



**A**  
**Responsible Corporate Governance Report of TakaréK Mortgage Bank CO. PLC**

**for**

**2019**

**28 April 2020**

<b>1. Presentation of the operation of the Board of Directors, and the division of responsibilities and duties between the Board of Directors and the management</b> .....	3
<b>2. Members of the Board of Directors, the Supervisory Board and the management</b> .....	5
2.1. Board of Directors.....	5
2.2. Supervisory Board, Audit Committee.....	7
2.3. Company management.....	8
<b>3. Information on the work performed by the Board of Directors and the Supervisory Board in 2019</b> .....	9
3.1. Description of the work performed by the Board of Directors in 2019.....	9
3.1.1 <i>Summary of the tasks executed by the Board of Directors</i> .....	9
3.1.3 <i>The Board of Directors' cooperation with other organisations</i> .....	10
3.2. Description of the work performed by the Supervisory Board in 2019.....	10
3.2.1 <i>Summary of the tasks executed by the Supervisory Board</i> .....	10
3.2.2 <i>The operation of the Supervisory Board</i> .....	11
3.2.3 <i>The Supervisory Board 's cooperation with other organisations</i> .....	11
<b>4. Description of the internal audit system and evaluation of its operation in 2019</b> .....	12
4.1. Summary of risk management principles.....	12
4.2. Risk management organisation.....	13
4.3. Monitoring, feedback.....	13
4.4. The auditor's activities.....	16
<b>5. Presenting the Company's publication policy and insider trading policy</b> .....	16
5.1. The Company's publication policy.....	16
5.2. The Company's insider trading policy.....	17
<b>6. Methods of practicing shareholder rights and presenting the rules in connection with the organisation of the general assembly</b> .....	17
6.1. Rules of practicing shareholder rights.....	17
6.2. Summary of general assembly organisation regulations.....	18
<b>7. Remuneration Statement</b> .....	20
7.1. Remuneration principles for the year 2019.....	20
7.2. Remuneration Statement for the Year 2019.....	24
1/ <i>Members of the Management</i> .....	24
2/ <i>Officers</i> .....	25
<b>Statement of Responsible Corporate Governance on Compliance with the Recommendations on Responsible Corporate Governance</b> .....	26

## **1. Presentation 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. Both the Articles of Association and the Rules of Procedure of the Board of Directors are available at the official website of the Company ([www.takarek.hu](http://www.takarek.hu)).

The Board of Directors consists of at minimum five and at maximum eleven members. In 2019, the Board of Directors consisted of five members until 31.10.2019, and of six members afterwards. The members of the Board of Directors are elected by the general assembly from among the shareholders or other persons. 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 2019, out of the members of the Board of Directors, the CEO of the Company and the Deputy CEO(s) had continuous employment relationship 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 assembly 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 2019, 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 draft resolutions submitted by the proposing person. The proposals and the related draft 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 regarding the time and date and agenda of the Board meetings 5 business days prior to the meeting, 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). No member of the Board of Directors personally involved in the matter discussed, in any way, may 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 or other means, provided that the Company delivers the proposal requiring decision to the Board members in writing, at least by electronic means, and more than half of the members execute their votes in the form of a private instrument with full evidencing force, and send such instrument to the registered office of the Company within two days.

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. In 2019, the auditor of the Company was invited to one meeting of the Board of Directors, while the supervisor of the Central Bank of Hungary (Magyar Nemzeti Bank; the supervisory body is hereinafter referred to as: "Supervisory Authority", acting in its supervisory role on the system of financial intermediation) responsible for supervision of the Company, and the representatives of MTB Zrt. and the Integration Organisation of Cooperative Credit Institutions (Szövetkezeti Hitelintézetek Integrációs Szervezete) were invited to all meetings of the Board of Directors.

The members of the Board of Directors elect a chairman from among themselves. 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 him/her 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, powers related to the control of companies under joint supervision with the Company, company founding and investments, rights related to representation of the Company, and powers related to the operation of the Board of Directors.

In 2019, the senior management of the Company was composed of the following: CEO, Deputy CEO. Both were also internal members of the Board of Directors. 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 his/her 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 his/her election to the Board of Directors and his/her Board membership the Credit Institutions Act and the rules of the Civil Code on service contracts applied and 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 assembly 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 assembly 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 2019, 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, chairman** – Member of the Board of Directors since 30 November 2016, chairman of the Board of Directors since 5 December 2016

VIDA József is an economist who studied business management, as well as liquidation and bankruptcy law in several universities. 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 Magyar Takarékszövetkezeti Bank (Bank of Hungarian Savings Co-operatives) to the position of Director of the Active Business Line of Szentgál és Vidéke Takarékszövetkezet (Szentgál and Surroundings Savings Co-operative), of which he became the Managing Director in 2006 and then the CEO. In the past decade, he had a significant role in the integration efforts of savings co-operatives, and from 2007, he represented his region throughout two cycles in the senior representative body of savings co-operatives as a member of the presidency of the National Association of Savings-Cooperatives. He assisted in the work of "Takarék Akadémia" (Savings Academy) and integration companies Takinvest Kft and TAKINFO Kft – leading operators in the field of IT – as founder and officer. He is a member of the Board of Directors of the Magyar Takarékszövetkezeti Bank Zrt. and the CEO of the Magyar Takarékbefektetési és Vagyongazdálkodási Zrt. (Hungarian Savings Investment and Asset Management). The largest merger of the savings co-operative sector took place under his leadership. This resulted in the fusion of ten savings co-operatives and the founding of B3 SAVINGS Co-operative on 1 September 2015, which services almost 130 thousand clients in Budapest and four other counties. In the past years, József Vida actively participated in the implementation of the governmental integration strategy, and supported and assisted in the performance of the tasks necessary for implementation of the Integration Act. In 2014, he was awarded the Károlyi Sándor memorial plaque for his outstanding efforts in relation to the development of the integration of savings co-operatives. In July 2016, he was elected as the Chairman of the Board of Directors of the Integration Organisation of Cooperative Credit Institutions (Szövetkezeti Hitelintézetek Integrációs Szervezete), which office he held until 8 December 2016. On 8 December 2016, the shareholders' meeting of MTB Magyar Takarékszövetkezeti Bank Zrt. elected him as a member of the Board of Directors. Since 18 January 2017, he has been the Chairman of the Board of Directors and CEO of the bank. Since 1 May 2019, following the mergers with savings co-operatives, he has been the Chairman-CEO of Takarékbank Zrt. Besides his work in the savings co-operatives, József is a farmer himself, breeding Hanoverian horses and holding senior positions in several professional organisations (Federation of the National Associations of Hungarian Dog Breeders, National Association of Leonberger Breeders, National Association of Hungarian Hovawart Breeders). In 2016, he graduated in Forestry and Wildlife Management.

**SOLTÉSZ Gábor Gergő** – internal Board member before 30 November 2016, external member afterwards.

In 2003, he graduated from the Budapest University of Economic Sciences and Public Administration in Finance. Between 2003 and 2004, he worked for OTP Bank Nyrt. in the field of Credit Analysis and Monitoring, and then from 2004 to 2006, for Raiffeisen Bank Zrt. in the field of Project Financing and Loan Syndication. From March 2006, he was Deputy Head of Department of the Corporate and Structured Financing Directorate of FHB Bank Zrt. From 2008, he was Managing Director of the Corporate Directorate and, from 1 December 2010, the Deputy CEO of FHB Kereskedelmi Bank Zrt. He has been a member of the Board of Directors since 24 April 2013. He also held the office of CEO at FHB Bank Zrt, where he was also a member of the Board of Directors. He resigned from his office of Deputy CEO at the Company and his office of Deputy CEO and internal Board of Directors membership at FHB Zrt on 31 January 2015, but he remained a member of the Board of Directors of the Company.

**HEGEDŰS Éva** – member of the Board of Directors since 18 October 2018

She graduated from the Budapest University of Economics. She started his professional career at a consulting company, from where she moved on to governmental institutions. As a deputy state secretary at the Ministry of Finance, and later at the Ministry of Economy, she managed the preparation of several laws that constitute the fundamentals of market economy in Hungary (Act on Credit Institutions, Act on Bankruptcy, Act on Electric Power), and she coordinated the establishment of several institutions (e.g. Hitelgarancia Zrt.).

Beginning in 1997, she organised the restart of issue of mortgage deeds in Hungary as the Deputy CEO of the Földhiteles és Jelzálogbank (Land Loan and Mortgage Bank). From 2002, she managed the Residential Business of OTP Bank, and she was the chairwoman of the OTP Lakástakarékpénztár (Building Savings Co-operative). Since 2010, she has been managing GRÁNIT Bank, which she has been a shareholder of since foundation.

She was responsible for developing the digital business model of GRÁNIT Bank, thanks to which, the bank – providing services mainly via electronic channels – developed many leading digital services.

She is a member of the Hungarian Banking Association (Magyar Bankszövetség) and the secretary general of the Hungarian Economic Society (Magyar Közgazdasági Társaság). In 2015, she was elected as “Banker of the year” in a secret ballot of bank managers, while in 2016, she was elected as “Female manager of the year”, and she also holds several other Hungarian and international awards.

**SASS Pál** – He has been a member of the Board of Directors since 31.10.2019.

He graduated from the Budapest University of Economic Sciences and Public Administration in Foreign Trade, and then he studied economics at the Yokohama National University within the framework of a Japanese scholarship programme. He started his career at the Department of International Interbank Relations of Iparbankház Rt., where he was dealing with international interbank relations and banking operations. From 1996, as Director of the Structured Financing Department of OTP Bank Nyrt., he oversaw the loan syndication and international lending transactions as well as the banking group’s borrowing activities. From 2008, as Chief Consultant of OTP Hungaro-Projekt Kft., he dealt with corporate, lending and strategic consulting. From 2010, he was Managing Director of the Directorate General for Borrowing and Liquidity Management of the Hungarian Development Bank. From 2014, as Deputy CEO of Magyar Takarékszövetkezeti Bank Zrt., he headed a business division of the bank (Corporate Lending and Treasury). From 2016, he was Chief Business Advisor on lending, capital markets and strategic affairs of the CEO of Magyar Takarékszövetkezeti Bank Zrt. Since 1990, he has attended and delivered speeches at numerous Hungarian and international conferences on the Hungarian banking system and economy, and has been teaching as a lecturer.

*Internal members in employment relationship with the Company:*

**Dr. NAGY Gyula, CEO** – 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 Takaréék Jelzálogbank Nyrt.). He is a master-level property expert and a member of the Research and Statistics Working Group of the European Mortgage Federation.

**MÉSZÁROS Attila, Deputy CEO** – external member of the Board of Directors between 30 November 2016 and 26 September 2018, internal member of the Board of Directors since 11 October 2018

He also has agricultural engineer qualification, qualification as engineer with specialty degree in economics, and two MBA qualifications. He worked at Credit-Lyonnais Magyarország Bank Zrt, and between 2001 and 2007, at

the Directorate of Large Corporation Relations of K&H Bank Zrt, and as the director of the Credit Risk Management Directorate of the same. Between September 2007 and December 2009, he managed the Restructuring Department of MKB Bank Zrt, and then he held the office of CEO and chairman of the Board of Directors of the Romanian debt collection subsidiary of MKB Bank Zrt. From November 2011, he worked as a financial restructuring consultant at Ernst&Young Tanácsadó Kft, and later in his own company. Between July 2014 and February 2015, he worked under the mandate of Pénzügyi Stabilitási és Felszámoló Nonprofit Kft as a supervisory commissioner during the winding-up of five credit institutions. Between 2015 and 2017, he managed the Subsidiary Management Department of the Integration Organisation of Cooperative Credit Institutions (Szövetkezeti Hitelintézetek Integrációs Szervezete), and he also held the office of chairman of the Board of Directors of the Bóly and Surroundings Savings Co-operative (Bóly és Vidéke Takarékszövetkezet), worked as the managing director of Takarékszövetkezeti Informatikai Kft, and was a member of the Board of Directors of the Common Capital Coverage Fund of Cooperative Credit Institutions (Szövetkezeti Hitelintézetek Tőkefedezeti Közös Alapja). He was an external member of the Board of Directors of TakarékJelzálogbank Nyrt from November 2016 until his resignation, and a member of the Supervisory Board of TakarékJelzálogbank Nyrt and TakarékJelzálogbank Központi Követeléskezelő Zrt from 2017. He worked at MTB Magyar Takarékszövetkezeti Bank Zrt. as Managing Director for Risk Management from April 2017, and as Deputy CEO from November 2017, then he headed the Risk Management Division MTB Magyar Takarékszövetkezeti Bank Zrt. (and of Takarékbank Zrt. from 1 May 2019).

## 2.2. Supervisory Board, Audit Committee

In 2019, the following persons were members of the Supervisory Board of the Company:

### **DR. HARMATH Zsolt chairman** - as of 2 January 2017

He had obtained his undergraduate degree in 1999 in Economics, then qualified as a Chartered Accountant. He finished his postgraduate studies in Law in 2005. From 1999 to 2010 he was employed by Magyar Posta Zrt. where he climbed the corporate ladder. He had started as a cost analyst / controller at the Budapest Directorate, then became Head of Department of Economics in 2001 and Deputy Director of Finance in 2003. From 2005 he had comprehensive responsibility for the financial module of the enterprise resource planning system at Magyar Posta. He had been Director of the management control system, accounting and asset valuations at the Magyar Nemzeti Vagyonkezelő Zrt. (Hungarian National Asset Management) from 2010, then became Head of Finance from 2014. He filled remarkable positions at many companies, including being a member of the Board of Directors at Rába Nyrt., then the chairman of the Supervisory Board as well as the chairman of the Supervisory Board of the Volán corporations.

### **DR. KOVÁCS Mónika** – Member of the Supervisory Board since 2 January 2017

Lawyer, she obtained her degree at the Faculty of Law of the University of Pécs. She started her career in 2005 at the Magyar Közlöny Lap- és Könyvkiadó Kft. as a lawyer. From 2009 she managed the gazette and the electronic publications business as Business Director. Her responsibility covered the legal matters as well as the management of the customer services and sales points, and the complete editorial board. Between 2005 and 2008 she worked as an external lecturer at the Department of Constitutional Law at the University of Pécs. She was a member of the Supervisory Board at Magyar Posta Zrt. and also worked as deputy state secretary at the Ministry of National Development.

### **PÓRFY György** – Member of the Supervisory Board since 2 January 2017

He graduated at the University of Economics. He has been working since 1994 in banking, first he had started at Merkantil Bank, then filled management positions at BNP-Dresdner Bank Hungária Rt. and later at Kereskedelmi és Hitelbank Rt, then from 2002 he became Head of Department, then managing director at the Directorate for Large Enterprises at Unicredit Bank Hungary Zrt. He had been CEO of Unicredit Leasing Hungary Zrt. from 2010 and then became CEO of Unicredit Jelzálogbank Zrt. from 2012. From 2016, he was Managing Director of the

Corporate Business Line of MTB Zrt., and since 1 May 2019, he has been holding the same position in Takarékbank.

**DR. REININGER Balázs** – Member of the Supervisory Board since 2 January 2017

Lawyer, Head of Office at Reininger Law Firm. He was born in Budapest in 1977. He completed his legal studies in 2001 at the Faculty of Law of Eötvös Loránd University with excellent results. He studied law simultaneously with Hungarian then Finnish scholarship at the Faculty of Law of the University of Helsinki. He had spent his years of internship at international law firms, then after successfully taking the professional exam he founded his law firm in 2005 with his own name, which he has been managing since that time, representing domestic and international companies in economic and commercial cases and providing strategic consultation. Simultaneously with his legal business he was also the head solicitor at PLUS Élelmiszer Diszkont Kft. between 2007-2008. During and after his university studies he was an active external lecturer at the Department of Roman Law of Eötvös Loránd University. DR. REININGER Balázs has been a member of the Arbitration Panel of the Hungarian Chamber of Agriculture since 2013; a member of the Public Procurement Authority Council since December 2015, and chairman of the Supervisory Board of Új Világ Nonprofit Kft. since April 2016.

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

Lawyer. She obtained her legal degree at the Faculty of Law of Eötvös Loránd University in 2002. She passed her professional exam in 2006. Since 2007 she has been involved as a freelance lawyer in the support of lending and workout activities of financial institutions and savings cooperatives, and in property law, employment law, corporate law cases as well as in the management of cases related to social institutions.

**GÖRÖG Tibor** – member of the Supervisory Board since 15 October 2018

He graduated at the Faculty of Economics of the University of Novi Sad. With more than 20 years of experience in domestic and international finance and economics he joined the savings cooperative industry in 2012. From 2015, he was Strategic Managing Director of 3A Takarékszövetkezet, and from 2018, Deputy CEO of Takarékbank Kereskedelmi Bank Zrt. Until 3 June 2018, he was a member of the Supervisory Board of Magyar Takarékszövetkezeti Bank Zrt.; subsequently, he was appointed Head of the Operations Division. He is also a member of the Supervisory Board of the Integration Organisation of Cooperative Credit Institutions, and a member of the Board of Directors of Magyar Takarékbank Ellátó Zrt.

All of the above members of the Supervisory Board are independent, they do not have any other legal relationship with the Company. Accordingly, the general assembly of the Company elected DR. HARMATH Zsolt, PÓRFY György and GÖRÖG Tibor from the Supervisory Board to be members of the Audit Committee established in accordance with the Credit Institutions Act.

### 2.3. Company management

In 2019, the Company's management included the following members:

**CEO:**

**DR. NAGY Gyula** since 26 April 2017

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

**Deputy CEO:**

**MÉSZÁROS Attila** - since 11 October 2018

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

Detailed introduction of the professional career of the members of the Board of Directors, the Supervisory Board and the Management is available on the Company website ([www.takarek.hu](http://www.takarek.hu)).

### **3. Information on the work performed by the Board of Directors and the Supervisory Board in 2019**

#### **3.1. Description of the work performed by the Board of Directors in 2019**

##### *3.1.1 Summary of the tasks executed by the Board of Directors*

The Board of Directors had a total of 6 meetings in 2019, whereof 4 was a shared meeting with the Supervisory Board, and there was one instance of an unscheduled meeting as per the agenda of the board. On 18 occasions, resolutions were passed outside 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, or phrased amendments where it was applicable.

Out of the topics discussed by the Board of Directors in 2019, the following should be highlighted:

- In 2019, the Board of Directors continued to pay particular attention to the implementation of the applicable integration policies.
- In 2019, 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 2019 meetings, similarly to earlier 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 the operation and financial position of the Company in an ongoing manner. 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 2019, the Board of Directors continued to pay particular attention to the analysis of the financial operations of the Company.
- In 2019, the Board of Directors continued to discuss regularly and quarterly the management reports on the lending, liquidity, market and operational risks of the Company.
- In 2019, 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 while concluding a decision on a minor amendment.

- In 2019, the Board of Directors continued to pay attention to audits conducted at the Company by external authorities (such as the Nemzeti Adó- és Vámhivatal [National Tax and Customs Administration] and Magyar Nemzeti Bank [Hungarian Central Bank]), 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.
- The Board of Directors, on one hand via regular business and financial reporting, and on the other hand within the scope of individual agenda items, was informed on the operation of TakaréK Kereskedelmi Bank Zrt. on a regular basis, and on its business and financial position, as the Company constitutes to be a majority shareholder of the entity. Also in 2019, the Board of Directors, as the body exercising shareholders' rights over TakaréK Kereskedelmi Bank Zrt. on behalf of the Company, exercised its rights over the same in accordance with the legal regulations, and in this context, it approved the business report and the financial statements of TakaréK Kereskedelmi Bank Zrt., and adopted the necessary and relevant resolutions, subsequently, during the extraordinary shareholders' meeting held on 27.08.2019, a resolution was adopted on the sale of the Company's shareholding in TakaréK Kereskedelmi Bank Zrt.
- The management provided information on a regular basis to the Board of Directors on the execution of earlier resolutions of the board, and on the internal instructions that enter into force on a group level and on a quarterly basis.

### *3.1.3. 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 2019**

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

The Supervisory Board of the Company (hereinafter: "SB") operated in 2019 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: "Internal Audit") of the Company. In 2019, the SB held four meetings, one of which was a shared meeting with the Board of Directors, and resolutions were passed outside a meeting on eight occasions. 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 2019,
- the classification of the Company's receivables,
- the concept of the Company's business plan for 2019,
- the quarterly reports of the Company on its lending, market, liquidity and operational risk, and
- the annual report on the activities of the Compliance Directorate/Group.

In 2019, 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, they included, among other things, an examination of the ICAAP framework and of credit risk from the aspect of ICAAP, and the implementation of review as defined by the provisions of the EU regulation and directive on the management of lending and operational risks and on liquidity compliance. 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 Magyar Nemzeti Bank.

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 2019 at the level of the TakaréK banking group, in accordance with the relevant legal regulations, the Recommendations on Responsible Corporate Governance and the Authority's recommendation on operating inner lines of defense.

The Internal Audit team has its own medium term strategic objectives until the end of 2022, approved by the SB. An attachment of this is the risk map and the audit universe serving as the fundamental basis of the Internal Audit team's planning. Due to the changes in the working procedures of FHB Banking Group and considering the IIA standards – issued by the Institute of Internal Auditors ("IIA") – the continuous review and update of the approved operational and IT risk map is made by the approval of the Supervisory Board.

### *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 labor. 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 2019, 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 and/or his deputy 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.

#### **4. Description of the internal audit system and evaluation of its operation in 2019**

The internal audit system was implemented in 2019 at the level of the banking group in accordance with the relevant legal regulations, with Recommendations on Responsible Corporate Governance and with MNB's recommendations on operating inner lines of defense. 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 defense:

In the Integration, compliance and banking security functions were centralised as of 1 June 2019 and since then have been performed at a group level by the Compliance and Banking Safety Directorate of MTB Magyar Takarékszövetkezeti Bank Zrt. based on a service level agreement (SLA); the substantive scope of group-level regulations have been extended to cover affiliated companies.

The above-mentioned SLA was entered into between the Compliance and Banking Safety Directorate of MTB Zrt. and TakaréK Jelzálogbank on 06.06.2019.

The Compliance and Banking Safety Directorate is divided into three professional fields:

- 1) Compliance Directorate (data protection, general compliance, customer protection, capital market compliance)
- 2) Protection Directorate (anti-money laundering, anti-fraud, conflict of interest)
- 3) Bank Security Directorate (physical security, information security, audits, relations with authorities)

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

Takarék Jelzálogbank (Takarék Mortgage Bank) and its subsidiary, TakaréK Kereskedelmi Bank<sup>1</sup> (Takarék Commercial Bank) are members of the Integration Organisation of Co-Operative Banks (hereinafter: "Integration Organisation" or "SZHISZ") and the banking group led by the Magyar Takarékszövetkezeti Bank Zrt. (hereinafter: MTB Zrt 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>2</sup>

<sup>1</sup> On 29 October 2019, TakaréK Jelzálogbank Nyrt. sold its entire shareholding to MTB Magyar Takarékszövetkezeti Zrt.

<sup>2</sup> Section 5/A (1) of Act CXXXV of 2013 on the integration of savings cooperatives and the amendments to economic related acts.

Pursuant to the decision of the Central Bank of Hungary (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 No. 575/2013 of the European Parliament and of the Council (of 26 June 2013) on prudential requirements (CRR) and the amendment of Regulation No. 648/2012/EU. The group led by MTB Zrt. shall meet these requirements collectively, in a consolidated manner.

MTB Zrt., 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 harmonized 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.

The boards and committees of TakaréK Jelzálogbank 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 Jelzálogbank 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 defense 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 Banking Security Directorate (hereinafter "Central Compliance Directorate") of MTB Zrt. ensures within TakaréK Group 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: „compliance rules”) by the division responsible for compliance (hereinafter: „Compliance Directorate”), prevention of its violation, control and
- b) operates the internal audit system, the parts of which (management control, that 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.
- a) The Compliance function is performed by MTB Zrt.'s Compliance and Banking Security Directorate under a service level agreement (SLA). Within the Compliance and Banking Security Directorate, the Compliance Directorate coordinates and ensures the fulfilment of compliance rules and the performance of compliance audits of members of the banking group.

The Compliance Directorate carries out its work based on an annual work schedule – also covering TakaréK Jelzálogbank – approved by the executive body of MTB Zrt.

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.

In 2019, compliance related tasks were performed at a banking group level starting from 01.06.2019 by the Compliance and Banking Security Directorate of MTB Zrt.

The Anti-Money Laundering Department of the Compliance and Banking Security Directorate carries out screening and analytical activities using customer data systems and external software, supporting the operation of a modern and effective anti-money laundering system by screening and examining customers and transactions on a risk basis. The Department's analyses and assessments identify and mitigate current and future customer, transaction and geographical risks, and thereby support risk management and business processes as well.

The Compliance Directorate's Consumer Protection Centre performs consumer protection related control functions and provides support to the Company, thereby helping TakaréK Jelzálogbank to comply with consumer protection requirements. Details of the so-called Consumer Protection Officer (CPO) were reported to the Supervisory Authority in the framework of the group-level consumer protection function. Tasks related to this function are carried out by a staff member of the Compliance Directorate's Consumer Protection Centre.

#### Data protection + Data Protection Officer

The Compliance Directorate's Data Protection Centre performs group-level personal data protection and confidentiality tasks in accordance with the integration-level Privacy Policy and Confidentiality Policies issued by the Integration Organisation of Cooperative Credit Institutions. Some of the activities carried out at the integration level in 2019 also indirectly served to ensure TakaréK Jelzálogbank Nyrt.'s compliance with the data protection regulations (e.g. publication of a general privacy notice). Specifically with regard to personal data protection activities related to mortgage loans, in 2019, a review of special mortgage banking activities began in order to supplement the information provided on data protection with specific information related to refinancing activities. In that context, personal consultations were conducted and the Data Protection Centre prepared a draft privacy notice related to the mortgage business line and sent it to TakaréK Jelzálogbank.

#### Conflict of interest

Tasks related to the handling of cases of conflict of interest are carried out by the Conflict of Interest Centre operating within the Protection Directorate.

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 Jelzálogbank'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).

#### Fraud Investigation and Authority Relations

Within the Compliance and Banking Security function, the Banking Security Directorate's Fraud Investigation and Authority Relations Department is responsible for conducting investigations into internal and external abuses and crimes and for operating preventive monitoring systems. The Fraud Investigation and Authority Relations Department 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 Fraud Investigation and Authority Relations Department, there was no fraud incident or suspected fraud at TakaréK Jelzálogbank in 2019.

Following the entry into force of the SLA, 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 Banking Safety Directorate 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 revealance of possible risks with providing appropriate solutions to them.

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 can not be entitled to any other position than controller and can not 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 Internal Audit has a reporting obligation to the SB. The direct technical management of internal audit activities is carried out at a banking group level, while methodical guidance through SZHISZ.

The internal audit 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. The Internal Audit is continuously monitoring and controlling the fulfillment of measures to eliminate the revealed deficiencies and regularly reports about it to the SB and the Company management. As the Company joined to the Integration Organisation of Co-Operative Banks, the Company's internal audit organisation had an obligation to data reporting towards MTB Zrt's internal audit, its base is to be applied obligatory by the Company and is part of MTB Zrt's internal audit regulation system for the Integration.

The Internal Audit's activity planning and its fulfillment is based on risk analysis, which analyses and examines the whole scale of business procedures. Also in 2019, Internal Audit had an internal audit strategy (with 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 2019 were to support, through the conduct of general and thematic audits, the achievement of the Company's and TakaréK Group's strategic goals, 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**

The Company's auditor for the 2019 financial year was Deloitte Könyvvizsgáló és Tanácsadó Korlátolt Felelősségű Társaság (with registered office at H-1068 Budapest, Dózsa György út 84/C.; registration number: 01-09-071057; chamber of commerce member no: 000083; registration number as a qualified financial institution at the Authority: T-000083/94; hereinafter: „Auditor”). On behalf of the Auditor, the audit tasks were carried out by MOLNÁR Gábor (mother's name: SZENDRŐDI Ildikó; place and date of birth: Budapest, 18.01.1980; place of residence: H-1031 Budapest, Muzsla utca 8; Chamber registration number: 007239; registration number with the Supervisory Authority: E007239; hereinafter: „natural person auditor”).

In 2019 Deloitte Könyvvizsgáló és Tanácsadó Kft. did its annual audit tasks.

The Auditor completed his assignments according to the contract and was confirmed by the Company.

### **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 fulfill 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 unauthorized 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. The internal audit examines the compliance of publication procedures.

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

According to the regulation no 596/2014 of the European Parliament and of the Council on market abuse (hereinafter: MAR) the persons having managerial responsibilities within the Company, as issuer, and in certain cases as defined in MAR, the persons closely associated with them shall notify the Company and the Central Bank of Hungary immediately but within 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, debt instruments or 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 30 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 assembly**

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

The shareholder is entitled to practice his 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 his 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 his rights in connection with the general assembly.

The shareholder shall practice his rights personally, by a substitute (representative) or by a shareholder substitute defined by the Capital Market Act. According to the Articles of Association members of the Board of Directors and the Supervisory Board and the Company's managers can become representatives if they have clear written voting instructions for every proposal for a decision as substitutes by the party for whom they act. The Company's

auditor and the Company's property inspector can not become representatives. The shareholder may assign a substitute who represents him in the general assembly if he sends the form included in the Annex 1 or 2 of the Articles of Association filled out as a private deed to the Company by post or as an electronic document until the end of the work day before the day of the general assembly.

The shareholder is entitled to receive the percentage of the Company's results after tax according to accounting legislation that is ordered to be divided by the general assembly corresponding to the name value of his shares (dividends). Shareholders who are on the Company's shareholders list on the day that is determined by the general assembly's decision on dividend payment are entitled to receive dividends. Between the beginning date of dividend payment and the date of decision on dividend payment has to be a period of 20 work days.

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

The shareholder is entitled to participate in general assembly, ask for information and make remarks. The Board of Directors can refuse to provide information if it offends the Company's bank or business secrets. The shareholder has proposal and voting rights provided by his shares.

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

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

The supreme body of the Company is the general assembly. The Board of Directors has to call the general assembly at least 30 days before the beginning of the general assembly 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 assembly.

The key data of the annual and the consolidated annual financial statements of the Company, prepared in accordance with the Accounting Act, and of the reports of the Board of Directors and the Supervisory Board shall be disclosed to the shareholder twentyone days before the date of the general assembly at the latest.

If the general assembly had been convened improperly, then the general assembly 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 assembly.

The general assembly 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 assembly shall not have a quorum, at least ten and at most twentyone days after the original date a second general assembly shall have a quorum in cases of the original agenda regardless the number of participants.

The general assembly 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.

12.1. In the general assembly every ordinary share from „A” series with HUF 100, that is hundred Forint name value entitles to one vote and every ordinary share from „C” series with HUF 1000, that is thousand Forint name value entitles to ten votes<sup>3</sup>. The Company like the general assembly performs ownership compliance determined

---

<sup>3</sup> Owners of shares of „B” series with dividend priority are not entitled to vote and have no voting rights in the general assembly. If the Company does not pay the dividends in a fiscal year, the shareholders of dividend priority share are entitled to voting rights equivalent with

by the Capital Market Act, stock market regulations and KELER Zrt's regulations which is dated in the period of time between the 7. and 3. stock market days before the general assembly. At the general assembly 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 assembly at 18,00 (closure time of the list of shareholders).

Closure time of the list of shareholders does not limit the shareholder's rights in transferring his shares after the closure of the list of shareholders. The transfer of shares before the beginning day of the general assembly does not exclude the shareholder's right whose name is included in the list of shareholders to participate in the general assembly and practice the rights he is entitled to.

The general assembly makes a decision in cases determined by 12.6 point of the Articles of Association at least by a three-fourths majority of votes (qualified majority, 75 % + 1 vote). In every other cases the simple majority of votes (50% + 1 vote) is needed for decision making. Abstentions are counted as against votes.

The detailed rules on organisation of the general assembly are included in 11-13. points of the Articles of Association.

---

the voting rights that are connected to ordinary shares of „A” series and this right can be practiced without limitation until acceptance of the next fiscal year's report.

---

## **7. Remuneration Statement**

### **7.1. Remuneration principles for the year 2019**

The Remuneration Policy's review was approved by MTB Magyar Takarékszövetkezeti Bank Zrt.'s Supervisory Board by way of Supervisory Board decision No. FB-3/12/2019, by its Board of Directors by way of Board of Directors' decision No. IG-3/12/2019, by its Remuneration Committee by way of Remuneration Committee decision No. JavB-1/2/2019, by its Risk Management Committee by way of Risk Management Committee decision No. KkB-1/4/2019 on 09 April 2019.

The Remuneration Policy took effect as directly applicable regulations under No. 59 for Co-Operative Credit Institutions and Takarékbank Group on 1 January 2019.

The Remuneration Policy had to be discussed and approved by the Supervisory Boards of Cooperative Credit Institutions, including TakarékJelzálogbank Nyrt. Considering that it is about a directly applicable regulation, except for the annexes indicated with the letters "KM", no implementing regulation was necessary. Implementation of the "KM" Annexes to the Remuneration Policy was approved by the Supervisory Board of TakarékJelzálogbank Nyrt. by way of decision No. 22/2019. (5 June).

The essence of the Remuneration Policy can be summarised as follows:

**Aim** of the Remuneration Policy is to

- establish a remuneration system according to the Integration Bank group's medium- and long-term vision
- which is clear, transparent, can be planned exactly for every employee,
- in accordance with the Government Decree 131/2011. (VII. 18.) on proportionality principle.

The basic principle of the Remuneration Policy is to harmonise the Bank group members', the Cooperative Credit Institutions' business goals and the employees' personal goals on long-term.

The Remuneration Policy's **scope of subjects** are the following companies:

- Cooperative Credit Institutions
- Members of the TakarékJelzálogbank Group
- Mediators and agents acting on behalf of MTB Zrt. according to the Act on Investment Firms and Commodity Dealers (Act CXXXVIII of 2007, "Investment Firms Act")

The Remuneration Policy's **scope of persons** are every manager and employee in employment status of the Integration bank group, beside general regulations 117. § Section (2) of Credit Institutions Act, annex 13 of Collective Investments Act determine special rules in connection with highlighted persons. The scope of the Remuneration Policy covers every relevant person pursuant to the Decree No. 2017/565 performing investment service activities as defined in the Investment Firms Act.

#### ***Highlighted persons (identified staff)***

- I. Category: Senior management of the Company
- II. Category: Managers with risk-taker, compliance and internal audit function
- III. Category: Employees who belong to the same remuneration category as the I.-II. categories and whose activities have a major effect on Member Bank's risk-taking

According to the Directive 604/2014 of the European Parliament and to technical standards of quality and quantity criteria on categorising the employees having a great effect on the institution's risk profile, further concerned persons not listed in category I-II.

- IV. Category: employees identified on a consolidated level whose activities have great effect on the Integration's risk management but are not identified on group member level in categories I-III.

Highlighted persons have to be identified annually according to the self-assessment of the group member. The main criteria for identification are not the names of the functions but the tasks and responsibilities connected to the function.

### Remuneration types:

1. Basic remuneration elements
  - 1.1. Base salary
  - 1.2. Benefits
  - 1.3. Honorarium
  - 1.4. Loyalty bonus (maximum 2 months base salary)
2. Performance-based remuneration elements

All other elements of remuneration that fail to meet the criteria listed under basic remuneration shall be considered as performance-based remuneration, especially the bonus, productivity bonus, productivity reward, reward, commission, project commission, 13<sup>th</sup> month salary, severance payment or the payment of an amount related to a termination of employment contract by mutual agreement.

#### 2.1. Bonus - for key personnel

Bonuses can be awarded to employees who are considered key personnel, the conditions for bonuses is the discretionary decision of the employer, the employer is not required to set a bonus.

##### ➤ **Bonus 1:**

Indicators related to targeting shall be as follows in case of Member Banks operating as credit institutions:

- pre-tax profit/loss of the Member Bank
- risk indicators of the Member Bank
- ratio of non-performing loans and changes in the ratio
- compliance to the capital requirements
- changes in the indicator(s) to measure liquidity risk

Indicators related to targeting shall be as follows in case of a Member Bank operating as other than a credit institution

- pre-tax profit/loss of the Member Bank
- additionally minimum two and maximum three indicators of different risks (risk indicators) related to key risks associated with activities

##### ➤ **Bonus 2:**

In case of its application, deferral is not required and phantom shares are not applicable.

### Amount of bonus, breakdown of targeting

According to Section (1) of Point 118 of the Credit Institutions Act, the performance-based remunerations cannot be more than 100% of the basic remuneration. Depending on its classification, the amount of performance-based remuneration may be equal to 50–100% of the basic remuneration.

General breakdown of targeting:

- 40% depending on the pre-tax profit/loss of the Member Bank

- 30% depending on risk indicators
- 30% depending on individual indicators

and in case of entities with tasks related to internal audit:

- 30% depending on the indicators and performance of the department
- 60% depending on individual indicators and performance
- 10% managerial competences

#### Eligibility criteria

Employees are eligible to bonuses if they fulfil all of the following criteria:

- The target for the subject year for them was realised,
- They spent at least half of the assessed period in active employment at a Member Bank (except if different requirements are defined in their labour contract),
- They are employed by a Member Bank on the last calendar day of the assessed period and on the day of the payment (the last payment shall be 3 years after the subject year) and were not under any procedure aiming to conclude their employment (resignation, of immediate effect, dismissal initiated by the employer or the employee, mutual agreement). Labour movements between Member Banks shall be regarded as uninterrupted employment from the aspect of the Remuneration Policy.

#### Payment of bonuses

Assets for bonus payments:

For Bonus 1:

- at least 50% in share-linked instruments (phantom shares, phantom investment units)
- up to 50% in cash

For Bonus 2:

- 100% cash

#### Payment of bonuses:

For Bonus 1:

Performance-based remuneration for key personnel shall be paid within a three-year period, in the following way:

- first year after the subject year 60%,
- deferral1: second year after the subject year 20%,
- deferral2: third year after the subject year 20%.

For Bonus 2:

- first year after the subject year 100%,

Payment shall be excluded, if

- the capital adequacy ratios are below the level prescribed by law or the internal rules of the integration – in case of Member Banks operating as credit institutions,
- the economic result of the group member in the subject year is loss (except if – in accordance with the preliminary decision of the Supervisory Board – the MTB Zrt Board of

Directors, TakaréK Jelzálogbank Nyrt. Board of Directors/, TakaréK Kereskedelmi Bank Zrt. Board of Directors/, SZH Board of Directors decides otherwise).

Apart from these, payments shall be excluded in case of savings banks if the economic result of any of the savings banks is loss.

Beyond this, bonus payments shall only be made in case the group-level SREP indicator stays above the required amount.

## 2.2. Productivity bonus

The conditions for productivity bonuses shall be set as the discretionary decision of the employer, the employer is not required to set a productivity bonus.

Indicators related to targeting shall be especially the Member Bank's

- pre-tax profit/loss
- profit/loss of the department

The amount of the productivity bonus shall not be more than 50% of the annual base salary.

## 2.3. Reward

Rewards shall be awarded based on the evaluation of the individual performance target, or the discretionary decision of the employer, as a follow-up recognition of the employee's work, based on an evaluation. Rewards shall be paid in cash.

## 2.4. Commission

Payments to group members will be made as per the separate policy, from the amount earmarked for dividends in the annual operation plans, after the monthly or quarterly appraisal, in cash.

## 2.5. Target premiums /project premiums

If working on central programs, (e.g. HUF conversions of loans, consolidation loans, additional work performed during merge) employees may be awarded target premiums and/or project premiums, except for prioritized individuals belonging to Group 1.

## 2.6. Payouts for members of the Board of Directors who perform their duties within the scope of employment relationship

On the basis of the proposal of the Remuneration Committee, payment of performance-based remuneration for members of the Board of Directors who perform their duties within the scope of employment relationship may be made as per the approval of the Supervisory Board and the subsequent decision of the Board of Directors. If no Remuneration Committee is appointed, decision regarding members of the Board of Directors who perform their duties within the scope of employment relationship shall be made by the Board of Directors after approval of the Supervisory Board. The Board of Directors may not adopt decisions more lenient towards employees than the decision adopted by the Supervisory Board. The Board of Directors may confirm such decisions by making no changes to it or may adopt decisions involving less payout than approved by the Supervisory Board.

### **Publications regarding remunerations, data disclosure to the Central Bank of Hungary.**

The Remuneration Policy of the Integration Bank Group shall be available to all employees of the Member Bank. Member Bank shall be responsible for the publication thereof on its own electronic platform (Intranet) or any other platform customarily used by Member Bank.

The Group publishes its Remuneration Policy annually, and shall perform the Magyar Nemzeti Bank data disclosure regarding basic- and performance-based remunerations in line with said Remuneration Policy, as per the processes and task allocations set forth by the Group's Publication Policy and the Integration's Data Disclosure Policy. Based on the above internal policies, Member Bank shall disclose data to the lead Member Bank and shall ensure that such data are true and correct.

### **Laying down the principles of Remuneration Policy**

MTB Zrt.'s Supervisory Board

- Approval and review of the Remuneration Policy shall be the responsibility of the Supervisory Board.
- Performance evaluation criteria used by the Compliance Department shall be approved by the Supervisory Board in line with the principles laid down in the Remuneration Policy.

MTB Zrt.'s Board of Directors shall be responsible for the issuance and implementation of the Remuneration Policy.

### **Review of the Remuneration Policy**

The Group Remuneration Policy shall be reviewed annually, and it shall be issued as a policy with direct effect. Involvement of MTB Zrt.'s controlling officers by MTB Zrt.'s HR Directorate in laying down the principles and implementation of the Remuneration Policy shall be ensured by the annual review process, wherein they comment the rules and processes of remuneration. Commenting will be open to some Cooperative Credit Institute's experts, too.

Within the review process of the Remuneration Policy, the Compliance Directorate shall annually analyze the impacts of the Remuneration Policy to the institute's compliance with the legislation, policies, internal policies and the corporate risk culture. Furthermore, it shall report any identified compliance risk and deviations from the requirements to members of the management- and supervisory boards.

In the Integration, the compliance check of implementation of the Remuneration Policy shall be coordinated by the Integration Organization.

The compliance officer's report on the compliance check shall be discussed by the Member Bank Takarékbank's Board of Directors, Supervisory Board, Audit Committee and Remuneration Committee, and if necessary, they present their suggestions to amend the Remuneration Policy.

MTB Zrt.'s compliance function shall verify compliance with the regulations, policies, procedures and internal rules, central or group-level provisions.

MTB Zrt.'s compliance officer shall ensure that the remuneration policies of the group as a whole and of each member are consistent and harmonized, including identification processes and adequate implementation on a consolidated, sub-consolidated and individual basis.

## **7.2. Remuneration Statement for the Year 2019**

### ***1/ Members of the Management***

#### **Effective date**

The directly applicable Remuneration Policy No. 5/2019 shall take effect on 1 January 2019.

The Policy's review was approved by MTB Magyar Takarékszövetkezeti Bank Zrt.'s Supervisory Board by way of Supervisory Board decision No. FB-3/12/2019, by its Board of Directors by way of Board of Directors' decision No. IG-3/12/2019, by its Remuneration Committee by way of Remuneration Committee decision No. JavB-1/2/2019, by its Risk Management Committee by way of Risk Management Committee decision No. KkB-1/4/2019 on 09 April 2019.

The Remuneration Policy took effect as directly applicable regulations under No. 59 for Co-Operative Credit Institutions and Takarékbank Group on 1 January 2019.

The Remuneration Policy had to be discussed and approved by the Supervisory Boards of Cooperative Credit Institutions, including TakaréK Jelzálogbank Nyrt. Considering that it is about a directly applicable regulation, except for the annexes indicated with the letters "KM", no implementing regulation was necessary. Implementation of the "KM" Annexes to the Remuneration Policy was approved by the Supervisory Board of TakaréK Jelzálogbank Nyrt. by way of decision No. 22/2019. (5 June).

## **2/ Officers**

Members of the Company's Board of Directors and Supervisory Board received the remuneration established during the 2018 annual shareholders' meeting, the amount of which has been unchanged since 2007.

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

As part of the Responsible Corporate Governance Report of TakaréK Jelzálogbank Nyilvánosan Működő Részvénytársaság (registered seat: H-1082 Budapest, Üllői út 48.; Company register No: 01-10-043638; hereinafter: „the Company”) represents by submission of the following questionnaire on the extent the Company applied the recommendations set out in the specific points of the Responsible Corporate Governance Suggestions issued by Budapesti Értéktőzsde Zrt. (Budapest Stock Exchange).

#### **Level of compliance with the Suggestions**

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 organizational unit engaged in investors’ account management is operating or an individual is appointed to maintain relations with investors.

**Yes No**

Explanation:

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

**Yes No**

Explanation:

**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 No**

Explanation:

**1.2.1.** The Company has published a summarizing documents on its website regarding the rules of conduct of general assemblies and exercising shareholders’ rights.

**Yes No**

Explanation: The Company provides the details of the rules of conducting general assemblies and exercising shareholders’ rights in the information bulletin about the convention of the general assembly, 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 (cutoff 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 No**

Explanation:

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

**Yes No**

Explanation:

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

**Yes No**

Explanation:

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

**Yes No**

Explanation:

**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 assembly.

**Yes No**

Explanation:

**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 assembly.

**Yes No**

Explanation:

**1.3.5.** The Company published on its website the answers to questions arising at the general assembly 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.

**Yes No**

Explanation: In 2019, no such questions arose.

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

**Yes No**

Explanation: In 2019, no such motions or proposals were submitted.

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

**Yes No**

Explanation:

**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 No**

Explanation:

**1.3.9.** Prior to discussing agenda items regarding the amendment of the articles of association, the general assembly 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.

**Yes 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 assembly containing the decisions, the details of the decision proposals and/or any significant questions and answers regarding such proposals within 30 days of the general assembly.

**Yes No**

Explanation:

**1.5.1.1.** The Directorate/Board of Directors and/or a committee set up out of the members of the Directorate/Board of Directors laid down guidelines and rules regarding the appraisal and remuneration of the work performed by the Directorate/Board of Directors, the Supervisory Board and the Management.

**Yes No**

Explanation: The Remuneration Policy is determined by the Board of Directors of MTB Zrt, as Business Management Organisation of the Integration, and issued in the form of directly applicable regulations. These regulations are compulsory to all Cooperative Credit Institutions, including TakaréK Jelzálogbank Nyrt. The Board of Directors must approve its implementation.

**1.5.1.2.** During the establishment of the performance-based remuneration of members of the Management, the members' responsibilities and the extent of their liabilities were considered, along with the extent the Company achieved its goals and the Company's economic-financial situation.

**Yes No**

Explanation:

**1.5.1.3.** Remuneration guidelines established by the Directorate/Board of Directors, and/or the committee set up from the members of the Directorate/Board of Directors were reviewed by the Supervisory Board.

**Yes No**

Explanation: The Remuneration Policy is determined by the Board of Directors of MTB Zrt, as Business Management Organisation of the Integration, and issued in the form of directly applicable regulations. The regulations are compulsory to all Cooperative Credit Institutions, TakaréK Jelzálogbank Nyrt. included. The Supervisory Board approved implementation.

**1.5.1.4.** The principles of remuneration (and significant amendments thereof) of members of the Directorate/Board of Directors and the Supervisory Board were approved by the general assembly in a separate agenda item.

**Yes No**

Explanation:

**1.5.2.1.** The Board of Directors is responsible for the appraisal of the Management's performance and for the determination of their remuneration.

**Yes No**

Explanation:

**1.5.2.2.** Limits and changes in such limits of extra remunerations payable for members of the Management were approved by the general assembly in a separate agenda item.

**Yes No**

Explanation: In 2019, no such proposal was submitted.

**1.5.3.1.** The general assembly approved the principles of share-based remuneration policies.

**Yes No**

Explanation: In 2019, no such proposal was submitted.

**1.5.3.2.** Shareholders were informed regarding the details of share-based remuneration policies prior to the general assembly (at least to the extent under Clause 1.5.3).

**Yes No**

Explanation: In 2019, no such proposal was submitted.

**1.5.4.** The Company set up its remuneration system in a way that it doesn't only incent short-term maximalization of share prices.

**Yes No**

Explanation: The Remuneration Policy is determined by the Board of Directors of MTB Zrt, as Business Management Organisation of the Integration, and issued in the form of directly applicable regulations. The regulations are compulsory to all Cooperative Credit Institutions, TakaréK Jelzálogbank Nyrt. included.

**1.5.5.** For members of the Supervisory Board, a fixed-amount remuneration system is effective, and it contains no remuneration elements linked to share prices.

**Yes No**

Explanation:

**1.5.6.** The Company prepared an information bulletin for owners ("Remuneration Statement") containing the remuneration principles of members of the Directorate/Board of Directors, the Supervisory Board and the Management. Said information bulletin contains items and details required by the binding rules of the trade and was submitted to the general assembly. In this remuneration statement, they presented the remuneration of the members of the Directorate/Board of Directors and the Supervisory Board, along with guidelines they base the appraisal of their performance on and establish their remuneration. This information includes the publication of information pertaining to the board-level remuneration of the Directorate/Board of Directors and the Supervisory Board, elaborating on the fixed- and variable elements, extra benefits, and the principles of the remuneration system, including the changes of the latter compared to the previous fiscal year.

**Yes No**

Explanation: The Remuneration Policy is determined by the Board of Directors of MTB Zrt, as Business Management Organisation of the Integration, and issued in the form of directly applicable regulations. The regulations are compulsory to all Cooperative Credit Institutions, TakaréK Jelzálogbank Nyrt. included. Members of the Board of Directors and the Supervisory Board receive a fixed remuneration, subject to the decision of the general assembly.

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

**Yes No**

Explanation:

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

**Yes No**

Explanation:

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

**Yes No**

Explanation:

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

**Yes No**

Explanation:

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

**Yes 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.

**Yes 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 No**

Explanation:

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

**Yes No**

Explanation:

**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 No**

Explanation:

**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 No**

Explanation:

**1.6.7.1.** The company has published its Remuneration Principles according to the recommendations defined in point 1.5.

**Yes No**

Explanation: The Remuneration Policy is determined by the Board of Directors of MTB Zrt, as Business Management Organisation of the Integration, and issued in the form of directly applicable regulations. The regulations are compulsory to all Cooperative Credit Institutions, TakaréK Jelzálogbank Nyrt. included.

**1.6.7.2.** The company has published its Remuneration Statement according to the recommendations defined in point 1.5.

**Yes No**

Explanation: The Remuneration Policy is determined by the Board of Directors of MTB Zrt, as Business Management Organisation of the Integration, and issued in the form of directly applicable regulations.

**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 No**

Explanation:

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

**Yes No**

Explanation:

**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 No**

Explanation:

**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.

**Yes No**

Explanation: There were no such cases in 2019.

**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 No**

Explanation:

**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 No**

Explanation:

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

**Yes No**

Explanation:

**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 No**

Explanation:

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

**Yes No**

Explanation:

**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 No**

Explanation:

**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 No**

Explanation:

**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 No**

Explanation:

**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 No**

Explanation:

**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 No**

Explanation:

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

**Yes No**

Explanation:

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

**Yes No**

Explanation:

**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 No**

Explanation:

**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 No**

Explanation:

**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.

**Yes No**

Explanation: The company has not disclosed a single document on the independence of the members of the Board of Directors and the Supervisory Board, but the rules of procedures of both the Board of Directors and the Supervisory Board includes the conflict-of-interest and the independence criteria in connection to 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 his nomination, not including the cases providing for employee involvement.

**Yes No**

Explanation:

**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 No**

Explanation:

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 No**

Explanation:

2.7.3. Board members informed the Supervisory Board/Audit 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 No**

Explanation:

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 No**

Explanation:

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

**Yes No**

Explanation:

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

**Yes No**

Explanation:

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

**Yes No**

Explanation:

2.8.4. The company has a compliance function.

**Yes No**

Explanation:

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 No**

Explanation:

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

**Yes No**

Explanation:

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 No**

Explanation:

**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 No**

Explanation:

**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 No**

Explanation:

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

**Yes No**

Explanation:

### Level of compliance with the Suggestions

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

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

**Yes No**

Explanation:

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

**Yes No**

Explanation: There was no Shareholders' Meeting initiated by shareholders in 2019.

**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 No**

Explanation:

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

**Yes No**

Explanation:

**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 No**

Explanation:

**1.3.2.1.** The company' 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 No**

Explanation:

**1.3.2.2.** The company' 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 No**

Explanation:

**1.3.6.** The company's Annual Report complying 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 No**

Explanation:

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

**Yes No**

Explanation: The Company did not pay dividend in 2019.

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

**Yes No**

Explanation:

**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.

**Yes 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 No**

Explanation: