

INFORMATION NOTE

ON CERTAIN STATUTORY PROVISIONS
APPLICABLE TO SUBORDINATED DEBT
SECURITIES ISSUED BY OTP BANK PLC.

14 July 2023

In this Information Note, **OTP Bank Plc.** (registered office: H-1051 Budapest, Nádor utca 16.) as issuer of certain Tier 2 capital instruments within the scope of the Directive defined below as BRRD (hereinafter: 'Issuer') wishes to make its Business Partners, especially those classifying as retail clients, aware of certain potential circumstances and risks relating to this type of bonds.

This Information Note applies to the following bonds:

- EUR 500,000,000 Fixed to Floating Rate Perpetual Subordinated Notes;
- EUR 500,000,000 Fixed Rate Reset Callable Subordinated Notes due 15 July 2029
- U.S. USD 650,000,000 Fixed Rate Reset Callable Tier 2 Capital Notes due 2033
 - (hereinafter: 'Bonds').

Section 1–6 in this Information Note concern only the Bonds specified above and may be applied to other tier 2 financial instruments within the scope of the BRRD only with the constraints described in Section 7.

1 Bond features

The Bonds are personalised, transferable debt securities, and may be issued with no maturity where appropriate. As subordinated securities, the Bonds embody direct, unconditional and unsecured subordinated liabilities of the Issuer.

The fact of the Bonds embodying subordinated liabilities of the Issuer means that, under the laws on credit institutions, the holders of the Bonds would be ranked last in terms of exposure satisfaction priority in any liquidation proceedings against the Issuer. The relative priorities of the subordinated liabilities embodied in the Bonds are defined in the Information Notes on the Bonds, which are available on the www.otpbank.hu website.

For the purposes of potential resolution proceedings against the Issuer, acting in its resolution function, the Magyar Nemzeti Bank (hereinafter: 'MNB') is entitled to carry out interventions concerning the rights embodied in the Bonds.

The differences between Bonds – as financial instruments – and bank deposits in terms of yield, risk, liquidity, and any protection provided under Directive 2014/49/EU of the European Parliament and of the Council are, in particular, as follows:

- In consideration of their typically shorter term, the return on bank deposits is less susceptible to changes in the interest environment than Bonds and hence, they are more predictable;
- In the deposit contracts of natural persons a negative interest rate or a 0% interest rate may not be stipulated irrespective of denomination; accordingly, the amount deposited by natural persons to the account shall be returned to the natural person along with interest (as regards non-natural persons, the deposit contract may stipulate a negative or 0% interest rate; in the latter case, the amount to be repaid is reduced by the negative rate);
- In a liquidation procedure Bond holders are preceded by deposit holders in the order of the satisfaction of claims; therefore, deposit holders have a better chance of recovering their investment;
- Bank deposits are easier to liquidate; where appropriate, early withdrawals may be possible, and shorter terms are also available; whereas with Bonds, holders may find they are unable to sell the instrument or only at a significant loss due to lack of liquidity;
- Bank deposits deposited with members of the National Deposit Insurance Fund (hereinafter 'NDIF') are guaranteed by NDIF up to an upper limit of EUR 100,000 – per person, and consolidated for each NDIF member –, while the holders of Bonds registered on securities accounts opened with members of the Investor Protection Fund (hereinafter 'IPF') are under IPF protection along with their assets (e.g. securities) up to an upper limit of EUR 100,000 – per person and consolidated for each IPF member. While the NDIF protects the amount deposited to a bank deposit, the IPF protection secures the existence of the assets (e.g. securities) deposited with the IPF member rather than the money invested in the financial instrument.

2 Applicable legislation and other regulations

In the assessment and valuation of the specific risks associated with Bonds, the legislation and other regulations listed below have particular significance:

- Act CXX of 2001 on the Capital Market ('Capital Market Act');
- Act CXXXVIII of 2007 on Investment Firms and Commodity Dealers and on the Regulations Governing their Activities ('Investment Firms Act');
- Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises ('Credit Institutions Act');
- Act XXXVII of 2014 on the further development of the system of institutions strengthening the security of the individual players of the financial intermediary system ('Resolution Act');

- Act XLIX of 1991 on Bankruptcy Proceedings and Liquidation Proceedings ('Bankruptcy Act');
- Taxation legislation as indicated in Chapter 6;
- Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and amending Regulation (EU) No. 648/2012 (CRR);
- Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No 1093/2010 and (EU) No 648/2012, of the European Parliament and of the Council ('BRRD');
- Commission Delegated Regulation (EU) 2017/565 (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: MiFID II Regulation);
- The Issuer's document entitled Standard Prior Information Notice in respect of investment services.

Hungarian legislation is available on the website of the National Legislation Database (Nemzeti Jogszabálytár) (<https://njt.hu/>), while European Union legislation is available on the EUR-Lex website (<https://eurlex.europa.eu/homepage.html?locale=hu>).

Moreover, the Bonds within the scope defined in the terms of issue, Information Note and the Base Prospectus, are governed by the provisions of English law. Please refer to your advisor on English law in every case for information regarding issues governed by English law.

A catalogue entitled 'Investment File' is available in all branches of the Issuer engaged in securities distribution, which contains the current business regulations, public announcements, lists of conditions, product information sheets, and all important analyses, prospectuses and publications related to the Issuer's financial instrument products and investment services. The Information Notes are also available on the Issuer's website (<https://www.otpbank.hu/portal/en/GlobalMarkets/MiFID>).

The Standard Prior Information Notice in respect of investment services is available at the following web page, under "Terms and conditions and announcements, informative documents":

https://www.otpbank.hu/portal/en/GlobalMarkets_en

3 General warning

Due to changes in 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; thus, for example, the marketability of the Bonds on the secondary market may be susceptible to events taking place in financial markets, and even advance agreements on the sale of the Bonds (indeed, even a potential redemption undertaken by the Issuer) may fail to protect Bond holders from a situation where they are unable to sell these instruments or realise substantial losses on their sale, as appropriate, with special regard to the fact that Bonds may be redeemed by the Issuer in limited quantity only and strictly subject to the MNB’s assessment and authorisation. The Issuer does not assume any obligation to redeem the Bonds before their maturity date.

In respect of the Bonds, Bond holders may not exercise set-off rights; that is, they are not entitled to offset their outstanding debt to the Issuer under whatever legal title against the claims associated with the Bonds.

Bond Holders are not entitled to demand payments brought forward relative to the payment schedule specified in the offering documentation for interest or principal payments.

The contents of this Information Note are based on information effective on and made available by the date of publication of the Information Note, and do not necessarily mean the full disclosure of the circumstances and potential risks of the Bonds. Investors should always proceed with caution in relation to Bonds and, in addition to the assessment of all information available, they should examine whether additional circumstances may arise in their particular case which may have an impact on their investment decision or any deal concluded for the Bonds.

Further information on the Bonds are included in the terms of issue of the relevant Bond, the relevant notices and information notes, as well as the Base Prospectus – available in English – and accordingly, a thorough and comprehensive assessment of the risks can only be accurate and complete in awareness of the contents of these documents. In case of any discrepancy between the contents of this Information Note and the terms of issue and the prospectuses pertaining to the relevant Bonds, the provisions of the latter two will prevail.

Based on the requirements of the supervisory authorities, investment service provider issuers also operating, *inter alia*, on the principle of self-placement,

should avoid an excessive concentration of investments in financial instruments subject to the resolution regime issued by the Issuer itself or by entities of the same group. In order to avoid excessive concentration, in its capacity as investment service provider, OTP Bank Plc. may request that the client issue a statement on the ratio of their total financial instrument portfolio to their investments in such Bonds.

4 Resolution-related risks

Accordingly, the bail-in provisions of the Resolution Act shall also apply to the Bonds; under these provisions, the MNB may order the recapitalisation of the institution if resolution conditions exist or it may decide that debt securities or liabilities that are not included in the exceptions defined in the Act should be reduced in value (even to zero) or converted to own funds. The institution of bail-in may be applied to the Issuer if the resolution conditions exist and it may also be exercised regarding the Bonds, since Bonds are not included in the list of exceptions defined in Articles 58–59 of the Resolution Act (for example, covered deposits, secured liabilities). It follows from the above that, acting in its resolution function, the MNB may reduce the nominal value of the Bonds (including to zero) during a bail-in or may convert the Bonds to shares issued by the Issuer or to other equity instruments.

Furthermore, under Article 84 Paragraph (1) of the Resolution Act, acting in its resolution function, the MNB may exercise a number of resolution powers in respect of the liabilities of an institution under resolution, including the Bonds. Consequently, acting in its resolution function, the MNB may:

- Reduce the face value of the Bonds (including reduction to zero), or withdraw, or write off the Bonds (as, pursuant to subparagraph (d) of the abovementioned Paragraph, acting in its resolution function, the MNB is entitled to reduce the amount of capital or the amount due, including to zero, in respect of the eligible liabilities of the institution under resolution; moreover, pursuant to subparagraph (f) of the same Paragraph, acting in its resolution function, the MNB is entitled to reduce the nominal value of debt securities issued by the institution under resolution, including to zero, and to withdraw or write down such debt securities);
- Convert the liabilities embodied in the Bonds into membership shares in another institution (as, pursuant to subparagraph (e) of the abovementioned Paragraph, acting in its resolution function, the MNB is entitled to convert the liabilities eligible for the bail-in of the institution under resolution into membership shares of the institution or financial undertaking, parent institution concerned with the resolution or bridge

institution to which the assets, rights and obligations of the institution have potentially been transferred);

- Modify the maturity of the Bonds or the date on which the amount of interest is payable (as, pursuant to subparagraph (h) of the abovementioned Paragraph, acting in its resolution function, the MNB is entitled to modify the maturity of the debt securities issued by or the liabilities eligible for bail-in of the institution under resolution, the amount of interest payable or the date on which interest becomes due, including by temporarily suspending payment);
- Transfer membership shares issued by the institution under resolution, or all or some of the assets, liabilities, rights and obligations of the institution under resolution to a bridge institution or to a transferee which is not qualified as a bridge institution, which may restrict the ability of the institution under resolution to perform the obligations embodied in the Bonds, or may result in partial losses (except where the obligations embodied in the Bonds are also transferred).

Acting in its resolution function, the MNB may use the abovementioned resolution powers both individually or in combination.

If an assessment by an independent assessor as per Article 97 (3) of the Resolution Act finds that, as a result of the resolution process, the treatment of creditors was worse than the treatment they would have received if the institution under resolution had been placed under liquidation proceedings at the time the resolution was ordered, the creditors shall be entitled to be compensated by the Resolution Fund for the difference; however, such compensation may be paid at a later date than the payment dates included in the terms of issue and Information Note of the Bonds.

5 Risks associated with insolvency proceedings

In the absence of resolution proceedings, in the event of insolvency of OTP Bank Plc., Magyar Nemzeti Bank will revoke the activity licence of OTP Bank Plc., and the competent court will order liquidation proceedings against OTP Bank Plc. In the event of potential liquidation proceedings against the Issuer, Bond holders should bear in mind the place of their claim in the order of satisfaction, as this determines the order in which payments from the Issuer's assets will be made. Article 57 (1) of the Bankruptcy Act determines the order in which debts must be satisfied from the Issuer's assets within the liquidation scope, whereas the special rules applicable to the Issuer as credit institution (Article 57 (2) of the Credit Institutions Act) grants higher priority to beneficiaries of all other exposures than the holders of the Bonds to achieve satisfaction of their exposure on the Issuer. The relative priorities of the

subordinated liabilities embodied in the Bonds are defined in the Information Notes on the Bonds, which are available on the www.otpbank.hu website.

Unsatisfied claims deriving from the Bonds in the event of OTP Bank Plc.'s insolvency are not covered by compensation or investor protection schemes.

6 Taxation aspects

6.1 General rules

Taxation requirements included in this Information Note contain general information only, and exclusively contain taxation rules in force in Hungary at the time of preparation of this Information Note. The general information provided in the Information Note is unable to consider all individual circumstances that may arise in connection with the Bonds and may influence the tax liability of specific investors, and it should therefore not be considered as the provision of tax advice to Bond holders. Moreover, the Issuer shall not be liable for the consequences of changes that may take place after the preparation date of the Information Note in applicable legislation and in the relevant legal practices. Accordingly, the use of a tax advisor is recommended and necessary in all individual cases.

In respect of the interest income provided by the Bond, pursuant to Article 7 (31)(b) of Act CL of 2017 on the Rules of Taxation, the Issuer qualifies as payer, or, pursuant to Article 65 (2) of Act CXVII of 1995 on Personal Income Tax, it is the credit institution or investment service provider paying the interest income in lieu of the Issuer.

6.2 Natural persons and companies with tax residence in Hungary

6.2.1 Natural persons

Interest income: The interest income of natural persons from Bonds is subject to a personal income tax of 15%, which is established – and deducted upon the payment of the income – by the payer. Pursuant to Article 65 of Act CXVII of 1995 on Personal Income Tax, in respect of debt securities which are offered and traded publicly, shall be considered interest income:

- the interest and/or yield of the securities, minus the accumulated interest paid in the purchase price upon the first interest payment after the purchase; otherwise the total interest credited;
- the capital gain achieved when called, redeemed or transferred, plus the item deducted as per the previous point upon the first interest payment.

If the interest income is received from sources other than a payer, the tax liability on the interest income shall be established by the natural person in his/her tax return filed without assistance from the tax authority, and shall be paid by the deadline prescribed for filing the tax return.

It is also possible to deposit Bonds yielding a return qualifying as interest income on a long-term investment account (LTIA or TBSZ), and/or register Bonds admitted to trading on a regulated market in Hungary or another EEA Member State on a pension savings account (PSA-D), which will provide a tax exempt status or preferential tax conditions if the appropriate conditions are met.

Natural persons need to pay social contribution tax based on the amount of the interest income defined in Article 65 of the PIT Act taken into account as the base for personal income tax on interest income. The provision is applicable to interest income from Bonds acquired after 30 June 2023.

6.2.2 Companies

Companies subject to Act LXXXI of 1996 on corporate tax and dividend tax are required to consider all income and expenses incurred in relation to Bond transactions when establishing their pre-tax P&L. The payer does not deduct any taxes from the income paid for the Bond; paying the tax liability on the P&L is the obligation of the economic operators concerned.

6.3 Natural persons and companies with tax residence abroad

6.3.1 Natural persons

If there is a convention or reciprocal agreement for the avoidance of double taxation effective between the country of the tax residency of a non-resident natural person and Hungary, the non-resident natural person shall pay taxes in consideration thereof (i.e. using a potentially reduced withholding tax rate as per the convention), provided that the natural person presents proof of the foreign tax residence or provides a beneficial ownership declaration if it is so required by the provisions of the convention.

Foreign residence may be verified by the English language copy of a document issued by a foreign tax authority (or in the case of tax exemption, by the relevant international organisation), the Hungarian translation thereof, or a copy of either of these documents (hereinafter: 'tax residency certificate'). Proof of tax residency must be provided every tax year even if it has not changed since the tax residency certificate was last provided. Non-resident natural persons shall present the tax residency certificate before the first payment is due in the tax year concerned; if the natural person's tax residence

changed, the tax residency certificate shall be submitted before the first payment is due following the change.

Given that the Issuer is a Reporting Hungarian Financial Institution subject to the reporting obligation defined in Article 43/H of Act XXXVII of 2013 on the Rules of International Administrative Cooperation Related to Taxes and Other Public Duties (hereinafter: 'International Tax Cooperation Act'), within its competence as payer, the Issuer determines a non-resident natural person's tax residency by applying the due diligence rules set out in Articles II–IV and VII of Annex 1 to the International Tax Cooperation Act. In this case, a tax residency certificate must be presented before payment if the due diligence finds that the natural person has tax residency in more than one Member State, in another state, or on a territory with different jurisdiction.

In the absence of a tax residency certificate or if there is no convention or reciprocal arrangement between the two countries, non-resident natural persons shall pay taxes in accordance with the provisions of the PIT Act in effect.

Before payment, the non-resident natural person shall issue a statement, with professional translation attached thereto, whether he/she is considered beneficial owner in respect of the payment if, pursuant to the convention for the avoidance of double taxation, this affects his/her tax liability. The statement shall cover the amount paid in the relevant calendar year under the same contract and legal title until any change in the circumstances.

If the tax deducted from a non-resident natural person is higher than the tax rate to be applied under the international convention for the avoidance of double taxation, he/she may turn to the National Tax and Customs Administration with a request for a tax refund by submitting his/her tax residency certificate and the payer's certificate. The tax authority will then transfer the tax difference to the payment account specified by the non-resident natural person.

Natural persons need to pay social contribution tax based on the amount of the interest income, as defined in Article 65 of the PIT Act as the base for personal income tax on interest income. The provision is applicable to interest income from Bonds acquired after 30 June 2023.

6.3.2 Companies

No tax liability is incurred on income paid to non-resident corporations in Hungary, unless the income can be attributed to the Hungarian branch of the company. The tax liability of corporations shall be assessed in accordance

with the provisions of the relevant convention for the avoidance of double taxation.

7 Application of the contents of this Information Note in respect of securities issued by other Issuers

Please note that this Information Note may be suitable, with some limitations, to assess the risks associated with securities issued by other Issuers with similar features as the Bonds. In assessing those risks, however, in addition to the contents of this Information Note, there is a need to consider the provisions of the governing law and issue documentation applicable to the Issuer and the securities having similar features as the Bonds.

Legal disclaimer

This Information Note is based exclusively on the provisions of Hungarian and European Union legislation in effect on its date of publication, and does not constitute advice either in the legal sense or otherwise. Its purpose is to comply with the requirements of the MiFID II Regulation, and call on clients to obtain information on the legislative requirements, including any changes, relevant to them.