



**MKB Bank Plc.
Corporate Governance Report
March 2021**

Preambulum

Considering that MKB Bank Plc's (hereinafter: 'MKB' or 'Bank' or 'Company') shares were admitted in the Budapest Stock Exchange (hereinafter: 'BÉT') standard category on 30 May 2019, in accordance with market practice and the BÉT Corporate Governance Recommendations (hereinafter: 'Recommendations')¹, MKB prepared its Corporate Governance Report for the second time after March 2020.

The Company is a member of the group of credit institutions ('Hungarian Bankholding Group') defined by Magyar Bankholding Zrt. (registered office: 1134 Budapest, Kassák Lajos u. 18; company reg. no.: Cg.01-10-140865; hereinafter: 'Bankholding'), as the parent company, in Resolution H-EN-I-70/2021 of the National Bank of Hungary (Hungarian abbreviation: 'MNB') dated 17 February 2021 on the undertakings subject to supervision on a consolidated basis for the Bankholding. Pursuant to MNB Resolution H-EN-I-732/2020 of 30 December 2020, Bankholding is a financial holding company of a Member State in accordance with Section 15/A of Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises (hereinafter: 'Hpt.'), which is responsible for the compliance of the Hungarian Bankholding Group on a consolidated basis with the requirements of the Hpt. and Regulation (EU) No 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012.

The Board of Directors of the Company has sole responsibility for: the implementation of the decisions taken by the Bankholding to comply with the requirements of the Hpt. and Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 ('Bankholding Group Management Activity'), including in particular the implementation and enforcement, as necessary, of the Group-wide policies issued in the course of the Bankholding Group Management Activity.

On 15 December 2020, Magyar Bankholding Zrt. acquired a 97.19% majority stake in MKB through a capital increase implemented with in kind capital contribution. At the same time, Magyar Bankholding

¹ BÉT Corporate Governance Recommendations:

<https://www.bet.hu/Kibocsatok/Ajanlasok-kibocsatoknak/Felelos-tarsasagiranyitas>

BÉT amended the Recommendations as of 01.01.2021. It has repealed the recommendations contained in Chapter 1.5 and Section 1.6.7 on remuneration and amended accordingly Sections 1.6.2, 1.6.9 and 2.2.2 and Annex 1, in view of the fact that since July 2019 the rules on remuneration are regulated by Act LXVII of 2019 on Encouraging Long-Term Shareholder Engagement and amendments of further regulations for harmonisation purposes.

Zrt also acquired a controlling interest in Budapest Bank Zrt. and MTB Magyar Takarékszövetkezeti Bank Zrt.

With this step, the second largest banking group in Hungary was established. The new banking group serves 1.9 million customers, operates almost half of the domestic branch network, more than 920 branches nationwide, and has a balance sheet total of nearly HUF 6,800 billion, a loan portfolio of HUF 3,600 billion and a deposit portfolio of HUF 4,300 billion. It serves 200,000 micro-enterprises, 30,000 small and medium-sized enterprises, 6,000 private banking partners and is a market leader in many areas.

Magyar Bankholding Zrt. is expected to develop a detailed merger schedule and business strategy for the three banks during 2021. Accordingly, the member banks, including MKB, will retain their legal status for the time being and will operate as a separate entity and as a separate brand until the merger process takes place.

Magyar Bankholding Zrt. made a statutory public takeover bid (hereinafter: 'Offer') for MKB ordinary shares on 30 December 2020 at a price of HUF 1,985 per share for the reason set out in Section 68 (2) d) of the Tpt., within the statutory deadline from the disclosure specified in Section 55 (2) of the Tpt. The acceptance of the Offer did not take place by the end of the open period, 17 February 2021, therefore Magyar Bankholding Zrt. continues to own 97.19% of MKB.

Pursuant to Section 76/D (1) of the Tpt., the offeror Magyar Bankholding Zrt. reserves the right to exercise the right to purchase the Shares not owned by it, subject to its future decision.

Under bankholding management, MKB continues to attach great importance to building and maintaining a successful and effective corporate governance system to best comply with capital market practices and to ensure a responsible operational management.

MKB intends to continue complying at the highest possible level with the Corporate Governance Recommendations published by BÉT. The governance structure of MKB will also be developed during the bankholding integration by taking into account the legal, supervisory and stock exchange requirements, and by considering the specificities of the business.

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.

There are two ways for issuers to report on their corporate governance practices in their corporate governance report to the Annual General Meeting. They must, on the one hand, declare their corporate governance practices applied during the financial year and, on the other hand, clearly demonstrate their compliance with each of the points 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.) 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 MKB. According to Section 150 of the Hpt. the employer's rights are exercised by the General Meeting in terms of the CEO. 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 5 and maximum 9 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 Zsolt Barna, Chairman of the Board of Directors

He started his career at the State Money and Capital Market Supervisory Authority, from 1998 he was a Head of Department and from 2004 a Senior Manager of the HFSÁ. From 1998 to 1999, he was a member of the Board of Directors of BEVA. Since 2006 he has been the Executive Director of the Supervisory Board of the HFSÁ. From 2006 to 2010, he was a member and permanent invitee of the governing bodies of the European CESR, CEBS and professional committees. Between 2008 and 2009, he was a key player in crisis management in the banking sector. He has worked for the OTP Group since 2010, initially as a director, during which time he became the Chairman of the Board of Directors of CKB Bank in Montenegro, where he managed the reorganisation process. After several management positions within the OTP Group, between 8 June 2016 and 31 August 2018, he was the Chairman and Chief Executive of OTP Ingatlan Befektetési Alapkezelő Zrt., and, in addition, from September 2016 to 31 August 2018, he held the position of the Chairman of the Board of Directors of OTP Alapkezelő Zrt. Since 8 June 2016, he has been the Chairman of the Board of Directors of OTP Ingatlan Befektetési Alapkezelő Zrt. In 2017-2018, OTP Bank managed its first significant subsidiary integration in Croatia. From 10 September 2018, he was the Chairman of the Supervisory Board of OTP Ingatlan Zrt. On 1 September 2018, he was appointed Deputy CEO of OTP Bank. From 2019 to 20 July 2020, he was the Chairman of the Board of Directors of OTP Ingatlan Zrt. and a member of the Supervisory Board of the Croatian subsidiary of the OTP Group. From

² as of 16 March 2021

December 2019, he was the Chairman of the Board of Directors of the Slovenian subsidiary of the OTP Group. Until 20 July 2020, he held the position of Deputy CEO of OTP Bank Nyrt. Since 30 October 2020, he has been the Chairman of the Board of Directors of Magyar Bankholding Zrt. Since 1 January 2021, he has been the Chairman and CEO of MKB Bank Plc.

Beginning date of board membership: 01.01.2021

MKB share ownership as of 31.12.2020: 0. pcs. / Direct MKB share ownership as of 31.12.2020: 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 31.12.2020: 0. pcs. / Direct MKB share ownership as of 31.12.2020: 0 pcs.

Mihály Valkó, member of the Board of Directors

He graduated from the Budapest University of Economics. He has nearly two decades of financial experience in the field of credit institutions, venture capital fund management and consulting. Currently he is the CEO of QUARTZ Befektetési Alapkezelő Zrt. Since May 2020 he has been an external member of the Board of Directors of MKB Bank.

Beginning date of board membership: 22.05.2020

MKB share ownership as of 31.12.2020: 0. pcs. / Direct MKB share ownership as of 31.12.2020: 0 pcs.

Dr Gabriella Gombai, member of the Board of Directors

She graduated in law from Pázmány Péter Catholic University. She has more than ten years of experience in credit institutions, mainly in the legal field. Currently she is the CEO of Talentis Consulting Zrt., member of the Board of Directors of Opus Global Befektetési Alapkezelő Zrt. and member of the Supervisory Board of Mátra Energy Holding Zrt.

Beginning date of board membership: 11.06.2020

MKB share ownership as of 31.12.2020: 0. pcs. / Direct MKB share ownership as of 31.12.2020: 0 pcs.

Balázs Benczédi, member of the Board of Directors

He graduated from the College of Finance and Accounting. He has close to thirty years of experience in credit institutions and investment services and has been a member of the Board of Directors of ING Bank,

Pannonia Alapkezelő and formerly MKB Bank. He is currently the CEO of MKB-Pannónia Alapkezelő and a member of the Board of Directors.

Beginning date of board membership: 12.06.2020

MKB share ownership as of 31.12.2020: 0. pcs. / Direct MKB share ownership as of 31.12.2020: 0 pcs.

Marcell Tamás Takács, member of the Board of Directors

He graduated from Budapest Corvinus University. He has nearly a decade of experience in transactional consulting. Currently, he is the managing director of Blue Robin Management S.à r.l.

Beginning date of board membership: 30.07.2020

MKB share ownership as of 31.12.2020: 0. pcs. / Direct MKB share ownership as of 31.12.2020: 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 6 meeting in 2020, and in further 54 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, 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 members. The members of the Supervisory Board are elected by the General Meeting for a definite period of maximum 5 years.

The Company consider those members independent who comply with Section 3:287 of the Civil Code (Act V of 2013, hereinafter: '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 Board³

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. Between 2015 and 2018, 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 31.12.2020: 0. pcs. / Direct MKB share ownership as of 31.12.2020: 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.

Beginning date of supervisory board membership: 25.02.2019

MKB share ownership as of 31.12.2020: 0. pcs. / Direct MKB share ownership as of 31.12.2020: 0 pcs.

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

He obtained a pre-degree certificate as historian (in economic history) in 2007, and he has been working in the business, human resources development and banking sectors for 13 years. He worked at companies, such as BNP Paribas, Takarékbank and Kaarnigon Holding Zrt. He has been a member of the Supervisory Board since February 2019 and chairman of the Audit Committee of MKB Bank Zrt. since April 2019. He is the head of human resources at MTB Magyar Takarékszövetkezeti Bank Zrt.

Beginning date of supervisory board membership: 25.02.2019

MKB share ownership as of 31.12.2020: 0. pcs. / Direct MKB share ownership as of 31.12.2020: 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

³ as of 16 March 2021

MKB share ownership as of 31.12.2020: 0. pcs. / Direct MKB share ownership as of 31.12.2020: 0 pcs.

Employee representatives:

Dr Albert Godena, Employee 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, and in 2020 he started attending an MBA course. 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 SZÉP Card division. 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 31.12.2020: 0. pcs. / Direct MKB share ownership as of 31.12.2020: 0 pcs.

Mr Ferenc Müller, Employee representative of the Supervisory Board

He is an economist. He has been working at MKB Bank in different positions since 1990. Presently as a senior strategic adviser of the Bank. 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 Önsegélyező Pénztár.

Beginning date of supervisory board membership: 15.04.2016

MKB share ownership as of 31.12.2020: 0. pcs. / Direct MKB share ownership as of 31.12.2020: 0 pcs.

Mr János Nyemcsok, Employee 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. Since 2017, he has been the Bank's General Chief Executive Officer, since December 2018 the General Deputy CEO responsible for EU Undertakings and since May 2020 the Deputy Chief Executive for Finances and Operations. He has been the employee representative member of the Supervisory Board of MKB Bank since April 2016. Member of the Board at MKB Pension Fund.

Beginning date of supervisory board membership: 15.04.2016

MKB share ownership as of 31.12.2020: 0. pcs. / Direct MKB share ownership as of 31.12.2020: 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 an other 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 employee 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 Supervisory Board had 5 meeting in 2020, and in further 12 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, 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 3 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 Committee⁴ (professional CVs are available in section 'B')

András Törtel Oszlányi (chairman)
Rita Feodor
Dr László Ipacs

Procedures for the Audit Committee

⁴ as of 16 March 2021

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 2020, and in further 8 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 of 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 Zsolt Barna 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

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 Zrt. at the end of 2016 as Deputy Chief Risk Officer, becoming the Deputy CEO for Business from 2019, and from May 2020 she has been the Business and General Deputy CEO.

Mr János Nyemcsok deputy CEO (his professional CV can be found in section 'B')

Dr Ilona Török deputy CEO⁵

She has more than 20 years of banking experience. She started her professional career at the Hungarian Financial Supervisory Authority. During her supervisory career, she worked her way up through the ranks to become Head of the Directorate for Licensing and Legal Enforcement. Between 2010 and 2021, she continued her career at the OTP Group, where she gained several years of business experience and then became head of corporate governance. She has served on the executive boards of several domestic and foreign subsidiaries of the OTP Group. Since March 2021, she has been the Deputy CEO of MKB Bank Plc., heading the office of the Chairman and CEO.

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.

⁵ Within the scope of the relevant MNB approval.

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 Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises (hereinafter: 'Hpt. '), the provisions of the Civil Code (Act V of 2013, hereinafter: 'Civil Code') on business companies, Act CXX of 2001 on the Capital Markets, the applicable recommendations of the National Bank of Hungary (hereinafter: 'MNB') (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 Organisational and Operational Rules.

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'). The 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 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. inprocess controls), and areas with a control function (e.g. Controlling) and activities (e.g. management information system), the Bank's employees in contact with customers and suppliers, the Back Office, 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 are all those organisations, activities and persons responsible for performing dedicated operational functions, activities and control functions, such as Risk Control, Compliance (including the Consumer Protection Officer, Safeguarding Officer and AML officer) and the 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 Auditor

Name and address of the Statutory auditor of the Company:

Deloitte Könyvvizsgáló és Tanácsadó Kft. (registered office: 1068 Budapest, Dózsa György út 84/C, company reg no.: 01-09-071057, Chamber of Hungarian Auditors registration number: 000083).

Person in charge of the audit:

Mr Zoltán Mádi-Szabó registered auditor (Chamber of Hungarian Auditors membership card number: 007623, registration number: 003247)

The General Meeting shall elect the Statutory auditor.

MKB's statutory auditor was Deloitte Könyvvizsgáló és Tanácsadó Kft. in 2020, 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 publications obligations by strictly complying with REGULATION (EU) No 596/2014 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 16 April 2014 (MAR), COMMISSION DELEGATED REGULATION (EU) 2016/522, COMMISSION IMPLEMENTING REGULATION (EU) 2016/347, Act V of 2013 on the Civil Code (hereinafter: 'Civil Code'), the Tpt., the Hpt., Act CXXXVIII of 2007 on Investment Firms and Commodity Dealers, and on the Regulations Governing their Activities, Act C of 2000 on Accounting, the Decree of the Minister of Finance 24/2008 (15 August) PM, and the provisions of the relevant BÉT Regulations. 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.

The Board of Directors of MKB Bank assessed the Company's publishing processes in accordance with Section 1.6.2.3. of the Corporate Governance Recommendations of the Budapest Stock Exchange Ltd. and found that between the date of the listing of MKB shares and 31 January 2021, 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 regulated limits and prohibitions set forth in the MAR, its implementing regulations and the effective 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) Attendance and voting rights at General Meetings

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, 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 takes no liability for any consequence of any omission on the part of securities account keepers.

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 (hereinafter: '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. A proxy may represent more than one shareholder, but must have a proxy authorisation in the form of a public document or a private document providing full evidence for each shareholder represented.

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.

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.

Simultaneously with the publication of the materials of the General Meeting, the Company shall send the invitation to the General Meeting and the related proposals and proposed resolutions electronically to the shareholders who have previously notified the Company of this request in writing. Notifying such a request is for an indefinite time during the term of the shareholder status, until it is revoked 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 participate, 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 corporate 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) the 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.

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 corporate name and registered office of the Company;
- b) the place and time and the procedure for holding the General Meeting;
- c) the names of the chairman of the General Meeting, the keeper of the minutes, the person appointed to witness the minutes and the official vote counters;
- d) key events and proposals made during 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. 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 Demonstration of compliance with Chapter IV of Act LXVII of 2019 on Encouraging Long-Term Shareholder Engagement and amendments of further regulations for harmonisation purposes

Pursuant to the provisions of Section 22.2 of Act LXVII of 2019 on Encouraging Long-Term Shareholder Engagement and amendments of further regulations for harmonisation purposes (hereinafter: 'Hrsz. tv.')

and the Hpt., MKB is not required to prepare a remuneration report complying with Chapter IV of the Hrsz. tv. However, the Bank discloses remuneration information in accordance with Regulation (EU) No 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms (CRR).

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 and proposals

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: The 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

The questions under Section 1.5 are repealed⁶

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.

⁶ See footnote 1 on page 1

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

The questions under Sections 1.6.7.1-2 are repealed⁷

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 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

⁷ See footnote 1 on page 1

Board members.

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 paid 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