

THE CAPITAL AND LIQUIDITY POSITION OF THE BANKING SYSTEM IS STABLE, LENDING CAPACITIES ARE AT A HIGH LEVEL



THE MAIN MESSAGES OF THE FINANCIAL STABILITY REPORT, MAY 2023

INTERNATIONAL BANKING CRISES

In the US, multiple small and medium-sized banks have fallen in crisis due to liquidity problems, deposit concentration and the incomplete regulation

European and domestic regulation and supervision make the Hungarian banking system resistant to similar events

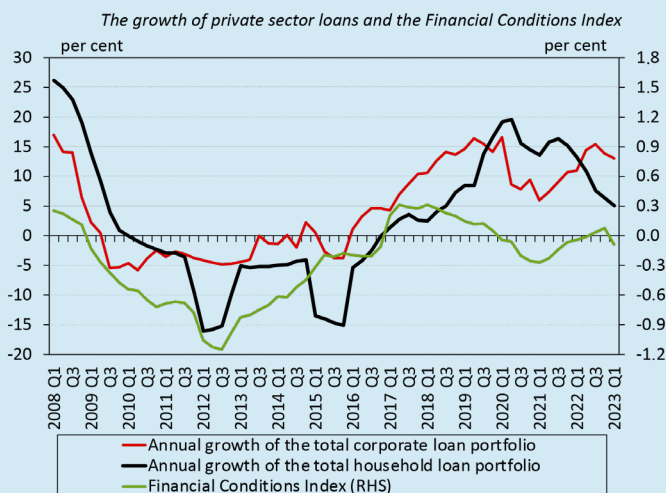
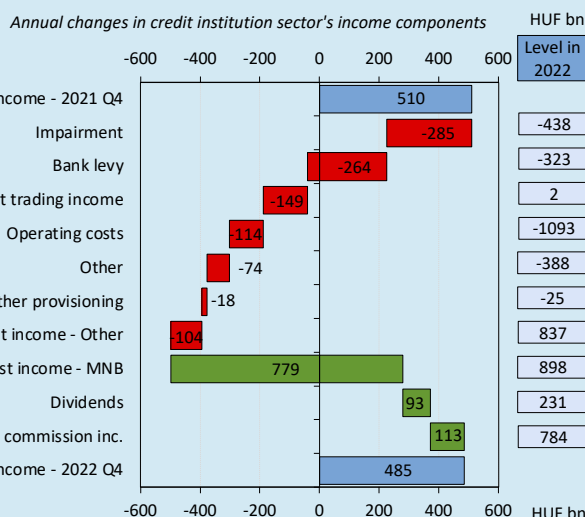
The fundamentals of the domestic banking system are stable, its resilience is strong with significant reserves

Capital accumulation capacity of the domestic banking system in the changed environment

The sector's return on equity reached 9 per cent in 2022, which is close to the year before.

The outstanding net interest income compensated for the rising costs, which were largely due to government measures.

The capital adequacy ratio of the banking system is 18 per cent and based on the results of the solvency stress test, the capital position of the sector is robust even in a significant stress scenario.



Credit standards tightened due to cyclical factors, capital and liquidity are not obstacles to lending

State subsidised lending programs contribute to the maintenance of corporate credit dynamics.

Household lending slowed significantly, which was accompanied by a sharp drop in housing market transactions.

The lending activity of the banking system is cyclically neutral, i.e. it neither stimulates nor contracts the economy.

The liquidity reserves of the banking system were stable at high levels in 2022. Banking system's operational liquidity reserves amount to 60 per cent of deposits. LCR is around 150 per cent.

The average interest rate of retail term deposits follows changes of the interbank interest rates more slowly than usual

The slow repricing of customer deposits observed since the beginning of the interest rate hike cycle increases banks' profitability in the short term.

