

MNB to restore the profitability of MKB Bank

18 December 2014

Following the decisions by the Financial Stability Board, the MNB has today taken control over MKB Bank and will reorganise the credit institution, including its subsidiaries. The move has taken place within the legal framework provided by European Union Directives and its responsibilities under Hungarian law. The MNB's goal is to ensure that the reorganised and restructured Bank contributes to restoring the lending capacity of the entire Hungarian financial intermediary system and to supporting the recovery in growth.

The capital adequacy and liquidity position of the MKB Group is adequate; however, the Group has been making significant losses. In order to accelerate the necessary reorganisation process, the Hungarian state has handed over the ownership rights to the MNB under Act XXXVII of 2014 on the further development of the system of institutions strengthening the security of the individual participants of the financial intermediary system. In the coming months, the Magyar Nemzeti Bank will implement an institutional reorganisation and a significant cost reduction programme, in addition to identifying and cleaning off non-performing portfolio elements from the Bank's balance sheet.

Portfolio cleaning will contribute significantly to a reduction in MKB's capital need and to the improvement in the Group's profitability. This is expected to result in a perceptible efficiency improvement, a short-term objective decided at the time of the acquisition of the Bank by the state. During the reorganisation programme, the MNB will not use a bail-in resolution strategy; instead it will clean up the Bank's portfolio. The improvement in profitability will not only contribute to an improvement in the Bank's capital position, but also to restoring the lending capacity of the entire Hungarian financial intermediary system and to supporting the recovery in growth.

Obviously, the MNB will use every instrument at its disposal to ensure that the reorganisation is carried out smoothly, i.e. the reorganisation and restructuring programme will be implemented in a way that it will not disturb the continuity of banking services.

In accordance with European Union Directives and harmonised Hungarian regulations, the MNB will retain control over MKB Group temporarily (probably for a period of maximum one year) and will assign a professional expert team, working under the full official and professional control of the MNB, to implement the reorganisation programme. In compliance with its notification obligations to the European Union, the MNB will inform the European authorities, in particular the European Central Bank, of the planned actions.

The clear objective of the Magyar Nemzeti Bank is to ensure that the Bank is restructured into a competitive, successful, well-known and recognised credit institution with significant growth potential, quality assets and loans, which will serve as an example of 'good practices' for other domestic credit institutions.

Magyar Nemzeti Bank