

New owners of MKB Bank Zrt selected under close supervision by the European Commission

Budapest, 31 March 2016 – On 31 March 2016 the Magyar Nemzeti Bank, in its capacity as resolution authority, selected the winning bidder in the competitive procedure related to the sale of MKB Bank Zrt. According to the decision, the new owner of MKB Bank Zrt will be a syndicate comprised of Blue Robin Investments S.C.A., METIS Private Capital Fund and Pannónia Pension Fund, the member of the CIG Partnership – in a proportion of 45-45-10 per cent, respectively – which offered the highest purchase price, i.e. HUF 37 billion, for the 100 per cent share in MKB, of the three bids received during the binding bid submission phase of the competitive sales tender. The sales process, closely monitored by the European Commission, is expected to be closed by 30 June 2016, following the fulfilment of the closing conditions (including permission for the acquisition of holding by the members of the winning syndicate) and the payment of the purchase price.

The obligation to sell the shares (100 per cent) of MKB Bank Zrt (MKB) was prescribed by the resolution of the European Commission dd. 16 December 2015. In accordance with the relevant resolution of the Commission, the sales process must comply with the criteria of open, transparent, competitive and non-discriminative sale, the EU regulations pertaining to state aids within the meaning of the competition law and with Directive 2014/59/EU of the European Parliament and of the Council establishing a framework for the recovery and resolution of credit institutions and investment firms. The sales process is closely monitored by the European Commission based on the continuous reporting obligation of the Magyar Nemzeti Bank.

With a view to realise a successful sale on the market and enforce the aforementioned principles in full, the investment bank J.P. Morgan Limited acted in the sales process as financial advisor and the law firm DLA Piper Horváth és Társai Ügyvédi Iroda as legal advisor to the seller. With the involvement of the advisors, a multi-round competitive sale was conducted in accordance with international practice. In the initial phase of the sale, open for the submission of non-binding bids, seven bids were received. In order to ensure sufficient competition, all potential buyers that submitted non-binding bids were permitted to continue participating in the sales process.

The investors were granted access to legal, business and financial data in a virtual data room, set up in accordance with international practice, to perform the due diligence review of MKB. Following the due diligence process the binding bids had to be submitted by 22 February 2016. Three bids were received by the specified deadline, of which the MNB selected the members of the syndicate offering the highest purchase price, i.e. HUF 37 billion, as winner. According to the decision, following the fulfilment of the closing conditions (including permission for the acquisition of holding by the members of the winning syndicate) the new owner of MKB Bank Zrt. will be Blue Robin Investments S.C.A., METIS Private Capital Fund and Pannónia Pension Fund, member of the CIG Partnership, in a proportion of 45-45-10 per cent, respectively.

The MNB performed the evaluation of the bids in accordance with a set of selection criteria based on objective foundations, correspond to international best practice and notified to the bidders in advance, which were finalised before the submission of the binding bids to be evaluated, which was developed in cooperation with a leading international consultant firm. In accordance with the European Commission's competition law practice, the purchase price had a determinant weight in the selection decision, but apart from this, the requirements of the resolution framework focusing on financial stability interests were also taken into account.

The market value of MKB in December 2015, before the separation of the non-performing commercial property portfolio, was below zero, which was also confirmed by two independent appraisers commissioned by the MNB. During the portfolio separation process the MKB received aids in the amount of HUF 32.1 billion, due to the fact that MSZVK Magyar Szanálási Vagyonkezelő Zrt. purchased the separated toxic portfolio from MKB over the market price, at the real economic value, with the approval of the European Commission. In addition to the direct value-increasing effect of the state aid, the MKB's capital position was also positively affected by the fact that with the removal of the separated portfolio MKB's capital requirement decreased by more than HUF 10 billion. The cost-cutting measures taken during the resolution process, the set-up of the new management and the development of the new business strategy model further increase the value of MKB.

The closing of the sales of MKB can be realised by the deadline of end of June 2016. The closing is conditional upon the authorisation of the buyer's acquisition of qualifying holding in MKB by the MNB, acting within its supervisory duties, and the delivery of the auditor's report and the MKB's annual report for 2015 to MKB by its auditor. The buyers must pay the purchase price after fulfilment of the closing conditions to the present owner, i.e. MSZVK Magyar Szanálási Vagyonkezelő Zrt. After this the MNB will close the sale and resolution process of MKB.

The purchase of MKB by the state, its restructuring, including the separation of the bad bank from the good bank and the sale of the latter, were performed with a view to maintain financial stability and protect the customers' funds. The recapitalisation (EUR 270 million) implemented as a condition of the purchase by the state, the efficient and fast portfolio cleaning realised during the resolution process conducted by the MNB, and the sale to the investor offering the highest price during a transparent procedure will place the operation of MKB on new, stable fundamentals.