

Twenty-three financial institutions registered for MARK's asset purchase programme with over HUF 300 billion exposure

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Twenty-three financial institutions, including all banks with the largest distressed commercial property portfolio, registered to MARK's asset purchase programme with over HUF 300 billion gross exposure, representing HUF 90-125 billion at transfer value. The registration will be followed by a few months of economic and legal due diligence.

The three-month registration period of MARK's asset purchase programme started on 21 March 2016, following the approval of the commercial property portfolio (receivables and repossessed assets) acquisition methodology by the European Commission. With the approval, it has been verified that the pricing practice of MARK, which is based on granular valuation methodology for each asset class and recent actual market transactions, representing market value without state aid element.

Financial institutions in full knowledge of the terms and conditions could decide to register until 21 June. Altogether 23 eligible entities signalled their intention to participate. Excluding MKB bank, which is under resolution and thus it was managed by toxic asset separation to the resolution fund, the banks with the largest distressed commercial property portfolios registered for the programme. The amount of registered exposure exceeds HUF 300 billion gross (total outstanding principal) assets, which, given the provisioning by the financial institutions, hence the cap on portfolio price imposed by the European Commission, amounts to a maximum HUF 90-125 billion transfer value.

Both registration and the portfolio sales, which would be followed by economic and legal due diligence lasting a few months, are voluntary. The goal of the Magyar Nemzeti Bank (MNB) is to stimulate the clean-up of bad assets from the balance-sheets of the banks and secondary distressed debt markets in the commercial real estate segment, which is the most troubled segment in terms of corporate exposure. MARK is offering an efficient, most importantly cost efficient way for financial institutions to dispose of their commercial real estate related exposures. MARK has already catalysed markedly the market, as banks have disposed distressed commercial real estate assets recently more actively.

The successful registration period clearly demonstrates that financial institutions share the MNB's commitment to the faster resolution of the high non-performing corporate exposure by international standards, thereby contributing to bank lending activity adequately supporting sustainable economic growth. If the offered exposure is cleaned up, the ratio of corporate non-performing loans will fall to around 10 per cent and that of loans past due more than 90 days to around 5 per cent by the end of 2017.