Unofficial translation only!

The official version is the Hungarian one!

NOTICE ON THE TERMS AND CONDITIONS OF SPOT SWISS FRANC SALE TENDERS RELATED TO FORINT CONVERSION OF FOREIGN CURRENCY NON-MORTGAGE CONSUMER LOANS

The Magyar Nemzeti Bank (MNB) introduces a spot Swiss franc sale tender related to the forint conversion of foreign currency and foreign currency-denominated non-mortgage consumer loans (hereinafter: Swiss franc sale tender), which will be supplemented with the possibility of using opposite FX swap transactions of maximum one week maturity, rolled at the most until the 52nd week following the first tender. The purpose of the central bank instrument is to ensure that the settlement of conversion transactions related to forint conversion takes place in an orderly manner, preserving the stability of the financial system and without a material impact on the forint exchange rate.

The Swiss franc sale tender is open to resident credit institutions (subject to reserve requirements) with direct VIBER or BKR membership (hereinafter: Credit institution). In addition, the MNB allows that financial institutions outside its eligible counterparties, who are not classified as Money market counterparties can also have access to the central bank foreign currency, through Credit institutions. A financial institution that is not classified as Money market counterparty may participate in the Swiss franc sale tenders through one single Credit institution.

1. Financial institutions not classified as Money market counterparties who are associated with one Credit institution or to multiple Credit institutions associated with each other may participate in the tenders through the associated Credit institution(s) (hereinafter together: Financial institution group).
2. Cooperative credit institutions may participate in the tenders through the Magyar Takarékszövetkezeti Bank Zrt. if they have their settlement accounts with the Magyar Takarékszövetkezeti Bank Zrt. as correspondent credit institution subject to reserve requirements, as set out in Act CXXXV of 2013 on the Integration of Cooperative Credit Institutions and the Amendment of Certain Economic Laws (hereinafter together: Takarékbank group).
3. In the case of associated undertakings that qualify as Money market counterparties, the MNB allows that one of these Credit institutions acts for the associated Credit institutions in the MNB tenders (in this case, their joint name is: Credit institution group). This is possible if the Credit institutions that waive the right of direct participation in the tenders officially inform the MNB that they waive their direct participation right, and specify the associated Credit institution for which they do so, and through which they will indirectly participate in the Swiss franc sale tender. In this case, an official communication may be a statement of the Credit institution signed by two persons who are reported to have disposition over the bank account, and the scanned version of this statement shall arrive at the MNB's dsktit@mnb.hu email address by 10 a.m. on the business day before the tender. However, in the case of the first tender, the statement shall arrive by 9 a.m. on the day of the tender. Credit

institutions in the majority ownership of the Hungarian State are not considered as associated undertakings by the MNB.

4. Other financial institutions that do not qualify as Money market counterparties (hereinafter: Indirect participants) may participate in the tenders through any Credit institution (hereinafter: Umbrella bank, regarding the provision of indirect participation, however, provisions regarding the Credit institution shall be applied for the Umbrella bank, too).

Both the Credit institution and the Indirect participant shall use the foreign currency acquired in the Swiss franc sale tender exclusively for the forint conversion of foreign currency and foreign currency-denominated non-mortgage consumer loans as stipulated by the legal regulations. The Credit institution group, the Financial institution group and the Takarékbank group shall meet this obligation at group level, and the Credit institution shall declare the assumption of this obligation with the submission of its bid for the Swiss franc sale tender.

Based on the agreement between the Umbrella bank and the Indirect participant that is involved in the tenders indirectly through the Umbrella bank, the Umbrella bank shall act for the enforcement of the rights and the performance of the obligations of the Indirect participant, too, in connection with the Swiss franc sale tender. In the Swiss franc sale tender, the foreign currency is provided to the Umbrella bank, for the benefit of the Indirect participant, and the Umbrella bank shall provide some of it, maximum to the extent defined in the Notice, to the Indirect participant. Regarding the transactions defined in the Notice, the Indirect participant may not enforce any claim against the MNB, and the MNB bears no responsibility for the behaviour of the Umbrella bank.

If the Indirect participant allows the Umbrella bank to perform the obligations related to it and defined in the Notice, the Umbrella bank and the Indirect participant shall enter into an agreement regarding the participation in the Swiss franc sale tender, specifying the detailed rules of the cooperation as stipulated in the Notice (hereinafter: umbrella bank agreement). The fact of the signing of the umbrella bank agreement and its main content elements shall be confirmed by the Umbrella bank and the Indirect participant in a joint statement to the MNB (hereinafter: umbrella bank statement).

The submission of the umbrella bank statement with the contents defined in the Notice is a precondition of the Credit institution's submitting a bid in the Swiss franc sale tender regarding the Indirect participant. In the umbrella bank statement,

the Indirect participant

- declares that as it participates in the forint conversion of foreign currency and foreign currency-denominated non-mortgage consumer loans as stipulated by the legal regulations, it will use the foreign currency acquired in the Swiss franc sale tender only for the forint conversion of foreign currency and foreign currency-denominated non-mortgage consumer loans as stipulated by the legal regulations,
- and declares that it is familiar with the provisions of the Notice, and shall make sure that the Umbrella bank is able to meet its obligations related to the participation in the Swiss franc sale tender,

- shall tell the MNB its estimated maximum hedging requirement according to the Notice;

and the Umbrella bank declares that it will transfer the foreign currency acquired in the Swiss franc sale tender for the Indirect participant to the Indirect participant;

furthermore, the Umbrella bank and the Indirect participant acknowledge that

- they are aware that the MNB enforces the sanctions defined in the Notice against the Umbrella bank, and
- they have reached an agreement with each other regarding the bid that can be submitted under the Swiss franc sale tender against the sublimit defined in the Notice, and regarding the settlement of the foreign currency purchased in the tender, and regarding the provision and settlement of the foreign currency to be repaid to the MNB at the time, in the extent and in the way defined in the Notice.

The scanned version of the umbrella bank statement signed by the authorised persons at the Indirect participant and, in the case of the Umbrella bank, by the persons that are reported to the MNB as persons having disposition over the bank account shall arrive in electronic way by 10 a.m. on the business day before the tender at the dsktit@mnb.hu email address of the MNB. However, in the case of the first tender, the umbrella bank statement shall arrive at the MNB by 9 a.m. at the latest on the day of the tender. The sample signatures of the persons signing for the Indirect participant – confirmed by a notary public – and the Indirect participant's certificate of incorporation not older than 30 days shall be sent to the MNB in electronic format, too, at the latest by the deadline of the arrival of the umbrella bank statement. Also, by the same deadline, the Indirect participant shall send its own email address and the name and phone number of a contact person to the MNB so that the MNB could inform the Indirect participant about its final estimated maximum hedging requirement.

The extent of the participation of the Credit institution in the tender is limited (hereinafter: limit). The MNB estimates the maximum hedging requirement on the basis of the data provided in the consumer loan lines of the F01 balance sheet report for credit institutions and the 21R balance sheet report for financial undertakings, regarding Financial institution groups, the Takarékbank group, Credit institutions not included in these categories and potential Indirect participants (hereinafter: estimated maximum hedging requirement). The portfolios are net (depreciation adjusted) values of 31 March 2015, which were converted to Swiss franc at the official MNB Swiss franc/forint exchange rate of 31 March 2015, and were rounded up to million Swiss francs. Prior to the publication of the Notice, the MNB reconciled the estimated maximum hedging requirement with the affected Credit institutions. In turn, the Indirect participant shall indicate its estimated maximum hedging requirement to the MNB in the umbrella bank statement. The MNB shall define the final estimated maximum hedging requirement determining the sublimit of the Indirect participant by the announcement of the result in the case of the first tender, and in the case of potential additional tenders, by 16 p.m. on the business day before the tender, and shall inform the Credit institution and the Indirect participant of this in writing. The limit of the Financial institution group, the Takarékbank group and Credit institutions not included in these groups shall be identical with the estimated maximum hedging requirement, plus the estimated maximum hedging requirements of the related Indirect participants, and minus the foreign currency allocated to it earlier under the same programme. The limit of the Credit institution group is identical with the sum of the limits of group members. For itself and for the Indirect participants associated to it, the Umbrella bank may also purchase foreign currency from the MNB to a limited extent (hereinafter: sublimit). The Umbrella bank's sublimit for one Indirect participant is identical with the Indirect participant's estimated maximum hedging requirement, minus the foreign currency allocated to it earlier under the same programme, if the Indirect participant was the user of those funds. The Umbrella bank's own sublimit is identical with its own estimated maximum hedging requirement, minus the foreign currency allocated to it earlier under the same programme, if it specified itself as the user of those funds.

Following the date specified in the first invitation to tender, in case of further demand, the MNB shall introduce additional tenders at the request of Credit institutions with positive limits. Possible additional tenders are introduced by the MNB on the first business day of the week. The preliminary request for the introduction of a tender shall be submitted to the MNB on the second business day before the tender day, until 12 p.m. at the latest. The request shall be submitted via Reuters Dealing – or, in the absence of that, via fax, on number +36-1-429-8006. In the case of tenders announced at a preliminary request, until 3 p.m. of the second business day before the tender day, the MNB informs the Credit institutions in email about the date of the next tender. The Credit institution may ask the MNB until 10 a.m. of the business day before the tenders to inform the Credit institution on the size of the limit related to the next tender. In the case of a request, the MNB agrees to inform the Credit institution about the size of the Credit institution limit applied for the tender, by 4 p.m. on the business day before the tender.

The MNB will announce the Swiss franc sale tender in the form of a fixed-price tender, considering the limits and sublimits. The Credit institution, the Credit institution group, the Financial institution group and the Takarékbank group may submit one bid for the tender under its own name, and, in addition, the Credit institution acting as Umbrella bank may submit one bid on behalf of each Indirect participant belonging to it. In the bid, it shall specify the Swiss franc amount intended to be purchased for the given participant. The Credit institution may not modify the bid submitted under the tender. If a bid submitted by a non-Umbrella bank Credit institution exceeds its limit, the MNB considers the bid up to the amount of the limit in the course of the allocation. If a bid submitted by an Umbrella bank Credit institution exceeds the relevant sublimit, the MNB considers the bid up to the amount of the sublimit in the course of the allocation. If the shift between the exchange rates of Swiss franc and euro against each other is of such an extent that the total amount of the bids of banks accepted in earlier tenders and submitted in the latest tenders – converted to euro – exceeds the limit of EUR 1.1 billion defined by the Monetary Council, the MNB shall accept the bank bids in the ratio of the bids, until further decision is made.

In the course of the tender, the MNB spot foreign currency sale takes place at the latest official MNB Swiss franc/forint exchange rate available at the time of submitting the bids. Unless the Credit institution specifies otherwise, the MNB shall roll the foreign currency amount allocated to the Credit institution in the tender - until the foreign currency is used or returned under the conditions defined in this Notice - automatically, in a Swiss franc/forint FX swap of one week maturity, starting with a two business day delay compared to the transaction date (under an FX swap transaction), without any additional statement about this from the Credit institution. On the initial leg of the first rolled FX swap, the MNB uses the exchange rate indicated in the tender invitation and applied in the spot transaction. In the case of rolled swaps, the exchange rate used on the initial leg is identical with the official MNB Swiss franc/forint exchange rate published on the swap transaction date. The exchange rate of the maturity leg of the swaps will be defined by the MNB on the basis of the quotes of market transactions of the same tenor. The tenor of the FX swap transaction concluded on the date of the tender is defined in a way that the maturity of the transaction corresponds with the settlement date of the policy deposit tender of the MNB (usually Wednesday). The tenor of the FX swap transaction concluded on the tender date may be shorter than the one-week tenor applied in the course of rolling.

Until the end of the rolling of FX swap transactions according to the conditions stipulated in this Notice, the Swiss franc payments are not made, but the net settlement of forint payments will be carried out weekly. At the time of allocation related to tenders, foreign currency is paid only when the Credit institution clearly indicates at the time of submitting the bid that it does not wish to roll the currency in the related swap instrument of the MNB.

Within the frames of the Notice, the Credit institution is free to decide how long it wishes to roll the one-week FX swap transactions with the MNB. At least two business days before the end of the rolling, the Credit institution shall indicate its usage requirements to the MNB, before the VIBER closing, via Reuters Dealing – in the absence of that, via fax number +36-1-429-8006 –, i.e. to what extent it wishes to conclude the newly started one-week swap with the MNB. In the case of receiving such a request, the MNB shall provide the foreign currency on the maturity date of the last concluded swap transaction. The Credit institution may use the foreign currency rolled in the MNB swap instrument in parts equalling to the integral multiples of 100 thousand Swiss francs.

The Credit institution may roll the purchased foreign currency in the MNB swap instrument maximum until the end of the 52nd week following the first tender. If the Credit institution has a swap portfolio rolled at the MNB in the 52nd week, too, the MNB will not renew the swap transaction on the 52nd week.

That part of the foreign currency amount acquired in the Swiss franc sale tender that has not been used for the forint conversion of foreign currency and foreign currency-denominated non-mortgage consumer loans as stipulated by the legal regulations by the Credit institution, the Indirect participant and by the Credit institution group, the Financial institution group and the Takarékbank group at group level, shall be repaid to the MNB by the Credit institution. The MNB shall check the foreign currency amount not used for the purpose stipulated in the Notice from data supplies. If no data is available about an Indirect participant to the MNB, this does not affect the payment obligation of the Umbrella bank regarding the amount calculated on the basis of the data supplied by the Indirect participants.

Data supply obligations regarding the Credit institution and the Indirect participant shall be satisfied as specified in the relevant MNB decree. If the obligations specified in the Notice are not met or not according to the stipulations, the MNB may exclude the Credit institution from some or even all of the monetary policy instruments, in justified cases. In addition, in this case, the MNB may exchange the foreign currency purchased in the tenders back to forint within 30 days of the deadline of the data supply specified in the data supply decree, on the day specified by the MNB.

The Credit institution, including the Umbrella bank – in its own respect (including the Credit institution group, the Financial institution group or the Takarékbank group) and in the respect of the Indirect participants, too – shall also pay to the MNB the positive Swiss franc difference between the foreign currency amount purchased for the given participant from the MNB and the given participant's portfolio converted to HUF – based on the data supply – in Swiss franc, and the MNB shall repurchase that in forint. The Umbrella bank and the Indirect participant shall agree with each other on their rights and obligations related to the provision, payment and settlement of the foreign currency amount to be paid to the MNB in the umbrella bank agreement.

The foreign currency repayment obligation is due on the second week following the deadline of the data supply specified in the decree, on the settlement date of the policy instrument of the MNB. On the day that is two business days before the value date of the return of the foreign currency until the closure of VIBER, the MNB tells the Credit institution how much foreign currency is to be returned on the behalf of the Credit institution, its group and the Indirect participants.

If the data supply obligation specified in the MNB decree is not satisfied or not according to the decree, the MNB is entitled to define the foreign currency amount to be returned by the given participant to the MNB, as well as the due date, at an earlier time than the due date specified in the Notice, and inform the Credit institution about these.

If the legal regulation on the forint conversion of foreign currency and foreign currency-denominated non-mortgage consumer loans is not accepted by the date specified in the first tender invitation, the Credit institution shall repay the foreign currency amount acquired in the Swiss franc sale tender, and the MNB shall repurchase it in forint. The foreign currency shall be returned on the MNB's policy instrument settlement date that is immediately after the date specified in the first tender invitation. However, if no more than two business days pass between the two dates, the return of the foreign currency is due on the next policy instrument settlement date.

The foreign currency is always returned at the official MNB Swiss franc/forint exchange rate that was valid two business days before the value date. If the portfolio of the one-week FX swap transactions of the Credit institution rolled at the MNB is positive on the transaction date of returning the foreign currency, then swap transactions in the value of the returned foreign currency will not be renewed within the rolled portfolio.

In the tender, the MNB applies the Payment after Payment (PaP) principle, meaning that the MNB shall meet its payment obligation stemming from these transactions only after the counterparty's performance of its respective payment obligation. The settlement date is T+2 business days for the spot transaction, as well as for the spot leg of the swap transaction. The MNB applies netting during spot transactions and the spot leg of the swap transaction for the same currencies pertaining to the same day of value. In the case of rolled swap transactions and the possible return of the foreign currency, the MNB also applies netting and PaP principle.

The MNB maintains a margin account for the Credit institution and evaluates the spot and FX swap transactions concluded in the context of tenders at least once a day. In the respect of these transactions, the balance of the margin account (hereinafter: forint margin) must reach the difference between the Credit institution's outstanding forint debt towards the MNB stemming from these transactions and its foreign currency receivables reduced by the margin expressed in forint. The Swiss franc amount is converted to HUF at the official Swiss franc/forint exchange rate of the MNB as at the specific date. During the calculation of margin, the MNB will consider the sum of the face value and accrued interest as the value of the individual legs of the FX swap transactions.

If the forint margin of the Credit institution does not reach the required amount upon the daily revaluation, the MNB, simultaneously notifying the Credit institution, will debit the Credit institution's MNB settlement account with the amount needed to restore the required margin and will credit the amount to the Credit institution's margin account. If the foreign margin exceeds the required amount upon the daily revaluation, the MNB will transfer the amount in excess of the required margin from the Credit institution's margin account to its MNB settlement account. The MNB remunerates the Credit institution's positive balance on the margin account at the prevailing central bank base rate, with interest settled on the Credit institution's MNB settlement account on the last day of the month. The Credit institution pays interest to the MNB at the prevailing central bank base rate for the negative balance on the Credit institution's margin account, with interest debited by the MNB to the counterparty's MNB settlement account on the last day of the month.

Detailed terms and conditions

Name of transaction	**Spot Swiss franc sale related to the forint conversion of foreign currency non-mortgage consumer loans and the related FX swap**
Date, place and contents of notice/invitation	MNB will announce the value date and the financial performance/settlement date of the maturity leg, the spot Swiss franc/forint exchange rate, the announced quantity, the market and the MNB swap point in the invitation to tender on the Reuters NBHQ and the Bloomberg NBH6 pages, as well as on the MNB webpage.
Business hours for receiving bids	As specified in the invitation to tender.
Eligible counterparties	Resident Credit institutions (subject to reserve requirements) with direct VIBER or BKR membership.
Tenors	Foreign currency acquired on spot shall be rolled by the bank under a one-week FX swap transaction with the MNB, at most until the 52nd week following the first tender.
Content and formal requirements for the bids	The bids may be submitted via Reuters Dealing, or – in the absence thereof – via fax, specifying the requested Swiss franc amount.
Number of bids accepted from any bidder	Each Credit institution may submit 1 bid for each tender and associated participant.
Bid limit	The bid amount is of integral multiples of 100 thousand Swiss francs.
Adjustments	No
Bid increment	100 thousand Swiss francs

Date and place of announcement	At the time specified in the tender invitation on the Reuters NBHQ and Bloomberg NBH6 page and on the website of the MNB.
Contents of the announcement	The amount of foreign currency jointly submitted and accepted in the tenders.
Initial exchange rate	The spot Swiss franc/forint exchange rate announced in the invitation to tender. In the case of rolled swaps, the official MNB Swiss franc/forint exchange rate announced on the swap transaction date.
Swap point	In the case of both initial and rolled swaps, the MNB swap point is identical with the market swap point.
Haircut/Margin	The margin amounts to 6 per cent of the Swiss franc leg.
Time of daily evaluation and margin account transactions	Time of account transactions: between 12 am and VIBER closing.

1. The forint payment to be made by the MNB in favour of the Credit institution is credited to the Credit institution's bank account held with the MNB in forint, while in the case of forint payments to be made by the Credit institution, the MNB is entitled to debit the Credit institution's bank account held with the MNB in forint.
   Foreign currency payments may be made:
   a) to the account specified in the bid submitted by the Credit institution under the tender (name of the account-keeping credit institution, the place of the account and the account number shall be communicated), or
   b) based on the list containing the Credit institution's standing correspondent accounts for spot conversion between foreign currencies and forint, as defined in the " Terms and Conditions of the Operations of the Central Bank in Forint and Foreign Currency Markets" (Standard Instructions).
   Option a) or b) selected by the Credit institution cannot be applied alternatively by the given Credit institution, i.e. it must be the same in relation to all settlements.
2. The Standard Instructions mentioned in subsection 1.b) may be submitted or modified to the MNB's Directorate Money and Foreign Exchange Markets specifying the currency, the name of the account-keeping credit institution, the place of the account, the account number and the value date, at least 7 (seven) business days before the value date in writing, bearing the authorised signatures or in the form of authenticated SWIFT message. No ad hoc departure from the standard instructions specified by the Credit institution is allowed.
3. Issues not regulated in this Notice shall be governed by the "Terms and Conditions of the Operations of the Central Bank in Forint and Foreign Currency Markets".

Budapest, 13 August 2015
MAGYAR NEMZETI BANK