

# **Policy on the prevention and combating of money laundering and terrorist financing**

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## 1 Introduction

The soundness, integrity and stability of credit and financial institutions and confidence in the financial system as a whole could be seriously jeopardised by the efforts of criminals and their associates either to disguise the origin of criminal proceeds or to channel lawful or unlawful money for terrorist purposes.

Owing to several successful acquisition in recent years, OTP Bank Plc. Group (hereinafter: OTP Group<sup>1</sup>), is acting in eight countries in the region in addition to Hungary through its subsidiaries, thus developing into the leading bank group of the region.

OTP banka d.d. (hereinafter: the Bank) is a member of OTP Bank Plc. Group, but it is also the mother company of Croatian OTP Group (hereinafter: Group of OTP banka<sup>2</sup>).

Money laundering and terrorist financing often occurs across the borders, therefore the effort to fight against it should also be a global action. It is especially true for a bank group like OTP Group, operating regionally.

The objective is to avoid that the members of OTP Group are being used for money laundering and terrorist financing. Therefore the Bank uses every legal means to establish the true identity of any person/client demanding/applying for any services from the bank, and shall not perform any transaction order given by a client who does not identify him/herself pursuant to legal regulations.

The prevention of the use of financial systems for the purpose of money laundering and terrorist financing is set forth in the Directive (EU) 2015/849 of the European Parliament and of the Council (hereinafter referred to as the 4<sup>th</sup> AML Directive), and the Anti-Money Laundering and Counter Terrorist Financing Act (OG 108/2017), along with its sublegal regulations.

The Bank makes every effort to ensure that the identification of its customers is performed and appropriate records are kept in accordance with the applicable EU directives, and the local legislation. For effective actions against money laundering, the Bank developed internal procedures to guarantee reporting of any suspicion of money laundering to the competent authorities in time. To achieve this, high quality training is regularly provided for the employees.

## 2 Intention

Members of the Group of OTP banka are committed to developing framework regulations and standard operational procedures in accordance with the EU directives, internal regulations and the international best practice, which effectively promote the fight against money laundering and terrorist financing, thereby increasing (preserving) the reputation of the bank group.

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<sup>1</sup> In terms of this Policy, **OTP Group** means the mother Bank - OTP Bank Plc., and its subsidiaries, as follows: OTP banka d.d., OTP Banka Slovensko a.s., OTP Bank Romania s.a., DSK Bank Group Bulgaria, OTP banka Srbija a.d., JSC OTP Bank Ukraine, Joint Stock Company OTP Bank Russia and Crnogorska Komercijalna Banka AD.

<sup>2</sup> In terms of this Policy, **Group of OTP banka** beside the mother bank - OTP banka d.d., comprises its following subsidiaries: Splitska banka d.d., OTP Invest d.o.o., OTP Nekretnine d.o.o., Cresco d.o.o. and OTP Aventin d.o.o.

### 3 Minimum requirements

In the areas listed below members of the Group of OTP banka shall apply measures equivalent to at least the following ones:

#### 3.1 Customer due diligence

Customer due diligence measures shall be applied in the following instances:

- a) when establishing a business relationship;
- b) when carrying out occasional transactions amounting to HRK 105.000 or more, whether the transaction is carried out in a single operation or in several operations which appear to be linked;
- c) when carrying out an occasional transaction that constitutes a transfer of funds exceeding EUR 1000.00 within the meaning of Regulation (EU) 2015/847;
- d) when there is a doubt about the veracity or adequacy of previously obtained customer identification data;
- e) whenever there is a suspicion of money laundering or terrorist financing, regardless of any derogation, exemption or threshold.

Customer due diligence measures include customer identification and verification of the customer's identity based on the official personal documents, valid public documents and data obtained from reliable and independent sources; verifying the true identity of the beneficial owner(s); obtaining information on the purpose and intended nature of the business relationship or transaction, and other information in line with legal regulations; ongoing monitoring of the business relationship; including, where necessary, obtaining information on the source of funds.

OTP banka d.d. applies all customer due diligence requirements listed above, but the extent of such measures, considering the risk sensitivity, may vary depending on the type of customer, business relationship, product or transaction, including that it can be performed repeatedly for a customer previously underwent customer due diligence.

Members of OTP Group do not keep anonymous accounts or anonymous passbooks.

#### 3.2 Identification of beneficial owner(s)

Customer due diligence measures also include the identification of the beneficial owner. "Beneficial owner" is defined as the natural person(s) who ultimately owns or controls the customer, or exercises control over the customer by other means, and/or the natural person(s) on whose behalf a transaction or activity is being conducted.

#### 3.3 Reporting obligation

Members of the Group of OTP banka shall pay special attention to any activity which they regard as particularly likely, by its nature, to be related to money laundering or terrorist financing and in particular complex or unusually large transactions and all unusual patterns of transactions which have no apparent economic or visible lawful purpose. In the event of noticing any information, fact or circumstance that may suggest money laundering or terrorist financing, they shall, without delay, file a report to the competent authorities.

### 3.4 Identification of politically exposed persons (PEP)

“Politically exposed persons” are defined as natural persons entrusted with prominent public functions currently or in the past 12 months, as well as their immediate family members, and persons known to be close associates of such a person.

In respect of transactions or business relationships with a politically exposed person, the minimum requirements within the Group of OTP banka are as follows:

- a) to have appropriate risk-based procedures to determine whether the customer is a politically exposed person;
- b) to have senior management approval for establishing the business relationship with such a customer;
- c) to take adequate measures to establish the source of wealth and source of funds that are involved in the business relationship or transaction
- d) to conduct enhanced ongoing monitoring of the business relationship.

### 3.5 Customer and transaction screening

Monitoring of suspicious bank transactions by rule-based automated screening system, as well as existence of automatically updated screening system containing the data of persons included in international sanction lists (UN, EU, OFAC) are essential requirements of fighting against money laundering and terrorist financing.

In compliance with the new legal provisions and common requirements of OTP Group, the Bank has decided to implement systems of software manufacturers having significant experience on the international market, in order to monitor unusual or suspicious transactions and compare customer data with the international sanction lists.

### 3.6 Application of country-risk model

According to the legal regulations, and business requirements of OTP Group, in addition to the implementation of the rule-based automated transaction monitoring system, the Bank applies common country-risk rating model at all levels for filtration of suspicious transaction to or from countries:

- whose anti-money laundering and counter-terrorist financing systems have been identified, by reliable sources, as inefficient;
- which have been identified, by reliable sources, as having significant level of corruption or other criminal offences;
- which are considered tax heavens;
- which are subject to international sanctions or international restrictive measures;
- which finance or support terrorist activities or have active terrorist organizations within their territory;

all in order to reduce the risks arising from such transactions.

### 3.7 Training

Members of the Group of OTP banka shall take appropriate measures to ensure that their relevant employees are aware of the provisions in force relating to money laundering and terrorist financing, that they are able to recognize operations, business relationships and transactions which may be related to money laundering or terrorist financing, and to instruct them as to how to proceed in such cases when noticing information, facts or circumstances that may suggest money laundering or terrorist financing.

As a minimum requirement employees shall have training at least once a year.

### **3.8 Correspondent banking relations**

In OTP Group, the minimum requirement for cross-border correspondent banking relationships are as follows:

- a) to gather sufficient information about a respondent institution to understand fully the nature of the respondent's business and to determine, from publicly available information, the reputation of the institution and the quality of supervision;
- b) to assess the respondent institution's anti-money laundering and anti-terrorist financing controls;
- c) to obtain approval from a senior executive before establishing a new correspondent banking relationship;
- d) to document the respective responsibilities of each institution;
- e) with respect to payable-through accounts, be satisfied that the respondent credit institution has verified the identity of and performed ongoing due diligence on the customers having direct access to accounts of the correspondent and that it is able to provide relevant customer due diligence data to the correspondent institution, upon request.

Within OTP Group, establishment or maintenance of correspondent banking relations with shell banks is strictly forbidden, and group members shall take appropriate measures to ensure that no correspondent banking relation can be initiated or maintained with a bank known to allow the use of its accounts by any shell bank.

An additional minimum requirement concerning correspondent banking relations at OTP Group level includes screening of SWIFT transactions against UN, EU and OFAC sanction lists.

## **4 Reporting obligation to the Compliance and Security Directorate (CSD) of OTP Bank Plc.**

### **4.1 Reporting obligation to CSD**

As a minimum requirement, OTP Group members shall inform CSD in the following instances:

- issuance of a new legal regulation, amendment of internal rules or preparation of new codes;
- an event related to money laundering or terrorist financing with a risk of loss of reputation of the bank;
- course and result of audit by the bank regulator or internal audit regarding the activity of the financial institute against money laundering and terrorist financing;
- modification of the applied transaction-monitoring and automated screening systems based on sanction lists and in case of installation of new systems preventing money laundering.

### **4.2 Approval of local internal regulations**

Prior to a new internal regulation in the field of anti-money laundering and counter terrorist financing coming to effect, or amendment of an existing one, OTP Group members shall apply for the approval of CSD. Local regulations differing from the Group requirements should particularly be reported.

## 5 Transitional and final provisions

This Policy is adopted by the Management Board, with consent of the Supervisory Board, whereas the Policy shall take effect from the eight day following its publication.

The Policy on prevention and combating of money laundering and terrorism financing of 12<sup>th</sup> January 2016, shall cease to have effect by virtue of the entry into force of this Policy.

Zadar, 29th May 2018.

President of the Management Board

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Balázs Békeffy