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In the event of any discrepancy between the English language and Hungarian language versions, the Hungarian language version shall prevail.



## **ANNOUNCEMENT**

### **Annex H**

#### **TO INVESTMENT SERVICES BUSINESS REGULATION:**

### **Execution and Allocation Policy<sup>1</sup>**

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<sup>1</sup> *The amended provisions of this Annex, highlighted in italics and grey, indicate changes relative to Annex F effective from 11 May 2022.*

## Execution and Allocation Policy of OTP Bank Plc.

### I. Objective of the Execution and Allocation Policy

Under Act CXXXVIII of 2007 on Investment Enterprises, Commodity Exchange Service Providers and the Rules of their Approved Activities (hereinafter: **Act on Investment Enterprises**), as well as Commission Delegated Regulation (EU) 2017/565 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: the **Regulation**), OTP Bank Plc. (hereinafter: the **Bank**) is obliged to consistently execute the orders of its Business Partners on terms most favourable to the Business Partner, 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 Business Partners. By establishing and publishing this Execution and Allocation Policy, the Bank complies with its statutory obligation, and this Policy cannot be construed as a declaration of prime quality in respect of the relevant market. In accordance with the stipulations of the Regulation, the Bank shall set out the main provisions for the aggregation and allocation of orders in this Execution and Allocation Policy.

This Execution and Allocation Policy comprises the policy as required in the Act on Investment Enterprises, the Directive and other related legal acts, but does not present the entirety of the regulations and policies followed by *OTP Bank Plc.* in the course of performing its investment services and ancillary services.

In respect of any specific transaction, this Execution and Allocation Policy is applicable to the orders of Business Partners classified as retail and professional clients, according to their classification as of the time when the Bank receives or starts processing the order but will not govern the orders of eligible counterparties.

In line with the “best execution” principle, when executing the order pertaining to the financial instrument, the Bank will take all necessary steps to ensure the best possible outcome when executing an order for the Business Partner. While doing so, the Bank takes into account all legal and regulatory considerations, their relative importance, as well as all market information available to the Bank, as per its internal procedures. However, if specific instructions were received from the Business Partner, the principle of best execution involves the Bank executing the order with strict adherence to the Business Partner’s instructions. The Bank’s top priority is to act in accordance with its Business Partner’s instructions. Regarding the Business Partner’s instructions, all provisions set forth in Chapter V, paragraph a) must also be taken into consideration.

The Annex of this Execution and Allocation Policy contains a list of execution venues used by the Bank to ensure that all necessary steps are taken for consistently achieving the best possible results for its Business Partner.

The Bank can consider using the execution venues on said list for executing the orders of its Business Partner while adhering to the principle of best execution. However, the Bank cannot be obligated to use an execution venue where—due to the partnerships or regulations in effect—it is impossible to guarantee either execution, or participation at the execution site in question.

The Bank specifies the rules to be followed in the interest of the best execution of the orders in this Execution and Allocation Policy.

If the Bank has multiple execution sites available for the execution of the Business Partner’s order, the Bank shall select a primary venue, which shall be the most advantageous execution venue with regards to the orders pertaining to the financial instruments in question, as per this Execution and Allocation Policy. The performance of the order shall be regarded best execution if the Bank uses the primary venue indicated herein for the relevant financial instrument.

**II. Definition of “best execution”**

When determining best execution, the Bank shall evaluate the following considerations for the execution venue to be used, prioritizing them in the order listed below, as set forth in Chapter III and in accordance with its own internal procedure, thereby ensuring its ability to take sufficient action—assuming that the conditions of Chapter V, paragraph (a) are not in effect—to ensure adherence to the principle of best execution for the Business Partner, as described herein. The Bank determines the weight and the priority of the selection criteria below based on the needs of the particular customer group and the feedback received from the Business Partners.

**Weights and justification of the criteria for the selection of execution venues by instrument group**

**1. Bond-type debt securities**

<b>Execution criteria</b>	<b>Weight</b>
Price of financial instrument	40%
Probability of execution and settlement of order	30%
Costs and cost-efficiency of the order	10%
Magnitude of the order size, liquidity of the instrument at the given execution venue	10%
Time requirement and speed of the execution of order	10%
<b>Total</b>	<b>100%</b>

In the case of debt securities, the Bank examines government bonds, discount treasury bills, corporate bonds and other debt securities. The Bank is an active participant in the domestic

and international stock exchange and OTC bond markets and is the primary distributor in the domestic market.

In the case of debt security products, given the nature of the bond market, liquidity can vary, even to an extreme degree. In addition to the best available price, which has a weight of 40%, the probability of execution and settlement, with a weight of 30%, are the two most important factors that the Bank considers when executing an order. In the case of instruments listed on a regulated market, there may be other additional costs incurred, which the Bank takes into account in each case when executing a Client order. The cost, magnitude, liquidity, time requirement and speed of the order are taken into account by the Bank with a similar weight of 10%, which three factors also impact one another in given cases.

**2. Equities and equity-type securities; other exchange-traded products (including ETFs); exchange-traded derivative instruments (including exchange-traded commodity and equity derivatives transactions)**

<b>Execution criteria</b>	<b>Weight</b>
Price of financial instrument	35%
Costs and cost-efficiency of the order	20%
Probability of execution and settlement of order	20%
Magnitude of the order size, liquidity of the instrument at the given execution venue	20%
Time requirement and speed of the execution of order	5%
<b>Total</b>	<b>100%</b>

In the case of equity securities, the Bank always executes the order at the trading venue in such a way as to ensure the best possible result for the Client, taking into account the characteristics of the order, the market conditions and the Client’s instructions, and assessing the Client’s preferences. In all cases, the Bank executes a Client order as the primary trading venue, unless the Client has instructed otherwise.

The price of the financial instrument—with a weight of 35%—is the most important characteristic of the product, and the profitability of a position is determined by the price. In addition to regularly reviewing the cost of the order, the Bank is committed to ensuring that its Clients are able to trade at the most optimal level. In addition, the probability of order execution and settlement, as well as the magnitude of the order and the liquidity of the instrument at the execution venue are also significant factors and, as such, all three criteria are assigned 20% weight in the selection. The Bank takes into account the time requirement and speed of execution to a minimal extent—at 5%—as the securities admitted to the trading venue are typically accessed electronically and with immediate access.

**3. OTC FX and OTC derivatives on interest rates, foreign exchange, equities and commodities transactions**

<b>Execution criteria</b>	<b>Weight</b>
Price of financial instrument	45%
Time requirement and speed of the execution of order	20%
Costs and cost-efficiency of the order	15%
Probability of execution and settlement of order	10%
Magnitude of the order size, liquidity of the instrument at the given execution venue	10%
<b>Total</b>	<b>100%</b>

The Bank considers the price of the financial instrument as the most important factor in foreign exchange transactions and interest rate derivatives. By their very nature, the price and liquidity of these instruments change with extreme rapidity amidst market turbulence. The Bank primarily executes this type of Client's orders against its own account, but in certain cases may also use an execution partner on the basis of the Client's instructions.

The price of the financial instrument, which is identified by the Bank as the most important selection element—with a weight of 45%, due to potential turbulence—is more significant for derivatives due to leverage. In addition, the time requirement and speed of order execution—with a weight of 20%—is another important aspect. The next important aspect is the cost of the orders, which is assigned a weight of 15%. The probability of order execution and settlement, as well as order magnitude, are both weighted at 10%, as they represent more moderate risk.

**4. Investment fund units distributed by OTP Bank Plc. under a distribution agreement**

*Orders for investment fund units distributed by OTP Bank Plc. under a distribution agreement are executed outside a trading venue in accordance with the applicable distribution agreement.*

*In the case of products traded on the OTC market, the Bank considers the following aspects when determining the importance of the factors indicated. The following list is ordered according to the relative importance of the individual considerations for determining the execution venue:*

- a) the classification of the Business Partner according to the Act on Investment Enterprises in respect of the relevant deal,
- b) the characteristics of the financial instruments to which the order pertains,
- c) the nature of the order,
- d) the characteristics of the regulated market, multilateral trading facilities (MTF), organised trading facilities (OTF), systematic internalizer, market maker or other

liquidity provider or a person or body that performs a similar function in a third country to the functions performed by any of the foregoing to which that order can be transmitted.

For the purpose of determining the options for best execution of the Business Partner's order, the Bank—in addition to other factors—will take into consideration the costs and charges directly associated with the transaction and to be borne by the Business Partner, using a total cost approach. The fees and charges may differ for the various execution venues. These fees and charges are listed in the Global Markets Directorate (Global Markets)'s List of Conditions, the Announcement on Fees and Charges, the List of Conditions for OTPdirekt services, as well as the announcements of all interest rates, fees and charges applicable to private banking, *digital private banking* and premium private banking (hereinafter collectively: List of Charges), which are available on the [www.otpbank.hu](http://www.otpbank.hu) website, or the [www.otpbank.hu/privatebanking](http://www.otpbank.hu/privatebanking) website for private banking, *digital private banking* and premium banking announcements, available to private banking, *digital private banking* and premium private banking clients. Any deviation from the List of Charges shall be per mutual agreement with the Business Partner, or on the basis of fees or charges assessed by the execution venue in question.

In the course of executing the transaction, the Bank shall only assess the costs, fees and other credit obligations directly associated with the transaction and shall determine the total cost of the order accordingly. In the course of the best execution of the order, the Bank will not assess the indirect costs and charges not directly associated with the transaction itself (e.g. the indirect costs arising in connection with holding the financial instrument, the creation, maintenance and performance of the contract, other commissions, account management fee, transfer charge, tax). The Business Partner may obtain information of these indirect costs and charges resulting from the execution of the relevant order from the applicable announcements and lists of conditions, thus in particular, from the Announcement on Fees and Charges, Announcement on OTPdirekt services, OTPdirekt and the Global Markets's List of Conditions, based on the announcements pertaining to the interest and fees associated with Bank Accounts, accessible at the branches of Bank engaged in securities trading and the Bank's website at [www.otpbank.hu](http://www.otpbank.hu). The announcements of all interest rates, fees and charges applicable to private banking, *digital private banking* and premium private banking clients are available at the private banking/*digital private banking*/premium private banking advisors at the Bank branch offices, as well as on the [www.otpbank.hu/privatebanking](http://www.otpbank.hu/privatebanking) website.

When determining its own costs and commissions for executing the order on an execution venue and its other costs related to execution, the Bank takes into account that it should avoid unjustified and unreasonable differences among the execution venues for the purposes of comparison.

In the course of executing the order, the Bank is not obliged to take into account the applicable tax and contribution credit obligations of the Business Partner, since the exact tax payment liability and tax consequences may only be assessed based on the individual circumstances of the Business Partner and may change in the future.

### III. Criteria for selecting execution venues and Business Partners

The Bank shall maintain an internal procedure determining the process used for the selection of the execution venue, the execution strategies employed, as well as the procedures and processes used to evaluate the quality of the completed transaction, including monitoring and testing. The principles applicable to said internal procedure shall be summarised as follows, noting that the requirements set forth in Chapter VI are applicable to the review process as well.

The execution venues used for executing the orders of the Business Partner:

- the Hungarian and domestic regulated markets (stock exchange), multilateral trading facilities (MTF) and organised trading facilities (OTF),
- as well as other execution venues, including the Execution Partner and the Bank.

With a view to ensuring best execution, the Bank also allows the execution of the Business Partner's orders **outside (OTC) the regulated markets (stock exchange), multilateral trading facilities (MTF) and organised trading facilities (OTF), that is, outside a trading venue**. The execution of the Business Partner's order with the help of an execution partner will be considered—in particular for the purpose of meeting the tax payment obligation—as an OTC transaction if the exact location (e.g. stock exchange or own account transaction) of the execution and the state where the execution took place cannot be established unambiguously from the documents and confirmations received from the execution partner. In the case of financial instruments where **the Bank** has been determined as the execution venue, the Bank—with the exception of trading in the investment fund units of open-ended investment funds and the securities issued by collective investment undertakings not registered in Hungary (with special regards to foreign investment fund units) under a distribution contract—performs a transaction either on its own account, or by order and on behalf of its Business Partner.

*Depending on the nature and magnitude of the transaction, the most favourable execution venue for the portfolio management service may be for the OTC sale transaction to be executed between individual Clients/portfolios.*

In addition to the factors to be evaluated in the course of selecting execution venues and Execution Partners for best execution, especially with regards to the selection of the current partner, the Bank shall also take into account and regularly evaluate the following factors, as per its internal procedure:

- public reputation,
- market role,
- counterparty risk,
- any guarantees or other covenants undertaken with regards to execution and settlement of accounts,
- customer requirements,
- all information available to the Bank regarding the quality of execution for the order,
- opportunities for establishing a business relationship with the venue and the partner in question, their willingness to establish such a relationship.

*During the identification and selection of trading venues as execution venues, the Bank takes into consideration the **Hungarian and foreign regulated markets (stock exchanges),***

**multilateral trading facilities (MTF) and organised trading facilities (OTF)** in which it holds a direct membership (trading right). Based on its stock exchange memberships and trading rights, the Bank arranges the direct execution of the transaction at the following execution venues:

- Budapest Stock Exchange (*BÉT - XBUD*), Hungary
- Deutsche Börse A.G. XETRA, Germany

For the purpose of executing any order of the Business Partner the Bank may, without the express consent of the Business Partner—unless provided otherwise by law, a specific contract, framework contract or the general contracting terms and conditions for investment services—transmit the order to another service provider (**Execution partner**). When selecting the service provider (Execution partner) the Bank will, in addition to the above, also seek to ensure that the service provider (Execution partner) to be used applies the measures that allow for the Bank to implement the principles set forth in this Execution and Allocation Policy. During the selection and use of the Execution partner the Bank will give priority to those prospects which have a best execution and allocation policy in place and also ensure the settlement of the transactions.

In accordance with this Execution and Allocation Policy, the Bank retains the option to execute the client orders outside of a trading venue. If the Bank opts to execute the orders outside of a trading venue, the bank shall give notification of any consequences, especially with regard to any resultant counterparty risk. The Bank shall also provide further information on the execution method at the Business Partner's request.

The Bank may only execute the order outside of a trading venue with the express, advance approval of its Business Partner. The Business Partner may grant such approval to the Bank in the form of a general contract.

In the course of selecting its Execution partners, the Bank evaluates the available data and information pertaining to the following conditions:

- a) the price (net price) of the financial instruments to which the order pertains
- b) the costs of the order
- c) the time required for executing the order
- d) the likelihood of execution and settlement, and the speed thereof
- e) the size of the order
- f) the activities and services of the service provider or partner, the scale of markets, the official licences and permits
- g) the business policy, general contracting terms and conditions as well as the execution and allocation policy of the service provider to be used, and other regulatory documents available to the Bank,

and whether the service provider or partner used is properly regulated and operates in a legal environment complying with, or equivalent to the requirements of the European Union (MiFID).

The Bank is currently in contact with the following Execution Partners for the purposes of forwarding foreign exchange spot trading or foreign exchange futures trading orders for execution. The forwarding of a given order for execution is determined by the specific conditions for the transaction, as well as the business relationship with the Execution Partner in question.



- Bank of America Securities Europe SA
- Canaccord Genuity Limited
- DRW Europe B.V.
- DSK Bank AD.
- InterCapital Securities Ltd.
- Kepler Cheuvreux.
- Macquarie Capital (Europe) Ltd. (Macquarie Securities Group)
- Optiver V.O.F.
- OTP banka dioničko društvo (OTP banka d.d.)
- OTP banka Srbija a.d. Novi Sad
- Santander Bank Polska SA
- SKB BANKA D.D. LJUBLJANA
- Societe Generale
- Swiss Capital SA

If the actual execution venue is determined by the Bank itself or the express instruction of the Business Partner, the Bank will instruct the service provider (Execution Partner) used accordingly. If the service provider (Execution Partner) used indicates that it is unable, or has encountered obstacles to, access the requested execution venue, the Bank will notify the Business Partner without delay, requesting further instructions.

In the event that the Bank designates a single possible execution venue for a given financial instrument, best execution is ensured by execution at that specific execution venue. In this case, the relative speed of execution, the probability of execution and accounting security are ensured through the lack of comparison with regards to pricing. If the Bank designates multiple execution venues for a given financial instrument, it will select a primary execution venue after considering the factors defined in Chapter II herein. This will also mean that according to the Bank's assessment, this primary venue shall be the most advantageous for executing the order given by the Business Partner.

Access to the execution venue also depends on the type of contract or framework contract concluded between the Business Partner and the Bank, and therefore, may differ in the case of Business Partners having signed an Investment Service Framework Contract, a basic contract for private banking/*digital private banking*/preferential private banking, OTP Global Markets framework contract, or contract for OTPdirekt telephone services, OTPdirekt online or OTPdirekt Bróker brokerage service contract.

Annex 1 to the Execution and Allocation Policy contains – in a breakdown by classes of financial instruments – the execution venues used by the Bank; however, with a view to guaranteeing best execution, the Bank may execute the order at other execution venues, while simultaneously notifying the business partner.

*The Bank may transfer Client orders to Execution Partners for the following classes of instruments:*

- a) *Transactions involving shares and compensation notes:*
  - a. *Shares traded on the electronic trading platform (XETRA) of Deutsche Börse A.G.*

- b. *Shares issued outside Hungary and listed on a foreign stock exchange (except XETRA)*
- b) *Bonds and other debt securities*
  - a. *Debt securities issued by a Hungarian issuer outside Hungary*
  - b. *Debt securities issued by a non-Hungarian issuer outside Hungary*
- c) *Investment fund units, ETF*
  - a. *Investment fund units issued by a non-Hungarian issuer outside Hungary*
- d) *Certificates, warrants*
  - a. *Certificates, warrants issued by a non-Hungarian issuer and listed on a stock exchange (except XETRA and BSE)*

*Certificates, warrants issued by a non-Hungarian issuer and not listed on a stock exchange*

#### **IV. Execution of the order**

In order to ensure the principle of best execution, during the performance of the order, the Bank follows the principles and procedures set forth in this Execution and Allocation Policy.

The Bank is entitled to execute client orders outside trading venues as per the requirements contained in this Policy.

The Bank executes identical orders in their chronological order of receipt. The chronological order is based on the time of the creation of the document verifying the receipt of the order as recorded in the Bank's system and pertaining to the order.

In the course of executing client orders, the Bank shall be obliged to

- a) ensure that all orders executed on behalf of Business Partners are recorded and allocated in a timely and precise manner;
- b) attempt to execute all otherwise comparable client orders immediately and in sequence, unless this proves to be impracticable due to the nature of the order or prevailing market conditions, or if the Bank can clearly identify the interests of the Business Partner in the market situation in question and the interests of the Business Partner require otherwise; and
- c) promptly inform the Business Partner of any circumstances hindering the proper execution of the order, in accordance with the notification rules applicable to similar contracts, or alternately by means of an Announcement.

In case of LIMIT orders of the Business Partner, the Bank may not execute the order at a price less advantageous than the limit specified by the Business Partner, i.e., the order may not be executed at a price higher or lower in the case of a buy and sell order, respectively. In the case of a LIMIT order, the Bank shall not be held liable for the execution of the order, as due to the special features of the trading systems the execution of the order may be prevented or considerably delayed compared to the time of its submission.

The Bank will not be obliged to promptly execute the order of the Business Partner if

- it is a LIMIT order of the Business Partner,
- the order cannot be executed under the prevailing conditions, or

- the execution would injure the interests of the Business Partner.

If the prompt execution of a Business Partner's LIMIT order pertaining to a share listed on a regulated market is not possible and the Business Partner gave no express instruction to the contrary, the Bank will disclose the relevant LIMIT order without delay so that it became easily accessible to other market actors, thus facilitating the earliest possible execution. The Bank is not obliged to publish the LIMIT order of the Business Partner pertaining to a share listed on a regulated market if it is considered to be large in scale at the specified execution venue under Articles 4-9 of MiFIR (Regulation No. 600/2014/EU of the European Parliament and of the Council).

## V. Restrictions to best execution

In the course of executing an order, the Bank may deviate from the provisions set forth herein in the following cases:

- a) Instructions given by the Business Partner

**When giving instructions, the Business Partner is obliged to consider the fact that the instructions given may potentially result in rendering the Bank unable to achieve the best possible results in order execution as per the steps planned and determined in the Execution and Allocation Policy, due to conflicts between elements of said steps and elements of the instructions given by the Business Partner. For any instructions received from the Business Partner, the Bank shall have grounds to assume that the Business Partner acknowledged and was aware of the above when giving said instructions.**

In the event that the Business Partner gives clear and firm instruction to the Bank regarding the execution of the order, and the instruction can be complied with under the relevant framework contract and trading channel, the Bank will obey the instruction during the execution of the order. In this case, the instructions given by the Business Partner shall also be understood to be the best execution of the order, regardless of whether they deviate from the Execution and Allocation Policy.

If the Business Partner gives clear and firm instruction concerning one or more factors and/or conditions assessed during the options of best execution, the Bank will proceed with due regard to such instructions. As regards the other aspects of the order, not affected by the instructions of the Business Partner, the Bank will apply the principle of best execution; however, the Bank will be relieved of its obligation of best execution in respect of the specific condition affected by the instructions of the Business Partner. Should the Business Partner only give instructions regarding one aspect of the order, this does not exempt the Bank from its obligations regarding the best execution of all other aspects of the order, that were not affected by the instructions given.

The Bank will only take into account the instruction of the Business Partner regarding the execution of the order or a condition or factor associated therewith, in connection with the performance of the relevant order. If the Business Partner intends to apply the instruction given regarding the execution of the order or a condition or factor associated

therewith to further transactions, it shall give a clear and firm instruction to the Bank for each and every order separately.

b) Trading based on price quote

When trading based on price quotes, the Bank shall act as follows, to ensure adherence to the principle of best execution. In the event that

- at the request of the Business Partner the Bank ensures a price for a specific financial instrument, or
- the Bank, regularly or on a continuous basis, shall ensure a price for specific financial instrument(s) for its Business Partners and shall directly agree with the Business Partner on the conditions of the transaction, meaning, in particular, the price/rate and the execution venue, and as a result the Bank shall conclude a transaction with the Business Partner at the quoted price, as per the following:

Based on the quote and the conditions specified by the Bank, the Business Partner will make a decision on whether it considers the price quoted the best price and whether the conditions of the transaction are suitable. When making the quote, the Bank will take into account the market conditions, with reasonable pricing, taking the market information available to the Bank into account.

c) Best execution for the Business Partner

The Bank is entitled—but not obliged—to execute the order at an execution venue other than the primary execution venue if this action is deemed to be more favourable for the Business Partner, or if the Business Partner gave a clear and firm instruction to this effect in line with subparagraph (a) above, or if execution cannot proceed at the primary venue, due to regulations pertaining to the venue in question, but execution remains possible at other venues, taking into account the requirements set forth in Chapter II, as per the Bank's evaluation, and in the absence of any contradictory instruction from the Business Partner.

d) Closing a position

This Execution and Allocation Policy is not applicable to closing (liquidating) the transactions/positions of Business Partners.

## **VI. Allocation policy**

When executing a client order or individual transaction, the Bank may choose to execute the client order or a transaction performed on their own account in an aggregated fashion, jointly with one or more other client orders.

The Bank may execute the Business Partner's order in an aggregated fashion, jointly with another order from a Business Partner, or with a transaction to be executed on the Bank's own account. Transaction orders may be executed in an aggregated fashion if it is unlikely that the aggregation of orders and transactions would prove disadvantageous overall for any Business Partner whose orders were aggregated.

In the event that the Bank chooses to aggregate an order with one or more other client orders and the aggregated order is only partially executed, the Bank shall allocate the affected transactions in accordance with this Allocation Policy.

In the event that the Business Partner or the Business Partner's acting representative specifically requests that their orders be executed in an aggregated fashion, then the Business Partner or the Business Partner's acting representative should also indicate the method of allocation when submitting the orders. In this case, allocation shall be performed in accordance with the indications provided by the Business Partner or the Business Partner's acting representative. If the Business Partner or the Business Partner's acting representative modifies the quantity, or the quantity is modified due to some other circumstance or cause, the Business Partner or the Business Partner's acting representative may also change their indication regarding the method of allocation at any time until the date of settlement for the individual transactions.

In the event of the partial execution of aggregated client orders, if the Business Partner or the Business Partner's acting representative has failed to provide indications regarding the method of order execution or allocation in a timely manner or has chosen not to modify an earlier order in response to partial execution, or if no appropriate indications have been provided, orders shall be allocated proportionally to the respective quantities indicated in said orders. If the aggregated execution of the client order is not due to a request to that effect from the Business Partner, then partial execution of aggregated client orders shall result in the orders being allocated proportionally to the respective quantities present in said orders.

If the Bank chooses to aggregate proprietary transactions with one or more client orders, they may not allocate said transactions in such a way as to disadvantage the Business Partners. In the case of identical transactions the Bank will prioritise the transactions of the Business Partner (as its Client) over its proprietary transactions. In the event that the Bank aggregates the orders of the Business Partner(s) with a transaction to be performed on its own account and the aggregated transaction is only executed partially, in tranches, priority will be given to the execution of the Business Partner(s)' orders during the allocation. In such cases, allocation between client orders shall be as indicated by the Business Partner. Accordingly, if the full execution of all aggregated orders and transactions cannot be guaranteed, the orders of the Business Partner(s) shall be executed first during allocation, and only the remaining quantities may be used for proprietary transactions. If the orders of the Business Partners cannot be fully executed during partial execution either, the orders of the Business Partners shall be executed proportionally to the respective quantities present in said orders, unless the Business Partner or the Business Partner's acting representative has requested the aggregated execution of orders and provided indications regarding the method of allocation or submitted such indications to the Bank in a timely manner with regards to the partial execution of orders.

The Bank shall observe the principle of equal treatment in the course of both the aggregated execution of orders and the allocation of aggregated orders.

## **VII. Monitoring and review of the Execution and Allocation Policy**

The Bank shall continually monitor and evaluate the efficacy of the instructions set forth in this Execution and Allocation Policy, especially with regards to the execution performance of the execution venues, and based on the results of said monitoring and evaluation—in the absence

of any extraordinary circumstances—shall evaluate this Execution and Allocation Policy and its order execution mechanisms from the aspect of compliance with the obligations stipulated in the Act on Investment Enterprises and the Directive at least once a year, in accordance with its internal procedure, and shall initiate its modification or amendment (regular review) upon observing any changes.

In addition to the regular annual review, a review shall be necessary for any significant changes affecting the ability of the Bank to produce consistently optimal results. These (extraordinary reviews) shall be based on the venues listed in this Execution and Allocation Policy. The Bank shall perform an evaluation of any significant changes and shall take into consideration any changes in the relative importance of factors necessary for meeting the general requirements for best execution.

For the review, the Bank shall monitor whether the justifications forming the basis for adherence to the principle of best execution are valid, as per the instructions set forth in its internal procedure.

The Bank will also review the Execution and Allocation Policy and take all necessary steps upon the occurrence of a change in facts that affects the fulfilment of the obligations stipulated in the Act on Investment Enterprises and the Directive. This can be done either during the regular review, or an extraordinary review providing a compelling reason for such.

In the course of the review, the Bank shall take all factors listed in its internal procedure into account, specifically including:

- adherence to the system of conditions determined in Chapter II of this Execution and Allocation Policy and taken into account during the selection process,
- analysis of all available information regarding the quality of execution, as well as the selected Execution Partners.

As part of the review, the Bank shall investigate whether, based on the factors taken into account during the selection process, any deviations are evident as compared to the requirements set forth in the Execution and Allocation Policy, and whether such deviations necessitate any changes in order to comply with the principles of best execution.

The Bank shall complete its review in accordance with its internal procedure.

*In the case of orders executed on a pooled basis, the Bank may also allocate executions to Client orders at the average price of the executions. Average price is calculated according to the following formula:*

$$P = \frac{\sum_{i=1}^n q_i * p_i}{\sum_{i=1}^n q_i}$$

Where:

- P: Calculated average price of executed orders*
- q<sub>i</sub>: Number of transactions of the <sup>i</sup>th execution*
- p<sub>i</sub>: Price in the <sup>i</sup>th execution*

## VIII. Providing information to clients

By way of this Execution and Allocation Policy, the Bank shall inform its Business Partners, especially its Business Partner classified as retail clients, as well as its future contracting parties who, after signing the contract will be classified as a retail client

- a) of the execution venues used by the Bank for the orders of the Business Partner in order to ensure the best possible outcome for the Business Partner, in accordance with the Act on Investment Enterprises and the Directive,
- b) of the conditions affecting the selection of the execution venue used in respect of an order and the procedure applied by the Bank to determine the relative importance of the factors, and
- c) that when the Business Partner gives an instruction regarding the execution and/or any condition or circumstance of the execution of the order different from that provided for best execution herein, such firm instruction may prevent the Bank from attaining the best possible outcome for the Business Partner during the execution of the order.

Each year, the Bank assesses the quality of execution over the entire preceding calendar year, broken down by instrument category and customer group, tabulating the results to present the characteristic data of the deals executed at the top five venues, along with a textual analysis of execution quality. Information regarding the quality of execution, as defined in the Investment Firms Act, on the individual execution venues listed in this Execution and Allocation Policy is available on Bank website ([www.otpbank.hu](http://www.otpbank.hu)) at the following link:

<https://www.otpbank.hu/portal/hu/GlobalMarkets/RTS28>

In its internal regulatory documents, the Bank allocates the responsibility for the procedure of producing the above presentation and the textual analysis regarding execution quality at the top five venues.

The Bank shall notify its Business Partners of any changes in this Execution and Allocation Policy, as well as of the date any such changes come into effect, in accordance with the Business Terms and Conditions for Investment Services.

At the specific written request of the Business Partner to this effect, the Bank will verify in writing, by demonstrating the application of the stipulations in this Execution and Allocation Policy that the order of the Business Partner was executed in compliance with the provisions set forth herein.

Should the Business Partner lodge a reasonable and proportional request for information regarding the Execution and Allocation Policy and related solutions, or regarding the method employed by the Bank for reviewing the aforementioned, the Bank shall provide a clear and unambiguous response within a reasonable amount of time.

In addition, the Bank shall provide information on any organizations executing forwarded or placed orders even beyond that contained in this Execution and Allocation Policy, at any Business Partner's or potential Business Partner's duly justified request.

**OTP Bank Plc.**

Annex:

Annex 1 — List of execution venues for specific financial instruments



**List of execution venues for specific financial instruments**  
**– taking the asset classes listed in Annex I of Commission Delegated Regulation (EU) 2017/576 into account –**

<b>Transaction type: Transactions involving shares<sup>2</sup> and compensation coupons</b>			
<b>Financial instrument</b>	<b>Execution venue<sup>3</sup></b>	<b>Access to the execution venue</b>	<b>Primary execution venue</b>
Share, compensation note issued in Hungary (listed on the Budapest Stock Exchange)	Budapest Stock Exchange (BÉT - XBUD) OTP Bank Plc.	Branch, Call Center, OTPdirekt, OdB, SBr, PB, Global Markets	Budapest Stock Exchange (BÉT - XBUD)
Shares listed on the Budapest Stock Exchange's BÉTa market	Budapest Stock Exchange (BÉT - BETA) OTP Bank Plc.	Global Markets	Budapest Stock Exchange (BÉT - BETA)
Shares listed on the Budapest Stock Exchange's Xtend market	Budapest Stock Exchange (BÉT XTND) OTP Bank Plc.	OTPdirekt, OdB, Global Markets	Budapest Stock Exchange (BÉT XTND)
Share issued in Hungary (not listed on the Budapest Stock Exchange)	OTP Bank Plc.	Global Markets	OTP Bank Plc.
Shares traded on the electronic trading floor (XETRA) of Deutsche Börse A.G.	Deutsche Börse A.G. (XETRA-XETR), Execution Partner: Bank of America Securities Europe SA Canaccord Genuity Limited DRW Europe B.V.	OdB, SBr, PB, Global Markets	Deutsche Börse A.G. (XETRA-XETR)

<sup>2</sup> Publicly issued shares

<sup>3</sup> If the execution venue is an Execution Partner, the Bank shall use the Execution Partner named in the Execution and Allocation Policy to execute the order

	<p>DSK Bank AD.  InterCapital Securities Ltd.  Kepler Cheuvreux.  Macquarie Capital (Europe) Ltd.  (Macquarie Securities Group)  Optiver V.O.F.  OTP banka dioničko društvo (OTP  banka d.d.)  OTP banka Srbija a.d. Novi Sad  Santander Bank Polska SA  SKB BANKA D.D. LJUBLJANA  Societe Generale  Swiss Capital SA,  OTP Bank Plc.</p>		
<p>Shares issued outside Hungary and  listed on a foreign stock exchange  (except XETRA)</p>	<p>Execution Partner:  Bank of America Securities Europe SA  Canaccord Genuity Limited  DRW Europe B.V.  DSK Bank AD.  InterCapital Securities Ltd.  Kepler Cheuvreux.  Macquarie Capital (Europe) Ltd.  (Macquarie Securities Group)  Optiver V.O.F.  OTP banka dioničko društvo (OTP  banka d.d.)  OTP banka Srbija a.d. Novi Sad  Santander Bank Polska SA  SKB BANKA D.D. LJUBLJANA  Societe Generale  Swiss Capital SA,  OTP Bank Plc.</p>	<p>Global Markets</p>	<p>Execution Partner</p>

OTC shares issued outside Hungary	OTC broker, OTP Bank Plc.	Global Markets	Execution Partner
<b>Transaction type: Bonds and other debt securities</b>			
<b>Financial instrument</b>	<b>Execution venue</b>	<b>Access to the execution venue</b>	<b>Primary execution venue</b>
Orders for Hungarian government bonds auctions	Government Debt Management Agency	Global Markets	Government Debt Management Agency
Orders for Hungarian government bonds subscriptions	Government Debt Management Agency	Branch, Call Center, OTPdirekt, OdB, IBMB, PB, Global Markets	Government Debt Management Agency
Hungarian government bonds (listed on the Budapest Stock Exchange)	Budapest Stock Exchange (BÉT - XBUD), OTP Bank Plc. Portfolios of portfolio-managed clients	Branch, Call Center, OTPdirekt, OdB, SBr, PB, Global Markets	OTP Bank Plc.
Hungarian government bonds (not listed on the Budapest Stock Exchange)	OTP Bank Plc. Portfolios of portfolio-managed clients	Branch, Call Center, OTPdirekt, OdB, SBr, PB, Global Markets	OTP Bank Plc.
Bonds issued by OTP Bank Plc. (listed on the Budapest Stock Exchange)	Budapest Stock Exchange (BÉT - XBUD), OTP Bank Plc. Portfolios of portfolio-managed clients	Branch, Call Center, OTPdirekt, OdB, SBr, PB, Global Markets	OTP Bank Plc.
OTP Mortgage bonds (listed on the Budapest Stock Exchange)	Budapest Stock Exchange (BÉT - XBUD), OTP Bank Plc.	Branch, Call Center, OTPdirekt, OdB, SBr, PB, Global Markets	Budapest Stock Exchange (BÉT - XBUD),
Bonds issued by OTP Bank Plc. (not listed on the Budapest Stock Exchange)	OTP Bank Plc.	Branch, Call Center, OTPdirekt, OdB, SBr, PB, Global Markets	OTP Bank Plc.

Debt securities issued in Hungary (listed on the Budapest Stock Exchange)	Budapest Stock Exchange (BÉT - XBUD), OTP Bank Plc. Portfolios of portfolio-managed clients	Branch, Call Center, OTPdirekt, OdB, SBr, PB, Global Markets	Budapest Stock Exchange (BÉT - XBUD),
Debt securities issued in Hungary and listed on the BSE's Xbond market	Budapest Stock Exchange (BÉT - XBND), OTP Bank Plc. Portfolios of portfolio-managed clients	Global Markets	Budapest Stock Exchange (BÉT - XBND),
Debt securities issued in Hungary (not listed on the Budapest Stock Exchange)	OTP Bank Plc. Portfolios of portfolio-managed clients	Global Markets	OTP Bank Plc.
Debt securities issued by a Hungarian issuer outside Hungary	OTP Bank Plc. Portfolios of portfolio-managed clients	Global Markets	OTP Bank Plc.
Debt securities issued by a non-Hungarian issuer outside Hungary	OTP Bank Plc. Portfolios of portfolio-managed clients	Global Markets	OTP Bank Plc.
<b>Transaction type: Investment unit, ETF</b>			
<b>Financial instrument</b>	<b>Execution venue</b>	<b>Access to the execution venue</b>	<b>Primary execution venue</b>
OTP investment fund units (also listed on the Budapest Stock Exchange)	Budapest Stock Exchange (BÉT - XBUD), OTP Bank Plc. (as a dealer)	Branch, Call Center, OTPdirekt, OdB, SBr, PB, Global Markets	OTP Bank Plc. (as a dealer)
OTP investment fund units (not listed on the Budapest Stock Exchange)	OTP Bank Plc. (as a dealer)	Branch, Call Center, OTPdirekt, OdB, SBr, PB	OTP Bank Plc. (as a dealer)
OTP investment fund units (ETFs listed on the Budapest Stock Exchange)	Budapest Stock Exchange (BÉT - XBUD), OTP Bank Plc. (as a dealer)	Branch, Call Center, OTPdirekt, OdB, SBr, PB, Global Markets	Budapest Stock Exchange (BÉT - XBUD),
Investment fund units issued in Hungary or abroad by a non-OTP Bank Group entity and traded by OTP Bank Plc. under a contract	OTP Bank Plc. (as a dealer) Portfolios of portfolio-managed clients	PB, Global Markets, Branch <sup>4</sup>	OTP Bank Plc. (as a dealer)

<sup>4</sup> UBS investment fund units.

Investment fund units issued in Hungary by a non-OTP Bank Group entity and traded by OTP Bank Plc. under a contract (also listed on the Budapest Stock Exchange)	Budapest Stock Exchange (BÉT - XBUD), OTP Bank Plc. (as a dealer)	PB, Global Markets	OTP Bank Plc. (as a dealer)
Investment fund units not traded by OTP Bank Plc. under a contract (listed and only traded on the Budapest Stock Exchange, e.g. ETF)	Budapest Stock Exchange (BÉT - XBUD),	Branch, Call Center, OTPdirekt, OdB, SBr, PB, Global Markets	Budapest Stock Exchange (BÉT - XBUD)
Investment fund units traded on the electronic trading floor (XETRA) of Deutsche Börse A.G.	Deutsche Börse A.G. (XETRA-XETR), OTP Bank Plc.	OdB, SBr, PB, Global Markets	Deutsche Börse A.G. (XETRA-XETR);
Investment fund units issued by a non-Hungarian issuer outside Hungary	Execution Partner: Bank of America Securities Europe SA Canaccord Genuity Limited DRW Europe B.V. DSK Bank AD. InterCapital Securities Ltd. Kepler Cheuvreux. Macquarie Capital (Europe) Ltd. (Macquarie Securities Group) Optiver V.O.F. OTP banka dioničko društvo (OTP banka d.d.) OTP banka Srbija a.d. Novi Sad Santander Bank Polska SA SKB BANKA D.D. LJUBLJANA Societe Generale Swiss Capital SA, OTP Bank Plc.	Global Markets	Execution Partner <sup>5</sup>

<sup>5</sup> For the investment fund units available through the Vestima system operated by Clearstream Banking S.A., the Execution Partner shall be the distributor of the respective investment unit, accessible through the Vestima system.

Transaction type: Certificate, warrant			
Financial instrument	Execution venue	Access to the execution venue	Primary execution venue
Certificates, warrants listed on the Budapest Stock Exchange	Budapest Stock Exchange (BÉT - XBUD) OTP Bank Plc.	Branch, Call Center, OTPdirekt, OdB, SBr, PB, Global Markets	Budapest Stock Exchange (BÉT - XBUD),
Certificate, warrant traded on the electronic trading floor of Deutsche Börse A.G. (XETRA)	Deutsche Börse A.G. (XETRA-XETR), OTP Bank Plc.	OdB, SBr, PB, Global Markets	Deutsche Börse A.G. (XETRA-XETR)
Certificates, warrants issued by a non-Hungarian issuer and listed on a stock exchange (except XETRA and BÉT)	Execution Partner: Bank of America Securities Europe SA Canaccord Genuity Limited DRW Europe B.V. DSK Bank AD. Kepler Cheuvreux. InterCapital Securities Ltd. Macquarie Capital (Europe) Ltd. (Macquarie Securities Group) Optiver V.O.F. OTP banka dioničko društvo (OTP banka d.d.) OTP banka Srbija a.d. Novi Sad Santander Bank Polska SA SKB BANKA D.D. LJUBLJANA Societe Generale Swiss Capital SA, OTP Bank Plc.	Global Markets	Execution Partner

Unlisted certificates, warrants issued by a non-Hungarian issuer	<p>Execution Partner:  Bank of America Securities Europe SA  Canaccord Genuity Limited  DRW Europe B.V.  DSK Bank AD.  InterCapital Securities Ltd.  Kepler Cheuvreux.  Macquarie Capital (Europe) Ltd.  (Macquarie Securities Group)  Optiver V.O.F.  OTP banka dioničko društvo (OTP banka d.d.)  OTP banka Srbija a.d. Novi Sad  Santander Bank Polska SA  SKB BANKA D.D. LJUBLJANA  Societe Generale  Swiss Capital SA,  OTP Bank Plc.</p>	Global Markets	OTP Bank Plc.
<b>Transaction type: Derivative transactions</b>			
<b>Financial instrument</b>	<b>Execution venue</b>	<b>Access to the execution venue</b>	<b>Primary execution venue</b>
Derivative products traded on the Budapest Stock Exchange (foreign currency, share, interest, index)	Budapest Stock Exchange (BÉT - XBUD)	Global Markets	Budapest Stock Exchange (BÉT - XBUD)
Derivative products traded on other stock exchanges or regulated markets transactions (foreign currency, share, interest, index, stock exchange instrument)	Bank of America Securities Europe SA	Global Markets	Bank of America Securities Europe SA
Over-the-counter (OTC) derivative transactions (foreign exchange, interest)	OTP Bank Plc.	Global Markets	OTP Bank Plc.
<b>Transaction type: Securities financing transactions</b>			

Securities lending, Repo	Execution venue	Access to the execution venue	Primary execution venue
Securities lending, Repo	OTP Bank Plc.	Global Markets	OTP Bank Plc.

Explanation of abbreviations and categories shown in the table above:

Branch – the branches of OTP Bank Plc. authorised to provide investment services

IBMB – Internetbank/Mobilbank

Call Center – OTPdirekt telephone service

OTPdirekt – OTPdirekt online service

OdB – OTPdirekt Bróker brokerage service

SBr – OTPdirekt SmartBróker service

PB – Private banking, preferential private banking and *digital private banking* service provided by OTP Bank Plc.

Global Markets – Global Markets service provided by OTP Bank Plc.

Instrument issued in Hungary: Securities/instruments traded on a stock exchange are considered to have been issued in Hungary if the first two characters of the ISIN (International Securities Identification Number) code series—comprising a combination of alphanumeric codes—identifying the country of issue of securities/stock exchange instruments representing identical rights with Latin letters are HU (Hungary).

Execution Partner: The Bank—without the express consent of the Business Partner, unless provided otherwise by law, a specific contract, framework contract or the general contracting terms and conditions—involve a third party in the execution of the Business Partner's order. The Bank makes use of the services of domestic or foreign execution partners, to whom the order is transmitted and through whom the order is executed. The execution partners used by the Bank are considered as execution venues.

OTP Bank Plc. (as a dealer): The Bank sells and buys the investment fund units of open-ended investment funds on a continuous basis as a dealer, in compliance with the contract concluded with the fund managers and the provisions of the Rules and prospectuses of the relevant fund. Securities issued by collective investment undertakings not registered in Hungary (including, in particular, UCITS) are traded under contracts signed with dealers.

Over-the-counter (OTC) derivative transactions: Over-the-counter (OTC) derivative transactions allowed to be concluded under the Sales Terms and Conditions of the Global Markets Directorate of OTP Bank Plc.