

# Takarék Mortgage Bank

**Type of Engagement:** Annual Review

**Date:** November 18, 2022

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## Introduction

In October 2021 and February 2022, Takarék Mortgage Bank Co. Plc. ("TMB" or the "Bank") issued two green covered bonds under the Takarék Mortgage Bank Green Covered Bond Framework (the "Framework")<sup>1</sup> aimed at financing and refinancing mortgage loans for green residential and commercial buildings in Hungary. Sustainalytics provided a Second-Party Opinion on the Framework in September 2021.<sup>2</sup> In November 2022, TMB engaged Sustainalytics to review the assets funded with proceeds from the green covered bonds and provide an assessment as to whether the activities met the use of proceeds criteria and the reporting commitments outlined in the Framework.

TMB raised a total of HUF 13.6 billion (EUR 33.3 million) through its two green covered bonds. As of September 2022, the total size of the identified eligible green mortgage loan portfolio stood at HUF 71.9 billion (EUR 176 million). Hence, all proceeds have been fully allocated.

## Evaluation Criteria

Sustainalytics evaluated the assets funded with proceeds from the green covered bonds between October 2021 and September 2022 based on whether they:

1. Met the use of proceeds and eligibility criteria outlined in the Takarék Mortgage Bank Green Covered Bond Framework; and
2. Reported on at least one key performance indicator (KPI) for each use of proceeds category outlined in the Takarék Mortgage Bank Green Covered Bond Framework.

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<sup>1</sup> The Takarék Mortgage Bank Green Covered Bond Framework is available at: <https://www.en.takarekjzb.hu/files/23/84146.pdf>

<sup>2</sup> The Second-Party Opinion is available at: <https://www.en.takarekjzb.hu/files/23/84145.pdf>

Table 1: Use of Proceeds category and eligibility criteria

Use of Proceeds	Eligibility Criteria		
	New or existing buildings	Refurbished existing buildings	Green building certifications
<b>Green Residential Buildings</b>	<p>Buildings built before 30 June 2022 that:</p> <ul style="list-style-type: none"> <li>• Have a maximum primary energy demand (PED) of 100 kWh/m<sup>2</sup> per year and comply with the Hungarian nearly zero-energy buildings (NZEB) requirements<sup>3</sup></li> <li>• Have an energy performance certificate (EPC) label A or better<sup>4</sup> or</li> <li>• Belong in the top 15% low-carbon residential buildings based on emission intensity in Hungary<sup>5</sup></li> </ul> <p>Buildings built after 30 June 2022 that:</p> <ul style="list-style-type: none"> <li>• Have a PED at least 10% lower than the NZEB standard in Hungary</li> </ul>	<p>Buildings that:</p> <ul style="list-style-type: none"> <li>• Fulfil the cost-optimal minimum energy performance requirements for major renovations, as defined by the Energy Performance Buildings Directive (EPBD) or</li> <li>• Achieve a minimum 30% of primary energy savings compared to the performance of the building prior to the renovation</li> </ul>	None
<b>Green Commercial Buildings</b>	<p>Buildings built before and after 30 June 2022 that:</p> <ul style="list-style-type: none"> <li>• Have a PED at least 10% lower than the NZEB standard in Hungary</li> </ul>	<p>Buildings that:</p> <ul style="list-style-type: none"> <li>• Fulfil the cost-optimal minimum energy performance requirements for major renovations, as defined by the Energy Performance Buildings Directive (EPBD) or</li> <li>• Achieve a minimum 30% of primary energy savings compared to the performance of the building prior to the renovation</li> </ul>	<p>Buildings that have achieved or are expected to achieve one of the following minimum certification levels:</p> <ul style="list-style-type: none"> <li>• LEED Gold with energy savings of at least 30% or more against ASHRAE 90.1 2010 or</li> <li>• BREEAM Very Good</li> </ul>

<sup>3</sup> European Commission, "Nearly Zero-Energy Buildings", (2020), at:[https://ec.europa.eu/energy/topics/energy-efficiency/energy-efficient-buildings/nearly-zero-energy-buildings\\_en](https://ec.europa.eu/energy/topics/energy-efficiency/energy-efficient-buildings/nearly-zero-energy-buildings_en)<sup>4</sup> Residential buildings with the EPC label AA or better (rating since 2016) or with a rating of A or better (rating before 2016).<sup>5</sup> Residential buildings complying with the PED requirements from the building energy code 7/2006 including amendments of 8/2012 and were constructed in 2013 or later.

**Table 2: Associated KPIs**

Use of Proceeds	Key Performance Indicators
<b>Green Commercial and Residential Buildings</b>	<ul style="list-style-type: none"> <li>• Annual site energy savings (in MWh/year)</li> <li>• Annual CO<sub>2</sub> emissions avoidance (in tCO<sub>2</sub>/year)</li> </ul>

## Issuer's Responsibility

TMB is responsible for providing accurate information and documentation relating to the details of the financed assets, including a description of projects, the amounts allocated and project impact.

## Independence and Quality Control

A leading provider of ESG research and ratings, Sustainalytics conducted the verification of use of proceeds from TMB's green covered bonds. The work undertaken as part of this engagement included the collection of documentation from TMB and the review of said documentation to assess conformance with the Takarék Mortgage Bank Green Covered Bond Framework.

Sustainalytics relied on the information and the facts presented by TMB. Sustainalytics is not responsible nor shall it be held liable for any inaccuracies in the opinions, findings or conclusions herein due to incorrect or incomplete data provided by TMB.

Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight of the review.

## Conclusion

Based on the limited assurance procedures conducted,<sup>6</sup> nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the reviewed assets do not conform with the use of proceeds and reporting criteria outlined in the Takarék Mortgage Bank Green Covered Bond Framework. TMB has disclosed to Sustainalytics that the proceeds from the green covered bonds were fully allocated as of 30 September 2022.

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<sup>6</sup> Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the funded projects, including description of projects, estimated and realized costs of projects, and project impact, as provided by the Issuer, which is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

## Detailed Findings

**Table 3: Detailed Findings**

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
<b>Use of Proceeds Criteria</b>	Verification of the assets funded with the proceeds from the green covered bonds issued in October 2021 and February 2022 to determine if they aligned with the use of proceeds criteria outlined in the Takarék Mortgage Bank Green Covered Bond Framework and above in Table 1	All assets reviewed complied with the use of proceeds criteria.	None
<b>Reporting Criteria</b>	Verification of the assets funded with the proceeds from the green covered bonds issued in October 2021 and February 2022 to determine if the impact of the projects was reported in line with the KPIs outlined in the Takarék Mortgage Bank Green Covered Bond Framework and above in Table 2. For a list of KPIs reported, please refer to Appendix 1.	All assets reviewed reported on at least one KPI per use of proceeds category.	None

## Appendix

### Appendix: Impact and Allocation Reporting

As of September 2022, TMB had raised a total of HUF 13.6 billion (EUR 33.3 million) through its two green covered bonds and allocated all net proceeds to finance or refinance eligible green mortgage loans for residential buildings.

**Table 4: Allocation breakdown**

Type of residential buildings	Amount (in HUF)	Share of all mortgage loans (in percentages)
New real estate purchase	21,981,893,092	30.6
Existing real estate purchase	32,367,003,962	45.0
Refurbishment	1,021,994,269	1.4
Other <sup>7</sup>	16,483,044,271	22.9
<b>Total size of eligible green mortgage loans</b>	<b>71,853,935,594</b>	<b>100</b>
<b>Total bond proceeds raised (HUF)</b>	<b>13,605,490,000</b>	
<b>Unallocated proceeds (HUF)</b>	<b>0</b>	

**Table 5: Impact<sup>8</sup>**

KPI	Single-family homes	Multifamily homes	Total
Share of total portfolio financing (in percentages)	46	54	100
Average portfolio lifetime (in years)	19.1	18.6	18.8
Annual site energy savings (in MWh/year)	42,189	28,897	71,087
Annual CO <sub>2</sub> emissions avoidance (in tCO <sub>2</sub> /year)	7,805	5,346	13,151

<sup>7</sup> This includes construction, extension and substitute mortgage loans for green residential buildings.

<sup>8</sup> Impact figures relate to the whole asset pool rather than the proceeds of green covered bonds and have been calculated based on the total signed amount of HUF 75,958,771,962. The signed amount differs from the total size of eligible green mortgage loans as the former is based on a review of TMB's green eligibility residential property stock as of 30 September 2022 while the latter is solely based on residential property stock securing newly refinanced mortgage loans since the establishment of the Takarék Mortgage Bank Green Covered Bond Framework..

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