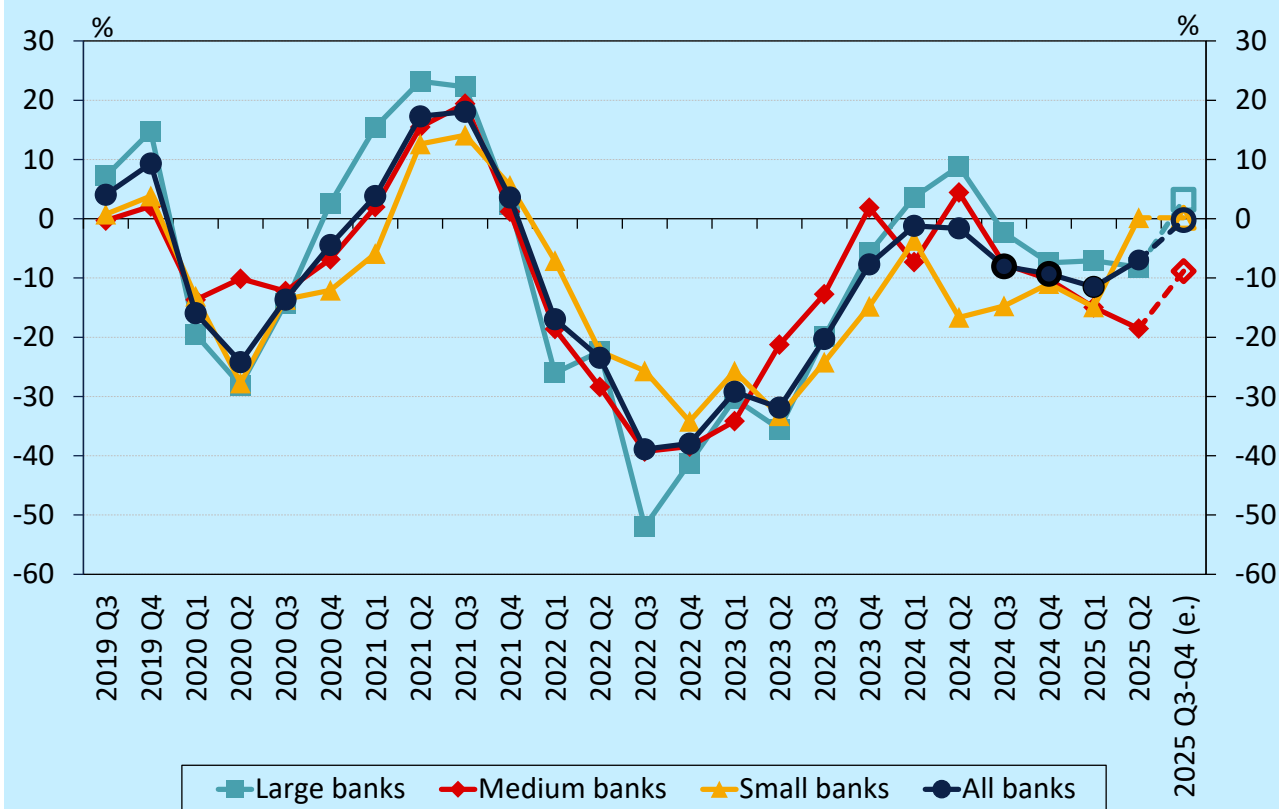


# MNB BANK SENTIMENT SURVEY

## 1. Bank Sentiment Index

Chart 1

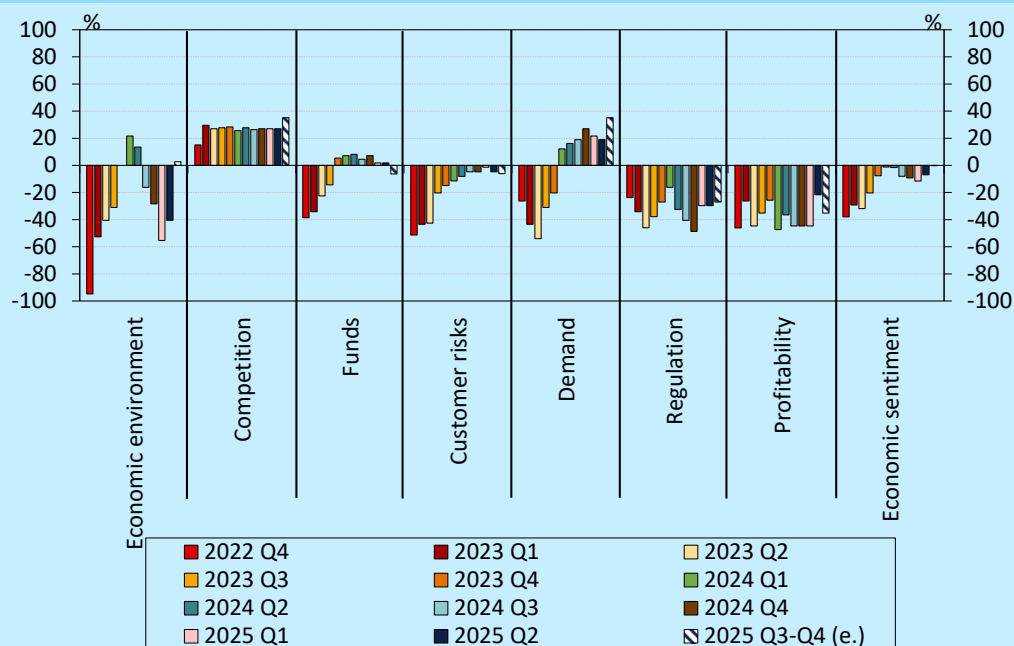
The Bank Sentiment Index by bank size



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

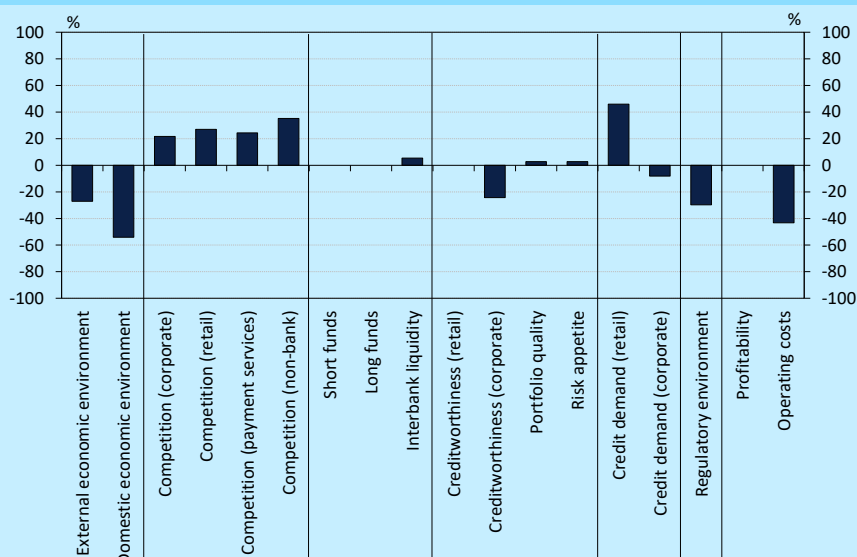
### The Bank Sentiment Index and its components



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

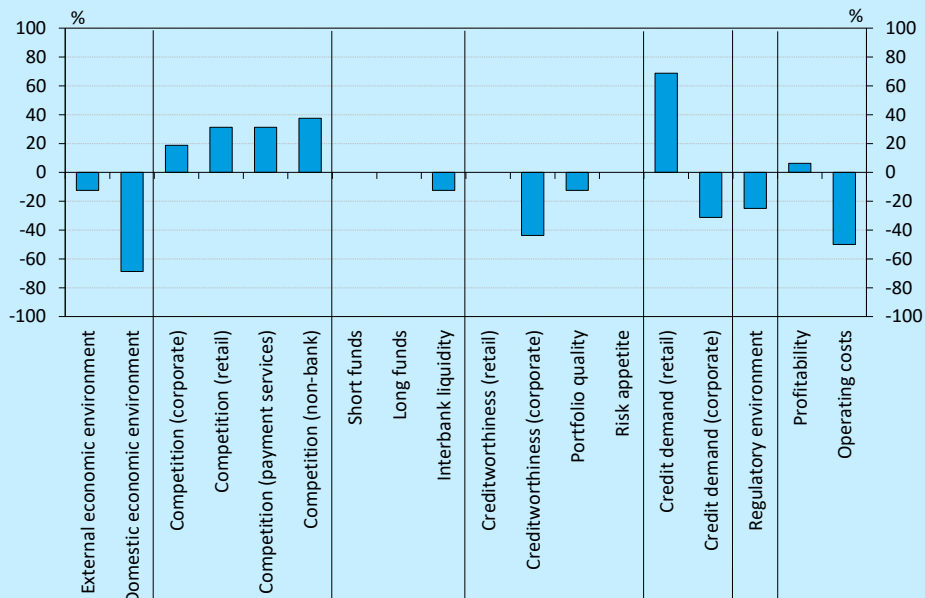
### Subcomponents of the Bank Sentiment Index – all banks



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

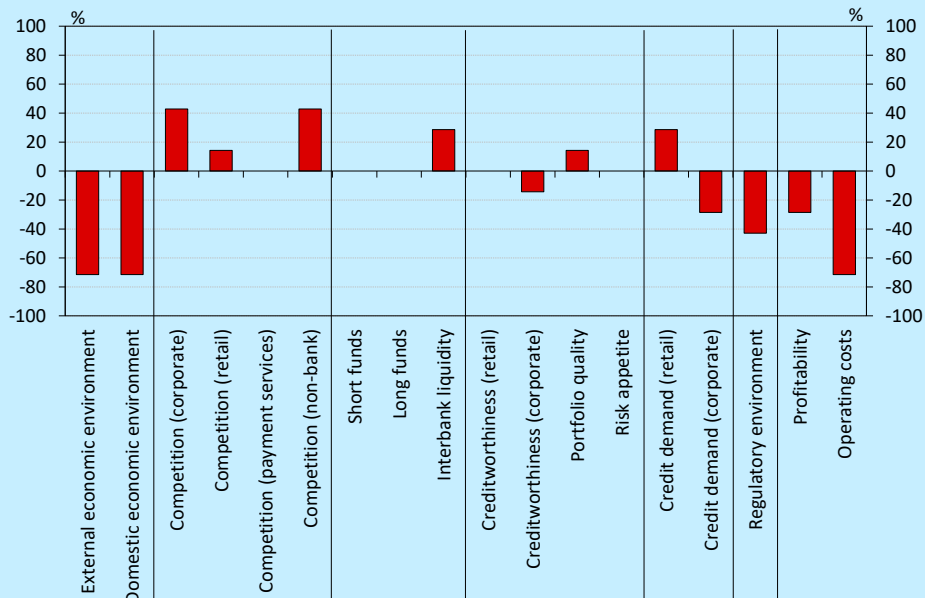
Subcomponents of the Bank Sentiment Index – large banks



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

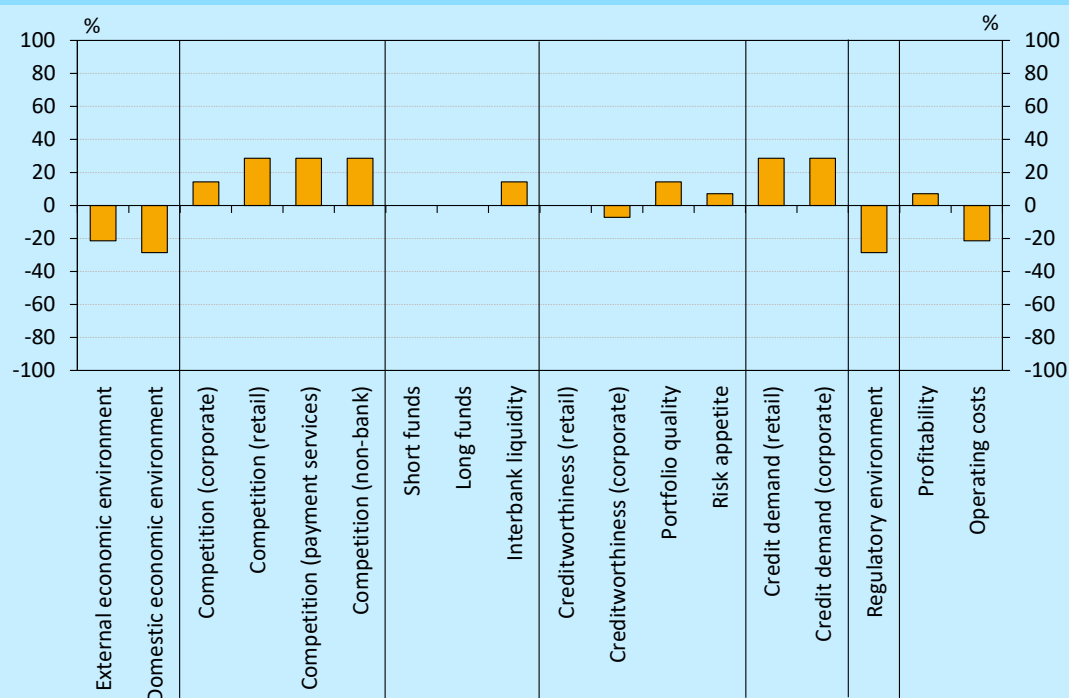
Subcomponents of the Bank Sentiment Index – medium banks



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

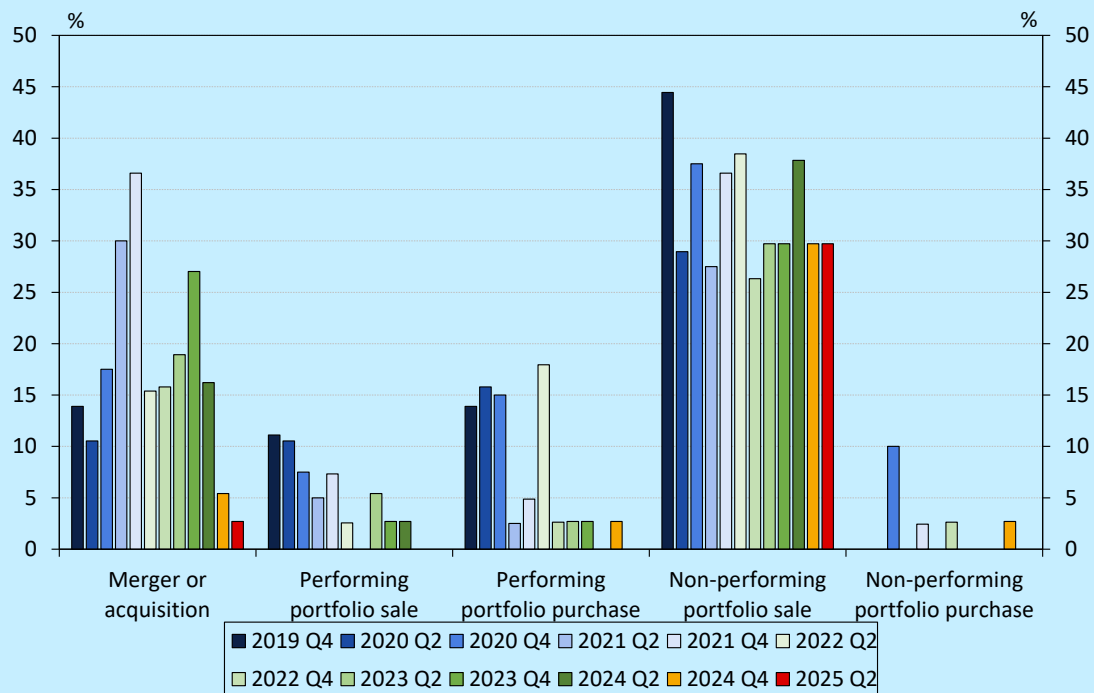


Chart 8

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

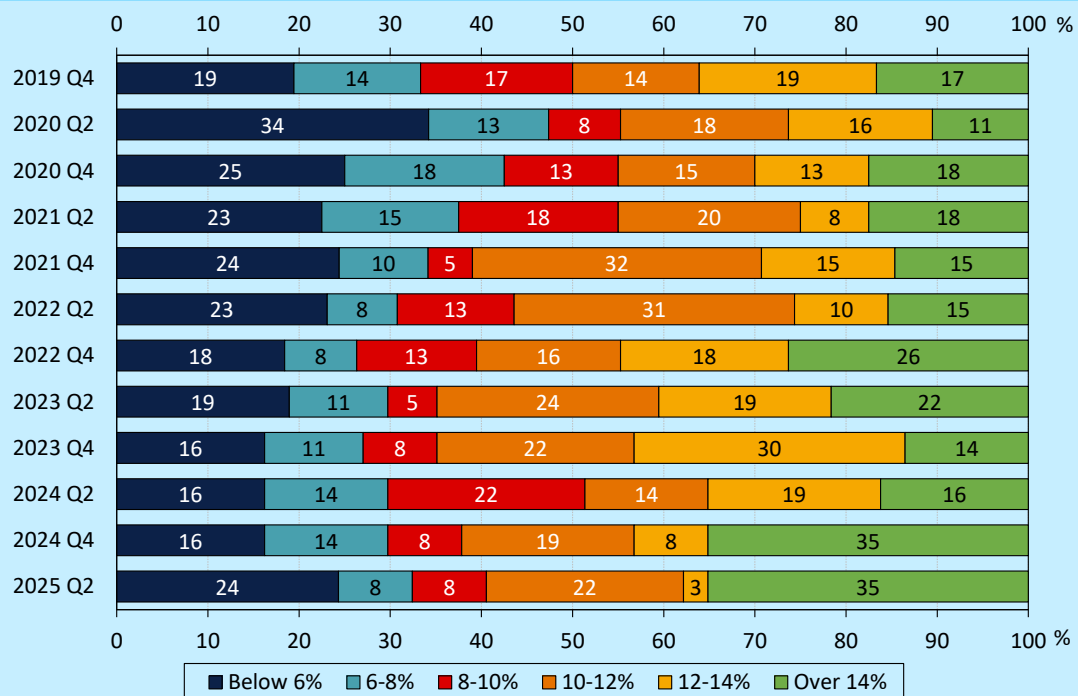


Chart 9

Distribution of banks by their cost of capital

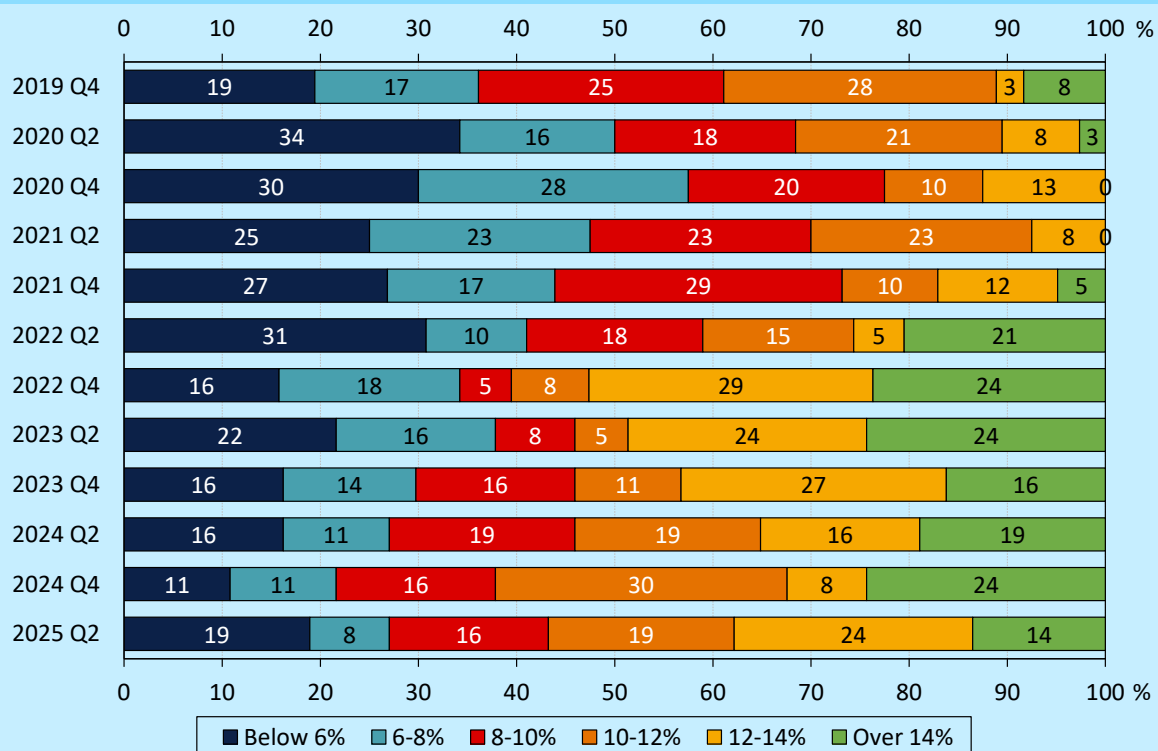


Chart 10

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

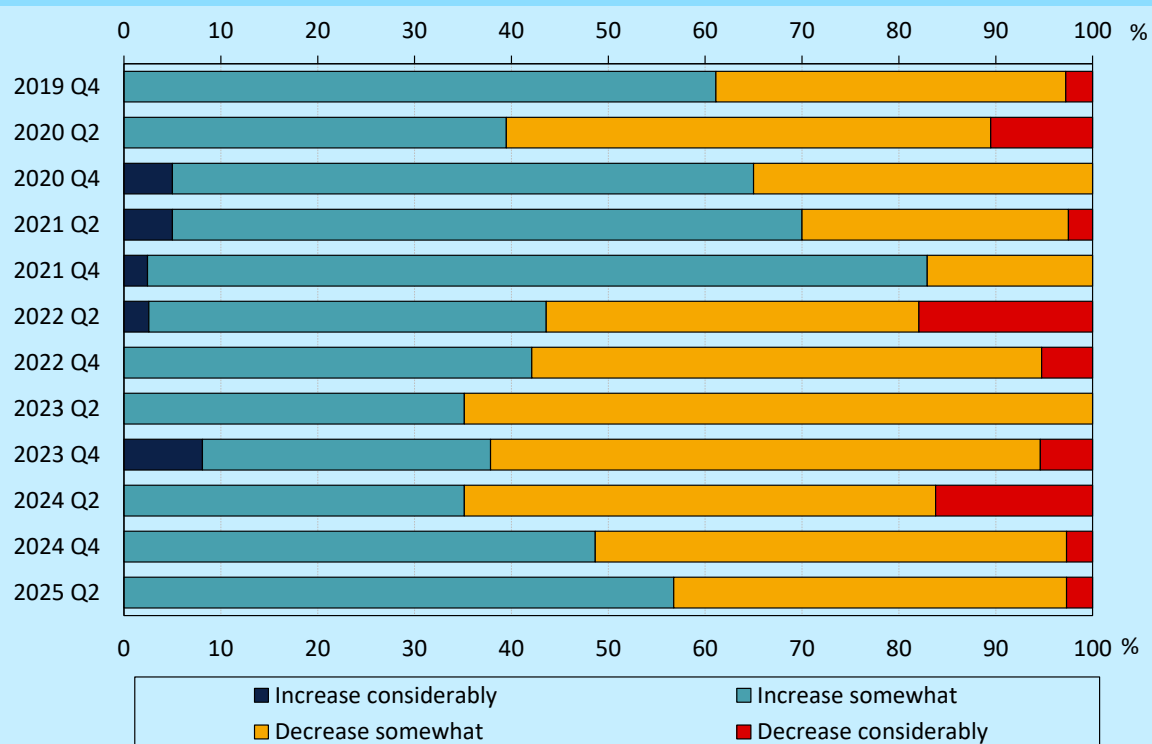


Chart 11

Items to improve return on assets over the next 6 months

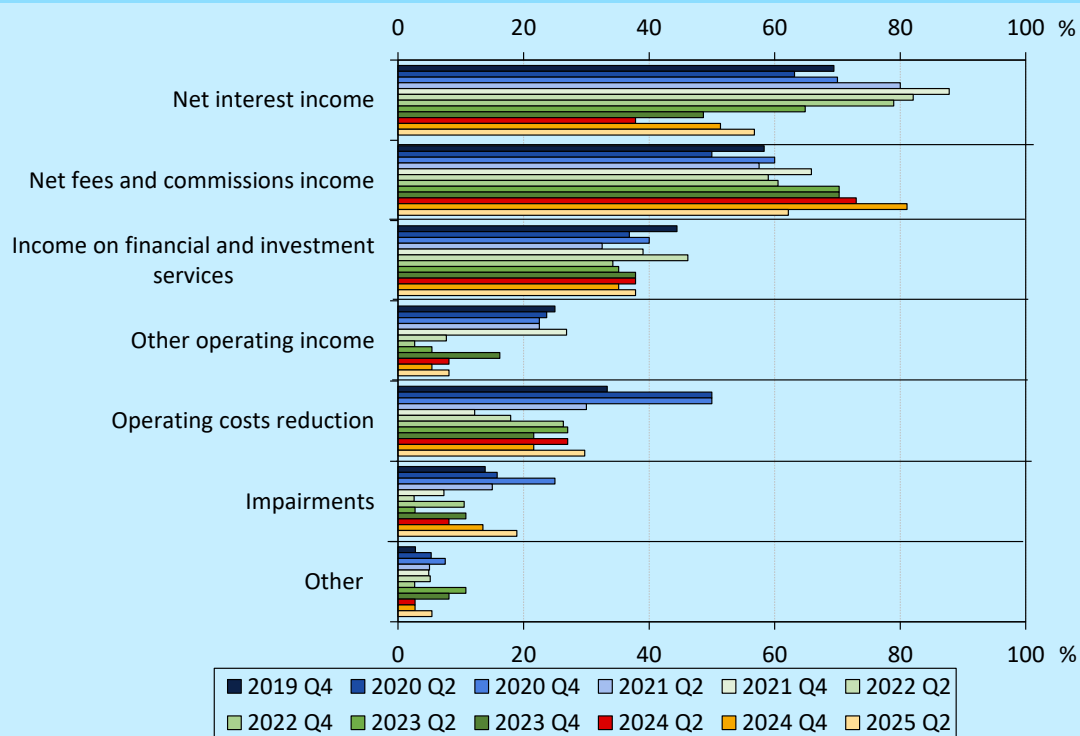
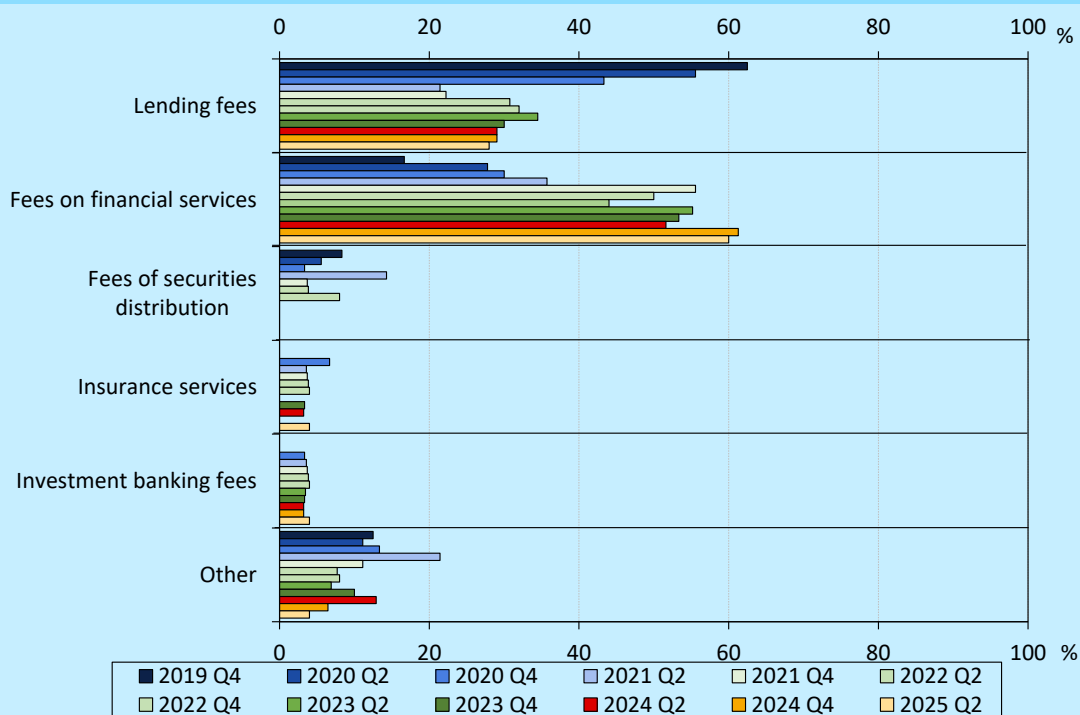


Chart 12

Items to improve profitability within net fees and commissions income



Note: Responses only from institutions that indicated an increase in net fees and commissions income.

Chart 13

Ways to rationalise operating costs

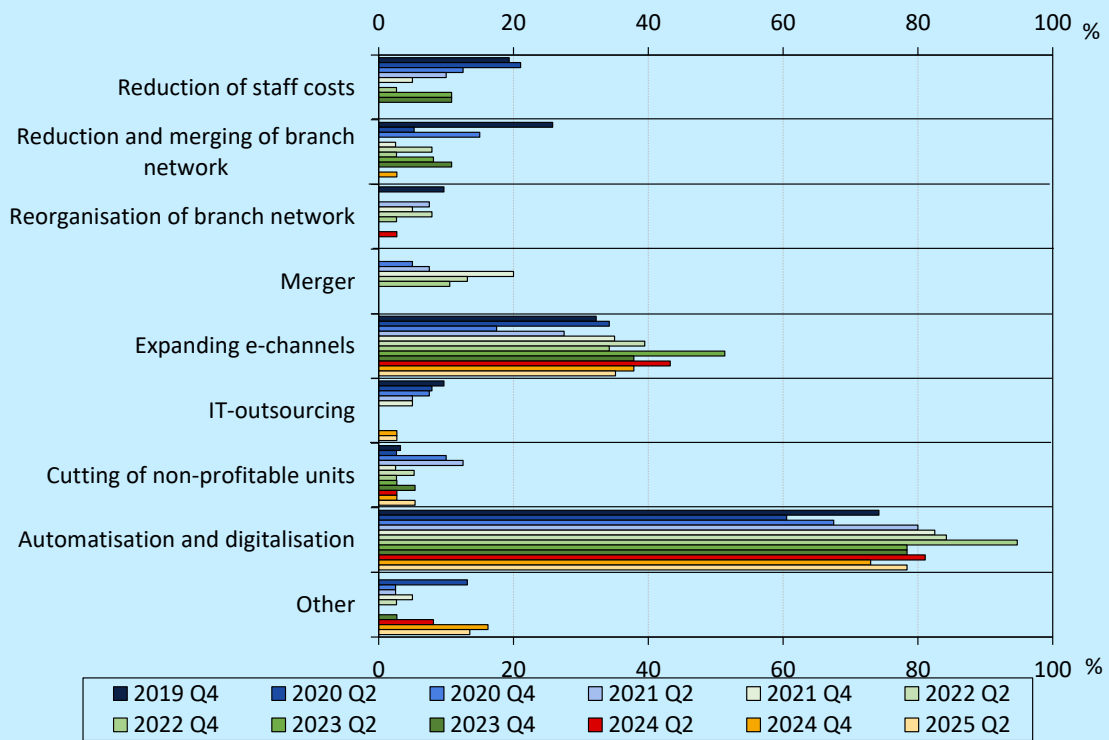


Chart 14

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

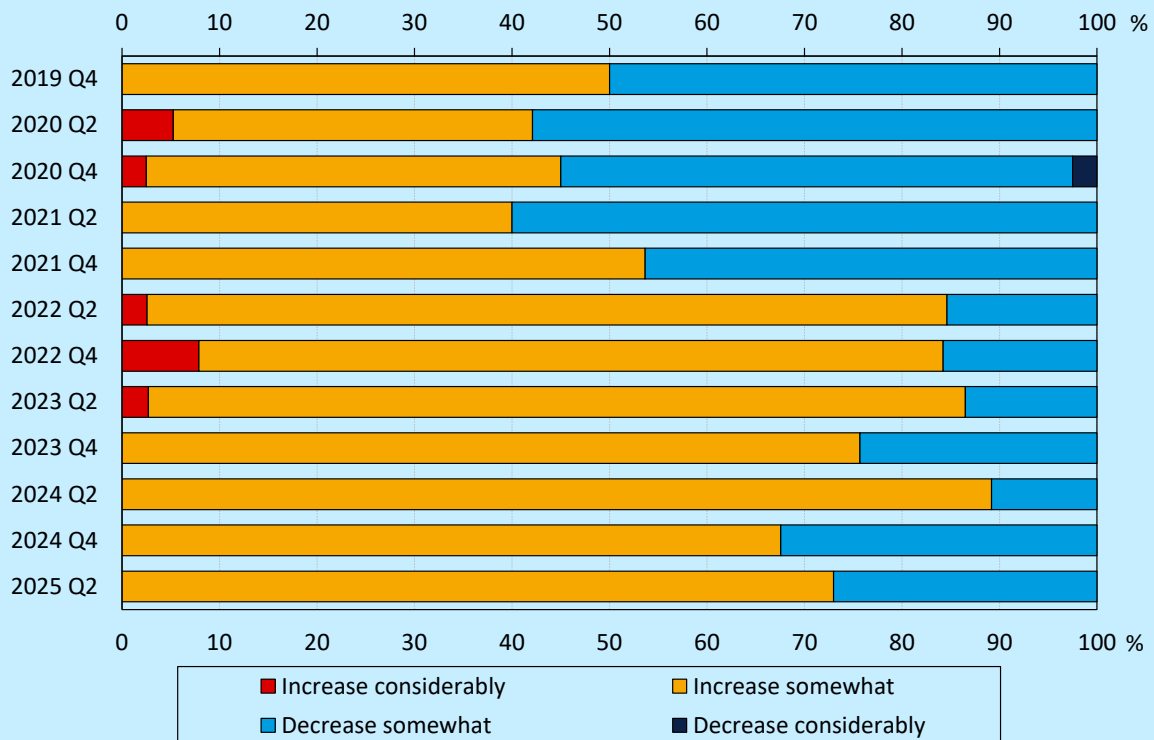




Chart 15

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

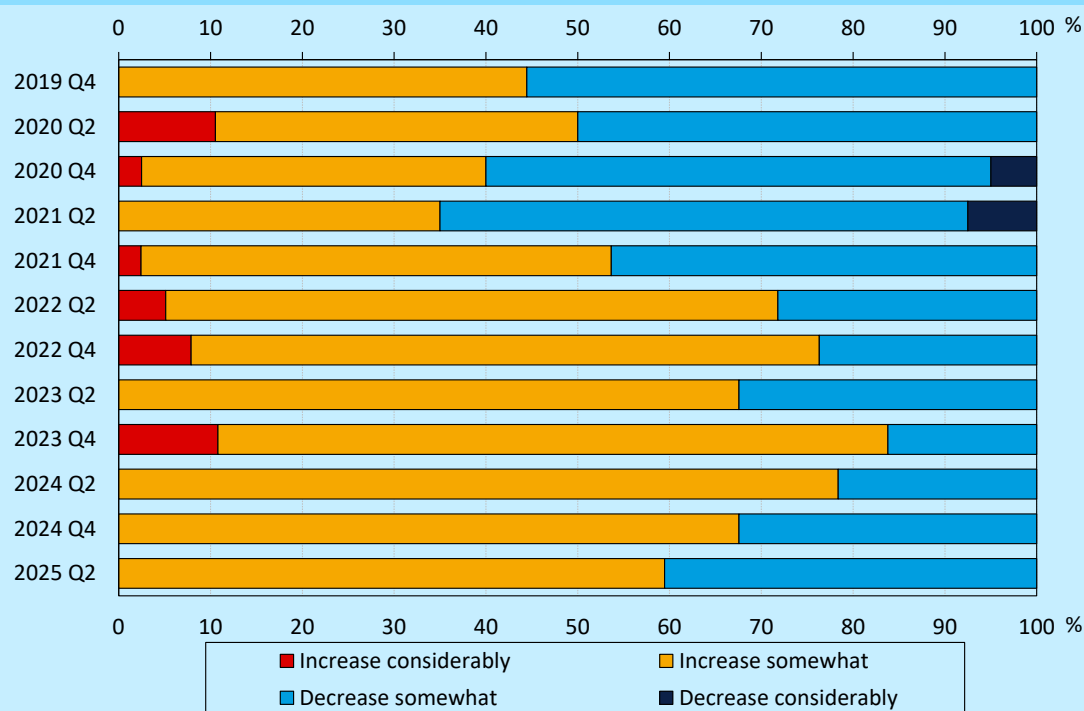
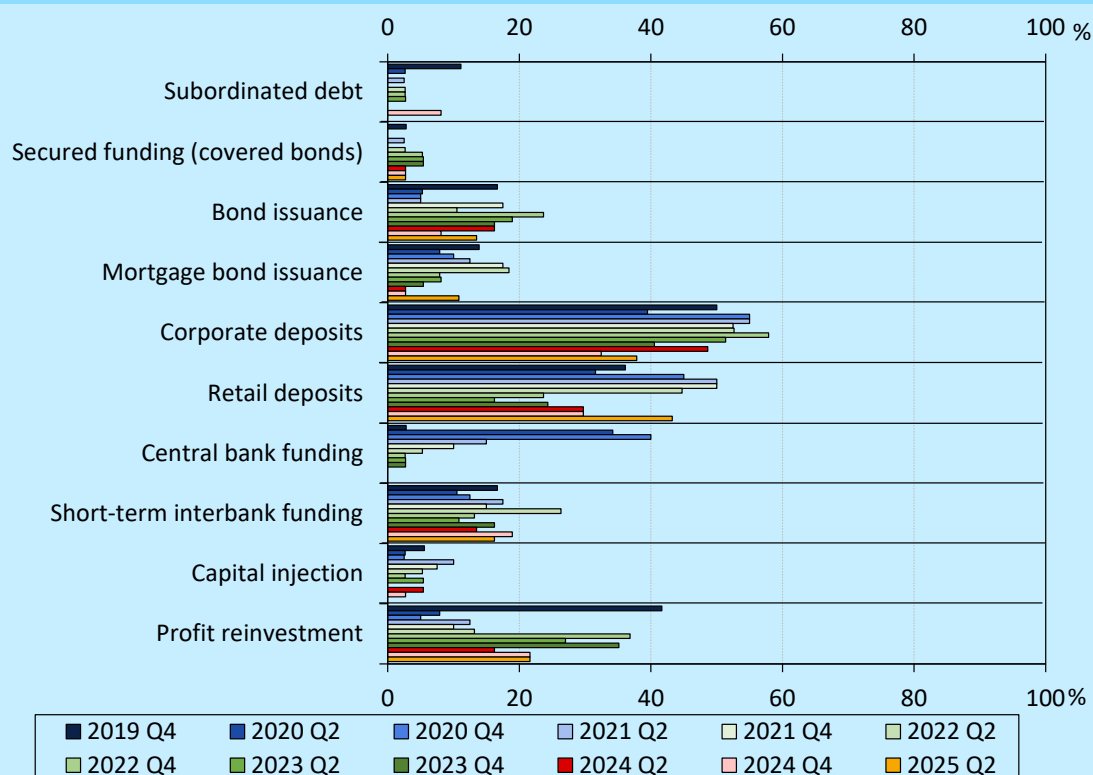


Chart 16

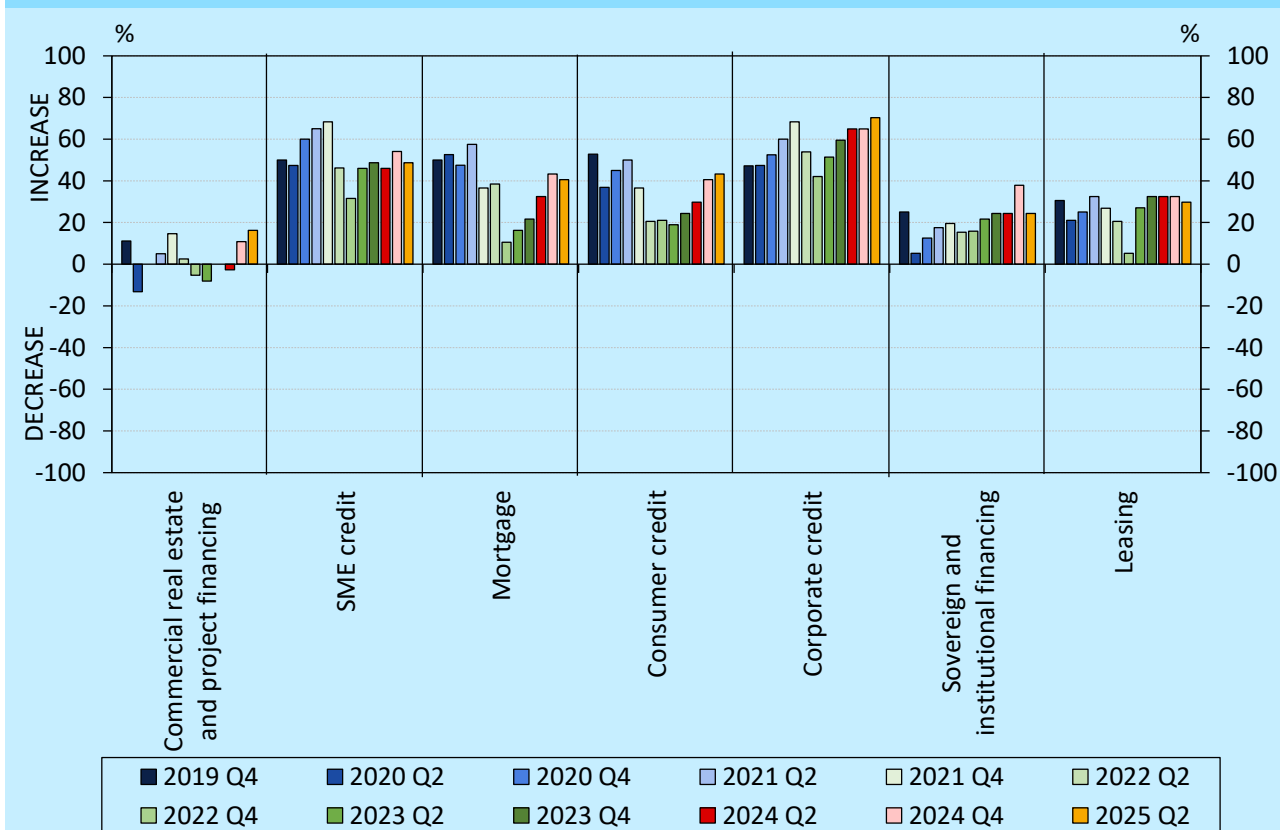
Liability-side items that are planned to increase in the next 6 months



### 3. Assets and Portfolio Quality

Chart 17

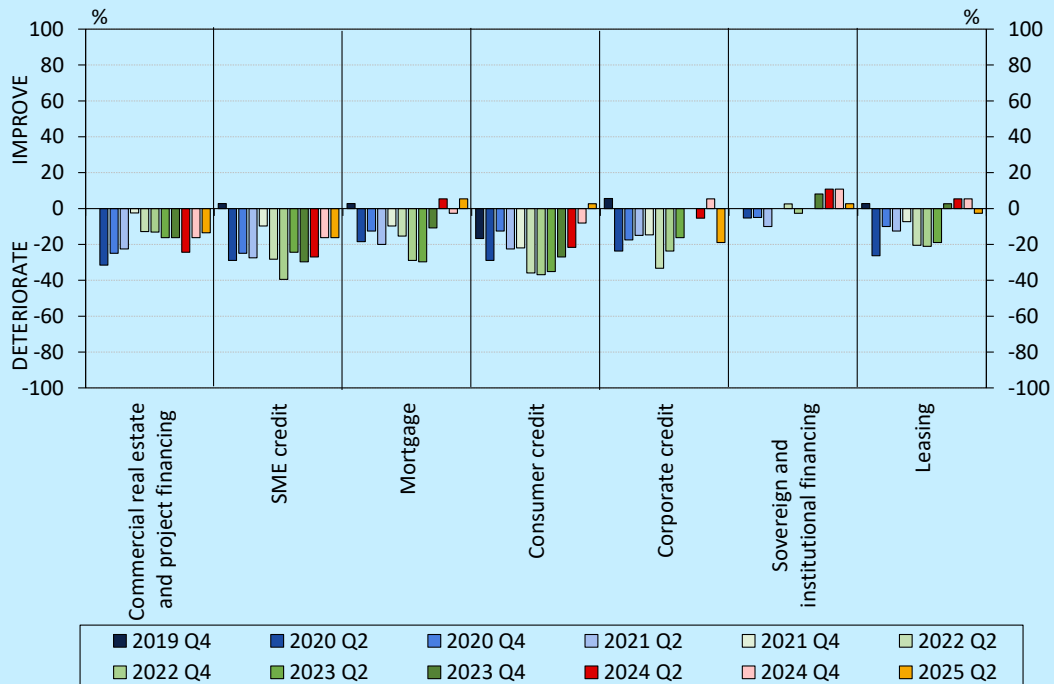
Planned change in the volume of portfolios in the next 6 months



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

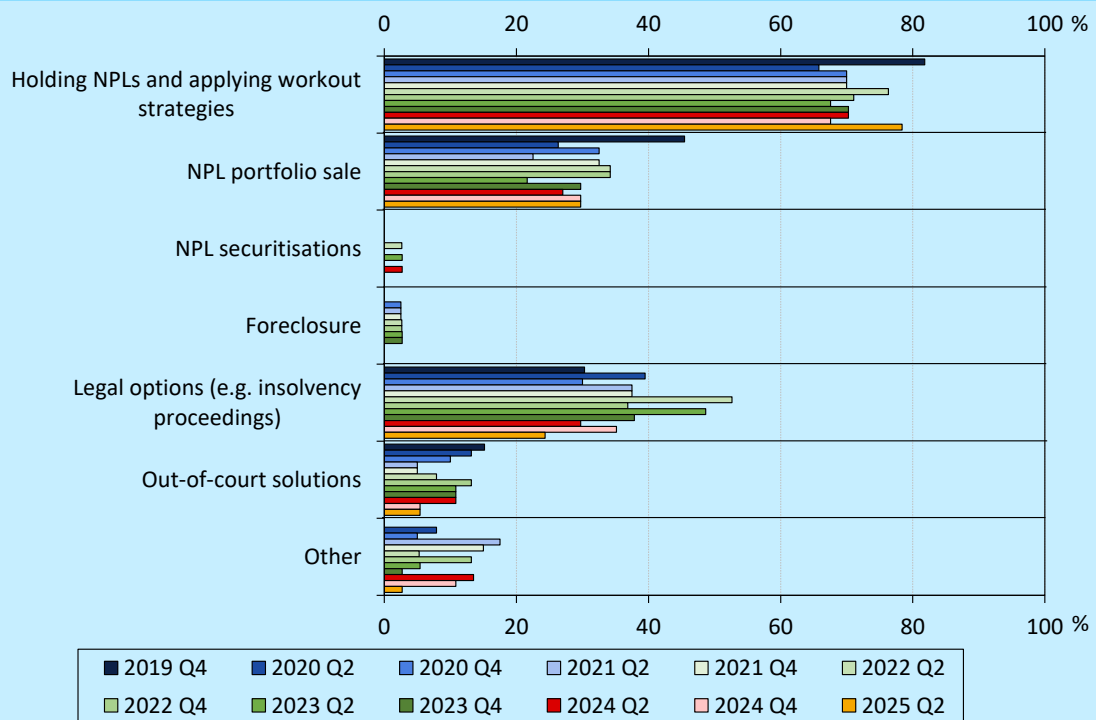


Chart 20

Impediments to resolving non-performing loans

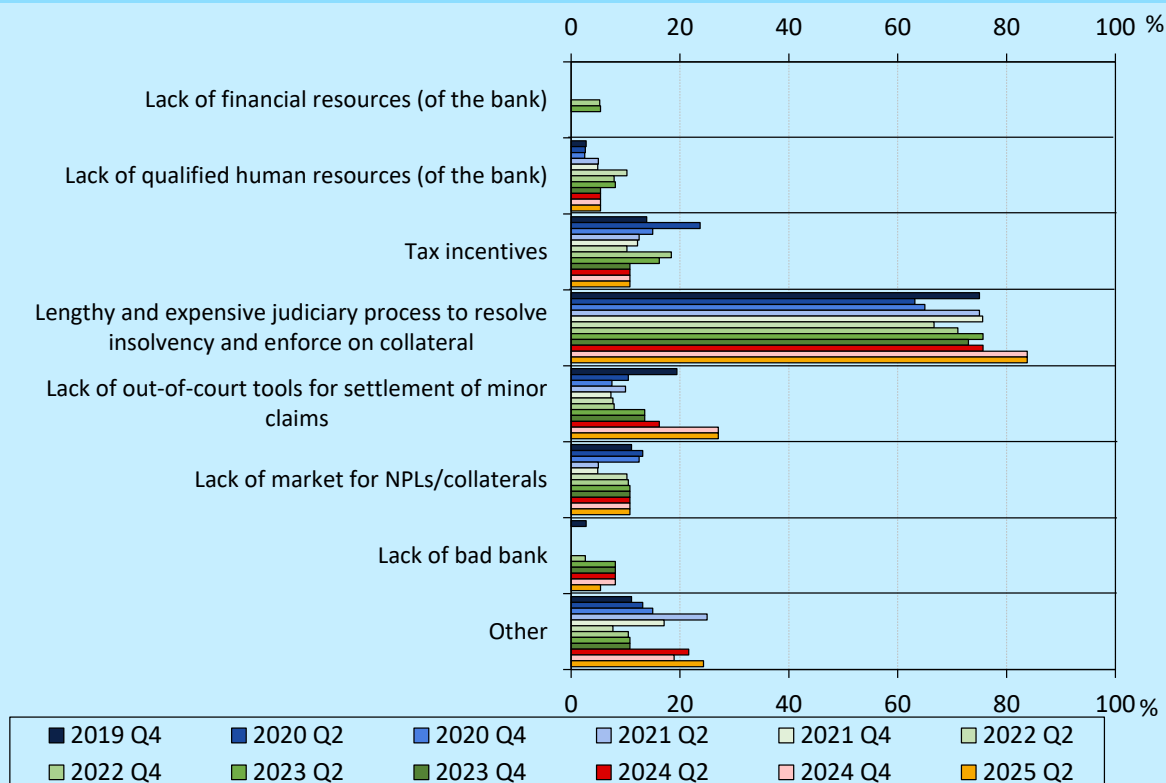
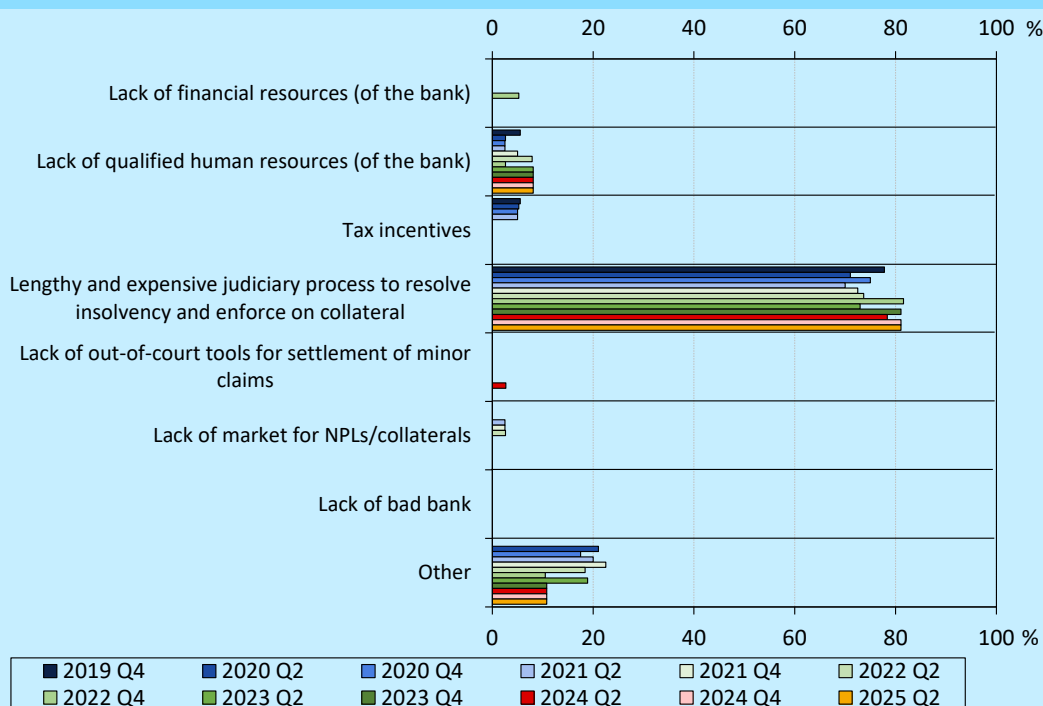


Chart 21

Main impediment to resolving non-performing loans



## 4. Operational Risks

Chart 22

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

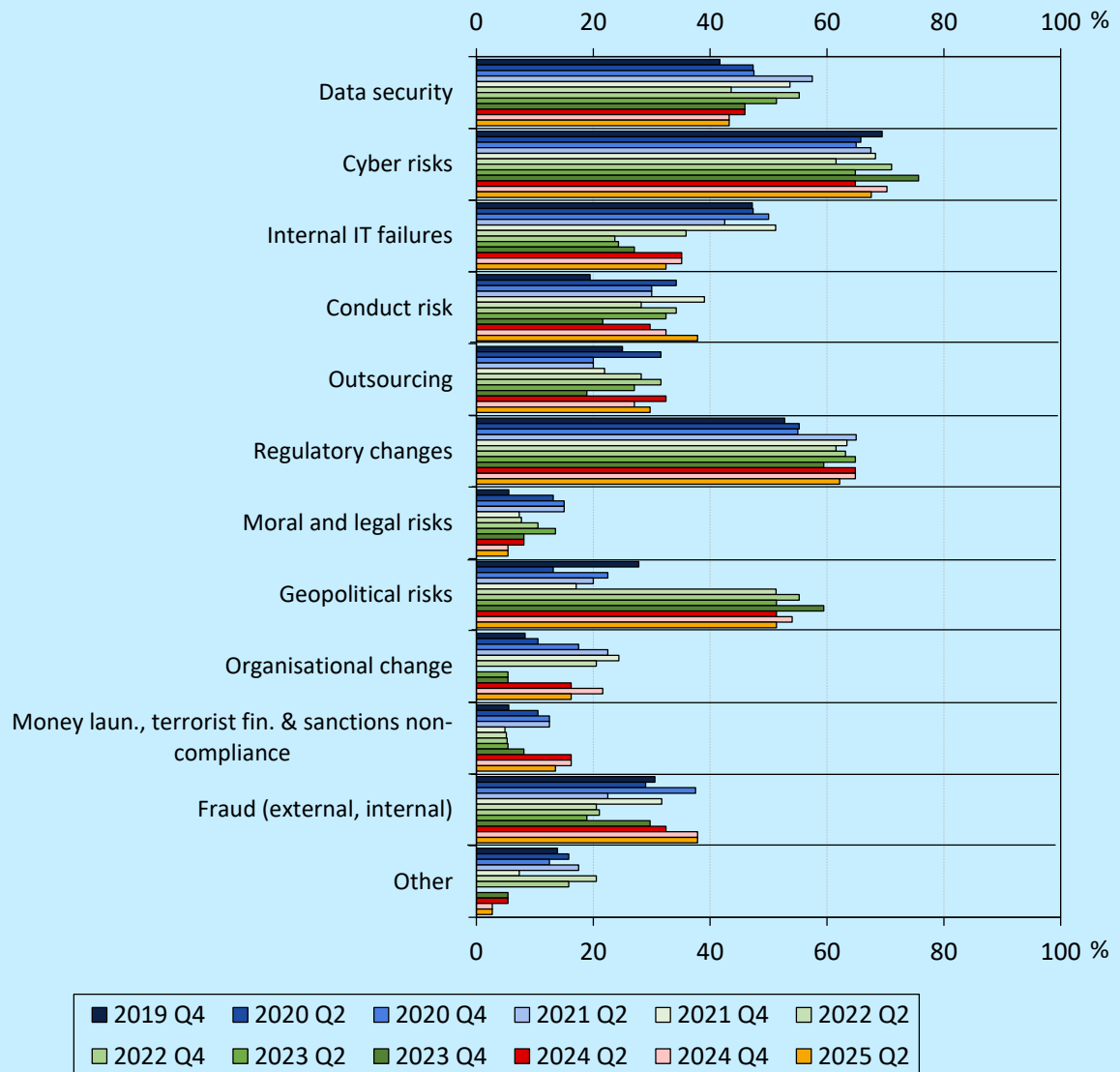
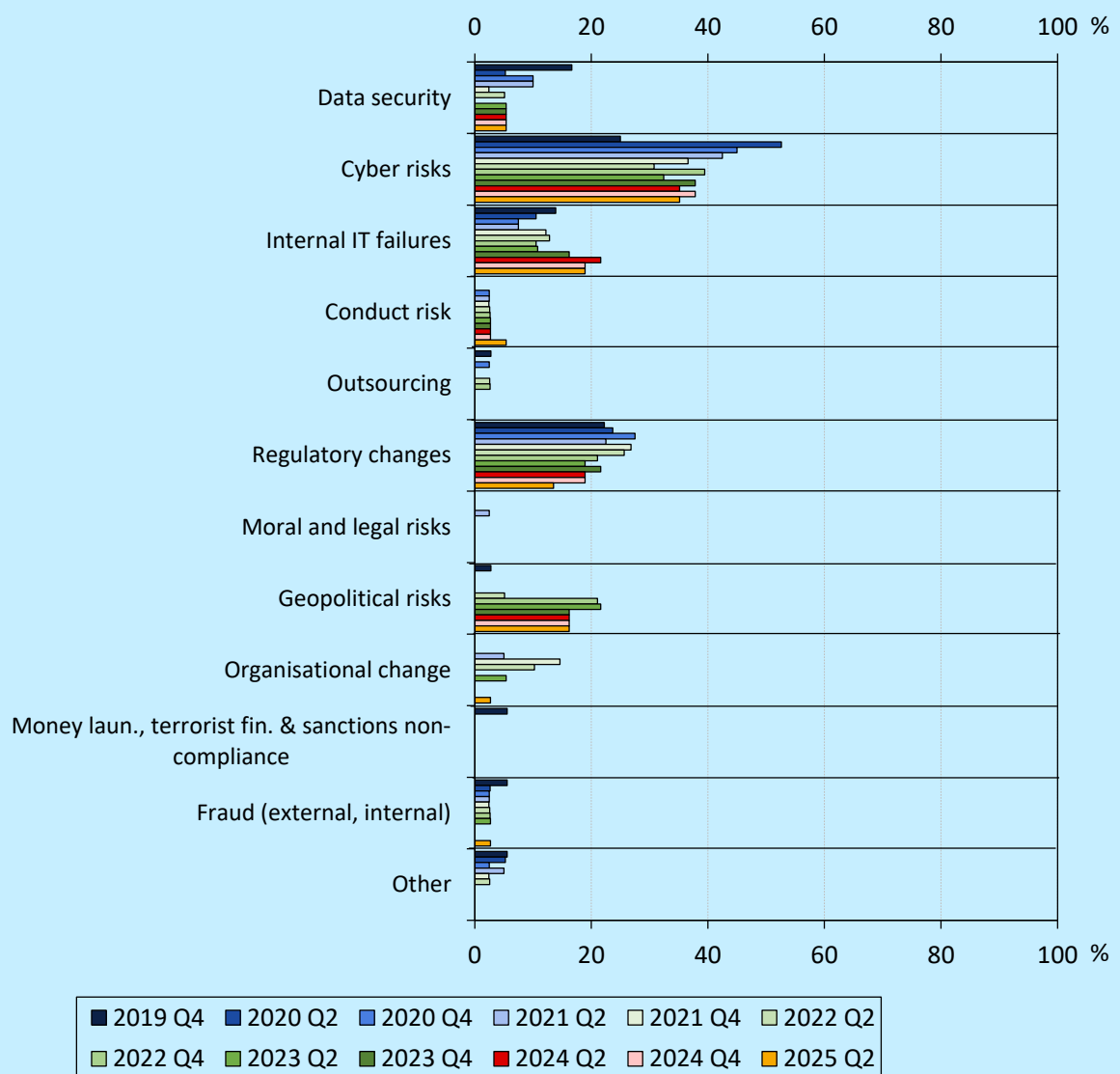


Chart 23

Main operational risk in the next 6 months



## 5. Costs and FinTech

Chart 24

### Form of engagement with FinTech firms

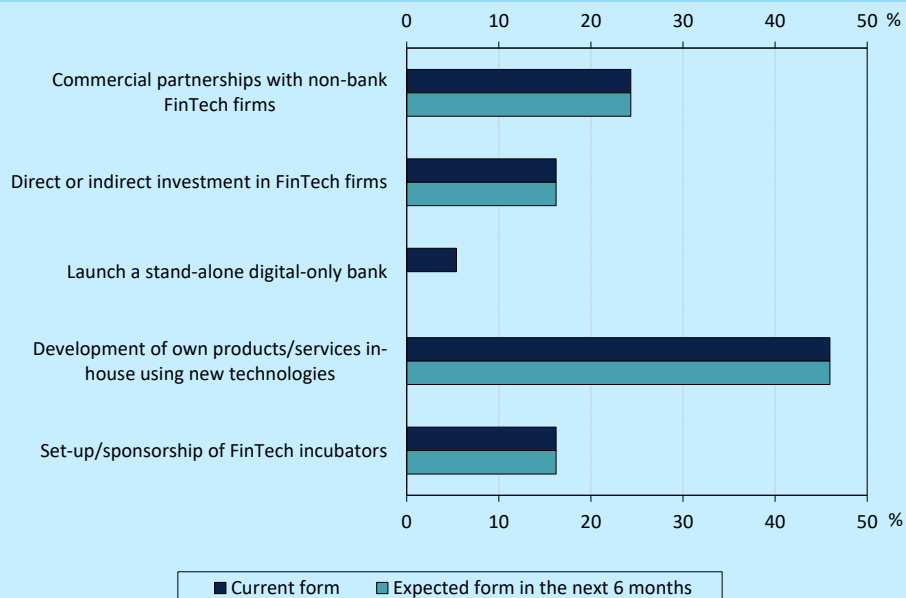
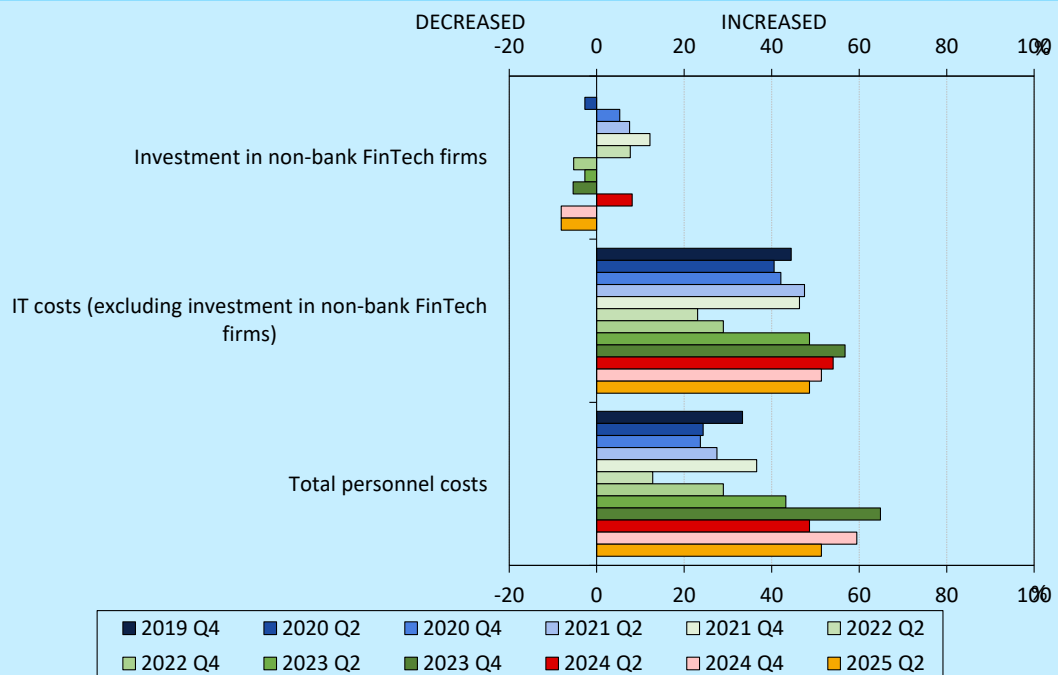


Chart 25

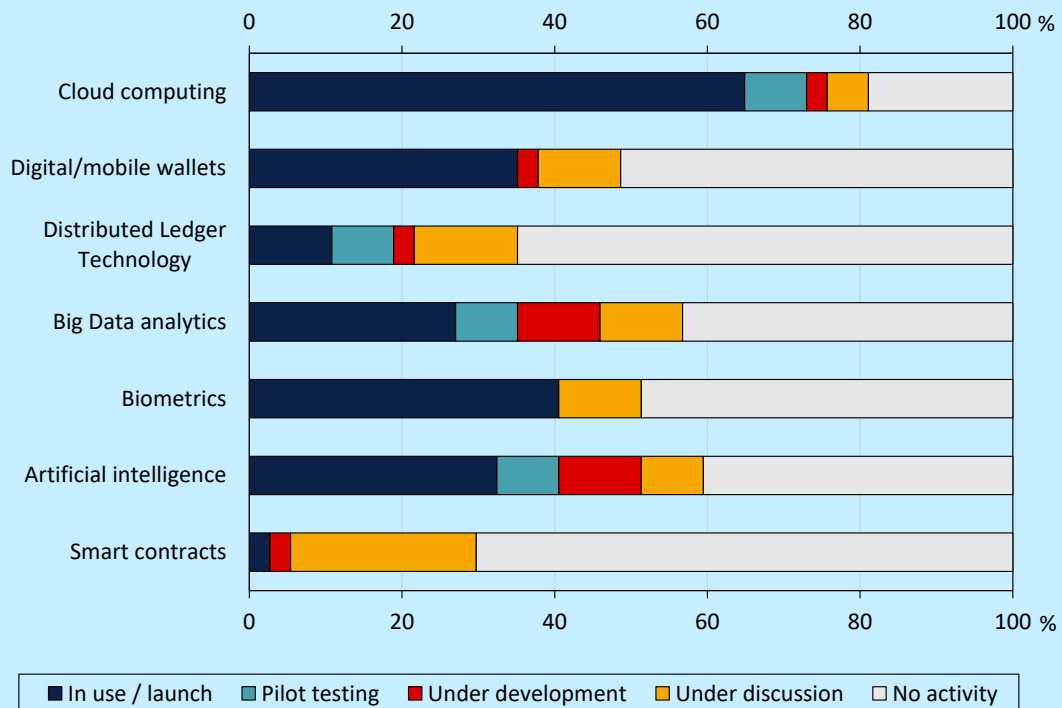
### Change in IT and FinTech costs to assets in the last 6 months



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 costs, divided by the number of respondent banks.

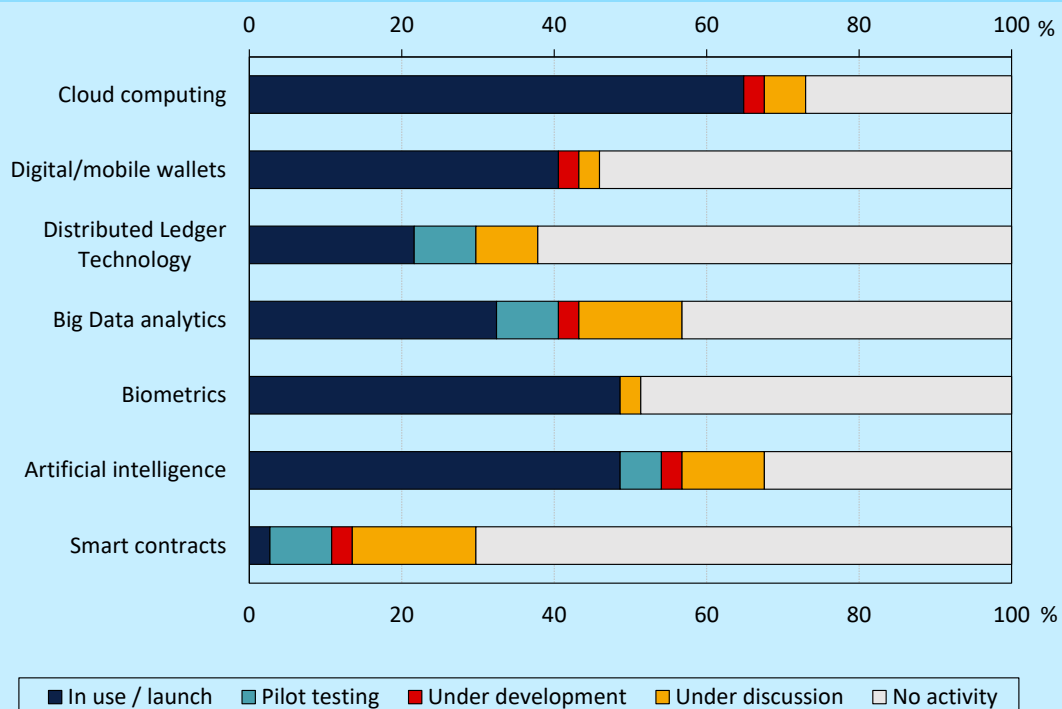
**Chart 26**

**Involvement in applying the following technologies**



**Chart 27**

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





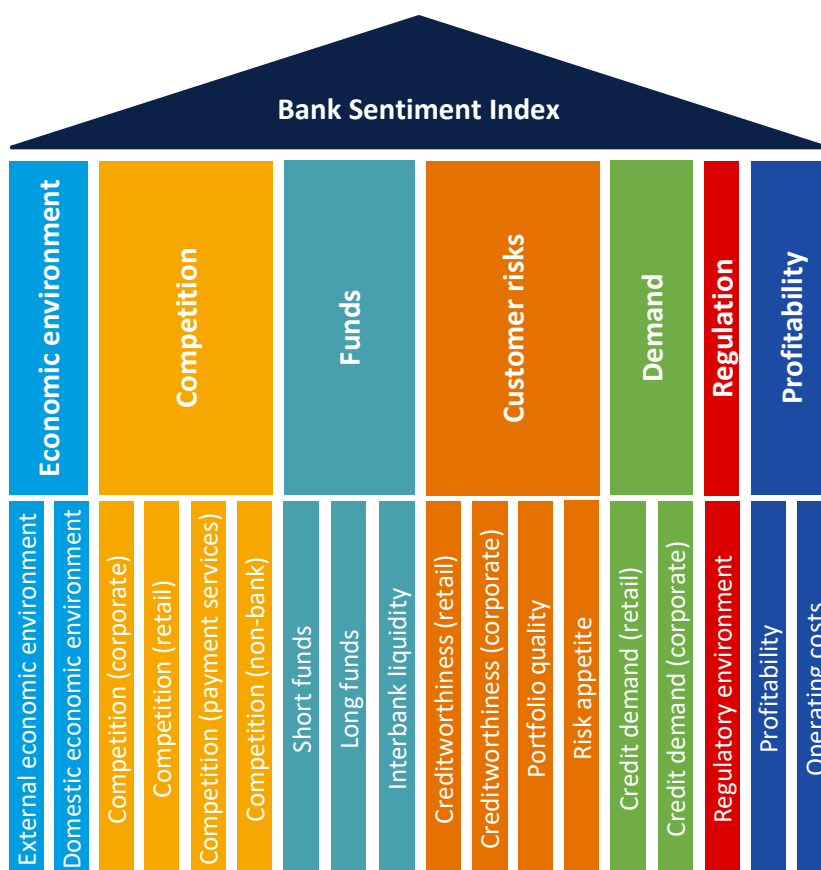
# Methodological Notes

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.<sup>1</sup>

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*



<sup>1</sup> 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 Plc.  
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.  
Cofidis Hungary Ltd.  
Oberbank AG Hungary Branch  
Polgári Bank Ltd.  
Trive Bank Hungary Ltd.