# Conflict of Interest Policy

<table>
<thead>
<tr>
<th><strong>DATE OF ADOPTION:</strong></th>
<th>25/06/2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>EFFECTIVE FROM:</strong></td>
<td>25/06/2018</td>
</tr>
<tr>
<td><strong>APPROVING PARTIES:</strong></td>
<td>Board of Directors</td>
</tr>
<tr>
<td><strong>OWNER:</strong></td>
<td>Crnogorskomercijalnabanka a.d. Podgorica, member of OTP Group</td>
</tr>
<tr>
<td><strong>CONFIDENTIALITY:</strong></td>
<td>Public</td>
</tr>
</tbody>
</table>
CONTENTS

EXECUTIVE SUMMARY ........................................................................................................... 3
I. PRELIMINARY PROVISIONS ............................................................................................. 3
   I.1. References .................................................................................................................. 3

II. GENERAL PROVISIONS .................................................................................................. 4
    II.1. Object ....................................................................................................................... 4
    II.2. Subject scope ........................................................................................................... 4
    II.3. Terms and definitions ............................................................................................ 4

III. DETAILED PROVISION ................................................................................................ 5
    III.1. Circumstances leading to conflicts of interest ....................................................... 5
    III.2. Management of conflicts of interest ..................................................................... 6
    III.3. The Bank’s procedure ............................................................................................ 8

IV. CLOSING PROVISIONS .................................................................................................. 8
EXECUTIVE SUMMARY

(1) Crnogorska Komercijalna Banka a.d. Podgorica (hereinafter: Bank) is engaged in providing financial and investment services to its clients as part of its activities.

(2) The Bank is obliged to consistently execute the orders of its clients on terms most favourable to the Client, and to indicate the execution venues that enable the Bank to obtain, on a consistent basis, the best possible result for the execution of the orders of its client.

(3) The Conflict of Interest Policy summarises the circumstances that lead or may lead to a conflict of interest potentially causing adverse consequences for the client.

(4) The Conflict of Interest Policy comprises the policy as required in the relevant Montenegrin law and internal regulations of the Bank but does not present the entirety of the regulations and policies followed by Bank in the course of performing its investment services and ancillary services.

(5) In the course of its activities, the Bank shows due professional care as may be expected from a credit institution and thus gives priority to the clients’ interests in each phase of its service. The Bank seeks to foster long-term relationships with its client relations and improve client satisfaction. To gain the trust required for this, the Bank believes it is necessary to that it ensures that the clients’ interests are given ample protection of the clients’ interests.

(6) In the Conflict of Interest Policy, the Bank specifies those circumstances within the framework of its investment and supplementary services and the related financial services that lead or may lead to a conflict of interest, potentially causing adverse consequences for the client. This Policy also defines those 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.

(7) By taking necessary actions and putting appropriate procedures in place, the Bank seeks to ensure, that the Employees of the Bank and OTP Bank Group, and any person associated with the Bank, learn about and fulfil the requirements specified in the internal regulations and refrain from showing any conduct that violate the provisions of these regulations.

(8) Through its Conflict of Interest Policy, the Bank will inform its clients of the methods and procedures applied by the Bank to identify and manage conflict of interest.

I. PRELIMINARY PROVISIONS

I.1. References

(1) Law on Banks,

(2) The Law on Capital Market,

(3) General Terms and Conditions of CKB a.d. Podgorica,

(4) Rules on Conflict of Interests of CKB a.d. Podgorica,

(5) Conflict of Interest Regulation, OTP Bank Plc.

(6) Rules pertaining to the transfer of bank secrets and securities secrets of CKB a.d. Podgorica,

(7) Rules of Insider dealing, unlawful disclosure of inside information and market manipulation and the pertaining obligations and prohibitions of CKB a.d. Podgorica,
II. GENERAL PROVISIONS

1.1. Object
(1) 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 provision of supplementary services. As the Bank qualifies as a credit institution, the scope of the Conflict of Interests Policy also extends to the relevant financial services provided by the Bank.
(2) The material scope of the Conflict of Interest Policy does not cover those cases of conflict that relate to the Bank’s other services or activities, except those that may fall under the scope of the previous paragraph.
(3) With regard to OTP Group, the Conflict of Interest Policy takes into account circumstances the Bank has or should have information about and that may result in the conflicts of interest generated as a result of the other Group members’ structure and business activities.

1.2. Subject scope
(1) This Policy applies to the Bank, the Bank’s Employees, persons associated with the Bank and to conflicts of interest/situations of conflict of interest between:
   a) the Bank and its Client(s);
   b) the Bank’s Employees, the Person(s) concerned and the Bank or the clients;
   c) the clients or groups of the clients.

1.3. Terms and definitions:
(1) Bank: Crnogorska Komercijalna Banka a.d. Podgorica, member of OTP group.
(2) Employees: for the purposes of these Rules employees includes: persons having an employment relationship or other legal relationship for the performance of work.
(3) An employment relationship: relationship that is based on contract of employment between physical persons and the Bank.
(4) Legal relationship with the Bank for the performance of work: employment, cooperative society membership involving the obligation to work, contract for professional services, services agreement, the legal relationship between the Bank and its executive officers/ supervisory board members for the performance of their respective tasks, and the entrepreneur.
(5) Bank related parties are as follows:
   a) Members of the bank’s bodies, shareholders, bank employees, as well as members of their immediate family (spouse and children);
   b) A legal entity in which a person who has a qualified participation in the bank also has a qualified participation;
   c) A legal entity in which one of the parties of items a) and b) of this Paragraph has significant influence or the parties from items a) of a director or member of the Board of directors or other appropriate organ of the legal person;
   d) A person who participates in the capital or voting rights of at least 50% of the legal entity that has a qualified participation in the bank.
(6) Relevant Person: any of the following persons in connection with the bank listed below:
   a) the owner of the shares, CEO, the president and members of the Bank’s BoD, AC MC and ALCO;
   b) an employee of the Bank or any other natural person providing services on behalf of and under the control of the Bank and involved in the performance of the Bank’s investment services and activities (e.g. employees from Accounting Department, Treasury and ALM Department, loan officers, RM managers for SME/LME, branches/branch for private banking and investment services).
(7) Durable medium: means by which the client is able to store the sent data in such a way that these data are available for future use during the period appropriate to the purpose of that information and which enables the reproduction of stored information in an unaltered form;
I. DETAILED PROVISION

I.1. Circumstances leading to conflicts of interest

(1) The Bank examines situations potentially causing conflict of interest from at least the following three aspects:
   a) from a consumer protection aspect, especially with regard to the information asymmetries between the Bank and the client;
   b) from a market supervision aspect, including the examination of any inappropriate use of insider information;
   c) from a prudential aspect, focusing in particular on fraud associated with by inefficiencies of process engineering or deficiencies in the internal control system or the internal procedural rules.

(2) Any actual or potential conflicting interest that may have adverse consequences for the client must be considered a conflict of interest for the purposes of this Policy. The cases examined by the Bank for conflict of interest include but are not limited to the following:
   a) the Bank or the Bank related party is likely to gain a financial profit or avoid a financial loss to the detriment of a client;
   b) the Bank or the Bank related party has an interest concerning the result of a service provided to the client or the transaction performed on behalf of the client, which interest is different from the one of the client concerning result;
   c) the Bank or the Bank related party, due to some financial or other incentive, gives priority to the interest of another client or group of clients over those of the client;
   d) the Bank or Bank related party perfomes the same activity as the client; the Bank or the Bank related party receives any monetary or non-monetary benefit, or incentive in the form of a service, or will receive that in connection with the service provided to the client.

(3) When developing services and introducing products, the Bank will seek to prevent the generation of conflict of interest. If conflict of interest cannot be excluded in an area, the Bank will develop such an internal organisational management and regulation environment which can guarantee that such conflict of interest will not be detrimental to the clients. Nevertheless, it is not possible to exclude potential conflict of interest in the case of certain services and clients, not even after proper measures have been taken. The Bank will inform the client of these in advance to allow the client to make an informed decision on whether he/she wants to use the service.
I.2. Management of conflicts of interest

(1) All actual or potential conflict of interest generated in the course of the Bank’s activities and having or potentially having adverse detrimental effects for the clients must be managed by the Bank.

(2) To avoid conflict of interest adversely affecting the clients, the Bank makes sure that the Relevant persons involved in the various business activities resulting in a conflict of interest perform their activities independently to the degree that it is appropriate to the activities and size of the activity of the Bank and the Banking Group, and the risk of the damage affecting the interests of the client.

(3) To this end, the Bank
   a) establish effective procedures for preventing or controlling the exchange of information between relevant persons involved in activities with a risk of conflict of interest occurring, if such exchange of information could damage the interests of the client;
   b) supervise the relevant persons who predominantly perform activities for the client’s account or provide services to clients whose interests might be in conflict of interest, including the interests of the Bank;
   c) eliminate the connection between the income of the relevant persons who predominantly perform one activity and the income of other persons who are predominantly involved in another activity, if in the event of such activities a conflict of interest may occur;
   d) prevent the influence on the way in which investment or ancillary services or activities are provided;
   e) prevent or control simultaneous or sequential participation of relevant persons in certain investment or ancillary services or activities that could jeopardize the conflict of interest management.

(4) If the measures and procedures specified in this Policy are not sufficient, the Bank will have the right to apply additional measures to manage risks caused by conflict of interest.

(5) If certain conflicting interests may result in a conflict of interest detrimental to and causing damage to the client and the Bank has no efficient procedure in place to manage this situation, the Bank will be required to disclose to the client the nature and source of such conflicting interests. The Bank shall take all reasonable measures to eliminate any conflicts of interest that cause damage to the client.

(6) The Bank may only consider informing the client about the situation as the last resort in managing the conflict of interest if the effective organisational and administrative solutions developed by the Bank to prevent or manage conflicts of interest prove insufficient to prevent damage to the client’s interests in a substantially reliable manner. The information thereby provided shall clearly state that the organisational and administrative solutions developed by the Bank to prevent or manage conflicts of interest prove insufficient to prevent damage to the client’s interests in a substantially reliable manner. The information shall specifically describe the conflicts of interest that may surface when providing investment and/or supplementary services while taking into account the nature of the client receiving the information. The information provided to the client about the conflict of interest shall be detailed enough – including the general nature and sources of the conflicts of interest, the risks to the client as a result of the conflicts of interest, and the steps taken to mitigate such risks – to enable the client to make an informed decision about the investment or supplementary services with regards to which the conflicts of interest had surfaced. The information about the conflict of interest shall be provided to the client on a durable medium.

(7) The Bank uses in particular the following procedures and measures to discover, prevent and manage conflict of interest situation:
   a) the Bank has an independent compliance function and organisation whose tasks include, among others, the detection, prevention and management of conflicts of interest.
   b) the Bank uses internal procedures to ensure that conflicts of interest are discovered and identified when new products and services are introduced or existing services are provided to a new group of clients.
   c) The Bank uses methods of organisational separation i.e. physical separation of organisational units physically or other methods, including in particular the introduction of barriers of access to information, the management and control structure within the organisation, and the provision of a sufficient level 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, the unlawful disclosure of insider information and market manipulation, and also prevent and abuse of the clients’ confidential information protected by law or any other confidential information. For this purpose, the Bank will, among other measures, keep records of transactions made on the employees’ own account as stipulated in and to the extent defined by law.
(d) the Bank tracks trading in financial assets/instruments and verifies the transfer of insider information in order to prevent its employees trading in their own name or on the Bank’s account from carrying out any abuse of such information to the detriment of other capital market players.

(e) the Bank carries out the clients’ instructions/orders in accordance with the implementation policies. The implementation policies allow potential conflict of interest to be avoided when the instructions/orders are carried out and the policies ensure that instructions/orders are fulfilled transparently, in a manner and subject to the terms disclosed to the clients in advance.

(f) the Bank develops its internal incentive schemes in a way that the clients’ interests are given priority in each phase of the procedure. The Bank uses internal procedural regulations to guarantee that clients and groups of clients receive equal treatment. The Bank does not accept any amount or benefit if that does not comply with provisions stipulated in line with relevant MNE laws.

(g) The Bank provides information to its clients about the general principles and the procedures by the Bank applied to investigate and manage conflicts of interest situations. If a client qualifying as a current or future retail client requests more information about this Policy, the Bank’s Employees will provide the requested information.

(h) the Bank provides information to clients in connection with services, products and their respective conditions, and complies with consumer protection rules and recommendations when providing the information.

(i) the Bank monitors its Employees’ own investment activities, external shareholding and additional employment relationships/other forms of establishment of legal relationship for the performance work.

(j) the Bank specifies rules applicable to its Employees for the provision and acceptance of financial and non-financial remuneration.

(k) the Bank arranges training for its Employees with concerning the identification, prevention and efficient management of conflicts of interest situations.

(l) the Bank identifies all potential conflict of interest that may originate from other activities of the Bank or the group, and implements appropriate procedures for their management. In the event the Bank cannot manage a specific conflict of interest by instituting appropriate procedures, it cannot participate in the transaction.

(m) as the investment enterprise providing the execution and research services and conducting guaranteeing and depositing activities, the Bank ensures that it has appropriate control mechanisms to manage any conflict of interest between the various clients using these activities and services;

(n) the Bank establishes, introduces and maintains effective internal solutions, specifically controlled data transfer, to prevent or manage conflicts of interest that emerge when the persons responsible for providing services to investment clients are directly involved in the decision of the issuing client relevant to the recommendations given for the allocation;

(o) the Bank has systems, control mechanisms and procedures to identify and manage conflicts of interest that emerge when providing investment services to investment clients involved in a new issuing during which the Bank receives a commission, a fee or other monetary or non-monetary benefit with regards to the organisation of the issuing;

(p) the Bank develops, introduces and maintains clear and effective solutions to identify, prevent or manage any conflicts of interest, if it intends to deposit financial instruments of its own issue or issued by organisations belonging to the same group to its existing clients (including existing deposit clients of credit institutions and the investment funds managed by organisations belonging to their group);

(q) the Bank has solutions to identify, prevent or manage any conflicts of interest resulting from the loan or credit provided by the Bank or an organisation of the same group to the issuing clients may be repaid from the revenues realised on an issuing;

(r) the Bank allows the information relevant to the financial situation of the issuer to be shared with organisations acting as lenders in the group, provided that such sharing does not breach the information restrictions imposed by the law.
I.3. The Bank’s procedure

(1) Taking into account the statutory requirements, the regulatory authorities’ expectations and best practice applied in business, the Bank will develop appropriate internal regulations allowing situations of conflict of interest to be detected and managed efficiently.

(2) With the participation of the affected organisational units, the Bank monitors potential conflicts of interest, defines the general types of the given conflicts of interest and possible circle of cases and, on the basis of this, the conflict of interest criteria and the procedures and measures applied for their management.

(3) When a new product or service is introduced or a service is offered to a new group of clients, the Bank must discover conflict of interest related to the product and if they result in a conflict of interest for the purpose of this Policy, the organisational unit will propose an effective procedure to manage the conflict of interest.

(4) The Bank shall keep, pursuant to the Regulation, a Conflict of interest register of the investment services, supplementary services provided or investment activities performed by or on behalf of the Bank, during which any conflict of interest posing a risk of damaging the interest(s) of the client(s) occurred or may occur. This register will contain the measures and procedures applied in order to manage the identified conflicts of interest. At least once a year, the senior management of the Bank shall receive a written report on the current situations relevant to the Conflict of Interest register. The Bank ensures regular updating of said register by reports or conflicts of interest detected otherwise, and with regard to changes and modifications in the detected conflicts of interest and the measures applied.

(5) The Bank will review this Policy and the register kept at least annually or, if necessary, carry out additional reviews. During the review the Bank will take the necessary actions to manage the deficiencies.

(6) The Compliance Department is in charge of coordinating tasks related to conflict of interest situations and the maintenance of the register within the Bank.

II. CLOSING PROVISIONS

(1) This Policy shall become effective on the day of their adoption by the Board of Directors.

(2) On the date of application of this Conflict of interests Policy, the provisions of the Conflict of Interests Policy of 28th June of 2017 shall cease to be valid.

(3) In the case of questions or comments regarding the Conflict of Interests Policy, please contact the Bank for detailed information.

Crnojorska Komercijalna Banka AD Podgorica
Registered seat: Moskovska bb, 81000 Podgorica.
Phone: 020 414-105 or 020 414-993

Website: www.ckb.me