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File number:	37370-38/2023
Contact:
Subject:	Target inspection measures closing the target investigation conducted at OTP Bank Nyrt. by applying measures and fines

Resolution number: H-PM-I-B-76/2023.

(registered office: 1051 Budapest, Nádor utca 16.) ("the Company") by the **National Bank of Hungary** (registered office: 1013 Budapest, Krisztina krt.55., establishment: 1122 Budapest, Krisztina krt.6.) ("MNB") the MNB passes the following Based on the findings of an ex officio target investigation held at **OTP Bank Plc.**

Resolution

I. The MNB warns the Company that in the course of its activities related to the prevention and prevention of money laundering and terrorist financing it shall

always fully comply with the applicable legal requirements and within this framework

1. in order to manage the risks, taking into account the evaluation of the identified risks, it determines its measures in proportion to them, the applied filtering conditions, parameters and thresholds; [Money laundering 13.]
2. continuously monitor the risk reduction and management measures defined at the legal level and implement them by the statutory deadline. [Money laundering 15.]

II. The MNB obliges the Company to, in order to fully comply with the legal requirements, in the course of its activities continuously, **but no later than until February 29, 2024**

1. review which of its clients acts as a trustee for business relationships established before November 18, 2022, and if the fiduciary status is established, then in view of the high money laundering risk affecting the fiduciary managers, perform the Pmt. enhanced customer due diligence measures pursuant to Section 16 of the Pmt; [Money laundering 1.]
2. review its internal risk assessment, system of rules and procedures in relation to geographical risks and modify them taking into account the risks specified in the Management Circular, including, but not limited to, assessing the money laundering geographic risk inherent in Delaware, review your existing business relationships and, if the money laundering risk increases in terms of geographical risk (for example, due to Delaware's involvement in the Member State of Delaware), take risk-reducing measures immediately; [Money laundering 2.]
3. review its practice and develop a system of rules that ensures that the 26/2020. MNB Decree in subsection a) of Section 21 (1), as well as MNB recommendation no. 15/2022. in accordance with the expectations contained therein, the risk-related differences between non-profit organizations and the criteria underlying the differences should appear in internal risk assessment, review the risk classification of clients of non-state or non-municipal non-profit economic companies in accordance with its revised and amended risk assessment; [Money laundering 3.]
4. review its practice and develop a system of rules that meets the legal obligation regarding management approvals, meaning that based on paragraph (3) of Section 24/A. of the Pmt., establishment the correspondence relationship in all cases could take place - in a retrievable manner - after the approval of its manager specified in its internal regulations according to § 65 the

- Pmt., and in accordance with Section 22 (4) of the MNB Decree no. 26/2020.; [Money laundering 6.]
5. review its practice and develop a system of rules that meets the legal obligation regarding management approvals, namely it meet requirements set in subsection a) of Section 16 (2) of Pmt., meaning that business relationship shall be established only after the approval of the manager specified in the internal regulations according to § 65 of Pmt., ensuring at the same time consistency according to Section 22 (4) of MNB Decree 26/2020; [Money laundering 7.]
 6. review its practices and rules and ensure that it always retains the personal due diligence data of its customers to the extent necessary for the performance of its duties to prevent and prevent money laundering and terrorist financing and that they are always available in a suitable quality; [Money laundering 9.]
 7. ensure that a suitable, retrievable record is available from which it can be clearly established which Colleagues have or have not fulfilled the mandatory training according to Section 46 (1) of the MNB Decree 26/2020; [Money laundering 21.]
 8. establish a second line of defense within the PTFEO in proportion to the nature, magnitude and complexity of the risks inherent in the Company's business model - especially the ML/TF risks, thus, an appropriate set of rules and practices suitable for the identification, measurement, management, monitoring and reporting of emerging risks with regard to the first line of defense; [Money laundering 22.]
 9. establish a system of rules and reporting practices by which the second line of defense informs the Company's management board at least every 6 months about the ML/TF risks identified in the Company's first line of defense and the proposed measures to be applied in order to reduce the risks, about any risk reduction measures taken; [Money laundering 22.]
 10. develop an appropriate system of rules and practices for regular controls over the second line of defense in proportion to the nature, magnitude and complexity of the risks inherent in the Company's business model - especially ML/TF risks, which is suitable for the identification, measurement, management, monitoring and reporting of emerging risks with regard to the second line of defense; [Money laundering 23.]

III. The MNB obliges the Company to conduct an internal audit by March 31, 2024 in respect of the following:

1. whether the Company has - in terms of business relationships established before November 18, 2022 - identified all trust asset management clients, and has it carried out enhanced customer due diligence measures in relation to all trust asset management clients; [Money laundering 1.]
2. whether the Company's risk assessment, internal rules and procedures effectively ensure that the provisions of the Executive Circular are taken into account, and if the risk classification of the clients has changed as a result of the modification of the risk assessment, have the appropriate risk mitigation measures been applied at the Company in order to reduce the emerging ML/TF risks; [Money laundering 2.]
3. whether the internal rules set up by the Company ensure that the 26/2020. MNB Decree in subsection a) of Section 21 (1), as well as in MNB recommendation no 15/2022. in accordance with the expectations contained therein, the risk-related differences between non-profit organizations and the criteria underlying the differences appear in the Company's internal risk assessment; [Money laundering 3.]
4. whether the internal rules system established by the Company ensure the compliance with Pmt. 24/A. § (3) and with Section 22 (1) of the MNB Decree 26/2020; [Money laundering 6.]
5. whether the internal rules system established by the Company ensure the compliance with point a) of paragraph (2) of Section 16 of Pmt., and compliance with the requirement of consistency according to Section 22 (4) of the MNB Decree no. 26/2020; [Money laundering 7.]
6. whether the internal system of rules and practices established by the Company effectively ensure that the Company preserves the personal due diligence data of its customers at all times to the extent necessary for the performance of its tasks to prevent and prevent money laundering and terrorist financing, whether they are always available in adequate quality; [Money laundering 9.]
7. whether the register kept by the Company fully comply with the requirement according to Section 46 (5) of the MNB Decree no. 26/2020; [Money laundering 21.]
8. whether the second line of defense established by the Company and carried out within PTFEO effectively ensure compliance with the requirements contained in points d) and g) of § 107, paragraph (1) of Hpt., does the second line of defense effectively identify the ML/TF risks inherent in the first line of defense in a manner proportionate to the risks, whether it has an effective system

of rules and practices for measuring, managing, monitoring and reporting them. [Money laundering 22.]

IV. The MNB obliges the Company to, in order to fully comply with the legal requirements, continuously during its activities, but **no later than until May 31, 2024:**

1. define in its internal regulations the concept of customers who regularly issue business orders, and develop a system of rules and a technical solution that ensures that transaction orders executed by occasional customers can be distinguished from transactions executed by customers who have a long-term business relationship with the Company; [Money laundering 4.]
2. establish controls and a filtering mechanism that can be used to ensure effective monitoring of cash transactions made by occasional customers, even on different bank accounts, and to take measures in necessary cases, and with the help of the corresponding filter, carry out the screening and analysis of the transaction orders made by occasional customers retroactively until October 1, 2020, and, where appropriate, take the necessary measures; [Money laundering 4.]
3. review its customer due diligence practice and create a practice and a suitable record from which it can be determined in each case what measures the Company has taken in relation to customers in order to identify the beneficial owners and verify their identity, as well as introduce controls that ensure that the Company's register - defined paragraph (7) of § 9 in Pmt.- contains the measures for all customers taken on the basis of paragraphs (1)–(6) of Section 9 of Pmt.; [Money laundering 10.]
4. within the framework of training, draw the attention of the administrators to the procedure to be followed in order to properly identify the beneficial owners and verify their identity, furthermore, in the framework of the training, illustrate possible cases of doubts regarding the identity of the actual owner through practical examples, as well as introduce a system of rules and a control environment that ensure that the data and documents available pursuant to Sections 7-10. of Pmt. -in particular those relating to the person of the beneficial owner-, are up-to-date at all times according to paragraph (1) of Section 12 of Pmt.; [Money laundering 11.]
5. review and strengthen its already established internal rules and control processes in order to ensure the availability of information on the source of funds and the availability of documents on the source of funds in order to confirm the verification of this information when executing transactions executed by customers deemed risky, and in the absence of this information and data, the implementation of restrictive measures; [Money laundering 12.]
6. carry out fine-tuning, review the value limits applied in the case of the filter system scenarios in order to ensure that they effectively ensure the filtering of risky clients and unusual transactions from the point of view of money laundering and terrorist financing; [Money laundering 13.]
7. with regard to the Simple card product, review its practices and develop a system of rules and screening practices that comply with requirement set out in point e) of paragraph (1) of Section 24/C. of Pmt., in order to always check the transaction or business relationship in order to filter out unusual transactions and data, facts or circumstances that point to money laundering or terrorist financing, and regarding Simple's product, after sharpening the control logics defined in point e) of paragraph (1) of Section 24/C of Pmt., carry out additional screening of customers and transactions retroactively back to October 1, 2020, using the newly introduced screening conditions, carry out additional screening of clients and transactions, analysis and evaluation of the client or transaction filtered out by the filtering system within the legal deadline, if necessary report to the financial information unit immediately; [Money laundering 14.]
8. review your practice and create an internal system of rules and a control environment that ensures at all times, in the case of cash deposits made by customers subject to the strengthened procedure, especially those involved in money laundering reports, information on the verification of the source of the funds and the verification of this information on the source of the funds by obtaining relevant documents; [Money laundering 16.]
9. carry out the control introduced in relation to customers registered with the registered service provider, as a subsequent screening, also in relation to customer relationships established before December 4, 2020, and take further necessary action; [Money laundering 17.]
10. monitor the business relationship with customers and ensure the screening of risky customers and unusual transactions in terms of money laundering and terrorist financing, review its reporting practices and ensure the maintenance of an internal system of rules and the operation of control points, which guarantee full and immediate reporting and re-reporting in accordance with the legal provisions against money laundering and terrorist financing in force at all times. In order to fulfill your reporting obligation,

implement measures that further improve the effectiveness of your control environment. [Money laundering 20.]

V. The MNB obliges the Company to have its internal audit perform an audit **by June 30, 2024** regarding whether:

1. the concept of customers who regularly issue business orders have been defined in the Company's internal regulations, the set of rules and technical solution ensure the distinction between business orders and transactions resulting from a long-term business relationship, with the controls and filtering mechanism established by the Company, can effective follow-up of cash transactions performed by occasional customers be ensured (verified by a sampling procedure), whether it can be ensured whether the Company has carried out the subsequent screening of business orders executed by occasional customers and whether it has taken action in the necessary cases; [Money laundering 4.]
2. whether the system of internal rules, practices, records and controls established by the Company effectively ensure the compliance with the requirement specified in paragraph (7) of Section 9. of Pmt.; [Money laundering 10.]
3. Company's employees involved in money laundering prevention tasks have fully received the required training, the training material have included the tasks related to the acquisition of actual ownership data in sufficient detail, examples that are the basis of doubt, as well as check whether the employees concerned have successfully passed the exam in all cases- in a documented way-, furthermore, whether the internal rule system and control environment established by the Company always ensure that the data and documents available based on Section 7-10 of Pmt. are up-to-date at all times based on paragraph (1) of Section 12 of Pmt.; [Money laundering 11.]
4. the internal system of rules and control environment established by the Company ensure that information on the source of funds and documents on the source of funds are available in order to verify this information when performing transactions executed by risky customers, in the absence of this information and data, whether restrictive measures will be taken; [Money laundering 12.]
5. in addition to the filter system settings reviewed by the Company and modified if necessary, is the screening of unusual transactions suspicious of money laundering ensured, be checked by sampling a larger number of customers during the inspection; [Money laundering 13.]
6. in relation to the Simple card product, whether the internal system of rules and screening practice established by the Company comply with requirements in point e) of paragraph (1) of Section 24/C of Pmt., and in addition, whether the Company has carried out the required retrospective screenings, their analysis and evaluation, as well as, if necessary, the justified measures in accordance with the legal requirements; [Money laundering 14.]
7. the internal rules system and control environment established by the Company ensure that information regarding the verification of the source of the funds is obtained during cash payments of customers subject to the enhanced procedure of HUF 10 million or more; [Money laundering 16.]
8. the Company has carried out the subsequent screening in relation to the transactions carried out by them in the case of customer relations established with customers before December 4, 2020 registered with a registered service provider, and whether it took action in the necessary action; [Money laundering 17.]
9. the new rules and control points established by the Company properly and effectively ensure legal compliance, especially with regard to the prompt submission of reports and repeated reports. [Money laundering 19.], [Money laundering 20.]

VI. The MNB obliges the Company to - in order to fully comply with legal requirements - during the course of its activities, continuously, but **no later than until August 31, 2024**

1. following the sharpening of the mandatory screening logic defined in point f), Paragraph (1) of Section 23 of the MNB Decree no. 26/2020, with the newly introduced screening conditions perform additional screening of customers and transactions retroactively until October 1, 2020, and carry out the analysis and evaluation of the customer or transaction filtered out by the filter system within the legal deadline, if necessary report it to the financial information unit immediately. [Money laundering 15.]

VII. The MNB obliges the Company to conduct an internal audit **by September 30, 2024** to ensure that

1. the filters introduced on mandatory screening logic defined in point f) Paragraph (1) of Section 23 of the MNB Decree no. 26/2020 are in accordance with legal requirements, whether they are effectively ensured, and whether the Company has carried out the retroactive screenings prescribed for it in accordance with legal requirements. [Money laundering 15.]

VIII. In the context of extraordinary data provision, the MNB obliges the Company to

- 1. until April 30, 2024, send to the MNB that the requirements in part II of the operative part of this decision are fulfilled based on requirements in part III of the operative part of this decision** [Money laundering 1.], [Money laundering 2.], [Money laundering 3.], [Money laundering 6.], [Money laundering 7.], [Money laundering 9.], [Money laundering 21.], [Money laundering 22.], [Money laundering 23.], as well as
- 2. until July 31, 2024, send to the MNB that the requirements in part IV. of the operative part of this decision are fulfilled based on requirements in part V. of the operative part of this decision** [Money laundering 4.], [Money laundering 10.], [Money laundering 11.], [Money laundering 12.], [Money laundering 13.], [Money laundering 14.], [Money laundering 16.], [Money laundering 17.], [Money laundering 19.], [Money laundering 20.], as well as
- 3. until October 31, 2024, send to the MNB that the requirements in part VI. of the operative part of this decision are fulfilled based on requirements in part VII. of the operative part of this decision** [Money laundering 15.]

and by sending the MNB the internal audit reports and the documents on which they are based, discussed by the board of directors and approved by the supervisory board, certifying the full-scale inspection and the proper implementation of the measures written in the points mentioned.

IX. The MNB obliges the Company to pay a supervisory fine:

1. in the amount of 5.000.000 HUF (i.e. five million Hungarian forints) due to the legal violation referred to in point I. of the justification of this decision, [Money laundering 20.]
2. in the amount of 2.500.000 HUF (i.e. two million five hundred thousand Hungarian forints) due to the legal violation referred to in point II of the justification of this decision, [Money laundering 19.]
3. in the amount of 5.000.000 HUF (i.e. five million Hungarian forints) due to the legal violation referred to in point III. of the justification of this decision, [Money laundering 15.]
4. in the amount of 3.750.000 HUF (i.e. three million seven hundred fifty thousand Hungarian forints) due to the legal violation referred to in point IV. of the justification of this decision, [Money laundering 4.]
5. in the amount of 3.750.000 HUF (i.e. three million seven hundred fifty thousand Hungarian forints) due to the legal violation referred to in point V. of the justification of this decision, [Money laundering 14.]
6. in the amount of 3.750.000 HUF (i.e. three million seven hundred fifty thousand Hungarian forints) due to the legal violation referred to in point VI. of the justification of this decision, [Money laundering 16.]
7. in the amount of 3.750.000 HUF (i.e. three million seven hundred fifty thousand Hungarian forints) due to the legal violation referred to in point VII. of the justification of this decision, [Money laundering 17.]
8. in the amount of 2.500.000 HUF (i.e. two million five hundred thousand Hungarian forints) due to the legal violation referred to in point VIII. of the justification of this decision, [Money laundering 13.]
9. in the amount of 2.500.000 HUF (i.e. two million five hundred thousand Hungarian forints) due to the legal violation referred to in point IX. of the justification of this decision, [Money laundering 2.]
10. in the amount of 2.500.000 HUF (i.e. two million five hundred thousand Hungarian forints) due to the legal violation referred to in point X. of the justification of this decision, [Money laundering 6.]
11. in the amount of 2.500.000 HUF (i.e. two million five hundred thousand Hungarian forints) due to the legal violation referred to in point XI. of the justification of this decision, [Money laundering 7.]
12. in the amount of 2.500.000 HUF (i.e. two million five hundred thousand Hungarian forints) due to the legal violation referred to in point XII. of the justification of this decision, [Money laundering 12.]
13. in the amount of 2.500.000 HUF (i.e. two million five hundred thousand Hungarian forints) due to the legal violation referred to in point XIII. of the justification of this decision, [Money laundering 10.]
14. in the amount of 2.500.000 HUF (i.e. two million five hundred thousand Hungarian forints) due to the legal violation referred to in point XIV. of the justification of this decision, [Money laundering 11.]
15. in the amount of 2.500.000 HUF (i.e. two million five hundred thousand Hungarian forints) due to the legal violation referred to in point XV. of the justification of this decision, [Money laundering 21.]
16. in the amount of 1.875.000 HUF (i.e. one million eight hundred and seventy five thousand Hungarian forints) due to the legal violation referred to in point XVI. of the justification of this decision, [Money laundering 1.]

in total the Company to pay a supervisory fine in the amount of 49.375.000,- HUF (i.e. forty-nine million three hundred and seventy-five thousand Hungarian Forints).

The Company is obliged to publish the operative part of this decision on its website.

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 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". In case of failure to pay debts will be collected in a way of enforcement procedure. The tax authority shall enforce the fine imposed and unpaid in the MNB's final decision in a manner of taxes, as well as the default interest due to the fact of unpaid or overdue fine.

No appeal can be made against the resolution, at the same time, the Client, or other party of the proceedings with respect the provision applicable to him/her, may initiate administrative proceeding - addressed to the Budapest-Capital Regional Court - against the resolution within 30 days of the publication of the decision citing violation of law.

Legal representation is mandatory. The application shall be submitted 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 in order to eliminate the directly threatening disadvantage, to temporarily settle the disputed legal relationship, or to maintain the situation that gave rise to the legal dispute unchanged.

The court will, as a general rule, decide the trial out of court. A hearing shall be held, if so requested in the application by the plaintiff. Failure to request a hearing cannot be justified.

Dated: Budapest, 20th November, 2023.

ELECTRONICALLY SIGNED DOCUMENT