

Extract from Compliance Policy of OTP banka d.d.

I. INTRODUCTORY PROVISIONS

The Bank ensures statutory and internal regulatory compliance of the Bank and the Bank's daughter companies; that together with the Bank constitute OTP banka Group in Croatia, as well as the identification and management of compliance risks in accordance with legislative provisions, the guidelines of the international and European financial supervisory authorities and the Article 105 and 106 of the Credit Institutions Act and Article 21 of the Decision on governance arrangements of the Croatian National Bank.

Compliance risk means the risk of imposition of measures and fines and the risk of substantial financial loss or loss of reputation to be suffered by a credit institution due to failure to comply with regulations, standards, codes and internal bylaws.

The Anti-Corruption Policy, Consumer Protection Compliance Program, the Sanctions Policy and the Policy on Financing of the Defence Industry comprise annexes to the Compliance Policy with extracts published on the website.

II. GENERAL PROVISIONS

II.1. Scope of the regulation

The activity of the compliance function covers the Bank as a whole, including all of its organisational units and activities. Persons performing outsourced activities or engaged as experts or advisors, whether natural or legal persons, must meet compliance requirements and standards as well.

II.2. Position of the compliance function in the system of internal lines of defence

The Decision on governance arrangements of the Croatian National Bank, in accordance with the EBA's Internal Management Guidelines, sets out the main principles and requirements on the basis of which financial service providers shall establish and implement a system of internal controls which enable:

- effective and efficient operations;
- prudent conduct of business;
- adequate identification, measurement and mitigation of risks;
- the reliability of financial and nonfinancial information and reports;
- sound administrative and accounting procedures; and
- compliance with laws, regulations, supervisory requirements
- and the institution's internal policies, processes, rules and decisions, as well as

The organisation's internal lines of defence comprise the responsible internal governance and the internal control functions. of the second and third lines of defence, which complement the controls built into the business processes (primary line of defence).

Within the framework of the internal control system, the Bank shall establish a risk control function, a compliance function and an internal audit function, pursuant to the Decision on governance arrangements.

II.3. Principles of operating the compliance function

The compliance function is operated in order to create a lawful and ethical corporate culture that ensures the prudential and ethical operation of the Bank in the long term.

In the course of operating the compliance function, the Bank applies the following principles:

- a/ independence
- b/ integrity
- c/ operation without interference
- d/ objectivity
- e/ preventive and proactive approach
- f/ risk-based approach (requirement to ensure risk-based compliance)
- g/ proportionality
- h/ high level of professional care and competence
- i/ individual and banking group coverage
- j/ efficiency, rationalisation of compliance costs

III. DETAILED PROVISIONS

III.1. Key areas of compliance

III.1.1. Processing and protection of personal data – GDPR

The Bank is committed to the adequate protection of the personal data processed by it, in accordance with the provisions of the General Data Protection Regulation and the applicable national laws and regulations. As part of that, the Bank has established, operates and applies a system for regulation, implementation and auditing and a specialised area of expertise to ensure the full and professional performance of these tasks that provide for the adequate protection of personal data by meeting the criteria specified in applicable legislation and safeguarding its core business interests. The Bank publishes its Data Protection Policy on its website.

III.1.2. Integrity

The Bank develops and enforces rules on conflicts of interest and ethics, with a demand for all managers and control organisations to take firm action against any breach of those rules.

The Bank has a vested business interest and a statutory obligation in ensuring that the personal interests of its employees and of members of its management bodies are not in conflict with the business interests and commitments of the Bank and its customers, and that the Bank identifies, prevents and manages the conflicts of interest related to its various activities, and regulates and ensures the assessment of suppliers' compliance (supplier pre-screening).

The Bank draws up a Conflict of Interest Policy to specify the circumstances that are associated with its investment service activity, ancillary services and related financial services, and which lead or may lead to a conflict of interest potentially causing adverse consequences for the business partner. The Policy also defines the detailed procedural rules and measures that allow the prevention, identification and management of conflict of interest situations that are potentially prejudicial to the business partner.

With a view to protecting its values and its customers, the Bank formulates requirements for ethical business operations. The Bank shall develop ethical standards and internal professional standards, adapted to the specificities of the Group and its role in the financial intermediary system, aimed at mitigating risks, which are summarised and published in the Code of Ethics¹ and the Partner Code of Ethics².

The Bank is committed to combatting corruption, and declared zero tolerance towards all forms of bribery and the gaining of unfair advantages. The purpose of the Bank's Anti-Corruption Policy is to define the principles of the Bank's anti-corruption activity, to identify the areas particularly exposed to the risk of corruption, and to serve as a core document for the formulation of the regulatory documents required for the Banking Group's anti-corruption efforts and for the anti-corruption activity of the relevant staff members.

The Bank has a whistleblowing arrangements in place for reporting breaches of ethical standards and of legal provisions on the rules of compliance. The bank implements the Group anti-corruption policy and publishes it on its website.

III.1.3. Compliance with restrictions on information flows between financial and investment service activities

The Bank puts in place an internal organisational, operational and procedural mechanism to ensure that the data and information flows among the organisational units in charge of financial services, ancillary financial services and investment services comply with the applicable legal provisions and recommendations.

The organisational units of the Bank may only disclose confidential banking and securities information to one another as provided for in the applicable internal regulation of the Bank.

Additionally, the Bank ensures that any person may only access bank secrets and securities secrets on a need-to-know basis

III.1.4. Prevention of market abuse (insider dealing, market manipulation)

As a prominent issuer of the Budapest Stock Exchange, the Parent Bank, in its capacity as issuer, investment service provider and credit institution, is highly committed to the maintenance of transparency and efficiency in the capital market, and to compliance with all applicable legal obligations.

In accordance with the relevant legislation insider dealing and attempted insider dealing, advising another person to engage in insider dealing, soliciting another person to engage in insider dealing, unauthorised disclosure of inside information. and market manipulation and attempted market manipulation are considered market abuse.

The Bank condemns and takes action against all forms of market abuse an, investigates and takes action to prevent, and, if they occur, to address them.

Market abuse shall be governed by the relevant Law, the relevant provisions of the European Union and the internal regulatory documents of the Bank.

¹Code Of Ethics

²Code Of Ethics for Partners

III.1.5. Fair treatment of customers, consumer protection

The Bank is committed to the enforcement of consumers' interests. In this context, it follows consumer protection principles that are consistent in their approach, and takes into account changes in consumer habits and interests. The Bank has delivered the Consumer Protection Compliance Program, which defines the framework for continuous monitoring of compliance with consumer protection regulations. The Bank publishes the Program on its website.

III.1.6. Ensuring compliance with the requirements pertaining to investment service activities as set out in legal regulations and regulatory – particularly supervisory – standards

III.1.6.1. Providing of investment services

The Bank continuously monitors and regularly assesses the adequacy and effectiveness of the measures and procedures relating to investment services as well as the measures aimed at addressing compliance deficiencies furthermore, advises and assists persons responsible for the performance of investment services and activities in order to facilitate compliance with the relevant obligations.

The Bank shall take all necessary measures to act with the utmost care and prudence in providing investment services, executing orders, taking into account the best interests of its clients and in handling clients' financial assets and funds.

III.1.6.2. Personal transactions

The Bank has undertaken a commitment to safeguard the interests of capital market participants, investors and customers, to maintain fair competition, and to prevent market abuse and conflicts of interest. To that end, it regulates the conclusion, notification and registration of any transactions by the persons concerned that are linked to investment service activities or the provision of ancillary services

The Bank develops an internal regulatory environment that is suitable for preventing persons involved in activities leading to potential conflicts of interest from concluding transactions that are prohibited by the law or involve the illicit use of confidential information or would result in conflicts of interest, by having access to insider information as a result of their activity or to confidential information as a result of their relationship with customers.

III.1.7. Corporate governance

In accordance with the sustainability (ESG) criteria, the Bank assesses and evaluates its activity from the aspect of the activity's environmental impact (E), social fairness (S) and the related corporate governance issues (G) and ensures its compliance with the relevant legislative requirements.

In the spirit of responsible corporate governance, the Bank has guidelines in place ensuring that the operations of the Bank, as a publicly traded company, comply with the internationally recognised rules and standards of responsible corporate governance, and that the public disclosure of information on its governance and operations makes it a transparent and verifiable company.

In its business practices, the Bank takes into account the interests of the Bank's shareholders, customers and business partners.

In developing its products and granting access to its services, the Bank complies with the principles and standards of ethics and consumer protection whereby it is ensured that the services provided are modern, high-quality and fair, and meet customers' needs.

III.1.8. Compliance with international tax agreements

The Bank has a fundamental interest and a legal obligation in ensuring its full compliance with the customer identification and reporting requirements set out in international tax arrangements (FATCA for the US, CRS/DAC2/DAC6 for the OECD and the European Union), and in applicable local law.

III.1.9. Compliance with the requirements of international sanctions and protection of the Banking Group's reputation

Upon the establishment and maintenance of its relationships and when making its business decisions, the Bank takes into account the economic, financial and commercial sanctions and embargo requirements approved by international organisations and various specific states, in particular, the applicable provisions of by the United Nations Security Council the Government of the United States of America, the competent office of the United Kingdom and the European Union. On its website, the Bank publishes a banking group-level Sanctions Policy on its general principles of the application of international financial sanctions and a banking group-level Policy on the Financing of the Defence Industry.

In the interest of retaining its market position, supporting international collaboration and complying with legal regulations, the Bank formulates and shapes regulations as well as its processes and practice so as to ensure appropriate compliance with sanctions-related obligations and to protect the Banking Group's reputation. To this end, the Banking Group applies uniform rules.

The Bank enforces its business policy measures by ensuring that it avoids transactions and relationships that have an adverse impact on the Bank's reputation and business relationships.

In pursuing its business policy goals, the Bank strives to avoid sensitive transactions that may be detrimental to the reputation and business relations of the Bank and the Banking Group and accordingly, it inspects – in particular but not limited to – active transactions related to the production and trade of defence-related products and services, nuclear energy, space industry, dual-use goods and technologies, exploration, production and wholesale of coal, crude oil, natural gas and their wholesale, production and wholesale of petroleum products, cryptocurrency and maritime transport.

III.1.10. Prevention of money laundering and terrorist financing

The Anti-Money Laundering and Counter-Terrorist Financing Policy represents an umbrella regulation implemented by the Bank and its employees for the purpose of detection and prevention of money laundering and terrorist financing.

The Bank adheres to the applicable AML&CTF legislation, and has put in place adequate systems and procedures to fend off any attempt of using its business operations for the above-mentioned criminal offences.

The methodology for conducting such risk analysis has been harmonised at the Group level, and it is based on the EBA guidelines and international practice. The risk self-assessment, which shall be documented, shall be carried out once a year, at year-end, as well as at any time when there are significant changes in the business or in the relevant regulatory framework.

The Bank classifies its clients into risk categories and applies client due diligence measures according to the risk category. During the customer due diligence process, the "Know your customer" principle is applied to develop a client profile for the client and screen out suspicious transactions that do not fit the client profile.

III.1.11. Compliance due diligence screening of correspondent relationships

Before establishing a correspondent relationship with a service provider established in a foreign country and throughout the duration of that relationship, the Bank shall conduct due diligence to assess and evaluate the instruments the service provider uses to prevent money laundering and terrorist financing. Likewise, at the request of the service provider, the Bank shall provide the service provider with relevant KYC information about the Bank.

III.2. General principles and requirements

III.2.1. Responsibility for compliance

As set out in the legal regulations in effect and in the internal provisions and regulations, all employees of the Bank undertake general responsibility for the application of compliance requirements and rules. All employees of the organisation are under obligation to enforce requirements for compliance, report any circumstances that pose a threat to enforcement, and participate in the elimination of such circumstances.

III.2.2. Conditions for the use of external advisors and experts

To ensure adherence to the standards set out in this Policy, all persons acting as external experts or advisors on behalf of the Bank are required to declare that they have read and understood the extract from the Compliance Policy, and acknowledge to be bound by its provisions.