

Notice on the MNB's two-year collateralised loan tender

Unofficial translation only!
The official version is the Hungarian one!

I. General conditions

From 3 April 2012, the Magyar Nemzeti Bank will announce collateralised loan tenders, as specified below based on Section V.C the 'Terms and Conditions of the Operations of the Central Bank in Forint and Foreign Currency Markets'.

The MNB offers the tender without limit on maximum accepted amount, however it reserves the right to use quantity limit in case of any tenders. In the latter case MNB will accept the bids according to the principle of card allocation. Tenders will take place on every first Tuesday of each month that is a working day. Eligible counterparties are the resident credit institutions subject to reserve requirements with direct VIBER or BKR membership and with KELER securities account (hereinafter referred to as Counterparties).

Counterparties taking part in the tender undertake that during the maturity of the loan they will not decrease from its 31 December 2011 value their outstanding domestic corporate lending, after adjusting for exchange rate effects, on a semi-annual basis. MNB will control the undertakings by their monthly Statutory Balance Sheets, and requires the fulfilment of the above-mentioned condition on average on semi-annual basis. (The method of calculation and the relevant rows of the balance sheet is contained by section II.2.)

The tenor of the loan is 104 weeks. The interest rate of the loan is the average of base rate over the life of the operation. Interest rate payments are due in every second weeks, first on the second Wednesday after the disbursement of the loan. The last interest payment is due at the final maturity or at the date of the early repayment simultaneously with the redemption of the whole face value. At the interest payment dates the amount payable is equal to the time-proportional central bank base rate of the previous two weeks. Before its maturity Counterparties may redeem the whole amount of the loan at every date of the interest payments (fortnightly) subsequent the 52-week after the date of the disbursement of the loan. Counterparties must indicate to the MNB their willingness to redeem via one of the bidding channels specified in this notice at least one week in advance.

Settlements, included the interest rate payments, take place after the closure of the VIBER. The MNB may execute transactions even if the value of collateral is insufficient, in which case the counterparties are given a positive limit in accordance with the Business conditions for maintaining bank accounts upon collateral revaluation.

The MNB reserves the right to declare any tender unsuccessful.

II. Detailed conditions

II. 1. Detailed conditions for the collateralised loan tender

Type of operation	Two-year , collateralised, base rate-indexed loan tender
Date and place of notice/invitation	Until 9 am at the latest on the Reuters COLLATLOAN, on the Bloomberg NBH16 pages and on the MNB's official website

Contents of notice/invitation	Time and date of tender, day of settlement and maturity (and in case of limited quantity the offered amount)
Eligible counterparties	Resident credit institutions subject to reserve requirements with direct VIBER or BKR membership and with KELER securities account that agree to comply with the terms and conditions of participation in this notice
Proposed by	MNB
Business hours for receiving bids	Between 09:30 and 10:30 am on the day of the tender
Content and formal requirements for the bids	Via the Reuters Dealing platform or by fax with the contents as specified in the tender-bid page in Annex 2
Number of bids accepted from any bidder	1
Transaction limit	Minimum HUF 100 million for each bid, multiples of HUF 10 million in round figures
Modifications	The last accepted bid (within the business hours for receiving offers) prevails
Bid increment	HUF 1 million
Date and place of allotment	At 11 am on the day of tender on the Reuters COLLATLOAN, on the Bloomberg NBH16 pages and on the MNB's official website
Content of the allotment	Tender conditions as contained in the notice, amount of bids submitted, amount of bids accepted
Confirmation of the deal	The Counterparty is sent a confirmation on the deal on the day of the tender via SWIFT or by fax
Day of settlement	T+1
Day of interest payments	On a two-week basis following the disbursement of the loan (hence every second Wednesday); last time simultaneously with the repayment

II.2. Detailed terms and conditions of the undertakings of the Counterparties

Counterparties by participating in the tender undertake no to decrease from its 31 December value their outstanding domestic corporate lending, after adjusting for exchange rate effects, on a semi-annual basis during the term of the loan according to the following:

$$\sum_{m=1}^6 \sum_{i=1}^{18} A_{i,k,m} / 6 + \sum_k \sum_{j=1}^2 \sum_{m=1}^6 H_{j,k,m} - \sum_{i=1}^{18} A_{i,0} \geq 0$$

where

„A_{i,0}” is the exchange rate adjusted stock of „Ai” rows of the Statutory Balance Sheet in the Annex below as at 31 December 2011;

„A_{i,k,m}” is the exchange rate adjusted stock of „Ai” rows of the Statutory Balance Sheet in the Annex below as at the ‘k’ half-year and ‘m’ month following 31 December 2011;

„ $H_{j,k,m}$ ” is the exchange rate adjusted stock of „Hj” rows of the 7H, “Loans granted by the credit institution and the loan stock’ report as of half-year ‘k’ and month ‘m’ following 31 December 2011.

When adjusting for the interest rate regarding a formula determining the conditions for participation, the month-end exchange rate of a given currency is the official exchange rate published by the MNB on the last day of the month, the average monthly exchange rate of a given currency is the average monthly exchange rate published by the MNB for that month.

The exchange-rate adjustment related to the condition for the participation:

$$A_{i,m} = \sum_s A_{i,m,s} , A_{i,m,s} = \frac{A_{i,m,s,t} \cdot e_{0,s}}{e_{m,s}} ,$$

where

„ $A_{i,m}$ ” is the exchange rate adjusted average of the month-end stocks of „Ai” rows of the statutory balance sheet in the given half-year,

„ $A_{i,m,s}$ ” is the exchange rate adjusted corporate loan stock denominated in currency ‘s’ as at the end of month ‘m’,

„ $A_{i,m,s,t}$ ” is the non-adjusted corporate loan stock denominated in currency ‘s’ as at the end of month ‘m’,

„ $e_{m,s}$ ” is the exchange rate of currency ‘s’ as at the end of month ‘m’,

„ $e_{0,s}$ ” is the exchange rate of currency ‘s’ as at 31 December 2011.

The ‘H01’ and ‘H02’ rows of the Statutory Balance Sheet that appear in the condition above are the accumulated amounts starting from the first day of the year until each balance-sheet closing date (the last day of each month). Therefore ‘ $H_{j,k,m}$ ’ in the above formula is:

$$H_{j,k,m} = \sum_{q=1}^{6k-6+m} \frac{H_{j,q,s,t} \cdot e_{0,s}}{e_{q,s}}$$

where

„ $H_{j,k,m}$ ” is the exchange rate adjusted value of ‘Hj’ rows,

„ $H_{j,q,s,t}$ ” is the non-adjusted value in currency ‘s’ as at the end of month ‘q’,

„ $e_{q,s}$ ” is the average exchange rate of currency ‘s’ as at the end of month ‘q’,

„ $e_{0,s}$ ” is the exchange rate of currency ‘s’ as at 31 December 2011.

In case the Counterparty fails to fulfil its undertakings related the two-year loan as specified above, the MNB may suspend the participation of the Counterparty in some or all of its forint or foreign exchange instruments either temporarily or permanently.

When deciding on the sanction the MNB takes into consideration:

- a) the gravity of the violation
- b) the frequency of the violation
- c) the impact of the violation on the monetary policy implementation
- d) facts (to be proved by the Counterparty) that underpin the Counterparty’s expected behaviour
- e) factual circumstances that are in causality relationship with the violation.

To issues not detailed in this document, the ‘Terms and Conditions of the Operations of the Central Bank in Forint and Foreign Currency Markets’ apply.

Budapest, 27 March 2012
MAGYAR NEMZETI BANK

Appendix

MNB will control the specified undertakings by the following rows of the Counterparties' Statistics

Statistics	Table	Row	Column	Code	Description
					Loans granted to resident non financial corporations
F01	01	170	d	A01	Non-financial corporations (excl. associated enterprises) - overdraft credit
F01	01	171	d	A02	Non-financial corporations (excl. associated enterprises) - bill of exchange - short-term
F01	01	172	d	A03	Non-financial corporations (excl. associated enterprises) - bill of exchange - long-term - with a maturity of over 1 and up to 5 years
F01	01	173	d	A04	Non-financial corporations (excl. associated enterprises) - bill of exchange - long-term - with a maturity of over 5 years
F01	01	174	d	A05	Non-financial corporations (excl. associated enterprises) - claims purchased - short-term
F01	01	175	d	A06	Non-financial corporations (excl. associated enterprises) - claims purchased - long-term - with a maturity of over 1 and up to 5 years
F01	01	176	d	A07	Non-financial corporations (excl. associated enterprises) - claims purchased - long-term - with a maturity of over 5 years
F01	01	177	d	A08	Non-financial corporations (excl. associated enterprises) - housing loan - short-term
F01	01	178	d	A09	Non-financial corporations (excl. associated enterprises) - housing loan - long-term - with a maturity of over 1 and up to 5 years
F01	01	179	d	A10	Non-financial corporations (excl. associated enterprises) - housing loan - long-term - with a maturity of over 5 years
F01	01	180	d	A11	Non-financial corporations (excl. associated enterprises) - other loans - short-term
F01	01	181	d	A12	Non-financial corporations (excl. associated enterprises) - other loans - long-term - with a maturity of over 1 and up to 5 years
F01	01	182	d	A13	Non-financial corporations (excl. associated enterprises) - other loans - long-term - with a maturity of over 5 years
F01	01	183	d	A14	Non-financial corporations (excl. associated enterprises) - financial lease - with a maturity of over 1 and up to 5 years
F01	01	184	d	A15	Non-financial corporations (excl. associated enterprises) - financial lease - with a maturity of over 5 years
F01	01	185	d	A16	Non-financial corporations (excl. associated enterprises) - authentic repurchase agreement - short-term
F01	01	186	d	A17	Non-financial corporations (excl. associated enterprises) - authentic repurchase agreement - long-term - with a maturity of over 1 and up to 5 years
F01	01	187	d	A18	Non-financial corporations (excl. associated enterprises) - authentic repurchase agreement - long-term - with a maturity of over 5 years
7H	01	008-009	d	H01	Total write-off of non-financial corporation loans (gross loans)
7H	01	008-009	i	H02	Total sales of impaired non-financial corporation loans (gross loans)