MNB BANK SENTIMENT SURVEY

1. Bank Sentiment Index
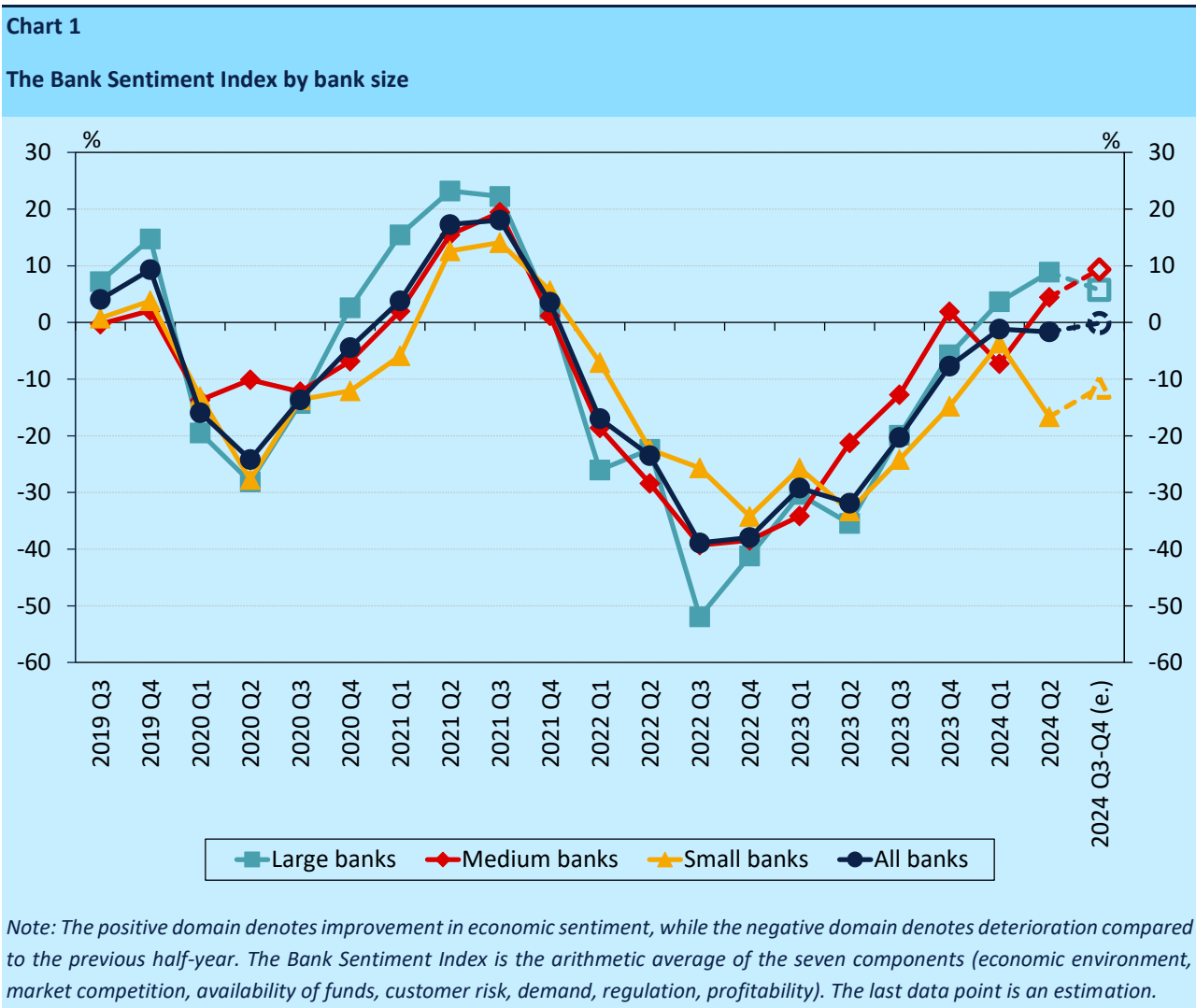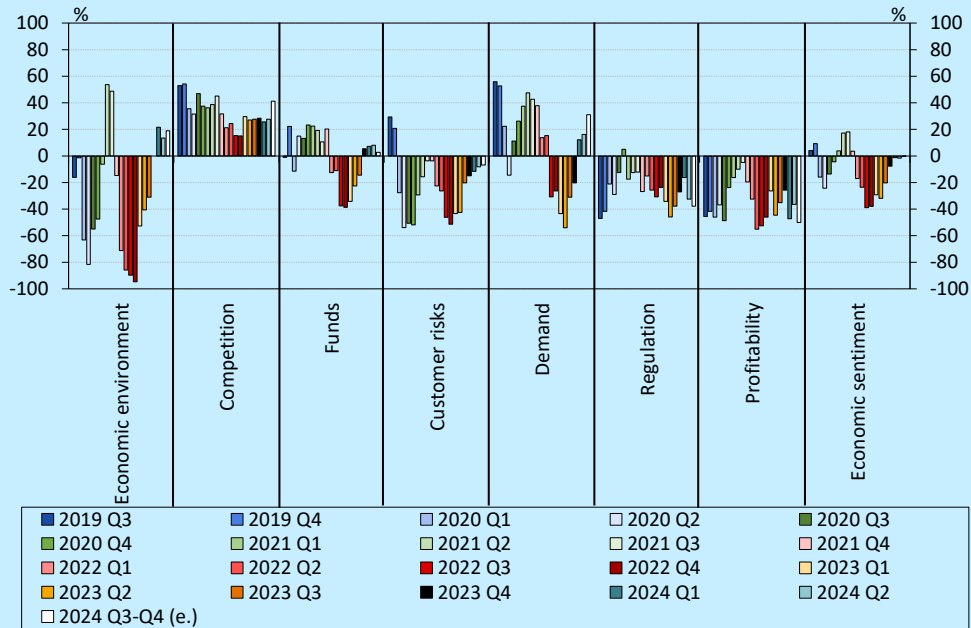
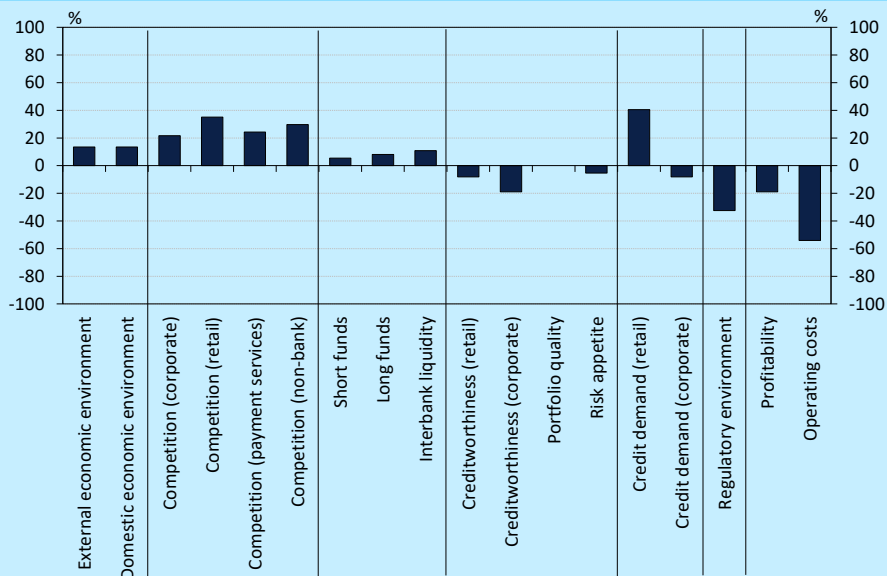**Chart 1**

The Bank Sentiment Index by bank size

Note: The positive domain denotes improvement in economic sentiment, while the negative domain denotes deterioration compared to the previous half-year. The Bank Sentiment Index is the arithmetic average of the seven components (economic environment, market competition, availability of funds, customer risk, demand, regulation, profitability). The last data point is an estimation.

Chart 2

The Bank Sentiment Index and its components

Legend:
- 2019 Q3
- 2019 Q4
- 2020 Q1
- 2020 Q2
- 2020 Q3
- 2020 Q4
- 2021 Q1
- 2021 Q2
- 2021 Q3
- 2021 Q4
- 2022 Q1
- 2022 Q2
- 2022 Q3
- 2022 Q4
- 2023 Q1
- 2023 Q2
- 2023 Q3
- 2023 Q4
- 2024 Q1
- 2024 Q2
- 2024 Q3-Q4 (e.)

Categories: Economic environment, Competition, Funds, Customer risks, Demand, Regulation, Profitability, Economic sentiment

Note: Positive values are factors influencing the strengthening of the economy (improvement / increase / intensification), negative values are factors influencing the deterioration of the economy (deterioration / decrease / slackening). Each value shows the unweighted net ratio, i.e. the difference between the number of banks indicating an improvement and a deterioration in the economy, divided by the number of respondent banks.

Chart 3

Subcomponents of the Bank Sentiment Index – all banks

Categories: External economic environment, Domestic economic environment, Competition (corporate), Competition (retail), Competition (payment services), Competition (non-bank), Short funds, Long funds, Interbank liquidity, Creditworthiness (retail), Creditworthiness (corporate), Portfolio quality, Risk appetite, Credit demand (retail), Credit demand (corporate), Regulatory environment, Profitability, Operating costs

Note: Positive values are factors influencing the strengthening of the economy (improvement / increase / intensification), negative values are factors influencing the deterioration of the economy (deterioration / decrease / slackening). Each value shows the unweighted net ratio, i.e. the difference between the number of banks indicating an improvement and a deterioration in the economy, divided by the number of respondent banks.
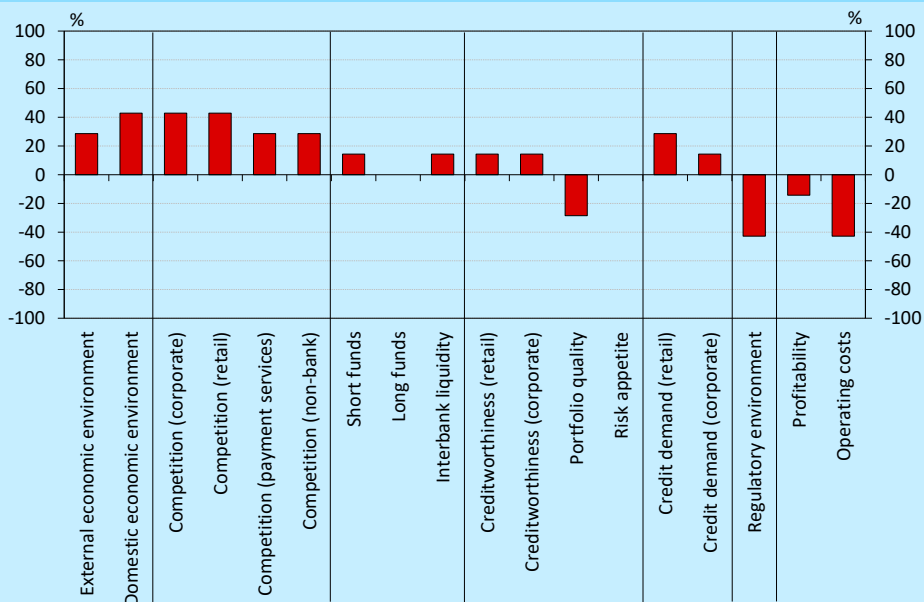
Chart 4

Subcomponents of the Bank Sentiment Index – large banks
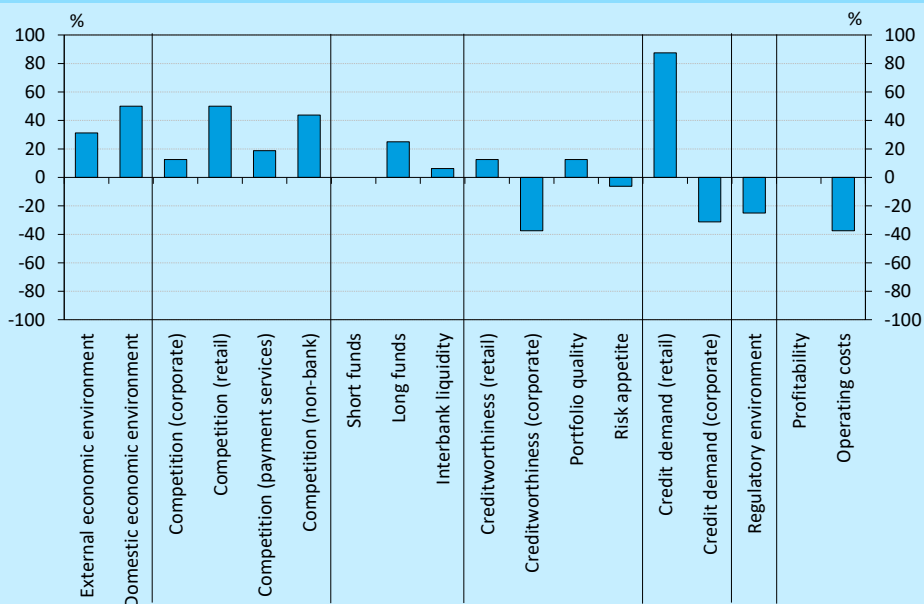
Note: Positive values are factors influencing the strengthening of the economy (improvement / increase / intensification), negative values are factors influencing the deterioration of the economy (deterioration / decrease / slackening). Each value shows the unweighted net ratio, i.e. the difference between the number of banks indicating an improvement and a deterioration in the economy, divided by the number of respondent banks.
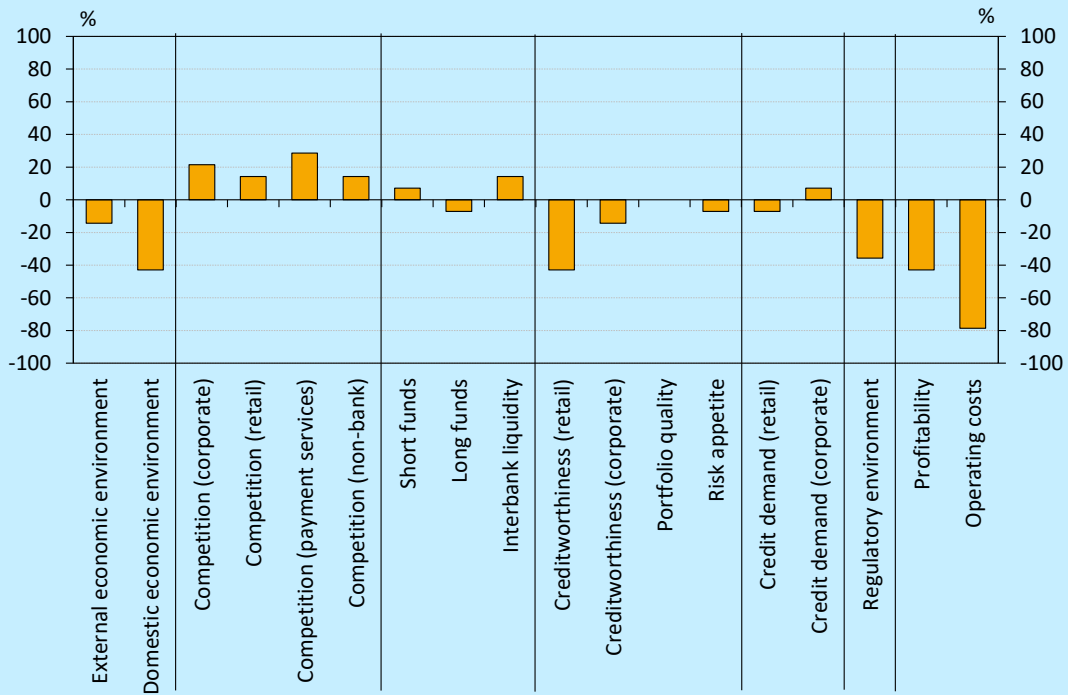
Chart 5

Subcomponents of the Bank Sentiment Index – medium banks

Note: Positive values are factors influencing the strengthening of the economy (improvement / increase / intensification), negative values are factors influencing the deterioration of the economy (deterioration / decrease / slackening). Each value shows the unweighted net ratio, i.e. the difference between the number of banks indicating an improvement and a deterioration in the economy, divided by the number of respondent banks.

Chart 6

Subcomponents of the Bank Sentiment Index – small banks

Note: Positive values are factors influencing the strengthening of the economy (improvement / increase / intensification), negative values are factors influencing the deterioration of the economy (deterioration / decrease / slackening). Each value shows the unweighted net ratio, i.e. the difference between the number of banks indicating an improvement and a deterioration in the economy, divided by the number of respondent banks.

2. Strategy and Profitability

Chart 7

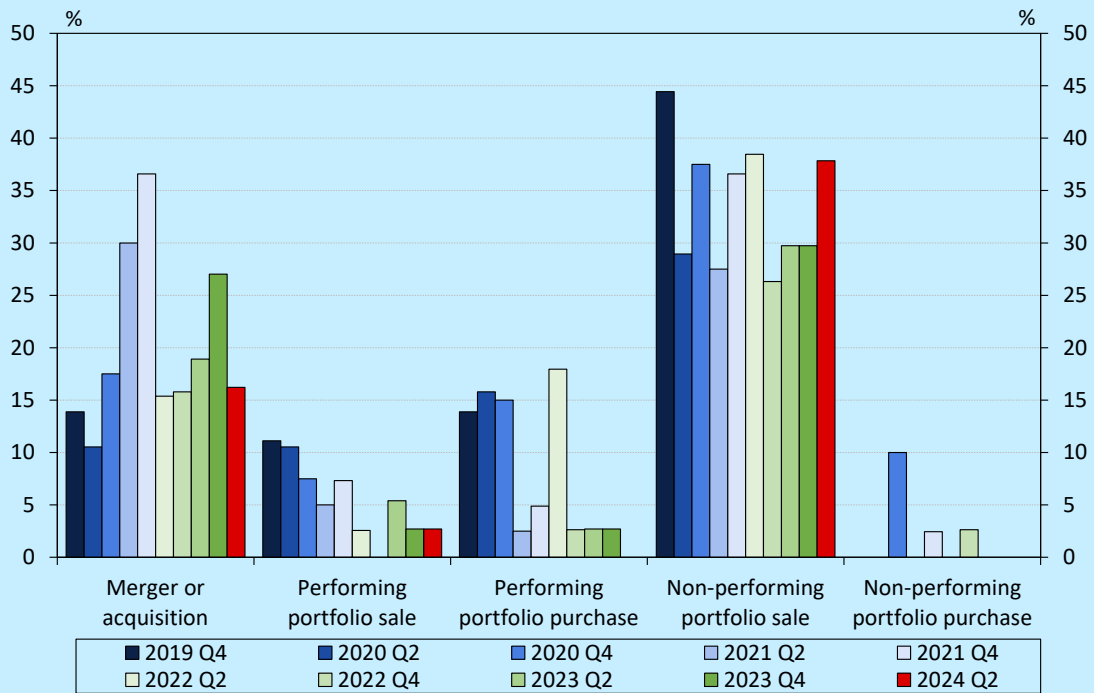**Strategic plans for portfolio sales and purchases over the next 6 months**

Legend: 2019 Q4, 2020 Q2, 2020 Q4, 2021 Q2, 2021 Q4, 2022 Q2, 2022 Q4, 2023 Q2, 2023 Q4, 2024 Q2

Categories: Merger or acquisition, Performing portfolio sale, Performing portfolio purchase, Non-performing portfolio sale, Non-performing portfolio purchase

Chart 8

Distribution of banks by their long-term return on equity (ROE)

Legend: Below 6%, 6-8%, 8-10%, 10-12%, 12-14%, Over 14%

Years: 2019 Q4, 2020 Q2, 2020 Q4, 2021 Q2, 2021 Q4, 2022 Q2, 2022 Q4, 2023 Q2, 2023 Q4, 2024 Q2
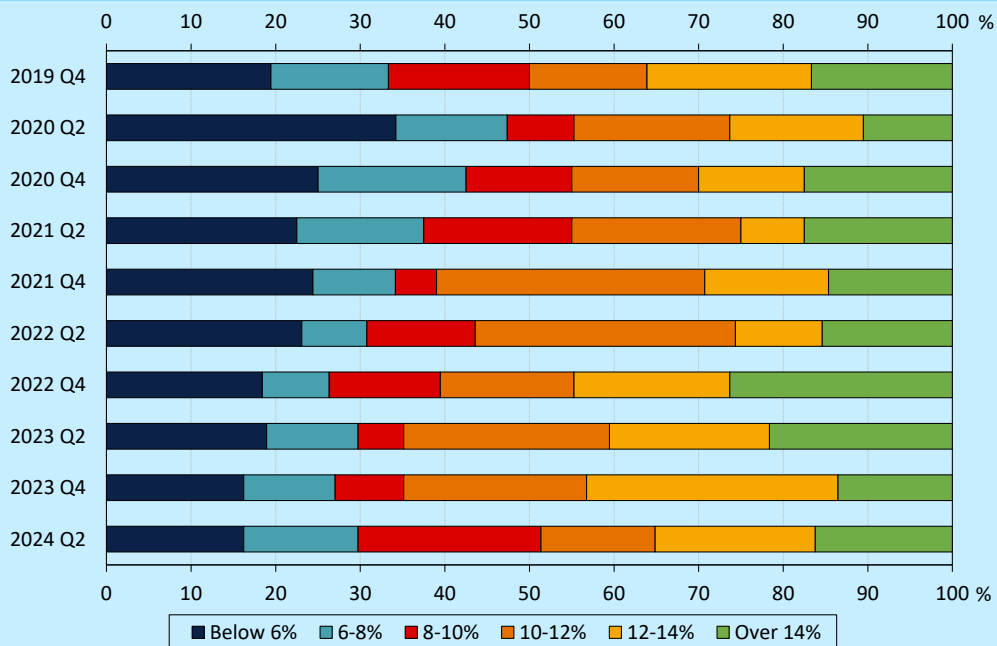
Chart 9

Distribution of banks by their cost of capital

Legend: ■ Below 6% ■ 6-8% ■ 8-10% ■ 10-12% □ 12-14% ■ Over 14%
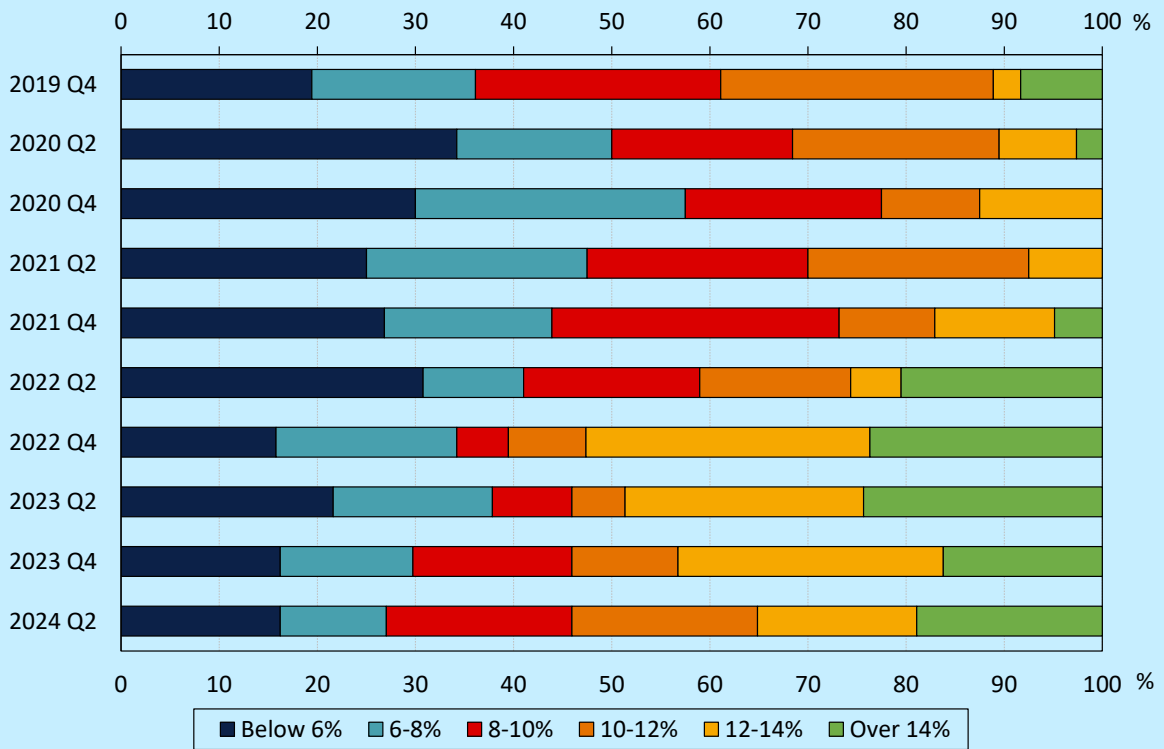
Chart 10

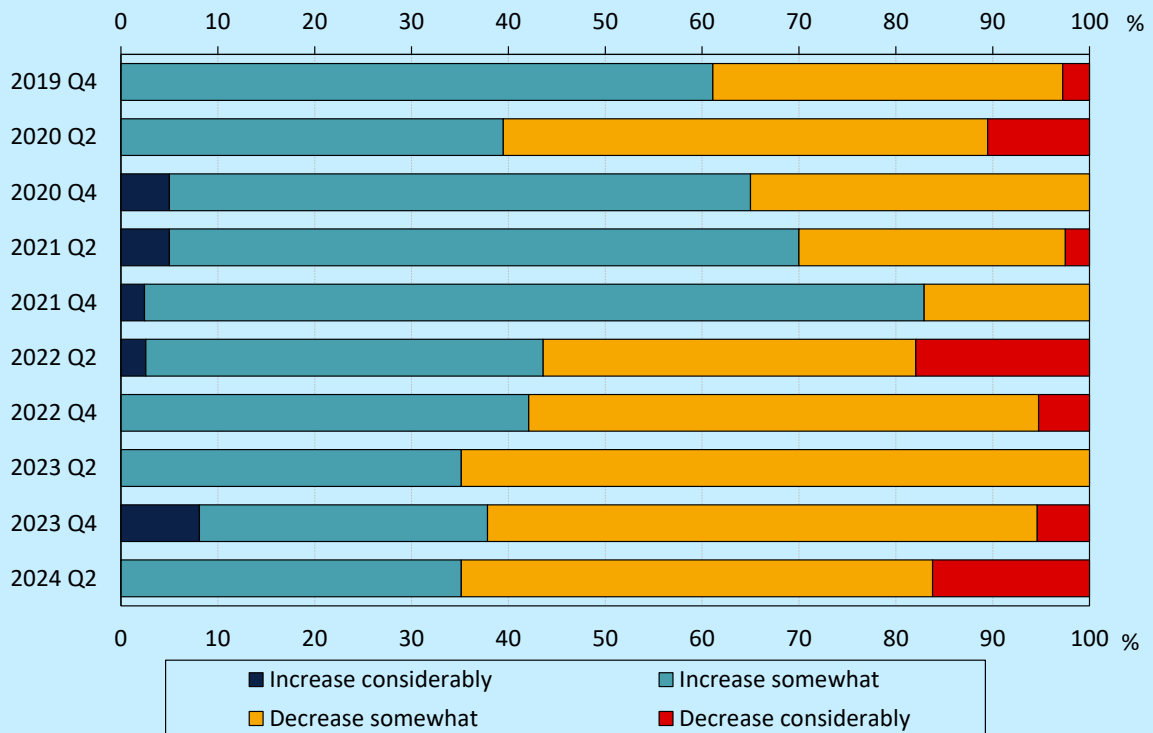### Expected development of bank profitability in the next 6 months (disregarding within-year seasonal effects)

Legend: ■ Increase considerably ■ Increase somewhat □ Decrease somewhat ■ Decrease considerably

Chart 11

Items to improve return on assets over the next 6 months

Legend:
- 2019 Q4
- 2020 Q2
- 2020 Q4
- 2021 Q2
- 2021 Q4
- 2022 Q2
- 2022 Q4
- 2023 Q2
- 2023 Q4
- 2024 Q2

Categories: Net interest income, Net fees and commissions income, Income on financial and investment services, Other operating income, Operating costs reduction, Impairments, Other
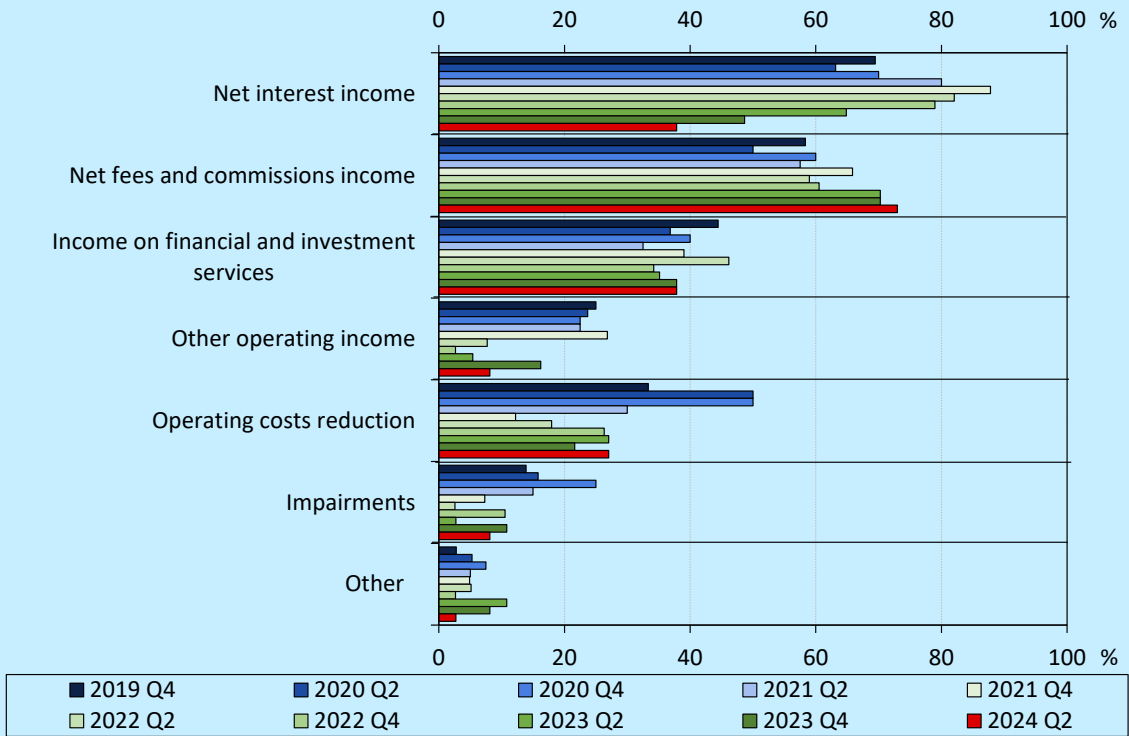
Chart 12

Items to improve profitability within net fees and commissions income

Legend:
- 2019 Q4
- 2020 Q2
- 2020 Q4
- 2021 Q2
- 2021 Q4
- 2022 Q2
- 2022 Q4
- 2023 Q2
- 2023 Q4
- 2024 Q2

Categories: Lending fees, Fees on financial services, Fees of securities distribution, Insurance services, Investment banking fees, Other
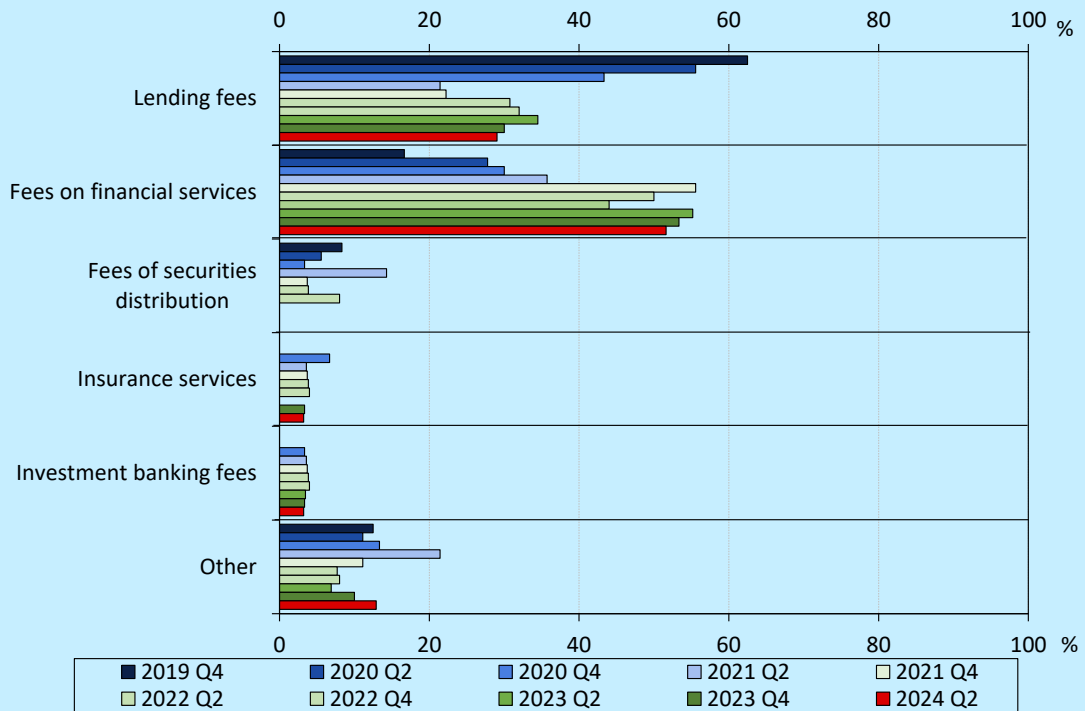
Note: Responses only from institutions that indicated an increase in net fees and commissions income.
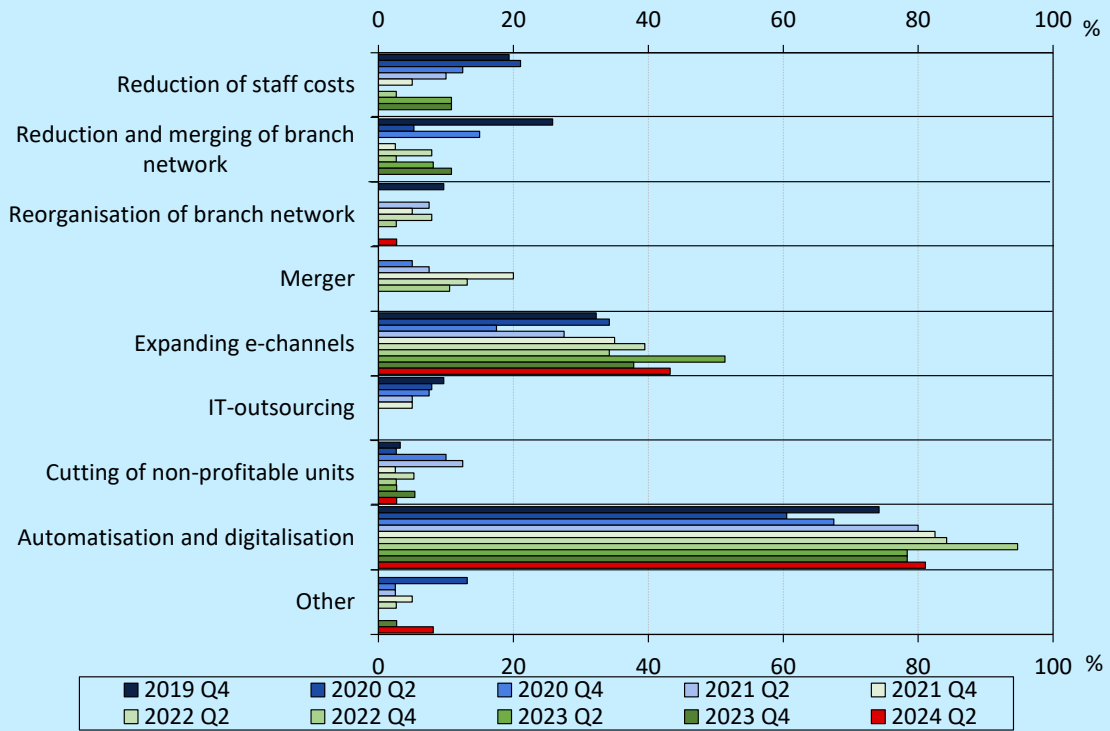
Chart 13

Ways to rationalise operating costs

Legend: 2019 Q4, 2020 Q2, 2020 Q4, 2021 Q2, 2021 Q4, 2022 Q2, 2022 Q4, 2023 Q2, 2023 Q4, 2024 Q2

Categories: Reduction of staff costs; Reduction and merging of branch network; Reorganisation of branch network; Merger; Expanding e-channels; IT-outsourcing; Cutting of non-profitable units; Automatisation and digitalisation; Other

Chart 14

Expected development of cost-to-asset ratio (C/A) in the next 6 months (disregarding within-year seasonal effects)

Legend: Increase considerably, Increase somewhat, Decrease somewhat, Decrease considerably

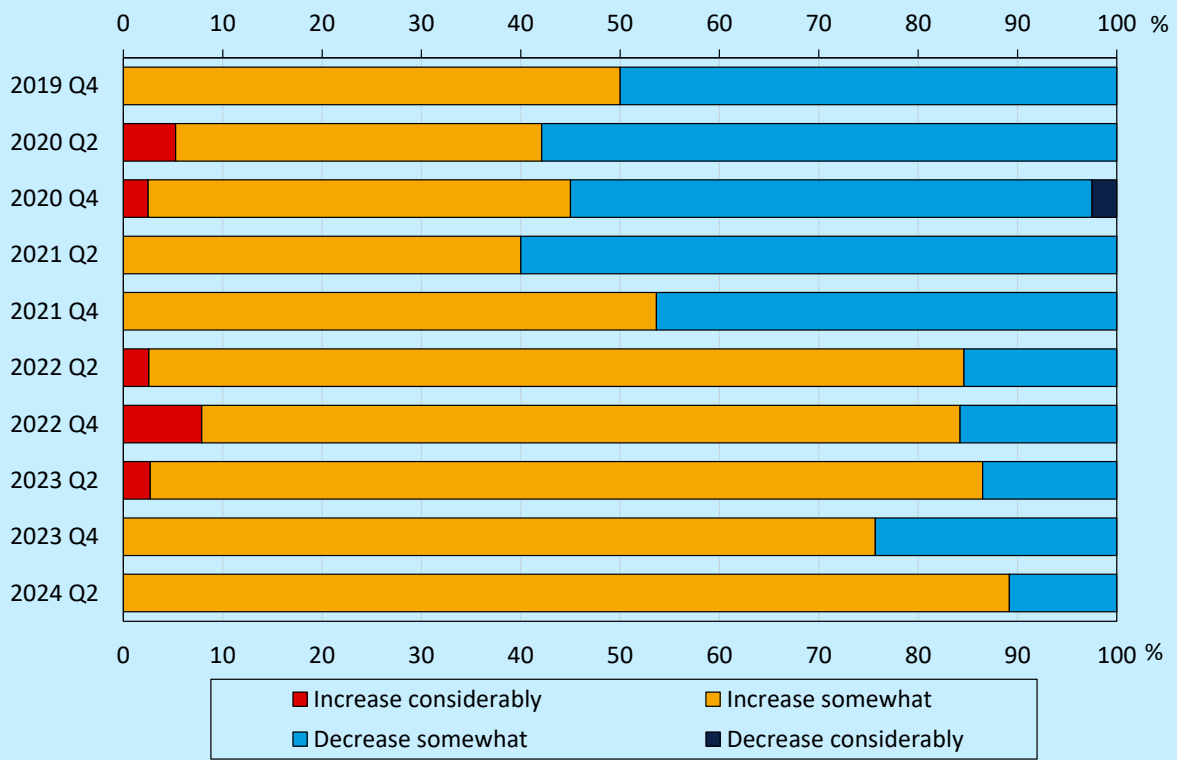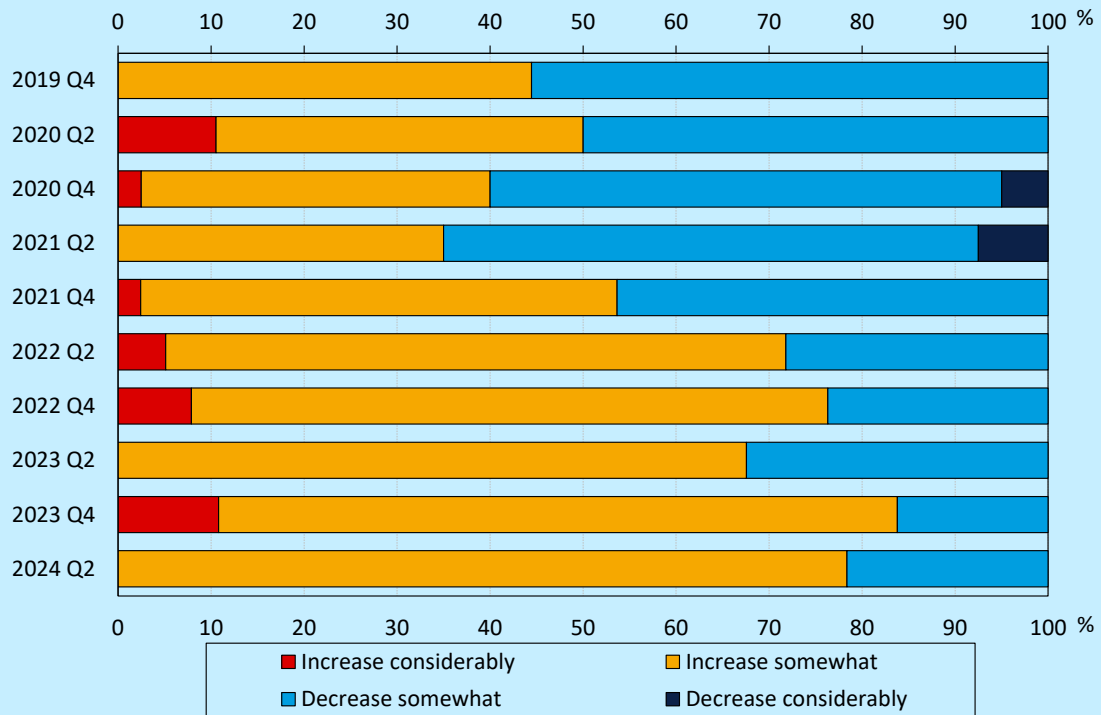Years: 2019 Q4, 2020 Q2, 2020 Q4, 2021 Q2, 2021 Q4, 2022 Q2, 2022 Q4, 2023 Q2, 2023 Q4, 2024 Q2

Chart 15

Expected development of cost-to-income ratio (C/I) in the next 6 months (disregarding within-year seasonal effects)

Legend:
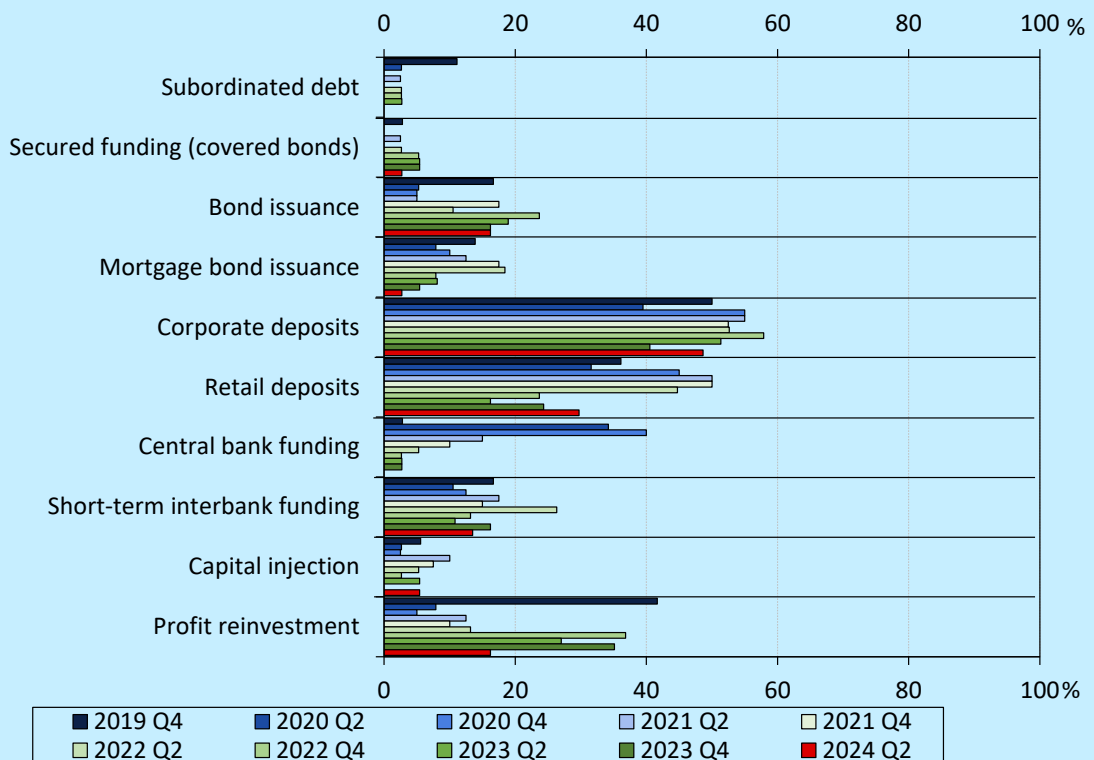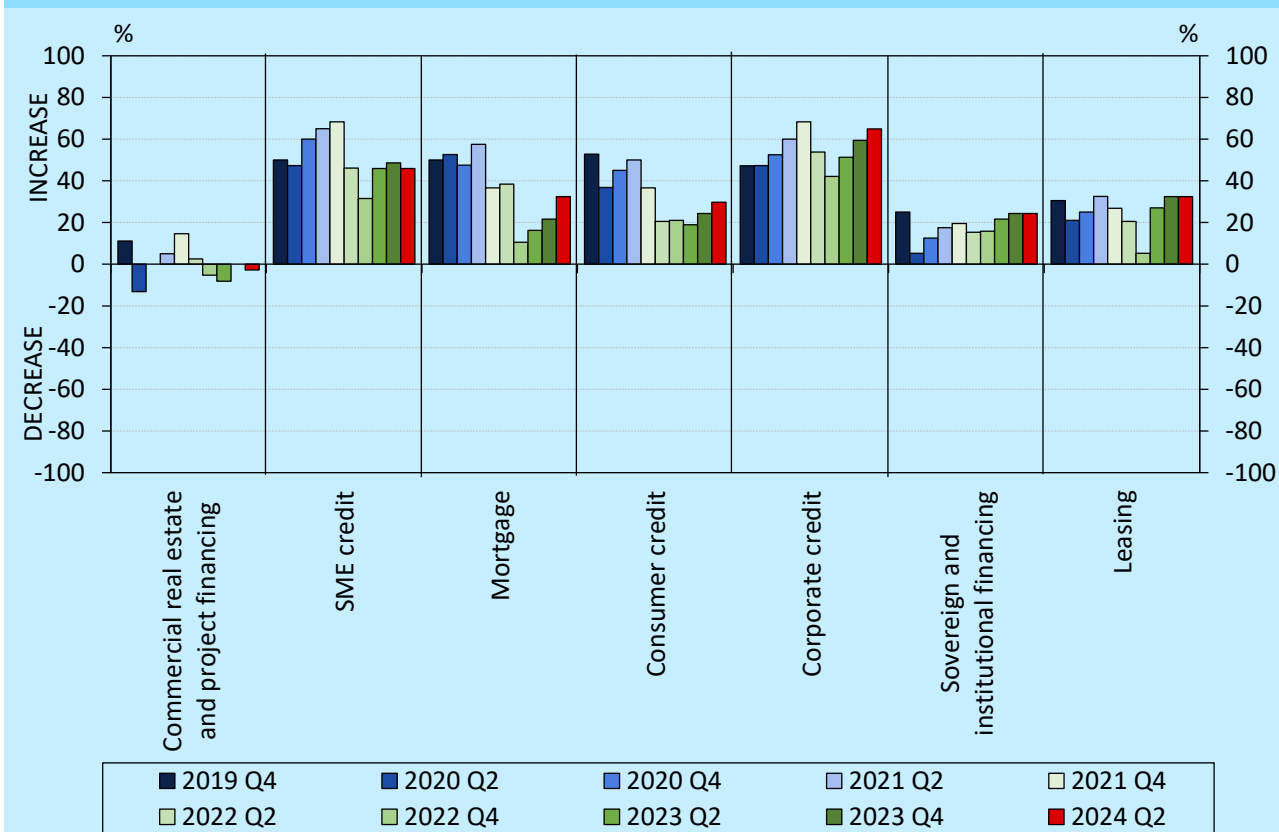- Increase considerably
- Increase somewhat
- Decrease somewhat
- Decrease considerably

Chart 16

Liability-side items that are planned to increase in the next 6 months

Legend:
- 2019 Q4
- 2020 Q2
- 2020 Q4
- 2021 Q2
- 2021 Q4
- 2022 Q2
- 2022 Q4
- 2023 Q2
- 2023 Q4
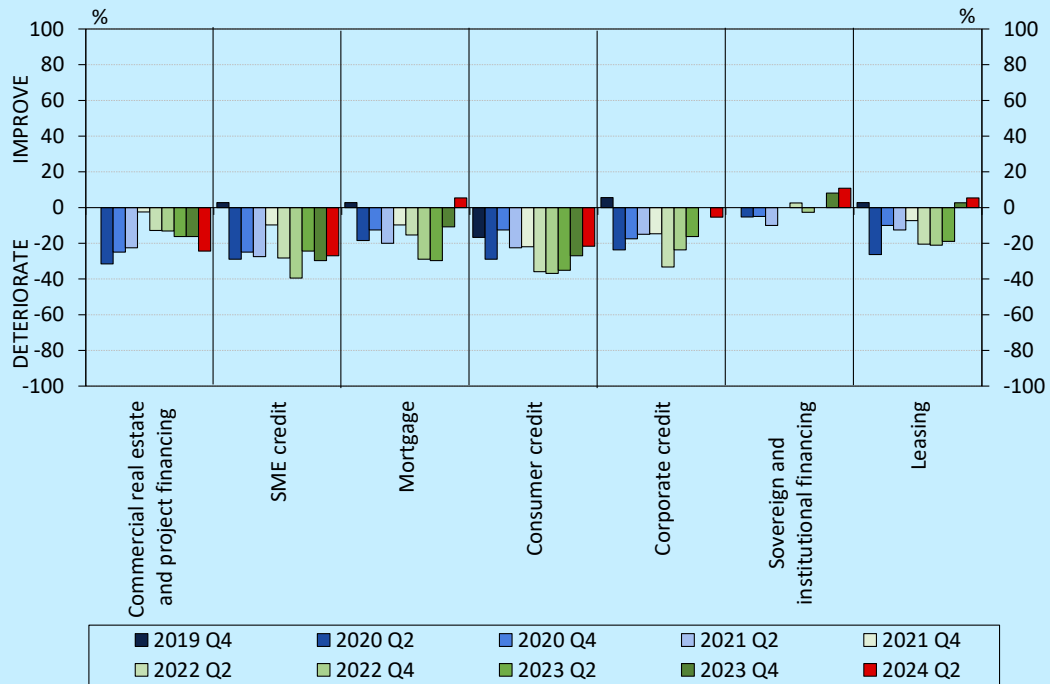- 2024 Q2

3. Assets and Portfolio Quality

Chart 17

Planned change in the volume of portfolios in the next 6 months

Note: Each value shows the unweighted net ratio, i.e. the difference between the number of banks indicating an increase and a decrease in the portfolio, divided by the number of respondent banks.

Chart 18

Expected change in the quality of each portfolio in the next 6 months

Note: Each value shows the unweighted net ratio, i.e. the difference between the number of banks indicating an improvement and a deterioration in the portfolio quality.

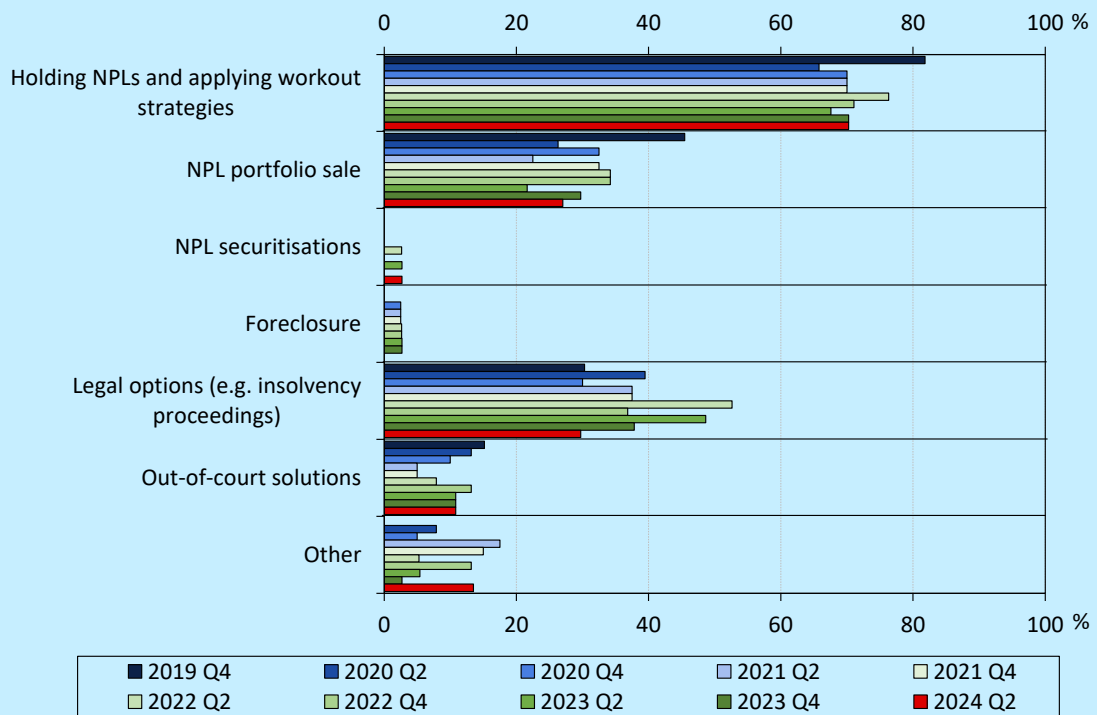**Chart 19**

Most commonly applied strategies for NPL reduction
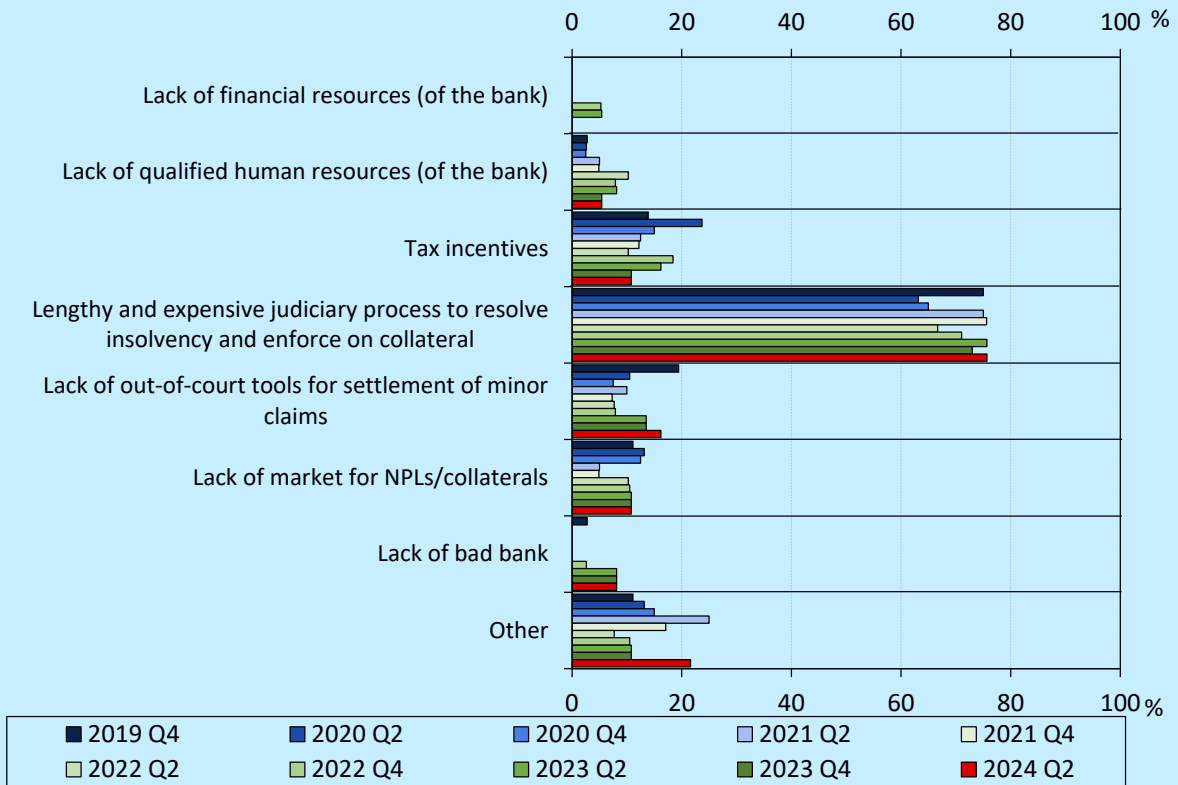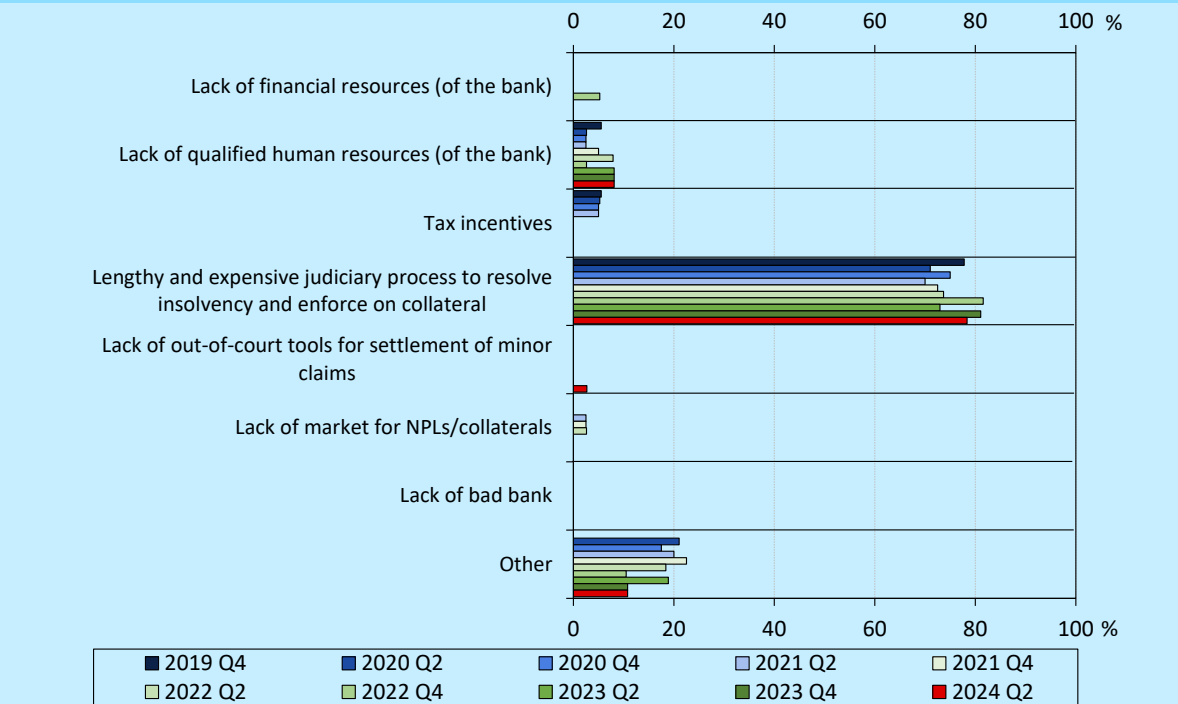
Chart 20

Impediments to resolving non-performing loans

Legend: 2019 Q4, 2020 Q2, 2020 Q4, 2021 Q2, 2021 Q4, 2022 Q2, 2022 Q4, 2023 Q2, 2023 Q4, 2024 Q2

Categories: Lack of financial resources (of the bank); Lack of qualified human resources (of the bank); Tax incentives; Lengthy and expensive judiciary process to resolve insolvency and enforce on collateral; Lack of out-of-court tools for settlement of minor claims; Lack of market for NPLs/collaterals; Lack of bad bank; Other

Chart 21

Main impediment to resolving non-performing loans

Legend: 2019 Q4, 2020 Q2, 2020 Q4, 2021 Q2, 2021 Q4, 2022 Q2, 2022 Q4, 2023 Q2, 2023 Q4, 2024 Q2

Categories: Lack of financial resources (of the bank); Lack of qualified human resources (of the bank); Tax incentives; Lengthy and expensive judiciary process to resolve insolvency and enforce on collateral; Lack of out-of-court tools for settlement of minor claims; Lack of market for NPLs/collaterals; Lack of bad bank; Other

4. Operational Risks

Chart 22

Factors leading to an increase in operational risks in the next 6 months

Legend:
- 2019 Q4
- 2020 Q2
- 2020 Q4
- 2021 Q2
- 2021 Q4
- 2022 Q2
- 2022 Q4
- 2023 Q2
- 2023 Q4
- 2024 Q2

Categories (top to bottom):
- Data security
- Cyber risks
- Internal IT failures
- Conduct risk
- Outsourcing
- Regulatory changes
- Moral and legal risks
- Geopolitical risks
- Organisational change
- Money laun., terrorist fin. & sanctions non-compliance
- Fraud (external, internal)
- Other
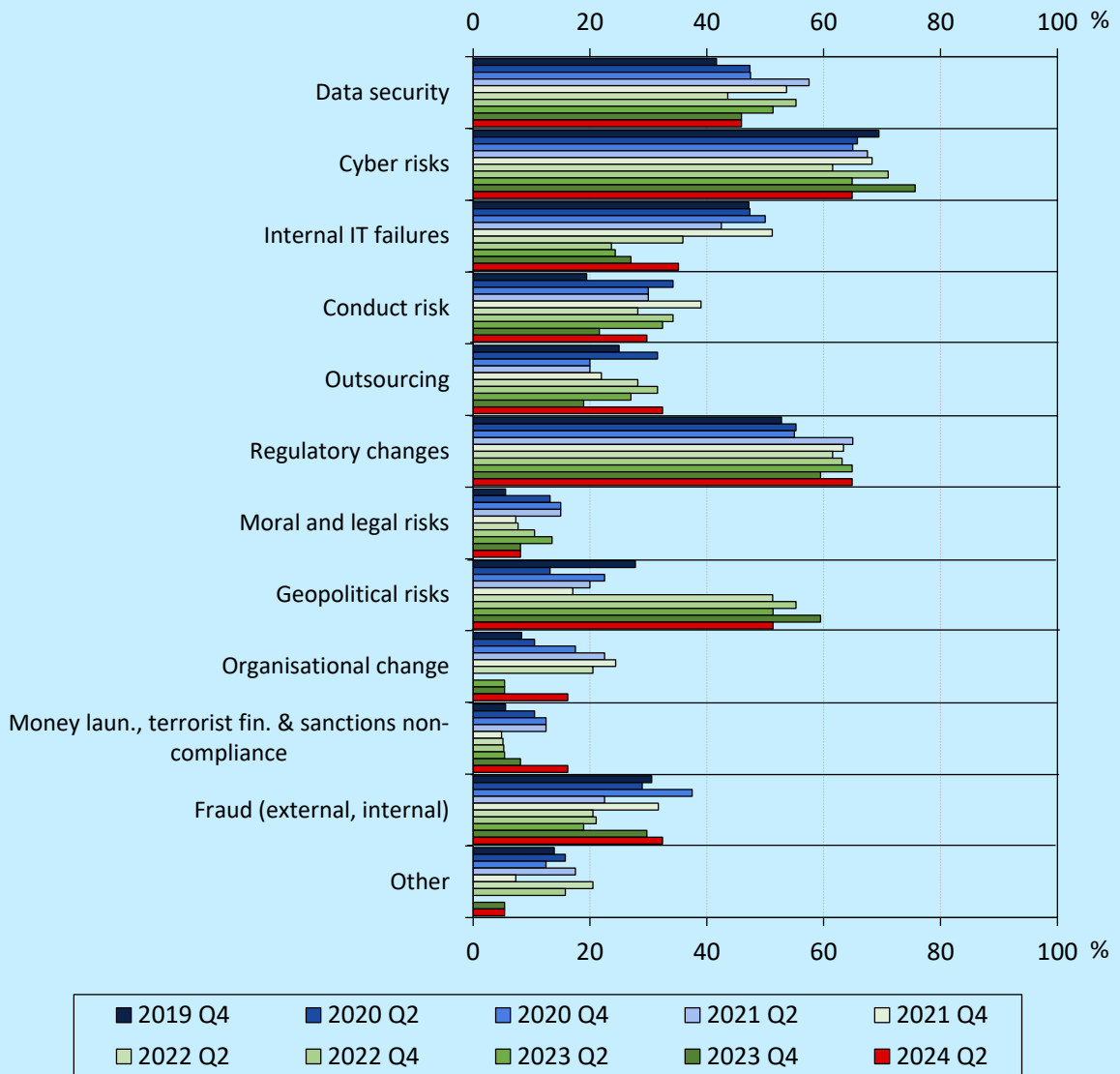
Chart 23

Main operational risk in the next 6 months
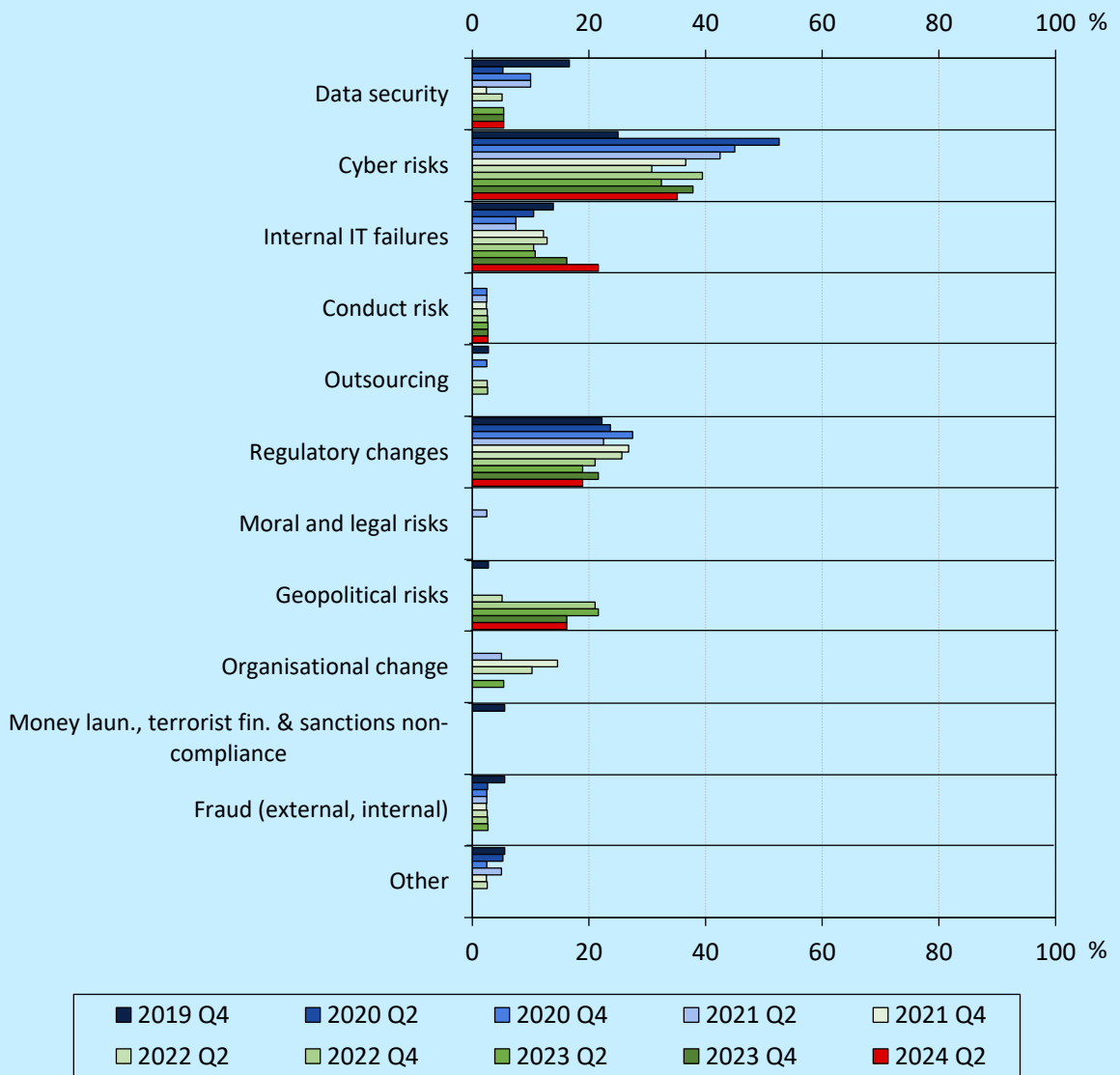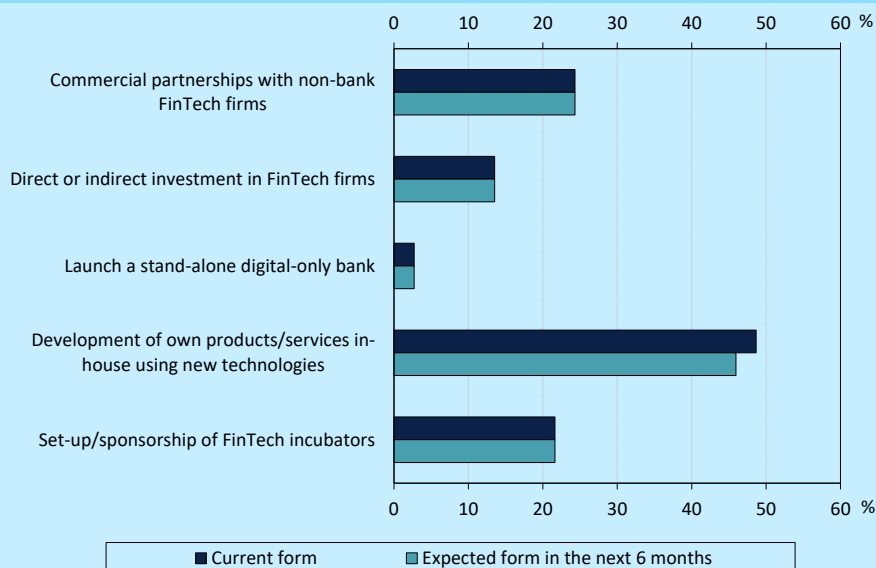
Legend:
- 2019 Q4
- 2020 Q2
- 2020 Q4
- 2021 Q2
- 2021 Q4
- 2022 Q2
- 2022 Q4
- 2023 Q2
- 2023 Q4
- 2024 Q2

Categories:
- Data security
- Cyber risks
- Internal IT failures
- Conduct risk
- Outsourcing
- Regulatory changes
- Moral and legal risks
- Geopolitical risks
- Organisational change
- Money laun., terrorist fin. & sanctions non-compliance
- Fraud (external, internal)
- Other

5. Costs and FinTech
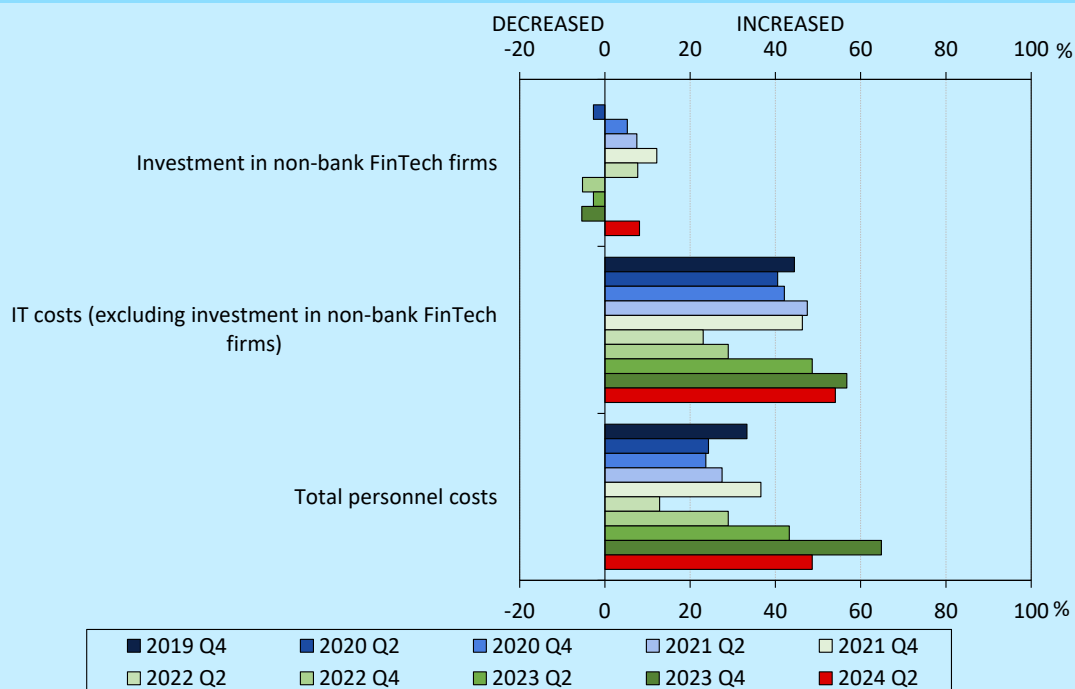
Note: Each value shows the unweighted net ratio, i.e. the difference between the number of banks indicating an increase and a decrease in the costs, divided by the number of respondent banks.

Chart 26
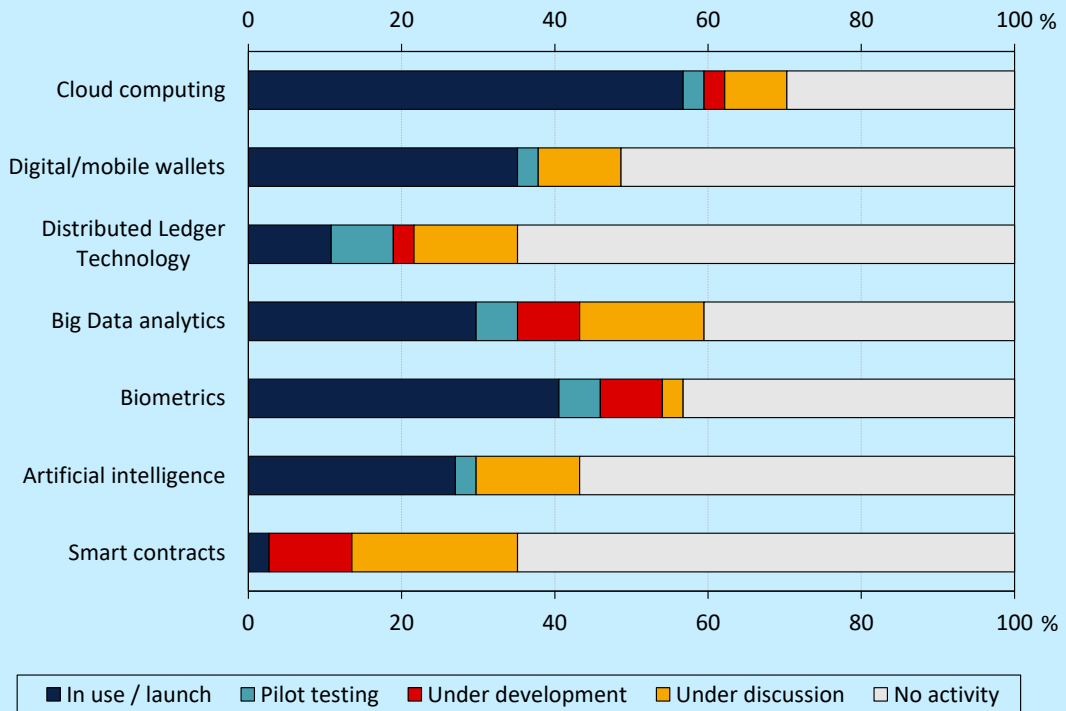
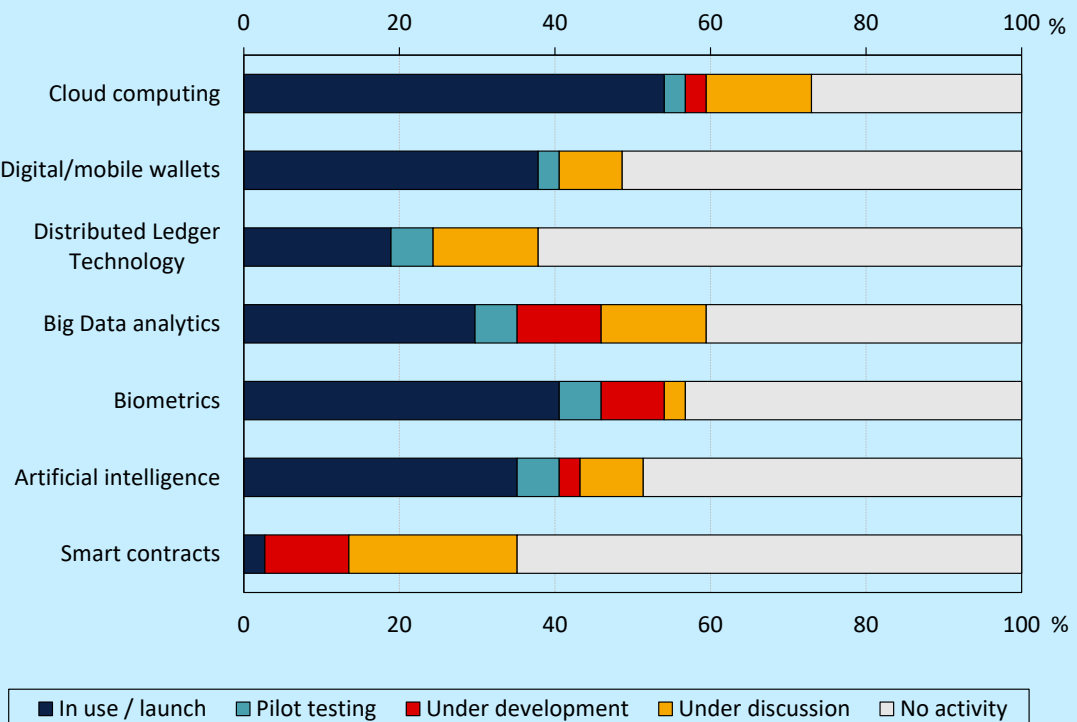**Involvement in applying the following technologies**

Cloud computing, Digital/mobile wallets, Distributed Ledger Technology, Big Data analytics, Biometrics, Artificial intelligence, Smart contracts

Legend: ■ In use / launch ■ Pilot testing ■ Under development ■ Under discussion □ No activity

Chart 27

Estimated changes in the involvement in applying the following technologies in the next 6 months

Cloud computing, Digital/mobile wallets, Distributed Ledger Technology, Big Data analytics, Biometrics, Artificial intelligence, Smart contracts

Legend: ■ In use / launch ■ Pilot testing ■ Under development ■ Under discussion □ No activity

Methodological Notes

The Bank Sentiment Survey is based on the BSI (Bank Sentiment Index) data required by the MNB for credit institutions at a non-consolidated level from the first quarter of 2020.[1]

Banks fill in Table 1 required for the calculation of the Bank Sentiment Index every quarter. In the second and fourth quarters of the year, the institutions also complete five additional tables on the following topics: (2) strategy and profitability; (3) assets and portfolio quality; (4) operational risks; (5) costs and FinTech; (6) others.

The Bank Sentiment Index is the unweighted arithmetic average of seven components (economic environment, market competition, availability of funds, customer risks, demand, regulation, profitability). The components are the unweighted arithmetic mean of a total of 18 subcomponents. Positive values are factors influencing the strengthening of economic sentiment (improvement / increase / intensification), negative values are factors influencing the deterioration of economic sentiment (deterioration / decrease / slackening). The individual values show the unweighted net ratio, i.e. the difference between the number of banks indicating an improvement and a deterioration in economic sentiment.

Structure of the Bank Sentiment Index

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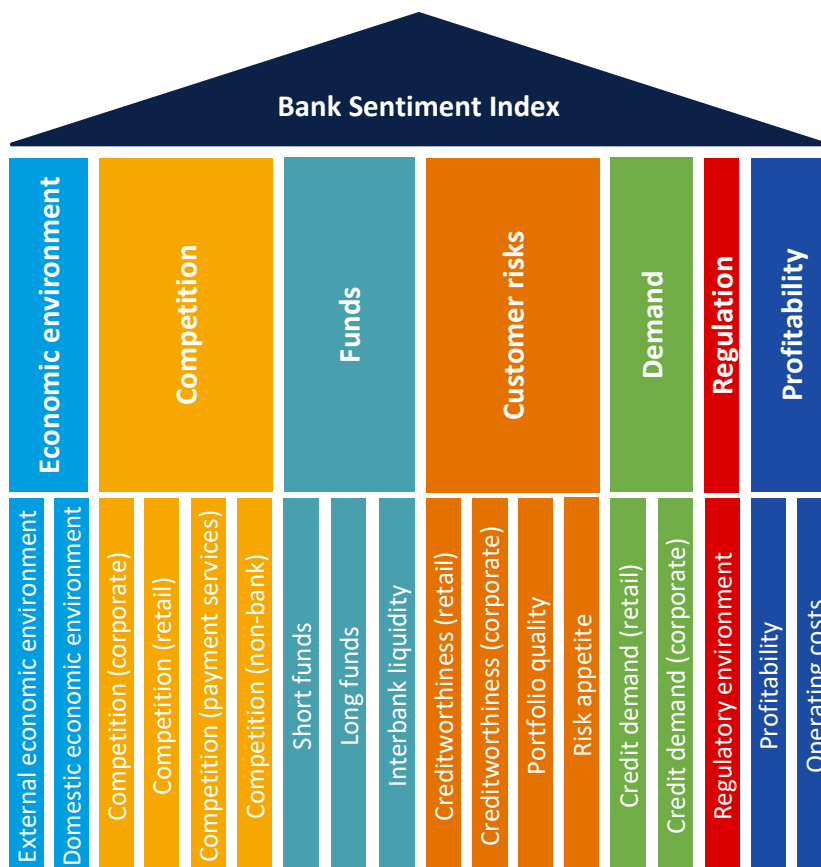
[1] In 2019 Q3 and Q4, completion of the survey was not yet mandatory. In the third quarter, 81 per cent of credit institutions filled in the questionnaire on the basis of number of units and 92 per cent on the basis of balance sheet total. In the fourth quarter, the participation rate was 90 per cent based on the number of units and 92 per cent based on the balance sheet total. In both rounds, we requested Tables 2–5 as well.

Banks by size category

Large Banks

ERSTE BANK HUNGARY Ltd.
ERSTE Building Society Ltd.
ERSTE Mortgage Bank Ltd.
K&H Bank Ltd.
K&H Mortgage Bank Ltd.
MBH Bank Plc.
MBH Investment Bank Ltd.
MBH Mortgage Bank Plc.
MBH Duna Bank Ltd.
Merkantil Bank Ltd.
OTP Bank Plc.
OTP Building Society Ltd.
OTP Mortgage Bank Ltd.
Raiffeisen Bank Ltd.
UniCredit Bank Ltd.
UniCredit Mortgage Bank Ltd.

Medium Banks

Bank of China Hungarian Branch
CIB Bank Ltd.
Citibank Europe plc. Hungarian Branch Office
Eximbank Ltd.
Fundamenta Building Society Ltd.
GRÁNIT Bank Ltd.
MFB Ltd.

Small Banks

Bank of China (CEE) Ltd.
BNP Paribas Hungary Branch
China Construction Bank (Europe) S.A. Hungarian Branch
Cofidis Hungarian Branch
Deutsche Bank AG Hungary Branch
HYPO-BANK BURGENLAND AG Hungary Branch
ING Bank N.V. Hungarian Branch Office
KDB Bank Europe Ltd.
KELER Ltd.
MagNet Bank Ltd.
Cetelem Hungary Ltd.
Oberbank AG Hungary Branch
Polgári Bank Ltd.
Trive Bank Hungary Ltd.