



## **Corporate Governance Report of TakaréK Mortgage Bank Co Plc**

**for the year**

**2022**

**26 April 2023**

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## **Declaration on responsible corporate governance practices**

### **1. Description of the operation of the Board of Directors, and the division of responsibilities and duties between the Board of Directors and the management**

The Board of Directors is the legal representative and managing body of the Company, and it represents the Company against third parties, as well as before courts and other authorities, manages and controls the business activity and finances of the Company, and provides the conditions of successful operation.

The organisation and operation of the Board of Directors is governed by the Articles of Association and the Rules of Procedure of the Board of Directors. The Board of Directors has the authority to establish the Rules of Procedure of the Board of Directors. The Articles of Association is available on the official website of the Company ([www.takarekjb.hu](http://www.takarekjb.hu)).

The Board of Directors consists of at minimum three and at maximum nine members. The General Meeting elects the members of the Board of Directors for a fixed period of up to five years. In accordance with the provisions of Act CCXXXVII of 2013 on Credit Institutions and Financial Undertakings (Credit Institutions Act) and the Articles of Association, in 2022, out of the members of the Board of Directors, the CEO of the Company and the Deputy CEO(s) had continuous employment relationships with the Company (internal Board members).

The members of the Board of Directors shall be liable towards the Company for any damage caused thereto by breaching the provisions of the law, the Articles of Association, the resolutions of the general meeting or their obligations in accordance with the rules of civil law. The body shall have joint and several liability for damage caused in this manner. If the damage was caused by a resolution of the Board of Directors, any member of the Board of Directors who did not participate in the passing of the resolution or voted against it—and notified the Supervisory Board regarding this in writing within fifteen days after the passing of the resolution—shall be exempted from liability.

The Board of Directors shall make its decisions objectively, having regard to the interests of all shareholders, and striving to be independent of the influence of the management and any given shareholder. The members of the Board of Directors, in their capacity as Board members, may not be given orders by the shareholders of the Company or their employer.

In 2022, the Board of Directors carried out its activities based on an annual work schedule. The Board of Directors holds meetings as frequently as necessary, but at least once every three months. The Board of Directors discusses matters conferred to its authority based on written proposals. It makes its decisions in the form of resolutions, based on the proposed resolutions submitted by the proposing person. The proposals and the related proposed resolutions are prepared by the management for the Board of Directors. The head of the organisation preparing the proposal and the Deputy CEO exercising professional supervision, or in the absence of such person, the CEO exercising professional supervision shall be responsible for the substantive soundness of the proposals. The members of the Board of Directors shall be notified in writing regarding the time and date and agenda of the Board meetings prior to the meeting in accordance with the rules of procedure, and the written proposals shall also be sent to them together with this notice.

The Board of Directors has a quorum if at least half of the Board members is present at the meeting. The Board of Directors passes its resolutions via open ballot, with simple majority of votes—with the exception of the cases set out in the Rules of Procedure of the Board of Directors. Members of the Board of Directors concerned in any manner in the matter discussed may not participate in the passing of the resolution. The chairman of the Board of Directors orders a secret ballot upon the request of any member of the Board of Directors.

In emergencies, the Board of Directors may also pass resolutions validly via phone, fax, electronic device or other means, provided that the Company delivers the proposal requiring decision to the Board members in writing, at least by electronic means, and the votes of more than half of the members are sent to the Company in writing within the deadline specified.

The chairman of the Supervisory Board or the Supervisory Board member appointed by the chairman of the Supervisory Board shall participate in the sessions of the Board of Directors as permanent invitee. The chairman of the Board of Directors may invite the auditor or asset controller of the Company or any other person, who may participate in a consultative capacity. The supervisor of the Magyar Nemzeti Bank (the supervisory body is hereinafter referred to as the "Supervisory Authority", acting in its supervisory role on the system of financial intermediation) responsible for supervision of the Company, and the representatives of MTB Bank of Hungarian Savings Cooperatives Co. Ltd. and the Integration Organisation of Cooperative Credit Institutions were invited to all meetings of the Board of Directors.

The chair of the Board of Directors is elected by the general meeting. The work of the Board of Directors is controlled by the Chairman. If the chairman is prevented from performing its tasks, the Board member designated by them shall be responsible for performing the chairman's tasks.

The scope of tasks and authority of the Board of Directors are set out in detail in the Articles of Association and the Rules of Procedure of the Board of Directors. The authority of the Board of Directors includes powers related to the strategy and business and financial activity of the Company, tasks and powers related to the operation and organisation of the Company, powers related to capital increase and own shares, rights related to the representation of the Company, and powers related to the operation of the Board of Directors.

In 2022, the senior management of the Company was composed of the following: CEO, Deputy CEO. The employment contract of MÉSZÁROS Attila, Deputy CEO, and thus his membership of the internal Board of Directors, ended on 30 November 2022. TÓTH Illés serves in the position of Deputy CEO of the Company from 1 December 2022 and is also a member of the Board of Directors from that date. The Board of Directors exercises the employer's rights over the members of the management via the chairman of the Board of Directors.

The CEO is an employee in employment relationship with the Company, and is the senior manager employee of the Company. The CEO shall perform the management and controlling of the Company's daily, operative functions within the scope of employment relationship, while the tasks related to their membership in the Board of Directors within the scope of a corporate law relationship. Accordingly, to the employment relationship of the Chief Executive Officer the Labour Code, while to their election to the Board of Directors and their Board membership the Credit Institutions Act and the rules of the Civil Code on service contracts shall apply.

The Board of Directors and the CEO share the tasks as follows: The CEO shall manage and control the daily activity of the Company in compliance with the relevant laws and the Articles of Association, in accordance with the resolutions passed by the general meeting and the Board of Directors. The CEO shall be responsible for taking a decision in cases which do not fall within the exclusive competence of the general meeting or the Board of Directors. The CEO shall regularly inform the Board of Directors and—between the meetings—the chairman of the Board of Directors regarding the matters related to the operation of the Company. The aforementioned division of tasks does not affect the statutory liability of the Board of Directors and the members of the Board of Directors.

The CEO shall exercise the employer's rights over the employees of the Company, except with regard to the Deputy CEO. The division of tasks and powers of the CEO and the Deputy CEO within the organisation is set out in the by-laws of the Company, and the Board of Directors has the power to approve any amendment thereof that would result in significant organisational changes.

## **2. Members of the Board of Directors, the Supervisory Board and the management**

### **2.1. Board of Directors**

In 2022<sup>1</sup>, the following persons were members of the Board of Directors of the Company:

*External, independent members who do not have any other legal relationship with the Company:*

**VIDA József** – Member of the Board of Directors since 30 November 2016, chairman of the Board of Directors since 5 December 2016.

He is a graduate in economics from several universities and colleges – Budapest School of Economics, University of Pécs, Szent István University and the French Université Paris-Nanterre – and has degrees in various fields of information technology, economics and law.

His career in the banking sector started at Citibank Zrt. in 1999. In 2003, he switched from the position of Head of Department General of Bank of Hungarian Savings Cooperatives to the position of Director of the Active Business Line of Szentgál és Vidéke Takarékszövetkezet, of which he became the Managing Director in 2006 and then the CEO.

Under his leadership, by the merger of ten savings cooperatives, B3 TAKARÉK Szövetkezet was founded on 1 September 2015. In 2014, he was awarded the Károlyi Sándor memorial plaque for his outstanding efforts in relation to the development of the integration of savings cooperatives. He assumed a key role in the integration of savings cooperatives and in ensuring Takaréék Group's competitiveness and long-term prosperity. Under his leadership, the former FHB Group was integrated into the Takaréék Group, and under his leadership, in 2017, twelve regional credit institutions were created by merging fifty-two savings banks. The resulting dozen institutions were united in a single, countrywide, universal commercial bank, Takarékbank Private Co. Ltd. by Shares in two steps in 2019. Until 30 October 2020, he worked as Chairman–CEO of Hungarian Bankholding Ltd. and until 31 December 2021, as Chairman–CEO of Takarékbank and MTB Bank of Hungarian Savings Cooperatives Co. Ltd.

He also farms, breeds racehorses, and holds leading positions in several social organisations, such as the chairman of the supervisory board of the Hungarian Kennel Club, and from June 2021 he is a member of the board of trustees of the public interest trust that maintains the University of Physical Education.

**GINZER Ildikó** – Member of the Board of Directors since 3 December 2021

She graduated from the Corvinus University with a degree in economics and a degree in economics teaching. She started her professional career at Raiffeisen Bank in 2004 in the Project Finance and Syndicated Lending Department, and continued as Director of Corporate Receivables Management Department and then as Head of Department until 2016. In 2016, she spent more than six months as a consultant at Borealis AG in Vienna. She then continued her career at MKB Bank as Deputy Chief Executive Officer for Risk Management and Business and as member of the Board of Directors. Since June 2021, she has been Deputy Chief Executive Officer for Business of Hungarian Bankholding Ltd., and since November 2021, she has been Deputy Chief Executive Officer for Business responsible for standard services at MKB Bank Plc., Takarékbank Private Co. Ltd. by Shares and MTB Bank of Hungarian Savings Cooperatives Co. Ltd.

**Dr. TÖRÖK Ilona** – Member of the Board of Directors since 14 November 2022

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<sup>1</sup> Status as at 31 December 2022

She started her career at the Hungarian Financial Supervisory Authority, where she accumulated legal and financial experience in several fields, and was then appointed head of the Directorate of Authorisation and Enforcement.

Between 2010 and 2021 she filled various positions at the capital market and treasury departments of OTP Bank Plc. She then became head of Corporate Governance and was also member of the management body of several domestic and foreign subsidiaries of the OTP Group.

From March 2021, Head of the President's Office of MKB Bank Plc. From November 2021 she has filled the same position at Hungarian Bankholding Ltd., MTB Bank of Hungarian Savings Cooperatives Co. Ltd. and Takarékbank Private Co. Ltd. by Shares. She has been member of the Supervisory Board of MKB Bank Plc. since September 2022.

**BREZINA Szabolcs Károly** – Member of the Board of Directors since 9 December 2022

He received his degree in economics in 1998 at the IBS – Oxford Brookes University. He started his career in 1997 at Kereskedelmi és Hitelbank. Between 2001 and 2003, he worked as interdealer broker at Continental Capital Markets, then managed the Money and Capital Market Branch of Takarékbank Private Co. Ltd. by Shares as director between 2003 and 2010. During the next three years, he was involved in managing the bank as managing director and Board member, and as general deputy CEO from 2013. During this period, he also filled the position of chairperson of the supervisory board of TakaréK Fund Manager. He worked as managing director of Duna TakaréK Bank Zrt. and as member of the Board of Directors for four years from 2015. He returned to Takarékbank in 2019. Currently, as managing director, he manages the Money and Capital Markets, Investment Services (Markets) departments at the MKB Bank Group.

**KALENYÁK Gábor** – Member of the Board of Directors since 19 December 2022

He joined the bank group 4.5 years ago. He is currently managing director of risk management at corporate level. Before that, he worked in finance, dealing with strategy and risk-related data warehouse management and was involved in introducing the IFRS9 depreciation regime. Prior to joining the bank group, he worked as head of various risk management departments of the Erste Group in Austria, Hungary and Slovakia, then continued to fill senior risk management positions in the European region of the Munich RE – Ergo Versicherung international insurance companies. He holds degrees in mathematics and economics, which we earned in Switzerland, Austria and Hungary.

*Internal members of the Board of Directors in employment relationship with the Company:*

**Dr. NAGY Gyula László, CEO** – Member of the Board of Directors since 26 April 2017

He graduated from the Foreign Trade specialty of the Budapest University of Economics in 1976, after which, in 1981, he also acquired specialist economist qualification, as well as a doctorate in economy. From 1977, worked as the Head of the Export Department of the Ganz Electricity Meter Plant, and later, he worked as a salesman of Unicbank Rt. and the Head of the Large Corporation Partner Relations Department of Citibank Hungary Rt. He managed the Corporate Business of BNP-Dresdner Bank Rt. between 1991 and 1995, and of HVB Bank Hungary Rt. between 1995 and 1999. He was a Deputy CEO and member of the Board of Directors of HVB Bank Hungary Rt. between 1999 and 2001, and the CEO of Unicredit Jelzálogbank Zrt. between 2001 and 2007. From October 2007, he has headed the Partner Refinancing and Integration Independent Department of FHB Nyrt., where he managed the refinancing activities of FHB Group. Since 26 April 2017, he has been the CEO of FHB Jelzálogbank Nyrt.—currently TakaréK Mortgage Bank Co Plc. He is a master-level property expert and a member of the Research and Statistics Working Group of the European Mortgage Federation.

**TÓTH Illés, Deputy CEO** – Member of the Board of Directors since 1 December 2022

He is head of the Capital Market Department of TakaréK Mortgage Bank Co Plc. and has been responsible for the mortgage bond issue activity of the Mortgage Bank, credit rating management and investor relations since 2019. Since 2020, he has been actively involved in implementing the sustainability strategy of the Mortgage Bank, the drafting of the sustainability report and in managing the Green Covered Bond Framework. Prior to his position as head of the Capital Market Department, he worked as senior capital market expert of the Mortgage Bank between 2015 and 2019. Between 2008 and 2015, he first assumed a senior position at the treasury department of Unicredit Mortgage Bank, then carried out ALM and liquidity management duties related to mortgage banking, and mortgage bond issue management related duties as head of the department. In 2015, he worked briefly as senior expert in managing liquidity risks at the market risk management department of Raiffeisen Bank. Between 2000 and 2008, he worked as bond market analyst at the emergent market analysis office of DZ BANK, operating in Budapest in an outsourced form. He received his degree in economics in 2000 at the College of Finance and Accounting in the field of finance/banking.

Changes in the composition of the Board of Directors in 2022:

HEGEDŰS Éva resigned as member of the Board of Directors as of 13 July 2022, while SASS Pál resigned as member of the Board of Directors as of 14 November 2022. The employment contract of MÉSZÁROS Attila and thus his membership of the internal Board of Directors, ended with effect on 30 November 2022. At the extraordinary general meeting of the Company held on 14 November 2022, the Board of Directors elected TÓTH Illés, Dr. TÖRÖK Ilona, BREZINA Szabolcs Károly and KALENYÁK Gábor as new members.

## 2.2. Supervisory Board

In 2022<sup>2</sup>, the following persons were members of the Supervisory Board of the Company:

**Dr. LÁNG Géza Károly** – Chairman of the Supervisory Board since 5 August 2022

He received a legal degree at Pázmány Péter Catholic University in 2002. He then qualified as a specialist lawyer in competition law and a specialist lawyer in insurance law. He started his career at a law firm and subsequently worked for several years in the insurance industry as a legal counsel and then general counsel. Since 2016, he has been a member of the Administrative Board of the Association of Hungarian Insurance Companies.

From 2019 to 11 June 2022, he is deputy state secretary responsible for national financial services and postal affairs, and from 12 June 2022, he is deputy state secretary responsible for State-owned assets and postal affairs alongside the Minister for Economic Development.

**Dr. GÖDÖR Éva Szilvia** – Member of the Supervisory Board since 1 August 2018

Lawyer, Head of Office at Dr. Gödör Law Firm. She received her legal degree at the Faculty of Law of Eötvös Loránd University in 2002 and passed her bar examination in 2006. During her trainee solicitor years, she dealt with civil and criminal cases, later she turned her focus towards civil law. She has been working as a full-fledged solicitor since 2007. She founded her law firm in 2012, primarily supporting the activities of several players of the domestic financial sector and their subsidiaries from the very start. She participates in the implementation of asset transfers, re-organisations and mergers of financial institutions. Her specialisations include immovable properties, property investments, corporate law, financing, wind-up, support of the activities of financial institutions, mergers, acquisitions, due diligence, project support, and execution of procedures relating to non-profit organisations. She has been a member of OPUS GLOBAL Nyrt.'s Supervisory Board since April 2018.

**DARAZSACZ Péter** – Member of the Supervisory Board since 3 January 2022

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<sup>2</sup> Status as at 31 December 2022

He graduated from the Faculty of Economics of the University of Szeged in 2010. He started his career as an Audit Assistant at Deloitte Business Administration and Management Consultancy Ltd., and from 2014 he worked as an Audit Manager. From July 2017 to April 2019, he was the CFO of B3 Savings Cooperative, and after the merger, from May 2019, he was the CFO of MTB Bank of Hungarian Savings Cooperatives Co. Ltd. and Takarékbank Private Co. Ltd. by Shares. As of the end of 2020, he also serves as the manager of the financial and reporting area of Hungarian Bankholding Ltd., and as of November 2021, of MKB Bank Plc., MTB Bank of Hungarian Savings Cooperatives Co. Ltd. and Takarékbank Private Co. Ltd. by Shares.

**Dr. LÉLFAI Koppány Tibor** – Member of the Supervisory Board since 3 January 2022

He graduated as a lawyer from the Faculty of Law of Eötvös Loránd University in 2003. From 2000 to 2011 he worked at MFB, first in the Lending and then in the Business Coordination Directorate, from 2008 to 2011 as Chief Legal Counsel of the Legal Directorate, and from 2011 to 2016 as CEO of Bethlen Gábor Fund Management Ltd. He continued his career as Deputy Chief Executive Officer of MFB's Business Division until the end of August 2017, and then headed the Investment Division until the beginning of 2018. From 1 January 2018 to 31 March 2022, he managed Budapest Bank as CEO, and as Chairman of the Board of Directors he was involved in the Bank's governance and strategic decision-making from 1 April 2017. Until 31 March 2022, he was the member of the Board of Directors of Hungarian Bankholding Ltd. and the member of the Supervisory Board of the Foundation for Hungarian Culture.

**Dr. TISZA-PAPP Ákos Ferenc** – Member of the Supervisory Board since 29 November 2022

He received a legal degree in 2004 at Eötvös Loránd University and took the bar examination in 2007. He started his career at the Legal Department of the predecessor of UniCredit Bank, then worked as legal administrator, then legal counsel at Raiffeisen Lízing Zrt. from 2003 to 2007. He was legal counsel of OTP Bank Plc. from 2007, was group leader, then head of department of the Corporate and Capital Market Legal Group, then headed the Corporate and Capital Market Legal Department as director from 2019 to 2021. During this period, he was Supervisory Board member at the Bulgarian and Ukrainian subsidiaries of the OTP Group, OTP Factoring Ltd. and OTP Real Estate Investment Fund Management Ltd., and was member of the BSE Responsible Corporate Governance Committee. He joined the MKB Bank Group in 2021 and is currently managing the legal department of the entire Group as managing director. In addition, he is the member of the Supervisory Board of EXTER-IMMO Zrt.

All of the above members of the Supervisory Board are independent, they do not have any other legal relationship with the Company.

Changes in the composition of the Supervisory Board in 2022:

The mandate of Dr. HARMATH Zsolt, Dr. KOVÁCS Mónika and Dr. REININGER Balázs as members of the Supervisory Board expired on 2 January 2022, and they were not re-elected. RÓZSA Zsolt János served as Chairman of the Supervisory Board from 3 January 2022 to 12 July 2022. Accordingly, the general meeting of the Company elected members of the Supervisory Board DARAZSACZ Péter, dr. GÖDÖR Éva Szilvia and GÖRÖG Tibor and, following GÖRÖG Tibor's resignation, dr. LÁNG Géza Károly as members of the Audit Committee established in accordance with the Credit Institutions Act.

### 2.3. Company management

In 2022, the Company's management included the following members:

**CEO:****Dr. NAGY Gyula László** Since 26 April 2017

Internal member of the Board of Directors. See introduction in Section 2.1.

**Deputy CEO:****MÉSZÁROS Attila** – From 11 October 2018 to 30 November 2022**TÓTH Illés** – Since 1 December 2022

Internal member of the Board of Directors. See introduction in Section 2.1.

**3. Information on the work performed by the Board of Directors, the Supervisory Board and their committees in 2022****3.1. Description of the work performed by the Board of Directors in 2022***3.1.1 Summary of the tasks executed by the Board of Directors*

The Board of Directors had a total of four meetings in 2022, whereof one was held jointly with the Supervisory Board. Board of Directors member attendance rate at meetings was 87%. On 58 occasions, resolutions were passed without a meeting. The organisation of the meetings as well as the proceeding regarding concluding a decision without a meeting were always compliant with the corporate policies, the board always had a quorum at these events.

The Board of Directors, apart from deciding on tasks set out in the work schedules, many times decided at the meetings and within the scope of written voting on matters not stated in the work schedule but within the competence of the board.

In most of the cases the reports, notices and other proposals compiled by the management or in cooperation of the manager of the field of practice concerned in the consideration of the reviewed topic were submitted in a written form to be on the agenda of the meetings. The Board of Directors discussed the topics on its agenda with due diligence, the members of the Board supplemented and clarified the proposals on a regular basis with their professional comments and remarks.

Out of the topics discussed by the Board of Directors in 2022, the following should be highlighted:

- In 2022, the Board of Directors continued to pay particular attention to the implementation of the applicable integration policies.
- In 2022, the Board of Directors continued to pay particular attention to the implementation of measures targeting the establishment of a clear mortgage bank profile.
- During the 2022 meetings, carrying on with the practices of the previous years, the Board of Directors discussed the management report on the current business and financial situation of the Company as a permanent item of the agenda, and in doing so, they were able to monitor in an ongoing manner the operation and financial position of the Company, the process of integrating sustainability factors into business strategy and corporate governance. As a result of that the Board of Directors always had sufficient information during the year on the internal and external conditions impacting the operation of the Company, it was able to identify situations that may result in negative impacts, and respond to them with the necessary measures, and to support the work of the management with professional recommendations.

- In 2022, the Board of Directors continued to pay particular attention to the analysis of the financial operations of the Company.
- In 2022, the Board of Directors continued to discuss regularly and quarterly the management reports on the lending, liquidity, market and operational risks of the Company.
- The Board of Directors discussed the quarterly reports of the Compliance and Data Protection Department for 2022 and the implementation of the tasks set out in the work plan
- In 2022, the Board of Directors continued to deal with issues related to the implementation of the Remuneration Policy.
- The Board of Directors found the management proposals focusing on the amendment of policies delegated to its competence to be sufficiently substantiated in every instance and approved them as presented.
- In 2022, the Board of Directors continued to pay attention to audits conducted at the Company by external authorities (the National Tax and Customs Administration (NTCA), the Magyar Nemzeti Bank (MNB)), and to the development and implementation of action plans associated with the conclusions of audits. None of the audits have concluded any non-compliance or objection against the work of the Board of Directors.

### *3.1.2. The Board of Directors' cooperation with other organisations*

The Board of Directors sustains a cooperative and fair relationship with the Supervisory Board and the management. The CEO of the Company was present at every board meeting where it provided detailed information on current matters concerning the operation of the Company, and gave response to questions arising within the scope of the agenda. The chairman of the Supervisory Board was always invited to the meetings of the Board of Directors, where it was able to elaborate its opinion and recommendations at all times, therefore the shareholders' representation was always ensured during the management of the Company. Nevertheless, the consultations and exchange of ideas between the chairmen of the two bodies, the CEO and its deputy, were regular between the individual meetings.

## **3.2. Description of the work performed by the Supervisory Board in 2022**

### *3.2.1 Summary of the tasks executed by the Supervisory Board*

The Supervisory Board of the Company (hereinafter referred to as "SB") operated in 2022 in accordance with the approved work schedule. The work schedule included the individual tasks of the board and the review of the audits executed by the internal audit team (hereinafter referred to as "Internal Audit") of the Company. In 2022, the SB held a total of four meetings, whereof one meeting was held jointly with the Board of Directors. The attendance rate of the members of the Supervisory Board at the meetings was 95%. On 32 occasions, resolutions were passed without a meeting. The organisation of the meetings as well as the proceeding regarding concluding a decision without a meeting were always compliant with the corporate policies, the board always had a quorum at these events.

The SB, further to the consideration of the regulations of the Hungarian Civil Code and the Credit Institutions Act, gained information on the business and financial position of the Company on an ongoing basis, and on the most important relevant questions concerning the operation, and on the meetings of the Board of Directors and the decisions concluded by them.

Further to that, the SB reviewed, discussed and evaluated other topics within the scope of its own initiative, such as:

- implementation of the tasks included in the action plans prepared in consideration of the internal audit reports of 2022,
- the quarterly reports of the Company on its lending, market, liquidity and operational risk, and
- the quarterly reports of the Compliance and Data Protection Department and the implementation of the tasks set out in the work plan.

In 2022, the SB continued to pay attention to the audits conducted at the Company by the Supervisory Authority and other external authorities, and to the development and implementation of the action plan associated with the conclusions of the audits. None of the audits have concluded any non-compliance or objection against the work of the SB.

The SB thoroughly discussed the audits conducted by the Internal Audit team in different topics. These audits fundamentally targeted governance, management, administration (process), compliance and IT security. Accordingly, the examinations included, among others, reviews of Liquidity Risk, Compliance activities, Intermediary activities, Remuneration Policy, Mortgage Bond Issuance review, Collateral Register and certain accounting related topics. On the IT side, a review of Outsourcing, operating systems, virtualization solutions, middleware, directory services, office, system management and system administration tools, and logical access protection. They also included compliance audits in terms of the business and operation of the Company, and audits in consideration of the compliance with the resolutions of the MNB and ISZ, the Integration Organisation of Cooperative Credit Institutions.

The Internal Audit department, in accordance with the regulations of the Credit Institutions Act, regularly informed the Supervisory Board and the Company's management about the results of conducted investigations and the implementation of action plans prepared as a response to the conclusions of the internal audits. The Internal Audit team provided information on the operation of the control functions, on the revealed deficiencies impacting the achievement of the objectives of the Company as well as its performance.

The SB paid particular attention to the Company to have a comprehensive and efficient control system. The internal audit system, earlier approved by the SB, was operational in 2022 at the level of the banking group, in accordance with the relevant legal regulations, the Corporate Governance Recommendations and the Authority's recommendation on operating inner lines of defence.

MKB Bank Internal Audit has prepared a group-wide medium-term internal control strategy for the years 2022-2025, which has been implemented by JZB Internal Audit and approved by the JZB SB.

### *3.2.2. The operation of the Supervisory Board*

The meetings' agenda mainly consisted of written reports and proposals. The Board members had no formal division of labour. The members—according to their different professional competence and experience—represented different points of view during the evaluation of certain inquiries' results.

### *3.2.3. The Supervisory Board's cooperation with other organisations*

In 2022, the Supervisory Board worked together with the Board of Directors, the management and the Company's auditor continuously, objectively and successfully. The chairman of the SB participates in board meetings as a constant guest, where he had the opportunity to explain his point of view representing the SB.

The CEO participated in every Board meeting, informed the Board members appropriately and gave detailed answers to their questions.

Consultations and discussions between the Board of Directors, the chairman of SB and the CEO were provided even between meetings.

The auditor participated in the SB's meetings as a constant guest, where he supported the board's work with his professional observations if needed.

### 3.3. Description of the work performed by the Audit Committee in 2022

The Audit Committee shall support the Supervisory Board in the monitoring of the financial reporting system, as well as in the selection of and cooperation with the auditor. The Audit Committee consists of 3 members. Members of the Audit Committee are elected by the General Meeting from among independent Supervisory Board members. At least one member of the Audit Committee shall hold accounting or auditing professional qualifications.

Members of the Audit Committee <sup>3</sup> (CVs are presented in clause 2.2)

DARAZSACZ Péter (Chairman)  
dr. LÁNG Géza Károly  
dr. GÖDÖR Éva Szilvia

#### The operation of the Audit Committee

The Audit Committee approves its own rules of procedure. The Audit Committee shall meet whenever necessary for smooth fulfilment of its duties and holds its meetings in accordance with the work programme it adopts. The rules of procedure of the Audit Committee shall include the composition of the Audit Committee, the rules on the duties and responsibilities of the members of the Audit Committee, the powers and responsibilities of the body, the rules on the preparation, convening and holding of meetings, the rules on written decisions to be taken in and out of meetings, and the provisions on the documentation of minutes and decisions.

The Audit Committee met 4 times in 2022. Audit Committee member attendance rate at meetings was 100%. On a further 7 occasions, written resolutions were passed without a meeting. The agenda of the Audit Committee meetings included, among others, proposals on the selection, election and remuneration of the auditor, approval of the appointment of the person responsible for the audit, the terms of the contract to be concluded with the auditor, and the conclusion of the audit contract. In matters within its competence, the Audit Committee has taken decisions on contracts for the provision of other services to the Company by the permanent auditor or by other companies with a fully or partially same ownership background as the permanent auditor.

### **3.4 Committee operating with the participation of members of the Supervisory Board according to the Credit Institutions Act**

#### *3.4.1. Nomination Committee*

Its tasks are to nominate and recommend candidates for membership of the Supervisory Board and the Board of Directors, with the exception of Supervisory Board members representing employees, to determine the skills and duties required for membership of the management bodies, and to evaluate the composition and performance of the management body and its members. Determine the gender balance within the management body and develop a strategy to achieve it. It is also responsible for the regular review of the Company's policy on the selection and appointment of the managing director.

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<sup>3</sup> Status as at 31 December 2022.

Prior to the 2022 annual general meeting, the Nomination Committee carried out an evaluation of the work of the management bodies of TakaréK Mortgage Bank in 2021, assessing the adequacy of the knowledge, skills and experience of the members and the size, composition and performance of the management bodies.

Members of the Nomination Committee (CVs are presented in clause 2.2)

dr. LÁNG Géza Károly (Chairman)  
DARAZSACZ Péter  
dr. LÉLFAI Koppány Tibor

#### **4. Description of the internal audit system and evaluation of its operation in 2022**

In 2022, the internal audit system was implemented at banking group level in accordance with the relevant legal regulations, with Corporate Governance Recommendations and with the MNB's recommendations on operating inner lines of defence. The internal audit system contains elements of responsible internal governance, risk management, compliance function, as part of the internal audit system the control that is built in work procedures, management control and independent internal audit function.

The Company's management unites under responsible corporate governance the activities of the organisational units representing control function elements, informs about compliance with principles, expects reports and in its decisions certain control functions' statements and experiences are reflected.

Changes in the compliance function within the internal lines of defence in 2022

With effect from 30.06.2022, in order to ensure the harmonised operation of the members of the MKB Group, MTB Bank of Hungarian Savings Cooperatives Co. Ltd. transformed the former Compliance and Banking Security Directorate into Compliance and Data Protection area, which is now also set out in the current OOR, as a mirror organisation of that of MKB Bank controlling the Group. During the transformation, the former General Compliance area was merged with the Conflicts of Interest area and continued to operate under the name of Core Compliance area. The General Compliance area created after the changes, is made up of the Core Compliance and Consumer Protection areas.

The Compliance and Data Protection Department is currently divided into four professional fields:

- 1) Data protection and secrecy,
- 2) General compliance,
- 4) Money and capital market compliance,
- 5) Prevention of money laundering and DDC.

These functions have been under the direct control of the Compliance Director of the Directorate since July 2021.

#### **4.1. Summary of risk management principles**

Takarék Mortgage Bank is a member of the Central Organisation of Integrated Credit Institutions<sup>4</sup> (hereinafter referred to as "Integration Organisation") and the banking group led by MTB Bank of Hungarian Savings

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<sup>4</sup> before 15.07.2020: Integration Organisation of Cooperative Credit Institutions

Cooperatives Co. Ltd. (hereinafter referred to as “MTB Bank of Hungarian Savings Cooperatives Co. Ltd.” or “MTB”).

The Integration Organisation and its members are jointly and severally liable for one another’s obligations in accordance with the provisions of Act V of 2013 on the Civil Code. Joint and several liability covers any and all claims against the Integration Organisation and its members, irrespective of the date when such claims arise.<sup>5</sup>

Pursuant to the decision of the Magyar Nemzeti Bank (Resolution No. H-JÉ-I-209/2014), members of the Integration are exempt from the prudential requirements applicable to credit institutions and investment firms and from the individual application of the provisions of Part Two–Eight of Regulation (EU) No. 575/2013 of the European Parliament and of the Council (of 26 June 2013) on prudential requirements (CRR) and the amendment of Regulation (EU) No. 648/2012. The group led by MTB Bank of Hungarian Savings Cooperatives Co. Ltd. shall meet these requirements collectively, in a consolidated manner.

MTB Bank of Hungarian Savings Cooperatives Co. Ltd., as the entity managing the Integration’s business activities, controls credit institutions and companies that are consolidated in terms of meeting prudential requirements on a consolidated basis in order to achieve the strategic goals of the Integration. Accordingly, it ensures that the risk management principles, methods, risk assessment, measurement and control procedures are unified and harmonised within the Integration and meet the legal requirements. Integration members make their own risk management decisions independently in accordance with the Integration’s principles, regulations and within the framework set for the Integration and its members.

The Integration’s business goals are defined and reached by bearing the risk appetite in mind. The risk appetite needs to be harmonised with the financial resources which are available to cover possible losses. Risk management’s main aim is to protect the Integration’s financial power and good reputation and to contribute to business activities enhancing the shareholders’ value.

MTB Bank of Hungarian Savings Cooperatives Co. Ltd. was a member of the Hungarian Bankholding Ltd. (MHB) Group between 16.12.2020 and 29 April 2022.

The Magyar Nemzeti Bank has determined by its Resolution No. H-EN-I-70/2021 dated 17.02.2021 that pursuant to Section 172 of Act CCXXXVII of 2013 on credit institutions and financial undertakings (Credit Institutions Act) Hungarian Bankholding is subject to supervision on a consolidated basis and is required to comply on a consolidated basis with the requirements of Chapter 2, Article 1 of 26 June 2013 Regulation (EU) No. 575/2013 (CRR) of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012. The MNB also specified in Resolution No. H-EN-I-70/2021 which undertakings are subject to supervision on a consolidated basis and prudential consolidation. Previously, the members subject to supervision on a consolidated basis, including TakaréK Mortgage Bank, were included in the supervision on a consolidated basis of Hungarian Bankholding, with MTB complying on a sub-consolidated basis with the obligations under Parts 2 to 8 of the CRR and Title VII of the CRD in respect of the members of the MTB group, including TakaréK Mortgage Bank.

Following the merger of Budapest Bank Zrt. and Magyar TakaréK Bankholding Zrt. into MKB Bank Nyrt. and the acquisition of the majority stake in TakaréKbank, MKB Bank Nyrt. was the direct and indirect owner of all the companies formerly belonging to the Hungarian Bankholding Group on 1 April 2022.

With effect from 28 April 2022, Hungarian Bankholding Ltd. has returned its financial holding company activity licence, which was accepted by the MNB in its Decisions H-EN-119/2022 and H-EN-I-265/2022.

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<sup>5</sup> Section 5/A(1) of Act CXXXV of 2013 on the integration of savings cooperatives and the amendments to economic-related acts.

In its Decision H-EN-I-267/2022 dated 10.05.2022, the Magyar Nemzeti Bank stated that Hungarian Bankholding Ltd. ceased to be a financial holding company on 29 April 2022, and pursuant to section 172 of the Credit Institutions Act, Hungarian Bankholding is not subject to supervision and prudential consolidation on a consolidated basis as of 29 April 2022, and Hungarian Bankholding is not responsible for the compliance of the Group on a consolidated basis.

From 29 April 2022 the group governance function was transferred from Hungarian Bankholding Ltd. to MKB Bank Nyrt.

From 01.04.2022 the main owner of MTB Bank of Hungarian Savings Cooperatives Co. Ltd. Co. Ltd. is MKB Bank Nyrt. By its decision H-EN-I-267/2022 dated 10.05.2022, the Magyar Nemzeti Bank has determined which companies are subject to the full scope of supervision and prudential consolidation of MKB Bank Nyrt. on a consolidated basis and which companies and other entities are subject to supervision on a sub-consolidated basis with MTB Bank of Hungarian Savings Cooperatives Co. Ltd. TakaréK Mortgage Bank is a member of both the full and the sub-consolidated consolidation scope.

The boards and committees of TakaréK Mortgage Bank discuss regularly the proposals concerning the review and modification of risk measurement and management methods, procedures and the reports presenting risk developments.

#### **4.2. Risk management organisation**

The risk management organisation of TakaréK Mortgage Bank is separated from the business units and is supervised by the Deputy CEO.

#### **4.3. Monitoring, feedback**

The Company operates elements of inner lines of defence with regard to relevant legal regulations and supervisory recommendations in order to minimise risks. Accordingly beyond operating the risk management organisation

- a) the Compliance and Data Protection department (hereinafter referred to as “Compliance and Data Protection”) of MTB Bank of Hungarian Savings Cooperatives Co. Ltd. ensures within TakaréK Group, thus also in the Company, compliance with principles and regulations of legal regulations, other professional practices that are not equivalent to legal regulations, authority’s recommendations, guidelines and decrees and with inner rules (hereinafter referred to as “compliance rules”), the prevention and control of their violation, and
- b) operates the internal audit system, the parts of which (management control, which is built in work procedures, management information system and independent internal audit function) spread on very institution and activity of the Company, are built in daily activities and can be traced; furthermore, they give regular feedback to the relevant management, governance level.

ad a) The Compliance function is performed by MTB Bank of Hungarian Savings Cooperatives Co. Ltd.’s Compliance and Data Protection Department under a service level agreement (SLA). The Department

coordinates and ensures the fulfilment of compliance rules and the performance of the compliance audits of members of the banking group.

The Compliance and Data Protection Department carries out its work based on an annual work schedule—also covering TakaréK Mortgage Bank—approved by the executive body of MTB Bank of Hungarian Savings Cooperatives Co. Ltd.

Aim of its activities is to support—on bank group level, in the Mortgage Bank as well—the organisations' prudent, reliable, efficient operation in compliance with legal regulations and to assist in the organisation's smooth and sufficient operation, to maintain trust in the institution, furthermore, to help group members avoiding legal sanctions (supervisory, competition law, compensation, etc.), great financial loss and reputational damage.

#### Data protection and secrecy

The Data protection and secrecy performs personal data protection and secrecy tasks in accordance with the integration-level policies issued by the Central Organization of Integrated Credit Institutions. In 2022, the professional area carried out an investigation into the data processors used for mortgage banking activities, which identified a major data protection risk that has been addressed. As a result of the consultation process on the data management information, the update of TakaréK Mortgage Bank's data management information was completed and published in January 2023.

#### General compliance

The areas under its direct control are Core Compliance and Consumer Protection. The main objective of developing a Core Compliance function within the Compliance and Data Protection Department is to continuously monitor compliance with the legislation and internal regulatory instruments that ensure the transparency of the Company's operations and to promote the enforcement thereof.

To ensure this, the purpose of the General Compliance operation is to contribute to the smooth and prudent operation of TakaréK Mortgage Bank by identifying, assessing and managing compliance risks.

In accordance with the provisions of the Credit Institutions Act and the Group Conflict of Interest Policy, during their employment, employees may not engage in any conduct that would jeopardise TakaréK Mortgage Bank's legitimate economic interests.

This function also conducts conflict of interest investigations for candidates during the pre-employment process, for employees already having an employment contract and also for senior executives.

In addition to identifying and managing conflicts of interest involving employees, in order to avoid and prevent any potential conflicts of interest, this function conducts documented reviews during the sale of receivables or assets to determine whether the buyer has any interest in the debtor of the receivable to be sold. This function is also responsible for conducting conflict of interest investigations of intermediaries and of service providers to which activities are to be outsourced (before the conclusion of the relevant contracts).

The Consumer Protection Department within the General Compliance Department performs consumer protection control functions and provides support to the Company, thus helping TakaréK Mortgage Bank to comply with consumer protection requirements. Details of the so-called Consumer Protection Officer (CPO) were also reported to the Supervisory Authority in the framework of the group-level consumer protection function.

In addition, the area develops and periodically reviews the group-level consumer protection principles applicable to compliance-relevant, group-level business management group members and complaint handling principles, and reviews compliance-relevant policies.

It coordinates the liaison with Magyar Nemzeti Bank (MNB) as the supervisory body responsible for consumer protection and ensures the provision of the required data in connection with consumer protection requests.

It ensures that consumer protection-relevant legislation, supervision and other requirements are integrated into the operational system of the JCB.

It participates in the development of the terms and conditions of new and changing products and services, and examines the compliance of new and changing products and services with consumer protection legislation and the requirements of supervisory regulatory instruments.

It assists in settling complaints as necessary, giving its opinion on the development of a monitoring system for complaints handling practices and verifying the adequacy of complaints handling activities, except for complaints concerning investment services activities.

It contributes to the processes for measuring the effectiveness of good customer relations, customer information and customer satisfaction, evaluating the results and making any necessary improvements as a result.

It assesses the compliance of services provided to consumers with consumer protection legislation, and examines campaign plans from a consumer protection point of view in advance, in order to prevent possible consumer protection risks that fall within the competence of the competition supervisory authority.

It ensures that new and existing employees affected by their responsibilities are made more aware of consumer protection and that the principle of fair treatment of customers is embedded in all internal processes of the Bank as an integral part of its business culture.

#### Money and Capital Market Compliance

Within the framework of the Money and Capital Market Compliance activity within the Compliance and Data Protection Department, it maintains a list of insiders for TakaréK Mortgage Bank and informs persons with access to insider information about their inclusion in the insider list. Money and Capital Market Compliance also keeps a list of all persons discharging managerial responsibilities and persons closely associated with them for TakaréK Mortgage Bank.

#### Preventing and combating money laundering and terrorist financing

The Money Laundering Prevention and DDC Unit within the Compliance and Data Protection Department carries out screening and analysis activities, using customer record systems and external software, to support the operation of a modern and effective money laundering prevention system by screening and analysing customers and transactions on a risk basis. Through its analytical and assessment activities, this field of expertise identifies and mitigates existing and future customer, transactional and geographical risks, thereby supporting risk management and business processes.

#### Reporting

Fulfilling the SLA contractual obligation, MTB, as Business Management Organisation of the Integration, through its quarterly reports informed the Board of Directors and the Supervisory Board of MTB about the activities of the Compliance and Data Protection Department relevant to the Company and the compliance-related activities of the Company as a member of the banking group.

- ad b) Elements of control and management control built in work procedures were included in job descriptions and current procedures, the application principles were included in internal orders, organisational and operational regulations about control systems. The application principles were established in order to support the Company's efficient operation, reaching the Company's goals, the operation in compliance with legal regulations and the identification of possible risks with providing appropriate solutions to them.

#### Fraud prevention

The Banking Security Directorate's Fraud Prevention Department is responsible for conducting investigations into internal and external abuses and crimes and for operating preventive monitoring systems. The field of expertise carries out human security activities for employees, and participates, among other things, in the performance of activities related to classified requests from authorities in accordance with applicable laws.

Based on the records of the field of expertise, there was no fraud incident or suspected fraud at TakaréK Mortgage Bank in 2022.

An integral part of internal audit is the independent Internal audit organisation.

The independence of the Bank's internal audit organisation is ensured by the relevant regulations because according to these, the internal audit/internal auditor cannot be entitled to any other position than controller and cannot participate in bank procedures, decisions. The annual work schedule of Internal Audit is approved by the SB; further audit tasks can only be determined by the SB and the Head of Internal Audit, in agreement with the SB and the Company's CEO. The Supervisory Board is managing the internal audit organisation. The head of the Company's Internal Control has reporting obligations to the SB.

The internal control informed the Supervisory Board and the Company's management about the results of conducted investigations according to regulations of Credit Institutions Act. The Company's internal audit reports to the SB about its activity and informs about control function operations and revealed deficiencies. Internal Audit is continuously monitoring and controlling the fulfilment of measures to eliminate the revealed deficiencies and regularly reports about it to the SB and the Company management. As the Company joined the Integration Organisation, the Company's internal audit organisation had an obligation to data reporting towards MTB Bank of Hungarian Savings Cooperatives Co. Ltd.'s Internal Audit and the Integration Organisation.

Internal Audit's activity planning and its fulfilment is based on risk analysis, which analyses and examines the whole scale of business procedures. Also in 2022, Internal Audit had a long-term audit plan, internal audit regulations, a manual to support internal audit tasks, a risk and examination result assessment methodology, regulations for the reporting and information system, all approved by the SB. Taking all these into account, it prepares the internal audit's annual work schedule which is afterwards approved by the SB. Taking its competency into account, it has access to all information and documents needed for the examinations.

Internal Audit's main tasks for 2022 were to support, through the conduct of general and thematic audits, the achievement of the strategic goals of the Company and MKB Group—and MTB Group operating within that—, proper operation, the control system's operation, with particular regard to the performance and compliance of refinancing activities and the issuance of mortgage-backed securities, as well as to meet the expectations of the Company's managers and control bodies and carry out the tasks determined by the same, based on the experience gained from previous years' audits and adjusting the audits to the market environment. A key task and aim was to review compliance with the legal framework in practice and regularity, in order to reduce risks. A further aim was to ensure that audits promote the efficient functionality and operation of control systems to identify and eliminate any deficiencies in the field of meeting the requirements applicable to controls built in work procedures and to managerial controls, and to have feedback in a relatively short period of time in case of a new activity or work procedure in order to handle any deficiencies and risks efficiently.

#### 4.4. The auditor's activities

**Name and address of the Company's registered auditor:**

PricewaterhouseCoopers Könyvvizsgáló Kft. (registered seat: H-1055 Budapest, Bajcsy-Zsilinszky út 78., Chamber of Hungarian Auditors registration No.: 001464)

**Person responsible for auditing:**

MÉSZÁROS Balázs Árpád, registered auditor (Chamber of Hungarian Auditors membership ID No.: 005614, registration No.: 005589), or, if he is unavailable, BALÁZS Árpád, registered auditor (Chamber of Hungarian Auditors membership ID No.: 007272, registration No.: 006931)

The general meeting of TakaréK Mortgage Bank is entitled to elect the auditor of the Company.

The Company's auditor, PricewaterhouseCoopers Könyvvizsgáló Kft. did not perform during the year 2022 any activities that would have compromised its independence.

Assignments to the auditor, including non-audit services, are decided by the Audit Committee in accordance with its rules of procedure. The Audit Committee receives quarterly reports on the independence of the auditor and on the contracts concluded with the auditor.

## **5. Presenting the Company's publication policy and insider trading policy**

### **5.1. The Company's publication policy**

The Company's Board of Directors attaches great significance amongst the requirements of responsible corporate governance to the transparency of Company operations because the Company's publication policy affects its reputation. Information that reflects efficient operations authentically has strategic importance if it enhances shareholders' and other concerned parties' trust towards the Company.

The Company has to fulfil every announcement and publication obligation in accordance with legal regulations, in a compulsory form until the deadline. The Company has further responsibility beside its publication obligation to prevent suspicion of information misuse against any employee and to provide the same information at the same time for every shareholder by announcing them organised. The management is obliged to ensure that the Company's publication practice is in accordance with the Board of Directors' principles.

The Company ensures that during information publication the information is accurate, obvious and understandable, that business secrets are appropriately protected, secret information is handled right, with appropriate and punctual timing of the publication no unauthorised person can access to the information so that misuse of this information can be prevented and market operators, investors and shareholders have the opportunity to be informed about events in connection with the Company in the frame of regulated and announced procedure at the same time.

The Company's publication policy gives priority to present following facts:

- the Company's main aims;
- the Company's policy in connection with its main activity, its business ethics, its partners, competitors and other concerned parties;
- result of the Company's activity, management;
- the risk factors that affect the Company's operation, management and the Company's risk management principles;
- its solvency margin, the amount of capital requirement,
- remuneration policy,
- the Company's managers, their professional experiences and principles for their remuneration;
- company management practice, structure of the company management system;
- ownership structure.

The principles of information publication in connection with the Company, approved by the Board of Directors are published on the official website of the Company. Internal Audit examines the compliance of publication procedures.

## **5.2. The Company's insider trading policy**

According to Regulation (EU) No. 596/2014 of the European Parliament and of the Council on market abuse (hereinafter referred to as "MAR") the persons discharging managerial responsibilities within the Company as an issuer and in certain cases according to MAR the persons closely associated with them shall notify the Company and the Magyar Nemzeti Bank promptly and no later than three business days after the date of the transaction about transactions conducted on their own account relating to the Company's shares or debt instruments or to derivatives or other financial instruments linked thereto (Article 19(1) of MAR). Article 19(7) of MAR and the related implementing regulation define the transaction types with obligation to notify. The obligation to notify transactions applies to all transactions once a total amount of EUR 5,000 has been reached within a calendar year. The threshold shall be calculated adding without netting all above mentioned transactions (Article 19(8) of MAR).

The Company has a list of all persons discharging managerial responsibilities and persons closely associated with them according to Article 19(5) of MAR.

A person discharging managerial responsibilities within the Company shall not conduct any transactions on its own account or for the account of a third party, directly or indirectly, relating to the shares or debt instruments of the Company or to derivatives or other financial instruments linked to them during a closed period of thirty calendar days before the announcement of an interim financial report or a year-end report.

## **6. Methods of practicing shareholder rights and presenting the rules in connection with the organisation of the general meeting**

### **6.1. Rules of practicing shareholder rights**

The shareholder is entitled to practice their rights in possession of the owner certification defined by the legal regulations on shares and stocks. The shareholder does not need an owner certification to practice their rights if the entitlement is determined according to the regulations of the Articles of Association and the Capital Market Act by owner compliance. The shareholder needs an entry on the list of shareholders in order to practice their rights in connection with the general meeting.

The shareholder shall practice their rights personally, by a substitute (representative) or by a shareholder substitute defined by the Capital Market Act. Shareholders may also authorise senior employees of the Company to exercise General Meeting related rights. Authorisation for representation is valid for one General Meeting or for the time determined in the authorisation, but for up to twelve (12) months. The validity of authorised representation shall extend to the resumption of adjourned General Meetings and General Meetings reconvened as a result of a lacking quorum. Authorisation shall be issued as a public instrument or private document of full probative force and submitted to the Company at the place and time specified in the General Meeting notice. The authorisation given by the nominee shareholder shall state that the representative acts in the capacity of nominee shareholder.

The shareholder is entitled to a dividend of the distributable profits of the Company, ordered for distribution by the General Meeting, proportionate to the nominal value of their share.

If the Company is liquidated without a legal successor, the shareholder is entitled to the amount of the liquidation value equivalent to their share.

Shareholders have the right to attend the general meeting. Shareholders have a right to information concerning matters on the General Meeting's agenda. Accordingly, upon the shareholder's written request submitted at least eight days before the date of the General Meeting, the Board of Directors shall provide the information necessary for discussing the given item on the agenda of the General Meeting three days before the date of the same. The Board of Directors may bind the exercise of the above right to information to a written non-disclosure declaration issued by the shareholder requesting information. The Board of Directors may reject the request for information and access to the documents if it would compromise the Company's business, bank, securities or other similar secrets or if the person requesting the information exercises this right in an abusive manner or fails to make a confidentiality statement despite having been instructed thereto. If the person requesting information considers the denial of information to be unreasonable, they may request the court of registration to oblige the Company to provide such information. The Company shall allow all shareholders attending the General Meeting to exercise the right to information, commenting and to motion, provided that exercise of such rights does not prevent the regular and proper operation of the General Meeting. To ensure the exercise of shareholder rights defined hereunder, the chairperson of the General Meeting shall give the floor to shareholders at the General Meeting, under condition that the chairperson may limit speaking time, interrupt the speaker, in particular, upon deviation from the topic, and—when several persons are speaking simultaneously—determine the order of speeches to ensure the regular and proper operation of the General Meeting. The Company has three (3) business days available from the date of the General Meeting to answer questions raised at the General Meeting and not answered to the satisfaction of shareholders.

The shareholder has every minority rights ensured by the Civil Code.

## **6.2. Summary of general meeting organisation regulations**

The supreme body of the Company is the general meeting. The Board of Directors has to call the general meeting at least 30 days before the beginning of the general meeting on places of publication determined by the Articles of Association by a published announcement. Shareholders who notified the Company in writing about their claim, need to be informed in electronic form about the calling of the general meeting.

The business integration management organisation and the Integration Organisation shall be notified of the General Meeting concurrently with publication of the invitation.

The key data of the annual report of the Company, prepared in accordance with the Accounting Act, and of the reports of the Board of Directors and the Supervisory Board, as well as a summary of the proposals regarding the agenda items and the proposed resolutions shall be disclosed on the places of publication of the Company twenty-one days before the date of the general meeting at the latest.

If the general meeting had been convened improperly, then the general meeting may be held and resolutions may be passed as well, however, exclusively in the presence of all shareholders entitled to vote, provided that they grant their consent to hold the general meeting.

The general meeting shall have a quorum if the shareholders representing more than half of the votes attached to the shares vested with voting rights are present. If the general meeting does not have a quorum, the repeated general meeting shall have a quorum in relation to all matters included in the original agenda without regard to the number of shareholders attending.

The general meeting can be suspended at most once by the chairman. If the general meeting is suspended, then it shall be continued within thirty days. In this case, the rules applicable to convening the general meeting and the election of the officers of the general meeting shall not be applied.

Each series “A” ordinary share with a nominal value of HUF 100—i.e. one hundred forints—entitles its holder to one vote at the general meeting. The Company like the general meeting performs ownership compliance determined by the Capital Market Act, stock market regulations and KELER Ltd.’s regulations. The date (reporting date) of shareholder compliance shall be between the 7<sup>th</sup> (seventh) and 5<sup>th</sup> (fifth) stock market trading days (including such days) prior to the General Meeting. At the general meeting only those persons are entitled to the shareholder rights who owns the shares on the day of ownership compliance and whose name is included in the list of shareholders on the second work day before the beginning day of the general meeting at 6.00 p.m. (closure time of the list of shareholders).

Closure time of the list of shareholders does not limit the shareholder’s rights in transferring their shares after the closure of the list of shareholders. The transfer of shares before the beginning day of the general meeting does not exclude the shareholder’s right whose name is included in the list of shareholders to participate in the general meeting and practice the rights they are entitled to.

Resolutions of the General Meeting are adopted by simple majority, except for matters requiring a majority vote of votes cast by law. If legislation prescribes a unanimous adoption of resolutions concerning any matter, the General Meeting shall adopt resolutions by unanimous decision on such matter.

The detailed rules on organisation of the general meeting are included in Clauses 3.1–3.1.23 of the Articles of Association.

#### **7. Description of compliance with the provisions of Chapter IV of Act LXVII of 2019 on Encouraging Long-term Shareholder Engagement and Amending Certain Acts for the Purpose of Legal Harmonisation**

Takarék Mortgage Bank is not required to prepare a remuneration report under Chapter IV of the Act LXVII of 2019 on Encouraging Long-term Shareholder Engagement and Amending Certain Acts for the Purpose of Legal Harmonisation (Shareholder Engagement Act) pursuant to section 22 (2) of the Shareholder Engagement Act and the provisions of the Credit Institutions Act. However, the Bank discloses information on remuneration in accordance with Regulation (EU) No 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms (CRR).

### **Statement on Compliance with the Corporate Governance Recommendations**

Takarék Mortgage Bank Co Plc. (registered seat: H-1117 Budapest, Magyar Tudósok körútja 9. Infopark G épület.; company registration number: 01-10-043638; hereinafter referred to as the "Company"), as part of the Responsible Corporate Governance Report, represents by submitting the following questionnaire on the extent the Company applied the recommendations set out in the specific sections of the Corporate Governance Recommendations ("CGR") issued by Budapest Stock Exchange Ltd.

#### **Level of compliance with the Recommendations**

The Company shall indicate whether or not it applies the given recommendation. For negative answers, the Company shall provide information about the reasons the recommendation is not followed.

**1.1.1.** Within the Company, an organisational unit engaged in investors' account management is operating or an individual is appointed to maintain relations with investors.

**Yes**

**1.1.2.** The Company's articles of association is available on the Company's website.

**Yes**

**1.1.4.** If the Company's articles of association allows shareholders to exercise their rights while absent, the Company has published the methods and conditions of the same on its website, including the necessary documents.

**Yes**

**1.2.1.** The Company has published a summarising documents on its website regarding the rules of conduct of general meetings and exercising shareholders' rights.

**No**

Explanation: The Company provides the details of the rules of conducting general meetings and exercising shareholders' rights in the information bulletin about the convention of the general meeting, which bulletin is always published on its website.

**1.2.2.** The Company published the day of establishment of the scope of individuals entitled to participate in the given Company event (cut-off date) by indicating the exact date. Furthermore, the Company published the date of the last day of trading of shares entitling invitees to participate in the Company event.

**Yes**

**1.2.3.** The Company convened its general meeting in a way that allowed for the participation of the largest number of shareholders possible.

**Yes**

**1.2.6.** The Company did not hinder shareholders to send separate representatives for each safekeeping account regarding any general meeting.

**Yes**

**1.2.7.** For proposals regarding each agenda item, in addition to the proposed resolutions of the Board of Directors, the opinion of the Supervisory Board was also available for shareholders.

**Yes**

**1.3.3.** The Company did not hinder participant shareholders' rights to receive information, to make comments or motions, and the Company did not condition these to any circumstance or requirement, except for measures taken for the due and intended conduct of the general meeting.

**Yes**

**1.3.4.** The Company ensured compliance with the principles of notification and publication under the stock exchange rules by answering questions arising at the general meeting.

**Yes**

**1.3.5.** The Company published on its website the answers to questions arising at the general meeting that could not be adequately answered by the representatives of the Company's bodies or the auditors present at the meeting within three business days, or published its notification regarding the reasons of abstention from answering.

**No**

Explanation: In 2022, no such questions arose.

**1.3.7.** The Chairman of the general meeting ordered a recess or proposed suspension of the general meeting, if, regarding the agenda items, new motions or proposals were received, so that shareholders did not have opportunity to familiarise with such motions or proposals in advance.

**No**

Explanation: In 2022, no such motions or proposals were submitted.

**1.3.8.1.** The Chairman of the general meeting did not apply joint voting procedures for decisions in connection with appointing or recalling members of the Supervisory Board.

**Yes**

**1.3.8.2.** For members of the Supervisory Board appointed by shareholders' support, the Company provided information regarding the person of the supporting shareholder(s).

**Yes**

**1.3.9.** Prior to discussing agenda items regarding the amendment of the articles of association, the general meeting adopted a separate decision whether the meeting intends to decide regarding each clause of the articles of association separately or by joint decisions, grouping the cases by certain criteria.

**No**

Explanation: The general meeting always decides about amendments of the articles of association in a joint decision, irrespective of the number of clauses the amendment will affect. The proposal associated with the agenda item details the clauses affected by the amendment and the content of the amendment.

**1.3.10.** The Company published the Minutes of the general meeting containing the resolutions, the details of the proposed resolutions and/or any significant questions and answers regarding such proposed resolutions within 30 days of the general meeting.

**Yes**

**1.6.1.1.** The Company's publication guidelines cover possible electronic and online publication procedures.

**Yes**

**1.6.1.2.** The Company sets up its website by considering the criteria of publication and information of shareholders.

**Yes**

**1.6.2.1.** The Company has an internal set of rules covering publications and handling information under Section 1.6.2 of the Recommendations.

**Yes**

**1.6.2.2.** The Company's internal rules also cover the classification of significant incidents in terms of publications.

**Yes**

**1.6.2.3.** The Directorate/Board of Directors assessed the efficiency of publication processes.

**No**

Explanation: The Board of Directors established the guidelines of publication and through the Management, it ensures compliance.

**1.6.2.4.** The Company published the result of the review of the publication processes.

**No**

Explanation: The Board of Directors established the guidelines of publication and through the Management, it ensures compliance.

**1.6.3.** The company published its corporate events calendar.

**Yes**

**1.6.4.** The public was informed about the company's corporate strategy, its business ethics and its policies regarding other stakeholders.

**Yes**

**1.6.5.** In the annual report or on the website the company has disclosed information on the professional career of the members of the Managing Body, the Supervisory Board and the executive management.

**Yes**

**1.6.6.** The company has published the appropriate information on the work of the members of the Managing Body, the Supervisory Board and the executive management, the evaluation of the said work and the changes of the current year.

**Yes**

**1.6.8.** The company disclosed its risk management guidelines, and provided information on the system of internal audits, as well as information about major risks and relevant management principles.

**Yes**

**1.6.9.1.** The company disclosed its guidelines governing insiders' trading in the company's securities.

**Yes**

**1.6.9.2.** The company published in the annual report or otherwise ownership in the company's securities held by the members of the Managing Body, the Supervisory Board and the executive management, as well as any interests held in share-incentive schemes.

**Yes**

**1.6.10.** The company disclosed any relationship between members of the Managing Body, the Supervisory Board and the executive management with a third party, which might have an influence on the operations of the company.

**No**

Explanation: There were no such cases in 2022.

**2.1.1.** The company's articles of association contains unambiguous provisions regarding the duties and competences of the General Meeting and the Board of Directors.

**Yes**

**2.2.1.** The Managing Body regulates the rules of procedure defining all procedures and protocols for the preparation and holding of meetings and the tasks relevant to adopted resolutions, as well as other matters related to the operation of the Managing Body.

**Yes**

**2.2.2.** The company disclosed the procedure for nominating members of the Managing Body and the remuneration principles.

**Yes**

**2.3.1.** The rules of procedure and the work schedule of the Supervisory Board gives a detailed description of its operation, competence and duties, as well as the administrative procedures and processes which the Supervisory Board follows.

**Yes**

**2.4.1.1.** The Managing Body and the Supervisory Board held meetings regularly, at times designated in advance.

**Yes**

**2.4.1.2.** The rules of procedure of the Managing Body and the Supervisory Board provide for unscheduled meetings and decision-making through electronic communications channels.

**Yes**

**2.4.2.1.** Board members had access to the proposals of a given meeting at least five days prior to the Board meeting.

**Yes**

**2.4.2.2.** The company ensured the orderly course of meetings and that minutes were recorded of the meetings, and the orderly management of the documentation and resolutions of the Managing Body and the Supervisory Board.

**Yes**

**2.4.3.** The rules of procedure regulate the regular or occasional participation at Board meetings of persons who are not members of the boards.

**Yes**

**2.5.1.** The nomination and election of the members of the Managing Body and the Supervisory Board took place in a transparent way, information on candidates was made public in due time prior to the General Meeting.

**Yes**

**2.5.2.** The composition of boards and the number of members complies with the principles specified in Section 2.5.2 of the Recommendations.

**Yes**

**2.5.3.** The company ensured that newly elected Board members were able to familiarise themselves with the structure and operations of the company, as well as their duties as Board members.

**Yes**

**2.6.1.** At regular intervals (in connection with the preparation of the CG Report) the Board of Directors/Supervisory Board requested a confirmation of their independent status from those members considered independent.

**Yes**

**2.6.2.** The company has published a statement about the means it uses to ensure that the Managing Body gives an objective assessment of the management's work.

**Yes**

**2.6.3.** The company disclosed on its website the guidelines on the independence of the Board of Directors/Supervisory Board, as well as the criteria applied for assessing independence.

**No**

Explanation: The company has not disclosed a single document on its website on the independence of the senior officers, but the Rules of Procedures of both the Board of Directors and the Supervisory Board include the conflict-of-interest and the independence criteria in connection with its members. Both rules of procedures are disclosed on the website of the Company.

**2.6.4.** The company's Supervisory Board has no member who held a position in the Managing Body or the executive management of the company in the five years prior to their nomination, not including the cases providing for employee involvement.

**Yes**

**2.7.1.** Members of the Managing Body informed the Managing Body (Supervisory Board/Audit Committee) if they (or any other person in a business or personal relationship to them) had such a significant personal stake relevant to a transaction of the company (or the company's subsidiary) that would make them not independent.

**Yes**

**2.7.2.** Transactions between Board and executive management members (and persons in close relationship to them) and the company (or its subsidiary) were conducted and approved according to general rules of practice of the company, but with stricter transparency rules in place.

**Yes**

**2.7.3.** Board members informed the Supervisory Board / Audit Committee (Nomination Committee) if they received an offer of Board membership or an offer of an executive management position in a company which is not part of the company group.

**Yes**

**2.7.4.** The Managing Body established its guidelines on information flow within the company and the handling of insider information, and monitors compliance with those guidelines.

**Yes**

**2.8.1.** The company created an independent Internal Audit function which reports to the Audit Committee/Supervisory Board.

**Yes**

**2.8.2.** Internal Audit has unlimited access to all information and documents necessary for the inspections.

**Yes**

**2.8.3.** Shareholders were informed of the operation of the Internal Safeguards' system.

**Yes**

**2.8.4.** The company has a compliance function.

**Yes**

**2.8.5.1.** The Managing Body or the committee operated by it is responsible for monitoring and controlling the company's entire risk management.

**Yes**

**2.8.5.2.** The appropriate body of the company and the General Meeting received information on the efficiency of risk management procedures.

**Yes**

**2.8.6.** The Managing Body developed the risk management policy appropriate for the industrial and corporate peculiarities with the cooperation of the relevant fields.

**Yes**

**2.8.7.** The Managing Body formulated the principles regarding the system of internal audits ensuring the management and control of risks relevant to the company's business activities, as well as achieving the performance and profit goals set by the company.

**Yes**

**2.8.8.** Functions of the internal audit systems have reported at least once to the eligible body on the operation of internal audit mechanisms and corporate governance functions.

**Yes**

**2.9.2.** The Managing Body invited the company's auditor to participate in the meetings debating the financial report with consultative powers.

**Yes**

### **Level of compliance with the Recommendations**

The company should indicate whether the relevant recommendation of the CGR is applied or not (Yes / No).

**1.1.3.** The company's articles of association render possible that the shareholder practise their right to vote even when absent.

**Yes**

**1.2.4.** The company has set the time and place of General Meetings proposed by shareholders with consideration to the shareholders' proposal.

**No**

Explanation: There was no Shareholders' Meeting initiated by shareholders in 2022.

**1.2.5.** The voting procedures applied by the company ensure the unambiguous, clear and fast declaration of the results, and in case of electronic vote, the validity and reliability of it.

**Yes**

**1.3.1.1.** The Managing Body and the Supervisory Board were represented at the General Meeting.

**Yes**

**1.3.1.2.** The chairman of the General Meeting provided adequate information on the possible absence of the Management Body or the Supervisory Board before discussing the agenda in detail.

**Yes**

**1.3.2.1.** The company's articles of association do not prevent that at the initiation of the chairman of the Managing Body of the company, any party be invited to the company's General Meeting and be granted the right of participation in the discussion of the relevant items on the agenda, if they assume that the presence and contribution of the given party is necessary, or it facilitates the information of shareholders, the decision-making process of the general meetings.

**Yes**

**1.3.2.2.** The company's articles of association do not prevent that at the initiation of the company's shareholders requesting the amendment of the agenda, any party be invited to the company's General Meeting and be granted the right of participation in the discussion of the relevant items on the agenda.

**Yes**

**1.3.6.** The company's annual report prepared in accordance with the Accounting Act includes a short, straightforward and illustrative summary for the shareholders, containing the important information relevant to the annual operation of the company.

**Yes**

**1.4.1.** According to Section 1.4.1, the company paid the dividend within 10 days to those shareholders who had provided all the necessary information and documentation.

**No**

Explanation: The Company did not pay dividends in 2022.

**1.6.11.** In compliance with the provisions of Section 1.6.11, the company also prepared and released its disclosures in English.

**Yes**

**1.6.12.** The company informed its investors regularly, but at least on a quarterly basis, on its operations, financial situation and the assets and liabilities of the company.

**No**

Explanation: In compliance with the provisions of the Credit Institutions Act, the company releases semi-annual reports.

**2.9.1.** The company regulates the internal procedures to be followed when employing an external advisor or an outsourced service of theirs.

**Yes**