

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

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The official version is the Hungarian one!

I. General conditions

From 2 October 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'.¹

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 the outstanding amount of adjusted domestic non-financial corporate loans (hereinafter referred to as NFC loans), i.e. domestic NFC loans outstanding reduced by domestic commercial real estate loans outstanding and increased by net domestic NFC refinancing loans outstanding, after adjusting for exchange rate effects, on a semi-annual basis². The MNB will check compliance on the basis of their monthly Statutory Balance Sheets, the HFSA 7H report and the monthly reporting requirement of the two-year collateralised loan tenders. The MNB requires the fulfilment of the above-mentioned condition on average on a semi-annual basis. (The method of calculation and the relevant rows of the balance sheet is contained by section II.2.)

As a criterion of the tender, credit institutions are required to report their outstanding amount of domestic commercial real estate loans and net domestic NFC refinancing loans at the end of the base month, and submit the report up to 12 p.m. on the 15th business day of the following month. Credit institutions wishing to participate on the tender are required to submit the first report on the previous business day of the tender until 3 p.m.³, which includes month-end data for June 2012 and the following months up to the second month preceding the month of the given tender (i.e. up to August in the case of the October tender). Credit institutions are required to meet their reporting requirement based on the announcement via the electronic data reporting system of MNB (hereinafter referred to as 'EBEAD' announcement). In case the Counterparty fails to fulfil its reporting requirement or provides incorrect data, the MNB may suspend the participation of the Counterparty in some or all of its forint or foreign exchange instruments either temporarily or for an unspecified period.

The maximum amount that credit institutions may draw at the tender (hereinafter referred to as limit) is 50 per cent of the outstanding amount of adjusted domestic NFC loans as at 30 June 2012 and the increase in the outstanding amount up to the second month preceding the month of the tender (i.e. the increase up to August 2012 in the case of the October tender). The limit is reduced by the drawn amount at the two-year collateralised loan tenders of MNB, including tenders conducted prior to 2 October 2012.

¹The first tender of the previous two-year collateralised loan tenders was held on 3 April 2012.

² Based on calendar: January-June and July-December.

³ The submission of report does not mean participation commitment in the tender.

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. In case the average monthly outstanding amount of adjusted domestic non-financial corporate loans of a credit institution for a given half-year decreases below the outstanding amount on 30 June 2012, the credit institution will have to pay a penalty fee of 50 basis points, increasing by additional 50 basis points for every 1 percentage point decrease. The maximum penalty is 250 basis points. The penalty fee is due on a semi-annual basis and has to be paid on the first Wednesday (business day) of the second month of the following half-year. The penalty fee is imposed on the difference of the monthly average outstanding amount of adjusted domestic non-financial corporate loans of a credit institution for a given half-year and that outstanding on 30 June 2012.

Prior to 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 and penalty 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 11 am at the latest on the business day that precedes the day of the tender on the Reuters COLLATLOAN, on the Bloomberg NBH17 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	Between 09:30 and 10:30 am on the day of

bids	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 NBH17 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
Date of penalty fee	First Wednesday (business day) of the second month of a half-year

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

Counterparties by participating in the tender undertake not to decrease from its 30 June 2012 value their outstanding adjusted domestic corporate lending, after adjusting for exchange rate effects, on a semi-annual basis during the term of the loan according to the following:

$$\sum_{m=1}^6 \left(\sum_{i=1}^{18} (A_{i,k,m}) - B_{k,m} + C_{k,m} \right) / 6 + \sum_k \sum_{j=1}^2 \sum_{m=1}^6 H_{j,k,m} - \left(\sum_{i=1}^{18} (A_{i,0}) - B_0 + C_0 \right) \geq 0 \quad \text{where}$$

„A_{i,0}” is the exchange rate adjusted outstanding amount of „Ai” rows of the Statutory Balance Sheet in the Annex below as at 30 June 2012;

„B₀” is the exchange rate adjusted outstanding amount of domestic commercial real estate loans in the reporting requirement of tender in the Annex below as at 30 June 2012;

„C₀” is the exchange rate adjusted outstanding amount of domestic net NFC refinancing loans in the reporting requirement of tender in the Annex below as at 30 June 2012;

„ $A_{i,k,m}$ ” 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 30 June 2012;

„ $B_{k,m}$ ” is the exchange rate adjusted outstanding amount of domestic commercial real estate loans in the reporting requirement of tender in the Annex below as at the ‘k’ half-year and ‘m’ month following 30 June 2012;

„ $C_{k,m}$ ” is the exchange rate adjusted outstanding amount of domestic net NFC refinancing loans in the reporting requirement of tender in the Annex below as at the ‘k’ half-year and ‘m’ month following 30 June 2012;

„ $H_{j,k,m}$ ” is the exchange rate adjusted outstanding amount 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 30 June 2012.

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:

$$(A_{i,m}) = \sum_s (A_{i,m,s}), \quad (B_m) = \sum_s (B_{m,s}), \quad (C_m) = \sum_s (C_{m,s}) \quad A_{i,m,s} = \frac{A_{i,m,s,t} \cdot e_{0,s}}{e_{m,s}}, \quad B_{m,s} = \frac{B_{m,s,t} \cdot e_{0,s}}{e_{m,s}},$$

$$C_{m,s} = \frac{C_{m,s,t} \cdot e_{0,s}}{e_{m,s}},$$

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,

„ B_m ” is the exchange rate adjusted average of the month-end outstanding amount of domestic commercial real estate loans in the reporting requirement of tender in the given half-year,

„ C_m ” is the exchange rate adjusted average of the month-end outstanding amount of domestic net NFC refinancing loans in the reporting requirement of tender in the given half-year,

„ $A_{i,m,s}$ ”, „ $B_{m,s}$ ”, „ $C_{m,s}$ ” are the exchange rate adjusted outstanding amounts denominated in currency ‘s’ as at the end of month ‘m’,

„ $A_{i,m,s,t}$ ”, „ $B_{m,s,t}$ ”, „ $C_{m,s,t}$ ” are the non-adjusted outstanding amounts 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 30 June 2012.

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 30 June 2012.

The present terms and conditions of 2-year collateralised loan tenders are valid as of the 2 October 2012 tender. For drawn loans on tenders prior to this date the terms and conditions of 2-year collateralised loan tenders issued on 27 March 2012 applies.

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, 26 September 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)

The reporting requirements of the tender by the MNB:

B. Domestic commercial real estate loans: Based on HFSA 7F report of project-financing loans, the 7F111 and 7F112 rows gross outstanding amount (D column) has to be reported to the MNB by currency denomination (A-C columns) according to the EBEAD announcement.

C. Domestic net NFC refinancing loans: the difference between the granted and received refinancing loans for NFC loans has to be monthly reported to the MNB by currency denomination according to the EBEAD announcement based on the following Statutory Balance Sheet items:

- From 01 table (Gross outstanding amount) row 133 and 134 domestic interbank loans (assets), loans granted for refinancing NFC loans based on the Statutory Balance Sheet reported to the MNB
- From 01 table (Gross outstanding amount) row 515 and 516-517 domestic interbank loans (liabilities), loans received for refinancing NFC loans based on the Statutory Balance Sheet reported to the MNB