PRODUCT INFORMATION

STOCK EXCHANGE FUTURES TRANSACTIONS

GLOBAL MARKETS DEPARTMENT OF OTP BANK PLC.

May 04, 2020

Please read this Product Information carefully before concluding a contract on stock exchange futures transactions. 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.

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1. Description of stock exchange futures transactions

The stock exchange is a place of business where exchange-traded instruments are bought and sold under fixed rules promoting the open development of prices. The strict rules of the stock exchange guarantee the safety of trading. Only members of the stock exchange can engage in deals on stock exchange; the conditions of exchange membership are defined by the Exchange Rules. Exchange members must be adequately prepared and capitalised enterprises that adhere to the rules of the stock exchange and pay the membership fee. Private individuals and companies can participate in stock exchange trading through intermediary exchange members based on the service contracts concluded with them. Stock exchange futures transactions represent an agreement between the customer and OTP Bank Plc. (hereinafter: the Bank) for the sale or purchase of a given quantity (contracts or pieces) of the underlying instrument (e.g. currency, interest rate, share, index, ETF or commodity market) on a future date (after the 2nd banking day following the conclusion of the deal) at a specified price (strike price).

Features

- The Bank executes futures transactions on the BSE, on Deutsche Börse or, through the Execution Partner, on any other stock exchange of the world to which the Bank undertakes to forward the order.
- In order to ensure the liquidity of the market and in consideration of the demand of market participants, the given stock exchange specifies the parameters of the futures contracts that can be concluded for individual underlying instruments.
- The forward price depends on the current (spot) price on the one hand and on the deposit/lending rates applicable to the term of the transaction on the other hand. The difference between the forward price and the spot price is called the swap difference.
- Stock exchange futures contracts are typically concluded by investors with a definite expectation about future developments in the underlying instrument.

Before concluding a contract on exchange-traded transactions, please obtain information regarding the rules applicable to the given stock exchange, clearing house and central counterparty.

2. The risks of stock exchange futures transactions

Market value of the product

All futures positions have a market value. The value of the futures contract is determined, among other factors, by the price of the underlying instrument, the market yields for the given maturity and the volatility of the yields. The higher the fluctuation (volatility) of the price of the underlying instrument, the riskier the investment.

Balance sheet effect

As the market value of the futures 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. In addition, closing a position before expiry could incur significant losses for the customer. While the profit achievable on the product is limited, the extent of potential loss is unlimited.

Additional leverage

The product is leveraged. The customer does not need to provide the total principal amount in order to conclude a futures contract; it is enough to deposit a pre-determined percentage of the transaction value as collateral. Market movements unfavourable for the customer can exert additional leverage, potentially leading to significant losses.

Additional cost of capital, margining

Apart from the initial margin requirement, a specificity of standardised stock exchange futures transactions is the daily settlement of the results realised on the positions. Upon the closure of the stock market on the first day, the difference between the closing price and the contractual forward price and during the rest of the term, the difference between the closing price of the given day and the closing price of the previous day are financially settled for the underlying instrument.

In accordance with the contractual terms, the customer must make available to the Bank the required collateral. In case of unfavourable price movements, the Bank may require additional margin. The customer is required to provide the additional margin in accordance with the contractual terms, and any losses sustained as a result – which could be substantial – will be borne exclusively by the customer. The Bank determines the additional margin requirement of the stock exchange futures transaction based on the current fair market value of the futures. The customer is required to post collateral in the form (cash or security collateral) and in the currency specified by the Bank. The monetary or financial instrument constituting the collateral of stock exchange transactions may be also pledged on a client sub-account managed by the stock exchange, clearing house or Execution Partner. The collateral may be released as soon as the reason for the blocking of the collateral ceases to exist.

Possibility of the unilateral liquidation of the position

The Bank requires collateral for the futures transaction based on the current fair market value of the futures. If, for any reason, the collateral pledged by the customer is deemed insufficient by the Bank to cover the financial risk of the positions opened and held by the customer, the Bank may require additional margin. Upon the Bank's call, the customer is required to provide the additional margin in accordance with the contractual terms, and any losses sustained as a result will be borne exclusively by the customer. If the customer fails to provide the required additional margin in accordance with the contractual terms despite being called upon by the Bank, the Bank may decide to liquidate the position, which could involve substantial losses for the customer. Liquidation costs, potential capital losses and the consequences of the failure of liquidation shall be borne exclusively by the customer.

Sale or purchase obligation at the pre-fixed price

On the maturity date the customer is required to purchase/sell the underlying instrument at the strike price in accordance with the contractual terms. If the original futures transaction was a sale transaction and upon the closure of the position or upon delivery the price of the underlying instrument is higher than the strike price, the customer will sustain a loss. Similarly, if the original futures transaction was a purchase transaction and upon the closure of the position or upon delivery the price of the underlying instrument is lower than the strike price, the customer will sustain a loss.

3. Single-stock futures purchase Sample transaction

The customer expects the price of MOL shares to increase over the next 6 months, and therefore he purchases MOL stock for a term of 6 months.

TRANSACTION PARAMETERS	
Maturity	6 months
Stock exchange	BUDAPEST STOCK EXCHANGE (BSE)
Equity	MOL Plc.
Quantity	10 contracts, that is 4,000 shares
MOL spot price	HUF 3,020 (Bloomberg: MOL HB Equity)
6-month forward price	HUF 3, 132

The product is presented according to different stock price scenarios:

1. The price of MOL shares changes as expected, i.e. rises during the term.
2. The price of MOL shares declines during the term.
3. There is an extreme rise in the price of MOL shares during the term.
4. There is an extreme fall in the price of MOL shares during the term.

If the customer buys MOL shares for a term of 6 months and the share price increases during the term, the customer may realise a capital gain upon the closure of the position. Likewise, should the share price drop, the customer could incur a loss.

Before concluding a contract on exchange-traded transactions, please obtain information regarding the taxation rules applicable to income from exchange-traded transactions.

1. The price of MOL shares changes as expected

Increasing price

MOL spot price at the beginning of the term: HUF 3,020
MOL spot price at maturity: HUF 3,300

- **Example for the settlement of the futures:**

Based on his futures contract, the customer buys 1 MOL share for HUF 3,132 upon the expiration of the contract, which – if his expectations about stock price developments hold true – he can sell for HUF 3,300 on the expiration date.

Pre-tax profit on the transaction:
(3,300 – 3,132) * 5,000 = HUF 672,000

Before concluding a contract on exchange-traded transactions, please obtain information regarding the taxation rules applicable to income from exchange-traded transactions.

- **Example for the Collateralisation Requirement:**

Global Markets customers of the Bank are required to post collateral in order to take futures positions against the Bank; in other words, they must provide sufficient collateral for meeting the initial margin requirement upon the conclusion of the contract. The Bank determines a transaction's initial margin and variation margin requirement based on the level stipulated by the given stock exchange, clearing house or Execution Partner.

For example, if the BSE's initial margin requirement is HUF 1,700 per contract, the collateral requirement upon the conclusion of the contract will be:
1,700 * 4000 * 10 * 1.5 = HUF 10,200,000.

The customer will have to provide additional collateral if, due to unfavourable shifts in market prices, the collateral requirement of the customers' transactions that cannot be covered by the pledged collateral exceeds the maximum acceptable limit. In case of adverse price movements, the Bank may require additional margin based on the current fair market value of the futures, which could increase the collateral requirement significantly. If the customer fails to provide the required additional margin in accordance with the contractual terms despite being called upon by the Bank, the Bank may decide to liquidate the position, which could involve substantial losses for the customer.

If the BSE's variation margin requirement is HUF 1 million at the end of the first day, then the variation margin requirement at the end of the 1st day will be:
1,000,000 * 1.5= HUF 1,500,000

2. The price of MOL shares declines

MOL spot price at the beginning of the term: HUF 3,020
MOL spot price at maturity: HUF 2,700

- **Example for the settlement of the futures:**

Based on his futures contract, the customer buys 1 MOL share for HUF 3,132 upon the expiration of the contract, which he can sell for HUF 2,700 on the expiration date if share prices decline.

Pre-tax loss on the transaction:
(2,700 – 3,132) * 4,000 = HUF –1,728,000

Before concluding a contract on exchange-traded transactions, please obtain information regarding the taxation rules applicable to income from exchange-traded transactions.

- **Example for the Collateralisation Requirement:**

Global Markets customers of the Bank are required to post collateral in order to take futures positions against the Bank; in other words, they must provide sufficient collateral for meeting the initial margin requirement upon the conclusion of the contract. The Bank determines a transaction's initial margin and variation margin requirement based on the level stipulated by the given stock exchange, clearing house or Execution Partner.

If the BSE's initial margin requirement is HUF 1,700 per contract, the collateral requirement upon the conclusion of the contract will be:
1,700 * 400 * 10 * 1.5 = HUF 10,200,000.

The customer will have to provide additional collateral if, due to unfavourable shifts in market prices, the collateral requirement of the customers' transactions that cannot be covered by the pledged collateral exceeds the maximum acceptable limit. In case of adverse price movements, the Bank may require additional margin based on the current fair market value of the futures, which could increase the collateral requirement significantly. If the customer fails to provide the required additional margin in accordance with the contractual terms despite being called upon by the Bank, the Bank may decide to liquidate the position, which could involve substantial losses for the customer.

If the BSE's variation margin requirement is HUF 1 million at the end of the first day, then the variation margin requirement at the end of the 1st day will be:
1,000,000 * 1.5= HUF 1,500,000

3. Extreme rise in the price of MOL shares

MOL spot price at the beginning of the term: HUF 3,020
MOL spot price at maturity: HUF 4,500

- **Example for the settlement of the futures:**

Based on his futures contract, the customer buys 1 MOL share for HUF 3,132 upon the expiration of the contract, which he can sell for HUF 4,500 on the expiration date in case of an extreme rise in share prices.

Pre-tax profit on the transaction:
(4,500 – 3,132) * 4,000 = HUF 5,472,000

Before concluding a contract on exchange-traded transactions, please obtain information regarding the taxation rules applicable to income from exchange-traded transactions.

- **Example for the Collateralisation Requirement:**

Global Markets customers of the Bank are required to post collateral in order to take futures positions against the Bank; in other words, they must provide sufficient collateral for meeting the initial margin requirement upon the conclusion of the contract. The Bank determines a transaction's initial margin and variation margin requirement based on the level stipulated by the given stock exchange, clearing house or Execution Partner.

If the BSE's initial margin requirement is HUF 1,700 per contract, the collateral requirement upon the conclusion of the contract will be:
1,700 * 400 * 10 * 1.5 = HUF 10,200,000.

The customer will have to provide additional collateral if, due to unfavourable shifts in market prices, the collateral requirement of the customers' transactions that cannot be covered by the pledged collateral exceeds the maximum acceptable limit. In case of adverse price movements, the Bank may require additional margin based on the current fair market value of the futures, which could increase the collateral requirement significantly. If the customer fails to provide the required additional margin in accordance with the contractual terms despite being called upon by the Bank, the Bank may decide to liquidate the position, which could involve substantial losses for the customer.

If the BSE's variation margin requirement is HUF 1 million at the end of the first day, then the variation margin requirement at the end of the 1st day will be:
1,000,000 * 1.5= HUF 1,500,000

4. Extreme fall in the price of MOL shares

MOL spot price at the beginning of the term: HUF 3,020
MOL spot price at maturity: HUF 1,500

- **Example for the settlement of the futures:**

Based on his futures contract, the customer buys 1 MOL share for HUF 3,132 upon the expiration of the contract, which he can sell for HUF 1,500 on the expiration date in case of an extreme fall in share prices.

Pre-tax loss on the transaction:
(1,500 – 3,132) * 4,000 = HUF –6,528,000

Before concluding a contract on exchange-traded transactions, please obtain information regarding the taxation rules applicable to income from exchange-traded transactions.

- **Example for the Collateralisation Requirement:**

Global Markets customers of the Bank are required to post collateral in order to take futures positions against the Bank; in other words, they must provide sufficient collateral for meeting the initial margin requirement upon the conclusion of the contract. The Bank determines a transaction's initial margin and variation margin requirement based on the level stipulated by the given stock exchange, clearing house or Execution Partner.

If the BSE's initial margin requirement is HUF 1,700 per contract, the collateral requirement upon the conclusion of the contract will be:
1,700 * 400 * 10 * 1.5 = HUF 10,200,000.

The customer will have to provide additional collateral if, due to unfavourable shifts in market prices, the collateral requirement of the customers' transactions that cannot be covered by the pledged collateral exceeds the maximum acceptable limit. In case of adverse price movements, the Bank may require additional margin based on the current fair market value of the futures, which could increase the collateral requirement significantly. If the customer fails to provide the required additional margin in accordance with the contractual terms despite being called upon by the Bank, the Bank may decide to liquidate the position, which could involve substantial losses for the customer.

If the BSE's variation margin requirement is HUF 1 million at the end of the first day, then the variation margin requirement at the end of the 1st day will be:
1,000,000 * 1.5= HUF 1,500,000

From the perspective of the customer, a customer with a long forward position will face the biggest risk in case of an extreme fall in the price. Current estimates are based on a one-off, market stress induced change in the price, and do not imply a maximum limit either for the collateral requirement or for the potential capital loss arising from the transaction.

4. Summary of the advantages and disadvantages of stock exchange futures transactions

Main advantages of the transaction

- In case of favourable market developments, under the terms of the stock exchange futures contract customers can benefit from favourable changes in the price of the underlying instrument without having to purchase it immediately, hence they can move high-value positions with small capital investment.
- The strike price specified in the contract includes the direct costs of the deal.
- Upon the customer's request, a futures position can be closed by an offsetting contract during the term.

Main risks of the transaction

- The transaction entails a performance obligation on the customer's part: he must execute the purchase/sale transaction at the fixed price even if the price levels prove to be lower/higher than the fixed price at maturity; i.e. he could incur unlimited capital losses.
- If the customer closes the position with an offsetting contract during the term, depending on the prevailing market conditions, he could incur unlimited losses.
- The maintenance margin (the minimum margin requirement) is determined unilaterally by the stock exchange, and/or clearing house, and/or Execution Partner for individual instruments/contracts.
- If, for any reason, the collateral pledged by the customer is deemed insufficient by the Bank to cover the financial risk of the positions opened and held by the customer, the Bank may require additional margin. Upon the Bank's call, the customer is required to provide the additional margin in accordance with the contractual terms, and any losses sustained as a result will be borne exclusively by the customer. If the customer fails to provide the required additional margin in accordance with the contractual terms despite being called upon by the Bank, the Bank may decide to liquidate the position, which could involve substantial losses for the customer. Liquidation costs, potential capital losses and the consequences of the failure of liquidation shall be borne exclusively by the customer.

5. Miscellaneous information

Prerequisites for entering into stock exchange futures contracts

- Agreeing to the Sales Terms and Conditions of OTP Bank Plc.'s Global Markets Department, concluding the attached Global Markets Framework Agreement with the Bank and signing any other required documents
- Concluding agreements for bank accounts and securities 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 stock exchange futures

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

Fees and charges related to stock exchange futures

The Bank's quotation pertaining to stock exchange futures transactions 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 stock exchange futures

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.

Before concluding a contract on exchange-traded transactions, please obtain information regarding the taxation rules applicable to income from exchange-traded transactions.

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.

6. 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;
- General Information on Short Selling;
- 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).