

**The countercyclical capital buffer rate applicable to Hungarian exposures from 1 January 2019
and the justification thereof**

In view of the capital buffer guide and the other supplementary indicators relevant in terms of domestic financial systemic risks, the Magyar Nemzeti Bank has left the rate of the countercyclical capital buffer to be applied to exposures to counterparties in Hungary as of 1 January 2019 at 0 percent.

| | Current data (30 June 2018) |
|--|--|
| Countercyclical capital buffer rate applicable to exposures to counterparties in Hungary (per cent) | 0 |
| Countercyclical capital buffer rate based on the additional credit-to-GDP gap (per cent) – <i>buffer guide</i> | 0 |
| Countercyclical capital buffer rate based on the standardised credit-to-GDP gap (per cent) | 0 |
| Additional credit-to-GDP ratio (per cent) | 38.9 |
| Additional credit-to-GDP gap (percentage point) | -18.1 |
| Standardised credit-to-GDP ratio (per cent) | 85.5 |
| Standardised credit-to-GDP gap (percentage point) | -32.6 |

Justification

The benchmark additional credit-to-GDP gap, the analysed supplementary indicators and other available credit market information continue to signal a low level of cyclical systemic risks.

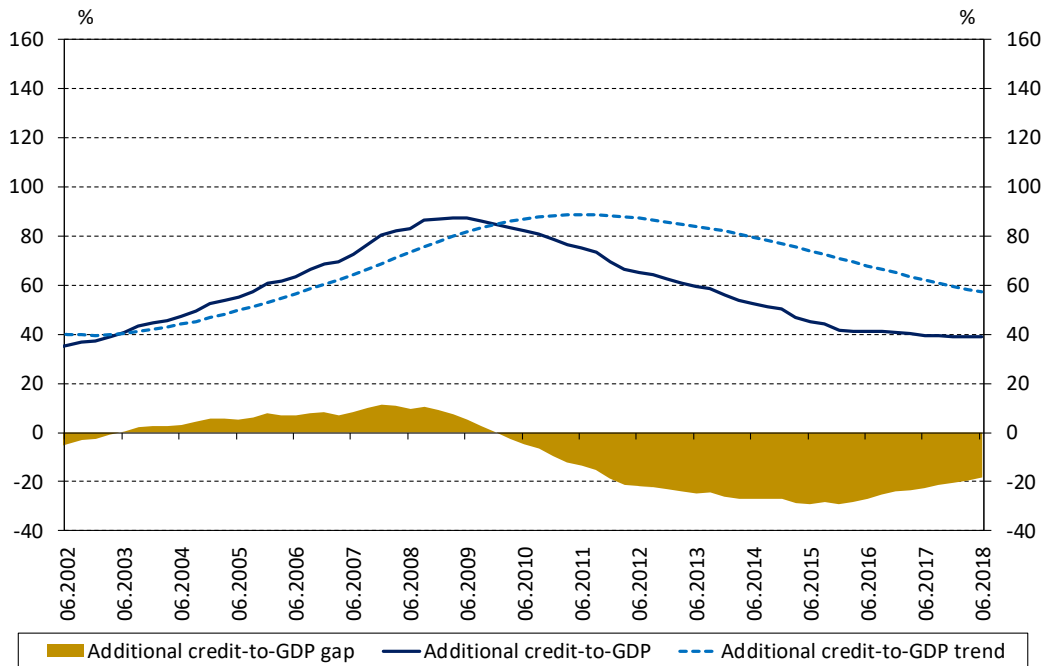
The additional credit-to-GDP gap, which serves as a guide for determining the countercyclical capital buffer rate, is gradually narrowing, but still negative based on data of the second quarter of 2018. This indicates that lending to the economy, even with the currently observable dynamic credit growth, still remains below the level anticipated by the long-term trend of credit-to-GDP. On the basis of the level and dynamics of the supplementary indicators, actual and expected risks of systemic overheating are estimated to be low and vulnerability risks are also not significant.

On the whole, the degree and the evolution of cyclical systemic risks justify the maintenance of the current countercyclical capital buffer rate applicable to Hungarian exposures. In the next 12 months, the necessity of regulatory intervention related to the systemic overheating or cyclical vulnerability is of low probability given the current trends.

For more details on the method of defining the countercyclical capital buffer guide and other monitored indicators, see the methodological notes, as well as the indicators of the cyclical systemic risk map underlying the current decision on the rate.

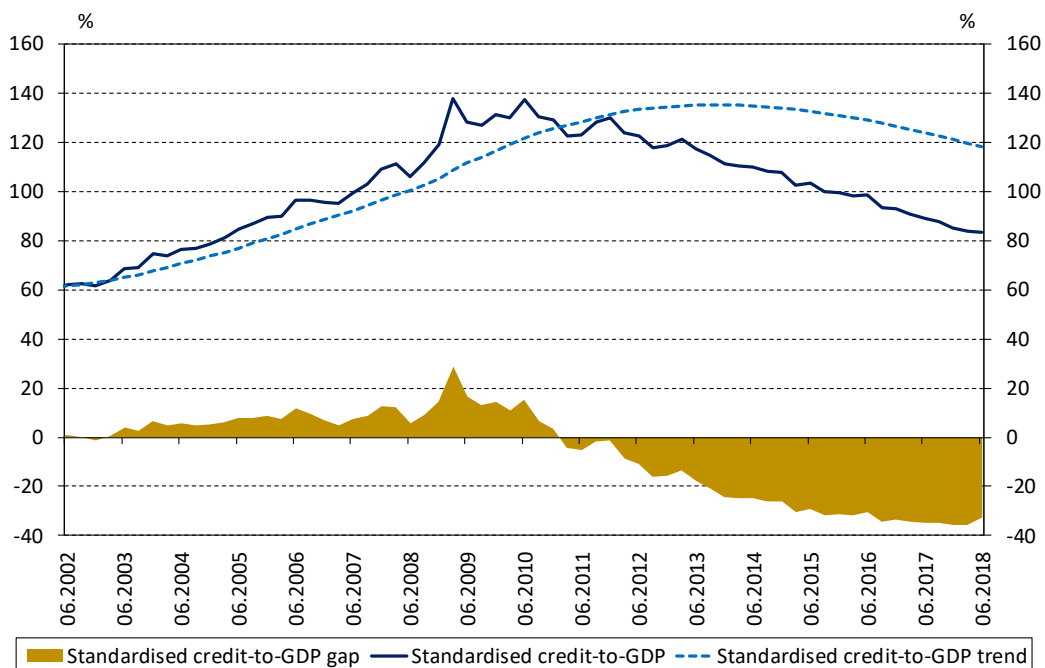
Appendix

Chart 1 – Development of the benchmark additional credit-to-GDP gap



Source: MNB. Note: benchmark additional credit-to-GDP gap based on country-specific methodology calculated on 30 June 2018 data.

Chart 2 – Development of the standardised credit-to-GDP gap



Source: MNB. Note: standardised credit-to-GDP gap based on the European Systemic Risk Board's recommendation calculated on 30 June 2018 data.