



OTP BANKA SRBIJA
BOARD OF DIRECTORS OF THE BANK
DATE: 29.03.2023.

By virtue of Article 26, paragraph 1, item 20 of the Articles of Association of OTP banka Srbija as of 31.01.2022, the Board of Directors of the Bank adopts the following:

RULEBOOK ON THE PROCEDURE OF CONFLICT OF INTEREST MANAGEMENT

1. GENERAL PROVISIONS

Article 1

This Rulebook on the Procedure on Conflict of Interest Management (hereinafter: Rulebook), which constitutes an integral part of the Rules of Procedure for Investment Services and Activities and Ancillary Services of OTP banka Srbija (hereinafter: Rules of Procedure) regulates the measures and procedures in order to prevent and reduce conflict of interest to the least possible extent, existence of which may damage interests of clients.

2. TERMS

Article 2

Terms and expressions used in this Rulebook have the following meanings:

- **Law** means the Law on the Capital Market (Official Gazette of the Republic of Serbia, No. 129/2021);
- **Securities Commission** (hereinafter: "**the Commission**") is an independent regulatory and supervisory institution of the Republic of Serbia that exercises public powers in accordance with the competences prescribed by the Law;
- **Credit institution** is an entity licensed in accordance with the provisions of the law regulating prudential rules for credit institutions; that is, in the Republic of Serbia, a credit institution is an entity licensed in accordance with the provisions of the law regulating banks, i.e., in accordance with the provisions of the law regulating credit institutions;
- **Bank - OTP banka Srbija** is a credit institution in terms of the Law, licensed by the National Bank of Serbia to carry out banking activities in accordance with the Law on Banks and licensed by the Securities Commission to carry out the activities of an investment company;
- **Capital Market Department** is a separate organizational part of the Credit Institution intended for the provision of investment services from Article 2, Paragraph 1, Items 2) and 3) of the Law. As part of its business activities, the Bank, that is, the Capital Market Department provides, within its competences, ancillary services from Article 2, Paragraph 1, Item 3), Sub-items (2) and (4) of the Law, which do not require the Commission's permission;

- **Competent organizational unit of the Bank** is an organizational unit of the Bank which is not the Capital Market Department;
- **OTP Group** is a group of credit institutions and other companies in the financial sector whose ultimate parent company is OTP Bank Plc, headquartered in Budapest, Hungary;
- **Client** is any legal or natural person to whom the Bank provides its Services;
- **Services** are investments services and activities, as well as ancillary services stated in the Rules of Procedure;
- **Financial instruments** are:
 1. Transferable securities;
 2. Money market instruments;
 3. Units of collective investment institutions;
 4. Options, futures (futures contracts), swaps, interest rate forwards (unstandardised interest futures contracts) and all other contracts on derivative financial instruments related to securities, currencies, interest rates, or returns, emission units as well as all other financial derivatives instruments, financial indices or financial measures that can be settled physically or in cash;
 5. Options, futures, swaps, forwards, and all other commodity derivative contracts that:
 - a) Must be settled in cash, or
 - b) May be settled in cash at the option of one of the contracting parties, except in case of default or other reason for terminating the contract;
 6. Options, futures, swaps, and all other commodity derivative contracts and can be physically settled, provided that they are traded on a regulated market, MTF or OTF, with the exception of wholesale energy products traded on OTF and which must be settled physically;
 7. Options, futures, swaps, forwards, and all other commodity derivative contracts which can be settled physically, if they are not specified in sub-item (6) of this Item and do not have a business purpose, and have features of other derivative financial instruments;
 8. Derivative financial instruments for the transfer of credit risk;
 9. Financial contracts for differences;
 10. Options, futures, swaps, interest forwards and all other contracts on derivative financial instruments relating to climate variables, transport costs, inflation rates or other official, economic and statistical data, which must be settled in cash or can be settled in cash at the option of one of the contracting parties, except in case of default or other reason for terminating the contract, as well as other contracts on derivative financial instruments related to assets, rights, obligations, indices and units of measurement that are not specified in this item, which have the features of other derivative financial instruments, taking into account, among other things, whether they are traded on a regulated market, OTF or MTF;
 11. Emission units consisting of any units determined to be in compliance with the provisions of the law governing the greenhouse gas emissions trading system;
- **Close connection**, within the meaning of the Law, is a relationship in which two or more natural or legal persons are connected by:
 - 1) Participation in the form of owning, directly or through control, at least 20% of the voting rights or capital of the company;
 - 2) Control, which means the relationship of power of the parent company over the subsidiary in all cases from the law regulating accounting or a similar relationship between a natural or legal person and a company, with the fact that each subsidiary of

- a subsidiary is also considered a subsidiary of the parent company leading those companies;
- 3) Constantly, by a control relationship;
 - 4) Family members;
- Within the meaning of the Law, **family members** are:
 - 1) Spouses, that is, persons living in a common-law union;
 - 2) Descendants and ancestors in the direct line unlimited;
 - 3) Relatives up to the third degree of consanguinity, in the collateral line, including in-laws;
 - 4) Adopter and adoptees and descendants of adoptees;
 - 5) Guardian and wards and descendants of wards;
 - **Relevant person** in relation to the Bank, within the meaning of the Rulebook on Organizational Requirements, is:
 - (1) A person with an ownership interest in the Bank or a related representative,
 - (2) Managers or related representative, member of the executive board whose competence is the provision of Services;
 - (3) An employee in the Capital Market Department or a related representative, an internal controller, employees in the Bank's branch network who provide Services in their business processes, employees in the Market Operations Administration Support Department,
 - (4) Any other natural person engaged by the Bank or a related representative for the provision of services under its competence,
 - (5) A natural person who is directly involved in the provision of services to the Bank or its related representative on the basis of a contract on outsourcing of business processes, and for the purpose of providing Bank Services;
 - **Person with whom the relevant person is closely related**, in terms of the Rulebook on Organizational Requirements, is:
 - (1) the spouse or common-law partner of the relevant person,
 - (2) descendants and ancestors in the direct line unlimited,
 - (3) a relative up to the third degree of consanguinity, in the collateral line, including in-laws,
 - (4) adopter and adoptees and descendants of adoptees;
 - (5) guardian and wards and descendants of wards;
 - (6) any other person who has spent at least one year in a joint household with the relevant person from the date of the personal transaction in question;
 - **Exclusively for the purposes of these Rules of Procedure: Managers** are persons employed in the Bank who have the consent and permission of the Commission, according to the Commission's Rulebook, as managers of the organizational part of the credit institution intended for the performance of investment services and activities; in the Bank, they are: the head of the Capital Market Department and the head of the Global Markets Directorate;
 - **Issuer** is a domestic or foreign legal entity under private or public law, which issues or proposes to issue financial instruments, and in the case of certificates of deposit, the issuer is considered to be the person who issues the securities that represent those certificates of deposit;
 - **Related representative** is a natural or legal person who, under full and unconditional responsibility of the sole investment company or credit institution on whose behalf he/she acts, performs the following tasks:
 - (1) promotes, that is, offers investment and/or ancillary services to clients or potential clients;

- (2) receives and transmits client orders regarding investment services or financial instruments;
- (3) places financial instruments; or
- (4) provides advice to clients or potential clients regarding those financial instruments or services.

3. CONFLICT OF INTEREST MANAGEMENT POLICY

3.1 Principles of business conduct and prevention of conflicts of interest

Article 3

The Bank cannot place its interests before the interests of its clients.

The Bank establishes, implements and maintains an effective conflict of interest management policy, in written form and appropriate to the size and organization of the Bank and the nature, scope and complexity of operations.

The Bank shall organize its operations in such a way as to minimize possible conflicts of interest between the interests of clients and the Bank, the Relevant and closely related persons, as well as conflicts of interest among the Bank's clients.

The Bank adopts, implements and regularly updates the conflict of interest management policy. In accordance with the provisions of the Law, the Bank is obliged to:

- (1) Determine the circumstances that represent or may lead to a conflict of interest to the detriment of one or more clients, and in relation to an individual service provided for or by the Bank;
- (2) As a member of the **OTP Group**, determine all circumstances that are known or should have been known to it, which may lead to a conflict of interest arising from the structure and business activities of other members of the OTP Group;
- (3) Determine the procedures it needs to follow and measures to prevent or manage conflicts of interest.

3.2 Circumstances that are or may lead to a Conflict of Interest

Article 4

The Bank is obliged to take appropriate measures to recognize and prevent or manage conflicts of interest, including conflicts of interest of Relevant Persons and persons who are directly or indirectly connected to the Bank through control and all persons closely related to them, on the one hand, and the interests of its clients on the other hand, as well as mutual conflicts of interest of individual clients, which arise during the provision of investment services and ancillary services, or a combination thereof.

For the purpose of determining the types of conflicts of interest that arise during the provision of the Services or their combination, the existence of which may harm the client's interests, the Bank takes into account whether the Bank or a relevant person or a person directly or indirectly connected to the Bank through control is in either of the following situations, whether as a result of providing investment or ancillary services, i.e., carrying out investment activities or for other reasons:

- 1) The Bank or that person could potentially make a financial profit or avoid a financial loss to the detriment of the client;

- 2) The Bank or that person has an interest in the outcome of the service provided to the client or the transaction performed for the client's account, which is different from the client's interest;
- 3) The Bank or that person has a financial or other motive to put the interest of another client or group of clients before the interest of the client;
- 4) The Bank or that person performs the same activity as the client;
- 5) The Bank or that person receives or will receive from a person who is not a client an additional incentive in connection with the service provided to the client, in the form of monetary or non-monetary benefits or services.

The procedures to be followed and the measures to be taken include at least the items listed below that are necessary for the Bank to ensure the required degree of independence:

- 1) effective procedures for preventing or controlling the exchange of information between relevant persons involved in activities involving the risk of conflict of interest when such exchange of information could harm the interests of one or more clients;
- 2) separate supervision of relevant persons whose main functions include performing activities for the client's account or providing services to clients whose interests may be in conflict or who otherwise represent different interests that may be in conflict, including the interests of the Bank;
- 3) removal of any direct connection between the remuneration policy of relevant persons who are mainly engaged in one activity and the remuneration policy or income achieved by other relevant persons who are mainly engaged in another activity in the event that a conflict of interest may arise in connection with those activities;
- 4) measures by which any person is prevented or restricted from exerting undue influence on the way in which the relevant person provides investment or ancillary services or performs activities;
- 5) measures to prevent or control the simultaneous or consecutive participation of relevant persons in certain investment or ancillary services or activities if such participation could harm the proper management of conflicts of interest.

3.3 Procedures and Measures for Conflict of Interest Prevention and Management

Article 5

Before executing a transaction for the client, the Bank is obliged to inform the client of possible conflicts of his interests with the interests of the Bank, that is, the interests of other Bank clients, including the general nature and/or the sources of those conflicts.

In order to prevent conflicts of interest, the Bank organizes the performance of its operations in separate organizational units.

In order to prevent conflict of Interest the Bank shall act in line with the Law, Rules of Procedure, this Rulebook and other relevant Bank's internal acts that define this area.

Article 6

Procedures for identifying and resolving possible conflicts of interest in the Bank's operations consist of:

- (1) Identification of conflicts of interest is the duty of all Relevant Persons;

- (2) Notifications on conflicts of interest - each identified conflict of interest is reported to the Bank's internal controller, who is authorized to monitor and collect information on the existence of conflicts of interest, keep a register, notify the Manager and the Competent Organizational Unit of the Bank;
- (3) Assessing conflicts of interest by collecting all the necessary information to determine the existence of conflicts of interest, solutions, and informing the client of conflicts of interest;
- (4) Resolving conflicts of interest carried out by the Managers, the internal controller and the Competent Organizational Unit of the Bank.

The Bank undertakes all necessary actions and measures to prevent conflicts of interest from arising. In the event of a conflict of interest, the same should be resolved in a way that ensures that the interests of the Bank and/or Relevant Persons do not lead to possible losses for the client, nor that the client is placed in a subordinate position.

All Relevant Persons and persons related to them must not provide the Services by working in the interest of individual clients, and to the detriment of other clients of the Bank. When providing the Services, all Relevant Persons and persons related to them are obliged to:

- Place the interests of their clients before their own interests,
- Operate fairly, honestly, and professionally, in line with the best interests of their clients.

3.4 Personal transactions

Article 7

The Bank, Relevant Persons, as well as persons closely related to them cannot buy or sell for their own account the same financial instruments that are the subject of the client's order before acting upon the client's order, in accordance with the Law, the Commission's by-laws and the Rules of Procedure, this Rulebook and other Bank's internal acts, the Bank ensures:

- (1) That the Relevant Persons are aware of the prohibited activities and measures of the Bank in connection with personal transactions and the corresponding notifications;
- (2) That it is immediately informed of all personal transactions;
- (3) That when outsourcing affairs to another person, the service provider keeps records of personal transactions of the relevant persons of the service provider and immediately submits information on personal transactions to the Bank upon request;
- (4) Keeping the records of all personal transactions, which must include all approvals or prohibitions in connection with personal transactions.

The provisions of this Rulebook regarding personal transactions do not apply to:

- Personal transactions performed under a portfolio management service on a discretionary basis, within which there is no prior communication regarding the transaction between the person authorized to manage the portfolio and the Relevant Person or another person on whose account the transaction was performed;
- Personal transactions with investment funds with a public offer or alternative investment funds that are subject to supervision in accordance with the regulations of the Republic of Serbia, which require an equally valuable equivalent level of risk distribution for their property, if the relevant person and any other person, on whose behalf the transaction was performed, is not involved in the management of that entity.

The provisions of this Rulebook also apply to persons with whom the Relevant Person is closely related.

The Bank shall always apply the provisions defined by the Law, the Commission's by-laws, the Rules of Procedure, this Rulebook and other Bank's internal acts.

Article 8

The Bank organizes its operations in such a way as to minimize conflicts of interest, the existence of which may harm the client's interests, and which may arise during the provision of services among interests of:

- (1) the Bank, the Relevant Person and all persons closely related to them, on the one hand, and the interest of the Bank's client, on the other hand;
- (2) the Bank's clients.

Before providing services to the client, the Bank is obliged to familiarize the client with possible types and sources of conflicts of interest that are regulated by this Rulebook.

Article 9

If the Bank assesses that, in a specific case, the efficient organizational and administrative measures established by the Bank to prevent conflicts of interest and causing damage to the client's interests or their management are not sufficient to reasonably prevent the risk of damage to the client's interests, the Bank is obliged to clearly disclose to the client the general nature and/or sources of conflict of interest and the steps taken to mitigate those risks before commencing operations for his account.

The disclosure is made on a permanent data carrier and it clearly states that the organizational and administrative measures established by the Bank to prevent or manage this conflict of interest are not sufficient to reasonably ensure the prevention of the risk of damage to the interests of clients. The disclosure includes a precise description of the conflicts of interest that appear within the scope of the provision of investment and/or ancillary services, taking into account the classification of the client to whom the disclosure is directed. The description explains the nature and sources of the conflict of interest and the risks to the client that arise as a result of the conflict of interest and the measures taken to mitigate those risks, in sufficient detail to enable the client to make a decision regarding the investment or ancillary service under which the conflict of interest arises.

Article 10

In order to prevent conflicts of interest, and for the purpose of limiting the flow of information among different organizational units of the Bank, the so-called Chinese wall mechanism is applied in the organizational structure, which allows access to confidential or inside information only to those relevant persons in the organizational units who justifiably require such information in the execution of their business and professional obligations.

In the event that the established information storage mechanism referred to in paragraph 1 of this Article is insufficient to manage potential conflict of interest in a specific situation, the Bank will take additional measures, that is, after considering all the facts regarding the availability of information to relevant persons, it will establish a restriction on the flow of information for a specific transaction to a higher level, in accordance with the Bank's internal act that defines the transfer of data that is considered a trade or banking secret.

3.5 Prohibited activities of Relevant Persons

Article 11

The Bank adopts, implements, and regularly updates preventive measures that prevent the Relevant Persons from undertaking prohibited activities that could lead to a conflict of interest or which, based on the activities those Relevant Persons perform on behalf of the Bank, have access to privileged information in the sense of the Law or other confidential information relating to clients or transactions with or for clients, and to misuse that information for their own benefit.

The Bank is obliged to prohibit the Relevant Person from performing the following activities:

(1) Concluding personal transactions that meet at least one of the following criteria:

- 1) this person is prohibited from entering into such transactions in terms of the provisions of the Law relating to market abuse;
- 2) the transaction involves misuse or improper disclosure of confidential information;
- 3) the transaction conflicts or is likely to conflict with the Bank's obligation under the Law:

(2) Advising or persuading another person to conclude a transaction in financial instruments, in a manner that exceeds the authority of the relevant person or is not prescribed by the contract for the provision of services;

(3) Disclosing any information or opinion to another person, except as part of a regular authorization or as part of a contract for the provision of services, if the Relevant Person knows, or should know, that such action will influence that other person to:

- Conclude a transaction in financial instruments which, if it were a personal transaction of the Relevant Person, would be subject to prohibition,
- Advise or induce third party to conclude such transaction.

3.6 Records of services and activities that lead to harmful conflicts of interest

Article 12

The Bank maintains and regularly updates records of all types of investment services and activities, i.e., ancillary services provided or performed by the Bank or someone on behalf of the Bank, in which a conflict of interest has arisen that may lead to the risk of damage to the interests of one or more clients or, in the case of an ongoing service or activity, a conflict of interest may arise.

A written report on the relevant information related to these records is prepared and submitted to the relevant Managers at least once a year.

4. TRANSITIONAL AND FINAL PROVISIONS

Article 13

To all that is not regulated by this Rulebook on the Procedure of Management of Conflict of Interest shall apply the provisions of the Rules of Procedure and other internal acts of the Bank. The conflict of Interest management and any other related issues are governed in detail by the Bank's internal act that applies to all not regulated hereunder.

Article 14

This Rulebook on the Procedure of Management of Conflict of Interest shall enter into force on the day of obtaining consent of the Securities Commission, and shall commence to apply eight days from the date of its publication on the bank's website.

THE BOARD OF DIRECTORS OTP BANKA SRBIJA
CHAIRMAN OF THE BOARD OF DIRECTORS,

LÁSZLÓ WOLF