



NOTICE ON THE TERMS AND CONDITIONS OF SECONDARY MARKET PURCHASES IN THE MNB'S MORTGAGE BOND PURCHASE PROGRAMME II.

Description of the Programme and conditions of participation

1. Pursuant to the decision taken by the Monetary Council on 28 April 2020, the Magyar Nemzeti Bank is announcing a mortgage bond purchase programme (hereinafter: the Programme), within which the MNB makes offers (primary market purchase) during the public issue on the territory of Hungary of mortgage bonds, which meet predetermined conditions, of mortgage loan companies that have their seat on the territory of Hungary (hereinafter: the Issuer), and purchases (secondary market purchase) the Issuer's mortgage bonds issued on the territory of Hungary and specified in this notice (hereinafter: the Notice), up to 50 percent of the nominal value of the Issuers' current aggregate holdings of forint-denominated mortgage bonds issued on the territory of Hungary.
2. The MNB considers it to be in line with the objectives of the Programme that Issuers conclude market making contracts in the case of their already issued mortgage bonds as well.
3. The MNB will commence the secondary market purchases on 4 May 2020 and continue them until withdrawal.
4. In the secondary market, the MNB will purchase from the mortgage bonds that meet the following conditions (hereinafter: Mortgage Bond):
 - Forint-denominated, fixed-rate mortgage bond publicly issued by the Issuer in Hungary, in line with the relevant Hungarian legislation, provided that the documentation of the bond does not contain any limitation concerning acquisition of ownership by the MNB.
 - Mortgage bonds, at least 80 percent of whose ordinary collateral defined in the Act on Mortgage Loan Companies and on Mortgage Bonds is equity claim originating from mortgage loans to consumers or from the repurchase of refinancing mortgage loans or independent lien as well as equity claim ensured by the transfer of seceded lien, behind which the collateral is mortgage loan granted to consumers.
 - The *original maturity* of the mortgage bond is at least 3 years upon the very first issue. When calculating the original maturity, in the case of multiple issues and tap issue, the maturity determined by the very first issue is authoritative. The MNB will only buy mortgage bonds whose *remaining maturity* reaches or exceeds 1 year at the time of purchasing.
 - The mortgage bond has been introduced into the debt securities section of the Budapest Stock Exchange Ltd.
5. The MNB will purchase an amount corresponding to at most 70 percent of the nominal value of the Issuer's Mortgage Bonds in circulation. The MNB will strive not to acquire ownership of more than 70 percent of the Mortgage Bonds in circulation within one mortgage bond series.

6. Based on its decision, the MNB is going to purchase Mortgage Bonds from the Money Market Counterparty in the form of direct sale and purchases both in the OTC market as well as in the debt securities section of the Budapest Stock Exchange.

7. The MNB will carry out its purchases in line with the principles of market neutrality and equal treatment.

8. The MNB will check the existence of the conditions regarding the Mortgage Bond on the basis of the information available for the Bank and will publish the list of Mortgage Bonds on its website as well as on the relevant pages of Reuters and Bloomberg accordingly. Weekly secondary market purchases will be published on Reuters NBHS03-04 and Bloomberg NBH8 pages as well as on MNB's official website on the first working day of the following week.

In respect of issues not regulated in this Notice, the 'Terms and Conditions of the Operations of the Central Bank in Forint and Foreign Currency Markets' shall be authoritative, with the exception of the provisions of III.B.

Budapest, 30 April 2020

MAGYAR NEMZETI BANK