

Notice on the statutory settlement of consumer loan agreements

Dear Customer/ Inquirer,

Below you find a summary of key information on the settlement of consumer loan agreements. Our notice has been compiled in accordance with the acts setting out the detailed regulations for settlement and the relevant decrees of the Central Bank of Hungary, and is updated on a regular basis.

The following chapters provide information on settlement that consumers will find the most important.

- 1 Applicable legal regulations
- 2 Agreements to be settled
- 3 Principles and other rules of settlement
- 4 Sending letters of settlement to consumers, deadlines
- 5 The most important things to do for consumers
- 6 Most frequently asked questions about settlement

1. Applicable legal regulations

The main rules of the obligation to settle consumer loan agreements are set out in the following two acts:

- **Act XXXVIII of 2014** on the Settlement of Particular Issues Related to the Uniformity Decision of the Supreme Court (Curia) on Consumer Loans Provided by Financial Institutions (“**the Curia Act**”);
- **Act XL of 2014** on the Rules of the Settlement Set out in Act XXXVIII of 2014 on the Settlement of Particular Issues Related to the Uniformity Decision of the Supreme Court (Curia) on Consumer Loans Provided by Financial Institutions and on Other Provisions, as amended by Act LXXVIII of 2014 (“**the Settlement Act**”).

The specific methodology, formula and all details of the settlement required by the above Acts, as well as related provisions on information and other matters of consumer protection are regulated by the **Central Bank of Hungary (MNB) in four decrees:**

- Decree No. 42/2014. (XI. 7.) sets out the methodology of settlement in respect of agreements under which all repayments by the consumer were timely and contractual, and the consumer was not granted any allowances;
- Decree No. 54/2014. (XII. 10.) contains special provisions on agreements subject to allowances, the payment relief programme or late payment, as well as on the exchange rate cap, fixed-rate full early repayment, bridging loans under Act IV of 2009, and loans secured by residential property pledged to the National Asset Management Company;
- Decree No. 55/2014. (XII. 10.) specifies the settlement methodology for financial institutions in liquidation or voluntary dissolution, as well as the accounting dates of settlement and the deadline for payments;
 - Decree No. 58/2014. (XII. 17.) contains requirements for consumer information and other provisions on consumer protection.

In compliance with the above legal regulations, both UniCredit Bank and UniCredit Jelzálogbank are preparing to carry out the tasks related to settlement. Naturally, our Bank and Jelzálogbank provide regular information to customers on their websites and in other information material available at their branches.

2. Agreements to be settled

The provisions of the acts regulating settlement **apply to foreign exchange based¹, HUF and foreign exchange consumer loan agreements and lease agreements concluded between 1 May 2004 and 26 July 2014** which include an unfair general contractual term concerning exchange rate spreads or unilateral amendments, or a contractual term that has not been negotiated specifically, as set out in the Settlement Act.

The above acts and consequently the settlement obligation are **not applicable to credit cards and overdraft facilities, or HUF home loans granted at government-subsidised interest rates.** Additionally, under the acts banks have no settlement obligations in respect of loan agreements terminated and closed on or before 26 July 2009. Exceptions include cases where

- the bank has knowledge of; or
- the consumer claims and the bank fails to challenge that the consumer's claim has not become barred or the fact of that the claim is still valid is established by the final decision of a court; or
- the consumer provides evidence that the claim arising from the loan agreement and assigned by the bank to a third party is enforced against them by a financial institution that has no settlement obligation.

Banks are obliged to settle HUF and foreign exchange loans granted after 26 November 2010 where class action is brought by MNB in February 2014 on grounds of the stipulations contained in those agreements concerning unilateral amendments, and the court rules that such stipulations are unfair.

3. Principles and other rules of settlement

Excess consumer payments arising from exchange rate spreads² and unilateral amendments³ deemed unfair under the acts are to be settled by the banks according to the principles and precise calculation methodologies set out in legislation. As part of that:

- Our Bank deducts the allowances granted from the consumer's excess payments. Allowances include all pecuniary advantages or benefits (waiver of principal, interest or fees, application of preferential exchange rates) reducing the consumer's payment obligation in comparison with that originally specified in the agreement.
- The consumer's claim obtained as the difference of excess payments and allowances is offset against their debt outstanding on the loan, and, if any, against the consumer's other overdue debt to our Bank.
- Where the consumer loan agreement has been terminated or is terminated in the course of settlement without any surviving obligation to pay any liability arising from the agreement, our

¹ Foreign exchange based loan: a loan recorded or granted in a foreign exchange and repaid in HUF.

² Exchange rate spread: the burden resulting from the margin of the different types of exchange rate applied to reimbursement and repayments.

³ Unilateral amendment: a unilateral adjustment to the premium rate pursuant to the general terms and conditions following conclusion of the agreement.

Bank will reimburse the consumer for excess payments according to the rules for unjust enrichment.

3.1 Consumer loan agreements remaining in effect (open)

- Where the debtor of an open loan agreement is not in default with their repayments, the consumer's claim (excess payment) arising on the debtor's part as a result of settlement will be settled by the Bank as an **early repayment**. Following settlement, this will reduce the principal debt and consequently monthly instalments, leaving the term of the loan unchanged.
- Where the debtor has any overdue and unpaid debt arising from the loan agreement, the consumer's claim (excess payment) arising on the debtor's part as a result of settlement will **first be offset against such overdue debt(s)**. Subsequently, the part above the amount of overdue debt will be credited as an **early repayment** to the loan account being settled. As a result, settlement may reduce the principal debt and consequently monthly instalments, leaving the term of the loan unchanged.
- Where the amount of the consumer's claim is greater than the entire debt outstanding under the loan agreement being settled, **the loan agreement will be terminated upon early repayment**. Where any amount of the consumer's claim (excess payment) remains outstanding, the Bank will:
 - according to the rules of civil law, offset that amount against the debtor's overdue and unpaid debt to the Bank, if any, arising from their other agreements with the Bank;
 - reimburse the debtor if the debtor has no such debt or a consumer's claim (excess payment) remains outstanding after such a debt is settled.

3.2 Consumer loan agreements terminated before settlement

- Where the debtor has any **residual debt** arising from the terminated consumer loan agreement, the amount of the consumer's claim (excess payment) arising on the debtor's part as a result of settlement will be offset by the Bank according to the general rules of civil law against the overdue debt arising from the consumer loan agreement.
Where the debtor's loan agreement was terminated as part of a refinancing loan granted by our Bank, the consumer's claim will be offset against the debt outstanding under that refinancing loan.
- Where the debtor has **other overdue and unpaid debt** arising from any agreement with our Bank, the consumer's claim (excess payment) arising on the debtor's part as a result of settlement and remaining after the offsetting referred to in the previous section will be offset against such overdue debt(s).
- The debtor will be reimbursed if they **have no such debt outstanding** under the consumer loan agreement being settled or any other agreement with our Bank, or if a consumer's claim (excess payment) remains outstanding after such a debt has been repaid.

3.3 The debtor of the loan agreement being settled is no longer a customer of UniCredit Bank

Please visit our nearest branch and submit your written **statement** on the form provided for this purpose concerning:

- the mailing address at which you wish to receive your letter of settlement; and
- if you are eligible to a payment based on the settlement, your preferred method of receiving the reimbursable amount of the excess payment established in the course of the settlement.

Please note that if you do not make a statement before your letter of settlement is sent out to you, or do not notify us about the changes in your home address or mailing address, your letter of settlement will be sent to the mailing address currently available to us as recorded in your loan agreement. Within 30 calendar days of receiving the letter, you may also submit a statement to any of our branches on the method of payment. If you make no such statement, our Bank will post the amount of reimbursable excess payments established by settlement to a dedicated account and will record it as an expiring claim according to the rules of civil law, i.e. as a general rule, you remain eligible to receive the amount of your excess payments for 5 years from the calendar date of the settlement.

3.4 The debtor of the loan agreement being settled has deceased

In the case of a deceased debtor, the claim is subject to the rules of inheritance. The fact of the debtor's death must be immediately notified at any of our branches, presenting the original of the death certificate providing evidence thereof. In this case, the claim is settled as follows:

- **Where the debtor has been succeeded by an heir**, the claim is settled according to Section 3.1.
- **Where the heir provides or has provided evidence of their capacity as heir in respect of the loan agreement by presenting an original and fully effective notarial grant of probate / final decision in probate proceedings before the letter of settlement is sent out**, the Bank will send the letter of settlement to the heir. Where pursuant to the final grant of probate, the debt to be settled is inherited by several heirs, the Bank will send the letter of settlement to all of the heirs. Where the settlement imposes an obligation of reimbursement on the Bank, the Bank will settle with each of the heirs separately in proportion to their hereditary shares.
- As long as an **an original and fully effective notarial grant of probate / final decision in probate proceedings is not available to the Bank** in connection with the loan agreement to be settled (whether or not the fact of the debtor's death has been notified), the Bank will not send out the letter of settlement (or, respectively, it will not make any payments based on a letter of settlement sent out unaware of the fact of the debtor's death).
- As long as an **an original and fully effective notarial grant of probate / final decision in probate proceedings is not available to the Bank**, it will not accept a statement on payment.

3.5 Special settlement rules are applicable in the following cases:

- the financial institution assigned the claim remaining following termination of the agreement to a collection agency;
- the debtor has made a full repayment on their foreign exchange based loan at a fixed exchange rate according to Article 200(B) of Act CXII of 1996 on Credit Institutions and Financial Enterprises;
- the property pledged as collateral to the loan agreement was purchased by the National Asset Management Company before the settlement;
- exercising the option offered by legislation, consumers signed for the exchange rate cap.

4. Sending letters of settlement to consumers, deadlines

To each consumer affected by the settlement, the Bank will send out a detailed letter of settlement in respect of their loan agreement, of the form and substance set out in legislation.

Pursuant to the Settlement Act, **the Bank will send out the letter of settlement only to the person who is the debtor of the loan** at the time of the settlement (or at the time of termination in the case of a terminated agreement), as payments will also be made to debtors. **Where specifically requested** (based on a written request submitted in person to any of its branches), the Bank will send duplicates of the letter of settlement to **co-debtors, guarantors and mortgagors** after sending the original to the debtor. Co-debtors, guarantors and mortgagors may enforce any claim they have against the debtor in accordance with the rules of civil law.

In compliance with the provisions of the settlement act, our Bank will send out letters of settlement to the customers concerned

- **between 1 March and 30 April 2015 in the case of foreign exchange based loan agreements;**
- **between 1 August and 30 September 2015 in the case of HUF and foreign exchange loan agreements.**

Within 15 days, our Bank will notify the fact of having sent out the letters of settlement separately for foreign exchange based loans and separately for HUF/foreign exchange loans on its website at www.unicreditbank.hu under heading "Information on settlement and conversion" and subheading "Disclosures concerning fulfilment of the obligation of settlement", and it will at the same time display the relevant notice at all of its branches.

On sending out your letter of settlement, our Bank will notify you about the following:

- contractual amendments concerning fair interest rates under Act LXXVIII of 2014 amending Act CLXII of 2009 on consumer credit and certain related acts ("Fair Banks Act"); and
- in the case of foreign exchange based and foreign exchange mortgage loans, the details of the conversion under Act LXXVII of 2014 on the settlement of matters relating to the currency conversion of certain consumer loan agreements and to interest rate rules.

5. The most important things to do for consumers

✓ **Fulfilment of your payment obligation**

Please remember to **fulfil your payment obligation arising from your loan agreement in both the settlement period and the preparatory stage**. The Curia Act and the Settlement Act do not exempt debtors from their obligation to make contractual repayments.

✓ **Have there been any changes in your personal details and your home address (mailing address) recorded in your agreement, and have you notified the Bank about such changes?**

Settlement requires your precise mailing address, because our Bank is obliged to send letters of settlement to debtors' mailing addresses notified to the Bank (in the absence of such addresses,

to their home addresses). If you have not yet notified our Bank about changes in these details, please visit our nearest branch at your earliest convenience to make a statement concerning the above on the form provided for this purpose.

Although the law allows such statements to be made after letters of settlement have been sent out, for the sake of the convenience of the customers concerned, UniCredit Bank collects statements at its branches from 8 January 2014 onwards.

✓ **If you are no longer a customer of UniCredit Bank, have you made a statement on the method of reimbursement?**

Where settlement imposes an obligation of reimbursement on our Bank and you no longer hold a payment account with us as a debtor, you need to make a statement on the form provided for this purpose on whether you wish the reimbursable amount to be transferred to your payment account with another bank, or prefer to collect it in cash from the cash desk of our branch.

✓ **Have you authorised a representative in case you are prevented?**

If you as a debtor wish to **notify the above changes in your details** by means of an authorised representative, under the applicable decree of the Central Bank of Hungary you need a power of attorney recorded in a probative document.

If you as a debtor do not hold a payment account with our Bank and wish to use an authorised representative to notify **your payment account number with another bank** or to make a statement on your preference for **cash desk payment**, please note that under legal regulations this requires a power of attorney recorded in notarial document or a probative document countersigned by an attorney.

According to legal regulations, a power of attorney issued in a foreign country may only be accepted if it has been legalised by a Hungarian foreign representative body or bears an apostille as specified in the Hague Convention of 5 October 1961 Abolishing the Requirement of Legalisation for Foreign Public Documents. Our guide on powers of attorney is also available on the Bank's website under "Information on settlement and conversion".

6. Most frequently asked questions about settlement

6.1 Will I receive a letter of settlement if my agreement has been closed?

Our Bank is only obliged to settle "agreements to be settled" under the law. If your agreement has been closed, you will receive a letter of settlement if your agreement meets the legal requirements explained in Section 2.

6.2 Am I affected by settlement if I converted my loan to an omnibus account?

Consumer loan agreements subject to the exchange rate cap or converted to omnibus accounts are also to be settled if the agreement otherwise meets the relevant legal requirements (Section 2). Such cases are subject to special settlement rules according to which the consumer's excess payments are, following settlement of debt that has become due or overdue,

- offset primarily against the omnibus account, and
- the remaining part against the principal debt on the foreign exchange loan concerned.

6.3 What happens if I have made a full repayment on my loan at a fixed exchange rate?

In the case of debtors who have made a full repayment on their loans at a fixed exchange rate according to Article 200(B) of Act CXII of 1996 on Credit Institutions and Financial Enterprises, banks are under an obligation of settlement only where settlement is requested by customers. Such customer may apply to the Bank for settlement from 1 to 31 March 2015, subject to the payment of a fee of HUF 10,000. This amount will be refunded to the debtor if the settlement imposes an obligation on the Bank to reimburse the customer. The customer will be exempted from the payment of the fee of HUF 10,000 if they provide evidence of having entered into a HUF consumer loan agreement for the purpose of full repayment.

Where a full repayment was made on a loan at other than the above preferential rate, the standard rules of settlement are applicable.

6.4 How are loans settled in the case of homes purchased by the National Asset Management Company?

The Bank has no settlement obligation in the case of loan agreements for residential property purchased by the National Asset Management Company. However, the customer's creditor affected by the price allocation plan for the property may apply to the Bank for settlement until 31 December 2015. The Bank's settlement with the National Asset Management Company or the applicant creditor will be sent to the National Asset Management Company by 28 February 2016.

6.5 Who will settle factored loans?

Where the Bank has sold (assigned) its claim on the customer to an assignee supervised by MNB (HFSA)⁴, the loan will be settled via the assignee, i.e. the customer may initiate actual settlement with the assignee based on the settlement documentation sent to them.

Where the Bank has sold (assigned) its claim on the customer to an assignee which is **not** supervised by MNB (HFSA)⁴ and is not a financial institution, the loan will be settled with the Bank. In such cases, the customer may initiate actual settlement with the Bank based on the settlement documentation sent to them.

6.6 What rules are applicable to agreements being distrained/litigated?

Where

- the Bank has brought distraint proceedings against the customer; or
- the Bank has entered distraint proceedings initiated by another applicant against the property securing the claim; or

⁴ Visit the MNB website (www.mnb.hu) to verify whether the collection agency is supervised by MNB.

- judicial action has been taken to establish the invalidity or nullity of the claim on the customer, or the termination or limitation of distraint,

the Bank will, as provided for in legislation, inform the distraint officer(s) and the court about the fact and substance of the settlement.

6.7 I have a HUF loan. Am I also eligible for reimbursement under the Act?

The Bank is obliged to settle HUF loans where the contractual provisions for unilateral amendments (to be settled according to Section 2 above) are found to be unfair according to the Act or a final court decision. The Bank is required to send out letters of settlement on HUF loans to its customers between 1 August and 30 September 2015. The methodology, formula and all details of settlement required are regulated by the Central Bank of Hungary in decrees.

6.8 Where can I file a complaint?

If you do not agree with the settlement, you have 30 days from receiving your letter of settlement to file a complaint with your bank. If prevented, you may submit your complaint within 30 days following the removal of the obstruction but 90 days following the deadline for the submission of the complaints at the latest.

If your view is that under the Act you should have received a letter of settlement from your bank concerning your loan agreement, but you have received no such letter, you may file a complaint on grounds of your bank's failure of settlement. According to legal regulations, you have 60 days to do so after the Bank notified the fact of having sent out the letters of settlement on its website under heading "Information on settlement and conversion" and subheading "Disclosures concerning fulfilment of the obligation of settlement", and at the same time displayed the relevant notice at all of its branches.

Please note that consumers who do not file a complaint concerning the settlement within the deadline available may not challenge the settlement subsequently.

Complaints concerning the settlement may only be made in writing:

- by mail addressed to the Bank's central address H-1054 Budapest, Szabadság tér 5–6.;
- by e-mail at panasz@unicreditgroup.hu;
- by fax at +36 1 374 7838;
- at any of our branches (the list and opening hours of our branches is available at www.unicreditbank.hu under Contact Us/Branches); or
- via the Bank's website at www.unicreditbank.hu

The Bank will examine the complaint immediately by taking into account all relevant circumstances, and will, within 60 days of receiving your complaint, send a written response with the results of its comprehensive examination to the address which you have provided, or, at your specific request, via its online banking service.

If you do not agree with the result of the examination, you may seek remedy with the Financial Arbitration Board (mailing address: 1525 Budapest BKKP Pf. 172) within 30 days of receiving the Bank's response. If prevented, you may submit your complaint within 30 days following the removal of the obstruction but 6 months following delivery of the response to your complaint at the latest.

Applications for a judicial review of the decision of the Financial Arbitration Board may be submitted to the Financial Arbitration Board. Where this right is exercised by either of the parties concerned, the decision of the Financial Arbitration Board may not be enforced until a decision is made by the competent court that has jurisdiction.

The judicial review is conducted in non-contentious civil procedure by the district court operating at the headquarters of the county court of the consumer's residence.