

PRODUCT INFORMATION

LONG-TERM INVESTMENT ACCOUNT

T+3 FORWARD TRANSACTIONS

GLOBAL MARKETS DIRECTORATE OF OTP BANK
PLC.

January 3, 2024

Please read this Product Information carefully before concluding a contract for Long Term Investment Account T+3 FORWARD transactions. For further information, please contact our staff.

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1. Description of Long-Term Investment Account T+3 FORWARD transactions

Long-Term Investment Account T+3 FORWARD ('TBSZ T+3 FWD' or 'LTIA T+3 FWD') is a fully collateralised T+3 day foreign exchange forward transaction recorded in the deposit register under the corresponding contract, in a Long-Term Investment Account ('TBSZ account' or 'LTIA account'), i.e. an Individual Transaction between the client and OTP Bank Plc. (the 'Bank'), entered into against 100% collateral deposited in a Long-Term Investment Account and settled in a Long-Term Investment Account, whereby one party transfers a given amount of foreign exchange to the other party against a cash amount in another currency or Hungarian Forint, determined by applying the forward rate fixed at the time of the transaction, on the third banking day following the conclusion of the transaction as the settlement day.

The transaction is a derivative Individual Transaction, i.e. a complex financial instrument between the Bank and the client, outside the regulated market (OTC).

Features

- TBSZ T+3 FWD transactions, under a long-term investment account agreement, are recorded in the deposit register of such agreement, in the relevant TBSZ account.
- TBSZ T+3 FWD transactions can only be concluded and settled against collateral deposited in the TBSZ account.
- The client is obliged to fully collateralise the amount of foreign currency to be converted in the Long-Term Investment Account, at the time of concluding the Individual Transaction, i.e. the TBSZ T+3 FWD Transaction can only be concluded with full collateralisation.
- The settlement date of the TBSZ T+3 FWD Transaction is always the third banking day following the conclusion of the Individual Transaction, on which date at end of day, settlement of Hungarian Forint / foreign currency will take place in the client's Long-Term Investment Account.
- The transaction bears no additional collateral requirement, since the amount to be converted needs to be fully collateralised.
- The forward rate of the Individual Transaction depends on both the current (spot) rate and the interbank interest rates applicable to the

term of the transaction. The difference between the forward rate and the spot rate is called the swap difference.

- In the case of a TBSZ T+3 FWD Transaction, the amounts payable by each party to the relevant Individual Transaction will be settled and booked on a gross basis in the relevant Long-Term Investment Account.
- The minimum contract amount is EUR 20,000 or its foreign exchange equivalent.
- TBSZ T+3 FWD transactions can be concluded for all currency pairs in which the Bank opens and maintains Long-Term Investment Cash Accounts for private individual clients.

Typical customer base

TBSZ T+3 FWD transactions may be of interest for private individual clients, who would like to take advantage of short-term shifts in the exchange rate on their TBSZ Account as well.

2. Advantages and risks of TBSZ T+3 FORWARD transactions

Main advantages of the transaction

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

Main risks of the transaction

- The client has a sale or purchase obligation at the pre-defined exchange rate. Based on the terms and conditions agreed at the time of concluding the TBSZ T+3 FWD Transaction, the client is obliged to purchase/sell the agreed currency on the settlement date, at the forward rate agreed upon at the time of concluding the transaction. The

spot rate valid at the time of settlement may be more favourable than the forward rate defined at the time of concluding the transaction.

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

3. Closing a TBSZ T+3 FORWARD transaction

The TBSZ T+3 FWD Transaction may be closed by concluding a new TBSZ T+3 FWD Transaction or a foreign exchange conversion transaction concluded for T+1, or T+2 settlement date. The maturity/settlement date, the nominal value (amount) and the currency pair of the closing transaction are identical to those of the TBSZ T+3 FWD Transaction previously concluded by the client, but the direction (sale/buy) is opposite to the direction of the previously concluded Individual Transaction.

If the face value (amount) of the closing transaction is lower than the face value (amount) of the TBSZ T+3 FWD Transaction to be closed, partial closing is possible. The amount of Hungarian Forint / foreign currency of the original TBSZ T+3 FWD Transaction, to be settled on T+3 day, will serve as collateral of the closing transaction.

In case of closing a TBSZ T+3 FWD Transaction, settlement will take place on the settlement date of the underlying TBSZ T+3 FWD Transaction.

The TBSZ T+3 FWD Transaction cannot be closed on the settlement date.

4. Sample transaction: TBSZ T+3 FORWARD Purchase transaction

The client expects that the EUR/HUF exchange rate will increase, and therefore concludes a TBSZ T+3 FWD Purchase transaction, purchasing EUR, with a settlement date on the third banking day following the conclusion of the transaction.

Parameters of the transaction:

TRANSACTION PARAMETERS	
Term	3 banking days
Currency pair	EUR/HUF
Quantity	EUR 100,000
Spot rate EUR/HUF	370.70
Forward rate EUR/HUF	370.83

At the time of the conclusion of the transaction, the HUF amount to be converted in TBSZ T+3 FWD transaction ($100,000 * 370.83 = \text{HUF } 37,083,000$) is blocked as collateral in the client's TBSZ account.

Possible outcomes of the transaction:

1. Upon concluding the transaction, the EUR/HUF exchange rate continuously increases, as expected by the client.

- a. In this case the client will wait until the settlement date of the transaction, when HUF 37,083,000 will be debited, and EUR 100,000 will be credited in client's TBSZ account. Or,
- b. the client closes the transaction. If such closing takes place on the day following the date of the original transaction, by concluding a foreign exchange conversion transaction with the opposite direction compared to the direction of the original transaction, with EUR/HUF 374.62 exchange rate for a T+2 settlement, then the following settlements will take place in the client's TBSZ account:

Settlement of the TBSZ T+3 FWD Transaction: HUF 37,083,000 will be debited, and EUR 100,000 will be credited in the client's TBSZ account;

Settlement of the T+2 EUR/HUF foreign exchange conversion transaction: EUR 100,000 will be debited, and HUF 37,462,000 will be credited in the client's TBSZ account.

Financial result of the two transactions: HUF 37,462,000 – 37,083,000 = HUF 379,000.

2. Upon concluding the transaction, the EUR/HUF exchange rate decreases.

In this case the client will not close the TBSZ T+3 FWD transaction during its term. On the third banking day following the conclusion of the transaction, HUF 37,083,000 will be debited, and EUR 100,000 will be credited in the client's TBSZ account.

5. Sample transaction: TBSZ T+3 FORWARD Sale transaction

The client expects that the EUR/HUF exchange rate will drop, and therefore concludes a TBSZ T+3 FWD Sale transaction, selling EUR, with a settlement date on the third banking day following the conclusion of the transaction.

Parameters of the transaction:

TRANSACTION PARAMETERS	
Term	3 banking days
Currency pair	EUR/HUF
Quantity	EUR 100,000
Spot rate EUR/HUF	370.70
Forward rate EUR/HUF	370.81

At the time of the conclusion of the transaction, the EUR amount to be converted in the TBSZ T+3 FWD transaction (EUR 100,000) is collateralized on the TBSZ account of the client.

Possible outcomes of the transaction:

1. Upon concluding the transaction, the EUR/HUF exchange rate continuously decreases, as expected by the client.

- a. In this case the client will wait until the settlement date of the transaction, when HUF 37,081,000 will be credited, and EUR 100,000 will be debited in the client's TBSZ account. Or,
- b. the client closes the transaction. If such closing takes place on the day following the date of the original transaction, by concluding a foreign exchange conversion transaction with the opposite direction compared to the direction of the original transaction, with EUR/HUF 365.22 exchange rate for a T+2 settlement, then the following settlements will take place in the client's TBSZ account:

Settlement of the TBSZ T+3 FWD Transaction: EUR 100,000 will be debited, and HUF 37,081,000 will be credited in the client's TBSZ account;

Settlement of the T+2 EUR/HUF foreign exchange conversion transaction: HUF 36,522,000 will be debited, and EUR 100,000 will be credited in the client's TBSZ account.

Financial result of the two transactions: HUF 37,081,000 – 36,522,000 = HUF 559,000.

2. Upon concluding the transaction, the EUR/HUF exchange rate increases.

In this case the client will not close the TBSZ T+3 FWD transaction during its term. On the third banking day following the conclusion of the transaction, EUR 100,000 will be debited, and HUF 37,081,000 will be credited in the client's TBSZ account.

6. Miscellaneous information

General Provisions

The contractual relationship between OTP Bank Plc. and the Business Partner, regarding issues not regulated within this Product Information document, is governed by

- the individual agreement regarding the TBSZ T+3 FWD transaction,
- OTP Bank Plc.'s Investment Services Business Regulations, and the business regulations and announcements referred to therein,

- in the case of Private Banking Clients, the Uniform OTP Private Banking Business Regulations and the related announcement,
- in the case of clients who have concluded a Global Markets Master Agreement, the General Terms and Conditions for Global Markets Services and the related announcements, and
- the General Business Regulations of OTP Bank Plc.

Prerequisites for concluding a TBSZ T+3 FORWARD transaction

- TBSZ T+3 FWD Transactions can only be concluded in a Long-Term Investment Account, opened and maintained by the Bank, therefore clients will have to hold a Long-Term Investment Cash Account, as part of a Long-Term Investment Account, at the time of concluding the transaction, and during the full term thereof, in both currencies of the currency pair determined in the transaction.
- TBSZ T+3 FWD Transactions are only available to clients who have concluded a Global Markets Framework Agreement and/or a Private Banking Master Agreement with the Bank, and in a Long-Term Investment Account only. TBSZ T+3 FWD Transactions may not be concluded in a normally opened Payment Account, or a Pension Savings Account.
- A client designated as an authorised person by a Private Banking Client, in said Private Banking Client's account, may place an order to conclude a TBSZ T+3 FWD Transaction in said Private Banking Client's Private Banking account only. Non Private Banking Clients designated as an authorised person by a Private Banking Client, in said Private Banking Client's account, may not place such orders in their own account.
- At the time of concluding the Individual Transaction, the client is obliged to provide the full amount of foreign currency to be converted, in the Long-Term Investment Account, as collateral of the TBSZ T+3 FWD Transaction.
- Submitting the declarations on prior information pursuant to Act CXXXVIII of 2007 on Investment Firms and Commodity Dealers and on the Regulations Governing their Activities (Investment Firms Act) is required.

Guarantees linked to TBSZ T+3 FORWARD transactions

Coverage available under the National Deposit Insurance Fund (OBA) and the Investor Protection Fund (BEVA) is not applicable to OTC Forward Foreign Exchange transactions.

Fees and charges related to TBSZ T+3 FORWARD transactions

- The Bank's quotation pertaining to TBSZ T+3 FWD 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).
- The collateral provided at the time of concluding the TBSZ T+3 FWD Transaction will be taken into account in the calculation of the current securities account management fee of the Long-Term Investment Account.
- Global Markets ex-ante cost transparency information on the fees and charges associated with the Product is available (only in Hungarian) on the Bank's website at
- <https://www.otpbank.hu/portal/hu/GlobalMarkets/ElozetesKoltsegtajekoztato>, where the TBSZ T+3 FORWARD Transaction can be selected to view applicable fees and charges.
- The Bank provides its clients a Key Information Document ([KID](#)) on the Product.

Tax implications of TBSZ T+3 FORWARD transactions

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, OTP Bank Plc. issues a voucher on the payment and, in the case of payments made to private individuals, determines and declares the income subject to tax and the tax payable on it, deducts and pays the tax, and submits data to the tax authority, in accordance with the applicable legal provisions.

Private individuals subject to Act CXVII of 1995 on the Personal Income Tax should refer to the related information on tax obligations on their

income in the announcement at "[Taxation information on the investment services of OTP Bank Plc](#)", (available only in Hungarian).

TBSZ T+3 FWD transactions are recorded in the deposit register under the corresponding contract, in the TBSZ account, therefore, upon termination or closure of the TBSZ account, legislation applicable to income from long-term investments will apply to gains and losses produced by the transaction.

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 may be subject to change in the future.

Special provisions for the termination, closing, partial payment, or extension of the TBSZ contract

TBSZ T+3 FWD transactions can be recorded under the TBSZ account only (i.e. they cannot be transferred to a normal account), therefore

- given the three-year or five-year fixed term of TBSZ accounts, TBSZ T+3 FWD transactions can only be concluded with a settlement date preceding the termination, or the extension of the fixed term of the TBSZ account, and
- the TBSZ account can only be terminated or transferred, if no TBSZ T+3 FWD transactions are recorded under the corresponding contract in the TBSZ account, even in the case of a closing transaction already concluded with regard to the original transaction.

7. Notices and disclaimers

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

- Standard Prior Information Announcement, product information materials and any documents attached thereto along with all referenced business terms and notices;
- Information for Clients on MiFID;
- Announcement on compliance with certain provisions of the EMIR – in respect of investment services;
- OTP Bank Plc.'s Investment Services Business Regulations, including, in particular, the General Terms and Conditions for Global Markets Services which form an integral part thereof; the business regulations, announcement and annexes referred to therein; the Global Markets Master Agreement template and any other related documents required;
- OTP Bank Plc.'s General Business Regulations the documents attached thereto and the announcements referred to therein;
- 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 of your investment, the risks involved, the fees and costs involved, 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 significant foreign exchange loss.

2. The publication of this Product Information and its transfer to clients do not constitute an offer, investment recommendation, tender notice, investment advice, investment or financial analysis, solicitation for the purchase of any financial instrument, or any other kind of advice on legal, tax, or accounting issues. The data provided herein are provided for informational purposes only, intended solely as the provision of advance

information for OTP Bank Plc.'s current and future clients as required by law. The contents of this Product Information document are limited to general information and knowledge, and as such, disregard the unique or specific needs of individual clients, their financial position and their willingness and ability to take risks. 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 advisory services from OTP Bank Plc. prior to making your decision, please contact our staff in order to conclude an investment advisory agreement and make the necessary declarations (in particular, 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 the client may also incur additional payment obligations.

4. The information in this Product Information document will not serve as a reliable basis for conclusions concerning prospective future yields, changes, or performance. All charts and calculations are intended to be examples only, presenting potential future situations. No information contained herein may be perceived as demonstrations of particular transactions even if the Client is involved in transactions identical or similar to those described herein. No estimates may be made based on the data contained herein concerning either the current or the future level of interest rates/prices, or expected interest rate/price developments. The data contained herein cannot be regarded as 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 document shall be borne solely by the client, 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 client.

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regulated market and clearing house to obtain further information and data on the applicable trading terms and settlement.

6. 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 client 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. 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, and on the Bank's website at www.otpbank.hu.

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