

## **FHB MORTGAGE BANK PLC**

## **GUIDELINES OF REMUNERATION**

**Approved by the Company's General Meeting with its resolution No. 14/2009  
(28.04)**

**28 APRIL 2009**

### III Guidelines of Remuneration

With reference to the recommendations laid down in the BSE Corporate Governance Recommendations based on Commission Recommendation 2004/913/EC, the General Meeting of FHB Mortgage Bank Plc. establishes a set of guidelines of remuneration (hereinafter: "Guidelines") for the purposes of evaluating the performance of and remunerating the members of the managing, governing and controlling bodies of the Company and the companies affiliated to the FHB Banking Group under the following terms.

#### **A/ Scope and Effect**

##### **1. Personal scope:**

The scope and effect of the Guidelines covers the Chief Executive Officer of the Company and each Deputy Chief Executive Officer (hereinafter: "Chief Executive" or "Executives"), as well as all the members of the Board of Directors and the Supervisory Board of the Company and the affiliates of the FHB Banking Group (hereinafter: "Officers").

##### **2. Material scope:**

The scope and effect of these Guidelines covers:

- a) the evaluation of the performance of Executives,
- b) the principles of remunerating Executives,
- c) the rules of remunerating the costs incurred by Executives,
- d) the terms of employing Executives and the contracts concluded under Section 3(6) of the Labour Code,
- e) the principles of remunerating Officers,
- f) the management share option scheme.

##### **3. Term:**

These Guidelines shall have full force and effect as of the date of approval by the General Meeting until they are rescinded by the body holding the power to do so from time to time.

#### **B/ Guidelines**

##### **1. Evaluation of the performance of Executives**

Achieving the budgeted annual targets of the Company shall mean a predominant factor in the evaluation of the annual performance of Executives. Moreover, the evaluation shall take into account the progress made in implementing long term strategy, strategic thinking, the capacity to identify, discover and respond to business opportunities, establishing and maintaining relations with the market participants/business community as well as the skills of motivating, stimulating and managing peer managers and associates.

## **2. Principles of remunerating the Executives**

Basic wages: The rate of increase shall be identical to the indicative rate of increasing average wages at the Company.

Annual bonuses: Bonuses may be distributed for each business year with reference to annual performance at the rate set forth in the Guidelines (hereinafter: "Bonus"). Bonus requirements are set by the Board of Directors, in line with the followings:

- 1) 30 % depending on the result of the Banking Group (achievement of annual target numbers)
- 2) 50 % depending on individual performance in the respective business year
- 3) 20 % depending on individual performance in each quarter.

- 2.2.1. The Bonus of a business year shall be set on a case by case basis at the same time the business plan is adopted for the same year, or, if reasonable, thereafter. The Board resolution on determining the Bonus shall contain the maximum Bonus rate, the duties to be performed and the portion of the Bonus distributable against performing each subset of the duties, the date at which the payment Bonus advances, if any, may be effected, the date of evaluation and the person holding the power to determine the amount and the disbursement of advance payments against the Bonus.
- 2.2.2. Bonus rate can be maximum 50 per cent of basic annual wages in case of certain Executive Officers and 100 per cent of basic annual wages in case of other Executive Officers, with respect to the direct effect of the respective Executive Officer on the result of the Banking Group, as well as on his/her multi-employment relationships within the Banking Group.
- 2.2.3. Bonus entitlement is established by the following factors with the weights set out below (the highest attainable bonus is considered to represent 100%):
  - a) The business plan adopted by the Board of Directors shall lay down all the material circumstances and ratios that reflect the profitability of the core business and the profits/losses of financial operations of the Company and influence the impression the Company makes on independent. The section concerning Bonus determination in the Board resolution on the annual business plan shall specify case by case the weights associated with accomplishing each budgeted figure and ratio set in the business plan as a condition precedent to the disbursement of a portion of the Bonus.
  - b) If a review of the attainment of Bonus requirements establishes that budgeted figures and ratios set in Board resolution on the annual business plan approved by the Board of Directors as a condition precedent to the disbursement of a portion of the Bonus established by the Board of Directors finds that the targets have been achieved, Bonus payments of no more than 30 % of the highest achievable Bonus may be effected.

- c) The Board of Directors may establish individual bonus requirements in line with the principles described in section B/1 for 70 % of the highest achievable Bonus.
- 2.2.4. Advance Bonus payments may be made upon a Board resolution to that effect after closing the balance sheet of the Company for the first six months of a given year, provided that based on the interim annual development of the budgeted figures and ratios identified in the Board resolution on the annual business plan as conditions precedent to the payment of a portion of the Bonus it can reasonably be assumed that the conditions precedent to the disbursing Bonuses have been fulfilled. The amount payable as an advance may not exceed 50% of the annual Bonus.
- 2.2.5. In the event the budgeted figures and ratios identified in the Board resolution on the annual business plan as conditions precedent to the payment of the Bonus are not fulfilled, any advanced Bonus amounts disbursed shall be repaid, or, if no repayment is made, the provisions of Section 161(2) of the Labour Code may be applied. Bonus requirements are evaluated and payments are settled upon the approval of the closing balance sheet of a business year. The partial performance of Bonus requirements shall be ignored.
- 2.2.6. The Board of Directors has the discretion to make adjustments if Bonus requirements remain unfulfilled due to external circumstances beyond human control (natural disaster, market crashes and material changes in the regulatory environment) and other justified cases.
- 2.2.7. No Bonus payments shall occur if:
- a. the consolidated profit before taxation of the Company falls 15 % short of the budgeted figure;
  - b. the Company has outstanding and overdue public payment liabilities.
- 2.2.8. If the employment of an Executive is terminated in the course of the year, Bonuses due to the Executive may be settled pro rata after the ordinary general meeting convened to close the business year.

Reward: may be given for employees to recognize performance in arrears.

The annual policy of financial remuneration shall contain provisions to specify the bonus conditions, and rewards for the year as approved by the Board of Directors.

### **3. Reimbursement of the Costs of and Benefits to Executives**

- 3.1. The Chief Executive
- a. may use a car owned by the Banking Group for both official and personal purposes in compliance with the internal policy on car use and the tax regulations in effect from time to time,
  - b. may receive 150% of per diem on business trips, may use first class means of transport and accommodation and is entitled to travel related insurance covers

and to the reimbursement of apparel costs at 10% of the Executive's average annual wage as specified in the Executive's employment contract;

- c. may use a mobile phone owned by the Banking Group for job related purposes,
- d. is entitled to the welfare and social benefits (e.g. contribution to voluntary pension and health insurance funds, lunch benefits) granted to non-executive employees in line with the provisions of Instruction 120/2007 issued by the Chief Executive Officer.

#### **4. Terms of Employing Executives and the Contracts Concluded under Section 3(6) of the Labour Code**

- 4.1. Terms of employing Executives: Exercising fundamental employer's rights in respect of Executives (including the conclusion, termination and modification of contracts of employment, determining remuneration) is reserved for the body specified under law and in the Articles of Association as the holder of such powers.
- 4.2. Notice period: In the event the employment of an Executive is terminated by the entity entitled to exercise employer's rights by ordinary notice of termination as specified in Section 87(1) b) of the Labour Code, the notice period shall be:
- 2 months                                    if the term of employment is no more than a year;
  - 6 months                                    if the term of employment is no more than two years;
  - 8 months                                    if the term of employment is longer than two years.
- 4.3. The Company may exempt an Executive of job related duties during the whole notice period. Section 93(3) of the Labour Code provides that Executives are entitled to average wages during the period of exemption.
- 4.4. Severance pay: In the event the employment of an Executive employed for an indefinite term is terminated by the entity entitled to exercise employer's rights by ordinary notice of termination as specified in Section 87(1) b) of the Labour Code, the Executive shall be entitled to severance pay at:
- 3 months' average wages            if the term of employment is at least one year;
  - 4 months' average wages            if the term of employment is at least two years.
- 4.5. Benefits due upon terminating fixed term employment: Executives employed for a fixed term are entitled to the benefits specified in Section 88(2) of the Labour Code. NO deviations from this provision may be made in favour of the Executive.
- 4.6. Agreement concluded with reference to Section 3(6) of the Labour Code: this agreement may be concluded with reference to the true and fair economic interests of the Company taking market conditions into account primarily in conjunction with the termination of employment. The consideration provided in such an agreement shall be proportionate to the weight of the economic interest.

## **5. Principles of Remunerating Officers**

- 5.1. The General Meeting has the sole authority to determine the remuneration of Officers. The amount of the remuneration shall be fixed and payable monthly. The remuneration of Officers shall be determined in a manner to ensure that the rate of remuneration reflects the degree of responsibility, does not represent excessive burden for the Company, is proportionate to the job performed by the Officer, to the economic performance of the Company in the preceding year and that it corresponds to the social recognition and the position and role in the economy of the office held.
- 5.2. Executives are entitled to wage increase at a rate identical to the indicative rate of increasing average wages at the Company.
- 5.3. Executives are entitled to reimbursement of their justified costs incurred in connection with their position in addition to remuneration.

## **6. Share Options**

The General Meeting has the sole authority to approve the Management Share Option Programme ("Programme"), including the determination of its scope, the persons covered and any related conditions. The General Meeting may authorize the Supervisory Board to develop the detailed terms of the Programme. The Company publishes the terms of the Programme at its official website.

## **7. Closing Provisions**

- 7.1. The General Meeting of the Company has the competence to adopt these Guidelines.
- 7.2. The effective date of these Guidelines shall be the date of approval set in the resolution of the General Meeting.
- 7.3. These Guidelines shall be published at the official website of the Company ([www.fhb.hu](http://www.fhb.hu)).