

Dear Client,

Hereby we would like to inform you about some important **changes in legal regulations relevant to investment services that will come into force as of 3 January 2018**. Pursuant to the provisions of the EU Directive and Regulation on the markets of financial instruments¹ the Parliament has adopted the amendment of the act on Investment firms and commodity dealers, and on the regulations governing their activities².

The primary objective of the EU Directive and the amendment of the Hungarian law is to ensure stronger protection for investors.

Due to the changes in the legal regulations, with the effect of 3 January 2018 changes will also be applied to our Bank's conditions of contract and business rules relevant to investment services, which you may view in the Bank's branches and on the website of OTP Bank (www.otpbank.hu).

1. Client identification

In order to ensure the easier identification of any potential market frauds the law introduces a **new client identifier** specifically used/to be used for investment service activities, and **the use of which will be mandatory for service providers as from 3 January 2018**.

In case of natural persons the identifier will be automatically generated by the Bank based on client data and will be used in submitting mandatory data reports to the NBH.

- If you are a citizen of only Hungary, **you have nothing to do about the identifier**, as the Bank will automatically generate it for you.
- **If you have dual nationality or you are the citizen of a foreign country, it may be necessary for you to provide additional identifying data for the Bank to be able to generate the aforesaid identifier.** Our clients concerned **shall be separately informed** about the specific data to be provided additionally for the generation of the identifier.

We kindly call your attention that in case another person/other persons is/are also entitled to dispose over the securities account or hold an entitlement under a Treasury framework agreement (e.g. authorized representatives, legal representatives, etc.) their relevant data will also be necessary as the Bank will have to generate the identifier for them too. Until the availability of the necessary data is ensured, other persons with a right of disposal over your securities account or under your Treasury framework agreement will not be able to submit an order.

In case of legal entities a legal entity identifier, a so-called LEI³ code will be introduced. If you want to submit an order **for financial instruments introduced to a trading venue after 3 January 2018** (e.g. government securities, shares listed in BSE), you must have a **LEI code and you have to make it available for the Bank prior to submitting the order. It is your task and responsibility to obtain the LEI code and update it annually.** LEI codes may be obtained electronically from the LEI code issuer service providers.⁴ You may get additional information about the conditions, validity and costs of obtaining LEI codes via the internet. Please present your valid LEI code personally in any OTP branches so that it can also be registered in our banking systems.

We kindly call your attention that due to the transition to the new identifiers the stock markets shall delete all unfulfilled orders on the last business day of 2017 (29 December 2017), therefore the Bank will not be in a position to fulfil such orders either.

¹ Markets in Financial Instruments Directive / Regulation"; abbreviated as: **MiFID II / MiFIR**), as well as the PRIIPs Directive and the related rules

² Act CXXXVIII of 2007

³ Legal Entity Identifier

⁴ In Hungary KELLER (www.keller.hu) provides such a service, while in the international context CFTC Interim Compliant Identifier Utility (www.ciciutility.org) is one of the biggest LEI code service providers.

2. Transparent costs and product information

The law has extended the scope of the formats in which information is provided on the terms and conditions of products and the costs of the individual products/services.

- **An interactive online cost statement** will be available on our website as from 3 January, which will summarise all the expected/estimated costs incurred in relation with a specific product in one single number, with fixed tenor and investment amount. The Bank's "Business Rules on Investment Services" will contain information on the cost statement, expectedly as from 1 December 2017.
- From year 2018 our Bank will also send you each year a summarised **cost statement**, which will display as a lump sum the costs related to the products/services you used. If required, our Bank will send you the costs included in the statement in a detailed breakdown too.
- In relation with investment package products and insurance based investment products we will ensure a so-called **Key Information Documents (KID)** for our retail clients. The document will contain all material information about the product to allow you to make a well-based decision on your investments. From 3 January 2018 you may have access to the KIDs on our website dedicated to this special purpose and on paper basis in the branch network of OTP Bank.

In this letter we also want to inform you that in the future our Bank will provide investment advice on a dependent basis pursuant to MiFID II with regard to the wide range of activities of our Bank group.

3. Products sales to meet client requirements and objectives

In order for our Bank to better ensure that the investment products sold would reach those clients whose investment needs and objectives would thus be satisfied, a so-called **target market analysis** will be introduced according to the provisions of the new legal regulations. The main purpose of the analysis is to establish based on the available information whether or not a specific product or service is in harmony with the goals, financial knowledge and experience of our client as well as his willingness to take risks and to ensure that based on the risk/yield characteristics the given product is suitable for the client.

Please be informed that in the future when investment consulting is provided a so-called **suitability report** will be prepared for you pursuant to the stipulations of the new legal regulation, whose purpose is to present in a transparent manner how the specific advice you receive would satisfy your requirements, and also the criteria based on which our Bank gave the specific advice.

In case of Investment consulting the Bank will also check whether the knowledge and experience of the person acting on your behalf (e.g. proxy) is also appropriate in terms of the specific product.

Should you need any additional detailed information about the new regulation coming into force in relation with MiFID II, please visit the website <https://www.otpbank.hu/portal/hu/Megtakaritas/Ertekpapir/MIFID>.