



PRODUCT INFORMATION

ON SECURITIES LENDING TRANSACTIONS
THE PRODUCT IS AVAILABLE AT THE
TREASURY DEPARTMENT OF OTP BANK.

12 July 2016



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

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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 the securities lending transactions

Pursuant to Act CXX of 2001 on Capital Markets (Capital Markets Act), a securities lending transaction refers to the transfer of securities where the lender transfers securities to the borrower subject to the obligation that the borrower will return to the lender, or to a third party specified by the lender, equivalent securities in terms of quantity and series, at some future date stipulated by contract or when requested to do so by the lender.

Attributes

- Securities lending is conditional upon the conclusion of a securities lending master agreement or a securities lending contract with the holder. The securities lending master agreement or the securities lending contract must not form part of another contract concluded between the holder and the borrower of the securities.
- Securities may be the subject matter of a loan transaction, if the lender's right of disposal over the securities is not restricted. Unmarketable securities, securities with limited marketability or encumbered by preemption right, call option, repurchase or collateral right, or by a lien, may not be the subject matter of a securities lending transaction.
- The ownership right of the lent securities devolves upon the borrower. During the term of the securities lending the client may not exercise its rights carried by and related to the securities, including its voting rights, if the securities involved are shares. The securities lending contract may be concluded only for a fixed term.
- During the tenor of the loan, the lender is entitled to a lending fee specified in the contract.
- During the tenor, the borrower reimburses the lender for the payments arising from the securities.
- If on the due date committed to in the securities lending contract the borrower is unable to return the securities, for the purpose of calculating the smallest amount of the monetary indemnification

payable to the lender, the higher of the price on the day of the lending or on the due date must be taken into consideration.

Service provided by OTP Bank Plc's Regional Treasury Department

- During the service rendered by OTP Bank Plc's Regional Treasury Department, based on the securities lending master agreement or the securities lending contract, OTP Bank Plc. may only be the borrower of the securities.
- In a securities lending transaction the client may only act as the lender of the securities.

Typical clientele

- Securities lending may be of interest for those clients who own securities as long-term investment, with no intention to sell them in the near future.

Advantage of the securities lending transaction

- The client may lend the securities, owned by him and at present does not intend to sell, for a defined term, thereby earning additional revenue.

Disadvantage of the securities lending transaction

- The ownership right of the lent securities is transferred to the borrower, thus during the term of the securities lending transaction the lender cannot exercise the rights carried by and related to the securities, including the voting right.

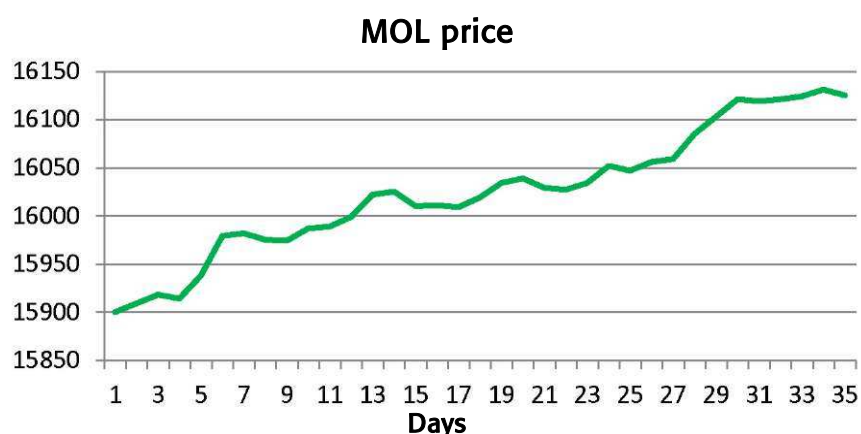
Securities lending – Sample transaction

The client has 10,000 MOL shares, which he does not need for 30 days, thus he would be keen on lending them to OTP Bank Plc. for this period; accordingly, he concludes a securities lending transaction with the bank. In lieu of a lending fee of HUF 1 million, upon concluding the deal the client transfers the ownership of the shares to OTP Bank Plc, which undertakes to return them in 30 days.

Since upon using the product the client may only act as the lender of the securities, the client's risk is the potential default of the Bank upon maturity. Default means that upon the maturity of the loan the Bank

fails to return the shares to the client, or returns them with delay. If the Bank fails to return the MOL shares on the 30th day, the client needs to purchase them in the market. The need to purchase the securities in the market represents unexpected costs for the client, the magnitude of which may even increase, if the price of the MOL shares rose during the term of the loan.

Client's risk due to the rise in the price of MOL shares



MOL price at the start of the securities lending: 15,900
 MOL price on the 30th day: 16,121

Upon an increase in the price of MOL, the client's risk is represented by the Bank's potential inability to return the shares on the 30th day. Since the client needs the shares already on the 30th day, but the Bank is unable to credit them to its account, he has to purchase them in the market. Due to the rise in the price of the securities, he can buy it only at the higher price, thus in this case his extra cost resulting from the price increase will amount to:

$$(16,121 - 15,900) * 10,000 = \text{HUF } 2,210,000$$

while the total cost of the purchase to be financed will amount to:

$$10,000 \text{ pcs} * \text{HUF } 16,121 / \text{piece} = \text{HUF } 161,210,000$$

If on the 30th day the Bank fails to perform to the client, then – irrespective of the share price developments – the client faces unexpected financing need due to the purchase of the securities in the market.



2. Miscellaneous information

Preconditions of using the securities lending transaction

- Agreeing to the Sales Terms and Conditions of OTP Bank Plc.'s Regional Treasury Department, concluding with the Bank the Treasury Master Agreement attached thereto as an annex and signing any other required documents
- Concluding agreements for payment accounts and securities accounts denominated in the settlement currency of the transaction

Guarantees connected to the securities lending transaction

The insurance coverage available under the National Deposit Insurance Fund (NDIF) and the Investor Protection Fund IPF) is not applicable to OTC securities lending transactions.

Risks linked with the use of the instruments underlying the securities lending

During the securities lending transaction, the ownership right of the lent securities belongs to the borrower, which may entail the following risks and consequences for the client:

- The ownership right of the lent securities devolves upon the borrower, thus the Bank may freely dispose over the securities transferred to it and use them during its activity. During the term of the securities lending, the client may not exercise its rights carried by and related to the securities, including its voting rights.
- In the event of the Bank's insolvency or bankruptcy, it may happen that the securities are not returned to the client, returned not in the same value or different securities are returned to the client. It may also happen that upon the occurrence of such events, the

return of the securities to the client will already be the obligation of a different legal entity.

- If the securities lent by the Bank is not returned to it in due course, it will not be able to deliver it to the client by the contracted delivery date, thus the client will also be unable to fulfil his contractual obligations related to the delivery of the securities or exercise his 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, in which case it may happen that the client can recover only part of the securities portfolio lent by him.
- The Bank undertakes no obligation to inform the client upon the occurrence of corporate actions related to the securities being the subject matter of the securities lending.
- During the term of the securities lending, the client is not entitled to the dividend, coupon, interest or other payments and rights inherent in the respective securities.
- The settlements performed during the securities lending may also modify the client's tax payment obligations.

Costs and fees connected to the securities lending transaction

The Bank's quotation related the securities lending transaction includes the transaction's 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 issues related to the securities lending transaction

OTP Bank Plc. fulfils the tax liability prescribed by the prevailing regulations for the paying 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. Upon the fulfilment of its paying agent tax obligations, OTP Bank Plc. issues a certificate on the payment and, as required by law, calculates, deducts, pays and submits a tax return on the tax liability burdening 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 client and it may be subject to change in the future.



3. Miscellaneous information

Pursuant to Act CXXXVIII of 2007 on Investment Firms and Commodity Dealers, and on the Regulations Governing their Activities (Investment Firms Act) the subject matter of the securities lending transaction, i.e. the respective securities, qualify as a financial instrument.

The summary description of the attributes and risks of the financial instrument being the subject matter of the transaction are included in the product information entitled "Spot securities transactions", available at www.otpbank.hu or may be applied for in the branches of OTP Bank Plc.

You are kindly requested to scrutinise the attributes, conditions and risks of the financial instrument being the subject matter of the securities lending transaction and of the investment, prior to making your investment decision and concluding the securities lending transaction.

Securities lending is conditional upon the conclusion of a securities lending master agreement or a securities lending contract with the holder. The securities lending master agreement or the securities lending contract must not form part of another contract concluded between the holder and the borrower of the securities.

Based on the securities lending contract, the Bank, as borrower, holds the ownership right of the securities being the subject matter of the contract. The Bank disposes over the securities being the subject matter of the lending contracts not as part of a collateral arrangement – i.e. as a financial collateral received to secure a liability between the Bank and the client – hence in the securities lending contract between the Bank and the client, the provisions of Regulation 2015/2365/EU of the European Parliament and the Council on the transparency of securities financing transactions and of reuse – related to the reuse of financial instruments received pursuant to collateral agreement – are not applicable.

For further general information please refer to OTP Bank Plc. Uniform Prior Information, the Sales Terms and Conditions of the Regional Treasury Department of OTP Bank Plc. and the announcements attached thereto, the Treasury 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.

The notice on the Central Credit Information System is included in Annex 4 to OTP Bank Plc's General Business Terms and Conditions.



4. 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 treasury services rendered by at the Treasury 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 Regional Treasury Department, documents attached thereto along with all referenced notices, Treasury 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 advice, 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.

8. The products and/or services included in this Product Information may not be available to certain individuals, or their access to such products/services may be restricted. OTP Bank Plc.'s preparation and posting of the Product Information on its website and the presentation of information regarding the specific products and/or services may not be construed, under any circumstances, as an intention on OTP Bank Plc.'s part to make available information pertaining to the products and/or services contained in the Product Information 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.

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 treasury 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). All rights reserved. The contents of this Product Information are owned exclusively by OTP Bank Plc. and may not be reproduced, re-used, disseminated or re-transmitted without OTP Bank Plc.'s prior written consent, including any references thereto or incorporation thereof in any other website (service).

