

György H MATOLCSY
GOVERNOR



THE CENTRAL BANK OF HUNGARY

Mr. Andrea Enria
Chairperson

Reference number:4506-198/2015
Budapest, 17 December 2015

European Banking Authority

One Canada Square (Floor 46)
Canary Wharf
London E14 5AA UK

Subject: Publication of Magyar Nemzeti Bank's resolution action with regards to MKB Bank Zrt.

Dear Chairperson Enria,

Hereby we would like to ask the European Banking Authority to publish on its website the attached summary of the decision of the Magyar Nemzeti Bank (The Central Bank of Hungary, hereinafter: 'MNB') acting in its scope as authority for resolution based on Article 83 paragraph 4 point b) of the Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms regarding the resolution process of MKB Bank Zrt. where asset separation tool and related resolution measures had been applied according to the State aid SA.40441 (2015/N) decision of the European Commission.

Should you have any questions or comments, please, do not hesitate to contact us.

Yours sincerely,

Dr. György Matolcsy
Governor

A blue ink signature of Dr. György Matolcsy is written over a circular official stamp. The stamp contains the text "MAGYAR NEMZETI BANK" at the top and "ELNÖK 01" at the bottom, with a central emblem.

Annex:

- Summary to the decision No. H-SZN-I-35/2015 of the Central Bank of Hungary



Reference number:4506-211/2015
Budapest, December 17.

Summary

to the decision No. H-SZN-I-35/2015. of the Central Bank of Hungary on the application of the asset separation tool and related resolution measures in the ongoing resolution process in respect of MKB Bank Zrt.

MKB Bank Zrt. (seat: 1056 Budapest, Váci street 38.; Company Register: Budapest-Capital Regional Court of Appeal, as Registry Court; Company Register No.: 01-10-040952; hereinafter 'Bank') was placed under resolution on 18 December 2014 according to the resolution strategy determined by Magyar Nemzeti Bank (The Central Bank of Hungary, hereinafter: 'MNB') as the designated national resolution authority.

According to the State aid SA.40441 (2015/N) decision of the European Commission published on 16 December 2015 MNB carried out a complex resolution action in line with the rules of the European Union regarding the internal market.

In the course of the above mentioned resolution action, as a preparatory step, assets which were appointed to be divested but cannot be sold in failure of potential voluntary buyers on the market (Portfolio) were transferred to MKB Pénzügyi Zrt. for the purpose of encouraging the implementation of the asset separation tool. In the frame of the asset separation MNB transferred the shares issued by MKB Pénzügyi Zrt. to the Hungarian Resolution Property Management Private Company Limited by Shares (MSzVK) and also the shares issued by RESIDEAL Zrt to MSzVK. RESIDEAL Zrt. is a special company, which deals with the real estate management. MSzVK pays in the course of the sale real economic value (REV) for the shares, which is above the market price. In that regard the Bank received compatible State aid approved by the European Commission. MSzVK paid firm value stated by an expert as consideration for the transferred shares of the two former subsidiaries of the Bank (MKB Pénzügyi Zrt. and RESIDEAL Zrt.).

MNB had to transfer all issued shares of the Bank to the provider of the State aid, MSzVK for a symbolic purchase price as compensation and as precondition for the received State aid in order to comply with the rules the internal market of the European Union. Since the value of the Bank including the Portfolio on market value in its balance sheet stated by an expert made it necessary. Furthermore MNB had to oblige the Bank to fulfill the commitments approved by the European Commission based on the 'Commitments' Letter'. Through all the above and related preparatory and other measures, it can be secured that the transfer of the Portfolio to MSzVK by granting compatible State aid together with restructuring, cost affective and other measures allow that the capital effect which can be reached by virtue of the divestment of the Portfolio from the balance sheet of the Bank will be enough to recover the capital situation of the Bank necessary for the long term viability.

The Decision No. H-SZN-I-35/2015 does not have any effect on the retail customers of the Bank in turn it is a necessary provision in the line of the planned actions.

Therefore, having in mind the need of the fulfillment of the resolution objectives and the need of enhancing the effectiveness of the asset separation tool, MNB transferred the above mentioned shares by making the following decree which is effective from 17 December 2015.
