key impact areas.

As stated earlier, MBH Bank operates exclusively in Hungary, so we assessed the main challenges and priorities regarding sustainable development in Hungary using the latest version of the Context module of the UNEP FI Portfolio Impact Analysis Tool. To obtain an understanding of the social, environmental and economic priorities in the country from the Bank's perspective, in addition to the data provided by the Tool, we analyzed the following sources of statistical data, relevant policy documents, trends and scenarios:

- Analyses from international organizations to gain an understanding of how the global trends and developments translate to the Hungarian context – e.g. the regionally relevant findings of IPCC's Sixth assessment report on climate change, OECD Environmental Performance Reviews on Hungary,
- European Union level policies and frameworks to identify the main goals and priorities of the EU regarding sustainable development, which subsequently influences the national priorities. The focus of the analysis was the European Green Deal package, the core document of the EU's effort to transform the continent into a competitive economy where the growth is decoupled from the resource use and that reaches net zero GHG emissions by 2050. The framework covers a significant range of areas, such as agriculture (e.g. Farm to Fork), electricity generation (e.g. REPowerEU) or energy storage (e.g. European Battery Alliance), which are all main priorities in Hungary and are present in the Bank's portfolio as well. We aimed to uncover the interlinkages between the different focus points to be able to identify the areas with the biggest potential for synergies while creating an impact.
- Priorities of and progress on indicators of sustainable development, published by the Hungarian Central Statistical Office and the European Environment Agency. The latter references that Hungary highlights clean water and sanitation (SDG 6), combatting climate change (SDG 13), increasing biodiversity (SDG 15), protecting renewable natural resources, and ensuring the responsible management of non-renewable resources (SDGs 7, 12) as main SDGs.

- The EU Biodiversity Strategy for 2030, and the third Hungarian National Biodiversity Strategy. The latter, adopted in August 2023, is outlining comprehensive measures by 2030 to preserve the nation's rich natural heritage. Key priorities include expanding protected areas, combating invasive species, and promoting sustainable practices across agriculture, forestry, and fisheries. The strategy also emphasizes halting pollinator decline, enhancing ecosystem resilience to climate change, and reducing pollution threatening biodiversity.
- The supervisory framework developed by the European Commission's Directorate-General for Structural Reform Support (DG REFORM), the OECD and the MNB (Hungarian National Bank) aiming to evaluate the impact of biodiversity loss on the financial system and assessing related financial risks. Hungary's financial sector faces significant challenges related to biodiversity loss, which can manifest as both physical and transition risks. Physical risks include the degradation of natural habitats affecting sectors like agriculture and forestry, while transition risks arise from policy shifts towards environmental sustainability, impacting industries such as manufacturing and energy. As a financial institution, we acknowledge that our operations and investments are intertwined with the health of natural ecosystems. The MNB's efforts, including the creation of methodologies to measure biodiversity-related financial risks, underscore the importance of integrating environmental considerations into financial decision-making.
- The European Banking Authority (EBA) guidelines on the assessment of ESG risks focusing on nature-related risks, specifically addressing biodiversity and ecosystem protection.

IDENTIFIED IMPACT AREAS

As one of Hungary's most relevant credit institutions, we are aware of the scale of both negative and positive impacts of our financing activities. When selecting the areas of the most significant impact, we decided to apply a holistic approach. This means that we aimed to choose areas that are associated with wide-ranging ripple effects and synergies throughout different topics in terms of negative impact reduction and positive impact enablement.

Considering the results of the portfolio screening and context analysis, we selected **Climate stability** and **Biodiversity & healthy ecosystems** as our prioritized impact areas.

These areas are becoming increasingly important from societal, policy, and business perspectives, both in their own right and in their broader implications. The stability of the climate system and the natural world is the backbone of a functioning economy and vital to our societies to thrive.

In the target-setting stage, we aim to focus on addressing the underlying causes of the threats faced by these areas, as preventing further deterioration is closely linked to benefits in other key impact areas, such as Healthcare and Food. These areas are crucial not only for the Bank's portfolio and economic performance but also for the sustainable development of Hungary.

The relevance of Climate stability to our Bank is also supported by the fact that more than two-third (67%) of our corporate exposure (based on NACE classification) is financing sectors designated as high climate-impact sectors as per Regulation (EU) 2019/2088. Playing a key role in the low-carbon transition of these sectors is a primary area where our Bank can contribute to climate stability.

In relation to the Biodiversity and healthy ecosystems impact area, 60.4% of the Bank's exposure has been identified as belonging to Key Sectors, based on the UNEP FI Nature Key Sectors (November 2023) guidance. This classification highlights the significant role these sectors play in the Bank's overall ESG Strategy. By focusing on these sectors, the Bank aims to prioritize efforts in mitigating biodiversity loss and promoting ecosystem health, aligning with both environmental objectives and long-term business resilience. This approach ensures that the Bank's portfolio is not only aligned with global sustainability goals but also positioned to address the growing financial risks associated with biodiversity degradation.

The results of the assessment have been cross-validated and confirmed by the Identification module of the UNEP FI Portfolio Impact Analysis Tool.

PERFORMANCE MEASUREMENT

As the first step of the performance measurement stage, we provide an overview of the sectors financed by the Bank that are considered Key Sectors in UNEP terminology. Table 2 below shows all sectors financed by the Bank on NACE Level 2 that is identified as Key Sector in either or both prioritized Impact Areas (Climate stability, Biodiversity & healthy ecosystems). A NACE Level 2 sector is shown if the Bank has exposure in any of its NACE Level 4 classes, which is also identified as Key Sector in the Impact Areas. As a result, the aim of the illustration is not an exhaustive list, but rather

an informative heatmap constructed without risking comprehensibility by including too much granular information.

CLIMATE STABILITY

In recent years, we have made considerable advancements in quantifying our climate impact, particularly focusing on our Scope 3-15 financed emissions. These emissions represent our primary contribution to climate change and offer the greatest opportunity for us to create a positive impact. By addressing these indirect emissions, we aim to support the transition to a Net Zero economy.

We intend to reach Net Zero on our financed emissions as soon as possible. Accordingly, we selected the reduction of financed GHG emissions as the impact measurement indicator for this ambition.

In 2023, MBH Bank undertook its first assessment of financed emissions for the year 2022, among the first of the Hungarian banking sector. We have since conducted a subsequent calculation at the group level for the year 2024, in strict accordance with the methodological guidelines set forth by the PCAF (Partnership for Carbon Accounting Financials) global standard for greenhouse gas accounting and reporting. For our assessment of financed emissions, we reviewed our portfolio based on the seven asset classes defined in the most recent version of the standard at the time of calculation.

Due to the unavailability of necessary factual data in many cases, the data was generated using average values and proxies. This inevitably introduced a significant degree of uncertainty. To ensure appropriate transparency regarding this uncertainty, PCAF has established a five-point data quality scale to indicate the accuracy of the calculations. According to this scale, a score of 1 signifies the highest quality (e.g., published, third-party verified greenhouse gas inventory), while a score of 5 indicates the lowest quality (e.g., emissions calculated from carbon intensity based on industry-specific revenue). The MBH Bank has made every effort to achieve the highest possible data quality in its calculations and is committed to improving its PCAF data quality score in the future.

While our calculations generally met at least the lowest (5) data quality standard defined by the PCAF methodology, certain exceptions occurred. Approximately 6,3% of the total exposure did not meet PCAF requirements. This primarily affected corporate loans, unlisted equities, commercial real estate, and mortgage loans, where data limitations required the use of portfolio-wide averages or extrapolated emission intensities. These deviations were due to missing sector classifications for some corporate clients and the lack of direct data on financed properties in certain real estate exposures.

In calculating financed emissions, we applied several further assumptions to address data gaps and ensure accurate estimations. These included using sectoral averages for missing financial data and adjusting erroneous data points where clear inconsistencies were identified. Additionally, for specific asset classes, we employed reasonable estimates for unknown values, such as estimated asset values or average attribution factors. Importantly, these assumptions were permissible simplifications under the PCAF methodology and did not compromise compliance with its requirements.

Building on the results of the assessment, we conducted a thorough analysis of the asset classes included in the Standard. We are currently developing the next steps in our portfolio decarbonization (e.g. identifying and addressing data gaps and methodological challenges) Consequently, we will set exact Net Zero targets for each NZBA high emitting sector based on the SBTi. This serves as input for the extension of our ESG Strategy with Net Zero elements, which also lays down the main directions of monitoring business opportunities and financial product development regarding our Net Zero ambitions.

To fulfill our regulatory obligations, we prepared a report to disclose our Green Asset Ratio (GAR) as per regulations (EU) 2020/852 (EU Taxonomy). The yearly data will be available in our sustainability report, prepared in accordance with the CSRD and ESRS. The assets are qualified as green if they fulfill the criteria in the delegated acts (EU) 2021/2139 and 2021/2178.

Out of the nine high-impact sectors identified in the NZBA Guidelines for Climate Target Setting for Banks (Version 2) against which climate targets should be set, coal does not apply to the Bank, as it does not have any financed emissions associated with this sector (we have no clients, nor any investments in companies within this sector).

Our work on decarbonization is ongoing, as we strive to convert the challenges of the transition into opportunities. We will report on our progress, including our goals, in future disclosures.

BIODIVERSITY AND HEALTHY ECOSYSTEMS

The results of the portfolio composition and context analysis both underlined the importance of biodiversity as an Impact Area for the Bank. It is also clear that biodiversity is a key area in many economic sectors, as shown in Table 2 below.

The threat posed by biodiversity decline has garnered increasing attention in recent years, driven by growing recognition of its far-reaching consequences. Key milestones, such as the Kunming-Montreal Global Biodiversity Framework, the EU Biodiversity Strategy for 2030, and the Hungarian National Biodiversity Strategy, have played a pivotal role in raising awareness and shaping global and regional efforts to halt biodiversity loss. These frameworks have become essential reference points in our own initiatives to assess and measure our impact on biodiversity. We firmly believe that the development of universal and consolidated frameworks, particularly in areas such as impact monitoring and target setting, is critical for guiding financial institutions like ours. These frameworks will not only ensure consistency and accountability but also provide clear guidelines for banks to align their strategies with global and regional biodiversity goals, fostering a more sustainable future for both the financial sector and the environment.

Although our nature journey is in its early stages, we have already implemented initiatives aimed at biodiversity protection that enhance awareness both within the organization and externally. A key component of our 'Bank for a Sustainable Future' program is the promotion of biodiversity conservation, which includes the MBH Forest initiative and collaborations with Hungarian National Parks. These efforts encompass multiple tree planting initiatives, conservation projects focused on restoring damaged forest ecosystems, and financial support for national parks, alongside maintenance activities. All these initiatives actively involve our employees, fostering team building and raising awareness.

We answered the challenge of navigating through the complexity of biodiversity by applying a phased approach in defining indicators of performance measurement. As a first step, we used the Nature Key Sectors (November 2023) guidance by UNEP FI to screen the biodiversity impacts of our corporate exposure in connection to the different ecosystems. We opted for a materiality-based approach to assess the biodiversity-related risks of the main sectors in our portfolio. The effort culminated in the identification of four main sectors, where the share of our exposure and the biodiversity impacts of the respective sectors were perceived as high: **Agriculture, Manufacturing, Construction and Accommodation and food service activities**. We created a long list of impacts and KPIs, utilizing the Sector Screening and Actions worksheet in the guidance. With the future portfolio reassessment linked to our Group level membership transition, we expect Real Estate activities becoming another key sector of focus based on our Group-level financed emissions calculations. The Commercial and Residential Real Estate sectors account for 60% of outstanding amount among NZBA high emitting sectors and 17% of financed emissions as detailed in the Climate Stability section below.

In addition to this initial step, we conducted a review of international and national frameworks, identified and prioritized relevant global and regional biodiversity targets and benchmarked relevant practice indicators employed by European financial institutions. These efforts combined have guided us in identifying key practice commitments for our biodiversity target-setting journey.

The designated actions aim to further understand our context, analyze our performance and integrate Nature within the Bank's operations. They focus on the areas of 1. Governance, 2. Materiality and impact assessment, 3. Strategy and sectoral policy implementation and 4. Client engagement.

The following actions have been selected for implementation in the mid-term:

1. We will integrate biodiversity in our Governance, by raising awareness within the organization about biodiversity issues at both leadership and employee levels.
2. We will continue our work on identifying impact indicators. We will proceed with the high-impact sector analysis and further work towards setting targets. A potential initiative is to analyze in the mid-term the drivers of impact (for instance measuring water pollution or land use) of our portfolio on biodiversity. For this purpose, we are considering the application of the TNFD LEAP approach and the PBAF tool. This step will later on help us identify the key ecosystems, which may represent sources of financial risks arising from the impacts and dependencies.
3. We will include nature and biodiversity related considerations into our ESG Strategy and work on sector-specific programs.
4. We will formulate in the mid-term comprehensive action plan to engage clients in strategic discussions on biodiversity and nature.

Key Sectors of the prioritized Impact Areas present in the Bank's portfolio

	Climate stability	Biodiversity & healthy ecosystems
A - Agriculture, forestry and fishing		
01 Crop and animal production, hunting and related service activities	X	X
02 Forestry and logging	X	X

03 Fishing and aquaculture		X
B - Mining and quarrying		
07 Mining of metal ores	X	X
08 Other mining and quarrying	X	X
09 Mining support service activities	X	X
C - Manufacturing		
10 Manufacture of food products		X
11 Manufacture of beverages		X
13 Manufacture of textiles	X	X
14 Manufacture of wearing apparel		X
15 Manufacture of leather and related products		X
16 Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials		X
17 Manufacture of paper and paper products		X
19 Manufacture of coke and refined petroleum products	X	X
20 Manufacture of chemicals and chemical products	X	X
21 Manufacture of basic pharmaceutical products and pharmaceutical preparations		X
22 Manufacture of rubber and plastic products		X
23 Manufacture of other non-metallic mineral products	X	X
24 Manufacture of basic metals	X	X
25 Manufacture of fabricated metal products, except machinery and equipment		X
26 Manufacture of computer, electronic and optical products		X
28 Manufacture of machinery and equipment n.e.c.		X
29 Manufacture of motor vehicles, trailers and semi-trailers	X	X
32 Other manufacturing		X
D - Electricity, gas, steam and air conditioning supply		
35 Electricity, gas, steam and air conditioning supply	X	X
E - Water supply; sewerage; waste management and remediation activities		
36 Water collection, treatment and supply	X	
37 Sewerage		X
38 Waste collection, treatment and disposal activities; materials recovery		X
39 Remediation activities and other waste management services		X
F - Construction		
41 Construction of buildings	X	X
42 Civil engineering	X	X
43 Specialised construction activities	X	X
G - Wholesale and retail trade; repair of motor vehicles and motorcycles		
46 Wholesale trade, except of motor vehicles and motorcycles		X
H - Transporting and storage		
49 Land transport and transport via pipelines	X	X
50 Water transport	X	X
51 Air transport	X	X
52 Warehousing and support activities for transportation		X
I - Accommodation and food service activities		
55 Accommodation		X

J - Information and communication		
61 Telecommunications		X
63 Information service activities		X
L - Real estate activities		
68 Real estate activities	X	X
M - Professional, scientific and technical activities		
71 Architectural and engineering activities; technical testing and analysis		X
72 Scientific research and development	X	X
N - Administrative and support service activities		
77 Rental and leasing activities		X
79 Travel agency, tour operator and other reservation service and related activities		X

Table 2: Key Sectors of the prioritized Impact Areas present in the Bank's portfolio

Targets, Target Implementation, and Action Plans/Transition plans

Show that your bank has set and published a minimum of two SMART targets which address at least two different areas of most significant impact that your bank identified in its impact analysis. Once targets are set, explain the actions taken and progress made. Include details regarding: Alignment, Baselines, Targets, Target Implementation & Monitoring (and KPIs), Action Plans/ Transition plans and Milestones.

Banks are encouraged to disclose information regarding actions they are taking in four priorities laid out in [Leading the Way to a Sustainable Future: Priorities for a Global Responsible Banking Sector \(2024\)](#).

Links & references

[Separate sustainability statement according to CSRD 2024](#)

[Net Zero Banking Alliance \(NZBA\)](#)

[Science Based Targets initiative \(SBTi\)](#)

[Kunming-Montreal Global Biodiversity Framework](#)

[Hungarian National Biodiversity Strategy](#)

[Taskforce on Nature-related Financial Disclosures \(TNFD\)](#)

CLIMATE STABILITY

To set its targets and to establish annual progress metrics, the MBH Bank intends to align with the Science Based Targets initiative (SBTi), which aims to ensure that corporate decarbonization targets are underpinned by scientific rigor. It will underscore the Bank's commitment to significantly reducing its financed emissions, thereby contributing to the global effort against climate change. In setting our greenhouse gas (GHG) emission reduction targets, we are building upon climate change scenarios to ensure that these targets are scientifically grounded and aligned with the goal of limiting global warming to 1.5 °C.

The Bank is currently focused on identifying data requirements and developing a data collection plan to ensure successful preparation for membership in these initiatives.

The baseline for target setting was calculated for FY2024 according to the PCAF (Partnership for Carbon Accounting Financials) global GHG accounting and disclosure standard. The financed emissions calculation's scope is the MBH Group, according to the requirements of the ESRS (E1, AR4: 1. Financially consolidated entities; 2. Entities under operational control; 3. Other entities in which the company has equity share and that are within its value chain). The harmonized CO2 accounting approach provided us with the starting point necessary to set science-based targets and align our portfolio with the Paris Agreement.

Below, we present the results of our financed emissions estimations in Million HUF and Million EUR, according to the disclosure requirements of PCAF.

PCAF Aset Class	Coverage (M HUF)	Financed Scope 1+2 Emissions (tCO2e)	Financed Scope 3 Emissions (tCO2e)	Total Financed Emissions (tCO2e)	Emission Intensity (tCO2e / M HUF)	PCAF wighted average data quality
Listed equity and corporate bonds	316 451	111 336	935 662	1 046 997	3,31	3,19
Business loans and unlisted equity	1 750 834	591 728	415 852	1 007 581	0,58	4,16
Project finance	267 406	262 799	43 417	306 216	1,15	4,00
Commercial real estate	576 570	464 292	-	464 292	0,81	4,21
Mortgages	1 327 342	150 444	-	150 444	0,11	3,76
Motor vehicle loans	563 899	192 451	-	192 451	0,34	3,48
Sovereign debt	3 099 921	1 323 371	384 829	1 708 200	0,55	1,00
Total	7 902 423	3 096 420	1 779 760	4 876 181	0,62	2,76

Table 3: Financed emissions in Million HUF by PCAF asset classes

PCAF Aset Class	Coverage (M EUR)	Financed Scope 1+2 Emissions (tCO2e)	Financed Scope 3 Emissions (tCO2e)	Total Financed Emissions (tCO2e)	Emission Intensity (tCO2e / M HUF)	PCAF wighted average data quality
Listed equity and corporate bonds	772	111 336	935 662	1 046 997	1 356,81	3,19
Business loans and unlisted equity	4 269	591 728	415 852	1 007 581	236,00	4,16
Project finance	652	262 799	43 417	306 216	469,61	4,00
Commercial real estate	1 406	464 292	-	464 292	330,23	4,21
Mortgages	3 237	150 444	-	150 444	46,48	3,76
Motor vehicle loans	1 375	192 451	-	192 451	139,96	3,48
Sovereign debt	7 559	1 323 371	384 829	1 708 200	225,98	1,00
Total	19 270	3 096 420	1 779 760	4 876 180	253,05	2,76

Table 4: Financed emissions in Million EUR by PCAF asset classes

We have also calculated our financed emissions based on NACE 2-digit sector classifications. To support our planned commitment to transition planning under the joint PRB/NZBA framework, we present MBH Group's financed emissions aligned with NZBA-defined high-emitting sectors. This data will serve as the baseline for our commitments. For full transparency, we have outlined our methodology for mapping NACE 2-digit sectors to NZBA high-emitting sectors below. For the sectoral mapping we used all PCAF asset classes apart from Sovereign Debt, which is considered irrelevant for the sectoral classification of our assets.

NZBA high emitting Sector	NACE-2; PCAF Asset class; other	NACE Sector / PCAF Asset class name
Agriculture	01	Crop and animal production, hunting and related service activities
	02	Forestry and logging

	03	Fishing and aquaculture
Aluminium	0729	Mining of other non-ferrous metal ores (e.g., bauxite mining)
	2442	Aluminium production
	2453	Treatment and coating of metals (e.g., anodizing)
	2550	Forging, pressing, stamping and roll-forming of metal; powder metallurgy
	2561	Manufacture of metal structures and parts of structures
Cement	0811	Manufacture of other non-metallic mineral products
	2351	Manufacture of cement
	2352	Manufacture of lime and plaster
	2361	Manufacture of concrete products for construction purposes
	2362	Manufacture of plaster products for construction purposes
	2363	Manufacture of ready-mixed concrete
	2364	Manufacture of mortars
	2365	Manufacture of fibre cement
Coal	2369	Manufacture of other articles of concrete, plaster and cement
	05	Mining of coal and lignite
	1910	Manufacture of coke oven products
Commercial and residential real estate	PCAF 5	Mortgages
	41	Construction of buildings
	68	Real estate activities
Iron and steel	0710	Mining of iron ores
	2410	Manufacture of basic iron and steel and of ferro-alloys
	2420	Manufacture of tubes, pipes, hollow profiles and related fittings, of steel
	2431	Cold drawing of bars
	2432	Cold rolling of narrow strip
	2433	Cold forming or folding
	2511	Manufacture of metal structures and parts of structures
	2512	Manufacture of doors and windows of metal
Oil and gas	06	Extraction of crude petroleum and natural gas
	1920	Manufacture of refined petroleum products
Power generation	35	Electricity, gas, steam and air conditioning supply
Transport	PCAF 6	Motor vehicle loans
	49	Land transport and transport via pipelines
	50	Water transport
	51	Air transport
	52	Warehousing and support activities for transportation

[Table 5: Mapping of NACE 2-digit sectors to NZBA high-emitting sectors](#)

NZBA high emitting Sector	Coverage (M HUF)	Financed Scope 1+2 Emissions (tCO ₂ e)	Financed Scope 3 Emissions (tCO ₂ e)	Total Financed Emissions (tCO ₂ e)	Emission Intensity (tCO ₂ e / M HUF)
Agriculture	239 732	322 783	142 653	465 435	1,94
Aluminium	4 953	19 701	8 587	28 288	5,71
Cement	9 303	11 325	2 973	14 297	1,54
Coal	0				
Commercial and residential real estate*	1 698 855	343 470	8 153	351 623	0,21
Iron and steel	19 496	3 665	640	4 306	0,22
Oil and gas	33 802	69 872	537 773	607 646	17,98
Power generation	190 000	302 658	36 727	339 385	1,79
Transport	653 926	239 012	56 412	295 425	0,45
Total	2 850 066	1 312 486	793 919	2 106 405	0,74

Table 6: Financed emissions aligned with NZBA-defined high-emitting sectors in Million HUF

NZBA high emitting Sector	Coverage (M EUR)	Financed Scope 1+2 Emissions (tCO ₂ e)	Financed Scope 3 Emissions (tCO ₂ e)	Total Financed Emissions (tCO ₂ e)	Emission Intensity (tCO ₂ e / M EUR)
Agriculture	585	322 783	142 653	465 435	796,2
Aluminium	12	19 701	8 587	28 288	2342,3
Cement	23	11 325	2 973	14 297	630,2
Coal	0				
Commercial and residential real estate*	4143	343 470	8 153	351 623	84,9
Iron and steel	48	3 665	640	4 306	90,6
Oil and gas	82	69 872	537 773	607 646	7372,0
Power generation	463	302 658	36 727	339 385	732,5
Transport	1595	239 012	56 412	295 425	185,3
Total	6 950	1 312 486	793 919	2 106 405	303,1

Table 7: Financed emissions aligned with NZBA-defined high-emitting sectors in Million EUR

*We are likely to adopt a differentiated approach by addressing Commercial Real Estate (CRE) and mortgages separately, establishing distinct targets for each.

Sectors such as Commercial Real Estate, Agriculture, and Transport are expected to play a significant role in our decarbonization efforts due to the level of our financed emissions in these areas. We will complement NZBA's sectoral focus by incorporating SBTi's asset-type approach, ensuring a comprehensive strategy for our decarbonization and transition planning efforts. For the calculation of our targets we will apply SBTi's sectoral methodologies and tools.

We believe this calculation provides a reliable foundation for our decarbonization and transition planning commitments, particularly in NZBA-identified high-emitting sectors. We are committed to improving data quality to achieve higher PCAF data quality scores, especially in sectors such as Commercial Real Estate and Business Loans. Moving forward, we plan to establish sector- and asset class-level climate targets and develop a comprehensive transition plan for our financed portfolio, to be finalized by 2027.

BIODIVERSITY AND HEALTHY ECOSYSTEMS

The Bank plans to align its ESG Strategy with the targets laid down in the Kunming-Montreal Global Biodiversity Framework to take meaningful action to halt and reverse biodiversity loss by 2030, foster a sustainable and equitable use of nature, and achieve a vision of living in harmony with nature by 2050.

The Bank moreover identified the main objectives in the Hungarian National Biodiversity Strategy for 2030, reflecting on the EU commitments, which are linked to the main sector specific biodiversity impacts exposure of its portfolio. These are among others:

- Objective **10** “Promoting sustainable and mosaic farming, taking into account biodiversity conservation and the aspects of environmental and landscape protection, and mainstreaming biodiversity conservation in the Common Agricultural Policy”
- Objective **14** “Promoting sustainable water management, water retention, and the reasonable and economical use of water to conserve biodiversity and to sustain ecosystem services”,
- Objective **16** “Evaluating ecosystem services and integrating conservation and restoration considerations into relevant sectoral policy decision-making processes to better conserve and restore their service-providing capacity”
- Objective **18** “Shaping attitudes, creating and disseminating awareness of the importance of biodiversity and the conservation of Hungary’s natural resources”.

The Bank plans to align with the approach of the Taskforce on Nature-related Financial Disclosures (TNFD), an international initiative established to create a framework for managing and reporting nature-related risks. This framework aims to enable organizations, including financial institutions, to better understand, measure, and integrate nature-related risks into their overall strategy. As part of its ongoing efforts, the Bank considers adopting the TNFD’s LEAP approach and utilize the PBAF (Partnership for Biodiversity Accounting Financials) tool to conduct a more comprehensive analysis of the biodiversity impacts within its portfolio. These next steps will further enhance the Bank’s ability to assess and address nature-related risks effectively.

The Bank plans to start these above-mentioned efforts with the baseline year of 2025, resulting in integrating biodiversity in its ESG Strategy and governance.

Principle 3: Clients & Customers

We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.

Client and Customer engagement

Describe how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities. It should include information on the client engagement strategy including but not limited to the impact areas identified/ targets set, awareness raising activities with clients and customers, relevant policies and processes, actions planned/implemented to support clients' transition, selected indicators on client engagement and, where possible, the impacts achieved.

Links & references

[Separate sustainability statement according to CSRD 2024](#)

[Consumer policy](#)

[Code of conduct](#)

[General Privacy Notice](#)

Response

The Bank serves millions of customers daily, with a focus on delivering high-quality, experience-driven services to enhance customer satisfaction. We prioritize transparent, responsible communication to meet client expectations and provide an exceptional experience. Transparency is central to our operations, particularly in information, marketing, and sales. Our client engagement is guided by our marketing strategy and consumer policy. Additionally, we foster responsible client relationships through our code of ethics, ESG Strategy, conflict of interest policy, and data protection measures. Committed to continuous improvement, the Bank strives to increase customer satisfaction, create value, and promote social inclusion.

To encourage our customers to adopt sustainable practices, we perform awareness raising activities through different channels. Such services include:

- Modern, energy-efficient housing credit schemes for residential customers (e.g. solar panels, heating retrofit subsidies).
- Operating MFB Point Plus bank branches to increase access to sustainability-related thematic loans (energy efficiency, business development, digital infrastructure development).
- On behalf of our corporate clients using the Green Monthly Flat Fee package, we are installing kestrel nesting place for every green flat-rate package sold, in cooperation with the Hungarian Ornithological and Nature Conservation Association.
- The MBH Regular Savings Scheme promotes financial awareness, and the MBH ESG Investment Funds (e.g. Greening Corporates, New Energy, Global Equity Fund) offer sustainable investment opportunities for environmentally conscious clients.

To further support the transition of our clients, we have a wide range of green product offerings. These include an established green lending framework and the creation of investment funds that promote environmental factors. To fully implement our ESG Strategy, our goal is to continue expanding our product range towards sustainability.

We have several indicators related to client engagement, mostly related to customer satisfaction, such as NPS (Net Promoter Score). The Bank plans to further develop its client engagement strategy in key impact areas, including the creation of an action plan to engage clients in biodiversity considerations. Subsequent steps will involve designing and implementing specific indicators and measures to assess client engagement and its impacts.

Business opportunities

Describe what strategic business opportunities in relation to the increase of positive and the reduction of negative impacts your bank has identified and/or how your bank has developed these in the reporting period. Provide information on sustainability-related products and services and frameworks in place that support the transition needs of clients, size of the sustainable finance portfolio in USD or local currency and/or as a % of your bank's portfolio,* and which SDGs or impact areas you bank is striving to make a positive impact on (e.g. green mortgages—climate, social, sustainability bonds—financial inclusion, etc.).

* Provide information on the sustainable finance frameworks/standards/taxonomies used to label sustainable finance volumes

Links & references

[Separate sustainability statement according to CSRD 2024](#)

Response

The identified business opportunities enable the Bank to reassess its business model and decision-making processes in alignment with ESG considerations. Key opportunities recognized in 2024 include the implementation of financial strategies that support climate change adaptation, which can open new markets and enhance the resilience of the asset portfolio. By developing a sustainable portfolio, the Bank can diversify its offerings and attract clients seeking responsible financial services. Furthermore, the integration of ESG considerations into the business strategy enhances investor confidence and mitigates long-term operational risks, ultimately strengthening the Bank's competitiveness.

The activities of the MBH Bank are governed by both European Union level and national law, leading to a strong emphasis on the application of the EU Taxonomy in the development of its ESG Strategy. Concurrently, the Bank has considered the Green Recommendation from the Hungarian National Bank, which provides guidance for sustainable banking practices and reporting. Accordingly, in establishing its Green Lending and Bond Framework, the Bank has adhered to international standards, aligning with market expectations and regulations that govern project selection and evaluation, resource management, and reporting.

Our Bank has developed green loan products and online lending solutions that align with the sustainability goals of both retail and corporate clients, contributing to reducing the environmental footprint. The introduction of the Green Bond Framework has been pivotal in aligning MBH Bank's financing strategy with its sustainability commitments, enhancing communication with investors, and diversifying green financing instruments. It is currently under review as we are actively engaged in the ongoing process of updating it to ensure alignment with evolving market demands.

MBH Bank aims to lead in corporate green lending, particularly in renewable energy production and green bond purchase, with its green bond portfolio projected to exceed 101.2 billion HUF by the end of 2024. The Bank also seeks to increase the share of green loans, recognizing that clients who prioritize ESG factors typically exhibit lower credit risk. Key corporate lending products include financing for renewable energy projects, support for green real estate development, and paperless account management.

For retail clients, the Bank offers a variety of sustainability-promoting products and initiatives, such as the Green Home Program, and ECO preferential mortgage loans. The Bank aims to familiarize retail customers with green products and provide support for sustainable home creation. The BUPA digital financial assistant and online invoicing, along with paperless account management packages, contribute to achieving sustainability objectives for SMEs. Future goals for the Bank include further developing digital services and expanding the reach of green products.

The MBH Bank's sustainability efforts and the maintenance of business stability are key factors for the company's future success. By developing a sustainable portfolio and fundraising strategies, the Bank supports international and European sustainability initiatives, such as the UN SDGs (SDG 7 – Affordable and Clean Energy, SDG 9 – Industry, Innovation, and Infrastructure, SDG 13 – Climate Action), while creating business opportunities to meet the growing market demand for sustainable products.

Business opportunities related to the impact area of biodiversity will be further identified and analysed as part of the steps identified for our target setting journey.

Principle 4: Stakeholders

We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.

Stakeholder identification and consultation

Describe which stakeholders (or groups/types of stakeholders) your bank has identified, consulted, engaged, collaborated or partnered with for the purpose of implementing the Principles and improving your bank's impacts. This should include a high-level overview of the bank's engagement strategy following criteria for effective engagement and advocacy, how your bank has identified relevant stakeholders, what issues were addressed/results achieved and how they fed into the action planning process.

Links & references

[Separate sustainability statement according to CSRD 2024](#)

Response

We have maintained a continuous, structured, and two-way relationship with our stakeholders, actively reflecting on their feedback, with the aim of understanding their perspectives on sustainability issues. While stakeholder opinions indirectly influence the ongoing development of our strategy and business model, the Bank does not document specific changes or planned actions made in consideration of stakeholder groups and their viewpoints.

The Bank's internal stakeholder groups include owners, management, and employees, while key external stakeholders consist of clients (retail and corporate) suppliers, competitors, professional organizations, regulatory authorities, government agencies, civil society organizations, local communities, and the media. Communication with stakeholder groups is maintained through various channels tailored to each specific group.

In 2024, the MBH Bank conducted its inaugural group-level double materiality assessment within its sustainability reporting under the CSRD to identify significant impacts, risks, and opportunities related to ESG. This assessment involved identifying stakeholders—both internal and external—who are affected or may be affected by the Bank's operations or value chain. The detailed descriptions of these impacts were communicated to the assessors through an online questionnaire and reinforced verbally during a supporting workshop. The stakeholders helped to assess the material topics to the Bank. While climate stability was identified as a material topic in the assessment, the impact of biodiversity has not yet been assessed at the Group level and is an upcoming step that the Bank aims to undertake. We are currently treating the group-level double materiality assessment and the impact analysis of the UN PRB applicable to MBH Bank separately. However, in the future, we aim to align the two processes, which will include a reassessment of the materiality of biodiversity topics during the next double materiality assessment.

Furthermore, in relation to the impact area of biodiversity and healthy ecosystems, the Bank intends to further refine its stakeholder identification process and engage with pertinent groups. This may include clients operating in high-impact sectors related to biodiversity, as identified during the Nature Key Sectors screening phase. The Hungarian National Bank is a notable stakeholder in this context, given its ongoing involvement in nature-related guidelines, risk assessment methodologies, and workshops.

Principle 5: Governance & Culture

We will implement our commitment to these Principles through effective governance and a culture of responsible banking.

Governance Structure for Implementation of the Principles

Describe the relevant governance structures, policies and procedures your bank has in place/is planning to put in place to manage significant positive and negative (potential) impacts (including accountability at the executive leadership level, clearly defined roles and responsibilities for sustainability matters in internal processes, etc.) and support the effective implementation of the Principles.

Links & references

[Separate sustainability statement according to CSRD 2024](#)

Response

The Bank implements a comprehensive, multi-tiered corporate governance framework in which the activities of its management bodies are guided by established work plans. These work plans outline the frequency and subjects of meetings, ensuring that sustainability issues are explicitly included as a designated agenda item for discussion.

Within the MBH Bank's corporate governance system, ESG governance is of paramount importance, leading the Bank to implement internal control procedures for the sustainability reporting process with diligence. The ESG Strategy, which outlines the primary avenues for advancement, is established by the Bank's highest governing authority, the Board of Directors. The diverse legal, economic, business, and digital expertise of the Board members enables the Bank to consider ESG strategic issues from various perspectives, taking into account the impacts, risks, and opportunities associated with sustainability. This reflection is further supported by preparatory materials and documentation provided by the Bank's ESG department. The specific tasks related to the strategy are formulated by the dedicated ESG department, while its execution is coordinated by the same department in collaboration with the relevant specialized areas. The Deputy CEO of MBH Bank, who is an appointed executive officer on the Management Committee, is responsible for sustainability consideration.

The effectiveness of the area is reported annually to the Management Committee, the operational decision-making body overseeing MBH Bank's operations. Starting in 2025, this reporting will occur biannually. The Management Committee utilizes these reports to oversee and assess the management of significant sustainability-related impacts, risks, and opportunities, tracking progress toward sustainability objectives through a defined set of indicators. It may also initiate changes to sustainability policies and measures as needed. In collaboration with the ESG department, the Committee may engage other internal functions on specific topics and tasks. The Management Committee oversees the overall implementation of the PRB Principles, with the CEO as a member.

To enhance its commitment to sustainability, the Bank is integrating ESG specialists from various departments. This initiative aims to ensure effective management of sustainability aspects across all areas of the Bank. By incorporating ESG-related tasks into the Organizational and Operational Regulations, these responsibilities will become part of existing job roles, thereby enhancing the ESG expertise of current employees. The central ESG competence center will continue to play a crucial role in coordinating the ESG Strategy and supporting the specialists.

Promoting a culture of responsible banking:

Describe the initiatives and measures of your bank to foster a culture of responsible banking among its employees (e.g., capacity building, learning & development, sustainability training for relevant teams, inclusion in remuneration structures and performance management and leadership communication, amongst others).

Links & references

[Separate sustainability statement according to CSRD 2024](#)

Response:

To ensure effective ESG governance, the Bank puts an emphasis on sustainability training for the Board of Directors and senior management. The objective of the training is to deepen participants' understanding of current environmental, social, and governance trends, enabling them to incorporate these elements into the Bank's long-term strategy and daily operations. The first phase of the training series was conducted in the fall of 2023, during which 107 participants acquired up-to-date knowledge on various topics, including ESG fundamentals, regulatory obligations and recommendations, ESG reporting and ratings, and green financing.

To further promote responsible banking, in October 2024, the ESG Academy was launched, led and coordinated by the ESG department. This program features seven modules designed to equip employees with essential and comprehensive ESG knowledge. The ESG Academy is accessible to all employees.

In addition, in 2024, the Bank organized over 370,000 hours of internal training. Alongside mandatory programs, we prioritized diverse professional development by inviting external experts as speakers. The MBH Academy was the cornerstone of our development system, ensuring that all employees received essential mandatory training relevant to their roles, as well as company-wide compliance training and programs aimed at enhancing soft skills and leadership development to facilitate intentional career growth.

Another important tool for the effective implementation of the ESG Strategy is the integration of sustainability elements into the compensation system. The Supervisory Board approves the principles and reviews the compensation policy, while the Board of Directors is responsible for its execution, which is audited internally by MBH Bank at least annually.

The structure of the Board of Directors and the Supervisory Board includes a majority of independent non-employee members, ensuring impartial decision-making and prioritization of the company's interests. These members receive fixed compensation without performance-related incentives, meaning their pay does not directly influence corporate performance. In contrast, the management team's motivation system is linked to overall strategic goals, which might include ESG-related objectives. Currently, one member of senior management has such KPIs. These objectives ensure that all leaders contribute to the company's long-term success and are incentivized through variable compensation based on annual performance evaluations. While these goals are not publicly disclosed, there are plans to further integrate climate-related and ESG performance into the compensation structure by 2025, promoting sustainable and ethical business practices.

In relation to biodiversity, the Bank has several attitude shaping initiatives. Within the framework of the 'Bank for a Sustainable Future' program MBH Bank is committed to advancing biodiversity conservation, which encompasses the MBH Forest initiative and partnerships with National Parks. In 2023, the Bank initiated its tree planting campaigns, successfully planting 23 000 native saplings. Of these, 10 000 were planted with the voluntary involvement of the Bank's employees and 13 000 by the Gyulaj Forestry. In 2024, an additional 14,000 saplings were planted, comprising 10 000 with the involvement of the Bank's employees and 4000 during the completion of the "Customer Experience" Open University program. (During the training program, employees could collect "virtual trees," that were subsequently planted in a real forest.) All these efforts are projected to sequester approximately 220 tons of carbon dioxide annually, a figure applicable to fully mature trees. In both 2023 and 2024, a total of 140 employees participated in tree planting volunteer events each year. More recently, a third tree planting event by the Bank, focused on team building and raising environmental awareness, took place in March 2025, where 10 000 trees were planted, with 100 employees taking part in the initiative. Moreover, in collaboration with the Ministry of Agriculture, the Bank has allocated 30 million HUF in 2024 to support Hungary's national parks in the development of comprehensive biodiversity preservation programs. Beyond financial contributions, a critical component of this partnership is the engagement and education of employees. Consequently, the Bank and the staff of Bükk National Park collaborate on essential conservation tasks related to the maintenance and enhancement of educational trails.

Risk and due diligence processes and policies

Describe what processes your bank has installed to identify and manage environmental and social risks associated with your bank's portfolio. This can include aspects such as identification of significant/salient risks, due diligence processes, environmental and social risks mitigation and definition of action plans, monitoring and reporting on risks and any existing grievance mechanism, as well as the governance structures your bank has in place to oversee these risks.

Links & references

[Separate sustainability statement according to CSRD 2024](#)

Response

In 2024 the Bank, set the methodological foundation for measuring and managing ESG risks, along with the improvement of the quality of related prudential disclosures. It is moreover our highlighted strategic target to continue to develop the risk policy according to ESG criteria, along with setting risk appetite and limits. We persistently aim to improve our data warehouse and risk data marketplace according to ESG considerations.

The Bank's double materiality assessment within its sustainability reporting under the CSRD identified the main risks related to its material topics along the domains of ESG.

These identified risks provide us with the opportunity to review the Bank's business model and ESG strategies, and decision-making processes. The necessity for this review is determined by the Board of Directors, the final approver of the double materiality assessment, which can define responses aimed at managing impacts or risks and leveraging opportunities, such as investment and divestment plans (e.g., capital expenditures, significant acquisitions, capital withdrawals, joint ventures, business transformations, innovation, and the divestment of new business areas and assets) or the allocation of funding sources for strategy implementation.

However, the actual (quantitative) financial implications of these potential measures concerning current and future impacts, risks, and opportunities have not yet been established. Additionally, a resilience analysis for measuring material impacts and risks was not conducted by the Bank in 2024, with plans to implement it no earlier than 2025. The MBH Bank aims to integrate the findings from risk assessments and internal controls into the appropriate internal functions and procedures; however, this process has not yet been realized.

Principle 6:
Transparency & Accountability

We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.

The information provided in the Responsible Banking Progress Statement is sufficient. If third-party assurance has been undertaken, provide details on the scope of assurance and the reference/link to the Independent (Limited) Assurance Report