

Reference number: 54774-3/2019

Subject: Supervisory measures and posing fine towards OTP Bank Plc.

Decision number: H-JÉ-I-B-68/2019.

Based on the conclusion of the audit procedure against OTP Bank Plc. (registered office: 1051 Budapest, Nádor utca 16.)("the Bank"), the Bank and its subsidiaries subject to consolidated supervision OTP Mortgage Bank Close Company Limited by Shares Hungary (registered office: 1051 Budapest, Nádor utca 21.), OTP Factoring Ltd. (registered office: 1066 Budapest, Mozsár utca 8.), OTP Close Building Society (registered office: 1051 Budapest, Nádor utca 21.), OTP Ingatlanlízing Ltd. (registration office: 1012 Budapest, Vérmező út 4.), Merkantil Váltó és Vagyonbefektető Ltd. (registered office: 1051 Budapest, József Attila u. 8), Merkantil Car Ltd. (registered office: 1051 Budapest, József Attila utca 8.), Merkantil Property Leasing Private Limited by Shares (registered office: 1051 Budapest, József Attila utca 8.)(are collectively referred to as: the Subsidiaries)(the Bank and the Subsidiaries are collectively referred to as: the Bank Group) by the National Bank of Hungary (registered office: 1054 Budapest, Szabadság tér 9. ("MNB"), the MNB passes the following

R e s o l u t i o n

- I. MNB obliges the Bank to fulfill the following supervision measures during its financial activities to comply fully with the legislation.
 - 1.1. In the fields of corporate governance no later than 2019 June 30th, and with regard to the Point 1.1.4 and 1.1.5 no later than 31st December, 2019 complete and assure continuously thereafter the following:
 - 1.1.1. to regularly examine by the Risk Management Commission of the Bank its Allowance Policy from statutory aspects;
 - 1.1.2. to take care to keep the status of the register of the declaration of conflict of interest up-to-date as well as to take care that the declaration of conflict of interest is filled out in respect of all employees;
 - 1.1.3. review the internal rules with expired review in a documented way, and create a supervision process which ensures that at least with the involvement of the mandatory commentators and authorized person and body, with determined regularity based on the Internal Regulation, meaningful and effective regulation-revision is carried out, which can be documented and which is auditable, and during the creation of the process, aim to report not only on the occurred (closed) supervisions, but also the ongoing and incomplete supervisions;
 - 1.1.4. a) create frameworks and procedures for the organization, that ensures the full group-level risk control, and for this, allocate appropriate resource for the supervision of implemented internal rules in a group level, control activity and follow-up, furthermore impact the to-be-developed process into the Internal Rules;
b) corresponding to the Internal Rules, take care to apply the expectation principles of the Bank in the regularity of Subsidiary level in point of management of investments;
 - 1.1.5. update the Internal Regulation, taking notice of the group-level regulatory toolbox having included in the Risk Taking Strategy, according to expected needs on the basis of the real, practical experiences, and in order to make them applicable in a group level, make additions to the requirements set out therein;

- 1.1.6. accomplish the modification of the internal rules, based on the Internal Regulations, only in a uniform structure, publishing with new numbering, besides repealing the base of the modification document.
- 1.2. In the fields of credit risks no later than 30th June, 2019 with regard to the point 1.2.1 and 1.2.7. no later than 2019 December 31st, with regard to point 1.2.2. no later than 30th September, 2019 complete and assure continuously the following:
 - 1.2.1. develop effective procedures for customer group formation while clarifying the roles and responsibilities of the entire roles involved, as well as developing internal policies and processes for customer group formation, so that individual owner clients are involved in the corporate customer group, implement and apply these policies, and ensure its proper affiliate implementation;
 - 1.2.2. develop procedures for managing exposure to exposures to customers in the same region, including the roles and responsibilities of the parties involved in the whole process, enact and apply regulation;
 - 1.2.3. review and modify your segmentation practices, while ensuring consistency between your current and valid decisions and the data content of the records it manages;
 - 1.2.4. to fully comply with the annual customer rating requirement of the law;
 - 1.2.5. a) at all times, ensure that legislative changes are transposed in due time into their internal regulations and ensure the same for all relevant institutions within the Bank Group;
b) elaborate and apply a process-oriented procedure for the process of rating and depreciation training, including a set of detailed rules for performing specific tasks, competences, deadlines and responsible, process based control points, as well as validation and review processes;
 - 1.2.6. in the case of a loan product combined with savings, the degree of delay in saving is also taken into account in the rating and impairment losses;
 - 1.2.7. in accordance with the law, to ensure the adequacy of the allocation of funds, and in this context to automate the allocation process;
 - 1.2.8. to reinforce the process of systematic valuation of collateral and to re-measuring keep in line with the internal regulation of the value of the assets are recorded in the system used;
 - 1.2.9. in case of legal conditions, make the default status of the transactions in accordance with its internal regulations;
 - 1.2.10. in any case, manage the assets taken over for a maximum period of time specified by law.
- 1.3. Complete and provide the following in the area of supervisory reporting by 30 June 2019 at the latest:
 - 1.3.1. for the 8PBF report tables, ensure their analytical support and reliable data content, eliminate the discrepancy between the general ledger and the analytics, as well as the manual corrections used in producing the data
 - 1.3.2. include an internal data quality control process or control point that continuously ensures compliance with the statutory reporting obligation for these data services in the F_02.00, OF0200 and KF4001 reporting tables.

- 1.4. In the field of information technology and information security, by 30 June 2019 at the latest, in accordance with point 1.4.2. by 31 December 2019 at the latest and thereafter continuously ensure:
 - 1.4.1. in accordance with the law and its internal regulations, conduct an IT security risk analysis, prepare an action plan for managing non-committed risks, including a responsible and performance deadlines, and implement it in a proportionate manner in time;
 - 1.4.2. IT systems suitable for the safe separation of application, productive environments from the development, instructor and testing environment; (or not in an appropriately controlled environment) to anonymize the information to be protected, thereby providing users with access to the information to be protected only in accordance with their strictly regulated role;
 - 1.4.3. provide for controlled, verifiable and regularly audited user administration of IT systems, regular end-user access control at application and infrastructure level and elimination of unjustified privileges;
 - 1.4.4. ensure that the RPO values are determined and tested, hereinafter is drawn up an action plan or that the DR plans for those systems that have not met the expected RTO times are reviewed, and that a data center outage DR test is performed, and that the DR-related IT strategy planning is performed measures to ensure adequate management of risks;
 - 1.4.5. provide a security environment that logs events that are critical to the operation of the IT system, is capable of regular (or automatic) and substantive evaluation of logging, as well as the ability to manage non-regular events; to ensure that end-user access to the firefighting system is a single, closed system that ensures business processes are implemented, and that end-user activities are logged and critical alerts are generated from critical extraordinary events; ensure that privileged access rights to the firefighting system are controlled, documented and checked at the frequency of the relevant internal rules, and that the logging of the privileged activity is carried out, the integrity of the log files is secured, and automatic alerts are generated of critical extraordinary events; and detecting and managing individual security events;
 - 1.4.6. to ensure that the general information security closure requirements are met by administrative, physical and logical measures and by updating the internal rules at all times.
- 1.5. In the field of capital adequacy, by 30 June 2019 at the latest, in accordance with point 1.5.1. by 31 December 2019 at the latest and thereafter continuously ensure:
 - 1.5.1. take into account the Consolidated Credit Capital Requirement Calculation project, taking into account the findings of the investigation and transpose it into your business practices;
 - 1.5.2. follow practices for referential SME multiplier according to the law in capital calculation;
 - 1.5.3. to design a rating algorithm for the exposure to the population segment, not only by examining the client, but also by the group of customers, the exposure limit specified in the law.
- 1.6. In the field of market risks, by 30 June 2019 at the latest, in accordance with point 1.6.3. by 30 September 2019 at the latest and thereafter continuously ensure:

- 1.6.1. train the counterparty risk capital requirement required by law for the transaction specified in the reasons for the decision;
 - 1.6.2. the capital calculation's legal compliance of central counterparty's contribution to guarantee found shall be reviewed regularly and it shall be documented and reported in supervisory data service
 - 1.6.3. ensure the consistency, uniformity and coordination of risk management and corporate governance systems, including the continued provision of proper functioning of partner risk and CVA risk capital requirements systems.
- 1.7. In the field of deposit insurance, by 30 June 2019 at the latest, and thereafter, to ensure that the KBB file contains only a deposit and a deposit in accordance with the law, clearly identified by the name and full identification of the depositor and clarifies that the KBB file is Deposits marked as "N" deposit types are considered to be a payment account or a customer account, as well as consolidation to the customer when the start accounts are deviated from the Hungarian State Treasury register and when the KBB file is generated.
- II. The MNB shall oblige the Bank, in carrying out its activities to prevent and prevent money laundering and terrorist financing, and to implement financial and property restrictive measures imposed by the European Union and the UN Security Council by 30 June 2019 at the latest to comply with the following supervisory measures:
- 2.1. to give a full account of the actions taken in the Action Plan to address the regulatory gaps identified in the relevant decision statements;
 - 2.2. ensure that the ownership declarations of the beneficial ownership are complete and appropriate in accordance with the law, and review the documentation of the customer portfolio involved in the relevant statement, and re-obtain the actual ownership purchased between 30 September 2017 and 8 April 2018 as amended statements;
 - 2.3. to complete and certify the fulfillment of your training obligation;
 - 2.4. as regards document copying, amend its internal policies and practices for simplified customer due diligence in accordance with the law;
 - 2.5. review the actual ownership declarations of the Foundation's clients and, if necessary, ensure compliance with the content of the actual ownership declarations in accordance with the statutory requirements and, at all times, fully comply with the customer due diligence requirements;
 - 2.6. always take legislative action to obtain information on the source of financial assets;
 - 2.7. implement system development for the verification of interrelated financial transactions and transpose it into business practices;
 - 2.8. ensure that the Anti-Money Laundering Regulations is in accordance with the law at all times.
- III. MNB requires the Bank to report on (as extraordinary data supply) the measures taken by 30 September 2019 in a documented manner in order to verify the full compliance with the obligations contained with exception in point 1.1.4., 1.1.5., 1.2.1., 1.2.7., 1.4.2., 1.5.1., 1.6.3. and 2.2. of the operative part of the decision; in point 1.6.3. and 2.2. report on the measures taken by 30 November 2019; in point 1.1.4., 1.1.5., 1.2.1., 1.2.7., 1.4.2. and 1.5.1. report on the

measures taken by 29 February 2020. In point 1.1.4. and 1.1.5. to report on the measures to be taken separately on a quarterly basis prior to the completion of the measures by 31 December 2019 at the latest, before the measures are fully implemented to the MNB.

IV. The MNB obliges the Bank

4.1. to pay fine in the amount of sixteen million two hundred thousand (16.200.000) forints due to violation of law indicated in point 1.1.3-1.1.6., 1.2.1., 1.2.4., 1.2.5.b.)-1.2.7., 1.2.9. and 1.3.1-1.6.1. and the Decision in point 1.1.3-1.1.6., 1.2.1., 1.2.4., 1.2.5.b.)-1.2.7., 1.2.9. and 1.3.1-1.6.1.

4.2. to pay fine in the amount of seven million eight hundred thousand (7.800.000) forints due to violation of law indicated in point 2.1-2.3. and 2.5-2.7. and the Decision 2.1-2.3. and 2.5-2.7.

in total to pay fine in the amount of twenty-four million (24.000.000) forints due to violation of law.

The MNB draws the Bank's attention to the fact that, if the present commitments are not or not fully complied with, the MNB will have the possibility to apply additional measures provided by law.

No procedural costs were incurred during the procedure.

The imposed fine has to be paid to the account number 19017004-01678000- 30900002 of the MNB within 30 days after this resolution becoming enforceable by indicating „supervisory fine” as a comment and the number of the resolution.

In 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. No further payment of default interest is allowed to be charged due to the late payment.

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 due fine finally imposed by the MNB, and the default interest charged because of the due fine or late payment of the fine will be collected in way of tax by the state tax authority.

No appeal can be made against the resolution via administrative proceeding. The Client and, with respect to provisions concerning the other participant, that other participant of the proceeding related to primarily the respective provision should submit the resolution for review within 30 days from the publication of the decision citing violation of law by the Metropolitan Court of Administration and Labour.

The client represented by legal representative and the business entity with Hungarian registered office shall submit the statement of claim to the MNB through the assistance service of form's submission (webpage of the assistance service of form's submission: <http://www.mnb.hu/felugyelet/engedelyezes-es-intezmenyfelugyeles/hatarozatok-es-vezzesekkeresese>).

The lodging of an application has no suspensive effect on the entry into force of the decision, but the plaintiff may apply for immediate legal protection.

The court will, in principle, decide the trial out of court. The hearing will be taken, if the plaintiff request in the application. There is no place for excuse, if the request is not be taken.

Budapest, 2019.03.05.