

# TRENDS IN LENDING, MARCH 2020

#### ISSUES TO BE COVERED





 Broad-based credit growth, rising concentration

 Strong credit demand, healthy structure

 Increased cost of financing



BANK

2300 Bn HUF

- Credit growth dynamics outstanding in international comparison
- New lending at record volumes
- Interest rate spreads increased in 2019



**470**Bn HUF

- Clients similar to those taking up housing loans
- Maximum contract size
- One third under repayment moratorium

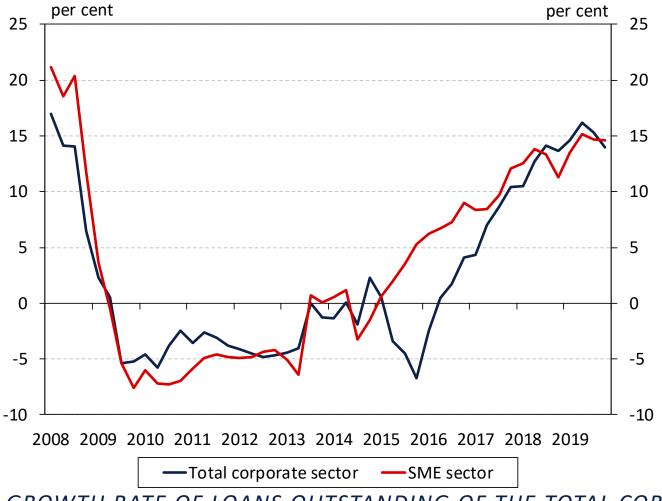




#### CORPORATE SEGMENT

### DESPITE LARGE-SUM REPAYMENTS AT THE END OF THE YEAR, CORPORATE LOANS INCREASED BY 14 PER CENT IN 2019



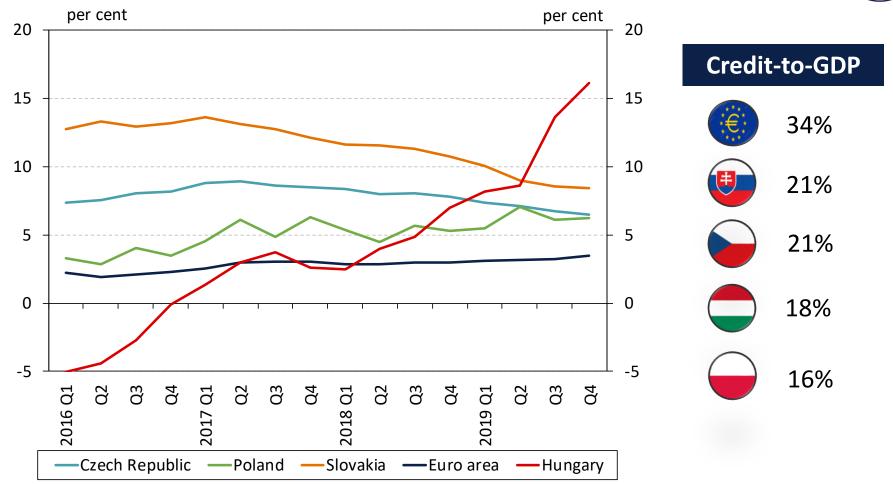


ANNUAL GROWTH RATE OF LOANS OUTSTANDING OF THE TOTAL CORPORATE
SECTOR AND THE SME SECTOR

Note: Transaction based, prior to 2015 Q4 data for SMEs are estimated based on banking system data.

# CORPORATE CREDIT DYNAMICS ARE OUTSTANDING IN EUROPEAN COMPARISON

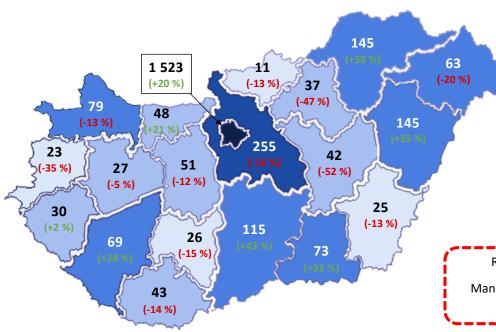




ANNUAL GROWTH RATE OF CORPORATE LOANS OUTSTANDING
IN EUROPEAN COMPARISON

#### CONCENTRATION HAS GROWN IN CORPORATE LENDING





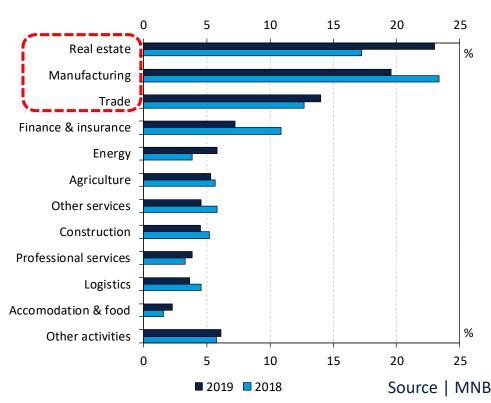
two-thirds within new disbursements

The share of the TOP3 sectors increased to 60 per cent

Budapest reached 54 per cent in annual disbursement, mostly with the growth of real estate sector

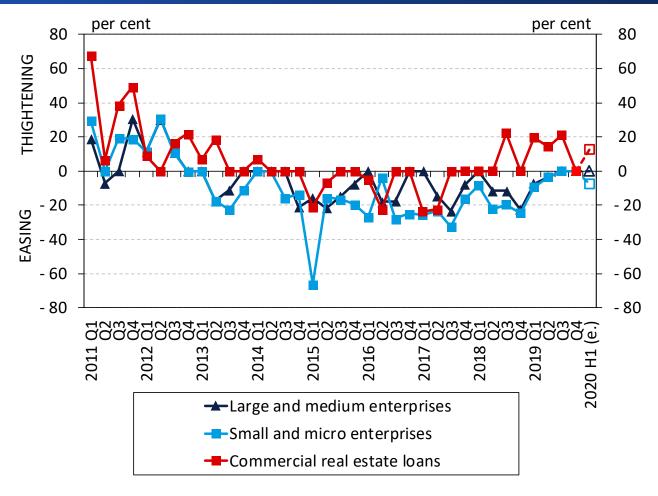
DISTRIBUTION OF NEW
CORPORATE LOANS IN 2019

Note: Data on the map is in HUF Bn, and the annual change in brackets.



## BANKS REMAIN CAUTIOUS WHEN FINANCING COMMERCIAL REAL ESTATE



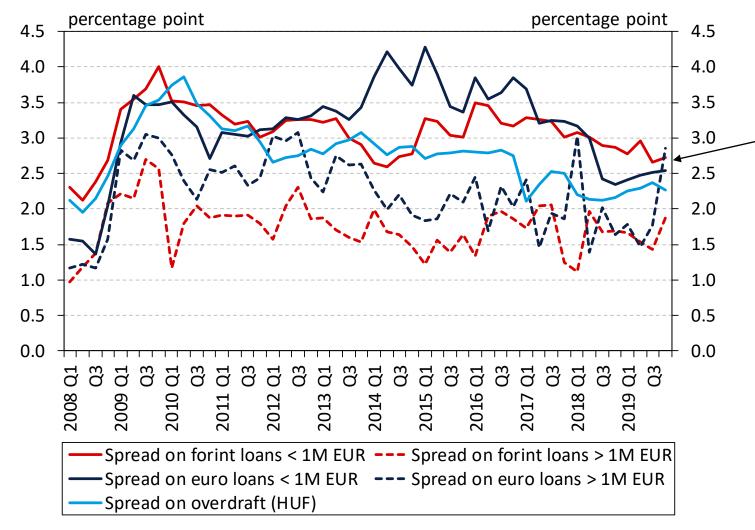


Overall, credit standards remained unchanged, but price conditions have already been tightened.

CHANGES IN CREDIT CONDITIONS
IN THE CORPORATE SUB-SEGMENTS

#### INCREASED SPREAD ON LARGE SUM (EURO)LOANS IS ATTRIBUTABLE TO THE GREATER SHARE OF REAL ESTATE LOANS





Higher share of large-sum real estate loans, with higher risk premium

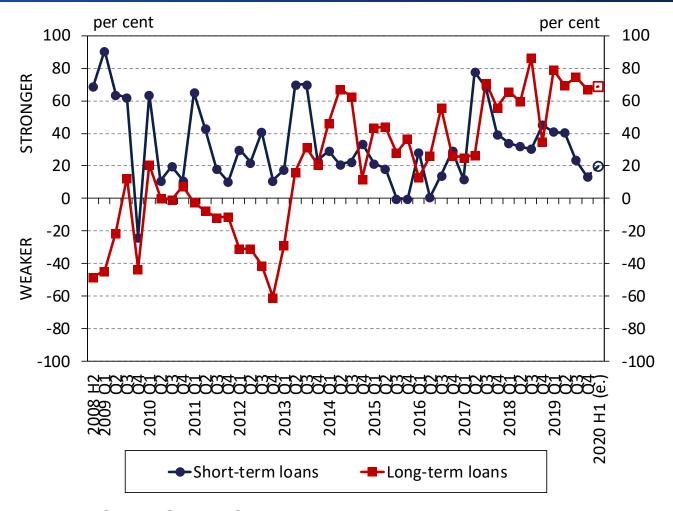
INTEREST RATE SPREADS ON NEW CORPORATE LOANS

Note: Spread on the 3-month BUBOR and EURIBOR. Loans with variable interest rate or with up to 1-year interest rate fixation.

From 2015, based on data net of money market loans exceeding EUR 1 million.

#### CORPORATE CREDIT DEMAND GREW MAINLY FOR LONG-TERM LOANS



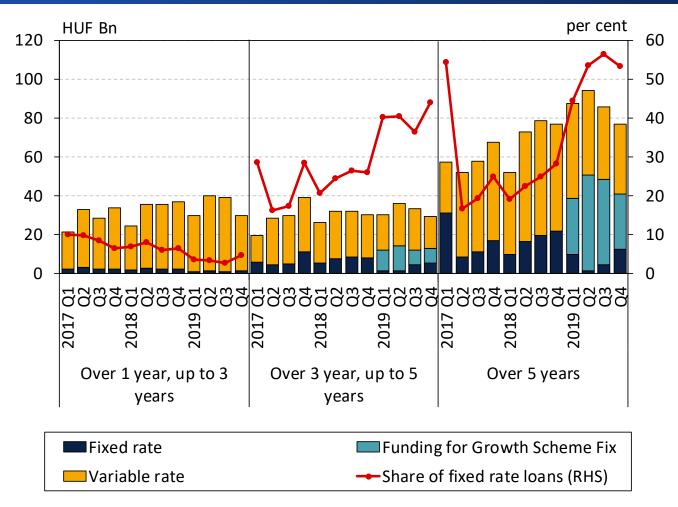


CHANGE IN CREDIT DEMAND BY MATURITY

Note: Net percentage balance of respondent banks indicating stronger/weaker demands, weighted by market share.

#### THE SHARE OF LOANS WITH INTEREST-RATE FIXATION IS ABOVE 50 PER CENT WITHIN LONGER-TERM LOAN DISBURSEMENT





Contracts concluded by credit institutions with enterprises\* under the FGSfix scheme amounted to 265 Bn HUF in 2019

NEW LOW-AMOUNT HUF CORPORATE LOANS BY INTEREST RATE
FIXATION AND MATURITY

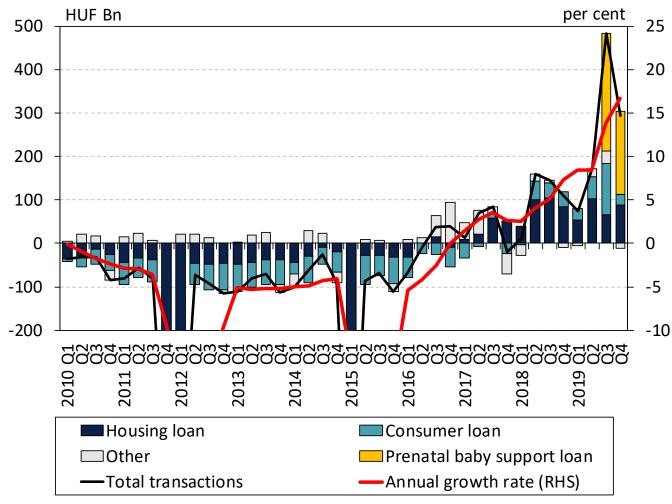
\* Excluding sole proprietors



#### HOUSEHOLD SEGMENT

### IN 2019 LOANS OUTSTANDING IN THE HOUSEHOLD SEGMENT GREW BY 17 PER CENT, MAINLY AS A RESULT OF THE PRENATAL BABY SUPPORT



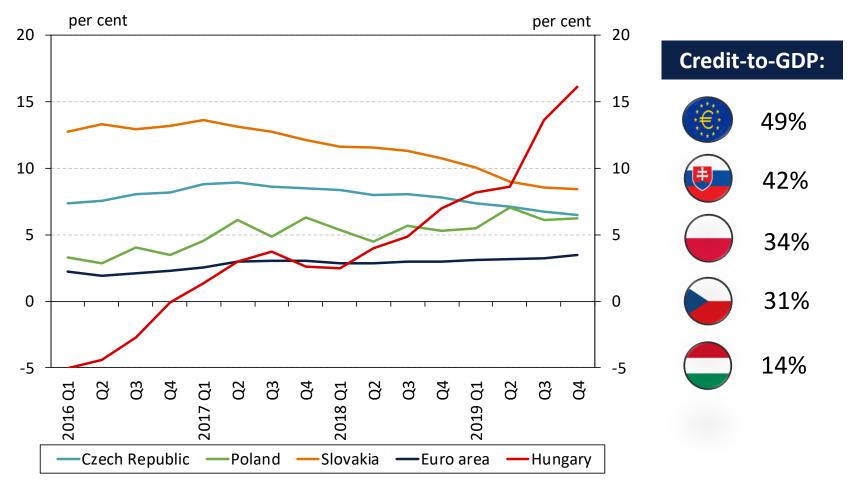


Loan dynamics reached 9 per cent when excluding prenatal baby support

QUARTERLY TRANSACTIONS OF THE HOUSEHOLD LOAN PORTFOLIO BY LOAN PURPOSE

## DESPITE OUTSTANDING GROWTH, THERE IS STILL AMPLE ROOM FOR IMPROVEMENT



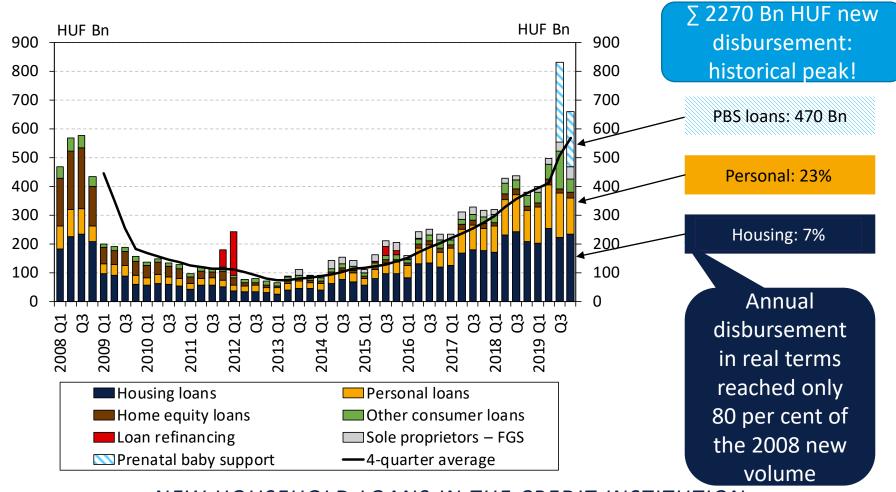


ANNUAL GROWTH RATE OF HOUSEHOLD LOANS OUTSTANDING
IN EUROPEAN COMPARISON

Note: Transaction-based annual growth rate.

# PRENATAL BABY SUPPORT LOANS HAVE NO MAJOR CROWDING-OUT EFFECT WITHIN NEW DISBURSEMENTS



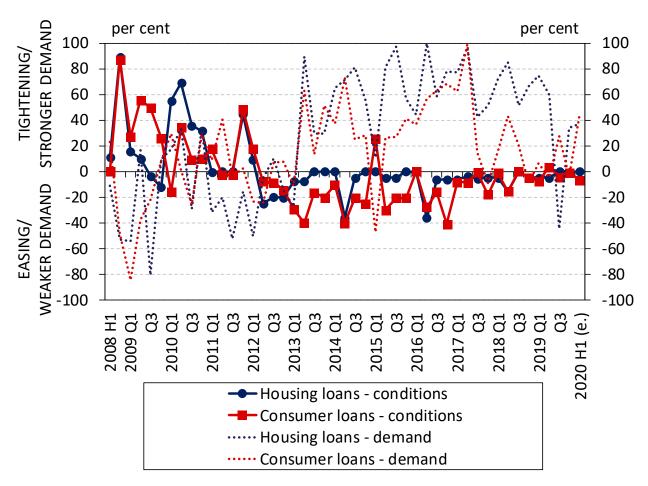


NEW HOUSEHOLD LOANS IN THE CREDIT INSTITUTION SECTOR

Note: Loan refinancing indicates only refinancing related to the early repayment scheme and the FX-conversion. Other consumer loans include vehicle loans, hire purchase and other loans, without prenatal baby support.

## CREDIT CONDITIONS REMAINED UNCHANGED, BANKS PREDICT STRONG DEMAND AND INTENSE COMPETITION





According to banks'
estimates
consumer loan
portfolio quality will
deteriorate in
2020 H1

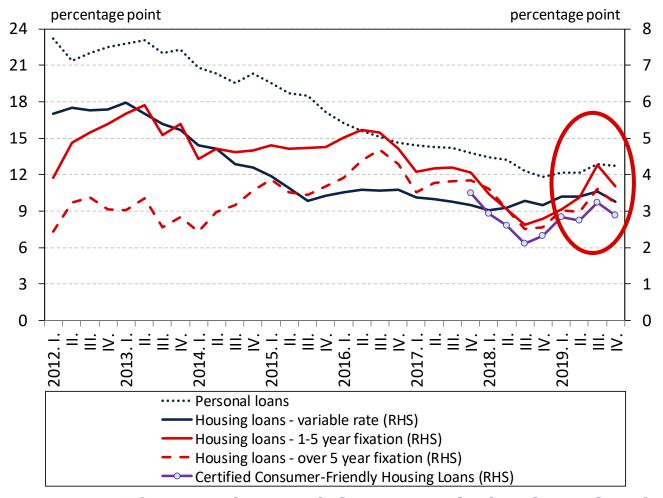


#### CHANGES IN CREDIT CONDITIONS AND CREDIT DEMAND IN THE HOUSEHOLD SEGMENT

Note: Net ratio is the difference between tightening and easing banks, and banks signalling stronger and weaker demand, weighted by market share.

### AVERAGE INTEREST RATE SPREADS ON NEW LOANS HAVE INCREASED IN 2019



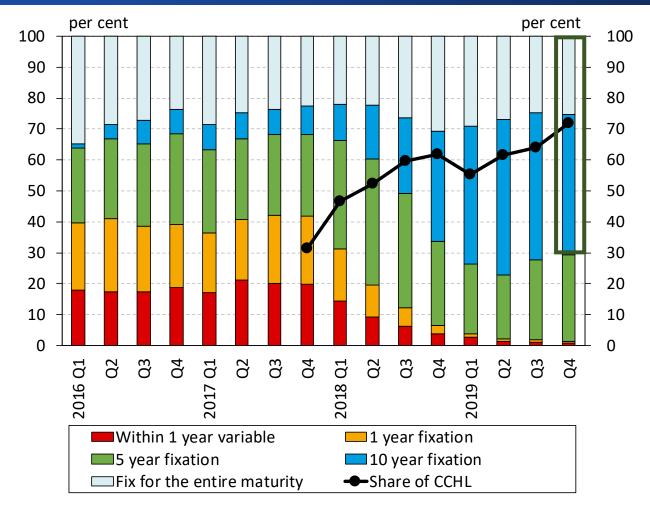


#### INTEREST RATE SPREADS ON NEW HOUSEHOLD LOANS

Note: In the case of variable-rate housing loans or ones with up to 1-year interest rate fixation, APR-based smoothed spread over the 3-month BUBOR, while in the case of housing loans fixed for a period longer than one year, the APR-based smoothed spread over the corresponding IRS. For personal loans, APR-based smoothed spread over the 3-month BUBOR.

#### INTEREST RATE RISK OF NEW LOANS IS LIMITED, BUT MATURITIES AND AVERAGE CONTRACT SIZES ARE INCREASING





New homes: +1,8 million HUF, ~20 years

Used homes: +1,5 million HUF, ~18 years

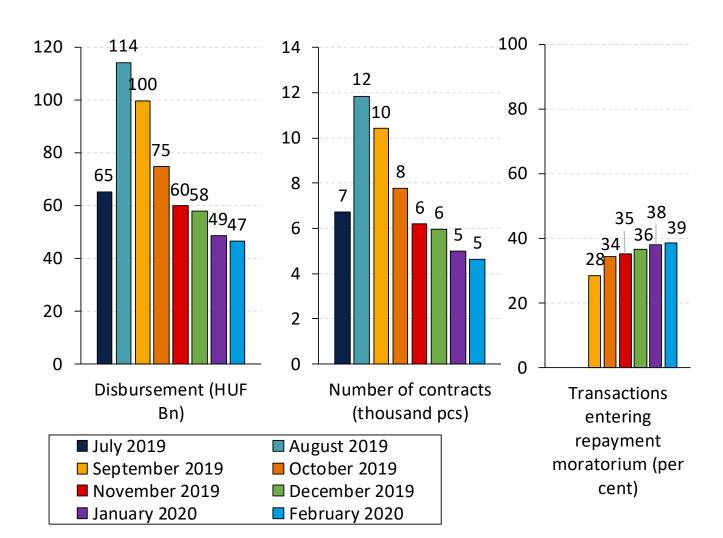
DISTRIBUTION OF THE NEW HOUSING LOAN VOLUME BY INTEREST RATE FIXATION, AND THE SHARE OF CERTIFIED CONSUMER-FRIENDLY HOUSING LOAN PRODUCTS



# PRENATAL BABY SUPPORT LOANS

#### OVER ONE THIRD OF THE 59 THOUSAND PRENATAL BABY SUPPORT LOAN CONTRACTS ALREADY FALL UNDER REPAYMENT MORATORIUM





Average contract size:

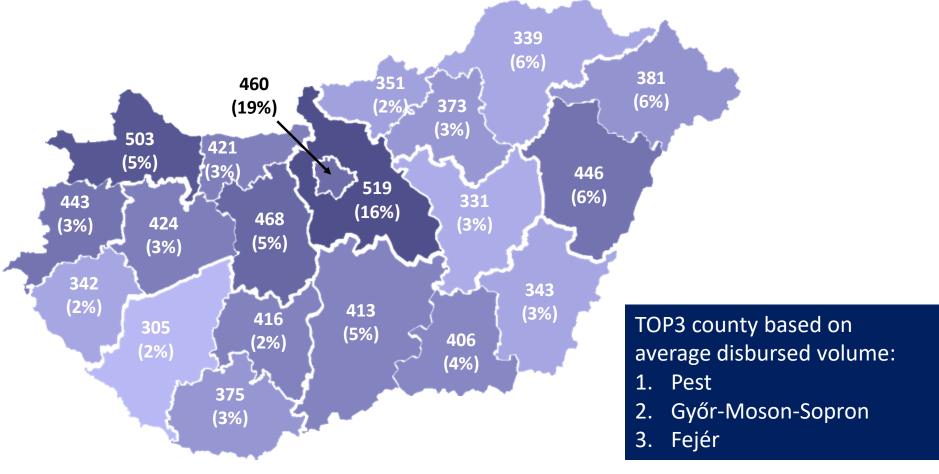
9,7 million HUF

Annual growth in the number of marriages: 26%

ISSUANCE AND CHARACTERISTICS OF PRENATAL BABY SUPPORT LOANS

## 35 PER CENT OF THE AMOUNT DISBURSED LAST YEAR TARGETED BUDAPEST AND PEST COUNTY

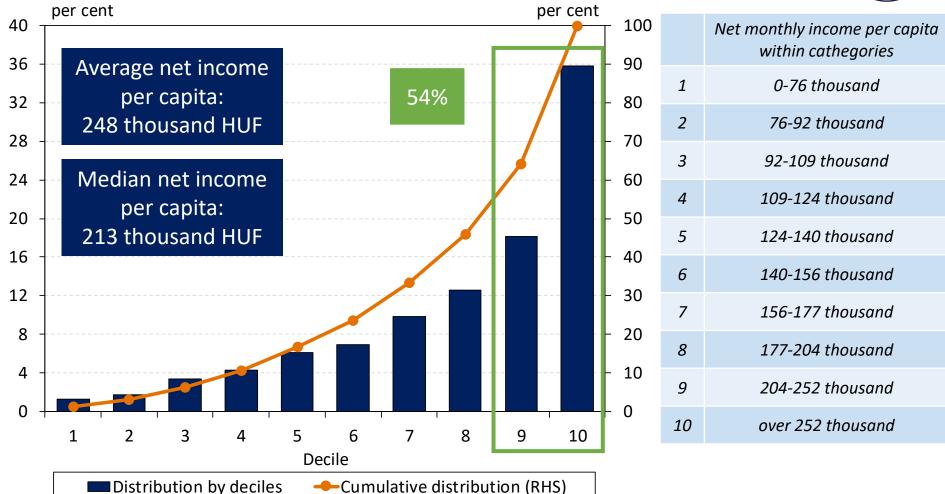




DISBURSED PRENATAL BABY SUPPORT LOANS PER WOMEN (AGE 18-39) BY COUNTIES (HUF THOUSANDS)

# THE WEALTHIER ARE STILL OVERREPRESENTED AMONG PRENATAL BABY SUPPORT LOAN CLIENTS

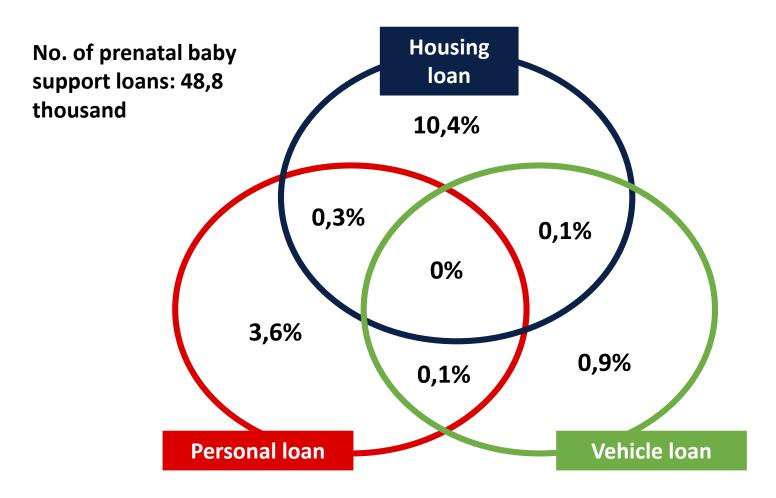




DISTRIBUTION OF DISBURSED PRENATAL BABY SUPPORT LOANS BY INCOME DECILES

# PRENATAL BABY SUPPORT LOAN CUSTOMERS DO NOT ACCUMULATE DEBTS...

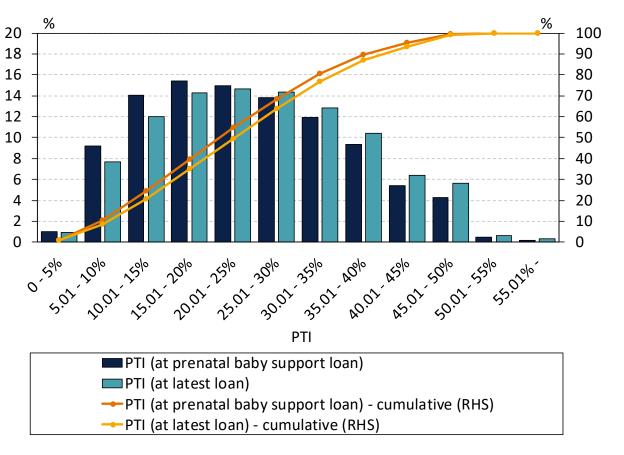




PRENATAL BABY SUPPORT LOAN CUSTOMERS' OTHER LOANS, TAKEN
IN THE SECOND HALF OF 2019

## ...THUS THEY DO NOT DISPLAY HIGH LEVEL OF INDEBTEDNESS





87 per cent of debtors have below 40 per cent current PTI

PTI-DISTRIBUTION OF PRENATAL BABY SUPPORT DEBTORS

Appearance of the less affluent segment



Permanent monitoring!

Note: The PTI at latest loan is applicable only to one of the couple members if the other one was not involved in the latest loantaking.

#### MAIN MESSAGES



Despite large-sum repayments at the end of the year, corporate loans outstanding grew by 14 per cent in 2019, which is exceptional in international comparison

Within new corporate loan disbursement, concentration increased from geographical, sectoral, customer and bank aspects as well

Price-conditions have been tightened, especially for large-sum (euro)loans; banks remain cautious when financing commercial real estates

The outstanding, 17 per cent credit dynamics in the household segment is mostly attributable to the prenatal baby support, though credit penetration is still low

The better-off are overrepresented among prenatal baby support loan customers: no over-indebtedness is detectable, but monitoring is warranted

Thus far prenatal baby support loans had no major crowding-out effect; it is estimated to begin with the appearance of the less affluent segments



# THANK YOU FOR YOUR ATTENTION!