



Standard Prior Information Notice
– in respect of investment services –

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The amendment to the Notice is justified by the introduction of the T+3 FORWARD transaction of Long-Term Investment Account.

OTP Bank Plc.
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Registered office: H-1051 Budapest, Nádor utca 16.
Registered with the Company Registry Court of Budapest-Capital Regional Court under no. 01-10-041585
Central postal address: H-1876 Budapest
Website: <https://www.otpbank.hu>

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Notices and disclaimers

Before using the investment services or ancillary services (hereinafter collectively: **investment services**) of OTP Bank Plc. (hereinafter: **Bank**), please read this Information Notice and the documents referred to therein in order to make an informed investment decision based on the information you have about the investment services, the related transactions and the financial instruments. If you have any questions about the contents of this Information Notice, or if you are unable to access any of the documents or information referred to therein, please contact your local branch where our colleagues will be pleased to be at your service.

Please note that certain information disclosed in this Standard Prior Information Notice in relation to investment services and financial instruments may change without further notice, at short intervals and regularly. In view of the above, please pay close attention to any changes in this Information Notice and in the documents and information referred to therein throughout our business relationship in respect of the investment service; moreover, please study any notices on the changes thoroughly in every case.

Thank you for your cooperation.

OTP Bank Plc.

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A. Legislative background

The Bank provides investment services to its Clients in compliance with legislation in effect at the time the services are provided. The legal relationship between the Bank and its Clients in respect of the investment service is governed by the provisions of Act CXXXVIII of 2007 on Investment Firms and Commodity Dealers and on the Regulations Governing their Activities (hereinafter: **Investment Firms Act**) and Act CXX of 2001 on the Capital Market (hereinafter: **Capital Market Act**), as well as the provisions of the directly applicable legal acts of the European Union. This Information Notice is intended to provide prior information as prescribed in the Investment Firms Act, in COMMISSION DELEGATED REGULATION (EU) 2017/565 of 25 April 2016 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: **Commission Delegated Regulation (EU) 2017/565**), and in REGULATION (EU) 2019/2088 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 27 November 2019 on sustainability-related disclosures in the financial services sector (hereinafter: **SFDR**). The current text of the Investment Firms Act, the Capital Market Act and any other relevant legislation can be accessed at the following websites: www.njt.hu and www.eur-lex.europa.eu.

B. Essential information on the Bank as the credit institution providing the investment service and the ancillary service

1) General information

1.1. For each individual Client, this Information Notice contains all of the information prescribed in Sections 40, 41 and 43 of the Investment Firms Act, Articles 46–50 and 52 of Commission Delegated Regulation (EU) 2017/565 and Article 6 of the SFDR, which the Bank is required to provide to the Client prior to contract conclusion or, in the case of framework agreements, prior to the submission of the transaction order. The terms defined in this Information Notice are set out in the Investment Services Business Regulations and the Annexes thereto, as amended from time to time (hereinafter: **Business Regulations**). Additional provisions on information provided to the Client that are not included in this Information Notice are set out in the Business Regulations and the other documents referred to in the Information Notice together.

1.2. The documents listed below constitute an integral part of this Information Notice:

- Business Regulations and their Annexes:
 - **Annex A:** General Terms and Conditions for Global Markets Services
 - **Annex A.1:** Global Markets Services and available Trading-Communication Platforms
 - **Annex B:** General Terms and Conditions for Portfolio Management
 - **Annex C:** Notice on the forms and model contracts used by the Bank
 - **Annex D:** Notices on the list of fees and other conditions applied by OTP Bank Plc, which include the costs and fees related to the conclusion of the contract and – in the case of a previously concluded contract (framework agreement) still in force – the costs and fees related to the individual transactions, including:
 - **Annex D.1:** Notice on the fees of services in the securities business line of OTP Bank Plc.
 - **Annex D.2:** Notice on the fees of Global Markets Services
 - **Annex D.3:** Notice on the charges and fees for portfolio management
 - **Annex E:** Notice on the scope of outsourced activities of OTP Bank Plc. pursuant to the Investment Firms Act, the list of those performing the outsourced activities, and the list of intermediaries used by OTP Bank Plc.
 - **Annex F:** Notice on investor protection, data protection and the regime for the management of securities secrets
 - **Annex G:** Notice on the Conflict of Interest Policy
 - **Annex H:** Notice on the Execution and Allocation Policy
 - **Annex I:** Notice on the supplementary privacy notice applicable to investment service activities
 - **Annex J:** Notice on the Trading Policy
 - **Annex K:** Notice on Business Hours
- Supplementary Notice on general information on the marketing of securities (hereinafter: Supplementary Notice);
- Supplementary Notice on the daily amount of secured claim transactions for individual Global Markets services, the level of initial margin, the list of Collateral items eligible as security and their adjusted market value (hereinafter: Collateral Notice);
- the Bank's MiFID Client Information Document;
- the Bank's general information on Short Selling;
- the Bank's EMIR Notice;
- the Bank's Product Information Documents;
- other information notices and documents referred to or indicated in the Business Regulations;
- the Bank's General Business Regulations, the documents annexed thereto, the Notices referred to therein and, where appropriate, prospectuses, base prospectuses, notices, as well as regular and extraordinary notices published by the issuer or the broker in relation to individual financial instruments.

1.3. The list of the Bank's additional notices valid at the date of publication of this Information Notice and access to the notices are listed in **Annex 1** to this Information Notice.

1.4. This Information Notice has been drawn up in accordance with the highest level investor protection requirements defined in the legislation cited herein; i.e. in accordance with the provisions pertaining to Clients classified as retail clients. Moreover, the Bank uniformly applies this document in relation to professional clients and Clients classified as eligible counterparties. Notwithstanding the standard structure of this Information Notice, in respect of its Professional Clients or Clients classified as eligible counterparties as specified in the Investment Firms Act, the Bank does not commit itself vis-à-vis the Professional Client and Clients classified as eligible counterparties to comply with a higher level of requirements than those defined in the legislation indicated and referred to in the Investment Services Business Regulations and in this Information Notice as applicable to those client categories.

2) Main conditions for using the investment service

2.1. Unless otherwise provided for by the Parties, for the Client to use the Bank's investment service, the Client needs to have a securities account ('Consolidated Securities Account') and a Payment Account with the Bank. The Bank maintains Client Accounts for its Clients based on a separate, written contract to that effect.

2.2. In order to open a Consolidated Securities Account, the Client is required to conclude an Investment Services Framework Agreement with the Bank or it must have a Consolidated Securities Account contract already (the Investment Services Framework Agreement and the Consolidated Securities Account contract are hereinafter referred to together as an **Account Agreement**). Conditions for the above are set out in the Business Regulations, this Information Notice and the Supplementary Notice, collectively. These documents are available at the www.otpbank.hu website, or they can be requested in printed form in Branches participating in the provision of investment services.

2.3. On the conclusion of the Account Agreement, the Client shall mark the Payment Account (in the case of regular Securities Accounts) or Cash Account (in the case of PSA-D, LTISA or SSA accounts) maintained by the Bank, which is to be linked to the Consolidated Securities Account (securities accounts cannot be opened at the Bank without an existing Payment Account). Requirements on such payment accounts or cash accounts are set out in the business regulations listed below, which are available at the www.otpbank.hu website, or in printed form in the Bank's Branches:

- The Bank's General Business Regulations
- Business Regulations on Retail Bank Accounts, Deposits and Overdraft Facilities – Payment Accounts (Bank Accounts)
- Business Regulations on Retail Bank Accounts, Deposits and Overdraft Facilities – Cash Accounts
- Corporate Division Business Regulations
- other notices and documents referred to or indicated in the above documents

Account Agreement pertaining to the payment account/cash account concerned and their annexes.

2.4. Pursuant to Act LIII of 2017 on the Prevention and Combating of Money Laundering and Terrorist Financing, the Bank may conclude Account Agreements only with Clients who presented their identification documents to the Bank and who have been thus identified by the Bank. The document entitled Notice on the Bank's Client Identification Policy is available at the www.otpbank.hu website, or it may be requested in printed form in the Branch.

2.5. In order to use the Global Markets Services defined in the Business Regulations, the Client is required to conclude a Global Markets Framework Agreement with the Bank. For Clients subject to the EMIR Variation Margin requirement (FC and NFC+), the provision of Global Markets Services involving derivatives is conditional upon the conclusion of an ISDA Master Agreement and a 2016 Credit Support Annex for Variation Margin (VM CSA) Agreement.

2.6. The Bank may not be able to provide access to the products and/or services mentioned in this Information Notice to certain individuals, or it may restrict their access to such products/services. The drawing up and posting of the Information Notice on the Bank's website and the

presentation of information regarding the specific products and/or services by the Bank shall under no circumstances be construed as an intention on the Bank's part to make available information pertaining to the products and/or services mentioned in this Information Notice for persons in respect of which some country or another competent state bans or restricts the use, purchase or advertising of the product and/or service.

- 2.7. Other conditions for using the service (e.g. conclusion of additional contracts, issue and presentation of legal statements, etc.) are set out in the documents referred to herein; thus, in particular, Chapter A.II.1 of the Business Regulations 'Conditions for access to investment and ancillary investment services'.

3) Essential information on the Bank

- 3.1. Name, registered office and other central contact details of the Bank

OTP Bank Plc.
Registered office: H-1051 Budapest, Nádor u. 16.
Registered with the Court of Registration of the Budapest-Capital Regional Court under No. 01-10-041585
Central postal address: H-1876 Budapest
Central telephone number: +36 (1) 3 666 666
Website: <http://www.otpbank.hu>
Central email address: informacio@otpbank.hu; information@otpbank.hu

- 3.2. Languages available for Clients for communication with the Bank

Unless otherwise provided for in the Business Regulations or the model contracts, the Client and the Bank shall communicate in Hungarian.

Other rules on the application of languages other than Hungarian are set out in Chapter A.II.4 of the Business Regulations, 'Contacting the Client'.

Subject to the Client's express consent, the Bank shall be entitled to provide to the Client information and notices that are unavailable at the Bank in Hungarian (thus, for example, documents of the Key Investor Information, prospectuses, issuer's notices and disclosures, marketing materials) in languages other than Hungarian if they are available to the Bank and are used consistently throughout the entire document.

- 3.3. Method and means of communication with the Client, including the method and means of submitting and receiving orders

In accordance with the provisions of the Business Regulations and the model contracts, the Bank may communicate with the Client via the following means and methods:

- a) in writing
 - aa) by letter,
 - ab) by fax,
 - ac) by email,
 - ad) in the case of contracts for use of the OTPdirekt service or OTP Bank Digital Service contracts, in accordance with the notification rules applicable to the contract concerned,
- b) by telephone (orally),
- c) by means of notices,
- d) on a Trading/Communication Platform,
- e) via the OTP Trader,
- f) on the OTP Custody Portal.

Except for communicating via notices, the Client itself may communicate with the Bank by the means and methods listed above, with the proviso that the Bank may require the Client to communicate with the Bank exclusively by way of a specific means or method in respect of certain transaction types (e.g. exclusively in person in a branch based on Chapter A.II.3 'Representation of the Client' of the Business Regulations, in the cases specified therein).

Other rules on communication are set out in the Business Regulations.

3.4. Name and postal address of the Supervisory Authority that has issued the licence enabling the Bank to provide investment services and ancillary investment services

Name of the Supervisory Authority: Magyar Nemzeti Bank, the National Bank of Hungary (legal predecessor: Hungarian Financial Supervisory Authority)

Registered office of the Supervisory Authority: H-1013 Budapest, Krisztina körút 55.

Customer service of the Supervisory Authority: H-1013 Budapest, Krisztina krt. 55;

Postal address of the Supervisory Authority: Magyar Nemzeti Bank, 1850

The numbers of the relevant supervisory authorisations and licences are listed in Chapter A.I.2 'Authorisations' of the Business Regulations.

The information provided in this Section does not imply that the Supervisory Authority expressly recommends or recognises the Bank or the Bank's investment service activity.

C. Rules governing the operation and activity of the investment firm

1) Frequency, timing and nature of the report on the performance of investment service activities

- 1.1. The Bank informs the Client of the balance and turnover on the Client's Consolidated Securities Account, Pension Savings Consolidated Securities Account, Long-term Investment Consolidated Securities Account, Stability Savings Consolidated Securities Account and START Securities Account retrospectively once a month by means of a Securities Account Statement (hereinafter: **Account Statement**) issued following the current month. The Account Statement is deemed to be a regular statement on the Client's financial instruments.
- 1.2. The frequency, timing and dispatch method of the Account Statement on the investment service activity performed for – and the ancillary investment service provided to – the Client is included in Chapter B.I. 'Common Provisions on Account Management' of the Business Regulations. The Bank shall not be required to send the Account Statement if it provides the Client with access to an online system that qualifies as a durable medium in which the Client may readily access up-to-date statements on its financial instruments, provided that the Bank can provide evidence that the Client has queried this Account Statement – which qualifies as a statement on the Client's instruments – at least once during the relevant quarter.
- 1.3. Pursuant to Article 63 (2) of Commission Delegated Regulation (EU) 2017/565, the Account Statement shall include the following information:
 - details of all the financial instruments or funds held by the Bank for the relevant Client at the end of the period covered by the statement;
 - the extent to which any Client financial instruments or Client funds have been the subject of securities financing transactions;
 - the extent of any benefit that has accrued to the Client by virtue of participation in any securities financing transactions, and the basis on which that benefit has accrued;
 - a clear indication of the assets or funds which are subject to the rules of Directive 2014/65/EU and its implementing measures and those that are not, such as those that are subject to Title Transfer Collateral Agreement;
 - a clear indication of which assets are affected by some peculiarities in their ownership status, for instance due to a security interest;
 - the market or estimated value, when the market value is not available, of the financial instruments included in the Statement with a clear indication of the fact that the absence of a market price is likely to be indicative of a lack of liquidity.
- 1.4. Notwithstanding Section 1.3 above, the Bank as a credit institution shall act in accordance with the provisions on payment accounts in respect of the Payment Account and the Foreign Currency Account.
- 1.5. The possible methods of sending the Account Statement to the Client are included in Chapter B.I.1 'Consolidated Securities Account' of the Business Regulations.
- 1.6. The frequency and timing of the notifications linked to the transaction orders placed by the Client and the methods of their delivery to the Client are included in the relevant Chapters of the Business Regulations for the specific transaction type, and in the model contracts.
- 1.7. In accordance with Article 59 of Commission Delegated Regulation (EU) 2017/565, the Bank performs its obligation to provide information on the execution of orders as follows:
 - 1.7.1. promptly provide the client, in a durable medium, with the essential information concerning the execution of that order;
 - 1.7.2. send a notice to the Client on a durable medium confirming execution of the order as soon as possible and no later than the first business day following execution or, where the confirmation is received by the investment firm from a third party, no later than the first business day following receipt of the confirmation from the third party. This point shall not apply where the confirmation would contain the same information as a confirmation that is to be promptly dispatched to the Client by another person.

- 1.7.3. In addition to the above, the Bank shall supply the Client, on request, with information about the status of its order.
- 1.7.4. In the case of client orders relating to units or shares in a collective investment undertaking which are executed periodically, the Bank shall either take the action specified in Section 1.7.2 or provide the Client, at least once every six months, with the information listed in Section 1.7.5 below in respect of those transactions.
- 1.7.5. The notification referred to in Section 1.7.2 shall include the applicable information of the information listed below:
 - a) name of the Bank;
 - b) name or other designation of the Client;
 - c) the trading day;
 - d) the trading time;
 - e) the type of the order;
 - f) the venue identification;
 - g) the instrument identification;
 - h) the buy/sell indicator;
 - i) the nature of the order if other than buy/sell;
 - j) the quantity;
 - k) the unit price; For the purposes of point (k), where the order is executed in tranches, the Bank may opt to supply the Client with information about the price of each tranche or the average price. Where the average price is provided, upon request, the Bank shall supply the Client with information about the price of each tranche.
 - l) the total consideration;
 - m) a total sum of the commissions and expenses charged and, where the Client so requests, an itemised breakdown including, where relevant, the amount of any mark-up or mark-down imposed where the transaction was executed by the Bank when dealing on own account, and the Bank owes a duty of best execution to the Client;
 - n) the rate of exchange obtained where the transaction involves a conversion of currency;
 - o) the Client's responsibilities in relation to the settlement of the transaction, including the time limit for payment or delivery as well as the appropriate account details where these details and responsibilities have not previously been notified to the Client;
 - p) where the Client's counterparty was the Bank itself or any person in the relevant banking group or another client of the investment firm, the fact that this was the case unless the order was executed through a trading system that facilitates anonymous trading.
- 1.7.6. The Bank may provide the Client with the information referred to in Section 1.7.5 using standard codes, provided that it offers an explanation of the codes applied.
- 1.8. Pursuant to Article 62 (2) of Commission Delegated Regulation (EU) 2017/565, in the case of a retail client account that includes positions in leveraged financial instruments or contingent liability transactions the Bank shall inform the Client if the initial value of each instrument depreciates by 10% and thereafter at multiples of 10%. Reporting should be on an instrument-by-instrument basis, unless otherwise agreed with the Client, and shall take place no later than the end of the business day in which the threshold is exceeded or, in a case where the threshold is exceeded on a non-business day, the close of the next business day.

2) Measures and investor protection systems safeguarding the financial instruments or funds held for or due to the Client

- 2.1 The Bank shall maintain its records relevant to the investment service activity in such a way that ensures that the Client has access to its financial instruments and funds at any given time; the Bank shall not use or encumber the financial instruments and funds held by the Client without the Client's written consent, and shall manage the Client's instruments and funds separately from its own. The provisions included in this Section shall not affect those enabling the Bank to use the financial instruments and funds held by the Client – subject to the Client's consent given by accepting the Business Regulations or the contract concluded by the Parties – as collateral

or security, or to satisfy or secure its claim in the event of default or delinquency (e.g. Chapters A.III.11 'Collateral', A.III.12 'Collateral Securities' and A.III.17 'Delay, Default' of the Business Regulations). The Bank shall be entitled to debit the Client's account without the Client's specific consent for a claim arising from the provision of financial services to the Client when it becomes due, or for a due and payable claim arising from the provision of investment services pursuant to an agreement signed with the Client, thus, in particular, pursuant to an Account Agreement (offsetting).

- 2.2 If the Client's financial instruments or funds are managed by the Bank, a summary of the measures safeguarding these assets is included in Chapter A.VI 'A summary of the measures taken to safeguard the Client's money and financial assets' of the Business Regulations and Annex F to the Business Regulations on investor protection, data protection and the regime for the management of securities secrets.
- 2.3 The measures to be taken by investment firms to safeguard the financial instruments or funds held for or due to the Client, including the operation of an investor protection system available to the Client, are set out in the Capital Market Act. Information on investor protection and on the Investor Protection Fund is included in Chapter A.VII of the Business Regulations on Investor Protection.
- 2.4 KELER Zrt. as the central securities depository ensures the segregation of the Client's securities from those of the Bank pursuant to Regulation (EU) No 909/2014. The Bank offers to the Client the option of segregating the Client's securities on an individual sub-account maintained by KELER Zrt. When requested by the Client, KELER Zrt. shall segregate the Client's securities on an individual sub-account designed to keep records of the securities of the Client notified by the Bank.

Conditions and charges linked to segregation on individual sub-accounts held with KELER Zrt. are included in the Business Regulations and Annex D thereto, 'Notices on the list of fees and other conditions'. The segregation of the individual sub-account and the registry of the securities held by the Client are ensured by KELER Zrt's account management and record-keeping rules; the regulations and policies governing the activity and operation of KELER Zrt. are available at the www.keler.hu website.

KELER KSZF Zrt. (KELER CCP Ltd.) ensures the segregation of the Client's securities from those of the Bank pursuant to Regulation (EU) No 648/2012. KELER CCP Ltd. enables clearing members to open segregated client sub-accounts at KELER CCP Ltd. Upon the Client's request, the Bank makes arrangements to open a segregated client sub-account at KELER CCP Ltd. Conditions and charges linked to segregation on segregated client sub-accounts held with KELER CCP Ltd. are included in the Business Regulations and Annex F thereto, 'Notices on the list of fees'. Additional rules governing the segregated client sub-accounts are included in the General Business Rules of KELER CCP Ltd., available at the www.kelerkszf.hu website.

3) Conflict of Interest Policy

- 3.1 The Bank provides a broad range of investment services and ancillary services. Potential conflicts of interest are a natural corollary of these activities. In order to ensure that the Bank proceeds in the interest of the Client in each case, it has set up internal procedures capable of efficiently identifying, preventing and addressing conflicts of interests associated with the Bank's various business activities. In order to ensure uniform management of these procedures, the Bank has crafted – and the Bank's Board of Directors approved – its Conflict of Interest Policy in line with the provisions of relevant legislation. In its Conflict of Interest Policy, the Bank presents a summary of the circumstances that may result in conflicts of interest and may have adverse consequences for the Client. The Conflict of Interest Policy also defines the detailed procedural rules and measures that allow the prevention, identification and management of conflict of interest situations that may potentially have adverse consequences for the Client. Despite the above, the Bank may, in certain cases, explore a conflict of interest that continues to persist even after the procedure that is intended to address it has been carried out. In all such cases, the Bank informs its Client of the nature of the conflict of interest to ensure that the Client is aware of the conflict of interest when using the Bank's services. In extraordinary cases, the Bank may conclude that the conflict of interest

has adverse consequences for the Client not only potentially but also effectively, in which case the Bank will refuse to conclude the contract for the transaction concerned.

- 3.2 For the purposes of this Information Notice, the Bank discloses only a summary description of its Conflict of Interest Policy. The Bank's Conflict of Interest Policy is included in Annex G to the Business Regulations, which is available at the www.otpbank.hu website, and can be requested in printed form in Branches participating in carrying out the investment service activity.

4) Execution and Allocation Policy

- 4.1 The Bank provides investment services to its Clients for financial instruments; thus, in particular, in the areas of securities transactions, transactions concerning structured products, derivative transactions and securities financing transactions. The Execution and Allocation Policy covers the orders of Clients classified as retail clients or professional clients and is not applicable to the orders placed by Clients classified as eligible counterparties based on the client categorisation valid at the time of receiving the order. In executing its Clients' orders, based on the principle of 'best execution', the Bank takes all sufficient steps to obtain the best possible result for the Client in consideration of the criteria, factors and execution venues laid down in the Execution and Allocation Policy. To that end – in the lack of specific instructions – the Bank takes into account, based on its internal procedures, aspects defined in legislation, their relative importance, and the market information available to the Bank. However, if the Client provides specific and concrete instructions in respect of the execution of its order, the Bank shall primarily follow the Client's instructions, and the Bank's procedure in compliance with the principle of best execution shall mean that the order is executed in accordance with the Client's instructions. In such cases, the Bank does not guarantee that the Client will achieve the best possible outcome or an outcome it could have obtained by complying with the provisions of the Execution and Allocation Policy. The Bank monitors and evaluates the efficiency of the Execution and Allocation Policy on a regular basis and, in this context, it reviews the Execution and Allocation Policy and the mechanisms of order execution at least once a year. Pursuant to the provisions of the Investment Firms Act, the execution shall be deemed best for the Client if the Bank executes the order at the primary Execution Venue defined for the given financial instrument in the Bank's Execution and Allocation Policy.
- 4.2 The Execution Venues are listed in the Bank's Execution and Allocation Policy broken down by the asset categories specified for individual financial instruments.
- 4.3 For the purposes of this Information Notice, the Bank discloses only a summary description of its Execution and Allocation Policy. The Bank's Execution and Allocation Policy is included in Annex H to the Business Regulations, which is available at the www.otpbank.hu website, and can be requested in printed form in Branches participating in carrying out the investment service activity.

5) Complaints Handling Policy

- 5.1. The Bank shall receive, record and investigate all complaints relating to its products or services. In the case of client notifications concerning the Bank's subsidiaries, the Bank will decide, depending on the nature of the complaint and the Bank's involvement, whether to investigate and address the complaint within its own competence or to pass the complaint on to the competence of the subsidiary concerned for further action. In order to ensure standard, efficient and high-quality client service, the Bank handles client notifications in a centralised fashion. The Bank maintains electronic records of the complaints or objections of Clients and the actions taken to resolve them. The records include the description of the complaint, the event or fact constituting the subject matter of the complaint, the date of submission of the complaint, the description of the action intended to settle or resolve the complaint, the time limit open for taking action and the name of the person responsible for the execution. In the lack of data suitable for identification, the Bank only provides general information to the Client concerning the contents of the Bank's business regulations and condition lists. In the absence of identification, the Bank shall not disclose any data in relation to the Client's accounts and contracts or the existence thereof, or in relation to specific orders and transactions. The Bank

notifies the Client of the result of the client notification's investigation within 30 calendar days, in the manner determined by it. If the Client does not agree with the response to its notification, it may request the Bank to review its notification. If the Client still does not accept the response received or believes that the Bank did not handle its complaint adequately, it may turn to the Supervisory Authority with its complaint in writing.

- 5.2. For the purposes of this Information Notice, the Bank discloses only a summary description of its Complaints Handling Policy. The Bank's Complaints Handling Policy is annexed to the General Business Regulations. It is available on the www.otpbank.hu website, and can be requested in printed form in Branches participating in the investment service activity.

D. Rules for the management of financial instruments and funds held for or due to a Client

1. Pursuant to Section A.III.16 'Use of an Intermediary' of the Business Regulations, the Bank is entitled to use the assistance of a third party without the Client's specific content, with special regard to KELER Zrt., the Budapest Stock Exchange, clearing house or any other organisation operating a recognised trading venue. Provisions on the Bank's liability for the actions of KELER, the BSE, a Foreign Stock Exchange, clearing house or any other organisation operating a Trading Venue are set out in Subsection A.III.16.2 of the Business Regulations.
2. Pursuant to Chapter B.II 'Account management services for a consolidated securities account' of the Business Regulations, the Bank transfer the financial instruments and funds held for or due to the Client to the custody of KELER Zrt. (sub-custodian – a third party acting on behalf of the Bank). As the Bank holds the foreign securities registered on the Client's Consolidated Securities Account in custody with foreign custodians, their physical release is not possible even if they are available in printed form.
3. Pursuant to Subsection B.II.3.2.2 'Custody on a pooled basis' of the Business Regulations, the financial instruments and funds held for or due to the Client may be kept on a third party omnibus account. In the case of omnibus accounts, the securities are categorised according to their series and quantity (number of certificates of the same face value), and the Bank, as custodian, shall return to the depositor securities of the same series and quantity as deposited when the account is terminated. The Bank, as custodian, shall register and manage each series of the securities deposited in the omnibus account separately from its own assets, and shall, at all times, hold stocks of securities on hand for each type and series corresponding to the combined quantity of each type and series of the securities deposited by the Clients on the omnibus account held with the Bank in accordance with the par value of the securities.
4. The Bank shall inform the Client of any collateral obligation or set-off rights in respect of the financial instruments or funds held for or due to the Client in Chapters A.III.11 'Collateral', A.III.12 'Collateral Securities' and A.III.17 'Delay, Default' of the Business Regulations, in the model contracts pertaining to the given transactions and in any other account contracts. In addition to the above provisions, the provisions set out in Section C) 2.1 of this Standard Prior Information Notice should also be duly considered.
5. If the Client's financial instruments are registered on an omnibus account or with an institution whose relevant national laws do not allow for the identification of the Client's financial instruments segregated from the assets of the third party or the Bank, upon the default of other actors involved in the settlement an associated risk may arise that the Client does not get back all of its instruments, or it has different rights depending on the laws of the relevant institution's country of incorporation (which is not necessarily the Hungarian law) and on the protection provided by that institution.
6. Furthermore, if the third party holds the Client's instruments on an omnibus account, the Client may not have access to the same financial instruments or it may be unable to realise the full value of the financial instruments, or the Client may receive different financial instruments or securities altogether. Similarly, upon the occurrence of such events, another legal entity may be responsible for returning the financial instruments to the Client.

E. Information on the financial instruments involved in the transaction executed under contract and on the transaction, including any publicly available information that concerns the transaction and the risks involved

1. Client rating of the Bank's Clients as per the Investment Firms Act (MiFID), provision of information prior to closing a deal

Pursuant to the provisions of the Investment Firms Act (Sections 47–51), in the framework of its investment service activities and ancillary services the Bank shall rate its potential clients before contract conclusion. As a result of such rating, the Bank classifies its Clients – in accordance with the Investment Firms Act – into the categories of Retail Client, Professional Client and Eligible Counterparty, and treats them as such for the purposes of its investment service activities and ancillary services. At its own initiative or at the request of the relevant Client, as appropriate – subject to compliance with the relevant legislative criteria – the Bank may treat its Clients as follows:

- i. it may treat Clients recognised as Eligible Counterparties as professional or retail clients in accordance with Section 51 (3)–(4) of the Investment Firms Act;
- ii. it may treat Professional Clients as Retail Clients in accordance with Section 48 (4) of the Investment Firms Act;
- iii. it may re-rate a Retail Client as a Professional Client.

The purpose of such rating of Clients is to enable the Bank to perform investment service activities for and provide investment services and ancillary services to all existing and future Clients in adequate quality, in compliance with its legal obligations.

The Bank performs the categorisation and classification in accordance with the categories defined in individual statutory regulations, and subject to meeting the conditions laid down in the Investment Firms Act, there is a possibility for reclassification between the client-categories; i.e. changing the existing categorisation.

Client rating	Characteristics of client rating	Protection and service levels linked to the client rating			
		Level of protection	Obligation to provide prior information (1)	Obligation to obtain prior information (2)	Obligation of best execution (3)
Retail Clients	<p>a/ Clients classified as Retail Clients by law (All Clients that are not classified as Professional Clients or Eligible Counterparties under the Investment Firms Act);</p> <p>b/ Clients classified as Retail Clients upon request (Upon request by a Professional Client or Eligible Counterparty, after the conclusion of a written agreement).</p> <p>If the Bank withdraws the Professional Client rating awarded upon request, the Business Partner will be re-rated as a Retail Client.</p>	The highest level of investor protection	Full disclosure Prior to/during/following the investment	Suitability and Appropriateness Tests are both available	Yes, in accordance with the Bank's Execution and Allocation Policy
Professional Clients	<p>a/ Clients classified as Professional Clients in accordance with Section 48 (1)–(3) of the Investment Firms Act</p> <p>b/ Clients classified as Professional Clients upon request (at the request of the Retail Client or the Eligible Counterparty, after the conclusion of a written agreement).</p>	A more limited level of investor protection	<p>Prior to the investment more limited information and notification</p> <p>During/following the investment information is provided in accordance with legal provisions</p>	Subject to Suitability Testing without the Appropriateness Test	Yes, in accordance with the Bank's Execution and Allocation Policy, derogations are strictly subject to the provisions of a customised contract.
Eligible Counterparties	Clients classified as Eligible Counterparties under Section 51 (1) of the Investment Firms Act, including	Lower level of investor protection	Prior to the investment there is no mandatory information provision		None In the case of customised

	credit institutions, investment firms, fund managers, pension funds, preferential companies based on certain financial indicators, preferential institutions specified by law.		or notification, unless at the Client's request During/following the investment information is provided in accordance with legal provisions		contracts/frame work agreements, orders are executed based on the contractual provisions.
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The significance of rating lies in the varying degrees of application of the investor protection requirements of the relevant legislation. Accordingly, a Retail Client is entitled to request more extensive information and investor protection rights than Professional Clients and Eligible Counterparties in the context of the Bank's investment services and ancillary services, while in the case of Retail Clients the Bank is subject to more detailed information collection, provision, execution and other obligations.

Prior to contract conclusion, the Bank informs the Client of the result of the MiFID rating in writing. Clients are categorised based on the Client data available to the Bank. Subject to meeting the conditions specified in the Investment Firms Act, at any Branch providing securities services Clients may request, in a specific, written statement to that effect, their re-classification into another client category.

Based on the request, the Bank shall examine the existence of the conditions specified in the Investment Firms Act and if they are met, it shall conclude a written agreement with the Client on the Client's re-classification into the different Client category.

The Bank shall apply the provisions applicable to the relevant Client category during the execution of the orders after the conclusion of the agreement.

Clients may initiate the modification of the re-classification agreement or the withdrawal of their request at the same Branch where the original agreement was concluded.

Re-classification – subject to compliance with the statutory requirements – may take place as follows:

- Upon the explicit request of the Client, the Bank may re-classify a Retail Client as a Professional Client if the Client meets at least two of the criteria listed below:
 - the Client has carried out at least ten transactions per quarter on average during the year preceding the date of the request, each at a value of forty thousand euros calculated at the official foreign exchange rate published by the MNB on the day of the transaction, or at a total value of four hundred thousand euros during the year concerned;
 - the Client's portfolio of financial instruments and its deposits together exceed five hundred thousand euros at the official foreign exchange rate published by the MNB on the day before the date of the request;
 - a natural person Client has worked under an employment contract or any other type of work contract for at least one year within the five-year period preceding the assessment of the above criteria at an investment firm, commodity dealer, credit institution, financial institution, insurance company, investment fund manager, collective investment trust, venture capital fund manager, private pension fund, voluntary mutual insurance fund, body providing clearing or settlement services, central depository, institution for occupational retirement provision, central counterparty or stock exchange in a professional position, which requires knowledge of the financial instrument and investment service activity envisaged in the contract between the Bank and the Client.
- Upon the explicit request of a Professional Client, the Bank shall provide the same conditions as those applicable to Retail Clients.
- Upon the explicit request of an Eligible Counterparty Client, the Bank shall provide the same conditions as those applicable to Retail Clients for the purposes of accepting and transmitting orders, executing orders on behalf of the Client and trading on own account, and providing the related ancillary services.
- At the request of a preferential company or preferential institution classified as an Eligible Counterparty, the Bank shall act in accordance with the provisions applicable to Professional Clients.

The most important consequences of a change in the Client's category and in the Client's rights are set out below.

a) Obligation to provide information prior to deal execution

Pursuant to Section 43 of the Investment Firms Act, in performing its obligation to provide information to Clients, the Bank shall provide clear, straightforward and precise information. The Bank is also entitled to provide information in the form of reference to other documents.

As regards the provision of prior information, in respect of **Eligible Counterparty** Clients, the Bank shall provide information concerning the safeguarding of the Client's financial instruments or funds (Article 49 of Commission Delegated Regulation (EU) 2017/565) and shall disclose information to the Client before contract conclusion only if **it has been specifically requested by the Client in writing**, and an agreement has been signed concerning the content and timing of the reports. In general, in the case of Eligible Counterparty Clients, the Bank is not bound by an obligation to provide detailed prior information and notices in respect of accepting, forwarding and executing the order on behalf of the Client and in respect of own account trading. Obtaining and being aware of the necessary information and data is the obligation and responsibility of the Eligible Counterparty.

In relation to certain ex-ante and ex-post disclosure of information, the Bank may agree separately with the Professional Client and the Eligible Counterparty on restrictions the application of which is subject to such agreement pursuant to legal provisions.

- As part of providing prior information, the Bank discloses the following information to its Clients or potential Clients:
 - as part of general information, the Bank's name, address and contact details, the language and method of communication, the Bank's activity and operating licenses and permits, intermediaries;
 - the nature, frequency and timing of the reports to be provided to the Client on delivering the service;
 - a summary description of the action taken in order to safeguard the Client's assets, including a description of the investor protection system and its operation;
 - Conflict of Interest Policy;
 - the nature of the financial instrument and the risks associated with it, and an explanation of leverage and its effects, risk of components;
 - volatility of the price of the financial instrument and any limitations on the available market for such instruments;
 - impediments or restrictions for disinvestment;
 - the fact that the Client might assume financial commitments and other additional obligations – including contingent liabilities – additional to the cost of acquiring the instrument;
 - any margin requirements or similar obligations applicable to the relevant instrument;
 - the extent of guarantee or capital protection;
 - general rules on the execution of the order;
 - the impact of the Client's costs and related charges on the return, including the impact of their advance, estimated fluctuation, over a specific time period and asset size;
 - if investment advice is provided, the nature of the investment advice, preparation of a Suitability Report for Retail Clients;
 - in the case of investment advisory or portfolio management services, cost-benefit analysis of switching between investments;
 - in the case of portfolio management services, the method and frequency of valuation of the financial instruments in the portfolio, details of the full delegation of their discretionary management, risk levels of management objectives.

The Bank shall not conclude an agreement on the limited application of the obligation of providing prior information on costs and related charges, if it provides investment advisory and portfolio management services to a Professional Client or the subject matter of the service is a financial instrument that embed a derivative, nor will it conclude the above agreement with an Eligible Counterparty if the subject matter of the investment service or the ancillary service is a financial instrument that embed a derivative and the Eligible Counterparty intends to offer it to its clients.

In the case of Eligible Counterparties, the Bank is not required to provide information on financial instruments, proposed investment strategies and the associated risks, the execution venues and all related costs and charges, including their itemised breakdown.

In the case of both Eligible Counterparties and Professional Clients, the Bank is not required to comply with the requirement set out in Section 40 (5)(c) – namely, that the information on all costs and charges relevant to the service must include the cost of the financial instrument recommended or marketed to the Client and how the Client may pay for it, unless, in the case of a Professional Client, it uses investment advisory and/or portfolio management services.

The Bank is not required to disclose information to Eligible Counterparties and Professional Clients in respect of the execution of the order referred to in Section 67 of the Investment Firms Act, with the exception of portfolio management. At the written request of a Professional Client, the Bank shall disclose such information.

In the case of Eligible Counterparties and Professional Clients, the Bank is not required to perform the obligation set out in Section 69 of the Investment Firms Act, namely, that the Bank is required to produce a periodic statement on the financial instruments and funds held by the Client or due to the Client and managed by the Bank within the framework of its service activity. At the written request of a Professional Client, the Bank shall produce the above statement.

The Bank assumes that a Professional Client has the necessary experience and knowledge to understand the risks involved in relation to those particular investment services or transactions, or types of transaction or product, for which the Client is classified as a Professional Client; moreover, that in the case of investment advisory services, the Professional Client is able financially to bear any related investment risks consistent with the investment objectives of that Client.

Pursuant to Section 41 (8) of the Investment Firms Act, the Bank may not remunerate or assess the performance of its staff in a way that conflicts with its duty to act in the best interests of its Clients. In addition to this general requirement, in the case of Retail Clients, a higher level of investor protection requirement is also enforced, namely, that the Bank shall not make any arrangement by way of remuneration, sales targets or otherwise that could provide an incentive to its staff to recommend a particular financial instrument to a Retail Client when they could offer a different financial instrument which would better meet the needs of that Retail Client. Another measure intended to provide increased protection to Retail Clients is the fact that if the risk of an investment service package offered to a Retail Client is likely to be different from the risks associated separately with individual components thereof, the Bank shall provide an adequate description for the Retail Client of the different components of the package and the way in which their interaction modifies the risks.

In the case of Eligible Counterparties, in respect of accepting, forwarding and executing the order on behalf of the Client and in respect of own account trading and the related ancillary services the Bank is not required to ensure that the strategy for distribution of the financial instruments concerned is compatible with the identified target market.

b) Obligation to obtain information prior to deal execution

The Bank performs the obligation to obtain information in accordance with Section 44–46 of the Investment Firms Act by conducting Suitability and Appropriateness Tests to define the Client's risk profile, and based on the Client's replies to the questions, it establishes the product group(s) in relation to which the Client is suitable and appropriate for contract conclusion.

There is no specific timing for the Appropriateness test; it can be conducted at any time that suits the Client prior to the contract conclusion and before the execution of the order in the case of framework agreements.

The purpose of supplying the data specified in the questionnaire and carrying out the tests is to assess suitability and appropriateness – i.e. the task imposed by the Investment Firms Act on the Bank – in order to enable the Bank to act, as far as possible, in accordance with the best interests of the Client and hence, to offer products and services that are suitable and appropriate for the Client.

In obtaining information via the Suitability Test, the Bank determines which product group(s) have suitable securities for the Client based on the Client's investment objectives, financial bearing capacity

(financial and income position), investment expectations, loss-absorbing capacity, experience and knowledge.

In obtaining information via the Appropriateness Test, the Bank assesses the Client's knowledge and experience in relation to the essence of the transaction involved in the contract, and the characteristics and risks of the financial instrument involved in the transaction, and determines the product group(s) which have appropriate securities for the Client based on the Client's level of education and profession and based on the volume and frequency of the transactions previously carried out by the Client.

The Suitability and Appropriateness Tests enable the Bank to determine the Client's risk profile and whether, based on its risk profile, the securities or transactions included in its order are suitable or appropriate for the Client, or the execution of the transaction would imply an excessively high risk for the Client relative to its investment objectives and financial capacity.

For the Client's protection and for the Bank to gain the most accurate view possible of the Client's risk appetite and propensity to save in order to enable the Bank to offer suitable or appropriate products and services, accurate, complete, up-to-date and credible replies should be given to the questions included in the questionnaire.

The definition of the Client risk profiles applied by the Bank, the risk rating of the financial instruments distributed by the Bank and the criteria thereof, and correlations between risk profiles and securities risk product groups are included in the Chapter on 'Investment strategies' of the Supplementary Notice.

Filling out the Suitability Test is mandatory for all Clients if they use investment advisory services or portfolio management services. There is no specific timing for Suitability Testing but it has to be available before using the investment advisory service or portfolio management service at the latest.

The Bank shall refuse to conclude a contract for investment services or ancillary services or to execute an order received under a valid framework agreement if it has not obtained the information required for the Suitability Test or the result of the Suitability Test does not allow the provision of the requested service to the Client in respect of the financial instrument concerned.

If an investment service provided is not classified as investment advice or portfolio management service, the Bank shall conduct an Appropriateness Test. An exception to the above is the 'execution only' order – the conditions of which are specified by law – if the transaction was initiated by the Client.

While filling out an Appropriateness Test is not mandatory, the Bank does not encourage the Client or the potential Client to refuse to provide the required information in relation to the Appropriateness Test. If the Client fails to fill out the questionnaire, the Bank will warn the Client or the potential Client that it is unable to assess and evaluate whether the product or transaction included in the order is appropriate for the Client. In that case, if the Client maintains its instruction, the transaction will be executed at the Client's request, at its own risk. In such a case, before the conclusion or performance of the contract, the Bank informs the Client that it has not assessed the appropriateness of the financial instrument in respect of the Client's experience, knowledge, level of education and profession, and that it is entitled to assume that the Client has understood the information and its consequences, and even after acknowledging this information it agrees to perform the obligations arising from the contract or the order. In the case of Professional Clients and Eligible Counterparties, the Bank does not assess the appropriateness of orders before their execution by law even in the case of the acquisition of complex products or own account trading, as, pursuant to the provisions of the law, the Bank assumes that the Professional Client or the Eligible Counterparty is aware of the characteristics and risk of the securities involved in the order and has the experience and professional expertise regarding the essence of the transaction.

The Investment Guidelines issued by the Supervisory Authority in relation to the obligation of investment service providers to provide and obtain information are available on the Bank's website under 'Retail banking / Savings / Securities / MiFID Client Information'.

From 2 August 2022, when conducting or updating the Suitability Test, the Bank will also assess the Client's sustainability preferences. Sustainability, or ESG preference is the Client's decision on whether and to what extent it wishes to include one or more of the following financial instruments in its investment:

- sustainable investment;
- environmentally sustainable investment under the Taxonomy Regulation;
- the investment also considers principal adverse impacts on sustainability factors.

In the Suitability Test, the Bank requests the Client's statement on whether it wishes to provide sustainability preferences, which thereafter will be considered by the Bank for the purposes of its investment advisory and portfolio management services. If the Client states that it wishes to provide sustainability preferences, the Bank shall add further questions to assess the Client's specific

sustainability preferences. Additional information on sustainability preferences is included in Chapter R of this Information Notice.

Where a natural person is represented by another natural person or where a legal person is to be considered for the Suitability Assessment, the financial situation and investment objectives shall be those of the legal person or, in relation to the natural person, the beneficial client rather than of the representative. As part of the Suitability Assessment, the Bank shall also carry out the knowledge and experience assessment in respect of the representative of the natural person, the beneficial client and the person authorised to carry out transactions on behalf of the beneficial client.

c) Enforcement of the 'best execution' principle for the Client

During the execution of the transactions of a Retail Client or – provided that the provisions of the framework agreement/contract so prescribe – a Professional Client, in order to secure the best execution for the Client under the Investment Firms Act, the Bank shall act in accordance with the provisions of the Execution and Allocation Policy attached to the Business Regulations, unless provided otherwise by the Client or by law.

The Execution and Allocation Policy includes the relevant circumstances and factors that determine the possible execution venues of the deal and the conditions of the execution.

In executing its Clients' orders, drawing on its own experience, the market assessment and the nature of the financial instrument, the Bank takes all sufficient steps to obtain the best possible result for the Client in line with the principle of 'best execution' and in consideration of the execution criteria, factors and execution venues laid down in the Execution and Allocation Policy.

In selecting the execution venue, the Bank acts on the basis of the Execution and Allocation Policy. Pursuant to the Execution and Allocation Policy, the Bank is also entitled to execute the Client's order outside of the regulated market on its own account, unless the Client specifically instructs otherwise regarding the execution.

In the event that the Client's order applies to execution on a regulated market for which the Bank does not have the right to trade, the Bank will forward the Client's order to an execution partner for execution.

If the Client gives instructions to the Bank during the performance or execution of the order in derogation of the provisions of the Execution and Allocation Policy, the Bank will attempt to execute the order in accordance with the Client's instruction. In such a case, the Client will explicitly acknowledge that its instruction may exclude or restrict the execution of the provisions of the Execution and Allocation Policy, and the Client shall bear the consequences of the instruction.

Rules on the amendment of the Business Regulations are also applicable to the publication and amendment of the Execution and Allocation Policy; in accordance with the Bank's disclosure obligation and obligation to provide information, the Bank publishes the availability of the Business Regulations and annexes thereto on its website and in its branch network.

The Bank's execution of the transaction in accordance with its Execution and Allocation Policy shall be considered as 'Best Execution' by the Bank vis-à-vis the Client.

d) Information provided by means of a website and in electronic format (including any durable medium)

The Bank meets its statutory obligation to provide information – or any element thereof – in electronic format (including any durable medium other than paper) and/or on its website and/or in the form of a published, written (paper-based) notice.

Rules in effect from 28 February 2022

Pursuant to Section 40 of the Investment Firms Act, from 28 February 2022 the Bank meets its obligation to provide information prior to deal execution (including the disclosure of information to be provided to clients under the Investment Firms Act) in electronic format by default.

The Client has the option to obtain / receive notification on the information materials defined in Section E.1.a) and listed in Chapter A.II.5 of the Business Regulations in a Branch or on paper in the form of a written postal notification if the Client has specifically opted for paper-based information in a **separate statement**. Statements on paper-based information and postal notifications can be issued at any time.

The Client may request the standard form for requesting paper-based/electronic information at any Branch engaged in securities account management; moreover, the Client can set up its request for online information independently, using the online OTPdirekt service.

Using the online OTPdirekt service, the Client can make a statement on opting for receiving electronic information and personally set up that option via Securities / Information / Client categorisation.

The Bank will send a notification to Clients opting for online information on the URL of its website (i.e. access to the information prescribed in the Investment Firms Act) by electronic means, in the form of an OTPdirekt mailbox message.

The Bank shall ensure that the information available on the website is up-to-date and that the information is available on the website for as long as the Client may need to know it. However, this obligation does not apply to information available at locations (websites) other than the Bank's website even if the website makes references to such information.

Rules on providing information on a durable medium other than paper are set out in the Business Regulations.

2. Risks of financial instruments

Investing in financial instruments may entail certain risks. In particular, the financial instrument may not provide the performance (return, profits) expected by the investor based on information available upon deal execution, or, in the case of certain types of financial instruments the investor may lose the funds invested altogether (the investor may have to face losses). Leveraged financial instruments may entail higher risks. Essentially, at the time of a transaction, the investor needs to make available only a specific portion of the total consideration required for acquiring the financial instrument, and provide the rest of the amount only after the settlement of the deal or at a later date. This may lead to a situation where potential adverse market changes may cause the investor to lose multiples of the funds invested in the leveraged deal concerned.

In order to ensure that the risks associated with financial instruments are disclosed to investors, legal regulations impose disclosure and information provision obligations on the issuers and distributors of financial instruments. Before investing in any given financial instrument, please study in detail the information documents published by the issuer in relation to the relevant financial instrument, which are typically available on the issuer's website or at its registered office.

The Client may obtain information on the risks of the financial instruments and on the transactions initiated by it via the following information channels:

- in the case of financial instruments issued by the Bank, OTP Alapkezelő Zrt., OTP Ingatlan Alapkezelő Zrt. and OTP Jelzálogbank Zrt., in the Prospectus and Management Policy of the relevant financial instrument, the Final Terms and the Public Offer – these documents are available at the www.otpbank.hu, www.otpbank.hu/otpalapkezeselo/hu/fooldal, www.otpbank.hu/otpingatlanalap/hu/fooldal and the www.otpbank.hu/OTP_JZB/online/index.jsp websites, or may be requested in printed form in the Branch participating in carrying out the investment service activity;
- in the case of financial instruments issued in a country other than Hungary by an issuer other than Hungary-based members of the OTP Group (foreign investment funds and shares), you may obtain information at the www.otpbank.hu/privatebanking/Fooldal, www.blackrock.com/hu, www.ubs.com and the www.xetra.com websites, or on the website of the issuer of the relevant financial instrument, and our staff at the Bank's branches will also be happy to provide information to you upon request;
- general information on individual financial instruments and on the associated risks can be viewed in the Investment File available at the Branch.

3. Market position of financial instruments

The market position of financial instruments may be subject to significant changes within a short period of time. Such changes are either advantageous or detrimental to the investor. Market position depends, inter alia, on the economic and legal characteristics of the financial instrument, the issuer and the financial and capital markets where the given financial instruments are traded or distributed. Data on the market position of a financial instrument at a specific time or in a past period cannot necessarily be relied on as a basis for reliable predictions on the future market position of the same financial instrument; consequently, information on future market position is generally based on estimates and cannot provide guarantees for the investor.

The Client may obtain information on the market position of financial instruments via the following information channels:

- in the case of financial instruments issued by the Bank, OTP Alapkezelő Zrt., OTP Ingatlan Alapkezelő Zrt. and OTP Jelzálogbank Zrt., from the Semi-Annual and Annual Report of the entity issuing the relevant financial instrument, the monthly portfolio report of the Investment Funds, Daily and Weekly Analyses, Notices, Prospectuses and Extraordinary Notices or, if available in relation to the relevant investment fund, from the Key Investor Information Document – these documents are available at the www.otpbank.hu, www.otpbank.hu/otpalapkezeslo/hu/fooldal, www.otpbank.hu/otpingatlanalap/hu/Fooldal and the www.otpbank.hu/OTP_JZB/online/index.jsp websites, or may be requested in printed form in the Branch participating in carrying out the investment service activity;
- in the case of financial instruments issued in a country other than Hungary by an issuer other than Hungary-based members of the OTP Group (foreign investment funds and shares), you may obtain information at the www.otpbank.hu/privatebanking/Fooldal, and the www.xetra.com websites, or on the website of the issuer of the relevant financial instrument, and our staff in OTP Bank's branches will also be happy to provide information to you upon request;
- general information on individual financial instruments and on the associated risks can be viewed in the Investment File available at the Branch, or it is available and can be requested in printed form from the publication entitled 'Weekly Analysis'.

4. Volatility of the price of financial instruments, limitations of market access

Volatility is a measure of the risk associated with a financial instrument, which can be used to predict the variability of the price of the financial instrument. The higher the volatility of the price of a financial instrument, the greater the fluctuations exhibited by the price of the financial instrument and the higher the potential risk to investors investing in the instrument. Volatility depends, inter alia, on the economic and legal characteristics of the financial instrument, the issuer and the financial and capital markets where the given financial instruments are traded or distributed. Data on the volatility of the price of a financial instrument at a specific time or in a past period cannot necessarily be relied on as a basis for reliable predictions on the future volatility of the price of the same financial instrument; consequently, information on future volatility is generally based on estimates and does not provide guarantees for the investor. Some financial instruments are traded on markets to which access may be limited for investors at certain times or upon the existence of certain conditions. It is recommended that you try to obtain specific information regarding such limitations.

Clients may obtain information on the volatility of the prices of financial instruments and limitations of market access via the following information channels:

- In the case of financial instruments issued by OTP Alapkezelő Zrt. and OTP Ingatlan Alapkezelő Zrt., Clients may find current and historic data on prices and returns on the issuers' websites at www.otpbank.hu/otpalapkezeslo/hu/fooldal and www.otpbank.hu/otpingatlanalap/hu/Fooldal, or they can also view such data at the www.otpbank.hu website.
- The Client may obtain information on the price volatility of other financial instruments in the Investment File available to view at the Branch, and it is also available and can be requested in printed form from the publication entitled 'Weekly Analysis' or viewed at the www.bet.hu, <http://akk.hu/hu>, www.portfolio.hu, www.bamosz.hu, www.blackrock.com/hu, www.ubs.com and the www.xetra.com websites.

5. Evolution of the prices of financial instruments

The prices of financial instruments may be subject to significant changes within a short period of time. Such changes are either advantageous or detrimental to the investor. The level, direction (i.e. advantageous or detrimental) and probability of the price change depend, inter alia, on the economic and legal characteristics of the financial instrument, the issuer and the financial and capital markets where the given financial instruments are traded or distributed. The price of a financial instrument at a specific time or in a past period cannot necessarily be relied on as a basis for reliable predictions on the future price of the same financial instrument, or this information is based on estimates and thus does not provide any guarantees for the investor.

The Client may obtain information on the prices of financial instruments via the following information channels:

- In the case of financial instruments issued by OTP Alapkezelő Zrt. and OTP Ingatlan Alapkezelő Zrt., Clients may find current and historic data on prices and returns on the issuers' websites at

www.otpbank.hu/otpalapkezeslo/hu/fooldal and www.otpbank.hu/otpingatlanalap/hu/Fooldal, or they can also view such data at the www.otpbank.hu website.

- The Client may obtain information on the price of any financial instrument in the Investment File available to view at the Branch, in the Bank's publication containing current analyses, the www.bet.hu, <http://akk.hu/hu>, www.bamosz.hu, www.blackrock.com/hu, www.ubs.com and www.xetra.com websites and the websites of other execution venues.

6. Additional costs related to the financial instrument

In addition to the acquisition cost, the Client may expect to incur additional costs resulting from a relevant transaction, financial liability and any other relevant obligations in the case of financial instruments that were issued in Hungary by members of the OTP Group incorporated in Hungary, and the Client may obtain information in this regard in the Prospectus and Management Policy of the given financial instrument, which are available at the www.otpbank.hu, www.otpbank.hu/otpalapkezeslo/hu/fooldal and www.otpbank.hu/otpingatlanalap/hu/Fooldal websites or may be requested in printed form in the Branch participating in carrying out the investment service activity.

In the case of other financial instruments, information documents published on the issuer's or distributor's website contain information on such additional costs if they may be effectively incurred in relation to the financial instrument concerned. If the Bank distributes such financial instruments, this information will be available at the www.otpbank.hu website or may be requested in printed form in the Branch participating in carrying out the investment service activity.

7. Enforcement of margin requirements or similar obligations applicable to the financial instrument

As the Bank holds the foreign securities registered on the Client's Consolidated Securities Account in custody with foreign custodians, their physical release is not possible even if they are available in printed form. The Client is required to deposit such securities with the Bank and store them with the Bank as deposits. The Bank registers such securities exclusively on a pooled basis.

8. Place of publication of a prospectus for financial instruments that are subject of a current offer to the public

The Prospectus, Management Policy, Final Terms and the documentation of the Public Offer of financial instruments issued in Hungary by members of the OTP Group incorporated in Hungary are available at the www.otpbank.hu, www.otpbank.hu/otpalapkezeslo/hu/fooldal and www.otpbank.hu/otpingatlanalap/hu/Fooldal websites or may be requested in printed form in the Branch.

In the case of other, publicly issued financial instruments not included in the previous paragraphs the prospectus is available in a downloadable and printable electronic form at the following contact details:

- a) on the website of the issuer, the bidder or the person requesting admission to trading on a regulated market;
- b) on the websites of the financial intermediaries depositing or selling the securities, including payers;
- c) on the website of the regulated market to which admission for trading is requested, or, if admission to trading at a regulated market is not requested, on the website of the operator of the multilateral trading facility;
- d) in an electronic format on the website of the competent authority of the Member State in which the issuer is incorporated, or under the link posted on the website.

9. Description of the components of financial instruments composed of two or more instruments

In the case of financial instruments that consist of two or more components, the Client may access the description of each component in the Prospectus, Management Policy, Final Terms and Public Offer of the financial instrument concerned, which are available at the www.otpbank.hu, www.otpbank.hu/otpalapkezeslo/hu/fooldal, www.otpbank.hu/otpingatlanalap/hu/Fooldal, www.otpbank.hu/privatebanking/Fooldal, www.blackrock.com/hu, www.ubs.com and www.xetra.com websites, or may be requested in printed form in the Branch.

10. In the case of financial instruments incorporating a guarantee, details of the nature of the guarantee

Guarantor

As Guarantor, the Bank undertakes to provide capital guarantee in a guarantee statement upon the redemption of the fund units of the OTP Optima Capital-Guaranteed Bond Fund (OTP Optima Tőkegarantált Kötvény Alap) and the OTP Capital Guaranteed Short Bond Fund (OTP Tőkegarantált Rövid Kötvény Alap), which may be called under the terms set out in the Prospectus of the Funds.

Essential information on the guarantee

The Bank undertakes that if the net asset value of the units of the Guaranteed Funds at redemption is less than the net asset value of the units at the time of purchase, the Bank shall pay the difference to the unit holder at redemption, subject to the following conditions:

- The unit holder has purchased and redeemed the fund unit at the distribution points
- The unit holder has held the fund unit on a securities account at one of the distribution points continuously between the date of purchase and the date of redemption.
- In the case of OTP Optima units, at least 90 calendar days have elapsed between purchase and redemption (including the date of purchase and redemption)
- In the case of OTP Capital Guaranteed Short Bond units, at least 45 calendar days have elapsed between purchase and redemption (including the date of purchase and redemption).

The Client may find information on the conditions of the guarantee in the Prospectus and Management Policy of the relevant financial instrument at the www.otpbank.hu/otpalapkezeslo/hu/fooldal website; moreover, these documents may be requested in printed form in the Branch participating in carrying out the investment service activity.

F. Contractual costs and associated charges and the costs and associated charges of deals executed under previously concluded but still effective contracts (framework agreement) charged to clients; commissions payable to the Bank by Third Parties

1. Total price means all costs to be borne for the acquisition and holding of a financial instrument and for the conclusion and maintenance of the contract on the service provided to the Client as part of the investment service activity, including any fees, commissions and taxes deducted or charged by the Bank (hereinafter: **Total Price**).

In determining the Total Price, the Bank does not assess the fees and costs associated with the payment account (e.g. bank account) because payment account transactions may also be (are) conducted outside of investment services, in the case of financial services.

2. Calculation method of the Total Price of the financial instrument; information underlying the calculation

- Total Price during the registration of the financial instrument

In the case of financial instruments, the Client's portfolio is the total stock of the investments registered at market prices on its securities account. The Client may obtain information on such market prices in the Paragraph on 'Projection base used in the calculation of the securities portfolio' of the Notice.

The value of the Client's portfolio is reduced by the total sum of the securities account management fees published in the Notice and the account management charges of the payment account linked to the securities account.

- Total Price for the purposes of the sale and redemption of financial instruments

Gross sale/redemption price of financial instruments

- Sale/redemption commission

= Net sale/redemption price of financial instruments

- Withholding tax on interest (assessed and deducted by the Bank)

- Capital gains tax (not assessed or deducted by the Bank)

- Account management fee

- Cash withdrawal/Transfer fee (payment commissions arising in relation to the payment account as per the payment account notices listed in Section B.1.2 of the Notice)

= Total Price

3. As a result of transactions in a financial instrument, the Client may incur tax payment obligations, which:
 - are assessed and deducted by the Bank (withholding tax on interest, health contribution, dividend tax)
 - are not assessed, calculated or deducted by the Bank (capital gains tax)

The Client may access information on the tax payment obligations that may be incurred in Chapter A.VIII 'Taxation' of the Business Regulations, the document entitled 'Taxation Information' published on the Bank's website at www.otpbank.hu and at the www.nav.gov.hu website.

Please note that the information on tax treatment or tax implications set out in the Business Regulations or in any other document provided by the Bank to the Client can only be assessed on the basis of the Client's individual circumstances and may change at any time in the future.

4. Indication of the foreign currency involved, the currency conversion rates applied and the costs of the conversion

In the case of funds and financial instruments issued in currencies other than HUF, the Client may access information on the name of the currencies involved, the applicable exchange rates and the

costs of the conversion on the Bank's website at www.otpbank.hu, and the relevant notices may also be requested in printed form in the Branches.

5. Specific rules on payment and the method of performance

The Client may access information on the payment methods linked to the contractual order initiated by it in the Supplementary Notice Chapter on the 'Scope and rate of collateral acceptable for the marketing of securities'.

The Client may access information on recording and executing the contractual order initiated by it in the Supplementary Notice Paragraphs on 'Time limits for the marketing of securities', 'Execution and settlement rules of securities'.

6. Payments/benefits received by the Bank from third parties and payments/benefits received by third parties from the Bank

In carrying out its investment service activity or providing ancillary services, when performing the contract concluded with the Client or executing the order of the Client the Bank acts, at all times, in accordance with legal provisions, the rules of the profession and the Client's interests. In carrying out its investment service activity or providing ancillary services, the sole purpose of the payments/benefits received by the Bank from third parties or provided by the Bank to third parties is to improve the quality of the service provided to the Client concerned; moreover, such payments/benefits may not impair compliance with the Bank's duty to act honestly, fairly and professionally in accordance with the best interests of its Clients.

G. Information on portfolio management activity

1. Prior information on the portfolio management activity performed by the Bank for the Client is included in the Business Regulations, Annex B 'General Terms and Conditions for Portfolio Management', the portfolio management model contract attached to it as Annex C, the Bank's Notice 'On the investment strategies that may be chosen in portfolio management and on the calculation of fees, returns and benchmark returns' and this Information Notice together. These documents are available on the Bank's website at www.otpbank.hu, or they can be requested in printed form in Branches participating in carrying out the investment service activity.
2. The Bank sends regular monthly statements to the relevant Clients in respect of its portfolio management service on a durable medium, outlining the portfolio management activity performed on behalf of the Client. This statement also includes, in accordance with the SFDR, information on principal adverse impacts on sustainability factors. Moreover, when providing portfolio management services that involve switching investments, the Bank shall conduct an analysis of the costs and benefits of the switch, such that it is reasonably able to demonstrate that the benefits of switching are greater than the costs.
3. If the Client requests information on executed transactions on a case-by-case basis, the Bank shall promptly provide essential information to the Client upon the execution of the transaction in a durable medium. The Bank shall send a notice to the Client with the data specified in Chapter C, Section 1.7.5 of this Information Notice on no later than the first working day following the execution, or the first working day following the receipt of confirmation from a third party.
4. In providing the portfolio management service, the Bank shall inform the Client where the overall value of the portfolio, as evaluated at the beginning of each reporting period, depreciates by 10% and thereafter at multiples of 10%, no later than the end of the business day in which the threshold is exceeded or, in a case where the threshold is exceeded on a non-business day, the close of the next business day.
5. In the context of its portfolio management activity, the Bank shall not accept or retain fees, commissions or any monetary or non-monetary benefits paid or provided by any third party or a person acting on behalf of a third party in relation to the provision of the service to Clients. The Bank shall provide clear and accurate information to the Client in ad hoc cases, which are not subject to the obligation as they are minor non-monetary benefits that may improve the service provided to the Client and, due to their size or nature, they cannot be considered to compromise the Bank's obligation to act in the best interests of the Client.
6. Sustainability risks: Portfolios managed as part of the portfolio management service are considered financial products under the SFDR; therefore, the Bank assesses sustainability risks in their case. Based on currently available information, there is no clear negative or positive correlation between sustainability risks and the return on the portfolios. Therefore, at present, no clear positive or negative correlations can be observed between the portfolios, the practice of the issuers of the portfolios' financial instruments as regards the management of sustainability risks or the return on the portfolio; however, sustainability risks may have a negative impact on the value of the investments in the portfolio and hence, the performance of the portfolio.
7. When conducting or updating the Suitability Test, the Bank assesses the Client's sustainability preferences in relation to the portfolio management contract concluded after the execution or update of the Test. In designing the investment strategies of the portfolios managed as part of the portfolio management service, with special regard to the scarcity of the data available, the Bank currently does not formulate investment strategies that may be considered satisfactory for the sustainability preferences and does not take into account EU criteria for environmentally sustainable economic activities. The investments underlying this financial instrument (i.e. the portfolios managed by the Bank) do not consider the EU criteria for environmentally sustainable economic activities. Therefore, when concluding the portfolio management contract, the Client has an opportunity to adjust the sustainability preferences provided in the Suitability Test, in other words, to refrain from taking them into consideration during the term of the portfolio management contract.

8. The Notice 'On the investment strategies that may be chosen in portfolio management and on the calculation of fees, returns and benchmark returns' contains the mandatory information prescribed by the SFDR at the level of financial products on whether the Bank considers principal adverse impacts on sustainability in the case of individual portfolios, and if yes, how.

H. Product-specific information

Investments carry certain risks in all cases, which may impact the success of the investment decision, and as a result, the investor may not realise on the investment the amount it expected as an investment objective or the amount that it has invested. As a result of the investment, the invested capital may depreciate, or the investor may lose the total amount invested or it may even incur payment obligations in excess of the amount invested.

The main characteristics of the available investment products and financial instruments are described below.

The terms and conditions of the primary offering (subscription or auction) of individual financial instruments are contained, in the case of a public offering, in the Prospectus approved by the body responsible for the surveillance of the financial intermediary system (in Hungary: the Magyar Nemzeti Bank as Supervisory Authority) (or, in the case of issuance under a programme, the Base Prospectus and the Final terms / Public Offering pertaining to the given series).

In any event, Clients need to consider the risk considerations shown below upon making their decision. The risks described entail the possibility of the total impairment of the investment or unlimited losses. Due to changes in the capital and money markets – and in the case of capital market instruments due to their nature –, financial instruments carry risks that are independent of either the risks of the issuer's business environment or the risks of the issuer's business.

1. Shares

Shares are securities representing membership rights issued by companies limited by shares. Pursuant to the relevant legislation and the company's articles of association, the share authorises its holder – the shareholder –, to attend the general meetings of the company and to share in the Company's profits (dividend). Therefore, shareholders are entitled to speak at the general meetings of the limited company, and to vote on the issues on the agenda.

Types of shares: equity, preference, employee, interest-bearing or redeemable shares.

Categories of shares: bearer shares or registered shares.

Forms of appearance: dematerialised or printed shares.

According to form of operation, a company limited by shares is a private or public limited company. Shareholding in a public limited company may be acquired through participating in a public offering procedure (subscription) initiated by the issuer limited company, or through trading in regulated markets (stock exchanges), multilateral trading facilities (MTF) or organised trading facilities (OTF). Banks and investment service providers are participants both in the subscription procedure and in stock exchange, MTF and OTF trading. Through the service provider, the Client may place a subscription order in the case of a preference offering, or a buy or sell order for the shares traded there in the case of stock exchange, MTF or OTF trading. The shares traded on the stock exchange are shares issued by public limited companies, provided that they have been admitted to trading on the stock exchange.

Market position and price volatility of shares

The prices of listed shares are shaped in function of the actual market supply and demand. In general, the return on equity investments may well exceed risk-free return (such as those on government securities) in the long run; at the same time, it is important to know that share prices are more sensitive to market events and accordingly, share prices may be fairly volatile in the period of the investment.

Income that can be realised by holding stocks, i.e. the return on equity investments, is composed of the sum total of the capital gain and the dividend arising as a difference between the purchase and sale of the share. Dividend is the amount paid to each shareholder from the annual profits of a company based on the decision of the general meeting. The general meeting may also decide not to pay dividends from the company's profit for the given year.

Main risks associated with equity investments

In order to realise higher returns, the investor should also undertake a higher risk, as the future return on the securities may be influenced by numerous factors. It is also a possibility for equity investments that the investor loses all of the capital invested. The primary risks of equity investments are the following:

- Country risk: general risk inherent in a country's economic position, operation and markets with an impact on the operation of share-issuing companies established in the country.

- Issuer risk: risks associated with the individual operation of the share-issuing company. The quality of the issuer's financial management, its financial standing, etc. all exert an impact on the price of the shares issued by it.
- Exchange rate risk: the fluctuation of exchange rates may impact the future price of a share.
- Liquidity risk: in the case of shares listed on the stock exchange, the marketability (liquidity) of the share greatly depends on the capitalisation of the share, i.e. the current market value of the limited company. Small-cap shares are traded less frequently and the sale of such shares may become difficult. Even large-cap shares may encounter trading obstacles, albeit less frequently. In order to understand additional risks and information in relation to a specific share, please read the Prospectus published by the issuer in every case, along with any supplements thereto and any regular and extraordinary notices and reports.

*Examples for investing in shares:

- A. Expecting a bull market, favourable macroeconomic developments and the increasing prominence of electronics and robotisation, 3 years ago an investor decided to invest in the shares of a chip manufacturer at a price of USD 10 per share. Last week, the chip manufacturer announced the conclusion of a major supplier contract with a vehicle manufacturer, as a result of which the price of its shares increased sharply in the span of a week. After a continuous increase over the past 3 years and the steep rise following last week's announcement, the current price of the share stands at USD 14 per share. So far, the PLC has paid dividends of USD 0.02 per share each year. If the investor sold its shares under the current circumstances, he would realise a profit of USD 4.06 on each share (USD 4 capital gain plus 3x USD 0.02 dividend), which would translate to a 40.6% return on the invested capital.
- B. 3 years ago, the investor invested in the shares of a smaller chemical company at EUR 5 per share, expecting the company to develop. The general stock market investor climate was favourable, and the price increased continuously; however, an environmental fine drained the total accumulated profits of the company, as a result of which the share price plunged within a short period of time, and currently stands at EUR 3.5 per share. Since the company reinvested its profits into production continuously, it has not paid dividends to investors. If the investor sold his share under the current circumstances, he would suffer a loss of EUR 1.5 per share, which means that he would lose 30% of the capital invested.

*The examples include fictitious instruments. The examples do not include all possible outcomes. In addition to share price changes, other factors also have an impact on the assessment of profits/losses, including the effect of exchange rate changes (if the currency of the investment differs from the source currency or the valuation currency), the costs of acquiring, holding and selling the investment, taxation considerations depending on the investor's circumstances, none of which was considered in the examples shown above.

2. **Fund units**

The investment fund manager collects investors' lower-amount savings in a larger pool of assets – the investment fund –, and then manages the accumulated pool of assets on behalf and in the interests of the investors in accordance with the principles set out in the Management Policy (investment policy, strategy). In this context, the investment fund manager takes advantage of the benefits provided by economies of scale, cost efficiency and risk diversification, and these benefits are shared with the investors of the fund through the return on the investment. Investors invest their money in the investment fund by way of purchasing fund units.

Investors may acquire fund units via subscription, via buy orders placed in the framework of continuous distribution or via placing stock exchange buy orders for the units of investment funds listed on the stock exchange. In the framework of subscription, investors may join the fund when it is being set up. The investment fund is established after the closure of the subscription procedure. This marks the beginning of the fund's maturity, which can be definite or indefinite.

We distinguish between mutual and real estate funds based on the nature of the investments contained in the investment fund, open-end and closed-end fund based on whether the fund units are redeemable or not, money market, bond, mixed and equity funds and funds investing in derivatives based on the composition of the fund's portfolio, and there are also domestic and international funds.

Fund units are securities issued on behalf of the investment fund. Unit holders have shareholder's rights – they are entitled to share in the returns of the investment fund – but they have no membership rights; therefore, they cannot influence the operation of the investment fund, e.g. the fund's investment policy.

Investors share the costs of the fund's management and the return realised based on their ownership in the fund (i.e. the number of fund units held by them).

Since there are investments in financial instruments, monetary assets or real estate underlying the fund units, the return on the units depend on the returns and value changes of the underlying assets. Accordingly, the risk/return parameters of a fund unit depend on the assets in which the investment fund invests its investors' money.

Money market and bond funds, which contain a high percentage of government securities, typically carry lower risks. For the most part, bond funds contain bond-type assets, although depending on the provisions of the Management Policy, to a certain degree they may also contain equities and other riskier assets. The return on a bond is composed of the interest paid by the bond and the price change of the bond, which may be influenced significantly by macroeconomic developments (e.g. changes in the key policy rate).

While equity and real estate funds are riskier than bond funds, they may yield a higher return if the market conditions are favourable. Having said that, it is always the investment principles pre-defined by the investment funds that provide an accurate view of the potential risks and return of fund units. In the case of open-end funds, the fund units are sold and redeemed through the distributing investment service provider (secondary distribution). In the case of open-end funds, the Client can purchase the fund units at the current net asset value of the unit and similarly, the current net asset value determines its redemption. As regards closed-end funds, secondary distribution takes place on the stock exchange and as such, the buy and sell prices depend on the supply-demand conditions prevailing on the stock exchange. The return on the fund unit depends on the change in the price of the unit in the period between purchase and redemption. Accordingly, it is impossible to predict the return on the fund unit reliably; the past performance of an investment fund does not provide any guarantee regarding the future. The net asset value of an investment fund is the value of the assets in the portfolio of the investment fund – including accrued and deferred assets and receivables from lending arrangements – less the total of all liabilities charged to the portfolio, including accrued expenses and deferred income. The purchase and sale of units of closed-end investment funds listed on the Budapest Stock Exchange can only be carried out on the stock exchange during their term, and the sell/buy price of the units on the stock exchange may differ from the net asset value per unit reflecting the current value of the units in function of current supply and demand.

In purchasing fund units, the investor should expect several risks, including in particular the following:

- Risk arising from changes in the value of the investment instruments included in the Fund's portfolio: the market price of the investment instruments in the Fund's portfolio may fluctuate depending on the instrument in which the fund invests as a result of changes in the economic and political environment, the monetary policy of central banks, and in the supply-demand relationship. The Fund Manager can mitigate, but cannot completely eliminate, the effect of price volatility by portfolio diversification, thus the Fund's net asset value per unit may differ from the last net asset value per unit figure available on the day of placing the order.
- Liquidity risk: The liquidity of certain securities and investment instruments may be less than desirable, which means that buyers/sellers for such instruments may be hard to find. As a result, certain securities in the portfolio that the Fund Manager wishes to sell (e.g. the units of closed-end investment funds) may be difficult to dispose of; thus the selling price may be lower than the market value of the relevant security.
- Exchange rate risk: Individual financial instruments in the Fund's portfolio may be denominated in various currencies; consequently, the value of these securities expressed in the individual currencies after conversion to the settlement currency may vary based on the exchange rate fluctuations between the currencies concerned.
- Credit risk: a potential bankruptcy of the issuers of the investment instruments contained in the Fund's portfolio could lead to the deterioration of those instruments, which could in turn cause a steep decline in the Fund's net asset value per unit.
- Risk of default associated with derivative contracts: adverse changes in the liquidity or financial management of the business partners party to the derivative contracts in the portfolio of the

Fund can also have a negative influence on the payment of the profit generated on such derivative contracts to the Fund.

- Suspension of the continuous distribution of fund units: In certain cases, the distribution of fund units may be suspended by the Fund Manager or by the Supervisory Authority; thus investors may not be able to purchase or redeem their fund units on the desired day.
 - Tax regulation risk affecting investment funds and investors: potentially adverse changes in taxation rules may be detrimental to the tax incurred by the Client.
 - Decline in the Fund's equity: In the event of an en masse redemption of the fund units, the equity of the Fund may decline to a level where the Fund Manager may initiate the termination of the Fund.
 - Sustainability risks: Fund units are considered financial products under the SFDR; therefore, in their case, the Bank assesses sustainability risks. Based on currently available information, there is no clear negative or positive correlation between sustainability risks and the return on fund units. Therefore, at present, no clear positive or negative correlations can be observed between the practice of Fund Managers of the issuers of specific fund units or the issuers of the financial instruments in the Fund's portfolio as regards the management of sustainability risks and the return on the fund unit issued by the Fund; however, sustainability risks may have a negative impact on the value of the Fund's investments and hence, the performance of the Fund. The Bank publishes the result of its internal assessment of the sustainability risks of investment funds on its website in the notices summarising the product characteristics of investment funds, which can be accessed by regular and premium Clients at <https://www.otpbank.hu/portal/hu/Savings/Securities> and by private bank, prestige private bank and digital private bank Clients at <https://www.otpbank.hu/privatebanking/Notices>. The disclosure of individual investment funds on sustainability is included in the Management Policy and Prospectus of the relevant fund.
 - If the fund units are distributed by the Bank, information on whether the investments underlying the financial product consider EU criteria for environmentally sustainable economic activities – and if not, a clear indication of that fact – is contained in the documents entitled
 - 'Notice on the product characteristics of investment funds available for regular and premium clients' (route: <https://www.otpbank.hu>, then Savings / Securities / Notice and Business Regulations) and
 - 'Notice on product characteristics of public open-end and closed-end investment funds available exclusively to Private Banking, Prestige Private Banking and Digital Private Banking clients' (route: enter <https://www.otpbank.hu/privatebanking/Hirdetmenyek>, then Products and services / Securities services / Notices)
- . In respect of the fund units distributed by the Bank, this information is shown in the 'EU sustainability criteria' column of the table included in the notices.

In order to understand additional risks and information in relation to a specific fund unit, please read the Prospectus published by the issuer in every case, along with any supplements thereto and any regular and extraordinary notices and reports.

*Examples of investing in an investment fund:

- A. 1.5 years ago, an investor invested HUF 10 million in an equity-heavy mixed fund; the price of the fund units was HUF 2.324562 per unit (HUF 1 face value), and a total of 4,301,886 fund units were purchased. Subsequently, a bull market materialised, and the fund profited from the rise, which raised the price of the fund units to HUF 2.553423 per unit (HUF 1 face value). If the investor had sold his units at that price, he would have realised a profit of HUF 984,534.00 ($4,301,886 \text{ units} \times \text{HUF } 2.553423/\text{unit} = \text{HUF } 10,984,534$; $\text{HUF } 10,984,534.00 - \text{HUF } 10,000,000.00 \text{ Ft} = \text{HUF } 984,534.00$), which translates to a return of 9.85% on the capital invested.
- B. 1.5 years ago, an investor invested HUF 10 million in a fund that contained an exposure to commodity prices; the price of the fund units was HUF 5.783421 per unit (HUF 1 face value), and a total of 1,729,080 fund units were purchased. Commodity prices fell during the holding period, as a result of which the fund's value depreciated, and the current net asset value per unit is HUF 4.459812. If the investor had sold his units at that price, he would have realised a loss of HUF 2,288,626 on the sale ($1,729,080 \text{ units} \times \text{HUF } 4.459812 /\text{unit} = \text{HUF } 7,711,374$; $\text{HUF } 7,711,374 - \text{HUF } 10,000,000.00 \text{ Ft} = \text{HUF } - 2,288,626$), which translates to a loss of 22.89% on the capital invested.

*The examples include fictitious instruments. The examples do not include all possible outcomes. In addition to the price changes of fund units, other factors also have an impact on the assessment of profits/losses, including the effect of exchange rate changes (if the currency of the investment differs from the source currency or the valuation currency), the costs of acquiring, holding and selling the investment, taxation considerations depending on the investor's circumstances, none of which was considered in the examples shown above.

3. **Bonds**

Bonds are registered debt securities, which can be perpetual bonds with no maturity dates, or bonds maturing as prescribed by law. By purchasing a bond, the investor extends a form of loan to the issuer. The issuer of the bond undertakes to pay the predetermined interest or other commissions on the amount of money specified in the bond, as well as any other services it undertakes (hereinafter collectively: **interest**) and the amount of money specified in the bond to the respective owner or holder of the bond (i.e. the creditor) at the time and in the manner pre-agreed, in accordance with the schedule corresponding to the bond scheme (in a lump sum at the maturity date or in equal instalments during the term). Investors have access to the bonds either through the offering procedure of the bond (bond subscription, auction, tap issue) or in the form of the secondary market purchase and sale of bonds already issued.

Bonds may be issued by economic operators with legal personality and the branches of foreign economic operators with legal personality, the State (including foreign states), the Magyar Nemzeti Bank (the National Bank of Hungary), international organisations and any other foreign organisation that is authorised to issue bonds under national law, local governments and other organisations so authorised by specific other acts. The maturity of the bond is not prescribed by law and, in practice, a bond may mature within a few days or even within 15–20 years.

In contrast to shares, the bond does not authorise its holder to participate in the governance of the company or to receive dividends. Based on their interest, bonds are classified into two main groups: fixed rate bonds or floating rate bonds. Fixed rate bonds provide a fixed amount of interest to investors at pre-defined dates during their total term. The interest on floating rate bonds varies; in general, it is determined based on the market interest rate valid on the due date plus a quoted spread or premium (e.g. 3-month BUBOR+1%).

Main risks associated with bond investments:

Due to changes in the capital and money markets – and due to their nature as capital market instruments –, bonds as securities carry risks that are independent of either the risks of the issuer's business environment or the risks of the issuer's business. Such risks may include: market risk associated with the price and coupon payments of the bonds, liquidity risk, exchange rate risk, the risk of the subscription procedure.

- Issuer risk: The credit risk associated with the issuer is a key risk of bonds given their nature as debt securities as indeed, in the event of a potential insolvency of the issuer the bond may lose all of its value, which may ultimately lead to the total loss of the investment.
- Interest rate and exchange rate risk: When market yields rise, the price of fixed coupon bonds declines; consequently, an investor may receive a lower amount upon selling the bond than the amount invested; in other words, the loss of capital is possible. A decline in market interest rates has a positive impact on the price of fixed coupon bonds; in this case, the investor may realise a capital gain upon selling the bond. The longer the bond's time to maturity, the higher the fluctuation of its price in response to a unit change in the interest rate. In the case of bonds issued in a given currency, factors influencing the market interest rates include, for example, inflation developments, the level of the government deficit, the central bank's interest rate policy. If the investor holds the bond until maturity, his investment will not be affected by changes in the market interest rates as indeed, the issuer is required to pay the face value of the bond (plus interests) at the maturity date in accordance with the conditions published upon the issuance of the bond.
- Liquidity risk: The issuer itself tends to 'redeem' bonds (i.e. pays the consideration promised) upon maturity; however, bondholders may recover their money during the term of the bond if they find buyers in the market for their paper. This means that the secondary market liquidity of certain bonds may be limited.

- Exchange rate risk: If the currency of the investor's funds differs from the currency of the bond purchased, upon maturity, due to exchange rate changes, the investor may receive a smaller amount than the initial amount after the re-conversion of the amount to the source currency.
- Risk inherent in the subscription process: In the case of overbidding, i.e. when subscription orders exceed the envisaged amount of the issue, the issuer fulfils individual orders only in part; in other words, the investor may receive only a part of the requested amount instead of the full amount. The subscription may be closed earlier than announced; consequently, it may happen that the investor is unable to place additional subscription orders.

*Examples of investing in bonds:

An investor buys a 3-year, fixed rate bond upon issue, at an interest rate of 5.00%. The total invested amount is HUF 10 million.

- During the term of the bond, market yields drop and in 6 months, potential buyers would buy the bond at a yield of 4.00% (EHM: 4.00%). If the investor sells his bond at the gross rate of 104.8205% corresponding to the 4.00% yield (net rate: 102.30% + 2.5205% accumulated interest), he will receive a consideration of HUF 10,482,055.00 for his bonds (HUF 10,230,000.00 principal + HUF 252,055.00 Ft accumulated interest), which translates to a return of HUF 482,055.00 (HUF 230,000.00 capital gain and HUF 252,055.00 interest), which, in turn, corresponds to an annual yield of 9.56% (EHM: 9.79%) based on the 6-month holding period.
- During the term of the bond, there was an upward shift in market yields and in 6 months, potential buyers would buy the bond at a yield of 6.00% (EHM: 6.00%). If the investor sells his bond at the gross rate of 100.1905% corresponding to the 6.00% yield (net rate: 97.6700% + 2.5205% accumulated interest), he will receive a consideration of HUF 10,019,055.00 for his bonds (HUF 9,767,000.00 principal + HUF 252,055.00 Ft interest), which translates to a return of HUF 19,055.00 (HUF 233,000.00 capital loss and HUF 252,055.00 interest), which, in turn, corresponds to an annual yield of 0.38% (EHM: 0.38%) based on the 6-month holding period.
- If the investor holds the bond until maturity, at the interest payment dates he will realise an interest of HUF 500,000.00 corresponding to the fixed 5% interest rate and, upon maturity, it will receive, along with the last interest payment, the invested capital, i.e. HUF 10,000,000.00. In this case, the investor's yield corresponds to a 5.00% annual yield (EHM: 5.00%)

*The examples include a fictitious instrument. The examples do not include all possible outcomes. In addition to the change in bond market yields, other factors also have an impact on the assessment of profits/losses, including the effect of exchange rate changes (if the currency of the investment differs from the source currency or the valuation currency), the costs of acquiring, holding and selling the investment, taxation considerations depending on the investor's circumstances, none of which was considered in the examples shown above.

In order to understand additional risks and information in relation to a specific bond, please read the Prospectus published by the issuer in every case, along with any supplements thereto and any regular and extraordinary notices and reports.

4. **Exchange-Traded Products (ETPs)**

ETPs or Exchange-Traded Products are passively managed products traded on the stock exchange, i.e. products that closely follow the performance of a benchmark index / financial product. ETPs include ETFs, ETNs and ETCs.

- ETFs or Exchange-Traded Funds are passively managed investment funds traded on the stock exchange, i.e. products that closely follow ('track') the performance of the benchmark index. The asset manager of an ETF physically creates a portfolio of securities; in other words, it purchases the underlying products from the investors' money in its care in order to track the relevant benchmark index. Investors receive ETF units in exchange for their money, which can be traded on the stock exchange.
Market makers continuously provide liquidity for ETFs; consequently, they can be purchased or sold at any time on the stock exchange; moreover, they ensure that the price of the ETF units reflect the price of the underlying products at all times. Similarly to investment funds, ETFs may have numerous investment focuses (equity ETF, bond ETF, mixed (equity and bond) ETF, etc.).

Similarly to the units of investment funds, upon purchasing an ETF unit, investors should expect several risks, including, in particular the following:

- Risk of price fluctuations: risks arising from changes in the value of the investment instruments included in the ETF's portfolio: the market price of the investment instruments in the ETF's portfolio may fluctuate depending on the instrument in which the ETF invests as a result of changes in the economic and political environment, the monetary policy of central banks, and in the supply-demand relationship.
 - Liquidity risk: The liquidity of certain securities and investment instruments may be less than desirable, which means that buyers/sellers for such instruments may be hard to find. As a result, the price quoted by the market maker may be unfavourable, i.e. lower than the market value in a liquid market environment.
 - Exchange rate risk: Individual financial instruments may be denominated in various currencies; consequently, the value of these securities expressed in the individual currencies after conversion to the settlement currency may vary based on the exchange rate fluctuations between the currencies concerned.
 - Credit risk: a potential bankruptcy of the issuers of the investment instruments contained in the ETF's portfolio could lead to the deterioration of those instruments, which could in turn cause a steep decline in the ETF's net asset value per unit.
 - Risk of non-performance associated with derivative contracts: adverse changes in the liquidity or financial management of the business partners party to the derivative contracts in the portfolio of the ETF can also have a negative influence on the payment of the profit generated on such derivative contracts to the ETF.
 - Risk associated with the termination of the ETF: The issuer of the ETF may initiate the termination of the ETF:
 - Tax regulation risk affecting ETFs and investors: potentially adverse changes in taxation rules may be detrimental to the tax incurred by the Client.
 - Tracking risk: The ETF may not be able to track its benchmark index accurately (e.g. in the case of tighter liquidity or futures, due to the high costs of trading) and lags behind the yield thereof over the investment horizon.
 - Leverage risk: There are leveraged ETFs, which track the daily change of a specific benchmark index multiplied by 2 or 3 times. In the case of these products, the risk of price changes applies even more as indeed, a negative capital market outcome may lead to an extremely fast depreciation of the tracked products, which, in extreme cases, may result in the elimination of the ETF.
 - Sustainability risks: ETFs are considered financial products under the SFDR; therefore, the Bank assesses sustainability risks in their case. Based on currently available information, there is no clear negative or positive correlation between sustainability risks and the return on ETFs. Therefore, at present, no clear positive or negative correlations can be observed between the practice of the issuers of specific ETFs or the issuers of the financial instruments in the ETF's portfolio as regards the management of sustainability risks and the return on the ETF; however, sustainability risks may have a negative impact on the value of the ETF's investments and hence, the performance of the ETF. The Bank publishes the result of its internal assessment of the sustainability risks of the ETFs recommended for investment for its private bank, prestige private bank and digital private bank Clients under the link <https://www.otpbank.hu/privatebanking/befektetesi-aktualitasok>. The disclosure of individual ETFs on sustainability is included in the Management Policy and Prospectus of the relevant ETF.
- b) ETNs or Exchange-Traded Notes are another type of Exchange-Traded Products. Similar to ETF shares, they are traded on the stock exchange, and they attempt to closely track the performance of a benchmark index / financial product. The characteristics of ETFs also apply to ETNs with one important difference: the issuer does not need to create the underlying portfolio physically; thus the ETN is a bond issued by a bank or a financial institution and accordingly, in addition to the risks described for ETFs, the bond is also exposed to the risk of default of the issuer institution.
- c) ETC: ETCs or Exchange-Traded Commodities. Similarly to ETFs and ETNs, ETCs are also exchange-traded products. ETCs try to closely track the performance of a commodity market benchmark index / financial product. Similarly to ETNs, in most cases ETCs are bonds traded on the stock exchange. This means that the investor needs to expect, in addition to the risks

listed under ETFs, the risk associated with the issuer institution. In some cases, however, there are physical stocks behind the ETC (similar to ETFs), and consequently, the issuer risk of these products is significantly lower or indeed, non-existent.

In order to understand additional risks and information in relation to a specific ETP share, please read the Prospectus published by the issuer in every case, along with any supplements thereto and any regular and extraordinary notices and reports.

*Examples of investing in unleveraged ETFs

- A. 2 years ago, an investor invested HUF 10 million in unleveraged ETF units at a price of HUF 1.031265 per unit, and a total of 9,696,829 units were purchased. Subsequently, the price of the underlying instrument increased, which was tracked by the price of the ETF, which now stands at HUF 1.164589. If the investor had sold his investment at that price, he would have realised a profit of HUF 1,292,820.00 (9,696,829 units x HUF 1.164589/unit = HUF 11,292,820.00; HUF 11,292,820.00 – HUF 10,000,000.00 Ft = HUF 1,292,820.00), which translates to a return of 12.93% on the capital invested.
- B. 2 years ago, an investor invested HUF 10 million in unleveraged ETF units at a price of HUF 1.031265 per unit, and a total of 9,696,829 units were purchased. Subsequently, the price of the underlying instrument decreased, which was tracked by the price of the ETF, which now stands at HUF 1.008459. If the investor had sold his investment at that price, he would have realised a loss of HUF 221,146.00 (9,696,829 units x HUF 1.008459/unit = HUF 9,778,854.00; HUF 9,778,854.00 – HUF 10,000,000.00 Ft = HUF –221,146.00), which translates to a loss of –2.21% on the capital invested.

*The examples include a fictitious instrument. The examples do not include all possible outcomes. In addition to the price changes of ETF units, other factors also have an impact on the assessment of profits/losses, including the effect of exchange rate changes (if the currency of the investment differs from the source currency or the valuation currency), the costs of acquiring, holding and selling the investment, taxation considerations depending on the investor's circumstances, none of which was considered in the examples shown above.

5. Certificates

Certificates are securities issued by foreign issuers, which can be traded on a regulated market. They are derivatives whose price depends solely on the price of the underlying product (index, structure, etc.).

Some of them behave like a structured product: e.g. the price of the certificate tracks a product or an index one-for-one. In other cases, they behave like securitised derivatives: e.g. the price of the certificate does not track the underlying product (which can be of various types, such as shares, bonds, commodities) one-for-one but is clearly determined by that product.

Depending on the size of the capital required for the investment and on the risk of the products, certificates may be investment certificates (which do not contain any leverage, sometimes ensure partial or full capital protection and are similar to structured products) and leveraged certificates (riskier products; the desired strategy is available with smaller capital investment and they are similar to futures products except that in the case of leveraged certificates no additional capital is required). In Hungary, certificates are traded on the stock exchange; therefore, changes in the market price of the securities are easy to monitor, and since they are liquid papers, their intra-day trading is also possible. Potential losses are limited – in the case of the riskiest products the invested capital may be lost in full; however, not even the leveraged types require additional capital. Investment in certificates should only be considered by experienced investors who are aware of the operation and risks of the certificates, who are willing to take a higher risk in the hope of higher returns, and whose financial resilience enables them to withstand the loss of even the full amount of the invested capital. The risk of the certificates largely depends on their type (existence of partial or full capital protection or leverage), the volatility of the price of the underlying product and the risk of the issuer.

In order to understand additional risks and information in relation to a specific certificate, please read the Prospectus published by the issuer in every case, along with any supplements thereto and any regular and extraordinary notices and reports.

*Examples for investing in participation (index) certificates:

By purchasing a participation (index) certificate, the investor acquires an investment in a market index or a goods market product (oil, bullion) which is not directly available. Participation (index) certificates do not contain a leverage; a 1% change in the price of the underlying induces a 1% change in the price of the certificate. If the currency of the certificate is not identical with the currency of the underlying, exchange rate changes will also be considered in the price of the certificate.

- A. The price quoted by the market maker of the certificate providing the opportunity for investment in the index representing the US stock market is currently HUF 11,570 per certificate. The currency of the certificate is HUF; the underlying index is quoted in USD. If the value of the index increases by 12% in 1 year and the HUF weakens by 3% against the USD in the same period, in 1 year's time the price of the certificate will be as follows: $\text{HUF } 11,570 \times (1+0.12) \times (1+0.03) = \text{HUF } 13,347$. Therefore, if an investor invests in the certificate at a price of HUF 11,570 per certificate and sells it in 1 year's time at a price of HUF 13,347 per certificate, as a result of the changes in the underlying index and the exchange rate, he can realise a 15.36% return on the invested capital.
- B. The price quoted by the market maker of the certificate providing the opportunity for investment in the index representing the US stock market is currently HUF 11,570 per certificate. The currency of the certificate is HUF; the underlying index is quoted in USD. If the value of the index decreases by 8% in 1 year and the HUF weakens by 6% against the USD in the same period, in 1 year's time the price of the certificate will be as follows: $\text{HUF } 11,570 \times (1-0.08) \times (1+0.06) = \text{HUF } 11,283$. Therefore, if an investor invests in the certificate at a price of HUF 11,570 per certificate and sells it in 1 year's time at a price of HUF 11,283 per certificate, as a result of the changes in the underlying index and the exchange rate, he will realise a loss of -2.48% on the invested capital.

*The examples include a fictitious instrument. The examples do not include all possible outcomes. In addition to the price changes of a certificate, other factors also have an impact on the assessment of profits/losses, including the effect of exchange rate changes (if the currency of the investment differs from the source currency or the valuation currency), the costs of acquiring, holding and selling the investment, taxation considerations depending on the investor's circumstances, none of which was considered in the examples shown above.

6. Warrants

Warrants are products with a similar payment structure as leveraged certificates. In essence, they are securitised options traded on the stock exchange; in other words, they are securities which embody the right to purchase or sale an underlying product at a pre-determined price, and although this feature makes them similar to leveraged certificates, they are even more complex structures, overall, in terms of the determinants of the price of the products. Since warrants have the product characteristics of options, one of their important features is leverage; indeed, a warrant can multiply – or wipe out – its value much faster than the underlying instrument. The level of leverage indicates the number of warrants that the investor would be able to purchase at the current price of the underlying instrument. The strike price of the warrant is the pre-defined price of the underlying instrument at which the buyer of the warrant may exercise his right embodied in the product to buy or sell. The exchange ratio shows how many underlying instruments can be bought or sold by exercising the warrant. Another important feature of the warrant is that it has an expiration; therefore, if the investor is unable to exercise his right to buy or sell the underlying instrument during the term of the warrant, the warrant will lose its value and will be cancelled at the end of its term. If the investor of the warrant exercises his right embodied in the product, the contract will be fulfilled. Therefore, the value of the warrant is essentially determined by the probability that the investor will be able to exercise the call or put option regarding the underlying instrument during the term of the warrant. Another important feature of the warrant is that its price is determined not only by the direction of the underlying instrument's price but also by the volatility (price fluctuation) of the underlying instrument: if it is high, it will have a positive impact on the price of the warrant, whereas low volatility has a negative impact on the value of the warrant. Because of the characteristics summarised above, warrants are particularly complex and high-risk products; the total loss of the invested capital is a realistic scenario for these products.

Accordingly, investors should expect a broad range of risks associated with warrants, including, in particular the following:

- Changes in the price of the underlying instrument: The price of the warrant is primarily determined by developments in the price of the underlying instrument. If the price change reduces the possibility of exercising the right embodied in the warrant to buy or sell the underlying instrument, the value of the warrant will depreciate.
- Exchange rate risk: Individual financial instruments may be denominated in various currencies; consequently, the value of these securities expressed in the individual currencies after conversion to the settlement currency may vary based on the exchange rate fluctuations between the currencies concerned.
- Risk of the warrant's expiration: A warrant has an expiration; therefore, if the investor is unable to exercise his right to buy or sell the underlying instrument during the term of the warrant, the warrant will lose its value and will be cancelled at the end of its term.
- Counterparty risk: In case of the default of the institution issuing the warrant, there is no guarantee that the warrant's value will be paid.
- Liquidity risk: Although the trading of the warrant is performed by market makers, under unfavourable market conditions the product may become hard to trade, or the price quoted by the market maker may be lower than the market value in a liquid market environment.
- Leverage risk: the extremely quick or total loss of the invested capital is a realistic scenario if the call or put option pertaining to the underlying instrument loses its value.

In order to understand additional risks and information in relation to a specific warrant, please read the Prospectus published by the issuer in every case, along with any supplements thereto and any regular and extraordinary notices and reports.

*Examples of investing in warrants:

An investor invests EUR 1,000 in a warrant profiting from the European bull market with a gearing factor of 10, at an EUR 3,525 strike price, at a price of EUR 1. The number of warrants equals the quotient of the invested amount and the price, and accordingly, the investor received $\text{EUR } 1,000 / \text{EUR } 1 = 1,000$ warrants. The exchange ratio of the warrant is 1:100. Currently, the European stock price index is EUR 3,450.

- A. Let's assume that in 1 month, the index value will be EUR 3,250, and the issuer of the warrant quotes a price of EUR 0.8. If the investor sells his warrants at the price quoted by the issuer, he will realise a loss of EUR 200 ($1,000 \text{ warrants} * (\text{EUR } 0.8 - \text{EUR } 1)$).
- B. If the investor holds the warrant until maturity and the index value is above the strike price of the warrant upon maturity (e.g. EUR 3,700), the warrant will be exercised, and the investor will realise a profit of EUR 750 ($(1,000 \text{ warrants} * 0.01 * (\text{EUR } 3,700 - \text{EUR } 3,525) - \text{EUR } 1,000)$).
- C. If the investor holds the warrant until maturity and the index value is below the strike price of the warrant upon maturity (e.g. EUR 3,200), the warrant will expire without being exercised, with no value, and the investor will lose the total capital invested, i.e. EUR 1,000.

*The examples include a fictitious instrument. The examples do not include all possible outcomes. In addition to the price changes of the warrant, other factors also have an impact on the assessment of profits/losses, including the effect of exchange rate changes (if the currency of the investment differs from the source currency or the valuation currency), the costs of acquiring, holding and selling the investment, taxation considerations depending on the investor's circumstances, none of which was considered in the examples shown above.

7. Derivative transactions

This transaction type is based on an investment – 'primary product' –, the value of which depends on another investment (i.e. the 'underlying instrument'), which itself is traded independently. Options and futures also constitute derivatives. BUX Futures constitute a well-known transaction type; in this case, the derivative product is the index (BUX) itself, the value of which clearly depends on other instruments, in this particular case the current value of the equities making up the index.

Among the Global Markets Services offered by the Bank, contracts concluded for derivative transactions (futures, options and swaps) result in leverage, as the amount of the initial margin to be provided by the Client to the Bank upon the conclusion of the contract for the term of the transaction is a specific portion or, in the case of certain products a percentage, of the notional value

of the transaction. For detailed information on the initial margin, please refer to the Supplementary Notice specified in Section 4 of Chapter H of this notice.

During leveraged trading, if the Client's position is affected by a significant, unfavourable change in the price of the given primary product, the price change may generate losses in excess of the market value of the instruments deposited by the Client, and the Client may be required to post supplementary collateral (variation margin). Depending on the level of the leverage, the primary product's price change may multiply the profit or the loss realised on the given transactions; consequently, leveraged transactions may involve unlimited losses. For detailed information on the variation margin, please refer to the information notice referred to in Section 4 of Chapter T of this Information Notice.

In addition to the information contained in this Notice, the key information documents (KIDs) and the so-called MiFID Client Information Documents of the relevant Global Market Services, the Bank wishes to call the attention of its Clients to the main risks associated with leveraged trading as follows:

- a) Leveraged trading, which is characteristic of numerous financial instruments, carry the following risks:
 - Exchange rate risk: Exchange rate risk is the risk arising from the change of the relative value (cross rate) of the official means of payment determining the transaction value or the payments to be performed on the basis of the transaction. The fluctuation of exchange rates constitutes a risk for investors who invest in financial instruments denominated in a currency different from that of the financial instrument concerned, or from the currency in which they keep a record of their investments.
 - Interest rate risk: Interest rate risk is the risk arising from changes in the interest rates applicable to the official currencies determining the value or the payment of the deal.
 - Underlying instrument risk: Underlying instrument risk is the risk arising from changes in the value of the underlying instrument determining the value or the payment of the derivative contract.
 - Liquidity risk: Liquidity is the possibility of selling or purchasing a product traded in the market at any time during the term of trading in a relatively large quantity and a cost-effective manner in such a way that the transaction has a minimal impact on the market price prevailing before the deal. In the event of a liquidity crunch it may happen that, at a specific moment, a traded product cannot be sold or purchased at all.
 - Volatility risk: Volatility indicates the expected or factual fluctuation of a given value within a specific monitoring period. A greater market volatility generally implies a greater risk.
 - Country risk: The Bank's business position and indirectly, the quality of the services offered by the Bank, depends on the level of development and cyclical nature of Hungary's economic conditions, as well as on domestic and international economic and political events.
 - Credit risk: Credit risk arises when a counterparty is unable or unwilling to perform its payment obligations.
 - Inflation risk: Inflation risk is the risk that inflation exerts a greater impact on the transaction than on the financial instruments.
 - Market risk: All financial instruments have a market value. The price of the financial instrument is strongly determined by changes in the underlying interest rates, market yields for the given maturity, the volatility of such market yields, and the term to maturity.
- b) Leveraged trading may result in the loss of the total invested capital or the total amount of the posted collateral; i.e. there is a risk of unlimited losses. In order to manage the risks involved, there is a need to monitor leveraged positions on a continuous basis and to apply additional risk-mitigating techniques (for example, stop-limit, spread, straddle strategies).
- c) Higher leverage means higher risk. Since high leverage offers the possibility of opening high-value positions against relatively low collateral, even a small market movement may have a proportionately stronger impact on the collateral requirements linked to the position(s). Therefore, even a minor fluctuation in the market may generate, in a short period of time, a significant profit or loss for the Client relative to the invested capital.

- d) The risks described above call for market expertise and trading experience in leveraged trading. Leverage trading can be considered an appropriate choice for Clients with extremely high risk tolerance and risk-taking capacity, or for Clients whose risk acceptance is moderate but the leveraged transaction is intended to hedge the Client's exchange rate and/or interest rate risks. The Bank assesses specific Clients' risk appetite and risk-taking capacity, financial knowledge and experience based on suitability and appropriateness tests.
- e) For the rates of the fees associated with leveraged transactions, please refer to the ex-ante cost information document of Global Markets available on the Bank website at www.otpbank.hu/portal/hu/GlobalMarkets/ElozetesKoltsegtajekoztato on the Large Companies/GlobalMarkets sub-page, or turn to the MFO dealers for information.
- f) In extreme market circumstances, the prices of individual financial instruments may change extremely fast. If the leverage applied is extremely high, the exact level of the losses that may be incurred on an Individual Transaction may not be calculated in advance, or the losses may exceed the value of the Client's assets.
- g) The Bank considers the use of certain automated trading software (trading robots) extremely risky and it does not support the operation of such applications in the OTP Trader system – the online forex trading system – of the Bank.
- h) The Supervisory Summary published on the risks and experiences related to high-leverage products is available under the following links:
<http://www.mnb.hu/felugyelet/felugyeleti-keretrendszer/felugyeleti-hirek/archiv-hirek/tajekoztato-a-magas-tokeatteteles-ugyletekrol>
<https://www.mnb.hu/sajtoszoba/sajtokozlemenyek/2015-evi-sajtokozlemenyek/kiemelt-jegybanki-figyelem-a-magas-tokeatteteles-fx-online-kereskedesi-platformoknal>.

8. TBSZ T+3 FORWARD transaction – fully collateralised T+3 day foreign exchange forward transaction concluded on a Long-Term Investment Account (hereinafter: TBSZ account)

A Long-Term Investment Account T+3 Forward Transaction (hereinafter: 'TBSZ T+3 FWD transaction') is a fully collateralised T+3 day foreign exchange forward transaction on an long-term investment account, i.e. an Individual Transaction entered into against 100% collateral deposited in a Long-Term Investment Account and settled in a Long-Term Investment Account, whereby one party transfers a given amount of foreign exchange to the other party against a cash amount in another currency or HUF, determined by applying the forward rate fixed at the time of the transaction, on the third banking day following the conclusion of the transaction as the settlement day. This forward foreign exchange transaction provides an opportunity for the investor to convert, at a pre-fixed forward exchange rate, the Hungarian forint / foreign currency available on his TBSZ account on the third banking day following the conclusion of the transaction.

Advantages of TBSZ T+3 FWD transactions:

- *The transaction provides an opportunity to take advantage of short-term shifts in the exchange rate.*
- *The forward rate is determined when the transaction is concluded.*
- *Since the amount of Hungarian forint / foreign currency to be converted has to be fully collateralised at the time of concluding the Individual Transaction, there is no additional collateral requirement in case of an unfavourable shift in the exchange rates.*
- *It is not mandatory to purchase securities from the amount of the Hungarian forint / foreign currency credited upon settlement of the TBSZ T+3 FWD transaction.*

Main risks of TBSZ T+3 FWD transactions:

- *The client has a sale or purchase obligation at the pre-defined exchange rate. Based on the terms and conditions agreed in the contract, the Client is obliged to purchase/sell the agreed currency at the strike price on the maturity date. The spot rate valid at the time of settlement may be more favourable than the forward rate defined at the time of concluding the transaction.*

- *The transactions can only be concluded and settled with full collateralisation. Collateral has to be provided at the time of concluding the transaction, and remains blocked until the settlement thereof.*
- *The amount of Hungarian forint / foreign currency credited upon settlement of the TBSZ T+3 FWD Transaction may not be used to initiate placement of a deposit, since it is not allowed by the applicable (tax) legislation regarding long-term investment account agreements, in force at the time, to place a deposit order and register a deposit transaction in a Long-Term Investment Cash Account.*

A detailed product description of the TBSZ T+3 FWD transaction is available at the websites <https://www.otpbank.hu/portal/hu/KNV/Befektetesekek/MiFID#TERMEKEK> and <https://www.otpbank.hu/privatebanking/Termekeink/Ertekpapir>.

9. Structured deposits

Some elements of the MiFID II regulation are also applicable to structured deposits, thus, in particular: product approval process; obligation to keep records of the services and transactions undertaken; requirements on the management body of the Bank, as service provider; membership in an investor compensation scheme; requirements on the provision of information; suitability and appropriateness assessment.

The term 'structured deposit' mean a deposit as defined in Article 2 (1)(c) of Directive 2014/49/EU of the European Parliament and of the Council, which is fully repayable at maturity on terms under which interest or a premium will be paid or is at risk, according to a formula involving factors such as:

- a) an index or combination of indices, excluding variable rate deposits whose return is directly linked to an interest rate index
- b) a financial instrument or combination of financial instruments
- c) a commodity or combination of commodities or other physical or non-physical non-fungible assets
- d) a foreign exchange rate or combination of foreign exchange rates.

It is a characteristic of structured deposits that the interest paid on them depends on the price developments of a pre-selected underlying product. If the conditions specified upon fixing the deposit are met, the maximum interest rate will be paid; if not, the minimum interest will be credited to the investor's account at maturity. The structured deposit repays the committed capital at the end of the term. The scheme carries a risk in respect of the interest; the principal amount, however, is repaid at maturity in the original currency.

Main risks of structured deposits:

- The greatest risk is associated with interest payment. If the conditions for interest payment are not met, the deposit will not pay the maximum interest rate; only the invested capital and the minimum interest rate will be paid to the investor at maturity.
- The deposit cannot be cancelled before the maturity date.

*Examples for investment in structured deposits linked to the foreign exchange rate:

- A. One touch: At maturity, the maximum interest rate will be paid to the investor if the market rate of the pre-defined currency pair reaches or exceeds a pre-defined rate during the term of the deposit. If the market rate does not reach or exceed the pre-defined rate, the minimum interest rate will be paid, which is significantly lower (e.g. 0.1%) than the maximum interest rate. The principal amount of the deposit is paid out in both cases. The deposit may not be cancelled before the maturity date.
- B. No touch: At maturity, the maximum interest rate will be paid to the investor if the market rate of the pre-defined currency pair never reaches or exceeds a pre-defined rate during the term of the deposit. If the market rate reaches or exceeds the pre-defined rate, the minimum interest rate will be paid, which is significantly lower (e.g. 0.1%) than the maximum interest rate. The principal amount of the deposit is paid out in both cases. The deposit may not be cancelled before the maturity date.

- C. Double one touch: At maturity, the maximum interest rate will be paid to the investor if the market rate of the pre-defined currency pair reaches or exceeds, at least once, the lower or upper limit of a pre-defined exchange rate range during the term of the deposit. If neither the lower nor the upper limit is reached or exceeded, the minimum interest rate will be paid, which is significantly lower (e.g. 0.1%) than the maximum interest rate. The principal amount of the deposit is paid out in both cases. The deposit may not be cancelled before the maturity date.
- D. Double no touch: At maturity, the maximum interest rate will be paid to the investor if the market rate of the pre-defined currency pair remains within the pre-defined exchange rate range during the term of the deposit; in other words, the market rate never reaches or exceeds either the upper or the lower limit of the range. If the market rate of the currency pair reaches or exceeds either the upper or the lower limit, the minimum interest rate will be paid, which is significantly lower (e.g. 0.1%) than the maximum interest rate. The principal amount of the deposit is paid out in both cases. The deposit may not be cancelled before the maturity date.

*The examples explore theoretical possibilities. The current conditions of structured deposits linked to foreign exchange rate developments largely depend on changes in FX market exchange rates and interest rates, the term of the deposit and the investor's individual preferences.

10. Dual currency structured investment

The dual currency structured investment is a financial instrument that provides a higher fixed return at the end of the term than a deposit. However, in return for the higher fixed return, the investor undertakes to receive the capital invested converted at a predetermined exchange rate into the currency of conversion specified in the contract, rather than in the original currency, provided that the conditions determined at the start of the investment are met.

If the Client wishes to reconvert his re-denominated capital to the original currency, he may realise a capital loss. At the same time, the return on the investment is fixed and guaranteed.

Advantages of a dual currency structured investment:

- It provides a fixed return higher than deposit interests.
- The investor can choose the product that suits him best from a range of conditions.
- The conversion rate is notified at the launch of the product. If the capital invested is converted, the conversion rate is more favourable in each case than the spot currency exchange rate available at the launch of the product.

Disadvantages, risks:

- The investment is not capital guaranteed. The investor assumes an exchange rate risk, on the basis of which the converted capital returned at maturity may lose value compared to the original currency.
- If the capital invested is converted, it is always at a less favourable rate than the market exchange rate at maturity.
- It is not possible to terminate the investment during the term.

A detailed product description of the dual currency structured investment is available at the <https://www.otpbank.hu/privatebanking/Ketdevizas> website.

*Example for a dual currency structured investment:

The investor fixes a deposit of HUF 10 million for a 1-month term at an interest rate of 3.70% and at the same time, he undertakes to convert its investment at the 356.00 rate if the EUR/HUF market exchange rate is below 356.00 at the maturity of the deposit; in other words, in this case the deposit amount matures in euros. At the time of the deal, the spot market rate is EUR/HUF 358.00.

- a. If the market rate is above EUR/HUF 356.00 at maturity, the investor will be paid an interest of HUF 30,411.00 (annual interest rate: 3.70%) for the 1-month term, and the capital invested will mature in HUF.

- b. If the market rate is below EUR/HUF 356.00 at maturity, the investor will be paid an interest of HUF 30,411.00 (annual interest rate: 3.70%) for the 1-month term, and the capital invested will be converted to EUR at the EUR/HUF 356.00 rate, and the capital invested will mature in EUR. Therefore, if the market rate is EUR/HUF 350.00, based on the investor's commitment under the scheme, his fixed deposit is converted to EUR at the EUR/HUF 356.00 rate. If he wishes to reconvert this fixed principal amount to HUF immediately, he will realise a loss of HUF 168,539.00 on this conversion. (HUF 10,000,000.00 / 356 = EUR 2,809.00;
EUR 2,809.00 * 350 = HUF 9,831,461.00; HUF 10,000,000.00 – HUF 9,831,461.00 = HUF 168,539.00)

*The example includes a fictitious instrument. Other than the impact of the change in the foreign exchange rate, taxation and other considerations that depend on the investor's circumstances were not considered in the calculation of the profit/loss in the above example.

11. **Structured notes**

A structured note is a security issued by a financial institution under non-Hungarian law, generally not admitted to trading on a regulated market, whose price follows the price of an underlying product or index. The return on a structured note depends on the price of the underlying product, the value of which is determined by the issuer on the basis of a predetermined calculation methodology. The return may derive from the performance of any instrument group and accordingly, the underlying product of a note can be a share (a basket of shares), an index (a basket of indices), a commodity (commodities), an interest rate (interest rates) or currencies. The return on a structured note at maturity is calculated based on the formula specified in the offering documentation.

Market position and price volatility of structured notes:

Since structured notes are generally not admitted to the regulated market, they are sold on the secondary market at the price quoted by the issuer. The volatility of the price of structured notes and hence, the potential return that may be realised by the Client, largely depend on the volatility of the price of the underlying, and the payment profile determining the payouts of the structured note (principal and return payment).

Risks associated with structured notes:

The credit risk associated with the issuer is a key risk of structured notes given their nature as debt securities as indeed, in the event of a potential insolvency of the issuer the structured note may lose all of its value, which may ultimately lead to the total loss of the capital invested.

Due to changes in the capital and money markets – and due to their nature as capital market instruments –, structured notes as securities carry risks that are independent of either the risks of the issuer's business environment or the risks of the issuer's business; therefore, investors should consider a number additional risks, including, in particular the following:

- Market risks: changes in the capital and financial markets, especially the price changes of the instruments or instrument groups underlying the note, directly affect the price and potential return of the note, and in the case of not full or partial capital protection schemes, they may lead to the total loss of the investment.
- Liquidity risk: although the recommended investment horizon of structured notes is their time to maturity, investors are entitled to sell their structured note during its term with the proviso that accounts will be settled at pre-defined settlement dates. Since structured notes are usually traded outside of the regulated market, the prices quoted by the issuer may imply the secondary market liquidity, and the investor's ability to sell the structured note depends on the availability of the quoted prices or, under extraordinary market circumstances, the quoted prices may be less favourable than those quoted in liquid market environments.
- Exchange rate risk: individual financial instruments may be denominated in various currencies; consequently, the value of these instruments expressed in the individual currencies after conversion to the settlement currency may vary based on the exchange rate fluctuations between the currencies concerned. As such, there may be cases where the return on a structured note is adversely influenced by an unfavourable shift in the exchange rate, which may even lead to the total loss of the investment.
- Reinvestment risk: although structured notes have pre-defined yield and principal payment dates, the time of the actual capital flow may differ from those dates in function of capital and financial market changes.

The risk of structured notes, overall, depends on the type of the note (existence of partial or full capital protection), the volatility of the price of the underlying product and the risk of the issuer. In order to understand additional risks and information in relation to a specific note, please read the Prospectus published by the issuer in every case, along with any supplements thereto and any regular and extraordinary notices and reports.

A detailed product description of the structured notes traded is available at the <https://www.otpbank.hu/portal/hu/GlobalMarkets> website.

*Examples of investing in a structured note:

- C. The investor invests in a 4-year structured note, the return of which secures a share from the performance European stock exchange, covered by capital protection. The return on the note takes as a basis the performance of the Euro Stoxx 50 index during the term; the maximum return paid for the entire term is 32.00%, which translates to an annual return of 8.00% (APR: 7.18%). If the investor holds its investment to maturity, it can expect the following pay-outs:
- a. If, upon maturity, the Euro Stoxx 50 index is above the initial value at issue and the value of the index rose by 55.00% during the term, the investor will be paid the face value of the note plus a return of 32.00% yield (8.00% annualised; APR: 7.18%).
 - b. If, upon maturity, the Euro Stoxx 50 index is above the initial value at issue but the value of the index rose only by 24.00% during the term, the investor will be paid the face value of the note plus a return of 24.00% yield (6.00% annualised; APR: 5.52%).
 - c. If, upon maturity, the Euro Stoxx 50 index is below the initial value at issue, i.e. the performance of the index is negative, at maturity the investor will be paid the face value of the note.
- D. The investor invests in a 2-year structured note, the return of which secures a share from the performance of two individual shares, covered by partial capital protection. If, upon maturity, the price of both shares is above the initial value, the return paid for the entire term will be 12.00% (6.00% annualised; APR: 5.83%). If the price of the share performing worse is below the initial value, the note will not pay a return. The capital invested is protected up to 95%. If the investor holds its investment to maturity, it can expect the following pay-outs:
- a. If, upon maturity, the price of the more poorly performing share is above the initial value at issue, the investor will be paid the face value of the note plus a return of 12.00% yield (6.00% annualised; APR: 5.83%).
 - b. If the price of the more poorly performing share is 97% of the initial value, the note will pay a return of 97% of the invested capital. No return will be paid.
 - c. If the price of the more poorly performing share is 80% of the initial value, the partial capital protection will apply, and 95% of the invested capital will be paid to the investor. No return will be paid.

*The examples include fictitious instruments. Besides the principal and return payment of structured notes, other factors with an impact on the assessment of profits/losses, including the effect of exchange rate changes, the costs of acquiring, holding and selling the investment, or taxation considerations depending on the investor's circumstances, were not considered.

I. Client obligations pursuant to Regulation (EU) No 236/2012 on short selling and certain aspects of credit default swaps and the relating EU acts

1. From 1 November 2012, Regulation (EU) No 236/2012 of the European Parliament and of the Council on short selling and certain aspects of credit default swaps and the relating EU acts (hereinafter collectively: **Short Selling EU Regulations**) are directly applicable in Hungary.
2. Pursuant to the Short Selling EU Regulations, notification and/or disclosure obligations may arise for Clients from certain transactions or certain financial instruments held by them, or some of their transactions may be prohibited altogether. Under certain circumstances, Clients may be exempted from the obligations set out in the Short Selling EU Regulations. In Hungary, compliance with the Short Selling EU Regulations are overseen by the Supervisory Authority in the framework of its market surveillance procedure.
3. For further information, please visit the websites listed below, or turn to your legal advisor:

https://ec.europa.eu/internal_market/securities/short_selling_en.htm

<https://www.esma.europa.eu/page/short-selling>

https://kozzetetelek.mnb.hu/short_selling/lekerdezo

J. Cost information calculator

1. The ex-ante cost calculation (hereinafter: **cost calculation**) presents the fees charged to the Client for the investment services and/or auxiliary (investment) services and any additional fees and charges related to the production, management, acquisition, holding and sale of the given financial instrument and the amount of the benefits received from third parties.
2. The cost calculation is solely intended to provide Clients with advance information about the fees and costs as required by law. The cost calculation is generally applicable; it does not take into account the individual, special circumstances of individual Clients, in relation to which the staff members of the Bank provide information in relation to the Individual Transaction.
3. Making the cost calculation available or transferring it to the Client does not constitute an offer, investment recommendation, tender notice, investment advice, investment or financial analysis, or solicitation for the purchase of any financial instrument.
4. The Bank provides ex-ante information to its Clients and potential Clients on the costs and related charges during a standard procedure; in other words, during the provision of ex-ante information to Clients classified as Professional Clients and Eligible Counterparties the Bank does not exercise the option of the restricted application of the obligation to provide information.
5. Data and information contained in the cost calculation are based on estimates; investment amounts and time horizons are only examples, and cannot be used for drawing conclusions about the actual costs and fees even if the Client wishes to conclude an individual deal with the same or similar features. Preliminary cost and fee values may differ from the actually incurred amounts. If the investment horizon or the invested amount of a specific individual transaction deviates from this, the costs or fees incurred do not necessarily change in proportion to the investment horizon or the invested amount. The investment horizon or the invested amount may not be changed in the information document.
6. Detailed regulations on the cost calculation are included in Chapter A.II.5 of the Business Regulations, 'Prior information to the Client'. The general cost calculation for Clients is accessible under the link <https://www.otpbank.hu/portal/hu/Megtakaritas/Ertekpapir/MIFID>, while the ex-ante cost information document of Global Markets can be found on the following page of the Bank's website: www.otpbank.hu/portal/hu/GlobalMarkets/ElozetesKoltsegtajekoztato.
7. Moreover, on the Bank's website the document entitled 'Ex-ante information on the costs and related charges – Legal warning and information on cost calculation' is also available, providing brief information on the cost calculation.
8. Data regarding tax management and tax implications depend on the Client's specific circumstances; moreover, such data and conditions may change in future.
9. In respect of the fees and charges communicated to Clients, the Bank takes into consideration the following items:
 - 1) Investment services and/or ancillary services
 - a) One-off costs associated with the provision of the investment service – all fees and charges paid at the commencement and conclusion of (the) investment service(s)
 - b) Ongoing costs associated with the provision of the investment service – ongoing fees and charges paid for the services provided
 - c) Costs associated with transactions initiated during the investment service – all costs and charges associated with transactions concluded by the Bank or by other parties
 - d) Costs associated with ancillary services – costs and charges for ancillary services
 - e) Incidental costs – fees or costs to be charged for specific individual transactions, orders or services (e.g. performance fees)
 - 2) Fees and charges associated with financial instruments

- a) One-off costs – all costs and charges (included in or in addition to the price of the financial instrument) paid to product suppliers at the beginning or at the end of the investment in the financial instrument
- b) Ongoing costs – all ongoing costs and charges related to the management of the financial product that are deducted from the value of the financial instrument during the investment in the financial instrument
- c) Costs associated with the transactions – all costs and charges incurred as a result of the acquisition and disposal of the investment
- d) Incidental costs – fees or costs incurred in specific individual transactions, orders or services (e.g. performance fees)

10. In presenting the fees and costs associated with Global Markets Services, the Bank considered the following general principles and criteria:

- a) With respect to the given deal/order, we presented the actually incurred one-off and ongoing costs or, in the lack of sufficient information, reasonably estimated costs.
- b) The Bank revises the fees and costs based on the information available on a regular basis or, if any new circumstance arises, upon its occurrence, and modifies them as required.
- c) The investment horizon is uniformly considered to be 1 (one) year, and for derivatives we considered the typical investment horizon of the given deal.
- d) The investment amount was considered to be the amount defined for the typical transaction size of the given transaction type.
- e) For fees payable in foreign currency we applied the official MNB mid-rate on the day of the compilation of the cost information document, and the given currency is specified in the cost information document. Information about the estimated cost of cross-currency conversions can be accessed on the Bank's website at www.otpbank.hu based on the current exchange rates applied by the Bank and on the Currency Converter.
- f) If another enterprise/service provider is also involved in the deal, the fees and costs charged by the Bank and by the other enterprise are summarised in the cost information document.
- g) With respect to account management, only the fees and costs of securities account management were considered. We did not assess the fees linked to payment accounts (bank accounts), as besides investment services, payment account operations may be also performed in the case of financial services. Information about the interests and fees on payment accounts are included in the notices of the relevant payment account (bank account) available on the Bank's website and in the Branch network.
- h) As regards derivative products, service fees and product costs are incurred and assessed both upon the acquisition/purchase of the product and upon the closing of the position during its sale, as such cost items represent the costs of the issuer of the financial instrument that are either included in the price of the given instrument or paid over and above the price at the beginning or at the end of the investor's investment in the financial instrument. In cases where the Client has an option to choose account segregation, for the purposes of calculation we assumed that the Client would choose the segregation solution which has no extra costs.
- i) In the case of derivative products, the price defined and offered to the Client by the Bank also includes the sum of the product cost and service fee charged by the Bank. The service fee reflects the costs and fees charged for the investment service(s) and/or auxiliary services provided to the Client, whereas product costs reflect the costs and fees associated with the financial instrument.
- j) In consideration of the leverage associated with derivative products, in the case of derivative products the Bank considers the invested amount – as the amount of product acquisition – to be the notional value of the given instrument at the date of its sale. With leveraged trading, customers may obtain transactions and positions of a higher value than their invested capital. Leveraged trading carries significant risks; therefore, there is a risk that the investor loses the total invested capital or even incurs losses over and above of the invested capital.
- k) The costs and fees of securities account management incurred in relation to the registration and management of the collateral underlying the given financial instrument are also considered by the Bank to be costs incurred in relation to the management of the financial instrument.

The business regulations, notices and descriptions containing the detailed conditions and fees of Global Markets Services are available in the Bank's Branches providing investment services and on

the Bank's website at www.otpbank.hu, in particular, under the Securities, Global Markets and Bank Accounts menu options. Private Banking, Prestige Private Banking and Digital Private Banking Clients may access the business regulations, notices and descriptions concerned on the website available to Private Banking and Prestige Private Banking Clients at www.otpbank.hu/privatebanking/Fooldal.

K. Ex-post information to the Client on costs and related charges (ex-post report)

The Bank provides ex-post information to Clients on an annual basis on all costs and charges incurred in respect of the investment services and ancillary (investment) services provided by the Bank, and in respect of financial instruments and structured deposits (for the purposes of this Chapter, the concept of financial instruments also covers structured deposits, hereinafter collectively: **financial instruments**). The Bank provides ex-post information to its Clients during a standard procedure; in other words, during the provision of ex-post information to Clients classified as Professional Clients and Eligible Counterparties the Bank does not exercise the option of the restricted application of the obligation to provide information.

The information provided is personalised: it is prepared based on the investment services and ancillary (investment) services used by the Client concerned, and based on the Individual Transactions executed for and products sold to the Client. The review period of the ex-post information is determined in consideration of the period of the business relationship between the Client and the Bank, and the date of the contract or framework agreement concluded for using the investment or ancillary service concerned. If the contract or framework agreement concluded by the Client and the Bank for the investment service or ancillary service is terminated, the ex-post information shall cover the relevant period.

Pursuant to Commission Delegated Regulation (EU) 2017/565, the ex-post information contains:

- a) all costs and associated charges charged for the investment services and/or ancillary (investment) services provided to the Client
- b) all costs and associated charges associated with the manufacturing and managing of the financial instruments, and
- c) for the purposes of point (a), third party benefits (payments) received in connection with the investment service provided to the Client.

The ex-post information shows actually incurred fees and charges in the period concerned. Regarding the products sold by the Bank as part of its investment services and ancillary (investment) services, the Bank obtains the required data from the relevant issuers or manufacturers and contacts the issuer or the manufacturer for any supplementary data as appropriate.

In consideration of Commission Delegated Regulation (EU) 2017/565, the ex-post information contains the aggregated costs and charges incurred, itemised in accordance with the legislation. The ex-post information shows the aggregated costs and charges totalled and expressed both as a cash amount and as a percentage.

Service providers, including the Bank, are required to provide and present ex-post information on costs and charges in aggregated form in order to enable the Client to understand the total cost and the cumulative impact of the total cost on the return of the investment.

The costs and charges included in the ex-post information are expressed in Hungarian forint.

Where any part of the total costs or charges is to be paid in or represents an amount of foreign currency, the Bank shall convert to HUF the amount of the fees and charges incurred and charged in the foreign currency using the official MNB exchange rate published on the day of the acquisition, settlement or cash settlement of the relevant financial instrument or on the day on which the service was used. The exchange rate applied is included in the accounting document, certificate or statement pertaining to the relevant Individual Transaction.

In respect of fees and charges, the Bank takes into consideration the following items:

1) Investment services and/or ancillary services

- a) One-off costs associated with the provision of the investment service – all fees and charges paid at the commencement and conclusion of (the) investment service(s)
- b) Ongoing costs associated with the provision of the investment service – ongoing fees and charges paid for the services provided
- c) Costs associated with transactions initiated during the investment service – all costs and charges associated with transactions concluded by the Bank or by other parties

- d) Costs associated with other, ancillary services – costs and charges for ancillary services
- e) Incidental costs – fees or costs to be charged for specific individual transactions, orders or services (e.g. performance fees)

2) Fees and charges associated with financial instruments

- a) One-off costs – all costs and charges (included in or in addition to the price of the financial instrument) paid to product suppliers at the beginning or at the end of the investment in the financial instrument
- b) Ongoing costs – all ongoing costs and charges related to the management of the financial product that are deducted from the value of the financial instrument during the investment in the financial instrument
- c) Costs associated with the transactions – all costs and charges incurred as a result of the acquisition and disposal of the investment
- d) Incidental costs – fees or costs incurred in specific individual transactions, orders or services (e.g. performance fees)

The detailed conditions of the Individual Transactions and deals included in the ex-post information are presented in the contracts and confirmations pertaining to the individual transactions, in the relevant business regulations and annexes thereto, in the relevant notices and condition lists and in the securities account statements and other reports.

The Bank as a credit institution engaged in investment service activities transacts payments in connection with the investment services it provides to its Clients on the Client's bank account (payment account). As part of the ex-post information on the relevant charges and associated fees determined in respect of the investment services and financial instruments, the Bank did not assess the fees linked to payment accounts (bank accounts), as besides investment services, payment account operations may be also performed in the case of financial services.

If requested by the Client, the ex-post information on fees and charges shall also be provided in an itemised breakdown. Where applicable, such information shall be provided to the Client at least annually during the life of the investment.

In the document intended for the confirmation of Individual Transactions under Global Markets Services, the Bank shall indicate

- a) the contractor's fee charged in relation to the individual transaction in the case of brokerage transactions;
- b) the service fee charged in relation to the individual transaction in the case of own-account securities transactions;
- c) the service fee charged in relation to the individual transaction in the case of derivative transactions.

In the case of derivative products, in the document intended for the confirmation of Individual Transactions the Bank does not disclose the fees and costs that can be interpreted as product costs. Information on the aggregated value of such costs – which includes all costs and fees associated with both the financial instrument(s) and the investment and auxiliary service(s) – are sent to the Client in the annual cost statement.

A template of the ex-post information on fees and charges – 'Ex-post report on fees and associated charges' –, its elements, a disclaimer and an explanation to Clients are available on the Bank's website at <https://www.otpbank.hu/portal/hu/Megtakaritas/Ertekpapir>.

L. Cost-benefit analyses

1. This Information Notice was drawn up in consideration of the provisions of Commission Delegated Regulation (EU) 2017/565, strictly for the purposes of informing Clients. This information does not qualify as a contract between the Client and the Bank, or as an amendment of the existing individual transaction or agreement.
2. Pursuant to Article 54 (11) of Commission Delegated Regulation (EU) 2017/565: 'When providing investment advice or portfolio management services that involve switching investments, either by selling an instrument and buying another or by exercising a right to make a change in regard to an existing instrument, investment firms shall collect the necessary information on the client's existing investments and the recommended new investments and shall undertake an analysis of the costs and benefits of the switch, such that they are reasonably able to demonstrate that the benefits of switching are greater than the costs.'
3. A switch between investments is a relationship between two transactions, which, based on the identifiable – or 'to be identified' – intention-purpose-timing information, results in a transfer between the investments, thus, for example:
 - a) the Client's intention is aimed at the conclusion of a new investment contract; the intention to conclude a new contract already existed at the time the Client decided to conclude the existing transaction
 - b) by selling, modifying or concluding the existing investment, the Client's purpose is to provide coverage for the new investment
 - c) there is a temporal relationship between the decisions on the existing investment and the new investment and the transaction orders (the orders are placed simultaneously or close to each other in terms of timing)
4. Switching shall only be deemed as such by the Bank if the Bank becomes aware of the Client's intention to switch between investments during a phone call, and the Bank provided, in the framework of investment advice, a recommendation to both sell one of the instruments / close out a position and purchase the other instrument / open a position provided that the Bank's staff member recommended the sale of one of the instruments / closing out the position specifically to recommend the purchase of the other instrument / opening the position. Irrespective of the above, recommendations resulting in switching between investments and the transaction orders may take place at different times.

If investment advice was provided under a Global Markets Framework Agreement which resulted in a switch between investments, the Bank will indicate this fact in a Suitability Report sent to the Client.

5. Possible reasons and objectives behind recommending the switch between investments:
 - a) the expected net return on the recommended alternative transaction is more favourable than the expected net return on the existing transaction (also in consideration of the entry and exit costs entailed by the switch between the investments and the fact that the past data of the alternative transactions or instruments cannot be used as a reliable prediction of their future return or performance and that the price movements of the instruments are influenced by the combined effect of multiple factors, which may change in response to market conditions and circumstances; consequently, any new market event or information may influence the prices on the markets), and/or
 - b) changes in the Client's situation and needs, and/or
 - c) changes in the characteristic of the product or financial instrument and/or changes in market conditions (e.g. a security becomes illiquid, the risk associated with existing investments increases), and/or
 - d) assessable monetary and non-monetary cost and benefit factors (e.g. thanks to the switch between investments, the Client's investments become more diversified in terms of geography, type, issuer, etc., a better alignment is achieved with the Client's risk profile, the liquidity of the Client's investments improves, etc.).

M. Relevant communication

1. Detailed regulations on relevant communication are included in Chapter A.II.4 'Contacting the Client' of the Business Regulations.
2. Relevant communication includes communication prior to contract conclusion aimed at contracting or to enable the service provision – even where the contract conclusion or use of the service does not take place –, the process of contract conclusion and the communication following the contract conclusion or service provision.
3. The Bank records client meetings constituting relevant communication along with their results and the fact of contract conclusion, marking the important elements of the relevant communication.
4. The Bank records conversations (both relevant and non-relevant) conducted on specific landlines of the Bank's relevant organisational units, and, subject to the Client's advance notification, it reserves the right to also record phone conversations conducted via other phone lines.
5. The Client acknowledges and accepts that it may initiate any transaction order, make any declaration or dispose over any of its financial instruments and liquid assets held with the Bank over the phone only through the landlines equipped with voice recording, as specified by the Bank.
6. The Bank treats the audio recordings in accordance with the requirements on bank secrets, securities secrets and the processing of personal data, and will only grant access to them in compliance with the rules applicable to confidentiality and data processing. At the Client's request, the Bank shall provide the possibility for the Client to replay the audio recordings in the presence of a representative of the Bank.
7. The Bank may demonstrate the content of the telephone conversation with the Client by means of the content recorded by it, either in the form of an audio recording or a note based on the audio recording. In the case of Clients not qualifying as consumers, the audio recording produced by the Bank shall prevail, against which the Client may present evidence on rebuttal. In the case of Clients who qualify as consumers, the Bank may use the audio recording produced by it as evidence, against which the Client may present evidence on rebuttal. Any natural person acting for purposes which are outside of his trade, business or profession shall qualify as a consumer.
8. In order to record the contact with the Client over the phone, the Bank may apply a digital audio recording system, which also automatically compresses the audio recordings for increased storage efficiency. Due to the procedure employed by the digital audio recording system, when replaying the audio recordings it may occasionally happen that the conversation recorded for the relevant client contact is presented in a fragmented way in several separate stages; moreover, due to the fragmentation of the audio recording procedure and the recorded conversations, the duration of the replayed, archive conversation may be shorter. The procedure applied for storage and archiving does not cause any data or information loss in the phone conversation; only those recordings will be abbreviated during the compression, during which the recording system does not perceive digital signals, i.e. conversation (for example, the Client does not respond immediately because he checks the statements sent to him earlier, or the dealer checks the current market rates in respect of the individual order and the Client is waiting for the result during the telephone conversation).
9. Data protection information on the audio recordings are included in Annex 5 to the General Business Regulations and the Privacy Notices constituting Annex 5 to the Bank's Investment Services Business Regulations, which are available on the Bank's website and in the Branch network.

10. The Bank stores and processes the recordings of relevant conversations for the period defined in the Business Regulations. At the Client's request (submitted through the communication channel specified in the relevant contract), during this period the Bank will provide the document and audio recording containing the relevant communication to the Client and, also in consideration of the applicable security and confidentiality requirements, enable the Client to replay the audio recordings.

11. The procedure related to the handling of the audio recording containing the Client's complaint or objection in relation to the Bank's service presented over the phone is included in the Bank's Complaints Handling Policy.

N. Suitability report

1. Detailed regulations on the suitability report are included in Chapter B.IX.7 'Suitability report' of the Business Regulations.
2. When providing investment advice, the Bank prepares a suitability report for Clients qualified as retail clients. This includes a brief summary of the investment advice and describes the extent to which the recommended financial instrument is suitable for the goals and personal circumstances of the Retail Client. In preparing the suitability report, the Bank assesses, inter alia, the term of the relevant investment, the Client's knowledge and experience, the Client's risk appetite and ability to bear losses, and the Client's sustainability preferences.
3. If the conditions listed in the Business Regulations are met, the receipt of the suitability report may also be requested after contract conclusion.

O. Assessment of product governance rules and the target market; sale of products outside the positive target market

1. In its internal procedures, the Bank applies product governance rules to ensure that the products and services wished to offer or recommend are compatible with the needs, characteristics and goals of the identified target market and that the envisaged distribution strategy is consistent with the identified target market.
2. The Bank identifies at sufficient detail potential target markets for an individual financial instrument and defines the client type or client types whose needs, characteristics and goals are compatible with the given financial instrument. As part of this process, the Bank identifies the client group or client groups whose needs, characteristics and goals are incompatible with the given financial instrument, unless the financial instrument considers sustainability objectives/factors.
3. The Bank establishes and maintains procedures and measures regarding the group of financial instruments and services offered or recommended by it and for the decisions on the relevant target markets that ensure compliance with the requirement to be applied under the MiFID II directive (Directive 2014/65/EU); thus, in particular, those pertaining to disclosures, the assessment of suitability or appropriateness, inducements and the proper management of conflicts of interest.
4. The Bank reviews its product government rules at regular intervals and, based on the result, it takes the necessary actions as appropriate.
5. In respect of financial instruments, the Bank uses the information available or received from the manufacturers, and the information on its own Clients in order to identify the target market and the distribution strategy. Considering that, besides the issuer/manufacturer of the financial instrument concerned, the financial instrument's target market may also be defined by the distributor or seller of the financial instrument, the Bank retains the right to differ from the target market definition offered by the issuer/manufacturer in the course of the services provided by the Bank.
6. If the sale of a given financial instrument in respect of a Client qualifies as sale outside the target market (including a negative target market), the Bank will notify the Client of this fact, and during the sale it will provide a short justification as to why, in respect of the given instrument, sale outside the target market is suitable for the Client.
7. At present, none of the derivative contracts available at the Bank can be considered as a financial instrument satisfying a sustainability preference (in other words, as a financial instrument taking into consideration sustainability objectives); therefore, without exception, they are deemed by the Bank to be sold outside the target market from a sustainability perspective in the case of Clients with sustainability objectives.

P. Investment advice

1. In respect of its activity as a whole, the Bank strictly acts as a non-independent (tied) agent in providing investment advice. Acting as a non-independent (tied) agent during the provision of investment advice, the Bank does not secure for its Clients access to a broad range of financial instruments available in the relevant markets, without assessing a sufficient range of financial instruments available in the markets which are sufficiently diverse with regard to their type and issuers or product providers to ensure that the Client's investment objectives can be suitably met. Accordingly, the Bank does not define or apply a selection process in order to assess or compare a sufficient range of financial instruments available in the market as prescribed in Article 24 (7)(a) of Directive 2014/65/EU. Since the Bank provides investment advice consistently as a non-independent (tied) agent, it does not create organisational requirements and control mechanisms to distinguish between the two types of the investment advice (independent or non-independent).
2. As regards the range of financial instruments that can be recommended by the Bank in the context of non-independent investment advice, the nature of its relationship with the issuer or provider of the instruments can be qualified as follows:
 - a) The Bank qualifies as an issuer, e.g. of the Bank's own bonds
 - b) Instruments created by the Bank, e.g. derivatives or structured products recommended by the Bank
 - c) Products created by undertakings that are closely related to the Bank, e.g. members of the OTP Group, such as the products of OTP Alapkezelő Zrt., OTP Ingatlan Alapkezelő Zrt. or OTP Jelzálogbank, which are sold or distributed under a contract.
The current designation of companies within the OTP Group is available on the Bank's website under the OTP Group menu option at: <https://www.otpbank.hu/portal/hu/Rolunk/OTPCsoport>
 - d) The Bank is in a contractual relationship with the relevant entity (which is not a close associate), and the products are sold, inter alia, under a distribution agreement. For example, distribution of the fund units of investment funds that are not subsidiaries (e.g. AEGON, Hold Alapkezelő, foreign partners), distribution of the bonds of MOL Nyrt.
 - e) In respect of retail government bonds, the Bank has a distribution agreement with the Government Debt Management Agency
 - f) Moreover, even without any relationship with the issuer or the provider of the financial instrument, the Bank may acquire or sell the financial instrument when executing the Client's order at the execution venue defined in the Execution and Allocation Policy.
3. The condition for providing investment advisory services is the suitability assessment (test) performed by the Bank, the detailed rules of which are included in Section A.II.7 of the Investment Services Business Regulations and the documents cited therein.
4. When conducting or updating the Suitability Test, the Bank also surveys the Client's sustainability (ESG) preferences, and will consider them for the purposes of providing its investment advice. In respect of 'sustainable investments' and 'environmentally sustainable investments under the Taxonomy Regulation', the Bank takes into account the desired percentage shares provided by the Client in the Suitability Test at the level of the model portfolio in the case of investment advice based on a model portfolio, and in respect of the individual financial instrument in the case of investment advice aimed at individual instruments. In the lack of an 'adjustment decision', the sustainability preferences provided in the suitability test – given the scarcity of ESG data available for financial instruments – may significantly reduce the range of the financial instruments that can be recommended to the Client.
5. If the Client provided sustainability preferences in the suitability test, it may decide to adjust its preferences during the advisory process; i.e. to refrain from having its sustainability preferences provided in the suitability test fully considered ('adjustment decision'). In such cases the Bank maintains a record of the Client's adjustment decision, including the reasons for the decision. At present, none of the derivative contracts available at the Bank can be considered as a financial instrument satisfying a sustainability preference; therefore, when the Bank provides investment advice on a derivative financial instrument, it will always assume that the Client has adjusted its

potential sustainability preferences. For further information on sustainability preferences, please refer to Chapter R of this Information Notice.

6. Appropriateness for the investment objectives serving environmental or climate protection purposes is assessed in the framework of the target market assessment referred to in Section O of this Information Notice.
7. As the Bank does not provide investment advice to Clients who are considered Eligible Counterparties and Professional Clients under the Investment Firms Act, the Bank does not require Eligible Counterparties or Professional Clients to fill out a suitability test. (In the case of Eligible Counterparties and Professional Clients, pursuant to Article 56 of Commission Delegated Regulation (EU) 2017/565 neither does the Bank require the completion of an appropriateness test, as it assumes that the Client has the necessary experience and knowledge in order to understand the risks involved in relation to those particular investment services or transactions, or types of transaction or product, for which the Client is classified as a Professional Client or Eligible Counterparty).

Q. Packaged retail investment products and Key Information Documents

1. Provisions on packaged retail investment products and Key Information Documents (KIDs) are included in Chapter A.II.10 of the Business Regulations.
2. Requirements on the Key Information Document are set out in REGULATION (EU) No 1286/2014 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 26 November 2014 on key information documents for packaged retail and insurance-based investment products [hereinafter: **Regulation (EU) No 1286/2014**], and COMMISSION DELEGATED REGULATION (EU) 2017/653 of 8 March 2017 supplementing Regulation (EU) No 1286/2014 of the European Parliament and of the Council on key information documents for packaged retail and insurance-based investment products (PRIIPs) by laying down regulatory technical standards with regard to the presentation, content, review and revision of key information documents and the conditions for fulfilling the requirement to provide such documents [hereinafter: **Commission Delegated Regulation (EU) 2017/653**].
3. Pursuant to Article 5 (1) of Regulation (EU) No 1286/2014, the manufacturer of a packaged retail investment product shall draw up the KID and publish the document on its website.
4. Pursuant to Article 4 (4) of Regulation (EU) No 1286/2014, a 'packaged retail and insurance-based investment product manufacturer' or 'PRIIP manufacturer' means a) any entity that manufactures PRIIPs; b) any entity that makes changes to an existing PRIIP including, but not limited to, altering its risk and reward profile or the costs associated with an investment in a PRIIP.
5. In its capacity as a person selling PRIIPs, the Bank makes available to the Client the KID as defined in Chapter A.II.10 of the Business Regulations. Where the KID is provided to Retail Clients on a website, the KID will be available under the following menu option: Megtakarítás/Ertekpapír/MiFID.
6. The KID represents a pre-contractual disclosure of information. The form and content of the KID are defined in Regulation (EU) No 1286/2014 and Commission Delegated Regulation (EU) 2017/653, which, inter alia, are the following:
 - a) The KID is a short document written in a concise manner, on up to three sides of A4-sized paper;
 - b) The title 'Key Information Document' shall appear prominently at the top of the first page of the KID;
 - c) An explanatory statement shall appear directly underneath the title of the KID, which shall read: 'This document provides you with key information about this investment product. It is not marketing material. The information is required by law to help you understand the nature, risks, costs, potential gains and losses of this product and to help you compare it with other products.'
 - d) At the beginning of the document, the KID sets out the name of the PRIIP, the identity and contact details of the PRIIP manufacturer, information about the competent authority of the PRIIP manufacturer and the date of the KID.
 - e) Where applicable, the KID contains a comprehension alert, which shall read: 'You are about to purchase a product that is not simple and may be difficult to understand.'
 - f) By law, the individual sections of the KID shall be the following:
 - a section entitled 'What is this product?';
 - a section entitled 'What are the risks and what could I get in return?';
 - a section entitled 'What happens if [the name of the PRIIP manufacturer] is unable to pay out?';
 - a section entitled 'What are the costs?';
 - a section entitled 'How long should I hold it and can I take money out early?';
 - a section entitled 'How can I complain?';
 - a section entitled 'Other relevant information'.

7. In accordance with Article 10 of Regulation (EU) No 1286/2014 and Articles 15 and 16 of Commission Delegated Regulation (EU) 2017/653, the PRIIP manufacturer shall review the information contained in the key information document regularly and shall revise the document where the review indicates that changes need to be made. The revised version shall be made available on the manufacturer's website.

R. Integration of sustainability risks and sustainability preferences

1. It is in this Information Notice that the Bank – in its capacity as a credit institution performing portfolio management and providing investment advice – meets its pre-contractual disclosure obligation as per Article 6 of the SFDR on the integration of sustainability risks. Further information on the integration of sustainability risks is available in the document entitled ‘Statement on the integration of the sustainability risks of investments’, which is available on the Bank’s website at www.otpbank.hu under the Investor Relations menu option. Additional SFDR-related information, including the document entitled ‘Statement on the adverse impact of investments on sustainability factors’ is available on the Bank’s website at www.otpbank.hu.
2. In addition to the usual financial indicators and other risks, the Bank considers as relevant and takes into account the sustainability risks of financial instruments for the purposes of investment decisions on portfolios in its portfolio management activity and in the selection process of the fund units recommended as part of its investment advisory services.
3. Sustainability risks may arise from environmental and social impacts on potential investments and from the governance practice of the companies involved in the investment. The regulator refer to sustainability risk factors using the ESG acronym, which corresponds to the abovementioned environmental, social or governance aspects. While environmental aspects may cover, among others, the mitigation of the climate change, social aspects may refer to the consideration of globally recognised labour law requirements or the elimination of the male–female wage gap. The consideration of employee rights and data protection fall within the range of governance aspects. The Bank also considers climate change-related risks, which can be classified as physical and transition risks. Physical risks are, for example, events related to the climate change such as heat wave, storms or global warming. Transition risks include risks arising from the transitioning to the reduction of carbon-dioxide emissions and the transitioning to a climate-neutral economy.
4. A sustainability risk may materialise in itself, or may impact other risk types (such as market risk, liquidity risk, credit risk, counterparty risk or operational risk), contributing significantly to the overall risk of the Client’s investments. Sustainability risks – should they materialise – may have a significant impact on the value and/or return of the investment, and may even result in the loss of the total capital. Based on the information available, there is no clear negative or positive correlation between sustainability risks and the return on financial products. Therefore, no clear positive or negative correlation can be observed between the return on the financial product and the financial products and/or the practice of the issuers of the financial instruments underlying the financial products as regards the management of sustainability risks. Financial instruments may be exposed to adverse impacts arising from sustainability if they are issued by companies that do not comply with ESG requirements or to not transition to an operation that is more closely aligned with ESG considerations. Such impacts on market value may derive from reputational issues, sanctions, physical or transition risks or the insufficient management of sustainability risks, which may amplify the impact on the value and/or return of the investments.
5. The purpose of integrating sustainability risks into investment decisions is to ensure that the materialisation of such risks is identified as early as possible so that appropriate measures are taken to minimise the impact on investment decisions and on the financial instruments selected for the purposes of investment advice. Such measures include, for example, the reweighting of the financial instruments under portfolio management, or investments into instruments with a low level of sustainability risks.
6. In the framework of its risk management procedure, in order to assess sustainability risks the Bank may apply quantitative or qualitative indicators that are based on environmental, social or governance considerations.

7. When conducting or updating the suitability test, the Bank surveys the Client's sustainability (ESG) preferences, and – provided that the Client indicated that it has sustainability preferences – will consider them for the purposes of its investment advisory or portfolio management services. Pursuant to Commission Delegated Regulation (EU) 2017/565, sustainability preferences have three categories: Sustainable investment, Environmentally sustainable investment under the Taxonomy Regulation, Investment that considers principal adverse impacts on sustainability factors. The Client's personal sustainability preference is the Client's decision on whether and to what extent it wishes to include one or more of the following financial instruments in its investment:
8. The three categories of sustainability preferences:
- a) **Sustainable Investment:** an investment in an economic activity that contributes to an environmental objective, as measured, for example, by key resource efficiency indicators on the use of energy, renewable energy, raw materials, water and land, on the production of waste, and greenhouse gas emissions, or on its impact on biodiversity and the circular economy, or an investment in an economic activity that contributes to a social objective, in particular an investment that contributes to tackling inequality or that fosters social cohesion, social integration and labour relations, or an investment in human capital or economically or socially disadvantaged communities, provided that such investments do not significantly harm any of those objectives and that the investee companies follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance.
 - b) **Environmentally sustainable investment under the Taxonomy Regulation:** Investment in one or several economic activities that qualify as environmentally sustainable under the Taxonomy Regulation.
The Taxonomy Regulation of the European Union and its implementing regulations classify the various economic activities underlying investments and accordingly, an economic activity shall qualify as environmentally sustainable under the Taxonomy Regulation where that economic activity:
 - substantially contributes to one or more of the following environmental objectives: climate change mitigation, climate change adaptation, the sustainable use and protection of water and marine resources, the transition to a circular economy, pollution prevention and control, the protection and restoration of biodiversity and ecosystems;
 - does not significantly harm any of the above environmental objectives (the principle of Do Not Significantly Harm or DNSH);
 - is carried out in compliance with the minimum safeguards laid down in specific international conventions.
 - c) **Investment that considers principal adverse impacts on sustainability factors:** During their operation, some companies and financial instruments consider adverse impacts on certain sustainability factors (e.g. environment, society) or on certain environmental or social objectives. From 2023, investment funds, for example, are required to disclose whether they consider principal adverse impacts on sustainability factors.

In the suitability test, the Client may indicate whether, as regards its personal sustainability preferences, it requests the combined or individual consideration of the three categories above; moreover, in respect of the sustainability preferences specified in points (a) and (b), the Client may also indicate a percentage rate to be considered by the Bank as follows at the level of individual financial instruments for the purposes of investment advice:

- in the case of collective investment instruments (e.g. investment funds), the minimum expected percentage rate indicated by the Client is compared to the value pertaining to the financial instrument;
- as regards the preference shown in point (a), in the case of collective investment instruments (e.g. shares, bonds) the Client's minimum expected percentage rate and the percentage rate that can be provided in the suitability test are determined by the Bank, based on data from international third-party ESG data providers, in such a way that the

financial instrument meets all of the following conditions: the investment has no adverse impact on any of the sustainability objectives; moreover, the issuer follows correct governance practices, and its revenues derive from sustainable activities at the percentage rate expected by the Client;

- as regards the preference shown in point (b), in the case of collective investment instruments (e.g. shares, bonds) the Client's minimum expected percentage rate and the percentage rate that can be provided in the suitability test are determined by the Bank, based on data from an international external ESG data provider, in such a way that the minimum percentage rate expected by the Client is compared to the value pertaining to the financial instrument.

In the case of portfolio management, the percentage value calculated for the portfolio as a whole must satisfy the Client's preferences as provided in the suitability test in order to deem it satisfactory for the sustainability preferences. In designing the investment strategies of the portfolios managed as part of the portfolio management service, with special regard to the scarcity of the data available, at present the Bank does not formulate investment strategies that may be considered satisfactory for the sustainability preferences.

In providing investment advice, when assessing individual financial instruments based on sustainability preferences, the Bank primarily relies on data published/made available by issuers especially in respect of the investment funds distributed. Where available, it considers information available via the non-mandatory, EET (European ESG Template) disclosure published/made available by the issuer. Where it is unavailable, the Bank relies on data from an international external ESG data provider.

Given the unavailability or limited availability of data published by the issuer of the financial instrument in the case of the 'environmentally sustainable investments under the Taxonomy Regulation' shown in point (b) above, in the lack of published data, for the purposes of providing investment advice, the Bank will consider data estimated and provided by an international external ESG data provider (if available) when assessing individual financial instruments based on the sustainability preference described in point (b) above. The Bank regularly reviews this methodology based on regulatory requirements and the expansion of published data available.

In consideration of the data deriving from the international external ESG data provider, the Bank determines which investments can be deemed, based on the currently available and accessible information, investments that consider principal adverse impacts on sustainability factors as described in point (c) above. To that end, the Bank applies the following methodology:

- In the case of the distributed investment funds, the Bank relies on the issuer's statement, where available, on whether it considers principal adverse impacts on sustainability factors.
- In respect of other individual products (e.g. investment funds, shares, securities issued by companies or governments) **the Bank will consider the following quantitative or qualitative elements** based on data deriving from an international external ESG data provider:
 - the ESG rating of the international external ESG data provider, which classifies individual financial instruments and their issuers on a scale of 7, of which the Bank excludes those with the two worst ESG ratings;
 - in order to exclude the main adverse impacts on the environment, exposure to fossil fuels and to coal mining sectors and, in the case of financial instruments issued by governments, the ratio of the government's greenhouse gas emission to GDP;
 - exposure to controversial weapons and to armament (nuclear, biological, chemical weapons);
 - composite indices of the international external ESG data provider assessing debated activities or operation;
 - information on issuers violating the UN Global Compact principles and on the countries sanctioned by the UN.

The Bank regularly reviews this methodology based on regulatory requirements and the expansion the data available.

9. The Bank strives to use data deriving from the international external ESG data provider to determine the extent to which the financial instruments invested or recommended during the investment advisory or portfolio management services comply with the above requirement if at all. However, the depth and quality of ESG data currently available on individual financial instruments vary, and there is no ESG information available on a significant part of the financial instruments. In the absence of data, the Bank shall consider a financial instrument unsatisfactory in terms of sustainability preferences.

10. At the request of the international external ESG data provider engaged by the Bank, the Bank wishes to draw investors' attention to the following disclaimer:

"Certain information contained herein ('Information') is the intellectual property of MSCI Inc, MSCI ESG Research LLC or its subsidiaries ('MSCI') or its information providers (collectively: 'MSCI Parties'), and may be used for the calculation of certain scores, indications or other indices. The Information is for internal use only, and its reproduction or redistribution, whether in part or in full, is strictly prohibited without prior written consent. The Information shall not be used as an offer or a promotion or solicitation of an offer to buy or sell any security, financial instrument, product, trading strategy or index, and shall not be construed as an indication or guarantee of future performance. Some funds may be based on or linked to MSCI indices, and MSCI may be compensated based on the fund's managed assets or based on other metrics. MSCI has set up an information barrier between index research and certain Information. None of the information shall be used in itself to determine which securities are to be bought or sold and when. The Information is provided on an 'as is' basis, and the user assumes the entire risk of any use or authorisation for use of the Information. The MSCI Parties do not warrant or guarantee the originality, accuracy and/or completeness of the Information, and expressly rule out any express or implied warranty. In no event shall the MSCI Parties have any liability to any person or entity for flaws or omissions or for any damages, whether direct, indirect, special, punitive, incidental, consequential or other (including lost profits) arising from the Information contained herein, even if it was advised of the possibility of such damages.'

11. The publication, collection and assessment of sustainability information is a continuously improving and significantly developing area which, however, is not fully regulated either globally or at the EU level along the lines of standard criteria. As all market participants, the Bank is committed to recommending financial instruments satisfying the sustainability preferences stated by its Clients, and to using sustainability data accordingly when performing its statutory obligations. In this context, given the circumstances described in this disclaimer and the scarcity of data, the Bank uses the data deriving from the ESG data provider or from the product manufacturer with the application of various weightings, adjustments and simplifications based on its own internal methodology. Consequently, it cannot be ruled out that some service providers draw different conclusions from information deriving from the same or from different ESG data providers or product manufacturers, or they use or interpret the data available differently. They may also refer to some ESG data by using the same term or expression, yet they associate such term or expression with different meanings. The Bank shall not be liable for any adverse consequence, real or assumed, arising from conclusions drawn from the ESG data used.

S. Risks and consequences of the reuse of financial instruments

1. This Notice does not take into consideration the risks and consequences arising from the Client's individual circumstances or from the conditions of individual transactions; it provides information only on those general risks and consequences that may arise in relation to the respective service contracts and individual transactions as a potential risk and consequence of the reuse of the deposited financial instruments (not including reuse upon the Client's default).

2. If, based on a service contract or individual transaction, the Client transfers financial instruments to the Bank that are used for the conclusion of securities financing transactions or are used repeatedly, the following potential risks and consequences may arise, which should be assessed and reviewed before making the financial or investment decision.
 - a) The Client's rights related to the financial instruments – including potential ownership rights – are replaced by an unsecured contractual claim for the delivery of identical financial instruments according to the terms of the relevant service contract and of the individual transaction.
 - b) The Bank manages the financial instrument involved in the reuse based on rules other than those applicable to the separate management of client assets. The Bank keeps a register, which contains the data of Clients at whose instructions the financial instrument was reused.
 - c) Upon execution, acquiring the same financial instruments in due course may cause difficulties to the Bank.
 - d) In the event of the Bank's potential payment problems, insolvency, bankruptcy, liquidation or resolution procedure, or if the Bank fails to perform the relevant contract by the due date, the Client's claim related to the delivery of financial instruments will become an unsecured claim. Furthermore, in such cases, the Client may not be able to obtain the same financial instruments or may not be able to realise the full value of the financial instruments, or may receive different financial instruments or securities. It may also happen that, upon the occurrence of such events, the return of the securities to the Client becomes the obligation of a different legal entity.
 - e) Upon the default of other actors involved in the settlement, it may happen that the Client does not get back all instruments, and it may have different rights depending on the laws of the given actor's country of incorporation (which is not necessarily Hungarian law) and on the protection provided by that actor.
 - f) If the securities lent by the Bank are not returned to it in due course, it will not be able to deliver them to the Client by the contracted delivery date, thus the Client may not be able to discharge its contractual obligations related to the delivery of the securities or exercise its rights related to the ownership of the securities. This may also be the case when any member of the securities clearing system (e.g. central clearing house, custodian, clearing broker) becomes bankrupt or insolvent, in which case it may happen that the Client can recover only part of the securities portfolio lent by him.
 - g) Based on the agreement concluded by the Bank and the Client, the Bank is not obliged to inform the Client on the events related to the financial instruments or to the occurrence of corporate events in the case of securities.
 - h) As a result of the termination of its ownership interest related to the financial instruments, the Client is not entitled to exercise its voting, approval or similar rights related to the financial instruments. The Client is no longer entitled to receive interest, dividend or other payments, and cannot exercise the rights related to the financial instruments.
 - i) The exercise of the right of reuse related to the financial instruments by the Bank and the resulting delivery of the same financial instrument to the Client may entail different tax implications, and the settlements performed during the reuse may also impact the Client's tax liability.

T. Information given on the 10% decrease in the initial value of certain assets in the case of the positions in leveraged financial instruments or instruments containing transactions entailing contingent liability

1. The Bank provides its Clients with regular information – in the form of a portfolio statement sent on banking days – on the 10% decrease in the initial value of leveraged financial instrument positions or instruments containing transactions entailing contingent liability, and on any further 10% decrease in them. Based on the 'Change in market value' data field of the statement related to the valuation of individual transactions, the Bank provides its Clients with continuous information on changes compared to the initial value in leveraged financial instrument positions or in the instruments of transactions that entail a contingent liability. The decrease in the value of assets is indicated by the negative range of the data field. The Bank sends the statement to Clients on each banking day; if the 10% decrease or the additional 10% decrease in the value of the assets takes place on a day other than a banking day, the Bank will send the statement to the Client by the end of the next working day.
2. The information related to the impairment is determined as follows:
 - a) in respect of the individual transaction specified by the respective 'Transaction ID'
 - b) at the Client's request and based on its statement, in the case of individual foreign exchange option transactions arranged into a strategy, based on the aggregated value of the individual option transactions arranged into the strategy
 - c) based on the Client's statement, in the case of partially closed forward foreign exchange transactions, based on the aggregated value of the instruments affected by the open positions outstanding after the individual transactions that close each other partially.
3. In the case of derivative transactions, the initial value of the assets will be the initial margin requirement determined upon the conclusion of the individual transaction, in the case of individual foreign exchange option transactions arranged into a strategy it will be the initial margin requirement determined based on the aggregate value of the individual transactions arranged into a strategy, while in the case of forward foreign exchange transactions it will be the total initial margin requirement calculated for the affected assets of the outstanding open positions after the individual transactions partially closing each other, while the change in the value of assets is reflected by the change in the variation margin compared to the initial margin (in the case of arrangement into strategy or partial closing, calculated according to the same principles that are used for the initial margin), since the change in the market value is reflected by the developments in the variation margin.
4. A concise description of the establishment of the initial margin is included in the Collateral Notice (on the daily amount of secured claim transactions for individual Global Markets services, the level of initial margin, the list of Collateral items eligible as security and their adjusted market value). The summarised description of the calculation of the variation margin is included in the Methodology for the Collateral Notice ('On the calculation of the variation margin of certain OTC derivative Individual Transactions and on the conditions determining the change in the secured exposure').

U. List of documents generated in the signature pad process

1. General documents (MiFID client categorisation documents)
 - DECLARATION on the provision of information to the Client, the provision of key information documents (KIDs), the provision of a suitability report and on execution on or outside a trading venue
 - Name of person disposing over the Consolidated Securities Account
 - Contract amendment on requesting the documents related to investment and ancillary services in a durable medium (electronic notification)
 - Contract amendment for the investment services framework agreement on placing orders via fax and postal mail (only PB/PPB and corporate!)
 - Statement on the categorisation of a retail client as a professional client
 - Withdrawal of request to withdraw the retail client categorisation
 - Statement on restoring the retail client categorisation
 - Information on the consequences of categorisation as a professional client
 - Information on the client's original categorisation as at the establishment of the client relationship
2. Documents generated exclusively for Consolidated Securities Accounts
 - Investment Services Framework Agreement (Consolidated Securities Account contract)
 - Information on MNB ID
 - Declaration on Beneficial Owner
3. Documents generated exclusively for LTISA accounts:
 - Long-Term Investment Consolidated Securities Account Contract
 - Cash Account Contract linked to Long-Term Investment Securities Account
 - INFORMATION on Long-Term Investment Consolidated Securities Account (LTISA)
 - Information for depositors
 - Information on MNB ID
 - Declaration on Beneficial Owner
4. Documents generated exclusively for PSA-D accounts:
 - PSA-D Consolidated Securities Account Contract
 - Pension Savings Cash Account Contract
 - INFORMATION on Pension Savings (PSA-D) account
 - Information for depositors
 - Information on MNB ID
 - Declaration on Beneficial Owner
5. Documents generated for Global Markets services
 - Document on the identification of the authorised person specified in the Global Markets Framework Agreement
 - Global Markets Framework Agreement
 - Global Markets EMIR statement
6. Documentation related to the closure of securities account
 - Order to terminate securities account
 - Order to terminate payment account for PSA-D and LTISA
7. Transaction documents
 - Consolidated quote contract (except individual share quotes)
 - OTC buy/sell transactions
 - Investment funds distribution transactions
 - Standing buy order
 - Foreign currency conversion

Notices and disclaimers:

This Information Notice contains a general, non-exhaustive description of applicable legislation (EU acts) and is based on information to the Bank at the time of its preparation. The Bank strives to ensure that the relevant provisions contained herein are consistent with the legislation (EU acts) in force; however, it excludes any liability in this regard. Therefore, it is strongly recommended to familiarise yourself with the applicable legal provisions (EU acts) in force prior to the transactions affecting you. This Information Notice should not be regarded as legal or investment advice, investment analysis, investment recommendation, offering, advertisement or promotion pertaining to any specific financial instrument or transaction. In all cases, before using the Bank's investment services, please obtain information from your tax advisor or auditor in respect of the specific legal consequences to you. Please do not base your investment decision solely on this Information Notice. The Bank excludes any liability – as far as permitted by mandatorily applicable legislation – for damages arising from non-compliance with the contents of this document. Before using the investment services of the Bank, please read this Information Notice and the documents cited in order to make an investment decision based on the information you have about the investment services, the related transactions and the financial instruments. If you have any questions regarding the information in this Information Notice, or if you do not have access to any of the documents or information referred to herein, please contact the relevant branch, where our colleagues will be happy to help you.