



INFORMATION RELEASE

The popularity of card payments continues

Budapest, 15 June 2016 – In the first quarter of 2016 the expansion of electronic payments continued, dominated primarily by the rise in card payment turnover. As regards the payment card acceptance network, the contactless payment technology continued to gain ground at the POS terminals, but the expansion of the Internet acceptance points by more than 7 per cent may be deemed equally significant. In addition to the increase in payment card turnover of over 30 per cent, the total value of the forint credit transfers also rose by 10 per cent. The VIBER (real-time gross settlement system) and ICS (interbank clearing system) turnover in the first quarter of 2016 fell quarter on quarter, which is partly attributable to the seasonal effect (high year-end turnover). Government bonds still represent a high, roughly 70 per cent, share in the composition of the securities portfolio pledged for the MNB.

In the first quarter of the year, the number of payment accounts managed by payment service providers approximated 10.35 million, which is an increase of over 80,000 compared to the end of previous year. The modest rise (by 19,000) in the number of payment cards of nearly 9 million compared to the fourth quarter of 2015 is the combined result of an increase of 31,000 in the number of debit cards and a decrease of over 12,000 in the number of credit cards. The number of virtual cards, which may only be used for Internet purchases, increased by 2 per cent; nevertheless, their ratio within the total number of cards is still merely 7.5 per cent. In line with the trends seen in previous periods, the number of contactless payment cards rose by 5 per cent relative to the last quarter of 2015, thus already more than 56 per cent of the payment cards are suitable for the faster and more convenient contactless payment. The number of POS terminals, at 103 thousand, operating in more than 83,000 acceptance points did not change significantly compared to the previous quarter; however, in line with the previous trends the dynamic increase in the Internet acceptance points and the POS terminals facilitating contactless payments continued. The over 9,300 Internet acceptance points represent an increase of 12.2 per cent compared to the fourth quarter of 2015, while the number of contactless payment-enabled terminals is close to 68,000 after a rise of 7.3 per cent.

The number of domestic purchase transactions completed with payment cards issued in Hungary (107.6 million) rose by 22.1 per cent compared to the first quarter of 2015. The rise in the total value of purchase transactions, at 30.7 per cent, was even more significant in the first quarter of the year, representing HUF 757.3 billion. Analysing the turnover by types of card it can be stated that the favourable changes are primarily attributable to the rise in the debit card turnover, accounting for roughly 84 per cent of the total purchase turnover, while the number and value of credit card transactions increased to a slightly lesser degree (by 15.1 per cent in volume and 17.4 per cent in value). The significant increase in the volume of card-not-present purchases, completed mainly on the Internet, continued; the 7.1 million transactions in the value of HUF 78.7 billion represent a 42.6 and 38.7 per cent year-on-year increase in terms of value and volume, respectively. On the other hand, it should be noted that for the time

being the ratio of these transactions compared to the total turnover is still relatively low, even despite the repeated dynamic growth in the period under review (6.6 per cent in terms of volume and 10.4 per cent in terms of value). The ratio of the contactless transactions completed in the domestic payment card acceptance network with domestic or foreign cards approximated 40 per cent in terms of volume and 24 per cent in terms of value, which is a major progress compared to turnover ratios seen one year ago (22.4 per cent and 11.3 per cent in volume and value, respectively). There was a minor decrease in the cash withdrawal transactions performed with domestic cards in the domestic acceptance network both in terms of volume (24 million) and value (HUF 1,505 billion) year on year. As a result, the average value of these transactions was nearly HUF 62,600.

The almost 72 million credit transfers conducted in the value of roughly HUF 139,000 billion in the first quarter of 2016 represented an increase of 1.3 and 10 per cent in volume and value, respectively, year on year. The increase in the value of the turnover was primarily attributable to the almost HUF 13,000 billion growth in the turnover of credit transfers initiated on a single payment basis. The number of the foreign currency payments came close to 1.3 million, as a result of the 7.8 per cent year-on-year increase, while its total value fell by almost HUF 1,700 billion. The 2.5 per cent change in the volume of the 17.3 million direct debits, primarily used for the regular payment of bills, compared to the first quarter of 2015 corresponds to the turnover increase seen in previous periods; however, the 8.2 per cent expansion of the HUF 191 billion turnover may be deemed significant.

In the last quarter of 2015, the number of frauds committed with payment cards issued in Hungary was 7,700, causing a total damage of HUF 280 million. Compared to the issuer-side frauds committed in the year preceding the whole of 2015, the increase in terms of volume and in terms of value was 43.6 per cent and 47.3 per cent, respectively, a large part of which is attributable to the dynamic growth in total payment card turnover. It should be also noted that the number of frauds and the value of the damage caused is still extremely low compared to the entire payment card turnover, and in 2015 only 11.1 per cent of the losses written off in respect of the frauds was charged to the customers. Similarly to the former years, frauds were primarily carried out through card-not-present transactions, typically during Internet purchases; almost 72 per cent of the issuer-side frauds and more than 63 per cent in terms of value were committed in this way. In the domestic card acceptance network, the number (2,916) and value (HUF 152.2 million) of damages caused by frauds rose by almost 25 per cent and 50 per cent, respectively, in 2015 compared to the previous year; nevertheless, it can be stated here as well that the ratio compared to the total payment card acceptance turnover is still low.

VIBER (the real-time gross settlement system) turnover value fell by 16 per cent year on year and by 5 per cent compared to the last quarter of 2015. This is mainly attributable to the decline in interbank transactions and two-week deposits. The volume of transactions also declined slightly (by 4 per cent) compared to the previous quarter, mainly as a result of a decrease in the interbank, customer transactions and ICS intraday clearing.

At system level, the liquidity of VIBER participants continued to be adequate. The liquidity available for payments and the potential liquidity fell by 6.5 and 2 per cent, respectively, quarter on quarter. The abundance of payment liquidity is well illustrated by the fact that the lower and upper liquidity bounds were not breached. At aggregate level, maximum utilisation of intraday credit line (MICL) was unchanged (7-12 per cent), continuing to be low. This means that VIBER participants do not have to use significant amounts of their credit lines to conduct a large part of

their turnover, on aggregate level. One of the determining elements of banks' payment-related liquidity management is the intraday timing of VIBER transactions, where no change occurred compared to the previous quarter. Government bonds still represent a high, roughly 70 per cent, share in the composition of the securities portfolio pledged for the MNB.

In the first quarter of 2016 the volume and value of transactions in the ICS (Interbank Clearing System) rose by 3 per cent and 7 per cent, respectively, year on year. In this period almost 69 million transactions in a value of roughly HUF 22,000 billion were cleared. At system level, the volume and value of transactions rolled over between cycles in intraday clearing of the ICS continued to be negligible; in February no intraday rollover took place at all, which is probably due to the adjustment to the higher frequency of ICS-cycles introduced in September 2015.

In the first quarter of 2016, turnover of both the spot and derivative capital market guaranteed by KELER KSZF (CCP in Hungary) increased quarter on quarter. In the derivative market, the value of open positions decreased by some 27 per cent by the end of the March compared to December 2015.

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Detailed tables: [Payment table set](#)

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