

The MNB sells the asset manager of MARK Zrt

The ratio of corporate non-performing loans has already fallen to a reassuring level

printing

Budapest, April 10, 2017- In recent years, the central bank has helped the banking system to clean up its corporate loan portfolio with a number of targeted measures. As part of this, the MNB established MARK Zrt., Which greatly facilitated the exit of non-performing commercial loans from the banking system. As the share of corporate non-performing loans in the banking system was reduced by almost half, which can now be considered low, the remaining portfolio can already be managed by the market, so the MNB decided to sell MARK Zrt. On the market. During the announced tender, APS Investment sro was selected, and a sales contract will be concluded within a short period of time.

In accordance with its statutory macroprudential mission, the Magyar Nemzeti Bank (MNB) established the Hungarian Reorganization and Receivables Management Private Limited Company (MARK Zrt.) In November 2014 with the aim of accelerating the clean-up of bank balance sheets, thereby strengthening the stability, lending and willingness. During this period, the ratio of corporate non-performing loans has been above 20 percent for years, while the portfolio clean-up market has been virtually non-existent. Nearly half of the non-performing corporate loan portfolio came from commercial real estate receivables, while half of the total commercial real estate loan portfolio was classified as non-performing.

The central bank assisted the portfolio with targeted measures. The announcement of a systemic risk capital buffer for troubled commercial real estate exposures prompted banks to clean up their portfolios, while a bad portfolio was also divested during the resolution of a large bank. In addition, MARK Zrt. Supported the market from the demand side. With the establishment of MARK Zrt., The interest in the Hungarian non-performing commercial credit market among investors specializing in such purposes has greatly increased, and it has become clear to domestic banks that they cannot and should not postpone substantial portfolio clean-up. MARK Zrt. Has set a European precedent with its pricing methodology approved by the European Commission , which has increased transparency in the market.

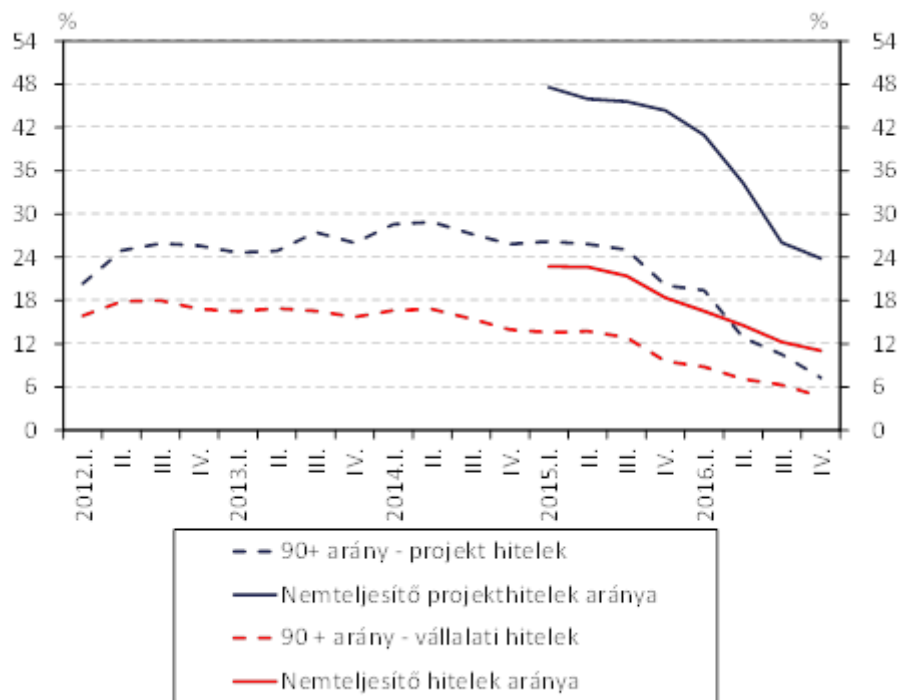
The recovery in the market can also be seen in figures: the ratio of corporate non-performing loans fell from 23% at the beginning of 2015 to 11% by the end of 2016, while the ratio of non-performing commercial real estate loans fell from 48% to 24%. Several significant portfolios and several larger receivables were sold from the end of 2015. With the sharp decline in the proportion of corporate non-performing loans, the establishment of MARK Zrt. Actively contributed to the successful lending turn. In addition to the favorable market developments, the clean-up of problem assets can also be implemented quickly, driven by the market, where MARK Zrt. Can continue to support portfolio cleaning in private ownership. The Magyar Nemzeti Bank made it clear already at the start of MARK Zrt., And since then it has communicated several times,

As a result, the Monetary Council of the Magyar Nemzeti Bank decided to withdraw MARK Zrt. From the macroprudential toolbox, and the Financial Stability Board accordingly called on the MNB's Board of Directors to take the necessary steps by issuing a private tender.

Only professional investment organizations with receivables management business experience that fully complied with the transparency requirement and made an indicative offer in a previous market consultation could participate in the procedure. As the winner of the tender, one of the most significant professional investors in Central and Eastern Europe, APS Investment sro (Vajnorska 100 / B, 831 04 Bratislava, Slovak Republic), started negotiations with the MNB to acquire 100% of MARK Zrt. And its subsidiary. As a result of the negotiations, the sales contract will be concluded between the parties within a short period of time.

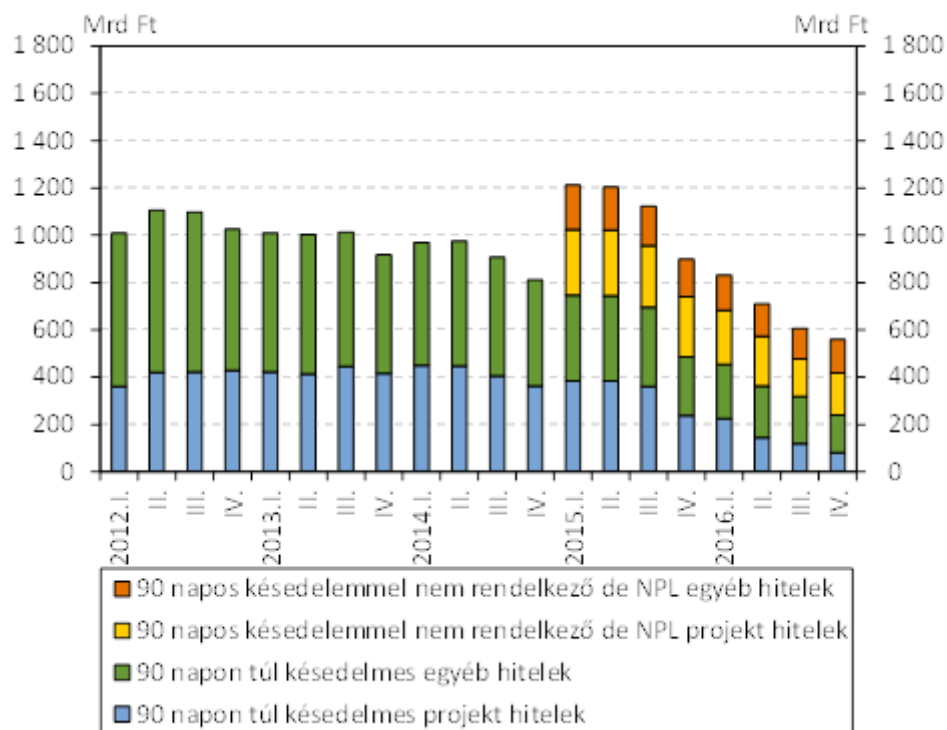
The MNB will publish further detailed information on the sale of MARK Zrt. After the closing of the transaction, ie expected after 30 June 2017.

Ratio of non-performing loans (NPLs) within the total corporate segment and project credits (mainly commercial real estate)



Source: MNB. Note: The data services of the MNB effective from January 2015 use the new CRR / CRDj definition of the NPL, where it is considered non-performing: 1) the debtor's delay exceeds 90 days. 2) the creditor assumes that without the realization of the collateral, the debtor will not be able to repay its entire debt.

Non - performing corporate loans (NPLs)



Source: MNB.