

## MAGYAR BANKHOLDING ZRT.

### REMUNERATION POLICY OF THE BANKHOLDING GROUP

based on the decision taken at the meeting of the MBH Zrt. Board of Directors held on 7 December 2020

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## **1. THE PURPOSE AND PRINCIPLES OF THE POLICY**

- (1) The Remuneration Policy aims to
  - provide a clear, transparent and accurately predictable incentive system for every employee
  - in accordance with and within the framework of the long-term strategy of Magyar Bankholding Zrt. and the Member Banks,
  - and in compliance with the proportionality principle set forth in Government Decree 131/2011. (VII. 18.).
- (2) The basic principle of the Remuneration Policy – along the lines of the merger strategy – is to harmonize, on the long-term, the business goals of Magyar Bankholding Zrt. and the Member Banks with the personal goals of the employees.
- (3) It is the fundamental aim of Magyar Bankholding Zrt. and the Member Banks to encourage their employees to boost performance while performing quality work and also to make employees interested in long-term, successful and risk-aware operation that observes the interests of the Clients even in the course of the application of the remuneration system.
- (4) The Remuneration Policy needs to be in accordance with the goals, strategy and environment of Magyar Bankholding Zrt. and the Member Banks. It should serve to motivate leaders and subordinates, to promote the personal development of colleagues, and it should also support the success of Magyar Bankholding Zrt. and the Member Banks, while observing 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.
- (5) When devising the relevant Remuneration Policy, considered a mandatory guideline, Magyar Bankholding Zrt. and the Member Banks will take into consideration special banking values such as high-level prudence, ethical market conduct, modern and efficient client management, the exclusion of conflicts related to remuneration, and the remuneration of those in controlling functions being independent from the performance of the areas they control.

## **2. THE SCOPE OF THE POLICY**

### **2.1. The personal scope of the policy**

- (6) In the case of the employees of Magyar Bankholding Zrt., the Remuneration Policy shall be implemented directly, while in the case of the employees of other Member Banks, it shall be implemented – at the level of guidelines – through the independent Remuneration Policies of each Member Bank.
- (7) The personal scope of the Remuneration Policy shall apply to every senior officer, supervisory board member and salaried employee of Magyar Bankholding Zrt. and the Member Banks 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 Subsection (2) of Section 117 of the Act on Credit Institutions and Financial Enterprises, Act XVI of 2014 on Collective Investment Trusts and Their

Managers, and on the Amendment of Financial Regulations (hereinafter referred to as: Collective Investments Act), and Paragraph a) of Section 3 of Government Decree 131/2011. (VII. 18.).

- (8) The special rules governing the remuneration of persons selling banking products and services are outlined for each position in the internal policies of Member Banks, companies.

## **2.2. The institutional scope of the policy**

- (9) The following institutions are subject to the scope of this Remuneration Policy:

- Magyar Bankholding Zrt. directly,
- Member Banks, at the level of guidelines indirectly: Budapest Bank Zrt., MKB Bank Nyrt. and MTB Magyar Takarékszövetkezeti Bank Zrt., jointly.

## **3. IDENTIFICATION OF HIGHLIGHTED PERSONS**

- (10) Highlighted persons must be identified at least annually, pursuant to the same principles, with the procedure documented in accordance with the Remuneration Policy and its annexes.
- (11) Identification and documentation of the highlighted persons of Magyar Bankholding Zrt. is the responsibility of the HR Department of Magyar Bankholding Zrt. The identification of highlighted persons is carried out in accordance with the Remuneration Policy of the Member Bank, of which the HR Department of the Member Bank informs the HR Department of Magyar Bankholding Zrt.

## **4. APPLYING THE PRINCIPLE OF PROPORTIONALITY IN REMUNERATION**

- (12) The principle of proportionality is applied – pursuant to Government Decree 131/2011. (VII.18.) – by Magyar Bankholding Zrt. and the Member Banks at the group level, based on the same principles and with particular regard to the rules governing deferral.
- (13) The principle of proportionality is applied at the institutional and personal level of Member Banks based on the Remuneration Policy of the given Member Bank following the identification procedure.
- (14) Compliance with the principle of proportionality is verified annually by the Supervisory Board of Magyar Bankholding Zrt. as part of a review process. As regards the application of the principle of proportionality, special reviews are to be carried out in case of a relevant amendment of remuneration regulations.

### **4.1. Proportionality applied at the institutional level**

- (15) As regards Institutions covered by the Remuneration Policy – in accordance with the nature of such Institutions –, in order to ensure proportional application of certain elements of the Remuneration Policy, the following criteria must be considered:
- a. Balance sheet total, profit or loss calculated based on the audited accounting data of 31 December of the year prior to the Member Bank's Subject Year;
  - b. geographical presence of the Member Bank and the scale of activities;
  - c. legal status and the amount of capital and liabilities available;
  - d. authorization pertaining to the internal methods used to measure capital requirements;
  - e. evaluation of proportionality, possible categorisation of the given Member Bank, performed with regard to the Bankholding Group;
  - f. the type of approved activities and services;
  - g. the underlying business strategy;

- h. the structure of the business activities, and the time horizons, measurability and predictability of the risks of business activities;
- i. the financing structure of the Member Bank;
- j. the internal organizational structure of the Member Bank, including the level of performance-based remuneration payable to employees;
- k. the income statement structure of the Member Bank;
- l. clientele (for example retail, corporate, small businesses, public institutions);
- m. the complexity of products or contracts.

#### **4.2. Proportionality applied at the personal level**

- (16) As regards natural persons covered by the Remuneration Policy, apportioning is carried out based on, on one hand, the activities and functions of Magyar Bankholding Zrt. and the Member Banks, and, on the other, the evaluation of senior officials and employees in each organisational unit, in accordance with the following criteria:
- a. position in the hierarchy, seniority;
  - b. individual and collective decision-making powers associated with a position;
  - c. the nature, complexity of the given activity;
  - d. the level, frequency of supervision the person performing the given duties is subject to;
  - e. business models of the business lines;
  - f. the given market environment, the labour market competition, and other specific regulatory factors.

### **5. STRUCTURE AND PRINCIPLES OF REMUNERATION**

- (17) Magyar Bankholding Zrt. and the Member Banks provide/may provide Basic Remuneration and Performance-based Remuneration to the persons subject to the Remuneration Policy.
- (18) In the case of the Remuneration Policy, classification-based, differentiated, income level Performance-based Remuneration is established in accordance with the respective values of each job.
- (19) The components of Basic Remuneration and Performance-based Remuneration are identified and their proportion is determined so as to properly reflect the function, size and complexity of the given organisation and to be in conformity with competitive market trends.
- (20) The proportion of Performance-based Remuneration cannot exceed 100 percent of Basic Remuneration for any employee covered by the Remuneration Policy.
- (21) In case of significant financial loss incurred by the Bankholding Group and/or Group Members, the Board of Directors of Magyar Bankholding Zrt. may amend the initial income ratios by decreasing the level of Performance-based Remuneration.
- (22) As for the personnel covered by the Remuneration Policy, remuneration may only include Basic Remuneration and Performance-based Remuneration, with no third category, meaning that all remuneration elements must be assigned to either Basic Remuneration or Performance-based Remuneration.
- (23) Remuneration shall be considered Basic Remuneration if the terms and conditions concerning its establishment and amount:

- a. are based on predefined criteria;
- b. reflect the level of professional experience and the duration of service in a non-arbitrary manner;
- c. are transparent with regard to the individual sums assigned to each person;
- d. are constant, i.e. they are maintained for the duration associated with a given task and organizational liabilities;
- e. are irrevocable, being a constant sum that may only be modified following a collective wage bargaining process or renegotiation;
- f. cannot be reduced, suspended or terminated by the institution;
- g. do not incentivise risk-taking; and
- h. are not dependent on performance.

(24) As for the personnel covered by the Remuneration Policy, upon determining the full rate of remuneration, the following may be considered:

- a. qualifications, experience-related requirements and associated limitations (e.g. social, cultural and other relevant factors) as identified for the given position;
- b. labour market information;
- c. responsibilities, liabilities and competencies; and
- d. importance of the position within the organisation, job tenure.

(25) The Performance-based Remuneration of employees performing control functions, i.e. risk management, compliance and internal audit functions, must not be tied to the operating results of the business areas they oversee and the methods used to determine their Performance-based Remuneration must not compromise the independence and objectivity of such employees. The remuneration of employees performing Control Functions must be competitive and promote the employment of employees with sufficient qualifications and professional experience.

(26) The remuneration of Highlighted Persons performing Control Functions and the composition and rate of such remuneration shall be determined based on the recommendation of the Remuneration Committee; also, the Remuneration Committee shall directly oversee the remuneration of all employees performing Control Functions.

### **5.1. Types of basic remuneration**

(27) Honorarium: the president and members of the Board of Directors and Supervisory Board of the Institutions shall receive an honorarium paid on a monthly (or other) basis. The rate of the honorarium shall be determined by the competent decision-making body (general assembly, meeting of delegates, general meeting) of the Institution or, in case of an owner with a 100% ownership rate, by the owner's decision in accordance with the liabilities of the person in question, while ensuring that the honorarium is proportionate to the work performed and does not mean undue financial burden for the Institution. External members of the Board of Directors or the Supervisory Board (officials not in an employment relationship) shall not be entitled to Performance-based Remuneration.

(28) Base salary: Employees of the Institutions are entitled to base salary, the amount of which depends on the level of responsibility associated with their position, on the qualification, professional expertise and experience of the employee and on the ability of the Institution to generate revenue. Overtime pay and overtime allowance paid under the provisions of the Labor Law in case of special

work duty, other allowances, absentee pay and compensation in lieu of leave constitute basic remuneration. Sick leave and sickness benefit are special basic remunerations.

- (29) Benefits: Institutions may grant benefits in accordance with the provisions of their internal policies (e.g. cafeteria and other fringe benefits).
- (30) Retention bonus: Retention bonus may be paid in cases where the Institution can clearly justify that the retention of a relevant employee is of priority importance for the organization. A retention bonus may be paid: in the case of restructuring or downsizing; in the case of significant changes taking place in management. The retention bonus does not depend on performance, but on other criteria (i.e. on the condition that the employee will remain at the organization for a definite term or until a certain event occurs). The amount of the retention bonus will not be considered when calculating the proportion of basic and performance-based remuneration.

The Institution shall determine the retention period as a definite period of time or as an event at the occurrence of which certain criteria must be met. The retention bonus may be provided after the expiry of the retention period or the occurrence of the retention criteria.

The retention bonus may not be applied to compensate for any performance-based remuneration not paid because of inadequate performance or the financial status of the Institution.

- (31) Job-specific allowance: Job-specific allowance is a form of basic remuneration, i.e. it is independent of individual/bank level/group level performance. Job-specific allowance may be paid in every position where no commission/incentive is paid, but the two remuneration elements may not be used for the same position.

## **5.2. The types of performance-based remuneration**

- (32) Performance-based remuneration is the part of remuneration which the Institution may provide to its employee in addition to basic remuneration. Performance-based remuneration requires that a performance requirement be determined in advance based on objective and subjective criteria, which is then checked through objective measurement, calculation and subjective assessment.
- (33) Performance-based remuneration must concurrently consider the performance of the relevant organizational unit and the credit institution's senior officer or employee, based on financial and non-financial criteria.
- (34) Performance-based Remuneration is determined in a manner so as to incentivise Employees to engage in long-term efficient performance, to enable ex-post and ex-ante risk assessment, and to allow for the potential recovery of cleared/paid Performance-based Remuneration. 100 percent of Performance-based Remuneration are covered by reduction and recovery rules in accordance with the provisions of the Remuneration Policy.
- (35) As regards Highlighted Persons, Performance-based Remuneration may not be paid on any grounds other than those outlined in the Remuneration Policy.
- (36) No performance-based remuneration element can be determined which would
- encourage the employees to act counter to the interests of the clients,
  - prefer the sale of certain products, product families or services,
  - lead to conflicts of interest or incompatibility with the client.
- (37) Reward: may be awarded at the discretion of the employer based on performance assessment, as ex-post recognition of the employee's work. Rewards may be paid as a lump sum payment in cash or in a tangible form.
- (38) Bonus: may be awarded based on annual personal goals and performance, as ex-post recognition of the employee's work. The bonus is paid to non-highlighted persons as a lump sum cash payment.

Those performing work on the basis of agency agreements are not entitled to performance-based remuneration.

- (39) Commission/Incentive: It is paid in cash, based on the dedicated policies of the Institution, against the incentive budget established in the annual plan, and following a periodic assessment carried out for the relevant business cycle. In the case of indicators serving as a basis for the payment of commission, each and every Institution must ensure that quality indicators are also considered in addition to quantity indicators.
- (40) Project bonus: may be granted to employees in connection with projects. Project bonuses may be paid upon the fulfilment of set targets or announced projects, programs. It is linked to performance criteria and project assessment.
- (41) Productivity bonus: a form of performance-based remuneration payable upon the completion of certain, non-annual targets. It is to be paid when targets are reached and is not associated with performance assessments.
- (42) Guaranteed performance-based remuneration: Guaranteed performance-based remuneration may take multiple forms (e.g. guaranteed bonus, signing bonus, welcome bonus, minimum bonus) and may not be granted for a period longer than the first year of employment.
- a. *Signing bonus*: may be paid as a lump sum payment, in the form of a Cash Benefit. The provision of a Signing Bonus may only be undertaken in extraordinary cases, upon the signing of the employee, for a period of one year, providing subsequent notification to the Board of Directors of Bankholding Zrt. The amount of the Signing Bonus may not be considered when calculating the proportion of Basic Remuneration and Performance-based Remuneration in the first performance evaluation period, and, furthermore, the rules governing deferral, retention and recovery shall not apply to such bonuses.
  - b. *Compensation*: undertaking an obligation to pay Compensation with regard to the buying out of an existing employment contract shall only be allowed in extraordinary cases, upon the signing of the employee, providing subsequent notification to the Board of Directors of Bankholding Zrt. For employees not considered Highlighted Persons, Compensation may be paid in lump sum in the form of Cash Benefits, while for Highlighted Persons, all requirements pertaining to the Performance-based Remuneration of Highlighted Persons must be applied (including rules governing deferral, retention, payment in the form of instruments, and recovery).
- (43) Benefits, incentives from third parties: The detailed rules governing benefits provided by the strategical partners of the Bankholding Group are defined more specifically in incentive system policies. Before announcing incentives, the HR Department of the Member Bank, the MCS, HR MCS and Compliance Department must be consulted, with special regard to the investment products covered by MIFID2 principles.
- (44) Severance pay: The party exercising the employer's rights negotiates with the employee the benefits related to the termination of employment, in observance of the provisions of the Labor Law in effect and the internal policy of the Institution. Severance pay shall be regarded as performance-based remuneration, but it shall not be considered in the application of the rules relating to deferral and payment in the form of assets, or for the calculation of the proportion of basic and performance-based remuneration in the cases outlined in Article 141 of Recommendation No. 3/2017 (II.9.) of the Central Bank of Hungary. Certain subtypes of severance pay are prescribed by the Remuneration Policy, while in other cases severance pay shall be taken into consideration for the calculation of proportions.

No agreements can be concluded where payments under any title associated with the termination of the employment would be made in spite of a loss incurred by the Institution as result of the actions taken by or the excessive risk-taking of the employee.

Where employment is terminated, the unpaid performance-based remuneration shall be settled according to the original deferral plan, except where the person exercising the employer's rights and the employee - while considering other aspects, too - agree otherwise. Decisions regarding the members of the Board of Directors who are employed shall be made by the Supervisory Board.

- (45) Non-compete agreement: may be primarily concluded at managerial levels or for such positions which pose a business risk and are important for the continuity of business. The non-compete agreement can be terminated upon the termination of the employment, i.e. it is the discretionary right of the employer whether it wishes to apply this institution.

## **6. THE OPERATIONAL PROCESS OF THE PERFORMANCE-BASED REMUNERATION SYSTEM**

### **6.1. Budget allocation**

- (46) Upon determining the bonus budget or the individual performance-based remuneration, the Institution must consider any actual risk associated with its activities, any foreseeable and non-foreseeable loss, and potential periods of stress. The bonus budget shall be determined in the course of business planning processes separately for each Institution, by the Member Banks for the Member Banks themselves, and for Magyar Bankholding Zrt. by Magyar Bankholding Zrt. itself.

### **6.2. The general principles, framework of performance measurement**

- (47) Magyar Bankholding Zrt. shall be responsible for determining, at the top level, group-level objectives, while individual Member Banks shall be responsible for disassembling group-level objectives to apply them at each organisational level.
- (48) In order to determine such objectives, quantitative and qualitative performance criteria must be established for employees, business units, the Member Banks and Magyar Bankholding Zrt., including financial and non-financial criteria and social responsibility related criteria. At the personal level, such criteria are included in the employee objectives.
- (49) In order to determine objectives, any current and future risk factors must be considered, including on-balance sheet risk and off-balance sheet risk. Performance criteria should not incentivise excessive risk-taking or unfair marketing practices.
- (50) The performance measurement period may be no longer than 1 year. Quantitative criteria must cover a period long enough to suitably establish the risk undertaken by Magyar Bankholding Zrt., Member Banks, business units, and employees, and must include risk adjustment and economic efficiency indicators.
- (51) As for the Performance-based Remuneration of employees performing Control Functions, rates must be determined independent of the performance of the business units overseen by the employee performing Control Functions; this exclusion shall also cover any performance resulting from business decisions made with the involvement of Control Functions. Criteria pertaining to the performance and risk assessment must be based primarily on the objectives of internal Control Functions. Performance-based Remuneration for Control Functions must be based predominantly on audit targets.
- (52) Employees considered Highlighted Persons are not allowed to conclude hedge transactions which would eliminate the effects of the risk-taking included in the provisions related to their performance-based remuneration, or would pass them on to a third party.



(53) Performance-based remuneration may be provided against the achievement of predefined performance objectives.

(54) Magyar Bankholding Zrt. shall be responsible for evaluating group-level objectives, while individual Member Banks shall be responsible for evaluating group-level objectives applied at the organisational level.

### **6.3. The Preliminary Risk Assessment**

(55) Magyar Bankholding Zrt. and the Member Banks shall carry out preliminary risk assessment in accordance with the schedule determined by the control and performance management functions of Magyar Bankholding Zrt.

(56) If

- institutional quantitative performance indicators fail to achieve the target values set for the given Subject Year, or
- the capital position or expected financial performance of the Institution makes it necessary regardless of the above,

then, based on the proposal of the HR Department of Magyar Bankholding Zrt., the decision-making, approval and managerial bodies of Magyar Bankholding Zrt. shall be entitled to decide on the (reasonable) amendment of quantitative performance measurement indicators, or, if they deem it necessary, on the application of proportionate Performance-based Remuneration, including the conditional deferral of the payment of the amounts made available for Performance-based Remuneration.

### **6.4. The payment of Performance-based Remuneration**

(57) The Performance-based Remuneration of employees not considered Highlighted Persons may be paid in accordance with the terms described in the performance-based remuneration types section.

### **6.5. Performance-based Remuneration eligibility criteria**

(58) Prerequisites for the payment of Performance-based Remuneration are the implementation of the measures associated with the given performance-based remuneration element and the review of performance-based remuneration elements.

(59) Employees shall not be entitled to Performance-based Remuneration if they fail to perform the duties associated with their positions and do not contribute to the achievement of the objectives established – due to an actual failure to perform their obligations.

## **7. SPECIAL RULES FOR THE PERFORMANCE-BASED REMUNERATION OF HIGHLIGHTED PERSONS**

### **7.1. Rules for deferral**

(60) Special rules for deferral concerning Highlighted Persons are determined by Member Banks based on the principle of proportionality in Member Bank Remuneration Policies.

(61) In the case of Magyar Bankholding Zrt., in accordance with the principle of proportionality, every employee whose performance-based remuneration does not reach the materiality threshold (in 2020: 75 000 EUR) may be exempted from deferral and asset payment rules and shall receive his/her performance-based remuneration in the form of a lump sum cash payment.

(62) As regards Highlighted Persons affected by a deferral, 50% of Performance-based Remuneration shall consist of Cash Benefits, and 50% – unless otherwise determined by legislation and with regard to contrary provisions of this Remuneration Policy – of Instrument-based benefits in accordance with Subsection (11) of Section 118 of the Act on Credit Institutions and Financial Enterprises.

- (63) The Instrument-based benefits element of Performance-based Remuneration is provided through the share defined by the Member Banks/Instrument associated with the share price; the details are determined by the Remuneration Policies of each Member Bank.
- (64) The form and pricing of the Instrument-based asset applicable to Magyar Bankholding Zrt. are equal to the value calculated based on the instrument definition and exchange rate determination methodology of Budapest Bank Zrt. (Member Bank).

## **7.2. Indicators associated with performance targets**

- (65) Performance target indicators for the Highlighted Persons of Member Banks are determined by the Remuneration Policies of Member Banks, while the detailed rules applicable to Magyar Bankholding Zrt. are determined by the Remuneration Policy.
- (66) Member Banks may, in view of the above, create their own indicators depending on the scope of their activities, the magnitude of the risks undertaken, the complexity of their activities.
- (67) In terms of the performance assessment, as a general rule, indicators covering three years must be taken into consideration, including the relevant year.
- (68) Where a new indicator is introduced, the “three-year rule” needs to be phased in gradually, i.e. one year’s indicators shall be taken into consideration in the first year, two in the second, and three in the third.

## **7.3. Payment, deferral concerning the highlighted persons of Magyar Bankholding Zrt.**

- (69) In the case of Highlighted Persons, performance assessment is based on the long-term performance of Magyar Bankholding Zrt., therefore the payment period is 3 or 4 years following the awarding of the performance-based remuneration, as follows:
- a. As regards CEOs and deputy CEOs, the deferral period extends to 4 years, with 40% of performance-based remuneration deferred per year in equal proportions (10%, 10%, 10%, 10%).
  - b. As regards other Highlighted Persons not in the above-mentioned category – if the amount of performance-based remuneration exceeds the materiality limit (in 2020: 75 0000 EUR) in the year that performance-based remuneration is assessed –, the sum must be paid over a 3-year deferral period, annually in equal proportions (13.3%, 13.3%, 13.3%).

## **7.4. Ex-post risk assessment**

- (70) Payment of any due amount of deferred performance-based remuneration is conditional on ex-post risk assessment.
- (71) Starting from the completion of the performance assessment and throughout the entire deferral period, any effects traceable to the activities of Highlighted Persons affected by the deferral must be considered, and the amount of performance-based remuneration deferred or paid in due time must be reduced accordingly, if necessary, as part of an ex-post risk assessment.
- (72) If, based on the assessment of individual risks associated with the activities of the Highlighted Person, no circumstances are found which would preclude the payment of the performance-based remuneration awarded to the Highlighted Person, said person shall be entitled to the payment; otherwise, said person shall not be awarded performance-based remuneration.

## **7.5. Recovery of payments**

- (73) In the case of Highlighted Persons, under certain conditions, paid or awarded performance-based remuneration may be reclaimed. The option of recovery shall be available for another 2 years

following the deferral period – even in the event of termination of the employment relationship –, provided that the terms below are demonstrated to have been met.

- (74) The whole or a part of the performance-based remuneration already paid can be reclaimed if, prior to performing the due instalment of the deferred performance-based remuneration, it can be concluded during the reassessment of the risk performance or the discovery of misuse/fraud that the highlighted person
- was involved in or was responsible for any practice that caused significant losses to the credit institution, or
  - the financial performance deteriorated due to excessive risks taken by him/her, or
  - he/she committed fraud or other gross negligence or willful misconduct.
- (75) A part or the whole of the value of the deferred, unpaid remuneration elements can be withdrawn if any of the above criteria are met. In such cases, performance-based remuneration awarded in the form of instruments and not yet converted to cash can also be reclaimed either in part or in full.
- (76) Significant losses or deterioration of financial performance shall mean – with the exceptions outlined in the Remuneration Policy – cases where performance and risk indicators deteriorate in excess of 50%. In the event of responsibility in this regard, reclamation rate may reach up to 100%, while in the case of participation, i.e. partial responsibility, being determined, the reclamation rate corresponds to the rate of participation. The basis of the reclamation: the performance-based remuneration paid during the subject period. Decisions regarding reclamation fall within the competence of the persons having the authority to determine performance-based remuneration.

## **8. PUBLICATIONS REGARDING REMUNERATIONS, DATA DISCLOSURE TO THE CENTRAL BANK OF HUNGARY**

- (77) Magyar Bankholding Zrt. and the Member Banks shall make their Remuneration Policies accessible to all employees of the given institution via their own computer network (intranet) or via standard local methods.
- (78) Magyar Bankholding Zrt. and the Member Banks shall publish their Remuneration Policies and the information outlined in Article 450 of the CRR on the website of the given institution and shall accordingly fulfill their basic and performance-based remuneration related data disclosure obligations towards the Central Bank of Hungary.

## **9. THE DUTIES OF EACH COMMITTEE, SECTOR IN THE COURSE OF THE REVIEW AND IMPLEMENTATION OF THE REMUNERATION POLICY**

- (79) A review of the Remuneration Policy must be conducted on an annual basis. This central and independent review must be performed on an individual basis. Any minor institutions operating as subsidiaries of a Member Bank may rely on the review conducted by the consolidating institution, provided that the review conducted on a consolidated or sub-consolidated basis have covered the institution, and if the results have been made available to the given institution's management body with supervisory powers.
- (80) As part of the central and independent internal review, the institution must evaluate whether comprehensive remuneration policies, practices and procedures are functioning as intended, comply with domestic and international legislation, principles and standards and their implementation is consistent throughout the group, they are in accordance with the requirements of Section 94 of the Act on Credit Institutions and Financial Enterprises and Section 110/I of the Investment Firms Act pertaining to limitations on payments, and whether they hinder the institution's ability to maintain or recover a reliable capital position.

- (81) Involvement of committees performing other relevant internal corporate functions and other key supervisory functions (particularly the HR Department, Risk Management Department, Compliance Department, Internal Control, Supervisory Board and Risk Committee of Magyar Bankholding Zrt.) in the development, implementation and review of the Remuneration Policy shall be ensured by the annual review process, wherein they comment on the rules and processes of remuneration, with the goal of ensuring that it is properly suited to the risk management strategy and risk management framework of the institution.
- (82) The results of the internal review performed and the measures taken to remedy any insufficiencies identified must be documented in the form of written records or minutes of the meetings of relevant committees or the Supervisory Board; the documentation must be made available to their management bodies, the relevant committees and corporate functions.
- (83) The internal compliance check shall be conducted annually, also at the level of each institution.
- (84) The compliance officer's report on the compliance check shall be discussed by the Institution's Board of Directors, Supervisory Board, Audit Committee, Remuneration Committee and Risk Committee, and if necessary, they present their proposals to amend the Remuneration Policy.
- (85) The control function areas of Magyar Bankholding Zrt. shall perform the verification and review of the compliance of the Remuneration Policy with the policies, strategies, regulations, procedures and internal rules, and of the fulfilment of central or group-level provisions.
- (86) By issuing this policy, Magyar Bankholding Zrt. as group controller shall ensure and require that the remuneration policies of the Bankholding Group as a whole and of each member are consistent and harmonized, including identification processes and adequate implementation on a consolidated and individual basis.
- (87) Magyar Bankholding Zrt. ensures that the industry-specific and other special characteristics of the Member Banks can be integrated into their remuneration policy while observing consistent, consolidated, group-level principles.

#### **9.1. The Remuneration Committee**

- (88) Members can be those members of the Board of Directors and the Supervisory Board who are not in an employment relationship with the Company. If the credit institution's management body with controlling powers does not have at least three members who are not in an employment relationship with the credit institution, independent members of the management body with supervisory powers may participate in the Remuneration Committee.
- (89) Where the Remuneration Committee is not set up, its duties are performed by the Supervisory Board.

#### **9.2. Duties of the Supervisory Board**

- (90) The Supervisory Board shall be responsible for approving, ensuring the regular review of the Remuneration Policy as well as for monitoring the implementation of the Remuneration Policy.
- (91) It approves the significant exceptions to the approved Remuneration Policy or the modifications to the approved Remuneration Policy, and carefully weighs up and monitors the effects thereof.
- (92) 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.
- (93) The remuneration of members of governing bodies (Board of Directors) with a managerial authority shall be determined by the body having supervisory powers, the Supervisory Board, the owner or the General Assembly.

(94) It supervises the implementation of the remuneration of leaders in independent control function (including risk management and compliance function).

### **9.3. The duties of the Risk Committee**

(95) Reviewing the Remuneration Policy with the purpose of ensuring that the incentive elements of the remuneration system developed consider the risks, capital position and liquidity of the credit institution and the probability and flow of revenue.

(96) Members can be those members of the Board of Directors who are not in an employment relationship with the Company.