Press release on the loans granted in the second phase of the Funding for Growth Scheme

6 January 2016

Up to 31 December 2015, credit institutions participating in the second phase of the Scheme concluded contracts for a total amount of HUF 1402.1 billion, in 45977 transactions with 26745 enterprises. (Credit institutions used the amount over and above HUF 1,000 billion against the funds allocated to the FGS+.[1]) The total contract amount of loans not matured yet is HUF 1281.7 billion, whereas the loans effectively outstanding – not including the repaid instalments and undrawn loan parts – account for HUF 864.4 billion. Utilisation of the Scheme in the second phase in 2015 exceeded the amount observed in the previous year by HUF 227 billion. The year-end jump in utilisation can be attributed in part to the fact that the second phase completed at the end of 2015 and certain loan purposes are not eligible in the third phase starting in 2016.

The contracting period of the FGS+ also expired at the end of 2015, in which contracts worth some HUF 23 billion were concluded with the partial risk-assumption of the MNB. Since the start of the FGS nearly 31.000 enterprises have obtained financing amounting to HUF 2,126 billion altogether (including FGS+).

In the second phase, new loans account for 95 per cent of the contracted HUF 1402.1 billion (loan redemptions cannot exceed 10 per cent of the overall amount). Within new loans, the share of new investment loans (and new leasing transactions) is 61 per cent, while the share of new working capital loans is 29 per cent and the share of loans granted to pre-finance EU funds (hereinafter: EU loans) is 10 per cent. In Pillar II (redemption of forint and foreign currency loans), the share of loans disbursed for the redemption of outstanding investment loans is 68 per cent, while 32 per cent has been provided for the redemption of outstanding working capital loans. 81 per cent of the loans under Pillar II was used to redeem forint-denominated loans, while 19 per cent served for the redemption of foreign currency loans. Within the contracts concluded under Pillar I, the average amount of new investment loans is HUF 24 million, that of new working capital loans is HUF 61 million, while in case of EU loans the average size is HUF 31 million.

In Pillar I, weighted by loan size, the average maturity of new investment loans is 7.1 years, compared to 2.3 years for new working capital loans and 1.7 years for EU loans, while in Pillar II it is 6.7 years for loans granted for the redemption of outstanding investment loans and 2.6 years for the redemption of outstanding working capital loans.

New investment loans account for more than half of the lending by large banks, whereas new investment loans constitute the vast majority of loans granted by small and medium-sized banks and cooperative credit institutions. EU loans are mainly granted by large banks and cooperative credit institutions under the Scheme. In terms of company size, 78 per cent of loans to micro enterprises are new investment loans, while this share is around 50 per cent in the case of small and medium-sized enterprises.

Regarding sectoral distribution, the agriculture, manufacturing, and trade and repair sectors are overrepresented, as they account for nearly two thirds of the loans.

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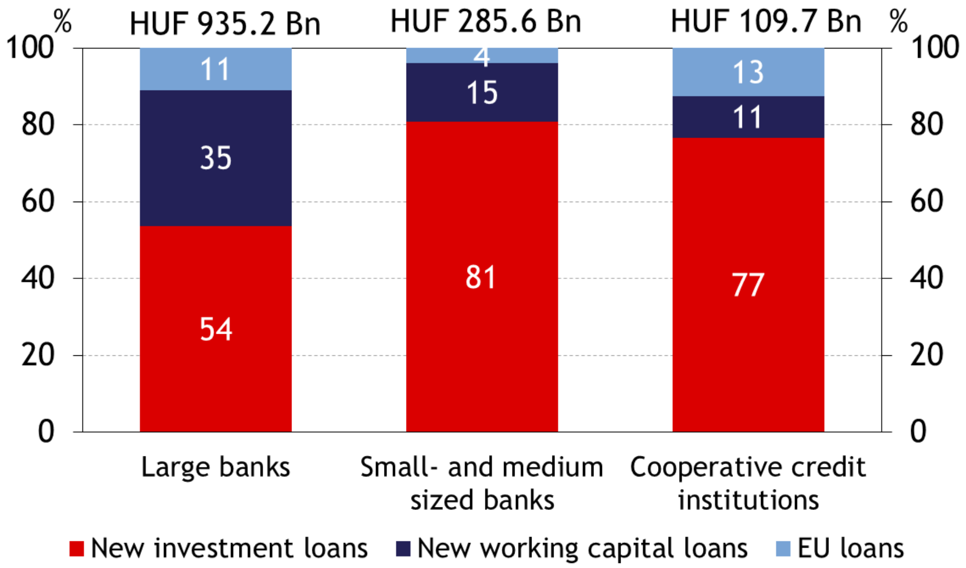
[1] According to a decision made by the Monetary Council on 22 September 2015, credit institutions may also use their total credit line of HUF 500 billion allocated to the FGS+ to supply credit under the second phase of the FGS.

In view of the fact that the time frame for contracting and submitting the contracts to the MNB expired, this release is based on all SME loan contracts submitted in the second phase[2]*. This is the last monthly publication and analysis of utilisation in the second phase in this form.*

Table 1: Distribution of loans provided in the second phase of the Scheme, by purpose

FGS, second phase	Pillar I			Pillar II	
	New investment loan	New working capital loan	EU loan	Investment loan	Working capital loan
Contracted amount (billion HUF)	818.9	385.5	126.0	48.8	22.8
Average contract size (million HUF)	23.7	61.4	30.9	55.5	79.0
Average maturity weighted by loan size (year)	7.1	2.3	1.7	6.7	2.6

Chart 1: Distribution of loans provided under Pillar I, by purpose and banking group[3]



[2] The large amount of data concentrated on the last days of the submission period may have resulted in more errors than usual. As a result of the subsequent correction, final data can differ slightly from the data published in this release.

[3] Disbursements by financial enterprises are included in the group corresponding to the size of the banks refinancing them.

Chart 2: Distribution of loans provided under Pillar I, by purpose and company size

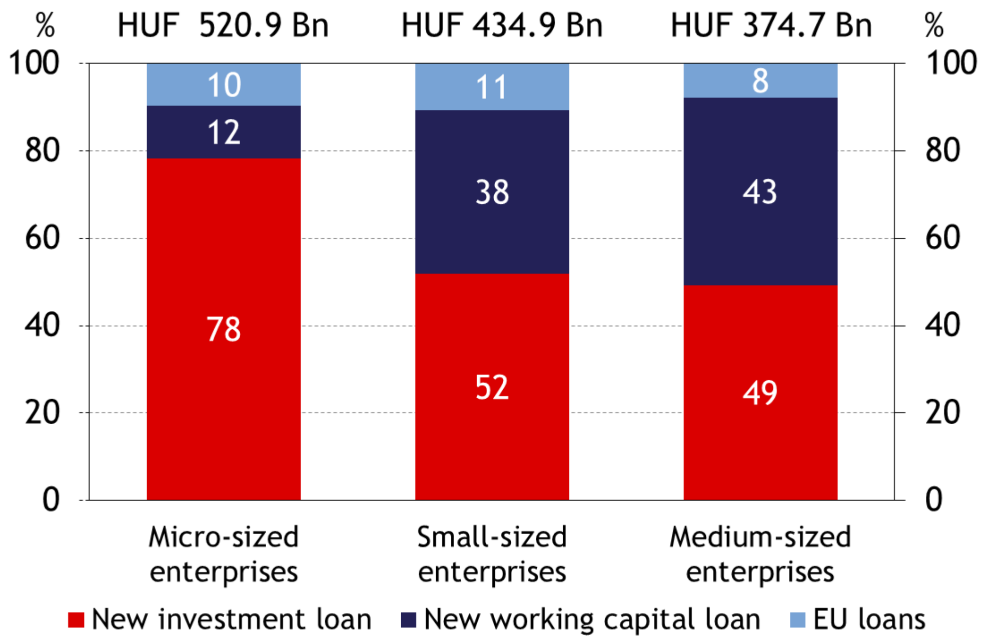
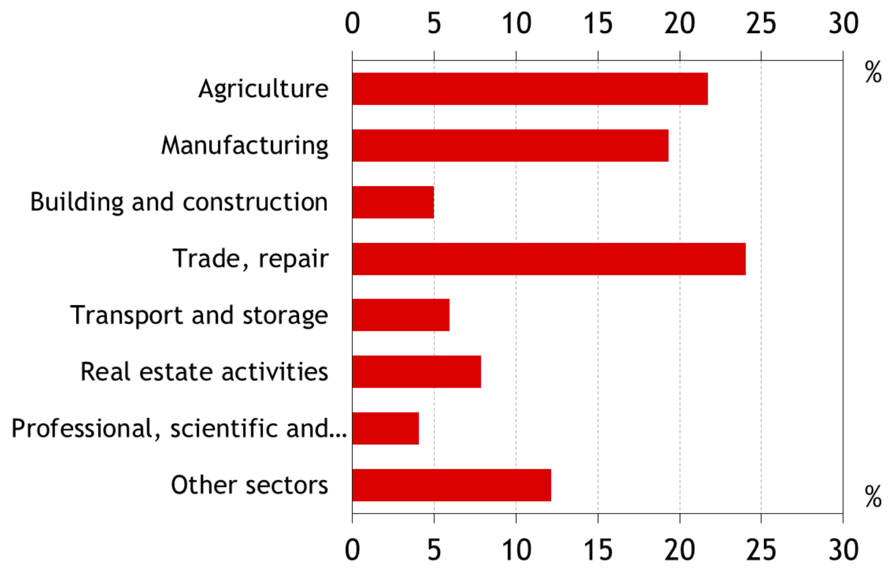


Chart 3: Sectoral distribution of loans[4]



[4] The sectoral distribution of loans does not include sole proprietors.

Chart 4: Regional distribution of loans

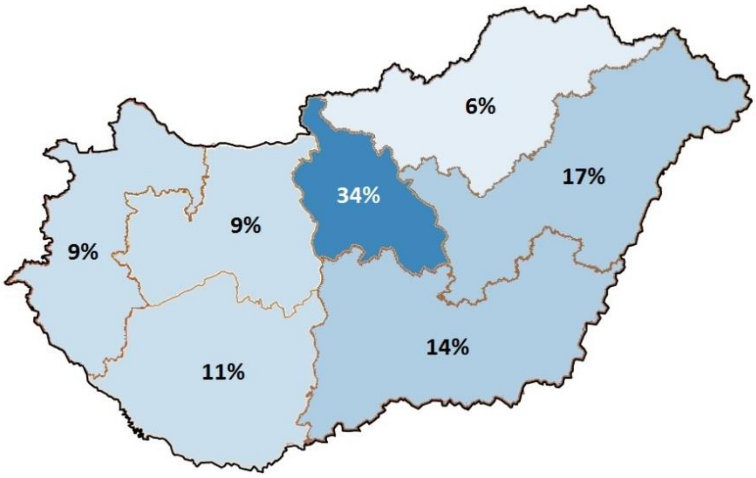
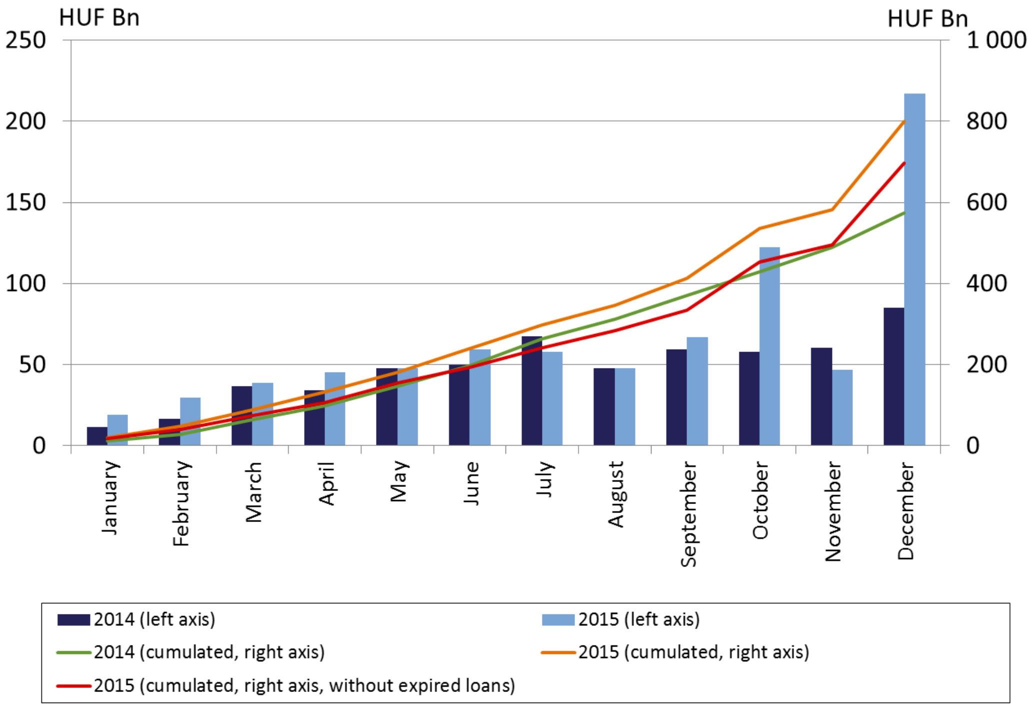


Chart 5: Utilisation of the second phase of the FGS (1)[5]



Note: Based on the date of submission for refinancing of the SME contracts

[5] The decline in the amount of loan contracts submitted for refinancing in November compared to the previous month can be attributed partly to the fact that, credit institutions submitted all concluded contracts at the request of the MNB by end-October (related to the reallocation of the unutilized part of their FGS+ allocated amount), including those that would have been submitted only later according to the standard procedure, in line with the actual disbursements. The jump in December can also be partly attributed to the fact that credit institutions had to submit all concluded contracts by end-2015, regardless of the date of the first disbursement.

Chart 6: Utilisation of the second phase of the FGS (2)