

Corporate Governance Report

of

FHB Mortgage Bank Co. Plc

for the business year of 2012

April 2013

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1. Operations of the Board of Directors. Liabilities and the Division of Labor of the Board and the Management

The Board, acting as the legal representative and executive body of FHB Mortgage Bank Co. Plc (hereinafter referred to as: „Company“) represents the Company in dealing with third parties, courts of law and other authorities. The Board manages and organizes the business activities and operations of the Company. The Board makes sure that all conditions required for profitable operations are satisfied.

The structure and operations of the Board are provided for under the Statutes and the Board Rules of Procedure. The Board has the competence to set its own Rules of Procedure. Both the Statutes and the Board Rules of Procedure are available from the official homepage of the Company (www.fhb.hu).

The Board is made up of at least five and no more than eleven members. In 2012 the Board seven members till 14 December 2012, and then six members. The Board is elected by the General Meeting from the shareholders or from other persons. In 2012 three members of the Board (the Chief Executive Officer of Business, the Chief Executive Officer of Finance and Strategy and the Deputy-Chief Executive Officer responsible for Banking and Information technology of the Company) were permanently employed by the Company (internal members) in accordance with the provisions of Act CXII. of 1996 on Credit Institutions and Financial Enterprise („Credit Institutions Act“) and the provisions of the Rules of Procedure.

Pursuant to the provisions of the Civil Code, Board members are liable for any harm caused to the Company by the culpable breach of the laws, the Rules of Procedure, the General Meeting resolutions or their duties. The Board as a body bears joint and several liability for any harm so caused. Any Board member who did not participate in the passage of the resolution or voted against the resolution and communicated this fact to the Supervisory Board within fifteen days from the passage of the resolution shall be exempted from liability in case the harm is caused by the resolution of the Board.

The Board shall make all of its decisions objectively, for the best interest of all shareholders, attempting to act free from the influence of the management or particular shareholders. In this capacity Board members may not be instructed by a shareholder of the Company or by his employer.

The Board worked pursuant to an (semi-annual) work plans in 2012. The Board shall meet as frequently as needed but at least once in every three months. The Board shall discuss all issues in its competence according to written submissions. The Board shall make its decisions by passing resolutions based on the resolution proposal submitted by the rapporteur. The submissions and the associated resolution proposals are prepared for the Board by the management. The head of the department preparing the submission and the management (chief executive officer or deputy CEO) who professionally supervises the area are liable for the accuracy and exactitude of the submissions. Board members shall receive written notification of the time and the agenda of the board meeting 8 working days prior to the meeting. The written submissions are delivered to Board members not later than 3 working days before the meeting.

The Board meeting has a quorum in case more than half of the members are in attendance. Except for the cases identified by the Board Rules of Procedure, the Board passes its resolutions by open vote with a simple majority. A Board member may not vote in any issue in case he is personally affected by the issue under discussion. In case of equality of votes the vote of the Chairman shall decide. The Chairman of the Board may call a secret ballot in case any Board member so requests.

In urgent cases the Board may pass valid resolutions by telephone, fax or any other similar means in case the Company delivers to the Board membership at least electronically the written submission on the issue to be decided and more than half of the Board membership incorporate their vote in a private deed with full probative effect and sends it to the seat of the Company in two days.

The Chairman of the Supervisory Board or a Supervisory Board member delegated by the Chairman shall attend the Board meetings under a standing invitation. The Chairman of the Board of Directors may invite the auditor,

controller or any other person to attend the Board meeting with consultative powers. In 2012 the Auditor and the Hungarian Financial Supervisory Authority's (HFSA) supervisor liable for the supervision of the Company were invited to attend the Board meetings in all cases.

Board members shall elect the Chairman from their own ranks. The work of the Board is chaired by the Chairman. The functions of the Chairman shall be performed by the managing director liable for the prudent operation of the Banking group in the absence of the Chairman.

The duties and the competences of the Board of Directors are identified in detail by the Statutes and the Board Rules of Procedure. The competence of the Board of Directors shall include the strategy, business and financial activities of the Company as well as the operations and the organization of the Company, the rights related to capital increases and own shares, the management of FHB Banking Group, establishment of companies, investments, representation of the Company as well as the functioning of the Board of Directors itself.

In 2012 the management of the Company comprised of the senior executives of the Company including: the Chief Executive Officer of Business, the Chief Executive Officer of Finance and Strategy, and the Chief Officer responsible for Banking and Information Technology. All three of them are internal members of the Board at the same time. For the members of the management the rights of the employer shall be exercised by the Board of Directors – through the Chairman of the Board.

The Chief Executive Officers are employed by the Company under a labor contract. He is the top ranking senior employee. The Chief Executive Officers shall carry out his functions regarding the management and the supervision of the daily operative activities of the Company under a labor relationship; whereas his functions regarding his membership of the Board of Directors shall be carried out under a legal relationship under corporate law. Consequently, his employment shall be governed by the Labor Code; whereas his election to the Board and his board membership shall be governed by the Credit Institutions Act, as well as the Act IV of 2006 on Business Associations ("Companies Act") and the provisions of the Civil Code on mandate agreements.

The functions of the Board and the Chief Executive Officers are separated as follows. The daily activities of the Company are managed and supervised by the Chief Executive Officers within the confines of the laws, the Statutes of the Company as well as the resolutions of the General Meeting and the Board of Directors. The Chief Executive Officers are competent to decide all issues unless they are referred to the exclusive jurisdiction of the General meeting or the Board of Directors. The Chief Executive Officers shall regularly inform the Board of Directors, or the chairman of the Board of Directors between the meetings, on the questions concerning the operation of the Company and the FHB Banking Group. This division of labor shall not affect the liability of the Board of Directors and Board members as provided for under laws.

In the co-CEO model introduced by 22 October 2010, in general, the liability between the two Chief Executive Officers was shared also in 2012 as follows:

The Chief Executive Officer of Strategy and Finance, in his delegated scope of competence, shall be liable for the prudent operation of the entire Banking group furthermore the coordinated and effective legal, compliance, financial and accounting activities of the Banking group, preparation of the consolidated financial plan and account of the Company and the control of the execution of the plan, the governance of the complaint management activity of the Banking group and the performance of duties related to HR management.

The Chief Executive Officer of Business shall be liable for the development of the business strategy of the Banking group and the realization of goals outlined in the business plan.

Except for the Deputy-Chief Executive Officer, the Chief Executive Officers exercise the rights of the employer over all the employees of the Company. The division of labor and competences of the Chief Executive Officers and the Deputy-Chief Executive Officer are outlined by the Organizational and Operational Bylaws of the Company, and its amendment requiring substantial organizational changes shall be approved of by the Board of Directors.

2. Presentation of the Board of Directors, the Supervisory Board and the Management

2.1. Board of Directors

The Board of Directors of the Company has been made up of the following persons *in 2012 (till 14 December 2012)*:

Independent external members who have no legal relationship with the Company other than under corporate law:

Dr. Zoltán Spéder – Chairman

External member and chairman of the Company's Board of Directors as of 29 April 2008. Between 1991 and 1995 he was a member of the Board of Directors, between 1995 and 2007 he was vice president, from 1996 deputy CEO, as well as head of Strategic and Financial Division of OTP Bank Plc. As of 2007 he is the managing director of A64 Vagyonkezelő Ltd. He is the chairman of the Supervisory Board of FHB Real Estate Company Limited by Shares.

Mr. István Somkuti

External member of the Board of Directors of the Company since April 2007. Since 2010 he's an executive officer and then key advisor of Richter Gedeon Nyrt.

Dr. Christian Riener

External member of the Board of Directors of the Company as of 29 April 2008. Partner, member of the board of directors and managing director of VCP Capital Partners and managing director of VCP Finanz Holding Kft.

Tamás Vojnits

External member of the Board of Directors of the Company as of 21 April 2010. Partner of ORIENS IM, Head of Research, chief economist. Mr. Tamás Vojnits has resigned his membership of the board by 14 December 2012.

Internal Board Members, who are employed by the Company:

Gyula Köbli – Chief Executive Officer of Finance and Strategy

He has been an internal member of the Board of Directors of the Company since 21 April 2010. He was the Chief Financial Officer of the Company in prior of his current position. He is an external member and Chairman of the Board of Directors of FHB Commercial Bank Ltd.

László Harmati – Chief Executive Officer of Business

He has been an internal member of the Board of Directors of the Company since 2002. He was the Chief Business Officer of the Company in prior of his current position. He is the Chief Executive Officer and an internal member of the FHB Commercial Bank Ltd., a member of the Supervisory Board of FHB Life Annuity Ltd., member and Chairman of the Board of Directors of FHB Real Estate Leasing Ltd., a member and Chairman of the Supervisory Board of FHB Real Estate Ltd.

Tamás Foltányi – deputy Chief Executive Officer

He has been a member of the Board of Directors of the Company since 21 April 2010 and the Chief Bank and Information Technology Officer since 2005 and the Chief Executive Officer of FHB DWH Ltd.

2.2. Supervisory Board

The Supervisory Board of the Company was made up of the following persons from 20 April 2010 to 31 December 2011:

Mr. Csaba Lantos - Chairman

He has been a member of the Supervisory Board from April 28, 2009 and the chairman thereof from June 15, 2009. From 2000 until 2007 he was the deputy Chief Executive Officer of OTP Bank, and he was a member of the board of directors from 2001 until 2007. He has been the Chairman of the Supervisory Board of BSE from 2005 and he has been the chairman of the Supervisory Board of KELER Zrt. from 1993. Currently he manages the group of companies formed from his own investments.

Mr. Róbert Somfai

Member of the Supervisory Board since July 2002 and Chairman of the Supervisory Board between December 1st, 2002 and June 15th 2009. He is the chief executive officer of Skála-Coop Befektetési Zrt.

Mrs. Márton Enikő Uhrin

Member of the Supervisory Board since 21 April 2010 and Chief Financial Officer of the Budapest Property Utilization and Development Plc

Mr. Ákos Starcz

Member of the Supervisory Board since 20 April 2011. Chief Executive Officer and Chairman of the Board of Directors of Bookline.hu Co. Plc.

Mr. Miklós Szabó

Member of the Supervisory Board since 20 April 2011. Chief Executive Officer of EXO-BIT Ltd.

All members of the Supervisory Board are independent members who have no legal relationship with the Company other than under corporate laws.

2.3. The Management of the Company

The management of the Company was made up of the following persons in 2012:

Chief Executive Officer of Business:**Mr. László Harmati**

Internal member of the Board of Directors. Introduction in Section 2.1.

Chief Executive Officer of Strategy and Finance:**Mr. Gyula Köbli**

Internal member of the Board of Directors. Introduction in Section 2.1.

Chief Bank and Information Technology Officer:**Mr. Tamás Foltányi**

Internal member of the Board of Directors. Introduction in Section 2.1.

The detailed presentation of the career of the members of the Board of Directors, Supervisory Board and Management shall be announced on the homepage of the Company (www.fhb.hu).

3. Activities of the Board of Directors and the Supervisory Board in 2012

3.1. Activities of the Board of Directors in 2012

3.1.1 Summary of the work of the Board of Directors

The Board of Directors held a total of seven meetings in 2012, three of which were joint meetings with the Supervisory Board. In addition to the scheduled meetings the Board of Directors passed resolutions off scheduled meetings at fourteen times. All meetings and out-of-the meeting decision making procedures were duly held and the Board of Directors had a quorum in all cases.

In addition to the tasks identified by the work plan the Board of Directors meetings and the written out-of-the meeting resolutions allowed the Board of Directors to decide on issues in their competence despite the fact that they were not listed in the work plan.

In most cases the agenda of the Board of Directors meetings included written reports, information and other submissions prepared by the management and the head of the affected technical area. The Board of Directors discussed all the issues on its agenda thoroughly. Members of the Board routinely added their own professional comments, observations and clarifications to the submission. When required, they formulated modification proposals.

The following topics discussed by the Board of Directors in 2012 shall be emphasized:

- Similarly to the practice of previous years, as a standing point on the agenda the 2012 Board of Directors meetings always discussed the management report on the business and financial status of the Company and the FHB Banking Group. This allowed the Board to continuously monitor the operations and financial position of the Company. This practice allowed the Board to have sufficient information all through the year on internal and external factors that affected the Company's operations. The Board could assess the unfavorable situations and take the required action to counter them and to support the management with professional advice.
- In 2012 the Board of Directors gave particular attention to the analysis and protection of the quality of the granted credit portfolio and to the method of measures preventing the deterioration of the portfolio of FHB Banking Group. Within the framework thereof effective measures have been taken for the centralization and rationalization of the lending process, and for improving more efficiency of the treatment and recovery of defaulted loans.
- In 2012 the Board of Directors also regularly discussed the management's report on funding, liquidity, market and operational risks of the FHB Banking Group on a regular, quarterly basis.
- All management proposals on the amendment of internal rules that fell in the jurisdiction of the board were found appropriate and all these proposals were approved of according to the resolution proposal or with some minor amendments.
- In 2012 the Board continued to follow up on the inspections by other authorities (Hungarian Tax Authority /"NAV"/, HFSA) as well as the elaboration and implementation of the action plan related to the findings of these inspections. None of the inspections found any irregularity or voiced any criticism on the operations of the Board of Directors.

- The Board of Directors constantly obtained information about the operation, business and financial situation of the members of FHB Banking Group through the regular business and financial reports of the management and within the framework of unique items on the agenda. The Board of Directors, as the body exercising shareholder's rights in the name of the Company over certain members of FHB Banking Group, exercised its shareholder rights in point of the member companies in accordance with the law during 2012. Within the framework of the general meetings, the Board adopted the business reports, annual reports of the companies and the made necessary decisions. In addition, the Board of Directors adopted resolutions in its shareholder competence with regard to the operation of the member companies in many cases.
- The management provided regular information for the Board of Directors on the implementation of previous resolutions of the Board of Directors. The management also provided information on the internal rules (instructions) entered into force in the banking group quarterly.

3.1.3. Cooperation of the Board of Directors with other Bodies

The Board of Directors continues to have a cooperative and fair relationship with both the Supervisory Board and the management. Both Chief Executive Officers participated in all Board of Directors meetings. They gave presentations on the topical issues affecting the operations of the Company in detail. They also gave exhaustive answers to the questions raised during the discussion of the agenda. The Chairman of the Supervisory Board was always invited to attend the meetings of the Board of Directors to express his views and proposals. This arrangement allowed the shareholders to continuously have a say in the operations of the Company. The chairpersons of these two bodies and the Chief Executive Officers held regular consultations and discussions in between the meetings, too.

3.2. Activities of the Supervisory Board in 2012

3.2.1 Summary of the Work of the Supervisory Board

In 2012 the Supervisory Board carried out its functions under an approved semi-annual action plans. The action plans included duties from the proprietary functions of the Supervisory Board as well as the review of inspections of the internal audit arm (hereinafter referred to as: "Internal Audit Department") of the Company. The Supervisory Board held a total of six meetings in 2012, three of which was a joint meeting with the Board of Directors.

In addition to supervising the activities pursuant to the Companies Act and the Credit Institutions Act, the Supervisory Board continuously monitored the business and financial position of the Company, the most important topical issues that affected the operations, the meetings of the Board of Directors as well as the resolutions passed by the Board of Directors. In 2012 the Supervisory Board followed with particular attention controlling the compliance of the terms and conditions determined in the cooperation agreements concluded by and between the Company and the Hungarian State concerning lending and increasing of capital by the state.

In addition to the functions above the Supervisory Board inspected, discussed and evaluated issues at its own initiative including but not limited to:

- Implementation of the recommendations written in the action plans of the 2011-2012 internal audit reports,
- Evaluation of the receivables of the Company,
- Concept of the financial plan of the Company for the year 2012,
- Quarterly reports on the lending, market, liquidity and operational risks of the Company and the FHB Banking group

In 2012 the Supervisory Board continued to follow up on the inspections by HFSA and other authorities as well as the elaboration and implementation of the action plan related to the findings of these inspections. None of the inspections found any irregularity or voiced any criticism on the operations of the Supervisory Board.

The Supervisory Board had detailed discussions on the findings of the Internal Audit Department in various issues as well. The inspections included comprehensive and regularity inspections, and complied with law. Accordingly the inspections included inspections of the activities outsourced by the Company in the premises, in particular concerning enforcing the contractual obligations and data protection rules, the implementation of review process defined by the regulations of the government decree on the management of lending risk and the management of operational risk and the capital requirement. Furthermore they included the regulatory reviews related to the activities of the Company and the operation of bank units, review of the compliance of the Code of Conduct, the inspection of complaints, product constructions and IT security.

The general summary conclusion of all these audits was that have not occurred significant failure or deficiency in the business operation and asset management of the Company which could jeopardize substantially the operation of the Company according to the legal rules. In compliance with the provisions of the Credit Institutions Act the Internal Audit Department continuously informed the Supervisory Board, the Board of Directors, the management of the Company and the senior officer in charge of the prudential operations of the Banking Group on its findings and the action taken. The Department provided information on how the control functions worked, on what defects were disclosed that could affect operations and the ability of the Company to meet its objectives.

The Supervisory Board paid special attention to the availability of a comprehensive and effective audit mechanism. In 2012 the entire Banking Group supplemented and further developed the system of internal controls earlier approved by the Supervisory Board in compliance with the applicable laws, the Corporate Governance Recommendations and the recommendation of HFSA on the operations of internal safeguards.

The Internal Audit Department of the Company is in possession of own medium-term strategic objective until the end of 2015 which was approved by the Supervisory Board. The risk map which is the basis of the planning of the Internal Audit Department is annexed to such objective. Due to the changes in the working procedures of FHB Banking Group and considering the IIA standards – issued by the Institute of Internal Auditors (“IIA”) – the continuous review and update of the approved operational and IT risk map is made by the approval of the Supervisory Board.

As a financial institution, the Company falls under the scope of the Credit Institutions Act. In compliance with Article 66 (8) of Credit Institutions Act no separate audit commission works since 1 July 2007. All functions of the audit commission were carried out by the Supervisory Board through its independent members pursuant to Article 66 (8) of the Credit Institutions Act. Under the approved rules of procedure of the Supervisory Board the non-independent members of the Supervisory Board may not discuss or vote on issues in the competence of the audit commission. Their presence shall be disregarded for the calculation of the quorum.

3.2.2. Operations of the Supervisory Board

All Supervisory Board meetings were duly convoked and conducted and the Supervisory Board had a quorum in all cases.

The agenda of the Supervisory Board meetings mostly included written reports and submissions. There existed no formal division of duties between Supervisory Board members. Due to their different professional competences and experiences individual members of the Supervisory Board held different aspects for the evaluation of particular inspections.

3.2.3. Cooperation of the Supervisory Board with other Bodies

The Supervisory Board fostered a continuous, objective and effective relationship with the Board of Directors, the management and the auditor of the Company in 2012. The Chairman of the Supervisory Board has a standing invitation to the meetings of the Board of Directors. This allowed him to express his views on behalf of the Supervisory Board.

The Chief Executive Officers or the Chief Officer attended every meeting and provided sufficient information to the members of the Supervisory Board by giving exhaustive answers to all the questions raised.

The Chairman of the Board of Directors and the Supervisory Board as well as the Chief Executive Officers held regular consultations and discussions in between the meetings, too.

The auditor of the Company had a standing invitation to the meetings of the Supervisory Board to enable him to assist the work of the Supervisory Board with his professional comments.

4. Internal Safeguards, and evaluation of the 2012 business

In 2012 the entire Banking Group supplemented and further developed its internal audit system, which was carried out in compliance with the applicable laws, the Corporate Governance Recommendations and the recommendation of the Hungarian Financial Supervisory Authority on the operations of internal safeguards. This internal audit system includes the internal corporate governance elements, risk management, compliance functions, the checks embedded in the process, the control by management and the independent internal audit function.

As part of the corporate governance efforts the management of the Company coordinates the activities of various control functions, checks compliance with the principles, receives the reports of the control functions and in its decisions provides feedback to the findings and experiences of particular control functions.

4.1. Summary of Risk Management Guidelines

With a view to prudent operations and to limit risk exposure the Company wrote and published on its home page the risk management guidelines and methodology of FHB Banking Group. The risk management guidelines are consistent in the entire FHB Banking Group and include the risk management concepts of the Company as controlling credit institution, the FHB Commercial Bank Ltd. and the subsidiary companies of FHB Banking Group.

The Board of Directors of the Company discussed and approved of the risk policy and strategy of the FHB Banking Group. The Board passed its resolution on the basic rules and methodologies that identify the basic guidelines of risk management.

Through the report by the Board member responsible for prudent operations (the Company's CEO of Strategy and Finance), as well as the regular risk reports, the Board of Directors evaluates the operations of the FHB Banking Group including the risk management activities and the risk exposure as well. In case the exposure of the FHB Banking Group is not compliant with the risk strategy, the Board of Directors will take action to reduce risk exposure.

Prudent exposure to risk is a basic value of the FHB Banking Group. Risk management primarily aims to protect the financial standing and goodwill of the FHB Banking Group and to contribute to the allocation of capital to profitable businesses that increase shareholder value. Protection of financial standing involves risk management to reduce the impact of unfavorable events to the capital and profits of the FHB Banking Group. The value of the Group depends on its goodwill. That is why the protection of goodwill is essential.

To meet its objectives risk management calculates and analyses constantly the risk exposure of the FHB Banking Group and of its stakeholders. The information this analysis produces will be processed, risk assumption rules will be created, and risk management systems are run. This information also identifies the amount of capital risk exposure necessitates.

4.2. Risk Management Organization

The Company is in professional charge of overseeing the risk management of the FHB Banking Group. The management of all companies of the FHB Banking Group shall report to the risk management organization of the Company on their risk management practices and material changes that affect risk exposure may only be implemented after consultation.

The risk management organizations of the Company and FHB Commercial Bank Ltd. work separately from the operational units. They are overseen by the chief executive officer of the particular bank.

As a separate unit of the risk management functions, the department operates within the entire FHB Banking Group to develop creditor and partner evaluation systems, to calculate the efficiency of these evaluation systems and to regularly assess the risk profile of the portfolio. The risk management function of the Company is responsible for the identification of the calculated business (internal) capital requirements of the FHB Banking Group in general and the two credit institutions of the FHB Banking Group in particular.

From 1 July 2008, based on the authorization of HFSA, the FHB Banking Group calculates capital requirements for credit risk using the internal ratings based approach, while from 13 December 2011 capital requirements for operational risk is calculated by using the Advanced Measurement Method.

4.3. Audits and Feedback

To minimize its risks the Company operates the elements of the internal safeguards in compliance with applicable laws and the recommendations of the regulator. In addition to running the risk management organization this effort includes:

- a) compliance with laws, those principles and requirements in other professional standards and practices which do not qualify to be regulations, recommendations directives and resolutions by authorities (hereinafter: compliance rules), as well as the prevention of the breach and infringement thereof with the department of the Company that is responsible for the compliance with laws (hereinafter referred to as: "Compliance Department"), and
- b) running the internal audit system whose elements (embedded control by the management and independent internal auditing organization) cover the activities of the Company and all the organizational units of the entire FHB Banking Group which is integrated in the daily activities, possible to monitor and provides regular feedback to the appropriate levels of management and control.

ad a) As a separate unit of FHB Banking Group, the Compliance Officer began its operation in 2008. The functions are fulfilled by the Compliance Department in the whole banking group under the direct control of the managing director responsible for prudent operation of FHB Banking Group. The function of the Compliance Officer is regulated by internal rules (instructions) in accordance with the related recommendation of HFSA. The function of conformity control is exercised under a detailed annual function plan – which is negotiated beforehand by the Executives Meeting of the Banking Group, and thereafter - approved by the managing director responsible for prudent operation of FHB Banking Group and the Board of Directors.

The aim of its activity is to promote the prudent, responsible and effective operation of the organization(s) in conformity with the legal rules at banking group level, and through the above to promote the effective and smooth operation of the organization and the reservation of confidence of the organization, furthermore, the members of the FHB Banking Group are able to avoid the legal sanctions (supervisory and competition law sanctions, damages, etc.), significant financial losses and defamation.

In 2012 the fulfillment of compliance tasks has been effectuated by the involvement on banking group level of three full-time employees (Head of Compliance Department and two sub-employees) in H1 of 2012, and four full-time employees (Head of Compliance Department and three sub-employees) in H2 of 2012.

By applying a transaction analyzer and filtering software put in operation, the Compliance Department further enhanced the operation of the practical system of prevention of money laundering for 2012, which brings into light and decreases the existing and possible future client risks and furthermore supports in large extent the operation of business departments.

In accordance with the official circular No. 2/2011 of HFSA FHB designated and submitted to the HFSA the contact person being responsible for consumer protection issues by each member of the Banking Group. The tasks and functions prescribed by such circular are fulfilled by the staff member of the Compliance Department.

The Compliance Officer has a daily, operative type of connection with the front- and back-offices engaged in the provision of investment services, supports these areas in legal and compliance issues emerging from their activity (without direct involvement in their respective activity) enabling in large extent the regulatory compliance of the operation of such areas.

The Compliance Department informed the Board member responsible for prudent operation of FHB Banking Group on "as required" basis and within prescribed intervals in every three months, and furthermore gave reports before the Executives Meeting of the Banking Group.

ad b) Checks embedded in the process and elements of the control by management are incorporated in the job descriptions and the rules of procedure. The principles of application are set out by internal orders on control systems and the organizational and operational rules. The principles of application were written to assist the Company in effective operations, in meeting its objectives, compliance with laws, and disclosure of risks as well as to provide adequate responses to such risks.

An independent internal audit organization is an integral part of the internal control mechanism. By the operation of the law, the Company, FHB Commercial Bank Ltd., and FHB Real Estate Leasing Ltd. now all run an independent auditing organization and function.

The independence of the Internal Audit organizations of the FHB Banking Group is guaranteed by the rule that under the applicable regulations the internal audit/auditor may not be in charge of any other duty and may not participate in the operations and the decisions of the bank as an executive. The annual audit plan of the Internal Audit Department is approved of by the Supervisory Board. Additional duties may only be prescribed by the Supervisory Board and the head of the Internal Audit Department as well as the Chief Executive Officers with the agreement of the Supervisory Board. The professional oversight of the Internal Audit Department is carried out by the Supervisory Boards of the companies. The head of the Internal Audit Department reports to the Supervisory Board.

The Internal Audit Departments shall inform the Supervisory Boards of FHB Banking Group's credit institutions as well as the management of the Company and the managing director responsible for the operations of the FHB Banking Group on the findings of the audits conducted pursuant to the provisions of the Credit Institutions Act. The Internal Audit shall report to the Supervisory Board on its activities and shall report on the work of the control functions, the defects identified that could affect the performance of the Company and its ability to meet its objectives. The Internal Audit Department shall continuously monitor and check the implementation of measures taken to counter the defects identified. This effort is regularly reported and notified to the Supervisory Board and the management of the Company.

The Internal Audit Department shall plan and implement its activities on the basis of risk assessment, analyze and audit the full scale of business procedures. The Internal Audit Department has its own internal audit strategy, internal audit rules and internal audit manual approved of by the Supervisory Board which includes the risk assessment methodology. The Internal Audit Department has unlimited authority to access all the required information and documents. The Internal Audit Department prepares its annual internal audit plan accordingly, which plan is approved of by the Supervisory Board.

In 2012 the principal objective and duty of the Internal Audit Department, through general and subject-matter examinations acting upon changed marketing condition, was to promote the strategic objectives of the Company and the FHB Banking Group, orderly operation and the consolidation of control system, especially in the field of providing credit and regularity of the banking units s, furthermore, to comply with the expectations and duties of the executive and inspection bodies of the Company. Furthermore, in accordance with the fulfillment of the capital requirement of credit and operational risk and based on the experiences of the investigations of 2011 the principal task and objective for the FHB Banking group, complying with the new banking group structure realized by the end of 2011, was to enable the realization of strategic objectives and regulatory operation of the Company and

the Banking group, by adapting to the changing market environment. In connection with that an additional objective was to establish and terminate the deficiencies in the checking within the process and management control with relation to the establishment of the FHB Banking Group, and the examinations may promote the substantive and efficient operation of the control systems, furthermore an additional objective was to receive feedback in order to manage the possibly occurring deficiencies and risks effectively in case of a new activity, work process or product in the framework of an investigation carried out within the shortest available time.

The Internal Audit Department carried out its approved action plan duties completely and carried out 150 audits of the entire banking group. The audits included 21 targeted audits, 13 thematic audits, 10 general audits and 6 follow-up audits. Where defects were identified, with the agreement of the Supervisory Board and the approval of the senior officer responsible for prudent operations an action plan was formulated to remedy the exposed defects. The duties in the action plan were carried out by the prescribed time and they were followed up by the Supervisory Board through the Internal Audit Department. Besides, the Banking group Executive Meeting monitors the status of execution of the duties outlined in the Action Plans quarterly.

4.4. Activities of the Auditor

In the 2012 business year the Company employed Deloitte Auditing and Consulting Limited (registered office: 1068 Budapest, Dózsa György út 84/C.; corporate registration nr: 01-09-071057; Registration number at the Chamber of Hungarian Auditors: 000083; Registration number on financial institution qualification at HFSA: T-000083/94, hereinafter referred to as: "Auditor") to act as its auditor. The personally appointed auditor of the Auditor was Tamás Horváth (mother's name: Veronika Grósz; place and date of birth: Budapest, 08.03.1969; home address: 1029 Budapest, Ördögárok u. 100.; Registration number at the Chamber of Hungarian Auditors: 003449; Registration number on financial institution qualification at HFSA: E003449).

In addition to the performance of the annual audit in 2012, the Deloitte Auditing and Consulting Limited also inspected the data of the issuance prospectuses concerning the issue of mortgage debentures of the Company.

The Auditor performed these assignments in conformity with the contracts, which was duly certified by the Company. The Auditor got other assignments not related to audit services from the Company in 2012.

5. Disclosure Policy, Insider Trading Policy

5.1. Disclosure policy

In corporate governance the Board of Directors of the Company gives top priority to transparent operations since the disclosure policy of the Company will fundamentally affect the Company's perception. Disclosure that credibly reports on efficient operations will provide a strategic edge as it reinforces the trust of shareholders and stakeholders in the Company.

The Company shall satisfy all of its reporting and disclosure obligations in compliance with the laws in the format and by the time prescribed. In addition to the statutory reporting obligation the Company and its employees shall also prevent anybody from even suspecting any information abuse. The organized disclosure of information to all shareholders shall make sure that everybody receives the same information at the same time. The management shall make sure that the disclosure policy of the Company complies with the principles identified by the Board of Directors.

The Company makes sure that the information disclosed is truthful, unambiguous and easy to understand. Confidential business information shall be adequately protected. Proper management of confidential information and the adequate and accurate timing of the disclosure should prevent unauthorized access to information and exclude any information abuse. Market players, investors and shareholders shall all be informed about the events affecting the Company in a regulated and public procedure at the same time.

The disclosure policy of the Company gives priority attention to:

- Key objectives of the Company;
- Company policy on key activities, business ethics, partners, competitors and other affected parties;
- Profitability of the Company's business activities;
- Risk factors affecting the operations and the business of the Company as well as the risk management principles of the Company;
- Professional careers of the Company's senior officers and the management as well as the principles of their remuneration;
- Corporate governance practice and structure;
- Ownership structure.

The Company continuously discloses on its homepage the disclosure principles as approved of by the Board of Directors of information that relate to the Company. The efficiency of publication processes is examined by the Internal Audit Department.

5.2. Insider Trading Policy

In compliance with applicable laws and stock exchange regulations the Company has established its policy on trading with Company papers by persons who qualify as insiders for the securities issued by the Company and traded on regulated markets (shares, debentures).

No transaction with insider information may be concluded for any securities issued by the Company or giving an order to conclude a transaction or pass insider information to third parties for the purposes of transacting.

Insider information includes all information the Company shall regularly or irregularly disclose especially including information on the financial, business or legal status of the Company or on any anticipated change thereof; information on the issue of securities, major transactions, organizational changes, bankruptcy or liquidation initiatives; information on Company shareholders with substantial ownership stakes, information on subsidiaries as well as information indicating intention to buy out companies.

The Board of Directors, the Supervisory Board as well as the management shall report any transaction related to the Company shares. The holdings of Company securities by these persons as well as their holdings in the Share Option Plan shall be referred to in the Annual report.

A separate set of rules apply to the persons who qualify as insiders of the Company, which includes provisions on the governing rules of procedure. The rules are available from the homepage of the Company.

6. Exercising Shareholder Rights and the General Meeting

6.1. Exercising Shareholder Rights

Shareholders may exercise their shareholder rights if they are in possession of the ownership certificate prescribed by the laws on shares and securities.

A holder's certificate is not required for exercising the shareholders' rights in cases where eligibility is established through the shareholder's verification under the Capital Markets Act and in compliance with the provisions of the Statutes. In addition to the foregoing, entry in the register of shareholders is also required to exercise the rights of shareholders in connection with the General Meeting.

Shareholder's rights may be exercised personally or by proxy (through a representative) or through a shareholder nominee under the Capital Markets Act. According to the relevant and effective legal rules a member of the Board of Directors and of the Supervisory Board and the Company's senior employee may only proceed as representative, if such person as proxy has obvious and written voting instruction in each and every proposal given by the principal. The Auditor of the Company and the property inspector of the Company may not proceed as representatives. The shareholder may appoint a proxy to represent him at the General Meeting by returning the form included in Annex 1 or Annex 2 to the Statutes and supplied by the Company electronically or by mail. The form shall be returned as a private deed with full probative effect not later than by the end of the working day preceding the day of the General Meeting.

Shareholders shall have a right to a share of the after-tax profits of the Company in proportion to the nominal value of their shares (dividend), pursuant to the laws on accounting, and ordered to be distributed by the General Meeting. Shareholders who are registered in the Company's Register of shareholders on the balance sheet day determined by the General Meeting for dividend payment are entitled to receive dividend. At least 20 business days shall lapse between the date when the resolution on the initial date of dividend payment is passed and the initial date of dividend payment itself.

In case the Company ceases without a legal successor, shareholders are entitled to the assets that shall be divided at the end of the voluntary dissolution pro rata with their shares.

Shareholders are entitled to attend the general meeting, request information and make observations. The Board of Directors may refuse to provide information if such disclosure would breach any bank or business confidential information of the Company. Shareholders are entitled to make proposals and to exercise the rights arising from their shares.

Shareholders shall be entitled to all the minority rights provided for by the Companies Act.

6.2. Summary of General Meeting Rules

The General Meeting is the supreme organ of the Company. The General Meeting shall be convoked by the Board of Directors by means of an announcement published in the media identified by the Statutes at least 30 days prior to the initial date of the General Meeting.

Shareholders who indicate in writing their preference to that effect shall also be sent electronic notification of the convocation of the General Meeting in addition to the general media of notification.

The Company shall disclose the material data of the financial statements prepared under the Accounting Act and of the reports of the Board of Directors and the Supervisory Board, as well as the abstracts of proposals to the agenda items and the draft resolutions on the notification media at least twenty-one days prior to the General Meeting.

If the General Meeting has been called in violation of the applicable rules, it may not adopt resolutions unless all shareholders entitled to vote are in attendance and only if none of the shareholders objects to holding the General Meeting.

The General Meeting has a quorum if more than half of the voting shares are in attendance.

If the General Meeting has no quorum, the second General Meeting, convoked on a date within fifteen days thereof shall have quorum regarding the issues included on the original agenda, irrespective of the number of shares in attendance. A General Meeting repeated due to the lack of a quorum may be reconvened to the day of the original General Meeting.

The Chairman may suspend the General Meeting not more than once. In such a case the General Meeting shall resume within thirty days. In such instances the rules for the convocation of the General Meeting and the election of officers shall not apply.

Each share of a nominal value of HUF 100 (say one hundred forints) shall give right to one vote at the General Meeting. The Company conducts an identification procedure in connection with the General meeting as specified in the Capital Markets Act, the Stock Exchange Rules and in the Rules of KELER Zrt., and the date of the identification procedure may only fall within the period between the 7th and 3rd stock exchange days preceding the General Meeting.

A shareholder may only exercise his membership rights at the General Meeting if he owns the share on the date of the identification procedure, and whose name is registered – as at 18.00 p.m. CET on the second working day preceding the commencement date of the General Meeting (the closure of the register of shareholders) – in the register of shareholders¹.

Closure of the register of shareholders shall not limit the right of the holder entered therein to transfer shares after such closure. Nor does the transfer of shares before the day of opening of the General Meeting exclude the right of the holder on the register to participate in the General Meeting and exercise his shareholder rights.

¹ The Board of Directors submitted a proposal for the amendment of this regulation of the Statutes on the Annual General Meeting in 2012, which was adopted by the Resolution of the General Meeting No. 7/2012 (25.04.) in accordance with the amendment of the Companies Act set forth in Act No. CXCVII of 2011.

In the issues specified in Article 12.5, the General Meeting shall pass a resolution with at least a three-quarters majority of the votes cast (qualified majority, 75% + 1 vote). In any other issues a simple majority (50% + 1 vote) of the votes cast is sufficient to adopt a resolution. Abstention shall qualify as „no” vote.

The detailed rules on the operations of the General Meeting are identified by Articles 11-13 of the Statutes.

7. Remuneration Statement

7.1. Remuneration Principles for the year 2012

The modification of the Remuneration Principles has been adopted by the General Meeting on 20 April 2011; no amendments were made regarding year 2012, thus the substantial principles applicable as from 2011 were also carried out for 2012 can be summarized as follows:

- A) Permanent (fixed) remuneration components at the Company:
 - with respect to employees: basic salary.
 - with respect to officials: emolument.

- B) Variable, i.e. performance based components of remuneration for the Banking Group:
 - 1. For key personnel:

According to Articles 69/B to 69/E of Act No. CXII of 1996 on Credit Institutions and Financial Enterprises ("Credit Institutions Act"), to Government Decree No. 131/2011 (VII. 18) on the application of remuneration policies with regard to the features arising from the size, nature and scope of activities, and legal form of credit institutions and investment enterprises, and to Recommendation No. 3/2011 (VIII. 4.) of the Chairman of the Hungarian Financial Supervisory Authority on the application of the remuneration policy, the rules of performance based remuneration for the key executives of FHB Jelzálog Nyrt. and of the group under its control are established. According to the above, the executives the activities of whom have material impact on the risk profiles of financial institutions and executives performing control functions shall be provided with performance based remuneration in the following proportions:

- at least 50% of remuneration shall be issued in shares and
- at least 40% of remuneration shall be paid or provided as deferred remuneration.

Key personnel shall include the following:

- managing directors of companies within the Banking group as defined by the Credit Institutions Act, and executive officers as defined by the Labor Code,
- managing director of treasury and capital markets directorate,
- executives performing control functions (top managers of the risk management, risk analysis – control, internal investigation, compliance, human resources fields).

Possible components of performance based remuneration: stock option remuneration, bonus, participation option in joint stock programs.

- 2. For other executives and employees:

Components of performance based remuneration:

- bonus,
- stock option remuneration
- participation option in joint stock programs
- reward
- commission.

- 3. General incentives for all employees:

- staff reward according to the employment regulation (which was cancelled during the year), and

- posterior reward, which may not be related to the measured performance of the given person or organizational unit (e.g. 13th month's salary).

C) Principles of Remunerating Officers

The General Meeting has the sole authority to determine the remuneration of Officers. The amount of the remuneration shall be fixed and payable monthly. The remuneration of Officers shall be determined in a manner to ensure that the rate of remuneration reflects the degree of responsibility, does not represent excessive burden for the Company, is proportionate to the job performed by the Officer, to the economic performance of the Company in the preceding year and that it corresponds to the social recognition and the position and role in the economy of the office held. Upon a specific decision by the Board of Directors and for the fulfillment of a specific task the Company may provide the use of a car and a credit card owned by the Banking Group to certain non-executive members of the Board of Directors in compliance with the internal regulation and the tax regulations in effect from time to time.

D) Share Compensation/Share Option Programme

In course of the valuation of performance based elements of the remuneration purpose of the Programme shall be to consider the long term performance, ensure effective risk management, furthermore develop and maintain a remuneration practice in harmonization with the performance of the Company, and comply with Articles 69/B-E of the Credit Institutions Act. The General Meeting has the sole authority to approve the Programme, including the determination of its scope, the persons covered and any related conditions. The General Meeting may authorize the Board of Directors and/or the Supervisory Board of FHB Mortgage Bank Co. Plc to develop the detailed terms of the programme and the related performance evaluation system.

7.2. Remuneration Statement for the year 2012

1/ Members of the Management

For the year 2012 the Board of Directors adopted the updated and specified Financial Incentive Scheme by its resolution No. 1/2013 (11.01.). The key elements of the amendment are as follows:

- Specifying the benefits in case of the termination of employment (mainly related to retirement);
- Regulating the disclosure as a banking group instruction (disclose on Intranet) to ensure internal transparency;
- Adapting the changes in the banking group structure and the amendments of the new Labor Code;
- Annually reviewing the conditions required not to form a Remuneration Committee, and prescribe it in the rules;
- Regulating the participation of people with controlling functions in the development of remuneration policy.

For year 2012 a purpose for financial incentive has not been set, and no premium was set or payment was made to the members of the management.

2/ Officers

In 2012, the members of the Board of Directors and Supervisory Board of FHB Mortgage Bank Plc. received a remuneration established by the Company's Annual General Meeting in 2010, of which extent was not changed from 2007. Members of the Boards of Directors and Supervisory Boards of member companies of the Banking Group, save for those who are not in labor relation at any company of FHB Banking Group, in 2011 did not

receive any remuneration. The remuneration of other officers was 50% of the remuneration of the officers of the Company.

3/ Share Option Remuneration

The General Meeting renewed with its resolution of 8/2011 (04.20.) the Share Remuneration Programme ("Programme") of the Company for two years (2011-2012) and modified financial performance ratios therein, which were the conditions of share remuneration. Furthermore, the applicable rules of remuneration policy set forth in the Credit Institutions Act have been built into the Programme. The detailed rules of the Programme are available on the official website of the Company (www.fhb.hu).

Based on the request of the General Meeting in 2011, the Board of Directors, by its decision made on 14 December 2011, worked out the detailed rules of the Programme.

In 2012 the personnel able to take part in the Programme on basis of these detailed rules is the following:

- the Chairman of the Board of FHB Plc.
- the non-executive members of the Board of Directors of FHB Plc.
- the Company's Chief Executive Officers and deputy CEO of FHB Plc.
- maximum 30 senior managers of the FHB Banking Group nominated, according to the relevant legal provisions, by the responsible Chief Executive Officers of the Company by mutual consent (hereinafter: "Appointed Executive" or „Appointed Executives") by considering that pursuant to the relevant provisions of Act CXII of 1996 on Credit Institutions and Financial Enterprises ("Credit Institutions Act") those executives belong to this group, whom the effect of the remuneration policy concerns in compliance with the provisions of the Credit Institutions Act to be applied obligatory (pursuant to the Financial Incentive Scheme of the Banking group the so called Key Personnel - within the executives are executives having significant effect on the risk profile of the corporations, furthermore executives with controlling functions).

The Supervisory Board audited the consistency between the detailed rules worked out by the Board of Directors and the Programme approved by the General Meeting in accordance with the request of the General Meeting, furthermore, approved the Purpose setting and evaluation sheet.

The Annual General Meeting of 2011 has laid down that the conditions of share remuneration for the business year 2011 determined by the General Meeting have not been fulfilled. Consequently, persons affected by the Programme were not entitled to receive share remuneration after 2011 business year's performance.

Corporate Governance Declaration on Compliance with the Corporate Governance Recommendations

FHB Mortgage Bank Co. Plc (registered office: Hungary-1082 Budapest, Üllői út 48.; registration number: 01-10-043638; hereinafter referred to as: „Company”) as part of the Corporate Governance Report, by completing the following tables, declares to what extent it applied in its own practice of corporate governance the recommendations and suggestions formulated in the different points of the Corporate Governance Recommendations (“CGR”) published by the Budapest Stock Exchange Ltd.

Level of compliance with the Recommendations

The company should indicate whether it applies the relevant recommendation or not, and in the case of a negative answer, it should provide the reasons for not applying the given recommendation.

R 1.1.1 The Managing Body ensured that shareholders received access to information in time to enable them to exercise their rights.

Yes (Complies) No (Please explain)

R 1.1.2 The Company applies the "one share - one vote" principle.

Yes (Complies) No (Please explain)

R 1.2.8 The Company ensures that shareholders must meet the same requirements in order to attend at the general meeting.

Yes (Complies) No (Please explain)

R 1.2.9 Items on the general meeting agenda only include subjects which are correctly detailed and summarized clearly and unambiguously.

Yes (Complies) No (Please explain)

The proposals included the suggestions of the Supervisory Board and a detailed explanation of the effects of the decision.

Yes (Complies) **No** (The proposals included the suggestions of the Supervisory Board each time. A detailed explanation of the effects of the decision is given by the Board of Directors by answering the concrete questions asked during the General Meeting.)

R 1.2.10 Shareholders' comments on and supplements to the items on the agenda were published at least two days prior to the general meeting.

Yes (Complies) **No** (In 2012 the Company did not receive any comments on and supplements to the items on the agenda.)

R 1.3.8 Comments on the items of the agenda were made available to shareholders simultaneously with registration at the latest.

Yes (Complies)

R 1.3.9. Written comments made on the items on the agenda were published two working days prior to the general meeting.

Yes (Complies) No

R 1.3.10 The election and dismissal of executives took place individually and by separate resolutions.

Yes (Complies) **No** (In 2012 no decision has been made by the General Meeting in the subject of the election and dismissal of executives.)

R 2.1.1 The responsibilities of the Managing Body include those laid out in 2.1.1.

Yes (Complies) No (Please explain)

R 2.3.1 The Managing Body held meetings regularly, at times designated in advance.

Yes (Complies) No (Please explain)

The Supervisory Board held meetings regularly, at times designated in advance.

Yes (Complies) No (Please explain)

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

Yes (Complies) No (Please explain)

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

Yes (Complies) No (Please explain)

R 2.5.1 The Board of Directors/Supervisory Board of the company has a sufficient number of independent members to ensure the impartiality of the board.

Yes (Complies) No (Please explain)

R 2.5.4 At regular intervals (in connection with the CG Report) the Board of Directors/Supervisory Board requested a confirmation of their independent status from those members considered independent.

Yes (Complies) No

R 2.5.6 The company disclosed on its website the guidelines on the independence of the Board of Directors/Supervisory Board, as well as the criteria applied for assessing independence.

Yes (Complies) **No** (The Company has not disclosed a single document on the independence of the members of the Board of Directors and the Supervisory Board, but the rules of procedures of both the Board of Directors and the Supervisory Board includes the conflict-of-interest and the independency criteria in connection to its members. Both rules of procedures are disclosed on the website of the Company.)

R 2.6.1 Members of the Managing Body informed the Managing Body (Supervisory Board/Audit Committee) if they (or any other person in a close relationship to them) had a significant personal stake in a transaction of the company (or the company's subsidiary).

Yes (Complies) No (Please explain)

R 2.6.2 Transactions between board and executive management members (and persons in close relationship to them) and the company (or its subsidiary) were conducted according to general rules of practice of the company, but with stricter transparency rules in place.

Yes (Complies) No (Please explain)

Transactions which according to 2.6.2, fell outside the normal course of the company's business, and their terms and conditions were approved by the Supervisory Board (Audit Committee).

Yes (Complies) **No** (The Supervisory Board was informed on the transactions which fell outside the normal course of the business according to 2.6.2. The transparency of these transactions is ensured by Credit Institutions Act and internal rules based on Credit Institutions Act.)

R 2.6.3 Board members informed the Supervisory Board/Audit Committee if they received an offer of Board membership or an offer of an executive management position in a company which is not part of the company group.

Yes (Complies) No (According to the rules of procedures of the Company, members of the Board of Directors or the Supervisory Board has to notify the chairman of the given board. In 2012 one member of the Board of Directors notified the Chairman of the Board of Directors of being elected as officer of other business organization.)

R 2.6.4 The Managing Body established its guidelines on information flow within the company and the handling of insider information, and monitored compliance with those guidelines.

Yes (Complies) No (Please explain)

The Managing Body established its guidelines regarding insiders' trading in securities and monitored compliance with those guidelines.

Yes (Complies) No (Please explain)

R 2.7.1 The Managing Body formulated remuneration guidelines regarding the evaluation and remuneration of the work of the Managing Body, the Supervisory Board and the executive management.

Yes (Complies) No (Please explain)

The Supervisory Board formed an opinion on the remuneration guidelines.

Yes (Complies) No (Please explain)

The guidelines regarding the remuneration for the Managing Body and the Supervisory Board and the changes in those guidelines were approved by the general meeting, as a separate item on the agenda.

Yes (Complies) No (Please explain)²

R 2.7.2 The Managing Body prepared an evaluation of the work it carried out in the given business year.

Yes (Complies) No (Please explain)

R 2.7.2.1. The Supervisory Board prepared an evaluation of the work it carried out in the given business year.

Yes (Complies) No (Please explain)

² It was not on the agenda of the General Meeting in 2012, because there was no change compared to the previously accepted principles.

R 2.7.3 It is the responsibility of the Managing Body to monitor the performance of and determine the remuneration for the executive management.

Yes (Complies) No (Please explain)

The frameworks of benefits due to members of the executive management that do not represent normal practice, and the changes in those benefits were approved by the general meeting as a separate agenda item.

Yes (Complies) No (Please explain)³

R 2.7.4 The structure of share-incentive schemes were approved by the general meeting.

Yes (Complies) No (Please explain)⁴

Prior to the decision by the general meeting on share-incentive schemes, shareholders received detailed information (at least according to those contained in 2.7.4).

Yes (Complies) No (Please explain)⁵

R 2.7.7 The Remuneration Statement was prepared by the company and submitted to the general meeting.

Yes (Complies) No (Please explain)

The Remuneration Statement includes information about the remuneration of individual members of the Managing Body, the Supervisory Board, and the executive management.

Yes (Complies) No (Please explain)

R 2.8.1 The Managing Body or the committee operated by it is responsible for monitoring and controlling the company's entire risk management.

Yes (Complies) No (Please explain)

The Managing Body requests information on the efficiency of risk management procedures at regular intervals.

Yes (Complies) No (Please explain)

The Managing Body took the necessary steps to identify the major risk areas.

Yes (Complies) No (Please explain)

R 2.8.3 The Managing Body formulated the principles regarding the system of internal controls.

Yes (Complies) **No** (From the internal controls the strategy and principles of risk management were approved by the Board of Directors, while the principles regarding the independent internal audit were approved by the Supervisory Board, in accordance with the Credit Institutions Act.)

³ It was not on the agenda of the General Meeting in 2012, because there was no change compared to the previously accepted principles.

⁴ It was not on the agenda of the General Meeting in 2012, because there was no change compared to the previously accepted principles.

⁵ It was not on the agenda of the General Meeting in 2012, because there was no change compared to the previously accepted principles.

The system of internal controls established by the executive management guarantees the management of risks affecting the activities of the company, and the achievement of the company's performance and profit targets.

Yes (Complies) No (Please explain)

R 2.8.4 When developing the system of internal controls, the Managing Body took into consideration the viewpoints included in 2.8.4.

Yes (Complies) **No** (Developing the system of internal controls – except for risk management – belongs to the competence of the Supervisory Board according to the Credit Institutions Act. When accomplishing its duties the Supervisory Board took into consideration the viewpoints included in 2.8.4.)

R 2.8.5 It is the duty and responsibility of the executive management to develop and maintain the system of internal controls.

Yes (Complies) **No** (It is partially true in respect for the Company, since developing and maintaining risk management – including credit risks, operational risks, market risks etc. – and the compliance function belongs to the competence of the management, while developing and maintaining the system of independent internal controls belongs to the competence of the Supervisory Board in accordance with the Credit Institutions Act.)

R 2.8.6 The Company created an independent Internal Audit function which reports to the Audit Committee/Supervisory Board.

Yes (Complies) No (Duties of the Audit Committee are performed by the independent members of the Supervisory Board at the Company. The independent internal audit function reports to the Supervisory Board.)

The Internal Audit reported at least once to the Audit Committee/Supervisory Board on the operation of risk management, internal control mechanisms and corporate governance functions.

Yes (Complies) **No** (No organization named "internal audit group" operates at the Company. The independent internal audit department regularly reports on the operation of risk management, internal control mechanisms and corporate governance to the Supervisory Board.)

R 2.8.7 The internal audit activity is carried out by the Internal Audit function based on authorization from the Audit Committee/Supervisory Board.

Yes (Complies) **No** (See explanation in section 2.8.5)

As an organization, the Internal Audit function is independent from the executive management.

Yes (Complies) No (Please explain)

R 2.8.8 The Internal Audit schedule was approved by the Managing Body (Supervisory Board) based on the recommendation of the Audit Committee.

Yes (Complies) **No** (The annual internal audit schedule is approved by the Supervisory Board at the Company, based on the proposal of the independent internal audit department.)

R 2.8.9 The Managing Body prepared its report for shareholders on the operation of internal controls.

Yes (Complies) No (Please explain)

The Managing Body developed its procedures regarding the receipt, processing of reports on the operation of internal controls, and the preparation of its own report.

Yes (Complies) **No** (The Board of Directors shall keep the risk management and the operation of conformity function from the internal controls under its review and these departments shall report to the Board of Directors with periodicity determined by legal rules and supervisory resolutions/recommendations. The operation of independent internal audit department is reviewed by the Supervisory Board, in accordance with the Credit Institutions Act. The Board of Directors presents the operation of the internal controls in every year in the Corporate Governance Declaration.)

R 2.8.11 The Managing Body identified the most important deficiencies or flow in the system of internal controls, and reviewed and re-evaluated the relevant activities.

Yes (Complies) **No** (The Board of Directors did not lay down any relevant deficiencies in respect of the system of internal controls in 2012.)

R 2.9.2 The Managing Body, the Supervisory Board and the Audit Committee were notified in all cases when an assignment given to the auditor may have resulted in significant additional expense, caused a conflict of interest, or affected normal business practices significantly in any other way.

Yes (Complies) **No** (The auditor of the Company was not given any assignment in 2012, that may have resulted in significant additional expense, caused a conflict of interest, or affected normal business practices significantly in any other way.)

R 2.9.3 The Managing Body informed the Supervisory Board of any assignment given to the external auditor or an external advisor in connection with any event which held significant bearing on the operations of the company.

Yes (Complies) **No** (The auditor of the Company was not given any assignment in 2012, that may have significant influence to the operation of the Company.)

The Managing Body pre-determined in a resolution what circumstances constitute "significant bearing".

Yes (Complies) **No** (The Board of Directors considers the events listed in the relevant legal regulation, i.e. in Annex 4 of Decree No. 24/2008 (08.15.) of the Ministry of Finance as events that – based on the individual inspection of the events – may have significant influence to the Operation of the Company.)

R 3.1.6 On its website, the company disclosed duties delegated to the Audit Committee, as well as the committees' targets, rules of procedure, composition (indicating the name, brief biography and the date of appointment of members).

Yes (Complies) **No** (In 2012, committees did not operate in the Company separately, the Board of Directors and the Supervisory Board (according to the Credit Institutions Act.) accomplished these functions.)

R 3.1.6.1 On its website, the company disclosed duties delegated to the Nomination Committee, as well as the committees' targets, rules of procedure, composition (indicating the name, brief biography and the date of appointment of members).

Yes (Complies) **No** (In 2012, committees did not operate in the Company separately, the Board of Directors and the Supervisory Board (according to the Credit Institutions Act.) accomplished these functions.)

R 3.1.6.2 On its website, the company disclosed duties delegated to the Remuneration Committee, as well as the committees' targets, rules of procedure, composition (indicating the name, brief biography and the date of appointment of members).

Yes (Complies) **No** (In 2012, committees did not operate in the Company separately, the Board of Directors and the Supervisory Board (according to the Credit Institutions Act.) accomplished these functions.)

R 3.2.1 The Audit Committee/Supervisory Board monitored the efficiency of risk management, the operation of internal controls, and the activity of the Internal Audit.

Yes (Complies) **No** (The independent members of the Supervisory Board performing the functions of the Audit Committee at the Company monitored continuously the efficiency of risk management, the operation of internal controls, and the activity of the Internal Audit.)

R 3.2.3 The Audit Committee/Supervisory Board received accurate and detailed information on the work schedule of the Internal Auditor and the independent auditor, and received the auditor's report on problems discovered during the audit.

Yes (Complies) **No** (The independent members of the Supervisory Board performing the functions of the Audit Committee at the Company received accurate and detailed information on the work programme of the internal auditor, and received the auditor's report on problems discovered during the audit.)

R 3.2.4 The Audit Committee/Supervisory Board requested the new candidate for the position of auditor to submit the disclosure statement according to 3.2.4

Yes (Complies) **No** (The independent members of the Supervisory Board performing the functions of the Audit Committee at the Company requested the new candidate for the position of auditor for the submission of the disclosure statement declaration according to 3.2.4.)

R 3.3.1 There is a Nomination Committee operating at the company.

Yes (Complies) **No** (In 2012, there were no separated Nomination Committee operating at the Company, its duties were accomplished by the Board of Directors.)

R 3.3.2 The Nomination Committee provided for the preparation of personnel changes.

Yes (Complies) **No** (In 2012, there were no separated Nomination Committee operating at the Company, its duties were accomplished by the Board of Directors. The Board of Directors ensured the preparation of personnel changes.)

The Nomination Committee reviewed the procedures regarding the election and appointment of members of the executive management.

Yes (Complies) **No** (In 2012, there were no separated Nomination Committee operating at the Company, its duties were accomplished by the Board of Directors. The election and appointment of members of the management is in the competence of the Board of Directors that performs this task according to the relevant provisions of the Credit Institutions Act. and the recommendation No. 4/2007. (10.31.) of HFSA.)

The Nomination Committee evaluated the activity of board and executive management members.

Yes (Complies) **No** (In 2012, there were no separated Nomination Committee operating at the Company, its duties were accomplished by the Board of Directors. The Board of Directors evaluated the activity of Board and executive management members each year, and acted in that way also in 2012.)

The Nomination Committee examined all the proposals regarding the nomination of board members which were submitted by shareholders or the Managing Body.

Yes (Complies) **No** (In 2012, there were no separated Nomination Committee operating at the Company, its duties were accomplished by the Board of Directors. In 2012, there was no nomination of a new member of the Board of Directors)

R 3.4.1 There is a Remuneration Committee operating at the company.

Yes (Complies) **No** (According to Section 69=B (6) of the Credit Institutions Act, the Company is not required to establish a remuneration committee. In 2012, there were no separated Remuneration Committee operating at the Company, its duties were accomplished by the Board of Directors.)

R 3.4.2 The Remuneration Committee made a proposal for the system of remuneration for the boards and the executive management (individual levels and the structure of remuneration), and carries out its monitoring.

Yes (Complies) **No** (In 2012, there were no separated Remuneration Committee operating at the Company, its duties were accomplished by the Board of Directors. In 2008, the Board of Directors made a proposal for the General Meeting on the remuneration for the boards, furthermore, established and approved the system of remuneration of the management)

R 3.4.3 The remuneration of the executive management was approved by the Managing Body based on the recommendation of the Remuneration Committee.

Yes (Complies) **No** (In 2012, there were no separated Remuneration Committee operating at the Company, its duties were accomplished by the Board of Directors. The remuneration of the executive management was established by the Board of Directors based on the Remuneration Guidelines determined by the general meeting.)

The remuneration of the Managing Body was approved by the general meeting based on the recommendation of the Remuneration Committee.

Yes (Complies) **No** (In 2012, there were no separated Remuneration Committee operating at the Company, its duties were accomplished by the Board of Directors. The remuneration of the members of the Board of Directors was established by the General Meeting based on the recommendation of the Board of Directors.)

The Remuneration Committee also monitored the share option, cost reimbursement and other benefits in the remuneration system.

Yes (Complies) **No** (In 2012, there were no separated Remuneration Committee operating at the Company, its duties were accomplished by the Board of Directors. In 2012, the Supervisory Board evaluated the fulfillment of the Share Compensation Programme implemented at the Company for the year 2009 and informed the General Meeting thereon.)

R 3.4.4 The Remuneration Committee made proposals regarding remuneration guidelines.

Yes (Complies) **No** (In 2012, there were no separated Remuneration Committee operating at the Company, its duties were accomplished by the Board of Directors. In 2012 the remuneration guidelines approved in 2011 were unchanged. Based on those guidelines – in accordance with the applicable rules of Credit Institution Act – the amendments of the so-called financial incentive system were approved by the Board of Directors for year 2012, based on a proposal of the management.)

R 3.4.4.1. The Remuneration Committee made proposals on the remuneration of individual persons.

Yes (Complies) **No** (In 2012, there were no separated Remuneration Committee operating at the Company, its duties were accomplished by the Board of Directors. On basis of the remuneration guidelines approved in 2011, and based on that guidelines – in accordance with the applicable rules of Credit Institution Act - the amendments of the so-called financial incentive system were approved by the Board of Directors for year 2012, based on a proposal of the management.)

R 3.4.4.2 The Remuneration Committee reviewed the terms and conditions of contracts concluded with the members of the executive management.

Yes (Complies) **No** (In 2012, there were no separated Remuneration Committee operating at the Company, its duties were accomplished by the Board of Directors. The Board of Directors - as the body exercising the employer's rights over the members of the management, via the Chairman of the Board of Directors - reviewed the terms and conditions of contracts concluded with the members of the executive management.)

The Remuneration Committee ascertained whether the company fulfilled its disclosure obligations regarding remuneration issues.

Yes (Complies) **No** (In 2012, there were no separated Remuneration Committee operating at the Company, its duties were accomplished by the Board of Directors. The Board of Directors controlled through the management whether the Company published the Remuneration Guidelines on its webpage in 2012.)

R 3.4.7 The majority of the members of the Remuneration Committee are independent.

Yes (Complies) **No** (In 2012, there were no separated Remuneration Committee operating at the Company, its duties were accomplished by the Board of Directors. The majority of members of the Board of Directors are independent – Mr. Tamás Vojnits has resigned his membership of the board by 14 December 2012.)

R 3.5.1 The Managing Body disclosed its reasons for combining the Remuneration and Nomination Committees.

Yes (Complies) **No** (In 2012, there were no separate Remuneration or Nomination Committee operating at the Company.)

R 3.5.2 The Managing Body carried out the duties of the Remuneration and Nomination Committee and disclosed its reasons for doing so.

Yes (Complies) **No** (In 2012 the duties of the Nomination Committee were accomplished by the Board of Directors. Information on the reasons thereof will be provided at the General Meeting in case of questions of the shareholders in this respect.)

R 3.5.2.1 The Managing Body/Board of Directors carried out the duties of the Remuneration Committee and disclosed its reasons for doing so.

Yes (Complies) **No** (In 2012 the duties of the Remuneration Committee were accomplished by the Board of Directors. According to Section 69=B (6) of the Credit Institutions Act, the Company is not required to establish a remuneration committee. Information on the reasons thereof will be provided at the General Meeting in case of questions of the shareholders in this respect.)

R 4.1.1 In its disclosure guidelines, the Managing Body established those principles and procedures which ensure that all relevant information about the operations of the company and circumstances influencing its share price are disclosed and made available accurately, in a timely fashion and in full.

Yes (Complies) No (Please explain)

R 4.1.2 The Company ensured in its disclosure activities that all shareholders and market participants were treated equally.

Yes (Complies) **No** (According to the agreement concluded by and between the Hungarian State and the Company concerning the increase of the share capital of the Company and influence by the state on March 31, 2009, the Company had obligation concerning supplying of data to the Hungarian State regularly determined by the agreement which obligation was fulfilled by the Company in 2012.)

R 4.1.3 The Company's disclosure guidelines include the procedures governing electronic, online disclosure.

Yes (Complies) No (Please explain)

The company develops its website taking into consideration disclosure guidelines and the provision of information to investors.

Yes (Complies) No (Please explain)

R 4.1.4 The Managing Body assessed the efficiency of disclosure processes.

Yes (Complies) **No** (The Board of Directors has set up the principles of disclosure processes and monitors compliance through the management.)

R 4.1.5 The Company published its corporate events calendar on its website.

Yes (Complies) No (Please explain)

R 4.1.6 In the annual report and on the website of the company, the public was informed about the company's corporate strategy, its main business activities, business ethics and its policies regarding other stakeholders.

Yes (Complies) No (Please explain)

R 4.1.8 In the annual report the Managing Body disclosed the character and size of any other assignments given by the company or its subsidiaries to the auditing firm responsible for auditing the financial statements.

Yes (Complies) **No**

R 4.1.9 In the annual report and on the website the company discloses information on the professional career of the members of the Managing Body, the Supervisory Board and the executive management.

Yes (Complies) No (Please explain)

R 4.1.10 The Company provided information on the internal organization and operation of the Managing Body and the Supervisory Board and on the criteria considered when evaluating the work of the Managing Body, the executive management and the individual members thereof.

Yes (Complies) **No** (The Company provides information on the evaluation criteria on request of the shareholders at its Annual General Meeting.)

R 4.1.11 In the annual report and in the Remuneration Statement on the company's website, the company informed the public about the applied remuneration guidelines, including the remuneration and fees provided for members of the Managing Body, the Supervisory Board and the executive management.

Yes (Complies) No (Please explain)

R 4.1.12 The Managing Body disclosed its risk management guidelines, including the system of internal controls, the applied risk management principles and basic rules, as well as information about major risks.

Yes (Complies) No (Please explain)

R 4.1.13 In order to provide market participants with information, the company publishes its report on corporate governance at the same time that it publishes its annual report.

Yes (Complies) No (Please explain)

R 4.1.14 The Company discloses its guidelines governing insiders' trading in the company's securities on its website.

Yes (Complies) No (Please explain)

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

Yes (Complies) No (Please explain)

R 4.1.15 In the annual report and on its website, the company disclosed any relationship between members of the Managing Body and the executive management with a third party, which might have an influence on the operations of the company.

Yes (Complies) **No** (In 2012, such situation did not occur.)

Level of compliance with the Suggestions

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

S 1.1.3 The Company has an investor relations department.

Yes / No

S 1.2.1 The company published on its website the summary document regarding the conducting of the general meeting and the exercise of shareholders' rights to vote (including voting via proxy)

Yes / No

S 1.2.2 The Company's articles of association are available on the company's website.

Yes / No

S 1.2.3 The Company disclosed on its website information according to 1.2.3 (on the record date of corporate events).

Yes / No

S 1.2.4 Information and documents according to 1.2.4 regarding general meetings (invitations, proposals, draft resolutions, resolutions, and minutes) were published on the company's website.

Yes / No

S 1.2.5 The general meeting of the Company was held in a way that ensured the greatest possible shareholder participation.

Yes / No

S 1.2.6 Additions to the agenda were published within 5 days of receipt, in the same manner as the publication of the original invitation for the general meeting.

Yes / No

S 1.2.7 The voting procedure applied by the Company ensured unambiguous, clear and fast decision-making by shareholders.

Yes / No

S 1.2.11 At the shareholders' request, the company also provided information on the general meeting electronically.

Yes / No (In 2012, no shareholder requested the electronic transmission of the information relating to the General Meeting.)

S 1.3.1 The identity of the chairman of the general meeting was approved by the company's general meeting prior to the discussion of the items on the agenda.

Yes / No

S 1.3.2 The Managing Body and the Supervisory Board were represented at the general meeting.

Yes / No

S 1.3.3 The Company's articles of association render possible that at the initiation of the chairman of the Managing Body or the shareholders of the company, a third party be invited to the company's general meeting and be granted the right of participation in the discussion of the relevant items on the agenda.

Yes / **No**

S 1.3.4 The Company did not prevent shareholders attending the general meeting from exercising their rights to request information, make comments and proposals, and did not set any pre-requisites to do so.

Yes (i.e. the Company did not prevent exercising shareholder's voting rights) / No

S 1.3.5 The Company published on its website within three days its answers to those questions which it was unable to answer satisfactorily at the general meeting. Where the company declined to give an answer it published its reasons for doing so.

Yes / **No** (Every questions of the shareholders were replied in the Annual General Meeting of 2012.)

S 1.3.6 The chairman of the general meeting and the company ensured that in answering the questions raised at the general meeting, national laws and regulations of the Stock Exchange pertaining to disclosure were complied with.

Yes / No

S 1.3.7 The Company published a press release and held a press conference on the decisions passed at the general meeting.

Yes / No

S 1.3.11 The Company's general meeting decided on the different amendments of the articles of association in separate resolutions.

Yes / **No** (The amendment of the Statutes were adopted by the General Meeting in 2012 to adapt the amendments of law: In respect of that the Chairman of the General Meeting proposed to make a decision about the amendment of the Statutes in one resolution, and there were no shareholders against this proposal.)

S 1.3.12 The minutes of the general meeting containing the resolutions, the presentation of draft resolutions, as well as the most important questions and answers regarding the draft resolutions were published by the company within 30 days of the general meeting.

Yes / No

S 1.4.1 The dividend was paid within 10 days to those shareholders who had provided all the necessary information and documentation.

Yes / **No** (In 2012, the Company did not pay dividend for the shareholders.)

S 1.4.2 The Company disclosed its policy regarding anti-takeover devices.

Yes / **No**

S 2.1.2 The rules of procedure define the composition of the Managing Body and all procedures and protocols for the preparation and holding of meetings, the drafting of resolutions and other related matters.

Yes / No

S 2.2.1 The rules of procedure and the work schedule of the Supervisory Board gives a detailed description of its operation and duties, as well as procedures and processes which the Supervisory Board followed.

Yes / No

S 2.3.2 Board members had access to the proposals of a given meeting at least five days prior to the board meeting.

Yes / **No** (Board members receive the proposals of a given meeting three days prior to the board meeting.)

S 2.3.3 The rules of procedure regulate the regular or occasional participation at board meetings of persons who are not members of the boards.

Yes / No

S 2.4.1 The election of the members of the Managing Body took place in a transparent way, information on candidates was made public at least five days prior to the general meeting.

Yes / **No** (Because there was no election in 2012.)

S 2.4.2 The composition of boards and the number of members complies with the principles specified in 2.4.2

Yes / No

S 2.4.3 Newly elected, non-executive board members were able to familiarize themselves with the structure and operations of the company, as well as their duties as board members through a tailored induction programme.

Yes / **No** (Because there was no election in 2012.)

S 2.5.2 The separation of the responsibilities of the Chairman of the Managing Body from those of the Chief Executive Officer has been outlined in the basic documents of the company.

Yes / No

S 2.5.3 The Company has published a statement about the means it uses to ensure that the Managing Body gives an objective assessment of the executive management's work where the functions of Chairman and CEO are combined.

Yes / **No**

S 2.5.6 The Company's Supervisory Board has no member who held a position in the Managing Body or the executive management of the company in the three years prior to his nomination.

Yes / No

S 2.7.5 The development of the remuneration system of the Managing Body, the Supervisory Board and the executive management serves the strategic interests of the company and thereby those of the shareholders.

Yes / No

S 2.7.6 In the case of members of the Supervisory Board, the company applies a fixed amount of remuneration and does not apply a remuneration component related to the share price.

Yes / No

S 2.8.2 The Managing Body developed its risk management policy and regulations with the cooperation of those executives who are responsible for the design, maintenance and control of risk management procedures and their integration into the company's daily operations.

Yes / No

S 2.8.10 When evaluating the system of internal controls, the Managing Body took into consideration the aspects mentioned in 2.8.10

Yes / **No** (It belongs to the competence of the Supervisory Board.)

S 2.8.12 The Company's auditor assessed and evaluated the company's risk management systems and the risk management activity of the executive management, and submitted its report on the matter to the Audit Committee.

Yes / **No** (however the auditor is invited to all meetings of the Board of Directors, this way it has the possibility to assess and evaluate the Company's risk management systems and the risk management activity of the executive management.

S 2.9.1 The rules of procedure of the Managing Body/ Board of Directors cover the procedure to be followed when employing an external advisor.

Yes / No

S 2.9.1 The rules of procedure of the Supervisory Board cover the procedure to be followed when employing an external advisor.

Yes / No

S 2.9.1 The rules of procedure of the Audit Committee cover the procedure to be followed when employing an external advisor.

Yes / **No** (Audit Committee does not operate at the Company, the duties of the audit committee are performed by the independent members of the Supervisory Board.)

S 2.9.1.3 The rules of the Nomination Committee cover the procedure to be followed when employing an external advisor.

Yes / **No** (Nomination Committee does not operate at the Company.)

S 2.9.1.3 The rules of the Remuneration Committee cover the procedure to be followed when employing an external advisor.

Yes / **No** (Remuneration Committee does not operate at the Company.)

S 2.9.4 The Managing Body may invite the company's auditor to participate in those meetings where it debates general meeting agenda items.

Yes / No

S 2.9.5 The Company's Internal Audit function co-operated with the auditor in order to help it successfully carry out the audit.

Yes / **No** (It is not allowed by law.)

S 3.1.2 The chairmen of the Audit Committee regularly informs the Managing Body/Board of Directors about the meetings of the committee, and the committees prepared at least one report for the Managing Body and the Supervisory Board in the given business year.

Yes / **No** (Audit committee does not operate at the Company, the duties of the audit committee are performed by the independent members of the Supervisory Board.)

S 3.1.2.1 The chairmen of the Nomination Committee regularly inform the Managing Body/Board of Directors about the meetings of the committee, and the committees prepared at least one report for the Managing Body and the Supervisory Board in the given business year.

Yes / **No** (Nomination committee does not operate at the Company.)

S 3.1.2.2 The chairmen of the Remuneration Committee regularly inform the Managing Body/Board of Directors about the meetings of the committee, and the committees prepared at least one report for the Managing Body and the Supervisory Board in the given business year.

Yes / **No** (Remuneration committee do not operate at the Company.)

S 3.1.4 The company's committees are made up of members who have the capabilities, professional expertise and experience required to perform their duties.

Yes / **No** (Independent committees do not operate at the Company. The members of the Board of Directors and Supervisory Board have appropriate skills, competence and experience necessary for carrying out their duties.)

S 3.1.5 The rules of procedure of committees operating at the company include those aspects detailed in 3.1.5

Yes / **No** (Independent committees do not operate at the Company.)

S 3.2.2 The members of the Audit Committee/Supervisory Board were fully informed about the accounting, financial and operational peculiarities of the company.

Yes / **No** (In case of the request of the independent members of the Supervisory Board, the Company gives any related information for the independent members.)

S 3.3.3 The Nomination Committee prepared at least one evaluation for the chairman of the Managing Body on the operation of the Managing Body and the work and suitability of the members of the Managing Body.

Yes / **No** (Independent committees do not operate at the Company. The Board of Directors evaluated its own activity, and the chairman of the board had appropriate information about the members' activity arisen from their membership.)

S 3.3.4 The majority of the members of the Nomination Committee are independent.

Yes / **No** (Independent committees do not operate at the Company. The majority of members of the Board of Directors are independent- Mr. Tamás Vojnits has resigned his membership of the board by 14 December 2012.)

S 3.3.5 The rules of procedure of the Nomination Committee includes those details contained in 3.3.5

Yes / **No** (Independent committees do not operate at the Company.)

S 3.4.5 The Remuneration Committee prepared the Remuneration Statement.

Yes / **No** (Independent committees do not operate at the Company. However, the Board of Directors ensured the preparation of the remuneration declaration.)

S 3.4.6 The Remuneration Committee exclusively consists of non-executive members of the Managing Body.

Yes / **No** (Remuneration Committee do not operate at the Company. The tasks of the Remuneration Comitee shall be exercised by the Board of Directors or by the Supervisory Board.)

S 4.1.4 The disclosure guidelines of the company at least extend to those details contained in 4.1.4

Yes / No

The Managing Body informed shareholders in the annual report on the findings of the investigation into the efficiency of disclosure procedures.

Yes / **No**

S 4.1.7 The Company's financial reports followed IFRS guidelines.

Yes / No

S 4.1.16 The Company also prepares and releases its disclosures in English.

Yes / No