Bálint Dancsik | Head of Department

Directorate Financial Stability and
Monetary Policy Instruments

Press Conference | 29 May 2025

FINANCIAL STABILITY REPORT, MAY 2025

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MAIN TAKEAWAYS

The Hungarian banking system's shock-resilience capacity remains strong, supported by outstanding profitability, ample liquidity, adequate capitalization, and the good quality of loan portfolios.

The profitability of the banking sector remained at an outstanding level, with one-off items playing a significant role in 2024. By eliminating these, profitability has already decreased.

The capital position of banks has further strengthened, the level of free capital buffer is high, which would be sufficient to more than double the loan portfolio.

No general supply constraints can be identified in lending.

The duality of the credit market remains unchanged: household lending has significantly increased, but corporate credit demand has not yet turned around.

House prices rose dynamically in late 2024 and early 2025, which point to a further rise in overvaluation, but was not accompanied by a significant increase in credit risks.

Based on our stress tests, the sector would meet regulatory requirements for liquidity and capital adequacy even in the event of a severe shock.

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I. Shock resilience and credit risks

II. Trends in lending and housing market

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THE STABILITY INDICATORS OF THE HUNGARIAN BANKING SYSTEM CONTINUED TO DEVELOP FAVORABLY

FINANCIAL STABILITY INDICATORS OF THE BANKING SECTOR

Financial Stability Indicators	2008	2019	2024
Liquid assets / total assets	10.0%	28.2%	32.0%
Loan-to-deposit ratio	152.0%	75.5%	74.0%
Foreign funds / total liabilites	33.9%	12.7%	10.3%
Capital adequacy ratio	12.9%	18.0%	20.5%
Share of loans over 90 days past due	4.6%	2.1%	1.2%
Return on Equity	11.3%	11.6%	22.6%
Operational costs to assets	2.4%	2.0%	1.8%
Household loans outstanding - annual growth rate	19.1%	16.7%	9.7%
Share of FX loans in the household loan segment	66.7%	0.5%	0.3%
Share of floating-rate loans in the household mortgages	77.5%	48.7%	13.9%
Corporate loans outstanding - annual growth rate	6.5%	14.2%	1.6%

The most important challenges facing the banking system

Geopolitical and trade tensions

Subdued investment activity and corporate credit demand

Decline in core profitability*

Forward-looking increase in credit risks

*Profitability adjusted for volatile and individual items. Source | MNB

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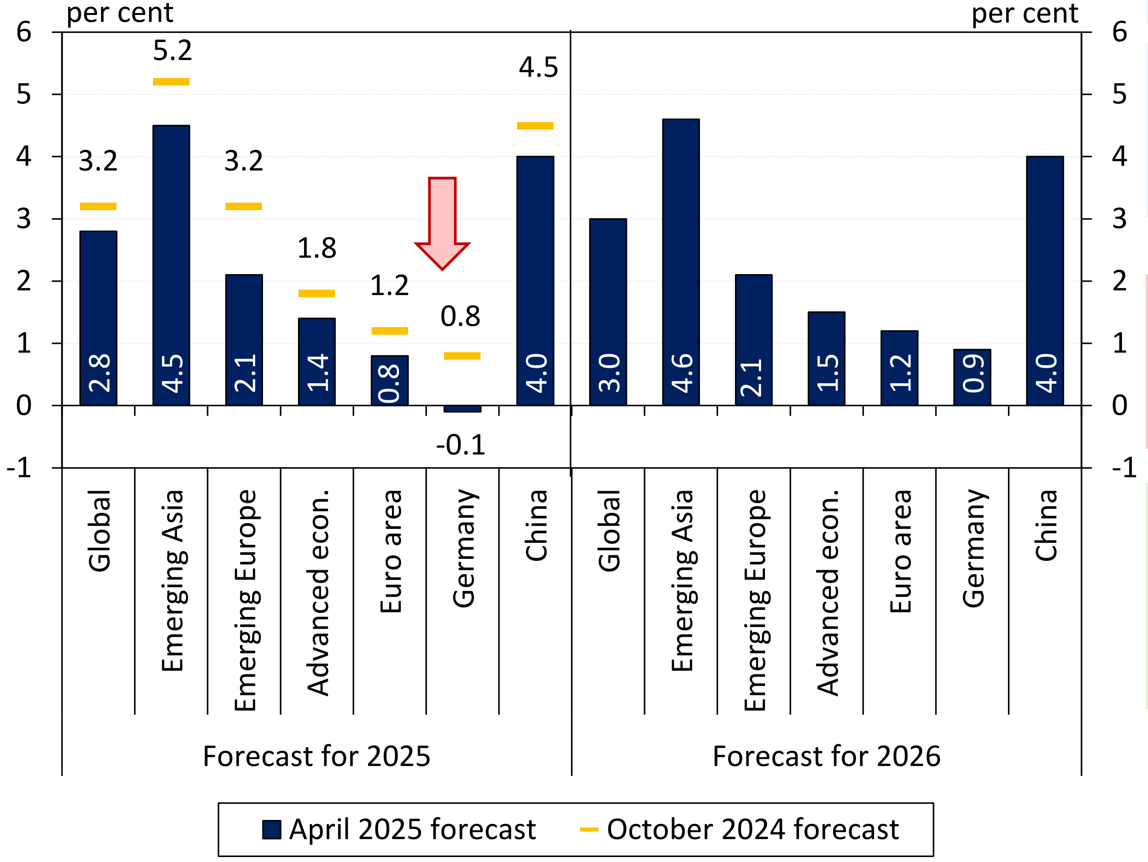
THE DEEPENING GEOPOLITICAL AND TRADE TENSIONS ALSO POSE CHALLENGES TO THE BANKING SYSTEM

The global economic growth outlook for 2025 has deteriorated significantly since the previous report.

REAL GDP GROWTH PROJECTIONS OF THE IMF FOR 2025 AND 2026



Mounting geopolitical tensions.

The protective tariffs announced and implemented by the United States and **trade policy responses**.

Inflation started to rise again in several countries and regions in 2024.

The **European banking system continued to operate with high profitability and ample liquidity reserves** in the second half of 2024.

Source | IMF

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THE SHOCK RESILIENCE OF THE BANKING SECTOR IS STILL STRONG, AND ITS LENDING CAPACITY REMAINS OUTSTANDING

I. OUTSTANDING PROFITABILITY

- ✓ The after-tax profit remained at an outstanding level in 2024.

HUF 1 595 Bn

- ✓ Return on equity (RoE)

22.6%

II. historically low npl-rates

- ✓ Decreased further in the household sector

2.0%

- ✓ Stagnated for one and a half years in the corporate sector

3.7-3.8%

III. Robust liquidity position

- ✓ Ample liquidity reserves

OLR: HUF 20,847 Bn

- ✓ The banking sector meets regulatory requirements with ample buffers

LCR: 170%

IV. Further strengthening capital position, ample free buffer

- ✓ High profitability further strengthens capital position

CAR: 20.5%

- ✓ High free capital buffer

HUF 2 256 Bn

Note |Data for NPL and capital position refer to the end of 2024, while data for liquidity refer to March 2025. Free capital buffer is calculated without unaudited interim profit. Profitability data refers to 2024. Source | MNB

PROFITABILITY REMAINED AT AN OUTSTANDING LEVEL IN 2024 — BUT DECREASED WITHOUT VOLATILE AND ONE-OFF ITEMS

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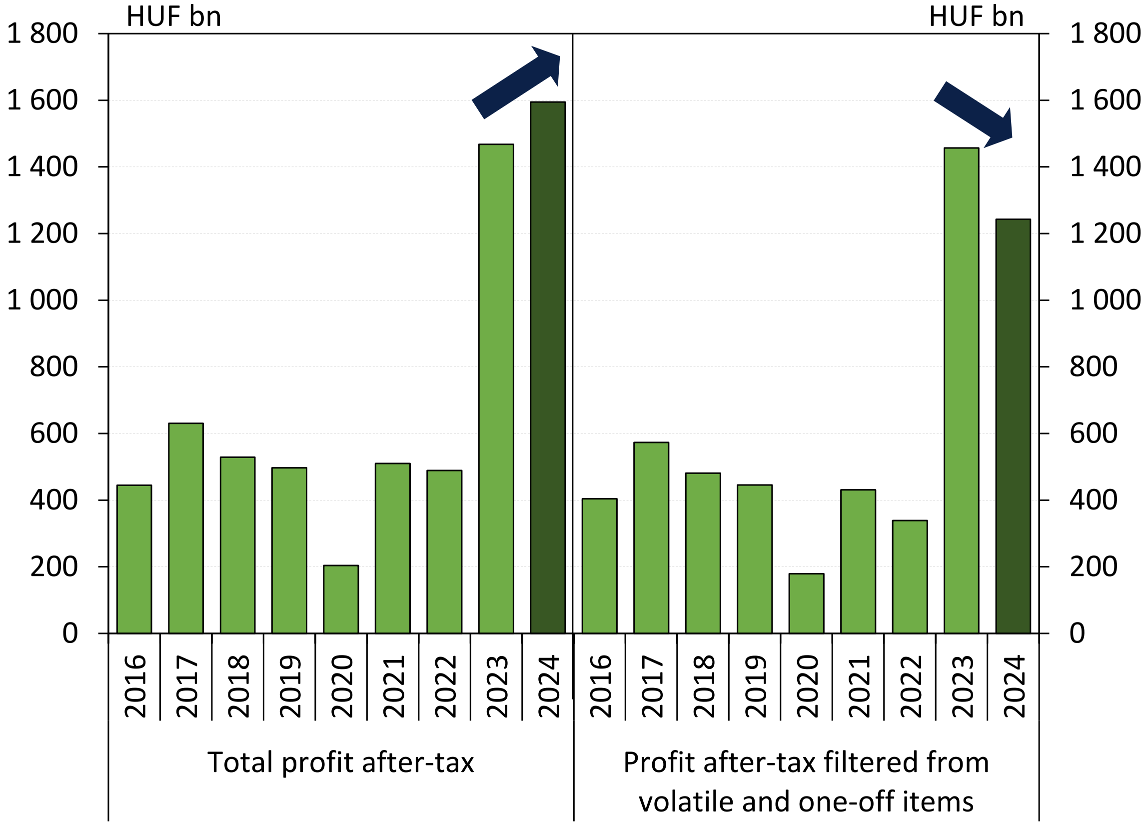
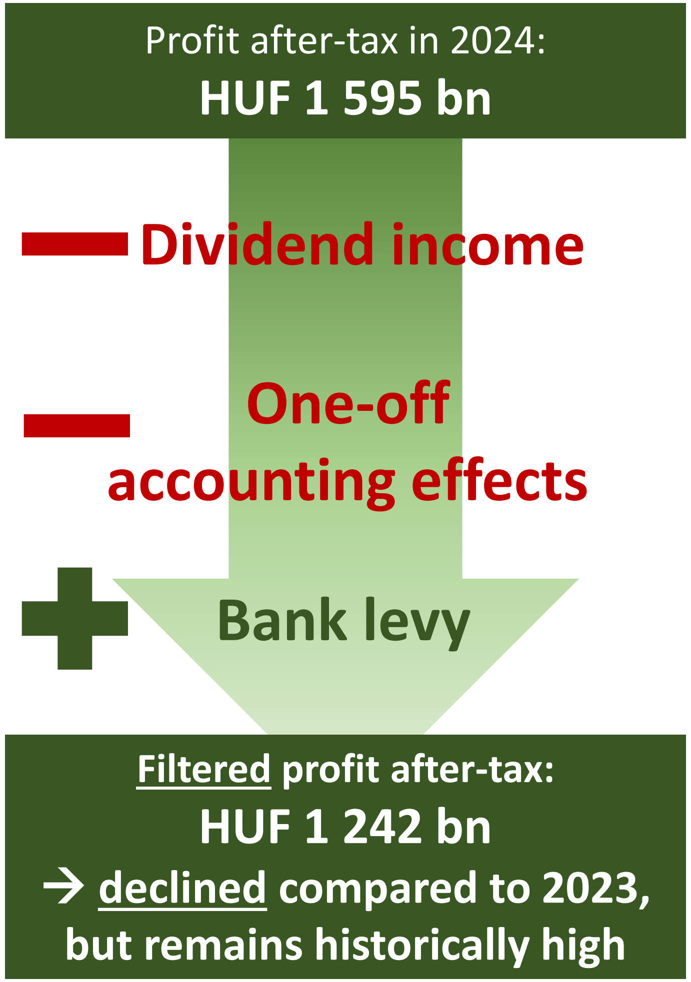
CREDIT INSTITUTION SECTOR'S PROFIT AFTER-TAX (ANNUAL, AND FILTERED FROM VOLATILE AND ONE-OFF ITEMS)





Note | Based on non-consolidated data. Volatile and one-off items: dividend income, bank levy (special tax on financial organisations and windfall tax); and in 2024, an accounting effect related to revaluation revenue, stemming from a merger of foreign subsidiaries. Source| MNB

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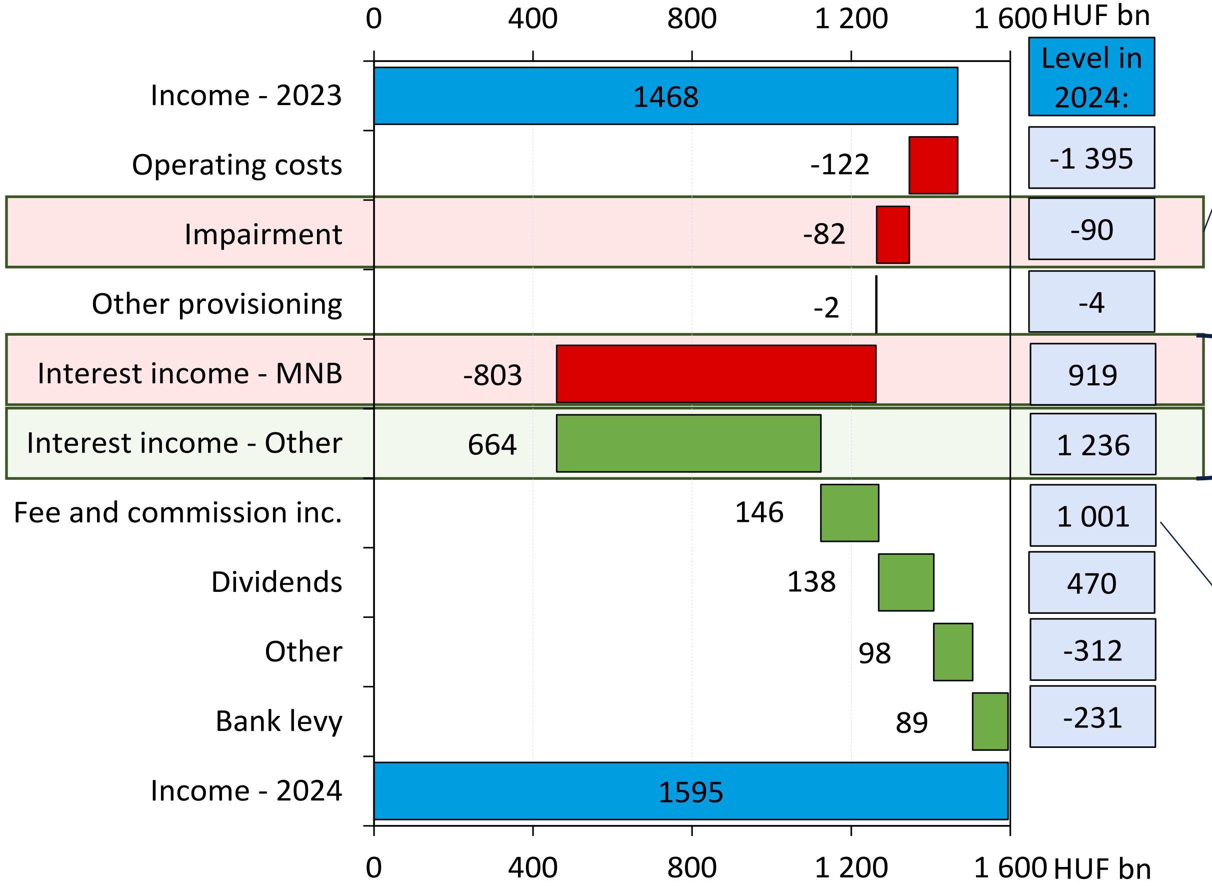
THE INCREASE IN NET INTEREST INCOME OTHER THAN MNB SECTOR SUPPORTED THE PROFIT

ANNUAL CHANGE IN AFTER-TAX PROFIT COMPONENTS OF CREDIT INSTITUTION SECTOR



Net impairment is greater compared to previous year.

The <u>net interest income</u> decreased, but still high.

Significant net <u>fee and commission income</u>, part of this came from passing on ←→ transaction fee payment obligation.

Box 5: Analysis of bank fee hikes and potential risks

Note | On the right side, the 2024 year-end nominal level of income items are shown. "Interest income - MNB" does not include futures (swap) transactions between the MNB and credit institutions and the amortized exchange rate gain/loss of forint securities (mortgage bonds). The bank levy line includes the combined change in the special tax on financial organizations (‘normal’ bank levy) and the windfall tax. The revaluation-related effects (acquisition-related accounting effects) are shown in other income.
Source| MNB

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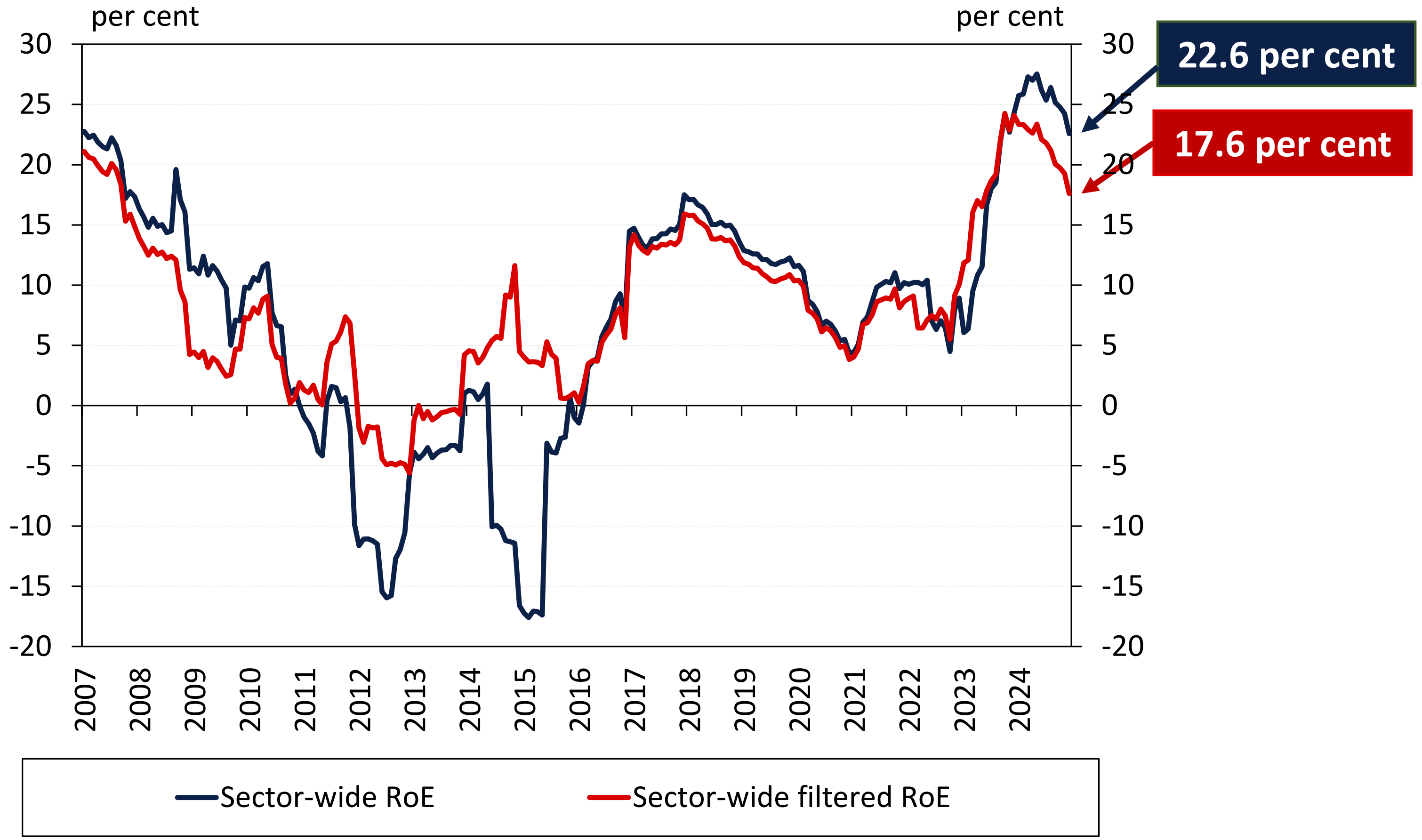
RETURN ON EQUITY STARTED TO DECREASE SINCE 2024 H2

12-MONTH ROLLING AFTER-TAX ROE AND FILTERED ROE OF CREDIT INSTITUTIONS



Note | Based on 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. The sector-level RoE excludes the following one-off items: early repayment, exchange rate cap, the impact of the settlement of consumer loan contracts in 2015, bank levy, dividend income and in 2024 an accounting effect stemming from a one-off acquisition. Source | MNB

MAGYAR NEMZETI BANK

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- ✓ Return on equity (RoE) **22.6%**

II. HISTORICALLY LOW NPL-RATES

- ✓ Decreased further in the *household* sector **2.0%**
- ✓ Stagnated for one and a half years in the *corporate* sector **3.7-3.8%**

III. Robust liquidity position

- ✓ Ample liquidity reserves

OLR: HUF 20,847 Bn

- ✓ The banking sector meets regulatory requirements with ample buffers

LCR: 170%

IV. Further strengthening capital position, ample free buffer

- ✓ High profitability further strengthens capital position

CAR: 20.5%

- ✓ High free capital buffer

HUF 2 256 Bn

Note |Data for NPL and capital position refer to the end of 2024, while data for liquidity refer to March 2025. Free capital buffer is calculated without unaudited interim profit. Profitability data refers to 2024. Source | MNB

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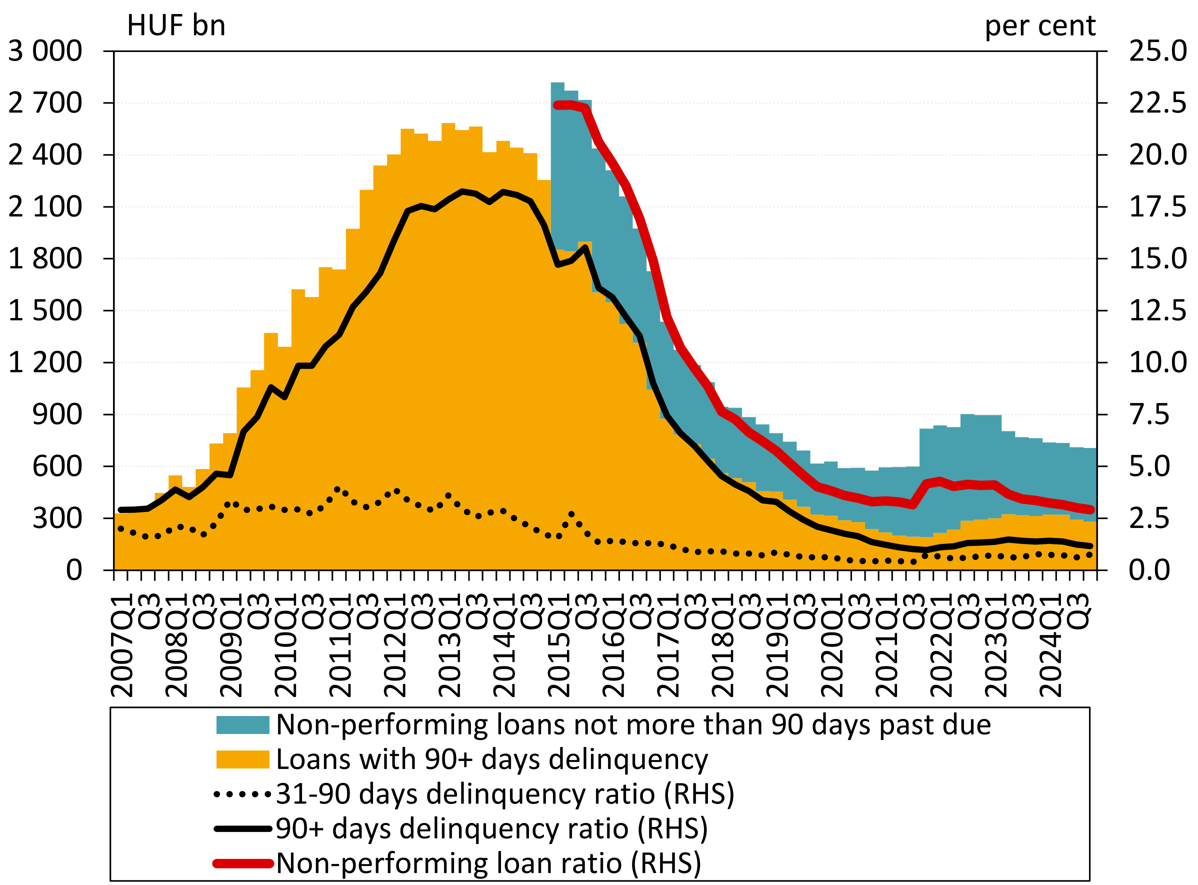
NPL-RATIO DECREASED FURTHER IN THE HOUSEHOLD SEGMENT, WHILE IT HAS BEEN STAGNATING IN THE CORPORATE SECTOR FOR 1,5 YEARS

TOTAL NON-PERFORMING LOANS OF THE CREDIT INSTITUTIONS SECTOR



Ratio of non-performing loans

Household segment

2023 Q4: 2.8 per cent

2024 Q4: 2.0 per cent

(Decreased by 2.3 p.p. in the last 2 years)

Corporate segment

2023 Q4: 3.8 per cent

2024 Q4: 3.7 per cent

(Did not change in the last 1.5 years.)

Low in historical comparison

Note | The definition of non-performing loans changed in 2015. From then on, in addition to 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

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LOOKING AHEAD, SEVERAL ASPECTS INFLUENCE PORTFOLIO QUALITY AND CREDIT RISKS

Aspects influencing portfolio quality

Foot-and-mouth disease

Share of loans of affected sectors in the total corporate portfolio is **1.4 per cent (HUF 177 Bn)**

Including the supply chains **2.2 per cent (nearly HUF 300 Bn)**

Problems of the German automotive industry

PD: 2.9 per cent → increases to 3.2 per cent

Calculating with 20-30 per cent drop in sales revenue in case of affected companies

Nonperforming loan growth in the private sector: **22-26 Bn HUF**

Failure to meet childbearing conditions

Contracts concluded between July 2019 and June 2021

Prenatal baby support loans: a child has not yet born in case of 32 thousand contracts (23%)

↳ 4 thousand would become vulnerable (**HUF 34 Bn**)

HPS: not all the children planned in advance were born in case of 20 thousand contracts

↳ Subsidised loans: HUF 60 Bn

Phase-out of the interest rate cap measure

286 thousand contracts (HUF 1200 bn)

Vulnerable: **16 thousand debtors (HUF 137 Bn)**

↳ Total loans outstanding of these debtors: **HUF 185 Bn**

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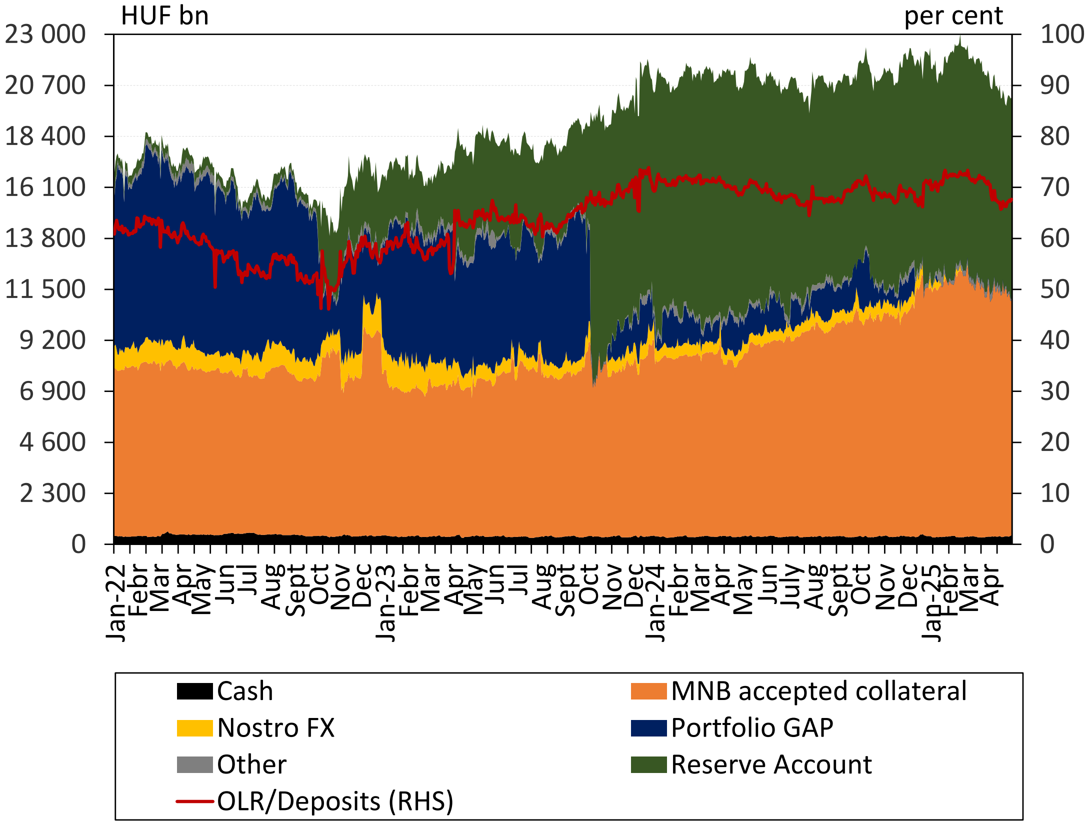
AMPLE SYSTEMIC LIQUIDITY IS AVAILABLE TO ADDRESS LIQUIDITY EVENTS IN 2025

DECOMPOSITION OF BANKS' OPERATIVE LIQUIDITY RESERVES



Operative Liquidity Reserves of Banks' (OLR): HUF 20,847 Bn (March 2025)

(Equivalent to 67 per cent of private sector deposits.)

Factors affecting liquidity in 2025

1.) Transfer of municipal deposits to the Treasury

HUF 350 Bn

2.) Maturity of MNB's long term collaterized loan facility

HUF 2 600 Bn

Liquidity stress test: The liquidity surplus of the domestic banking sector would provide sufficient coverage to meet regulatory requirements even in the event of severe stress.

Note | The portfolio gap indicates the contractual net inflows of treasury operations within 30 days of the reporting date, with the following content: interbank loans and deposits, MNB deposits, repos, securities (excluding own-issues, e.g. MNB discount bonds), deposits over HUF 5 billion, derivatives contracts. Classified into the „Other" category: ECB-eligible collaterals, cash flows from own securities. Mandatory reserves are taken into account by the MNB as liquid assets. Source | MNB.

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Note |Data on NPL rates and capital position refer to the end of 2024, while data for liquidity refer to March 2025. Free capital buffer is calculated without unaudited interim profit. Profitability data refers to 2024. Source | MNB

HIGH PROFITABILITY PROVIDED A FAVORABLE OPPORTUNITY, WHILE THE UNCERTAIN BUSINESS ENVIRONMENT JUSTIFIED THE BUILDING OF ADDITIONAL CAPITAL BUFFERS

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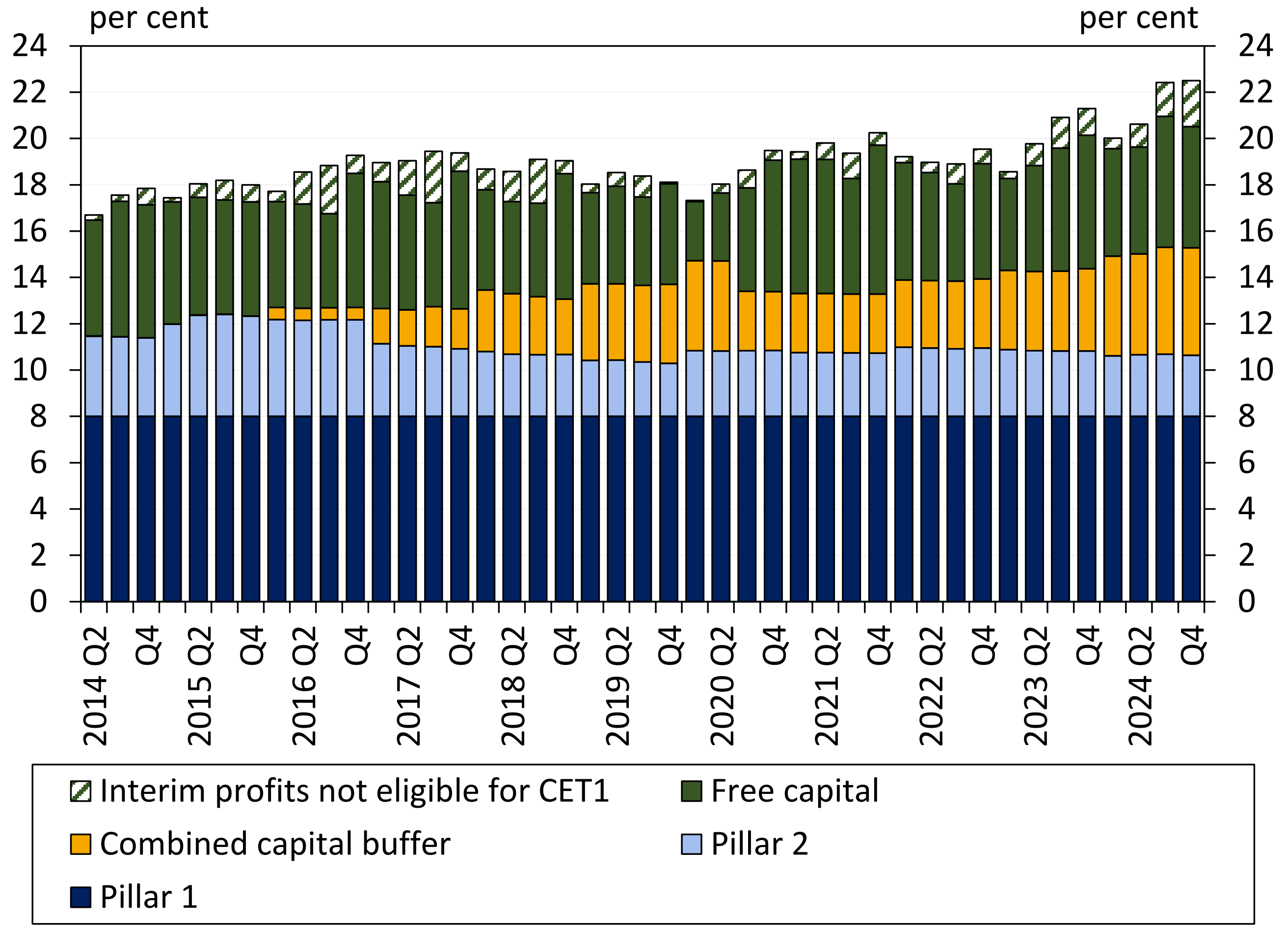
COMPOSITION OF THE CONSOLIDATED CAPITAL ADEQUACY RATIO OF THE BANKING SYSTEM



Note | The combined capital buffer includes the capital conservation buffer (CCoB), the other systemically important institution buffer (O-SII), the systemic risk buffer (SyRB), and the institution-specific countercyclical capital buffer (CCyB) together. Source | MNB

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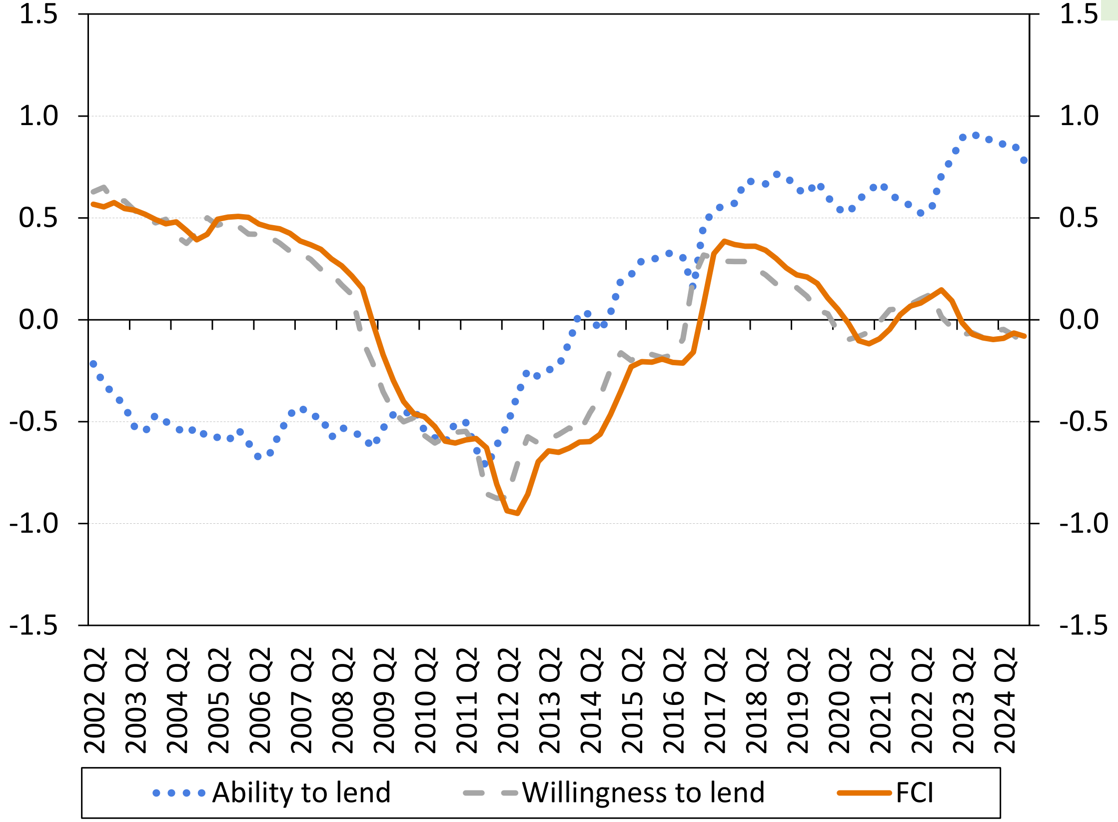
THE BANKING SECTOR'S LENDING CAPACITY REMAINS OUTSTANDING

DEVELOPMENTS OF THE FINANCIAL CONDITION INDEX (FCI) AND ITS FACTORS



2024 Q4:

Free capital: HUF 2 256 Bn

The available free capital would allow to **issue nearly HUF 30,000 billion in loans** (more than doubling the private sector's loan portfolio).

FCI: around equilibrium level

(it neither heats nor cools the economy)

Lending capacity: historically high

The lending capacity of banks remains high, so there is no supply constraint on lending.

Note | The FCI reflects the cyclical impact of the banking system on annual GDP growth. Source | MNB

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BANKING SECTOR REMAINS RESILIENT EVEN IN THE EVENT OF VARIOUS ECONOMIC SHOCKS

Main stress scenario	Weak German industry	Trade war
Additional capital need		
HUF 68 Bn	HUF 4 Bn	HUF 2 Bn
OCR impact compared to baseline scenario (21.8 per cent):		
-0,7 p.p.	-1,6 p.p.	-0,5 p.p.

System level OCR would be around 20-21 per cent in case of all *three* stress scenarios, significantly above regulatory requirements.

Related boxes:
Alternative stress scenarios
Development of corporate credit risk model framework

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I. Shock resilience and credit risks

II. Trends in lending and housing market

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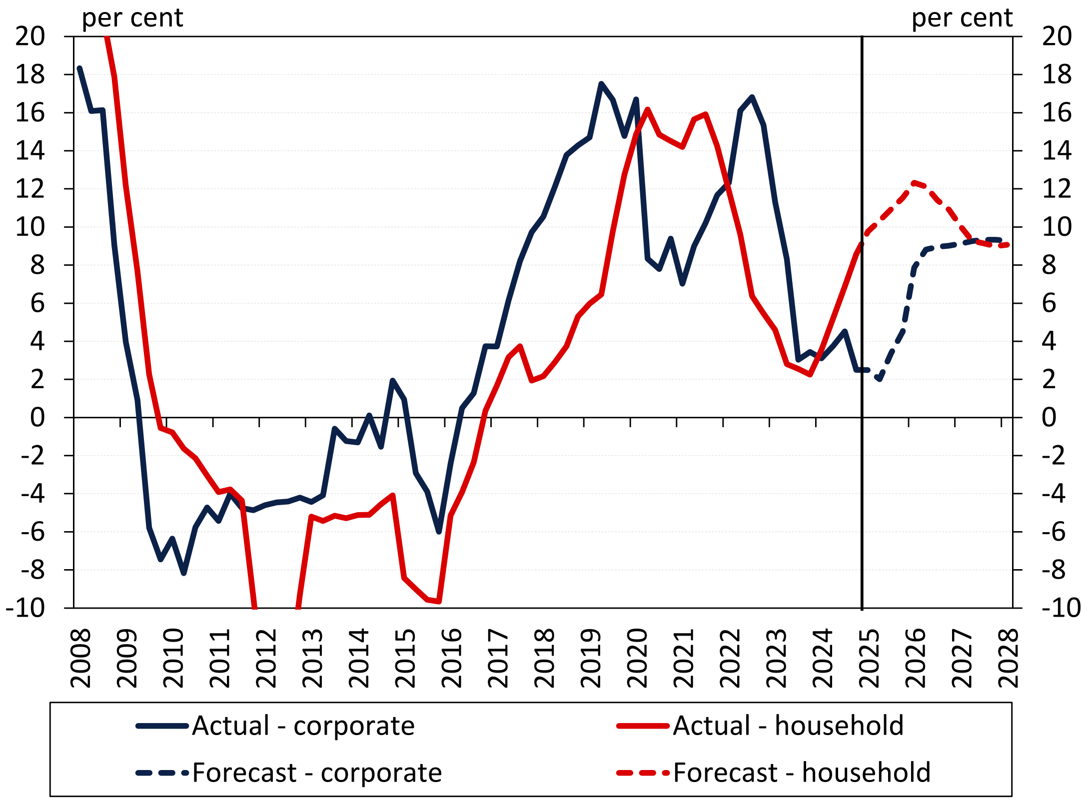
DUAL TRENDS IN CREDIT MARKET: LENDING TO HOUSEHOLDS CONTINUED TO PICK UP, WHILE THE CORPORATE CREDIT MARKET REMAINS CHARACTERIZED BY A WAIT-AND-SEE APPROACH

ANNUAL GROWTH RATE OF CORPORATE AND HOUSEHOLD LOANS



Box 2: Description of the various elements of the Sándor Demján Programme and their utilisation to date

Note | Forecast from 2025 Q1. Transaction-based annual growth rate based on data from the financial intermediary system. Source | MNB

Household loans

Annual growth rate 2024*: 9.7 per cent

Annual growth rate 2025: 11.5 per cent**

- ✓ Improving household income situation
- ✓ The expansion of subsidized loans continues
- ✓ Increasing banking competition

Corporate loans

Annual growth rate 2024*: 1.6 per cent

Annual growth rate 2025: 4.5 per cent**

- ❑ **Lingering dynamization of the real economy**
- ❑ There is no sign of turnaround in demand for investment loans
- ❑ The liquid assets of companies remain high

* Credit institution sector.

** Forecast for the total financial intermediary system.

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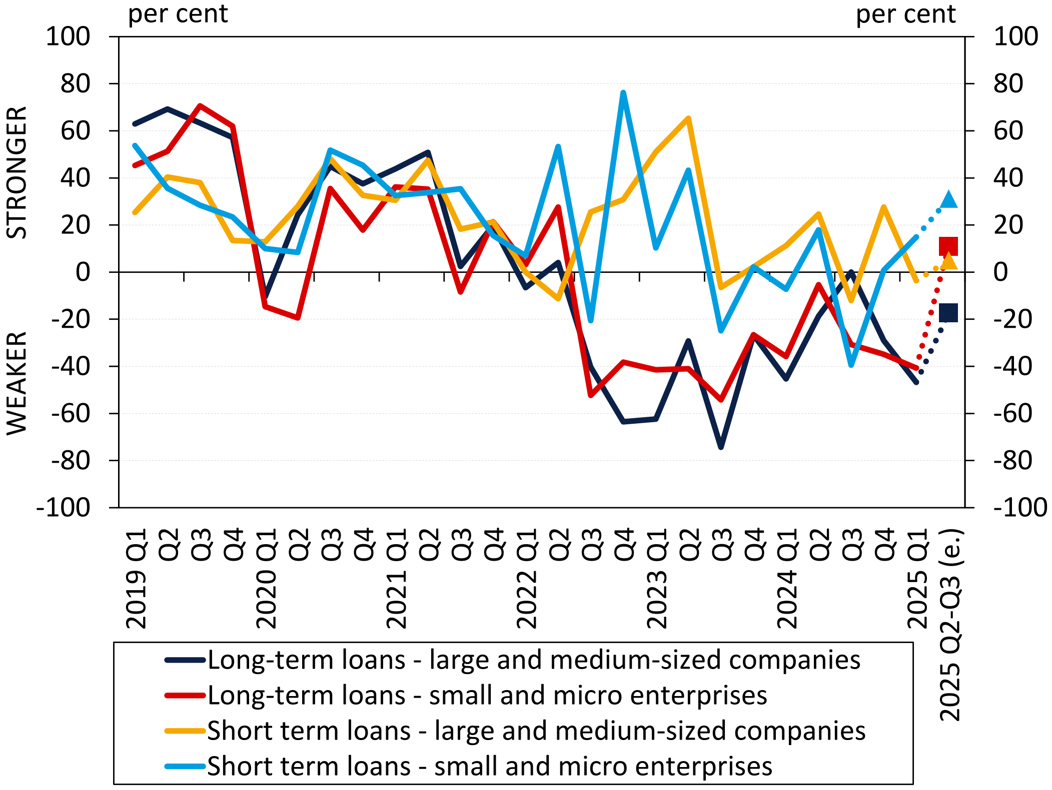
CORPORATE LENDING IS CURRENTLY SUBDUED, PRIMARILY DUE TO INSUFFICIENT DEMAND FACTORS

The growth of companies is limited by **the uncertain economic environment and low demand for their products and services**, not by the lack of adequate financing.

CHANGES IN CORPORATE CREDIT DEMAND



Banks do not expect a turnaround in demand for investment loans.

2025 Q1: -46 per cent

2025 Q2-Q3: -17 per cent

Supply side:

- ✓ The level of the **lending capacity** remains historically high

The lending capacity of banks is abundant, and no general supply constraints in lending can be identified.

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

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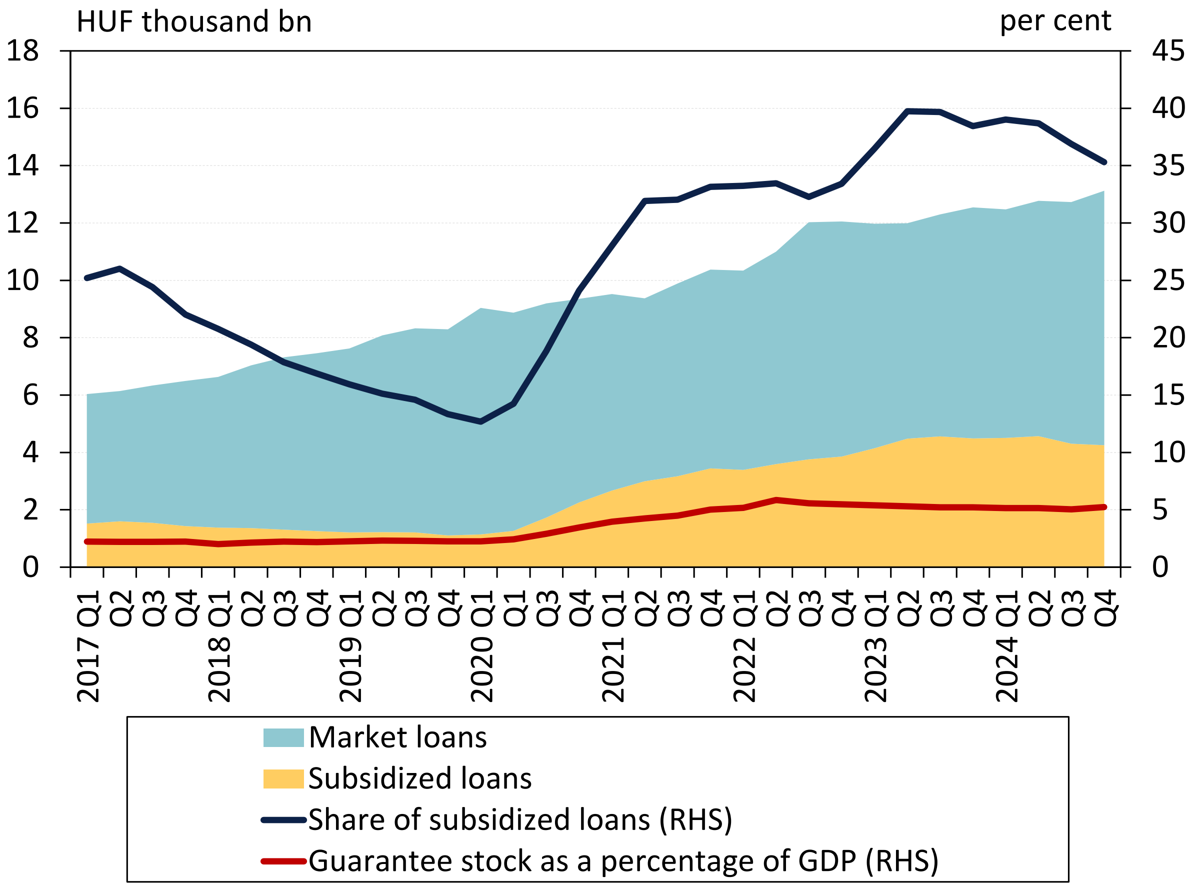
THE SHARE OF SUBSIDISED LOANS DECREASED, BUT THE GUARANTEE PORTFOLIO REMAINS HIGH

BREAKDOWN OF CORPORATE LOANS BY SUBSIDIZED AND MARKET LOANS AND DEVELOPMENT OF GUARANTEE PORTFOLIO



Share of subsidised loans:

2019 Q4: **13 per cent**

2023 Q4: **38 per cent** ↑

2024 Q4: **35 per cent** ↓

The decline is in line with international trends.

Guarantee stock as a percentage of GDP:

2019 Q4: **2.3 per cent**

2023 Q4: **5.2 per cent** ↑

2024 Q4: **5.2 per cent** →

It remains high in international comparison.

Note | Institutional scope for the guarantee portfolio: Garantiqa Credit Guarantee Ltd., Agricultural Business Credit Guarantee Foundation, MFB Ltd., Start Guarantee Ltd. The 2017 guarantee stock data are based on AECM's estimate. Source | MNB, AECM

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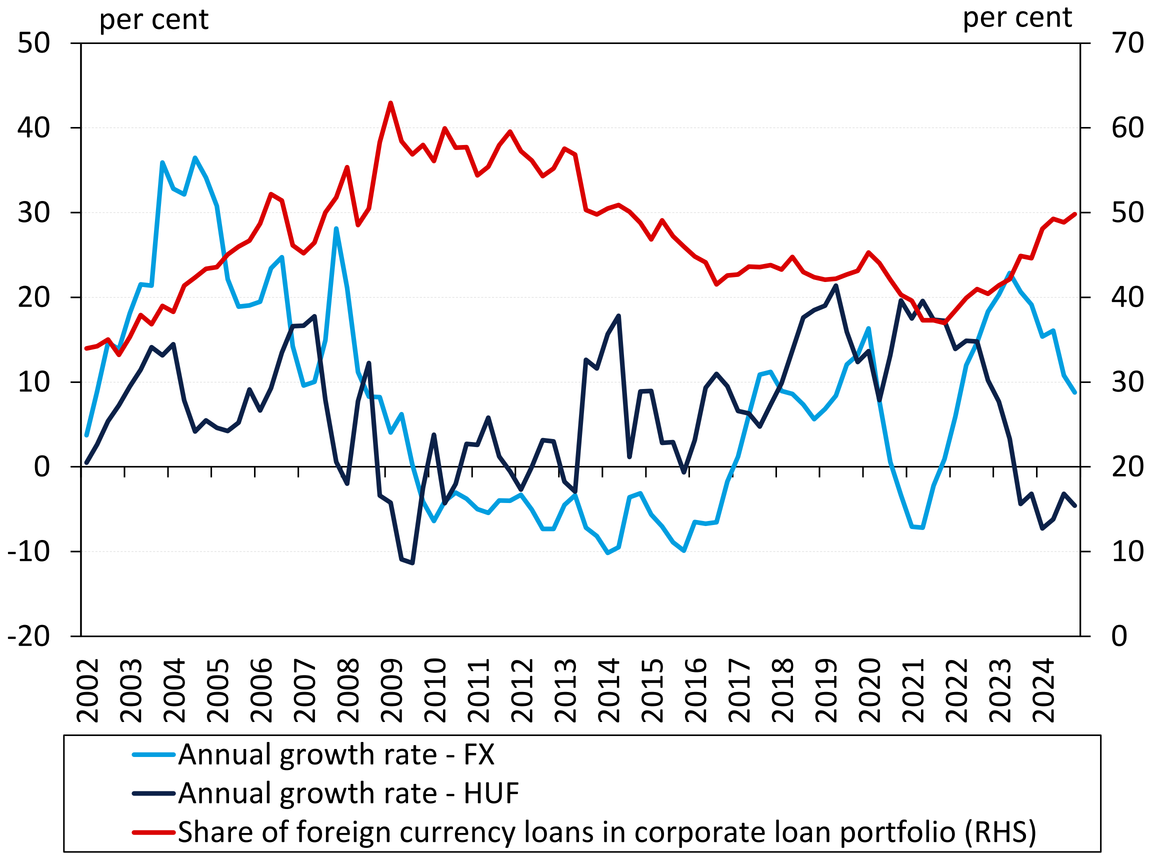
THE SHARE OF FOREIGN CURRENCY LOANS IN THE CORPORATE LOAN PORTFOLIO ROSE TO 50 PER CENT

CORPORATE LOAN PORTFOLIO, BREAKDOWN BY FOREIGN CURRENCIES



Share of foreign currency loans within the total portfolio has increased:

December 2013: **58 per cent**

June 2021: **37 per cent**

December 2024: **50 per cent**

→ **Convergence to the long-term average**

→ **but exceeds the pre-coronavirus level**

83 per cent of foreign currency loan portfolio is linked to companies with natural coverage.

Source | MNB

NEITHER NEW HOUSING LOANS NOR NEW PERSONAL LOANS INDICATE AN INCREASE IN SYSTEMIC RISKS, AS MEASURED BY RISK INDICATORS

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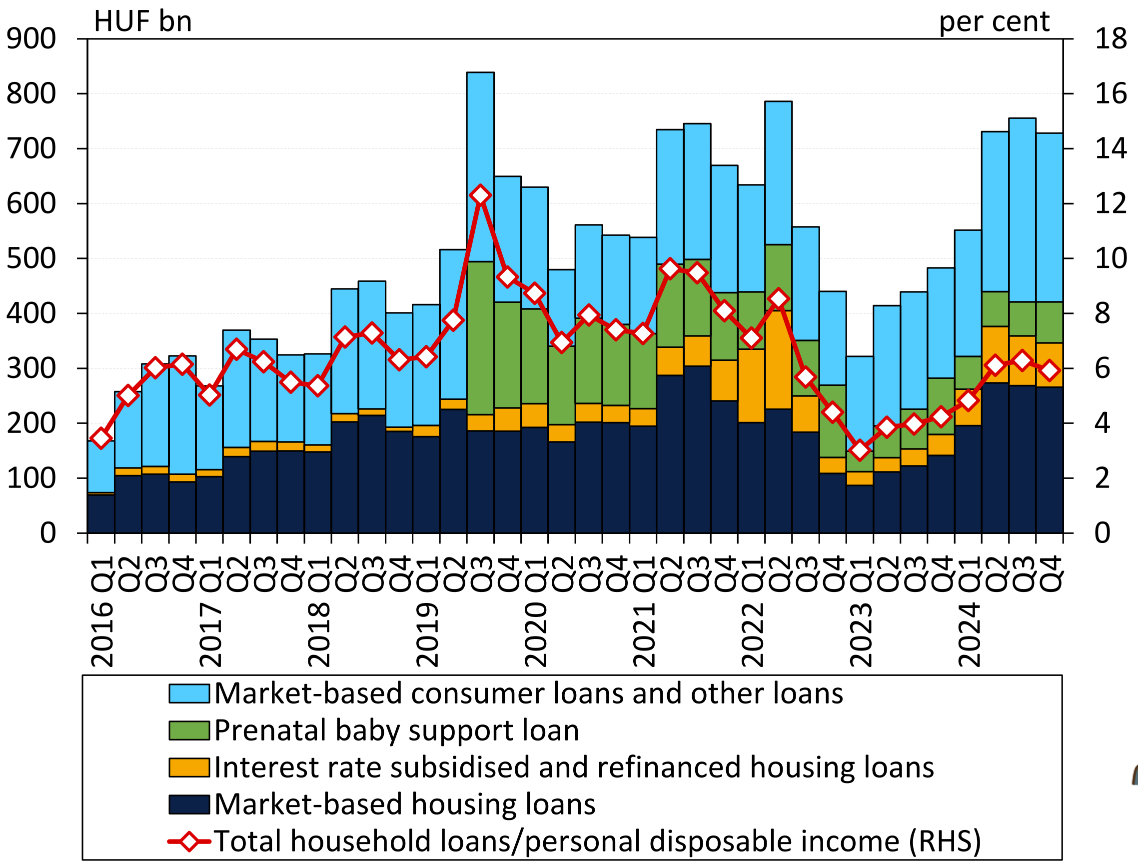
NEW HOUSEHOLD LOANS IN THE CREDIT INSTITUTION SECTOR



Note | Interest rate subsidised and refinanced housing loans include the following schemes: HPS, rural HPS, HPS Plus, FGS Green Home Programme. Personal disposable income – as a proportion of which we showed the total new household loans quarterly – is the sum of earnings, cash transfers and other income. Source | HCSO, MNB

Household loans:
2024/2023: **+66 per cent**

Housing loans:
2024/2023: **+128 per cent**

Personal loans:
2024/2023: **+55 per cent**

Prenatal baby support loans:
2024/2023: **-4 per cent**

- ✓ Housing and personal loan **DSTI** is unchanged
- ✓ **LTV** increased in Q2 (FTB)
- ✓ The ratio of **debtors accumulating multiple loans** has decreased

Recovery of household lending is supported by the **Subsidised Loans for Workers** launched in early 2025.

Box 3: First experiences of subsidised loans for workers

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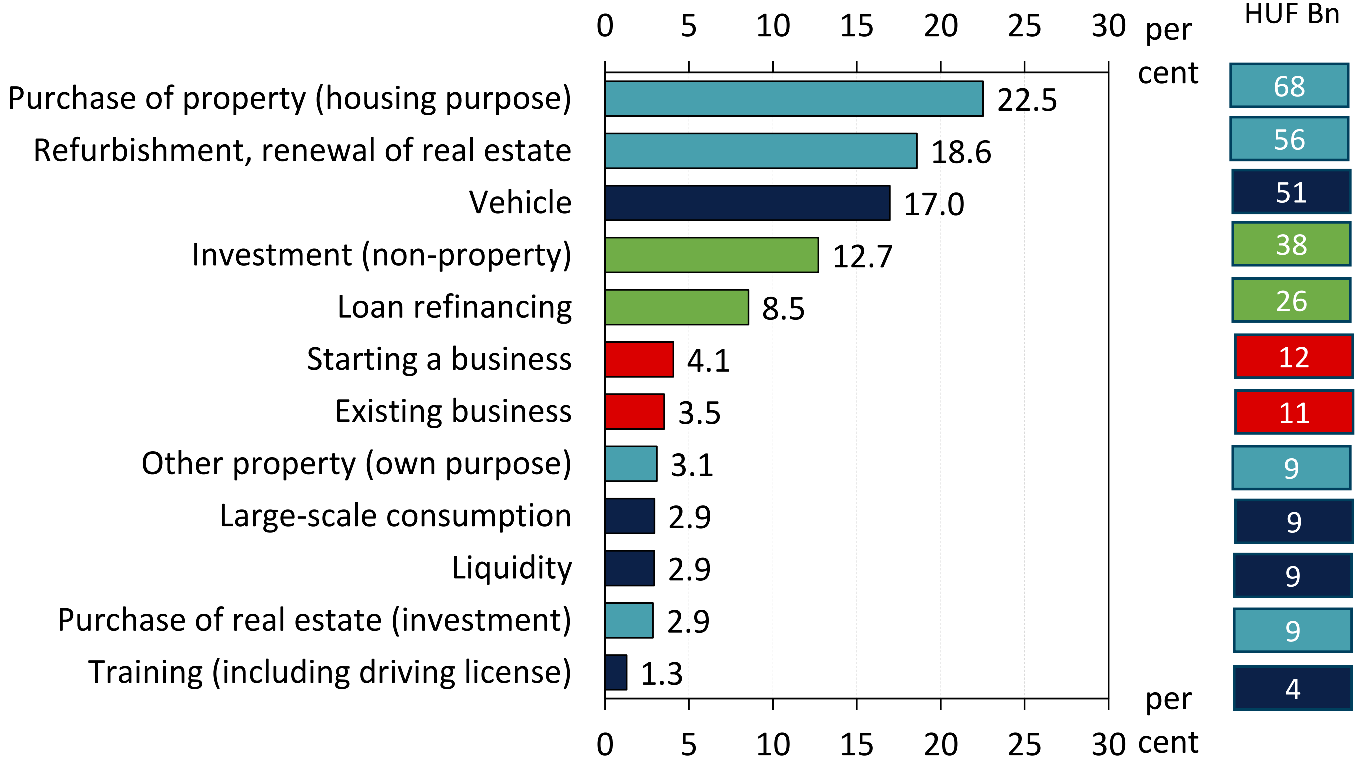
MNB SURVEY: HALF OF THE SUBSIDISED LOANS FOR WORKERS MAY BE USED IN THE HOUSING MARKET

In the Subsidised Loan for Workers programme, which was launched in January 2025, **HUF 77 billion of contracts** were concluded by 30 April 2025.

Estimated distribution by loan purposes, assuming a total loan disbursement of HUF 300 billion in 2025:

PURPOSES OF THE SUBSIDISED LOANS FOR WORKERS



Housing:
47 per cent
(HUF 141 Bn)

Consumption:
24 per cent
(HUF 72 Bn)

Savings:
21 per cent
(HUF 64 Bn)

Business:
8 per cent
(HUF 23 Bn)

Distribution of loan volume disbursed up to the survey by estimated loan purpose.

Note | Purposes in proportion to the amount of loan spent on them, based on a sample of 631 respondents.
Source | MNB Subsidised Loans for Workers Survey, April 2025

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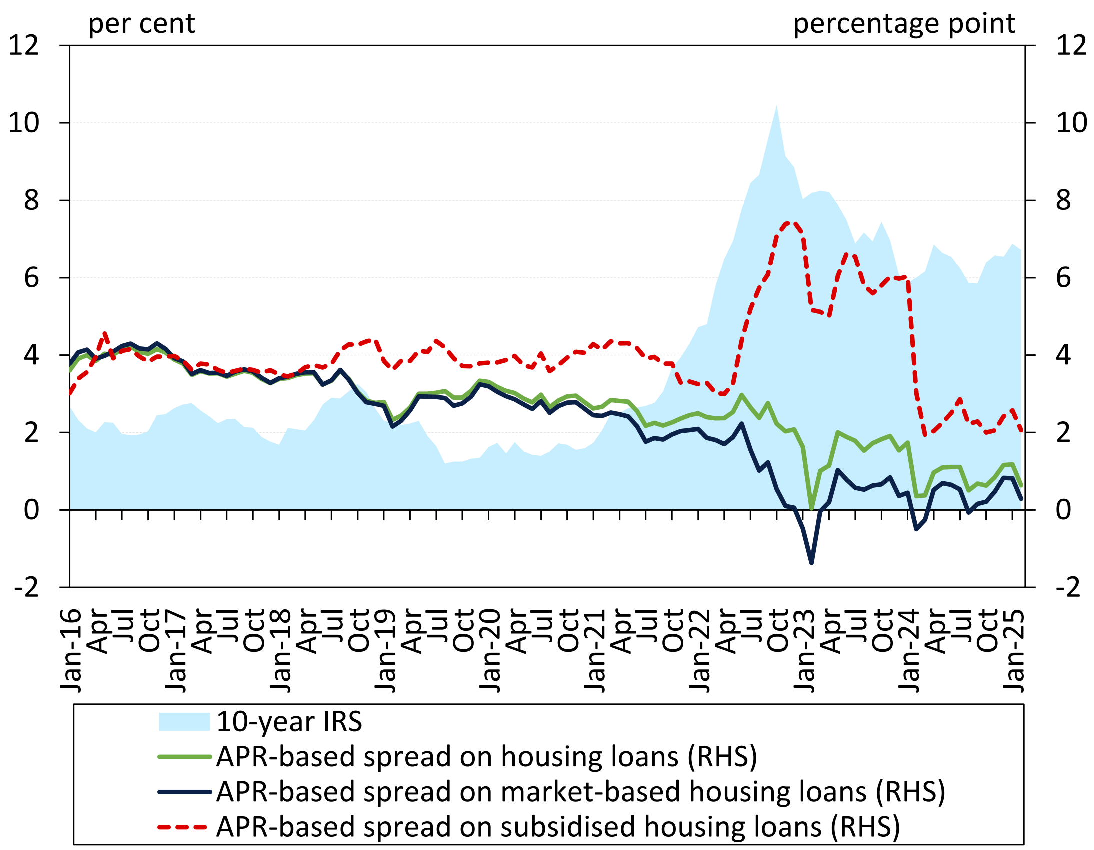
SPREADS ON MARKET-BASED HOUSING LENDING CONTINUE TO BE LOW

SPREADS ON NEW HOUSING LOANS



Note | Subsidised housing loans include the FGS Green Home Programme loans, the interest-rate subsidised HPS loans, and the subsidised bridging and other housing loans. Averages weighted by contract sizes. The spreads were calculated on the basis of the relevant BIRS data observed 4 months prior to the relevant interest rate periods, except for the new HPS schemes available from January 2024, for which the 5-year IRS yield observed 4 months prior to the period were used as a reference. Source | MNB

The average **spread on market-based housing loans was pushed to near-zero** by the APR cap, and the spreads revealed no major increase even after the APR cap expired on 30 June 2024.

The interest rate ceiling of 5 per cent may only affect a small section of the market.

The maximum interest rate on the HPS Plus loans is lower compared to the previous HPS loans, which pushed the spreads on the **subsidised housing loans** to a lower level.

In the longer run, interest revenue **failing to cover the credit risk and operating expenses** may pose a stability risk to the financial intermediary system.

Sustainability: deposit pricing practice

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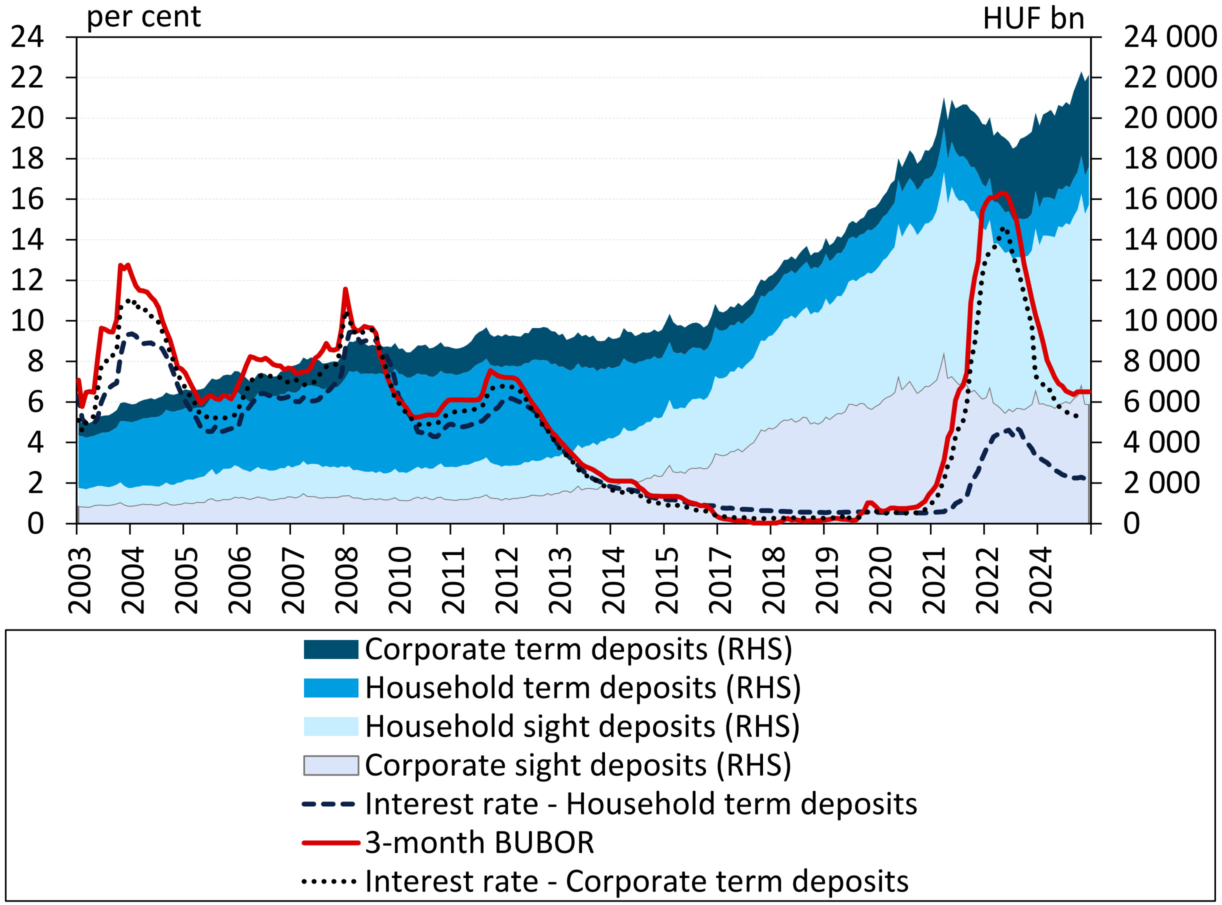
HETEROGENEOUS INTEREST RATE TRANSMISSION IN THE DEPOSIT MARKET

AVERAGE ANNUALISED INTEREST RATE AND MATURITY STRUCTURE OF ENTIRE PRIVATE SECTOR FORINT DEPOSIT PORTFOLIO, AND MONTHLY AVERAGE LEVEL OF 3-MONTH BUBOR



Interest on term deposits December 2024:

Retail sector: **2.3%**

Residental sector: **1.4%**

Corporate sector: **5.4%**

Ratio of sight deposits December 2024:

Retail sector: **83%**
(June 2021: 78%)

Corporate sector: **62%**
(June 2021: 84%)

Source | MNB

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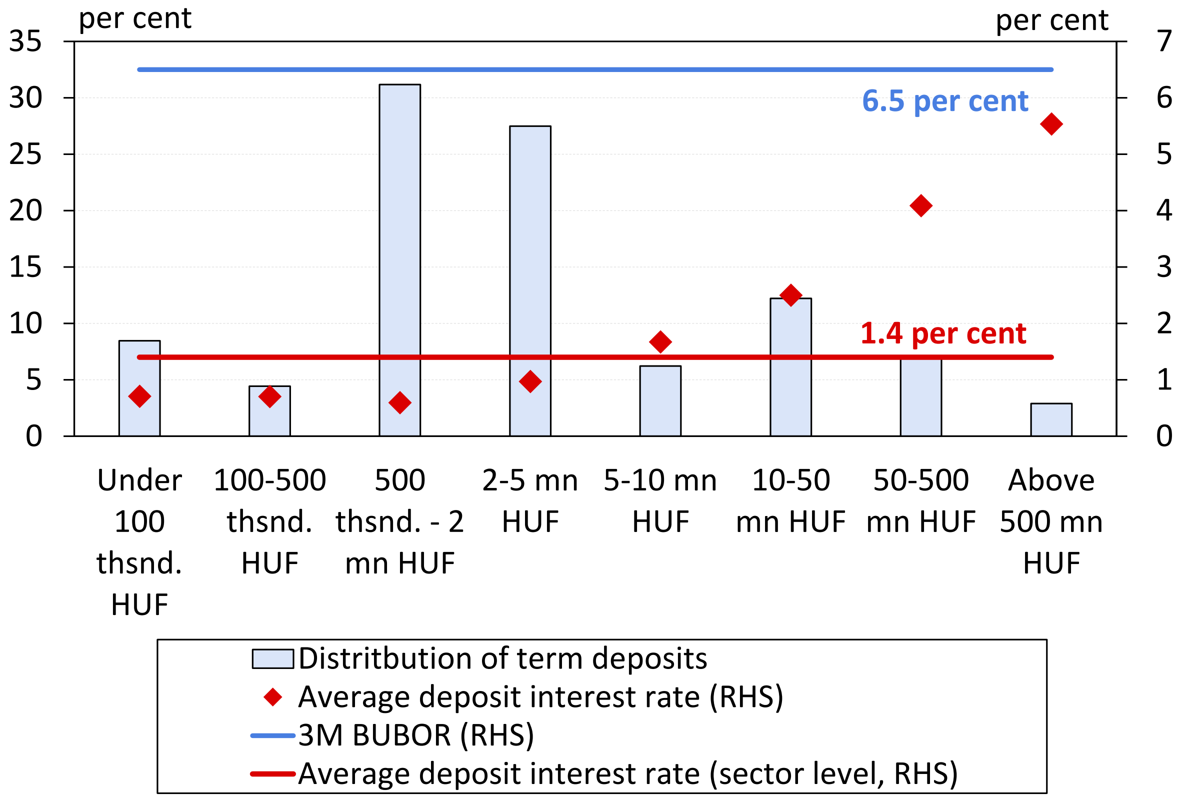
THE EXTENT OF DEPOSIT INTEREST RATE TRANSMISSION SIGNIFICANTLY DEPENDS ON THE SIZE OF THE DEPOSITS

AVERAGE INTEREST RATE OF RETAIL TERM FORINT DEPOSITS BY DEPOSIT SIZE



Box 6: Examining the heterogeneity of deposit interest rate transmission using the central bank deposit register

Note | Based on December 2024 data. Based on deposit register data, which contains information about deposit contracts at the micro level, i.e. at the level of individual contracts. Source | MNB

Retail sector

Term deposits under HUF 5 million

(They account for 99.4 per cent of deposit contracts.)

Average interest rate: 0.8%

Higher interest rate transmission

Deposits between HUF 50-500 million: 4.1%

Deposits over HUF 500 million: 5.5%

Corporate sector

Deposits over HUF 10 million : 5.5%

Deposits under HUF 10 million: Average interest rate between 0-1%

OPPOSING TRENDS IN SUPPLY AND DEMAND HAVE RESULTED IN FASTER HOUSE PRICE DYNAMICS

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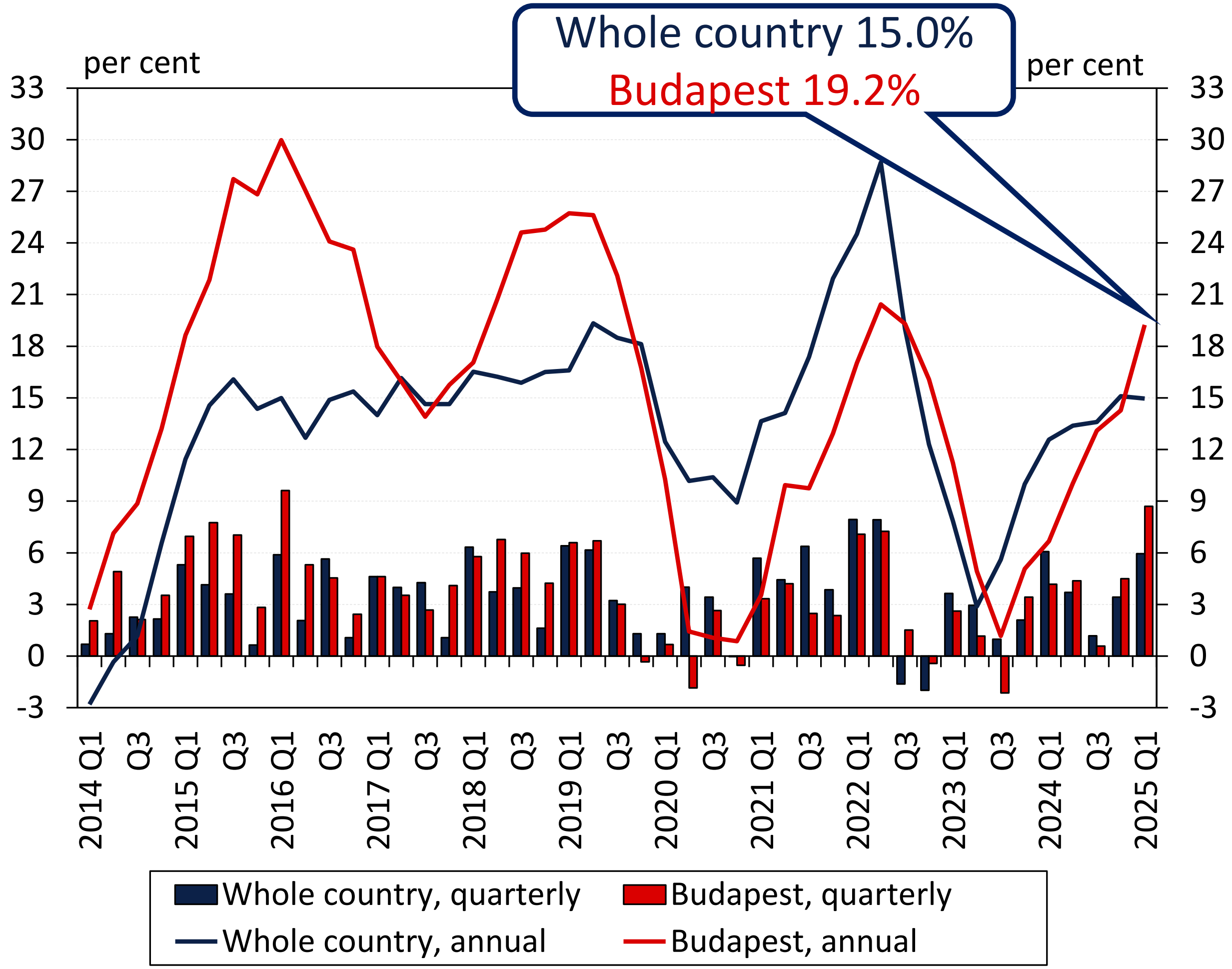
ANNUAL AND QUARTERLY GROWTH DYNAMICS OF NOMINAL HOUSE PRICES



Note | Based on data from housing market intermediaries for 2025 Q1. Source | MNB

The decrease in the number of newly built dwellings and the substantial increase in demand also contributed to the **accelerating housing price dynamics**.

The growth seen in housing market transactions at 2024 year-end was partly fuelled by **demand pulled forward** and by **a motivation to invest**.

The risks of new housing loans arising from **income-based overstretch** continued to be moderate nationwide.

The house price dynamics seen at the beginning of the year point to an increase in **overvaluation** in 2025 (2024 Q4: 14 per cent).

THE HAR MODEL CAN BE USED TO ESTIMATE THE DOWNSIDE AND UPSIDE RISKS TO HOUSE PRICE DYNAMICS, AND THEIR ASYMMETRY

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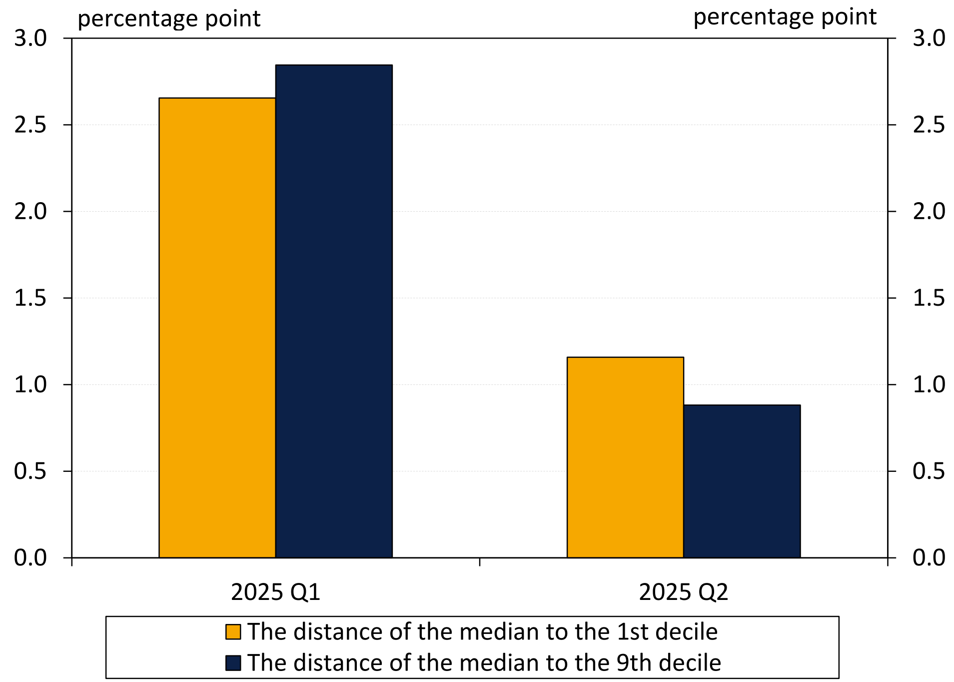
THE HAR MODEL ESTIMATE OF THE DISTANCE OF THE MEDIAN TO BOTH TAILS OF QUARTERLY REAL GROWTH OF HOUSE PRICES



By Q2 2025, the risks surrounding the growth rate of house prices have moderated, and a slowdown is more likely than a sharp rise in house prices.

Box 1: Measuring downwards and upwards risks of house price changes with a new House Price-at-Risk (HaR) model

It is equally important from the perspective of financial stability to capture the risk of a sudden significant price drop in the housing market as well as a significant price increase.

House Price-at-Risk (HaR) model

Forecast for **different points of the distribution** of house price dynamics in Hungary.

Median forecast

Real quarterly price dynamics, 2025 Q2: **2.5%**

With a 10% probability

Less than 1.3%

More than 3.4%

Note | The model estimates are calculated using data as of 2024 Q4. The house price growth figures are based on the aggregated real MNB house price index. The median-to-tail values are in absolute terms. Source | MNB

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MAIN TAKEAWAYS

The Hungarian banking system's shock-resilience capacity remains strong, supported by outstanding profitability, ample liquidity, adequate capitalization, and the good quality of loan portfolios.

The profitability of the banking sector remained at an outstanding level, with one-off items playing a significant role in 2024. By eliminating these, profitability has already decreased.

The capital position of banks has further strengthened, the level of free capital buffer is high, which would be sufficient to more than double the loan portfolio.

No general supply constraints can be identified in lending.

The duality of the credit market remains unchanged: household lending has significantly increased, but corporate credit demand has not yet turned around.

House prices rose dynamically in late 2024 and early 2025, which point to a further rise in overvaluation, but was not accompanied by a significant increase in credit risks.

Based on our stress tests, the sector would meet regulatory requirements for liquidity and capital adequacy even in the event of a severe shock.

THANK YOU FOR YOUR ATTENTION!