

KDB Bank Europe Ltd.-Remuneration policy

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1. Basic principles of implementation

The main purpose of the introduction and continuous management of the remuneration policy is to connect the business and risk strategy, interests, risk ability and capability of the Bank with the motivation of the decision makers in order to ensure the long-term target of sustainable growth.

The main target of the remuneration policy - with setting up a frame of risk taking - is to harmonize the financial interests of the executives with the long-term, stable operation of the Bank, make encourage them to avoid excessive risk taking.

The basic target of the Bank is to motivate the colleagues to increase their performance. That's why the Bank sets up its proper incentive plan and performance evaluation system, where the business performance, individual contribution and organizational effectiveness are equally considered.

The Banking act's 69/B § (2) section defines an employee level (hereinafter: affected positions), which employees performance based remuneration shall be governed by this remuneration policy.

Except above mentioned employees in affected positions, the frame of motivation is defined in yearly incentive plan. The actual incentive plan is defined in a separated proposal.

During the definition of the bonus pool, - beside the profitable operation - the future risks and capital situation should be equally considered.

2. Legal background

During creation of the remuneration policy the following governing rules were applied:

- Banking Act 1996/CXII.
- Government Decree 234/2007.(IX.4.)
- Government Decree 131/2011.(VII.18.)
- Recommendation of the President of PSZÁF 3/2011.(VIII.14.)

3. Reliefs applied

The Bank's remuneration policy was defined in accordance with concerning legal regulations and guidelines, taking into consideration its asset size, internal organization structure, owner's specialty, nature and complexity of activity, specialties due to the legal entity.

Considering that the total asset size is less than HUF 500 billion and there is no executive officer nor employee who has yearly income more than HUF 300 million, the Bank is creating its remuneration policy based on section 4.§ of government decree 131/2011. (VII.18).

Besides considering above, applying the relief is also reasonable based on the small market share size (i.e. number of branches and employees, size of retail and corporate portfolio).

The relief is applied in the following cases:

- the definition of affected positions
- the definition of evaluation criteria and execution of re-evaluation process
- the definition of evaluation types, payroll of incentive payment, retention procedure
- the definition of deferral period and deferral portions
- the execution of remuneration in connection with retirement and termination of employment
- Disclosure.

4. Remuneration forms in place at Bank

4.1 Non-performance based remuneration stated in individual employment contract

- Individual base salary
- Job allowances (according to relevant HR procedure)
- Any other benefits (according to relevant HR procedure)
- Cafeteria (according to relevant HR procedure)

4.2 Performance based remuneration

- Incentive bonus (according to this policy or incentive plan)

4.3 Incentive ratio

The performance based yearly incentive ratio for non-affected persons shall not exceed 4 month salary.

The performance based yearly incentive ratio for affected persons shall not exceed 6 month salary.

5. Remuneration of executive officers

5.1 Board of Directors (BOD)

- Those external BOD members, who are in employment relationship with KDB Seoul, are not entitled for any honorarium.
- Those external BOD members, who are not in employment relationship with KDB Seoul, are entitled for fixed, non-performance based monthly honorarium.
- The fixed amount of honorarium shall be approved by SB.

5.2 Supervisory Board (SB)

- Those members of SB, who are in employment relationship with KDB Seoul, are not entitled for any honorarium.
- Those members of SB, who are not in employment relationship with KDB Seoul, are entitled for fixed, non-performance based monthly honorarium.
- The fixed amount of honorarium shall be approved by BOD.

6. Definition of affected positions

The Bank (applying the relief: total asset size and individual measure of remuneration) defines the affected positions as follows:

- President & CEO
- Executive Vice President(s)
- Senior Vice President(s)

The Bank completed the assessment and analysis of the decision making and risk taking. According to the local specialties of decision making, the risk and decision is taken by persons in above listed positions. Extension of affected positions of other control functions (i.e. chief accountant, HR, chief layer, Compliance officer) is not justified. The incentive scheme does not encourage the control functions for excessive risk taking.

7. Payment instrument

The payment instrument of incentive compensation (applying the relief: one state owner, without any own public shares) is only cash.

8. Payment method of performance based incentive

- The payment of performance based incentive of the given year is according to the following method:

The amount to be paid within the calendar year (in case of time proportional performance of yearly targets) or following the whole closed calendar year till March: 40 %,
Deferred portion: 60 % within 3 years, in 3 equal portions following the given year.

The precondition of the payment:

- Active employment relationship
- Retrospective risk and performance evaluation

Before paying the deferred amount, retrospective risk and performance re-evaluation should take place based on predefined financial ratios taking into consideration the previous 3 closed years of payment period. Based on evaluation result:

- the whole amount should be paid or
- the deferred amount partially should be paid or
- the deferred amount shall not be paid.

If the performance of the Bank is decreasing due to an individual excessive risk taking, then the individual performance based remuneration should be decreased according to Banking act's 69/C § (4) section.

The Bank does not pay any interest for deferred amount.

The compensation of the nonpaid incentive is prohibited.

The payment scheme of incentive based on performance of 2013 for affected positions is the following: till March, 2014 40 %, till March, 2015 20 %, till March, 2016 20 %, till March, 2017 20 %.

9. Special condition for expatriots

- The Bank's Senior Management includes foreign citizens appointed by Korean Parent Company. Their remuneration, including basic salary and other benefits are defined by Parent Company, however in case of performance based remuneration if they are filling in affected positions this policy should be applied.

- Since their assignment is less than 3 years, their final pay-off of the deferred amount – in case of the approval of SB- is the last working day of the assignment at KDB Europe.
- The basis of pay-off is the retrospective re-evaluation of last 3 closed business Year.

10. The methods and tools of performance evaluation in connection with incentive remuneration

The integrated frame of basic principles concerning for all employees was established, including all organizational unit and all employee level. The performance evaluation happens by applying pre-defined indicators (financial ratio or any other work effectiveness criteria) both in organizational and individual level.

The measure of performance based remuneration is determined by the BOD taking into consideration the function of the given organization. The revision of the incentive plan of the given year is assessed by the approved strategy of the Bank, taking into consideration the approved budget targets and business plan for the year.

The expected minimum target of financial indicators when the Bank is able to open the bonus pool is defined by the BOD according to the approved business plan.

The payment of performance based remuneration cannot endanger the capital position, and cannot apply payment methods not in line with the principles of this policy. In order to ensure above the BOD can modify the performance-based bonus pool if the some changed circumstance is risking the prudential operation of the Bank.

10.1 Organization performance evaluation

The organizational performance evaluation is the evaluation of the performance of the organizational profit centers vs. the approved annual business plan. The organizational performance evaluation is run by Planning Team.

10.2 Individual performance evaluation(s)/Junior, Senior

The individual performance evaluation is the evaluation of the individual contribution of the individual employees to the organizational performance. The individual performance evaluation is run by the line management.

10.3 Mutual performance evaluation

The mutual performance evaluation is the evaluation of the individual contribution of the individual employees to the organizational performance. The mutual performance evaluation is run by random employees from different level of organization, such as inferiors, peers, co-workers.

10.4 Evaluation matrix

Business area

Evaluation method	Weight of each method
Business performance evaluation	50%
Mutual evaluation	25%
Senior evaluation	25%

Back and support area

Evaluation method	Weight of each method
Junior evaluation	25%
Mutual evaluation	25%
Senior evaluation	50%

10.5 Performance evaluation of affected persons

Performance indicators of affected persons' performance based remuneration:

- Non-performing loan ratio
- Capital ratio according to regulations
- Changes in liquidity risk ratios
- Profit before tax

When the performance evaluation and retrospective evaluations happens, the above indicators should be considered in equal portion (without weight).

When the performance evaluation and retrospective evaluations happens, the above indicators should be evaluated including last 3 closed business Years.

The above described performance indicator ratios and the necessary input numbers should be audited in each year by the actual official auditor company.

11. Approval of incentive plan and payment

The remuneration policy and incentive plan shall be approved by Board of Directors.

The execution of remuneration policy shall be audited by Audit Committee; the payment under the guidance of remuneration policy shall be approved by Audit Committee.

12. Disclosure

The Bank publishes the remuneration policy on its official website.

The incentive payment under the guidance of remuneration policy will be published after the approval of audited financial statement.

13. Effectiveness

13.1.

Comes into force on 31/08/2011 approved by BOD on 19/08/2011 with resolution no: 2011/3/2.

Registration code: HR.Renum.Pol/2011.08.31{BOD}

13.2. Amendments

13.2.1

Comes into force on May 31, 2013 approved by President & CEO based on the authorization of BOD.

Registration code: HR.Pol/2013.05.31{BOD}

Those decisions that were made:

- until the Policy – which is referred in this point – coming into force and
- in compliance with the rules of valid former internal regulations regulated the same subject.

remain to be effective.

13.2.2

Comes into force on October 1, 2013 approved by President & CEO based on the authorization of BOD.

Registration code: HR.Pol/2013.10.01{BOD}

Those decisions that were made:

Registration code: HR.Remun.Pol/2013.10.01 {BOD}

- until the Policy – which is referred in this point – coming into force and
 - in compliance with the rules of valid former internal regulations regulated the same subject.
- remain to be effective.