

THE HUNGARIAN BANKING ASSOCIATION'S COMPETITION COMPLIANCE STATEMENT

PART I INTRODUCTION

The aim of competition laws is to ensure and maintain fair and free economic competition. This requires competition laws which prohibit market behavior that breaches requirements for fair competition and restricts economic competition, and which thus prohibit all agreements and exchanges of information between competitors that reduce strategic uncertainty in the market (e.g. around production costs, turnover, capacity, marketing plans).

Advocacy organizations, and therefore the Hungarian Banking Association (hereinafter HBA or Association) as well, approve the membership of and represent corporations which are actual or potential competitors of each other. Consequently, anti-competition restriction provisions are particularly relevant to HBA activities. It is of essential importance to both the HBA and its members that they operate according to the competition laws of the European Union and Hungary, since infringement of these rules may result in extreme damages and may be very costly.

Failure to comply with competition laws may have (among others) the following severe consequences:

- agreements that infringe competition laws may be declared invalid;
- Investigations and possible subsequent procedures may last years and may result in significant legal expenses and substantial fines (up to 10% of the group's annual turnover);
- third parties who suffer as a result of anti-competitive behavior have the possibility to recover damages;
- reputational risk and damage.

The **purpose of this Statement** is to reinforce the commitment of the HBA to upholding all applicable laws and in particular competition rules, both European and national, and to stimulate awareness of all relevant persons with respect to competition rules which are applicable to the activities of the Hungarian Banking Association. Relevant persons are all staff members of the HBA, as well as members of all the HBA's bodies, committees, working groups and members of any other structures created by, managed by or affiliated with the HBA.

The HBA and all parties concerned fall under the scope of the EU competition regulations set in the European Union Treaties and Act LVII of 1996 on the Prohibition of Unfair Trading Practices and Unfair Competition.

It is the firm intention of the HBA to fully abide by these rules and to ensure the highest compliance with competition rules in all its activities, as well as to avoid any issues that could create the appearance of collusion.

The HBA has adopted this Statement which is binding for all its employees and summarizes below the general rules and principles which the Association and its members must follow in all their activities.

The HBA will introduce this Statement to the members of its committees and working groups and will pass it to all permanent or temporary bank representatives active in its expert, advisory or working bodies.

PART II PRINCIPLES

The following rules and principles are binding:

1. The HBA will not condone any discussion or exchange of information concerning sensitive data (such as prices, cost, capacity or other pricing-related information) at any of its meetings or other meetings of competitors to which it is a party.
2. The HBA will not condone any discussion of the division or allocation of markets or other efforts of any kind that aim to or may result in reducing competition between or among participants to the HBA meetings.
3. In no case will the HBA members agree to adhere to any particular standard or guideline, except for the legal requirements, standards, capital requirements, consumer laws or other similar regulations and guidance issued by European or national regulatory authorities.
4. If the HBA issues principles and recommendations for sound industry practices, such principles and recommendations are intended to be considered and, if appropriate, adapted by each firm as best suits its own business model, risk appetite and market situation through an unbiased decision, after an assessment that is conducted separately and independently from other firms. Such principles and recommendations are not meant to be prescriptive and therefore are not binding.
5. On collection and dissemination of data and statistics, the HBA's activities and purposes will always be directed at providing general information and not to restrict competition. Participation will always be voluntary; data submitted should be historic, not forward looking and must be reported in an anonymized and aggregated form, under no circumstances should their individual source be identifiable, with the view to ensure that competitors do not receive information from which they could derive competitively sensitive data. Whether the data qualifies as historic depends on the nature of the data, and should be considered with respect to the average length of the underlying contracts. The HBA will not condone or facilitate the sharing of sensitive data among HBA members and to ensure the above it will anonymize/aggregate data received from its members before revealing it.
6. The HBA will not sponsor or be party to agreements or practices, expressed or implied, which restrict its members' freedom in any way to make independent decisions in matters that affect competition.
7. The HBA will not knowingly be a party to any agreement or practice that is aimed at persuading government agencies to impose restrictions that might give HBA members advantages over other industry competitors or otherwise restrict competition.

PART III PROHIBITED ACTIVITIES

In practice, the rules and principles listed above should be understood as prohibiting the following actions at any of the meetings and forums organized by, managed by or affiliated with the HBA:

- a) It is prohibited to discuss or exchange (in any form) information regarding your own or your competitors' prices, price changes, price differentials, discounts, margins, or any terms of sale that might affect prices, with other representatives of other members.
- b) It is prohibited to discuss individual company figures on costs, capacity, compensation, business opportunities, products or services, or sales, except for industry data publicly available.
- c) It is prohibited to discuss what individual companies plan to do in particular geographic or product markets or with particular customers, including (i) lending or underwriting policies, (ii) the terms on which specific types of transactions may be done by a firm, (iii) the elimination, restriction, or limitation of the quantity or change of the quality of any product or service to be sold, or (iv) the division or limitation of sales to particular territories, customers, or classes of customers.
- d) It is prohibited to discuss specific future plans of members or other companies concerning the design, production, distribution, pricing terms or marketing of particular products, or investment, innovation and company strategy.
- e) It is prohibited to discuss matters relating to members' actual or potential individual suppliers or customers that might have the effect of excluding them from any market or of influencing the business conduct of other companies toward such suppliers or customers.
- f) It is prohibited to disclose to others (especially actual or potential competitors) any other strategic, competitively sensitive information.

These rules apply not only during the formal part of meetings and the formal exchange of information, but also to contact before/after meetings and during related social gatherings as well as to all communication pertaining to meetings and all communication in the context of the HBA.

Meetings

The HBA and all its members and members of all the HBA's committees, working groups and any other structures created by, managed by or affiliated with it, should implement the following practice in relation to meetings. The HBA requires that all its members adopt and follow the practices specified here during all meetings held within the context of the HBA.

- i Each meeting must have a written agenda, which is specific and clear. The agenda may further be complemented at the meeting, however special care must be taken to adhere to the principles stated above.
- ii The minutes must be sufficiently detailed and must accurately reflect the topics discussed and their key elements.
- iii Avoid sensitive subjects in terms of competition law (see points (a) to (f) above).
- iv Intervene preventively if the meeting is showing possible signs of violation of law.
- v Put an end to the discussion, ensure that the minutes reflect the objection(s) expressed, and if necessary, seek legal counsel.

vi In the event of a suspected violation of law, distance yourself publicly and consult a legal expert and if necessary leave the meeting.

vii When discussing more sensitive competition topics consult an HBA legal advisor in advance and, if necessary, ask that a legal expert take part in the meeting.

Exchange of Information

Although as a professional advocacy association the HBA also functions as a platform for information exchange between its members, it must not function as a contact forum for exchanging confidential or sensitive information between banks.

The Association may collect information about its members for the purpose of conducting HBA activities (such as advocating for common interests or reporting to authorities upon request), however the data collected must always be anonymized/aggregated.

It is prohibited for the HBA to return collected data to its members or any employee, or representative thereof, if members may be able to derive any competitively sensitive information from these (such as the market share of their competitors, plans to change prices, strategy or the introduction of new products, etc.).

When handling data collected from HBA members, any person who falls under the scope of this Statement must abide by the rules stated above and below:

- i. When requesting information from its members, the HBA must always specify what purpose this information will serve. A separate request must be sent to each bank or the anonymity of each recipient must be ensured (bcc). Sending a copy of the request to the representative of another bank is prohibited.
- ii. Banks must only supply the requested data to the HBA; the data is intended for the HBA's own use only and must be sent only to HBA employees. The aforementioned information must not be passed to the representatives of other banks.
- iii. All statistical data must be aggregated to prevent other members from identifying the member that supplied the data.
- iv. The data received must not be used for any other purpose or be disclosed by any other means or at any other time than stated in the information request sent by the HBA.

The above Statement must be interpreted in compliance with current competition laws and their interpretation accepted in practice.

In case of doubt or questions about the application of any of the principles or practical requirements, please contact HBA legal experts.