

**PO-158/2020/02/27 SANCTION POLICY
of Crnogorska komercijalna banka a.d. Podgorica**

VERSION 1.0

| | |
|-------------------|-----------------------|
| Date of adoption: | 27/02/2020 |
| Effective from: | 27/02/2020 |
| Approved by: | Board of Directors |
| Owner: | Compliance Department |
| Applies to: | Bank and Clients |
| Confidentiality: | Public |

CONTENTS

| | |
|----------------------------------|---|
| EXECUTIVE SUMMARY | 1 |
| I. PRELIMINARY PROVISIONS | 1 |
| I.1. References | 1 |
| II. GENERAL PROVISIONS | 2 |
| II.1. Objective..... | 2 |
| II.2. Subject scope..... | 2 |
| II.3. Terms and definitions..... | 2 |
| III. DETAILED PROVISIONS | 3 |
| III.1. Types of measures..... | 3 |
| III.2. Principles | 3 |
| IV. CLOSING PROVISIONS | 4 |
| V. HISTORY OF THE VERSION | 4 |

EXECUTIVE SUMMARY

- (1) Crnogorska komercijalna banka a.d. Podgorica, member of OTP Banking Group (“hereinafter: the Bank”) and its subsidiaries are committed to complying with international sanctioning provisions set out in national legislation and issued by international organizations and individual state authorities.
- (2) To avoid any damage to the reputation of the Bank (reputational risk), the Bank acts with particular care during the establishment of certain account relations and transactions when the subject of the transaction and/or the parties to the transaction are subject to sanctions or are considered sensitive in terms of reputation.

I. PRELIMINARY PROVISIONS

I.1. References

- a) Law on Banks
- b) Law on International Restrictive Measures
- c) Guidelines on implementation of international restrictive measures by banks and financial institutions and supervision of the implementation of these measures
- d) OTP Group Regulation-Annex 01 (General principles of applying international financial sanctions (Sanction policy) to Compliance Policy OTP)

II. GENERAL PROVISIONS

II.1. Objective

- (1) The Bank's Compliance Department supervises the compliance of bank procedures and decisions with sanctioning provisions.

II.2. Subject scope

- (1) The scope of the Policy extends to the Bank's activities during procedures pertaining to sanctions and sensitive transactions and customers. Bank's subsidiaries are also obligated to apply the principles set forth in the Policy.

II.3. Terms and definitions

- (1) **Bank:** CKB Bank a.d. Podgorica member of OTP Group;
- (2) **Client:** a natural or legal person or non-legal entity having a standing or ad-hoc relationship with the Bank for the depositing, transferring funds, accessing financing and executing orders.
- (3) **Areas establishing and maintaining business relationships:** branch, financing and international payments functional areas.
- (4) **Sanctioning relevance:** The prohibitions imposed on the organizations, natural persons and their businesses as well as products and services as listed in European Council Regulations, UNSC Resolutions and, in the case of US sanctions, lists published by the US Department of the Treasury relating to orders issued by the President of the United States, as well as any sanctions ordered by the authorities of certain countries, and restrictive provisions issued with international or regional force by authorities of other states.
- (5) **Secondary sanctioning relevance:** US provisions that essentially apply to persons or organizations with non-US status, but which are committed to complying with the sanctions and acknowledge that non-compliance may incur measures taken by the US and could also lead to the loss of market.

III. DETAILED PROVISIONS

III.1. Types of measures

- (1) In terms of content, international sanctions may be differentiated by the types of measures they incorporate:
 - a) **financial restrictive measures and asset restrictions:** freezing of funds and other economic resources, prohibiting access thereto, restrictive measures concerning the transfer of funds;
 - b) **additional financial restrictions:** provision of credit lines and loans, securities transactions, liquidity transactions and the time restrictions applicable thereto;
 - c) **trade restrictions:** general or specific restrictions, of which the following types are frequent and should, therefore, be highlighted:
 - J arms embargo: prohibition of the export, transit and import of military equipment and technologies, and prohibition of providing services related thereto;
 - J other trade-type restrictions: prohibition of the export, transit and import of dual-use (both civilian and military purpose) goods; prohibition of providing related services; prohibition of the export and import of other non-dual-use goods and technologies, e.g. timber, diamonds, other luxury articles, hydrocarbons and extraction equipment and technologies; prohibition of the export and import of goods that might be used for internal repression etc.;
 - d) **prohibition of providing financial support and funding for military activities, military technology and dual-use goods exports or related services.**

III.2. Principles

- (1) As part of the establishment and maintenance of its relationships and when making its business decisions, the Bank takes into account the embargo-imposing, sanctioning and other restrictive measures of international organizations and various states, in particular the applicable provisions of the United Nations Security Council and the European Union.
- (2) The Bank, furthermore, also takes into consideration the sanctions, prohibitions and restrictions issued by the President of the United States and published by the OFAC office of the US Department of the Treasury. These sanctions are applicable to all natural and legal persons with US status, as well as all financial transactions denominated in USD.
- (3) In the interest of retaining market position and good reputation, supporting international collaboration and complying with legal regulations, the Bank formulates and shapes regulations as well as day-to-day processes and practice so as to ensure appropriate compliance with sanctions-related obligations and to protect the OTP Group's goodwill and reputation. To this end, the Bank and the OTP Group apply uniform rules.
- (4) In respect of its business decisions, the Bank also takes into consideration restrictive measures announced by various states aimed at stabilizing the international situation.
- (5) The Bank enforces its business policy measures by ensuring that it avoids transactions and relationships that have an adverse impact on its reputation and business relationships.
- (6) The Bank has introduced evaluation systems to assess whether a given customer or transaction is impacted by sanctions, or whether they fall into the group of sensitive customers or transactions.

- (7) The application of sanctioning provisions may be waived if authorized by the issuer of the given provision.
- (8) Involving natural or legal persons not subject to sanctions in prohibited transactions for the purpose of the Bank waiving the enforcement of sanctions is prohibited.

IV. CLOSING PROVISIONS

- (1) The Policy shall enter into force on the day of its adoption by the Board of Directors and shall be applicable on the day of its publication on the intranet portal and website www.ckb.me of the Bank.

V. HISTORY OF THE VERSION

| Version: | Date of adoption: | Description of modification: |
|----------|-------------------|---|
| 1.0 | 27.02.2020. | Compliance Policy of Crnogorska komercijalna banka ad Podgorica |