PRODUCT INFORMATION

DUAL CURRENCY STRUCTURED INVESTMENTS

GLOBAL MARKETS DEPARTMENT OF OTP BANK PLC.

May 04, 2020

Please read this Product Information carefully before concluding a contract for dual currency structured investments. For further information, please contact our staff.

These documents in English language to the person concerned shall be for information purposes only. OTP Bank Plc shall fulfil its obligations imposed by the legal regulations or requirement of supervisory authority by the documents in Hungarian language.
In the event of any discrepancy between the English language and Hungarian language versions, the Hungarian language version shall prevail.

TABLE OF CONTENTS

1. Description of dual currency structured investments

The dual currency structured investment available from OTP Bank Plc. (hereinafter: Bank) is a savings strategy that, under favourable market conditions, can earn a yield higher than conventional deposits of the same nominal value. In exchange for the additional opportunity of that yield, the customer takes the risk that when pre-determined events occur, the Bank will convert the nominal value of the transaction at the pre-determined rate specified in the contractual terms, and will make a payout at maturity in a currency that is different from the original currency of the nominal value.

Features

- A dual currency structured investment is a complex structure comprised of a capital deposit corresponding to the nominal value of the transaction, and an option.
- In exchange for the obligation to convert the capital invested, the customer may earn a higher yield compared to market deposit yields in the event of favourable market developments.
- As the investment cannot be cancelled during the term, the customer will have no right of disposal over the investment or any part of it.
- The currencies available are specified on a case-by-case basis according to the customer's request for a quote, depending on the terms of the individual transaction. OTP Bank Plc. is not subject to a contracting obligation.
- The maximum term is 1 year.

Typical customer base

Dual currency structured investments are typically made by investors with specific prior expectations for future developments of the prices of underlying instruments.

2. Risks in dual currency structured investments

Market value of the instrument

A dual currency structured investment includes an option component, which always has a market value. The price of the option is determined by the price of the underlying instrument, market yields for the given maturity, the volatility of the price of the underlying instrument, and the term to maturity. The higher the fluctuation (volatility) of the exchange rate of the underlying currency pair, the riskier the investment.

Balance sheet effect

As the market value of the option contract depends on price developments, the market value of the transaction can change continuously during the term of the contract. It is possible that the customer will recognise a highly negative market value on his balance sheet during the term of the transaction.

Risk from foreign exchange conversion

At maturity, there is a possibility that although the conversion has been executed, the customer prefers not to keep the amount generated in the other currency, but conversion to the original currency may only be made at the market rate. In that case, due to the difference of the exchange rates, the customer will incur a loss in the original currency relative to the investment recorded in that currency.

3. Sample transaction: HUF dual currency structured investment pegged to the USD/HUF rate

The customer has savings in HUF and expects the USD/HUF exchange rate to appreciate over the next 6 months.

TRANSACTION PARAMETERS	
Term	6 months
Underlying currency pair	USD/HUF
Nominal value	HUF 100,000,000
USD/HUF spot rate	USD/HUF 300.20
Option exchange rate	USD/HUF 295.00
Market HUF interest rate	0.20% p.a.
Dual currency structured investment yield	4.20% p.a.

When the customer purchases a HUF dual currency structured investment pegged to the USD/HUF rate for a term of 6 months, he will receive the nominal value in HUF if the exchange rate has increased. Conversely, if the USD/HUF rate has fallen, he will receive the nominal value in USD converted at an unfavourable rate, with the possibility of losing the entire capital invested.

In the example, the customer expects the USD/HUF rate to exceed HUF 295.00 at maturity.

The product is presented according to different USD/HUF rate scenarios:

1. The USD/HUF rate changes as expected, i.e. it rises during the term.
2. The USD/HUF rate falls during the term.
3. There is an extreme rise in the USD/HUF rate during the term.
4. There is an extreme fall in the USD/HUF rate during the term.

1. The USD/HUF rate changes as expected
Increasing rate

Spot USD/HUF rate at the beginning of the term: 300.20, spot USD/HUF rate at maturity: 305.28

- **Example for settlement at maturity:**

The customer is eligible for a yield of 4.20% on the HUF 100 million deposited when contracting.

If the USD/HUF rate changes as expected, i.e. exceeds 295.00:

1. The Bank pays the customer the nominal value of HUF 100 million.
2. The Bank pays the customer a yield in the amount of HUF 2.10 million.

- **Margin requirement:**

When the customer purchases a dual currency structured investment, the required collateral is provided in the form of the capital deposited.

2. The USD/HUF rate falls

Spot USD/HUF rate at the beginning of the term: 300.20, spot USD/HUF rate at maturity: 293.50

- **Example for settlement at maturity:**

The customer is eligible for a yield of 4.20% on the HUF 100 million deposited when contracting.

If the USD/HUF rate falls, i.e. is below 295.00 at maturity:

1. The Bank pays the customer the nominal value of HUF 100 million converted to USD at 295.00:
   100,000,000 / 295 = USD 338.983
2. The Bank pays the customer a yield in the amount of HUF 2.10 million.

Given that with the USD/HUF rate falling the customer can convert the nominal value back to HUF at 293.50, he may incur a loss of:
100,000,000 – 338.983 * 293.50 = HUF 508.475.

- **Margin requirement:**

When the customer purchases a dual currency structured investment, the required collateral is provided in the form of the capital deposited.

3. There is an extreme rise in the USD/HUF rate

Spot USD/HUF rate at the beginning of the term: 300.20, spot USD/HUF rate at maturity: 320.50

- **Example for settlement at maturity:**

The customer is eligible for a yield of 4.20% on the HUF 100 million deposited when contracting.

If at maturity there is an extreme rise in the USD/HUF rate, i.e. the rate exceeds 295.00:

1. The Bank pays the customer the nominal value of HUF 100 million.
2. The Bank pays the customer a yield in the amount of HUF 2.10 million.

- **Margin requirement:**

When the customer purchases a dual currency structured investment, the required collateral is provided in the form of the capital deposited.

4. There is an extreme fall in the USD/HUF rate

Spot USD/HUF rate at the beginning of the term: 300.20, spot USD/HUF rate at maturity: 265.50.

- **Example for settlement at maturity:**

The customer is eligible for a yield of 4.20% on the HUF 100 million deposited when contracting.

If the USD/HUF rate falls, i.e. is below 295.00 at maturity:

1. The Bank pays the customer the nominal value of HUF 100 million converted to USD at 295.00:
   100,000,000 / 295 = USD 338.983
2. The Bank pays the customer a yield in the amount of HUF 2.15 million.

Given that with an extreme fall in the USD/HUF rate the customer can convert the nominal value back to HUF at 265.50, he may incur a loss of:
100,000,000 – 338.983 * 265.50 = HUF 10,000,014.

- **Margin requirement:**

When the customer purchases a dual currency structured investment, the required collateral is provided in the form of the capital deposited.

From the customer's perspective, a HUF dual currency structured investment pegged to the USD/HUF rate will carry the greatest risk in the event of an extreme fall in the exchange rate. Current estimates are based on a one-off, market stress induced change in the price, and do not imply a maximum limit for the potential capital loss arising from the transaction.

4. Sample transaction: USD dual currency structured investment pegged to the USD/HUF rate

The customer has savings in USD and expects the USD/HUF exchange rate to depreciate over the next 6 months.

TRANSACTION PARAMETERS	
Term	6 months
Underlying currency pair	USD/HUF
Nominal value	USD 500,000
USD/HUF spot rate	USD/HUF 300.20
Option exchange rate	USD/HUF 305.00
Market USD interest rate	0.75% per annum
Dual currency structured investment yield	4.75% per annum

When the customer purchases a USD dual currency structured investment pegged to the USD/HUF rate for a term of 6 months, he will receive the nominal value in USD if the exchange rate has fallen. Conversely, if the USD/HUF rate has increased, he will receive the nominal value in HUF converted at an unfavourable rate, with the possibility of losing the entire capital invested.

In the example, the customer expects the USD/HUF rate to be below HUF 305.00 at maturity.

The product is presented according to different USD/HUF rate scenarios:

1. The USD/HUF rate changes as expected, i.e. it falls during the term.
2. The USD/HUF rate rises during the term.
3. There is an extreme fall in the USD/HUF rate during the term.
4. There is an extreme rise in the USD/HUF rate during the term.

1. The USD/HUF rate changes as expected

Falling price

Spot USD/HUF rate at the beginning of the term: 300.20, spot USD/HUF rate at maturity: 295.00.

- **Example for settlement at maturity:**

The customer is eligible for a yield of 4.75% on the USD 500,000 deposited when contracting.

If the USD/HUF rate changes as expected, i.e. remains below 305.00:

1. The Bank pays the customer the nominal value of USD 500,000.
2. The Bank pays the customer a yield in the amount of USD 11,875.

- **Margin requirement:**

When the customer purchases a dual currency structured investment, the required collateral is provided in the form of the capital deposited.

2. The USD/HUF rate rises

Spot USD/HUF rate at the beginning of the term: 300.20, spot USD/HUF rate at maturity: 308.30.

- **Example for settlement at maturity:**

The customer is eligible for a yield of 4.75% on the USD 500,000 deposited when contracting.

If at maturity there is a rise in the USD/HUF rate, i.e. the rate exceeds 305.00:

1. The Bank pays the customer the nominal value of USD 500,000 converted to HUF at 305.00:
   500,000 * 305 = HUF 152,500,000.
2. The Bank pays the customer a yield in the amount of USD 11,875.

Given that with the USD/HUF rate rising the customer can convert the nominal value back to USD at 308.30, he may incur a loss of:
500,000 – 152,500,000 / 308.30 = USD 5,352.

- **Margin requirement:**

When the customer purchases a dual currency structured investment, the required collateral is provided in the form of the capital deposited.

3. There is an extreme fall in the USD/HUF rate

Spot USD/HUF rate at the beginning of the term: 300.20, spot USD/HUF rate at maturity: 261.70.

- **Example for settlement at maturity:**

The customer is eligible for a yield of 4.75% on the USD 500,000 deposited when contracting.

If there is an extreme fall in the USD/HUF rate, i.e. the rate is below 305.00 at maturity:

1. The Bank pays the customer the nominal value of USD 500,000.
2. The Bank pays the customer a yield in the amount of USD 11,875.

- **Margin requirement:**

When the customer purchases a dual currency structured investment, the required collateral is provided in the form of the capital deposited.

4. There is an extreme rise in the USD/HUF rate

Spot USD/HUF rate at the beginning of the term: 300.20, spot USD/HUF rate at maturity: 332.10.

- **Example for settlement at maturity:**

The customer is eligible for a yield of 4.75% on the USD 500,000 deposited when contracting.

If at maturity there is an extreme rise in the USD/HUF rate, i.e. the rate exceeds 305.00:

1. The Bank pays the customer the nominal value of USD 500,000 converted to HUF at 305.00:
   500,000 * 305 = HUF 152,500,000.
2. The Bank pays the customer a yield in the amount of USD 11,875.

Given that with the USD/HUF rate rising the customer can convert the nominal value back to USD at 332.10, he may incur a loss of:
500,000 – 152,500,000 / 332.10 = USD 40,801.

- **Margin requirement:**

When the customer purchases a dual currency structured investment, the required collateral is provided in the form of the capital deposited.

From the customer's perspective, a USD dual currency structured investment pegged to the USD/HUF rate will carry the greatest risk in the event of an extreme rise in the exchange rate. Current estimates are based on a one-off, market stress induced change in the price, and do not imply a maximum limit for the potential capital loss arising from the transaction.

5. Summary of the advantages and disadvantages of dual currency structured investments

Main advantages of the transaction

- The customer may earn a higher yield compared to the market deposit yield in the event of favourable market developments.
- In the event of market developments that are favourable to the customer, instruments pegged to a currency may earn a high yield even in the short term.

Main risks of the transaction

- The loss resulting from the sale of the foreign exchange option may be unlimited up to the amount of the capital invested, whereby in the event of exchange rate movements that are unfavourable to the customer, the customer may lose the total amount of the capital invested.
- When market rates move contrary to the customer’s expectations, at maturity the capital deposited by the customer will be paid out by the Bank in a currency other than that of the original nominal value, as a result of which the customer is also exposed to a potentially unlimited exchange rate loss.
- In determining the value of the option, the volatility of the underlying instrument is a major factor. Volatility shows the changeability of the price of the underlying instrument over time. The higher the volatility of the price of the underlying instrument, the greater the fluctuations observed in the price of the underlying instrument, and the higher the potential risk to investors investing in the financial instrument.
- Generally closure of the transaction is not allowed. The specific features of the transaction are set out in the contractual terms. Even in the event of unfavourable market developments, the customer will remain liable in respect of the transaction contracted until the end of its term, and will be under an obligation of contractual payment and settlement.

6. Miscellaneous information

Prerequisites for access to dual currency structured investments

- Agreeing to the Sales Terms and Conditions of OTP Bank Plc.'s Global Markets Department, concluding the attached Global Markets Framework Agreement, and, for customers subject to EMIR obligations, an ISDA Master Agreement and Credit Support Annex for Variation Margin Agreement with the Bank, and signing any other required documents
- Concluding agreements for payment accounts denominated in the settlement currency of the transaction
- Posting collateral as specified by the Bank
- Providing all data required for obtaining preliminary information pursuant to Act CXXXVIII of 2007 on Investment Firms and Commodity Dealers, and on the Regulations Governing their Activities (hereinafter: Act on Investment Firms), and filling out the fitness/compliance test prescribed by the Act on Investment Firms

Guarantees linked to dual currency structured investments

Coverage available under the National Deposit Insurance Fund (OBA) and the Investor Protection Fund (BEVA) is not applicable to OTC foreign exchange options.

Fees and charges related to dual currency structured investments

The Bank's quotation pertaining to dual currency structured investments includes all direct fees and charges. It does not include any indirect costs related to obtaining and holding the financial instrument or to the conclusion, maintenance and performance of the contract (e.g. fee, commission, tax, account management).

Tax implications of dual currency structured investments

OTP Bank Plc. makes the tax payments prescribed by prevailing regulations for the payment agent, which may involve liabilities of various degrees, depending on the taxation law status of the beneficiary (e.g. tax residency) and the legal title of income earning. In performing its tax payment obligations as a payment agent, OTP Bank Plc. issues a voucher on the payment and, as required by law, calculates, deducts, pays and issues a tax return on the tax liability on the payment, and fulfils its reporting obligation with respect to the payment toward the tax authority. Please note that adequate information regarding the tax treatment or the tax implications may only be provided in consideration of the individual circumstances of each customer and may be subject to change in the future.

Miscellaneous information

For further general information please refer to OTP Bank Plc. Uniform Prior Information, the Sales Terms and Conditions of the Global Markets Department of OTP Bank Plc. and the announcements attached thereto, the Global Markets Framework Agreement and the List of Conditions, the Investment Services Division Business Regulations, the Information for Clients on MiFID, the General Information on Short Selling, the EMIR Announcement and any other notices referenced therein as well as Annexes thereto, all of which are accessible at the Bank’s website at http://www.otpbank.hu or are available upon request at the branches of OTP Bank Plc.

7. Notices and disclaimers

1. This product information is complete with the following documents of OTP Bank Plc. as inseparable annexes hereto:

- Preliminary Announcement on certain Global Markets services rendered by at the Global Markets Department of OTP Bank Plc.; individual product information materials and any documents attached thereto along with all referenced business terms and notices;
- Uniform Prior Information;
- Information for Clients on MiFID;
- Announcement on compliance with certain provisions of the EMIR – in respect of investment services;
- Sales Terms and Conditions of OTP Bank Plc.'s Global Markets Department, documents attached thereto along with all referenced notices, Global Markets Framework Agreement along with any other relevant and required documents;
- Investment Services Division Business Regulations along with any other business terms and notices referenced therein, as well as annexes thereto;
- General Business Terms and Conditions of OTP Bank Plc. and documents attached thereto along with all referenced notices;
- Prospectuses, base prospectuses, notices, as well as regular and extraordinary announcements published by the issuer or the broker in relation to individual financial instruments.

Please read all of the above documents and any other notices referenced or indicated therein in order to ensure that you can make informed decisions, in full awareness of all information pertaining to the transactions presented in this Product Information. Moreover, before making an informed decision about the use of the investment or the service, please be advised to carefully consider the subject and risk of your investment, the associated fees and charges and the possibility of potential losses, and to obtain information regarding the tax regulations pertaining to the product or the investment. Prices of financial instruments and securities are subject to change. Spot trades are transacted at the current exchange rate, which may involve a capital loss.

2. The publication of this Product Information and its transfer to customers do not constitute an offer, investment advise, tender notice, investment consulting, investment or financial analysis, solicitation for the purchase of any financial instrument, or any other kind of advice on legal, tax, or accounting issues, and the data provided herein are provided for informational purposes, intended solely as the provision of advance information to OTP Bank Plc.'s current and future customers as required by law. The contents of this information document are limited to general information and knowledge and as such, it disregards the unique or specific needs of individual customers and their willingness and ability to take risk; therefore, in case of any questions, please contact our staff or refer to your bank consultant before making an investment decision. Should you require investment advice from OTP Bank Plc. prior to making your decision, please contact our staff with a view to concluding an investment counselling agreement and making the necessary statements (particularly a suitability test).

3. Each investment carries certain risks that can affect the outcome of the investment decision, and investors may not necessarily realise their expected investment goal or recover their cost of the investment; accordingly, some or all of the invested capital may be lost, and may also incur additional payment obligations.

4. Before entering into a contract for the execution of the transaction contained in this Product Information, OTP Bank Plc. will provide detailed information in respect of the transactions regarding their risks, market position, volatility and any limitations that may apply to market entry, changes in prices, as well as any other information relating to the transactions contained herein.

5. All data and information contained herein are based on estimates and no reliable conclusions may be made concerning prospective future yields, changes or performance in reliance hereon. All charts and calculations are intended to be examples, presenting potential future situations. No information contained herein may be perceived as demonstrations of particular transactions even if client is involved in transactions identical or similar to those contained herein. No estimates may be made based on the data contained herein concerning either the current or the future level of interest rates, or expected interest rate developments. The data contained herein do not constitute information on the changes or performance of particular financial instruments, whether past or future. Any risks associated with the specific, individual decisions made in reliance on the contents of this Product Information shall be borne solely by the investor, and OTP Bank Plc. shall not be held liable either for the success of the investment decisions or the achievement of the goals set by the investor.

6. OTP Bank Plc. does not act as a fiduciary for or an advisor to any prospective purchaser of the financial instruments discussed herein. Please note that the conclusion of a given contract and the submission of orders may involve further obligations, such as the collateral requirement of the transaction or the provision of supplementary collateral, and a failure to meet such obligations in accordance with the relevant provisions of the contract could result in losses upon the closure of the position. If the specific financial instrument is traded on the regulated market, please consult the websites of the competent regulated market and clearing house to obtain further information and data on the applicable trading terms and settlement.

7. In regard to individual products and services, please also consider their consequences on tax treatment or any other tax implications, which can only be determined taking effective regulations and the individual circumstances of the customer into account, and may be subject to changes in the future. Unless otherwise indicated, yields presented in this publication are gross, non-annualised yields, which may be reduced by taxes in accordance with the effective regulations.

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9. This document has been prepared based on information available to OTP Bank Plc. at the date of preparation. Although this Product Information was prepared in good faith from sources that OTP Bank Plc.

believes to be reliable, the Bank does not represent or warrant their accuracy and the data thus obtained may be incomplete or inaccurate.

10. The business terms, announcements, lists of conditions and product descriptions containing the detailed terms, conditions and fees of the products and services are available at our branches, at the Customer Desk while using OTP Bank Plc.'s Global Markets services, and on the Bank's website at www.otpbank.hu.

11. The Bank reserves the right to change the terms contained herein. The contents of this document are subject to change without notice. Please monitor any changes that may be made to this document.

12. OTP Bank Plc. (company registration number: 01-10-041-585; registered seat: H-1051 Budapest, Nádor utca 16; supervisory authority: Magyar Nemzeti Bank – H-1013 Budapest, Krisztina krt. 39; HFSA license numbers: III/41.003-22/2002 and E-III/456/2008).