

Terms and conditions¹

of refinancing loans of the Funding for Growth Scheme FIX²

1. SUBSTANTIVE ELEMENTS AND BUSINESS PARAMETERS OF THE FUNDING FOR GROWTH SCHEME

1.1. Objective and structure of the Scheme

As part of its monetary policy instruments, on 1 June 2013 the Magyar Nemzeti Bank has launched the Funding for Growth Scheme (FGS) to alleviate disruptions observed in lending to small and medium-sized enterprises, to strengthen financial stability and to reduce the external vulnerability of the country. With the FGS *fix*, forming part of the FGS and launched on 1 January 2019, the MNB intends to divert the structure of domestic lending to SMEs to a sounder direction by improving the access of micro, small and medium-sized enterprises to long-term, fixed interest loans. The Monetary Council has set the available facility amount of FGS *fix* – when it was launched – in the amount of HUF 1,000 billion, of which – based on its decision of 7 April 2020 – it has reallocated HUF 500 billion from 20 April 2020 to the facility amount of the Funding for Growth Scheme Go! (hereinafter: FGS Go!) commencing on 20 April 2020 and then, based on its decision of 6 April 2021, it raised the facility amount of the FGS *fix*, already amounting to HUF 500 billion, to HUF 564 billion³.

Within the framework of the scheme⁴ the central bank provides credit institutions with zero interest refinancing loan with a maturity of 10 years, at the most (however, in the case of restructuring and redeeming specified in this Terms and conditions, the maturity of the refinancing loan may be maximum 20 years⁵) which they lend on to SMEs under a capped annual cost (hereinafter: interest margin) in the form of loans or financial leases (hereinafter: SME Contract), on the one hand and refinance financial enterprises for the same purpose, on the other hand⁶.

1.2. Conditions of participation

Resident credit institutions subject to reserve requirements, with “VIBER” (Real-time Gross Settlement System) or “BKR” (Interbank Clearing System) membership and a securities account with KELER Zrt. can directly participate in the Scheme as contractual counterparties of the MNB. Other banks, integrated savings cooperatives and cooperative credit institutions and financial institution may participate indirectly in the Scheme through their directly participating umbrella bank (correspondent credit institution). The umbrella bank is required to manage correspondent credit institutions participating through their intermediation in accordance with the parameters set out in the framework agreement concluded with the MNB and in the Terms and Conditions, i.e. it must apply all terms and conditions to them, which are applied by the MNB to its contractual counterparties. Only those credit institutions are eligible for participating in the Scheme which return the relevant and duly signed framework agreement to the MNB by 31

¹ This Terms and Conditions is in effect from 18 October 2021.

² This Terms and Conditions only sets out the conditions of the FGS *fix* starting 1 January 2019. Conditions applicable to loans provided in the first, second and third phases of the Scheme, in the FGS+ and the FGS Go! are set out in the relevant Terms and Conditions accessible through the following link: <https://www.mnb.hu/en/monetary-policy/funding-for-growth-scheme-fgs>

³ This corresponded to the amount of the SME Contracts concluded under FGS *fix* until the end of 29 May 2020 and reported to the MNB in data supply AL8 exceeding HUF 500 billion (HUF 64 billion), which – until 19 April 2021 – utilised the facility amount of FGS Go!

⁴ Hereinafter in this Terms and Conditions Scheme shall mean the Funding for Growth Scheme Fix (FGS *fix*).

⁵ If the SME Contract is restructured after 18 October 2021, the maximum maturity may be not more than one and a half times the maturity fixed upon concluding the SME Contract, but not exceeding 15 years from the first disbursement. If the SME notified the credit institution (correspondent credit institution) by 8 October 2021 in writing of its restructuring requirement related to the prolongation of the maturity, the rules of the Terms and Conditions in force until 17 October 2021 may be applied to that restructuring in respect of the maximum maturity, provided that the agreement on the prolongation of maturity is concluded by the parties by 30 November 2021.

⁶ The "refinancing loan" extended by the MNB and mentioned in this Terms and Conditions shall mean the loan specified by the Civil Code. The "SME loan" or "loan" extended to the SME by a credit institution - even with the involvement of a financial enterprise - shall mean the loan defined by the Civil Code and the financial leasing specified by the Act on Credit Institutions and Financial Enterprises, and the "SME Contract" shall include financial leasing contracts, too, in addition to loan contracts specified by the Civil Code.

January 2019 at the latest. Credit institutions and financial enterprises participating in the Scheme may provide only cash loans and financial leasing⁷ to SMEs in this Scheme.

The fulfilment of the MNB's data provision requirement with identification code AL8 is a condition of participation in the Scheme, in accordance with this Terms and Conditions and the MNB Decree referenced in it, concerning data provision to the central bank information system primarily for the performance of the basic tasks of the Magyar Nemzeti Bank⁸ (hereinafter as: MNB Decree on data provision). As to SME Contracts concluded by credit institutions and financial enterprises indirectly participating in the Scheme, the umbrella bank will perform data provision with identification code AL8 to the MNB.

1.3. Upper limit of the refinancing loan and availability period

The amount available to credit institutions participating in the Scheme is defined by the MNB as follows. Of the facility amount of HUF 500 billion (joint facility amount), credit institutions may get funds in the sequence of sending in the SME Contracts in data provisions. If the refinancing loan requested on the basis of the AL8 data supply submitted until 29 May 2020 exceeds the facility amount of HUF 500 billion, the MNB provides the credit institutions with the necessary additional facility amount.⁹

Credit institutions and correspondent credit institutions participating in the Scheme may transfer the SME Contracts concluded in the framework of the Scheme to one another, according to the terms defined in the Act on Credit Institutions and Financial Enterprises¹⁰ (hereinafter as: portfolio transfer). Following the date of the portfolio transfer, the MNB will provide the refinancing loan to the recipient credit institution, and not to the transferring credit institution, in connection with the transferred SME Contracts.¹¹ The transferring and the recipient credit institution inform the MNB about their intention of transferring the portfolio in a joint statement duly signed by them (and by the correspondent credit institutions, too, if applicable), at least 5 working days before the date of the portfolio transfer. The joint statement shall include the date of the portfolio transfer, the contract identifiers of transferred SME Contracts used at the transferring credit institution (or correspondent credit institution) and at the recipient credit institution (or correspondent credit institution), the contractual amounts and the current loan amounts expected at the time of the transfer, and they shall declare that both the transferring and the recipient party (and the correspondent party, if applicable) have all the official permits required for the transfer.

The repaid instalments of loans drawn earlier by the credit institution cannot be used again, i.e. there is no revolving option. An exception to this during the portfolio transfer is the refinancing loan repaid by the transferor credit institution, which may be used for the refinancing of other non-revolving SME contracts.

The SME Contract under FGS *fix* can be concluded until 29 May 2020 (end of contracting period), also being the last day of the deadline for the first submission of the related AL8 data supply.¹² The refinancing loan related to SME Contracts may be drawn down first on 3 January 2019 (value date), and the final deadline of draw-down is 3 years from the date of concluding the individual SME Contracts (availability period), but the first draw-down shall take place within 1.5 years (i.e. one year and six months) of the date of signing the SME Contract. If the first draw-down does not take place within 1.5 years (i.e. one year and six months) of concluding the SME Contract, availability is terminated for the given SME Contract.

⁷ Including open-end and closed-end financial leasing, but excluding operative leasing.

⁸ On the effective date of this Terms and Conditions, MNB Decree 41/2020 (XI.18.).

⁹ In order to provide the additional facility amount, based on its decision of 6 April 2021, the Monetary Council raised the FGS *fix* facility amount of HUF 500 billion to HUF 564 billion.

¹⁰ Section 17/A of Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises

¹¹ For the purposes of redeeming loans provided in the Scheme and transferring portfolios, the MNB is entitled to unilaterally limit the amount of refinancing provided to credit institutions, by modifying the Terms and Conditions, and this limitation comes into force at the earliest on the 60th day following the publication of the relevant modification in the Terms and Conditions.

¹² The different dates related to SME Contracts concluded for the replacement of loans provided in the Scheme shall be included in point 1.9.

A portfolio transfer is possible even after the end of the contracting or availability period, therefore the first data provision - by the recipient credit institution - on SME Contracts related to the portfolio taken over may also be sent in, and the related refinancing loan may be drawn down, too. A refinancing loan related to those parts of the contractual amounts of the SME loans taken over that were not disbursed earlier by the transferring credit institution may be drawn down until the end of the availability period, in the case of portfolio transfers, too.

Only new investment loans may be disbursed under the Scheme¹³. An investment loan and a financial leasing defined in point 1.5 qualifies as a new investment loan if it is not used for the repayment of a loan or financial leasing that already exists at a credit institution or a financial enterprise, or the SME did not take any other loan to finance these.

According to paragraph 1.6 the SME is required to provide documented proof of the targeted use of the loan, which the disbursing credit institution or the financial institution has to verify. The MNB publishes the current usage of the facility amount on the first business Tuesday of each calendar month once the usage of the Scheme reaches HUF 100 billion, on the basis of the sum of SME contract amounts submitted by the last business day of the previous week.

¹³ It is also possible to redeem new investment loans extended previously in the Scheme.