

Terms and Conditions¹

of refinancing loans of the Funding for Growth Scheme Green Home Programme²

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

1.1. Objective and structure of the Scheme

According to the vision of the Magyar Nemzeti Bank (MNB) outlined in its strategy related to the set of green instruments, Hungary's sustainable convergence may be realised through the economy's green transition, which is conditional upon the development of a financial system in Hungary, by the end of the decade at the latest, which takes into consideration and enforces environmental sustainability criteria. The housing loan market is a good starting point for supporting the integration of green criteria, in view of the fact that the energy efficiency of the stock of dwellings – accounting for almost one fifth of the domestic primary energy consumption – is low, and thus there is major room for modernisation. Along these principles and as an element of its set of monetary policy instruments, on 4 October 2021 the MNB launches – as part of the Funding for Growth Scheme – the FGS Green Home Programme (hereinafter: FGS GHP). The purpose of FGS GHP is to foster the enforcement of environmental sustainability (green) criteria in the Hungarian housing market, which may, at the same time, contribute to boosting demand for green homes and through that supply as well.

The Monetary Council has set the facility amount for FGS GHP in the amount of HUF 200 billion.

Within the framework of FGS GHP, the central bank grants zero interest refinancing loans to credit institutions with a maturity of maximum 25 years, which they lend on, under capped costs, to consumers, as specified in the Consumer Credit Act, in the form of mortgage-backed forint loans for the purchase or construction of energy-efficient new residential property in Hungary, or for the purchase of land for the construction of new residential property, in accordance with the conditions set out in this Term and Conditions, under the terms of Act CLXII of 2009 on Consumer Credits (hereinafter: Consumer Credit Act) with a maximum annual interest rate of 2.5 percent (loan interest rate under the Consumer Credit Act) (hereinafter: Housing Loan) on the one hand, or by refinancing other credit institutions for the same purpose, on the other hand³.

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 FGS GHP, as long as they make a declaration on accepting the conditions of FGS GHP by submitting to the MNB the duly signed framework agreement by 29 October 2021, at the latest. Credit institutions not complying with these conditions may participate indirectly through a credit institution directly participating in FGS GHP, as a umbrella bank (hereinafter: correspondent credit institution).

Participation in the FGS GHP shall be conditional upon fulfilling the MNB's data provision requirement with identification code AL12 in respect of housing loans in accordance with this Terms and Conditions, and with the MNB Decree on the reporting obligations for the central bank information system to be fulfilled primarily in relation to carrying out the basic tasks of the Magyar Nemzeti Bank⁴ (hereinafter: MNB Decree on Data Provision) mentioned in

¹ This Terms and Conditions is in effect from 4 October 2021.

² This Terms and Conditions only sets out the conditions of the FGS GHP starting 4 October 2021.

³ For the purposes of interpreting this Terms and Conditions, (i) the refinancing loan granted by the MNB shall be governed by the rules applicable to loans under the Civil Code, (ii) the Housing Loan granted by the credit institution – even if it is done through another credit institution – to the Borrower for the purpose specified in Section 1.4.2. shall be governed by the rules applicable to loans under the Consumer Credit Act, while the Housing Loan Contract concluded for the granting of the Housing Loan mentioned in this Terms and Conditions, shall be governed by the rules applicable to credits and loans under the Civil Code.

⁴ On the effective date of this Terms and Conditions, MNB Decree 41/2020. (XI. 18.).

this Terms and Conditions. The data provision with identification code MNB AL12 in respect of housing loans granted by the correspondent credit institution shall be fulfilled by the umbrella bank.

1.3. Provisions related to the drawdown of the credit line

1.3.1 Distribution of the credit line among credit institutions

The MNB defines the amount available to credit institutions participating in FGS GHP as follows: Up to the first tranche of HUF 120 billion of the credit line amounting to HUF 200 billion (hereinafter: joint credit line) credit institutions may receive funding in the order of submitting the Housing Loan Contracts within the framework of the data provision with identification code MNB AL12. From the first day after the exhaustion of the HUF 120 billion, credit institutions participating in FGS GHP may draw down additional refinancing loans up to the remaining part of the credit line (HUF 80 billion⁵), not exceeding the credit line allocated to them (hereinafter: allocated credit line) based on their FGS GHP activity until then. On the working day following the using up of HUF 120 billion, the MNB will inform credit institutions on the exact amounts of their allocated credit lines (hereinafter as: allocated credit line notice).⁶

Accordingly, the amount that can be used by the respective credit institution to draw down a refinancing loan under FGS GHP shall be the sum of the amount drawn by the credit institution from the joint credit line and the amount of the credit line allocated to it (hereinafter: limit).

After the allocation, the credit institution is entitled to renounce part or all of its allocated credit line in favour of another credit institution participating in FGS GHP. The respective credit institutions may initiate such transfer of the allocated credit line by means of a joint application addressed to the MNB, duly signed by both credit institutions. The MNB shall inform the respective credit institutions in writing within 5 working days of receiving the request for the transfer of the allocated credit line on the result of the assessment of the request, by sending a notification of the amended allocated credit line, if approved.

1.3.2 Utilisation of the credit line

The parts of the refinancing loans drawn down and repaid by the credit institution may not be drawn down repeatedly, i.e. it is not a revolving credit line⁷.

Housing Loan Contracts under the FGS GHP may be concluded from 4 October 2021 until the date specified in the notification on the allocated credit line, sent after the exhaustion of the joint credit line (hereinafter: contracting period), and notified to the MNB in the data provision with identification code MNB AL12. The MNB shall regard such data provision as a business offer.⁸ For the additional conditions applying to the drawdown and disbursement of the refinancing loan, see the Framework Agreement and Section 2 hereof.

The refinancing loan connected to the Housing Loan Contracts may be drawn down for the first time on 5 October 2021 (as the deal date specified in Section 2.2, i.e. on day T), while the final deadline for the drawdown of refinancing

⁵ On the day when the utilisation of the HUF 200 billion credit line reaches HUF 120 billion, credit institutions may still apply for refinancing loans from the joint credit line for all Housing Loan Contracts notified through the data provision with identification code MNB AL12, and thus the stock refinanced from the joint credit line may exceed HUF 120 billion, which automatically reduces the remaining amount to be allocated. From the following working day, refinancing loans applied for Housing loan Contracts reported through data provision will be covered from the allocated credit line of the credit institution.

⁶ Loans drawn down to refinance correspondent credit institutions – after that the allocated credit lines have entered into force – are also charged to the allocated credit line of the credit institution being in contractual relationship with the MNB, forwarding the funds, similarly to the Housing Loan Contracts concluded by it.

⁷ If the Borrower defaults on the repayment of the Housing Loan Contract and the credit institution or the correspondent credit institution has restructured the Housing Loan Contract within 120 days from the date of the first default, the credit institution shall be entitled to draw down the refinancing resources repeatedly in respect of that Housing Loan Contract up to the amount that the credit institution has repaid to the MNB from the date of default to the date of restructuring, which the Borrower has not paid to the credit institution during the period of default.

⁸ For the different dates related to Housing Loan Contracts concluded for the refinancing of Housing Loans granted under FGS GHP see Section 1.7.

loans connected to the individual Housing Loan Contracts shall be 4 years from the date of the Housing Loan Contract (hereinafter: Housing Loan availability period), with the proviso that the first drawdown must be made within 3 years from the date of the Housing Loan Contract. (Accordingly, in the case of lump sum drawdowns the availability period shall be 3 years from the date of the Housing Loan Contract). If no drawdown is made within 3 years from the date of the Housing Loan Contract, the availability of the refinancing loan in respect of the given Housing Loan Contract shall lapse. If the purpose of the Housing Loan also covers the purchase of a building plot and the Borrower fails to present to the credit institution the permissions specified in Section 1.4.2 hereof within 1 year from the date of the Housing Loan Contract, the availability of the refinancing loan in respect of the given Housing Loan Contract shall lapse.

The MNB is entitled to refuse to disburse the refinancing loan, if the conditions of the FGS GHP are not satisfied, particularly when it detects the breach of the condition specified in Section 1.4.1 hereof, according to which the Borrower may only be a debtor or co-debtor in a single Housing Loan Contract.

The Borrower may apply for a state family housing interest subsidy (hereinafter: interest subsidy)⁹, provided that the conditions set out in the law related to interest subsidy and in this Terms and Conditions are fulfilled. In such case, for the purposes of this Terms and Conditions the Housing Loan Contract concluded between the credit institution or the correspondent credit institution and the Borrower up to the maximum loan amount covered by the interest subsidy specified in the law on interest subsidy shall be the: Subsidised Housing Loan Contract. If the amount of the Housing Loan drawn down by the Borrower exceeds the interest subsidised loan amount, the credit institution or the correspondent credit institution shall conclude with the Borrower a separate Housing Loan Contract under FGS GHP for the amount exceeding the loan amount specified in the Subsidised Housing Loan Contract. On the other hand, for the purposes of this Terms and Conditions the housing loan granted under the Subsidised Housing Loan Contract and the Housing Loan granted under FGS GHP, not covered by interest subsidy, *together* shall qualify as a single Housing Loan. Accordingly, unless provided otherwise herein, the Subsidised Housing Loan Contract shall be governed by the applicable provisions hereof related to Housing Loan Contracts.

Under FGS GHP only Housing Loans may be disbursed.¹⁰ No such Housing Loan Contract may be concluded under FGS GHP the purpose of which is to finance a loan (financial lease) granted by a credit institution based on a previously concluded (that is still in effect) loan contract (credit agreement, financial lease contract) to the Borrower (not including, in the case of refinancing an FGS loan under Section 1.7, the refinancing of the receivable from a Housing Loan Contract previously concluded under FGS GHP).

The Borrower shall confirm the utilisation for the loan purpose by submitting the documents specified herein and by the credit institution, and the disbursing credit institution shall verify it.

From the date when the utilisation of FGS GHP reaches HUF 20 billion, the MNB shall publish the utilised amount of the credit line on the first Tuesday of each calendar month for the last working day of the previous week, inclusive, based on the summarised amounts of the Housing Loans notified by the credit institutions participating in FGS GHP in their data provision with identification code MNB AL12.

⁹ The conditions for benefiting from the interest subsidy (and particularly the maximum loan amount covered by the interest subsidy, the rate of the interest subsidy and the purpose of the interest subsidised loan) are included in Government Decree 16/2016 (II. 10.) on Housing subsidies related to the construction and purchase of new homes.

¹⁰ It is also possible to redeem loans extended previously in the FGS GHP, as specified in point 1.7.