

K&H Bank Zrt.

H-1095 Budapest, Lechner Ödön fasor 9.
Telefon: (06 1) 328 9000, (06 70) 461 9000
Fax: (06 1) 328 9696
www.kh.hu • bank@kh.hu



FATCA ANNOUNCEMENT

Dear Customer,

Hungary and the United States signed an inter-governmental agreement on February 4, 2014 on the implementation of the provisions of FATCA, an act on the taxation of foreign accounts passed by the United States Congress.

What is FATCA?

The purpose of the FATCA act is the identification of natural and legal persons subject to US taxation, who maintain an account in non-USA (i.e., foreign) financial institutions and the reporting of their data to the US Tax Authority. Essentially, FATCA has been passed to prevent US taxpayers from avoiding tax liabilities on financial assets held outside the United States.

Under the terms of the inter-governmental agreement referred to above, foreign financial institutions' obligations under FATCA are limited to the identification of US taxpayers and reporting their data; the assessment and collection of taxes is the responsibility of the US Tax Authority.

To facilitate the integration of the inter-governmental agreement into the Hungarian legal system, Parliament created a special act (Act 19/2014 on Announcing the Agreement between the Government of Hungary and the Government of the United States of America to Improve International Tax Compliance and to Implement FATCA and the Amendment of Specific Related Acts).

Pursuant to the Act, K&H Bank had to introduce a new review and record-keeping system to allow the identification of US accounts maintained at the Bank and the reporting of data required by the US Tax Authority.

The new review procedures shall apply to all new accounts and accounts opened prior to the entry into force of FATCA (July 1, 2014), which requires that, under the criteria established by the Act, K&H Bank must acquire tax statements from clients qualifying as US taxpayers.

K&H Bank must meet its reporting obligation to the US Tax Authority through NAV (National Tax and Customs Administration) starting in 2015. The required data is actually transferred to the US Tax Authority by NAV. Our clients shall be informed of all data transfer to NAV within 30 days of the data reporting.

Tax statements

Tax statements to be collected from persons affected by US law have been drafted and published by the US Tax Authority. K&H Bank applies these statements to establish tax liability in the US.

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FATCA applied by K&H Bank

As of July 1, 2014, in order to meet FATCA criteria our client acceptance procedures will be substantially modified, resulting in the following changes and additional obligations.

In respect to **new clients** the changes will involve registration of statement on US tax liability, in some cases including the completion of relevant tax forms.

In respect to **our existing clients** we are going to perform central screening to identify persons potentially affected by US law. We are going to require clients qualifying as US taxpayers to complete the relevant forms.

A refusal to sign the required forms / statements will lead to the rejection of establishing the client relationship and, in respect to existing client relationships, restricting access to the products used and the termination of the relationship.

Registration with the US Tax Authority

Having complied with FATCA requirements, K&H Bank registered with the US Tax Authority and received the following GIIN (Global Intermediary Identification Number) number:

GIIN: 5DHUWX.00024.ME.348

Find additional English-language information on FATCA, the inter-governmental agreement and tax statements on the following website: www.irs.gov.

Our colleagues in our branch offices and Telecenter will be happy to answer all your questions related to FATCA.

Thank you

Kind regards,

K&H Bank Zrt