FINANCIAL STABILITY REPORT, MAY 2024

Press Conference | 28 May 2024

100 éve Magyarország gyarapodásáért

Bálint Dancsik
Head of Department
Financial System Analysis Directorate

I. Shock resilience of the Hungarian banking sector

II. Risks

Risks related to commercial real estate lending

Pricing risks in the credit market

Credit risk increase in certain portfolios

Slow recovery in the corporate credit market

MAIN TAKEAWAYS OF THE REPORT

- The Hungarian banking system **remained stable** in an environment impacted by numerous challenges in the past period, and its **shock resilience is strong**.
- **Based on the stress test**, the sector **would meet the regulatory requirements** for liquidity and capital adequacy even **in the event of a serious shock**.
- The **liquidity** of the banking system continued to **rise from a high base**, the **capital position is adequate**, even taking into account the buffer requirements in 2024.
- The NPL-ratio stagnated in the corporate segment, and fell significantly in the household segment, **overall portfolio quality is adequate**.
- The **historically high profitability** in 2023 was due in part to the high interest rate environment during the period and specific one-off items.
- The **profit of the banking system will decrease as early as 2024**, to which, in addition to the normalization of monetary conditions, the increase in credit risks and government measures affecting interest rates may also contribute.
- **Household credit growth may have reached its lowest point in 2023 and corporate credit at the beginning of 2024**, but credit dynamics in both sectors may remain in the single-digit range this year.

Kérdések
sajto@mnb.hu

Kérdések
sajto@mnb.hu

I. SHOCK RESILIENCE OF THE HUNGARIAN BANKING SECTOR

Kérdések
sajto@mnb.hu

SHOCK RESILIENCE OF THE BANKING SYSTEM IS STRONG, THE PREVIOUSLY IDENTIFIED RISKS DID NOT MATERIALIZE

Stability indicators of the banking system

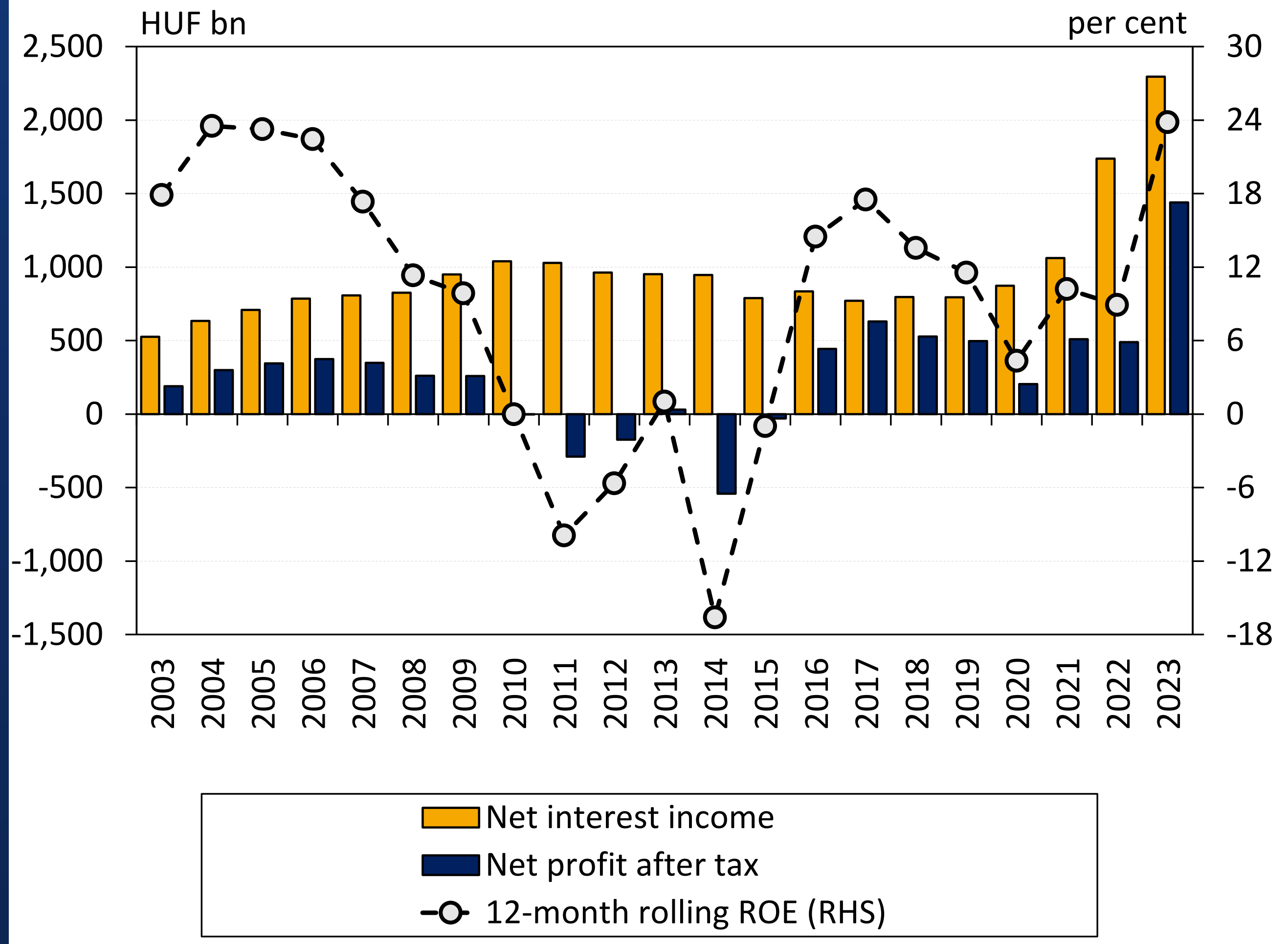
Financial Stability Indicators	2008	2019	2023
Liquid assets / total assets	10.0%	28.2%	31.6%
Loan-to-deposit ratio	152.0%	75.5%	74.5%
Foreign funds / total liabilites	33.9%	12.7%	9.4%
Capital adequacy ratio	12.9%	18.0%	19.3%
Share of loans over 90 days past due	4.6%	2.1%	1.4%
Return on Equity	11.3%	11.6%	23.8%
Operational costs to assets	2.4%	2.0%	1.7%
Household loans outstanding - annual growth rate	19.1%	16.7%	2.7%
Share of FX loans in the household loan segment	68.7%	0.7%	0.5%
Share of floating-rate loans in the household mortgages	77.5%	48.7%	15.1%
Corporate loans outstanding - annual growth rate	6.5%	14.2%	6.0%

Determining risks that can reduce profitability

- Global geopolitical tensions
- Non-compliance with the child-related conditions for family subsidies
- Government measures affecting loan interest rates
- The risks of the commercial real estate market

Source | MNB

THE OUTSTANDING PROFITABILITY IN 2023 WAS LARGELY SUPPORTED BY THE INCREASE IN INTEREST INCOME



December 2023:

Profit after tax:
HUF 1,441 billion

Net interest income rose significantly.

12-month RoE: 23.8%

Annual development of the banking system's profit after tax, net interest income and RoE

Note | Non-consolidated data. Return on equity is calculated on the basis of profit after tax, with 12-month average equity calculated without the current year's profit. Source | MNB

Kérdések
sajto@mnb.hu

EUROPEAN BANKS ALSO ACHIEVED AN OUTSTANDING RETURN ON EQUITY OF 10 PER CENT

Kérdések
sajto@mnb.hu

RoE – 2022
8.1%

Fee and commission inc.
-0.4 percentage points

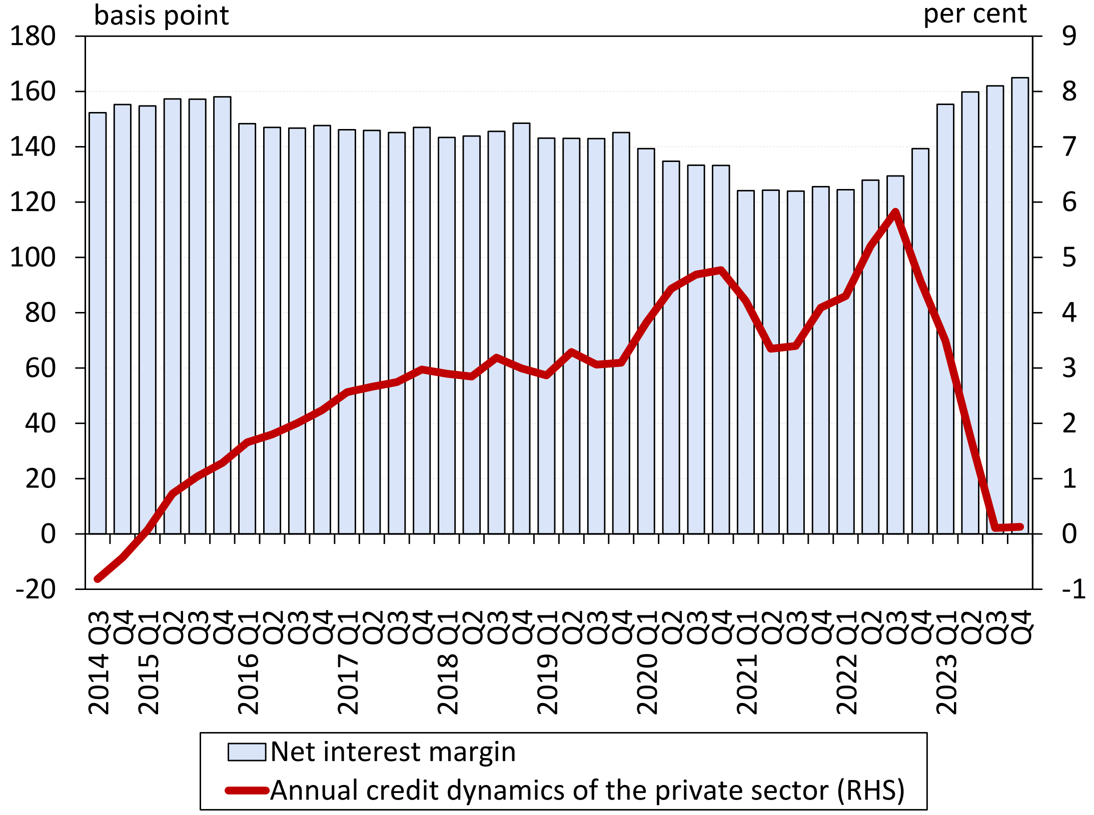
Other expenses (taxes)
-0.3 percentage points

Net interest income
+2.9 percentage points

RoE – 2023
10.3%

+2.2 percentage points*

**Only the main changes have been highlighted.*



Annual credit dynamics in the private sector and net interest margin trends in the European Union

The increase in interest income was supported by the high interest rate environment and the time required for interest rate pass-through, the loans outstanding stagnated in an annual comparison.

Note: Transaction-based annual growth rate of credit institutions' loans to households and non-financial corporations. The net interest margin is based on the EBA Risk Dashboard's sample of 164 banks, covering more than 80 per cent of the EU/EEA banking sector by total assets. Source | EBA, ECB

DID DOMESTIC BANKS HAVE AN ABOVE-AVERAGE YEAR OR NOT? THE OUTSTANDING PROFITABILITY WAS ALSO HELPED BY INDIVIDUAL ITEMS…

…however, filtering them out in order to get a pure profit is not necessarily justified, or not in full extent.

+ ~300 HUF Bn — **Fair value evaluation of prenatal baby support and HPS loans** → Several credit institutions hedge this position → significant losses → **At most, filtering out the net profit effect would be justifiable.**

+ 332 HUF Bn — **Dividends received** *(largely from foreign subsidiary banks)* → Group-level **operating costs**, group-level capital buffers.

2023 WAS AN **OUTSTANDING** YEAR FOR HUNGARIAN BANKS…

…despite the fact that the **extra-profit tax and the interest rate cap measures burdened the profit with around HUF 450 billion** (almost 7.4 per cent of equity)

The net interest income was HUF 2,296 billion, of which approximately HUF 1,700 billion came from the central bank (2021: HUF 1,061 billion). The banks' net interest rate margin rose significantly, partly due to the insufficient interest rate pass-through on household deposits.

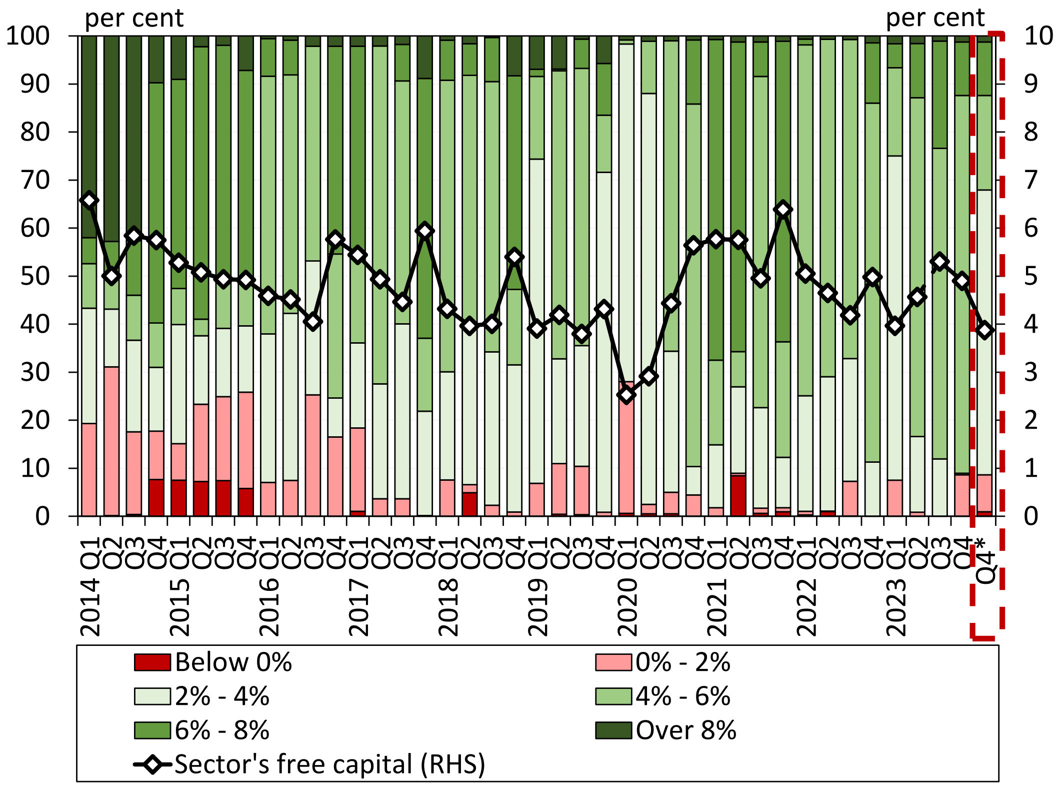
Composition effect: the lower profits of non-profitoriented public credit institutions also moderated the sector-level profitability.

Kérdések
sajto@mnb.hu

1924
2024
MAGYAR NEMZETI BANK

Kérdések
sajto@mnb.hu

THE CAPITAL POSITION OF THE BANKING SYSTEM IS ADEQUATE, AND THANKS TO THE OUTSTANDING PROFITABILITY, IT HAS FURTHER STRENGTHENED



Distribution of banks by level of free capital over the overall capital requirement

CAR: 19.3% (+0.5%p Q2 2023)

Free capital: 1,978 HUF Bn
(+236 HUF Bn Q2 2023)

4.9% as a share of TREA
(+0.3%p Q2 2023)

91 per cent of institutions have free capital buffers over 4 per cent.

Dividend payment plans: ~488 HUF Bn*

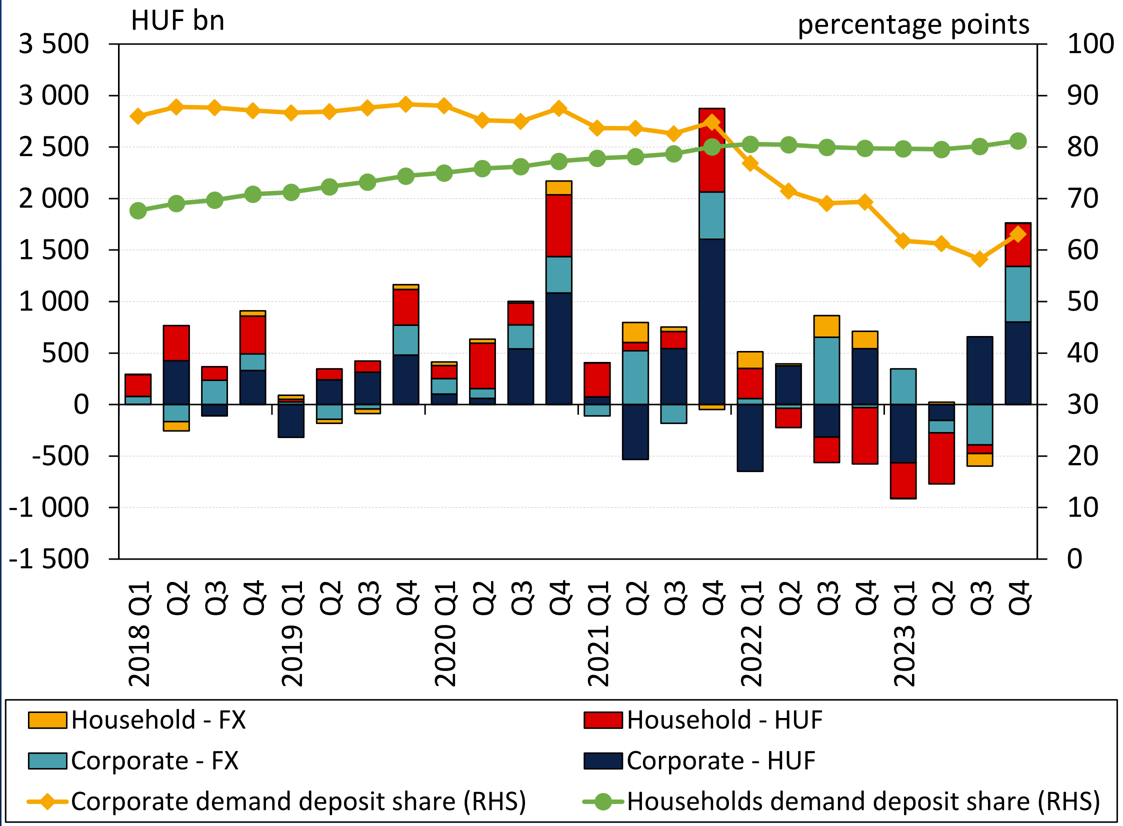
Compared to previous years, the dividend payout ratio is lower.

The MNB's executive circular also contributed to the banks' conservative dividend payment policy.

Box 7: The MNB's expectations in relation to dividend payments

Note | Weighted by the total risk exposure amount. Free capital does not include the unaudited part of the interim profit. 2023 Q4* free capital calculated with the currently known level of the combined capital buffer requirement applicable in 2024 and the TREA at the end of December 2023. The categories indicate the level of own funds above the overall capital requirement as a ratio of the total risk exposure amount. * **Based on 9 credit institutions**. Source | MNB

AMPLE LIQUIDITY IN THE BANKING SECTOR CONTINUED TO RISE, PARTLY DUE TO THE RETURN OF HOUSEHOLD DEPOSITS



Quarterly transactional changes in the corporate and household deposit portfolio of the banking system

Operational Liquidity Buffer (OLT):

HUF 21,223 billion

(March 2024)

Equivalent to 72% of private deposits.

Loan-to-deposit ratio:

Dec 2022: 71.2%

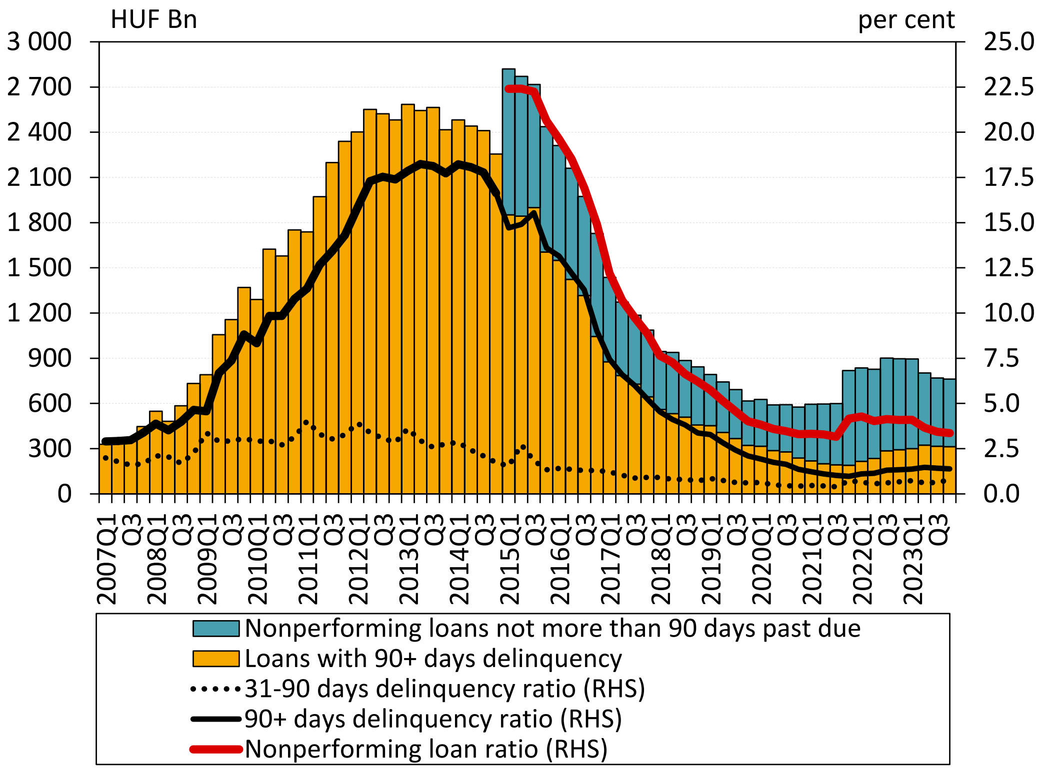
Jun 2023: 76.6% ↑

Dec 2023: 74.5% ↓

Mar 2024: 73.0% ↓

Kérdések
sajto@mnb.hu

THE CORPORATE NPL-RATIO IS HISTORICALLY LOW, AND THAT OF HOUSEHOLD LOANS HAS HALVED



Non-performing private sector loans outstanding in the credit institution sector

	Dec 2022	Dec 2023
Corporate NPL	3.9% 465 HUF Bn	**3.8%** 480 HUF Bn
Corporate 90+ NPL	1.2% 148 HUF Bn	1.3% 168 HUF Bn
Household NPL	4.4% 432 HUF Bn	**2.8%** 294 HUF Bn
Household 90+ NPL	1.5% 145 HUF Bn	1.4% 146 HUF Bn

February 2024

Corporate NPL-ratio: **3.8%**

Household NPL-ratio: **2.4%**

In the household segment, the improvement of portfolio quality was supported by the reclassification of transactions previously falling under the payment moratorium to performing loans, which was complemented by active bank portfolio cleaning throughout the year.

Note | The definition of non-performing loans changed in 2015. From then on, in addition to the loans over 90 days past due, loans less than 90 days past due where non-payment is likely are also classified as non-performing. Calculated by clients until 2010 and by contracts from 2010. Source | MNB

Kérdések
sajto@mnb.hu

THE BANKING SECTOR WOULD MEET THE REGULATORY REQUIREMENTS FOR LIQUIDITY AND CAPITAL ADEQUACY EVEN IN THE EVENT OF A SERIOUS SHOCK

Kérdések
sajto@mnb.hu

Liquidity stress test

Assumptions

Over the **2-quarter** horizon of the stress scenario we assume a 20-30% drawdown of credit lines, a 10-15% withdrawal of deposits and a 30% withdrawal of owner debts, accompanied by a weaker exchange rate and tighter interest rate conditions.

Liquidity surplus above the regulatory requirement of 100% LCR is HUF 5,000 billion.

The liquidity needs of banks facing liquidity shortages would amount to less than **HUF 100 billion.**

Solvency stress test

Assumptions

In the stress scenario, the GDP-level falls by 11% **over 2 years**, household consumption drops by 12-13% compared to the baseline scenario, while employment falls by 177,000. All this is accompanied by a substantial weakening of the exchange rate and tighter interest rate conditions.

The sectoral capital adequacy ratio would remain above 20% by the end of the 2 horizon of the stress test.

Only **HUF 14 billion** additional capital is required at the end of the second year of the stress scenario.

Forrás | MNB.

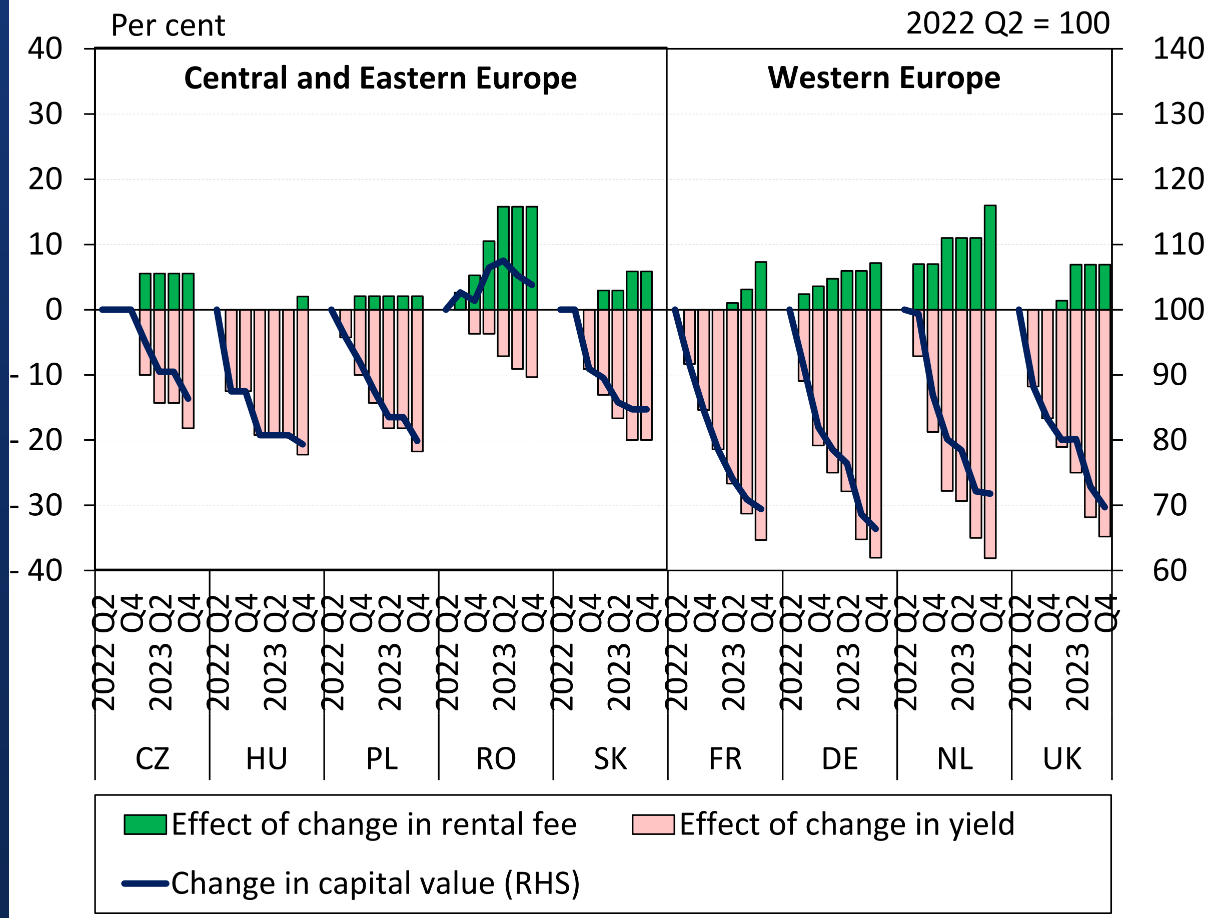
II. RISKS

Risks related to commercial real estate lending

Kérdések
sajto@mnb.hu

AS YIELDS INCREASED, THE VALUE OF PRIME* OFFICES FELL ACROSS EUROPE, CAPITAL VALUE IN THE CEE REGION DECREASED TO A LESSER EXTENT

Kérdések
sajto@mnb.hu



Change in capital value in the office markets of the major capital cities in CEE and Western Europe

Annual capital value changes based on the development of office market prime* yields and prime rents **2023 Q4 vs 2022 Q2:**

Western Europe: (-25%)–(-34%)

CEE: (-14%)–(-21%)

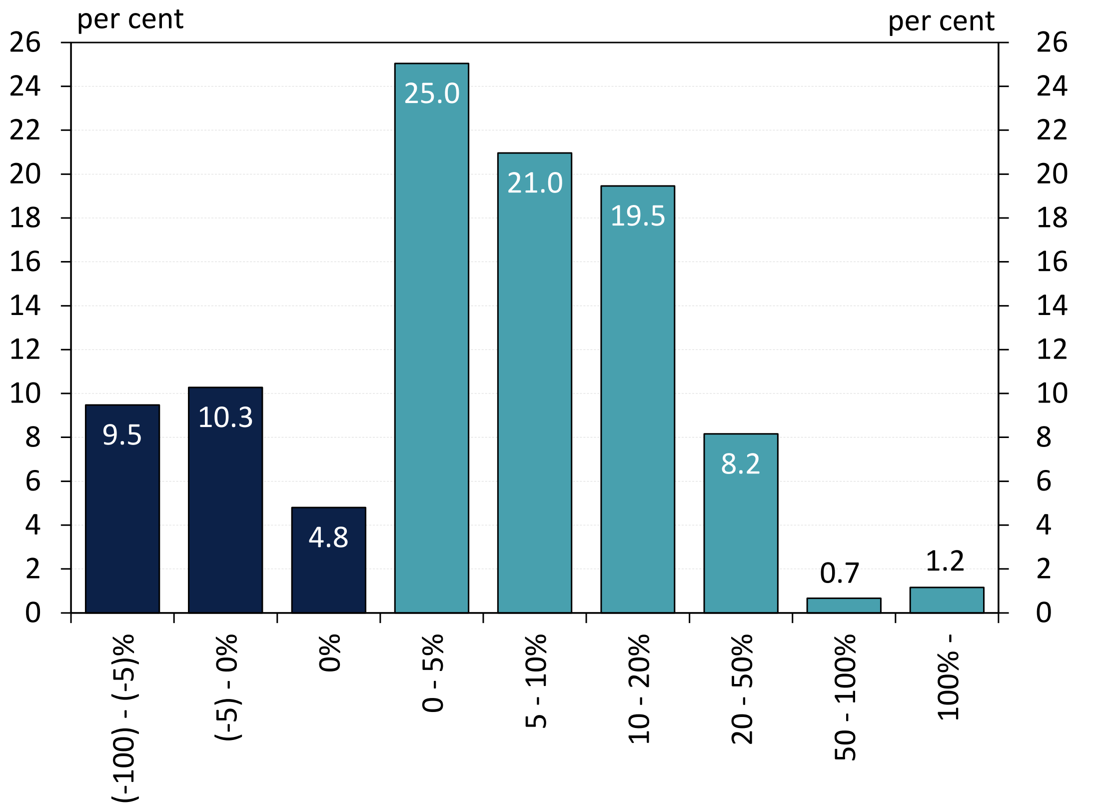
Budapest: -21%

Note | For every date, the figure shows the change versus 2022 Q2. The rate of value change in the prime office market segment is not representative of the entire market, however, its direction is a good indicator of the tendency in the value development of the overall market. *The expression prime refers to properties with the best location and quality.

Source | MNB calculation based on CBRE and Cushman & Wakefield data

IN BANK STATEMENTS, THE VALUE OF COLLATERALS BACKING PROJECT LOANS INCREASED IN 2023…

… reflecting a trend that ran counter to market trends.



Distribution of project loans secured by commercial real estate by the change in collateral value during 2023

Portfolio quality at end-2023

NPL-ratio: 3.9%

The share of Stage 2 loans increased year-on-year.

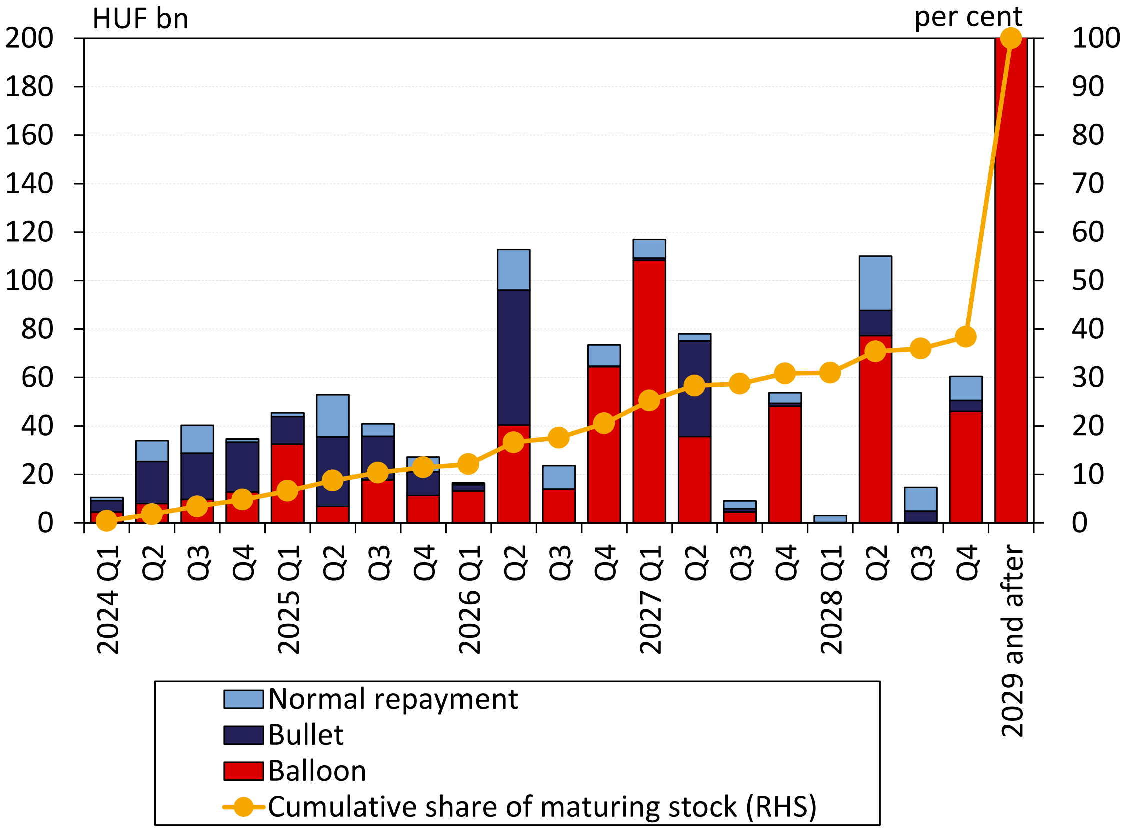
BUT! no specific delays have occurred yet.

Box 1: The banking system's commercial property market exposure indicates a manageable risk

Kérdések
sajto@mnb.hu

Note | In proportion to the market value at the end of 2023. Based on the real estate collateral of project loans for offices, retail and industrial-logistics properties, as well as hotels with the status completed. In some cases, the development of the value of the collateral may have been influenced by technical effects, including completion in the case of developments, amendments to the collateral registry. Source I MNB

AT THE SAME TIME, THERE WILL BE A LOW NEED FOR REFINANCING IN THE NEXT TWO YEARS...



Maturity breakdown of project loans collateralised by commercial real estate

By 2025, 11% of the outstanding loans as of end-2023 will expire.

Refinancing needs:

- ✓ It falls short of the 2022-2023 disbursement volume
- ✓ Low in international comparison:

USA: 27%

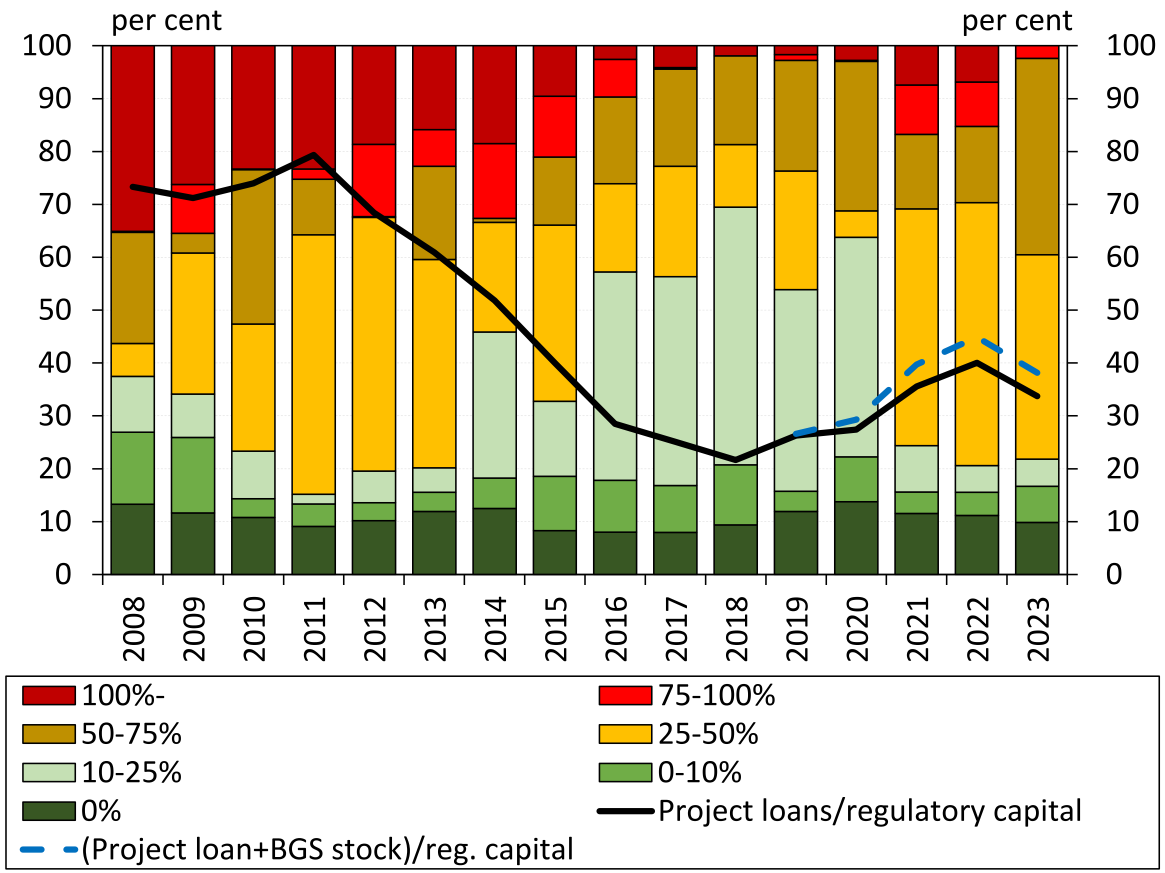
UK, FR, DE average 26%

Kérdések
sajto@mnb.hu

Note | Loans of the credit institution sector based on the outstanding capital amount. The amount of the stock expiring in 2029 is HUF 1,537 billion. Repayment categories: Bullet - loans for which the ratio of installments due in a lump sum at the maturity date reaches 100%; Balloon - loans for which the ratio of installments due in a lump sum at the maturity date reaches 20% but is less than 100%; Normal repayment - loans for which the ratio of installments due in a lump sum at the maturity date is less than 20%. Source I MNB

Kérdések
sajto@mnb.hu

…AND THE BANKING SECTOR'S EXPOSURE TO COMMERCIAL REAL ESTATE IS MODERATE



Distribution of credit institutions by project loan stock-to-regulatory capital ratio

The sector's **exposure relative to regulatory capital** (34%) **less than half of the 2008-2012 level.**

Potentially increasing CRE market risks ➔ In October 2023, the MNB Financial Stability Council decided to **reactivate the systemic risk buffer (SyRB) on a precautionary basis.**

Note | Non-consolidated data for the credit institutions sector excluding affiliates, by balance sheet total. Based on the project loan stock under the CRR definition of project loans until 2019, and based on a broader project loan definition from 2020 onwards; use of the broader definition results in a 28 per cent higher project loan stock in 2023 Q4 compared to the CRR definition. From 2019 onwards, data increased by BGS stocks include BGS bond holdings related to real estate sector in addition to project loans. Source I MNB

Kérdések
sajto@mnb.hu

II. RISKS

Pricing risks in the credit market

INTERVENTION IN PRICING CAN CAUSE PERMANENT DISTORTIONS - FOCUS ON THE APR-CEILING

3 October 2023: *The Ministry of Economic Development asks the banks to* ***introduce*** *a voluntary APR-ceiling.*

9 October 2023: *The introduction of the voluntary APR-ceiling: the APR of new market-based housing loans can be max.* ***8.5%****.*

1 January 2024: *The voluntary APR-ceiling decreased to* ***7.3%****.*

Oct 2023: Share of volume below the voluntary APR-ceiling: **66%**

Nov 2023: Share of volume below the voluntary APR-ceiling: **90%**

Dec 2023: Share of volume below the voluntary APR-ceiling : **97%**

Jan 2024: Share of volume below the voluntary APR-ceiling: **49%**

Feb 2024: Share of volume below the voluntary APR-ceiling: **83%**

Mar 2024: Share of volume below the voluntary APR-ceiling: **91%**

RESEARCH QUESTIONS

1. How much did it reduce the interest rate?

2. Are the banks' pricing function and credit risk considerations distorted?

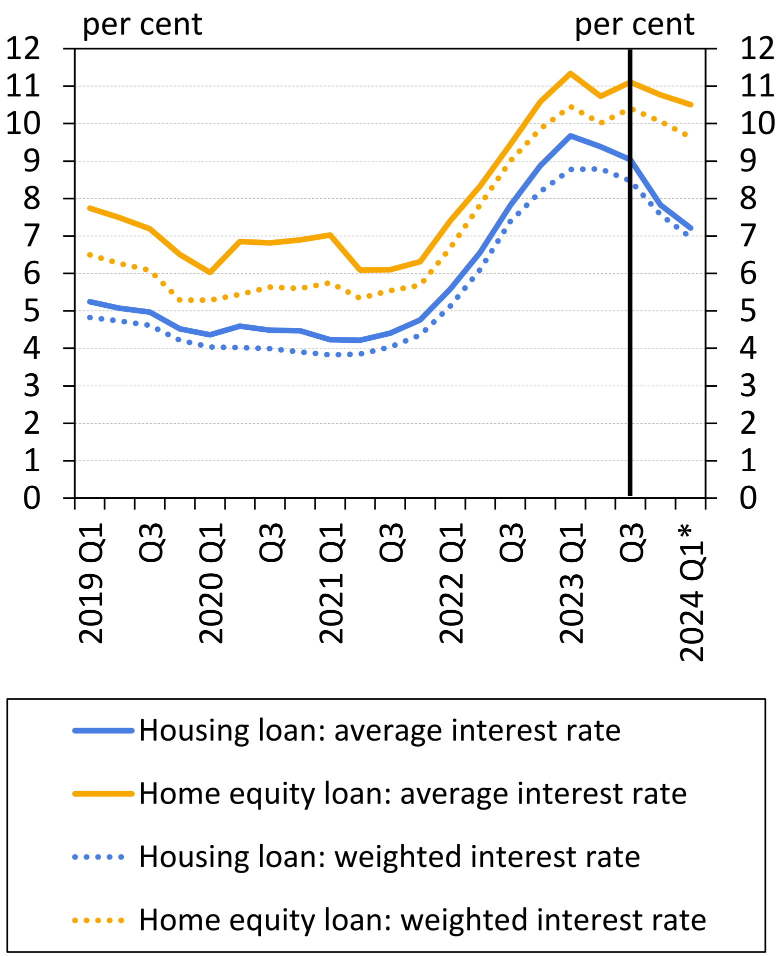
METHODOLOGY

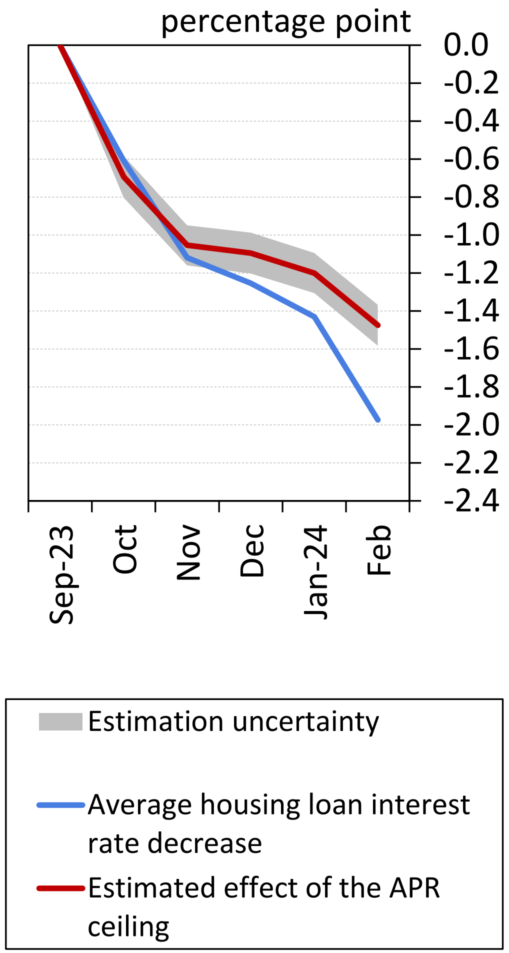
Comparing housing loans to home equity loans – has there been a bigger drop in housing loan interest rates?

Regression approximation of bank pricing functions – does the role of income change?

Kérdések
sajto@mnb.hu

APR-CEILING REDUCED INTEREST RATES ON NEW HOUSING LOANS BY AN AVERAGE OF 1.1 PERCENTAGE POINTS IN THE FIRST 5 MONTHS OF THE PROGRAM





Average interest rates on new mortgages and estimated effect of the APR-ceiling

Based on the result of the difference-in-differences estimation method.

Box 3:

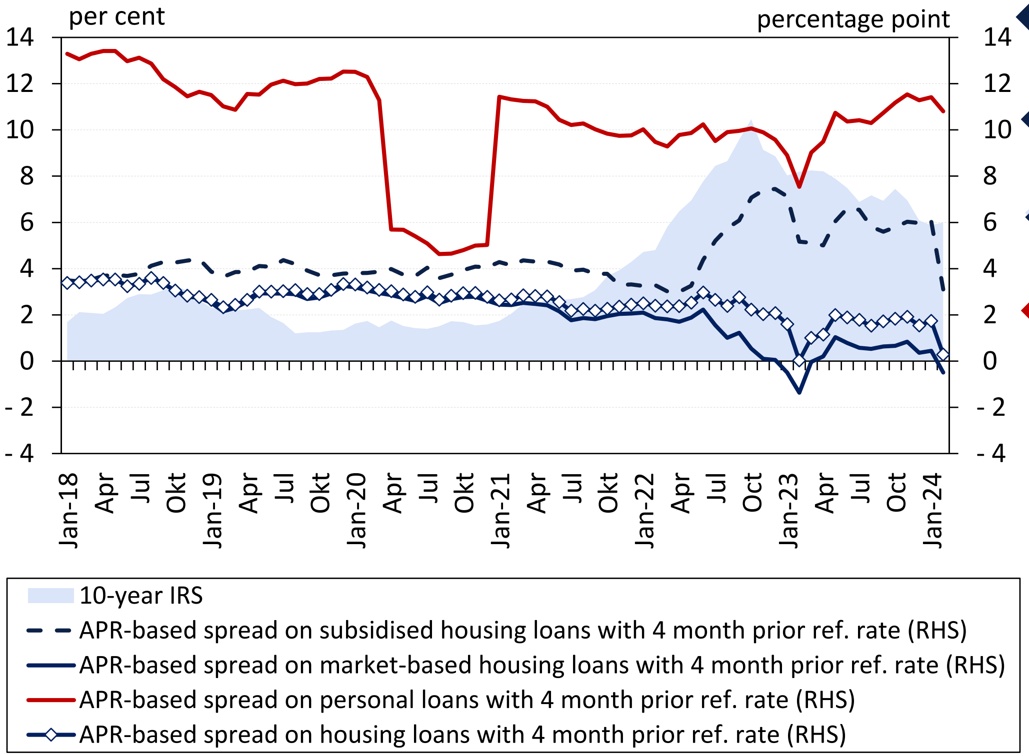
Effects of the APR ceiling for new market-based housing loans

Kérdések
sajto@mnb.hu

Note | *Until February 2024. For housing loans, non-subsidised, market-based loans only. Loan amounts used as weights. The blue line in the right panel shows the cumulative average decline relative to September 2023. Source I MNB calculation.

INTEREST RATE SPREADS ON HOUSING LOANS HAVE DECREASED

Kérdések
sajto@mnb.hu



Evolution of interest rate spreads on newly disbursed housing loans and personal loans

Average APR (March 2024)

Market-based housing loan: **6.7 per cent**

Subsidised housing loan: **9.0 per cent**

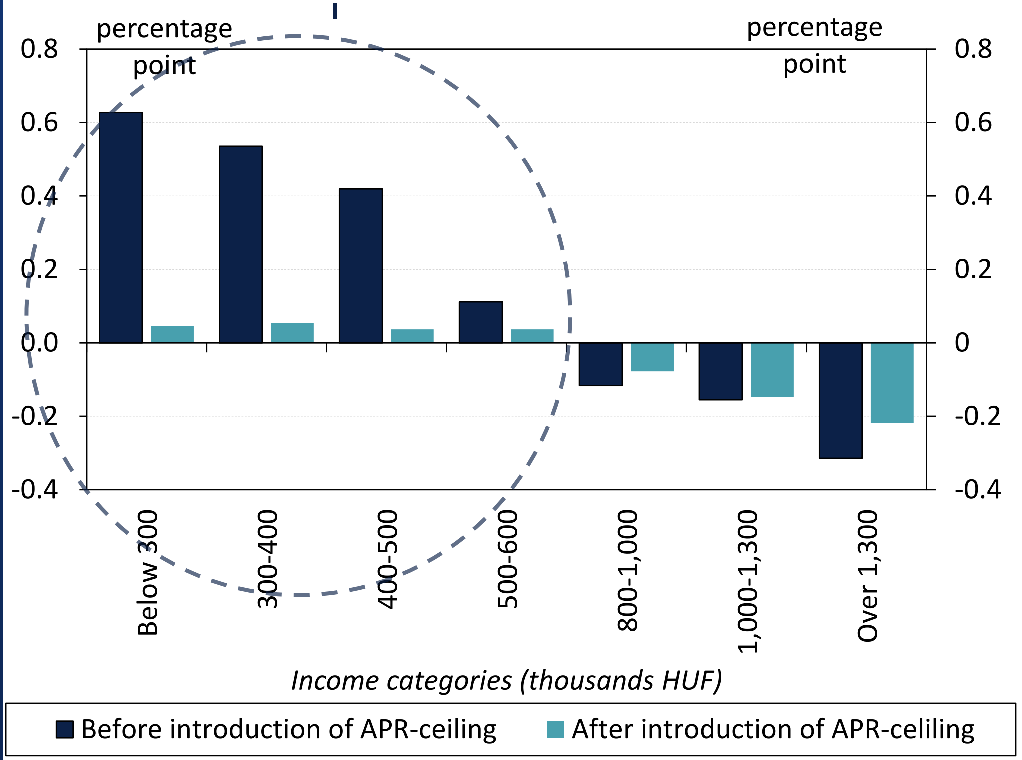
Personal loan: **18.3 per cent**

APR-ceiling narrows spreads on market-based housing loans.

The maximum loan interest rate of **HPS Plus** is lower than that of previous HPS schemes, thus spreads on **subsidised** loans also falls.

Note| Subsidised loans cover FGS GHP loans, the subsidised HPS constructions, the subsidised bridging loans and the subsidised housing loans. Averages weighed by contractual amount. The spreads were calculated on the basis of relevant BIRS data observed 4 months prior according to interest rate periods, except for the new HPS Plus, available since January 2024; in this case we used the 4-month prior 5-year IRS as the reference rate. Source| MNB

THE CORRELATION BETWEEN DEBTOR RISK FACTORS AND HOUSING LOAN INTEREST RATES WEAKENED AFTER THE INTRODUCTION OF THE APR-CEILING



Interest rate difference compared to the HUF 600-800 thousand income category before and after the introduction of the measure

The APR-ceiling reduced the interest rates of high-risk customers more.

Pricing has narrowed.

The role of income in interest rates has become much smaller.

!

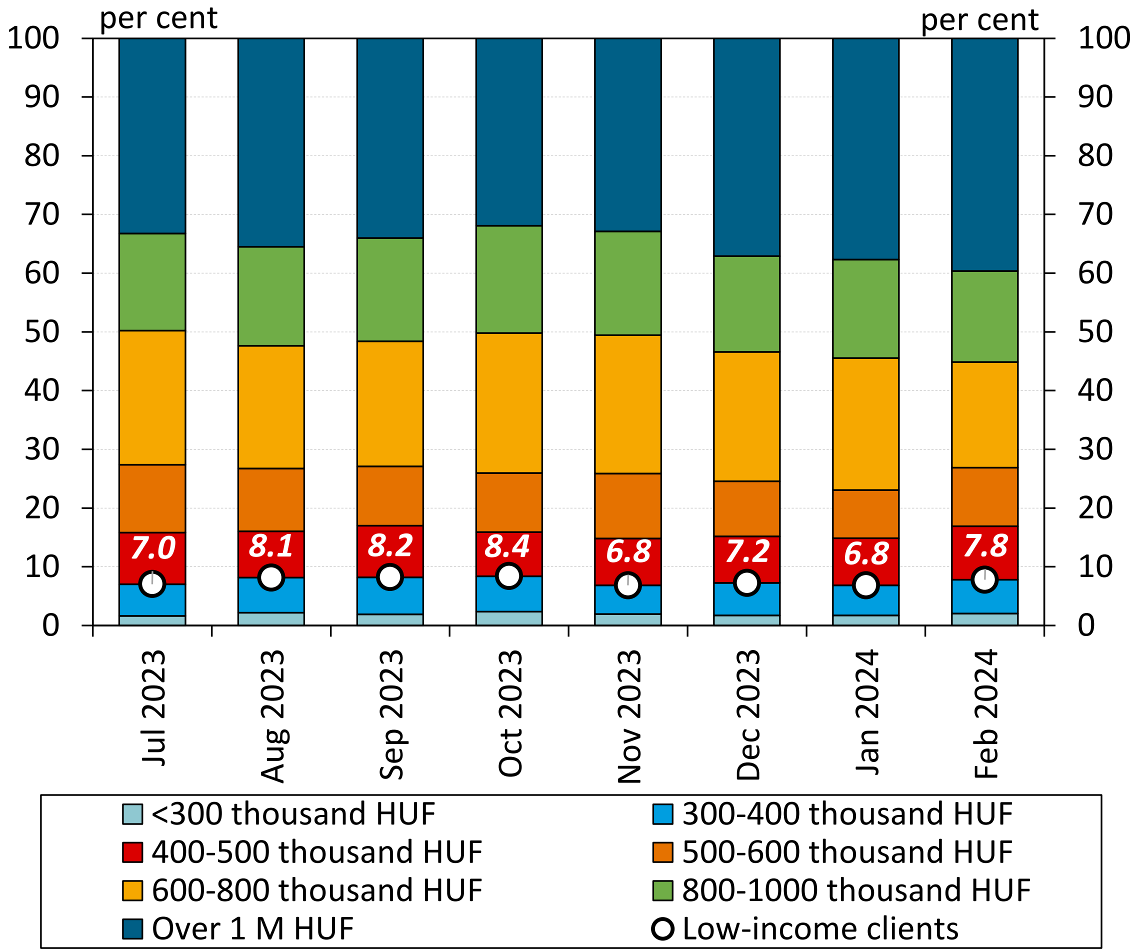
For higher-risk customers, the **interest rate spread may not cover the risks!**

Kérdések
sajto@mnb.hu

Note | Monthly net income. The values show the average effect of the income categories on the interest rate compared to the HUF 600-800 thousand category. Taking into account the contracts concluded until February 2024.
Source I MNB calculation.

RISKIER CLIENTS HAVE NOT BEEN EXCLUDED FROM THE CREDIT MARKETS YET

Kérdések
sajto@mnb.hu



Distribution of newly disbursed market-based housing loans by income categories

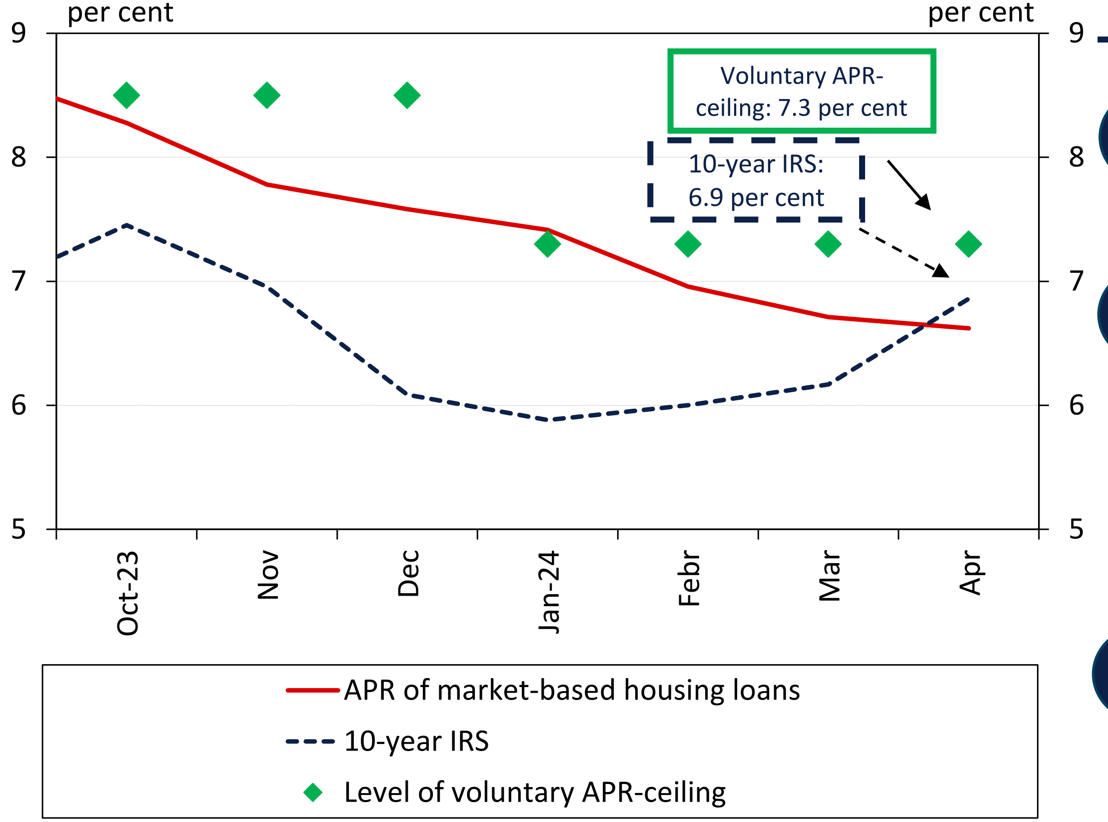
The pricing caps raise the risk that borrowers who do not fit into the capped pricing from a credit risk point of view will be priced out of the credit market

APR-ceiling has not yet reduced housing loan availability significantly so far.

Note | Volume-based distribution. Source I MNB calculation

Kérdések
sajto@mnb.hu

WHAT COULD BE THE CONSEQUENCES OF THE LONGER MAINTENANCE OF THE APR-CEILING?



Market-based housing loans' average APR, average 10-year IRS and the level of the voluntary APR-ceiling

POSSIBLE RESULTS:

1. **It can lead to the exclusion of riskier clients.**

2. Banks **give up** the APR-ceiling:

Housing loan interest rates increase.

3. Banks do **not give up** the APR-ceiling:

Housing loan disbursement can result in higher credit losses

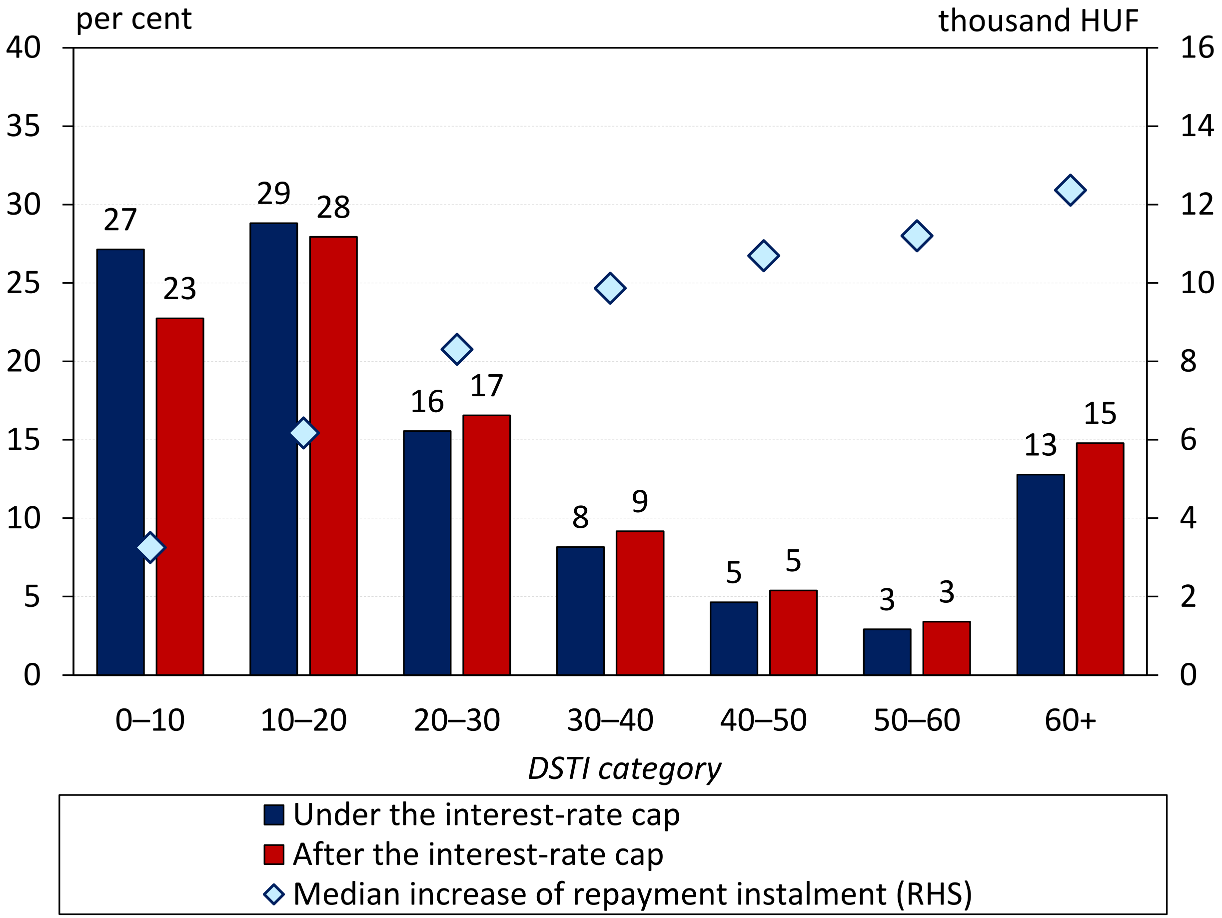
Note | Preliminary data for the APR of housing loans in April 2024. Source | MNB

II. RISKS

Credit risk increase in certain portfolios

Kérdések
sajto@mnb.hu

THE PHASING OUT OF THE INTEREST RATE CAP MAY LEAD TO A SUBSTANTIAL INCREASE IN INSTALMENTS FOR A SMALL GROUP OF CLIENTS



Distribution of interest-rate cap debtors' by DSTI categories and the median increase in instalment

Vulnerable clients:

1. Instalment-increase surpasses 5 thousand HUF monthly and DSTI rises above 50 per cent

2. Reaching retirement age

26,000 clients

9% Clients under the cap

17% Mortgage loan volume under the cap

4%> Total mortgage loan volume

Kérdések
sajto@mnb.hu

Note | The evolution of the instalments have been calculated based on the sum of the total outstanding loans of the interest-rate cap debtors. Calculation is based on the forward interest rates of the 28th of March 2024 and the reported income of the debtors in 2021. Source I MNB

THE IMPORTANCE OF MONITORING THE FULFILLMENT OF CHIDBEARING CONDITIONS RELATED TO FAMILY SUBSIDIES

Kérdések
sajto@mnb.hu

HOME PURCHASE SUBSIDY SCHEME FOR FAMILIES

PRENATAL BABY SUPPORT LOAN

In many cases, access to certain family subsidies and the maintenance of their favourable conditions is **conditional on having more children**.

Failure to meet the childbearing condition entails significant costs, as in general those who do not fully comply by the deadline **must repay the amount of the subsidy plus interest on arrears in a lump sum**.

This may significantly increase the current and future payment obligations of the households concerned.

It is common to use subsidies and subsidised loans in combination with each other or with market-based loan → failure to have children (increased payment burden and higher probability of default) → it may also affect the household's other credit market products and participation.

Failure to meet debt servicing obligations may also have an impact on property prices through the sale of collateral.

FINANCIAL STABILITY RISKS ARE LIMITED IN THE CASE OF HPS GRANT AND LOAN CONTRACTS OF 2016-2018

Characteristics of contracts that do not meet the condition on having children (**Based on June 2023 data**)

1 additional child

Contracts of 2016-2018	
Deadline: 2020-22	Failure to meet the childbearing condition: **27-33 per cent**, **HUF 22 billion**

Contracts of 2019	
Deadline: 2023	Failure to meet the childbearing condition: **27-38 per cent**, **HUF 18 billion**

Half a year is still available!

2 additional children

Contracts of 2016	
Deadline: 2024	Failure to meet the childbearing condition: **42-57 per cent**, **HUF 2 billion**

A year and a half is still available!

Low nominal amounts → financial stability risks are limited.

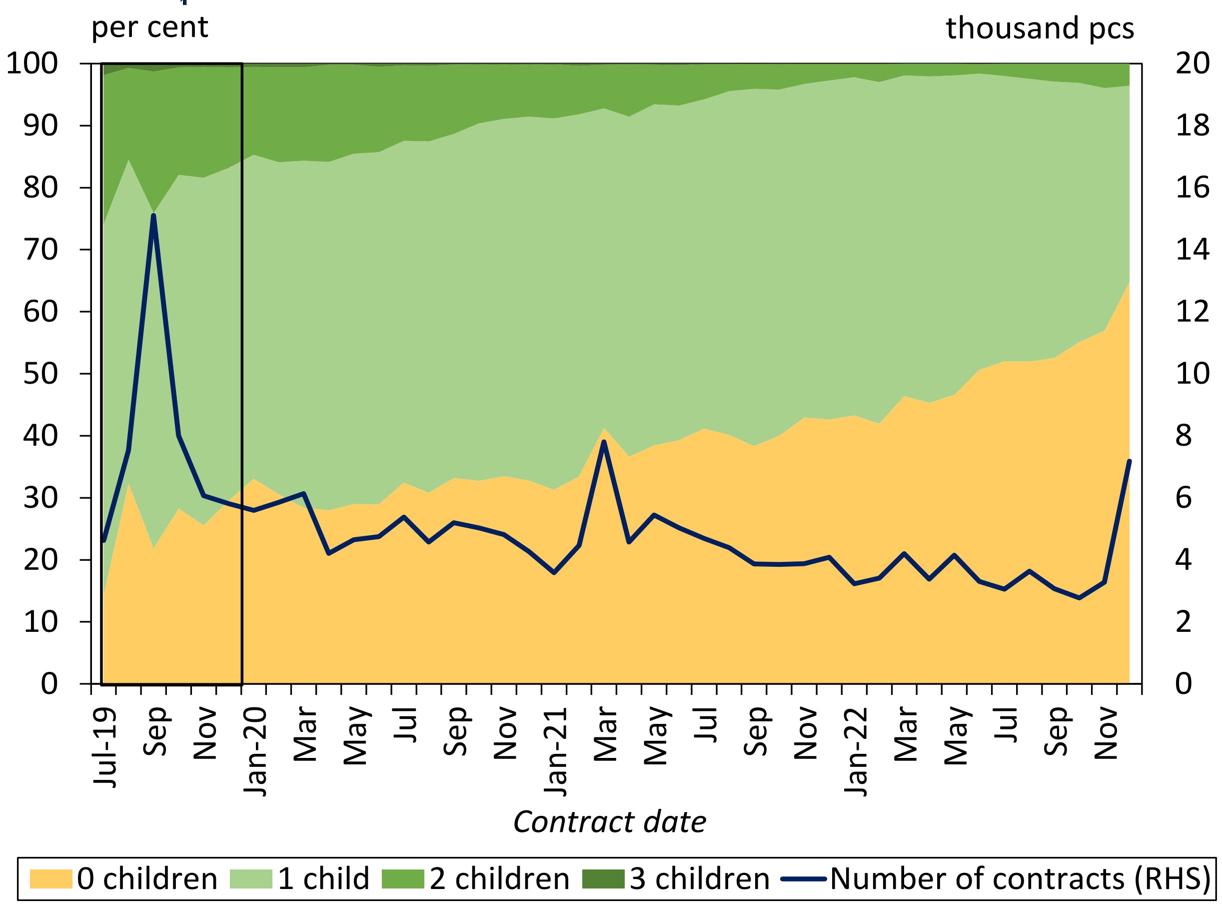
Box 5: Analysis of compliance with the conditions on having children linked to family subsidies

Note | Ratios according to the contract number in red, total volume of HPS subsidy and loan contracts in blue. Based on June 2023 data.
Source | MNB, Hungarian State Treasury

Kérdések
sajto@mnb.hu

25 PER CENT OF PRENATAL BABY SUPPORT LOAN BORROWERS OF 2019 FAILED TO MEET THE CHILDBEARING CONDITION BY JUNE 2023

Kérdések
sajto@mnb.hu



Distribution of prenatal baby support loans according to the number of children born since the contract date

Contract date: H2 2019

Based on June 2023 data: !

No additional child:

- 25 per cent of contracts
- volume of HUF 115 billion
- nearly 12,000 contracts

Risk mitigating factors:

There is still 1-1.5 years after the reference date of the data **to fulfil the childbearing condition.**

100-per cent government guarantee

Partly used for savings purposes

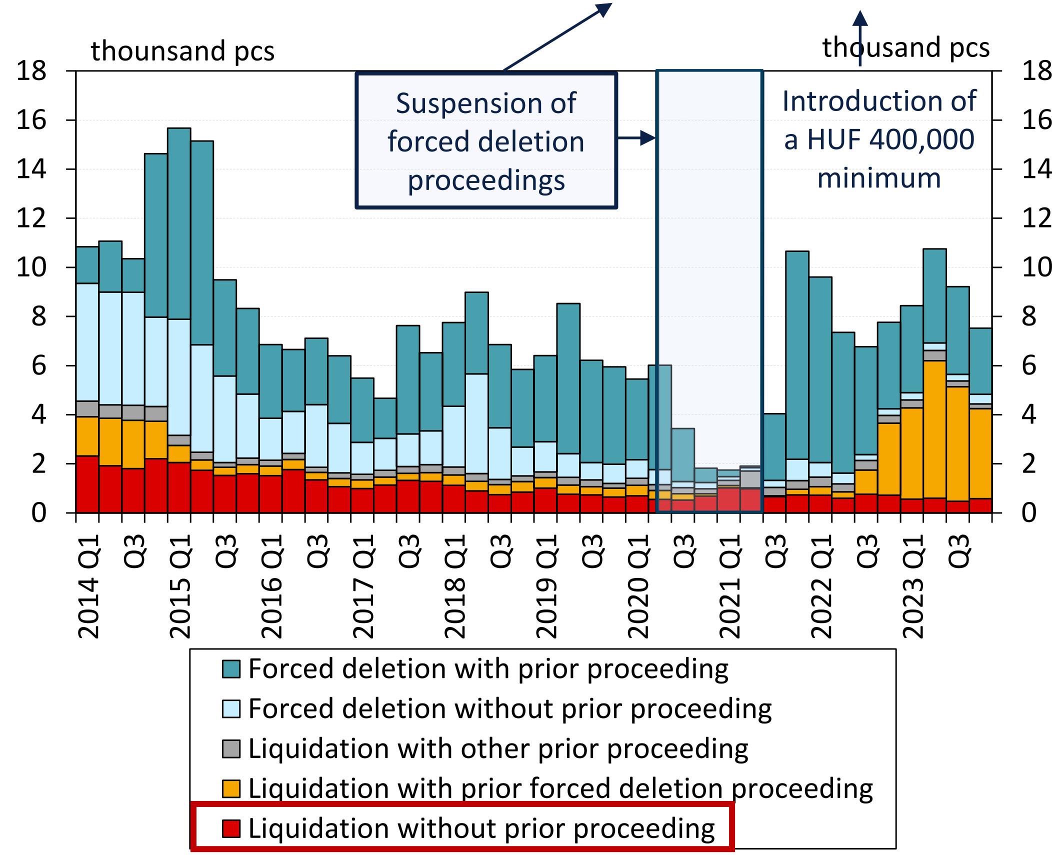
Relatively high income

Note | The date of reference for the birth data is June 2023. The distribution is based on contract number.

Source I MNB, Hungarian State Treasury

THE NUMBER OF LIQUIDATIONS WITHOUT PRIOR PROCEEDINGS REMAINS HISTORICALLY LOW...

*...the jump seen in the last two years is the result of **legal technical changes** and not real economic reasons.*



The number of starting liquidation and forced deletion proceedings announced

Box 4: The increase in liquidation proceedings is due to technical effects, financial stability risks are low

Liquidations without prior proceedings

Historically low level

The corporations subject to proceedings have manageable, **relatively small amount of loans outstanding**

Banks **manage these exposures in a prudent manner!**

Kérdések
sajto@mnb.hu

Source | Opten

II. RISKS

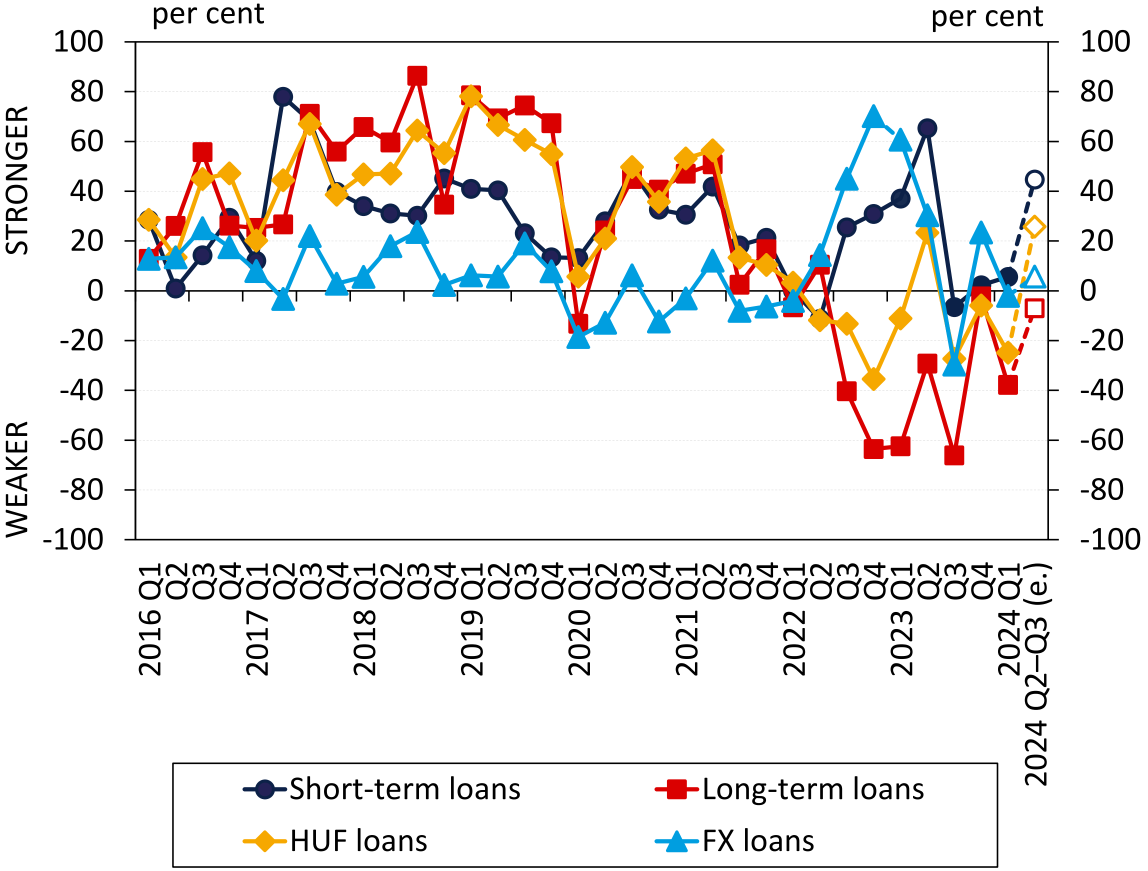
Slow recovery in the corporate credit market

Kérdések
sajto@mnb.hu

IN 2024 Q1, A QUARTER OF BANKS EXPERIENCED A DECLINE IN LOAN DEMAND IN THE CORPORATE SEGMENT

Kérdések
sajto@mnb.hu

The decline experienced in the first quarter mainly **affected HUF loans and long-term loans.**



Changes in corporate credit demand by maturity and denomination

Despite the fact that during the previous survey, half of the banks already expected a pick-up in demand for long-term loans in 2024 H1.

Bank expectations (2024 Q2-Q3)

Overall, **14 per cent** of them expect a pick-up in demand.

In the case of long-term loans, however, there is no sign of a turnaround!

Note | Net ratio is the balance of respondent banks indicating stronger/weaker demands, weighted by market share.
Source | MNB, based on banks' responses

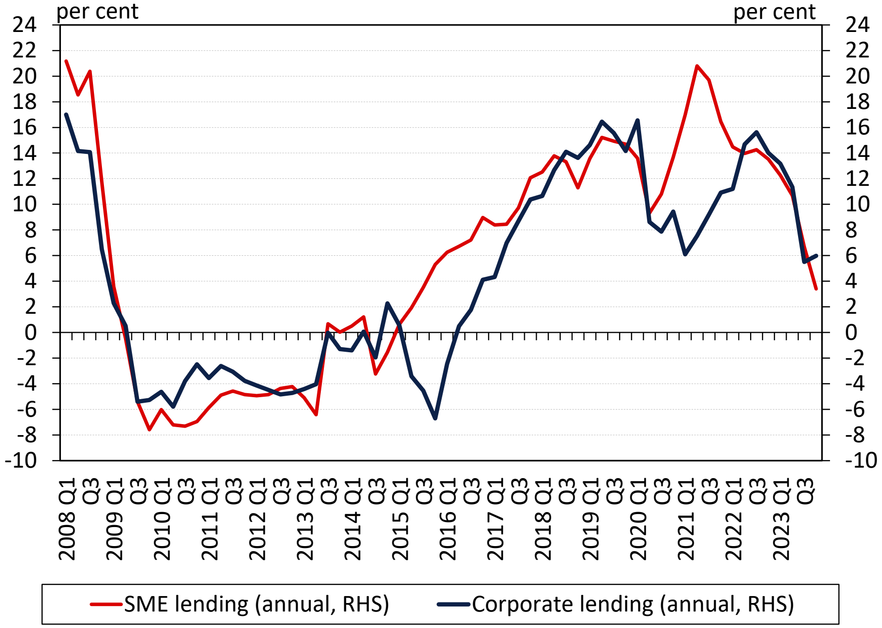
CORPORATE CREDIT DYNAMICS MAY HAVE REACHED ITS LOWEST POINT AT THE BEGINNING OF 2024

Annual growth rate

2023: 6.0%

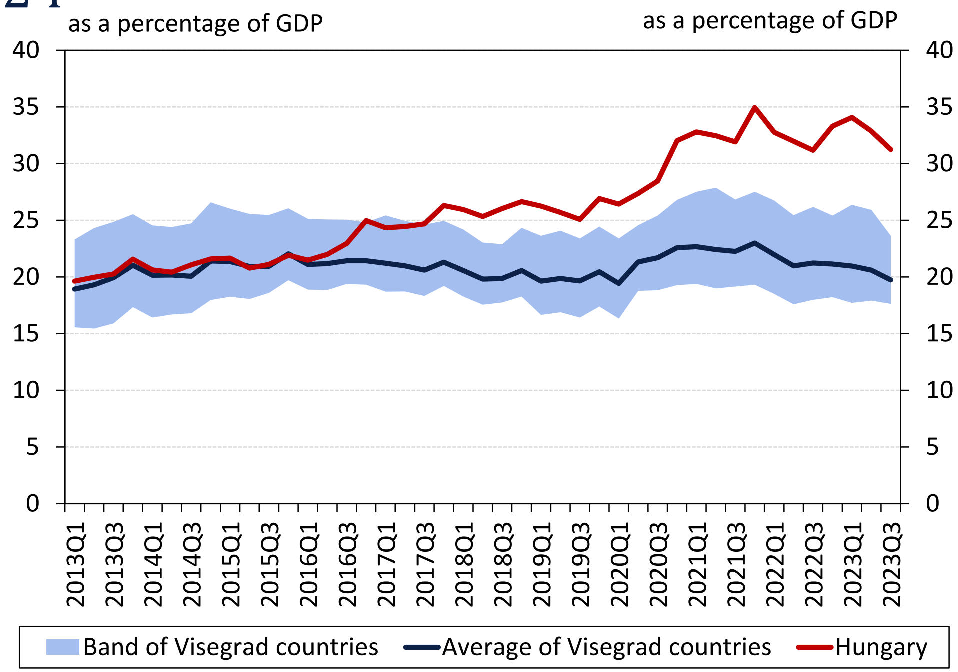
Febr 2024: 2.0%

Mar 2024: 2.5%



Growth rate of total loans to businesses and SME loan portfolio in the credit institution sector

Note | Transaction based growth rate, prior to 2015 Q4, data for SMEs are estimated based on banking system data. Between March 2022 and August 2022, payments to Sberbank are also taken into account. Source | MNB



The evolution of corporate liquid assets to GDP

2023 Q3: **31%**

vs. V3 average **+10 percentage points**

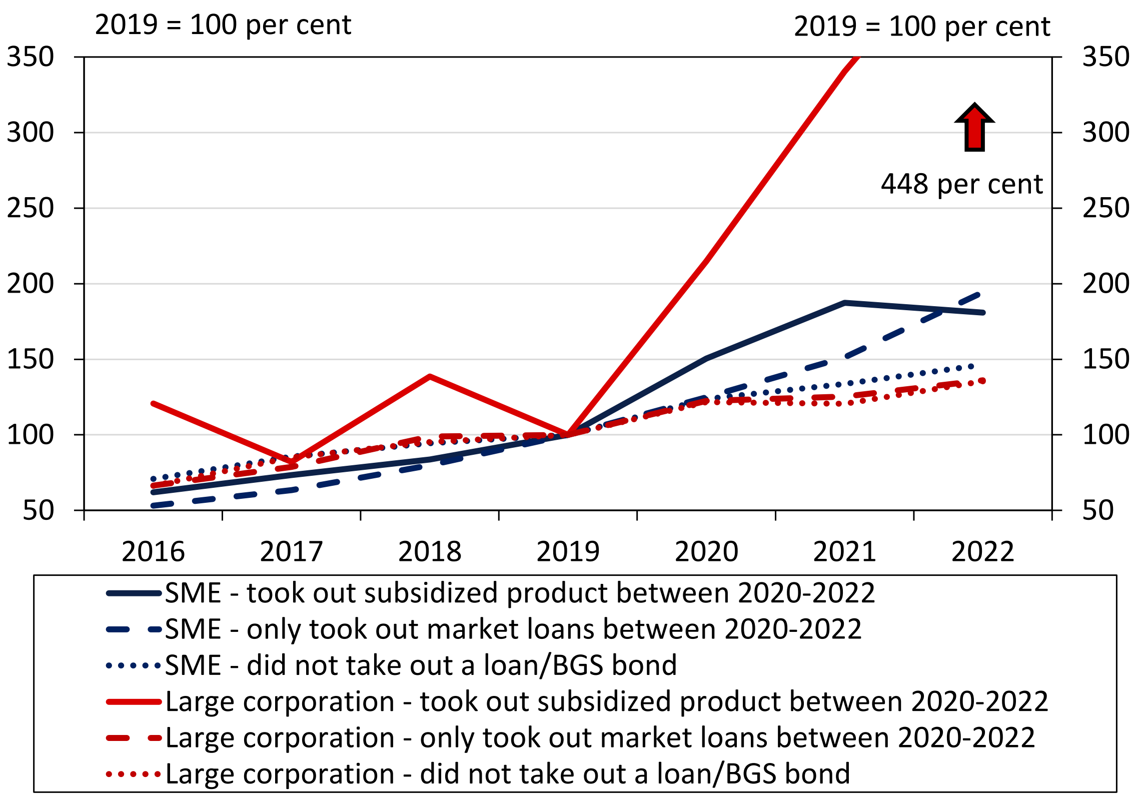
A high amount of liquid assets **can significantly reduce the need to raise funds** in the future.

Source | ECB, Eurostat, MNB

Kérdések
sajto@mnb.hu

THE FUNDS OF CORPORATIONS USING SUBSIDISED PROGRAMS HAVE INCREASED DYNAMICALLY IN RECENT YEARS

Kérdések
sajto@mnb.hu



Development of cash holdings by company size and credit market activity

Box 2: Development of corporate liquid assets according to company size and credit market participation

Change is cash holdings 2019 vs. 2022

User of subsidised products

SME	**181%**
Large corp.	**448%**

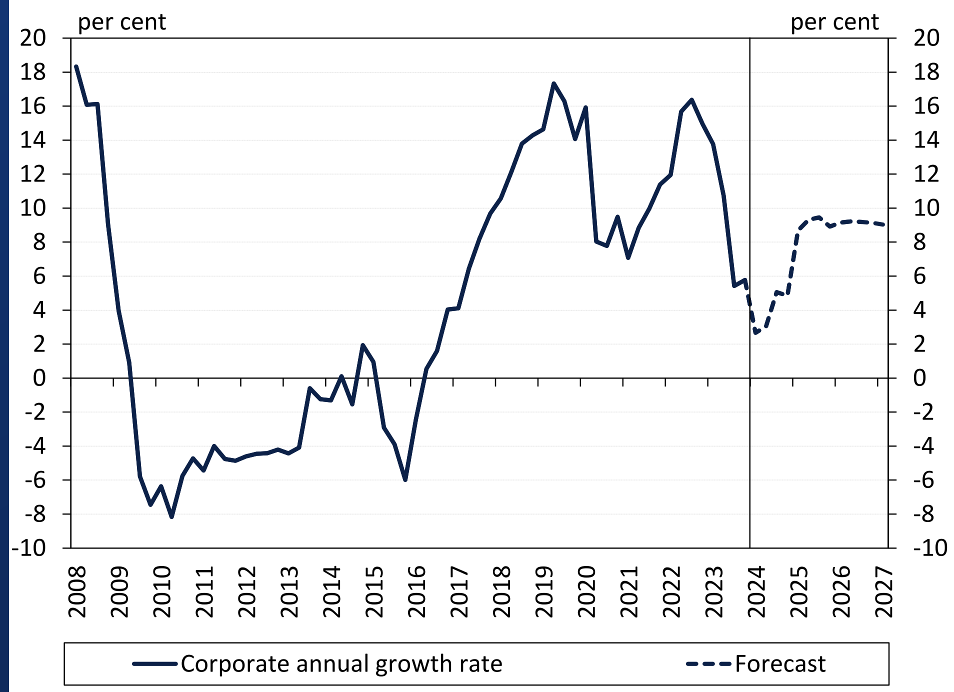
Instead of extensive credit promotion, more targeted credit programs are needed.

Investment loan purpose

Consideration of sustainability goals

Source | MNB, NTCA

A MODERATE INCREASE IN CORPORATE LOANS OUTSTANDING IS EXPECTED IN THE COMING YEARS



Forecast for the corporate loan portfolio

Corporate credit dynamics:

2024: **4–5%**

2025: **8–9%**

Credit conditions 2024 Q2-Q3:

Unchanged: SME and large corporate loans

Tightening: Commercial real estate loans

Increase in credit demand 2024 Q2-Q3:

Short-term

HUF and FX

Economic environment

Lower inflation

Decreasing interest rate

Stabilizing economic environment

High accumulated liquid assets

Credit penetration

The lending activity of the banking system corresponds to the cyclical position of the economy.

Kérdések
sajto@mnb.hu

Note | Transaction-based annual growth rate based on data from the financial intermediary system. Source | MNB

MAIN TAKEAWAYS OF THE REPORT

- The Hungarian banking system **remained stable** in an environment impacted by numerous challenges in the past period, and its **shock resilience is strong**.
- **Based on the stress test**, the sector **would meet the regulatory requirements** for liquidity and capital adequacy even **in the event of a serious shock**.
- The **liquidity** of the banking system continued to **rise from a high base**, the **capital position is adequate**, even taking into account the buffer requirements in 2024.
- The NPL-ratio stagnated in the corporate segment, and fell significantly in the household segment, **overall portfolio quality is adequate**.
- The **historically high profitability** in 2023 was due in part to the high interest rate environment during the period and specific one-off items.
- The **profit of the banking system will decrease as early as 2024**, to which, in addition to the normalization of monetary conditions, the increase in credit risks and government measures affecting interest rates may also contribute.
- **Household credit growth may have reached its lowest point in 2023 and corporate credit at the beginning of 2024**, but credit dynamics in both sectors may remain in the single-digit range this year.

Kérdések
sajto@mnb.hu

THANK YOU FOR YOUR ATTENTION!

Kérdések
sajto@mnb.hu

100 éve Magyarország gyarapodásáért