



**A**  
**Responsible Corporate Governance Report of TakaréK Mortgage Bank Co. Plc.**

**for**

**2021**

**28 April 2022**

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

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

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

The Board of Directors consists of at minimum five and at maximum nine members. In 2021, the Board of Directors had 6 members. The members of the Board of Directors are elected by the general assembly from among the shareholders or other persons. In accordance with the provisions of Act CCXXXVII of 2013 on Credit Institutions and Financial Undertakings (Credit Institutions Act) and the Articles of Association, in 2021, out of the members of the Board of Directors, the CEO of the Company and the Deputy CEO(s) had continuous employment relationships with the Company (internal Board members).

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

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

In 2021, the Board of Directors carried out its activities based on an annual work schedule. The Board of Directors holds meetings as frequently as necessary, but at least once every three months. The Board of Directors discusses matters conferred to its authority based on written proposals. It makes its decisions in the form of resolutions, based on the draft resolutions submitted by the proposing person. The proposals and the related draft resolutions are prepared by the management for the Board of Directors. The head of the organisation preparing the proposal and the Deputy CEO exercising professional supervision, or in the absence of such person, the CEO exercising professional supervision shall be responsible for the substantive soundness of the proposals. The members of the Board of Directors shall be notified regarding the time and date and agenda of the Board meetings 8 business days prior to the meeting, and the written proposals shall also be sent to them together with this notice.

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

In emergencies, the Board of Directors may also pass resolutions validly via phone, fax or other means, provided that the Company delivers the proposal requiring decision to the Board members in writing, at least by electronic

means, and more than half of the members execute their votes in the form of a private instrument with full evidencing force, and send such instrument to the registered seat of the Company within five days.

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

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

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

In 2021, the senior management of the Company was composed of the following: CEO, Deputy CEO. Both were also internal members of the Board of Directors. The Board of Directors exercises the employer's rights over the members of the management via the chairman of the Board of Directors.

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

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

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

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

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

In 2021, the following persons were members of the Board of Directors of the Company:

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

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

He is an economist who studied business management, as well as liquidation and bankruptcy law in several universities. Chairman-CEO of Takarékbank Zrt. and the MTB Magyar Takarékszövetkezeti Bank Zrt., CEO of the Magyar Bankholding Zrt.

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

Under his leadership, by the fusion of ten savings co-operatives, B3 SAVINGS Co-operative was founded on 1 September 2015. In 2014, he was awarded the Károlyi Sándor memorial plaque for his outstanding efforts in relation to the development of the integration of savings co-operatives. VIDA József assumed a key role in the integration of savings cooperatives and in ensuring Takarék Group's competitiveness and long-term prosperity. Under his lead, the former FHB Group was integrated into Takarék Group. In 2017, twelve regional credit institutions were created by fusing fifty-two savings banks. The resulting dozen institutions were united in a single, countrywide, universal commercial bank, Takarékbank Zrt. in two steps in 2019.

In addition to the work he does for cooperatives, he is a farmer, breeding horses and keeping bees. In 2016, he graduated as a Forestry and Wildlife Management Technician and holds senior positions in several organisations, including a membership in the Board of Trustees of the Foundation for the University of Physical Education and the Hungarian Banking Association.

**SOLTÉSZ Gábor Gergő** – internal member prior to 30 November 2016, external member after that from 1 December 2017 until 30 November 2021

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

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

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

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

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

She is a member of the Hungarian Banking Association and the Secretary General of the Hungarian Economic Society. In 2015, she was voted “Banker of the Year” by a secret ballot of bank executives, in 2016 she was named “Female Manager of the Year” and in July 2021 she was awarded the 2020 Manager of the Year Award, in addition to numerous other national and international awards.

**SASS Pál** – He has been a member of the Board of Directors since 31 October 2019

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

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

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

Internal members in employment relationship with the Company:

**Dr. NAGY Gyula, CEO** – since 26 April 2017

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

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

He also has agricultural engineer qualification, qualification as engineer with specialty degree in economics, and two MBA qualifications. He worked at Credit-Lyonnais Magyarország Bank Zrt, and between 2001 and 2007, at the Directorate of Large Corporation Relations of K&H Bank Zrt, and as the director of the Credit Risk Management Directorate of the same. Between September 2007 and December 2009, he managed the Restructuring Department of MKB Bank Zrt, and then he held the office of CEO and chairman of the Board of Directors of the Romanian debt collection subsidiary of MKB Bank Zrt. From November 2011, he worked as a financial restructuring consultant at Ernst&Young Tanácsadó Kft, and later in his own company. Between July 2014 and February 2015, he worked under the mandate of Pénzügyi Stabilitási és Felszámoló Nonprofit Kft as a supervisory commissioner during the winding-up of five credit institutions. From 2015 to 2017, he was Head of Subsidiary Management at the Integration Organization of Cooperative Credit Institutions, from April 2017 he worked as Managing Director responsible for risk areas at MTB Magyar Takarékszövetkezeti Bank Zrt, and from November 2017 to 16 November 2021 he was Deputy Chief Executive Officer of the Risk Management Division of the Savings Group.

At its extraordinary general assembly held on 23 November 2021, the Company re-elected members of the Board of Directors VIDA József, Dr. NAGY Gyula, MÉSZÁROS Attila, HEGEDŰS Éva and SASS Pál, while GINZER Ildikó was elected as a new member.

## 2.2. Supervisory Board, Audit Committee

In 2021, the following persons were members of the Supervisory Board of the Company:

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

He had obtained his undergraduate degree in 1999 in Economics, then qualified as a Chartered Accountant. He finished his postgraduate studies in Law in 2005.

From 1999 to 2010 he was employed by Magyar Posta Zrt. where he climbed the corporate ladder. He had started as a cost analyst / controller at the Budapest Directorate, then became Head of Department of Economics in 2001 and Deputy Director of Finance in 2003. From 2005 he had comprehensive responsibility for the financial module of the enterprise resource planning system at Magyar Posta.

He had been Director of the management control system, accounting and asset valuations at the Magyar Nemzeti Vagyonkezelő Zrt. from 2010, then became Head of Finance in 2014, and as of 2019, the Deputy CEO responsible for Companies.

He holds top positions in several companies. For example, he is the Chairman of Büki Gyógyfürdő Zrt.'s Supervisory Board, and a member of Magyar Posta's Board of Directors, and Richter Gedeon Nyrt.'s Supervisory Board.

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

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

### **PÓRFY György** – Member of the Supervisory Board from 2 January 2017 until 31 March 2021

He graduated at the University of Economics. He has been working since 1994 in banking, first he had started at Merkantil Bank, then filled management positions at BNP-Dresdner Bank Hungária Rt. and later at Kereskedelmi

és Hitelbank Rt, then from 2002 he became Head of Department, then managing director at the Directorate for Large Enterprises at Unicredit Bank Hungary Zrt. He had been CEO of Unicredit Leasing Hungary Zrt. from 2010 and then became CEO of Unicredit Jelzálogbank Zrt. from 2012. From 2016, he was Managing Director of the Corporate Business Line of MTB Zrt., and since 1 May 2019, he has been holding the same position in Takarékbank.

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

Lawyer, Head of Office at Reiniger Law Firm. He was born in Budapest in 1977. He completed his legal studies in 2001 at the Faculty of Law of Eötvös Loránd University with excellent results. He studied law simultaneously with Hungarian then Finnish scholarship at the Faculty of Law of the University of Helsinki. He had spent his years of internship at international law firms, then after successfully taking the professional exam he founded his law firm in 2005 with his own name, which he has been managing since that time, representing domestic and international companies in economic and commercial cases and providing strategic consultation. Dr. REINIGER Balázs is a member of Budapest Bar Association's Presidency, the Hungarian Bar Association's Meeting of Delegates and Legislative Committee; he is the Vice President of the Arbitration Panel of the Hungarian Chamber of Agriculture and an Arbitrator of the Arbitration Panel assigned to the Hungarian Chamber of Industry and Commerce.

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

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

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

He graduated at the Faculty of Economics of the University of Novi Sad. With more than 20 years of experience in domestic and international finance and economics he joined the savings cooperative industry in 2012. From 2015, he was Strategic Managing Director of 3A Takarékszövetkezet, and from 2018, Deputy CEO of TakaréK Kereskedelmi Bank Zrt. Until 3 June 2018, he was a member of the Supervisory Board of Magyar Takarékszövetkezeti Bank Zrt.; subsequently, he was appointed Head of the Operations Division. As of 2019, he has been CEO of TakaréK Követelés Kezelő Zrt. In 2020, he became member of MTB Zrt.'s Board of Directors. He is also a member of the Supervisory Board of the Integration Organisation of Cooperative Credit Institutions, and a member of the Board of Directors of Magyar TakaréK Ellátó Zrt.

All of the above members of the Supervisory Board are independent, they do not have any other legal relationship with the Company. Accordingly, the general assembly of the Company elected members of the Supervisory Board DR. HARMATH Zsolt and PÓRFY György and, following PÓRFY György's resignation, dr. GÖDÖR Éva and GÖRÖG Tibor as members of the Audit Committee established in accordance with the Credit Institutions Act.

### 2.3. Company management

In 2021, the Company's management included the following members:



**CEO:**

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

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

**Deputy CEO:**

**MÉSZÁROS Attila** - since 11 October 2018

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

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

### **3. Information on the work performed by the Board of Directors and the Supervisory Board in 2021**

#### **3.1. Description of the work performed by the Board of Directors in 2021**

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

The Board of Directors had a total of 5 meetings in 2021, whereof 4 was held jointly with the Supervisory Board. On 57 occasions, resolutions were passed without a meeting. The organisation of the meetings as well as the proceeding regarding concluding a decision without a meeting were always compliant with the corporate policies, the board always had a quorum at these events.

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

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

Out of the topics discussed by the Board of Directors in 2021, the following should be highlighted:

- In 2021, the Board of Directors continued to pay particular attention to the implementation of the applicable integration policies.
- In 2021, the Board of Directors continued to pay particular attention to the implementation of measures targeting the establishment of a clear mortgage bank profile.
- During the 2021 meetings, carrying on with the practices of the previous years, the Board of Directors discussed the management report on the current business and financial situation of the Company as a permanent item of the agenda, and in doing so, they were able to monitor the operation and financial position of the Company in an ongoing manner. As a result of that the Board of Directors always had sufficient information during the year on the internal and external conditions impacting the operation of the Company, it was able to identify situations that may result in negative impacts, and respond to them with the necessary measures, and to support the work of the management with professional recommendations.
- In 2021, the Board of Directors continued to pay particular attention to the analysis of the financial operations of the Company.

- In 2021, the Board of Directors continued to discuss regularly and quarterly the management reports on the lending, liquidity, market and operational risks of the Company.
- The Board of Directors discussed the quarterly reports of the Compliance and Banking Security Directorates (Compliance Directorate and Banking Security Directorate after 16 June 2021) for 2021 and the implementation of the tasks set out in the work plan
- In 2021, the Board of Directors continued to deal with issues related to the implementation of the Remuneration Policy.
- The Board of Directors found the management proposals focusing on the amendment of policies delegated to its competence to be sufficiently substantiated in every instance, and approved them while concluding a decision on a minor amendment.
- In 2021, the Board of Directors continued to pay attention to audits conducted at the Company by external authorities (such as the National Tax and Customs Administration and the Central Bank of Hungary), and to the development and implementation of action plans associated with the conclusions of audits. None of the audits have concluded any non-compliance or objection against the work of the Board of Directors.

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

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

## **3.2. Description of the work performed by the Supervisory Board in 2021**

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

The Supervisory Board of the Company (hereinafter: "SB") operated in 2021 in accordance with the approved work schedule. The work schedule included the individual tasks of the board, and the review of the audits executed by the internal audit team (hereinafter: "Internal Audit") of the Company. In 2021, the SB held 4 meetings jointly with the Board of Directors, and resolutions were passed without a meeting on 32 occasions. The organisation of the meetings as well as the proceeding regarding concluding a decision without a meeting were always compliant with the corporate policies, the board always had a quorum at these events.

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

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

- implementation of the tasks included in the action plans prepared in consideration of the internal audit reports of 2021,
- the quarterly reports of the Company on its lending, market, liquidity and operational risk, and
- the quarterly reports of the Compliance and Banking Security Directorates (Compliance Directorate and Banking Security Directorate after 16 June 2021) and the implementation of the tasks set out in the work plan.

In 2021, the SB continued to pay attention to the audits conducted at the Company by the Supervisory Authority and other external authorities, and to the development and implementation of the action plan associated with the conclusions of the audits. None of the audits have concluded any non-compliance or objection against the work of the SB.

The SB thoroughly discussed the audits conducted by the Internal Audit team in different topics. These audits fundamentally targeted governance, management, administration (process), compliance and IT security. Accordingly, the inspections included, inter alia, an examination of the activities carried out by intermediaries, a review of the valuation process and the establishment of the value of collateral, the accounting practices for economic events related to credit transactions, and the data reporting to the MNB and other bodies (Keler). On the IT side, the review of Outsourcing, business continuity and disaster management. They also included compliance audits in terms of the business and operation of the Company, and audits in consideration of the compliance with the resolutions of the Central Bank of Hungary and ISZ, the Integration Organisation of Cooperative Credit Institutions.

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

The SB paid particular attention to the Company to have a comprehensive and efficient control system. The internal audit system, earlier approved by the SB, was operational in 2021 at the level of the TakaréK banking group, in accordance with the relevant legal regulations, the Recommendations on Responsible Corporate Governance and the Authority's recommendation on operating inner lines of defence.

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

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

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

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

In 2021, the Supervisory Board worked together with the Board of Directors, the management and the Company's auditor continuously, objectively and successfully. The chairman of the SB participates in board meetings as a constant guest, where he had the opportunity to explain his point of view representing the SB.

The CEO and/or his deputy CEO participated in every board meeting, informed the board members appropriately and gave detailed answers to their questions.

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

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

#### **4. Description of the internal audit system and evaluation of its operation in 2021**

In 2021, the internal audit system was implemented at banking group level in accordance with the relevant legal regulations, with Recommendations on Responsible Corporate Governance and with MNB's recommendations on operating inner lines of defence. The internal audit system contains elements of responsible internal governance, risk management, compliance function, as part of the internal audit system the control that is built in work procedures, management control and independent internal audit function.

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

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

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

The MTB Zrt. Compliance and Banking Security Directorate has been split into Compliance Directorate and Banking Security Directorate with effect from 16 June 2021, and at the same time the Protection Directorate has been dissolved and the Money Laundering Prevention and Conflict of Interest Directorates which were part of it have been merged into the Compliance Directorate.

The Compliance Directorate is currently divided into six fields of expertise:

- 1) Data protection,
- 2) General compliance,
- 3) Consumer protection,
- 4) Capital market compliance,
- 5) Prevention of money laundering,
- 6) Conflict of interest

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

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

Takarék Jelzálogbank is a member of the Central Organization of Integrated Credit Institutions<sup>1</sup> (hereinafter: Integration Organisation) and the banking group led by the Magyar Takarékszövetkezeti Bank Zrt. (hereinafter: MTB Zrt or MTB).

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<sup>1</sup> before 15.07.2020: Integration Organisation of Cooperative Credit Institutions

The Integration Organisation and its members are jointly and severally liable for one another's obligations in accordance with the provisions of Act V of 2013 on the Civil Code. Joint and several liability covers any and all claims against the Integration Organisation and its members, irrespective of the date when such claims arise.<sup>2</sup>

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

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

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

MTB Zrt. has been a member of the Magyar Bankholding Zrt. Group since 16.12.2020. The Magyar Nemzeti Bank has determined by its Decision No. H-EN-I-70/2021 dated 17.02.2021 that pursuant to § 172 of Act CCXXXVII of 2013 on credit institutions and financial undertakings (Credit Institutions Act) Magyar Bankholding is subject to supervision on a consolidated basis and is required to comply on a consolidated basis with the requirements of Chapter 2, Section 1 of 26 June 2013 Regulation (EU) No. 575/2013 (CRR) of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012.

The MNB also specified in Decision No. H-EN-I-70/2021 which undertakings are subject to supervision on a consolidated basis and prudential consolidation. Previously, the members subject to supervision on a consolidated basis, including TakaréK Jelzálogbank, were included in the supervision on a consolidated basis of Magyar Bankholding, with MTB complying on a sub-consolidated basis with the obligations under Parts 2 to 8 of the CRR and Title VII of the CRD in respect of the members of the MTB group, including TakaréK Jelzálogbank.

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

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

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

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

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

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

- a) the Compliance Directorate (hereinafter “Compliance Directorate”) of MTB Zrt. ensures within TakaréK Group, thus also in the Company, compliance with principles and regulations of legal regulations, other professional practices that are not equivalent to legal regulations, authority’s recommendations, guidelines and decrees and with inner rules (hereinafter: „compliance rules”), the prevention and control of their violation, and
- b) operates the internal audit system, the parts of which (management control, that is built in work procedures, management information system and independent internal audit function) spread on very institution and activity of the Company, are built in daily activities and can be traced; furthermore, they give regular feedback to the relevant management, governance level.
- a) The Compliance function is performed by MTB Zrt.’s Compliance Directorate under a service level agreement (SLA). The Compliance Directorate coordinates and ensures the fulfilment of compliance rules and the performance of compliance audits of members of the banking group.  
The Compliance Directorate carries out its work based on an annual work schedule – also covering TakaréK Jelzálogbank – approved by the executive body of MTB Zrt.

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

#### General compliance

The main objective of developing a general compliance function within the Compliance Directorate is to continuously monitor compliance with the legislation and internal regulatory instruments that ensure the transparency of the Company’s operations, to promote the enforcement thereof and to effectively manage reputational risks. To ensure this, the purpose of the General Compliance operation is to contribute to the smooth and prudent operation of TakaréK Jelzálogbank by identifying, assessing and managing compliance risks.

#### Capital Market Compliance

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

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

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

#### Consumer protection + Consumer Protection Officer

The Consumer Protection Centre within the Compliance Directorate performs consumer protection control functions and provides support to the Company, thus helping TakaréK Jelzálogbank to comply with consumer protection requirements. As part of the group-wide consumer protection function, notifications are also forwarded to the so-called Consumer Protection Officer (CPO), who is appointed from the staff of Consumer Protection operating within the Integration Business Management Organisation.

#### Data protection

The Compliance Directorate's Data Protection Centre performs group-level personal data protection and confidentiality tasks in accordance with the integration-level Privacy Policy and Confidentiality Policy issued by the Central Organization of Integrated Credit Institutions. Certain activities carried out at the integration level in 2021 also indirectly served the data protection compliance of TakaréK Mortgage Bank Co. Plc. (e.g. updating the General Data Protection Notice and other data protection documents, checking the paths to data protection documents on websites, and standardising them). Specifically with regard to the personal data protection activities in the mortgage bank, the activity started in 2020 to update the data management register and to prepare the data management information tailored to the mortgage bank's activities will be delayed, despite the prioritisation of the Data Protection Centre, together with other tasks; the settlement of these is expected in the first half of 2022, subject to an increase in the intensity of joint work. Notwithstanding the delay in the completion of certain tasks, the Data Protection Centre has not identified any significant data protection compliance risks related to the operations of TakaréK Mortgage Bank Co. Plc.

#### Conflict of interest

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

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

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

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

#### Fraud prevention

The Banking Security Directorate's Fraud Prevention Department is responsible for conducting investigations into internal and external abuses and crimes and for operating preventive monitoring systems. The field of expertise carries out human security activities for employees, and participates, among other things, in the performance of activities related to classified requests from authorities in accordance with applicable laws. Based on the records of the field of expertise, there was no fraud incident or suspected fraud at TakaréK Jelzálogbank in 2021.

Fulfilling the SLA contractual obligation, MTB, as Business Management Organisation of the Integration, through its quarterly reports informed the Board of Directors and the Supervisory Board of MTB about the

activities of the Compliance Directorate relevant to the Company and the compliance related activities of the Company, as a member of the banking group.

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

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

The independence of the Bank's internal audit organisation is ensured by the relevant regulations because according to these, the internal audit/internal auditor cannot be entitled to any other position than controller and cannot participate in bank procedures, decisions. The annual work schedule of Internal Audit is approved by the SB; further audit tasks can only be determined by the SB and the Head of Internal Audit, in agreement with the SB and the Company's CEO. The Supervisory Board is managing the internal audit organisation. The Head of Internal Audit has a reporting obligation to the SB. The direct technical management of internal audit activities is carried out at a banking group level, while methodical guidance through Integration Organisation.

The internal audit informed the Supervisory Board and the Company's management about the results of conducted investigations according to regulations of Credit Institutions Act. The Company's internal audit reports to the SB about its activity and informs about control function operations and revealed deficiencies. The Internal Audit is continuously monitoring and controlling the fulfilment of measures to eliminate the revealed deficiencies and regularly reports about it to the SB and the Company management. As the Company joined to the Integration Organisation, the Company's internal audit organisation had an obligation to data reporting towards MTB Zrt's internal audit, its base is to be applied obligatory by the Company and is part of MTB Zrt's internal audit regulation system for the Integration.

The Internal Audit's activity planning and its fulfilment is based on risk analysis, which analyses and examines the whole scale of business procedures. Also in 2021, Internal Audit had an internal audit strategy (with long-term audit plan), internal audit regulations, a manual to support internal audit tasks, a risk and examination result assessment methodology, regulations for the reporting and information system, all approved by the SB. Taking all these into account, it prepares the internal audit's annual work schedule which is afterwards approved by the SB. Taking its competency into account, it has access to all information and documents needed for the examinations.

Internal Audit's main tasks for 2021 were to support, through the conduct of general and thematic audits, the achievement of the Company's and TakaréK Group's strategic goals, proper operation, the control system's operation, with particular regard to the performance and compliance of refinancing activities and the issuance of mortgage-backed securities, as well as to meet the expectations of the Company's managers and control bodies and carry out the tasks determined by the same, based on the experience gained from previous years' audits and adjusting the audits to the market environment. A key task and aim was to review compliance with the legal framework in practice and regularity, in order to reduce risks. A further aim was to ensure that audits promote the efficient functionality and operation of control systems to identify and eliminate any deficiencies in the field of meeting the requirements applicable to controls built in work procedures and to managerial controls, and to have feedback in a relatively short period of time in case of a new activity or work procedure in order to handle any deficiencies and risks efficiently.

#### **4.4. The auditor's activities**



The Company's auditor for the 2021 financial year was Deloitte Könyvvizsgáló és Tanácsadó Korlátolt Felelősségű Társaság (registered seat: H-1068 Budapest, Dózsa György út 84/C.; registration number: 01-09-071057; chamber of commerce member no: 000083; registration number as a qualified financial institution at the Authority: T-000083/94; hereinafter: „Auditor”). On behalf of the Auditor, the audit tasks were carried out by MOLNÁR Attila (mother's name: WÜNCSES Olga; address: H-1147 Budapest, Istvánffy u. 41.; tax identification number: 8419861804, Chamber of Hungarian Auditors (MKVK) number: 007379; hereinafter: „natural person auditor”).

In 2021, Deloitte Könyvvizsgáló és Tanácsadó Kft. completed its assignment of performing the annual auditing tasks.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The shareholder is entitled to a dividend of distributable profits, ordered for distribution by the General Meeting, proportionate to the nominal value of its share. Of after-tax profit distributable among shareholders, the holder of series "B" dividend preference shares has a right to dividend 10% higher than dividend due for series "A" ordinary shares, provided that if the holder of dividend preference shares is not entitled to dividend in a given financial year, lost dividend from profits of previous years may not be supplemented.

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

Shareholders have the right to attend the general meeting. Shareholders have a right to information concerning matters on the General Meeting's agenda. Accordingly, upon the shareholder's written request submitted at least eight days before the date of the General Meeting, the Board of Directors shall provide the information necessary for discussing the given item on the agenda of the General Meeting three days before the date of the same. The Board of Directors may bind the exercise of the above right to information to a written non-disclosure declaration

issued by the shareholder requesting information. The Board of Directors may reject the request for information and access to the documents if it would compromise the Company's business, bank, securities or other similar secrets or if the person requesting the information exercises this right in an abusive manner or fails to make a confidentiality statement despite having been instructed thereto. If the person requesting information considers the denial of information to be unreasonable, he/she may request the court of registration to oblige the Company to provide such information. The Company shall allow all shareholders attending the General Meeting to exercise the right to information, commenting and to motion, provided that exercise of such rights does not prevent the regular and proper operation of the General Meeting. To ensure the exercise of shareholder rights defined hereunder, the chairperson of the General Meeting shall give the floor to shareholders at the General Meeting, under condition that the chairperson may limit speaking time, interrupt the speaker, in particular, upon deviation from the topic, and – when several persons are speaking simultaneously – determine the order of speeches to ensure the regular and proper operation of the General Meeting. The Company has five (5) business days available from the date of the General Meeting to answer questions raised at the General Meeting and not answered to the satisfaction of shareholders.

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

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

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

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

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

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

The general assembly shall have a quorum if the shareholders representing more than half of the votes attached to the shares vested with voting rights are present. If the general assembly shall not have a quorum, at least ten and at most twenty-one days after the original date a second general assembly shall have a quorum in cases of the original agenda regardless the number of participants.

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

At the General Meeting, each class "A" ordinary share with a nominal value of HUF 100, i.e. Hundred Hungarian Forints, entitles to one vote; and each class "C" ordinary share with a nominal value of HUF 1,000, i.e. One Thousand Hungarian Forints, entitles to ten votes<sup>3</sup>. The Company like the general assembly performs ownership

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

compliance determined by the Capital Market Act, stock market regulations and KELER Zrt's regulations which is dated in the period of time between the 7<sup>th</sup> and 5<sup>th</sup> stock market days before the general assembly. At the general assembly only those persons are entitled to the shareholder rights who owns the shares on the day of ownership compliance and whose name is included in the list of shareholders on the second business day before the beginning day of the general assembly at 18.00 (closure time of the list of shareholders).

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

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

The detailed rules on organisation of the general assembly are included in points 3.1-3.1.23 of the Articles of Association.

## **7. Remuneration Statement**

### **7.1. Remuneration principles for the year 2021**

The Remuneration Policy's review was approved by MTB Magyar Takarékszövetkezeti Bank Zrt.'s Supervisory Board by way of Supervisory Board decision No. FB-1/10/2021, by its Board of Directors by way of Board of Directors' decision No. G/1/10/2021, by its Remuneration Committee by way of Remuneration Committee decision No. JavB-1/2/2021 and by its Risk Management Committee by way of Risk Management Committee decision No. KkB-1/2/2021 in March 2021.

The Remuneration Policy entered into force on 31 March 2021 as a direct regulation No. 2/2020 V2, but its provisions are applicable from 1 January 2021 to the entities covered by it.

Considering the Remuneration Policy, that it is about a directly applicable regulation, except for the annexes indicated with the letters "KM", no implementation was necessary for the Company. Implementation of the "KM" Annexes to the Remuneration Policy was approved by the Supervisory Board of TakaréK Mortgage Bank Co. Plc. by way of decision No. 23/2021. (03.30.).

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

The Remuneration Policy aims to:

- establish a remuneration system in accordance with the medium- and long-term strategy of the TakaréK Group,
- that is clear, transparent and can be accurately planned for every employee,
- in compliance with the proportionality principle set forth in Government Decree 131/2011. (VII. 18.),
- Magyar Bankholding Zrt. (hereinafter referred to as "Bankholding") and the Savings Group are supervised on a consolidated basis, and the purpose of this Policy is to meet the requirements of the Bankholding as the group manager with regard to the Remuneration Policy.

Principle of the Remuneration Policy:

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

The basic principle of the Remuneration Policy is to harmonize the business goals of the members of the TakaréK Group and the personal goals of the employees on long term.

It is the fundamental aim of the TakaréK Group to encourage its employees to boost performance in addition to performing quality work and also to make employees interested in the long-term, successful and risk-aware operation that observes the interests of the Clients while the remuneration system is applied.

The Remuneration Policy needs to be in accordance with the goals, strategy and environment of the TakaréK Group. It should serve to motivate leaders and subordinates, the personal development of colleagues, and it should also support the success of the TakaréK Group while keeping in mind the interests of the Clients and the owners. The Remuneration Policy is in accordance with effective and successful risk management, the application of which it facilitates, and it does not encourage risk-taking exceeding risk limits.

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

- MTB Magyar Takarékszövetkezeti Bank Zrt.,
- Takarékbank Zrt.,
- TakaréK Mortgage Bank Co. Plc.,
- Direct and indirect investments of MTB collectively that are companies under consolidated supervision and/or the affiliated enterprises of MTB, Takarékbank Zrt and TakaréK Mortgage Bank Co. Plc.
- Intermediaries, agents and partially third parties acting on behalf of Takarékbank Zrt and MTB Magyar Takarékszövetkezeti Bank Zrt. based on an agency agreement, taking into consideration the principle of proportionality, not overriding their own remuneration policy.

The personal scope of the Remuneration Policy:

The Remuneration Policy is applicable to all of the employees of the companies under the subjective scope.

The personal scope of the Remuneration Policy shall apply to every senior officer, supervisory board member and salaried employee of TakaréK Group as per Section 3:21 of the Civil Code, and, in addition to the general rules, it determines special rules in connection with highlighted persons as per Section 117. paragraph (2) of the Credit Institutions Act, annex 13 of the Collective Investments Act.

The personal scope of the Remuneration Policy shall also apply to every employee of the TakaréK Group who do not fall under the special regulations referenced in the previous clause.

The scope of the Remuneration Policy applies to every relevant person performing investment service activities as defined in the Investment Firms Act pursuant to the Decree No. 2017/565 (irrespective of whether they are an employee of the Group or a third party acting on behalf of an organization).

The temporal scope of the Remuneration Policy is indefinite, with the proviso that its provisions should be reviewed annually, or in the event of major changes in the legislation.

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

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

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

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

The duties of the Supervisory Board:

The Supervisory Board is responsible for adopting and regularly reviewing the Remuneration Policy and for monitoring and reviewing the implementation of the Remuneration Policy.

It approves the significant exceptions to the approved Remuneration Policy or the modifications of the approved Remuneration Policy, and carefully weighs up and monitors the effects thereof.

Performance assessment criteria used by the Compliance Department shall be approved by the Supervisory Board in line with the principles laid down in the Remuneration Policy.

It shall approve the policy relating to the identification process as part of the Remuneration Policy, it participates in designing the identification process, and furthermore, it constantly monitors the process. It shall conduct a periodic review of the approved policy and modifies it when necessary.

The remuneration of members of governing bodies (Board of Directors) with a managerial authority shall be determined by the body having supervisory authority, the Supervisory Board, the owner or the General Assembly. Members of governing bodies with a managerial authority (Board of Directors) cannot decide about their own remuneration, decision is made by the Supervisory Board on the recommendation of the Remuneration Committee (if one has been created).

On the basis of a proposal from the Remuneration Committee, the Supervisory Board decides on the remuneration of the managers performing the independent control function. In the case of Group Members that are not credit institutions and where an arbitral Supervisory Board operates, the tasks that generally fall within the competence of the Supervisory Board shall be delegated to the General Assembly.

Duty of the Board of Directors:

The Board of Directors of a Member of the TakaréK Group shall be responsible for acknowledging and publishing the Remuneration Policy and shall be responsible for its implementation.

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

The Group Remuneration Policy shall be reviewed annually, and it shall be issued as a policy with direct effect. Involvement of MTB Zrt.'s HR and controlling officers in laying down the principles of and implementing and reviewing the Remuneration Policy under the coordination of the MTB Zrt. Staff shall be ensured by the annual review process, wherein they comment the rules and processes of remuneration, and the Priority Persons. Experts from the organizations falling under the scope of the Remuneration Policy may also be invited to comment.

Within the review process of the Remuneration Policy, the Compliance Directorate shall annually analyse the impacts of the Remuneration Policy on the institute's compliance with the legislation, policies, internal policies and the corporate risk culture. Furthermore, as part of a proposal for the approval of the Remuneration Policy, it shall report any identified compliance risks and deviations from the requirements to members of the management- and supervisory boards (MTB Board of Directors and MTB Supervisory Board).

In the TakaréK Group, the compliance check of the implementation of the Remuneration Policy shall be coordinated by the Integration Organization. The internal compliance check shall be conducted annually, also at the level of each institution. This was carried out in 2021 as well.

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

MTB Zrt.'s control function areas shall verify and review the compliance of the Remuneration Policy with the policies, strategies, regulations, procedures and internal rules, the fulfilment of central or group-level provisions.

By issuing the regulations on the Remuneration Policy, MTB Zrt. shall ensure and require that the remuneration policies of the Group as a whole and of each member are consistent and harmonized, including identification processes and adequate implementation on a consolidated and individual basis.

## **7.2. Remuneration Statement for the Year 2021**

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

The remuneration of the members of the management is governed by the provisions of the Remuneration Policy issued by MTB Zrt. as a direct regulation No. 2/2020 V2, which entered into force on 31 March 2021 and are applicable from 1 January 2021.

### ***2/ Officers***

The extraordinary general assembly of the Company held on 23 November 2021 resolved in its resolution No. 11/2021 (11.23.) that the remuneration of the Chairman of the Board of Directors shall remain HUF 400,000 gross per month, and that of the members of the Board of Directors shall remain HUF 200,000 gross per month, with effect from 1 December 2021. In its Resolution No. 17/2021 (11.23.), the general assembly determined that the remuneration of the Chairman of the Supervisory Board shall remain HUF 318,000 gross per month, and the remuneration of the members of the Supervisory Board shall remain HUF 212,000 gross per month, with effect from 1 December 2021.

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

As part of the Responsible Corporate Governance Report of TakaréK Mortgage Bank Co. Plc. (registered seat: H-1117 Budapest, Magyar Tudósok körútja 9. Infopark G épület.; company registration number: 01-10-043638; hereinafter: „the Company”) represents by submission of the following questionnaire on the extent the Company applied the recommendations set out in the specific points of the Responsible Corporate Governance Suggestions issued by Budapesti Értéktőzsde Zrt. (Budapest Stock Exchange).

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

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

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

**Yes No**

Explanation:

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

**Yes No**

Explanation:

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

**Yes No**

Explanation:

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

**Yes No**

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

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

**Yes No**

Explanation:

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

**Yes No**

Explanation:

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

**Yes No**

Explanation:

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

**Yes No**

Explanation:

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

**Yes No**

Explanation:

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

**Yes No**



Explanation:

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

**Yes No**

Explanation: In 2021, no such questions arose.

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

**Yes No**

Explanation: In 2021, no such motions or proposals were submitted.

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

**Yes No**

Explanation:

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

**Yes No**

Explanation:

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

**Yes No**

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

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

**Yes No**

Explanation:

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

**Yes No**

Explanation:

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

**Yes No**

Explanation:

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

**Yes No**

Explanation:

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

**Yes No**

Explanation:

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

**Yes No**

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

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

**Yes No**

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

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

**Yes No**

Explanation:

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

**Yes No**

Explanation:

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

**Yes No**

Explanation:

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

**Yes No**

Explanation:

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

**Yes No**

Explanation:

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

**Yes No**

Explanation:

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

**Yes No**

Explanation:

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

**Yes No**

Explanation: In 2021, no such case occurred.

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

**Yes No**

Explanation:

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

**Yes No**

Explanation:

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

**Yes No**

Explanation:

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

**Yes No**

Explanation:

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

**Yes No**

Explanation:

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

**Yes No**

Explanation:

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

**Yes No**

Explanation:

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

**Yes No**

Explanation:

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

**Yes No**

Explanation:

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

**Yes No**

Explanation:

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

**Yes No**

Explanation:

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

**Yes No**

Explanation:

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

**Yes No**

Explanation:

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

**Yes No**

Explanation:

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

**Yes No**

Explanation: The company has not disclosed a single document on the independence of the members of the Board of Directors and the Supervisory Board, but the rules of procedures of both the Board of Directors and the Supervisory Board includes the conflict-of-interest and the independence criteria in connection to its members. Both rules of procedures are disclosed on the website of the company

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

**Yes No**

Explanation:

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

**Yes No**

Explanation:

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

**Yes No**

Explanation:

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

**Yes No**

Explanation:

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

**Yes No**

Explanation:

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

**Yes No**

Explanation:

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

**Yes No**

Explanation:

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

**Yes No**

Explanation:

2.8.4. The company has a compliance function.

**Yes No**

Explanation:

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

**Yes No**

Explanation:

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

**Yes No**

Explanation:

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

**Yes No**

Explanation:

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

**Yes No**

Explanation:

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

**Yes No**

Explanation:

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

**Yes No**

Explanation:

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

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

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

**Yes No**

Explanation:

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

**Yes No**

Explanation: There was no Shareholders' Meeting initiated by shareholders in 2021.

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

**Yes No**

Explanation:

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

**Yes No**

Explanation:

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

**Yes No**

Explanation:

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

**Yes No**

Explanation:

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

**Yes No**

Explanation:

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

**Yes No**

Explanation:

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

**Yes No**

Explanation: The Company did not pay dividends in 2021.



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

**Yes No**

Explanation:

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

**Yes No**

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

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

**Yes No**

Explanation: