NOTICE ON THE TERMS AND CONDITIONS OF CROSS-CURRENCY INTEREST RATE SWAP TENDERS COMBINED WITH SPOT TRANSACTIONS RELATED TO THE MEASURES NECESSARY IN ORDER TO TERMINATE THE SHIFTING OF RISKS ARISING FROM UNFAVOURABLE EXCHANGE RATE MOVEMENTS ONTO THE FOREIGN CURRENCY DEBTORS

The Magyar Nemzeti Bank (MNB) introduces a *cross-currency interest rate swap tender combined with a spot transaction* (hereinafter: unconditional euro sale tender related to forint conversion) related to the measures necessary in order to terminate the shifting of the risks arising from unfavourable exchange rate movements onto the foreign currency debtors. The related central bank programme also includes a *spot euro sale tender conditional upon the reduction of short-term external debt* (hereinafter: conditional euro sale tender related to forint conversion) related to the measures necessary in order to terminate the shifting of the risks arising from unfavourable exchange rate movements onto the foreign currency debtors, covered by a separate MNB notice. This Notice describes the parameters of the unconditional euro sale tender related to forint conversion.

The tender is open to resident credit institutions (subject to reserve requirements) with direct VIBER or BKR membership (hereinafter: Credit Institution). However, the participation of the credit institutions in the unconditional euro sale tender related to forint conversion is restricted. The credit institution participation rate in the tender (hereinafter: limit) means the hedging values determined by the credit institutions in advance and stipulated in bilateral agreements between the MNB and the credit institution. The limit is reduced by the foreign currency drawn down in previous tenders under this Notice. The MNB undertakes to satisfy the demand of credit institutions, subject to the fulfilment of the other conditions stipulated herein, up to the maximum value of the limit set within the framework of the bilateral agreements.

In the absence of a bilateral agreement the MNB determines an overall estimated hedging requirement for the maximum combined value of the credit institution's participation in the unconditional and conditional euro sale tenders related to forint conversion. The combined estimated hedging requirement equals the foreign currency and foreign currency-denominated mortgage loan portfolio outstanding on 30 September 2014, reduced by the limit allocated and agreed with the Credit Institution in the framework of the spot euro sale tenders conditional upon the reduction of the short-term external debt and tenders combined with spot transactions, both held on 13 October for the first time. In the absence of a bilateral agreement the limit is determined by the MNB based on the data held in the Central Loan Register and the interest statistics derived from the data reported by the credit institution. The MNB will disclose the total estimated hedging requirement at the request of the Credit Institution. Later on the parties may modify the value of the total estimated hedging requirement in bilateral agreements. The total estimated hedging requirement is reduced by the aggregate amount drawn down in previous tenders under this Notice and the notice in respect of the conditional euro sale tender related to forint conversion. Those credit institutions that have no special agreement concluded with the MNB may participate in the central bank tenders, but the MNB is not in the position to guarantee for them the fulfilment of the foreign currency requirements submitted on the same day.

The limit and total estimated hedging requirement of the Magyar Takarékszövetkezeti Bank Zrt. include the sum of the limits of the cooperative credit institutions having their settlement account with the Magyar Takarékszövetkezeti Bank

Zrt. as correspondent credit institutions 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.

The MNB will announce the unconditional euro sale tender related to forint conversion daily, starting from the date specified in the first invitation to tender. Should any further requirement arise after the withdrawal, the MNB undertakes to hold additional ad hoc tenders, until 28 January 2015 at the most, on the second business day following the Credit Institution's request to this effect. The purpose of this central bank instrument is to ensure that the settlement of the conversion transactions related to the measures necessary to terminate the shifting of the risks arising from the unfavourable exchange rate movements to the foreign currency debtors takes place in an orderly manner, preserving the stability of the financial system and without a material impact on the forint exchange rate.

In the case of the unconditional euro sale instrument related to forint conversion the MNB announces FX-swap transactions for three maturities, and CIRS-transactions for eight maturities. The maturity of the FX-swap transactions during the second, third and fourth calendar quarters of 2015 falls on the third Wednesday of the last month of the calendar quarter, while the maturity of the CIRS-transactions falls on the third Wednesday of the last of month of the calendar quarters during 2016 and 2017 (unless it is a bank holiday). The MNB expects the Credit Institution to strive to use the foreign currency obtained from the unconditional euro sale instrument related to forint conversion for the repayment of external funds or swaps with identical maturity to the assets or maturity differing by at most six months.

The MNB will announce the unconditional euro sale tender related to forint conversion in the form of fixed-price tender, taking into account the bank limits and the estimated total hedging requirements. The sum of the bids that may be submitted for the transactions expiring in 2015 must not exceed 25 per cent of the Credit Institution's hedging value stipulated in the bilateral agreements or – in the absence of bilateral agreements – of the total estimated hedging requirement, reduced by the transactions concluded earlier under this Notice and expiring in 2015. The Credit Institutions may submit one bid per maturity specifying the amount of euro they wish to purchase. If the amount of the bids submitted for transactions expiring in 2015 exceeds the sum of the bids that may be submitted under the tender for transactions expiring in 2015, the MNB will reduce the sum of the bids submitted for transactions expiring in 2015 to the sum of the bids that may be submitted for transactions expiring in 2015, proportionately decreasing the amount across all maturities. If the sum of the bids submitted by the Credit Institution under the unconditional euro sale tender related to forint conversion still exceeds the limit even after taking account of the cap applicable to transactions expiring in 2015, then during the allocation the MNB will take the bids into account up to the maximum limit, proportionately decreasing the bids across all maturities.

If the aggregate amount of the bids submitted by the Credit Institution under the conditional and unconditional euro sale tenders related to forint conversion still exceeds the total estimated hedging requirement even after taking account of the cap applicable to transactions expiring in 2015, during the allocation the MNB will consider the bids up to the maximum value of the total estimated hedging requirement, decreasing all submitted bids proportionately.

The Credit Institution does not have the option of amending its submitted bids. 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 unconditional euro sale instrument related to forint conversion refers to the combination of a spot euro purchase transaction and an opposite FX-swap transactions expiring in 2015 or a cross-currency interest rate swap (CIRS) transaction maturing in 2016 or 2017 concluded by the Credit Institution. The settlement date is T+2 business days for the spot transaction, as well as for the spot leg of the FX-swap and CIRS transactions. The MNB applies netting during spot transactions and the first leg of the FX-swap and CIRS transactions for currencies pertaining to the same day of value. The parameters of the FX-swap and CIRS transactions are specified in the tender invitation.

Unless specified otherwise in the invitation to tender, in the case of the unconditional euro sale instrument related to forint conversion spot currency sale is performed by the MNB at the official MNB EUR/HUF exchange rate prevailing at the time of submitting the bids. The Credit Institution must indicate in its bid the maturity of the FX-swap and CIRS transactions to be concluded with the MNB within the requested foreign currency amount. The Credit Institution may conclude multiple FX-swap and CIRS transactions up to the foreign currency amount received in the tender. The MNB will deem the bids not containing the FX-swap or CIRS maturities void. The MNB will use the EUR/HUF exchange rate applied for the spot transaction for the first leg of the FX-swap or CIRS. In the case of the central bank FX swap transaction the MNB will determine the exchange rate of the maturing leg based on the quotes for market transactions of similar maturity, taking account of the yield adjustment. In the case of central bank CIRS transactions the MNB specifies the price announced in the tender based on the market CIRS transactions using the 3-month BUBOR and EURIBOR reference rates, taking account of the yield adjustment. FX-swap and CIRS transactions cannot be closed with MNB prior to their maturity, except in the case defined in the Supplement to this Notice.

Interest settlements under the CIRS transaction between the MNB and the Credit Institution will take place on the third Wednesday of the last month of the calendar quarters (unless it is a bank holiday). The MNB computes the variable interest rates for the first interest period by applying a linear interpolation of the transaction value of the two nearest BUBOR and EURIBOR reference interest rates bracketing the term of the first period.[1]

The MNB maintains a margin account for the Credit Institution and evaluates the FX-swap and CIRS transactions concluded in the context of tenders at least once a day. In 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 minus the margin expressed in forint. The EUR amount is converted to HUF at the official EUR/HUF exchange rate of the MNB as at the specific date. During the calculation of margin the MNB will consider the market value as the value of the individual currency legs of the CIRS transactions, and 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 a 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 forint 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.

In the case of CIRS transactions, the MNB does not apply any FX-rate reset.

[1] The MNB considers the EONIA quoted for the business day preceding the contract date as the overnight euro yield.

Detailed terms and conditions

Type of transaction	**Notice on the terms and conditions of cross-currency interest rate swap tenders combined with spot transactions related to the measures necessary in order to terminate the shifting of risks arising from unfavourable exchange rate movements onto the foreign currency debtors**
Date, place and contents of notice/invitation	The MNB will announce the value date, the maturity dates, the spot EUR/HUF exchange rate, the market and the MNB spread for CIRS or the market and the MNB swap points for FX-swap in the invitation to tender on the Reuters NBHR 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.
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 EUR amount and the related FX-swap or CIRS maturity.
Number of bids accepted from any bidder	Credit institutions may submit 1 bid per maturity in the tender. A Credit Institution may conclude multiple FX-swap and CIRS transactions up to the received foreign currency amount.
Bid limit	Integral multiples of EUR 1 million per maturity.
Adjustments	No
Bid increment	EUR 1 million
Date and place of announcement	At the time specified in the tender invitation on the Reuters NBHR and Bloomberg NBH6 pages 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 EUR/HUF foreign exchange rate announced in the invitation to tender
Maturities	In the case of FX-swaps the third Wednesday of the last month of the second, third and fourth calendar quarters of 2015; in the case of CIRS the third Wednesday of the last of month of the calendar quarters during 2016 and 2017 (unless it is a bank holiday).
Haircut/Margin	The margin amounts to 5 per cent of the euro leg in the case of CIRS transactions, and 4 per cent of the euro leg in the case of FX-swap transactions.
Time of daily revaluation and margin account transactions.	Published: on each trading day at 12 pm from the first business day following the tender, at the latest. Time of account transactions: Between 12 pm 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 forint bank account held with the MNB, 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.
   Foreign currency payments may be made:

a) to the account (name of the account-keeping credit institution, the place of the account and the account number) specified in the bid submitted by the Credit Institution under the tender, or

b) based on the Standard Instructions, containing the Credit Institution's correspondent accounts applicable to the spot foreign currency and forint conversions, as defined in the “Central Bank’s Terms and Conditions for Forint and FX Market Operations”.

Option a) or b) selected by the Credit Institution cannot be applied alternately 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 Money and FX Market organisational unit 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 permitted.
3. The issues not regulated in this Notice shall be governed by the “Central Bank’s Terms and Conditions for the Forint and FX Market Operations”.

SUPPLEMENT

TO THE NOTICE ON THE TERMS AND CONDITIONS OF CROSS-CURRENCY INTEREST RATE SWAP TENDERS COMBINED WITH SPOT TRANSACTIONS RELATED TO THE MEASURES NECESSARY IN ORDER TO TERMINATE THE SHIFTING OF RISKS ARISING FROM UNFAVOURABLE EXCHANGE RATE MOVEMENTS ONTO THE FOREIGN CURRENCY DEBTORS

Under the decision of the MNB's Monetary Council, the MNB facilitates the partial or full termination before the maturity date of particular FX-swap and CIRS transactions made in relation to the measures necessary in order to terminate the shifting of risks arising from unfavourable exchange rate movements onto the foreign currency debtors, exclusively under the conditions specified in this Supplement to the Notice.

The provisions of the Notice on the terms and conditions of tenders for the cross-currency interest rate swap combined with a spot transaction related to the measures necessary in order to terminate the shifting of risks arising from unfavourable exchange rate movements onto the foreign currency debtors are applicable to issues not regulated in the this Supplement to the Notice.

Out of transactions concluded on the tenders related to forint conversion the partial or full termination before the maturity date of the unconditional FX-swap and CIRS transactions is possible through bids submitted in response to tenders announced on Mondays between 15 June 2015 and 28 September 2015. The MNB sets the tenders for Mondays as follows:

- Tenders will be announced only on those Mondays when the MNB announces termination of at least one type of transaction (in case of FX-swap by maturities, in case of CIRS by maturity and original settlement date pairs) based on fulfilment of the following conditions.
- The MNB shall only assign those transaction type(s) for termination in the tenders on Mondays, for the assignment of which it receives a prior request from at least one Credit Institution with valid limit for the respective transaction type(s).
- Any Credit Institution shall be deemed to have a valid limit for a transaction type, if for a given FX-swap maturity, CIRS maturity and original settlement date pair it possesses an unconditional FX-swap, CIRS stock concluded on the tenders related to forint conversion, and until the value date of the subsequent tender this stock is not reduced to zero by original maturity or a bid validly submitted for a previous tender.

For termination of the transaction type(s) announced in the tenders, any Credit Institution in possession of a valid limit for the respective transaction type(s) may submit a bid. The prior request for the Monday announcement of the transaction type(s) shall be communicated to the MNB specifying the transaction type(s) no later than 12:00 p.m. on the second working day preceding the potential Monday tender day via Reuters Dealing – or in the absence of such via fax, at the fax number of +36-1-429-8006. Each week Credit Institutions may only communicate their requests to the MNB with regard to the forthcoming potential Monday tender day.

In the case of FX-swaps the MNB facilitates for Credit Institutions to conclude an opposite FX-swap whose maturity is identical with that of the original transaction. At the partial or full termination of the FX-swap transaction the parties partially or fully reexchange the EUR currency leg exchanged at the start of the original swap transaction, at the reference exchange rate published by the MNB valid on the date of the conclusion of the opposite transaction. On the forward leg of the opposite transaction the foreign currency amount equivalent to the foreign currency amount of the initial leg is reexchanged on the basis of the forward currency rate determined by the reference exchange rate published by the MNB and the forward points set by the MNB at the time of the transaction. In case the forward point applied in the original transaction deviated from the market value observed at the conclusion of the original transaction, the difference cannot be realised for the remaining maturity of the transaction, the value of the difference will be realised by the MNB in the opposite transaction. The opposite transaction reduces the margin requirement of the original transaction from the value date. In the case of full termination the transactions end with the settlement of the difference of the forward forint legs of the two transactions. The transaction legs will be netted out.

Parties may terminate CIRS transactions partially or fully. At the termination of CIRS transactions the parties reexchange the currency legs exchanged at the start, settle the adjusted net present value of the transaction calculated by the MNB, and the MNB modifies the balance of the Credit Institution's margin account from the value date of the settlement of the termination. In case the swap spread used in the original transaction deviated from the market mid basis swap spread observed at the conclusion of the transaction, the difference cannot be realised for the remaining maturity of the transaction, the present value of the transaction will be modified by the MNB with that (difference). The MNB does not charge any bid-ask spread.

In tenders related to the termination of the currency swap combined with a spot transaction Credit Institutions submit the currency swap transactions (in case of FX-swap maturities, in case of CIRS maturity and original settlement date pairs) and the quantities for each transaction to be terminated in their bids. Valid bids may only be submitted to transaction types announced by the MNB. The Credit Institution may submit a bid for any transaction type only up to the amount of its stock outstanding. If the Credit Institution submits a bid for any transaction type for an amount above its stock outstanding, it shall be deemed by the MNB as if the Credit Institution had submitted its bid for the respective transaction type so that its full stock for the respective transaction type is terminated.

Detailed terms and conditions

Type of transaction	**Termination of the cross-currency interest rate swap combined with spot transaction**
Date, place and contents of notice/invitation	MNB will announce the value date, the maturity dates, the net present value of the reference CIRS transactions (where CIRS transactions are of EUR 1 million nominal value, start on value dates relevant for Credit), the market and MNB forward points in the case of FX swaps at 12:00 am on the day of the tender on the Reuters NBHR and the Bloomberg NBH6 pages, as well as on the MNB webpage.

Business hours for receiving bids	From 12:00 am to 1:00 pm on the day of the tender.
Eligible counterparties	Resident Credit Institutions (subject to reserve requirements) with direct VIBER or BKR membership, which participated in the euro sale tenders related to forint conversion.
Content and formal requirements for the bids	The bids may be submitted via Reuters Dealing, or in the absence of such via fax, specifying the EUR amount and the related FX-swap and CIRS maturity and original settlement date pair
Number of bids accepted from any bidder	Credit Institutions may submit one bid per tender. The bid contains the swap transactions to be terminated (FX-swap maturities, CIRS maturity and original settlement date pair) and the termination amounts.
Bid limit	Integral multiples of EUR 100 thousand.
Adjustments	No
Bid increment	EUR 100 thousand
Date and place of announcements	At 2:00 pm on the day of the tender on the Reuters NBHR and Bloomberg NBH6 pages and on the website of the MNB.
Contents of announcements	The amount of foreign currency assigned and accepted for termination in the tenders.
Initial exchange rate	The HUF/EUR exchange reference rate published by the Magyar Nemzeti Bank.
Maturities	Identical with those of the transactions to be terminated.
Time of daily revaluation and margin account transactions	The time of the account transactions is T+2.

Budapest, 9 June 2015

MAGYAR NEMZETI BANK