

This document has been produced for informational purposes only. The Hungarian version of the resolution must be considered as the original version.

Resolution number: H-JÉ-I-B-276/2019.

Based on the conclusion of the supervisory procedure against the OTP Bank Plc. (registered office: 1051 Budapest, Nádor utca 16.) ("**Bank**") – including the consolidated supervision of the Bank and the **OTP Mortgage Bank Close Company Limited by Shares Hungary** (registered office: 1051 Budapest, Nádor u. 21.) ("**OTP Mortgage Bank**") – the National Bank of Hungary (registered office: 1054 Budapest, Szabadság tér 9., establishment: 1013 Budapest, Krisztina krt. 39.) ("**MNB**") passes the following

R e s o l u t i o n

I. The MNB obliges the Bank to fulfil until 31 March 2020 at latest and thereafter continuously grant the followings:

1. Review and amend its internal regulations on assessment of creditworthiness and on income accounting in accordance with the legal requirements, in which:
 - a) ensure that its credit assessment procedure is transparent and traceable,
 - b) ensure that the regulation and the review system concerning the calculation of certified monthly net income are in full compliance with provisions of the JTM decree during,
 - c) set the amount of installments in compliance with the applicable regulations in the case of credit cards (including merchandise credit cards) as well at all times,
 - d) transfer the exception rules imposed by the JMT decree to its review system in a clearly distinguished way whilst also regulated in detail in connection to the particular cases
2. The Bank shall implement the determined procedures hereinbefore in order to ensure well-founded judgement of creditworthiness and to reduce credit risk and
 - a) taken into account the highest amount of monthly installment when calculating JMT value at all times,
 - b) improve known IT gaps, while simultaneously amending its internal regulation paying particular attention to strengthening management controls built into the procedure.
 - c) strengthen management controls built in the procedure in order to ensure compliance with the legal provisions at all circumstances,
 - d) make sure that the underlying documents for credit transactions are available, discoverable and verifiable, in order to this, strengthen its administrative practices and establish control points for monitoring purposes.
 - e) overview its documents concerning credit application, credit assessment, decision making and contracts in order to ensure that those clearly reflect the statements in the credit application submitted by the client.
 - f) amend the credit assessment sheet for risk commitments according to the criteria detailed in the justification of this resolution and make ensure the storage of those in credit files in order to be able to track the amount of income and instalments applied by the Bank in the JTM calculation for ex-post external supervision.
3. Pay special attention to transactions conducted through intermediaries in the course of its lending activities paying due attention to the legal requirements, and
 - a) fully monitor its brokers and their activities (including subcontracting brokers) and strengthen its control functions built in the progress, furthermore
 - b) use regular retrospectives for prudent operation and in order to properly measure and manage credit risks with its contracted credit intermediaries.
4. For complete compliance with the legal requirements for data transmission to the Central Credit Information System
 - a) amend its regulation and apply it to its progresses as soon as possible to ensure the correction of any incorrect data transmission,
 - b) develop and apply automated procedures instead of manual procedures to eliminate administrative delays, errors and deficiencies,
 - c) develop automated procedures instead of manual procedures to eliminate administrative errors and allocate the necessary resources to strengthen the four-eyes principle and management controls until improvements are made,

d) perform data cleaning in its systems forthwith and if needed in a regular basis to ensure the adequate data transfer and apply a stronger managerial control over the lending procedure to strengthen the four-eyes principle.

5. The Bank shall review its reporting practice in the scope reporting of the L11 MNB and ensure that its reporting procedures are in compliance with the MNB decree and its related filling guide.

II. Within the framework of extraordinary reporting the MNB obliges the Bank to send its internal report – negotiated by the Board of Directors and approved by the Audit Committee - on the implementation of the supervisory measures determined in point I. of the resolution until May 31 2020.

III. The MNB obliges the Bank to pay supervision fine in the amount of eleven million two hundred and fifty thousand (11.250.000,- Ft) forints due to the violation of the law on which the supervisory measures in point I. are based.

The MNB draws the Bank's attention to the fact if the Bank fails to comply with the resolution's obligations or does not comply fully or with delay, the MNB may apply measures provided by the legislation including imposing additional fines.

No procedural costs were incurred during the MNB's procedure.

The imposed supervisory fine has to be paid to the account number 19017004-01678000-30900002 of the MNB within 30 days after the resolution becoming enforceable by indicating "supervisory fine" as a comment and the number of the resolution. In the absence of the voluntary payment of the fine, the rules of administrative enforcement are applied. In the event the deadline for the payment of the supervisory fine is missed, default interest will be charged, the extent of which will be calculated at the rate of 365th of the double of the central bank rate in effect on the date of imposition after every calendar day following the date of imposition. After the late payment of default interest, no further default payment can be charged. The default interest has to be paid to the cited account of the MNB by indicating the number of the resolution and the comment "default interest". The tax authority shall enforce the imposed and unpaid fine, as well as the default interest due to the fact of unpaid or overdue fine in a manner of taxes.

No appeal can be made against the resolution in administrative proceedings, at the same time, the Client, or other party of the proceedings with respect the provision applicable to him/her, may initiate administrative proceeding against the resolution within 30 days of the publication of the decision citing violation of law. Legal representation is mandatory. The application shall be submit to the MNB addressed to the Budapest-Capital Regional Court. (The assistance service of form's submission: <https://www.mnb.hu/felugyelet/engedelyezes-es-intezmenyfelugyeles/hatarozatok-es-vegzesek-keresese>.)The submission of the application has no suspensory effect on the entry into force of the decision, but the plaintiff can request immediate legal protection. The court will, in principle, decide the trial out of court. The hearing will be taken, if the plaintiff requests in the application. There is no place for excuse, if the request is not be taken.

Budapest, 2019.