



UNICREDIT JELZÁLOGBANK ZRT.

ANNUAL REPORT

2024

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1. Introduction

The present Annual Report of UniCredit Jelzálogbank Zrt. (hereinafter referred to as the “Mortgage Bank”) has been prepared for the purpose of regular reporting as defined by Act CXX of 2001 on the Capital Market, and in accordance with the provisions of Act XXX of 1997 on Mortgage Loan Companies and on Mortgage Bonds (Mortgage Loans Act), Decree No. 24/2008 (VIII.15.) of the Finance Minister and the Accounting Act of 2000. With this management report, the Mortgage Bank also fulfils its obligation to publish the business report required under the Accounting Act for issuers of transferable securities admitted to trading on a regulated market in the European Economic Area.

2. Independent Auditor’s report

The independent auditor’s report is attached as one of the annexes.

3. Annual report

UniCredit Jelzálogbank Zrt.

**Separate Financial Statements and
Independent Auditor's report
31 December 2024**

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UNICREDIT JELZÁLOGBANK ZRT.
Statement of financial position (balance sheet)
as at 31 December 2024

(HUF million)	<u>Note</u>	<u>2024</u>	<u>2023</u>
Assets			
Cash and cash equivalents	15	8,153	6,574
Hedging derivative assets	16	4,059	4,970
Loans and advances to banks	17	349,933	366,289
Loans and advances to customers	18	1,759	2,144
Investment securities	19	48,565	46,660
Intangible assets	20	3	8
Current tax assets	14	1	-
Other assets	21	418	381
Total Assets		<u>412,891</u>	<u>427,026</u>
Liabilities			
Deposits from banks	22	95,385	124,873
Deposits from customers	23	113	127
Issued debt securities	24	278,242	262,079
Hedging derivative liabilities	16	14,851	16,495
Current tax liability	14	222	203
Deferred tax liability	14	9	-
Provisions	28	4	6
Other liabilities	25	110	193
Total Liabilities		<u>388,936</u>	<u>403,976</u>
Equity			
Share capital	26	3,000	3,000
Share premium	27	783	783
Retained earnings	27	13,706	14,116
Statutory reserve	27	2,289	1,879
Valuation reserve	27	76	12
Net profit for the year	27	4,101	3,260
Total Equity		<u>23,955</u>	<u>23,050</u>
Total Liabilities and Equity		<u>412,891</u>	<u>427,026</u>

The accompanying notes (1-41) form an integral part of these financial statements.

Budapest, 10 March 2025

Tamási Attila
Chairman - Chief Executive Officer

Dr. Juhász Viktor
Chief Operating Officer

UNICREDIT JELZÁLOGBANK ZRT.
Statement of profit or loss and other comprehensive income
for the year ended 31 December 2024

(HUF million)	<u>Note</u>	<u>2024</u>	<u>2023</u>
Interest income calculated using the effective interest method	7	35,090	51,764
Other interest income	7	8,158	7,973
Interest expense and similar charges	7	(37,331)	(53,786)
Net interest income	7	<u>5,917</u>	<u>5,951</u>
Fee and commission income	8	-	-
Fee and commission expense	8	(450)	(438)
Net fee and commission expense	8	<u>(450)</u>	<u>(438)</u>
Net gain and loss on hedge accounting	10	102	(1,351)
Net gain and loss on foreign exchange	9	10	(17)
Operating income		<u>5,579</u>	<u>4,145</u>
Impairment and losses on credit products	36	(294)	127
Personnel expenses	11	(104)	(106)
General operating expenses	12	(481)	(447)
Amortisation and impairment on intangible assets	20	(5)	(1)
Operating costs		<u>(590)</u>	<u>(554)</u>
Other income	13	2	6
Other expense	13	(59)	(5)
Other results		<u>(57)</u>	<u>1</u>
Profit before tax		<u>4,638</u>	<u>3,719</u>
Income tax expense	14	(537)	(459)
Net profit for the year		<u>4,101</u>	<u>3,260</u>

The accompanying notes (1-41) form an integral part of these financial statements.

Budapest, 10 March 2025

Tamási Attila
Chairman - Chief Executive Officer

Dr. Juhász Viktor
Chief Operating Officer

UNICREDIT JELZÁLOGBANK ZRT.
Statement of profit or loss and other comprehensive income
for the year ended 31 December 2024

(HUF million)

	<u>Note</u>	<u>2024</u>	<u>2023</u>
Net profit for the year		<u>4,101</u>	<u>3,260</u>
Other comprehensive results that will be subsequently reclassified to profit or loss:			
Movement in fair value reserve of financial instruments measured at fair value through other comprehensive income		72	(173)
Deferred income tax on movement of fair value reserve of financial instruments measured at fair value through other comprehensive income	14	<u>(8)</u>	<u>15</u>
Net movement in fair value reserves		<u>64</u>	<u>(158)</u>
Other comprehensive income for the year, net of tax		<u>64</u>	<u>(158)</u>
Total comprehensive income for the year		<u>4,165</u>	<u>3,102</u>

The accompanying notes (1-41) form an integral part of these financial statements.

Budapest, 10 March 2025

Tamási Attila
Chairman - Chief Executive Officer

Dr. Juhász Viktor
Chief Operating Officer

UNICREDIT JELZÁLOGBANK ZRT.

Statement of changes in Shareholder's equity
for the year ended 31 December 2024

	Note	<u>Share capital</u>	<u>Share premium</u>	<u>Retained Earnings</u>	<u>Statutory Reserves</u>	<u>Valuation reserves</u>		<u>Net profit</u>	<u>Total</u>
						<u>Fair value Reserve</u>	<u>Hedging Reserve</u>		
(HUF million)									
Balance as at 1 January 2023		3,000	783	14,442	1,553	170	-	660	20,608
Net profit for the previous year		-	-	660	-	-	-	(660)	-
Net profit for the current year		-	-	-	-	-	-	3,260	3,260
Net movement in fair value reserve of financial instruments measured at fair value through other comprehensive income		-	-	-	-	(158)	-	-	(158)
Total comprehensive income for the year		-	-	660	-	(158)	-	2,600	3,102
Transfers to statutory reserves	27	-	-	(326)	326	-	-	-	-
Total transfers between components of equity		-	-	(326)	326	-	-	-	-
Dividend to equity holder	27	-	-	(660)	-	-	-	-	(660)
Total transfers to equity holders		-	-	(660)	-	-	-	-	(660)
Balance as at 31 December 2023		3,000	783	14,116	1,879	12	-	3,260	23,050
Balance as at 1 January 2024		3,000	783	14,116	1,879	12	-	3,260	23,050

Net profit for the previous year	-	-	3,260	-	-	-	(3,260)	-
Net profit for the current year	-	-	-	-	-	-	4,101	4,101
Net movement in fair value reserve of financial instruments measured at fair value through other comprehensive income	-	-	-	-	64	-	-	64
Total comprehensive income for the year	-	-	3,260	-	64	-	841	4,165
Transfers to statutory reserves	27	-	(410)	410	-	-	-	-
Total transfers between components of equity	-	-	(410)	410	-	-	-	-
Dividend to equity holder	27	-	(3,260)	-	-	-	-	(3,260)
Total transfers to equity holders	-	-	(3,260)	-	-	-	-	(3,260)
	-	-	-	-	-	-	-	-
Balance as at 31 December 2024	3,000	783	13,706	2,289	76	-	4,101	23,955

The accompanying notes (1-41) form an integral part of these financial statements.

Budapest, 10 March 2025

Tamási Attila
Chairman - Chief
Executive Officer

Dr. Juhász Viktor
Chief Operating Officer

UNICREDIT JELZÁLOGBANK ZRT.
Statement of cash flows
for the year ended 31 December 2024

(HUF million)

	<u>Note</u>	<u>2024</u>	<u>2023</u>
Net cash flows from operating activities			
Net profit for the year		4,101	3,260
Adjustments for items not involving movements of cash:			
Amortization and depreciation	20	5	1
Net impairment and losses in credit products	28, 36	294	(102)
Unrealised changes in fair value of investment securities held at fair value through other comprehensive income	19	73	(174)
Net gain or loss from the fair valuation of non-operating cash-flow items and foreign exchange revaluation	19, 24	(2,677)	20,900
Net interest income	7	(5,917)	(5,951)
Income tax expense	14	<u>537</u>	<u>459</u>
		(3,584)	18,393
Change in other assets	21	(37)	(21)
Change in current tax liabilities	14	-	123
Change in other liabilities	25	(83)	(2)
Change in loans and advances to customers	18	511	598
Change in deposits with other banks	17	15,770	(77,925)
Change in hedging derivative assets	16	911	1 113
Change in deposits from customers	23	(14)	(37)
Change in deposits from other banks	22	(28,920)	53,254
Change in hedging derivative liabilities	16	(1,644)	(21,325)
Interest received	7	43,580	59,895
Interest paid	7	(37,316)	(53,575)
Income tax paid	14	<u>(519)</u>	<u>(196)</u>
<i>Net cash flow from operating activities</i>		(11,345)	(19,705)
Net cash flows from investing activities			
Acquisition of intangible assets	20	-	-
Acquisition of investment securities	19	(1,976)	-
Proceeds from sale or expiry of investment securities	19	-	-
<i>Net cash flow used in investing activities</i>		(1,976)	-
Net cash flows from financing activities			
Proceeds from issue of debt securities	24	38,160	71,146
Repayment of issued debt securities	24	(20,000)	(50,300)
Dividends and coupons paid to equity holders	27	<u>(3,260)</u>	<u>(660)</u>

<i>Net cash flow from financing activities</i>	14,900	20,186
Net increase in cash**	1,579	481
**of which net foreign exchange differences on cash and cash equivalents	2	(11)
Cash and cash equivalents at the beginning of the year	<u>6,574</u>	<u>6,093</u>
Cash and cash equivalents at the end of the year	<u>8,153</u>	<u>6,574</u>

The accompanying notes (1-41) form an integral part of these financial statements.

Budapest, 10 March 2025

Tamási Attila
Chairman - Chief Executive Officer

Dr. Juhász Viktor
Chief Operating Officer

1 General

UniCredit Jelzálogbank Zrt. (“the Mortgage bank”) is a mortgage bank which was established in Hungary on June 8, 1998. The Mortgage bank’s parent company is UniCredit Bank Hungary Zrt. (together with the Mortgage bank “the Group”) and the ultimate holding company is UniCredit S.p.A. (“the UniCredit Group”).

The registered office of the Bank is at 1054 Budapest, Szabadság tér 5-6.

The financial statements are available at:
https://www.unicreditbank.hu/hu/rolunk/hasznos_informaciok/jelzalogbank.html

The Mortgage bank’s operations are regulated by Act XXX of 1997 on Mortgage Loan Companies and on Mortgage Bonds. In accordance with the Act, the Mortgage bank may grant loans covered by mortgages on real estate located either in the territory of Hungary or any European Economic Area Member State and issue mortgage bonds. The Mortgage bank may not collect deposits from the public.

Certain activities of the Mortgage bank, such as banking operations, human resources, IT, accounting, etc., as well as certain business areas of the Bank, which can be outsourced under Act CCXXXVII of 2013 (Hpt.) and certain service activities not included in the Act, were outsourced to UniCredit Bank as outsourced activities under an agency agreement.

Transactions with members of the UniCredit Group include credit relationships, where the related party can be both a borrower and depositor. Such transactions are conducted under substantially the same terms and conditions as are applied to third parties, unless otherwise stated.

The statutory auditor of the Mortgage bank is KPMG Hungary Kft. (“KPMG”), the responsible registered auditor is Zsuzsanna Csáki (registration number: 007448).

The financial statements are signed by Chairman - Chief Executive Officer Tamási Attila (address: 1163 Budapest, Budapesti út 17. 1. ajtó.) and Chief Operating Officer Dr. Juhász Viktor (address: 2615 Csóvár, Kinizsi út 30.)

The responsible chief accountant is András Tornay-Csomor, IFRS chartered accountant (registration number: 202785).

The financial statements were approved by the Supervisory Board on 10 March 2025.

2 Basis of preparation

2.1 Statement of compliance

The financial statements have been prepared pursuant to the Hungarian Accounting act in accordance with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”), as adopted by the EU.

2.2 Basis of measurement

The financial statements are presented in Hungarian Forint (“HUF”) that is the Mortgage bank’s functional currency. The functional currency is the currency of the primary economic environment in which the Mortgage bank operates. The accounting records of the Mortgage bank are also maintained in this currency. Unless otherwise indicated, financial information presented in Hungarian Forint has been rounded to the nearest million.

The financial statements have been prepared on a fair value basis for derivative financial instruments and financial assets at fair value through other comprehensive income. Other financial assets and liabilities and non-financial assets and liabilities are stated at amortised cost or historical cost.

3 Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the financial years presented, unless otherwise stated.

3.1 Restatement of prior year financial statements

In 2024, there were no changes in accounting policies that require restatement of comparative figures in the financial statements for the previous year.

3.2 Cash and cash equivalents

Cash and cash equivalents include cash, unrestricted nostro accounts with the Hungarian National Bank ("MNB") and other credit institutions, and overnight deposits, which are subject to an insignificant risk of changes in fair value and which the Mortgage bank uses to meet its short-term obligations. Cash and cash equivalents are carried on the balance sheet at amortised cost. The amount of Cash and cash equivalents in the Cash flow statement is the same as the amount of Cash and cash equivalents in the statement of financial position, which is detailed in Note 15.

3.3 Financial instruments

3.3.1 Classification

Financial assets

IFRS 9 contains a classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

The Mortgage bank has determined the business model on a level that reflects how classes of financial assets are managed to achieve a particular business objective. However, the determination is not dependent on management's intentions for an individual instrument, this condition is therefore not an instrument-by-instrument approach and assessment is made on a higher level of aggregation. However, the Mortgage bank has more than one business model for managing its financial instruments.

The following business models were identified for IFRS 9 classification and measurement purposes:

- Held to Collect ("HTC"): Financial instrument is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and are managed to realize cash flows by collecting contractual payments over the life of the instrument. There is no need to hold all of those instruments until maturity. Sale is permitted if the Mortgage bank sells financial assets when there is an increase in the assets' credit risk, because the credit quality of financial assets is relevant to the Mortgage bank's ability to collect contractual cash flows. In addition, sales may be consistent with the objective of this business model if the sales are made due to an increase in the concentration of credit risk or close to the maturity of the financial assets.
- Both Held to Collect and for Sale ("HTCS"): the objective is achieved by both collecting contractual cash flows and selling financial assets. The objective of the business model beside of the collecting for the contractual cash flows is to realise profit from the growth of the fair value of the instruments, and to minimise the losses arising from the increase or decrease of the fair value changes of the instruments in mid- or long-term. Compared to a HTC business model, this business model will typically involve greater frequency and value of sales.

- Held to Benefit from Changes in Fair Value (“OTHER”): mainly trading securities, with the objective of realizing cash flows through the sale of the assets. This business model is a residual category.

The business model assessment reflects the expectations of the Mortgage bank, not just its intention but its ability to manage its financial assets. Consequently, this assessment is not performed on the basis of scenarios that the entity does not reasonably expect to occur, such as so-called 'worst case' or 'stress case' scenarios. Therefore, if the Mortgage bank plans to sell a certain portfolio or financial assets in a 'stress case' scenario, it does not affect the business model assessment if the Mortgage bank does not reasonably expect it to occur.

In the assessment of the SPPI criteria's the Mortgage bank analyses whether the contractual cash flows of loan commitments and other debt assets contain solely payments of principal and interest, so the principal based on contract and the related interest payments are consistent in line with the base contract. In the base contracts the time value of money and credit risk are the most important elements of interest.

Accordingly, the three principal classification categories for financial assets are the following:

Financial assets at amortised costs:

The Mortgage bank measures at amortised cost those financial assets which were classified under HTC business model, furthermore the contractual terms give rise to cash flows that are solely payment of principal and interest on the principal amount outstanding. Such assets comprise mainly loans and advances to customers and other banks, furthermore debt securities and accounts receivables.

Financial assets at fair value through other comprehensive income (“FVOCI”):

The Mortgage bank measures at fair value through other comprehensive income those financial assets which were classified under HTCS business model, furthermore the contractual terms give rise to cash flows that are solely payment of principal and interest on the principal amount outstanding. The Mortgage Bank classifies here the various debt securities that meet these criteria.

Financial assets at fair value through profit and loss (“FVTPL”)

The Mortgage bank measures those financial assets under this category which were classified under OTHER business model, or those financial assets which are under HTC or HTCS, however they do not meet the SPPI condition that contractual terms give rise to cash flows that are solely payment of principal and interest on the principal amount outstanding. The Mortgage bank classifies into this category the derivative financial instruments it holds.

Hedging instruments

These are financial instruments used by the Mortgage bank to hedge interest rate risk and currency exposures associated with its transactions in the financial markets. More information on derivative financial instruments for hedging purposes is presented in Note 16 and 33.

The Mortgage bank's hedge accounting policy has been adopted in accordance with the hedge accounting part of IAS 39 in force.

At the inception of a hedging transaction, the Mortgage Bank shall formally document the relationship between the hedging instruments and the hedged items, the risk management objective and strategy followed in entering into the transaction, and the method used to measure the effectiveness of the hedging relationship.

The Mortgage Bank shall assess, both at the inception of the hedging relationship and on an ongoing basis, whether the hedging instruments are expected to be highly effective in offsetting changes in the fair value of the hedged items over the period for which the hedge is designated and whether the actual results of each hedge fall within the range of 80 to 125 per cent.

When a derivative is designated as the hedging instrument in a hedge of the change in fair value of a recognised asset or liability or a firm commitment that could affect profit or loss, changes in the fair value of the derivative are recognised immediately in profit or loss together with changes in the fair value of the hedged item that are attributable to the hedged risk.

There are certain derivatives that are designated as hedging instruments in cash flow hedges. They serve as hedges against the variability of cash flows within the framework of the Mortgage bank's asset-liability management activities. Variable-rate interest receivables and payments on variable-rate assets and liabilities are swapped for fixed-rate interest payments, primarily by means of interest rate swaps. Interest rate swaps are also used to hedge the exposure to changes in the fair values of fixed rate securities at fair value through other comprehensive income attributable to changes in market interest rates.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss and is included in the 'other gains and losses' line item.

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognized hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Mortgage bank revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income from the period when the cash flow hedge was effective remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss.

When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss. In a fair value hedge relationship, any adjustment to a hedged item for which the effective interest method is used, is amortised to profit or loss as part of the recalculated effective interest rate of the item over its remaining life. However, if amortizing using a recalculated effective interest rate is not practicable, the adjustment shall be amortized using the straight-line method.

When calculating hedge ineffectiveness, the Mortgage bank considers the fair value changes excluding valuation adjustments such as FVA, CVA, DVA, FuVA. All fair value changes related to valuation adjustments are recognised in the statement of profit and loss.

The accounting for derivative financial instruments held for hedging purposes, hedged instruments and hedge ineffectiveness is presented in Note 33.

Financial liabilities

The Mortgage bank measures financial liabilities at amortised cost, except for those financial liabilities which are valued at fair value through profit and loss. The Mortgage bank decided not to use the possibility of the optional, irrevocable classification of its financial liabilities as financial liabilities at fair value through profit or loss.

3.3.2 Recognition and de-recognition

The Mortgage Bank recognises financial assets and liabilities using settlement date accounting. On initial recognition, the Mortgage Bank measures financial instruments at fair value, plus or minus transaction costs that are directly attributable to the issue or acquisition of the financial asset or financial liability, if the financial asset or financial liability is not measured at fair value through profit or loss.

For financial instruments at fair value through profit or loss, gains and losses arising from changes in the fair value of assets and liabilities between the trade date and the settlement date are recognised in the income statement if the asset or liability is at fair value through profit or loss or in equity if the asset is a financial asset at fair value through other comprehensive income. Loans and receivables, mortgage bond is recognised on the date on which the amount is paid to the counterparty to the transaction.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or when the Mortgage bank has transferred substantially all risks and rewards of ownership. (If the Mortgage bank neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, the Mortgage bank shall determine whether it has retained control of the financial asset. In this case, if the Mortgage bank has not retained control, it shall derecognise the financial asset and recognise separately as assets or liabilities any rights and obligations created or retained in the transfer.

Financial liabilities are derecognised when the contractual obligations are discharged, cancelled, or expire.

3.3.3 Measurement

Initial Measurement

Financial assets are initially recognised at fair value. The related transaction costs are recognised in accordance with the valuation model applied to the financial asset. Typically the fair value of financial assets agrees with the consideration paid.

Subsequent measurement

Subsequent to initial recognition all trading and hedging financial assets and liabilities and all financial assets at fair value through other comprehensive income are measured at fair value.

The financial assets at amortised cost are measured at their amortised cost less accumulated impairment losses. Premiums and discounts are included in the carrying amount of the related instrument and are amortised. For detailed rules on the recognition of impairment of financial assets, see Note 4 Risk management policy.

Fair value measurement principles

The fair value measurement principles, applied by the Mortgage bank, are described in Note 5.

Gains and losses on subsequent measurement of FVOCI assets

Gains and losses arising from changes in the fair value of financial assets at fair value through other comprehensive income are recognised in the fair value through other comprehensive income reserve, except for those that are in a fair value hedging relationship, for which the change in fair value due to hedged risk is recognised in the income statement. Gains and losses arising from changes in the fair value of derivatives used as cash flow hedging instruments are recognised in the cash flow hedging reserve. Any impairment losses on financial assets at fair value through other comprehensive income are recognised in the income statement.

On derecognition of the transactions, the accumulated balance in the revaluation reserve is eliminated. For debt instruments, derecognition is made against profit or loss, while for equity instruments designated by the Mortgage bank as FVOCI, the accumulated revaluation difference is transferred to the retained earnings.

3.3.4 Modification to financial assets and liabilities

When the Mortgage bank renegotiates a financial instrument, modifies its contractual terms or replaces it with a new financial instrument, it carries out an evaluation. On the basis of the valuation, if the renegotiated cash flows are materially different from the contractual cash flows of the original instrument, the original financial asset is derecognised and the renegotiated financial instrument is recognised instead.

The Mortgage bank considers the following changes to be substantive, significant changes that result in derecognition accounting:

- Inclusion of a factor in the contract that violates SPPI criteria in the contract;
- Contract modification due to intervention of government authorities or contract modification due to natural disaster – such contract modifications are evaluated by the Mortgage Bank on a case-by-case basis by intervention whether the modification is substantial and should result in the derecognition of the financial asset. The evaluation of governments measures in 2024-2023 has been presented in detail in Note 6;
- Change in the currency of the financial instrument;

- Change in the debtor's identity;
- Change in the type of interest rate (fixed/variable);
- Change from non-revolving to revolving loan or vice versa;
- Modifications for commercial reason which modify the basic parameters of financial instruments (e.g. maturity) by applying market conditions to customers who are not in financial difficulty and which modify the cash flow of contracts primarily to avoid the loss of existing customers.

If the contract amendment is not a substantive change, the Mortgage bank will determine the reason for the contract amendment.

Contract amendments due to changes in credit risk:

- have been the result of a deterioration in the debtor's credit risk that has put in doubt the recovery of the amount lent,
- are designed to maximise the Mortgage bank's return and not specifically to increase the credit risk of the parties by rebalancing the cash flow conditions.

For contractual amendments resulting from changes in credit risk that are not substantive modifications, the Mortgage bank recalculates the gross carrying amount of the financial asset and recognises the difference between the new gross carrying amount and the gross carrying amount before modification as a gain or loss on modification in profit or loss.

The Mortgage bank derecognises a financial liability if its terms have changed and the cash flows from the modified financial liability are materially different. The Mortgage bank considers the terms to be materially different if the discounted present value of the new cash flows, including fees paid net of fees received and discounted at the original effective interest rate, differs by at least 10 per cent from the discounted present value of the remaining transaction cash flows of the original financial liability.

In addition to the 10 per cent threshold, the Mortgage bank also considers the following amendments to be significant changes that result in derecognition accounting:

- Contract modification due to intervention of governmental authorities or contract modification due to natural disaster - such contract modifications are evaluated by the Mortgage Bank on a case-by-case basis by intervention whether the modification is substantial and should result in the derecognition of the financial asset. The evaluation of governments measures in 2024-2023 has been presented in detail in Note 6;
- Change in the currency denomination of a financial liability;
- Exchange of debt instruments;
- A significant change in the maturity of the liability compared to the total maturity;
- Significant change in interest rate terms (e.g. fixed/variable).

If the cash flows from the modified financial liability measured at amortised cost are not materially different from those before the modification, the modification does not result in derecognition of the original financial liability. In such a case, the Mortgage bank recalculates the amortised cost of the financial liability and recognises the difference between the new amortised cost and the amortised cost before the modification as a gain or loss on the modification in profit or loss.

3.4 Net gain and loss on foreign exchange

Foreign currency transactions are translated into the functional currency using the daily MNB exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss, except when deferred in equity as qualifying cash flow hedges.

3.5 Intangible assets and amortisation

Intangible assets are stated at historical cost less accumulated amortisation and accumulated impairment losses. The cost of intangible assets less expected residual value at the end of the useful life of the asset is amortized over the periods in which the Mortgage Bank expects the asset to be used. The intangible assets are amortised on a straight-line basis. The annual rates of amortisation used are 20%.

Amortisation is accounted for starting from the day the assets are put in use. Intangible assets are reviewed periodically and impairment is recognised for assets where the carrying value is permanently higher than the fair value of the assets.

3.6 Impairment on non-financial assets

The Mortgage bank assesses at each balance sheet date whether there is any indication that an asset may be impaired. If there is objective evidence that a non-financial asset has been impaired, the carrying amount of the asset is compared with its recoverable value, equal to the greater of its fair value less selling cost and its value in use, i.e., the present value of future cash flow expected to originate from the asset. Any value adjustment (if recoverable value is estimated to be less than its carrying value) is recognised in the statement of profit or loss. If the circumstances for impairment cease to exist, it can be reversed but the increased carrying amount the asset cannot exceed the net carrying amount it would have had if there had been no impairment losses recognised in prior years.

3.7 Loans and advances

Loans and advances originated by the Mortgage bank are classified as financial assets at amortised cost. Purchased loans are held to maturity based on Mortgage bank's intention and ability and met SPPI criteria, are also classified as financial asset at amortised costs.

Loans granted by the Mortgage bank held at amortised cost are stated at amortised cost less any impairment for credit losses, which represents the amount expected to be recovered.

The purchased or originated assets becomes credit-impaired ("POCI") at initial recognition. The initial recognition date of POCI assets is the date on which the contractual terms of the financial asset become binding on the Mortgage bank. The POCI classification remains on the Mortgage bank's books from initial recognition until derecognition, and no impairment stages are identified for these assets.

More information about Stage categories is presented in Note 4.

The effective interest method is used to determine the income earned on loans and receivables measured at amortised cost during the financial year. The effective interest rate is determined for all loans and receivables individually. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts over the expected life of the financial asset or financial liability to the gross carrying amount of the financial asset or the amortised cost of the financial liability. All contractual cash flows, including fees and commission income, are taken into account in the calculation of the effective interest rate, as are potential premiums and discounts. Estimated future losses are not included in the calculation until the asset becomes impaired (Stage 3). Once impaired, the interest calculation is based on the gross carrying amount less the recognised losses. For POCI financial assets, interest income is determined using the loan adjusted effective interest rate. The result of this calculation is recognised in the income statement.

3.8 Impairment and losses on credit products

In accordance with the accounting policies, the Mortgage bank reviews its portfolio of receivables at regular intervals and, if necessary, recognises an impairment loss based on expected credit losses. Increases or decreases in the value of financial assets carried at amortised cost are recognised in the income statement. For debt instruments measured at fair value through other comprehensive income, no impairment loss is recognised in the statement of financial position because the carrying amount of these financial assets is equal to their fair value. Impairment losses recognised on these financial instruments are recognised in the

fair value reserve. Further details on the valuation of financial instruments are provided in Note 4 Risk Management Policy.

3.9 Deposits from banks and customers

These liabilities are amounts, which are accepted by the Mortgage bank from other banks, and which serve as funding of the business. The liabilities at recognition are valued at fair, later they are valued at amortised cost. The Mortgage bank does not classify any such liability as at fair value through profit or loss instrument.

3.10 Issued debt securities

Mortgage bond, unsecured bonds are recognised as financial liabilities measured at amortised cost, initially measured at fair value minus incremental direct transaction cost. Subsequently, they are measured at their amortised cost under the effective interest method.

In the statement of financial position, the Mortgage Bank discloses issued debt securities as a separate line item under liabilities.

The Mortgage Bank's primary source of funds is generated from issuance of mortgage bonds. Mortgage bonds are secured bonds. The Mortgage bank may issue such a bond only if it has sufficient collateral, which may include purchased and own independent mortgage rights and other securities such as government bonds and treasury bills.

The stand-alone mortgage right is such a mortgage, which can be sold to third party, without the receivable, covering it, based on the 1997/XXX. Act on Mortgage banks.

The maximum amount of bonds issued is compliant with the upper limit as set out in Act 1997/XXX.

3.11 Equity elements

Statutory reserves

General reserve

In accordance with Section 83 of Hungarian Act No. CCXXXVII of 2013 a general reserve equal to 10% of the net post tax income (based on the Mortgage bank's financial statements) is required to be made in the Hungarian statutory accounts. Increases in the general reserve, as calculated under Hungarian Accounting and Banking Rules are treated as appropriations from retained earnings and are not charged against income.

Valuation reserves

Valuation reserves are part of equity. In accordance with IFRS principles, valuation reserves include only cash flow hedge reserves, reserves for assets measured at fair value through other comprehensive income, less deferred taxes according to Note 3.15.

3.12 Interest receivable calculated using the effective interest method, other interest and other interest-related income, interest payable

Interest income and interest expense calculated using the effective interest method are recognised continuously over the life of the financial instrument measured at amortized cost.

The effective interest rate is determined separately for each financial instrument. In determining the effective interest rate, all contractual cash flows are taken into account, including commissions and management fees, as well as any premium and discount. However, probable future losses are not taken into account until the asset becomes impaired (Stage 3). Once impaired, the interest calculation is based on the gross carrying amount less the recognised losses. For POCI financial assets, interest income is determined using the loan adjusted effective interest rate.

The Mortgage bank recognises interest income or interest expense calculated using the effective interest method on loans and advances, bank overdrafts, securities measured at amortised cost, securities measured at fair value through other comprehensive income, and liabilities to financial institutions, customer funds and securities issued.

The Mortgage bank recognises other interest and interest-related interest income and interest expense on interest rate swaps contracts designated as hedges of risks directly associated with its activities and on its financial instruments.

3.13 Commission expenses

Commission expenses include fees related to the issuance of the Mortgage Bond (other than fees incurred on origination of the Mortgage Bond) and the guarantees received.

3.14 Net result on hedge accounting

The Mortgage bank includes in the net results of hedge accounting the gains and losses arising from changes in the fair value of derivative contracts designated as hedging derivatives to hedge exposure to changes in the fair value of assets or liabilities - the fair value is adjusted by FVA, CVA, FuVA - and gains and losses arising from changes in the fair value of hedged item.

3.15 Taxation

Income tax on the profit or loss for the year consists of current and deferred tax.

The Mortgage bank considers corporate tax, local business tax and innovation contribution as income tax in accordance with IAS 12.

Current tax liabilities (tax assets) for the current and prior periods are measured at the amount expected to be payable to (or recoverable from) the taxation authorities, using tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

The profit for the year is adjusted according to the relevant tax regulations to calculate the taxable income.

The corporate tax base is different from the common tax base for business tax and the innovation contribution.

The Mortgage bank applies a temporary mandatory exemption for the accounting of the deferred tax effect of the additional top-up tax regulated under the global minimum tax regime, and the additional tax is accounted for as an effective tax in the year in which it is incurred.

Deferred tax is provided using the balance sheet liability method, in respect of which temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes are recognised in full. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the difference between the carrying amounts of assets and liabilities in the IFRS balance sheet and in the balance sheet for local tax purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is only recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that tax benefits will be realised. The Mortgage bank offsets its deferred tax assets and deferred tax liabilities against each other only if it has a legally enforceable right to set off its current tax assets against its current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority and on the same taxable entity.

3.16 Events after the reporting date

Events after the reporting date are those events, favourable and unfavourable, that occur between the balance sheet date and the date when the financial statements are authorised for issue. These events fall

into two categories: those that provide evidence of conditions that existed at the balance sheet date (adjusting events after the balance sheet date); and those that are indicative of conditions that arose after the balance sheet date (non-adjusting events after the balance sheet date).

All adjusting events after the reporting date have been taken into account in the preparation of the financial statements of the Mortgage bank. Events after the reporting date are disclosed in Note 41.

3.17 Segment report

Since the bonds, issued by the Mortgage bank are traded on the stock exchange, the management evaluated the relevance of the segment reporting based on IFRS 8 and concluded that the operating segments are not applicable in respect of the Mortgage bank.

3.18 New standards and interpretations

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

New and amended standards and interpretations issued by the IASB and adopted by the EU that are effective from the current reporting period:

- **Amendments to IAS 1 Presentation of Financial Statements** - Classification of Current and Non-current Liabilities (effective for annual periods beginning on or after 1 January 2024),
- **IFRS 16 "Leases"** - Lease Obligations in a Leaseback Transaction - issued by the IASB on 22 September 2022 (effective for annual periods beginning on or after 1 January 2024),
- **Amendments to IAS 7 "Statement of Cash Flows" and IFRS 7 "Financial Instruments" - Vendor Financing Arrangements** (effective for reporting periods beginning on or after 1 January 2024).

The Mortgage bank considers that the adoption of these standards and amendments to existing standards have no a material impact on the Mortgage bank's financial statements.

Standards and interpretations issued by the IASB and not adopted by the EU

IFRS adopted by the EU do not currently differ significantly from regulations adopted by the International Accounting Standards Board (IASB), except for the following new standards, amendments to existing standards and new interpretations that have not yet been adopted in the EU at the date of issue of the financial statements:

- **IAS 21 "The Effects of Changes in Foreign Exchange Rates."** Amendments to IAS 21 - Non-convertibility and Estimation of Spot Exchange Rates (effective for annual periods beginning on or after 1 January 2025),
- **Amendments to IFRS 9 and IFRS 7 Financial Instruments and Financial Instruments: Disclosures** - Amendments to Classification and Measurement of Financial Instruments (effective for annual periods beginning on or after 1 January 2026),
- **„Annual improvements to IFRS Accounting Standards – Volume 11”** – Modifies five standards (IFRS1, IFRS 7, IFRS 9, IFRS 10 and IAS 7) as a result of the annual improvement project of the IASB (effective for annual periods beginning on or after 1 January 2026)
- **IFRS 18 'Presentation and disclosure in financial statements'** - will replace IAS 1 Presentation of financial statements (effective for annual periods beginning on or after 1 January 2027).
- **IFRS 19 Subsidiaries without Public Accountability: Disclosures** - which aims to simplify disclosures by certain subsidiaries (effective for annual periods beginning on or after 1 January 2027).

The impact of the implementation on the Mortgage bank's financial statements of IFRS 18 is currently being assessed in light of the effective date of the standard and its EU endorsement status. The implementation of amendments and new standards and interpretations other than IFRS 18 would not have a material impact on the Mortgage bank's financial statements.

4 Risk management policies

The Mortgage bank designs its risk strategy in line with prudential requirements and outlined its risk standards and policies accordingly. As part of the international UniCredit Group, the Mortgage bank also incorporates into its risk processes all fundamental regulations of UniCredit Group on risk management. Risk standards and strategies are approved by the Management Board. The Management Board receives regular reports on the evolution and composition of the Mortgage Bank's portfolio and evaluates the implementation of the risk strategy. The Mortgage bank designed its risk processes aimed at identifying, measuring, monitoring, managing and mitigating risk based on its risk strategy and standards.

The most significant business risks to which the Mortgage bank is exposed are credit risk, liquidity risk, market risk (including interest rate and foreign exchange rate risks) and operational risks.

4.1 Credit risk

Credit risk is the risk of financial loss occurring as a result of a default by counterparty in their contractual obligation to the Mortgage bank. Credit regulations including the approval process, portfolio limit concentration guidelines, formulation of standards for the measurement of credit exposures and the risk rating of clients based on the assessment of management quality and financial statements, as well as the definition of eligible collaterals and the rules of their valuation are approved by the Management Board, the regulations themselves by the Chief Executive Officer of the Mortgage bank in accordance with the formal approval of the Chief Risk Officer of UniCredit Bank Hungary Zrt. Main elements of credit risk mitigation are proper debtor rating, appraisal of collaterals and prudent management of risks coming from transaction, client and collaterals.

Classified, problematic loans – restructuring, collection and work-out activities – are handled by UniCredit Bank Hungary Zrt. as agent of the Mortgage bank.

4.1.1 Client classification, rating

Before establishing a lending relationship, a debtor rating is established in all cases, resulting in the Mortgage bank knowing the client and client group credibility in a detailed way. In case of existing lending relationships, clients are classified at least yearly based on a rating system, which incorporates qualitative and quantitative factors, as well as behavioural factors.

In case of private clients, the classification is based on client's payment history and the default events considering that the Mortgage bank has no new lending activity for private individuals.

The Mortgage bank – except for private clients – applies a rating master scale consisting of 26 notches within 10 rating classes. Three notches serve for the defaulted customers, the others for the performing ones. Ratings refer to the probability of default (PD) according to the (group-wide used) master scale, where defaulted clients' PD is 100%.

4.1.2 Collateral management

Principles and methods for the valuation of collateral securing the transactions of the Mortgage bank involving risk-taking, as well as certain legal stipulations affecting the collateral applied by the Mortgage bank and the principles for the monitoring of collateral are set out in the collateral valuation rules.

General principle is that the collateral:

- shall be legally binding and recoverable;
- shall be directly accessible and

- appropriate to be liquidated in time.

The Mortgage bank accepts and registers in its system **the following types of collateral:**

- Real estate collateral,
- Financial collateral held at own bank,
- Financial collateral held with other institutions,
- Insurance,
- Personal collateral – direct (guarantee, surety, bill of exchange, assignment of letter of credit, etc.),
- Personal collateral – indirect (guarantee, surety, bill of exchange, assignment of letter of credit, etc.),
- Assignment of receivables, pledge on receivables,
- Movable property collateral,
- Other collateral.

According to Hpt. 99§ Mortgage bank does not accept:

- equity securities issued by itself,
- equity securities issued by close linked companies,
- shares of a credit institution or of a public limited liability company under the influence of a qualified majority as defined in the Civil Code of a credit institution or of an undertaking closely linked to a credit institution subject to supervision on a consolidated basis.

The Mortgage bank generally does not accept securities issued by client or member of client group as collateral with value for an exposure of the same client or member of client group.

Collateral has to be connected to deals per contract. As general rule, the Mortgage bank connects every collateral to every exposure.

Base value for collateral valuation could be:

- market value in case of reliable active market,
- value based on independent appraisal, if there is no reliable active market for this collateral type.

Market value

In case of real estate market value can be only market value calculated by appraisers accepted by the Mortgage Bank.

In case of other collateral type market value is:

- listed value (vehicles, works of art, ships, aircraft),
- stock market price in case of product listed on stock exchange,
- in case of other products value based on appraisal.

In the case of real estate collateral, the Mortgage bank also determines the collateral value of the real estate in each case.

The basis for the valuation of collateral is the market value **adjusted by the following factors:**

- Collateral haircut: a percentage showing the expected loss (in %) of the market value in case of realisation of the collateral. Haircut is separately defined for every collateral type.

- Currency haircut: in case of mismatch between the currency of the loan and that of the collateral, the Mortgage bank applies currency haircut to considering currency risk.
- Maturity haircut: maturity mismatch occurs on exceptional basis, if the term of the collateral/collateral agreement is shorter than that of the agreement for the commitment. In such cases a haircut must be applied.

The correlation between the value of collateral and the debtor's credit rating should not be high. A correlation is considered high if a collateral-related variable plays a role in the borrower's credit rating with a weight of more than 50%.

The Mortgage Bank is continuously monitoring existence, value and enforceability of collaterals, frequency of monitoring is based on type of the collateral. In case of real estate collateral, the value is established by a valuation expert who is independent from the credit process. The value of real estate shall be reviewed regularly; at least once a year for non-residential and residential real estate as well. The price/value of financial collateral is updated on a monthly basis in the collateral system. Eligibility of guarantees and surety is subject to proper evaluation of the guarantor according to the respective internal rules.

The allocated collateral value is determined by the Mortgage Bank in accordance with the above as follows: the initial value of the collateral adjusted by the appropriate multipliers (eligibility limit, currency mismatch haircut, maturity mismatch haircut, etc.) and maximised in the value of the related exposure.

4.1.3 Loan classification, impairment

Since 01 January 2018 the loan-loss provision calculation is based on the IFRS 9 standards in case of those financial instruments exposed to credit risk. According to the accounting and the regulatory requirements the provision calculation is based on the expected credit loss approach. At the reporting date the financial instrument should be evaluated with the 12-month expected credit loss if significant increase in the credit risk of the unit cannot be observed since the initial recognition. If the credit risk increases significantly full lifetime expected credit loss recognized in the profit and loss calculation and in case of the purchased or originated credit impaired assets (POCI) as well.

Lifetime expected credit losses are estimated using a Mathematical/Statistical approach considering the characteristics of different sub-portfolios and the changes of the observed default rates. In line with the UniCredit Group approach the lifetime probability of default curves are segmented based on the rating grades – the rating grade profile derived from the internal rating scales used by the UniCredit Hungary. According to the IFRS 9 standards the current and expected macroeconomic trends are considered as well, meaning that the first several years of the lifetime PD profiles are adjusted with the forward-looking information. This PIT (point in time) rescaling factor – delivered by the UniCredit Group – is denoted the forward default rates and utilized to adjust the estimated TTC PD curves in order to reflect the short-term macroeconomic impacts. After the PIT adjustment the so-called punctual PD curves are calculated on transaction level combining with the regulatory/managerial probability of defaults.

According to the IFRS 9 standard, at each month-end the bank evaluates whether the credit risk has significantly increased since the initial recognition or not in case of financial assets where credit risk is relevant. Based on the UniCredit Group Guidelines both quantitative and qualitative triggers could take into account during the valuation. The quantitative approach is based on the comparison of the one year IFRS 9 probability of defaults related to the origination date and the current one: if the probability of default of the financial asset is higher than the PD threshold – estimated by a statistical model – than significant increase is assessed. The sub-portfolio characteristics are considered as well, when the statistical parameters are estimated. Not only this approach but qualitative information is considered as well. According to the UniCredit Group approach and the recommendations of the Central Bank of Hungary the following qualitative triggers are considered:

- 1-30 or 31-60 day past due,
- restructured status,
- special treatment - clients still performing.

With the consideration of the significant increase of the credit risk the bank is classifying the performing portfolio to two sub-segments and the non-performing assets are assigned to the third one.

- **Stage 1** - All financial assets where credit risk is relevant and significant increase of the risk has not been observed since the initial recognition are assigned to the stage 1 portfolio. With respect to the IFRS 9 standards 12 month expected credit loss is calculated in case of the stage 1 portfolio. At the initial recognition except the POCI assets financial instruments are assigned to the stage 1 portfolio.
- **Stage 2** - All financial assets where credit risk is relevant and significant increase of the risk has been identified since the initial recognition due to the aforementioned reasons are shifted to the stage 2 portfolio. With respect to the IFRS 9 standards lifetime expected credit loss is calculated in case of the stage 2 portfolio.
- **Stage 3** - This portfolio includes non-performing financial instruments. For these financial instruments, the Mortgage bank recognizes impairment based on the expected loss over the life of the instrument in accordance with IFRS 9.

In addition to the above categories, the Mortgage bank classifies in POCI assets those purchased or originated financial assets that are impaired at inception (i.e. meet the definition of non-performing). POCI assets are initially recognised at amortised cost less impairment (life expectancy loss) and are subsequently carried in the statement of financial position at amortised cost using the credit-adjusted effective interest rate. On subsequent measurement, the cumulative changes in the lifetime expected credit losses since initial recognition are recognised in profit or loss as impairment gains or losses on POCI assets.

In case of financial instruments where the Mortgage Bank could not determine whether a significant increase in credit risk has occurred based on available quantitative information, the Mortgage Bank considered in the determination of the stage allocation whether the instrument was investment grade or not based on the rating scale.

4.1.4 Definition of default

The Mortgage Bank will consider a default of a customer to have occurred if either or both of the following occurs:

- the Mortgage Bank believes that the counterparty is unlikely to meet in full its credit obligations to the institution, its parent or any of its subsidiaries, unless the institution has recourse to the institution to call the collateral,
- the customer's material credit obligation to the Mortgage Bank, its parent or any of its subsidiaries is past due for more than 90 days. The Mortgage Bank has defined the extent of a significant obligation as follows:
 - For retail customers and micro-enterprises: the higher of EUR 100 on a given credit claim (fixed limit) and 1% of the gross amount of the balance sheet exposure on the given credit claim calculated without taking into account exposures representing an ownership interest (relative limit)
 - For small, medium and large corporate customers: the higher of EUR 500 (fixed limit) on a given credit claim and 1% of the gross exposure amount on the balance sheet of the given credit claim excluding exposures to which the Bank has an ownership interest (relative limit).
-

4.1.5 Forward-looking information

According to the IFRS 9 standards, forward-looking macroeconomic information was considered in the loan-loss provision calculation. The Mortgage bank incorporates forward-looking information in the IFRS9 PD and LGD parameters using so-called delta parameters. The delta parameters are calculated centrally by UniCredit Group using so-called Satellite models and are applied locally. The resulting delta parameters are applied to the underlying default rate for the PD parameter and to the underlying rate of return for the

LGD parameter. The ratio indicators provided by UniCredit Group ensure the weighting of the scenarios in the expected loss calculation. The Group uses a total of three scenarios for which the weights are determined centrally by UniCredit Group (baseline 60%, negative 35%, positive 5%).

4.1.6 Write-off policy

If it is determined and demonstrated, as required by the Mortgage bank's "Write-off on financial assets" policy, that the Mortgage bank cannot reasonably expect to recover all or part of the financial asset (i.e. the receivable is considered uncollectible), the Mortgage bank writes off loans and securities (together with related impairment losses) as a loss. A write-off of a financial asset may relate to all or part of the financial asset.

Any subsequent recoveries of previously uncollectible amounts are recognised in profit or loss.

4.1.7 Actual tendencies in lending

All corporate loans were repaid, the Mortgage bank was active only in refinancing of banks, in other business segments there were no new disbursements. The Mortgage bank actively manages its existing retail and property development loan portfolio.

The Mortgage bank concentrates on the collection and restructuring processes, where taking into consideration and fulfilling regulation 39/2016. (X. 11.) and recommendations 2/2019 (II.13), 5/2022 (IV.22), 6/2024. (VI.21.) and 7/2024. (VI.21.) of the National Bank of Hungary providing continuous renegotiation opportunities for private customers indicating financial problems or deterioration in their economic situation or the bank detects it due to the actual overdue instalments.

The Mortgage bank's corporate loans have been repaid.

4.2 Liquidity risk

Liquidity risk arises if the bank is unable to meet due obligations associated with its financial liabilities in time in any currency.

The objective of prudential liquidity management is to ensure that the Group has the ability to generate sufficient funds to meet all cash flow obligations as these fall due.

Liquidity risk is managed on Group level ensuring important role for the Mortgage bank and the issue and refinance of mortgage bonds.

Effective liquidity management is gaining importance in recent years ensuring market confidence and protect the capital base while permitting effective growth. The Group has created its own short term and structural liquidity models similar to the efforts of the Basel Committee.

The Mortgage bank takes into account also the local legal requirements related to hedging pool and monitors the Basel3 liquidity ratios.

Limits regarding the maximum net outflow of funds in a particular period (typically short-term) and in a particular currency and all currencies are in place and are monitored daily. Long-term funding plan and structural liquidity is approved and monitored by the Mortgage bank's Financial Risk Committee ("FRC").

In line with UniCredit Group-wide standards, the Group deals with liquidity risk as a central risk in banking business by introducing and monitoring short-term and medium-term liquidity requirements. In this context the liquidity situation for the next few days and also for longer periods is analysed against a standard scenario and against scenarios of several general and bank-specific liquidity crisis. The degree of liquidity of customer positions and proprietary positions is analysed on an ongoing basis. Procedures, responsibilities and reporting lines in this area have been laid down in the liquidity policy, which includes a contingency plan in the event of a liquidity crisis.

Short-term and structural liquidity limits of the Group were observed continuously in 2024. The degree to which accumulated liquidity outflows are covered by accumulated inflows within the following month and year is determined on an ongoing basis. It was used as a key figure in managing the Group's liquidity and funding. Beyond the limits on ratios, absolute gap limits are in place to decrease central funding and

liquidity dependency. In addition, the Mortgage bank has managed and complied with the requirements for unsecured intra-group lending.

The maturity analysis of non-derivative assets and liabilities and the exposure to interest rate risk are represented in Notes 31 and 32.

4.3 Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's default) will affect the Group's income or the fair value of its holdings of financial instruments.

Market risk management encompasses all activities in connection with the Mortgage banks' operations and management of the statement of financial position structure as a member of the Group. Risk positions are aggregated at least daily, analysed by the independent risk management unit and compared with the risk limits set by the Management Board and the FRC designated by the Management Board. At the Group market risk management includes ongoing reporting on the risk position and limit utilisation. The Mortgage bank applies uniform risk management procedures based on UniCredit Group standards.

The internal risk model is also used to calculate the economic capital requirement. The methodology for calculating economic capital covers all major risk categories: interest rate risk, equity position risk (general and specific) and foreign exchange risk.

As the Mortgage bank does not have trading book, it does not calculate Pillar 1 capital requirement.

Regular and specific stress scenario calculations complement the information provided to FRC and the Management Board. Stress scenarios are based on assumptions of extreme movements in individual market risk parameters. The Group analyses the effect of such fluctuations and a liquidity disruption in specific products and risk factors on the Group's results.

The daily reporting also includes details of volume-oriented sensitivities which are compared with the respective limits. The most important detailed presentations include: basis point values (interest rate / spread changes of 0.01%) by repricing band, FX sensitivities and sensitivities in equities and emerging-market/high-yield positions (by issue, issuer and market) by delta equivalents.

In the interest rate risks, for example, basis point limits per currency and repricing band, basis point totals per currency and/or per repricing segment (total of absolute Basis Point Values - BPV) are used for risk management.

By analogy to the detailed presentation of basis point positions in the interest rate sector, daily reporting presents details of credit spread by issue and repricing band. The BPV and credit spread points analysis are presented in Note 38. Note 39 provides information on the interest rate repricing sensitivity of balance sheet items.

4.3.1 Management of statement of financial position structure

Interest rate risk and liquidity risk from customer transactions is attributed to Group's treasury operations throughout the UniCredit Group.

4.3.2 Foreign exchange rate risk

The Mortgage bank has assets and liabilities (on and off-balance sheet) denominated in several foreign currencies. Although the Mortgage Bank covers this risk on an ongoing basis within the limits available, it is exposed to a certain degree of exchange rate risk. Foreign exchange rate risk arises when a mismatch occurs in the spot and forward asset/liability structure within a currency.

The statement of foreign exchange exposures (currency structure of assets and liabilities) is presented in Note 30.

4.4 Operational risk

Operational risk is the risk of loss due to errors, infringements, interruptions, damages caused by internal processes or personnel or systems, or caused by external events.

Operational risk events are those resulting from inadequate or failed internal processes, personnel and systems or from systemic and other external events: internal or external fraud, employment practices and workplace safety, client claims, products distribution, fines and penalties due to regulation breaches, damage to Mortgage bank's physical assets, business disruption and system failures, process management.

Strategic risk, and reputational risk are different from operational risk, whereas legal, conduct and compliance risk are included in the operational risk definition.

The Mortgage Bank calculates the capital requirements of operational risk according to the standardised approach from 1 of January 2008.

Controlling of the operational risk activity is outsourced to UniCredit Bank Hungary Zrt., the responsible unit is **Non-Financial Risk Management** securing that all legal and internal group regulations are met and coordinating decentralized operational risk management. Operational risk events and losses of the Mortgage bank are collected in a separate system which is defined on group-wide standards.

UniCredit Bank Hungary's Management Board is responsible for the effective oversight over operational risk exposure of the Mortgage bank. The operational risk office will notify the Management Board of UniCredit Bank (partly via Non-Financial Risks & Controls Committee – NFRCC – meetings) about significant operational risks, their changes as well as relevant breaches to policies and limits. The Mortgage bank's Management Board shall have an overall understanding of operational risk control framework and of how operational risk effects the Mortgage bank.

The Group's Management Board ensures that:

- the operational risk control process is sound and fully communicated and implemented in specific policies process and procedures within the business units taking into account the appropriateness and effectiveness;
- operational risk managers in the business lines are appointed, coming in for adequate support in order to perform their duties;
- the relevant committees are informed on changes in risk profiles and exposure, supported by the Non-Financial Risk Management.

UniCredit Bank Hungary's Management Board is responsible for approving all the material aspects of the operational risk framework, including the appointment of the office responsible for its implementation and control.

In the Group, the Non-Financial Risks & Controls Committee of UniCredit Bank Hungary Zrt. shall act as a decision-making body for issues arising from and connected with operational and reputational risks.

The Operational Risk Mitigation Working Group, which also meets quarterly, is operationally active and serves to identify, monitor, mitigate, define action plans and follow up operational risks. The issues and proposals discussed by the Task Force also form the basis of the material to be presented to the Non-Financial Risk & Control Committee.

The affected Committees have own deed of foundations which include roles, responsibilities, activities, members and decision-making process.

In reviewing the Operational Risk Framework, Internal Audit is responsible for assessing the operation and effectiveness of this framework and its compliance with regulatory requirements, once a year. Internal Audit also monitors the collection and management of data on operational risk events.

The centralised Non-Financial Risk Management operates the framework and coordinates the decentralised operational risk management activities, which are carried out by the operational risk managers (divisional and administrative) assigned to each business unit.

The Non-Financial Risk Management area conducts an annual self-assessment of the compliance of the Group's operational risk management and control system with UniCredit Group-wide standards and internal policies, which is also assessed by an independent validation area (UniCredit Group Internal Validation) and by Internal Audit. The self-assessment is eventually approved by the Bank's Management Board at a Management Board meeting.

5 Use of estimates and judgements

These disclosures supplement the commentary on risk management policy.

5.1 Determining fair value

As far as valuation prices and techniques of financial instruments are concerned, the Mortgage bank follows a measurement using a three-level fair valuation hierarchy, which reflects the significance of the inputs used in measuring fair values and contains the following three levels:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices observed in non-active markets) or indirectly (i.e., derived from prices observed for similar assets or liabilities);
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The classification of financial instruments by level of Fair Value Hierarchy is described in Note 34.

Fair valuation is supplemented by a Fair Valuation Correction that inter alia covers the effect of widened bid-ask spreads and the deteriorated liquidity of respective securities.

In accordance with IFRS requirements the Mortgage bank books CVA/DVA (Credit/Debit Valuation Adjustment) and FuVA (Funding Valuation Adjustment) as an adjustment to the fair value of its OTC derivative trades. Both CVA/DVA and FuVA calculation are performed centrally by UniCredit Group.

5.2 Fair value measurement principles

The fair value of financial instruments is based on their quoted price in an active market for that instrument at the balance sheet date, without any deduction for transaction costs. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis. If a quoted market price is not available or the market is not active, the fair value of the instrument is estimated using pricing models or discounted cash flow techniques.

Where discounted cash flow techniques are used, the estimated future cash flows are based on management's best estimates and the discount rate is a market related rate at the balance sheet date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at balance sheet date.

The fair value of derivatives that are not exchange-traded are estimated at the amount that the Mortgage bank would receive under normal business conditions to terminate the contract at the balance sheet date taking into account current market conditions and the current creditworthiness of the counterparties.

The Mortgage bank applies fair value adjustments which arise from close-out costs and less liquid positions. Trading assets and assets at fair value through other comprehensive income are adjusted by fair value adjustments figures.

Valuation techniques and key inputs are used when determining the fair value of financial instruments are described in Note 34.

The Mortgage Bank has not been involved in securitisation transactions and does not hold any credit derivatives or structured OTC products (e.g. CDO - collateralised debt obligation, SIV - structured investment vehicle).

The bonds issued by the Mortgage Bank are covered bonds, with the underlying loans remaining on the books of the issuer and complying with the strict requirements of the Mortgage Credit Institutions Act.

6 Impact of economic safeguards on the financial statement

The Hungarian Government maintained most of its regulations with the aim of protecting the economy throughout 2024. The most relevant of these measures from the Mortgage bank's perspective were

- extension of interest rate freeze;
- modification of extra profit tax.

6.1 Payment moratoria on loans

The general moratorium on payments originally introduced in 2020 was not extended further, so it also ended on 31 December 2022 for customers participating in Moratorium 4 (the Government extended the moratorium for another six months, until 31 December 2022, by Government Decree 216/2022 (VI.17)).

Based on the above, as of 31 December 2024, none of the Mortgage Bank's loans were subject to a general or targeted payment moratorium imposed by the authorities (excluding product-specific moratoria, also based on legislation).

In accordance with the Mortgage Bank's general practice in the event of payment moratoria, the Mortgage bank has, in accordance with the Regulation, completed the setting of the payment moratorium in the base systems for all the loans concerned, the collection of repayment instalments has therefore been suspended, but interest accrual on the loans remains in force, but this interest has not become part of the principal in accordance with the Regulation but is recorded as a separate interest receivable in the bank's records.

The net interest income in the profit and loss accounts therefore includes the interest due on loans from debtors under moratorium but not collected because of the moratorium. The statement of financial position includes the same amount of interest as part of the gross amount of customer receivables.

The Mortgage Bank has treated contract modifications made in respect of loans disbursed under the moratorium as a contract modification event under IFRS 9.

The income statement does not include any amounts recognized under a significant estimation model related to payment moratoria in 2023. And the income statement for 2024 does not include any model-based contract modification losses related to payment moratoria due to the closure of payment moratoria.

Contract modification losses not yet amortised at the end of the periods presented in the cash flow statements are included in the statement of financial position as a reduction of the carrying amount of customer receivables and are included in the income statement as contract modification losses in the impairment losses. The calculated contract modification loss is not accrued between years as this is not allowed under IFRS 9. The contract modification loss is reversed as part of the increased interest income over the remaining life of the loans, calculated using the effective interest method.

6.2 Interest rate freeze

On 24 December 2021, the Government introduced an interest rate freeze on mortgage loan contracts linked to the reference rate in Government Decree 782/2021, which was extended to non-subsidised mortgage loans with a fixed interest rate for a maximum period of 5 years from 1 January 2022, and from 1 November 2022 to non-subsidised mortgage loans with a fixed interest rate for a maximum period of 5 years. The government's interest rate freeze has been extended every six months since its introduction, with the most recent,

Government Decree 374/2024 (XII.2.), which entered into force on 3 December 2024, extended the duration of the interest rate freeze until 30 June 2025.

Essential elements of the Interest rate freeze:

- The legislation maximised the reference interest rate applied at the rate in force on 27 October 2021.
- In the case of mortgage loans with an interest rate linked to the reference rate, which are subject to the Regulation, the Regulation stipulates that the reference rate shall be fixed at the rate applicable on the day of the end of 2022. 1 January 2022 to 30 June 2025, it shall not be higher than the contractual reference rate in force on 27 October 2021, the date of entry into force of the Regulation, i.e. the date on or before 1 January 2022.
- In the case of non-subsidized mortgage loans granted at a fixed interest rate for a maximum period of five years, the interest payable by the customer shall be determined at the interest rate turnaround date for the period from 1 November 2022 to 30 June 2025, if the reference rate in the contractual interest rate variation index on the interest rate turnaround date is higher than the rate on 27 October 2021, the lower reference rate on 27 October 2021 shall be used for the calculation instead of the higher rate.

The Mortgage Bank regards the temporary reduction of the reference rate by regulation as a change in the interest cash flow of the loan, which results in a renegotiation or modification of the contractual cash flow of the financial instrument. In accordance with the above, the Mortgage Bank determined the net present value of the affected loans by taking into account the cash flows under the regulations and recorded the difference between the recalculated net present value and the unadjusted value as a loss on contract modification - Loss amounts are presented within the statement of profit or loss under line item Impairment and losses on credit products - every financial year starting from the financial year 2021. In calculating the original unadjusted net present value, the Mortgage Bank made assumptions about the evolution of the benchmark interest rate over the period of the interest rate freeze.

The contract modification loss amounts that result from the calculations are recognized when the measures are implemented and, unlike the payment moratoria, the loss value is not reviewed during the term of the measures because, unlike the payment moratorium, the post-modification cash flows for the interest rate freeze are known and do not contain uncertainty. As a consequence, contract modification losses recognised at the time of the measures are reversed through increased interest income in the profit and loss account during the period of the measures. Unamortised contract modification losses at year-end reduce the gross amount of customer receivables.

Impact of interest rate freeze on the Mortgage bank's statement of profit and loss

Item description	2024	2023
Modification losses recognised on loans in connection with interest rate freeze	(62)	(160)
Total	(62)	(160)

6.3 Extra profit tax

In the framework of Government Decree 197/2022 (VI.4.), a new temporary tax - called the extra profit tax - was introduced in 2022 to preserve the balance of public finances.

When introduced, the extra tax for credit institutions will be based on the net turnover determined on the basis of the annual accounts of the preceding tax year, in accordance with the Local Taxes Act. The special tax rate is 10% in 2022 and 8% for the first half of 2023.

Government Decree 144/2023 (IV.24.) amended the base and the rate of the extra profit tax for the second half of 2023. Accordingly, for 2023, two methods of tax assessment were in force. Accordingly to Local Tax Act in the first half of the year, the taxable amount was 50% of the net turnover in 2022, on which the tax liability was set at 8% while in the second half of the year, the tax base was 50% of the pre-tax profit

determined on the basis of the 2022 annual accounts, with a graduated tax rate of 13% for the part not exceeding HUF 10 billion and 30% for the part exceeding HUF 10 billion.

The detailed rules for the extra profit tax payable in 2024 were laid down by the Government in Government Decrees 206/2023 (V.31.) and 183/2024 (VII.8.). In 2024 the tax base remains the pre-tax profit of 2022, while the tax rate is 13% for the part of the tax base not exceeding HUF 20 billion and 30% for the amount above this. According to the decree, if the average daily stock of Hungarian government bonds held by a credit institution maturing after 1 January 2027 increases in comparison with the average daily stock of Hungarian government bonds maturing after 1 January 2027 between 1 January 2023 and 30 April 2023, calculated taking into account the nominal values, the credit institution may reduce its liability to pay the special tax due until 10 December 2024, up to the limits set out in the decree. The reduction may take into account the increase in the nominal value of the holdings of government securities up to the amount by which the credit institution increases the average daily holdings of all the government securities held by it, also calculated taking into account the nominal values, as determined for the above periods. Based on these legal provisions, the Mortgage Bank shall be entitled to receive HUF 76 million in 2024. (2023: HUF 119 million), which is recognised in general operating expenses.

Government Decree 356/2024 (XI.21.) also regulated the extra profit tax payment obligation for 2025, which determines the tax base in the pre-tax profit determined on the basis of the annual accounts for 2023, while the rate was changed to 7% for the part of the tax base not exceeding HUF 20 billion and to 18% for the amount above this. According to the decree, the credit institution must calculate the tax on the average daily stock of Hungarian government bonds maturing after 1 January 2029 in relation to the average daily stock of Hungarian government bonds held by it between 1 September 2024 and 30 November 2024 (or, if the average daily stock between 1 January 2023 and 30 April 2023 is higher, then in relation to the average daily stock between 1 January 2025 and 30 April 2025). 30 November 2025, may reduce its liability to pay the special levy due up to 10 December 2025 up to the limits laid down in the Regulation, provided that the average daily holdings of all government securities held by the credit institution, also calculated by reference to their nominal values, as determined for the above periods, increase.

7 **Net interest income**

Interest and similar income	2024	2023
Interest income calculated using the effective interest method		
Interest income from banks	31,720	46,342
Interest income from customers	287	451
Interest income on securities at fair value through other comprehensive income	280	178
Interest income on securities at amortised cost	2,803	4,793
Total	35,090	51,764
Other interest income		
Interest income on hedge accounting	8,158	7,973
Total	8,158	7,973
Total interest income	43,248	59,737

Interest expense and similar charges	2024	2023
Interest expense to banks	(8,522)	(14,743)
Interest expense on hedge accounting	(13,318)	(23,051)
Interest expense to customers	(2)	(1)
Interest expense on issued bonds	(15,489)	(15,991)
Total interest expense	(37,331)	(53,786)
Net interest income	5,917	5,951

8 Net fee and commission expense

Fees and commission income	2024	2023
Other financial services fees and commissions	-	-
Total		-

Fees and commission expense	2024	2023
Financial guarantee fees	(361)	(342)
Custody service fees	(24)	(31)
Mortgage bond issuance fees	(60)	(59)
Other financial services fees and commissions	(5)	(6)
Total	(450)	(438)
Net fee and commission income / (expense)	(450)	(438)

Financial guarantee fees are paid in connection with the guarantee agreement concluded between UniCredit Bank Hungary Zrt. and the Mortgage bank.

9 Net gain and loss on foreign exchange

Description	2024	2023
Gain/(Loss) on foreign exchange	10	(17)
Total	10	(17)

10 Net gain and loss on hedge accounting

Description	2024	2023
Net change in the fair value of hedging interest rate swaps and the hedged instruments	81	(664)
Result (CVA, DVA, FuVA, FVA) of hedging derivative instruments	21	(687)
Total	102	(1,351)

The Net gain and loss on hedge accounting decreased in 2024 compared to the previous year mainly due to the normalization in the yield environment. The decrease in yields contributed to a smaller revaluation difference on the floater leg of interest rate swaps, which in turn resulted in a decrease in the revaluation in absolute terms.

11 Personnel expenses

Description	2024	2023
Wages and personal payments	(97)	(98)
Statutory social-security contributions	(6)	(7)
Other employee allocations/benefits	(1)	(1)
Total	(104)	(106)

The number of employees (in full time equivalent) was 2 on 31 December 2024 (2023: 2 employees).

12 General operating expenses

Description	2024	2023
Tax expense	(12)	(10)
Special bank tax	(79)	(88)
Fees to authorities	(20)	(22)
Renting costs and operating expenses of property	(5)	(3)
Information technology costs	(47)	(46)
Extra profit tax	(76)	(119)
Audit fees	(83)	(81)
Fees of outsourced activities	(117)	(63)
Other administrative costs	(42)	(15)
Total	(481)	(447)

The fees charged by KPMG Hungária Kft. in 2024 for audit related services are HUF 16.9 million (2023: HUF 13.7 million), other assurance services are HUF 7.4 million (2023: HUF 0 million), and no other service fees were charged in any year (fees are net).

13 Other income and other expense

Other income	2024	2023
Other	2	6
Total	2	6

Other expense	2024	2023
Other	(59)	(5)
Total	(59)	(5)
Other result	(57)	1

14 Taxation

The tax charge for the year is based on the profit for the year according to the statutory accounts of the Mortgage bank as adjusted for relevant taxation regulations.

The corporate income tax rate is 9% (also 9% in 2023), the local business tax rate is 2% of the tax base (also 2% in 2023), the innovation contribution is 0.3% of the tax base (also 0.3% in 2023). Details on current and deferred taxation are provided in Note 3.15.

The Mortgage bank's income tax expense for 2024 and 2023 is as follows:

Tax expense for the year	2024	2023
Current corporate tax expense	402	318
Current local business tax expense	117	120
Current innovation contribution	18	21
Total	537	459
Deferred tax charge	-	-
Total income tax expense in statement of profit or loss	537	459

Reconciliation of effective tax rate	2024		2023	
	(%)	(Million HUF)	(%)	(Million HUF)
Profit before tax		4,638		3 719
Expected income tax based on tax rates of income taxes	11.3	524	11.3	420
Effect of different tax base of local business tax and innovation contribution	0.7	28	1.5	56
Tax effects of income/expenses exempt from corporate tax	-	-	(0.0)	(1)
Movements in temporary differences during the year	-	-	-	-
Loss used by the corporate tax group in the current year Amount of loss per company	(0.1)	(3)	(0.1)	(3)
Tax base correction impact of local business tax and innovation tax	(0.3)	(12)	(0.3)	(13)
Total	11.6	537	12.4	459

	2024			2023		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Balances associated with taxation						
Current tax assets / (liabilities)	1	(222)	(221)	-	(203)	(203)
Deferred tax assets / (liabilities)						
Securities at fair value through other comprehensive income	-	(8)	(8)	-	(1)	(1)
Effect of items, increasing/(decreasing) the local tax base	1	-	1	1	-	1
Netting effect	(1)	1	-	(1)	1	-
Total deferred tax assets / (liabilities)	-	(7)	(7)	-	-	-
Total tax assets / (liabilities)	1	(229)	(228)	-	(203)	(203)
Securities at fair value through other comprehensive income - Local Business Tax and Innovation Contribution	-	(2)	(2)	-	-	-
Total deferred tax assets / (liabilities) - Local Business Tax and Innovation Contribution	-	(2)	(2)	-	-	-
Total tax assets / (liabilities) - Corporate Income Tax, Local Business Tax and Innovation Contribution combined	1	(231)	(230)	-	(203)	(203)

Movements in temporary differences during the year 2024	Opening balance	Recognised in the Statement of profit or loss	Recognised in OCI	Closing balance
Securities at fair value through other comprehensive income	(1)	-	(7)	(8)
Securities at fair value through other comprehensive income - Local Business Tax and Innovation Contribution	-	-	(2)	(2)
Effect of items, increasing/(decreasing) the local tax base	1	-	-	1
Total deferred tax assets / (liabilities)	-	-	(9)	(9)

Movements in temporary differences during the year 2023	Opening balance	Recognised in the Statement of profit or loss	Recognised in OCI	Closing balance
Securities at fair value through other comprehensive income	(17)	-	16	(1)
Effect of items increasing/(decreasing) the local tax base	1	-	-	1
Total deferred tax assets / (liabilities)	(16)	-	16	-

The Mortgage Bank is subject to the global minimum top-up tax under Pillar Two tax legislation as an UniCredit Group entity operating in Hungary. The top-up tax relates to the Mortgage Bank's operations in Hungary as well, where the corporate income tax rate is 9 percent, the upper limit of local business tax rate is 2 percent and the innovation contribution is 0.3 percent, which are considered covered taxes under Hungarian legislation. The base of the local business tax and the innovation contribution is significantly higher than the corporate income tax base, therefore the effective tax rate calculated under the global minimum top-up tax system for UniCredit entities operating in Hungary is above 15 percent, accordingly the profit relating to the Mortgage Bank in Hungary for the year ended 31 December 2024 is not subject to the global minimum top-up tax.

15 Cash and cash equivalents

Description	2024	2023
Nostros at other banks	8,157	6,575
Impairment on cash and cash equivalents	(4)	(1)
Total	8,153	6,574

16 Hedging derivative instruments

Hedging derivative assets	2024	2023
Interest rate swaps	4,144	5,196
Valuation adjustments (FVA, CVA, FuVA)	(85)	(226)
Total	4,059	4,970

Hedging derivative liabilities	2024	2023
Interest rate swaps	15,090	16,853
Valuation adjustments (FVA, DVA, FuVA)	(239)	(358)
Total	14,851	16,495

Further details on hedging derivatives are disclosed in Note 33. The Group applies the possibilities of IFRS 9 according to paragraph 7.2.21, based on which the Group applies IAS 39 going forward in case of hedge accounting.

17 Loans and advances to banks

Description	2024	2023
Mortgage covered loans and other advances to other banks at amortised cost	350,355	366,367
Impairment on loans and advance to banks	(422)	(78)
Total	349,933	366,289

The main activity of the Mortgage bank is to provide mortgage-backed refinancing to commercial banks, demand for which is primarily generated by compliance with the required level of the Mortgage Coverage Ratio (JMM), a supervisory indicator introduced by the National Bank of Hungary. The Mortgage Bank presents the assets arising from refinanced loan portfolios mostly belonging to the collateral pool of issued mortgage bonds within Loans and advances to banks in the statement of financial position.

Further information on these assets is presented in Note 36.

18 Loans and advances to customers

Description	2024	2023
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Loans and advances to customers at amortised cost	1,718	2,214
Provision for impairment and losses	41	(70)
Total	1,759	2,144

The Mortgage bank classifies loans and advances to customers at amortised cost.

The positive balance of provision for impairment and losses at 31 December 2024 is caused by the write-back of the initial impairment of POCI financial instruments (recognized in the gross value of the financial instruments) to an extent greater than normal impairment.

18.1 Analysis by industrial sector:

Description	2024	%	2023	%
Private clients	1,683	97.96	2,172	98.13
Agriculture	35	2.04	41	1.87
Total	1,718	100.00	2,214	100.00

The total amount is presented gross of provision for impairment losses.

Loans and advances to customers are presented in more details in Note 36.

19 Investment securities

Investment securities at fair value through other comprehensive income	2024	2023
Government bonds	6,369	4,406
Total	6,369	4,406

Investment securities at amortised cost	2024	2023
Government bonds at amortised cost	42,209	42,268
Impairment	(13)	(14)
Total	42,196	42,254
Total investment securities	48,565	46,660

The total market value of investments securities at amortised cost was HUF 42,664 million as at 31 December 2024 (2023: HUF 42,635 million). No sales of investment securities at amortised cost took place in 2024 and 2023.

20 Intangible assets

Movement in intangible assets

2024	Acquisition cost at the beginning of the year	Accumulated amortisation at the beginning of the year	Additions	Net disposals	Other movement	Amortisation for the current year	Carrying amount at the end of the year
Software	739	(731)	-	-	(3)	(2)	3
Other intangible assets	-	-	-	-	-	-	-
Total	739	(731)	-	-	(3)	(2)	3

2023							
Software	739	(730)	-	-	-	(1)	8
Other intangible assets	-	-	-	-	-	-	-
Total	739	(730)	-	-	-	(1)	8

21 Other assets

Description	2024	2023
Other financial assets		
Trade receivables, advanced payments, other demands	8	7
Receivables from State Treasury	179	180
Other financial assets total	187	187
Other non-financial assets		
Accrued income and prepaid expenses	231	194
Other non-financial assets total	231	194
Total	418	381

Receivables from State Treasury are comprised of receivables stemming from interest subsidies related to subsidised loans.

Furthermore, the Mortgage bank presents trade receivables and other demands pending settlement within Other financial assets.

22 Deposits from banks

Description	2024	2023
Deposits from other banks	95,385	124,873
Total	95,385	124,873

The Mortgage bank does not have past due debt.

23 Deposits from customers

Description	2024	2023
Ongoing cash equivalents, settlement accounts	113	127
Total	113	127

The above balances include customer transit accounts. Amounts included in customer transit accounts are held pending clarification and completion of transactions with customers undertaken in the ordinary course of business. Deposits from customers are presented at amortized cost.

24 Issued debt securities

Description	2024	2023
Issued mortgage bonds (*)	274,341	258,356
Issued bonds (**)	3,901	3,723
Total	278,242	262,079

The Mortgage bank measures the issued bonds at amortised cost partly adjusted for hedging gains/losses, partly at amortised cost.

(*) Development of the Mortgage bank's mortgage bond portfolio in 2024:

Total mortgage bond volume at nominal value increased to HUF 281,13 billion by end- 2024 from HUF 262.96 billion at the end of 2023. The increase in carrying value in 2024 was also influenced by fair value hedge revaluation, moderately decreased it. At the end of 2024, the portfolio consisted of fixed-rate mortgage bonds with a nominal value of HUF 160.12 billion and variable-rate mortgage bonds with a nominal value of HUF 121.01 billion, all denominated in HUF.

At the end of 2024 the Mortgage bank had eight mortgage bond series (UCJBF 2025/A, UCJBF 2027/A, UCJBV 2027/A, UCJBF 2028/A, UCJBF 2029/A, UCJBV 2029/A, UCJBG 2029/A and UCJBG 2031/A). Fixed coupon mortgage bonds pay coupons between 1.60% and 7.50% on annual basis, while the variable-rate mortgage bonds pays coupons at 3-month BUBOR + 0.23% and +0.90%. The UCJBF 2024/A series matured on 24th October 2024. The Mortgage bank repaid all of its obligations regarding this series.

Gross mortgage bond issuance volume reached HUF 38.171 billion in 2024, while the maturing stock amounted to HUF 20 billionn. The mortgage bonds were issued on public auctions, five times in total. Within gross issuance one auctions took place with funding purposes (UCJBV 2029/A), while four additional tender aimed at providing pricing instruments for subsidized HUF loans (UCJBF 2028/A and UCJBF 2029/A).

(**) Development of the Mortgage bank's unsecured bond portfolio in 2024:

The Mortgage bank measures the issued unsecured bonds at amortised cost.

There were no changes in the Mortgage bank's issued unsecured bond portfolio in 2024.

At the end of 2024 the portfolio consisted on nominal value HUF 1.24 billion unsecured bonds denominated in forint and EUR 6.44 million bonds denominated in euro.

The Mortgage bank had two fixed coupon unsecured bond series (UCJBK 2025/A and UCJBK 2025/B) with a coupon rate of 8.3% and 3.5%, respectively.

Reconciliation of the carrying amount of issued debt securities and the respective cash-flows	2024	2023
1 st January - Opening balance	262,079	215,609
Cash inflow from mortgage bond issuance	38,160	71,146
Cash outflow from mortgage bond repayment	(20,000)	(50,300)
Net cash-flow from financing activities	18,160	20,846
Exchange rate difference	176	30
Effect of interest settlements	575	714
Changes in valuation adjustments	(2,748)	24,880
Total other changes	(1,997)	25,624
31 st December - Closing balance	278,242	262,079

The Mortgage bank had no default on principal or interest payments or other defaults on issued bonds in 2024 and 2023.

25 Other liabilities

Description	2024	2023
Accrued expenses and prepaid income	101	180
Other taxes payable	9	13
Total	110	193

26 Share capital

Description	2024	2023
Authorised and issued share capital	3,000	3,000

Share capital consists of 3,000 ordinary shares with a par value of HUF 1,000,000 each. 100% of the issued shares are held by UniCredit Bank Hungary Zrt.

The equity correlation table of the Mortgage bank based on paragraph 114/B of Act on Accounting as at 31 December 2024:

31 December 2024	Share capital	Share premium	Retained Earnings and other reserve	Statutory reserve	Valuation reserve	Tied-up reserve	Net profit	Total
Shareholder's equity elements as per IFRS	3,000	783	20,172					23,955
Other comprehensive income	-	-	(76)		76			-
Net profit for the year	-	-	(4,101)	-	-	-	4,101	-
Statutory reserve	-	-	(2,289)	2,289	-	-	-	-
Shareholder's equity elements as per Act C of 2000 on Accounting	3,000	783	13,706	2,289	76	-	4,101	23,955

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

31 December 2023	Share capital	Share premium	Retained Earnings and other reserve	Statutory reserve	Valuation reserve	Tied-up reserve	Net profit	Total
Shareholder's equity elements as per IFRS	3,000	783	19,267					23,050
Other comprehensive income	-	-	(12)	-	12	-	-	-
Net profit for the year	-	-	(3,260)	-	-	-	3,260	-
Statutory reserve	-	-	(1,879)	1,879	-	-	-	-
Shareholder's equity elements as per Act C of 2000 on Accounting	3,000	783	14,116	1,879	12	-	3,260	23,050

28 *Other provisions*

Provision movement on non-credit risk items	
Other provisions	
Balance as at 1 January 2024	6
Provisions made during the year	4
Provisions used during the year	(6)
Provisions released during the year	-
Balance as at 1 January 2024	4

The net balance of other provisions (made) and utilisation/release is shown in the income statement below:

Wages and personal payments	2
Statutory social-security contributions	-
Total impact of movements in the result for the year	2

29 *Commitments and contingent liabilities*

At 31 December 2024 and at 31 December 2023, the Mortgage bank had no any commitments and contingent liabilities.

30 Currency structure of assets and liabilities

The currency structure of assets and liabilities as at 31 December 2024 is as follows:

Currency	Assets	Liabilities and equity	and Off balance sheet net	Total net FX exposure long / (short)
Euro	25,967	25,795	-	172
Swiss francs	47	9	-	38
Total foreign currency	26,014	25,804	-	210
Hungarian forint	386,877	387,087	-	(210)
Total	412,891	412,891	-	-

The currency structure of assets and liabilities as at 31 December 2023 is as follows:

Currency	Assets	Liabilities and equity	and Off balance sheet net	Total net FX exposure long / (short)
Euro	26,165	26,044	-	121
Swiss francs	43	9	-	34
Total foreign currency	26,208	26,053	-	155
Hungarian forint	400,818	400,973	-	(155)
Total	427,026	427,026	-	-

31 Residual contractual maturities of financial assets and liabilities

Non-derivative assets as at 31 December 2024	Carrying amount	Gross nominal inflow / (outflow) (*)	Less than 1 month	1-3 months	3 months- 1 year	1 year - 5 years	More than 5 years
Cash and cash equivalents	8,153	8,153	8,153	-	-	-	-
Investment securities	48,565	59,642	254	299	1,934	50,460	6,695
Loans and advances to banks	349,933	368,265	3,673	7,251	32,641	148,064	176,636
Loans and advances to customers	1,759	2,346	42	64	273	987	980
Total	408,410	438,406	12,122	7,614	34,848	199,511	184,311

Non-derivative liabilities as at 31 December 2024							
Deposits from banks	(95,385)	(102,458)	-	(9,126)	(35,029)	(58,303)	-
Deposits from customers	(113)	(113)	(113)	-	-	-	-
Issued debt securities	(278,242)	(347,447)	(2,113)	(1,500)	(23,291)	(290,228)	(30,315)
Total	(373,740)	(450,018)	(2,226)	(10,626)	(58,320)	(348,531)	(30,315)

Cash-flows from derivative positions as at 31 December 2024							
Risk management	(10,792)	(12,251)	(1,133)	(754)	(1,208)	(8,150)	(1,006)
Total	(10,792)	(12,251)	(1,133)	(754)	(1,208)	(8,150)	(1,006)

Net (assets – liabilities)	23,878	(23,863)	8,763	(3,766)	(24,680)	(157,170)	152,990
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(*) Gross cash flows include future flows of principal and interest. For interest rates not yet fixed, the interest is determined by forward yield curves, so that the rate of interest cash flows depends on the yield curve.

Non-derivative assets as at 31 December 2023	Carrying amount	Gross nominal inflow / (outflow) (*)	Less than 1 month	1-3 months	3 months- 1 year	1 year - 5 years	More than 5 years
Cash and cash equivalents	6,574	6,574	6,574	-	-	-	-
Investment securities	46,660	58,890	476	356	2,135	35,973	19,950
Loans and advances to banks	366,289	390,327	7,350	4,722	23,171	149,914	205,170
Loans and advances to customers	2,144	2,972	43	68	281	1,313	1,267
Total	421,667	458,763	14,443	5,146	25,587	187,200	226,387

Non-derivative liabilities as at 31 December 2023							
Deposits from banks	(124,873)	(138,621)	(725)	-	(40,530)	(97,366)	-
Deposits from customers	(127)	(127)	(127)	-	-	-	-
Issued debt securities	(262,079)	(314,045)	(648)	-	(31,312)	(200,893)	(81,192)
Total	(387,079)	(452,793)	(1,500)	-	(71,842)	(298,259)	(81,192)

Cash-flows from derivative positions as at 31 December 2023							
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Risk management	(11,525)	(12,409)	(619)	(6,798)	(3,233)	(2,688)	929
Total	(11,525)	(12,409)	(619)	(6,798)	(3,233)	(2,688)	929
Net (assets – liabilities)	23,063	(6,439)	12,324	(1,652)	(49,488)	(113,747)	146,124

(*) Gross cash flows include future flows of principal and interest. For interest rates not yet fixed, the interest is determined by forward yield curves, so that the rate of interest cash flows depends on the yield curve.

32 Exposure to interest rate risk – non-trading portfolios

In the following table describing the interest rate gap position of the Mortgage bank on non-trading portfolios, fixed rate financial instruments are presented based on the maturity date and floating rate financial instruments are presented based on the next repricing date. In case of derivatives held for risk management purposes, the notional amounts are presented for the adequate representation of interest rate risk, carrying value is not populated.

31 December 2024	Carrying amount	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	More than 5 years
Cash and cash equivalents	8,153	8,153	-	-	-	-
Loans and advances to banks	349,933	13,814	249,092	22,275	61,398	3,354
Loans and advances to customers	1,759	12	1,251	222	227	47
Investment securities	48,565	16,092	9,873	2,773	15,678	4,149
Total	408,410	38,071	260,216	25,270	77,303	7,550
Deposits from banks	(95,385)	(60,172)	(35,213)	-	-	-
Deposits from customers	(113)	(113)	-	-	-	-
Issued debt securities	(278,242)	(118,125)	(468)	(6,632)	(124,817)	(28,200)
Total	(373,740)	(178,410)	(35,681)	(6,632)	(124,817)	(28,200)
Effect of derivatives held for risk management	-	(76,121)	(14,432)	1,431	67,968	21,154
Total exposure to interest rate risk	34,670	(216,460)	210,103	20,069	20,454	504

31 December 2023	Carrying amount	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	More than 5 years
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Cash and cash equivalents	6,574	6,574	-	-	-	-
Loans and advances to banks	366,289	7,883	258,990	25,170	30,687	43,559
Loans and advances to customers	2,144	-	1,419	370	294	61
Investment securities	46,660	15,941	9,853	-	14,282	6,584
Total	421,667	30,398	270,262	25,540	45,263	50,204
Deposits from banks	(124,873)	(1,535)	(10,745)	(89,755)	(22,838)	-
Deposits from customers	(127)	(127)	-	-	-	-
Issued debt securities	(262,079)	(82,603)	-	(23,588)	(112,401)	(43,487)
Total	(387,079)	(84,265)	(10,745)	(113,343)	(135,239)	(43,487)
Effect of derivatives held for risk management	-	(89,550)	(13,300)	10,000	36,300	56,550
Total exposure to interest rate risk	208,438	(143,417)	246,217	(77,803)	(53,676)	63,267

The re-pricing techniques and principles applied for qualification by the Mortgage bank are described in detail in Note 4. above.

33 Derivative financial instruments held for hedging purposes

The notional values of hedging derivative financial instruments of the Mortgage bank in the following tables are presented in accordance with how the notional values are represented in the Mortgage bank's accounting records. This means that in case of a swap instrument (interest rate swap – IRS) the notional value of both the pay and receive legs of the derivative financial instruments are presented summarized in absolute terms in order to reflect the different interest and value determination method of the pay/receive (fix/float) legs of the derivative financial instrument.

Maturity breakdown of nominal value as at 31 December 2024

Hedging	Nominal value			
	2024			
	Less than 3 months	3 months to 1 year	Over 1 year	Total
Risk exposure				
Interest rate derivatives				
Fair value hedging derivative	-	9,000	322,700	331,700
Interest rate swap (IRS)	-	9,000	322,700	331,700
IRS hedging investment securities	-	-	45,000	45,000
Average fixed rate (%)	-	-	3.21	3.21
IRS hedging loans	-	-	30,000	30,000
Average fixed rate (%)	-	-	8.90	8.90
IRS hedging an own-issue bond	-	9,000	247,700	256,700
Average fixed rate (%)	-	1.26	3.78	3.70
Cash-flow hedging derivative	-	-	-	-
Interest rate swap (IRS)	-	-	-	-
FRA	-	-	-	-
Other				
Total	-	9,000	322,700	331,700

Maturity breakdown of nominal value as at 31 December 2023

Hedging	Nominal value			
	2023			
	Less than 3 months	3 months to 1 year	Over 1 year	Total
Risk exposure				
Interest rate derivatives				
Fair value hedging derivative	-	20,000	327,700	347,700
Interest rate swap (IRS)	-	20,000	327,700	347,700
IRS hedging investment securities	-	-	41,000	41,000
Average fixed rate (%)	-		2.96	2.96
IRS hedging loans	-	-	30,000	30,000
Average fixed rate (%)	-	-	8.90	8.90
IRS hedging an own-issue bond	-	20,000	256,700	276,700
Average fixed rate (%)	-	2.20	3.70	3.59
Cash-flow hedging derivative	-	-	-	-
Interest rate swap (IRS)	-	-	-	-
FRA	-	-	-	-
Other	-	-	-	-
Total	-	20,000	327,700	347,700

Fair value and related adjustments of derivative financial instruments held for hedging purposes as at 31 December 2024 and as at 31 December 2023:

	Fair value		FVA*		CVA/DVA**		FuVA***	
	2024		2024		2024		2024	
	Asset	Liability	Asset	Liability	Asset	Liability	Asset	Liability
Risk exposure								
Interest rate derivatives								
Fair value hedging derivatives	4,211	(15,090)	(67)	-	(44)	126	(41)	113
Interest rate swaps	4,211	(15,090)	(67)	-	(44)	126	(41)	113
Cash-flow hedging derivatives	-	-	-	-	-	-	-	-
Interest rate swap	-	-	-	-	-	-	-	-
FRA	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total	4,211	(15,090)	(67)	-	(44)	126	(41)	113

	Fair value		FVA*		CVA/DVA**		FuVA***	
	2023		2023		2023		2023	
	Asset	Liability	Asset	Liability	Asset	Liability	Asset	Liability
Risk exposure								
Interest rate derivatives								
Fair value hedging derivatives	5,323	(16,853)	(127)	-	(132)	210	(94)	148
Interest rate swaps	5,323	(16,853)	(127)	-	(132)	210	(94)	148
Cash-flow hedging derivatives	-	-	-	-	-	-	-	-
Interest rate swap	-	-	-	-	-	-	-	-
FRA	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total	5,323	(16,853)	(127)	-	(132)	210	(94)	148

*Fair Value Adjustment; **Credit/Debit Valuation Adjustment; ***Funding Valuation Adjustment

The following amounts have been recognised in connection with derivative financial instruments used for hedging purposes, hedged instruments and hedge ineffectiveness in 2024.

2024 – Derivatives held for hedging purposes			
Line item in the statement of financial position where the hedging instrument is included	Change in fair value used for calculating hedge ineffectiveness for 2024	Ineffectiveness recognised in profit or loss*	Line item in profit or loss that includes hedge ineffectiveness
Hedging derivative assets	(2,065)	59	Net gain and loss on hedging instruments
Hedging derivative liabilities	831	21	Net gain and loss on hedging instruments

2024 – Hedged instruments				
Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of hedged item**		Line item in the statement of financial position in which the hedged item is included	Change in value used for calculating hedge ineffectiveness for 2024	Accumulated amount of fair value hedge adjustments remaining in the statement of financial position for any hedged items that have ceased to be adjusted for hedging gains and losses
Assets	Liabilities			
(1,564)	-	Investment securities	(68)	-
1,080	-	Loans and advances to banks	(758)	-
-	12,651	Issued debt securities	2,140	-

*Ineffectiveness amount recognised in the statement of profit and loss are calculated using fair values excluding valuation adjustments (CVA, DVA, FuVA). Net gain and loss on hedging instruments (Note 10) presented in the statement of profit and loss is the sum of hedging ineffectiveness shown in this table and of valuation adjustments such as CVA, DVA and FuVA.

**Cumulative fair value hedge differences included in the carrying amount of hedged instruments are presented on an accrual basis for both assets and liabilities, i.e. positive numbers represent gains (increasing assets or decreasing liabilities) and negative numbers represent losses (decreasing assets or increasing liabilities).

The following amounts have been recognised in connection with derivative financial instruments used for hedging purposes, hedged instruments and hedge ineffectiveness in 2023.

2023 – Derivatives held for hedging purposes			
Line item in the statement of financial position where the hedging instrument is included	Change in fair value used for calculating hedge ineffectiveness for 2023	Ineffectiveness recognised in profit or loss*	Line item in profit or loss that includes hedge ineffectiveness
Hedging derivative assets	20,500	3,107	Net gain and loss on hedging instruments
Hedging derivative liabilities	(1,142)	(3,771)	Net gain and loss on hedging instruments

2023 – Hedged instruments				
Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of hedged item**		Line item in the statement of financial position in which the hedged item is included	Change in value used for calculating hedge ineffectiveness for 2022	Accumulated amount of fair value hedge adjustments remaining in the statement of financial position for any hedged items that have ceased to be adjusted for hedging gains and losses
Assets	Liabilities			
(1,634)	-	Investment securities	4,008	-
1,838	-	Loans and advances to banks	1,838	-
-	10,511	Issued debt securities	(25,868)	-

*Ineffectiveness amount recognised in the statement of profit and loss are calculated using fair values excluding valuation adjustments (CVA, DVA, FuVA). Net gain and loss on hedging instruments (Note 10) presented in the statement of profit and loss is the sum of hedging ineffectiveness shown in this table and of valuation adjustments such as CVA, DVA and FuVA.

**Cumulative fair value hedge differences included in the carrying amount of hedged instruments are presented on an accrual basis for both assets and liabilities, i.e. positive numbers represent gains (increasing assets or decreasing liabilities) and negative numbers represent losses (decreasing assets or increasing liabilities).

34 Fair value information of financial instruments

34.1. Financial instruments measured at fair value – fair value hierarchy

The below tables provide a breakdown of financial instruments measured at fair value based on the level of inputs used for valuation purposes in the fair value hierarchy. The amounts in the tables are based on the statement of financial position.

31 December 2024	Note	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value					
Hedging derivative financial assets					
Interest rate risk	16	-	4,059	-	4,059
Financial assets measured at fair value through other comprehensive income					
Investment securities	19	6,369	-	-	6,369
Total financial assets measured at fair value		6,369	4,059	-	10,428
Financial liabilities measured at fair value					
Hedging derivative financial liabilities					
Interest rate risk	16	-	14,851	-	14,851
Total financial liabilities measured at fair value		-	14,851	-	14,851

31 December 2023	Note	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value					
Hedging derivative financial assets					
Interest rate risk	16	-	4,970	-	4,970
Financial assets measured at fair value through other comprehensive income					
Investment securities	19	4,406	-	-	4,406
Total financial assets measured at fair value		4,406	4,970	-	9,376
Financial liabilities measured at fair value					
Hedging derivative financial liabilities					
Interest rate risk	16	-	16,495	-	16,495
Total financial liabilities measured at fair value		-	16,495	-	16,495

The Mortgage bank uses the following valuation techniques and key inputs when determining the fair value of financial instruments:

Type of financial instrument	Fair value hierarchy	Valuation techniques and key inputs
Interest rate swap (SC IRS)	Level 2	Discounted cash flow method is used. The two future cash flows are estimated based on forward interest rate (from observable yield curves at the end of the reporting period) and the contractual interest rate and are both discounted. Credit valuation adjustments (CVAs) and debit valuation adjustments (DVAs) are incorporated into derivative valuations to reflect the impact on fair value of counterparty credit risk and UniCredit own credit quality respectively. Financial model based FVA is used for the valuation of derivatives as well.
Bonds	Level 1	Marked-to-market valuation based on quotation prices observed in active markets (e.g. Reuters, Bloomberg). Close-out fair value adjustments apply.
Issued bonds	Level 2	Marked-to-model model-based valuation using pricing curves which incorporate data from liquid issued bonds by local mortgage banks. Liquidity and close-out fair value adjustments apply.
Issued bonds	Level 3	Marked-to-model model-based valuation based on inputs relying on not observable market information (for example using significant valuation adjustments). Liquidity and close-out fair value adjustments apply.
Loans and advances to banks	Level 2	Discounted cash flow method is used. In estimating fair value, quoted prices for similar instruments are available in active markets, or quoted prices for identical or similar instruments are available in markets that are not active, or the valuation is based on a valuation model in which all significant inputs and significant value factors are observable directly or indirectly in an active market.
Loans and advances to banks	Level 3	Discounted cash flow method is used. In estimating fair value, the valuation is based on a valuation model in which one or more significant inputs and significant value factors is not observable in the markets (for example non-performing loans)

Type of financial instrument	Fair value hierarchy	Valuation techniques and key inputs
Loans and advances to customers	Level 2	Discounted cash flow method is used. In estimating fair value, quoted prices for similar instruments are available in active markets, or quoted prices for identical or similar instruments are available in markets that are not active, or the valuation is based on a valuation model in which all significant inputs and significant value factors are observable directly or indirectly in an active market.
Loans and advances to customers	Level 3	Discounted cash flow method is used. In estimating fair value, the valuation is based on a valuation model in which one or more significant inputs and significant value factors is not observable in the markets (for example non-performing loans)
Deposits from banks	Level 2	Discounted cash flow method is used. In estimating fair value, quoted prices for similar instruments are available in active markets, or quoted prices for identical or similar instruments are available in markets that are not active, or the valuation is based on a valuation model in which all significant inputs and significant value factors are observable directly or indirectly in an active market.
Deposits from banks	Level 3	Discounted cash flow method is used. In estimating fair value, the valuation is based on a valuation model in which one or more significant inputs and significant value factors is not observable in the markets.
Deposits from customers	Level 2	Discounted cash flow method is used. In estimating fair value, quoted prices for similar instruments are available in active markets, or quoted prices for identical or similar instruments are available in markets that are not active, or the valuation is based on a valuation model in which all significant inputs and significant value factors are observable directly or indirectly in an active market.
Deposits from customers	Level 3	Discounted cash flow method is used. Fair value is estimated using a valuation model in which one or more significant inputs or significant value drivers are not observable in the market.

34.2 Level 3

34.2.1 Level 3 fair value disclosures – Level 3 reconciliation

The Mortgage bank did not possess any financial instruments measured at fair value belonging to the Level 3 fair value hierarchy at the balance sheet dates of 31 December 2024 and 31 December 2023 nor at any point during the years 2024 and 2023.

34.2.2 Unobservable inputs used in determining Level 3 fair value

The Mortgage bank did not possess any financial instruments measured at fair value belonging to the Level 3 fair value hierarchy at the balance sheet dates of 31 December 2024 and 31 December 2023 nor at any point during the years 2024 and 2023.

34.3. Financial instruments not measured at fair value

The below tables provide a breakdown of financial instruments that are not measured at fair value based on the level of inputs used for valuation purposes in the fair value hierarchy.

31 December 2024	Note	Level 1	Level 2	Level 3	Total fair value	Carrying amount
Financial assets not measured at fair value						
Cash and cash equivalents	15	-	8,157	-	8,157	8,153
Loans and advances to banks	17	-	275,896	74,647	350,543	349,933
Loans and advances to customers measured at amortized cost	18	-	278	1,415	1,693	1,759
Investment securities measured at amortized cost	19	42,664	-	-	42,664	42,196
Total financial assets not measured at fair value		42,664	284,331	76,062	403,057	402,041
Financial liabilities not measured at fair value						
Deposits from banks	22	-	95,661	-	95,661	95,385
Deposits from customers	23	-	113	-	113	113
Issued debt securities	24	-	278,533	3,907	282,440	278,242

Total financial liabilities not measured at fair value		-	374,307	3,907	378,214	373,740
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The change with respect to Issued debt securities in fair value hierarchy levels is due in part to the change in valuation technique used for determining fair value (mark-to-market valuation instead of mark-to-model valuation) and in part to the increase in relative weight of observable inputs used during mark-to-market valuation.

31 December 2023	Note	Level 1	Level 2	Level 3	Total fair value	Carrying amount
Financial assets not measured at fair value						
Cash and cash equivalents	15	-	6,575	-	6,575	6,574
Loans and advances to banks	17	-	207,561	155,679	363,240	366,289
Loans and advances to customers measured at amortized cost	18	-	233	1,902	2,135	2,144
Investment securities measured at amortized cost	19	42,635	-	-	42,635	42,254
Total financial assets not measured at fair value		42,635	214,369	157,581	414,585	417,261
Financial liabilities not measured at fair value						
Deposits from banks	22	-	128,092	-	128,092	124,873
Deposits from customers	23	-	127	-	127	127
Issued debt securities	24	-	55,226	199,479	254,705	262,079
Total financial liabilities not measured at fair value		-	183,445	199,479	382,924	387,079

The following description summarises the major methods and assumptions used in estimating the fair values of financial instruments reflected in the table.

Loans: Fair value is calculated based on discounted expected future principal and interest cash flows, expected future cash flows are estimated taking into account credit risk and any indication of impairment. Expected future cash flows are estimated on a single deal basis and discounted at a rate taking into account the risk-free rate and any potential risk factors that market participants also consider. The estimated fair values of loans also reflect changes in interest rates. For non-performing loans, the fair value calculation methodology is based on an estimate of expected loss, expected payback time and risk premium.

Investments measured at amortised cost and derivatives: Fair value is based on quoted market prices at the balance sheet date without any deduction for transaction costs, where available. If a quoted market price is not available, fair value is estimated using pricing models or discounted cash flow techniques, where applicable.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate for a similar instrument at the balance sheet date. Where other pricing models are used, inputs are based on market related data at the balance sheet date.

Bank and customer deposits: The estimated fair value of fixed-maturity deposits is based on discounted future cash flows using a rate consisting of the risk-free rate and own credit spread. For demand deposits and deposits with no defined maturities, fair value is deemed to be the amount payable on demand at the balance sheet date.

Long-term debt: The fair value is based on quoted market prices, if available. For debt instruments without quoted prices the fair value is estimated as the present value of future cash flows, discounted at market interest rates available at the balance sheet date.

35 Balances outstanding and transactions with related parties

35.1 Balances outstanding with related parties

The Mortgage bank had the following balances at 31 December 2024 and conducted the following transactions in 2024 with related parties:

Assets – 31 December 2024	Balance with parent company	Balances with UniCredit subsidiaries	Balances with other related parties
Cash and cash equivalents	8,153	-	-
Loans and advances to banks	277,467	-	-
Hedging derivative assets	4,059	-	-
Other assets	2	-	-
Total	289,681	-	-

Liabilities – 31 December 2024			
Deposits from banks	95,385	-	-
Issued debt securities	71,821	-	-
Hedging derivative liabilities	14,851	-	-
Other liabilities	(72)	-	-
Retained earnings	(32)	-	-
Total	181,953	-	-

Statement of profit and loss – 2024			
Interest income calculated using the effective interest method	25,672	-	-
Other interest income	8,159	-	-
Interest expense and similar charges	(27,570)	-	-
Fee and commission expense	(392)	-	-
Impairment and losses on credit products	(77)	-	-
Net gain and loss on hedging financial instruments	(1,212)	-	-

General operating expenses	(292)	-	-
Other expenses	(57)		
Tax expense	7	-	-
Total	4,238	-	-

The above balances and transactions are outstanding with: Direct parent company: UniCredit Bank Hungary Zrt., Indirect parent company: UniCredit S.p.A, UniCredit S.p.A Hungarian Branch Office

The Mortgage bank had the following balances at 31 December 2023 and conducted the following transactions in 2023 with related parties:

Assets – 31 December 2023	Balance with parent company	Balances with UniCredit subsidiaries	Balances with other related parties
Cash and cash equivalents	6,574	-	-
Loans and advances to banks	305,318	-	-
Hedging derivative assets	4,970	-	-
Total	316,862	-	-

Liabilities – 31 December 2023			
Deposits from banks	124,873	-	-
Issued debt securities	72,055	-	-
Hedging derivative liabilities	16,495	-	-
Other liabilities	(15)	-	-
Retained earnings	(32)	-	-
Total	213,376	-	-

Statement of profit and loss – 2023			
Interest income calculated using the effective interest method	37,975	-	-
Other interest income	7,973	-	-
Interest expense and similar charges	(45,331)	-	-
Fee and commission expense	(403)	-	-

Impairment and losses on credit products	59	-	-
Net gain and loss on hedging financial instruments	18,672	-	-
General operating expenses	(163)	-	-
Tax expense	(5)	-	-
Total	18,777	-	-

The above balances and transactions are outstanding with: Direct parent company: UniCredit Bank Hungary Zrt., Indirect parent company: UniCredit S.p.A.

35.2 Compensation of key management personnel

The remuneration of the Board of Directors, the Managing Directors, and the members of the Supervisory Board was the following:

Description	2024	2023
Short-term employee benefits	27	18
Total	27	18

No loans are granted for the key management personnel.

Apart from the above, the following qualify as related parties due to their key position:

Board of Directors: Tamási Attila (CEO) Dr Juhász Viktor (internal member), Csáky Attila (external member), Borbély Árpád (external member)

Supervisory Board: Tóth Balázs, Vörös Réka, Anschau János, Ivana Lonjak Dam, Matteo Consalvi, Giacomo Volpi, Albert Johan Hulshof.

36 Exposure to credit risk

36.1 Credit quality analysis of the Mortgage bank's exposures

The tables below provide detailed information on the credit quality of financial assets, loan commitments and financial guarantees by instrument type. Financial assets measured at amortized cost or at fair value through other comprehensive income are shown at gross carrying amount before any fair value adjustments, collateral adjustments or other credit quality adjustments in each credit quality category.

31 December 2024	Average PD	Stage 1	Stage 2	Stage 3	POCI*	Total
Loans and advances to banks at amortised cost						
- Investment grade	0.001-0.305%	318,050	15,805	-	-	333,855
- Standard monitoring	0.305-99.990%	119	15,301	-	-	15,420
- Impaired	100.00%	-	-	-	-	-
Gross carrying amount		318,169	31,106	-	-	349,275
Impairment amount		(161)	(261)	-	-	(422)
Net carrying amount		318,008	30,845	-	-	348,853
Loans and advances to customers at amortised cost						
- Investment grade	0.001-0.305%	1,136	310	-	-	1,446
- Standard monitoring	0.305-99.990%	51	43	-	-	94
- Impaired	100.00%	-	-	178	-	178
Gross carrying amount		1,187	353	178	-	1,718
Impairment amount		(5)	(16)	(159)	221	41

Net carrying amount		1,182	337	19	221	1,759
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The 1-year PD of refinanced banks considerably increased due to climate-related and environmental risks and the update of forward-looking information (FLI) which together resulted the classification of some exposures as Stage 2.

*Impairment amounts presented for POCI instruments include HUF 9 million of extra impairment not related to the initial expected loss recognized for these instruments

31 December 2023	Average PD	Stage 1	Stage 2	Stage 3	POCI*	Total
Loans and advances to banks at amortised cost						
- Investment grade	0.001-0.305%	364,324	-	-	-	364,324
- Standard monitoring	0.305-99.990%	205	-	-	-	205
- Impaired	100.00%	-	-	-	-	-
Gross carrying amount		364,529	-	-	-	364,529
Impairment amount		(78)				(78)
Net carrying amount		364,451	-	-	-	364,451
Loans and advances to customers at amortised cost						
- Investment grade	0.001-0.305%	1,582	274	12	-	1,869
- Standard monitoring	0.305-99.990%	71	75	-	-	146
- Impaired	100.00%	-	-	199	-	199
Impairment amount		1,653	349	212	-	2,214
Loss provision amount		(13)	(25)	(181)	149	(70)
Net carrying amount		1,640	324	31	149	2,144

*Impairment amounts presented for POCI instruments include HUF 17 million of extra impairment not related to the initial expected loss recognized for these instruments.

31 December 2024	Average PD	Stage 1	Stage 2	Stage 3	Total
Investment securities at amortised cost					
- Investment grade	0.001-0.305%	43,773	-	-	43,773
- Speculative grade	0.305-99.990%	-	-	-	-
- Impaired	100.00%	-	-	-	-
Gross carrying amount		43,773	-	-	43,773
Impairment amount		(13)	-	-	(13)
Net carrying amount		43,760	-	-	43,760
Investment securities at fair value through other comprehensive income					
- Investment grade	0.001-0.305%	6,749	-	-	6,749
- Speculative grade	0.305-99.990%	-	-	-	-
- Impaired	100.00%	-	-	-	-
Gross carrying amount		6,749	-	-	6,749
Impairment amount		(3)	-	-	(3)
Net carrying amount		6,746	-	-	6,746

31 December 2023	Average PD	Stage 1	Stage 2	Stage 3	Total
Investment securities at amortised cost					
- Investment grade	0.001-0.305%	43,903	-	-	43,903
- Speculative grade	0.305-99.990%	-	-	-	-
- Impaired	100.00%	-	-	-	-
Gross carrying amount		43,903	-	-	43,903
Impairment amount		(14)	-	-	(14)
Net carrying amount		43,889	-	-	43,889
Investment securities at fair value through other comprehensive income					
- Investment grade	0.001-0.305%	4,717	-	-	4,717
- Speculative grade	0.305-99.990%	-	-	-	-
- Impaired	100.00%	-	-	-	-
Gross carrying amount		4,717	-	-	4,717
Impairment amount		(2)	-	-	(2)
Net carrying amount		4,715	-	-	4,715

At 31 December 2024 and at 31 December 2023, the Mortgage bank had no any commitments and contingent liabilities therefore Loss provision amount on Loan commitments, Financial guarantees is zero, it is not disclosed in tabular format.

36.2 Movement of loss provision

The tables below provide a breakdown of the movement of impairment for expected credit losses by financial instrument type. The figures presented for "Transfers" include the impairment balance at the end of the comparative period for transactions that Stage classification in the current year.

Loans and advances to banks at amortised cost	Stage 1	Stage 2	Stage 3	POCI	Total
Impairment amount as at 1 Jan 2024	(78)	-	-	-	(78)
Transfers	2	(2)	-	-	-
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	2	(2)	-	-	-
Transfer to Stage 3	-	-	-	-	-
Remeasurement of expected credit loss	(85)	(167)	-	-	(252)
Increase due to origination and purchase	(3)	(92)	-	-	(95)
Exposures derecognized in the current year	-	-	-	-	-
Write-offs	-	-	-	-	-
Unwinding effect	-	-	-	-	-
FX and other effects	3		-	-	3
Impairment amount as at 31 Dec 2024	(161)	(261)	-	-	(422)

Loans and advances to banks at amortised cost	Stage 1	Stage 2	Stage 3	POCI	Total
Impairment amount as at 1 Jan 2023	(152)	-	-	-	(152)
Transfers	-	-	-	-	-
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
Remeasurement of expected credit loss	102	-	-	-	102
Increase due to origination and purchase	(34)	-	-	-	(34)
Exposures derecognized in the current year	8	-	-	-	8
Write-offs	-	-	-	-	-
Unwinding effect	-	-	-	-	-
FX and other effects	(2)	-	-	-	(2)
Impairment amount as at 31 Dec 2023	(78)	-	-	-	(78)

Loans and advances to customers at amortised cost	Stage 1	Stage 2	Stage 3	POCI*	Total
Impairment amount as at 1 Jan 2024	(13)	(25)	(181)	149	(70)
Transfers	(24)	1	23	-	-
Transfer to Stage 1	(25)	3	22	-	-
Transfer to Stage 2	1	(3)	2	-	-
Transfer to Stage 3	-	1	(1)	-	-
Remeasurement of expected credit loss	31	8	(14)	71	96
Increase due to origination and purchase	-	-	-	-	-
Exposures derecognized in the current year	2	-	13	-	15
Write-offs	-	-	-	-	-
Unwinding effect	-	-	-	-	-
FX and other effects	(1)	-	-	1	-
Impairment amount as at 31 Dec 2024	(5)	(16)	(159)	221	41

*Impairment amounts presented for POCI instruments include HUF 9 million of extra impairment not related to the initial expected loss recognized for these instruments

Loans and advances to customers at amortised cost	Stage 1	Stage 2	Stage 3	POCI*	Total
Impairment amount as at 1 Jan 2023	(11)	(38)	(368)	143	(274)
Transfers	(49)	(45)	94	-	-
Transfer to Stage 1	(50)	29	21	-	-
Transfer to Stage 2	1	(74)	73	-	-
Transfer to Stage 3	-	-	-	-	-
Remeasurement of expected credit loss	45	55	5	(4)	101
Increase due to origination and purchase	-	-	-	-	-
Exposures derecognized in the current year	2	3	88	7	100
Write-offs	-	-	-	-	-
Unwinding effect	-	-	(8)	(2)	(10)
FX and other effects	-	-	8	5	13
Impairment amount as at 31 Dec 2023	(13)	(25)	(181)	149	(70)

*Impairment amounts presented for POCI instruments include HUF 17 million of extra impairment not related to the initial expected loss recognized for these instruments.

Investment securities at amortised cost	Stage 1	Stage 2	Stage 3	Total
Impairment amount as at 1 Jan 2024	(14)	-	-	14
Transfers	-	-	-	-
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Remeasurement of expected credit loss	1	-	-	1
Increase due to origination and purchase	-	-	-	-
Exposures derecognized in the current year	-	-	-	-
FX and other effects	-	-	-	-
Impairment amount as at 31 Dec 2024	(13)	-	-	(13)
	Stage 1	Stage 2	Stage 3	Total
Impairment amount as at 1 Jan 2023	(5)	-	-	(5)
Transfers	-	-	-	-
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Remeasurement of expected credit loss	(9)	-	-	(9)
Increase due to origination and purchase	-	-	-	-
Exposures derecognized in the current year	-	-	-	-
FX and other effects	-	-	-	-
Impairment amount as at 31 Dec 2023	(14)	-	-	(14)

Investment securities at fair value through other comprehensive income	Stage 1	Stage 2	Stage 3	Total
Impairment amount as at 1 Jan 2024	(2)	-	-	(2)
Transfers	-	-	-	-
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Remeasurement of expected credit loss	(1)	-	-	(1)
Increase due to origination and purchase	-	-	-	-
Exposures derecognized in the current year	-	-	-	-
FX and other effects	-	-	-	-
Impairment amount as at 31 Dec 2024	(3)	-	-	(3)
	Stage 1	Stage 2	Stage 3	Total
Impairment amount as at 1 Jan 2023	(1)	-	-	(1)
Transfers	-	-	-	-
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Remeasurement of expected credit loss	(1)	-	-	(1)
Increase due to origination and purchase	-	-	-	-
Exposures derecognized in the current year	-	-	-	-
FX and other effects	-	-	-	-
Impairment amount as at 31 Dec 2023	(2)	-	-	(2)

36.3 Impaired (Stage 3 and POCI) assets*

31 December 2024	Gross exposure	Impairment	Net carrying amount	Allocated collateral value*
Impaired assets	178	(159)	19	156
Loans and advances to banks	-	-	-	-
Loans and advances to customers – private clients	178	(159)	19	156
- Mortgage loans	137	(125)	12	156
- Consumer loans	-	-	-	-
- Current accounts, overdrafts	-	-	-	-
- Other loans	41	(34)	7	-
Loans and advances to customers – legal entities	-	-	-	-
- Large corporate	-	-	-	-
- SME corporate	-	-	-	-

31 December 2023	Gross exposure	Impairment	Net carrying amount	Allocated collateral value*
Impaired assets	212	(181)	31	172
Loans and advances to banks	-	-	-	-
Loans and advances to customers – private clients	212	(181)	31	172
- Mortgage loans	171	(147)	24	172
- Consumer loans	-	-	-	-
- Current accounts, overdrafts	-	-	-	-
- Other loans	41	(34)	7	-
Loans and advances to customers – legal entities	-	-	-	-
- Large corporate	-	-	-	-
- SME corporate	-	-	-	-

*The collateral valuation methods and principles and the calculation method of the allocated collateral value are discussed in detail in Note 4.1.2.

36.4 Allocated collateral amounts of loans and advances to customers by collateral type*

31 December 2024	Stage 1	Stage 2	Stage 3	Allocated collateral value
	12-month ECL	Lifetime ECL	Lifetime ECL	
- Guarantees	8	-	2	9
- Cash collateral	7	-	-	7
- Real estate	1,119	482	204	1,805
- Debt securities	-	-	-	-
- Equity instruments	-	-	-	-
- Other	-	-	-	-
Total	1,134	482	206	1,821

31 December 2023	Stage 1	Stage 2	Stage 3	Allocated collateral value
	12-month ECL	Lifetime ECL	Lifetime ECL	
- Guarantees	15	6	2	24
- Cash collateral	-	7	-	7
- Real estate	1,465	748	448	2,662
- Debt securities	-	-	-	-
- Equity instruments	-	-	-	-
- Other	-	-	-	-
Total	1,481	761	451	2,693

*The collateral valuation methods and principles and the calculation method of the allocated collateral value are discussed in detail in Note 4.1.2.

36.5 Movement of impairment and loss provision, reconciliation of the opening and closing balances of impairment and loss provisions

Movement table of impairment for credit risk 2024	Cash and cash equivalents	Loans advances and to customers	Loans advances and to banks	Securities at fair value through OCI	Securities at amortised cost	Loan commitments and financial guarantees	Total
Impairment / loss provision amount as at 1 January 2024	(2)	(70)	(78)	(2)	(14)	-	(166)
Impairment / loss provision increase	(4)	(49)	(372)	(1)	(2)	-	(428)
Impairment / loss provision write-back	-	166	28	-	2	-	196
FX and other effects	2	(6)	-	-	1	-	(3)
Impairment / loss provision amount as at 31 December 2024	(4)	41	(422)	(3)	(13)	-	(401)
Modification of contractual cash-flows*	-	(62)	-	-	-	-	(62)
Impairment and losses on credit products as per statement of profit and loss	(4)	55	(344)	(1)	-	-	(294)

*of which modification loss related to the payment moratoria and interest rate cap is further detailed in Note 6.2.

Movement table of impairment for credit risk 2023	Cash and cash equivalents	Loans advances and to customers	Loans advances and to banks	Securities at fair value through OCI	Securities at amortised cost	Loan commitments and financial guarantees	Total
Impairment / loss provision amount as at 1 January 2023	(4)	(274)	(152)	(1)	(5)	-	(436)
Impairment / loss provision increase	(1)	(80)	(62)	(1)	(10)	-	(154)
Impairment / loss provision write-back	3	300	137	-	1	-	441
FX and other effects	-	(16)	(1)	-	-	-	(17)
Impairment / loss provision amount as at 31 December 2023	(2)	(70)	(78)	(2)	(14)	-	(166)
Modification of contractual cash-flows*	-	(160)	-	-	-	-	(160)
Impairment and losses on credit products as per statement of profit and loss	2	60	75	(1)	(9)	-	127

*of which modification loss related to the payment moratoria and interest rate cap is further detailed in Note 6.2.

37 Exposure to market risks

Exposures to interest rate risk

The daily management of interest rate risk is based on BPV and VaR limits. BPV sensitivities are split to re-pricing time buckets and currencies, therefore changes in the certain parts of yield curve is visible. Both regular and ad-hoc sensitivity analyses are prepared with standard and occasional scenarios.

The displayed scenarios are: 200bp positive and negative shocks, parallel up and down shifts based on EBA and NBH guidelines written parametrizations (parallel movement of the yield curve across all maturities in equal measure), turns up and down (increase in short yields, decrease in long yields), and short rate shocks up and down. Currency-wise both HUF yield and all relevant foreign currency yield curve shocks are analyzed. However, almost the whole interest rate risk position is denominated in local currency. Regarding the methodology, the results reflect the 'flooring' impact, meaning that +/- shocks in the affected segments (e.g. customer positions) were calculated only to the extent of 'flooring'.

The scenarios below are immediate and permanent effects that are priced immediately in the market under a net present value approach and are reflected in the carrying amount of the corresponding accounting item in case of fair valuation; not only for the current period but also for the subsequent interest income.

2024		Income	Equity	Others*	Total
All yields	+200bp shock	57	(18)	(1,772)	(1,734)
	-200bp shock	(115)	13	994	891
	shift up	84	(25)	(2,648)	(2,589)
	shift down	(173)	20	1,507	1,354
	turn up	(169)	(43)	1,111	898
	turn down	104	19	(2,464)	(2,341)
	short rates shock up	128	12	(3,286)	(3,145)
	short rates shock down	(260)	(25)	1,916	1,631
Worst of the above		(260)	(43)	(3,286)	(3,145)

2023		Income	Equity	Others*	Total
All yields	+200bp shock	70	(6)	(2,613)	(2,549)
	-200bp shock	(144)	6	1,457	1,320
	shift up	103	(7)	(3,881)	(3,785)
	shift down	(216)	11	2,291	2,086
	turn up	(217)	(39)	993	738
	turn down	132	19	(2,468)	(2,317)
	short rates shock up	162	16	(3,797)	(3,619)
	short rates shock down	(331)	(32)	2,211	1,848
Worst of the above	(331)	(39)	(3,881)	(3,785)	

*Exposures measured at amortized cost

Fair value fluctuations for the HTCS portfolio are booked against equity. The revaluation effects booked against equity are transferred to the income statement when the cash flows are realised. The Mortgage bank enters into derivative contracts to mitigate fair value fluctuations, which are fair value hedges of the hedged item. Where the hedge is effective, both the hedged item and the hedging item are recognised in profit or loss. In turn, repricing of general interest positions and held-to-maturity bonds has no impact on either equity or the income statement (included in Other).

FX Sensitivity

Year-end FX open position amounted to HUF 0.21 billion. The total open FX position is limited at EUR 2 million. Positions reported as they are managed and show the bank's overall risks including all on-balance and off-balance items, underlying and derivatives. All gains and losses related to change in market prices caused by exchange rate movements is recognized in profit and loss.

38 Summary of VaR position

The internal model based historical VaR (1 day, confidence interval of 99%) during 2024 has moved in a range of HUF 253 million and HUF 442 million. The average VaR was HUF 310 million, decreased compared to last year.

In case of Mortgage bank, Equity risk is not applicable. Credit spread risk and interest rate risk components were the main drivers of VaR. The Mortgage bank holds only government bonds, own mortgage bonds and refinancing loans in its portfolio. Solely government bonds are reflected in Credit spread risk, as in the UniCredit Group own issued mortgage bonds are considered free of credit spread (CPV).

FX risk and Vega risk are far below the other components but also contributed somewhat to the total market risk of the Bank.

VaR as at 31 December 2024

Risk Category	Year-end	Average	Minimum	Maximum
Exchange rate risk	2	2	2	3
Interest rate risk	116	217	90	415
Credit spread	275	365	278	532
Vega risk	5	9	3	24
Equity risk	-	-	-	-
Total VaR	297	310	253	442

VaR as at 31 December 2023

Risk Category	Year-end	Average	Minimum	Maximum
Exchange rate risk	2	9	2	14
Interest rate risk	372	730	233	1,699
Credit spread	490	885	490	1,045
Vega risk	22	4	-	23
Equity risk	-	-	-	-
Total VaR	400	958	376	1,737

In addition to VaR, risk positions of the Mortgage bank are limited through volume and sensitivity limits. As part of daily risk reporting, detailed “Market Risk Reports” are prepared for a number of portfolios, with updated and historical information made available to all risk-takers and the respective heads of departments.

39 Summary of interest sensitivity

As at the end of 2024 and 2023, the entire interest rate position of the Mortgage bank for currencies was composed as follows:

Basis point value for main currencies (BPV, million HUF)

As at 31 December 2024							Annual statistics		
Currency	Less than 3 months	3 months to 1 year	1 year to 3 years	3 years to 10 years	Over 10 years	Total	Maximum	Minimum	Absolute average
EUR	(0.00)	(0.00)	(0.00)	0.00	-	(0.00)	0.48	(0.02)	0.10
HUF	(3.73)	(2.29)	(2.68)	0.13	(0.00)	(8.59)	(2.02)	(15.22)	9.15
Total (**)	(3.73)	(2.29)	(2.68)	0.13	(0.00)	(8.59)			

As at 31 December 2023							Annual statistics		
Currency	Less than 3 months	3 months to 1 year	1 year to 3 years	3 years to 10 years	Over 10 years	Total	Maximum	Minimum	Absolute average
EUR	(0.02)	0.00	0.45	(0.00)	0.00	0.44	1.10	(0.28)	0.13
HUF	(4.44)	(1.36)	(4.93)	(2.52)	(0.01)	(13.26)	2.15	(17.70)	9.88
Total (**)	(4.46)	(1.36)	(4.48)	(2.52)	(0.00)	(12.82)			

(**) The total amount includes the absolute value of all currencies.

In the last two years the Mortgage bank had positions only in HUF and EUR. The Mortgage bank holds only government bonds, own mortgage bonds and refinancing loans in its portfolio. Solely government bonds are reflected in Credit spread risk, as in the UniCredit Group own issued mortgage bonds are considered free of credit spread (CPV).

40 **Regulatory capital**

The EU Regulation No 575/2013 (Capital Requirements Regulations - CRR) has introduced common reporting standards for institutions in relation to capital (COREP - Common Reporting) from 1 January 2014 and financial reporting (FINREP) from 30 September 2014.

The Mortgage bank implemented Basel III from 1 January 2014. The Mortgage bank follows the instructions, requirements and methods according to the Hungarian Banking Law (Law CCXXXVII of 2013 on credit institutions and financial enterprises, Hpt.), to the Capital Requirements Regulations (EU No. 575/2013) and also to the national regulator and its parent bank.

The most significant risks to which the Mortgage bank is exposed are market interest rate, liquidity, foreign exchange rate and credit risks. Integrated and on-line systems ensure constant, timely monitoring of risk. The Mortgage bank's policies for managing each of the major financial risks are reviewed regularly by the respective business areas, internal audit, senior management and the Management Board.

The Mortgage bank applies the standard approach for calculating the credit risk exposure amount.

The Mortgage bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future business growth. The impact of the level of capital on shareholders' return respecting the regulatory requirements is also recognised and the Mortgage bank recognises the need to maintain a balance the higher returns that may be achieved through leverage with the benefits of a solid capital position and the security it provides.

Main part of COREP reporting templates is capital adequacy: an overview of regulatory capital and total risk exposure amount.

Own funds components:

- **Common Equity Tier 1 (CET 1):** Ordinary share capital, Share premium, Other reserve, Retained earnings, P/L according to the statement of financial position, Accumulated other comprehensive income, Adjustments made due to prudential factors (in relation to intangible assets)
- Additional Tier 1 (AT 1)
- **Tier 2 capital (T 2):** Subordinated loan capital

The minimum regulatory capital requirement is at 8% of total risk exposure amount. On the top of this requirement the Mortgage bank complies with the capital buffer requirements set by the Hpt. and the national supervisor.

The National Bank of Hungary gave permission for the 0% risk weight calculation at the fully consolidated Hungarian group members of the Mortgage bank.

Tier 1 Capital	2024	2023
Ordinary share capital	3,000	3,000
Share premium	783	783
Retained earnings	13,706	14,116
of which Profit or loss attributable to owners of the parent	4,101	3,260
of which proposed dividend related to financial year 2024/2023	(4,101)	(3,260)
Accumulated other comprehensive income	76	12
Other reserves	2,289	1,879
Adjustments to CET1 due to prudential filters	(137)	(228)
Intangible assets (deduction according to CRR2 from 2020)	(3)	(8)
Tier 1 Capital Total	19,714	19,554

Tier 2 Capital	2024	2023
Qualifying subordinated liabilities	-	-
Tier 2 Capital Total	-	-
Guarantee capital	19,714	19,554

RWA	2024	2023
Credit risk	7,065	7,556
Operational risk	6,723	5,573
Total RWA	13,788	13,129
Capital adequacy (%)	142.98	148.94
Guarantee capital for legal limits	19,714	19,554

41 Events after the reporting date

All adjusting events after the balance sheet date have been taken into account in the preparation of the financial statements of the Mortgage bank. There were no material events that occurred after the balance sheet date that would impact the Mortgage bank's financial statements.

In 2025, dividend of HUF 4,101 million is expected to be paid related to the financial year 2024.

Budapest, 10 March 2025

Tamási Attila

Chairman - Chief Executive Officer

Dr. Juhász Viktor

Chief Operating Officer

4. Management report

4.1. *The Mortgage Bank*

Established on 8 June 1998 by Bayerische Vereinsbank AG with a share capital of HUF 3,000,000,000, UniCredit Jelzálogbank (hereinafter: the “Issuer” or the “Mortgage Bank”) is a mortgage credit institution operating as a specialized credit institution. UniCredit Bank Hungary Zrt. (hereinafter: “UniCredit Bank”) has been the sole owner of the Mortgage Bank since 22 December 2006.

Headquarters of the Mortgage Bank: 1054 Budapest, Szabadság tér 5-6 The Mortgage Bank does not have a site.

The main activity of the Mortgage Bank is counterparty refinancing, issuing mortgage bonds and bonds. The mortgage loans are secured primarily by first priority mortgage liens and liens registered on the financed properties in Hungary. The issuance of mortgage bonds and bonds provides typically medium and long-term funding for the own and the refinanced loan portfolio, and bonds issued under the green framework support the ESG objectives of the UniCredit Group.

To increase efficiency, certain functions of the Issuer that can be outsourced under Act CCXXXVII of 2013 (Act on Credit Institutions) or performing certain service activities not classified as such, including banking operations, human resources, IT, accounting, etc., have been gradually outsourced to UniCredit Bank since 2008. Since 1 April 2009, the tasks of specific business areas of the Mortgage Bank have also been performed by UniCredit Bank as outsourced activities, under agency contracts. Accordingly, all administration related to financing of commercial real estate and home buyers as well as to estate development and land financing is performed by UniCredit Bank. The issuing of mortgage bonds and unsecured bonds serving as the basis for the lending activity as well as the refinancing activity have remained the responsibility of the Mortgage Bank.

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Website: www.jelzalogbank.hu

4.2. *Members of the Board of Directors and the Supervisory Board*

As of 31 December 2024, the members of the Board of Directors and the Supervisory Board of the Mortgage Bank were as follows.

Board of Directors

Attila Tamási	Internal Board Member, Chairman of the Board of Directors
Árpád Borbély	External Board Member
Attila Csáky	External Board Member
Dr. Viktor Juhász	Internal Board Member

Supervisory Board

Giacomo Volpi	Chairman of the Supervisory Board
János Anschau	Member of the Supervisory Board
Matteo Consalvi	Member of the Supervisory Board

Ivana Lonjak Dam	Member of the Supervisory Board
Albert Johan Hulshof	Member of the Supervisory Board
Balázs Tóth	Member of the Supervisory Board
Réka Vörös	Member of the Supervisory Board

4.3. Macroeconomic environment and the performance of the banking industry

4.3.1. The international economic and financial environment in 2024

The year 2024 was characterised by a search for direction amid a moderation of inflation that was characteristic of the previous two years. The key question that financial markets were facing this year as a whole was whether the global economy could escape inflation without a recession.

Central banks began their easing cycle in the second half of the year, in the wake of typically supportive inflation and labour market data. The Fed started its cycle of interest rate cuts in September, cutting its policy rate to 4.5% by December, while the ECB started its easing cycle in June, following weaker European economic data, cutting interest rates to 3% by the end of the year. The Fed started its own interest rate cut with a stronger 50 basis point cut, which pushed interest rate expectations lower all around the world. At the same time, the rise in some commodity prices and financial market expectations of Donald Trump's presidential election victory partially froze earlier expectations of interest rate cuts, pushing yield curves higher, especially on the long side. Elevated US yield expectations put pressure on emerging markets, in many cases causing spreads to widen or stall, or significantly slowing interest rate cutting cycles. Towards the end of the year, the Fed's strict tone of communication, the upward shift in expectations for the US neutral interest rate and heightened geopolitical uncertainties reassured markets that the generally high market interest rate environment would persist.

There is a clear divergence in terms of growth in the major global centres. The US could perform at or above potential output despite the high interest rate environment. The private debt service ratio (source: BIS) remains only slightly above 15%, which is average by international standards and historically very low—and as a result the likelihood of a soft-landing scenario is high. In the case of the euro area, only the services sector is able to make a meaningful contribution to growth due to subdued global export demand, while the EU's traditionally faster-growing economies (post-socialist region) were slowed by strong cyclical internal adjustment pressures, alongside uncertain export prospects, and a higher risk premium due to the war in Ukraine. Southern European countries were the regional growth centre, with Spain's growth being particularly notable. In the case of China, rising and relatively high private debt service ratios and collapsing consumer confidence due to imbalances in the property market weighed on economic growth. Meanwhile, the exporting industrial segment, which benefited from the diversion of public credit channels from the real estate sector to manufacturing, faced a sharp drop in export demand. China is particularly affected by the problem of industrial overcapacity, which has been occurring to varying degrees around the world, and the government and the central bank have introduced stimulus packages to counteract this, in addition to significant deflationary pressures.

Apart from the spring-summer period, bond markets were characterised by rising yields. The US and Hungarian 10-year government bond each ended the year 70 basis points higher than where they opened, while the German bond ended the year 34 basis points higher. Major stock markets managed to grow despite high interest rate expectations and high interest rates, with CETOP, which brings together large companies in the Central European region, up by 7.2%, the German DAX up by 19% and S&P up by 23%.

4.3.2. Domestic macroeconomic developments in 2024

In 2024, the disinflation that started in the previous year continued. Core inflation fell from 6% at the start of the year to close to 4% in April, but from there the trend reversed partly due to base effects, partly to large service providers' repricing and partly to other cost-side items (wages, rising corporate

overheads), and by September core inflation exceeded 4.75%. The Magyar Nemzeti Bank (MNB) started easing from the 10.75% level at the beginning of the year, with the base rate falling to 6.5% by the end of the year. The high level of market expectations for the Hungarian real interest rate and yield premium did not allow the central bank to ease Hungarian monetary conditions further in the remaining meetings of the year.

Yields on 3-month discount Treasury bills were in the range of 0–150 basis points lower than BUBOR rates of the same maturity. Spreads on swaps and government bonds ranged between 20–30 basis points for most of the year, but the main benchmarks turned negative by November, due to demand for government bonds from financial institutions for tax optimisation purposes. The forint's yield curve shifted from negative to positive slope in line with the prevailing interest rate cuts at the beginning of the year, but by the end of the year it became non-monotonic due to the uneven demand for government bonds on the maturity curve. The forint weakened by a total of 7.2% against the euro over the year, driven by higher domestic wages and inflation than in the euro area on the fundamental side, a narrowing of the Hungarian yield advantage on the financial market side, and a relatively unfavourable risk perception of the country.

From a macro-financial perspective, Hungary had a favourable year. The current account balance was in positive territory, and the country's net lending position was also in positive range at the end of the year, with a modest contribution from the capital account. Foreign inflows of working capital also improved the country's foreign exchange supply. Increasing foreign exchange reserves also contributed to the reduction in the forint's vulnerability. The capital account's even greater contribution to financing and to real economy is hampered by the debate over EU funding. 5 milestones still need to be met to unlock additional funds, so that the inflow of funds in proportion to GDP, customary in the previous EU funding period, is only about half of what it was in the past. The central budget could be close to the revised EDP deficit target, but given the debt service expenditure, the budget could not support growth in 2024, while contributing positively to potential growth through indirect channels (improvement in international perceptions).

In 2024, the economy grew only modestly. On the production side, the weak performance was driven by the unfavourable base in agriculture, carried over from 2023, and demand challenges in industry. In addition to high interest rates, the lack of fiscal stimulus and the slowdown in the disbursement of EU funds were the main factors behind the weak performance of the construction sector. The number of new housing permits issued in Budapest is more than 30% below the 2023 figure. In a virtually stagnant economic environment, real household income remained high in positive territory, putting further pressure on GDP (corporate rationalisation pressures) and inflation. Households' financing capacity as a share of GDP was at a very high level, with savings patterns showing values typical of COVID. The financing capacity of non-financial corporations remained stable. Overall, the ratio of private sector debt to income has been on a downward trend since mid-2023, while the country's net external debt increased only slightly and remained concentrated to the government and the central bank.

4.3.3. Performance of the Hungarian banking industry in 2024

Despite the impact of the extra-profit tax changes and transaction duty increase measures announced in the second half of 2024, the profitability of the Hungarian banking sector remained favourable. The profit after tax was partly due to one-off items, an increase in dividend income and a reduction in the extra profit tax recorded by credit institutions. Excluding one-off items, the sector is expected to report a profit before tax in 2024 equal to the previous year's profit before tax, potentially boosted by higher non-interest income with interest earnings broadly unchanged.

Compared to 2023, interest earnings vis-à-vis the central bank narrowed significantly, in line with the falling base rate, but net interest income vis-à-vis other sectors increased, reflecting the expanding volumes. Impairment provisioning may have a larger negative impact on profit compared to 2023.

Net fee and commission income, which largely depends on real economic activity, lending and payment transactions, outperformed inflation. The increase in operating costs was in the single-digit range. The dividend balance was positive, while the trading balance had a negative contribution to the sector's earnings.

The increase in the transaction duty introduced from 1 August 2024 is expected to reduce the banking sector's results by HUF 85 billion, and the additional duty introduced from 1 October could be an

additional HUF 7 billion on transactions involving conversion, , which will be payable on top of the transaction duty on the transactions concerned.

Under the government's decision, banks may only reduce their liability to pay the extra profit tax in 2024 if they increase their total stock of government bonds by buying government bonds maturing after 2027. The government stipulated that in order to benefit from the 50% tax credit, the nominal value of the total stock of government bonds must also increase, it is not enough to increase the nominal value of long-term government bonds, i.e. those maturing after 2027. Consequently, for the year 2024, the tax reduction will be calculated by taking into account both the increase in the total stock and the increase in the stock of government bonds maturing after 2027. In November, the government changed the way it calculates the tax burden for the following year, so that the larger of the 2023 or 2024 stocks will be taken into account when calculating the tax cut. The changes were designed to keep the banking sector's net government bond buying position in positive territory. The total extra profit tax for the banking sector in 2024 is planned to be HUF 260 billion, which could be reduced to HUF 130 billion with the 50% tax credit if the qualifying government bond purchases are completed.

The non-performing loans (NPL) ratio in the non-financial corporate segment remained stable over the past two years, at around 3–4% in 2024. The household non-performing loan portfolio rate continued to decline. The household sector's NPL ratio fell to 2.1% at the end of 2024 Q3. The improvement in the quality of the household loan portfolio was also supported by the banks' portfolio consolidation and the gradual inflation of fixed-rate repayments.

The growth rate of the corporate loan portfolio is expected to be around 3% in 2024. The value of new corporate loan contracts declined year-on-year and the share of non-market based loans in new issuance declined substantially as subsidised loan schemes expired and their availability narrowed, and credit dynamics slowed down during the year due to the lack of a pick-up in investment loan demand.

Falling interest rates, intense banking competition, real estate investment demand and improving macroeconomic fundamentals could push the annual growth rate of household loans to close to 9%. Loan growth was mainly supported by transactions in housing loans and personal loans.

Housing loans accounted for half of new contracts with households. The increase in the role of housing loans in new issuance is also due to the voluntary APR ceiling applied by most banks and the higher maximum loan amount available for CSOK Plus subsidised loans from 1 January 2024, in addition to bank competition and the improvement in households' financial situation. Housing loan growth deflated by the house price index showed only a marginal increase in 2024, i.e. the segment was not able to generate any meaningful real economic impact despite the growing number of contracts.

The liquidity situation in the sector remains satisfactory at a high level. Deposit holdings (even with the draining power of government securities and investment funds) continue to provide a stable source of funding for the banking system. The loan-to-deposit ratio continued to improve, reflecting the strong propensity of the population to save.

4.3.4. Trends in the Hungarian mortgage bond market

Mortgage bonds are an important instrument for low-risk, long-term financing of banks, which is also of great importance for the stability of the financial system.

In order to achieve financial stability objectives, the central bank introduced the Mortgage Funding Adequacy Ratio (MFAR) regulation as of 1 April 2017, with the aim of reducing the maturity mismatch between forint assets and liabilities of banks.

According to the regulation, the mortgage loan portfolio with a remaining maturity of more than 1 year must be financed with a certain proportion of long-term funds such as mortgage bonds or refinancing loans from mortgage banks taken out to cover retail mortgage loans.

Initially, 15% of mortgage loans had to be financed with such funds, which has gradually increased to 25% in recent years. Due to the impact of the Russian-Ukrainian war on the financial system and the time needed to prepare for current capital market trends, the MNB has postponed the planned MFAR tightening, so no further increase in the indicator is expected in 2025.

The MNB also launched a mortgage bond purchase programme in 2018, mainly for monetary policy reasons, but also to support the adjustment to the MFAR level increases. Although the purchase programme ended at the end of 2018, it continued in 2021 exclusively targeting green mortgage bonds, which was suspended in April 2022 due to monetary tightening.

The emergence of the green mortgage bond market has also been supported by the MNB through its green mortgage bond purchase programme and the preferential eligibility of green mortgage funds in the MFAR. Since the introduction of the measures in summer 2021, several mortgage banks have already issued green mortgage bonds, with a volume of HUF 272 billion in nominal value by November 2024, representing around 13% of the total mortgage bond portfolio.

Under the conditions set out from 1 July 2022, foreign currency mortgage-backed liabilities can also be included in the indicator. The adoption of foreign currency mortgage-backed funds will support the expansion of the investor base for mortgage bonds by increasing the active role of foreign investors. In order to increase incentives to add green funds while allowing sufficient time for adaptation and the build-up of sufficient green mortgage cover, acceptable foreign currency mortgage funds will also have to meet sustainability (green) requirements; however, the entry into force of this requirement on 1 October 2023 has been postponed.

In addition to the positive effects of the emergence of foreign currency mortgage bonds, the legal safeguards for these securities mean that there is no material increase in financial stability risks. The change will not lead to a resumption of foreign currency lending to households, as this is hampered by generally low consumer demand due to negative experiences in the past, much stricter borrowing limits for these loans under the MNB's debt brake rules and the proliferation of forint-denominated Qualified Consumer-Friendly Housing Loan (MFL) products.

In 2024, the Hungarian mortgage bond market continued to see the higher spreads over government bonds, in the range of 40 to 120 basis points, which was typical of previous years, due to the reduction of the MNB's investor presence. The uncertain domestic regulatory environment and extra banking burdens (e.g. interest rate freezes, interest rate caps, extra profit tax), as well as the small number of issues typical in the Hungarian mortgage bond market and the low liquidity level of the secondary market all contribute to the increase in spreads and volatility in the mortgage bond market and to the decline in foreign demand for Hungarian securities.

The portfolio of outstanding mortgage bonds (at nominal value) in Hungary totalled HUF 2,076 billion on 30 November 2024, down 1% compared to the end of 2023.

4.4. Activities of the Mortgage Bank

4.4.1. Refinancing

Description of the activity

The main activity of the refinancing function is the provision of financing requested by commercial banking partners and the management of the portfolio of residential and commercial mortgage loans in forint and foreign currencies previously granted to the Mortgage Bank's business partners. Demand for refinancing was positively affected by the Mortgage Funding Adequacy Ratio introduced by the Magyar Nemzeti Bank as of 1 April 2017. The new supervisory indicator, which aims to mitigate the risks arising from the maturity mismatch between forint assets and liabilities, is calculated as the ratio of HUF liabilities (e.g. mortgage bonds) included as collateral for retail mortgage loans to the net stock of retail HUF mortgage loans with a remaining maturity of over 1 year at the consolidated level. The minimum MFAR requirement has been increased in phases since the introduction of the regulation, rising to 25% from October 2019, and the maturity of acceptable mortgage bonds has been increased to 3 years. As a result of the changes introduced in 2021, green mortgage bonds and green refinancing loans are included in the calculation of the indicator with a multiplier of 1.5, thus supporting green borrowing.

In 2024, there was a slight drop in the portfolio of parent bank refinancing due to the depreciation of the total assets involved. With regard to refinancing outside the UniCredit Group for MFAR compliance, the Mortgage Bank has cooperation agreements with two commercial banking partners, and the portfolio of external refinancing increased in the year 2024. The refinancing function is responsible

for the management of the existing refinancing portfolio, including repricing, related counterparty transactions, prepayments and final repayments, real estate collateral exchanges and other counterparty and client requests. New stock is refinanced when required by the counterparty bank or to raise assets that can be classified as green behind a green bond issue.

Objective and strategy

The core strategic objective of the business is to provide refinancing loans to the parent bank and other market participants, and to raise green assets for the Mortgage Bank's green bond issuance. The business division also aims to identify and exploit new business opportunities within the strategy of the UniCredit Group and more specifically that of UniCredit Bank.

During 2024, maintenance of existing agreements with existing business partners, drawdowns on existing credit lines and the conclusion of new framework agreements were carried out. The objective for 2025 is to further increase the portfolio with existing partners.

The function performs portfolio management and refinancing activities in close cooperation with the securities issues and risk management functions to optimise the use of resources and minimise risks.

Results of the activity

The decline in the portfolio of government-backed forint refinancing continued in 2024, driven by the combined effect of normal and early repayments of loans refinanced in previous years. The eligible forint refinancing portfolio has dropped below HUF 500 million by the end of 2024.

The share of commercial real estate financed with EUR-denominated loans decreased slightly as a result of the maintenance of existing assets. The Mortgage Bank does not plan to raise new refinancing assets.

In terms of forint refinancing by the parent bank, new lending amounted to HUF 5 billion in 2024. Thus, the total amount of non-subsidized refinanced retail forint parent bank loan portfolio was HUF 249 billion at the end of 2024.

In late 2024, the refinancing function accounted for 99% of the total mortgage lending portfolio (total outstanding loans), making a significant contribution to the Mortgage Bank's business results.

4.4.2. Issuance of mortgage bonds and bonds

Description of the activity

As in the past, the Mortgage Bank secures its own and refinanced loan portfolio, typically medium- and long-term, by issuing mortgage bonds and borrowing on the money market and taking out long-term loans. In addition to borrowing on the money market, the Mortgage Bank may raise the funds needed for general operations by issuing unsecured bonds.

The placement of mortgage bonds and bonds is carried out through an issuance programme, whereby the Mortgage Bank typically raises medium and long-term forint and foreign currency funds from the capital markets.

The frequency and volume of mortgage bond and bond issues vary. Issues need to be organised at least every three months to ensure the pricing of subsidised forint loans, while larger issuances are typically made when maturities are renewed, new refinancing loans are granted and medium- and long-term borrowing opportunities become available on favourable terms. Mortgage bonds are typically issued in an open-ended form, but the base prospectus allows for the possibility to issue only to qualified investors designated by the issuer.

The instruments issued are normally listed on the stock exchange, but the base prospectus may also include the issue of non-listed mortgage bonds and bonds.

Objective and strategy of the activity

The issuance of mortgage bonds as a fund of financing is carried out by the Strategic Fund Collection function. In addition to providing a strategic source of funding, the issuance of mortgage bonds aims

to support UniCredit's group-wide interest rate and liquidity risk minimisation in line with group-level regulations.

The issuer also aims to contribute to environmental and international climate goals in line with its business strategy. Accordingly, the Issuer, within the UniCredit Group's Sustainability Bond Framework, issues green rated mortgage bonds and uses the funds raised from the issuance to finance or refinance green assets that meet the energy efficiency criteria described in the Framework.

The Mortgage Bank's capital and money market activities are developed in line with the activities of UniCredit Group and UniCredit Bank.

Results of the activity

The Mortgage Bank joined the international UniCredit Group's ESG and Green Framework in 2021. The green mortgage bonds issued under the framework will help the Mortgage Bank and its parent company to achieve its green strategy and provide clients with the opportunity to access green credit at a more favourable pricing by attracting low-cost funding. The Mortgage Bank did not issue any green mortgage bonds in 2024.

The Magyar Nemzeti Bank has indefinitely postponed the increase in the level of the Mortgage Funding Adequacy Ratio previously planned for October 2023, so compliance with the indicator does not require an increase in the level of issuance. The significant portfolio of mortgage bonds maturing in 2024 has been successfully renewed, thereby guaranteeing safe compliance with the MFAR indicator for 2025.

The development of the mortgage bond portfolio issued by the Mortgage Bank during 2024 was determined by the renewal of the maturing portfolio, the provision of the necessary funds to refinance the mortgage loan portfolio of the international UniCredit Group, the parent bank, the continued market-oriented pricing of the mortgage loan financing and the subsidised forint loan portfolio, as well as compliance with the MFAR.

Mortgage bond and bond issuance programme

The mortgage bond and bond issues of the period under review were carried out within the framework of the Mortgage Bank's Mortgage Bond and Bond Programmes of 2023-24 and, after its expiry, of 2024-25 with a total volume of HUF 180 billion.

The 2023-24 issuance programme in force at the beginning of the period was supplemented once in 2024. The publication of Supplement No. 3 to the Base Prospectus (Annual Report, Changes in the Board of Directors and Supervisory Board of the Guarantor) was authorised by the MNB in its Resolution No. H-KE-III-200/2024 on 1 May 2024.

On 14 August 2024, the Magyar Nemzeti Bank approved the launch of the HUF 180 billion mortgage bond and bond programme for 2024-25 by its Resolution No. H-KE-III-433/2024. The base prospectus for the programme concerned has been supplemented once in the year 2024 (2024H1 Report, changes in the Supervisory Board of the Mortgage Bank and the Board of Directors of the Guarantor), which were approved by the Magyar Nemzeti Bank in its Resolution No. H-KE-III-685/2024 on 1 October 2024.

Changes in the mortgage bond portfolio

in 2024, a total of HUF 38.2 billion of HUF-denominated mortgage bonds with a nominal value of HUF 38.2 billion were issued in public issues/auctions. In July, the Mortgage Bank issued a new series of 5-year floating rate mortgage bonds with a nominal value of HUF 38.1 billion, and in March the UCJBF 2028/A series while in June, September and December the UCJBF 2029/A series were reissued in small amounts to meet the obligations related to the repricing of state-subsidised mortgage loans.

In its Resolution No. H-KE-III-539/2022 dated 12 September 2022, the Magyar Nemzeti Bank authorised the Mortgage Bank to use the "European covered bond logo" and the "European (premium) covered bond logo" for its future mortgage bonds. Consequently, the mortgage bonds issued in 2024 belonged to the premium category.

In 2024, one series of mortgage bonds, UCJBF 2024/A, matured with a nominal value of HUF 20 billion. All outstanding liabilities to investors were paid in full. During the period under review, the Mortgage Bank did not repurchase any of its mortgage bonds.

As a result of the above transactions, the outstanding HUF-denominated mortgage bonds issued by the Mortgage Bank at the end of the reporting period increased by HUF 18.2 billion compared to the end of 2023, reaching HUF 281.1 billion at the end of 2024. The Mortgage Bank did not have any mortgage bonds denominated in other currencies.

Changes in the bond portfolio

In 2023, for the first time in its history, the Mortgage Bank issued fixed-rate unsecured bonds to retail investors, in close cooperation with UniCredit Bank. No unsecured bonds were issued during 2024. At the end of 2024, the HUF-denominated bond portfolio (at nominal value) amounted to HUF 1.24 billion, while the euro-denominated bonds had a nominal value of EUR 6.44 million.

4.4.3. Financing for private home buyers, land development and land-based lending

Description of the activity

The clientele of this business division includes individuals who have been qualified for credit by the Mortgage Bank and purchased new homes built for sale by building contractors who have signed a cooperation agreement with the Mortgage Bank by 31 March 2009. The properties are mainly located in Budapest and its agglomeration areas, in prime residential areas and residential parks.

The Mortgage Bank primarily provided forint loans for land development and open-ended mortgage loans to private farmers and sole proprietors, subject to the provision of land security.

Results of the activity

The loan portfolio (outstanding amount) of private home buyers amounted to HUF 1.9 billion on 31 December 2024, which represented less than 1 percent of the total loan portfolio of the Mortgage Bank (total outstanding amount).

The portfolio (outstanding amount) of land development and land-based loans and small business loans dropped below HUF 200 million, accounting for a negligible share of the total loan portfolio of the Mortgage Bank (total outstanding amount).

As of 1 January 2010, Mortgage Bank will has not engaged in commercial housing finance, property development and land-based lending activities, no new loan agreements have been concluded, and operational activities related to the management and follow-up of the existing portfolio are carried out by UniCredit Bank.

4.5. Liquidity management

The internal rules for the structural (long-term) liquidity limit system and the management of the structural liquidity position were expanded in 2017. From January 2017 onwards, UniCredit Group introduced new structural liquidity ratios (structural FX gap and adjusted NSFR), whose changes were monitored in parallel with the previous limits until the end of 2019 under a transitional waiver; since 2020 only the new ratios are valid.

The structural FX gap indicator is the difference between long-term liabilities in a given currency and long-term assets in the same currency (according to the classification criteria used in the adjusted

NSFR calculation). There are no limits, but triggers¹ have been established for EUR and other currencies.

The adjusted NSFR ratio is the maturity-adjusted net financing ratio, defined as the ratio of the cumulative value of liabilities in maturity bands longer than the maturity at the given date to the cumulative value of assets at the same maturity. No limits, but triggers have been set for time windows over 3 years and over 5 years.

Taking advantage of the opportunity provided by the CRR, and thanks to the openness of the local regulator, the Mortgage Bank requested and on 4 July 2023 received from the Magyar Nemzeti Bank as the local regulatory authority an exemption from the individual NSFR regulatory compliance.

According to the MNB regulation on the Mortgage Funding Adequacy Ratio, domestic credit institutions (at the group level) are required to fund at least 15% of their forint retail mortgage loan portfolio with long-term, stable, mortgage-backed HUF funding from 1 April 2017, which minimum ratio was increased to 20% from 1 October 2018 and to 25% from 1 October 2019. UniCredit Group in Hungary met regulatory requirements throughout the year, closing the year with an MFAR ratio of 33.92% based on preliminary figures.

The Mortgage Bank manages its short-term liquidity through money market transactions with UniCredit Bank, taking into account the liquidity coverage requirement applicable to the Mortgage Bank. According to the liquidity coverage ratio (LCR – Liquidity Coverage Ratio), credit institutions must maintain a sufficient liquidity buffer to cover the net liquidity outflow of a thirty-calendar-day stress period. As of 1 April 2016 within its national competence, the MNB requires a 100-percent fulfilment of the liquidity coverage ratio.

The Mortgage Bank continuously monitors and manages the evolution of the LCR. As of 31 December 2024, the LCR was well above the 100% minimum level, thus the Mortgage Bank was in compliance with the regulatory requirement.

Pursuant to Article 16 of DIRECTIVE (EU) 2019/2162 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 27 November 2019 on the issuance of covered bonds and covered bonds and its implementation in Hungary by Act XXX of 1997 on Mortgage Loan Companies and on Mortgage Bonds, the financial institution issuing the mortgage bond is required to hold a liquidity buffer of liquid assets to cover the maximum aggregate net liquidity outflow of the mortgage bond scheme maturing within 180 days. Liquid assets can only be assets included in the collateral book (typically government securities, short-term deposits with credit institutions). The Mortgage Bank regularly monitors the changes in its net liquidity outflow in order to ensure that it remains in compliance with its buffering obligations. At the end of 2024, the Mortgage Bank had no liquid asset holding obligation.

The Mortgage Bank holds government securities classified as Held to Collect & Sell (HTCS) and Held to Collect (HTC). The primary purpose of maintaining the government bond portfolio is to provide the necessary additional collateral for the collateral book and to ensure a liquidity buffer. The portfolio of government securities increased compared to last year, reaching HUF 50.7 billion on 31 December 2024. The portfolio consists of short- and long-term government bonds, of which HUF 31.2 billion in nominal value was in the collateral book at the end of the year.

4.6. Employment policy

The employment structure continues to be based on multi-employer contracts in the spirit of streamlining banking activities. As of 31 December 2024, the number of employees was 2.

Many of the Mortgage Bank's activities have been outsourced to UniCredit Bank. The outsourced activities are performed by UniCredit Bank under a framework service agreement.

The Company's diversity policy is part of the Remuneration Policy.

¹ Trigger: if this level is exceeded, a review, analysis and proposal process is activated, but it does not require the immediate correction of the position to keep it within the trigger.

4.7. Research and development

The Company continuously monitors developments in the securities, mortgage bonds, including green and sustainability securities sectors. It is regularly represented at international conferences. No other research and development activities are carried out by the Mortgage Bank.

4.8. Key risks of the Mortgage Bank

4.8.1. Risks arising from developments in the macroeconomic environment

The Mortgage Bank's overall business activities and profitability are materially affected by the prevailing macroeconomic and regulatory environment, as well as by international and domestic money and capital market trends and liquidity conditions. The macroeconomic environment influences the evolution of residential loan and the quality of the loan portfolio through changes in the disposable income, risk-bearing capacity and the population's willingness to save. Developments in the main domestic macroeconomic indicators such as the GDP, budget and balance of payments balances, government debt developments and inflation rate, have a direct or indirect impact on the level of the reference interest rate and the exchange rate of the forint through monetary policy instruments, which can be considered as a determining factor of the cost of funds and the quality of the credit portfolio. In addition to the above, the business activities of the Mortgage Bank are heavily influenced by the prevailing liquidity situation of the banking sector and changes in the regulatory environment.

4.8.2. Credit risk

Based on its underwriting policy, the Mortgage Bank focuses on refinancing banks and credit institutions and does not engage in other commercial lending activities. It actively manages its previously placed residential mortgage and land development non-residential loan portfolio.

Its credit risk policies include procedures for client segmentation, risk assumption contract, debtor and counterparty rating, underwriting decision making, collateral valuation, monitoring and annual review, credit facilitation, impairment and provisioning.

The Mortgage Bank makes its credit risk decisions based on the following risk management principles:

- The total risks assumed must be assessed by clients, client groups, partners, partner groups and on an aggregated basis at UniCredit Group level.
- All exposures are approved at a level corresponding to the total risks of the client or client groups to the entire UniCredit Group. For the UniCredit Group as a whole, the higher the risk exposure, the higher the decision making level in the Group's management structure.
- The Mortgage Bank applies strict rules on the scope of eligible collateral, the way it is valued and the coverage ratio, in accordance with the UniCredit Group's collateral valuation principles and Hungarian legal requirements.
- The Mortgage Bank is entitled to grant a loan only if the mortgage is secured by a mortgage on real estate or if a state guarantee is provided in connection with the granting of a mortgage loan.
- All clients to whom the Mortgage Bank assumes risk have a debtor rating. Client and partner ratings must be carried out for each client prior to risk taking (and at least once a year, at review), and the rating procedure should be geared towards clearly establishing the creditworthiness of the client or partner. The client rating is used to determine the client's rating, i.e. the probability of their default. The UniCredit Group applies the one date - one rating principle: a client can have only one valid client rating at any one time.
- Changes in the relevant data and information on solvency and readiness to pay trigger a new rating process.
- The Mortgage Bank classifies its clients into risk segments (categories) and applies different debtor rating systems and rating criteria for different types of clients. A risk assumption contract with the client can be concluded after a specific rating, credit assessment and credit approval procedure.

- An underwriting decision must be made prior to any business proposal that involves a commitment by the Mortgage Bank. A valid underwriting is subject to the joint decision of the business function and the risk management function on the underwriting transaction. UniCredit Group applies a group-wide PD scale for its non-retail partners. The Mortgage Bank uses 26 rating categories within 10 rating classes to its non-retail partners, of which 3 are used to classify non-performing clients and the rest are applied to performing clients. The client rating refers to the probability of default (PD) in the applied rating ranking, which is 100% for non-defaulting customers. The Mortgage Bank performs a simplified rating for retail clients.
- The relevant risk policies are approved by the CEO of the Mortgage Bank, subject to the agreement of the Head of Risk Management of UniCredit Bank.
- The management, restructuring, recovery and workout of overdue or non-performing loans is carried out by UniCredit Bank under an agency agreement.

As of 1 January 2018, the Mortgage Bank applies the IFRS9 methodology for the calculation of impairment for financial instruments exposed to credit risk. The Mortgage Bank calculates impairment based on expected future losses in accordance with accounting and supervisory requirements. The amount of the impairment, expected loss will be recorded in the Mortgage Bank's accounting system after the decision.

In line with its lending policy, from 2010 the Mortgage Bank has focused on refinancing mortgage loans to banks and financial corporations, and no longer provides retail and corporate loans. Corporate loans have been repaid.

The outstanding stock of retail mortgage loans is steadily declining, thanks to scheduled repayments and prepayments. The default stock fell by 21% in 2024.

UniCredit Group and the Mortgage Bank place a strong emphasis on their claims management and restructuring processes, as part of which, taking into account the MNB Decree No. 39/2016 (X. 11.), MNB Recommendations No. 2/2019 (II.13), 5/2022 (IV.22), 6/2024. (VI.21.) and 7/2024. (VI.21.), fulfilling their provisions, they continuously provide renegotiation opportunities for their retail clients, who inform the Mortgage Bank of their current payment problems or worsening economic situation, or the Mortgage Bank detects those because of an already existing delay.

As of 1 January 2022, the Hungarian Government introduced an interest rate freeze for consumer mortgage loan contracts with interest rates linked to the reference interest rate, which was extended to non-subsidised mortgage loans with a fixed interest rate for a maximum period of 5 years from 1 November 2022. This is regulated by Government Decree No. 782/2021 (XII.24.) on the application of Act CLXII of 2009 on loans to consumers in emergency situations. The interest rate freeze regulation had been extended several times and remained in force for the whole year of 2024.

There are currently 9 cases of individual enforcement and 2 cases of joined enforcement. The number of clients enrolled in the programme offered under family bankruptcy protection was minimal, with 2 clients involved in debt settlement proceedings.

No loan receivables were sold in 2024.

4.8.3. Market risks

Market risk is the risk of changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads (which are not related to the default of the obligor/issuer), and they affect the results of the UniCredit Group or the value of its financial instruments.

Market risk management covers all the activities of the Mortgage Bank as part of the UniCredit Group and the management of the balance sheet structure. The independent risk management department quantifies risk positions on a daily basis, then analyses and compares them with the limits set by UniCredit Group management and the FRC. As part of the UniCredit Group's market risk management, reports on risk positions and limit utilisation are prepared on an ongoing basis.

The Mortgage Bank measures its market risks according to a number of risk factors and levels, and limits them with the associated limit system. For all portfolios, it monitors their value at risk (VaR) calculated by historical simulation on a daily basis. VaR reflects the value the Mortgage Bank would,

given its current position, lose on the 2.5th worst day out of the past 250 working days (a confidence level of 99%).

The VaR values are broken down according to the 5 main risk factors: exchange rate, interest, unique interest premium, stock and option volatility factors. The Value-at-Risk at the end of 2024 was EUR 0.7 million, i.e. HUF 297 million. The distribution of risk factors at the end of the year was as follows: HUF 275 million for the specific risk of bonds, HUF 116 million for interest rate risk, HUF 2 million for exchange rate risk and HUF 5 million for volatility risk. The Mortgage Bank did not have any equity exposure in 2024. The sum of the individual parts exceeds the total value at risk due to the diversification effect.

For the interest rate risks, all basis point value limits have also been determined per currency, i.e. changes resulting from parallel movements of the yield curve and from its per-band parallel movements are also quantified (Basis Point Value – BPV). A separate issuer risk premium above the interest rate risk (Credit Spread Point Value – CPV) is determined for individual bond positions.

The year-end interest sensitivity of the main currencies according to BPV level is summarised in the following table (where negative values expressed in euros indicate a long position):

BPV 2024.12.31	0-3M	3M-1Y	1Y-3Y	3Y-10Y	10Y-	Total
in EUR						
EUR	-4	-8	0	0	0	-12
HUF	-9,074	-5,576	-6,523	314	-10	-20,869

The Mortgage Bank covers interest rate risk partly by matching the interest rates on asset-side and liability-side instruments and partly by using derivatives in hedge accounting.

4.8.4. Liquidity risk

A key element of banking treasury activity is to ensure liquidity and to reduce and neutralise liquidity risk arising from mismatches between the maturity of assets and liabilities. The Mortgage Bank hedges the liquidity risk arising from the repayment of maturing bonds issued first by maintaining a special 180-day liquidity buffer, and second by fine-tuning the maturity structure of other receivables and liabilities and by derivative transactions. If justified by the maturity and volume mismatch of mortgage loans and mortgage bonds issued, the Mortgage Bank may use short-term (1-3 month maturity range) and/or long-term (maturity range longer than 1 year) solutions in line with the mortgage bond issuance policy in order to match assets and liabilities to the desired extent.

It balances the typical difference between the counterparty refinancing portfolio and the mortgage bond portfolio issued with interbank transactions.

The Mortgage Bank's liquidity management strategy, in addition to the special liquidity situation resulting from the repayment of maturing mortgage bonds, is basically developed at the Group level in coordination with UniCredit Bank, while the intra-year and inter-year (structural) liquidity positions are determined by the individual limits and internal rules applied.

4.8.5. Operational risk

Operational risk is the risk of loss resulting from inadequate or poorly functioning internal processes and systems, inadequate performance of duties by personnel, or external events. These are: internal or external fraud, employer practices and workplace safety, fines for breaching regulations in the course of business procedures for customers or products, damage to the tangible assets of the Mortgage Bank, disruption to business, system failures and errors in the process of implementation due to manual execution.

Strategic risk and reputational risk are not, while business risk, legal risk and compliance risk are part of operational risk.

Operational risk management controlling is outsourced to UniCredit Bank.

No new operational risk event emerged in 2024.

4.9. Quantitative and qualitative indicators and indices of performance measurement

The balance sheet total of the Mortgage Bank at the end of 2024 was HUF 413 billion, which is in line with the planned amount. This amount represents a decrease of HUF 14.1 billion compared to the value at the end of 2023. The decrease in the balance sheet total on a year-on-year basis is mainly due to the decrease in net claims on credit institutions (HUF -16.4 billion), which closed HUF 12.7 billion below the planned level. Net receivables from clients decreased compared to the previous year, which is below the planned amount. The outstanding stock of bonds was HUF 278 billion, below plan but an increase of HUF 16.2 billion compared to the end of 2023.

The Mortgage Bank's profit after tax for 2024 is HUF 4.1 billion. Revenues were below plan (HUF -0.8 billion) due to lower interest income, but the trading result was above plan. Operating expenses closed with a saving compared to the planned amount (HUF 71 million), while net impairment of training was HUF xxx million above plan mainly due to the increase in PD of partner banks. In 2024, the Mortgage Bank was liable to pay an extra profit special tax of HUF 76 million.

The indicators of the Mortgage Bank's performance (on an after-tax basis) were as follows:

$ROA_{2024}=0.98\%$ $ROE_{2024}=17.45\%$

$ROA_{2023}=0.84\%$ $ROE_{2023}=14.94\%$

The increase in return on assets and return on equity compared to the base year is mainly due to higher profit after tax.

The Company's profitability may decline slightly in 2025, primarily due to a decline in interest income. Net claims on clients are expected to continue to decline, with net claims on credit institutions projected to fall by 3% in 2025, while the portfolio of securities issued is projected to increase by 6%. The planned balance sheet total will be HUF 409 billion at the end of 2025.

4.10. Material events after the balance sheet date

All events after the balance sheet date have been taken into account in the preparation of the Mortgage Bank's individual financial statements. No significant events have occurred that could affect the Mortgage Bank's individual financial statements.

4.11. Sustainability report

Based on paragraph (101) of Section 177 on temporary provisions of the Accounting Act, the Mortgage Bank will comply with its obligation to publish the Sustainability Report for the first time for the financial year starting in 2026.

5. Values of outstanding mortgage bonds and collateral, additional collateral

Outstanding mortgage bonds and collateral as of 31 December 2024

Outstanding forint-denominated mortgage bonds not yet repaid	
➤ Nominal value (a)	HUF 281,127,870,000
➤ Interest (b)	HUF 62,672,407,590
Total (a+b)	HUF 343,800,277,590
Mortgage bonds in circulation denominated in foreign currency not yet repaid and converted into HUF at the official MNB exchange rate on the balance sheet date	
➤ Nominal value (c)	HUF 0
➤ Interest (d)	HUF 0
Total (c+d)	HUF 0
Flat-rate cost of mortgage bond termination	
Nominal value (e)	HUF 281,127,870
Interest (f)	HUF 0
Total (e+f)	HUF 281,127,870

Outstanding forint-denominated mortgage bonds and foreign currency-denominated mortgage bonds combined, not yet repaid	
➤ Nominal value (a+c+e)	HUF 281,408,997,870
➤ Interest (b+d+f)	HUF 62,672,407,590
Total (a+c+e+b+d+f)	HUF 344,081,405,460
Value of normal collateral available in HUF as certified by the auditor	
➤ Capital claim (g)	HUF 318,665,805,866
➤ Interest receivable (h)	HUF 190,528,937,033
Total (g+h)	HUF 509,194,742,899
Ordinary collateral available in foreign currency converted into HUF at the official MNB exchange rate on the reporting date	
➤ Capital claim (i)	HUF 6,081,904,129
➤ Interest receivable (j)	HUF 660,372,926
Total (i+j)	HUF 6,742,277,055
The combined value of normal collateral available in forint and foreign currency:	
➤ Capital claim (g+i)	HUF 324,747,709,995
➤ Interest receivable (h+j)	HUF 191,189,309,959
Grand total (g+i+h+j)	HUF 515,937,019,954
Value of additional collateral:	
➤ Capital claim (k)	HUF 26,238,810,000
➤ Interest receivable (l)	HUF 3,188,148,891
Total (k+l)	HUF 29,426,958,891
Liquidity buffer	
➤ Capital claim (m)	HUF 5,102,510,000
➤ Interest receivable (n)	HUF 0
Total (m+n)	HUF 5,102,510,000

Additional collateral

The Mortgage Bank holds the full value of the additional collateral in government bonds. The government bonds are all dematerialised securities and are held at UniCredit Bank.

Description	Nominal value
Hungarian Government Bond 2026/E	HUF 3,060,000,000
Hungarian Government Bond 2027/A	HUF 10,100,000,000
Hungarian Government Bond 2027/B	HUF 10,578,810,000
Hungarian Government Bond 2030/A	HUF 2,500,000,000

Stocks recorded as liquid assets

As of 31 December 2024, the Mortgage Bank's liquidity buffer of liquid assets consisted of government bonds.

Description	Nominal value	Market value
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Hungarian Government Bond 2027/B	HUF 5,000,000,000	HUF 5,102,510,000
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6. Enforcement auctions

In 2024, no auction of residential property took place in the enforcement procedure launched at the request of the Mortgage Bank.

7. Transferred properties

In 2024, no real estate was transferred to the Mortgage Bank to reduce or eliminate mortgage lending losses or as a result of liquidation or foreclosure.

8. Amount of mortgage loan repayments

As of 31 December 2024, the annual mortgage loan repayments amounted to HUF 39,485,231,314 in principal and HUF 31,275,815,292 in interest payments.

9. Representations and warranties

We, the undersigned, hereby declare that the Annual Report, prepared to the best of our knowledge and in accordance with the applicable accounting standards, gives a true and fair view of the assets, liabilities, financial position and profit and loss of the Mortgage Bank, and the Management Report gives a true and fair view of the position, development and performance of the Mortgage Bank, together with a description of the principal risks and uncertainty factors.

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Attila Tamási

Chairman and CEO

.....

Dr. Viktor Juhász

Head of Operations,
Internal Board Member

Annex I. 2024 Corporate Governance Statement of UniCredit Jelzálogbank Zrt.

UniCredit Jelzálogbank Zrt. has published its Corporate Governance Statement for 2024, as required by Section 95/B of Act C of 2000 on Accounting, in the original Hungarian version of the Annual report.