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Independent Auditors' Report

To the shareholder of KDB Bank Európa Zrt.

Report on the Audit of the Financial Statements

Opinion

We have audited the 2019 financial statements of KDB Bank Európa Zrt. (hereinafter referred to as "the Bank"), which comprise the statement of financial position as at 31 December 2019, which shows total assets of MHUF 323,625, the statement of profit or loss and other comprehensive income, which shows profit for the year of MHUF 415, and the statements of changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU (hereinafter referred to as "EU IFRSs") and those are prepared, in all material respects, in accordance with the provisions applicable to entities preparing annual financial statements in accordance with EU IFRSs of Act C of 2000 on Accounting in force in Hungary (hereinafter referred to as "the Act on Accounting").

Basis for Opinion

We conducted our audit in accordance with Hungarian National Standards on Auditing and applicable laws and regulations in Hungary. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank for the purposes of our audit of the financial statements, as provided in applicable laws in force in Hungary, "The Policy on Rules of Conduct (Ethics) of the Audit Profession and on Disciplinary Procedures" of the Chamber of Hungarian Auditors, as well as with respect to issues not covered by these, in the "Code of Ethics for Professional Accountants" issued by the International Ethics Standards Board for Accountants (the IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 43., which describes the Bank's initial assessment on the effects of the Coronavirus (COVID-19) pandemic. Our opinion is not modified in respect of this matter.

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Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of loans measured at amortised cost (HUF 208,117 million)

Refer to notes I./5.2.14., II./11. and V./44./a) to the financial statement

The key audit matter	<i>How the matter was addressed in our audit</i>
<p>The impairment on loans measured at amortised cost is considered to be a key audit matter owing to the significance of loans measured at amortised cost. Net loans measured at amortised cost, amounting to HUF 208,117 million represents 64% of the total assets of the Bank. Without having appropriate impairment assessment the carrying value of the loans measured at amortised cost might be overstated.</p> <p>This is challenging from an audit perspective since loan impairment calculation requires Credit Monitoring Team estimates and contains significant assumptions regarding recoverable amount and impairment levels.</p> <p>Estimation of collateral values and future cash-flows require expertise and contains assumptions.</p>	<p>Our audit procedures primarily included the following:</p> <ul style="list-style-type: none"> - We assessed the design and implementation of the lending process and controls applied in that process: <ul style="list-style-type: none"> ▪ Approval of syndicated credit proposals by Management Credit Committee ▪ Existence of quarterly monitoring sheets and their approval by Credit Monitoring Team - We understood the processes implemented by the Credit Monitoring Team to ensure the completeness and accuracy of the impairment related to loans and tested the controls applied in that process. - We performed detailed loan review in case of individually assessed loans. Our loan review included examination of related loan documentation and impairment estimates prepared by credit risk officers. We challenged assumptions based on our professional judgment and industry knowledge. We also reperformed key calculations. - We recalculated portfolio based impairment for collectively assessed loans with the involvement of our Financial Risk Modelling specialists

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	<ul style="list-style-type: none">- We involved our IT Risk Management specialists to test appropriateness of general IT controls.
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Other Information

The other information comprises the 2019 business report of the Bank. Management is responsible for the preparation of the business report in accordance with the Act on Accounting and other applicable legal requirements, if any.

Our opinion on the financial statements expressed in the Opinion section of our report does not cover the business report.

In connection with our audit of the financial statements, our responsibility is to read the business report and, in doing so, consider whether the business report is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Based on the Act on Accounting, we are also responsible for assessing whether the business report has been prepared in accordance with the Act on Accounting and other applicable legal requirements and expressing an opinion on this and whether the business report is consistent with the financial statements.

With respect to the business report, based on the Act on Accounting, we are also responsible for checking that the information referred to in Section 95/C of the Act on Accounting has been provided in the business report.

In our opinion the 2019 business report of the Bank is consistent, in all material respects, with the 2019 financial statements of the Bank and the applicable provisions of the Act on Accounting.

There are no other legal requirements that are applicable to the business report of the Bank, therefore, we do not express an opinion in this respects.

We confirm that the information referred to in Section 95/C of the Act on Accounting has not been provided in the business report based on exemption.

In addition, in light of the knowledge and understanding of the Bank and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the business report, and if so, the nature of such misstatement. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU IFRSs and for the preparation of the financial statements in accordance with provisions applicable to entities preparing annual financial statements in accordance with EU IFRSs of the Act on Accounting and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

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Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Hungarian National Standards on Auditing and applicable laws and regulations in Hungary will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Hungarian National Standards on Auditing and applicable laws and regulations in Hungary, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Report on Other Legal and Regulatory Requirements

We were appointed by members meeting on 19 May 2017 to audit the financial statements of the Bank for the financial year ended 31 December 2019. Our total uninterrupted period of engagement is 7 years, covering the periods ending 31 December 2013 to 31 December 2019.

We confirm that:

- our audit opinion is consistent with the additional report presented to the Audit Committee of the Bank dated 27 May 2020;
- we have not provided to the Bank the prohibited non-audit services (NASs) as set out by Article 5(1) of EU Regulation (EU) No 537/2014 and in terms of the member state derogations by the Act LXXV of 2007 on the Chamber of Hungarian Auditors, the Activities of Auditors, and on the Public Oversight of Auditors in force in Hungary. We also remained independent of the audited entity in conducting the audit.

The engagement partner on the audit resulting in this independent auditors' report is the signatory of this report.

Budapest, 29 May 2020

KPMG Hungária Kft.

Registration number: 000202

István Henye

Partner, Professional Accountant

Registration number: 005674

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