Proposal for the amendment of sections 8.3; 8.8; 8.13; 8.17; 8.18; 8.30; 8.33; 11.5 and 14.1, and Article 15 of the Bylaws of OTP Bank Plc.

Summary of the proposals

The amendments related to the sections of the Bylaws listed below:

1.) **Amendments related to Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises** (BYLAWS [SECTION 8.13])

2.) **Amendments related to Act V of 2013 on the Civil Code** (Bylaws [sections 8.3; 8.8; 8.17; 8.18; 8.30; 8.33; 11.5; 14.1, and Article 15])

Presentation of the amendment proposals

The text of the Bylaws is written in Times New Roman font; the new parts of the text are indicated by underlining, and the ~~deleted parts~~ by cross-through.

We propose that the General Meeting decide on the resolution proposal relating to the amendment of the Bylaws by way of a vote.

Detailed amendment proposals

1. AMENDMENT PROPOSAL RELATED TO ACT CCXXXVII OF 2013 ON CREDIT INSTITUTIONS AND FINANCIAL ENTERPRISES (HPT.) (BYLAWS [SECTION 8.13])

1.1. [Rapid convening of the General Meeting to avoid supervisory measures]

"8.13. The notice convening the General Meeting – in the absence of any provision of the Civil Code or Credit Institutions Act to the contrary – shall be published in the manner specified for the Company's notices, at least 30 days before the first day of the planned General Meeting. An announcement convening an (extraordinary) General Meeting to decide on an increase of capital in the interest of avoiding the ordering of a procedure referred to in Article 135, paragraph (2) of the Hpt. may be published at least 10 days prior to the planned first day of the General Meeting"

Reasoning:

With effect from 16 September 2014 the **amendment of the Hpt**. (*Hpt., Article 135, paragraph (2)*[1]) created the opportunity, in certain exceptional cases, for credit institutions operating as public limited companies to **convene a General Meeting within a 10-day period**, which is shorter that the 30-day period allowed under the general rule. The opportunity to apply this shorter (10-day) period, however, **must be expressly stipulated in the credit institution's bylaws**.

Although the Act does not make the above amendment compulsory, we nevertheless recommend enshrining such an opportunity in the Bylaws. The reason for this is that it enables the Bank to respond quickly in such theoretical cases, and to avoid supervisory measures and procedures if a critical situation arises with respect to its capital position.

[1]The general meeting of a credit institution operating as a public limited company requires at least a two-thirds majority of votes to adopt a resolution amending the bylaws to allow the convening of a general meeting, at least ten days prior to the starting date thereof, to increase capital in the interest of avoiding the ordering of a measure, defined in this act and applicable by the Supervisory Authority, an exceptional measure, or a recovery and resolution procedure as defined in the Act on Recovery and Resolution (Szántv.).

2. **AMENDMENTS RELATED TO ACT V OF 2013 ON THE CIVIL CODE** [BYLAWS SECTIONS 8.3; 8.8; 8.17; 8.18; 8.30; 8.33; 11.5 AND 14.1, AND ARTICLE 15]

2.1. In view of the scope for exercising discretion under the Civil Code, we recommend amending the Bylaws as follows:

(a) [Reduction in the shareholder presence necessary for a quorum]

"8.17. The General Meeting shall have a quorum if the shareholders representing more than ~~half~~one third of the votes embodied by voting shares are in attendance."

Reasoning:

The discretionary rule of the Civil Code permits a departure in terms of the shareholder presence that is necessary for the company to recognise a meeting of its supreme body as quorate.

The new Civil Code, which supersedes the previous legislation, does not permit the reconvened general meeting to be held on the same day in the event of an inquorate general meeting. Under the new Civil Code, in the case of a public limited company, **at least 10 days must pass between the first general meeting and the reconvened general meeting**. This change **could result in a substantial increase in costs** for public limited companies if the first general meeting inquorate.

In order to make it possible to reduce the likelihood of extra costs and inconvenience resulting from the holding of a reconvened general meeting 10 days later, **we recommend setting the threshold for declaring a quorum at a lower level than at present**.

(b) [Clarification of the requirements for a shareholder's letter of proxy]

"8.3. The shareholders may exercise their right to participate and vote at the General Meeting either in person or through a proxy. The letter of proxy must be presented in the form of a notarised document or a private deed of full probative force, and a copy must be handed over at the place and during the period specified in the announcement on the convening of the General Meeting. The letter of proxy may be valid for one general meeting or for a specified period, but for a maximum of twelve months. The letter of proxy – in the absence of a provision to the contrary – shall extend to a general meeting convened to continue a suspended general meeting, or a general meeting that has been reconvened due to lack of quorum."

Reasoning:

Under the previous law, Act IV of 2006 on Companies ("**Gt**."), which was valid until 14 March 2014, a letter of proxy issued for the purpose of representation could be issued as valid for one general meeting or for a specified period, but for a maximum of twelve months, unless the Bylaws contained a provision to the contrary. This time limit served to ensure legal certainty and helped to avoid representation under false pretences.

However, Act V of 2013 on the Civil Code **("Ptk.")**, effective from 15 March 2014, **does not specify the above time limit**, and consequently **shareholders' letters of proxy may be valid for an indefinite period** and for an indefinite number of general meetings. Thus, in the absence of a time limit, a situation may arise in which the only event terminating the validity of a letter of proxy is its cancellation.

It is in the best interests of the shareholders for the Bylaws to adopt the limitation stipulated by the previous law (Gt.), and **set a time limit for the validity of letters of proxy**. In this way, in addition to the withdrawal of the letter of proxy, there would be an **objective invalidating circumstance** in respect of the validity of the letter of proxy, namely the passing of time. This would make it possible to substantially reduce the possibility of fraud related to shareholders' letters of proxy.

Another aspect is that the above proposal would not represent an actual change, because this rule was mandatory under the previous Gt.

Our **other** amendment **proposal** in this regard is aimed at expanding the practical scope of the shareholder's letter of proxy. Under the previously applicable Gt., the letter of proxy extended to a general meeting convened to continue a suspended general meeting, or a general meeting that has been reconvened due to lack of quorum. The Ptk. does not include this provision, so to ensure that **valid letters of proxy automatically**, and without dispute, **extend to a general meeting that has been repeated due to a lack of quorum, or to a general meeting convened to continue a suspended general meeting**, and that shareholders' votes are not lost merely due to the lack of an express provision to such effect, we propose supplementing the Bylaws as follows.

(c) [Defining the framework for exercising shareholder representation rights]

"8.8. Voting at the General Meeting is performed using a computer, with a voting device. The shareholder or the shareholder's proxy, provided that he or she is attending lawfully in accordance with the provisions of these Articles of Association, may collect the voting device after certifying his or her identity and signing the attendance register at the venue of the General Meeting. If due to technical reasons voting is not possible with the voting device, the voting shall take place using books of voting slips. Any given shareholder (including a shareholder represented by a shareholder's proxy) is only entitled to use a single voting device (book of voting slips)."

Reasoning:

The previously applicable Gt. also provided the opportunity, at public limited companies, for one shareholder to authorise different proxies to represent each of his/her blocks of shares kept in various securities accounts. If different proxies representing the same shareholder cast differing votes with respect to a given decision, then every single one of these votes was declared to be invalid.

The **new Ptk**. retains the above legal possibility; indeed, as a general rule it **states that one shareholder may have several representatives**. The new Ptk. also permits the granting of a "**free mandate**"; that is, in the absence of specific instructions from the shareholder, the shareholder's proxy may vote at his/her own discretion.

If a shareholder has several proxies, a **legal risk** arises if these shareholders (without prior consultation) **vote differently from each other** in respect of the same matter. This is because these votes are **classed as invalid**, and thus important votes could be lost due to a communication problem.

The above proposed wording serves – through a technical method – to eliminate the legal risk.

This method does not diminish the shareholder's right to delegate several proxies to a given general meeting; however, by stipulating the use of one voting device per shareholder, we compel the shareholder's proxies to consult in advance with each other, and if necessary with the shareholder whom they represent, and to always cast their votes consistently with each other.

(d) [Creation of the opportunity to issue equity bonds]

"*8.33. The General Meeting has exclusive authority with respect to the following matters:*

10. a decision – unless the Civil Code provides otherwise – on the issuance of convertible bonds, equity bonds, or bonds with subscription rights;

"*14.1. The Company may raise its registered capital through a resolution of the General Meeting. The registered capital may be raised by any means specified in the relevant statutory regulations, especially*

a) by issuing new shares;
b) to the charge of net assets in excess of existing registered capital;
c) by issuing employee shares; and/or
d) as a contingent capital increase, by issuing convertible bonds or equity bonds."

Reasoning:

The types of convertible bonds that may be issued by the Bank have not to date included 'equity bonds', and we hereby intend to remedy this in the Bylaws.

The equity bond is a **relatively new instrument under Hungarian law**, since it was incorporated into company law by the act on the integration of cooperative credit institutions (Act CXXXV of 2013) with effect from 13 July 2013.

The main principle is that **equity bonds** issued by the company **are automatically converted to shares, without a separate decision, upon the occurrence of objective future** events. Therefore, they only differ from conventional convertible bonds in that their transformation into shares depends not on the bond holder's decision, but on the occurrence of objective circumstances.

It is **sensible** to create the opportunity to **make full use of all means of raising capital** permitted for the Bank by law. Therefore we propose that the opportunity for issuing equity bonds be listed in the Bylaws among the powers of the general meeting.

(e) [Formal requirements for legal declarations by shareholders]

"Article 15

Notices

15.1 The Company publishes its notices specified in the statutory regulations and in these Articles of Association and announcements on its own website (www.otpbank.hu), on the website of the Budapest Stock Exchange (BSE) (www.bet.hu), and on the website operated by the Supervisory Authority (www.kozzetetelek.hu).

15.2 Any legal declaration made by the shareholder to the Company shall only be valid if set forth in a public document, or in a private deed of full probative force in accordance with Act III of 1952 on Civil Procedure."

Reasoning:

We propose clarifying the formal requirements for shareholders' legal declarations, and placing them within stricter constraints, to **increase confidence in the formal and substantive authenticity** of documents containing legal declarations. Consequently, any legal declarations by shareholders that do not comply with the formal requirements will not constitute validly made legal declarations.

2.2. <u>Proposals to clarify certain provisions of the Bylaws:</u>

(a) [Convening a reconvened general meeting]

8.18 If a properly convened General Meeting is inquorate, the reconvened General Meeting – <u>convened at the time and place specified in the notice described in section 8.13 –</u> shall be quorate with respect to the items on the original agenda, regardless of the extent of voting rights represented by those in attendance. Should the agenda of the General Meeting contain a proposal regarding the termination of trading in the shares in all regulated markets (hereinafter: delisting), the reconvened General Meeting shall have a quorum with regard to this agenda item if the shareholders representing more than half of the votes embodied by the voting shares are in attendance."

<u>Reasoning:</u>

Because a general meeting reconvened to a lack of quorum can no longer be held on the same day, it is advisable to **make it clear**, in the Bylaws, that the Company **will not publish a new notice for the purpose of convening the reconvened general meeting**. This makes it possible to prevent anyone from interpreting the Bylaws as meaning that the Company will issue a separate invitation for the reconvened general meeting.

(b) [Content of the minutes]

"8.30. Minutes of the General Meeting must be taken, and must contain the following:
[…]

f.) the proposed resolutions, *<u>for each resolution, the number of shares on behalf of which a valid vote was cast, the extent of share capital represented by such votes,</u>* the number of the votes for and against the proposals, and the number of abstentions;"

<u>Reasoning:</u>

Article 3:278 of the **Ptk**. **prescribes**, as a part of the content of the minutes, that the number of shares on behalf of which a valid vote was cast, and the extent of share capital represented by such votes, be recorded in the minutes; and in view of this provision the relevant subsection 8.30 f.) of the **Bylaws is in need of supplementation**.

(c) [Approval of the Supervisory Board's rules of procedure]

"11.5. The Supervisory Board determines <u>and approves</u> its own rules of procedure."

<u>Reasoning:</u>

At last year's general meeting, in the amendment of the Bylaws – in view of the scope for exercising discretion permitted by the Ptk. – approval of the Supervisory Board's rules of procedure was deleted from the powers of the general meeting in the Bylaws. The purpose of the decision was to permit the **Supervisory Board to approve its own rules of procedure** in the future. At that time, however, the approval of its own rules of procedure was not expressly defined as a power of the Supervisory Board.

As a result the Bylaws do not contain the term "approves", as currently applied by the law, and therefore it is not fully clear which body is entitled to "approve" the rules of procedure determined by the Supervisory Board.

In the interests of **making it clear**, in keeping with last year's general meeting decision, that the Supervisory Board is entitled to approve its own rules of procedure, it is advisable to clarify the wording of the Bylaws in accordance with the above, so as to ensure that the **Bylaws expressly state** that Supervisory Board is the body **that approves its rules of procedure**.

Text of resolution proposals:

The General Meeting has decided, by way of a single resolution, to amend the Company's Bylaws in accordance with the contents set forth in the Board of Directors' Proposal.

Text of resolution proposals:

The General Meeting approves the amendment of sections *8.3; 8.8; 8.13; 8.17; 8.18; 8.30; 8.33; 11.5 and 14.1*, and Article 15 of the Company's Bylaws in accordance with the proposal of the Board of Directors, as per the annex to the minutes of the General Meeting.