



**MKB Bank Plc.
Corporate Governance Report
March 2020**

Preambulum

Being the shares of MKB Bank Plc (hereinafter MKB, the Bank or the Company) listed on the Budapest Stock Exchange Ltd. (hereinafter “BÉT”) in standard category from 30th May 2019, MKB has prepared its Corporate Governance Report in accordance with capital market practice standards and with the Corporate Governance Recommendations (hereinafter: “Recommendations”)¹ published by BÉT.

MKB lays paramount importance on building and maintaining successful and effective corporate governance system to best comply with capital market practices and to ensure a responsible operational management. In order to maintain this the Company regularly supervises and improves its corporate governance practices.

The governing structures of MKB comply with legal, supervisory and stock exchange requirements along with its own business specialities. MKB intends to comply at the possible highest level with the Corporate Governance Recommendations published by BÉT.

The Corporate Governance Recommendations published by BÉT are designed to formulate guidelines facilitating compliance by public limited companies (issuers) with all internationally recognised rules and standards of responsible corporate governance in the course of their operation. Another purpose of the Recommendations is to make transparent the structure of responsible corporate governance and controllable also in Hungary by making information pertaining to the management and operation of issuers publicly available.

Issuers should make statements about their corporate governance practice mandatory presented to the annual general meeting in two different ways. On the one hand, companies should make a statement on the corporate governance practices they used in the given business year and secondly the issuers should give an account of their compliance with each point of the Recommendations.

Following the structure above MKB’s Corporate Governance Report has two sections:

1. Declaration of Corporate Governance practice
2. Introduction of compliance with the Corporate Governance Recommendations

¹ BÉT Corporate Governance Recommendations
<https://www.bet.hu/Kibocsatok/Ajanlasok-kibocsatoknak/Felelos-tarsasagiranyitasi-ajanlasok>

1.) Declaration of Corporate Governance practice

Throughout its operation the Bank fully complies with the applying governing law, the supervisory resolutions and the rules of BÉT. The structure of the Company and its conditions of operations are described in its Articles of Association approved by the General Meeting.

1.1. Governing bodies of the Company

A) Board of Directors

The Board of Directors is the executive body of the Company. The members of the Board of Directors represent the Company vis-a-vis third parties and before court and other authorities. The Board of Directors shall develop and manage the work organisation of the Company. According to Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises (hereinafter: "Hpt.") the employer's rights are exercised by the General Meeting in terms of the CEO. In terms of deputy CEOs the employer's rights are exercised by the Board of Directors through the CEO in a manner that, in case of appointment and recall, the Board of Directors must receive a prior notification. The decision on the remuneration of the CEOs is within the competence of the General Meeting. The scope of authority of the Board of Directors is included in the Articles of Association of the Company with the provision that within the framework of effective laws and resolutions adopted by the General Meeting, the Board of Directors shall be entitled to take any actions and make any decisions that do not form part of the exclusive powers of the General Meeting or the Supervisory Board.

The Board of Directors shall prepare a report at least annually to the General Meeting and at least quarterly to the Supervisory Board on the management, financial position and business policy of the Company.

The Board of Directors shall consist of minimum five (5) and maximum 9 (nine) members. Members of the Board of Directors shall be elected by the General Meeting for a definite term of maximum five years. The members of the Board of Directors may be re-elected and may be recalled at any time by the General Meeting without giving reasons, in accordance with the provisions of the Articles of Association.

Members of the Board²

dr. Ádám Balog, Chairman of the Board

Economist and lawyer. From 2002 he had worked at GE Tungsram Lighting Zrt. and between 2003 and 2010 at the Tax Department of Pricewaterhouse Coopers Könyvvizsgáló és Gazdasági Tanácsadó Kft.. Between 2010 and 2013 he worked as Deputy State Secretary responsible for taxation matters at the Ministry for National Economy. Between March 2013 and July 2015 he was Deputy Governor of the National Bank of Hungary and member of the Monetary Council. He participated in Hungary's fiscal and monetary stabilisation between 2010 and 2015. He was the Chairman and Chief Executive Officer of MKB Bank Zrt. between July 2015 and July 2016. Since July 2016 he has been the CEO of MKB Bank Zrt. Since January 2019 he has been the Chairman and Chief Executive Officer of MKB Bank.

Member of the chairmen of the Hungarian Chamber of Industry and Trade, chairman of the board at MKB- Pannónia Alapkezelő Zrt, member of the supervisory board at STATUS Capital Kockázati Tőkealap-Kezelő Zrt., member of the supervisory board and audit committee at Konzum Befektetési és Vagyonkezelő Nyrt.

² As of 15 March 2020

Beginning date of board membership: 23.07.2015

MKB share ownership through Promid Finance Zrt. as of 31.12. 2019: 2.56% / Direct MKB share ownership as of 31.12 2019: 0 pcs.

dr. András Csapó, member of the Board

Lawyer. He worked at Dezső, Réti and Antall LANDWELL Law Firm (in cooperation with Pricewaterhouse Coopers), Dezső and Partners Law Firm and Andrékó LINKLATERS (Budapest, London) from 2001. He was senior attorney-at-law at Andrékó LINKLATERS (KINSELLAR) from 2010, then senior attorney-at law and Head of the real estate team at Gide Loyrette Nouel Budapest from 2012. He was Legal Director of the Hungarian Branch Office of AXA Bank Europe SA from 2013 and member of its Board of Directors from 2014. He was Executive Director of Legal and Corporate Governance of MKB Bank Zrt. from 2015 and Deputy Chief Executive Officer for Operations and Legal from 2016, then he has been Deputy Chief Executive Officer for Legal, Government and High Priority Affairs and member of the Board of Directors since 2017. Since December 2018 he has been the Deputy Chief Executive Officer for Legal, Corporate and Group Management and for High Priority Affairs.

Member of the board at MKB Pannónia Egészség és Önszegélyező Pénztár.

Beginning date of board membership: 07.09.2017

MKB share ownership as of 31.12 2019: 0. pcs. / Direct MKB share ownership as of 31.12 2019: 0 pcs.

Mr. Márk Hetényi, member of the Board

Economist and computer engineer. He began his professional career at PricewaterhouseCoopers Kft. in 1997, where he held the position of Senior Audit and Consulting Manager. In addition to his audit work performed in Hungary and in the Silicon Valley, California, he performed complex, mostly M&A consulting tasks. He led the work of more than 300 persons as Regional Vice President and Director of Flex International excelling in design, manufacture and logistics and as Chief Financial Officer of the European and Middle East units of the company from 2005. He has been strengthening MKB Bank's team since February 2015. He was initially Deputy Chief Executive Officer for Finance and Operations, then Deputy Deputy Chief Executive Officer for Retail and Digital Banking from 2016 and also Head of the Strategic function from 2017. He participated in the Bank's resolution and the development of its financial and cost structure. His responsibilities included the Bank's digitisation, the significant increase of the efficiency of the Retail Division and the introduction of a new core system, which he successfully implemented while kept the Strategic area under his control. He has been external member of the Board of Directors since April 2019, currently advising on digital improvement of MKB based on external mandate agreement.

Beginning date of board membership: 16.04.2019

MKB share ownership as of 31.12 2019: 0. pcs. / Direct MKB share ownership as of 31.12 2019: 0 pcs.

Mr. Imre Kardos, member of the Board

Economist, organising engineer with over 20 years of commercial banking, money and capital market, investment and bank IT experience. Since 2016 he has been an executive officer at the MINERVA Financial Group. Since July 2016 he has been member of the Board of Directors of MKB Bank. He is the Chairman

of the Nomination Committee of the Bank, member of the Risk and NPL Committee and the Remuneration Committee.

Beginning date of board membership: 25.07.2016

MKB share ownership as of 31.12.2019: 0 pcs. / Direct MKB share ownership as of 31.12.2019: 0 pcs.

Mr. Balázs Nyitrai, member of the Board

He has been working in the financial sector for nearly 20 years, he is an economist with complex bank operation knowledge. He has been an external member of the Board of Directors of MKB Bank since June 2018. He is the Chairman of the Risk and NPL Committee of the Bank, member of the Nomination Committee and the Remuneration Committee. Economical analyst at ECO Great Gazdasági Tanácsadó Kft.

Beginning date of board membership: 27.06.2018

MKB share ownership as of 31.12.2019: 0 pcs. / Direct MKB share ownership as of 31.12.2019: 0 pcs.

Rules of procedure for the Board of Directors

The Board of Directors defines its own procedures, has its meetings according to its accepted annual work plan. The procedures contains the structure of the Board, the rules for obligations and responsibilities of board members, the rights and authorisation of the board, the rules for preparing, calling and holding the meeting, and furthermore it contains the rules for decision making within the frames of the meeting and aside of it in writing, and the rules on minutes of making resolutions, and its documentation.

The Board of Directors had 10 meeting in 2019, and in further 26 occasions it made resolutions in writing.

Among others the Board of Directors had on its agenda the assembling of the General Meeting, approving the documents to be proposed on the annual general meeting, accepting the financial statements according the accounting law and proposal for use of after tax profit, approving the financial plan for 2020, reports on management, quarterly reports on the Company's financial situation and business policies for the supervisory board. The board approved the Company's risk taking strategy. The Board of Directors furthermore discussed the proposals and report for the Supervisory Board, approved the rules in its discretion, acknowledged the regular and ad hoc reports prepared for it, and status reports on the most important projects. It also made risk taking decisions in its authority according to the internal rules for risk taking competencies.

B) Supervisory Board

The Supervisory Board supervises the Company's executive management in order to protect the Company's interests. As part of this task, the Supervisory Board may request reports or information from members of the Board of Directors and the Company's managers. The Supervisory Board shall have 7 (seven) members. The members of the Supervisory Board are elected by the General Meeting for a definite period of maximum five (5) years.

The Company consider those members independent who comply with section 3:287.§ of the Civil Code (Act V of 2013, hereinafter referred to as "the Civil Code").

Number of independent members is 4 which represents majority in the supervisory board. The Company does not consider the members representing the employees independent.

Members of the Supervisory Board

Independent members:

Ms- Ágnes Hornung, Chairwoman of the Supervisory Board

She obtained a legal degree at Péter Pázmány Catholic University and lawyer-economist degree at Budapest Corvinus University. Her career began at PricewaterhouseCoopers Kft. where she strengthened the PWC team for eight years. After this she lead the Economic and Financial Affairs at the Permanent Representation of Hungary in Brussels. She was State Secretary responsible for finances at the Ministry of Finance. She has been the chairperson of the Supervisory Board of MKB Bank. since February 2019.

Beginning date of supervisory board membership: 28.02.2019

MKB share ownership as of 31.12 2019: 0. pcs. / Direct MKB share ownership as of 31.12 2019: 0 pcs.

dr. László Ipacs, member of the Supervisory Board and the Audit Committee

He is an economic development and financing expert with a degree in law. Presently he manages the development work of HUNGUEST HOTELS and the related large companies. He has been an external member of the Supervisory Board and Audit Committee of MKB Bank. since February 2019. Currently director of Talentis Consulting Zrt.

Beginning date of supervisory board membership: 25.02.2019

MKB share ownership as of 31.12 2019: 0. pcs. / Direct MKB share ownership as of 31.12 2019: 0 pcs.

Mr. András Oszlányi Törtel, member of the Supervisory Board and Chairman of the Audit Committee

He obtained a pre-degree certificate as historian (in economic history) in 2007. He has been working in personnel development and banking. He was working at companies, such as BNP Paribas, Takarékbank, Kaarnigon Holding Zrt. He has been an external member of the Supervisory Board as of February 2019 and chairman of the Audit Committee of MKB Bank Zrt. since April 2019. Head of human resources at MTB Magyar Takarékszövetkezeti Bank Zrt.

Beginning date of supervisory board membership: 25.02.2019

MKB share ownership as of 31.12 2019: 0. pcs. / Direct MKB share ownership as of 31.12 2019: 0 pcs.

Ms. Rita Feodor, member of the Supervisory Board and the Audit Committee

She has been working in the business sector in the fields of taxation and accounting for 30 years. She has been a member of the Supervisory Board and the Audit Committee of MKB Bank since September 2018, a member of the Risk and NPL Committee, Nominating Committee and Remuneration Committee of the Bank since January 2019 and the chairperson of the latter committee since April 2019.

Beginning date of supervisory board membership: 19.09.2018

MKB share ownership as of 31.12 2019: 0. pcs. / Direct MKB share ownership as of 31.12 2019: 0 pcs.
Employee's representatives:

Employee's representative members of the Supervisory Board

Mr. Albert Godena, Employee's representative of the Supervisory Board

Following his basic education in communication and history he obtained a degree in business and management at the Budapest Business School. He obtained PhD in 2017 in history of economics. He has been working at MKB Bank since 2007 and mostly performs tasks regarding the Contact Center and customer relations. He is presently the director of the Contact Center and Cross Sell Relationships. He has been the employee representative member of the Supervisory Board of MKB Bank since July 2016.

Beginning date of supervisory board membership: 25.07.2016.

MKB share ownership as of 31.12 2019: 0. pcs. / Direct MKB share ownership as of 31.12 2019: 0 pcs.

Mr. Ferenc Müller, Employee's representative of the Supervisory Board

His is an economist. He has been working at MKB Bank in different positions since 1990. Presently as a senior strategic adviser he manages the project of the introduction of MKB on the stock exchange. He has been the employee representative member of the Supervisory Board of MKB Bank. Since April 2016. Member of the Monitoring Committee at MKB Nyugdíjpénztár, and chairman of Monitoring Committee at Pannónia Egészség- és Önszegélyező Pénztár.

Beginning date of supervisory board membership: 15.04.2016

MKB share ownership as of 31.12 2019: 0. pcs. / Direct MKB share ownership as of 31.12 2019: 0 pcs.

Mr. János Nyemcsok, Employee's representative of the Supervisory Board

He is an economist. Between 1992 and 2008 he was in different management positions at the Treasury and Risk Control Directorate of MKB Bank. From 2013 he was the head of the SREP and Validation Department at the National Bank of Hungary and he also achieved success as the deputy head of the Methodology Committee.

From December 2014 he was the designated resolution commissioner of MKB Bank. He returned to the world of commercial banks in 2015 and he became the head of the Risk Control Directorate of MKB Bank.

From 2016 he worked as the executive director of the Integrated Risk Control, Market and Liquidity Risk Control units and the Capital Management Directorate. He has been the General Deputy Chief Executive Officer of the Bank since 2017 and has been the General Deputy Chief Executive Officer responsible for the EU Undertakings since December 2018. Since April 2016 he has been the employee representative member of the Supervisory Board. Member of the Board at MKB Pension Fund.

Beginning date of supervisory board membership: 15.04.2016

MKB share ownership as of 31.12 2019: 0. pcs. / Direct MKB share ownership as of 31.12 2019: 0 pcs.

Rules of procedure for the Supervisory Board

The procedures for the Supervisory Board are approved by the General Meeting. The procedures of the Supervisory Board contains the structure of the Board, the rules for obligations and responsibilities of board members, the rights and authorisation of the board, the rules for preparing, calling and holding the meeting, and furthermore it contains the rules for making resolutions within the frames of the meeting and aside of it in writing, and the rules on minutes of making resolutions, and its documentation.

The Supervisory Board convenes as often as required for the effective performance of its duties. The Supervisory Board has quorum if at least two thirds of its members are present at the meeting. The meetings shall be held pursuant to the rules defined in the by-laws of the Supervisory Board. In addition to the Supervisory Board members, the Chief Executive Officer and his/her deputies, as well as the experts invited by the chairman of the Supervisory Board may participate in the discussions in Supervisory Board meetings. Supervisory Board members may take positions and make resolutions out of a normal session as defined in the by-laws of the Supervisory Board, based on proposals sent to them by fax or another delivery method. In this case, Supervisory Board members shall forward their votes to the Company Secretariat within five (5) work days from receiving the relevant proposal in a private deed of full force of evidence. The chairman of the Supervisory Board may stipulate a shorter deadline than five (5) work days, and may also extend the deadline by up to three (3) work days. The employees' delegates have the same rights and obligations as other members of the Supervisory Board.

The Supervisory Board shall adopt its resolutions by the support of the majority of the attendees. The following decisions of the Supervisory Board, however, require support by a qualified majority of the Supervisory Board, i.e. at least five (5) votes, regardless of the number of members present at the session:

- a) acceptance of the Remuneration Policy;
- b) acceptance of the by-laws of the Supervisory Board; however, the by-laws shall only take effect with approval by the General Meeting;
- c) definition of the annual work plan of the Supervisory Board.

The Board of Directors had 5 meeting in 2019, and in further 6 occasions it made resolutions in writing.

Among others the Supervisory Board had on its agenda the making resolutions on assembling of the General Meeting, approving the documents to be proposed on the annual general meeting, accepting the financial statements according the accounting law and proposal for use of after tax profit, approving the financial plan for 2020, reports on management, quarterly reports on the Company's financial situation and business policies. The board approved the Company's Remuneration Policy. The Supervisory Board furthermore discussed the proposals and report for the General Meeting, acknowledged the regular and ad hoc reports prepared for it, the compliance, the anti-money-laundering and the safe guard officer's reports, the internal audit and quarterly risk reports, along with the status reports regarding the project fulfilling the EU commitments.

C) Audit Committee

The Audit Committee provide assistance to the Supervisory Board in supervising the financial report regime, in selecting an auditor, and in working with the auditor. The Company operates an Audit Committee of three members. The members of the Audit Committee shall be elected by the General Meeting from among the independent members of the Supervisory Board. At least one member of the Audit Committee shall have accounting or auditor qualification.

Members of the Audit Committee (professional CVs are available in section “B”)

Mr. András Oszlányi Törtel (chairman)
Ms. Rita Feodor
dr. László Ipacs

Procedures for the Audit Committee

The Company operates an Audit Committee of three members. The members of the Audit Committee shall be elected by the General Meeting from among the independent members of the Supervisory Board. At least one member of the Audit Committee shall have accounting or auditor qualification.

The procedures of the Audit Committee are approved by the Board of Directors. The Audit Committee convenes as often as required for the effective performance of its duties, the meetings shall be held based on its by-laws. The Supervisory Board has quorum if at least two thirds of its members are present - either personally or through any electronic device - at the meeting. Throughout its decision making process the chairman and the members of the Audit Committee have one vote, and shall adopt its resolutions by the support of the majority of the attendees. The by-laws of the Audit Committee contains the structure of the Committee, the rules for obligations and responsibilities of committee members, the rights and authorisation of the committee, the rules for preparing, calling and holding the meeting, and furthermore it contains the rules for making resolutions within the frames of the meeting and aside of it in writing, and the rules on minutes of making resolutions, and its documentation.

The Audit Committee had 4 meeting in 2019, and in further 2 occasions it made resolutions in writing.

Among others the Audit Committee had on its agenda the proposals for choosing, appointing and remuneration of the statutory auditor, and the approval of choosing the auditor in charge, the conditions of the mandate agreement with the auditor and approving the mandate agreement. The Committee discussed quarterly the auditor’s report on cooperation with the Company, on compliance with the professional standards, on conflict of interest and independency if the auditor, and also on other services provided by the auditor to the Company based on the accounting law. The Audit committee also made resolutions in authorized matters regarding the agreement contracts with the statutory auditor and companies having the same or partly the same owner as the auditor providing services to the Company.

D) Remuneration of the Members of the Board, Members of the Supervisory Board, and Members of the Audit Committee

The remuneration of the members of the Board of Directors, the Supervisory Board and the Audit Committee is approved by the general meeting. Members of the board of directors, supervisory board members and members of the audit committee are entitled for a fix monthly remuneration.

E) Committees with the membership of external Board members and independent Supervisory Board members according to Hpt.

Nomination Committee

The Nomination Committee is responsible for nominating and recommending nominees to the Supervisory Board and the Board of Directors, with the exception of the members of the Supervisory Board representing the employees.

Remuneration Committee

The Remuneration Committee is a consultative body that oversees the remuneration of directors and employees in risk management and internal lines of defence, and prepares remuneration decisions based on the long-term interests of shareholders, investors and other stakeholders in the company.

Risk and NPL Committee

As part of its ongoing monitoring of the Bank's risk-taking strategy and risk appetite, the Risk and NPL Committee reviews the risk strategy, remuneration policy and quarterly risk report in advance, approves the NPL Strategy and related implementation plan for the year, and monitors the high non-performing loan rate and the NPL Strategy.

The Committees operate in accordance with the rules laid down in their rules of procedure. Bodies shall meet as often as necessary to carry out their functions and shall take their decisions in the form of a meeting or in writing and without a meeting. The work of the bodies is organized by the chairman of the body.

F) Other standing committees defined by the Organisational and Operational Rules of MKB

Managing Committee

This is the highest level decision preparation and decision making body of the Bank. The Managing Committee adopts decisions regarding issues of general and strategic nature submitted for its perusal and issues related to the Group's operation, the company's organization, the control, management and development of HR policies, business issues related to risk taking, furthermore, negotiates issues related to compliance and anti-money laundering and the respective supervision tasks. Without prejudice to the powers of corporate bodies, the Managing Committee may adopt decisions or appoint decision makers in matters not expressly assigned to any corporate body, committee or individual by internal regulations. In addition to proposals brought forward, the Managing Committee regularly reviews and discusses current issues regarding the Bank's operation based on verbal reports of the Committee members and prescribes measures as necessary. The Managing Committee holds meetings on a weekly basis.

Credit Committee

The Credit Committee adopts decisions on risk assumption at individual, product and portfolio level in accordance with the MKB Credit Policy and regulations on decision making powers. The Credit Committee regularly reviews reports on transactions derogating from the Risk Strategy and the Risk Assumption Guidelines, as well as the credit risk characteristics of the individual portfolio segments. The Credit Committee decides on parameters for facilities granted general corporate approval and traffic light processes based on the Risk Decision Competence Regulation. The Credit Committee holds meetings on a weekly basis.

Restructuring and Debt Management Committee

The Restructuring and Debt Management Committee adopts case-by-case decisions on risk assumption in accordance with the MKB Credit Policy and regulations on decision making powers. In addition, the Committee monitors developments regarding the Bank's remaining commercial real estate portfolio via regular reporting and decides on appropriate strategy to facilitate phaseout as necessary. The Restructuring and Debt Management Committee discusses proposals to be submitted to the

Management Committee regarding provisioning and debt-to-asset and debt-to-equity conversions in advance. The Restructuring and Debt Management Committee holds meetings on a fortnightly basis.

Asset and Liability Management Committee (ALCO)

The Asset and Liability Management Committee is responsible for asset and liability management as well as the management of MKB and Group level liquidity, funding, capital adequacy and market risks. The ALCO is responsible for the development, in principle, of policies regarding liquidity risks, interest rate risks, exchange risks (foreign exchange and securities), all material risks and capital adequacy issues and the submission of such policies to the Board of Directors at MKB and Group level. The ALCO holds meetings on a fortnightly basis.

Investment, Operation and Project Priorisation Committee

The Investment, Operation and Project Priorisation Committee is responsible for controlling the Bank's overall cost structure and revenues, supervises adherence to the limits specified in the annual investment and cost plans, continuously monitors recent changes in the OPEX and CAPEX limits and analyses the effects made by such changes on the business plan. The Committee is a decision making body having competence regarding development needs, programmes, investments and cost requirements related to IT developments, projects and other initiatives and the allocation of related resources, also responsible for coordinating development needs and Group strategic goals and determining order of priority in respect of the entire project and development portfolios. In addition, the Committee adopts decisions on limit allocation issues brought forward.

The Investment, Operation and Project Priorisation Committee develops and approves pricing principles related to the Bank's product development processes in accordance with the Bank's business model and risk assumption strategy, and controls the profitability of the current assortment of products and services. In the course of implementing the annual business plan the Committee regularly reviews whether the pricing and discounts applied to the individual products and services sufficiently support the Bank's business policy and profitability goals and initiates changes as appropriate.

The Investment, Operation and Project Priorisation Committee regularly reports to the Managing Committee. It holds meetings on a fortnightly basis.

Ethical Committee

The Ethical Committee is responsible for supporting compliance with the basic principles and expected behaviour patterns stipulated in the Bank's Ethical Code (responsibility for managing ethical issues essentially lies with the Compliance Directorate), furthermore, it discusses and decides on ethical issues and misuse cases of particular significance brought forward which could pose a threat to the Bank's operation and reputation. The Ethical Committee holds meetings on an ad hoc basis as necessary.

Internal Defence Lines Committee

The Internal Defence Lines Committee is responsible for the integration of communication among the various defence lines and making them regular and systemic features, and for the improvement and establishment of communication channels where appropriate. By means of preventive and proactive activities the Committee ensures in respect of the MKB Group timely and effective identification and management (or enforcement of management) of any risk which could lead to legal non-compliance, or investigation conducted by external authorities or to the adoption by the supervisory authorities of resolutions condemning the Bank's operations, and it provides for immediate correction measures as necessary. The Internal Defence Lines Committee is instructed by the Board of Directors, which constitutes an escalation forum thus ensuring autonomy for the Committee. The Internal Defence Lines Committee may not decide in matters expressly assigned to another corporate body or committee by any internal regulation. In such cases the Internal Defence Lines Committee proposes appropriate

decisions to the competent decision making body, which will be obliged to adopt the relevant decision based on the Committee's proposal without delay.

G) Chief Executive Officer and deputy CEOs

Dr. Ádám Balog chairman-CEO (professional CV can be found in section „A”)

Mr. András Bakonyi deputy CEO

He is an economist. He began his banking career at MKB Bank in 2002. He worked at CIB Bank Zrt. in the Corporate Customer Relations function from 2003, where he held the position of Head of Department from 2007. Between 2010 and 2015 he was in different management positions in the corporate business line of MKB Bank. He was Executive Director for the Corporate Directorate of MKB Bank from 2015. He was appointed Deputy Chief Executive for the Bank's Corporate and Treasury in 2017; in this position, he was also responsible for the Bank's corporate, treasury and leasing activities. Since 2019 he has been the Chief Risk Officer. He obtained his degree at the Corvinus University of Budapest in 2002. He was member of the Széchenyi István Student Association between 1997 and 2002. He studied economics and political science at the University of Heidelberg, Germany, from 1999 to 2000 He studied at the International Credit School of the KBC Bank Group in Brussels in 2010 and 2012. He participated in a Management Training Programme in Ghent in 2013. He speaks English and German at an advanced level

Dr. András Csapó deputy CEO, member of the Board (professional CV can be found in section „A”)

Mr. Csaba Gábor Fenyvesi deputy CEO

He is an economist. He gained considerable experience at Raiffeisen and OTP Banks in the risk management, financial and acquisition fields between 2004 and 2007. He held various executive positions in the Budapest and Vancouver offices of the KPMG Group between 2007 and 2012. His responsibilities included the management of acquisition, financial and company valuation tasks. He was the Chief Financial Officer of the Serbian subsidiary of OTP Bank (OTP banka Srbija a.d. Novi Sad) between 2012 and March 2017. In this position, he was responsible inter alia for the financial strategy of the bank, business planning and controlling, liquidity management, back office, accounting and taxation, as well as reporting service.

He was MKB Bank's Executive Director for Finance since March 2017, where he managed five directorates. In 2017, he graduated from the Global Executive MBA programme of the IE Business School. Between 1 January and 31 March 2019 he was MKB Bank's Executive Director for Finance, since 1 April 2019 he has been the Deputy Chief Executive Officer for Finance and Operations. He is member of MKB Bank's Executive Committee, Deputy Chairman of ALCO, chairman of the Investment, Operation and Project Prioritisation Committee.

Ms. Ildikó Ginzer deputy CEO

She obtained a Masters degree in Economics and in Corporate Finance and Teaching. At Raiffeisen Bank, first she had been engaged in structured and project finance, later held executive positions in corporate problem loan treatment and debt collection between 2004 and 2016. She was Head of the Corporate Restructuring and Debt Management of Raiffeisen Bank between 2012 and 2016. She was responsible

for Strategy and Group Development at Borealis AG in 2016. She joined MKB Bank. at the end of 2016 as Chief Risk Officer and since 2019 she has been the Deputy Chief Executive Officer for Business.

Nyemcsok János deputy CEO (professional CV can be found in section „B”)

1.2 Internal control systems and risk management

A. Main features of the internal control system of the Company

The operation of internal control system is ensured within the company group according to governing laws and recommendations. Executive management and internal controls are the basics of internal protecting lines which ensures prudent operations, compliance with laws and internal rules, and maintains trust towards the Company.

The internal controlling functions are independent from each other and also from the organizational units controlled or supervised by them.

The provisions regarding the operation, management and functions of the internal control system of the Company are set out in the Hpt., the provisions of the Civil Code on business companies, Act CXX of 2001 on the Capital Markets; the applicable recommendations of the National Bank of Hungary (hereinafter: NBH) (primarily Recommendation MNB 27/2018. (10 December) on the establishment and operation of internal lines of defence, the management and control functions of financial organisations), the Bank's Memorandum of Association and the Bank's effective rules of organisation and operation.

Section 154 (1) of the Hpt. requires banks to operate an internal control system. The elements of the internal control system include the management information system, in-process and management controls, and the independent internal audit organisation.

The concept of a management information system encompasses all computer-based or manual systems that transform data into useful information for decision-makers. Its main tasks are to produce ad hoc and regular reports and to support (in general) decision making.

In-process and management controls are forms of control directly or indirectly integrated into business processes. These controls are performed by persons who are functionally involved in the processes or by those responsible for the final outcome of the audited activities.

Independent internal audit is part of the internal control (monitoring) system independent of the process. Internal audits should be performed by persons who are not involved in the Bank's workflows and are therefore independent of the entities and workflows being audited. Accordingly, MKB Bank operates an independent organisational unit, the Executive Directorate for Internal Audit (hereinafter: BEI). BEI operates under the control of the Supervisory Board and the CEO. Operations of BEI include helping comply with legal requirements for the Bank, controlling compliance with internal rules, and monitoring bank activity in regard of transparency and sufficiency through overall and specific audits. The aim of BEI is to protect the Bank's assets and the interests of the clients and the shareholders.

Also in view of the MNB recommendation 27/2018. (10 December) referred to above, the system of lines of defence is interpreted in the Bank's monitoring framework system. The above control mechanisms, which are also stressed in the Hpt. as the elements of the Bank's internal monitoring system (distinguished from the external monitoring independent of the Bank (e.g. customers, MNB, other authorities) and the external monitoring system elements (e.g., auditor) related to the Bank) can be classified as follows:

The Bank's internal monitoring system consists of an internal control system and independent internal audit.

Within the Bank's internal control system, we can distinguish between general principles (e.g. consistent responsibility management), practices (e.g. management control), organisational solutions (e.g. in-process controls), and areas with a control function (e.g. Controlling) and activities (e.g. management information system), which together form the first line of defence of the Bank's internal monitoring system. In fact, this line of defence includes all employees and managers who, through their prudent work, protect the Bank's interests and values.

Another element of the Bank's internal control system is all those organisations, activities and persons responsible for performing dedicated operational functions, activities and control functions (e.g., Risk Control, Compliance, Data Protection Officer), which together constitute the Bank's second line of defence. The function of the second line of defence can also be formulated by overseeing and supporting the activities of the first line of defence.

Independent internal audit, as another element of the internal monitoring system alongside the internal control system, is the Bank's third line of defence. Internal audit is an independent, objective assurance tool and consulting activity that adds value to the Bank's operations and improves its quality. It is responsible for examining the Bank's risk management, governance processes and the internal control system (or the Bank's first and second lines of defence) in a systematic and regulatory manner, evaluating and improving its operation, thereby contributing to the achievement of organisational goals.

B. Brief description of the Company's risk management system and principles applied in risk management

MKB Bank's Risk Control reviews the risk strategy of the MKB Group every year with the involvement of the relevant areas. In line with the current economic environment and in accordance with the Bank's business strategy and capital plan, the Risk Strategy sets out the risk strategy principles and objectives of the Bank Group for each risk type and risk appetite. The approval of the risk strategy falls within the scope of competence of the Board of Directors.

In line with the basic regulatory requirements, a concept for the Group's comprehensive risk-taking processes has been developed and is constantly being fine-tuned.

The main elements of the concept are:

- Group-wide application of risk management principles;
- Applying the Unified Segmentation to the entire clientele of the group;
- A decision-making system that depends on customer quality and risk-taking;
- The use of Basel conform rating tools, in compliance with IRBF and analytical and behavioural scorecards, as well as a corresponding client rating regime, which adequately supports the decision-making activities of the bank management;
- Internal, group-level model validation methodology with annual frequency (rating and scoring tools, validation of related processes);
- Monitoring activities with IT support;
- Establishment of a comprehensive system of criteria that includes and takes into account relevant indicators enabling the detection of threatened loans in order to identify loans at risk as

quickly as possible and, based on this, to determine the various types of customer/exposure management, the related tasks and order of procedure.

- IFRS 9 provisioning system;
- Pillar 1 and Pillar 2 capital accounting systems based on IFRS;
- Regular group level management reports, backtesting measurements (Risk Reports, Capital Management Reports, Rating Quality, Rating Monitoring Reports, etc.)
- Definition of a revised recovery plan and its evaluation on a monthly basis.

The key risk management principles include ultimate control at board level, independent control separate from risk areas, and appropriate measurement, diversification, monitoring and reporting of risks.

The effective risk management function of the Bank is ensured by the effective communication of risks and the willingness to assume risks within the organisation, continuous development for recognising, measuring, monitoring and managing risks, turning the key risk management processes and procedures up-to-date and user friendly and improving their efficiency, as well as employing adequately trained work force.

1.3 Statutory auditor

Name and address of the Statutory auditor of the Company

Deloitte Könyvvizsgáló és Tanácsadó Kft. (seat: 1068 Budapest, Dózsa György út 84/C, registration number by Hungarian Auditors Chamber: 000083).

Responsible person by Statutory auditor:

Mr. Gábor Molnár registered auditor (membership card number by Hungarian Auditors Chamber: 007239)

The General Meeting shall elect the Statutory auditor.

MKB's statutory auditor was Deloitte Könyvvizsgáló és Tanácsadó Kft. in 2019, the auditor did not have any kind of activity which could jeopardize its independency.

The Audit Committee decides on all assignments for the auditor including statutory assignment.

The Audit Committee receives a quarterly report on the independency if the auditor, and on the mandate agreements signed with them. The Board of Directors is obliged to inform the Supervisory Board on major assignments for the auditor.

1.4 Publications and handling insider trading

The Company executes its publication obligations by strictly complying with the Civil Code, the Act CXX of 2001 on the Capital Markets (hereinafter: "Tpt."), the Hpt., the Act CXXXVIII. of 2007 on Investment Firms and Commodity Dealers, and on the Regulations Governing their Activities (hereinafter: "Bsztv."), the Act C of 2000 and Decree 24/2008. (VIII.15.) PM of Minister of Finance on Accounting and applying the rules by the BÉT. Furthermore, the Company has internal rules in force to ensure execution of its publication obligations.

The referred rules ensure that all information effecting the Company, or which may have substantial effect on the share price of the Company are published correctly, in its full content and on time.

According to section 1.6.2.3. of the Recommendation the Board of Directors of the Company assessed the efficiency of the publication processes and found that between the date of the listing of MKB shares and 31. January 2020 the Bank's publication processes complied with the legal requirements, the internal rules and its publishing policies. Based on the result of this assessment it can be stated that Bank followed efficient publishing practices.

The Company has detailed risk management rules covering all types of risks (liquidity, market, country, partner, credit, operational, compliance) which correspond with legal requirements for prudent financial institutional operations. Information on the Company's risk management procedures, the applied limits and their keeping can be found in the Annual Report.

The Company has detailed internal rules covering all insider and potentially insider persons, which totally comply with the detailed regulations limits and prohibitions set forth in Tpt. Transactions for MKB shares executed by the members of the Board of Directors and the Supervisory Board are published according to publications rules, and the number of shares owned by persons in managerial responsibilities are published in the Annual Report.

1.5 Rules to exercise rights by shareholders

A) Rights of the shareholders at the General Meeting

The Company shall request shareholders registration for the General Meeting as a company event from KELER Zrt. To the rules of shareholders' registration the prevailing General Business Rules of KELER Zrt. shall be applicable.

The shareholder is entitled to attend the General Meeting. The shareholder, or a shareholder's proxy as defined in Section 151-155 of the Capital Market Act, who - as a result of the shareholders registration - was registered in the Register of Shares on the second business day preceding the start of the General Meeting, the latest, may attend the General Meeting of the Company. Persons, whose name is included in the Register of Shares at the time, when the Register of Shares is closed, shall be entitled to exercise the shareholder's rights at the General Meeting. The day of closing the Register of Shares is the second business day preceding the starting day of the General Meeting.

It is suggested the Honourable Shareholders in case they wish to participate the general meeting should arrange the necessary actions and deadlines with their securities account holders. In order to maintain their shareholders registration by KELER. The Company does not take any responsibility for any failure by the securities account holders.

The closing of the Register of Shares does not restrain the person registered in the Register of Shares from transferring his/her shares.

Transferring his/her shares prior to the General Meeting does not exclude the right of a shareholder registered in the Register of Shares to participate the General Meeting and execute his/her shareholders rights.

The shareholder may also exercise his/her rights at the General Meeting by way of proxy. Internal member of the Board of Directors, member, chairman of the Supervisory Board and the auditor cannot be persons authorised by proxy. The shareholder may give a proxy to the external member of the Board of Directors or to a managing officer of the Company - if he/she is not an internal member of the Board of Directors. The proxy shall be valid for one General Meeting, or for the period specified in the proxy, a maximum of 12 months. The validity of the proxy shall cover the continuation of the suspended General

Meeting or the General Meeting re-convened because of the lack of quorum. The proxy shall be drawn up in the form of a public document or a private document providing full evidence and it shall be submitted to the Company. The authorisation issued by the shareholder's proxy shall state that the representative is acting as shareholder's proxy.

The holders of the shares cast their votes by raising ballot papers previously distributed to them by the Company. Ballot papers are issued based on records in the Register of Shares.

The Company requires prior registration as a prerequisite for attendees being present at the venue of the General Meeting on the day of the event.

B) Holding the general meeting

The supreme body of the Company is the General Meeting. A General Meeting shall be convened by means of a notice published according to the Articles of Association at least thirty (30) days before the start date of the General Meeting.

At the time of publishing the materials of the General Meeting the Company shall send the notice of the General Meeting, and the associated proposals and draft resolutions, electronically to shareholders who have announced the request for it previously (at least 45 days before the start date of the given General Meeting) to the Company in writing. The announcement of such request shall be for indefinite period during the existence of the shareholder's quality – until its revocation in writing. Company notices sent by e-mail shall be deemed received by the shareholder on the day of their sending.

A General Meeting can take place in the event it is not, or not properly, convened and all shareholders are present and unanimously agree to holding the meeting. If a resolution is adopted at a General Meeting convened or held irregularly and, therefore, the resolution is not valid, then it will become valid with retroactive effect from the date when it was adopted if all shareholders unanimously recognize it as valid within thirty (30) days from the date of the General Meeting.

A resolution on an item not contained in the Agenda may be adopted only in the presence of all shareholders holding a right to vote, provided the shareholders unanimously approve the discussion of the item.

A General Meeting shall have a quorum if shareholders representing more than half of the share capital carrying a right to vote are present. Where a General Meeting does not have a quorum, a repeated General Meeting shall be convened to discuss items on the original agenda minimum ten (10) days and maximum twenty-one (21) days after the original date. The repeated General Meeting shall have a quorum regardless of the number of attendees.

The notice of the General Meeting shall contain:

- a) the company name and registered office of the Company;
- b) the venue, date and time of the General Meeting;
- c) the agenda of the General Meeting;
- d) the manner of holding the General Meeting;
- e) the conditions to exercising rights to vote, as defined in these Articles of Association;
- f) the venue, date and time of the repeated General Meeting in case the General Meeting does not have a quorum;
- g) conditions to exercising rights of adding items to the agenda, and
- h) the place of availability of the draft resolutions and the original and complete text of the documents to be submitted to the General Meeting.

The presiding Chairman of the General Meeting is the Chairman of the Board of Directors, except where, in his/her absence, a person is elected by simple majority vote from among the attendees at the General Meeting. A list of attendees shall be prepared to include shareholders present at the General Meeting. For each shareholder the list must contain the name and residential address (or registered office) of the shareholder or his/her proxy; the number of his/her shares and the number of votes he/she is entitled to; and any change in the person of attendees during the General Meeting. The list of attendees shall be authenticated by the presiding Chairman of the General Meeting and the Minute-taker, attaching their signatures to it. Holders of shares shall cast their votes by raising ballot papers previously distributed to them by the Company. Ballot papers are issued based on records in the Register of Shares.

According to his/her tasks and power the presiding Chairman of the General Meeting shall:

- a) open the General Meeting;
- b) establish if there is quorum;
- c) lead the meeting, within the framework of which he/she shall grant and withdraw the right to speak and he/she may limit the duration of the speech;
- d) order breaks;
- e) terminate the General Meeting.

Minutes shall be taken at each General Meeting, containing:

- a) the company name and registered office of the Company;
- b) the manner, venue, and date and time of holding the General Meeting;
- c) the names of the presiding chairman of the General Meeting, the Minute-taker, the person authenticating the Minutes, and the vote counter;
- d) the most important events of, and motions made at, the General Meeting;
- e) the draft resolutions;
- f) for each resolution, the number of shares for which valid votes were cast and the proportion of the share capital represented by these votes;
- g) the number of votes cast for, cast against, and the number of abstentions.

The minutes shall be signed by the Minute-taker and the presiding chairman of the General Meeting, and a shareholder in attendance elected for that purpose. The Board of Directors of the Company shall place the Minutes of the General Meeting and the list of attendees among their documents and keep them as well as submit them to the court of registration within 30 days after the termination of the General Meeting. The Board of Directors of the Company shall furthermore publish the Minutes of the General Meeting incorporating the resolutions adopted at the General Meeting, the draft resolutions, the key questions and answers related to the draft resolution within 30 (thirty) days following the General Meeting as specified in Section 7. In addition to above the Company shall publish the rules concerning the performance of its general meetings and the exercising of the voting right of its shareholders in a summary document pursuant to the Articles of Association.

By giving answers to the questions arising at the General Meeting the Company shall meet the principles of informing and publishing prescribed by the law and the stock exchange regulations and shall comply with them. The Company shall have 5 (five) business days following the day of the General Meeting to answer question arisen at the General Meeting and not answered to the satisfaction of the shareholder within its framework.

1.6 Statement of remuneration

According to the applying EU directive (CRD IV) and to the regulations by the Act of 2013 on Credit Institutions and Financial Enterprises (Hpt.) after the approval by the Board of Directors the Supervisory

Board has accepted the Bank's Hpt. based Remuneration Policy which applies also to the subsidiaries. Furthermore, in accordance with the Civil Code and Law LXVII of 2019 on Encouraging Long-Term Shareholder Engagement and amendments of further regulations for harmonization purposes (Hrsztv.) the Bank's General Meeting approved the Directors' Remuneration Policy. Implying the domestic and EU legal requirements the Directors' Remuneration Policy contains the frame of the remuneration of the members of the Board and the Supervisory Board, while the Hpt. based Remuneration Policy contains the method of defining the persons it applies to, the methodology for identifying those tasks and employees who has the biggest impacts on risks, and the procedures for annual evaluation processes. In case of performance based remunerations the tasks and responsibilities of the persons are considered along with the Bank's financial situation and how it fulfilled its targets.

The aim of the Hpt. based Remuneration Policy is - with complying the Company's risk profile, characteristics and governing law - to acknowledge the performance given by the Company's management and key employees (hereinafter: "*Identified Persons*") in order to achieve the Company's and its subsidiaries' targets and support their incentive in a way that it coordinates with effective and productive risk management and still it does not encourages to take higher risks than the set up limits, and to ensure to achieve the Bank's business strategy and plans, and also maintain its long term values and interests.

The Hpt. based Remuneration Policy covers the whole personnel of the Bank and its subsidiaries. The Supervisory Board annually or –in case it is necessary during the given year – whenever it necessary during the given year revises the personnel of the Identified Persons, and while undertaking this task it relies on the suggestions of the Remuneration Committee. It is the scope of the CEO to monitor the performance of the Identified Persons and to determine their remuneration.

The elements of share based remuneration policies the constructions of these are approved by the General Meeting along with the actual amount of remuneration in case of members of the Board and the Supervisory Board. The Bank provides detailed information for shareholders on the share based remuneration construction (and its changes), and on how it provides the cover needed and about the attached costs. In case of Identified Persons who are not members of the Boards determining their remuneration is not the scope of the general meeting.

Supervisory Board members as in this position are entitled only for remuneration of a fixed amount without providing shares or any other instrument linked to the share price.

The persons prevailed by the Hpt. based Remuneration Policy are entitled only for fix or performance based remuneration, being only these two types of remunerations all parts of remuneration has to be linked to either the fixed or the performance based remuneration. The Remuneration Policy determines different remuneration levels based on the job levels in case of the Bank and also its subsidiaries.

The remuneration system was created so as motivate the entitled persons not only in the short-term price increase of the shares. The purpose of the performance based remuneration is to achieve the Bank's long term goals.

Evaluating performance is based on company evaluation index calculated based on the target value described in the annual report approved by the Board of Directors for the given year. In case of subsidiaries evaluation can be measured based on not only this index but also based on other economic indicator link to its activity. The most important principal of the Hpt. based Remuneration Policy is that it links the level of remuneration to the actually achieved goals individually set for each of the Bank's and its subsidiaries' organizational units along with evaluating risks before and after.

In case of the Identified Persons - as a determining rule - the performance based remuneration consist of 50% cash and 50% remuneration linked to an instrument. The instrument linked portion of the performance based remuneration is provided by the Bank for the Identified Persons. Based the maximum possible payable amount the performance based remuneration the 40% or 60% of the remuneration is paid adjourned for the Identified Persons. The main termination for adjournment is 3 years, but for the CEO, for the deputy CEOs and for further members of the Board of Directors is 4 years.

The Identified Persons participate with ownership upto to the level of their performance based remuneration in the MKB Employee Share Ownership Programme (hereinafter: "MRP"). The ownership of MRP is not tradable, cannot be charged or used as collateral, cannot be offered, and ensures actual payment for the entitled persons only if the conditions (evaluation of performance, risks) set for the in the Remuneration Policy are fulfilled. In case these conditions are not met the ownership is transferred back to the bank.

Publications on remuneration principles and actual remuneration of members of the Board, Supervisory Board members and Identified Persons are published with the required content according to the governing laws, and to recommendations by EBA, ESMA and MNB.

1.7. Description of the diversity policy applied with respect to the undertaking's administrative, management and supervisory bodies

The Bank and its subsidiaries hire and nominate - if possible - members for its governing bodies having diverse professional experience, diverse regional and industrial background in line with the applying hiring and diversity policy (Nomination policy), and these bodies use the differences and advantages arising from these diversities during their operation, and the Bank and its subsidiaries consider these advantages as a preferred aspect when appointing members of these bodies. The base of appointment is the professional competency, expertise, independency and knowledge represented by these nominees, in regard with the needs of the actual body to ensure efficient operation. The Bank and its subsidiaries take it as high priority to nominate members for the governing bodies representing both genders, in order to achieve this, it is intended that the rate of participation by women reach 15% in these bodies. To fulfil these aims they are committed to prefer the sub represented gender in the given body among two similarly qualified and suitable nominees for the given position, in case no other professional reason justifies the other.

2.) Introduction of compliance with the Corporate Governance Recommendations

As part of the Corporate Governance Report, the Company make a statement regarding the extent to which it has implemented in its own corporate governance practice the recommendations and proposals specified in the relevant sections of the Corporate Governance Recommendations issued by the Budapest Stock Exchange Ltd., by completing the following tables.

These tables provide an overview for the investors of the extent of the compliance - by the relevant company - with certain requirements set out in the Corporate Governance Recommendations at glance, and enable easy comparison of the practices of the specific companies.

Level of compliance with the Recommendations

The Company indicates whether it follows the relevant recommendation or not, and if not, briefly explains the reasons why it did not follow that specific recommendation.

1.1.1. The Company has an organisational unit dealing with investor relationship management, or a designated person to perform these tasks.

Yes

1.1.2. The Company's Articles of Association are available on the Company's website.

Yes

1.1.4. If the Company's Articles of Association allow shareholders to exercise their rights in their absence, the Company published the methods and conditions of doing so, including all necessary documents.

No

Explanation: See explanation in section 1.1.3

1.2.1. The Company published on its website a summary document containing the rules applicable to the conduct of its General Meetings and to the exercise of voting rights by shareholders.

Yes

1.2.2. The Company published the exact date when the range of those eligible to participate in a given company event is set (record date), and also the last day when the shares granting eligibility for participating in a given company event are traded.

Yes

1.2.3. The Company held its General Meetings in a manner providing for maximum shareholder participation.

Yes

1.2.6. The Company did not restrict the shareholders' right to designate a different representative for

each of their securities accounts to represent them at any General Meeting.

No

Explanation: In case such need arises from the shareholders the Company shall examine the possibilities for its execution.

1.2.7. For proposals for the agenda items, the Board of Directors' draft resolution and also the Supervisory Board's opinion were disclosed to the shareholders.

Yes

1.3.3. The Company did not restrict the right of its shareholders attending a General Meeting to request information, add comments and submit proposals, or set any preconditions for these with the exception of some measures taken to conduct the General Meeting in a correct manner and as intended.

Yes

1.3.4. By answering the questions raised at the General Meeting, the Company ensured compliance with the information provision and disclosure principles set out in legal and stock exchange requirements.

Yes

1.3.5. the Company published on its website the answers to the questions that the representatives of the Company's boards or its auditor present at the General Meeting could not satisfactorily answer at the meeting within 3 working days following the General Meeting, or an official statement explaining why it refrained from giving answers.

Yes

1.3.7. The Chairman of the General Meeting ordered a recess or suggested that the General Meeting be postponed when a proposal or proposal relating to a particular issue on the agenda was submitted which the shareholders hadn't had a chance to become familiar with before the General Meeting.

Yes

1.3.8.1. The Chairman of the General Meeting did not use a combined voting procedure for a decision related to electing and recalling executive officers and Supervisory Board members.

Yes

1.3.8.2. For executive officers or Supervisory Board members, whose nominations were supported by shareholders, the Company disclosed the identity of the supporting shareholder(s).

No

Explanation: Nomination takes place according the nomination policy based on the Hpt.

1.3.9. Prior to discussing agenda items concerning the amendment of the Articles of Association, the General Meeting passed a separate resolution to determine whether to decide on each amendment of the Articles of Association by individual votes, joint votes, or votes combined in a specific way.

Yes

1.3.10. The Company publish the minutes of the General Meeting containing the resolutions, the description of the draft resolutions and any important questions and answers related to the draft resolutions within 30 days following the General Meeting.

Yes

1.5.1.1. The Board of Directors/Governing Board or a committee consisting of Board of Directors/Governing Board members established guidelines and rules concerning the performance review and remuneration of the Board of Directors/Governing Board, the Supervisory Board and the management.

Yes

1.5.1.2. The tasks and the level of responsibility of each member, the rate of achievement of the Company's objectives and its economic/financial position were taken into consideration for establishing performance-based remuneration for the members of the management.

Yes

1.5.1.3. The remuneration guidelines established by the Board of Directors/Governing Board or a committee consisting of Board of Directors/Governing Board members were assessed by the Supervisory Board.

Yes

1.5.1.4. The guidelines (and any major changes thereof) for the remuneration of Board of Directors/Governing Board and Supervisory Board members were approved by the General Meeting.

Yes

1.5.2.1. Controlling the performance of and establishment of the remuneration for the executive management falls within the competence of the Board of Directors/Governing Board.

Yes

1.5.2.2. The terms for extraordinary benefits provided to management members (and any major changes thereto) were approved by the General Meeting in a separate agenda item.

Yes

1.5.3.1. The General Meeting approved the principles of the stock-based remuneration schemes.

Yes

1.5.3.2. Shareholders received detailed information before the General Meeting decided about the stock-based remuneration schemes (at least as specified in Section 1.5.3).

Yes

1.5.4. The Company has a remuneration scheme in place which does not incentivize the staff to focus only on short-term maximisation of the share price.

Yes

1.5.5. Supervisory Board members receive a fixed-amount remuneration which does not include any elements linked to share price.

Yes

1.5.6. The Company prepared a report ('Remuneration Statement') for the owners about the remuneration principles relating to and containing the actual remuneration of Board of Directors/Governing Board, Supervisory Board and management members (with the content and the level of detail set out in industry regulations binding for the Company), and the Company presented it to the General Meeting? The Remuneration Statement presented the remuneration of Board of Directors/Governing Board and Supervisory Board members, as well as the guidelines used to assess their activities and establish their remuneration. This information included the disclosure of the total remuneration for Board of Directors/Governing Board and Supervisory Board level, the details of all fixed and variable elements, any other remunerations as well as a presentation of the guidelines for the remuneration scheme and any major changes to those compared to the previous financial year.

No

Explanation: Statement about the remuneration principles relating to and containing the actual remuneration of Board of Directors/Governing Board, Supervisory Board and management members is published in line with the governing industry regulations, and recommendations by MNB, EBA, ESMA with the required level of information therein.

1.6.1.1. The Company's publication guidelines cover the procedures for electronic, online disclosure.

Yes

1.6.1.2. The Company designs its homepage by considering the aspects of disclosure and the information of investors.

Yes

1.6.2.1. The Company has an internal publication policy in place which covers the processing the information listed in Section 1.6.2 of the Recommendations document.

Yes

1.6.2.2. The internal regulations of the Company cover the methods for the assessment of events judged to be important for publication.

Yes

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

Yes

1.6.2.4. The Company published the findings of the efficiency assessment of the publication process.

Yes

1.6.3. The Company published its annual company event calendar.

Yes

1.6.4. The Company published its strategy, business ethics and policies regarding other stakeholders.

Yes

1.6.5. The Company published the career information of Board of Directors / Governing Board, Supervisory Board and management members in its annual report or on the company website.

Yes

1.6.6. The Company published all relevant information about the internal organisation and the operation of the Board of Directors / Governing Board and the Supervisory Board, about the work of the management, the assessments of these and the changes in the current year.

Yes

1.6.7.1. The Company published its remuneration guidelines in line with the recommendations set out in Section 1.5.

Yes

1.6.7.2. The Company published its remuneration statement in line with the recommendations set out in Section 1.5.

Yes

1.6.8. The Company published its risk management guidelines and information about its system of internal controls, the main risks and the principles for their management.

Yes

1.6.9.1. The Company published its guidelines relating to the trading of its shares by insiders.

Yes

1.6.9.2. The Company disclosed the share of the Board of Directors / Governing Board, Supervisory

Board and management members in the securities issued by the Company, as well as the extent of their interest under the equity-based incentive system in the annual report or in some other way.

Yes

1.6.10. The Company published the relationship of Board of Directors / Governing Board, Supervisory Board and management members may have with third parties which could affect the operation of the Company.

No

Explanation: The Company handles conflicts of interests in line with the governing industry regulations, and recommendations by MNB, EBA, ESMA.

2.1.1. The Company's Articles of Association contain clear provisions regarding the responsibilities and competences of the General Meeting and the Board of Directors / Governing Board.

Yes

2.2.1. The Board of Directors / Governing Board has a rules of procedure in place defining the organisational structure, the actions for arranging for and conducting the meetings, and the tasks regarding the adopted resolutions, as well as other issues related to the operation of the Board of Directors / Governing Board.

Yes

2.2.2. The Company published the procedure used for nominating Board of Directors / Governing Board members and the principles for determining their remuneration.

Yes

2.3.1. The Supervisory Board provides a detailed description of its operation and duties, as well as the administrative procedures and processes followed by it, in its rules of procedure and work plan.

Yes

2.4.1.1. The Board of Directors / Governing Board and the Supervisory Board held meetings periodically at a predefined interval.

Yes

2.4.1.2. The rules of procedure of the Board of Directors / Governing Board and the Supervisory Board provided rules for the conduct of meetings that cannot be planned in advance, and for decision making using electronic telecommunications means.

Yes

2.4.2.1. Board members had access to the proposals to be presented at the meeting of the respective board at least five days prior to the meeting.

No

Explanation: The Company partially complies. The general procedure complies with the recommendation, but distinctly it is possible to set shorter access period with the chairman's approval on good grounds.

2.4.2.2. The Company arranged the proper conduct of the meetings, the drawing up of the meeting minutes and management of the resolutions made by the Board of Directors / Governing Board and the Supervisory Board.

Yes

2.4.3. The rules of procedure provide for the regular or ad hoc participation of non-board members at respective board's meetings.

Yes

2.5.1. The members of the Board of Directors / Governing Board and the Supervisory Board were nominated and elected in a transparent process, and was the information about the candidates made public in due time before the General Meeting.

Yes

2.5.2. The composition and size of the boards complies with the principles set out in Section 2.5.2 of the Recommendations.

Yes

2.5.3. The Company ensured that the newly elected Board of Directors / Governing Board and Supervisory Board members became familiar with the structure and operation of the Company and their tasks were carried out as members of the respective boards.

Yes

2.6.1. The Governing Board / Supervisory Board requested (in the context of preparing the annual corporate governance report) its members considered to be independent to confirm their independence at regular intervals.

Yes

2.6.2. The Company provides information about the tools which ensure that the Board of Directors / Governing Board assesses objectively the management's activities

Yes

2.6.3. The Company published its guidelines concerning the independence of its Governing Board / Supervisory Board members and the applied independence criteria on its website.

Yes

2.6.4. The Supervisory Board of the Company does not have any members who has held any position in the Board of Directors or in the management of the Company in the previous five years, not including cases when they were involved to ensure employee participation.

Yes

2.7.1. Members of the Board of Directors / Governing Board informed the Board of Directors / Governing Board and (if applicable) the Supervisory Board (or the Audit Committee if a uniform governance system is in place) if they, or individuals they have business relations with, or their relatives have interest in any business transactions of the Company (or any subsidiaries thereof) which excludes their independence.

Yes

2.7.2. Transactions and assignments between members of boards/ members of the management/individuals closely associated with them and the Company/subsidiaries of the Company were carried out in accordance with the Company's general business practice but applying more stringent transparency rules compared to general business practice, and were they approved.

Yes

2.7.3. Board members informed the Supervisory Board / Audit Committee (Nominating Committee) if they had received an appointment for board membership or management position of a company not belonging to the Company Group.

Yes

2.7.4. The Board of Directors / Governing Board developed guidelines for the flow of information and the management of insider information within the Company, and monitor compliance with them.

Yes

2.8.1. The Company created an independent internal audit function that reports directly to the Audit Committee / Supervisory Board.

Yes

2.8.2. Internal Audit has unrestricted access to all information necessary for carrying out audits.

Yes

2.8.3. Shareholders received information about the operation of the system of internal controls.

Yes

2.8.4. The Company has a function ensuring compliance (compliance function).

Yes

2.8.5.1. The Board of Directors / Governing Board or a committee operated by it is responsible for the supervision and management of the entire risk management of the Company.

Yes

2.8.5.2. The relevant organisation of the Company and the General Meeting received information about the efficiency of the risk management procedures.

Yes

2.8.6. With the involvement of the relevant areas, the Board of Directors / Governing Board developed the basic principles of risk management taking into account the special idiosyncrasies of the industry and the Company.

Yes

2.8.7. The Board of Directors / Governing Board defined the principles for the system of internal controls to ensure the management and control of the risks affecting the Company's activities as well as the achievement of its performance and profit objectives.

Yes

2.8.8. Internal control systems functions reported about the operation of internal control mechanisms and corporate governance functions to the competent board at least once a year.

Yes

2.9.2. The Board of Directors / Governing Board invited the Company's auditor in an advisory capacity to the meetings on financial reports.

Yes

Level of compliance with the Proposals

The Company must state whether it follows the relevant proposal included in the Corporate Governance Recommendations, or not (Yes / No). The Company can also explain any derogation from it.

1.1.3. The Company's Articles of Association provided an opportunity for shareholders to exercise their voting rights also when they are not present in person.

No

In case such need arises from the shareholders the Company shall examine the possibilities for its execution.

1.2.4. The Company determined the place and time of General Meetings initiated by shareholders by taking the initiating shareholders' proposal into account.

Yes

1.2.5. The voting procedure used by the Company ensure a clear, unambiguous and fast determination of voting results, and in the case of electronic voting, also the validity and reliability of the results.

Yes

1.3.1.1. The Board of Directors/Governing Board and the Supervisory Board were represented at the General Meeting.

Yes

1.3.1.2. In the event the Board of Directors/Governing Board and the Supervisory Board was absent, it was disclosed by the Chairman of the General Meeting before discussion of the agenda began.

Yes

1.3.2.1. The Articles of Association of the Company did not preclude any individuals from receiving an invitation to the General Meetings of the Company at the initiative of the Chairman of the Board of Directors/Governing Board and being granted the right to express their opinion and to add comments there if that person's presence and expert opinion is presumed to be necessary or help provide information to the shareholders and help the General Meeting make decisions.

Yes

1.3.2.2. The Articles of Association of the Company did not preclude any individual from receiving an invitation to the General Meetings of the Company at the initiative of shareholders requesting to supplement the agenda items of the General Meeting and from being granted the right to express their opinion and to add comments there.

Yes

1.3.6. The annual report of the Company prepared as specified in the Accounting Act contains a brief, easy-to-understand and illustrative summary for shareholders, including all material information related to the Company's annual operation.

Yes

1.4.1. In line with Section 1.4.1, the Company payed dividend within 10 working days to those of its shareholders who had submitted all the necessary information and documents.

Yes

1.6.11. The Company published its information in English as well, in line with the provisions of Section 1.6.11.

Yes

1.6.12. The Company informed its investors about its operation, financial situation and assets on a regular basis, but at least quarterly.

Yes

2.9.1. The Company has in place internal procedures regarding the use of external advisors and outsourced activities.

Yes