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ANNOUNCEMENT

Annex G

TO THE INVESTMENT SERVICES BUSINESS REGULATIONS

On the Conflict of Interest Policy

Effective from: 1 August 2023

Published on: 30 June 2023

OTP Bank Plc.

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CONFLICT OF INTEREST POLICY OF OTP BANK PLC. FOR THE PROVISION OF INVESTMENT SERVICES AND ANCILLARY SERVICES

I. The purpose of the Conflict of Interest Policy

OTP Bank Plc. (registered address: H-1051 Budapest, Nádor utca 16., company registration number: Company Registry Court of Budapest-Capital Regional Court, Cg. 01-10-041585; hereinafter: Bank) provides financial and investment services to its *clients* as part of its activities.

With reference to the provisions set out in the Investment Firms Act and in Commission Delegated Regulation (EU) 2017/565 of 25 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council as regards organisational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive (hereinafter: Regulation), the Bank has drawn up a policy to identify, prevent and manage the conflicts of interest associated with its various business activities; whose relevant principles and procedures are contained in this Conflict of Interest Policy. The Conflict of Interest Policy presents a summary of the circumstances that may result in conflicts of interest and may have adverse consequences for the *Client*. The Conflict of Interest Policy is a summary description of the rules and regulations provided for in the Regulation and the Investment Firms Act, but does not include the comprehensive set of rules and policies applied by the Bank in its investment services and ancillary services.

In the course of its activities, the Bank exhibits the professional care expected from credit institutions at all times by prioritising the interests of the *Client* at all stages in the provision of its services. The Bank strives to strengthen long-term client relationships, to increase the satisfaction of its Business Partners and, in order to create the necessary trust, considers it necessary to ensure that the interests of its Business Partners are adequately protected.

In the Conflict of Interest Policy, the Bank specifies those circumstances within the framework of its investment and ancillary services and the related financial services that lead or may lead to a conflict of interest potentially causing adverse consequences for the *Client*. The Policy also defines the detailed procedural rules and measures that allow the prevention, identification and management of such conflict of interest situations that are potentially prejudicial to the *Client*.

The Bank takes the necessary measures and puts in place appropriate procedures to ensure that the Bank and the Employees of the OTP Banking Group, as well as persons associated with the Bank, are aware of and comply with the requirements set out in the internal regulations and do not engage in conduct that does not comply with the provisions set out in the regulations.

On the basis of its duty specified in Article 47(h) and (i) of the Regulation and Section 43(2) of the Investment Firms Act, through its Conflict of Interest Policy, the Bank informs its *Clients* of the methods and procedures applied by the Bank to identify and manage conflicts of interest.

II. Interpretative provisions

Terms not defined in this Conflict of Interest Policy shall have the meaning given to them in the Bank's Investment Services Business Regulations (hereinafter referred to as the "Business Regulations").

Employee:

a natural person in a legal relationship for the performance of work with OTP Bank Plc.

Person associated with the Bank:

for the purposes of the Conflict of Interest Policy, the following persons qualify as persons associated with the Bank:

- a director, partner or equivalent, managing director or tied agent of the Bank within the meaning of the provisions on the organisation of companies;
- a director, partner or equivalent, managing director of a tied agent of the Bank within the meaning of the provisions on the organisation of companies;
- an employee of the Bank or its tied agent or any other natural person whose services are placed at the disposal and under the control of the Bank or its tied agent and who is involved in the provision by the Bank of investment services and activities;
- any natural person who is directly involved in the provision of services to the Bank or its tied agent under an outsourcing arrangement for the purpose of the provision by the Bank of investment services and activities;
- a person directly or indirectly linked to the Bank by control.

Investment service activity and ancillary service:

an activity defined in Section 5 of the Investment Firms Act as an investment service activity or an ancillary service.

Sustainability preference:

the decision of the **Client** whether and to what extent to include one or more of the following financial instruments in their investment:

- a) a financial instrument for which the **Client** determines that a minimum share must be invested in environmentally sustainable investments in accordance with the Taxonomy Regulation;
- b) a financial instrument for which the **Client** determines that a minimum share must be invested in sustainable investments;
- c) a financial instrument which takes into account the principal adverse impacts on sustainability factors, where the qualitative or quantitative elements justifying such consideration are determined by the **Client**.

Relevant Person:

for the purposes of the Conflict of Interest Policy, the following persons qualify as Relevant Persons:

- a director, partner or equivalent, managing director or tied agent of the Bank within the meaning of the provisions on the organisation of companies;
- a director, partner or equivalent, or managing director of a tied agent of the Bank within the meaning of the provisions on the organisation of companies;
- an employee of the Bank or its tied agent or any other natural person whose services are placed at the disposal and under the control of the Bank or its tied agent and who is involved in the provision by the enterprise of investment services and activities, including employees of the Bank;
- any natural person who is directly involved in the provision of services to the Bank or its tied agent under an outsourcing arrangement for the purpose of the provision by the enterprise of investment services and activities, including any person who is in a legal relationship with the Bank, outsourcing or acting as an intermediary.

Regulation:

Commission Delegated Regulation (EU) 2017/565 of 25 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council as regards organisational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive.

III. The scope of the Conflict of Interest Policy

The Conflict of Interest Policy defines the principles, procedures and control functions applicable to various situations related to the Bank's investment service activities and the provision of ancillary services. Since the Bank qualifies as a credit institution providing investment services, the scope of the Conflict of Interest Policy also extends to the relevant financial services provided by the Bank.

The material scope of the Conflict of Interest Policy does not cover cases of conflict of interest that relate to the Bank's other services or activities.

With respect to OTP Group, the Conflict of Interest Policy takes into account the circumstances the Bank has or should have information about that may result in conflicts of interest as a result of the structure and business activities of other Group members.

The Conflict of Interest Policy applies to the Bank, the Bank's Employees, or persons associated with the Bank and conflict of interest situations between

- the Bank and its Business Partner(s);
- the Bank's Employees, the persons concerned and the Bank or the Business Partners;
- the Business Partners or *groups of Clients*.

IV. Circumstances giving rise to conflicts of interest

The Bank examines situations potentially causing conflicts of interest from at least the following aspects:

- from a consumer protection aspect, especially with regard to the information asymmetries between the Bank and the *Client*;
- from a market supervision aspect, including the examination of any inappropriate use of inside information;
- from a prudential aspect, focusing in particular on fraud associated with inefficiencies of process management or deficiencies in the internal control system or the internal rules of procedure.

Any actual or potential conflict of interest that may have adverse consequences for the interests of the *Client*, including their sustainability preferences, shall be treated as a conflict of interest. Among others, the Bank considers the following cases to be conflicts of interest:

- the Bank or a person associated with the Bank is likely to make a financial gain or incur a loss to the detriment of the *Client*;
- the Bank or a person associated with the Bank has an interest in the result of a service provided to the *Client* or a transaction carried out on behalf of the *Client*, which interest is different from the *Client's* interest in the result;
- the Bank or a person associated with the Bank favours the interests of another *Client* or group of *Clients* over the interests of the *Client* because of financial or other incentives;
- the Bank or a person associated with the Bank has interests in the same transaction as the *Client*;
- the Bank or a person associated with the Bank receives or will receive from a person other than the *Client* an incentive in the form of a monetary or non-monetary benefit or service in connection with the provision of a service to the *Client*.

In designing its services and introducing its products, the Bank endeavours to avoid any conflict of interest. If conflicts of interest cannot be excluded, the Bank develops an internal organisational governance and regulatory environment which can guarantee that such conflicts of interest will not be detrimental to the Business Partners. Nevertheless, it is not possible to exclude potential conflicts of interest in the case of certain services and Business Partners, not even after appropriate measures have been taken. The Bank always informs the *Client* of these in advance, allowing the *Client* to make an informed decision on the use of the service.

V. Management of conflicts of interest

Any actual or potential conflict of interest arising in the course of the Bank's activities that causes or may cause a disadvantage to the *Client* must be managed. The Bank ensures that Relevant Persons engaged in various business activities involving a conflict of interest are able to carry on such activities at a level of independence appropriate to the activities and size of the Bank and the Banking Group and the risk of damage to the interests of the *Client*, in order to avoid conflicts of interest that could be detrimental to the Business Partners.

To this end, the Bank:

- has effective procedures in place to prevent or control the exchange of information between Relevant Persons involved in activities where there is a risk of a conflict of interest;
- provides separate supervision in the case of persons whose primary functions include performing activities on behalf of, or providing services to, Business Partners whose interests may be in conflict or who may in any other way represent conflicting or different interests, including the interests of the Bank;
- terminates all direct relationships between the remuneration of the Relevant Persons performing primarily a specific activity and the remuneration to, or the revenues generated by, Relevant Persons who primarily carry out a different activity, if there is any conflict of interest between those activities;
- takes measures to prevent or restrict any person having unauthorised influence over how Relevant Persons carry out their investment or ancillary services or activities;
- takes measures to prevent or control any Relevant Person involved in various investment or ancillary services or activities simultaneously or in succession, if such involvement may hinder the appropriate management of conflicts of interest.

If the measures and procedures specified in the Conflict of Interest Policy are not sufficient, the Bank is entitled to apply additional measures to manage risks caused by conflicts of interest.

The Bank shall inform the *Client* of the nature and source of any conflict of interest in relation to which it does not have an effective management procedure and which causes the *Client* disadvantage or damage to its interests. The Bank shall take all reasonable measures to eliminate conflicts of interest that cause damage to the *Client*. As a last resort, the Bank may only consider the disclosure of this situation to the Client as a means of managing a conflict of interest if the effective organisational and administrative arrangements developed by the Bank to prevent or manage conflicts of interest are not sufficient to ensure, with reasonable confidence, that risks of damage to the *Client's* interests will be prevented. The disclosure shall clearly state that the organisational and administrative arrangements developed by the Bank to prevent or manage conflicts of interest are not sufficient to ensure, with reasonable confidence, that the risks of damage to the interests of the *Client* will be prevented. The disclosure shall contain a specific description of the conflicts of interest that may arise in the provision of investment and/or ancillary services, taking into account the nature of the *Client* to whom the disclosure is being made. The information provided to the *Client* on conflicts of interest shall explain the general nature and sources of conflicts of interest, the risks to the *Client* that arise as a result of the conflicts of interest and the steps taken to mitigate these risks, in sufficient detail to enable the *Client* to make an informed decision in relation to the investment or ancillary service in respect of which the conflicts of interest arise. The information on the conflict of interest to the *Client* must be provided on a durable medium or, if the applicable conditions are met, via the website.

The Bank uses in particular the following procedures and measures to identify, prevent and manage conflict of interest situations:

- the Bank has an independent compliance function whose tasks include, among others, the identification, prevention and management of conflicting interests and conflicts of interest;
- the Bank has internal procedures in place to ensure that conflicts of interest are detected and identified when a new product or service is introduced or extended to a new *group of Clients*;
- the Bank uses organisational separation, which may be achieved through the physical separation of organisational units and other means, in particular by setting limits on access to information, the management and control structure within the organisation and by ensuring an appropriate degree of independence;
- the Bank has effective internal regulations and procedures in place that comply with the law and that prevent market abuse—including insider trading, unauthorised disclosure of inside information and market manipulation—and abuse of the clients' confidential information protected by law or any other confidential information. To this end, it records, among other things, the transactions of its Employees for their own account in the manner and within the scope set out in legal regulations;
- the Bank monitors the trading of financial instruments and controls the transmission of inside information to ensure that the Bank's Employees do not abuse the information to the detriment of other capital market participants when trading on their own account or on the Bank's account;
- the Bank carries out the Business Partners' instructions/orders in accordance with the Execution and Allocation Policy. The Execution and Allocation Policy allows potential conflicts of interest to be avoided when the instructions/orders are carried out and that orders/instructions are fulfilled transparently, in a manner and subject to the terms disclosed to Business Partners in advance;
- the Bank develops its internal incentive schemes in a way that the best interests of clients prevail in each phase of the procedure. The Bank uses internal rules of procedure to guarantee that Business Partners and *groups of Clients* receive equal treatment;
- the Bank does not accept any funds or benefits from third parties if the funds or benefits do not comply with the requirements for incentives set out in Article 24 of Directive 2014/65/EU and related legal regulations;
- in its investment research activities, the Bank—in addition to the relevant provisions of the Investment Firms Act, the Regulation and Regulation (EU) No 596/2014 on market abuse¹—also takes into account the provisions of Act CXX of 2001 on the Capital Market on investment recommendations;
- the Bank provides information to Business Partners about the general principles and procedures applied by the Bank to investigate and manage conflict of interest situations. If a *Client* qualifying as a current or future retail client requests more information about the Conflict of Interest Policy, the Bank's Employees provide the requested information. The Conflict of Interest Policy is a part of the Investment Services Business Regulations, which means that the Policy is available to Business Partners in the same form as the Business Regulations;

¹ Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC

- the Bank informs Business Partners about the services, products and their conditions, complying with the legal and consumer protection regulations and recommendations during the provision of such information;
- the Bank monitors its Employees' own investment activities, their holdings in outside interests and the establishment of additional employment or other legal relationship for the performance of work;
- the Bank specifies rules applicable to its Employees for the provision and acceptance of financial and non-financial remuneration;
- the Bank arranges training for its Employees concerning the identification, prevention and efficient management of conflicts of interest;
- in addition to providing ancillary custody service, the Bank also performs valuation and net asset value calculation functions and, in this regard, the Bank ensures compliance with the provisions of Act XVI of 2014 regarding the detection, management and disclosure of conflicts of interest;
- the Bank identifies any potential conflicts of interest that may arise from other activities of the Bank or the Group and puts in place appropriate procedures to manage them. In the event that the Bank cannot manage a conflict of interest by putting in place appropriate procedures, it may not participate in the transaction;
- the Bank—as an investment firm providing execution and research services and performing underwriting and placement activities—ensures that it has appropriate control mechanisms in place to manage any potential conflicts of interest between these activities and the different Business Partners using such services;
- the Bank has systems, control mechanisms and procedures in place to identify and prevent or manage conflicts of interest arising from the potential underpricing or overpricing of the issue or the involvement of relevant counterparties in the process;
- the Bank establishes, implements and maintains effective internal solutions—including in particular controlled data transfers—to prevent or manage conflicts of interest that may arise when persons responsible for providing services to its investment *Clients* are directly involved in decisions relating to recommendations on allocations to the issuer client;
- the Bank has systems, control mechanisms and procedures in place to identify and manage conflicts of interest that arise when providing investment services to the investment *Clients* participating in a new issue where the Bank receives commissions, fees or other monetary or non-monetary benefits in relation to arranging the issuance;
- the Bank develops, implements and maintains clear and effective solutions to identify, prevent or manage potential conflicts of interest that may arise when it wishes to place financial instruments issued by itself or by entities belonging to the same group with its existing *Clients* (including its existing depositor clients in the case of credit institutions or investment funds managed by entities belonging to their group);
- the Bank has solutions in place to identify, prevent or manage potential conflicts of interest arising from the fact that a previous loan or credit granted by the Bank or an entity belonging to the same group to the issuer *Client* may be repaid from the proceeds of an issue;

- the Bank allows information on the issuer's financial situation to be shared with entities in the group acting as creditors, provided that this would not breach information barriers set up by the undertaking to protect the Client's interests.

VI. The Bank's procedure

In addition to the legal requirements, supervisory expectations and best business practices, the Bank establishes appropriate internal policies to ensure that conflict of interest situations are uncovered and effectively managed.

The Bank, with the participation of the affected organisational units, monitors the conflicts of interest that arise, defines the general types of conflicts of interest, the range of possible cases, the resulting conflict of interest criteria and the *procedures* and measures to be applied in dealing with them.

When introducing a new product or service, or extending the service to a new *group of Clients*, the Bank must also identify any conflicts of interest relating to the product and, if they give rise to a conflict of interest, propose an effective procedure for managing them.

Pursuant to the Regulation, the Bank keeps a Conflict of Interest Register of the investment or ancillary services provided or investment activities performed *by or* on behalf of the Bank, in the course of which a conflict of interest has arisen or may arise entailing a risk of damage to the interests of the *Clients* or Business Partners. This Conflict of Interest Register contains the measures and procedures applied in order to manage the identified conflicts of interest. The Bank's senior management shall receive a written report on situations affecting the Conflict of Interest Register at least annually.

The Bank ensures that the Conflict of Interest Register is regularly updated in the event of additional conflicts of interest uncovered on the basis of notifications or otherwise, and in respect of any uncovered conflicts of interest, changes or amendments to the measures applied.

The Bank reviews the Conflict of Interest Policy and the Conflict of Interest Register at least annually or, if necessary, carries out additional reviews. In doing so, the Bank takes appropriate measures to address any deficiencies, where necessary.

The Compliance Directorate is in charge of coordinating tasks related to conflict of interest situations and the maintenance of the Conflict of Interest Register within the Bank.

The Bank provides further detailed information in case of questions or comments concerning the Conflict of Interest Policy.

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