Terms and Conditions[1]

of refinancing loans in Pillar I and II of the first phase of the Funding for Growth Scheme[2]

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

1.1. Objective of the Scheme

As part of its monetary policy instruments, on 1 June 2013 the MNB is launching its three-pillar 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.

Under Pillar I of the Scheme, the MNB provides refinancing loans with preferential interest rate to credit institutions – to stimulate lending to SMEs and to strengthen financial stability – which the credit institutions lend further to SMEs with a capped interest margin. Preferential central bank financing provided in the framework of the FGS reduces the financing costs of companies with existing loans and enables the implementation of projects that have so far been impeded by high financing costs. The deterioration in bank credit portfolios' quality will slow down as a result of easing debt servicing burdens, thus the Scheme may also improve lending capacity through the balance sheet position of the credit institutions.

Pillar II of the Scheme aims to reduce the ratio of SMEs' foreign currency loans. A large part of small and medium-sized enterprises with foreign currency loans do not have natural or artificial hedge, and therefore they are exposed to significant exchange rate risk. The conversion of foreign currency loans to forint loans improves the creditworthiness of the enterprises affected and creates a predictable operating environment for them.

Under Pillar I and II of the FGS the MNB provides refinancing loans to credit institutions participating in the Scheme, at a 0 per cent interest rate and with a maximum maturity of 10 years.

1.2. Conditions of participation, method of allocation

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. Banks or integrated savings cooperatives and cooperative credit institutions that are unable to directly join the Scheme may participate through their umbrella banks. The umbrella banks, however, are required to manage credit institutions participating through their intermediation in accordance with parameters set out in this Terms and Conditions, i.e. they must apply all terms and conditions to them, which are applied by the MNB to direct counterparties.

Participation in both Pillar I and II of the Scheme is bound to the condition that the credit institution agrees to draw a credit line corresponding to minimum 5% and maximum 100% of its aggregate forint and foreign currency SME loan stock[3] under each Pillar, as at 31 December 2012, and to disburse loans in such amount to SMEs. It is actually only required to commit itself to the sum allocated by the MNB to the credit institution, which may be lower, but not higher than the agreed amount. The fulfilment of the MNB's data provision requirement with identification codes AL7 and AL8

---

[1] This document contains only the main parameters of the Scheme, the entire Terms and Conditions, containing all technical details is available only in Hungarian on the following link: http://www.mnb.hu/Root/Dokumentumtar/MNB/Monetaris_politika/NHP/NHP_termektajekoztato.pdf

[2] The Terms and Conditions hereunder only sets out the conditions of the first phase of the Scheme starting 1 June 2013. Conditions applicable to loans provided in the second phase of the Scheme are set out in a different Terms and Conditions, accessible through the following link: http://english.mnb.hu/Root/Dokumentumtar/ENMNB/Monetaris_politika/FGS/NHP_folyt_termektajekoztato_EN.pdf

[3] On the basis of line 14HD2, column 16 (p) of data provision No 14HD fulfilled for the Hungarian Financial Supervisory Authority.

is also a condition for participation in the Scheme, in accordance with the MNB Decree[4] in effect, concerning the scope of information to be provided to the central bank information system and of information providers, and the method and deadline of information provision.

The overall amount of the Scheme is distributed in accordance with the rules for dealing cards in relation to both pillars, on the basis of the amount agreed to by the credit institutions in the framework contract. The MNB gradually tops up the credit line of the credit institutions with the same amounts, thus credit institutions indicating higher demand may receive a larger amount than other credit institutions only if credit institutions with lower demand do not have any more unsatisfied credit line demand. An increment of HUF 1 million is applied during the allocation. The MNB will notify the credit institution by fax on 28 May 2013 of the amount of the credit line allocated to the credit institution. The umbrella bank also allocates the credit line in accordance with the rules for dealing cards to credit institutions participating in the Scheme indirectly, through the umbrella bank.

The amount of the allocated credit line of a credit institution under Pillar II – not disbursed until 1 August 2013 – may be reallocated to and used in Pillar I at the discretion of the credit institution. This amount, in excess of the amount originally allocated to this credit institution prior to the launch of the Scheme in Pillar I, also constitutes part of the allocated credit line of Pillar I of the credit institution. The credit line originally allocated to the credit institution under Pillar II is reduced with the amount reallocated to Pillar I.[5]

1.3. Availability of the credit line

The availability period of the allocated credit lines will extend from 3 June 2013 to 30 September 2013.[4] Since investment loans are often disbursed within a longer period and in several tranches, it is possible to request the disbursement of one or more tranches of the refinancing loan until 31 March 2014, only under Pillar I, with respect to new (not redeemed) investment loans. In this case, too, the SME contract must be undersigned until 29 August 2013 and the related data provided to the MNB by 27 September 2013 and at least 30% of the contractual amount must be disbursed to the SME not later than 30 September 2013. Disbursement in several tranches is also possible in case of working capital financing loans; in this case, however, the additional half-year time frame is not available, thus the full contractual amount must be drawn down by 30 September 2013. In the case of Pillar II, disbursement may only be requested in a single tranche; the date of disbursement may not be later than 2 October 2013, in accordance with the final dealing date of 30 September 2013.

The MNB charges a fixed (non-annualised) 2 per cent commitment fee in relation to Pillar I and a fixed (non-annualised) 1 per cent commitment fee in relation to Pillar II to the credit institution for the amount of the allocated credit lines not used, i.e. to which the credit institution does not report a contract concluded with an SME until 30 September 2013. If in the case of the redemption of a foreign currency loan, the credit institution overestimates the contractual amount of the loan, and the actual amount necessary for conversion is lower,[6] the MNB will modify the contractual amount with the difference, when calculating the commitment fee.

---

4 Currently Decree No 20/2012 (X. 15.) MNB.

5 On 1 August, the MNB decided to introduce the possibility of reallocation from Pillar II to Pillar I of the FGS, and to extend the deadline available for the drawdown of loans by one month, without changing the original time frame of the Scheme.

6 The credit institution must report the difference as repayment on the day prior to disbursement, therefore only the amount of loan actually necessary for conversion is disbursed. The amount disbursed for the purpose of conversion may not exceed the amount of the converted loan.