FINANCIAL STABILITY REPORT

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Financial stability is a state in which the financial system, including key financial markets and financial institutions, is capable of withstanding economic shocks and can smoothly fulfil its key functions of intermediating financial resources, managing financial risks and processing payment transactions.

The fundamental interest and joint responsibility of the Magyar Nemzeti Bank (MNB) together with other government institutions is to maintain and promote the stability of the domestic financial system. The MNB's role in maintaining financial stability is defined by Act CXXXIX of 2013 on the Magyar Nemzeti Bank.

Without prejudice to its primary objective of achieving and maintaining price stability, the MNB supports the maintenance of the stability of the financial intermediary system, the enhancement of its resilience and its sustainable contribution to economic growth, as well as the economic policy of the government using the instruments at its disposal.

The MNB formulates the macro-prudential policy for the stability of the entire system of financial intermediation, with the objective of enhancing the resilience of the system of financial intermediation and ensuring its sustainable contribution to economic growth. To that end and within the limits specified in the Act, the MNB explores the business and economic risks threatening the financial intermediation system as a whole, and promotes the prevention of the development of systemic risks and the reduction or elimination of systemic risks which have evolved; furthermore, in the event of disturbances to the credit market, the MNB contributes to the balanced operation of the intermediation system in financing the economy by stimulating lending, or restraining lending in the case of excessive credit outflow.

The primary objective of the Financial Stability Report is to inform stakeholders about issues related to financial stability and to thus raise the risk awareness of those concerned, as well as to maintain and strengthen confidence in the financial system. Accordingly, it is the Magyar Nemzeti Bank's intention to ensure the availability of the information needed for financial decisions and thus contribute to enhancing the stability of the financial system as a whole.

The analyses in this Report were prepared by the Directorate Financial Stability and Monetary Policy Instruments, with the contribution of the Directorate Economic Forecast and Analysis, under the general direction of Ádám Banai, Executive Director for Monetary Policy and Financial Stability.

The Report was approved for publication by Zoltán Kurali, Deputy Governor.

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The Report incorporates valuable feedback from the Financial Stability Council after its meetings on 8 October and 19 November 2025, and from the Monetary Council, which discussed the Report on 4 November 2025.

This Report is based on information in the period to 31 October 2025. As data frequency varies, the analysis horizons may also differ in some cases.

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Executive summary

The Hungarian banking system was characterised by ample liquidity and a strong capital position in 2025 H1 as well. Credit risks remained moderate, and the ratio of non-performing loans is at a historically low level. On the credit market, the dual trends of buoyant household lending and subdued growth in corporate credit persisted. The Home Start loan programme, available since 1 September, boosts demand in the housing market to a large extent, and its impact on house prices depends on the success of measures aiming to expand supply.

The international environment is characterised by complex risks. Uncertainty about global trade has eased somewhat since the spring, but geopolitical tensions continue to cloud the growth outlooks. Government spending, on defence for example, is rising across Europe, leading to an increase in government debt. This also raises the weight of the government bond portfolio in banks' balance sheets. Based on stress tests conducted by the European Banking Authority (EBA), major European banks have strong capital and liquidity positions.

High profitability continued to improve the Hungarian banking system's reserves in 2025 H1. After a slight decline, banks' 12-month rolling return on equity (RoE) amounted to 19.1 per cent in June 2025. High net interest income continues to support banks' profitability. An increasingly smaller portion of this is derived from the central bank, while the share of interest revenue received from the state is on an upward trend due to the growing government bond portfolio. Interest subsidies guaranteed by the public budget also play a significant, gradually increasing role in the evolution of interest revenue. The negative effect of loan losses on profit was minimal in the first half of the year. The ratio of non-performing loans is historically low. Despite declining profitability, return on equity exceeded the cost of capital at most banks. The capital adequacy ratio stood at 20.7 per cent at the end of June 2025, representing a free capital buffer of more than HUF 2,300 billion.

Banks' liquidity position is ample. Liquidity held in the central bank's reserve account fell by around HUF 1,300 billion between April and October, largely due to maturing long-term central bank loans. Nevertheless, banks' operational liquidity reserves exceed HUF 21,000 billion. The sector's average liquidity coverage ratio (LCR) was 168 per cent at the end of September, well above the required 100 per cent. Thus, no systemic liquidity risks can be identified. Reducing the windfall tax burden by purchasing government bonds and the tightening of central bank liquidity may only necessitate increased liquidity management only at a few individual institutions.

The shock-absorbing capacity of Hungarian banks is also demonstrated by our stress test exercises. According to our estimation, even after a severe liquidity shock, banks would have a liquidity surplus of roughly HUF 3,000 billion compared to the regulatory requirements. However, due to the composition of liquid assets and demand for central bank liquidity, some institutions would be forced to adjust in the stress scenario. The banking system would survive a severe downturn in the real economy with minimal capital replenishment requirements, with banks' continued profitability even in the stress scenario playing a significant supporting role in this regard.

The dual trends on the household and corporate credit markets persisted in 2025 H1. Household loans outstanding grew at a year-on-year rate of 11.7 per cent, due to strong demand for loans, while the housing loan portfolio expanded by nearly 15 per cent. Demand for corporate loans continued to weaken, and thus the corporate loan portfolio grew at a year-on-year rate of just 2 per cent. The Certified Corporate Loan certification launched by the central bank in September 2025 may have a positive impact on demand for market based loans in the medium term. The reduction of administrative barriers in the credit market and the easier comparability of banks' offers may also encourage companies that have not previously been present in the credit market to take out loans.

The latest subsidised housing loan programme (Home Start) launched by the government in September 2025 will lead to significant demand growth in both the credit and housing markets, due to its wide availability and the large maximum contract size. Based on preliminary data, nominal house prices rose by 23.9 per cent on an annual basis nationwide in 2025 Q3. The success of supply stimulus measures launched by the government is necessary to slow down further price appreciation. House prices are currently above the level justified by fundamentals. Overvaluation increases the risk of a house price correction, which would also have a negative impact on the valuation of loan collaterals.

In September 2025, the MNB adopted a comprehensive macroprudential package targeting mortgage loan market risks. As part of this, from January 2026, in order to strengthen the forward-looking, preventive nature of the systemic risk buffer (SyRB), the MNB is replacing the current requirement with two sectoral SyRBs at a rate of 1 per cent each for exposures to Hungarian customers which are backed by domestic residential and commercial real estate.

Main financial stability indicators

FINANCIAL STABILITY INDICATORS - SUMMARY TABLE				
	2008	2019	2024	Most recent data
Lending				
Annual growth rate of loans outstanding - corporate sector (%)	6.5	14.5	1.6	4.1 (Sep 2025)
Annual growth rate of loans outstanding - SME sector (%)	11.7	14.7	1.9	2.4 (Q2 2025)
Annual growth rate of loans outstanding - household sector (%)	19.1	16.7	9.7	11.8 (Sep 2025)
Real estate markets				
Annual change in the number of housing transactions (%)	-13.4	-4.5	25.6	13.7 (Q3 2025)
Ratio of housing loan contracts and housing market transactions (%)	48.1	42.0	42.0	39.4 (Q3 2025)
Share of housing market transactions financed with housing loans (%)	-	37.3	37.2	34.0 (Q3 2025)
Annual change in house prices (%)	0.2	18.1	14.7	23.9 (Q3 2025)*
Housing market overvaluation (%)	7.9	-1.8	13.5	18.8 (Q2 2025)
Vacancy rate - Budapest office market (%)	16.8	5.6	14.1	13.4 (Q3 2025)
Vacancy rate - industrial-logistics market of Budapest and its environs (%)	17.3	1.9	7.9	13.1 (Q3 2025)
Project loans/regulatory capital (%)	73.3	26.6	37.9	36.5 (Q2 2025)
Portfolio quality				
Corporate NPL-ratio (%)	5.4	3.9	3.7	3.0 (Aug 2025)
Household NPL-ratio (%)	3.8	4.2	2.0	1.8 (Aug 2025)
Profitability				
Return on Equity (%)	11.3	11.5	22.5	19.1 (Q2 2025)
Return on Assets (%)	0.9	1.2	2.0	1.8 (Q2 2025)
Capital position				
Capital Adequacy Ratio (%)	12.9	18.0	20.9	20.7 (Q2 2025)
Leverage ratio (%)	-	8.9	9.3	9.2 (Q2 2025)
Liquidity				
Loan-to-deposit ratio (%)	152.0	75.5	74.0	74.6 (Aug 2025)
Liquidity Coverage Ratio (%)	-	148.4	180.6	168.2 (Sep 2025)

** Preliminary data.*

Notes:

Credit institution sector's data (excluding real estate market indicators).

Annual growth rate of loans outstanding: Annual growth rate based on annual transactions (balance of disbursements and repayments).

Project loans/regulatory capital: Based on the institutions' project loan portfolio secured by commercial real estate and Bond Funding for Growth Scheme portfolio related to commercial real estate developments and investments.

NPL-ratio: The definition of non-performing loans changed in 2015. From then on, in addition to the 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.

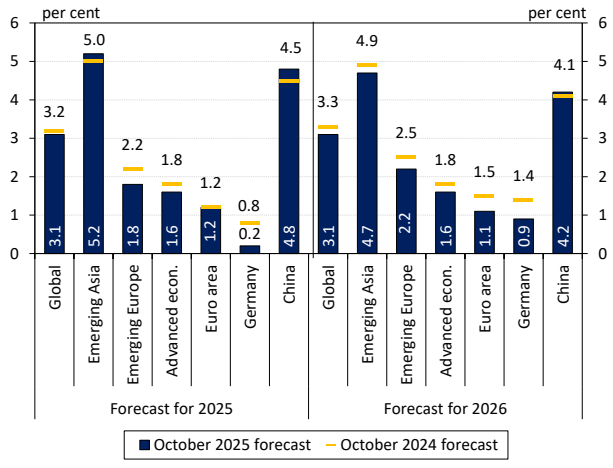
1. Growth prospects weakened, but tariff agreements reduced uncertainty

The global economic outlook remains subject to considerable uncertainty and significant geopolitical risks. Persistent uncertainty is restraining consumption and investment, prompting many countries to take measures to stimulate economic growth, the fiscal cost of which is raising concerns about public debt sustainability. The global growth outlook is stable, but protracted trade and geopolitical tensions continue to cause uncertainty in the global economic environment. Higher US tariffs may reduce the profitability of European companies producing for export and their suppliers, which would have an adverse impact on economic growth and the banking system.

The world's leading central banks have pursued slightly different interest rate paths in 2025. After a long pause, the Federal Reserve started to lower its policy interest rate again in September, while inflation in the euro area fell close to the ECB's target level. Based on market pricing, looking ahead the Fed may continue to lower its target range for the policy rate, while market participants do not expect any further interest rate cuts from the European Central Bank in 2025. Despite modest economic growth and declining net interest income, the European banking system continued to operate with high profitability in 2025 H1. The EU banking system is well capitalised and has ample liquidity reserves, but this is accompanied by growing sovereign exposure and rising government bond yields in some Member States. The high profitability and good portfolio quality of European banks ensure strong shock resilience for the sector, as confirmed by the results of this year's EU-wide stress test conducted by the EBA.

According to the MNB's September 2025 Inflation Report, Hungarian GDP may grow at a rate of 0.6 per cent in 2025. In parallel with strong growth in household consumption, investment is showing signs of a prolonged downturn, but the gradual economic recovery may continue from the third quarter onwards. The output of the manufacturing industry fell by 4.0 per cent on an annual basis in the first eight months of 2025, as uncertain global market prospects undercut demand for industrial products. Labour demand also declined in the second quarter, but the unemployment rate remained low by international standards. From next year onwards, both internal and external factors will contribute to further economic growth, resulting in a 2.8 per cent increase in Hungarian GDP in 2026.

Chart 1: Real GDP growth projections of the IMF

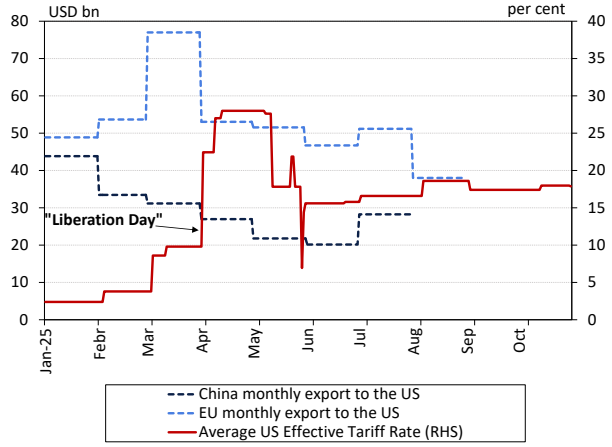


Source: IMF

Geopolitical tensions and higher tariffs weigh on global growth prospects

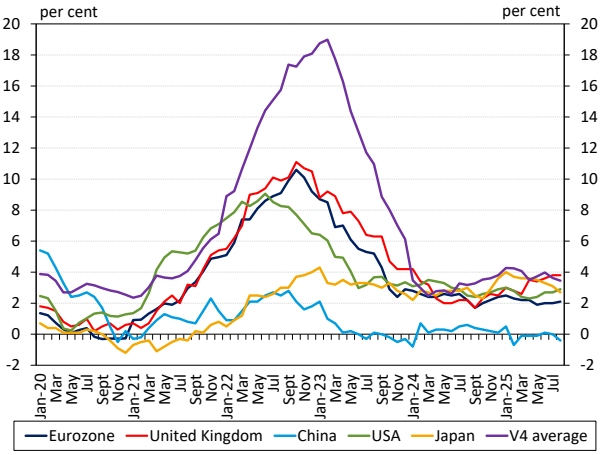
The global economic growth outlook for 2025 and 2026 remains modest, with tariffs further dampening prospects. According to the IMF's latest forecast from October of this year, the global economy will grow moderately, at a rate of 3.1 per cent in both 2025 and 2026 (Chart 1). The global macroeconomic outlook involves considerable uncertainty, due to the numerous geopolitical risks (the measurement and implications of such for the stability of the financial intermediary system are discussed in Box 1), protectionist tariff measures and the slowdown in disinflation. Higher US tariffs are restraining European economic growth, but the announcement of final tariffs and trade agreements has somewhat reduced the heightened uncertainty surrounding the future of global trade in Europe. In July, the US signed a trade agreement with the EU, according to which most EU goods are subject to a 15 per cent import duty. At the same time, the US has still not managed to reach an agreement with China, which has

Chart 2: Average US effective tariff rate and EU and Chinese exports of goods to the US



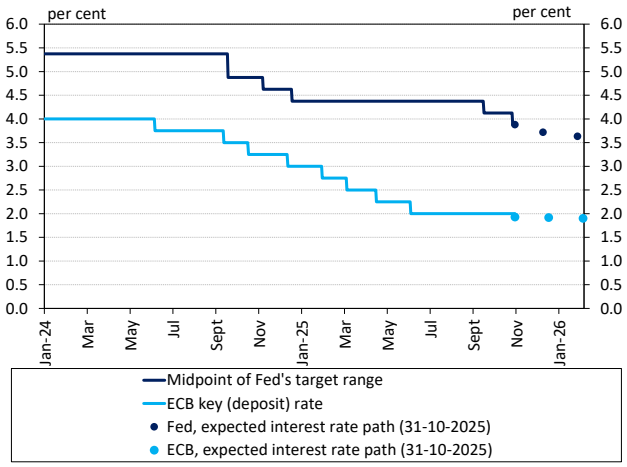
Source: The Budget Lab at Yale, UN Comtrade

Chart 3: Inflation trends in various countries and regions



Note: The V4 average is the unweighted arithmetic average of Hungary, Slovakia, Czechia and Poland. Source: OECD, ONS

Chart 4: Fed and ECB interest rate paths and their expected development based on market pricing



Note: The expected interest rate path is shown based on interest rate swaps for the Fed and based on EONIA forward yields for the ECB. Source: Bloomberg

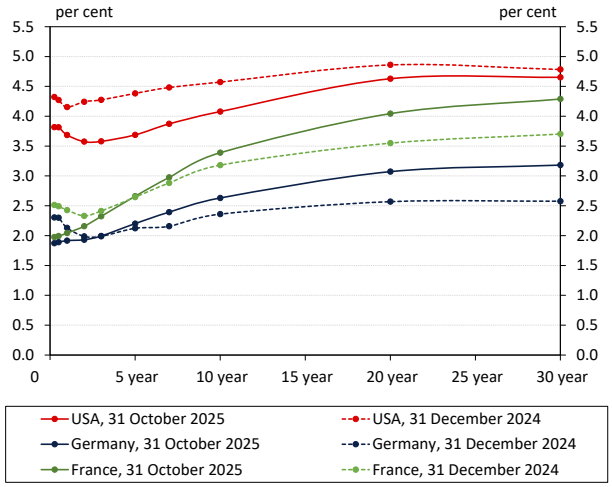
an adverse impact on the growth prospects of both China and the global economy.

The drastic increase in US customs tariffs has triggered significant changes in global trade. The new US administration, which took office in January 2025, announced various sector-specific and – as part of "Liberation Day" on April 2 – general protective tariffs against its trading partners (Chart 2). EU Member States significantly increased their exports to the US in March, taking advantage of the still low customs tariffs. However, China faced significantly higher tariffs from February onwards; therefore, it reduced its exports to the US and sought buyers in other markets. Higher US tariffs may significantly reshape the global economy, forcing European manufacturers to adapt as they face mounting competition from Chinese companies not only in their domestic markets, but also in foreign markets.

Disinflation came to a halt in several regions. Among the developed countries, inflation in the United States and the United Kingdom has been higher than previously expected in 2025 (Chart 3). In the case of the UK, the rise in official prices is increasingly being felt in consumer prices, while in the USA, services inflation stabilising at higher levels and the impact of higher tariffs is having the same effect. The IMF estimates that the US inflation rate may fall to the Fed's 2 per cent target in 2027. Inflation in the euro area has already fallen to a level close to the target determined by the ECB. China's economy continues to be characterised by near-deflation, due to weak domestic demand and shrinking export opportunities.

The interest rate cycles of the leading central banks are in different phases. The world's leading central banks began lowering their policy interest rates in 2024. As inflation moderated, the ECB cut its policy rate from 4 per cent to 2 per cent in eight steps, while the Fed took an extended pause after three cuts and only lowered the target range for its policy rate again on 17 September 2025, by 25 basis points to 4.0–4.25 per cent and on 29 October to 3.75–4.0 per cent. The Fed's resumption of rate cuts was hampered by rising inflation, but risks shifted from the price stability side of the central bank's dual mandate to the labour market, which justified the rate cut in September and then in October. Market pricing suggests that the Federal Reserve may further lower the target range for the policy rate (Chart 4). By contrast, the European Central Bank is not expected to cut interest rates again this year.

Chart 5: Changes in government bond yield curves in selected developed countries



Source: Bloomberg

Long-term government securities market yields rose in Europe. Short, risk-free rates of return in the euro area also dropped as the policy rate fell. Uncertainty about the economic outlook, rising defence spending in Europe and thus deteriorating confidence in the sustainability of public budgets led to a rise in yields in the long-term government securities market (Chart 5). At the end of October 2025, 10-year government bond yields were 27 and 21 basis points higher in Germany and France, respectively, compared to the end of the previous year; accordingly, the financing costs of new public debt and the refinancing costs of maturing public debt have also increased. During the same period, the yield curve in the USA also steepened, due to a larger decline in short-term yields, but 10-year government bond yields there also fell by 49 basis points since the end of 2024.

BOX 1: MEASURING THE IMPACT OF GEOPOLITICAL RISKS USING NEW GEOPOLITICAL COMPOSITE INDICES

Geopolitical shocks have both direct and indirect effects on the financial intermediary system, and thus assessing and quantifying geopolitical risks is also crucial from the perspective of financial stability. As a direct result of rising geopolitical tensions, not only may investors become more risk-averse, but general financial market uncertainty can also increase. Indirect effects and effects transmitted through real economy channels may also impact global trade, supply chains, technological transfers and commodity markets. As a result, inflation may rise, and economic growth prospects may deteriorate. All of this will affect corporate and bank profitability and may impair the quality of bank portfolios. From the perspective of the stability of the Hungarian financial intermediary system, such risks include losses related to Russian and Ukrainian banking exposures, and the impact of sanctions or higher US tariffs on Hungarian companies engaged in export activities. Overall, it can thus be stated that geopolitical risks affect macroeconomic and financial stability as a whole, and therefore it is crucial to measure such risks.

Geopolitical and global risk indices enable the early detection of global spillover effects, and new methodologies make it possible to condense information from different markets into a single, easily interpretable factor. Wars, sanctions and disruptions in the energy market and supply chains appear earlier in risk perception than in banks' balance sheets or financial stress indices, and thus we have created a forward-looking index that interprets movements in the stock market, foreign exchange market and energy sector in a combined manner. The indicator is calculated from daily data on markets relevant to Hungary, aggregated on a monthly or quarterly basis, and compares the current situation with the "standard" co-movements of the observed markets, indicating on a scale of 0–1 how extreme and simultaneous the shift is. In this way, it identifies not only individual fluctuations, but also the simultaneous build-up of tension in sub-markets – precisely what may pose the greatest risk to the stability of the financial intermediary system.

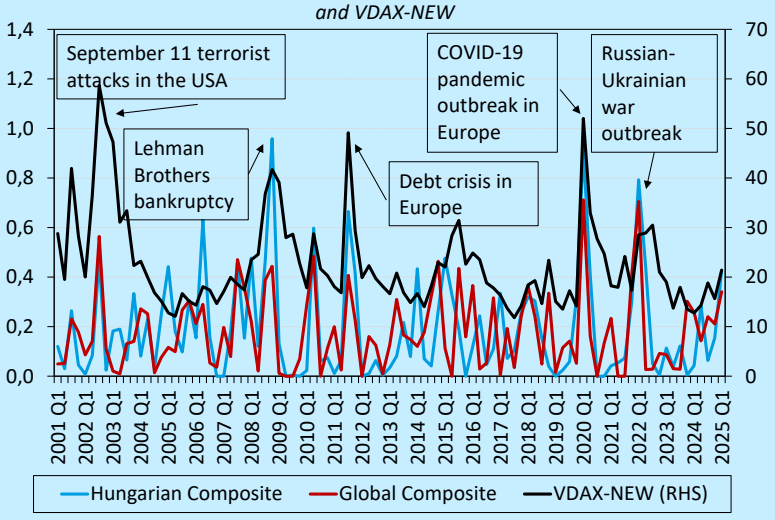
The index is a so-called Mahalanobis distance-based indicator that measures how "unusual" the combined state of the markets is compared to the usual pattern. The indicator takes into account the correlation between markets: the same sub-market movement may be harmless on its own, but if several segments move in an unusual direction together, the composite index will indicate this more strongly. The advantage of this method is that it is less sensitive to noisy, individual fluctuations, but at the same time more sensitive to systemic co-movements. As a result, it provides decision-makers with a single, easily communicable, yet professionally sound "thermometer" of the risks

posed by geopolitical shocks to the financial intermediary system. In addition to the Hungarian market-focused index, we have also created a global market-focused index using a similar methodology, which captures movements in the global stock market, foreign exchange market and energy sector. We have also created sub-indices that monitor individual sub-markets, such as the energy sector, separately.

Looking at the spillover effects of geopolitical shocks on the financial sector, we can conclude that there is no single "best" index or factor, as geopolitical shocks generally exert their impacts through various channels. The indicators of the geopolitical index family created and monitored by the MNB all highlight different information. We also examine the co-movement of different markets, their temporal structure and exposures that are significant from a professional point of view (e.g. foreign exchange markets). The spillover effect may vary over time, and different channels captured by different sub-indices are the most important in terms of the impact of geopolitical risks; accordingly, in addition to the composite index discussed above, these sub-indices can be used to identify which channel is currently transmitting the shock (energy, foreign trade, foreign exchange, capital markets). If the composite index remains in the upper quantiles of its historical distribution, it may be worthwhile for the regulator to prepare the banking system for the potential adverse effects of increased geopolitical risks, which can be supported by provisioning or a faster build-up of liquidity and capital buffers. Targeted, proportionate regulatory measures may be designed and developed with the help of newly developed geopolitical risk indices.

The co-movement our new composite indices and market volatility (VDAX-NEW)[1] supports the credibility of the signal, but their shift and peak precede similar movements in the VDAX, thus providing early signals of changes in the risk regime. In our experience, the VDAX quickly reprices the global risk premium, and the composite index provides a sustained signal when there is a common, unusual co-movement in domestic sub-markets as well. If both indicators are high at the same time – especially if the rise is persistent – then the impact of geopolitical shocks may no longer be just "market noise" and may become a macroeconomic risk.

Co-movement and risk forecasting ability of quarterly composite indices and VDAX-NEW

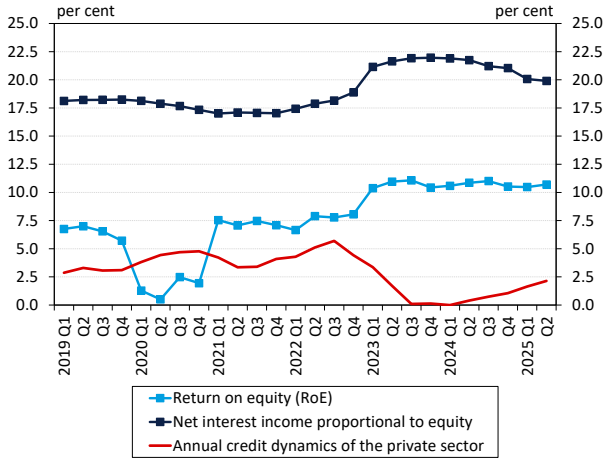


Note: The repricing of the risk premium can be considered a strong, policy-relevant signal if the frequency, intensity and persistence of anomalies are simultaneously high in several domestic sub-markets. Source: MNB

A sustained increase in geopolitical risks increases the likelihood of the occurrence of adverse growth trajectories. In the Growth-at-Risk (GaR) framework, the composite geopolitical index shows increased vulnerability through a downward shift in the lower quantiles of GDP growth, and thus changes in the index can be directly "translated" into risks posed to growth. In the quantile regression GaR model (supplemented with Lasso variable selection), a sustained increase in the composite index causes a decline in the 10th to 20th percentiles of GDP distribution, while the effect is significantly smaller near the median. Accordingly, a sustained increase in the indicator increases the probability of unfavourable economic growth outcomes.

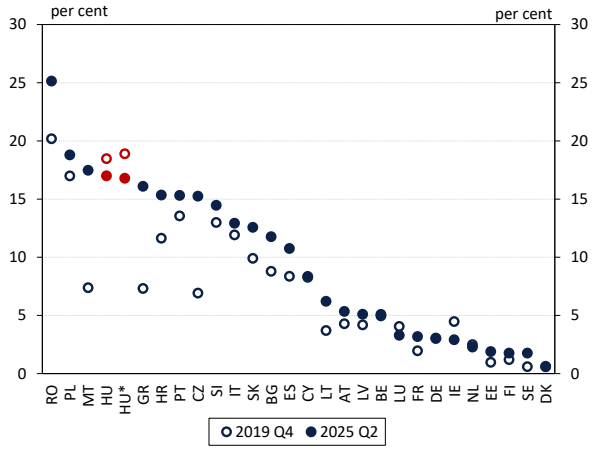
[1] The VDAX-NEW is a volatility index developed by Deutsche Börse and Goldman Sachs. It measures the fluctuation of the German derivatives market, i.e. the 30-day implied volatility of the market. It is therefore a forward-looking index that measures the expected volatility of the stock market over the next 30 days.

Chart 6: Return on equity and expansion of the loan portfolio in the EU banking system



Note: Transaction-based annual growth rate of credit institution loans to households and non-financial corporations. The profitability data is based on the EBA Risk Dashboard sample of 162 banks, covering more than 80 per cent of the EU/EEA banking sector in terms of total assets. Source: ECB, EBA

Chart 7: Sovereign exposure as a ratio of total assets in the banking systems of EU Member States



Note: Stock of domestic an eurozone government securities held by the banking system of the given Member State as a percentage of the consolidated balance sheet total. HU*: as a percentage of the non-consolidated total assets of the domestic banking system. Source: ECB

1.2. EU banking system characterised by high profitability and adequate capital and liquidity buffers

The EU banking system continues to operate at a high level of profitability, supported by a moderate expansion in lending. In 2025 Q2, the annual return on equity (RoE) of the EU banking system reached 10.7 per cent, reflecting a decline of 15 basis points versus the same period of the previous year (Chart 6). As a percentage of equity, net interest income, as the main contributor to profitability, reached 19.9 per cent in 2025 Q2, down 1.8 percentage points on an annual basis, but still high by historical standards. During the same period, net fee and commission income also failed to contribute to the improvement in RoE, but the deterioration in interest income was offset by an increase in other operating income. In terms of the sector's profitability, it is favourable that the private sector's loans outstanding grew by 2.1 per cent on an annual basis in June 2025. Within loans outstanding, annual growth in the corporate and household segments reached 1.9 per cent and 2.3 per cent, respectively.

The EU banking system has ample liquidity buffers, but this is accompanied with significant sovereign exposures in some Member States. The weighted average Liquidity Coverage Ratio (LCR) of EU banks reached 162 per cent in 2025 Q2, which is unchanged on year-on-year terms and continues to indicate a high level of liquid buffers. At the EU level, liquidity risks stemming from sovereign exposures are moderate, but in recent years the amount of government debt held by banks relative to the total assets of the banking system has increased significantly in some Member States (Chart 7). The highest rates in 2025 have been reached by the banking systems in Romania (25 per cent), Poland (19 per cent) and Malta (18 per cent). High sovereign exposure can have an adverse effect on banks' stability in the event of a sovereign debt crisis and, in turn, can further exacerbate such a crisis. Therefore, from the perspective of financial stability, it is necessary to continuously monitor the sovereign-bank nexus, as highlighted by the analysis of several international institutions, including the IMF and the ESRB.[2]

The parent banks of domestic banks performed well in the EBA's 2025 EU-wide stress test. The bank resilience

[2] The ESRB draws attention to the challenges posed by banking risks caused by moderate economic growth, to sudden and widespread asset repricing as a result of the materialisation of geopolitical risks, and to the re-emergence of sovereign debt problems.

Table 1: Results of the 2025 EBA stress test: Fully loaded CET1 capital ratios and deltas to starting point

Bank name	CRR3 restated	Baseline 2027	Adverse 2027	Delta (bps)
OTP Bank Nyrt.	17.50%	22.50%	16.30%	-124
Erste Group Bank AG	15.80%	17.90%	12.30%	-350
Raiffeisen Bank International AG	16.80%	19.90%	15.20%	-161
KBC Group NV	14.60%	17.20%	11.80%	-273
Intesa Sanpaolo S.p.A.	12.40%	14.00%	11.80%	-62
UniCredit S.p.A.	13.90%	13.90%	11.70%	-215
Aggregated results	15.80%	16.90%	12.10%	-370

Note: Delta is the difference between the end-2024 starting point CET1 capital ratio under CRR3 rules and the end-2027 projected ratio under the adverse scenario. Source: EBA

Table 2: Summary table of the baseline scenario included in the Inflation Report (September 2025)

	Actual	Forecast	
	2024	2025	2026
Inflation (annual average)			
Core inflation	4.6	4.7	3.9
Core inflation excluding indirect tax effects	4.6	4.4	3.9
Inflation	3.7	4.6	3.8
Economic growth			
Household final consumption expenditure	5.1	4.2	4.4
Government final consumption expenditure[1]	-3.7	2.2	0.6
Gross fixed capital formation	-11.1	-6.4	2.0
Domestic absorption	-0.1	1.8	2.9
Exports	-3.0	0.2	4.3
Imports	-4.0	1.9	4.6
GDP	0.5	0.6	2.8
Labour productivity[2]	0.4	0.5	3.2
External balance[3, 6]			
Current account balance	2.2	1.3	1.4
Net lending	2.6	2.3	2.7
Government balance[3]			
ESA balance	-4.9	(-4.5) - (-4.1)	(-4.2) - (-3.8)
Labour market			
Whole-economy gross average earnings[4]	13.2	8.7	10.5
Whole-economy employment	0.0	-0,8	-0.5
Private sector gross average earnings[4]	12.0	8.5	9.3
Private sector employment	-0,3	-1.4	-0.4
Unemployment rate	4.5	4.6	4.8
Private sector nominal unit labour cost	5.0	1.2	1.2
Household real income[5]	4.0	2.0	4.5

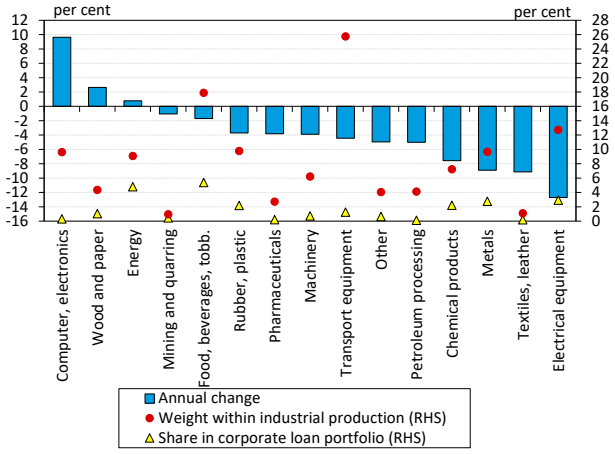
Note: 1. Includes community consumption and the transfers from government and non-profit institutions. 2. The national economy, based on national accounts data. 3. As a percentage of GDP. 4. For full-time employees. 5. MNB estimate. 6. For 2024, external trade data from GDP was taken into account. Source: MNB Inflation Report 2025 September

exercise involved 64 banks, representing around 75 per cent of the total assets of EU banks. Of these, six banking groups have operations in Hungary. The stress scenarios used assumed persistent supply shocks and a resulting sharp deterioration in the global financial environment. Based on the results, the shock resilience of banks operating in Hungary is strong, and their capital losses in the stress path would be lower than the average losses of the examined banks (Table 1). In the current uncertain, challenging macroeconomic environment, it is particularly important to build up macroprudential capital buffers that can be released in times of crisis, and the high profitability of European banks in recent years provides a favourable backdrop for this. Current regulatory recommendations from international institutions (BIS, IMF, ECB) also refer to strengthening the shock resilience of the financial system and increasing the capital buffer requirements that can be released, while minimising potential adverse effects, and most EEA countries have followed this by introducing new capital buffers.

1.3. Hungarian economic growth may gradually pick up over the rest of this year

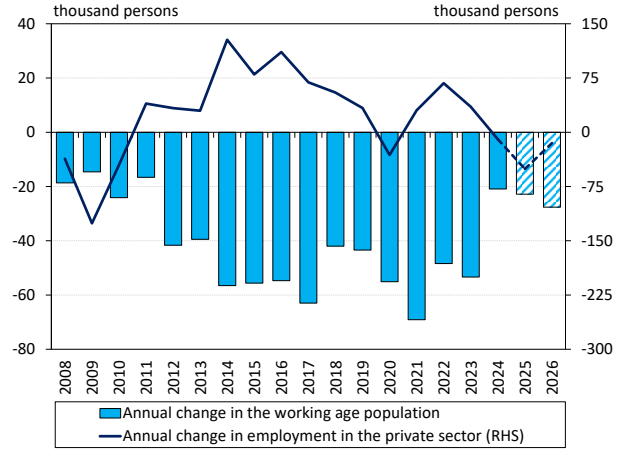
Inflation is expected to remain above the tolerance band for the remainder of the year, while GDP may expand by 0.6 per cent in 2025. The annual rate of increase in consumer prices slowed from 5.6 per cent in February to 4.3 per cent in August 2025. Price and margin restriction measures had a significant moderating effect on inflation, with the MNB estimating that they reduced inflation by 1.5 percentage points in August. According to the MNB's September forecast, inflation is expected to average 4.6 per cent this year (Table 2). On an annual basis, Hungarian GDP grew by 0.1 per cent in 2025 Q2, based on unadjusted data. The gradual economic recovery may continue from the third quarter onwards, but may be retarded by the decline in agricultural output due to drought. The real economy is characterised by dual trends, as strong growth in household consumption is accompanied by a prolonged decline in investment.[3] Uncertain world market prospects and higher tariffs are curbing demand for industrial goods. According to the MNB's September 2025 Inflation Report, the recovery of the European economy and the ramp-up of output of new capacities are expected to lead to faster export growth than in the past and an increase in Hungary's export market share over the forecast horizon. From next year onwards, both

Chart 8: Annual change in the production of industrial sub-sectors (January–August 2025) and the weight of each sub-sector and its exposure to the banking system



Note: Seasonally and calendar-adjusted data. Source: HCSO, MNB

Chart 9: Annual changes in working-age population and total number of employees in the private sector



Note: The number of employed persons refers to those aged 15–74, but the projection for the working-age population refers to those aged 15–64. Source: Eurostat, HCSO, MNB

internal and external factors will contribute to further economic growth, with GDP expanding by 2.8 per cent in 2026 and 3.2 per cent in 2027.

Industrial output fell by 3.8 per cent, including a drop of 4.0 per cent on an annual basis in manufacturing industry during the first eight months of 2025. Among the most significant sub-sectors, output in the electrical equipment sector declined by 12.7 per cent, transport equipment manufacturing by 4.4 per cent and the food industry by 1.7 per cent on an annual basis in the first eight months of 2025 (Chart 8). The loans outstanding of sub-sectors with a decline of more than 5 per cent account for 8.3 per cent of the total corporate loan portfolio. A downward trend has been observed in the level of industrial production since July 2023, which also indicates subdued external demand. The output of the German industry, which is crucial for domestic industry, is 9.2 per cent below its pre-pandemic level, which is one of the weakest indicators in the EU.

Demand for labour in the Hungarian economy fell in 2025 Q2, while the unemployment rate remains low by international standards. The labour market's adjustment to subdued real economic performance is also reflected in the level of employment in the national economy, with signs of declining labour demand now visible in the market services sector as well as in the manufacturing industry. At the same time, demographic trends are increasingly acting as an effective barrier to further substantial employment growth. In June–August 2025, the number of employed persons aged 15–74 was 4,679,000, which means that the employment level decreased by 36,000 compared to the same period of the previous year. According to the MNB's latest forecast, a slow rise in the number of employed persons is expected from mid-2026 (Chart 9). The unemployment rate averaged 4.4 per cent in June–August 2025, which is still low by international standards (in July 2025, the EU average was 5.9 per cent and the euro area average was 6.2 per cent). The tightness of the domestic labour market eased, as reflected in a slowdown in the pace of wage growth. Real wages continue to rise strongly, with real earnings in the national economy averaging 4.2 per cent higher in the first eight months of 2025 compared to the same period last year.

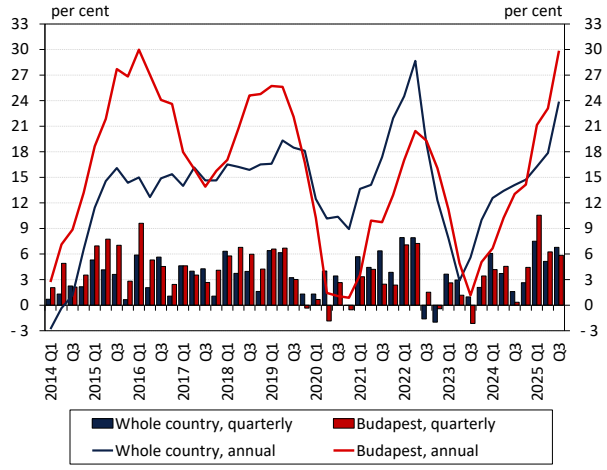
[3] In the MNB's Market Intelligence Survey 2025, the majority of banks surveyed identified the deterioration of the domestic economic environment as the most important risk.

2. Housing market overvaluation and risk of oversupply in the CRE market both increased

By 2025 Q2, the annual average growth rate of nominal house prices reached 17.9 per cent on a national average and 23.1 per cent in Budapest; according to preliminary data, these rates may have increased significantly in the third quarter as well. In the short term, the Home Start Programme improves the affordability of housing for a wide range of borrowers, but in the absence of adequate new supply, growing demand also contributes to further appreciation of house prices. In 2025 Q2, the overvaluation of house prices relative to fundamentals rose to 18.8 per cent at the national level, and the excess demand appearing on the market may further increase this substantially. The coverage of existing loans outstanding is favourable, with the current loan-to-value ratio of mortgages exceeding 80 per cent for only 3 per cent of the portfolio at the end of June, but at the same time, the increasing overvaluation raises the risks of mortgage loans with higher original LTVs disbursed in 2025. The rise in house prices and the risk of increasing overvaluation could be slowed by a substantial expansion in new supply. Few newly built homes are expected to be completed in 2025, but construction starts in the capital jumped sharply in 2025 H1, and several measures of the government are aimed at stimulating supply.

Investment volume in the commercial real estate (CRE) market rose in 2025 H1, but its overall level remained moderate. In the office market, the vacancy rate fell by 1.1 percentage points to 12.8 per cent on an annual basis by the end of June, but the rate is expected to rise in the latter half of the year, due to the large volume of office space slated for completion. In the industrial-logistics segment, the continued high level of new completions was accompanied by a substantial decline in leased space in the first half of the year, resulting in a significant year-on-year increase in the segment's vacancy rate, which advanced to 13.4 per cent at the end of June, rising by 4.9 percentage points. Overall, the risk of oversupply in the market increased for both Budapest offices and industrial-logistics properties. In 2025 H1, repayments on CRE-backed project loans exceeded the volume of new disbursements, resulting in a decrease in banks' exposure to the sector versus the end of 2024. In view of the strong increase in activity in the housing market and the risks in the commercial real estate market, from 1 January 2026 the MNB is applying a 1 per cent sectoral systemic risk buffer (sSyRB) to exposures secured by mortgages on domestic residential or commercial properties, thereby specifically enhancing the resilience of banks against shocks.

Chart 10: Annual and quarterly growth rates in nominal house prices

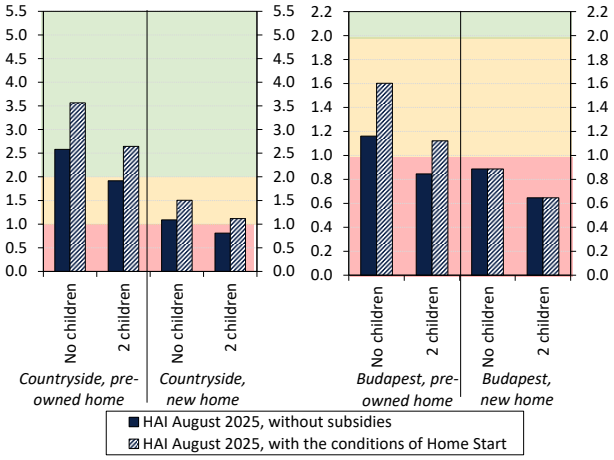


Note: Based on housing market intermediary data for 2025 Q3. Source: MNB

2.1. Home Start Programme generates significant excess demand on the housing market

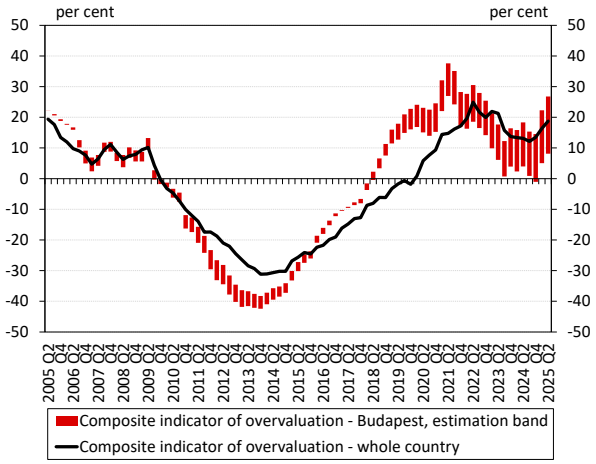
The Home Start Programme is further stimulating demand in a housing market with rapidly rising prices. Based on the MNB's official Housing Price Index, nominal house prices rose by 5.1 per cent on average nationwide and by 6.3 per cent in Budapest in 2025 Q2, compared to the previous quarter, lifting the annual growth rate to 17.9 per cent nationwide and 23.1 per cent in the capital (Chart 10). Prior to the launch of the Home Start Programme (the estimated effects of which are presented in detail in Box 2), which offers a fixed 3 per cent preferential interest rate, data from the advertising portal ingatlan.com show that demand for residential properties for sale rose by 45 per cent in Budapest and 47 per cent in the countryside in August on an annual basis. In the absence of sufficient new supply, the significant increase in demand further drives up house prices in the short term. In 2025 Q3, based on housing

Chart 11: Housing Affordability Index (HAI) with market interest rates and Home Start



Note: The Housing Affordability Index (HAI) shows the number of times the income of a household with two average earners (in the countryside or Budapest) covers the income required for the financed purchase of an average home. If the HAI value is above 2.0 (green background), purchasing a home with a loan can be achieved with an average salary without excessive financial strain, while if the value is below 1.0 (red background), even two average salaries are not enough. Calculations are based on the average price of a 45-square meter home without children, or a 65-square meter home with 2 children. LTV = 70%, PTI = 30%, maturity = 20 years. The majority of new home transactions in Budapest will not be eligible to participate in the Home Start Programme, due to price and square meter price limits. Source: HCSO, MNB

Chart 12: Deviation of housing prices from level justified by fundamentals in Hungary and Budapest



Note: Sub-indicators of the composite indicator: house price/income, house price/rent, new house price/construction cost, house price/affordable loan amount, housing investments/GDP (number of new dwellings in Budapest). The composite is calculated as a weighted average of the deviations from the long-term average of each sub-indicator. For the detailed methodology, see Box 1 of the MNB's November 2024 Housing Market Report. Source: MNB

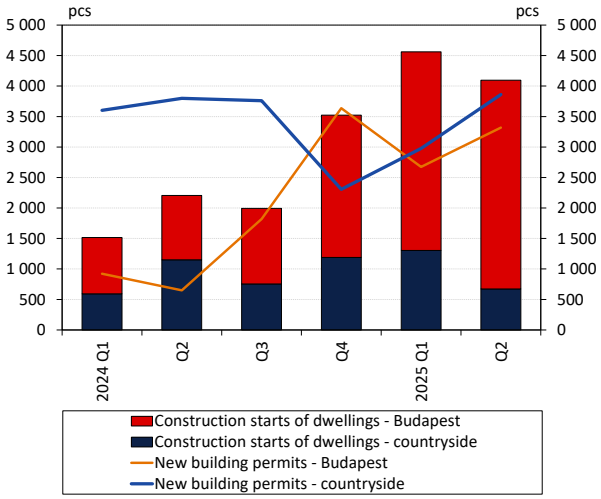
market intermediary data, annual house price growth rose to 23.9 per cent nationally and 29.9 per cent in Budapest.

The increase in demand is explained by housing affordability improving in the short term. From September, borrowers who were formerly not eligible for family subsidies but who meet the conditions of the Home Start Programme may be able to repay a loan of the same amount (up to HUF 50 million) even with an income 28–32 per cent lower than that required for market-priced loans, thus the affordability of house purchases significantly improves for them (Chart 11). However, rising demand leads to a further increase in house prices, and accordingly this extent of improvement in affordability may be temporary. The initial effect of lower repayment instalments owing to the favourable interest rates would only be offset by a very significant (40–50 per cent) increase in house prices, but due to the level of required down payment, even a smaller price increase could drive some of the buyers who became creditworthy through Home Start out of the market.

Housing market overvaluation increased significantly in 2025 H1 and may rise further for the rest of the year as well. Based on our composite indicator, in 2025 Q2, the overvaluation of residential property compared to the level justified by economic fundamentals was 18.8 per cent at the national level (Chart 12). The indicator rose by 5.7 percentage points year-on-year and 2.4 percentage points quarter-on-quarter, and the estimation band for Budapest also indicates a significant increase in overvaluation risks. This is because house prices have risen faster than incomes, rents, construction costs and affordable loan amounts. Similar to the flow of government bond market savings into the housing market in the first quarter, the Home Start Programme also generates significant excess demand, which is unsustainable in the long term, and may further increase the deviation of house prices compared to the level justified by economic fundamentals. The accelerating rise in house prices and the resulting increase in overvaluation could be mitigated by a substantial increase in supply coinciding with excess demand.

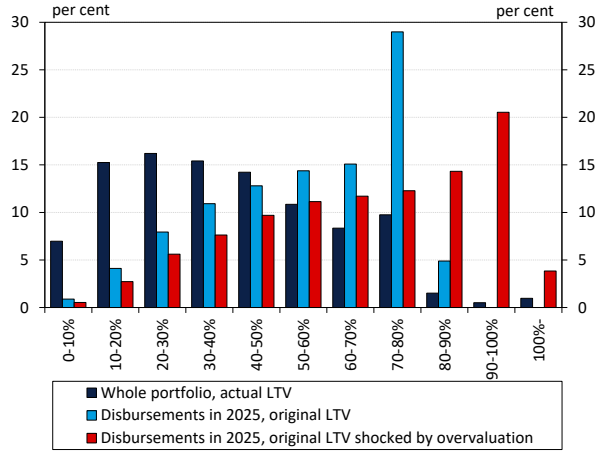
The number of new completions is low, but the number of construction starts in the capital rose significantly in 2025. In 2024, 13,300 new homes were built, the lowest number of homes completed since 2016, and no significant increase is expected in 2025 either. However,

Chart 13: Number of housing constructions started in multi-apartment projects and building permits issued



Note: Building permits also include detached houses. Source: iBuild, HCSO

Chart 14: Loan-to-value of the mortgage portfolio and new disbursements



Note: Volume-based distributions. In the case of overvaluation-shocked LTV, collateral values were reduced by the nationally estimated overvaluation. Source: MNB

in 2025 H1, in response to increased investment demand originating from household savings at the beginning of the year, housing developers began construction of nearly 6,700 homes in Budapest, more than three times the number of constructions started one year earlier (Chart 13). In 2025 H1, the number of building permits issued in Budapest also rose significantly year-on-year, reaching the level typical for 2017–2019. In the countryside, however, there are no signs of a turnaround in the number of condominium developments started or permits issued, including for detached houses. The expansion of the housing supply may be stimulated in the coming years by the government's decision to declare real estate developments involving the construction of at least 250 homes as priority investments, provided that at least 70 per cent of the homes built meet the criteria of the Home Start Programme.

Mortgage loan coverage is favourable, but the risks associated with new lending increase in line with housing market overvaluation. The current loan-to-value ratio of the existing mortgage loan portfolio reached an average of 40.5 per cent at the end of June, and only in the case of 3 per cent of the portfolio did the current LTV ratio exceed 80 per cent (Chart 14). In addition, banks were conservative in their revaluation of collateral: in 83 per cent of the cases, they increased collateral values by (often significantly) less than the rise in the house price index, and only in 7 per cent of the cases did they increase them by a greater extent. For 5 per cent of the mortgage volume disbursed by the end of June 2025, the original LTV exceeded 80 per cent,[4] but this ratio would rise to 39 per cent if the value of collateral were to fall after a market cycle turning point by the estimated extent of the housing market overvaluation. Considering the mortgage portfolio as a whole, banks' recovery risks are therefore currently low, but in the event of a future default of newly disbursed mortgage loans and the enforcement of collateral, the full recovery of these exposures may be subject to risks if a housing price correction occurs.

[4] Due to the targeted easing of debt ceiling rules, this part of the volume is entirely made up of lower credit risk first-time home buyer loan contracts and loan contracts with green collateral and loan purpose. For details, see: MNB Macroprudential Report, 2025.

BOX 2: EXPECTED IMPACT OF THE HOME START PROGRAMME ON THE CREDIT AND HOUSING MARKETS, BASED ON THE MNB'S AGENT-BASED HOUSING MARKET MODEL

Following the Government decision, a new interest-subsidised housing loan scheme, the Home Start Programme, was launched on 1 September 2025. Under this programme, loans up to HUF 50 million can be obtained at a fixed interest rate of up to 3 per cent until the end of the term for the purchase of a flat costing up to HUF 100 million or a house costing up to HUF 150 million, subject to a price limit of HUF 1.5 million per square metre. Anyone who has not owned more than 50 per cent of a residential property in the previous 10 years is eligible for the subsidy, regardless of age. Unlike previous subsidised housing loans, there are no family policy conditions attached to Home Start, but it can be combined with HPS Plus, rural HPS and also prenatal baby support loans. Due to the high loan amount available and the wide range of eligibility criteria, Home Start loans may play a significant role in financing home purchases. Therefore, from a financial stability perspective, it is important to assess the expected impact of the scheme on credit and housing market developments.

We quantified the expected impact of the Home Start Programme using the MNB's agent-based housing market model, which was developed to examine housing and credit market processes and related financial stability risks. The model represents nearly ten million individuals, i.e. four million households and homes. It encompasses all housing loan agreements between households and the banking system, thus providing a comprehensive picture of this part of the Hungarian economy.[5] To evaluate the effects of the Home Start Programme,[6] we compared the results of the baseline scenario without the programme with the results of the scenario that included the programme. To finance homes within the price limits set by the programme, households may take out loans under the current debt cap rules established by the MNB.[7] Although it would be economically rational for all eligible households to apply for the maximum amount of the Home Start loan for home purchases due to the arbitrage opportunity, we disregard this assumption due to the credit aversion characteristic of a portion of households. However, based on our previous simulation experiences with arbitrage, we expect borrowers to take out somewhat higher amounts than they actually need.

As a result of the introduction of the Home Start Programme, the proportion of home purchases financed by loans increases in the model by 6 percentage points by the end of 2026. Based on the simulation results, the Home Start Programme dominates the choice of loan products for home purchases: households may use Home Start for as much as 65 per cent of housing transactions financed by loans in 2026, and this proportion may be even higher in the months following the launch of the programme.

Based on the simulation results, by the end of 2026, banks disburse a loan volume of HUF 1,900 billion under the Home Start Programme. The programme could increase the total volume of newly disbursed housing loans by 35 per cent by the end of 2026. Based on this, it could have a much greater impact on the credit market than the previous state-subsidised loan product, HPS Plus, which has been available since January 2024. In the Home Start programme, the loan volume disbursed in the first 16 months in the model is 4.5 times higher than the values for

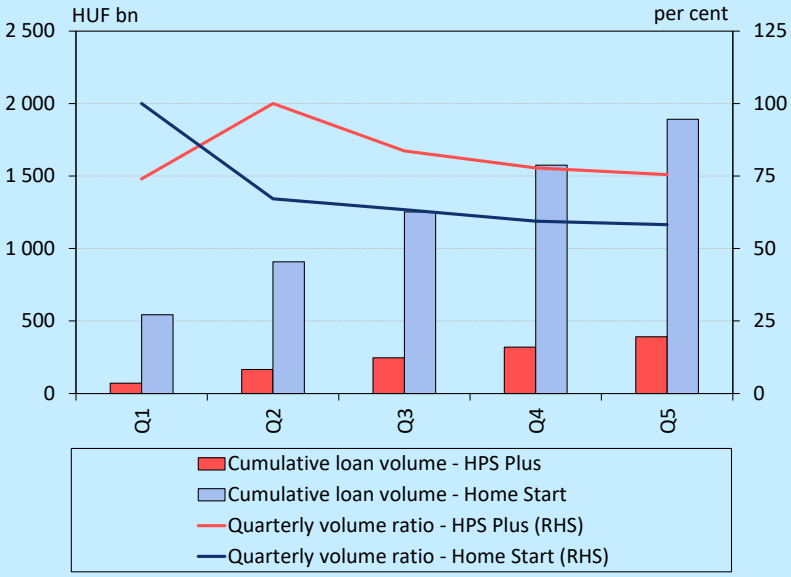
[5] A detailed description of the model can be found in the following study: Mérő, B. – Borsos, A. – Hosszú, Zs. – Oláh, Zs. – Vágó, N. (2023): A high-resolution, data-driven agent-based model of the housing market, Journal of Economic Dynamics and Control, Volume 155.

[6] The simulations presented in the Box do not take into account the housing support programme starting on 1 January 2026, under which public service employees may receive an annual net subsidy of HUF 1 million to cover the monthly instalments of existing housing loans or to contribute to the down payment of a new housing loan. Based on the draft legislation submitted for public consultation on 27 October 2025, we examined the extent to which the measure would modify the Home Start scenario. According to our results, the housing support programme for public service employees would have only a minor impact on lending, increasing the values obtained along the Home Start trajectory by roughly 1.5 per cent.

[7] The logic of the simulation can be briefly described as follows. Households planning to purchase a home determine the optimal property for themselves based on current market prices and their lifetime income. The closer an advertised home is to the optimal home in terms of price and features, the more likely they are to make an offer for it. When considering the price of a home, they also take into account the associated loan costs. For example, the lower interest rates offered by the Home Start Programme encourage them to choose higher-value properties. Households living in their self-owned homes decide to move when the optimal property, as determined by the above factors, results in a sufficient improvement compared to their existing accommodation.

HPS Plus in the loan statistics for the same period. The time profile of loan disbursements shows that the "front-loaded" nature typical of state loan programmes is more pronounced in the model for Home Start loans than was the case for HPS Plus loans. Therefore, the scenario incorporating the impact of the Home Start Programme assumes that the volume of contracts concluded under the programme will decline more sharply after the initial surge than was the case with previous subsidised housing loans (e.g. HPS Plus).

Development of Home Start and HPS Plus loan volumes

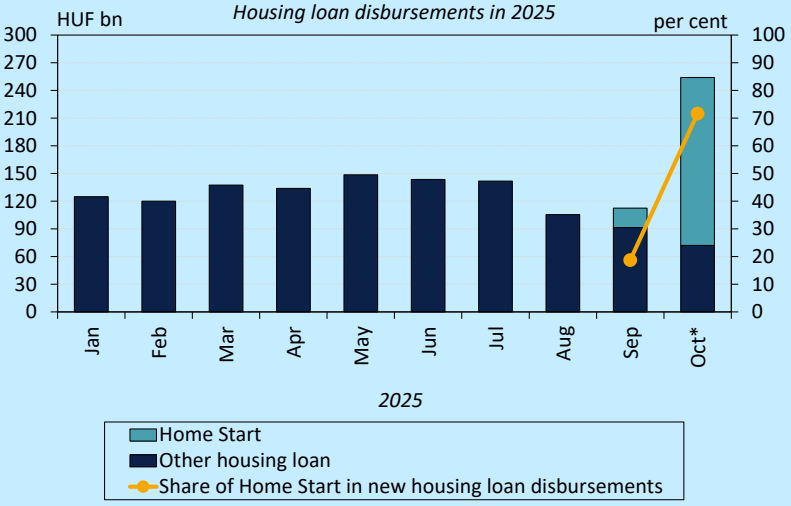


Note: Q1 indicates the first quarter of the given programme, which is 2024Q1 for HPS Plus and 2025Q4 for Home Start. For the "quarterly volume ratio" time series, the reference period is the quarter with the highest utilisation for the given program. In the case of HPS Plus, actual data is included, while in the case of the Home Start programme, model estimates are included. Source: MNB

Preliminary October data support expectations of significant use of the new programme. In September, due to the time required to conclude mortgage contracts, the first Home Start contracts were only concluded at the end of the month, but in October, the issuance of housing loans doubled, with 72 per cent of this accounted for by Home Start loans. By the end of the month, a total of 5,900 contracts had been concluded in the programme, with a value of HUF 203 billion.

The Home Start loan may cause a shift in the distribution of the loan-to-value ratio (LTV). Following the launch of the programme, by the end of 2025, there is a 15-percentage point rise in the number of borrower households with an LTV above 80 per cent – that is, with less than 20 per cent own contribution – in the Home Start scenario, compared to the baseline. Looking at a longer timeframe, until the end of 2026, there will be an increase of 9 percentage points in housing loan borrowings realised in the model with an LTV exceeding 80 per cent as a result of the Programme.

Housing loan disbursements in 2025



*Note: Excluding renegotiated and restructured loans. * Preliminary data. Source: MNB, CCIS.*

The programme generates a high level of excess demand in the housing market, meaning that house prices may be significantly higher compared to the baseline scenario if the housing supply fails to adjust. There may be an additional increase in housing prices of up to 15 percentage points by the end of 2026. This is mainly due to the broad scope of the programme, which allows for the participation of not only first-time home buyers but also a considerable share of investors and moving households. Compared to the national average, the additional rate of increase in house prices is lower in Budapest and higher in the countryside as a result of the value limits set out in the Programme. The additional increase in house prices may be more moderate if there is expansion on the supply side above and beyond the underlying trend.

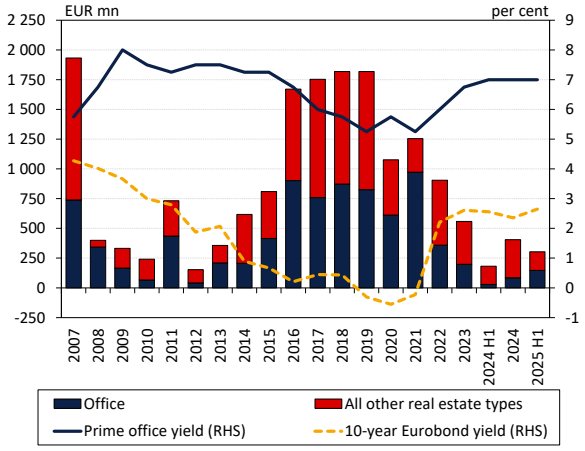
Based on the results of our simulation, the Home Start Programme may only increase the number of first-time home buyers who have never owned a home before in the first year. After that, the cumulative number of first-

time home buyers in the model will fall short of the baseline scenario.[8] In addition to the potentially significant increase in house prices, this phenomenon is also driven by gradually tightening supply in conjunction with strong demand. There are first-time home buyers who would initially be able to finance a property that suits them with a subsidised loan, but are unable to purchase a home due to the scarcity of supply. Over time, they may encounter financing constraints as house prices continue to rise. This effect can be mitigated by stimulating supply. The proportion of first-time home buyers may therefore be higher than the results of our simulation if the supply side adapts more quickly.

We analysed the impact of the priority investment opportunity for the construction of residential parks comprising more than 250 apartments that meet 70 per cent of the Home Start loan conditions by running a separate scenario. The priority investment classification is accompanied by regulatory easing, which the state permits to encourage the expansion of housing supply. We determined our assumption regarding the volume of additional housing developments[9] to be realised during the next 18 months based on the geographical distribution of real estate developments with more than 250 apartments and the maximum capacity observed in the past among the real estate developers undertaking these investments. In our simulation, we assumed an increase of approximately 5 per cent in the number of condominium flats under construction (and an increase of approximately 10 per cent in the number of new condominium flats for sale), which, according to our results, would have a moderating effect of 1.5 percentage points on the annual growth rate of house prices; however, this effect is not linear. There is no significant difference in credit market results.

When evaluating the results of our simulation, it is worth noting that we had no information on the exact proportion of home ownership among previous homeowners, nor on who, apart from spouses, could be included as co-debtors. We also have only limited data on mobilisable capital income. The model does not examine whether parents decide to buy a flat for their child as a result of the programme announcement. Additionally, we did not take into account that banks may reject loan applications submitted under the Home Start programme based on risk management considerations, in addition to the regulatory requirements for DSTI and LTV.

Chart 15: Investment volume in the Hungarian commercial real estate market and prime yields



Note: The 10-year Eurobond yield value is the Q4 average and in case of half-year data the Q2 average of the 10-year government bond yields issued by AAA-rated euro area countries. Source: CBRE, Cushman & Wakefield, MNB

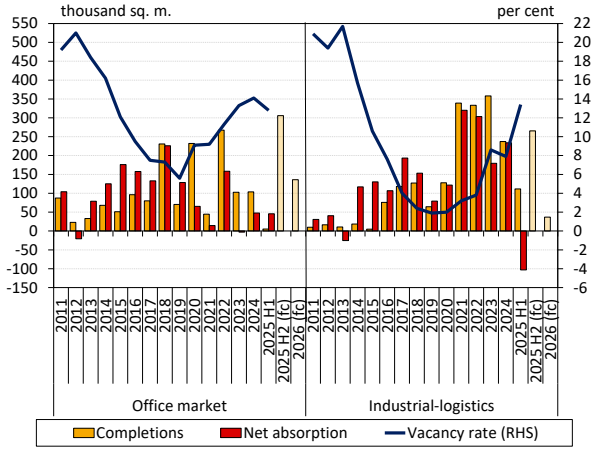
2.2. Along with rising investment volume, the risk of oversupply in the commercial real estate market increased

Investment volume in the commercial real estate market increased, and its valuation improved moderately. In 2025 H1, the investment volume in the domestic commercial property market amounted to about EUR 300 million, representing a 67 per cent increase versus 2024 H1, which was characterised by low investment activity (Chart 15). The expected prime yield remained unchanged in all sub-segments in 2025 H1, while prime rents increased for offices. As a result, market valuations improved moderately for office buildings, but stagnated in the retail and industrial-logistics segments. The investment volume in 2025 H1 was concentrated, with nearly one-half of it related to two high-value transactions.

[8] At the same time, the model also includes investment purchases where parents buy their children's first property.

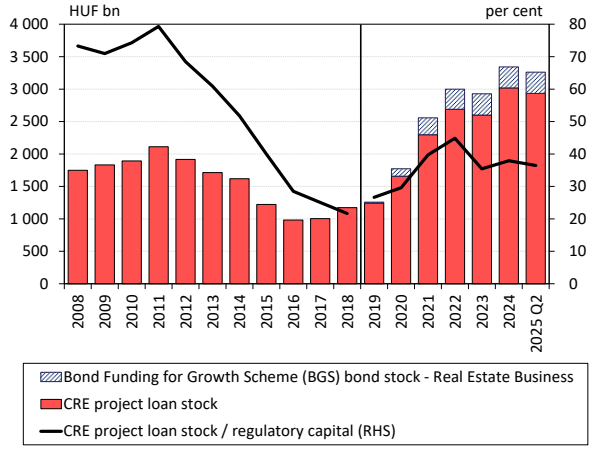
[9] In the model, the construction industry responds to the additional demand generated by the Home Start Programme by building new homes, even without regulatory changes – a response already reflected in the results presented earlier. The additional housing development volume is to be understood as being above this.

Chart 16: New completions, net take-up and vacancy rates in the Budapest office space and industrial-logistics markets



Note: The net take-up shows the change in the leased stock in the period reviewed. The Budapest industrial-logistics market covers Budapest and nearby agglomeration settlements. Planned completions based on data from end-June 2025. Source: Budapest Research Forum

Chart 17: Commercial real estate project loan stock and its ratio to regulatory capital



Note: Until 2018 based on the project loan portfolio according to the CRR project loan definition; from 2019 based on a broader project loan definition, and from 2019 the data also include loans from financial intermediaries (including investment funds), in addition to non-financial corporations. The ratio of commercial real estate exposure to regulatory capital also includes project loans secured by commercial real estate of the credit institution sector without affiliates and from 2019 real estate Bond Funding for Growth Scheme (BGS) bond stock is included. Source: MNB

The vacancy rate is expected to increase in the Budapest office and industrial-logistics markets as well. In 2025 H1, the vacancy rate in the Budapest office market fell by 1.1 percentage points to 12.8 per cent on an annual basis (Chart 16). Of the office space under construction in Budapest at the end of June 2025, accounting for 10.6 per cent of the total stock, 65 per cent is expected to be completed in 2025 H2. Office buildings built for owner occupancy account for 83 per cent of the total area under construction. For this reason, the average pre-lease rate for developments is high (83 per cent). However, with the relocations following the completion of the properties, the vacancy rate may rise to a level of 16–17 per cent by the end of 2026 due to the vacated office space. By the end of 2025 H1, the vacancy rate in the industrial-logistics market in Budapest and its surroundings rose significantly, increasing by 4.9 percentage points to 13.4 per cent on an annual basis. At the end of June 2025, the average pre-lease level of ongoing developments was at 46 per cent, and thus a further increase in the vacancy rate is also expected in the industrial-logistics market. Overall, the risk of market oversupply is increasing in both segments.

Project loan stock decreased in a half-year comparison, and sector-level exposure was moderate. By the end of 2025 H1, credit institutions' CRE-backed project loan portfolio had increased by 4.8 percent versus one year earlier, but decreased by 2.8 per cent compared to end-2024 (Chart 17). Domestic credit institutions' CRE-backed project loan exposure is moderate, at less than one-half of the peak level seen after the 2008 crisis, both in terms of total assets and regulatory capital. Bank risks are also mitigated by the fact that the loan-to-value ratio is below 50 per cent for two-thirds of the portfolio. Loan-to-value ratios exceeding 80 per cent, which indicate higher levels of indebtedness, are found for 8 per cent of the portfolio.[10] In view of the significant increase in activity in the housing market and the risks surrounding the commercial property market, from 1 January 2026, the MNB is applying a 1-per cent sectoral systemic risk buffer (sSyRB) to exposures secured by mortgages on domestic residential or commercial properties, thus specifically enhancing the resilience of banks to shocks.

[10] The risk characteristics of credit institutions' CRE-backed project loan portfolio are summarised in the MNB's Commercial Property Market Report, October 2025 edition, Box 2.

3. Corporate loan portfolio growth remains subdued, due to demand factors

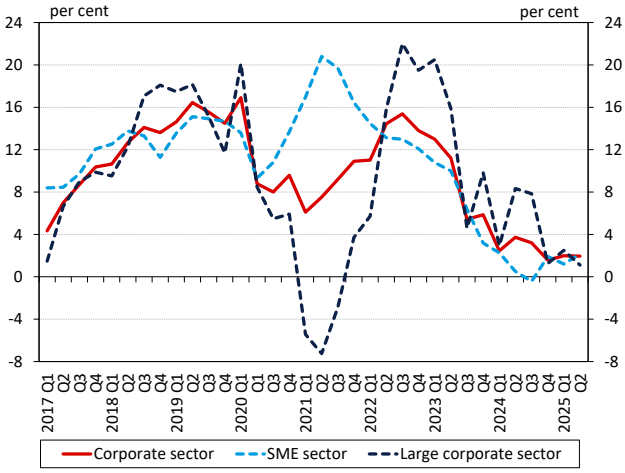
The corporate loan portfolio of credit institutions grew by only 2 per cent in the year to mid-2025. Credit growth in the SME segment was slightly higher than this, while the loan portfolio for large companies stagnated. New contracts in the first half of the year significantly exceeded the volume from the same period last year, due in particular to large one-off transactions and loans granted under the Demján Sándor Programme in the second quarter. The share of state-subsidised loans in new disbursements fell to close to pre-coronavirus pandemic levels, which, looking ahead, may be increased again by the October interest rate reduction for certain products in the Széchenyi Card Programme. The foreign exchange risk and renewal risk of corporate loans outstanding remained moderate, but interest payment capacity continued to deteriorate in many sectors.

The modest growth in the corporate loan portfolio can be attributed to demand factors, according to both businesses and banks. For corporations, the main obstacle to production is insufficient demand for their products and services, while access to financial resources is considered a problem only to a small extent. The uncertain economic situation is also reflected in investment activity, and the annual growth rate of the corporate loan portfolio is expected to remain at around 3–4 per cent in 2025 and 2026.

The proportion of investing companies has declined in recent years, but loan debtor corporations are investing at a higher rate than those that do not currently hold loans. The latter are less profitable, but more liquid than the loan debtors. 2–10 per cent of enterprises had financial indicators similar to those of loan-debtor companies, although have not been active in the credit market in recent years. The involvement of this segment may be facilitated by the Certified Corporate Loan (MVH) certification, which will be available from September 2025 and which – on a market basis and via the stimulation of competition – provides financing under favourable terms for a broad range of investment purposes for SMEs, aiming to boost the recently declining investment activity and preserve corporate competitiveness.

3.1. Banks contracted significant loan volumes, but the corporate loan portfolio only grew moderately

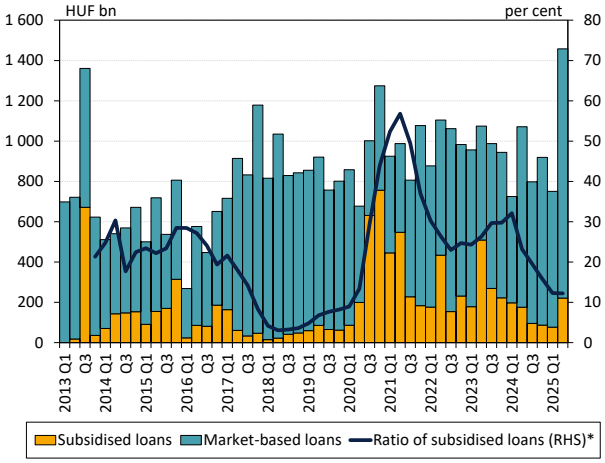
Chart 18: Annual growth rate of corporate loans



Note: Credit institution sector, transaction-based annual growth rates. Between March 2022 and August 2022, taking into account the repayments received by Sberbank. Source: MNB

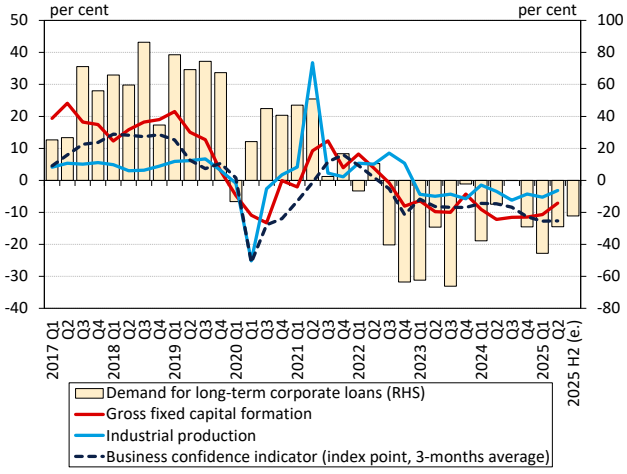
Corporate bank loans grew at a modest pace in 2025 H1. The loan portfolio of credit institutions vis-à-vis non-financial corporations expanded by 2 per cent year-on-year by the end of June 2025 as a result of disbursements and repayments, with the rate of growth remaining unchanged over the past six months (Chart 18). The moderate expansion of the loan portfolio was favourably influenced by a few large-volume transactions, but SME lending, which better reflects underlying trends, has also been on a mild upward trajectory for nearly a year, with the SME loan portfolio growing at a year-on-year rate of 2.2 per cent. In the large corporate sector, credit growth has been decelerating since early 2023, with an annual growth rate reaching 1.1 per cent at the end of June 2025, i.e. lagging significantly the SME sector. The growth rate of the domestic corporate loan portfolio is in the middle of the EU range, somewhat exceeding the EU average of 1.9 per cent, but significantly lower than the 8.2 per cent

Chart 19: New corporate loans in the credit institutions sector



Note: Data not adjusted for exchange rate effects, excluding money market and overdraft-type loans. Market loans include non-overdraft type loans classified as 'market-based loans' issued directly by the Hungarian Development Bank (MFB) and Eximbank. *4-quarter average. Source: MNB

Chart 20: Demand for investment loans and related factors



Note: Seasonally and calendar-adjusted and balanced data for gross fixed capital formation, seasonally adjusted data for industrial production. In the case of demand for corporate loans, the difference between the ratio of banks indicating stronger and weaker demand compared to the previous quarter, weighted by market share. Source: Hungarian Institute for Economic Research, HCSO, MNB, responses of domestic banks

average registered for the regional countries (Czechia, Poland, Romania, Slovakia).

Within new contracts, the share of subsidised loans is lower compared to the previous years. In 2025 H1, the value of new non-overdraft corporate loan agreements amounted to HUF 2,200 billion, exceeding disbursements in the same period of the previous year by 23 per cent (Chart 19). In addition to a few large one-off transactions, the Demján Sándor Programme also contributed to this growth. The higher volume of subsidised loans in the second quarter was linked to The Future's Exporters Working Capital Loan and Investment Loan programmes, the HUF 250 billion budget of which was exhausted in just five days. Nevertheless, the annual rate of subsidised loans remained low, accounting for 12 per cent of all new corporate contracts and 22 per cent of SME loans. These rates are the lowest since the launch of the subsidy programmes introduced in response to the coronavirus pandemic. Looking ahead, however, the rate may rise again because of the interest rate reduction on seven products in the Széchenyi Card Programme to a fixed level of 3 per cent in October.

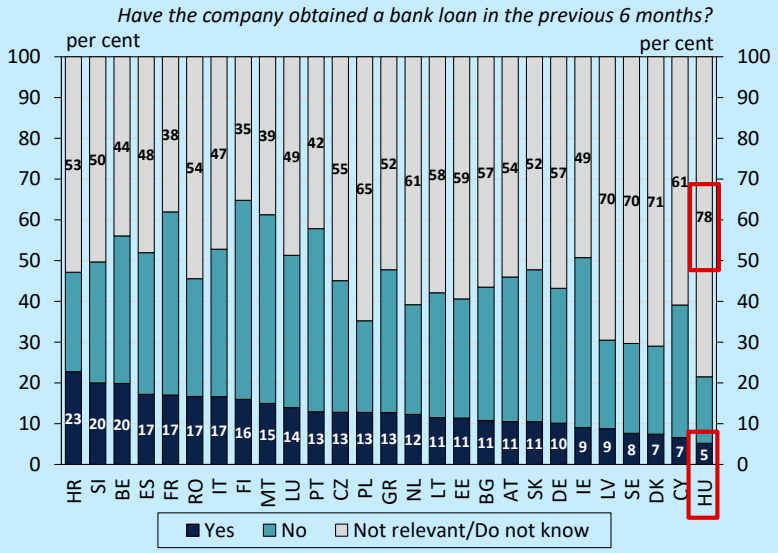
Corporate credit demand remained weak, and the unfavourable macroeconomic environment hampered recovery. Domestic economic activity has been subdued for several years: since the beginning of 2023, investment in the national economy and industrial production have been characterised by a combined decline in a wide range of sectors, the GKI business confidence index has been hovering in negative territory, and the predictability of the economic environment has not improved (Chart 20). Based on the survey by the European Commission, the main constraint for production by Hungarian companies was still mainly low demand for their products and services and labour shortages, while only a small number of enterprises perceived financial constraints. This was confirmed by the heads of corporate lending at major domestic banks, who unanimously reported that the uncertainty of consumer markets is behind the moderate investment appetite of companies, which also has a negative impact on credit demand.[11] According to the MNB's Lending Survey, around one-half of the responding banks perceived a decline in demand for

[11] The MNB's quarterly Lending Survey is supplemented once a year by interviews with lending managers of significant banks in each sub-market, who reported on lending trends in 2025 H1 and their expectations for the second half of the year. The detailed summary is available in the materials of the Trends in Lending published in September 2025.

corporate loans in the first quarter and one-third in the second and third quarter, primarily for HUF-denominated and long-term loans. According to banks' responses, corporate credit demand is expected to turnaround and grow again in 2025 Q4 and 2026 Q1, due to the increase in financing needs and the decrease in interest rates in Széchenyi Card Programme in early October 2025; however, in the case of long-term loans a further decline is expected.[12] According to banks, in most sectors, especially in agriculture, businesses are waiting for new subsidised programmes (loans and grants), which is further dampening their current demand for market loans. The Certified Corporate Loan certification introduced by the MNB may stimulate demand for market-based corporate loans in the medium term by increasing competition in the credit market and easing administrative barriers (Box 3).

BOX 3: PURPOSE AND TERMS OF THE INTRODUCTION OF CERTIFIED CORPORATE LOANS

Corporate lending has been supported by several government and central bank incentive programmes in recent years, but it is important that micro, small and medium-sized enterprises be also able to operate with market financing in the long term under normal market conditions. Preferential government support schemes have alleviated SMEs' problems in accessing funds, but due to the periodic nature of the funds and availability, these schemes have only been able to support the sector's activity to a limited extent and in a less predictable manner. Once the allocations for support have been exhausted and the credit or support limit available to individual enterprises (the so-called *de minimis* limit) has been used up, market financing options are also available, but these are extremely heterogeneous in the current environment. Different maturities, fee structures and risk spreads impose significant search and information costs (so-called "shoe leather" costs) on SMEs, and for a less financially literate enterprise, choosing a more expensive structure can represent a significant additional burden. Due to their targeted nature, subsidised loan programmes have only fostered a short-term upturn in lending activity. In order to achieve sustainable growth in investment lending, banks need to be encouraged to exploit their existing lending capacity in other ways. This is made difficult by the fact that cyclical macroeconomic risks, low demand for companies' products and uncertain external economic conditions are dampening companies' demand for loans. At the same time, this indicates the presence of structural reserves, as according to survey data from 2024, a significant proportion of Hungarian companies, which is also outstanding in



Note: Data from 2024. Source: European Commission Survey on the Access to Finance of Enterprises (SAFE).

[12] The results of the MNB's quarterly Lending Survey are available here in more details.

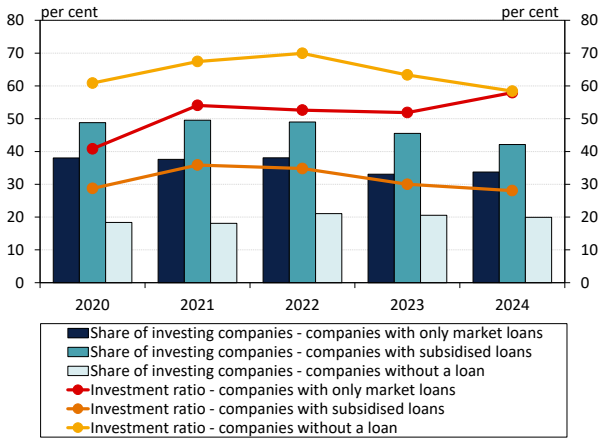
international comparison, do not consider the possibility of taking out bank loans to be relevant for themselves. In the case of these companies, administrative barriers may also play a role in their failure to enter the credit market; and accordingly, for these companies, removing such barriers could increase their likelihood of borrowing.

On 1 August 2025, the MNB made the Certified Corporate Loan (MVH) framework available to supplement the Certified Consumer-Friendly product family, in order to stimulate investment activity, which has been declining in recent years, and to maintain corporate competitiveness by increasing competition in the credit market. With the introduction of the MVH rating, a wide range of SMEs will have access to market-based investment loans with uniform, transparent terms and conditions, simple and fast administration, and favourable pricing.

Loans that have obtained MVH rating provide favourable terms for financing a wide range of SME investment objectives. The maximum contract size for each distributor may be at least HUF 300 million, with a maturity of up to 10 years. The loan may be granted with a variable interest rate within the year and a fixed interest rate until maturity, without an interest rate spread in the first third of the term, but for a maximum of two years, and with a maximum interest rate spread of 350 basis points thereafter. The favourable pricing and transparency are also supported by the fee structure: until disbursement, only a single administration fee of up to 1 per cent of the contract size, but not exceeding HUF 1 million, may be charged, and in many cases, early repayment is free of charge. The rating sets strict deadlines for credit assessment and disbursement, and makes electronic credit administration mandatory. Credit institutions must provide standardised information documents and easily accessible, transparent information on their websites about their products and the required documentation.

By awarding MVH rating to investment loan products that meet the application criteria, the MNB can support sustainable, market-based, sound lending by mobilising existing resources in the banking system without central bank financing and macroeconomic side effects. The aim of introducing the MVH rating is to stimulate competition and activity in the SME investment loans market, to involve a wider range of companies in the credit market, and thus to enable the banking system to finance sustainable economic growth and investments that improve competitiveness. Credit institutions may apply for MNB certification of their corporate loan products for investment purposes starting from 1 August 2025, and Certified Corporate Loans are currently available at eight banks.[13]

Chart 21: Share of investing companies and the median investment ratio



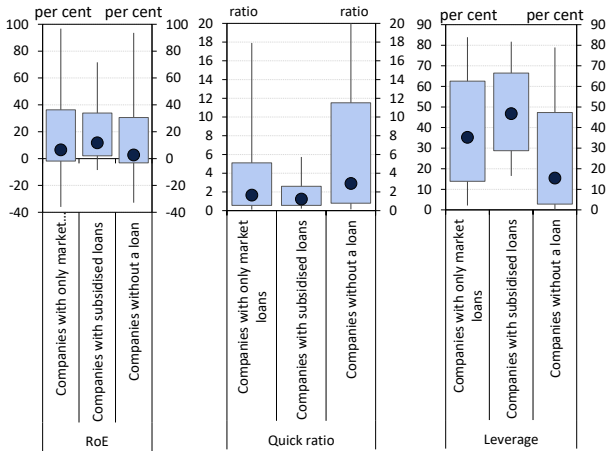
Note: Investment ratio: Median ratio of the difference between tangible assets in the current year and the previous year to tangible assets in the previous year. Companies using double-entry bookkeeping. Source: MNB, NTCA

3.2. 2–10 per cent of companies is not present in the credit market, despite having similar characteristics as corporations with loans

The proportion of investing companies has decreased. With the availability of tax return data for 2024, it became possible to conduct a comparative analysis of enterprises using double-entry bookkeeping, including those repaying market or subsidised loans and those without loans. The decline in investments observed at the national economy level is also visible at the micro level: the proportion of investing companies has been declining since 2022 (Chart 21). The share of companies making investments has fallen from 49 per cent to 42 per cent for companies with subsidised loans, from 38 per cent to 34 per cent for companies with only market loans, and from 21 per cent to 20 per cent for companies without loans. The share of investing companies is therefore highest among subsidised loan

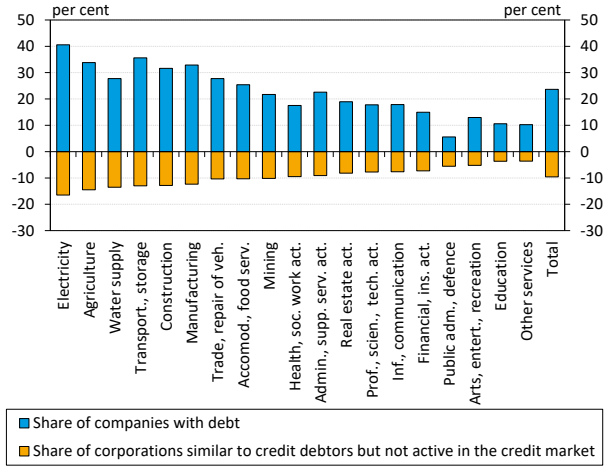
[13] The list of institutions distributing loans and the MVH certification criteria defined by the MNB are available on the MNB's website (only in Hungarian).

Chart 22: Profitability, liquidity and leverage of companies



Note: Companies using double-entry bookkeeping, 2024 data. RoE: profit before tax for the current year/equity for the previous year. Quick ratio: (cash + securities + receivables)/short-term liabilities. Leverage: 1 – (equity/total assets). The lines on the boxplot represent the 10th and 90th percentiles, the edges of the boxes represent the 25th and 75th percentiles, while the dot represents the median. Source: MNB, NTCA

Chart 23: Share of companies with debt and those most similar to them but not active in the credit market



Note: Companies using double-entry bookkeeping, 2024 data. We identified companies as not active in the credit market that had no credit in the past 6 years – the chart shows an upper estimate of the proportion of these companies. Source: MNB, NTCA

debtors and significantly lower among companies without loans than in the other two groups. Among investing enterprises, however, the level of investment in 2024 was the same as among those with market loans and those without loans, and it is precisely the investment of subsidised loan repayers that is the lowest. This indicates that a smaller group of companies not currently present in the credit market are engaged in investment activity, which could form the basis for future participation in the credit market.

Corporations without loans are less profitable, but more liquid than loan-debtor companies. Corporations without loans typically closed 2024 with a lower return on equity (RoE): their median value of 2.7 per cent is exceeded by both the median value of those with subsidised loans (11.8 per cent) and those with only market loans (6.6 per cent) (Chart 22). Companies without loans are typically more liquid than companies with loans, whether we look at the median of quick ratio or its entire distribution. In addition, partly due to the lack of bank credit, companies that are not present in the credit market typically operate with lower leverage than loan-debtor companies. Overall, enterprises without loans differ significantly from loan-debtor companies by the financial indicators examined. Due to the complex relationship between the reasons for taking out loans and possible explanations, we examined the impact of these variables in a multivariate model, and the differences described above remained valid even after controlling for several factors (Box 4).

2–10 per cent of enterprises have similar financial characteristics to loan debtors, but have not had a loan in recent years. Based on our multivariate model, 4–16 per cent of enterprises without bank loans at end-2024 have similar financial indicators to loan-debtor corporations. Across all corporations, 2–10 per cent have not had any bank financing over the past six years, meaning they are not active in the credit market. Directing the latter group to the credit market could help financial deepening. Among the sectors that are significant in terms of economic weight, 1–8 per cent of companies in the real estate sector and 3–12 and 3–10 per cent of companies in the manufacturing and trade sectors, respectively, can be identified as such. In the construction, and the transport and storage sectors, where the proportion of loan-debtor companies is currently high, 3–13 per cent of companies were identified as such (Chart 23). All of this shows that,

although to varying degrees by sectoral decomposition, there is a group of around 7,000–33,000 enterprises among non-loan-debtor companies whose financial characteristics do not differ significantly from those of companies present in the credit market, and which had no loans not only at the end of 2024 but in previous years either. The presence of these companies in the credit market may be encouraged by the removal of administrative barriers, which may also be facilitated by the introduction of the Certified Corporate Loan certification in August 2025.

BOX 4: COMPARISON OF LOAN-DEBTOR AND NON-LOAN-DEBTOR COMPANIES USING MULTIVARIATE ANALYSIS

In terms of financial indicators, loan debtor and non-loan-debtor companies may differ significantly in many respects. In order to explore these differences among businesses filing tax returns in 2024, we used logistic regression to identify companies without debt that are similar to debtors based on their financial indicators. Within these corporations, the number of those which had no bank loans at all in the past six years[14] can be an indication of the extent to which the advantages offered by Certified Corporate Loans, such as simpler procedures and easier comparability with lower administrative burdens, may potentially help companies strengthen their credit market activity.

In our company-level logistic regression modelling, the binary outcome variable indicated whether the company had a credit institution loan at end-2024. The variables highlighted in the bivariate analysis, i.e. the return-on-equity ratio, the investment-to-fixed assets ratio and the quick ratio, are included in the model with their average values calculated for the period 2019–2024.[15] We included the sector, the age of the companies (assuming a quadratic relationship), their total assets, their size classification according to the SME Act, and the interaction of the latter two as control variables. Other control variables derived from financial indicators, such as intangible assets and trade accounts payable, were also included in the model.[16] We considered a company to be an exporter if it sold at least 10 per cent of its 2024 sales revenue abroad. We identified companies as foreign-owned if at least 50 per cent of their ownership was foreign at end-2024. Finally, as an approximation of the company's individual risk level, we included the ratio of the (temporal) variance of corporate and sectoral[17] return on equity. The model is estimated on a 251,000-unit sample of double-entry bookkeeping companies with tax returns.[18]

[14] The duration of the study was limited because the MNB Loan Register has been available from the reference period of December 2019.

[15] In the case of these and the logarithmic variables that appear later, we opted for the logarithmic format due to the right-skewed distribution.

[16] For variables that took on a value of zero for many companies, we captured this with a separate binary variable, so that the effect of the continuous variable was only estimated for companies with values other than zero.

[17] The industry variable refers to the letter-coded industries, except for manufacturing, where it represents the two-digit industries aggregated according to the classifications also used by the HCSO.

[18] At end-2024, approximately 353,000 enterprises filed tax returns, but due to averaging and variance calculations, we only included in the analysis those enterprises that had filed tax returns at least twice since 2019 and had positive equity. This means that we excluded the youngest enterprises. Due to data gaps, we also had to exclude other companies, which resulted in the final number of companies included in the analysis.

Corporate model for credit debtor status

Outcome variable: Having a loan (binary)		
Name of the variable	Coefficient	p-value
Constant	-4.807	0.000
Average return on equity	**0.066**	0.000
Quick ratio (binary)	**0.466**	0.000
Average quick ratio for those with short liabilities (log)	**-0.135**	0.000
Net investment (binary)	**0.976**	0.000
Average net inveastment ratio for investing companies (log)	**0.077**	0.000
Company age	**0.007**	0.005
Company age squared	**-0.001**	0.000
Balance sheet total (log)	**0.275**	0.000
SME classification (reference category: Micro companies)		
SME classification: Small companies	**0.525**	0.001
SME classification: Medium companies	**1.317**	0.001
SME classification: Large companies	**1.539**	0.032
SME classification: Other companies	**1.388**	0.000
SME classification * Balance sheet total (log) (reference category: Micro companies)		
SME classification * Balance sheet total (log): Small companies	-0.014	0.265
SME classification * Balance sheet total (log): Medium companies	**-0.076**	0.005
SME classification * Balance sheet total (log): Large companies	**-0.107**	0.012
SME classification * Balance sheet total (log): Other companies	**-0.192**	0.000
Foreign-owned company (binary)	**-1.178**	0.000
Exporting company (binary)	0.013	0.564
Companies with intangible assets (binary)	0.012	0.720
Intangible asset ratio for companies with intangible assets (log)	**-0.026**	0.000
Companies wtih accounts payable (binary)	**0.640**	0.000
Accounts payable ratio for companies with accounts payable (log)	**0.099**	0.000
Volatility of return on equity (log)	**-0.019**	0.000
Branch of industry (31 pcs)	**yes**	significant
Number of observations	251,494	
Pseudo R2	0.192	

Note: Coefficients significant at the 5 per cent significance level in bold. Source: MNB, NTCA

Controlling for other variables, loan-debtor companies are more profitable, less liquid[19] and invest more on average. Based on our model, loan-debtor companies are typically neither the oldest nor the youngest, but are characteristically 3–5 years old, have a higher average balance sheet total, are more likely to be large enterprises, and typically have domestic owners. Based on the volatility of their return on equity, these companies are, on average, less risky, typically have high trade accounts payable and a low proportion of intangible assets.

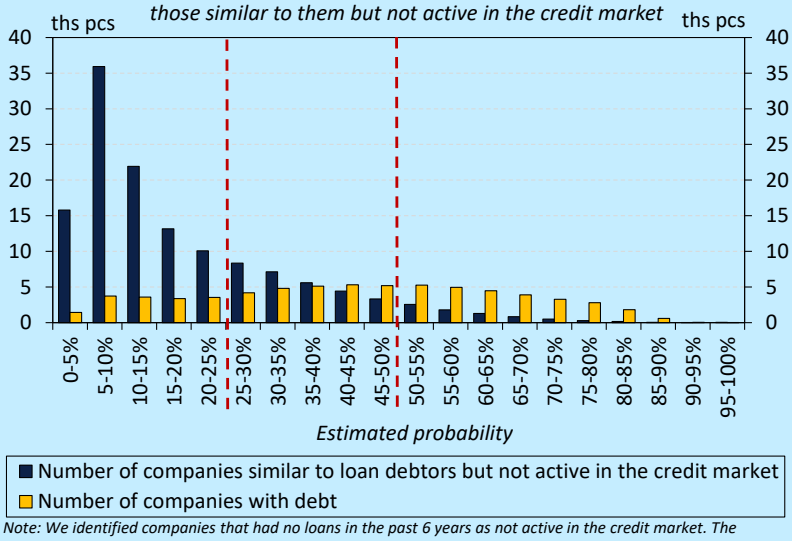
2–10 per cent of companies have not had a loan in the past six years, but based on their financial indicators, they are similar to loan-debtor companies. Our model describing the relationship between financial indicators and credit availability also provides an estimated probability of whether a given company has credit, based solely on knowledge of its financial indicators. Within the non-debtors, for those who had not taken out any loans in the past six years, our model typically estimated low probabilities: it predicted a probability of not more than 25 per cent for 73 per cent of the companies, and only 6 per cent of the companies had a probability of more than 50 per cent. By comparison, for loan-debtor companies, these two ratios are 23 per cent and 40 per cent. Using the estimated probabilities, we were able to delimit the group of companies that have been without credit for six years and that are most similar to companies with credit, based on their financial indicators. As an upper estimate, this group

[19] In the case of the binary liquidity variable, those with short-term liabilities, and thus without the indicator, and in the case of the interaction term, those with a higher liquidity ratio can be considered more liquid, so for both variables, the sign of the coefficient indicates that loan-debtor companies are typically less liquid.

included those companies without credit whose estimated probability exceeded the proportion of companies with credit in the sample (approximately 25%). The choice of the threshold can be explained by the fact that this is the probability that we would obtain from a model without the inclusion of explanatory variables for the estimated probability of being with credit. We considered the lower estimate to be the number of enterprises, for which the estimated probability exceeded 50 per cent, which is a typical cut value when applying logistic regression. Based on this, enterprises that had not had credit for six years, which are similar to credit debtors, accounted for 2–10 per cent of the total corporate sector.

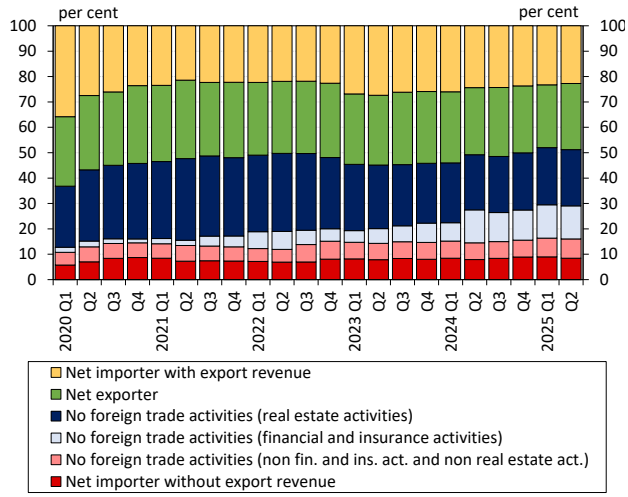
Based on our analysis, we can therefore identify a group of approximately 7,000 – 33,000 domestic companies whose financial characteristics are similar to those of companies present in the credit market, but which have not had any loans taken out in recent years.[20] Encouraging these companies to participate in the credit market could boost investment, contributing to real economic growth, while presumably not leading to financial stability erosion.

Probability distribution of having credit of companies with debt and those similar to them but not active in the credit market



Note: We identified companies that had no loans in the past 6 years as not active in the credit market. The vertical lines indicate the 25 per cent and 50 per cent threshold values. Source: MNB, NTCA

Chart 24: Corporate FX loan portfolio by foreign trade activity of borrowing companies



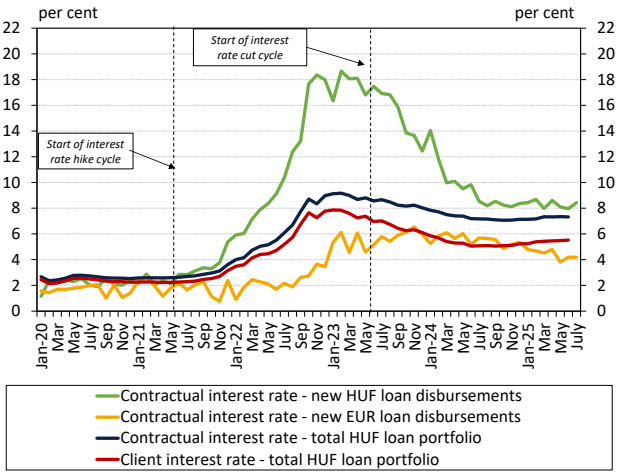
Note: Categories considered as not having natural coverage: "Net importer without export revenue" and "No foreign trade activities (non fin. and ins. act. and non real estate act.)". Source: MNB, NTCA

3.3. Risks associated with corporate loans remained moderate

The exchange rate risk of corporate foreign currency loans stagnated at a low level. The upturn in foreign currency lending in 2022–2023 was driven by the increased interest rate advantage of foreign currency loans over forint loans as a result of the domestic interest rate hike cycle. This resulted in an annual expansion of the foreign currency loan portfolio of nearly 20 per cent during these years, bringing the share of these loans in the total portfolio back to its long-term average of 50 per cent. After the MNB's interest rate cuts, the annual growth rate of forint loans slightly exceeded that of foreign currency loans by mid-2025. Further growth in the stock of foreign currency loans may pose a risk if companies without foreign currency revenues become indebted in foreign currency. It is therefore favourable that the share of foreign currency loans linked to such companies based on their financial statements has

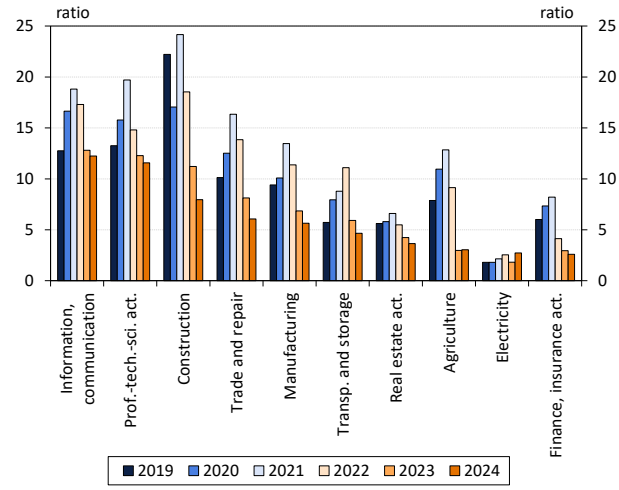
[20] The model estimates the extent to which loan-debtor companies and companies without loans differ, in relation to each financial indicator. However, it is not suitable for identifying which companies "should" have credit, i.e. which ones would be economically efficient to lend to, even though they do not have credit. This is largely because some of the relevant information is not observable. For example, it may be that companies without credit but with a high estimated probability in the above model are actually not creditworthy based on other company characteristics that are not observable by the MNB, but are observable by commercial banks. The estimate is also somewhat distorted by the fact that some of the variables included in the model (liquidity quick ratio, short-term liabilities ratio) may be strongly related to borrowing.

Chart 25: Corporate interest rates for the total HUF loan portfolio and for new disbursements



Note: Volume weighted interest rates. Loans with variable interest rate or with up to 1-year initial rate fixation are included in new HUF and EUR interest rates. Client interest rate is the interest rate actually paid by corporations, reduced by the state interest subsidy. Contractual and client interest rates on total HUF portfolio do not include overdrafts.
Source: MNB

Chart 26: Median interest coverage by sector



Note: Corporations with loans. Interest coverage = (Profit before tax + Interest and similar charges paid) / Interest and similar charges paid. The chart shows the top 10 sectors with the largest loan portfolio.
Source: MNB, NTCA

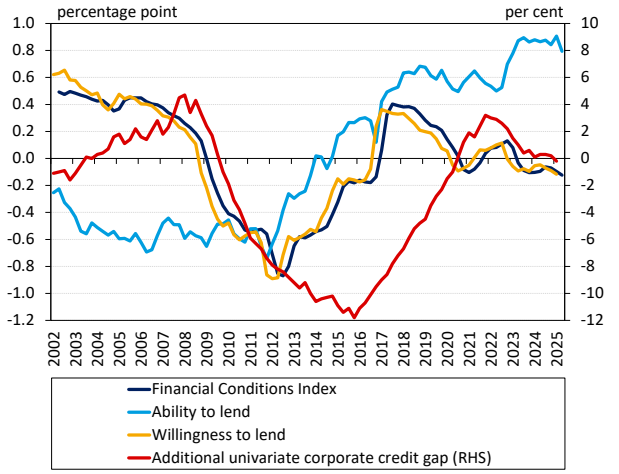
remained unchanged at 16 per cent since the end of 2024 (Chart 24).[21] This ratio has risen only slightly since 2020 and can be considered low, indicating no systemic risk.

Renewal risk is limited, even with higher interest rates on new forint loans. The average interest rate (including interest subsidies from the bank's perspective) on outstanding corporate forint loans was 7.3 per cent in mid-2025, which is relatively close to the 8 per cent level of newly contracted forint loans. However, due to subsidised loans (typically in terms of the interest rate), which account for one-third of the loan portfolio, companies pay an average (client) interest rate of 5.5 per cent, which is significantly lower than the contractual interest rate (Chart 25). This becomes important if corporations refinance their maturing loans. In the medium term, by the end of 2027, HUF 800 billion in subsidised and HUF 1,300 billion in market forint loans will mature. In the former case, depending on the purpose of the loan, refinancing may be supported by the current preferential loan programmes; refinancing the latter poses a more moderate risk due to the smaller average interest rate differential. Of these, HUF 130 billion and HUF 560 billion, respectively, represent a higher risk of renewal due to the fact that repayments are concentrated at the end of the term. Thus, renewal risk may arise in the medium term for approximately 5 per cent of the total corporate loan portfolio.

In most sectors, the ratio of interest expenses to profit increased in 2024. In recent years, corporations have had to renew their maturing, typically low-interest loans in a higher interest rate environment. As a result, typical interest coverage has been declining for the third consecutive year among loan-debtor enterprises, meaning that their ability to pay interest from their profits has deteriorated. This can be observed across a wide range of sectors: in 2024, it declined most in construction and trade, while the lowest levels were seen in the financial and insurance, electricity and agriculture sectors (Chart 26). Overall, in most sectors, the ability to pay interest is below the level seen in the years before the coronavirus pandemic.

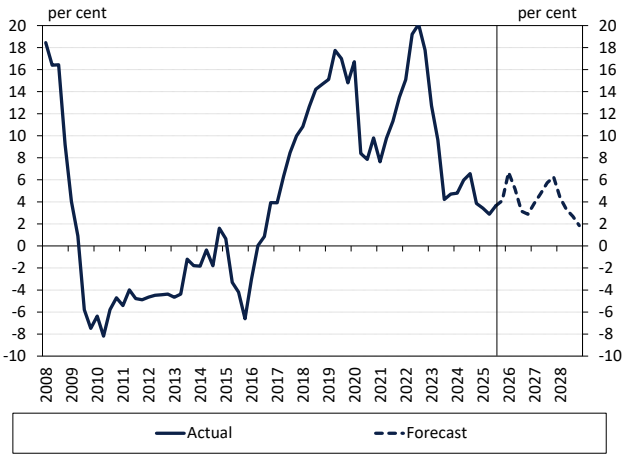
[21] Companies without natural foreign currency coverage include net importers without export revenue, and companies not engaged in foreign trade activities while not operating in real estate or in financial and insurance sectors. It is important to add that the borrowers are still able to hedge their exchange rate risk through financial instruments (such as derivatives). Companies with natural foreign currency coverage include net exporters, net importers with export revenues, and also companies that do not have foreign trade activities but are active in real estate or in financial and insurance sector (since contracts settled in foreign currency are typical in these sectors, where the exchange rate risk is not borne by the borrowing company but by its customers).

Chart 27: The FCI and the corporate credit gap



Note: The FCI (Financial Conditions Index) shows the cyclical impact of the banking system on annual GDP growth. See the MNB's Macroprudential Report for 2025 on the credit gap. Source: MNB

Chart 28: Forecast for the annual growth rate of corporate lending



Note: Transaction-based annual growth rate based on data from the financial intermediary system. Source: MNB

3.4. Expansion of lending is primarily hampered by insufficient credit demand

The lending activity of the banking system corresponds to the cyclical position of the economy. The Financial Conditions Index (FCI) deteriorated slightly in 2025 H1, taking on a moderately negative value, but overall the banking system's lending activity continues to correspond to the cyclical position of the economy, i.e. it neither overheats nor cools the economy excessively. The factor capturing lending ability is historically high, while the lending willingness factor has deteriorated moderately and is somewhat negative, but does not deviate significantly from the equilibrium level. The corporate credit gap is negative, meaning that, based on the indicator, the ratio of corporate credit to the size of the economy is slightly below its long-term trend (Chart 27). Based on these indicators, the expansion of lending is not hampered by insufficient credit supply; demand factors are behind the low growth in the portfolio.

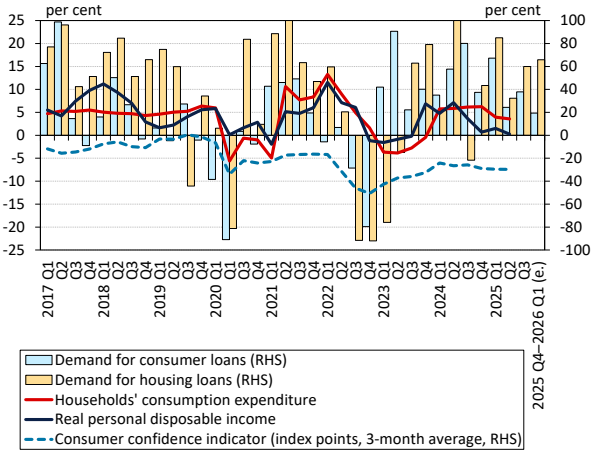
Corporate lending may continue to expand at a moderate pace in the coming years. The corporate sector has achieved relatively high profits in recent years, and its nominal level is expected to rise in the next three years, which suggests a further nominal increase in the already high level of liquid assets. This, combined with subdued investment activity due to the uncertain economic environment, is likely to keep corporate credit growth at a moderate level in the medium term (Chart 28). In the short term, the reduction in interest rates on certain products in the Széchenyi Card Programme will have an impact on the revival of corporate lending. Over the forecast horizon, banking financing needs related to the European Union's Common Agricultural Policy subsidy programmes will result in higher loan transactions than would be justified by the macroeconomic environment. Overall, the corporate loan portfolio of the entire financial intermediary system will grow by 3–4 per cent in both 2025 and 2026, based on our forecast.

4. Home Start Programme may further fuel household lending

Household loans outstanding grew at a year-on-year rate of roughly 12 per cent in 2025 H1. Rising demand for household loans was supported by macroeconomic factors, such as growth in real wages and consumer spending, as well as developments in the housing market. Since 2024 Q2, the expansion of domestic household lending has been high in a regional and European comparison, and based on our forecast, household loans outstanding may grow by 15 per cent in 2025 and 17 per cent in 2026 as a result of the Home Start programme that was launched in September. Over the forecast horizon, the housing subsidy programme for public service employees may additionally stimulate household lending, although to a lesser extent than the Home Start programme. Along with housing loans and personal loans, the Subsidised Loans for Workers, which are available since January, also contributed to the increase in the volume of new contracts concluded. The average APR on new housing loans fluctuated around 7 per cent in the first half of the year. Banks continued to disburse new market-based housing loans at a near-zero spread in the first half of the year, and, taking subsidised loans into account as well, the average domestic spread is the second lowest in a European comparison.

Mortgage lending expanded in 2025 H1 without generating any significant financial stability risks. The contract size of new housing loans increased substantially, with the typical loan purpose being the purchase of pre-owned homes, while loan refinancing is not typical. The riskiest housing loan debtors are those whose debt exceeds four times their annual income, and accordingly it is justified to monitor the risks, especially in view of the expected increase in contract sizes due to the launch of the Home Start programme. The personal loan portfolio grew by 19 per cent on an annual basis in 2025 H1, while remaining at the 2020 level of 2 per cent as a percentage of GDP. New personal loan disbursements rose to a historic high in 2025 H1, but risk indicators still do not point to a build-up of systemic risks. The disbursement of new personal loans was characterised by growth in refinanced and top-up loans, which accounted for one-half of the average personal loan disbursements in the first half of the year. Interest rates on personal loans fell to 16 per cent from the typical level of nearly 20 per cent in 2023.

Chart 29: Demand for household loans and related factors



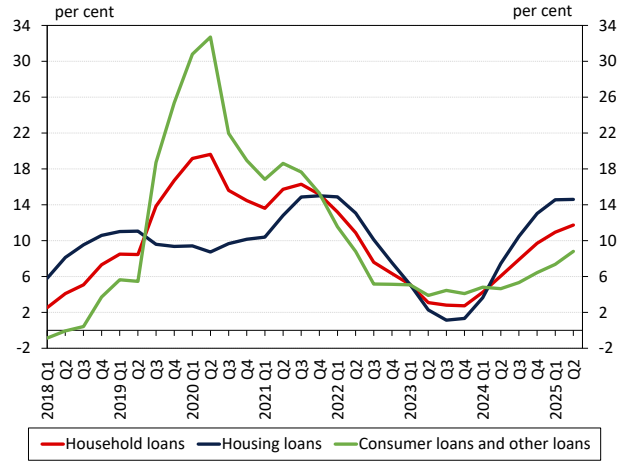
Note: In the case of demand for household loans, net percentage balance of respondent banks indicating stronger/weaker demand, weighted by market share. Personal disposable income is the sum of earnings, cash transfers and other income. For households' consumption expenditure, seasonally and calendar-adjusted and balanced data. Source: GKI Economic Research, HCSO, MNB

4.1. Household segment characterised by buoyant credit dynamics and outstanding loan disbursements in nominal terms

Loan demand strengthened, despite households' mixed economic situation in 2025 H1. Consumer confidence has remained unchanged since early 2024 and is still below the level observed during the coronavirus pandemic between 2020 and 2022 (Chart 29). Despite the unchanged consumer confidence, banks also reported rising demand for household loans in 2025 Q3, according to the MNB's Lending Survey.[22] In the case of housing loans, banks expect the growth in demand experienced in the third quarter to strengthen further due to the Home Start Programme, and they also expect demand for consumer loans to pick up. Household consumption expenditure grew at an average year-on-year rate of 3.8 per cent, while real wages in the national economy rose by an average of 4.1 per cent in the first half of the year, which remains one of the highest values in regional

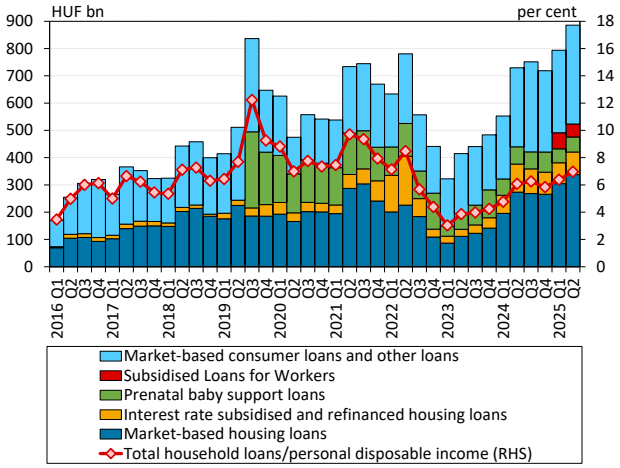
[22] The results of the MNB's quarterly Lending Survey are available in more detail here.

Chart 30: Annual growth rate of the household loan portfolio



Note: Credit institution sector, transaction-based growth rate. In order to calculate the annual growth rate, we also took the repayments on the Sberbank portfolio into account between March 2022 and June 2022. Source: MNB

Chart 31: New household loans in the credit institution sector



Note: Renegotiated and restructured loans are not considered purely new disbursements. Interest rate subsidised and refinanced housing loans include the following schemes: HPS, rural HPS, HPS Plus, NHP 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

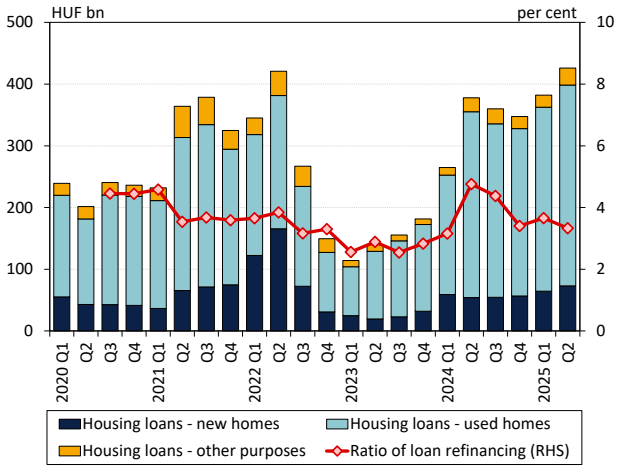
terms. At the same time, households' real disposable income expanded by less than 1 per cent on average in the first half of the year versus the previous year, this continued the slowdown, that has been ongoing since the end of 2023.

Household loans outstanding grew by approximately 12 per cent in a year-on-year comparison. After a 9.7-per cent increase in the portfolio at end-2024, credit institutions' household loans outstanding showed a year-on-year increase of 11.7 per cent at the end of June 2025 (Chart 30), and this credit dynamics continued in the summer months. In Hungary, growth in household lending has been high since 2024 Q2, both in a regional and European comparison, significantly exceeding the average rate of 4.9 per cent recorded the Visegrad countries in the first half of the year. The expansion was mainly supported by housing loans, the outstanding of which grew by 15 per cent in year-on-year terms, but personal loans and Subsidised Loans for Workers also contributed to the growth: the outstanding of consumer and other loans expanded by 9 per cent in the first half of the year, which is slower compared to housing loans, but has been accelerating since 2024 Q2.

The upturn in new household loan disbursements continued in 2025 H1. The value of new contracts concluded by credit institutions in the first half of the year approached HUF 1,700 billion (Chart 31). This was 31 per cent higher than the figure for 2024 H1, a period which was characterised by the transformation of family subsidies and the rise of HPS Plus. While quarterly new disbursement has been growing in nominal terms since the latest trough in early 2023, in real terms, the values are still not outstanding: the quarterly values, which are increasing slightly in proportion to personal disposable income, are at around 6–7 per cent and lag behind the average rates of over 8 per cent in the period following the introduction of prenatal baby support loans; these values are essentially in line with the figures for the years prior to 2019.[23] Since January 2025, the Subsidised Loans for Workers, which is a general purpose loan, has been available, allowing young people between the ages of 17 and 26 to apply for an interest-free loan of up to HUF 4 million. In the first half of the year, approximately 28,000 contracts were signed, with a total value of HUF 107

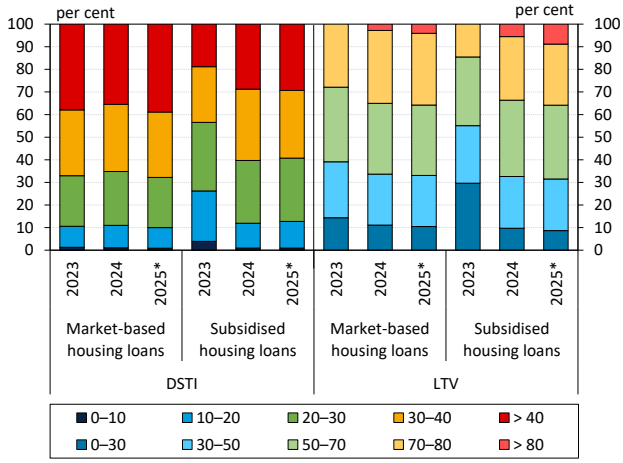
[23] During the period of FX lending, however, new household loan disbursement was significantly higher than at present as a percentage of personal disposable income, at well over 10 per cent.

Chart 32: New housing loans in the credit institution sector



Note: Renegotiated and restructured loans are not considered purely new disbursements. To identify housing loan contracts aimed at loan refinancing, we examined each customer to see whether, after taking out a housing loan, the number of the customer's active housing loan contracts in the given quarter was less than or equal to the value in the previous quarter, and whether the customer's housing loans would expire within the next six months. Source: MNB

Chart 33: Volume-based distribution of the main indicators for new housing loans



Note: * Data for 2025 H1. DSTI: debt-service-to-income ratio. LTV: loan-to-value ratio. Source: MNB

billion.[24] The value of prenatal baby support loan contracts was similar, at HUF 106 billion, which is 13 per cent lower than in the same prior-year period. Demand for this product has tapered since the changes to lending conditions at the end of 2022.[25]

4.2. Housing lending is expanding without a build-up of systemic risks

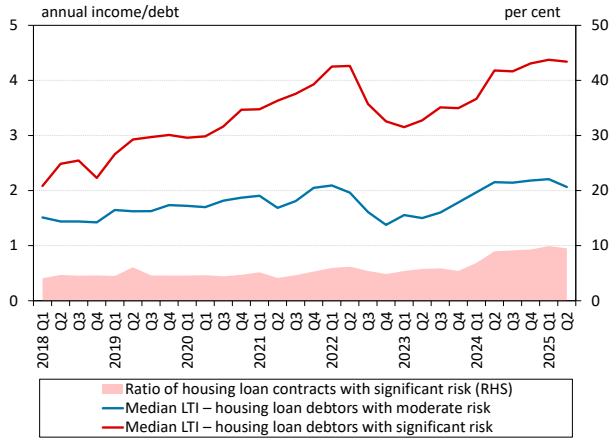
The average contract size for new housing loans has increased significantly, and loan refinancing is not typical. The volume of mortgage lending exceeded HUF 800 billion in the first half of the year, up 26 per cent in year-on-year terms versus 2024 H1, with households taking out around one-half of new household loan contracts for housing purposes. As in previous years, the dominant loan purpose remained the purchase of pre-owned homes, which accounted for more than three-quarters of newly disbursed housing loans in the first half of the year (Chart 32). According to our estimates, debtors may use 3–4 per cent of new housing loan disbursements to refinance their existing loans with less favourable terms (e.g. higher interest rates). The average contracted amount of housing loans increased significantly, rising from HUF 18 million to HUF 20 million between mid-2024 and end-June 2025. The average amount of market-based loans taken out for the purchase or construction of newly built homes rose by HUF 8 million to HUF 31 million in one year. The average amount of subsidised home purchase or construction purpose loans was HUF 29 million at the end of June, which is HUF 2 million higher than a year before.

Overall, risk indicators for new housing loans do not point to a build-up of systemic risks. The debt-service-to-income ratio (DSTI) exceeds the level of 40 per cent, which can be considered relatively strained, in approximately 40 per cent of the new market-based housing loan disbursement (Chart 33). In the case of subsidised housing loans, the proportion of loans that are more strained in terms of income has risen to around 30 per cent of new disbursements, which increase is related to the higher contract sizes available as a result of the transformation of family subsidies. The share of subsidised housing loans issued with a loan-to-value ratio (LTV) exceeding 70 per cent was 15 per cent in 2023,

[24] The initial experiences regarding the use of Subsidised Loans for Workers and the results of a questionnaire survey on Subsidised Loans for Workers are presented in Box 3 of the May 2025 Financial Stability Report.

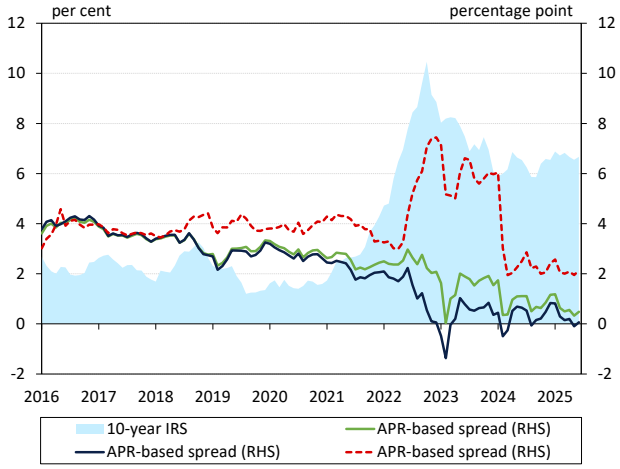
[25] For prenatal baby support loans, the maximum available contract size increased from HUF 10 million to HUF 11 million in 2024. From 1 January 2025, the age limit regarding the wife's age was changed to 18–35 years.

Chart 34: Median loan-to income ratios of new housing loan customers by risk level



Note: LTI: loan-to-income ratio. When calculating the indicator, we also took into account the housing loan(s) taken out by the client as a debtor, and other prenatal baby support loans and/or personal loans or subsidised loans for workers taken out up to 180 days prior to the housing loan(s) being taken out. Housing loan debtors characterised as having significant risk are debtors whose DSTI value exceeds 40 per cent and LTV value exceeds 70 per cent. Source: MNB

Chart 35: 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 BIRS observed 4 months prior to the period was used as a reference. Source: MNB

which rose to an average of 35 per cent. In addition to the increasing contract size of subsidised housing loans, the LTV discount introduced for first-time home buyers from 1 January 2024 also contributed to this higher level.[26] In 2025 H1, subsidised housing loans with an LTV of over 80 per cent accounted for 9 per cent of the new subsidised housing loan disbursements in the first half of the year.[27]

The riskiest housing loan debtors are those whose debt exceeds four times their annual income. The loan-to-annual income ratio of new housing loan borrowers characterised by moderate risk (LTI; taking into account not only their housing loans but also their personal loans, Subsidised Loans for Workers and prenatal baby support loans, if any) has remained essentially unchanged since 2024 Q2 (Chart 34). Among new debtors, those characterised by significant risk (LTI above 40 per cent and LTV above 70 per cent) had already borrowed more than four times their annual income in 2025 H1. This value is more than double the median value of 2.1 for housing loan debtors characterised by moderate risk, and was last at a similar level in 2022. The typical (median) contract amount for new debtors characterised by significant risk was HUF 36 million in 2025 Q2, compared to HUF 26 million at end-2023, prior to the substantial restructuring of family subsidies. The number of loan contracts for these debtors accounted for an average of about 10 per cent of the total number of housing loan contracts in 2025 H1. Looking ahead, monitoring the strain on this segment is justified in view of the launch of the Home Start programme.

Since the beginning of 2023, market-based housing loans have been disbursed with near-zero spreads. The annual percentage rate of charge (APR) on newly disbursed housing loans, including subsidised loans, fluctuated around 7 per cent in 2025 H1, unchanged from most of 2024. In the case of market-based housing loans, the average APR stagnated at around 6.8 per cent in 2025 H1, barely exceeding the yield on long-term government securities, with the spread on these loans compared to long-term yields hovering around zero percentage points since early 2023 (Chart 35). The disbursement of new market-based housing loans at such low interest rates

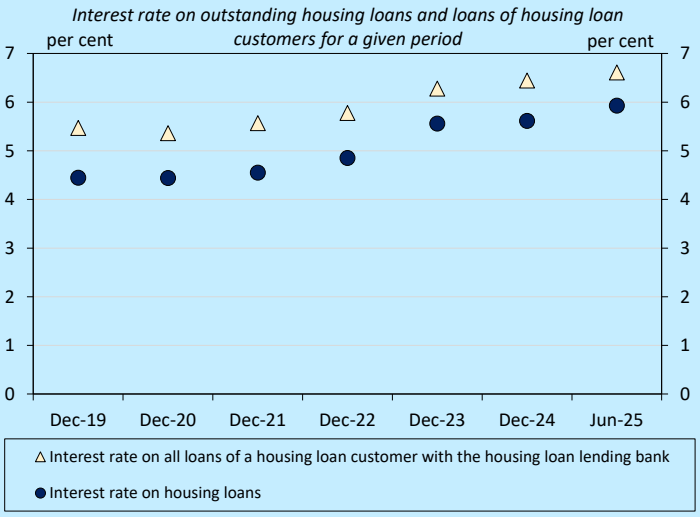
[26] Please find more detailed information on the amendment in the MNB press release.

[27] In accordance with the amendment to the borrower-based measures, on 2 September 2025, the MNB abolished the age limit of 41 years in connection with the 90-per cent loan-to-value ratio limit (minimum 10-per cent own contribution requirement) applicable to first-time home buyers. In addition, due to the strong nominal wage growth in recent years, from 1 January 2026 the MNB will raise the income threshold of HUF 600,000, which was last amended in July 2023, to HUF 800,000 and allow for a higher debt-to-income ratio of up to 60 per cent. A more detailed summary of the changes to the macroprudential instruments can be found in the MNB's press release.

and spreads, which do not fully cover credit risk and operating expenses, is discussed in Box 5, examining cross-selling and in Box 7 also, dealing with funding costs. The average spread on new subsidised housing loans stagnated at a lower level of around 2 percentage points in the last six months, compared to the average of 2.6 percentage points for 2024 as a whole, due to a slight increase in reference interest rates, significantly exceeding the spread on market-based housing loans. In 2025 Q2, Hungary had the second-lowest interest rate spread on new housing loans in the European Union.[28]

BOX 5: EXAMINATION OF HOUSING LOAN BORROWERS FROM A CROSS-SELLING PERSPECTIVE

The spread on newly disbursed market-based housing loans relative to the yield on long-term government securities has stagnated at around zero since the end of 2022. The average spread on market-based housing loans granted by domestic credit institutions[29] relative to long-term yields stood at 1.6 percentage points in July 2022, but this had fallen to 0 percentage points by July 2025, meaning that market-based housing loan interest rates did not exceed the interest rates on interbank loans corresponding to the length of the loans' interest-rate fixation period. The spread on subsidised housing loans, which account for one-fifth of new housing loan disbursements, has also declined over the past year and a half, falling to just 2 percentage points in July 2025 from the temporarily reached 6-percentage points value in previous years. This is due to the fact that the pricing of HPS Plus, available from January 2024, sets a lower multiplier than previously for calculating the maximum transaction interest rate. The persistence of excessively low spreads that do not cover customer risk may entail stability risks, but at the same time, a customer's profitability for the bank is influenced not only by their housing loan, but also by other loans and savings products and payment services sold to them.



Note: Volume-weighted average interest rate on the loans outstanding at the end of the given period. Source: MNB

Banks also earn interest income on the other loans of housing loan customers, while deposits held by customers represent low-interest funding for credit institutions. In June 2025, debtors with housing loans had housing loans amounting to HUF 6,042 billion with domestic credit institutions, as well as HUF 1,301 billion other loans (of which HUF 857 billion was held with the bank providing the housing loan) and approximately HUF 1,374 billion in deposits (of which HUF 928 billion was held at the bank providing the housing loan). While the average volume-weighted interest rate on the housing loan portfolio has been around 5–6 per cent in recent years (at 5.9 per cent in June 2025), taking into account the customer's other loans held with the housing loan lender bank, the interest rate on

[28] The comparison was made among 21 European Union countries. Due to incomplete data availability, Bulgaria, Cyprus, Denmark, Croatia, Malta, and Sweden are not included in the comparison.

[29] In the Box, when calculating the average spread on housing loan interest rates, we compared housing loan interest rates to the average for the relevant BIRS data observed four months prior according to interest rate periods.

the portfolio is 0.7 percentage point higher (at 6.6 per cent in June 2025).[30] The average interest rate on the housing loan borrowers' bank deposits held at the housing loan lender banks was 0.1 per cent in June, which significantly increases the banks' profitability, as banks can realise a margin of more than 6 percentage points by holding this amount on its central bank reserve account.[31]

Through housing loans, banks can establish more lasting relationships with customers, which may also influence their choice of bank in the future. In our analysis, we also examined the subsequent behaviour of customers on the credit market who, according to our estimates, took out[32] their first loan between 2015 and 2025. Among clients who took out a housing loan as their first loan,[33] 45 per cent also took out additional loans later: 10 per cent of these additional loans were prenatal baby support loans, 30 per cent were consumer loans, 34 per cent were credit cards and 26 per cent were additional housing loans. In terms of customer behaviour, those who started their credit market activity by taking out a larger consumer loan (prenatal baby support loan) or a housing loan were more likely to take out subsequent loans from the same banking group where they took out their first loan.[34] Between 56 and 60 per cent of customers who started with a larger loan took out all their subsequent loans with their first bank, while this proportion was 46–48 per cent for those who started with a consumer loan or credit card. Customers who started with a housing loan (or prenatal baby support loan) took out 62 (65) per cent of their subsequent loans at their first bank, but this ratio is only 56 per cent for customers who started with consumer loans. It is also apparent that in the case of subsequent loans, it is less common to switch banks for a new loan that is the same as the first loan product: the highest proportion of subsequent housing loans were taken out at the same bank as the first housing loan, at 77 per cent, and a similar trend may be observed for subsequent consumer loans taken out after consumer loans (60 per cent). The latter ratio is likely to start rising for personal loans due to the recent increase in refinancing rates and the widespread adoption of top-up offers. As far as deposits are concerned, of those customers who had a housing loan with only one bank in June 2025, 86 per cent also had a deposit with that bank,[35] and nearly half of them had a

Share of clients remaining, partially or completely switching banks for additional loans by type of first loan

	First loan	Prenatal baby support	Consumer	Credit card	Housing
Customer-level bank switching	Stayed the whole time	60	46	48	56
	Partially switched	12	23	20	18
	Completely switched	28	31	32	26

Note: Only first loans taken out after 2015. Source: MNB

Share of additional loans that are taken out at the original bank, by type of first loan and types of future loans

	First loan	Prenatal baby support	Consumer	Credit card	Housing
Additional loan	Prenatal baby support		45	52	61
	Consumer	57	60	59	47
	Credit card	66	52	56	63
	Housing	69	35	45	77
	Total	65	56	56	62

Note: Only first loans taken out after 2015. Source: MNB

[30] If we take into account the loans of housing loan borrowers at any bank, the volume-weighted average interest rate was 6.9 per cent in June 2025. It is important to emphasise that although the higher interest rates (and higher spreads) on consumer loans mean higher revenues for banks, these products are typically smaller in terms of their amount and bear a higher risk cost than housing loans.

[31] The significance of this margin is illustrated by the fact that if we consider it as income from housing loans, the bank would realise an average yield of 7.5 per cent on the housing loans and other loans of its housing loan borrower customers, which is 0.9 percentage point higher than the average interest rate achieved on the loans outstanding of customers at that bank alone.

[32] We have comprehensive information on the credit history of individual customers from 2012 onwards. Prior to that, we only have data on debts outstanding in 2012, meaning that customers who took out loans before 2012 but repaid them in full by 2012 are not included in our database.

[33] In order to ensure that credit histories prior to 2015, for which we do not have complete information, do not distort the results, we also conducted the analysis by including as first-time borrowers only the loans taken out by those customers who were under 35 years of age at the time. The results obtained are consistent with those shared in the Box, with the difference that the rate of switching banks is slightly higher among this group for all types of loans.

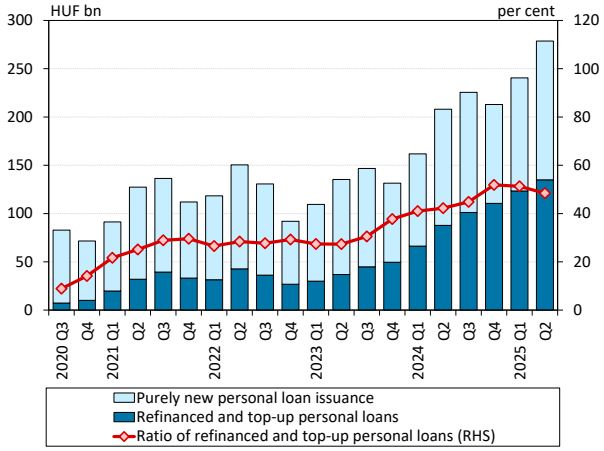
[34] Credit institutions belonging to the same group were treated as a single institution throughout the text in the Box.

[35] A total of 63 per cent of housing loan borrowers' deposits are held at the same bank where the housing loan was taken out. One reason for this is that banks offering housing loans often require borrowers to have their income arriving at the bank.

deposit exclusively with the bank where they took out their housing loan, which makes it likely that they use most or all of the other banking services that generate fee and commission income for the bank at that same bank. Taking out a housing loan can therefore have a long-term, multifaceted impact on the income generated by the bank from a given customer, which is why banks also take into account the income available from other products when pricing housing loans.

In addition to interest income on loans and deposits, fee income from banking services also contributes to the bank's profit from customers. Although interest income accounts for the largest share of the banking system's income, commission and fee income also play a significant role, accounting for nearly 16 per cent at the end of 2024. In the household segment, revenues from payment services per payment account[36] amounted to approximately HUF 31,500 on an annualised basis at the end of 2025 H1. The largest source of revenue in the past year was generated by services related to transfers and account packages. We can observe an upward trend in revenue per account, which can be substantially explained by the fact that households have a high proportion of transaction-based fees, so the increase in the number of transfers and the average transaction value automatically increased the fee income.[37] In addition, banks are recording rising revenues from fees on custody and investment activities as well, in line with the high propensity to save and rising financial wealth of households.

Chart 36: New personal loans in the credit institution sector



Note: Renegotiated and restructured loans are not considered purely new disbursements. To identify refinanced and top-up personal loan contracts, we examined each customer to see whether the number of active personal loan contracts in the quarter in which the personal loan was taken out was less than or equal to the value in the previous quarter, and whether the customer's personal loans would expire within the next six months. Source: MNB

4.3. Despite significant new disbursements of personal loans, no substantial risks can be identified

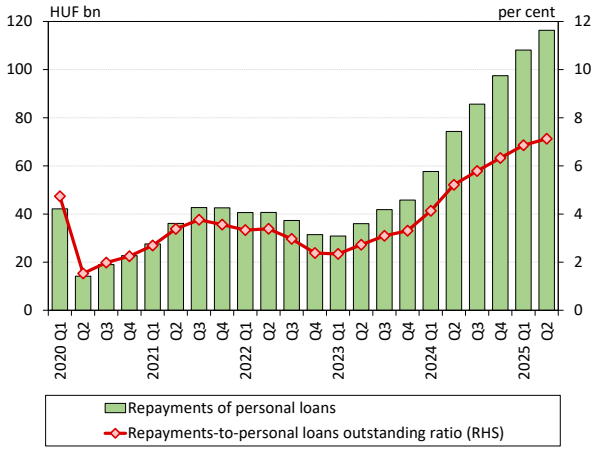
New disbursement of personal loans rose to a historic high in 2025 H1. In 2025 H1, credit institutions issued personal loans worth more than HUF 500 billion, representing a 40-per cent increase versus the same period of the previous year, despite declining but relatively high interest rates compared to the period before 2023 (Chart 36). According to feedback from domestic banks, the record-setting growth was driven by mounting demand, online accessibility, larger contract sizes, targeted customer outreach with pre-approved offers and top-ups (i.e. higher loan amounts disbursed at lower interest rates and thus with unchanged repayment instalments).[38] According to our estimates, the ratio of refinanced and top-up loans in new personal loan disbursement has been growing steadily since 2024 Q1, accounting for an average of half of new personal loan disbursements in 2025 H1. The proportion of personal loans granted entirely online, based on the number of contracts, averaged 45 per cent in 2025 H1, compared to an average of 25 per cent for the period 2021–2023.

[36] These revenues include incomes related to account packages, transfers, card services, cash withdrawals and other services.

[37] Based on the MNB's annual Payment Systems Report published in 2025.

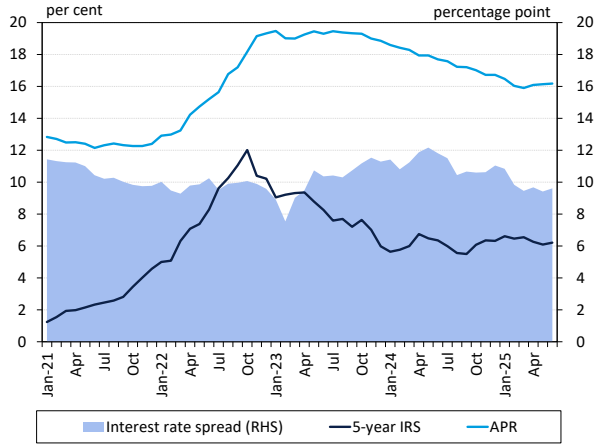
[38] The MNB's quarterly Lending Survey is supplemented once a year by interviews with lending managers of significant banks in each sub-market, who reported on lending trends in 2025 H1 and their expectations for the second half of the year. A detailed summary is available among the publication materials of the September 2025 Trends in Lending.

Chart 37: Evolution of early repayments of personal loans



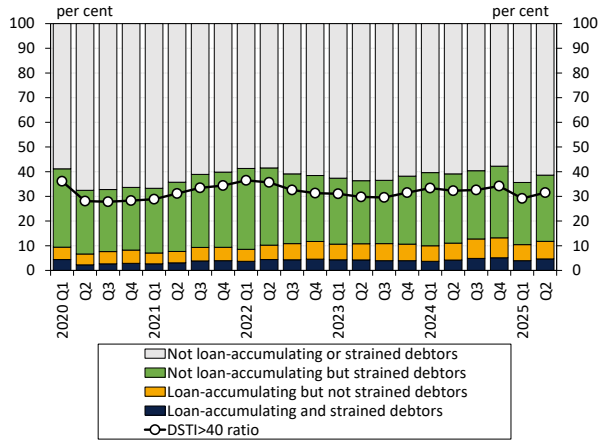
Source: MNB

Chart 38: Financing costs of new personal loans



Note: Averages weighted by contract volumes. The spreads were calculated on the basis of the relevant BIRS data observed four months prior according to interest periods. Source: MNB

Chart 39: Distribution of new personal loan contract volumes by the riskiness of the debtor



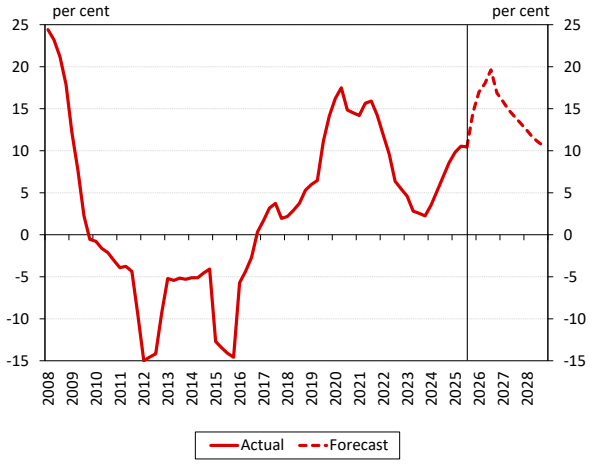
Note: Based on new personal loan contracts of the total financial intermediary system. DSTI: debt service-to-income ratio. A strained customer is one whose DSTI value exceeds 40 per cent. A loan accumulator is a customer who has taken out more than one personal loan in a given quarter, or several other loans in addition to their personal loan. Source: MNB

Due to personal loans taken out for refinancing purposes the prepaid volume is increasing. In 2025 H1, the volume of early repayments on personal loans continued to rise, reaching HUF 224 billion, which represents a significant, 70-per cent increase versus the same prior-year period, but is also more than triple the average H1 volume of HUF 67 billion for the period 2020–2023 (Chart 37). This development also suggests that a significant portion of the surge in new personal lending is serving to replace loans taken out earlier at less favourable interest rates. For this reason, despite the annual increase in new disbursements, the growth of the portfolio is not significantly higher than in previous periods.

The spread on personal loans decreased in the first half of the year, while interest rates remained unchanged. Interest rates on the personal loan market fell to 16 per cent at the beginning of the year and remained unchanged overall in the first half of the year (Chart 38). Spreads gradually declined from 11 percentage points at end-2024 to around 9.5 percentage points at end-June 2025, which corresponds to the average for the period 2022–2023. More and more banks are offering personal loans at interest rates below 10 per cent for customers with higher incomes and thus less risk. According to the MNB's Lending Survey, a net 11 per cent of respondent institutions intend to ease their standards for unsecured consumer loans in 2025 Q4 and 2026 Q1, which would primarily involve further reducing spreads and easing creditworthiness requirements.

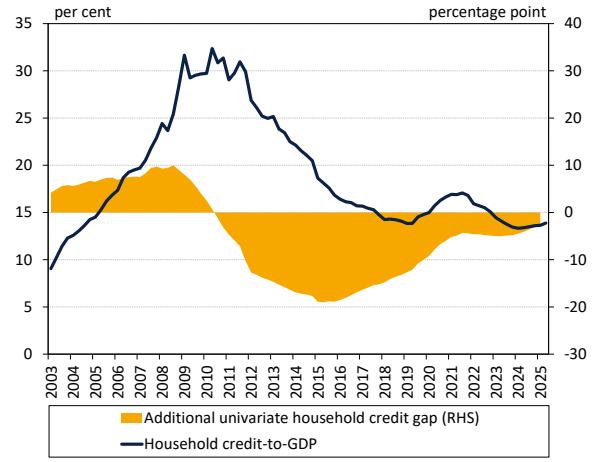
The characteristics of personal loan debtors still do not indicate increased risk levels. In the first half of the year, credit institutions and financial enterprises concluded approximately 300,000 personal loan contracts across the total financial intermediary system. This represents a 17-per cent increase compared to the same period of the previous year. In 2025 H1, the average contract amount for credit institutions was around HUF 3 million, which is essentially unchanged from end-2024. In the case of financial enterprises, the average contract amount rose from HUF 370,000 at end-2024 to HUF 420,000 at end-June 2025. The proportion of strained personal loans (DSTI above 40 per cent) in the total financial intermediary system in new disbursement declined slightly in the first half of the year, averaging around 30 per cent (Chart 39). The indicators for personal loan debtors according to strain (DSTI) and credit

Chart 40: Forecast growth rate of household lending



Note: Transaction-based annual growth rate based on data from the financial intermediary system. Source: MNB

Chart 41: Household credit-to-GDP ratio and the credit gap



Note: The credit gap is the deviation of the credit-to-GDP ratio from the long-term average; for a brief methodological description of the additional univariate credit gap, see: Framework for the MNB's countercyclical capital buffer requirement for domestic exposures. Source: MNB, HCSO

accumulation (i.e. borrowing more than once in a given quarter) still do not indicate an increased level of risk.[39] The stability risks associated with the upturn in personal lending are mitigated by the fact that, despite the significant growth in nominal terms, the stock of these loans held by credit institutions accounted for only 2 per cent of GDP at the end of 2025 H1, which does not differ substantially from the figure for the years before the coronavirus pandemic. At the same time, the 18-per cent annual growth rate of the credit institutions' personal loan portfolio is higher than that of the total retail household loans outstanding, thus justifying close monitoring of the risks.

4.4. Home Start programme significantly increases household loans outstanding

Household loans outstanding are set to expand rapidly over the forecast horizon. Due to the large contract sizes available under the Home Start programme and the wide range of eligible borrowers, the programme is expected to generate significant loan demand after its launch in September 2025, albeit with a high degree of estimation uncertainty. The additional housing loan volume generated by the Home Start programme, as estimated based on the MNB's agent-based model, will further increase household loans outstanding, which is otherwise expanding at a slowing pace (for the results of the model, see Box 2). The housing subsidy programme for public service employees will have a smaller, but additional stimulating effect over the forecast horizon. Within the framework of this programme, public service employees can receive an annual subsidy of HUF 1 million, which they can use for their regular housing loan repayments or as part of their own contribution when taking out a new loan. Overall, the household loans outstanding of the total financial intermediary system may increase by 15 per cent this year and by 17 per cent in 2026, with double-digit annual growth rate over the entire forecast horizon (Chart 40).

Household loans outstanding are at a low level, both historically and in international comparison. As a percentage of GDP, household loans outstanding remained essentially unchanged at 14 per cent in 2025 H1. The level of this indicator is low by international

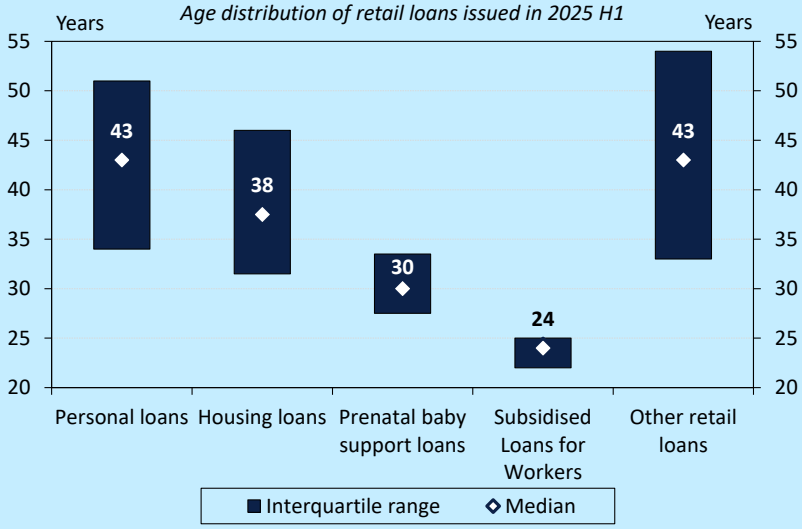
[39] Pursuant to the amendment to the borrower-based measures coming into force on 1 January 2026, the MNB will raise the limit for small loans exempt from the borrower-based measures from HUF 450,000 to HUF 550,000. A more detailed summary of the changes to the macroprudential instruments can be found in the MNB's press release.

standards, which is primarily explained by the shortfall in the mortgage loan portfolio.[40] The household credit gap is negative, which also indicates that loans outstanding as a percentage of GDP are below its domestic historical average (Chart 41). Moreover, the aging of society has a lasting negative impact on credit demand, which may also slow down the pace of financial deepening (see Box 6). Based on this, the expected expansion in the volume of household lending in the coming years will not in itself lead to excessive indebtedness at the national economy level. However, the rapid pace of large-scale credit outflow deserves increased attention in order to avoid the accumulation of risks at the individual level.

BOX 6: TRENDS IN HOUSING LOANS BY DEBTOR AGE

There are many reasons behind the historically low level of indebtedness of the household sector in Hungary, both in comparison to the European Union and historically. These reasons include, among other things, the prolonged balance-sheet adjustment of banks and households following the 2008 global financial crisis, government measures aimed at settling household debt, a yield environment that has exceeded the average of regional countries for extended periods and lower levels of household confidence. Access to external sources of financing brings various economic and welfare benefits for both individual households and society as a whole, if it is not excessive. However, in addition to the aforementioned reasons, the aging of society is another important factor influencing future credit demand and thus the extent of structural financial deepening.

Age distribution of retail loans issued in 2025 H1



Note: Credit institutions' sector. Based on the average age of the debtor(s) and co-debtor(s) at the time of contract conclusion. The columns show the interquartile range of ages, which is the difference of the 75th and 25th percentiles. Source: MNB

The regional lag is primarily explained by the low ratio of housing loans outstanding to GDP, as the debtors of this product typically belong to the younger age group. The typical (median) age of borrowers of housing loans issued in 2025 H1 was 38 years.[41] Debtors of personal loans are typically older than this when they take out the loan, while debtors of subsidised loan programmes specifically targeting young people, prenatal baby support loans and Subsidised Loans for Workers are significantly younger. In the latter case, the regulation explains the lower median age and the smaller degree of dispersion. [42]

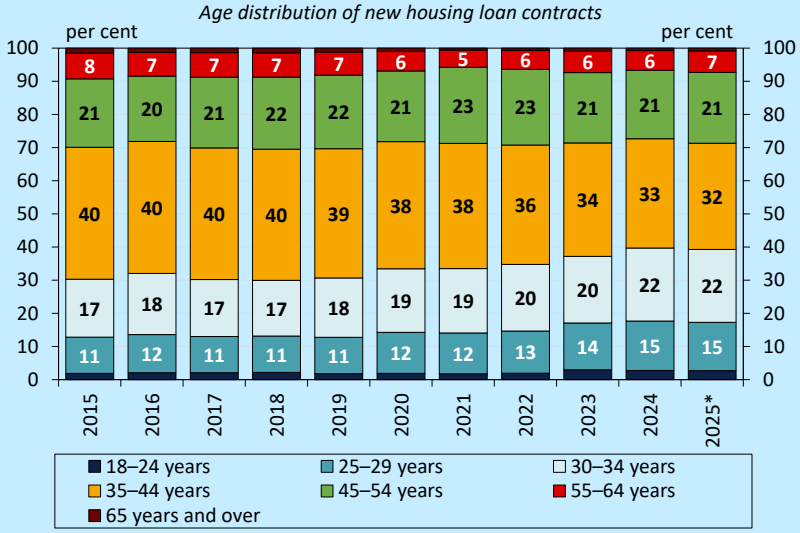
[40] Low household credit penetration and its causes are discussed in more detail in Box 4 of the November 2024 Financial Stability Report.

[41] In the case of co-debtors, based on the average age of the debtors.

[42] In the case of prenatal baby support loans, the age of the wife was capped at 40 years between 2019 and 2023, at 30 years in 2024 (but in the case of a 12-week pregnancy, it remained 40 years), and at 34 years from 2025 onwards. Debtors of Subsidised Loans for Workers available from January 2025 may be aged 17–25.

The proportion of younger people among new housing loan borrowers is increasing. Over the past ten years, for newly issued housing loan contracts, the proportion of people under the age of 35 has increased from 30 per cent to 39 per cent. This trend was supported by the introduction of prenatal baby support loans in July 2019 and Subsidised Loans for Workers in January 2025. On the one hand, these credit products help young people who have little or no own contribution to enter the credit market; on the other hand, the age limit for subsidised products fosters earlier demand for housing loans.[43] Alongside the rise in the number of people under 35, the proportion of those aged 35–44 declined the most (from 40 per cent to 32 per cent between 2015 and 2025), while the proportion of those over 45 remained essentially unchanged. A similar trend can be seen in the proportion of new housing loan contracts per adult population: among those under 35, the proportion rose between 2015 and 2024.

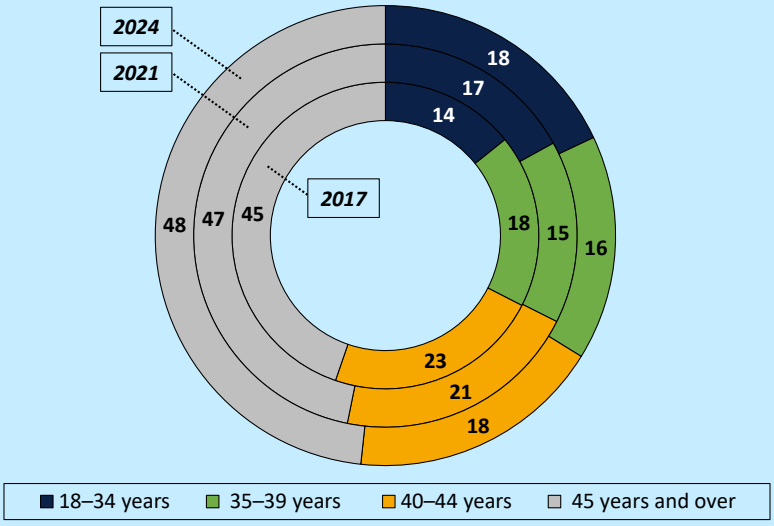
Age distribution of new housing loan contracts



*Note: By the age at the time of contract conclusion. *Based on data from H1. Source: MNB*

Approximately half of the outstanding housing loan portfolio is held by older age groups. The proportion of debtors over the age of 45 in the outstanding housing loan portfolio increased by 3 percentage points to 48 per cent between 2017 and 2024. In the same period, the proportion of people under the age of 35 increased from 14 per cent to 18 per cent. Meanwhile, the proportion of people aged 35–39 and 40–44 continued to decline. The typical (median) age of clients with housing loans outstanding increased between 2015 and 2019, in line with trends observed in society as a whole, and then stagnated between 2019 and 2024.

Distribution of outstanding housing loan contracts by age (%)

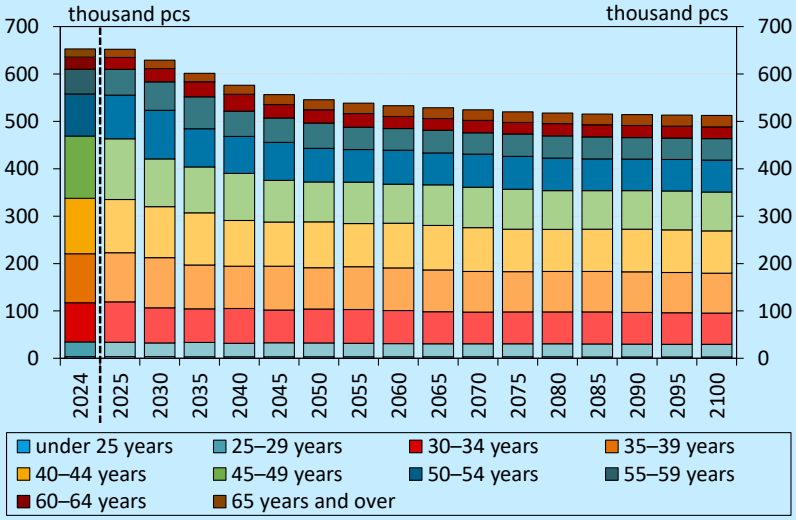


Note: Based on data from the total financial intermediary system. Source: Eurostat, MNB

[43] The LTV discount introduced for first-time home buyers from 1 January 2024 may have also contributed to the increase in credit market activity among those with only partial own contribution.

Given the low credit penetration among older people, the aging of society – coupled with unchanged credit market activity – is leading to a decline in the number of housing loans. Using Eurostat's demographic projections, we estimated how the number of housing loans would change by 2100, assuming all other factors remain unchanged, solely due to changes in the age structure of the population.[44] According to our calculations, in the baseline scenario the number of housing loans in relation to the adult population – currently 8.3 per cent – will decline significantly until the middle of the century, and then slowly fall to 6.8 per cent by 2100. In terms of the number of contracts, the current number of approximately 653,000 outstanding housing loan contracts will drop to 546,000 by 2050 and then sink to 512,000 over the next 50 years. The calculation is essentially determined by the assumption that credit market participation is considered unchanged by age group. However, the projection highlights that the aging of society alone is causing a decline in the number of housing loan contracts. Although new housing loan borrowers are getting younger, current demographic trends are not in favour of financial deepening overall. As a result, based on current projections, the proportion of relatively "under-indebted" older people within the population will increase.

Impact of the aging society on the number of outstanding housing loan contracts



Note: Based on data from the entire financial intermediary system. We used Eurostat's baseline population projection by age group between 2025 and 2100 for the projection. Source: Eurostat, MNB

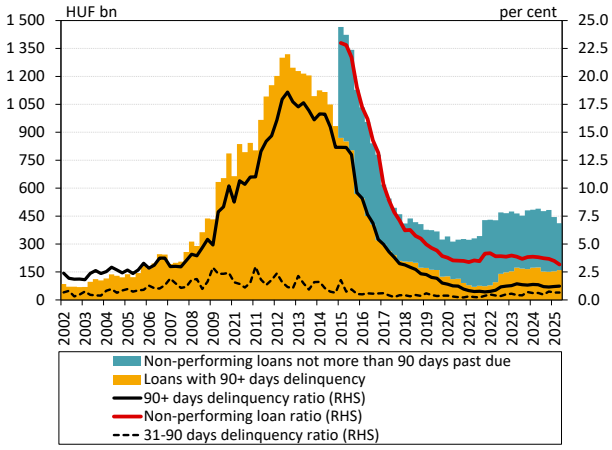
[44] Eurostat reports six different scenarios: (1) baseline, (2) lower fertility, (3) lower mortality, (4) higher migration, (5) lower migration, (6) no migration. Our results are presented in line with the baseline scenario, but we note that the ratios of housing loans to the total population are similar in the other scenarios as well, with the values in the highest and the lowest scenarios ranging between 6.5–8.0 per cent over the time horizon until 2100.

5. Historically low non-performing rates and limited new defaults

The share of credit institutions' non-performing corporate loans fell to a historical low of 3 per cent at end-August 2025. The decline in the NPL ratio was also supported by the recovery of the portfolio of loans not past due more than 90 days but classified as non-performing, as well as by portfolio cleaning activities. The share of Stage 2 loans, which represents elevated risk, on the other hand, continued to rise in 2025 H1, reaching 27 per cent at the end of June, double the level before the coronavirus pandemic. The share of foreign currency loans increased both in the non-performing stock and in Stage 2 loans. The foreign currency loan portfolio typically has a higher NPL and Stage 2 ratio than the forint loan portfolio. The proportion of the Stage 2 loans was 32 per cent for the former and 22 per cent for the latter at the end of June 2025. The NPL ratio of project loans secured by commercial real estate fell to 2.8 per cent, but the share of loans classified as Stage 2 is still higher than the total corporate loan portfolio, reflecting the less favourable risk perception of this sector.

The household NPL ratio continued its two-and-a-half-year decline, falling by 2.5 percentage points to 1.8 per cent at the end of June 2025. By product type, the largest improvements in portfolio quality were seen in overdrafts and personal loans, with the share of non-performing loans in both segments falling below 5 per cent. Active portfolio cleaning by banks also played a role. During 2024, banks sold roughly one-half and one third of the non-performing stock (as of end-2023) of personal loans and overdrafts, respectively, with the cleaning rate rising further in 2025 H1. The Stage composition of loans outstanding has also improved: in addition to Stage 3 loans, the share of the Stage 2 portfolio, which indicates increased risk, also showed a downward trend. For both market-based housing loans and subsidised loans, the share of loans over 90 days past due is low. Looking ahead, the phasing out of the mortgage loan interest rate cap may pose a risk to market-based housing loans, but the loan portfolio that would be vulnerable due to phasing out is not systemically significant. In the case of subsidised programmes, failure to meet the childbearing conditions can lead to solvency problems. We estimate that nearly 41,000 contracts for prenatal baby support loans and HPS subsidies for two and three children did not meet the conditions for having a child in mid-2025. For a narrow group of the affected borrowers, the lump-sum repayment of family subsidies may become a significant burden.

Chart 42: Non-performing corporate loans in the credit institution sector

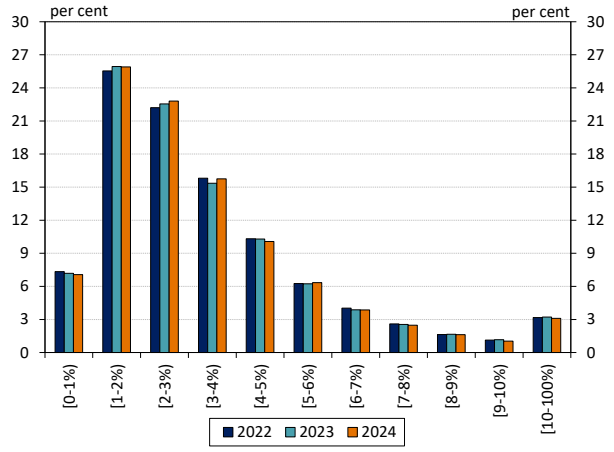


Note: The definition of non-performing loans changed in 2015. From then on, in addition to loans more than 90 days past due, loans less than 90 days past due where non-payment is likely are also classified as non-performing. Calculated by client until 2010 and by contract from 2010. Source: MNB

5.1. Share of non-performing corporate loans decreased, but the weight of Stage 2 loans increased

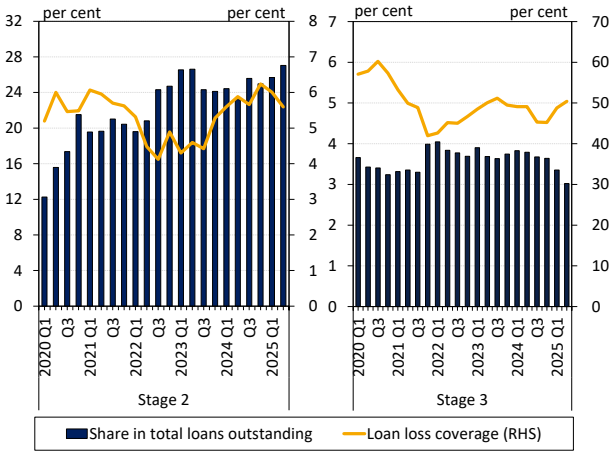
The ratio of non-performing corporate loans fell to a historical low. The stock of non-performing loans in the corporate sector decreased significantly by HUF 71 billion in 2025 H1 (Chart 42). This reduced the NPL ratio by 0.5 percentage point to 3.2 per cent. The improvement in portfolio quality was due to a reduction of HUF 81 billion in the stock of loans not past due more than 90 days, but classified as non-performing. Sales and write-offs reduced the NPL ratio by 0.1 percentage point. The stock of loans over 90 days past due increased slightly, and thus their proportion rose from 1.1 per cent to 1.2 per cent of total loans outstanding. The corporate NPL ratio moderated to a historical low of 3 per cent in July 2025 and remained at this level in August. Defaults of more than 90 days remained unchanged at 1.2 per cent in these months.

Chart 43: Estimated corporate probability of default



Source: MNB

Chart 44*: Share of Stage 2 and Stage 3 loans of the corporate loan portfolio and their loan loss coverage*



Note: Loans valued at amortised cost. Source: MNB

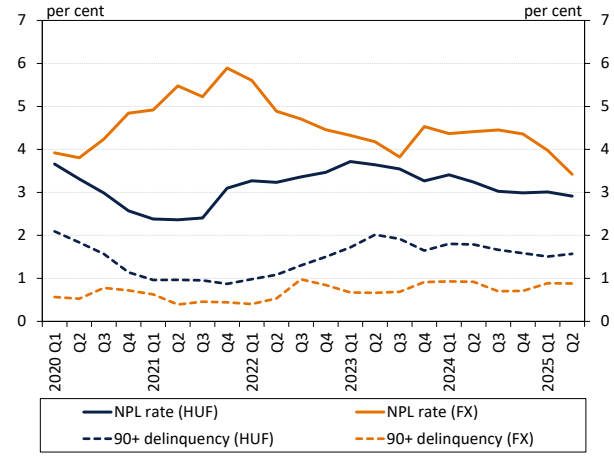
The average probability of default of companies with bank credit has stagnated at a low level over the past few years. Using companies' balance sheets, profit and loss statements, and the MNB's Credit Register data, it is possible to prepare a model-based estimate of the probability of default (PD) of the corporate segment.[45] The model examines the probability of a 90 days past due default of a given company in the next 12 months. The average corporate PD did not change significantly between 2022 and 2024, decreasing slightly from 3.5 percent to 3.4 percent (Chart 43). During the period under review, the probability of default within one year was negatively affected by the decline in return on assets and operating profit, and the increase in the average loan amount and the proportion of foreign currency loans. The more mature companies, the shift towards industries with lower PD and the decrease in leverage had a positive effect. The probability of default increased in the sectors of agriculture, construction, and transportation and storage during the observation period, but decreased in the sectors of accommodation, administrative and service support, and financial and insurance.

In the corporate segment, the share of loans with elevated risk continued to increase. The share of Stage 2 corporate loans rose from 25 per cent to 27 per cent in 2025 H1, double the share from before the coronavirus epidemic (Chart 44).[46] The increase observed during the half year was related to foreign currency loans, which increased their share in the elevated risk category to almost 60 per cent. However, there is no general rise in credit risk in the corporate sector. At some banks, factors contributing to the rise included the reclassification of certain portfolios (such as commercial real estate portfolios or companies exposed to the impact of US tariffs) and changes in banks' risk assessment methods. With the reduction in the NPL ratio, the share of Stage 3 loans fell from 3.6 per cent to 3 per cent, the lowest level since 2020. Coverage in both segments is in line with the average for recent years: for

[45] The logit model was trained on the period 2007 to 2019; based on this, we forecast the year-end data for 2022–2024, using the financial reports for this period. For more details on methodology, see: Banai, Á. – Körmendi, Gy. – Lang, P. – Vágó, N. (2016): A magyar kis- és középvállalati szektor hitelkockázatának modellezése. MNB Tanulmányok 123., Burger, Cs. (2022): Defaulting Alone: The Geography of SME Owner Numbers and Credit Risk in Hungary. MNB Occasional Paper Nr. 144.

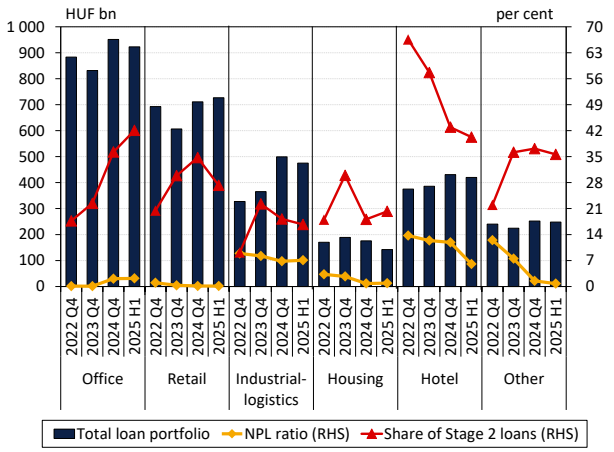
[46] Stage 1: financial instruments whose credit risk has not increased significantly since initial recognition. Stage 2: financial instruments whose credit risk has increased significantly since initial recognition, but no event has objectively caused a credit loss. Stage 3: non-performing financial instruments.

Chart 45: Developments in the corporate NPL ratio and the share of loans more than 90 days past due by denomination



Source: MNB

Chart 46: Quality of project loans secured by commercial real estate



Note: Credit institution sector. In addition to non-financial corporations, the data also include loans to financial intermediaries (including, among others, investment funds). Source: MNB

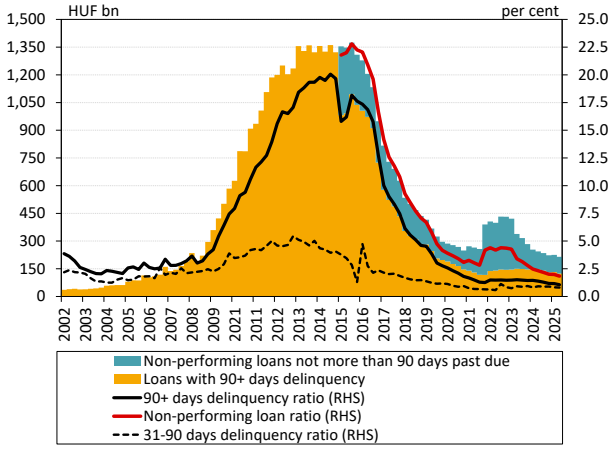
Stage 2 loans, it was 5.6 per cent at the end of June, while for Stage 3 loans, it was 50.4 per cent.

The share of non-performing loans in the foreign currency portfolio has fallen, but remains higher than in forint loans. The NPL ratio for foreign currency loans has been higher than that for forint loans since 2021, although the difference between them has narrowed significantly, with the former standing at 3.4 per cent and the latter at 2.9 per cent at the end of June 2025 (Chart 45). However, within the non-performing loan portfolio, there is a structural difference: while the share of loans over 90 days past due is higher for forint loans (54 per cent), the share is much lower for foreign currency loans (26 per cent). This may be related to the fact that, in the case of foreign currency loans, the share of project loans in the category of loans not past due more than 90 days but classified as non-performing is much higher, with all or most of the principal repayments occurring at the end of the maturity, and therefore the increase in credit risk is not primarily captured by the rise in the number of delinquent days. The share of Stage 3 loans at the end of June 2025 was similar for both sub-portfolios, at around 3 per cent, and loan loss coverage was also at around 50 per cent for both segments. A larger proportion of foreign currency loans, 32 per cent, belonged to the Stage 2 category, which represents elevated risk, compared to 22 per cent of forint loans.

The riskiness of office and housing estate project loans increased. The NPL ratio for project loans secured by commercial real estate stood at 2.8 per cent at the end of June 2025, down 0.9 percentage point from the end of 2024. The decline was most marked in the hotel segment, where the rate fell by one-half in six months to 6.1 per cent at the end of June, in which the recovery of the portfolio also played a role (Chart 46). The share of non-performing loans was highest in the industrial-logistics segment (7.1 per cent) at the end of June 2025, after a half-year increase of 0.3 percentage point. The proportion of Stage 2 loans rose from 18 per cent to 20 per cent for housing estate loans and from 36 per cent to 42 per cent for office project loans, which account for the largest stock, in the first half of the year, reflecting the upward risks surrounding the vacancy rate.[47]

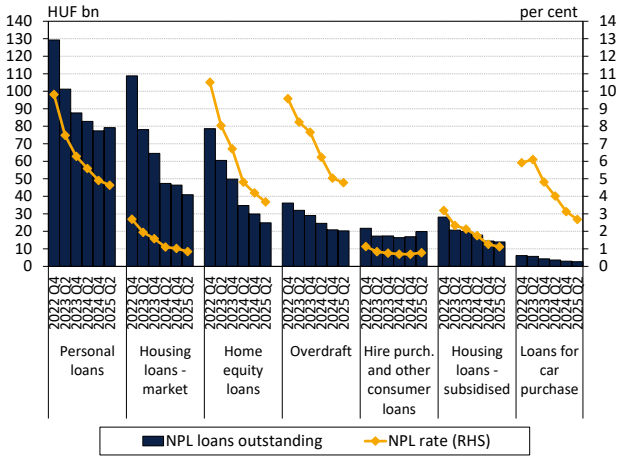
[47] For details, see section 2.2.

Chart 47: Non-performing household loans in the credit institution sector



Note: The definition of non-performing loans changed in 2015. From then on, in addition to loans more than 90 days past due, loans less than 90 days past due where non-payment is likely are also classified as non-performing. Calculated by client until 2010 and by contract from 2010. Source: MNB

Chart 48: Non-performing household loans by product type



Note: Credit institution sector. Source: MNB

5.2. Quality of the household loan portfolio continued to improve

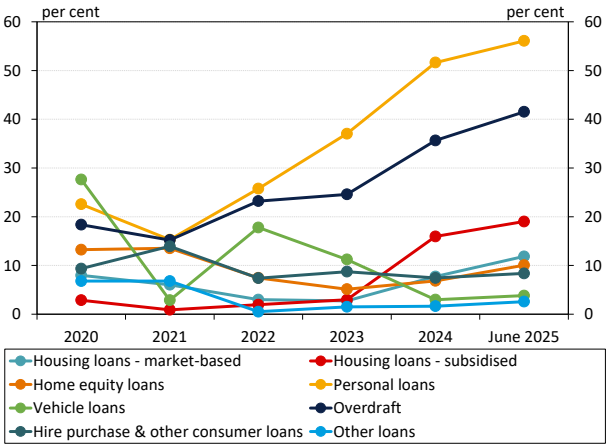
The two-and-a-half-year decline in the share of non-performing household loans continued. The volume of non-performing household loans in the credit institution sector decreased by HUF 8 billion to HUF 215 billion, while the NPL ratio fell from 2.0 per cent to 1.8 per cent in 2025 H1 (Chart 47). With this, the NPL ratio, which had risen by the end of 2022 following the phasing out of the general payment moratorium, has been reduced to less than half. This process was mainly supported by the intensive portfolio cleaning activity, but the increase in household loans outstanding also reduced the value of the indicator. The volume of loans over 90 days past due decreased by HUF 6 billion to HUF 124 billion, and their share to 1.1 per cent by the end of June. A further decline was observed in July, bringing the ratio to a historic low of 1.0 per cent, at which it remained in August. The NPL ratio stagnated at the end-June level during these two months. Looking ahead, a continuation of active portfolio cleaning activity and a significant increase in lending may lead to a further improvement in portfolio quality.

In 2025 H1, the NPL ratio for almost all product types continued to decline. The largest improvements in the first half of the year were seen in home equity loans (-0.5 percentage point) and car purchase loans (-0.4 percentage point) (Chart 48). Overdrafts and personal loans, which had the highest NPL ratios (at 4.8 per cent and 4.6 per cent, respectively), also showed a decline compared to the end of 2024, in which the banks' active portfolio cleaning activities played a significant role. In mid-2025, the NPL ratios for consumer loans for purchases of goods or other, including prenatal baby support loans, and for market-based housing loans were the lowest (0.8–0.8 per cent). The mortgage loan interest rate cap, which is in force until the end of 2025 under the current legislation,[48] has also contributed to maintaining the good portfolio quality for market-based housing loans. Based on mid-2025 data, this measure applies to 241,000 market-based mortgage loan contracts (HUF 943 billion). Within this, we estimate that the number of vulnerable[49] debtors is close to 21,000, with a loan portfolio of HUF 178 billion (3 per cent of the

[48] Based on the Government's November 13th announcement, the interest rate cap will be invariably extended for 2026 H1.

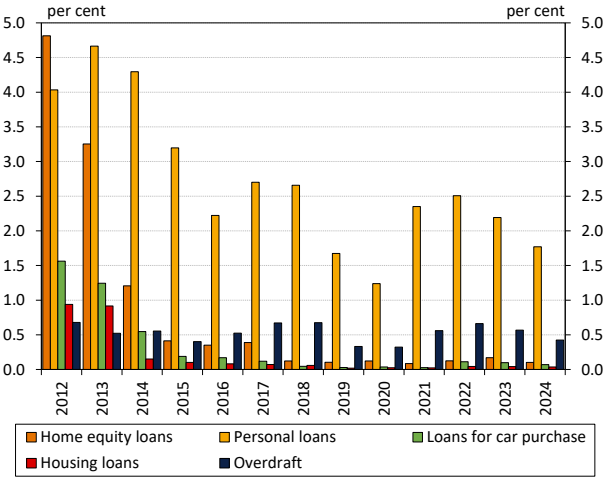
[49] Vulnerable debtors are defined as borrowers whose monthly repayment instalment increase by at least HUF 5,000 due to the phasing out of the measure and, in addition, whose DSTI will be at least 40 per cent, or who will have reached retirement age since the introduction of the measure.

Chart 49: Portfolio cleaning rates by product type



Note: The gross stock (not reduced by impairment) of the loan portfolio sold in the given year, in proportion to the non-performing loans outstanding at the end of the previous year. The chart does not include write-offs or waived claims. For the June 2025 data point, we took into account loans sold between July 2024 and June 2025 as a proportion of the non-performing loan portfolio at the end of June 2024. Source: MNB

Chart 50: Proportion of contracts becoming delinquent within 12 months after contracting



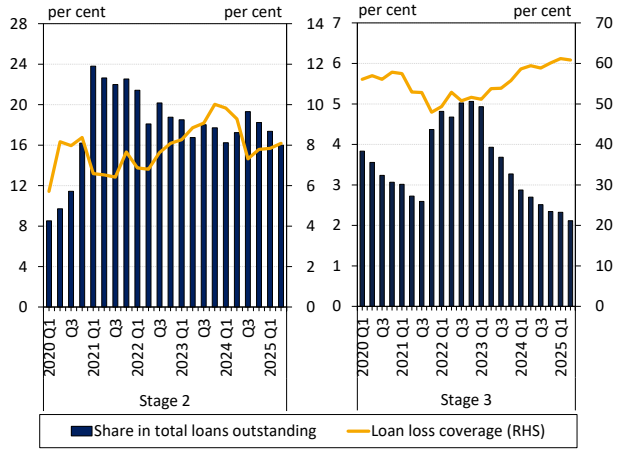
Note: Based on number of contracts. Non-performing loan definition of the CCIR Act is used to determine the delinquent status. A contract is considered to be delinquent if the amount of the overdue and unpaid debt continuously exceeds the monthly minimum wage for 90 days. Source: CCIS

total mortgage loan portfolio), which is not significant at system level; taking into account these debtors' other loans, the repayment of 31,000 contracts (HUF 238 billion) may become significantly difficult.

Portfolio sales mainly affected personal loans and overdrafts. The average volume (excluding derecognition and write-offs) of the portfolio cleaned by banks per year in the period 2010–2018, which was characterised by a higher NPL ratio, was HUF 145 billion, which represents a 14 per cent cleaning rate in proportion to the stock in these years. During the payment moratorium, activity in the debt management market slowed down significantly, but after the measure was phased out, there was a substantial revival. In 2023, banks sold 16 per cent of the non-performing portfolio at the end of the previous year, and then one-quarter of it in 2024, worth nearly HUF 70 billion (Chart 49). Portfolio cleaning was particularly intensive for personal loans and overdrafts, with cleaning rates of 52 per cent and 36 per cent, respectively, in 2024. The framework agreements between the banks and debt management companies, accelerating the transactions, facilitated this process, while the purchase price – especially for personal loans – exceeded the net value (lessened by impairment).

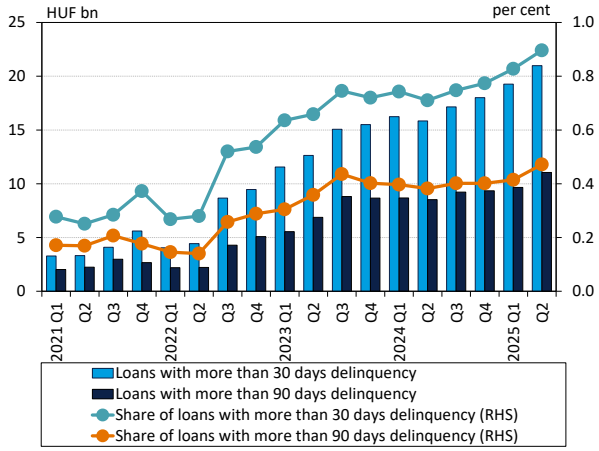
The share of loans defaulting within a short period after disbursement is low and has not increased. Elevated riskiness in some sub-portfolios or a deterioration in the solvency of clients may be indicated by an increase in the proportion of transactions that default within one year after contracting. This ratio increased for all loan products following the 2008 global financial crisis, causing a significant increase in the NPL rate. Subsequently, as the economic environment stabilised, the share of contracts falling into material (with a sum more than the minimum wage) default within a year also started to decline, falling to below 1 per cent by 2015 for most loan products, and it has remained at this low level ever since (Chart 50). The only exception to this is personal loans, where the share of contracts becoming delinquent within a year, although also falling, is relatively high compared to other loan products, at 2 per cent. This may be explained by the unsecured nature of the product and the riskier profile of debtors (e.g. lower income compared to housing loan borrowers), and also highlights the reason for the more pronounced portfolio cleaning activity associated with personal loans. The latter is also active in the case of overdrafts, which can be explained by the fact that regarding this loan product

Chart 51: Share of Stage 2 and Stage 3 loans of the household loan portfolio and their loan loss coverage



Note: Loans valued at amortised cost, thus it does not include prenatal baby support loans, HPS loans and subsidised loans for workers valued at fair value. Source: MNB

Chart 52: Evolution of the delinquent stock of prenatal baby support loans



Source: MNB

there was no significant decrease in the proportion of contracts that became delinquent within a year; in the period under review, on average, 0.5 per cent of the contracts became problematic within one year.

Stage composition improved, while loan loss coverage decreased. As the NPL ratio declined, the share of Stage 3 loans also decreased by 2.9 percentage points compared to end-2022 and thus amounted to 2.1 per cent in mid-2025 (Chart 51). In addition, the proportion of loans classified as Stage 2 also showed a downward trend, reaching 16 per cent at end-June 2025, but still above the pre-coronavirus level. The improved Stage composition also contributed to a decline in the loan loss coverage of the household loan portfolio, which fell from 4.9 per cent at end-2022 to 3.1 per cent by mid-2025. For Stage 2 loans, the loan loss coverage is in line with the long-term average at 8 per cent, while for Stage 3 loans it is above average, at 61 per cent. The latter also reflects that the share of loans with typically higher loan loss coverage (personal loans and overdrafts) within the non-performing portfolio increased from 38 per cent to 46 per cent compared to the end of 2022.

In the case of subsidised loan programmes, failure to meet the childbearing conditions poses a small-scale risk. For prenatal baby support loans and HPS loans, the share of the portfolio overdue by more than 90 days is low, at 0.5 and 0.3 per cent respectively (Chart 52). Looking ahead, in the case of these loan products, failure to meet the childbearing conditions may pose a risk for some married couples. For prenatal baby support loans and for HPS subsidies for two and three children with a deadline of mid-2026, according to our estimation, the childbearing condition has not yet been met in nearly 41,000 contracts. Within this, we identified approximately 5,500 (HUF 44 billion) prenatal baby support contracts as vulnerable[50] (these debtors account for another HUF 41 billion of the loan portfolio). The HPS subsidies are linked to an interest rate subsidy loan portfolio of approximately HUF 27 billion. Overall, failure to meet the childbearing conditions may pose a small-scale risk at the system level, but for a narrow group of affected borrowers, the lump-sum repayment of the family subsidies may become a significant burden.

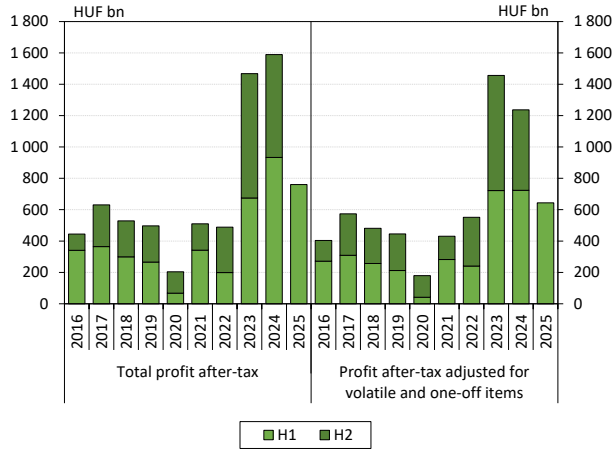
[50] We considered those married couples to be vulnerable if their DSTI, calculated with the prenatal baby support loan instalment that increases due to the loss of interest subsidy, and the personal loan instalment taken out to repay the interest subsidy in a lump-sum, exceeds 40 per cent.

6. High profitability provides an adequate basis for increasing capital buffers

The after-tax profit of the credit institution sector declined, but still remained high in 2025 H1. Based on individual data, it amounted to HUF 760 billion, down HUF 174 billion versus 2024 H1. Banks' results were undermined by the decrease in net interest income and the increase in operating expenses in excess of inflation, while among individual items, the higher windfall tax accounted for compared to the previous year was a negative factor. The decrease in net interest income was due to the fact that, although banks' net interest income from the private sector increased, net interest income from the MNB showed a larger decrease. Fee and commission income increased on an annual basis, despite the fact that banks voluntarily suspended the household payment transaction fee increase announced for this year in the spring and refrained from inflationary fee adjustments. Banks were able to largely offset the transaction fee increase affecting the sector through fee income from the corporate sector, growth in household transactions and an increase in value-based fee income. Dividend income from subsidiaries remained at a high level similar to the previous year, contributing significantly to the results at the sector level. As a result of the above effects, the sector's 12-month rolling return on equity (RoE) declined from 22.5 per cent to 19.1 per cent. The 12-month adjusted RoE, calculated without volatile and one-off items, decreased from 17.5 per cent to 15.6 per cent. At around three-quarters of the institutions surveyed, RoE in 2025 H1 exceeded the bank's current cost of equity. Despite decreasing profitability, more than one-half of the banks expect their profitability to exceed their cost of equity in the longer term as well.

The capital position of the banking system remains strong, thanks also to outstanding profitability, with the consolidated capital adequacy ratio standing at 20.7 per cent at end-June 2025. The free capital above the overall capital requirement of the sector is ample, at HUF 2,321 billion, which corresponds to 5.2 per cent of total risk exposure amount (TREA). Looking ahead, the rising countercyclical capital buffer (CCyB) and the activation of the sectoral systemic risk buffer (sSyRB) will increase the amount of capital buffers that can be released if necessary, further strengthening the banking sector's shock resilience. Even with the tightening capital requirements, the sector has a free buffer of nearly HUF 2,150 billion (4.8 per cent of TREA), which indicates substantial lending capacity.

Chart 53: Annual nominal and after-tax profit of the credit institution sector, after adjustment for volatile and special items

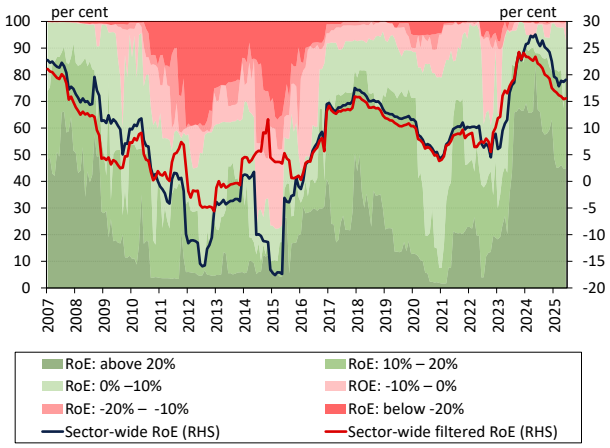


Note: Based on non-consolidated data. Volatile and one-off items: dividend income; bank levy (special tax on financial institutions and windfall tax); and in 2024, an accounting effect related to revaluation revenue, stemming from a merger of foreign subsidiaries. Source: MNB

6.1. Banking profitability has moderated but remains high

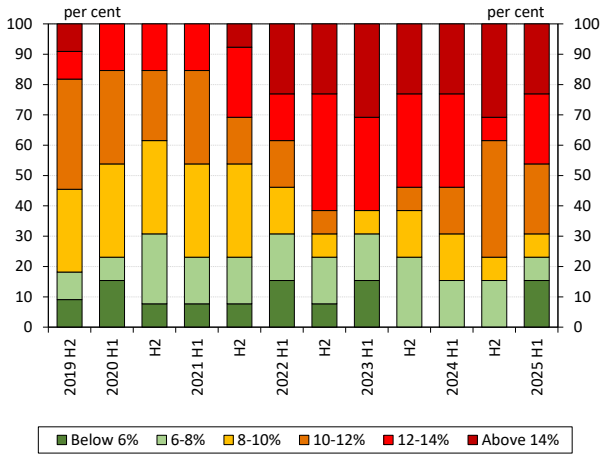
The banking system's total after-tax profit and after-tax profit adjusted for one-off items both declined in year-on-year terms in 2025 H1, but still remain high by historical comparison. The credit institution sector recorded an after-tax profit of HUF 760 billion in 2025 H1, based on banks' individual, non-consolidated data, which was approximately HUF 174 billion less than the profit in 2024 H1 (Chart 53). The decline in after-tax profit was mainly due to falling interest income and rising operating costs, whereas with regard to one-off items, it was explained by the increase in bank levies charged. Excluding volatile and one-off items, banks' profits declined to a lesser extent, falling by HUF 81 billion on an annual basis, to HUF 643 billion. Consolidated profit, which includes the results of domestic and foreign subsidiaries, amounted to HUF 850 billion, up HUF 123 billion on the figure for 2024 H1.

Chart 54: Distribution of credit institutions by 12-month rolling return on equity after-tax



Note: Total assets weighted distribution, based on non-consolidated data. Sector-level RoE excludes the following one-off items: early repayment, exchange rate cap, impact of settlement of consumer loan contracts in 2015, bank levy, dividend income and in 2024 an accounting effect stemming from a one-off acquisition. Bank levy includes the special tax on financial organisations and the windfall tax. Bank levy means the special tax on financial institutions and the windfall tax. Source: MNB

Chart 55: Distribution of domestic banks by cost of equity



Note: Unweighted distribution of domestic credit institutions (11–13 banks per quarter), excluding branches and Eximbank, MFB and Keler, which engage in specific banking activities. Source: MNB Bank Sentiment Survey

Profitability remains high in a historical comparison, but has moderated compared to its previous peak. The sector's 12-month return on equity (RoE)[51] reached 19.1 per cent at the end of 2025 Q2 (Chart 54). This figure remains outstanding in an international comparison,[52] but represents a significant decline from its peak of 27.5 per cent in May 2024. The majority of credit institutions, 93 per cent in terms of total assets, were profitable on a 12-month basis at the end of June 2025. The proportion of institutions with high profitability (RoE) exceeding 20 per cent reached nearly 45 per cent on a balance sheet total basis. 12-month RoE, adjusted for volatile and one-off items, has been declining since end-2023, to reach 15.6 per cent at end-June 2025, while return on assets (RoA) stood at 1.8 per cent after a year of decline.

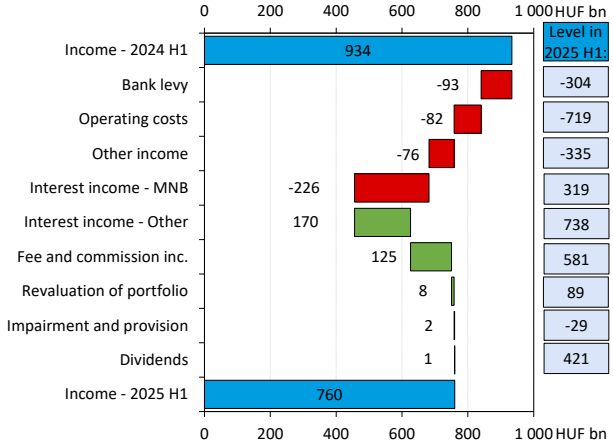
Return on equity exceeds the cost of equity at most banks. Based on the MNB's Bank Sentiment Survey, in 2025 H1, amid a stagnant interest rate environment, deteriorating banking sentiment and uncertain growth prospects, the proportion of banks calculating with a cost of equity exceeding 12 per cent rose from 39 per cent at the end of 2024 to 46 per cent, while the weight of institutions calculating with a lower cost of equity (below 10 per cent) also increased, from 23 per cent to 31 per cent (Chart 55). The proportion of the group with the highest (above 14 per cent) expected return on equity narrowed from 31 per cent to 23 per cent during the first half of the year. Overall, the average cost of equity in the domestic banking system may have declined further this year. Although bank profits fell, at around three-quarters of the institutions surveyed, RoE still exceeded the bank's current cost of equity in 2025 H1. More than 90 per cent of credit institutions expect at least the same magnitude of profitability, and more than one-half expect higher profitability in the longer term than their currently estimated cost of equity.

The decline in after-tax profit was mainly attributable to taxes payable by banks, higher operating costs and a further decrease in interest income. The decline in the banking system's after-tax profit was mainly due to a significant rise of HUF 93 billion in bank levies (windfall tax and special tax on financial institutions). In 2025 H1, banks took a more conservative approach to the amount of the windfall tax allowance, accounting for HUF 190

[51] Return on equity is calculated on an after-tax profit basis, with average 12-month shareholders' equity excluding current year profit.

[52] The consolidated RoE of 18.4 per cent of Hungarian banks in 2025 Q2 was the fourth-highest value in the European Union, exceeding the EU average by 5.3 percentage point and the mean of the Visegrád countries by 5.0 percentage points.

Chart 56: Annual change in after-tax profit components of the credit institution sector in 2024 and 2025 H1



Note: On the right-hand side, the 2025 H1 nominal level of income items are shown. The "Interest income – MNB" excludes forward (swap) transactions between the MNB and the credit institutions, and the amortised exchange rate gain/loss on forint securities (mortgage bonds). In the bank levy line, the combined change in the special tax on financial institutions and the windfall tax is shown. Other income mainly contains the cost of the bank transaction fee and the corporate tax and local taxes. Source: MNB

billion in windfall tax,[53] which is HUF 80 billion higher than in 2024 H1. The increase in operating expenses in excess of inflation also reduced profits by around HUF 82 billion compared to 2024 H1 (Chart 56). The decrease in interest income since 2024 slowed down by the end of 2025 H1, reducing the result by HUF 56 billion on an annual basis, mainly due to a further decline in interest income from the MNB. Bank profits were significantly boosted by rising commission and fee income – despite measures and commitments limiting household fee increases[54] – by approximately HUF 125 billion, which was offset by an increase of approximately HUF 105 billion in the transaction duty payable by banks. The increase in fee income is partly due to growing turnover and holdings,[55] and partly to the pass-through to corporates of the transaction fee increase in mid-2024. Dividend income in 2025 H1 was at a similar high level to the previous year.

Within the net interest result, the share of interest income received from the central government is steadily increasing. In line with declining central bank interest rates, the banking system's net interest income from the MNB has been steadily declining since its historic peak in 2023 (Chart 57). By contrast, net interest income from the central government has expanded in recent years, primarily due to the banking sector's growing holdings of government securities, and it now exceeds the net interest income received from the central bank. Net interest income from the central government[56] increased by HUF 66 billion in 2025 H1 versus the same prior-year period, accounting for nearly

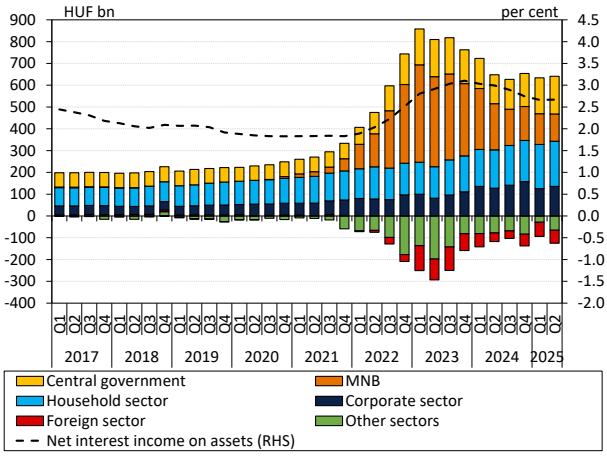
[53] For the 2025 allowance linked to the increase in government securities, the base period is the higher of the periods January–April 2023 and September–November 2024. Compared to this period, the average daily total government securities holdings between 1 January and 30 November 2025 and the government securities holdings maturing after 1 January 2029 must be increased in order to qualify for the allowance. The tax may be reduced by 10 per cent of the smaller of the two amounts, up to a maximum of half of the payable tax. According to the government announcement in November 2025, tax rates will increase next year: to 10 percent for tax bases under 20 billion forints, and to 30 percent for the part exceeding this. The available allowance will also be reduced from 50 percent to 30 percent. This means that the sector's overall windfall tax obligation could be approximately 500 billion forints without discount, and approximately 350 billion forints with allowance.

[54] Under the agreement between the Ministry for National Economy and the banks, it was not allowed to increase household fees in line with inflation in 2025, and from April onwards, credit institutions had to return to the level of account fees applicable in December 2024 when setting their prices.

[55] According to the MNB's cash flow statistics, in 2025 H1, on annual basis, the total number of individual transactions increased by 9 per cent and the nominal value of purchases made with payment cards increased by 18 per cent. In addition, the total value of the household bank transfer volume rose by 26 per cent. In recent years, the volume of household financial savings held at banks has also risen steadily. According to data from the MNB Savings Report, the total value of households' assets held in securities increased by nearly HUF 4,000 billion on an annual basis in 2025 Q2, enabling banks to achieve a significant increase in custody fees.

[56] Interest income from the central government is largely attributable to interest income on government securities held by banks. Interest subsidies paid by the state on loans to the household and corporate sectors are shown in the statistics as net interest income of the *private sector*. In 2025, the budget is expected to pay HUF 562 billion to the sector in the form of interest subsidies.

Chart 57: Net interest income of the banking system as a ratio of total assets, and sectoral breakdown



Note: Based on non-consolidated data. Quarterly data. Other sectors: money market funds, investment funds, insurance companies, municipalities and other financial intermediaries. The interest income as a ratio of total assets is a 12-month rolling indicator. Source: MNB

one-third of aggregate interest income during this period. Due to strong household lending issuance and rising portfolio interest rates due to repricing,[57] interest income from the household sector increased by HUF 65 billion on an annual basis, accounting for nearly 40 per cent of the total in the first half of the year and thus remaining the largest-weighted segment. The positive, rising net interest income from the corporate sector was mainly due to the decline in interest rates paid on corporate term deposits. In the case of foreign and other sectors, interest expenses again exceeded interest income, with their negative impact on results roughly matching that seen in the same period last year. The interest expenses of banks and the funding cost of various funding components are discussed in more detail in Box 7.

BOX 7: ESTIMATION OF FUNDING COSTS IN THE BANKING SYSTEM

The profitability of banks from financial intermediation is influenced not only by income realised on the asset side, but also by the cost of individual funding components. In Box 5, we focused on revenues, looking at the low spread of market-based housing loans compared to long-term yields, emphasising that banks' income from housing loan debtors is higher than what housing loan interest spreads alone would imply. However, the profitability of the banking sector and individual loan products, as well as its sustainability, depends not only on the (interest) income received on the asset side, but also on the structure of the funding side and the (interest) expenses paid on liabilities, and their relative magnitudes. In this Box, we estimate the weighted average funding costs using the structure of the liabilities side of the bank balance sheet, the share of each funding component and the average interest rate, and examine its development between 2018 and 2024.

Distribution of the bank's fund balance at the end of 2018 and 2024

Fund elements (%)	December 2018	December 2024
Household deposits HUF	22	18
Household deposits FX	4	3
Corporate deposits HUF	17	15
Corporate deposits FX	7	8
Interbank market	10	9
Foreign market	13	9
Issued securities	5	12
Central bank funds	3	5
Other financial institutions	6	6
Public sector	3	3
Own funds	11	10

Note: Percentage distribution of funds provided to the sector. Where there is no currency breakdown, the proportion of the total stock is shown. Source: MNB

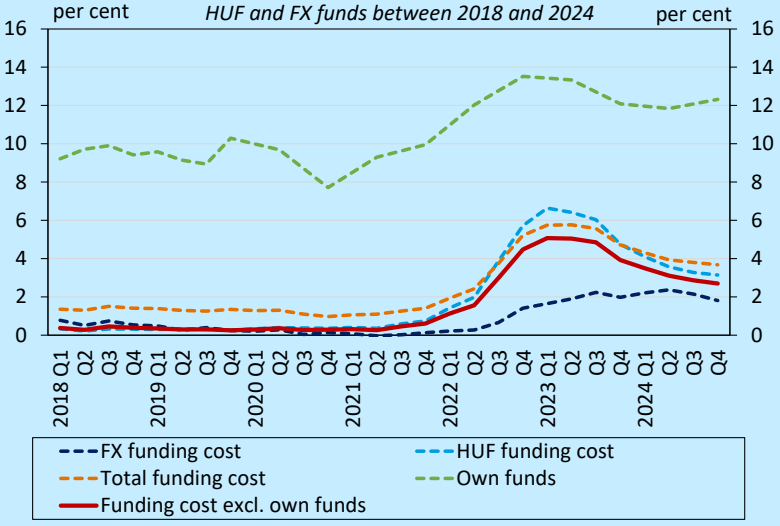
The structure of bank funding has changed little since 2018, with low-cost deposits from the private sector accounting for nearly one-half of the total, while the share of securities issued more than doubled by end-2024. In addition to own funds, which remained at around 10 per cent throughout most of the period under review, credit institutions have access to financing from a number of sources. The largest source of funding, accounting for 45 per cent at end-2024, is deposits from non-financial corporations and households, the cost of which – primarily in the household segment – is

[57] The positive interest rate effect was mainly due to the repricing of subsidised loans (HPS and prenatal baby support loans) issued in 2020 with a 5-year interest-rate period to a higher *loan* interest rate. The interest rate on these loans is linked to the 5-year GDMA reference interest rate, which stood at 1.47 in June 2020 and 6.48 in June 2025. Subsidised household loans account for approximately one-third of household loans outstanding, and accordingly, their repricing has a significant impact on the development of household loan portfolio interest rates.

significantly lower than interbank interest rates. Nearly three-quarters of the funds provided by households and corporates are HUF-denominated, while the proportion of foreign currency deposits within the corporate sector rose moderately between 2018 and 2024. In addition, banks' financing is also supplemented by domestic interbank and foreign sources, the latter being particularly important in providing foreign currency resources. Primarily due to changes in the regulatory environment,[58] the role of bonds and mortgage bonds issued by banks in financing has increased significantly since 2018, their share rising from 5 per cent to 12 per cent by end-2024. Finally, other players also provide funds to banks to a lesser extent, such as other financial institutions,[59] the central bank (long-term loans and FGS) and the public sector; they primarily provide HUF-denominated funds to credit institutions. Overall, most of the banks' funding components remained stable in proportion to total assets between 2018 and 2024. However, the interest paid on these components and the effects of changes in their interest rate environment varied in their extent, which affected the development of banks' average funding costs over time.

The volume-weighted average funding cost of banks' interest-bearing funds was around 3 per cent at end-2024, while taking own funds (equity) into account, the cost is approximately 1 percentage point higher.[60] The funding components of banks have different interest rates. Corporate and household forint and foreign currency deposits, which have a particularly high weighting, provided low-interest, i.e. cheap, funding for the banking sector throughout the entire period under review, mainly due to the low interest rates paid on household deposits. By contrast, forint financing from banks and other financial institutions (which accounted for an average of 12 per cent of total assets) was a much more expensive source of funding, with costs similar to domestic interbank reference rates (BUBOR). Securities issued by banks were more expensive than household sector deposits between 2022 and end-2023, but – mainly due to the yield curve's development – they were cheaper than funds from banks, the foreign sector, and other financial institutions, with their cost being below 10 per cent on average. The cost of own funds, accounting for roughly one-tenth of the funding side, has also been high since 2022 due to the higher interest rate environment and the higher risk premium due to the unfavourable outlook, which have increased the overall cost of funding.[61] Derivatives had a negligible impact on the funding costs, at less than 0.1 percentage point.

Development of the cost of funds, equity, and the cost of HUF and FX funds between 2018 and 2024



Note: Calculated with stock interest rates. The cost of equity was estimated using asset-based weighting. The cost of funds without equity refers to interest-bearing funds. Source: MNB, ECB

[58] In recent years, the volume of securities issued by banks has increased due to the requirements of the MREL and MFAR regulations. The MREL requirement mandates that institutions should hold funding components which can be written off or converted into equity, in the event of a crisis. According to the MFAR regulation introduced on 1 April 2017, the outstanding coverage of household sector mortgage loan portfolio with a maturity of over one year must be financed in a specified proportion with long-term forint funds raised against the collateral of household sector mortgage loans (mortgage bonds).

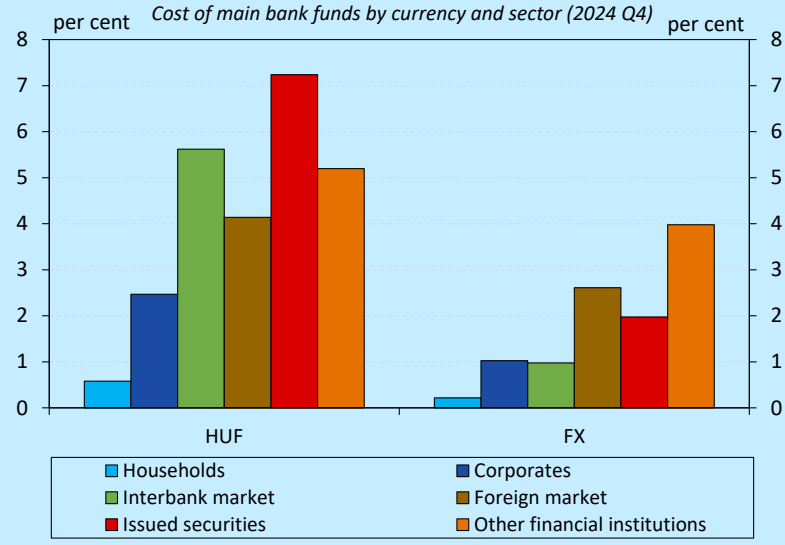
[59] This includes investment funds, money market funds, insurance companies, pension funds and other financial intermediaries.

[60] In order to verify the reliability of our estimate, we also performed the calculation based on the banks' profit and loss statement, approximating the cost of interest-bearing funds with the amount of interest expenses proportional to interest-bearing funds, and then weighting this by the estimated cost of equity. As a result, we estimated a funding cost of 4.2 per cent, similar to the estimate in the Box.

[61] The cost of equity for the period between 2019 and 2024 is based on data from the MNB Bank Sentiment Survey, while the estimate for 2018 is based on a long-term government bond yield adjustment.

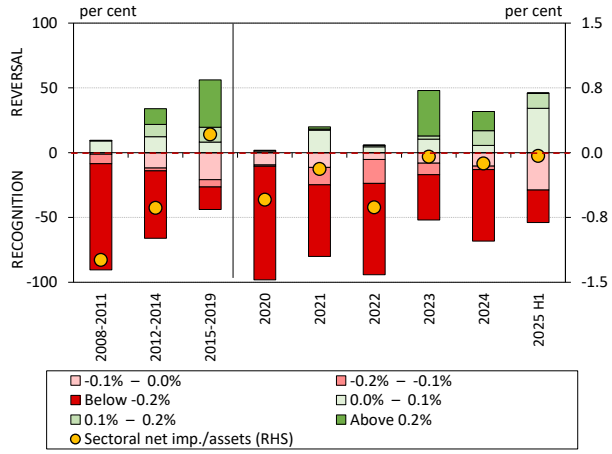
Banks are still able to raise new funds at a low cost compared to their current funding costs. In terms of bank loan pricing, in addition to the average funding cost calculated on the basis of existing portfolios, the cost of attracting new funds, i.e. the marginal funding cost, is also important. To estimate this, we took into account the current composition of banks' funding and the current cost of attracting each type of funding. According to our estimates, the marginal cost of funds in the banking sector was 3.3 per cent at the end of 2025 H1, resulting from an estimated cost of 3 per cent for forint funds, 1.3 per cent for foreign currency funds and 11.6 per cent for own funds. Household deposits, which account for one-fifth of funds, remain the cheapest source of funding, with an interest rate of around 0.2 per cent.[62] Corporate deposits, which account for 22 per cent of funds, are somewhat more expensive, but are still considered financing below the current market yield level (2.6 per cent).[63] The cost of forint funds raised from interbank, other financial institutions and from abroad is in line with the yield environment. The expected return on equity fell slightly in 2025 Q1, but remains relatively high at 11.6 per cent compared to the level before 2022.

Cost of main bank funds by currency and sector (2024 Q4)



Note: Volume-weighted average portfolio interest rate (cost) by sectors for the 4th quarter of 2024. In

Chart 58: Distribution of credit institutions by net impairment loss as a ratio of total assets



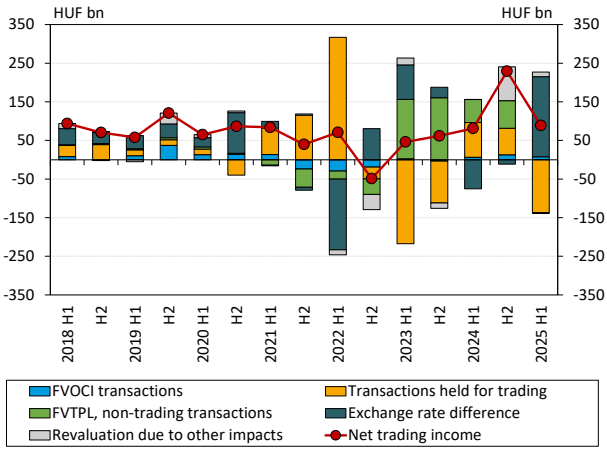
Note: Based on non-consolidated data. Distribution based on total assets. Green categories represent net reversal of impairment, while red categories represent net recognition of impairment. Source: MNB

Risk costs stagnated in a year-on-year comparison, but there were significant differences between institutions. In 2025 H1, net impairment amounting to HUF 31 billion was recognised, which represents no significant change compared to the same period of the previous year. The level of impairment loss remains low in a historical comparison, with impairment relative to total assets amounting to only -0.04 per cent in 2025 H1, slightly below the -0.12 per cent recorded at end-2024. At the same time, since 2023, a duality has been observed in the sector in terms of recognitions and reversals. As a ratio of total assets, nearly one-half of the institutions recorded net reversals, mainly due to the release of impairment losses resulting from the write-off of non-performing loans (portfolio cleaning) (Chart 58). At the same time, the other part of the sector saw significant impairment recognitions, which were explained by specific risk factors, including risks related

[62] The estimate was made using a weighted average calculation for the portfolios belonging to 2025 Q2. We took into account the relevant reference interest rates for certain funding components, while for certain components we used the average (weighted) interest rate of the newly raised funds for the current period.

[63] The significantly lower interest rate level on household deposits can also be explained by the fact that in this segment, demand deposits – most of which have interest rates close to zero – carry greater weight than term deposits (based on June 2025 data, the percentage distribution of demand deposits and term deposits is 85–15 per cent), while in the case of corporate deposits, the distribution is more balanced (61–39 per cent).

Chart 59: Result of the portfolio revaluation and its components



Note: FVTPL: transactions measured at fair value through profit or loss. FVOCI: Transactions measured at fair value through other comprehensive income. Non-consolidated data, based on a portfolio revaluation in accordance with IFRS. Source: MNB

to the war between Russia and Ukraine and additional impairment charges on exposures affected by higher US tariffs.

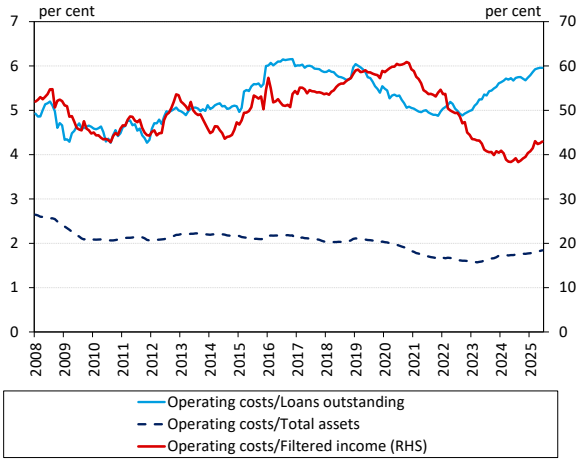
Revaluations also supported the banking system's results. Net financial trading income amounted to HUF 89 billion in 2025 H1, resulting in an increase of HUF 8 billion in earnings[64] compared to the same period of the previous year (Chart 59). There was a significant change in net revaluation effects, including hedging transactions, compared to 2024 H1, also influenced by the strengthening of the forint exchange rate.

The net effect of exchange rate differences increased the banks' profit by HUF 283 billion year on year, but this positive effect was offset by the revaluation of trading purpose transactions, which reduced profit by HUF 228 billion on an annual basis. In addition, non-trading purpose transactions through profit or loss, which mainly consist of subsidised household loans, had a net revaluation effect of almost zero, thus contributing HUF 60 billion less to the result on an annual basis, in line with the rise in the average level of long-term government bond yields.

As a result of the newly launched subsidised loan programmes, the portfolio of loans measured at fair value will increase significantly. The portfolio of non-trading purpose assets measured at fair value through profit or loss amounted to HUF 3,690 billion in July 2025. This portfolio consists mainly of state-subsidised household loans, which, due to the specific nature of the statutory definition of the loan interest rate, must be measured at fair value in accordance with international accounting rules. Within the loan portfolio valued at fair value, prenatal baby support loans amounted to HUF 2,200 billion, with HPS loans accounting for the largest share of the remaining portfolio. The accounting treatment of the Subsidised Loan for Workers starting in January 2025 and the Home Start programme starting in September 2025 is similar to that of previous government loan programmes; thus disbursements under these programmes will further increase the size of the portfolio concerned. Looking ahead, a growing portion of the revaluation of the bank loan portfolio will have an immediate effect on income, depending on the development of the yield environment. At the same

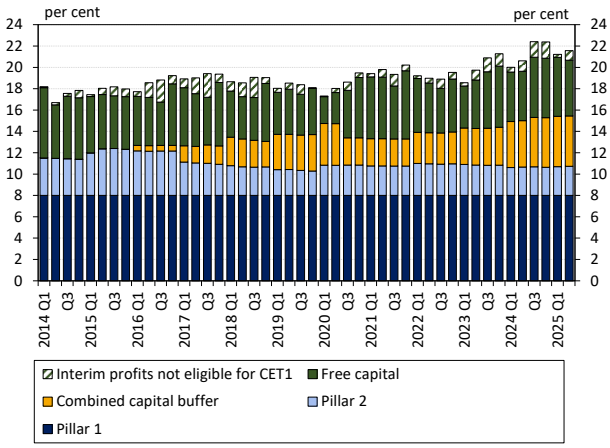
[64] We only took into account the revaluation effects for the after-tax profit, thus the impacts on capital (other comprehensive income) are excluded.

Chart 60: Operating costs as a ratio of loans outstanding, total assets and adjusted income of the banking system



Note: Monthly data. Adjusted income refers to income excluding transaction fees and bank levies. The loan-portfolio-based indicator includes only private sector loans. Operating costs calculated on a 12-month rolling basis. Source: MNB

Chart 61: 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

time, banks offset part of this effect with hedging transactions, which mitigates the net income effect.

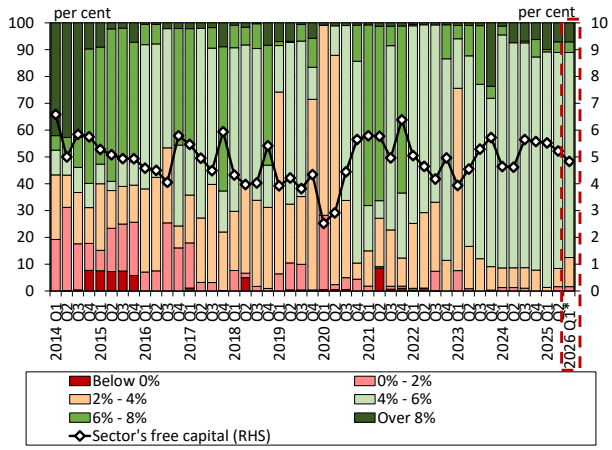
The ratio of operating costs to assets and income shows an increasing trend. The sector's nominal 12-month rolling operating costs rose by 10 per cent between July 2024 and July 2025, exceeding inflation. Both personnel and other expenses contributed to this increase. Cost-to-assets rose from 1.75 per cent to 1.85 per cent on an annual basis in July 2025; the last time the ratio was higher than this level was at the end of 2020 (Chart 60). The reason for this is that the continuous and substantial increase in operating costs since early 2023 has no longer been accompanied by balance-sheet growth in the banking sector. The increase in operating costs also exceeded the more moderate pace of growth seen in loans outstanding in recent years, with the ratio of operating costs to loans outstanding last reaching such a high level of 6 per cent at the beginning of 2019. In parallel with the decline in bank profits, the operating costs to adjusted profitability ratio also rose in 2025. Looking ahead, operating costs will also be increased by the obligation to install ATMs.[65] The installation is expected to cost the sector approximately HUF 7.5–8.5 billion in 2025–2026, while maintenance will result in annual costs of HUF 3.5–4.5 billion.

6.2. Strong capital position, growing resilience

High profitability supports the maintenance of the strong capital position. The banking sector's consolidated capital adequacy ratio (CAR) declined slightly by 0.2 percentage point to 20.7 in 2025 H1, which is slightly below the historical peak of 21 at the end of 2024 Q3 (Chart 61). Maintenance of the strong capital position is largely supported by the banks' outstanding profitability. The CAR would be 0.9 percentage point higher with the capitalisation of unaudited profits for 2025 H1, which cannot be taken into account in the capital, but the actual rate of profit reinvestment is influenced by dividend payment plans. The Common Equity Tier 1 ratio (CET1 rate) stood at 18.2 at end-June 2025, following a 0.5-percentage point decline in the first half of the year. Own funds increased by 2.0 per cent, and the total risk exposure amount (TREA) by 3.0 per cent in 2025 H1. The increase in TREA can be explained by the expansion of credit risk exposure and operational risk exposure –in part due to the amended Capital Requirements Regulation (CRR3), while the rise in own funds can be mainly explained by the expansion of retained earnings and Tier 2 capital.

The leverage ratio of the credit institution sector remained largely unchanged in 2025 H1, standing at 9.2 per cent at the end of June, thus significantly exceeding the minimum regulatory requirement of 3 per cent (Chart 47 of the Annex).

Chart 62: Distribution of banks by the level of free capital above the overall capital requirement



Note: Weighted by the total risk exposure amount. Free capital does not include the unaudited part of the interim profit. 2026 Q1* free capital calculated with the combined capital buffer requirement applicable from January 2026, and TREA at the end of June 2025. Source: MNB

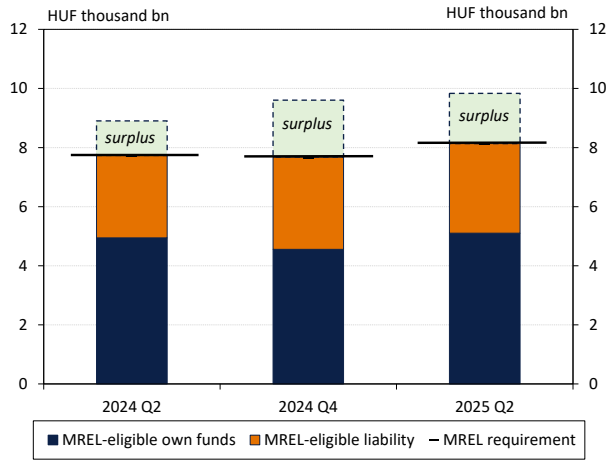
The build-up of capital buffers continues, further strengthening the banking sector's shock resilience. At the end of 2024, even with growing and activating capital buffers, the banking sector had a high free capital of HUF 2,407 billion, or 5.6 per cent of TREA (Chart 62). In 2025 H1, the entry into force of CRR3 had a relevant impact on the capital position of banks.[66] During the half-year, free capital fell slightly to HUF 2,321 billion, representing 5.2 per cent of TREA, which can still be considered ample. At the end of June, 92 per cent of the sector had a free capital buffer of over 4 per cent. From July 2025, the CCyB rose to 1 per cent in the so-called positive neutral framework, requiring additional capital of HUF 119 billion.[67] Considering the expected impact of the Home Start programme, which was launched in September 2025, on the housing and credit markets, and taking into account the high level of economic uncertainty, the MNB has also decided to introduce a 1 per cent sectoral systemic risk buffer (sSyRB) from 1 January 2026 for exposures backed by residential and/or commercial real estate, which will require HUF 53 billion in additional capital based on our estimation. Taking into account the capital needs of the increasing capital buffer requirements, the sector would have nearly HUF 2,150 billion (4.8 per cent of TREA) in free capital, based on estimates using data from the end of June 2025. This continues to indicate that significant lending capacity is available. Capital requirements, and in particular the structure of the releasable buffers, are particularly important from a financial stability perspective in the current uncertain economic environment and given the increased cyclical risks affecting the residential and commercial property markets.

[65] Act XVIII of 2025 on the Installation of Automated Teller Machines and MNB Decree No. 19/2025 (VI.26.) on the Criteria for the Installation of Automated Teller Machines and on the Detailed Rules Governing the Burden-Sharing and Cost Allocation of Payment Service Providers. For the time being, the regulation sets installation deadlines between 2025 and 2026 for settlements with a population of more than 500 inhabitants.

[66] For more details on the impact of the Capital Requirements Regulation on banks' capital adequacy, see Box 5 of the November 2024 Financial Stability Report.

[67] The MNB decided to apply a so-called positive neutral CCyB rate, in view of the still high geopolitical and macroeconomic uncertainty, the outstanding profitability of banks, the adequate capital position, the recommendations of international institutions and the varying practices of EEA countries. The current level of the countercyclical capital buffer rate for Hungarian exposures and its justification.

Chart 63: MREL compliance of the banking system



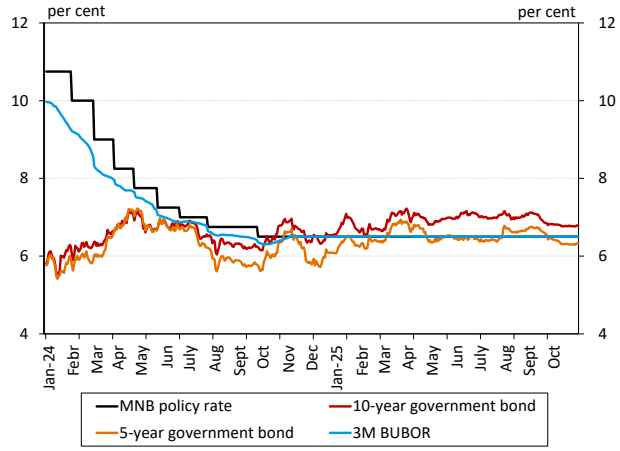
Note: MREL-eligible own funds are own funds in the resolution sense, less capital buffer requirements. Source: MNB

The banking system has sufficient free capital even while complying with MREL requirements. The Minimum Requirement for Own Funds and Eligible Liabilities (MREL) amounted to HUF 8,136 billion at the end of June 2025 (Chart 63). Banks can meet this requirement with own funds in the resolution sense reduced by capital buffer requirements and MREL-eligible liabilities. Banks met the requirement with MREL-eligible liabilities amounting to 37 per cent, or a total of HUF 3,032 billion. After fulfilling both capital and MREL requirements, the sector had slightly more than HUF 1,470 billion in uncommitted free capital, which corresponded to 3.3 per cent of TREA.

7. Liquid assets are abundant, but central bank deposits are decreasing

Short-term and long-term yields have not changed significantly since April 2025. The banking system's liquidity and funding position remains robust, despite the continuous maturity of the central bank's long-term collateralised loans. The liquidity coverage ratio (LCR) stood at 168 per cent at end-September, and the sector's liquidity surplus above the regulatory LCR requirement amounted to HUF 7,600 billion. The operational liquidity reserve of the banking system has slightly decreased, but exceeds HUF 21,000 billion, which is equivalent to 68 per cent of private sector deposits. From August 2025, the mandatory reserve ratio was reduced by 2 percentage points to 8 per cent, which – despite the lower reserve balances – increased the level of free reserves in the banking system. This supports banks' liquidity management amid the amortisation of long-term central bank loans and the simultaneous decline in central bank liquidity. The reduction in banks' central bank liquidity may continue even alongside the expansion of banks' government securities portfolios, as the government has extended the windfall tax and the associated preferential treatment linked to government bond purchases until 2026.

Chart 64: MNB policy interest rate, 3-month BUBOR and government bond yields



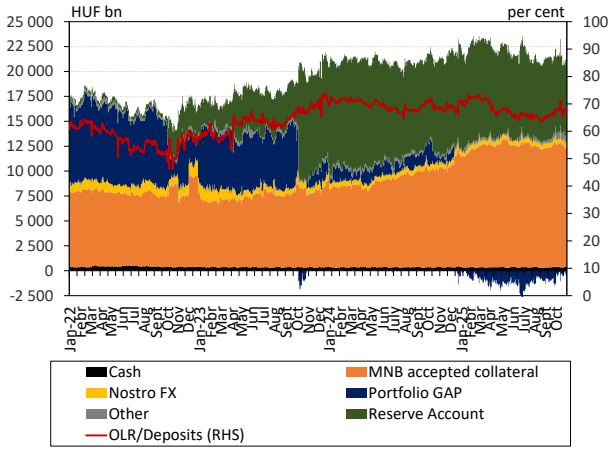
Note: Based on yields of forint government securities. Source: Bloomberg

7.1. Banking system liquidity remains ample, despite declining central bank liquidity

Domestic short-term yields remained unchanged, while long-term government bond yields developed differently. The MNB has kept the base rate unchanged since October 2024, resulting in the 3-month BUBOR stagnating at 6.5 per cent between 2024 and 2025 October. Long-term government bond yields have risen in several waves since the end of April 2025, due to the deterioration in global risk appetite, driven by developments related to US protectionist trade policies, the Russia–Ukraine war, the Iran–Israel conflict and changes in the monetary policy stance of major central banks. Among domestic factors, the Q1 GDP data published in May are worth highlighting, as analysts significantly revised down their previous growth forecasts in light of the figures. Although, yields on 5-year and 10-year government bonds decreased, yields increased by around 10–20 basis points for every other tenor. The yield on 5-year Hungarian government securities exceeded 6.3 per cent, while the 10-year yield was close to 6.8 per cent at the end of October 2025 (Chart 64).

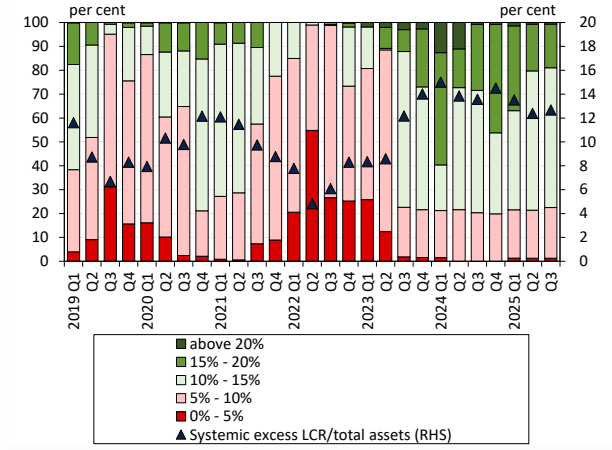
Banking system liquidity declined slightly, but remains ample. The average level of the operational liquidity reserve (OLR) stood at HUF 21,00 billion in October 2025, equivalent to 68 per cent of the private sector's deposit stock (Chart 65). The level of the operational liquidity reserve remains ample, and its moderate decline mainly reflects a reduction in liquidity held on banks' reserve accounts with the central bank. The daily average balance of deposits placed on reserve accounts

Chart 65: Decomposition of banks' operative liquidity reserves



Note: The portfolio gap represents the contractual net inflows from treasury operations within 30 days from the reporting date, with the following components: interbank loans and deposits, MNB deposit, repo transactions, securities (excluding own issues), deposits over HUF 5 billion and derivative transactions. Classified into other categories: ECB-eligible collateral and cash flows from own securities. The reserve requirement is considered by the central bank as a liquid asset. Source: MNB

Chart 66: Distribution of credit institutions' excess liquidity according to the LCR weighted by total assets



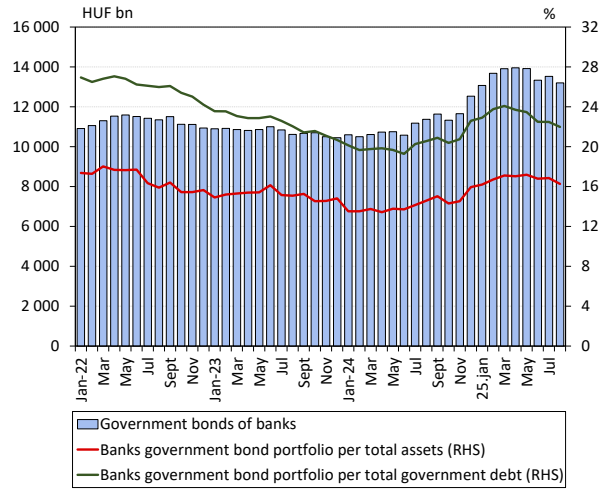
Note: Based on the liquidity surplus of the major credit institutions under the individual LCR. Source: MNB

amounted to HUF 7,600 billion in October, around HUF 1,300 billion lower than in April. This decline was primarily attributable to the repayment of roughly HUF 1,900 billion of long-term central bank loans by the end of October 2025, representing nearly 80 per cent of the total outstanding stock. Meanwhile, the stock of MNB-eligible collateral – which mainly consists of free, unencumbered government securities – remained broadly stable, fluctuating only slightly. Changes in the market-value-based stock of MNB-eligible collateral included in the liquidity reserve are influenced not only by quantitative changes in banks' total government securities holdings, but also by the release of encumbered collateral following the maturity of long-term loans. These effects partially offset the impact of the decline in reserve account balances on the overall liquidity position. According to the Monetary Council's decision, the required reserve ratio was reduced by 2 percentage points (to 8 per cent) from August 2025, in line with the gradual decline in the reserve account surplus observed in the first half of the year. As a result of this change, the banking system's required reserve level decreased by around HUF 800 billion, supporting banks' liquidity management amid the ongoing decline in central bank liquidity.

The liquidity surplus according to the liquidity coverage ratio (LCR) decreased most notably among banks with higher liquidity buffers. The banking system's LCR-based liquidity surplus, as a proportion of total assets, fell from 14.3 per cent to 12.7 per cent between end-2024 and September 2025 (Chart 66). This represents a decline of HUF 800 billion in the liquidity surplus of the banks under review, bringing the LCR-based liquidity surplus to HUF 7,600 billion at end-September 2025.[68] The distribution of liquidity across banks is heterogeneous; however, the decline was primarily observed among institutions with a high liquidity surplus exceeding 15 per cent of total assets. The decrease in the liquidity surplus is mainly attributable to collateral released upon the repayment of long-term central bank loans that are not eligible as LCR liquid assets, as well as to retail government securities held on banks' balance sheets, which are not recognised as liquid assets under the LCR framework. The aggregated individual LCR stood

[68] The value of the LCR ratio strongly depends on the maturity of the instrument used to tie down liquidity in the monetary policy toolbox, as overnight deposits are included in the numerator and deposits maturing over one day (but with a remaining maturity of less than one month) are included as inflows in the denominator. The liquidity surplus according to the LCR reflects the real liquidity position of banks more accurately than the ratio, which, despite the decrease, is at one of the highest levels in recent years.

Chart 67: Banks' government bonds and the proportion to total assets



Source: MNB

at 168 per cent, while the consolidated LCR – which is more comparable at the international level – amounted to 192 per cent at end-September 2025.

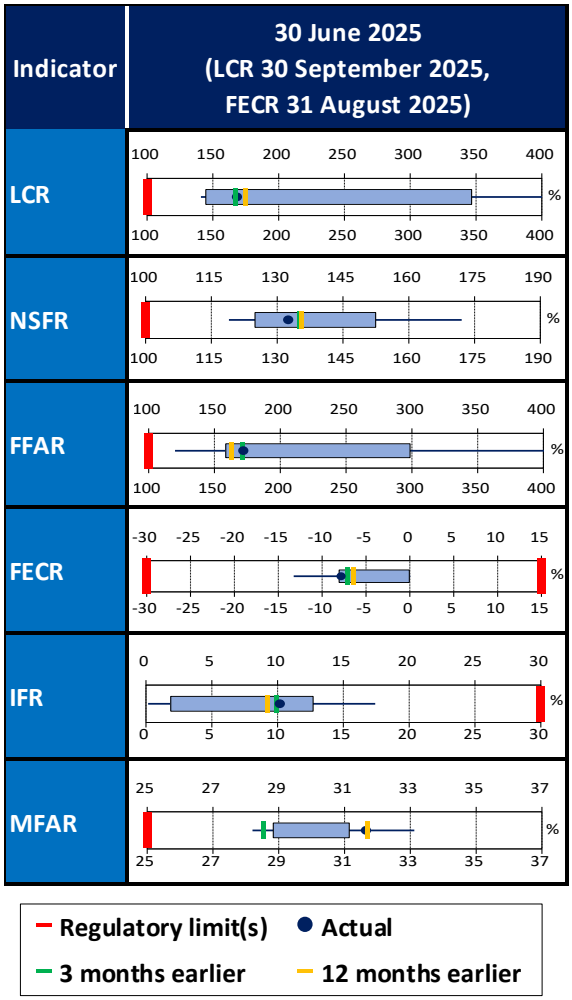
The increase in the banking system's government securities holdings has been driven by utilisation of the windfall tax allowance. Credit institutions have significantly expanded their government securities portfolios since 2024 H2, largely in connection with the windfall tax decree introduced in May 2023 and subsequently amended several times. Pursuant to this regulation, banks may reduce their tax liability by 10 per cent of the increase in their government securities holdings, up to a maximum of 50 per cent of the total tax payable. As a result of the decree, banks' government securities portfolios expanded by around HUF 1,000 billion between June and September 2024, reaching HUF 11,500 billion by end-November 2024 (Chart 67). The allowance linked to government securities holdings was extended in September to cover fiscal 2025, which led to a further sharp rise in holdings. Banks' government securities portfolios peaked in April 2025 at nearly HUF 14,000 billion. [69] Thereafter, the stock began to decline due to maturing securities and repayments of long-term central bank loans; however, most credit institutions remain able to fully benefit from the maximum windfall tax allowance with their current holdings. With the extension of the windfall tax allowance to 2026, banks' demand for government securities may once again rise significantly approaching the closing of the reference period at the end of November 2025.

7.2. Stable funding structure and increasing foreign currency deposits

The banking system meets the applicable regulatory requirements with substantial buffers. The other EU-level Basel indicator requiring long-term stable funding, i.e. the Net Stable Funding Ratio (NSFR), has been consistently above 130 per cent on average at the sector level for years, well exceeding the 100 per cent regulatory minimum when calculated on an individual compliance basis. This reflects a funding structure characterised by a persistently high share of capital-type liabilities and deposits placed by household and corporate clients (Chart 68). The requirements aimed at addressing the country-specific risks of the domestic banking sector – including those designed to reduce

[69] In an international comparison, the government securities holdings of Hungarian banks are high, but are not outstanding by regional standards (see Chart 7 for details).

Chart 68: Compliance of the banking sector with liquidity and financing requirements



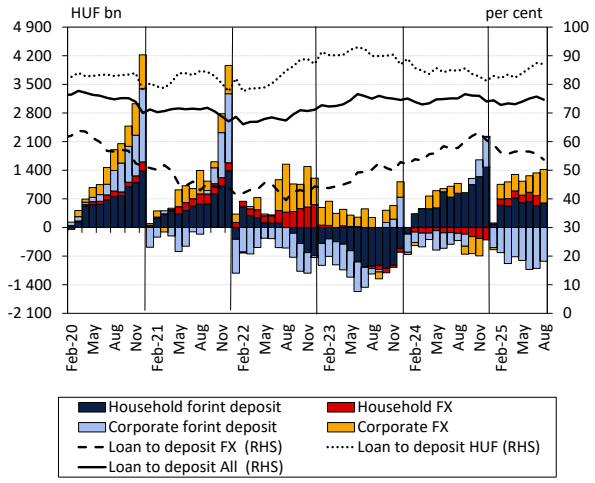
Note: FFAR – Foreign Exchange Funding Adequacy Ratio, FECR – Foreign Exchange Coverage Ratio, IFR – Interbank Funding Ratio, MFAR – Mortgage Funding Adequacy Ratio, LCR – Liquidity Coverage Ratio, NSFR – Net Stable Funding Ratio. The edges of the blue rectangle represent the lower and upper quartiles of the distribution, while the ends of the dark blue line indicate the 1st and 9th deciles of the distribution. For the LCR, mortgage banks and home savings banks are excluded, while for the NSFR, they are included; in both cases, the figures are based on individual banks' compliance data. Source: MNB

external vulnerability (Foreign Exchange Funding Adequacy Ratio – DMM, Foreign Exchange Balance Indicator – DEM, and Interbank Funding Ratio – BFM) – are also met by the obliged institutions on a stable basis and with a favourable structure. Therefore, regulatory compliance does not constrain banks' lending capacity.

Due to the expected expansion of the Home Start programme, the volume of covered bonds may increase significantly. Banks continue to meet the requirements of the Mortgage Funding Adequacy Ratio (JMM), which promotes covered bond funding and maturity matching, with adequate buffers. With the expansion of the Home Start programme, a substantial increase in the mortgage loan portfolio is expected. Consequently, even with unchanged JMM requirements, the market will experience a considerable need for covered bond issuance (HUF 500-700 billion in new mortgage bonds) and refinancing. In addition, the MNB has decided to fine-tune the JMM regulation, as detailed in the 2025 Macroprudential Report, in order to strengthen the stability of funding and deepen the covered bond market. These measures may contribute to broadening the investor base and channelling liquidity from institutional and foreign investors into the domestic banking system.

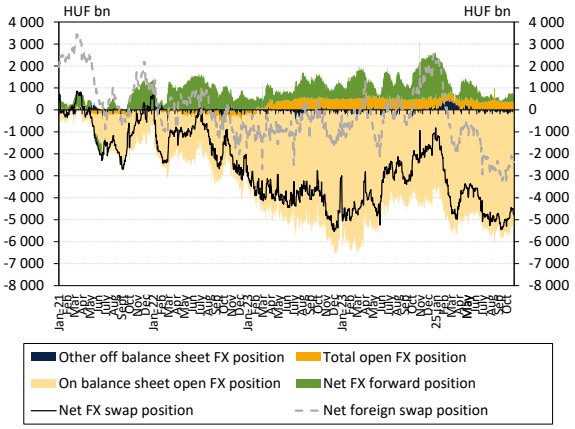
Deposits, which constitute the central element of bank funding, significantly exceed the value of loans. The loan-to-deposit ratio, a key indicator of funding risk, has been fluctuating around the prudentially safe level of 75 per cent for years. However, developments have diverged across currencies. The forint loan-to-deposit ratio increased somewhat in 2025 H1, but remained below 90 percent, while the foreign currency loan-to-deposit ratio dropped to 54 percent (Chart 69). The rise in the forint loan-to-deposit ratio primarily reflects dynamic household lending, combined with a simultaneous decrease in corporate forint deposits. On a transaction basis, the stock of corporate forint deposits fell by around HUF 800 billion in the first half of the year. By contrast, foreign currency deposits increased by HUF 800 billion, which contributed to the decline in the overall ratio. This development is consistent with the trend observed in recent years, showing a gradual rise in the share of corporate foreign currency deposits, in line with typical seasonality. In the household sector, the savings rate remains high, and accordingly both forint and foreign currency deposits increased in 2025. The almost stagnant stock of retail government securities in nominal terms, through their interest payments, likely

Chart 69: Year-on-year cumulative transaction growth of household deposits by currency



Note: Loan-to-deposit ratios are based on data for the credit institution sector. Calculated from loans and deposits granted to or placed by domestic households, corporations, insurers, and financial and investment enterprises. Source: MNB

Chart 70: Changes in the banking sector's FX swap position and in other components of the total FX position



Note: Banking system data without Eximbank, MFB Zrt. and KELER Zrt. Net FX Swap position = (Balance sheet open FX position – Total open FX position) + Net forward FX position + Other off-balance sheet FX position. Source: MNB

contributed mainly to growth in forint deposits, while the share of foreign currency deposits remained broadly unchanged. Unlike in the corporate sector, the ratio of household foreign currency deposits has not shown any long-term trend, with short-term changes driven mainly by households' exchange rate expectations and confidence levels. In Box 8, we discuss in detail the contract-level distributions and movements behind the deposit stock, which is stable on an aggregated level.

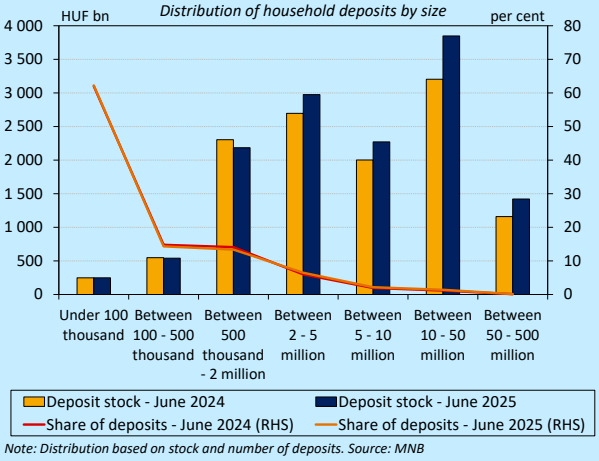
The net swap position of banks was driven by the swap market activity of foreign clients. Changes in the banking system's net swap market exposure were mainly driven by an increase in foreign exchange sales to non-residents in 2025 H1, which rose to nearly HUF 2,800 billion in net terms by August 2025 and then fell somewhat afterwards to HUF 2,400 billion forint by end-October 2025 (Chart 70). Foreign participants typically take synthetic long forint positions through a combination of spot and swap transactions, while the on-balance-sheet funding structure of the banking system remains unchanged.[70] At the same time, the growth in foreign currency assets lagged behind the increase in foreign currency deposits; therefore, since early 2025, the banking system's on-balance-sheet open foreign currency position has also slightly increased, continuing to show a foreign currency funding surplus that has persisted since 2020. This on-balance-sheet position is hedged off-balance sheet through FX swap transactions, involving foreign currency sales (forint acquisition). The on-balance-sheet open position is limited by domestic macroprudential regulations (DEM, DMM, BFM), which prevent the excessive build-up of rollover and counterparty risks.

[70] The foreign participant buys forints on the spot market, then exchanges it back for the starting currency on the initial leg of the swap transaction concluded with the banks. On the functioning of the currency swap market, see: Páles, J. – Kuti, Zs. – Csávás, Cs. (2010): The role of currency swaps in the domestic banking system and the examination of the functioning of the swap market during the crisis, MNB studies 90

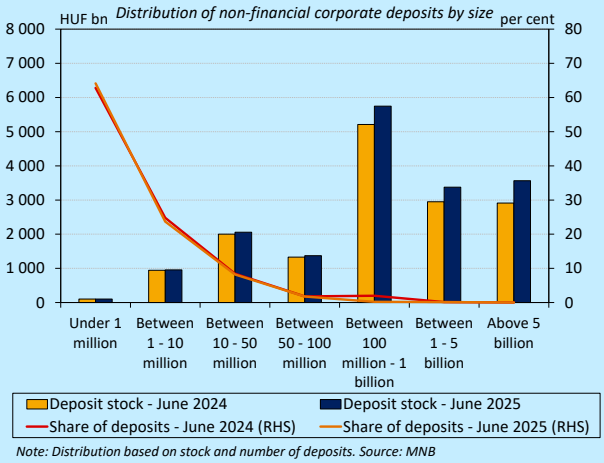
BOX 8: ANALYSIS OF BANK DEPOSIT STABILITY BASED ON MICRO-LEVEL DATA

Deposits from the private sector account for a significant portion of banks' funding structure; therefore, their stability, and inflows and outflows of deposits are particularly significant from a liquidity perspective.[71] Unexpected deposit movements pose a liquidity risk to banks, and thus identifying less stable, volatile deposits is key to assessing these risks.[72] In this Box, we examine the stability and volatility of deposits held by non-financial corporations and households by size categories over time, using descriptive statistical tools.

Bank deposits are highly concentrated in terms of size, with the majority of the portfolio stock held by a narrower circle of customers. Deposits are concentrated, both for households and non-financial corporations. While 60 per cent of deposits in the household segment are below HUF 100,000 and those of corporates do not exceed HUF 1 million, the majority of the portfolio is concentrated among a small number of depositors in the larger size categories. Deposits exceeding HUF 100 million account for nearly three-quarters of corporate deposits, while deposits between HUF 1 and 5 billion and those exceeding HUF 5 billion account for 20 and 21 per cent, respectively (the latter representing just over 200 customer deposits). The distribution of household deposits is more even, but overall, larger deposits still account for a significant share of the total holdings in this sector. In June 2025, the deposits of nearly 560,000 customers with amounts exceeding HUF 5 million accounted for 57 per cent of household deposits.



Note: Distribution based on stock and number of deposits. Source: MNB



Note: Distribution based on stock and number of deposits. Source: MNB

For households, deposit balances are relatively volatile compared to their own averages, particularly for smaller deposits, while for corporates, this holds true even in the case of the largest deposits. The change over time in the amount of deposits and the volatility of their balances are important characteristics in terms of the stability of deposit resources. In our analysis, we measured this aspect by the relative standard deviation of the amounts placed in deposits between June 2024 and June 2025, examining deposits of different sizes in separate categories.[73] The results show that, in the household sector, the volatility of the amount deposited decreases as the deposit size increases. The two small deposit categories with the largest number of deposits were characterised by a higher-than-average (55 per cent) standard deviation (which can also be explained by the high daily cash flow requirements of these customers): both the groups below HUF 100,000 and between HUF 100,000 and HUF 500,000 were characterised by a value of 65 per cent (here, the average customer deposit was HUF 30,000 and HUF 250,000, respectively). As the size of deposits increased, the standard deviation of deposits decreased, which can be explained by the longer-term nature of larger deposits. The lowest

[71] At the end of June 2025, private sector deposits, including households and companies, were the most significant source of funding for credit institutions, accounting for nearly 40 per cent of the banking system's total assets.

[72] This risk is highlighted by the fact that in March 2023, the bankruptcy of two medium-sized banks in the United States (Silicon Valley Bank and Signature Bank) was caused by an unexpected deposit outflow, which was also contributed to by the specific structure of these deposit portfolios (a higher proportion of unsecured, large deposits).

[73] Average and relative standard deviation calculated based on micro-level data, quarterly values (5 observations over time between the second quarters of 2024 and 2025).

value, 30 per cent, was observed among large depositors with deposits above HUF 500 million, where the average deposit was nearly HUF 1.3 billion. In the case of corporates, however, the relationship between deposit size and its variability (relative standard deviation) is less unidirectional: medium-sized deposits (ranging from HUF 100 million to HUF 5 billion) were characterised by a lower relative standard deviation of less than 40 per cent, while the smaller category (less than HUF 50 million) and largest category (over HUF 5 billion) had a higher value of over 44 per cent. In the latter case, where the average deposit was HUF 13.4 billion, the standard deviation was 44.3 per cent. It can therefore be established that, in addition to greater concentration risk, large deposits in the corporate segment are characterised by less stability over time than in the household sector.

Significant movements can be observed in large corporate deposits, but outflows were offset by inflows over the past year. From a stability perspective, in addition to the average size and volatility of deposits, it is also important to consider the extent of movement among different size categories regarding deposits. It poses a liquidity risk for banks if large deposits unexpectedly flow out or migrate to smaller size categories. Therefore, in our analysis, we examined the volume of deposits that changed size categories between June 2024 and June 2025. In the household sector, we did not observe any significant outflow from large deposits to small deposits in terms of liquidity, nor were there any notable movements among the major categories. At the same time, we identified significant deposit movements in the corporate sector, especially in the case of large deposits. In the case of large corporate depositors, for example, the portfolio stock of those who had deposits of more than HUF 5 billion in June 2024 but whose deposits did not exceed HUF 5 billion in June 2025 decreased by HUF 938 billion. A similar decrease, amounting to HUF 713 billion, was observed in the case of those holding deposits between HUF 1 and 5 billion in 2024. The total gross outflow – towards smaller size categories – accounted for nearly 20 per cent of corporate deposits, which is significantly lower than the average outflow parameter of the LCR indicator capturing liquidity risks. Moreover, inflows were able to compensate for the outflows to the smaller size category in almost all groups. Thus, although there was significant movement between size categories, in net terms, there was no significant change in the size of the stock of deposit categories over the course of a year. At the same time, the volatility observed in the corporate sector highlights that during a less stable period and in a risk-laden banking system environment, if inflows fail to materialise, large depositors may permanently withdraw their funds from the financial system, potentially resulting in significant liquidity risks.

Mean and relative deviation of deposits between June 2024 and 2025

Stability of household deposits	**Mean (HUF million)**	**Relative deviation (%)**
Under 100 thousand	0.03	64.9
Between 100 - 500 thousand	0.25	64.9
Between 500 tho. - 2 million	1.1	45.0
Between 2 - 5 million	3.1	34.6
Between 5 - 10 million	6.9	35.8
Between 10 - 50 million	18.1	36.3
Between 50 - 500 million	97.6	32.6
Above 500 million	1 287.4	30.2
Total exposure	**1.7**	**54.7**
Stability of non-financial corporate deposits	**Mean (HUF million)**	**Relative deviation (%)**
Under 1 million	0.31	67.0
Between 1 - 10 million	3.76	48.5
Between 10 - 50 million	22.1	44.6
Between 50 - 100 million	70.1	41.9
Between 100 mill. - 1 billion	274.2	38.7
Between 1 - 5 billion	1 939.5	37.3
Above 5 billion	13 383.1	44.3
Total exposure	**31.9**	**54.2**

Note: Mean and deviation by deposit categories, taking into account 5 quarterly observations (between 2024 Q2 - 2025 Q2). Source: MNB

Change in deposit stock between June 2025 and 2024 according to transitions between size categories

Change in deposit stock (HUF billion)		Classification in **June 2025**						
		Under 1 million	Between 1 - 10 million	Between 10 - 50 million	Between 50 - 100 million	Between 100 million - 1 bill.	Between 1 - 5 billion	Above 5 billion
Classification in **June 2024**	Under 1 million	-1	74	61	26	75	35	21
	Between 1 - 10 million	-83	15	200	57	129	45	109
	Between 10 - 50 million	-79	-212	22	152	243	62	68
	Between 50 - 100 million	-31	-67	-153	7	215	31	63
	Between 100 million - 1 bill.	-85	-154	-289	-232	2	425	143
	Between 1 - 5 billion	-27	-56	-100	-57	-474	8	456
	Above 5 billion	-72	-46	-82	-38	-243	-456	-17

Note: The results of the analysis show the extent of the change in deposit volume between June 2025 and June 2024, in billion HUF, during a given size category change (or no change in category). Source: MNB

The above findings highlight that it may be justified to use regulatory tools to offset the additional risk arising from deposit concentration. The MNB already requires credit institutions to calculate an additional 100 per cent

outflow for large depositors' holdings that exceed the limit in the liquidity coverage ratio (LCR). Although this regulation mitigates the risk of banks experiencing significant liquidity stress due to large deposit outflows during unfavourable periods, the concentration of deposits and the restrictions imposed on development of this concentration also require increased attention from banks.

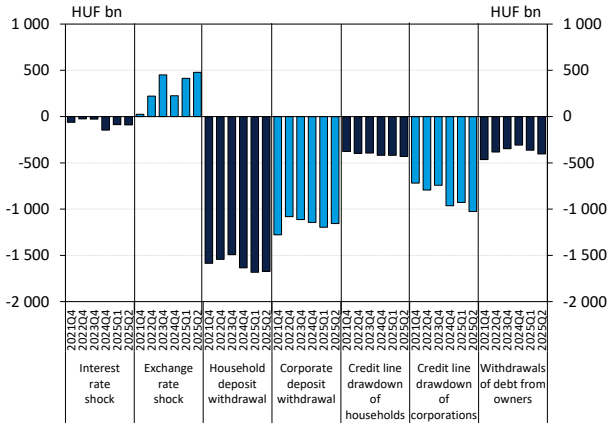
Table 3: Main parameters of the Liquidity Stress Test

Assets		
Event	**Degree**	**Currencies affected**
Exchange rate shock on derivatives	15 per cent	FX
Interest rate shock on interest rate sensitive items	300 basis points	HUF
Calls in household lines of credit	20 per cent	HUF/FX
Calls in corporate lines of credit	30 per cent	HUF/FX

Liabilities		
Event	**Degree**	**Currencies affected**
Withdrawals of household deposits	10 per cent	HUF/FX
Withdrawals of corporate deposits	15 per cent	HUF/FX
Withdrawals of debt from owners	30 per cent	HUF/FX

Source: MNB

Chart 71: Aggregate effects of the stress components on an overall system level



Note: The columns show the change in the liquid assets of the LCR caused by a specific shock at the overall banking sector level, adjusted for changes in net outflows. The values do not include the effects of banks' adjustment activities or the impact of contagion on liquid assets. Source: MNB

7.3. Sector-level liquidity surplus provides adequate coverage, even in the event of severe stress

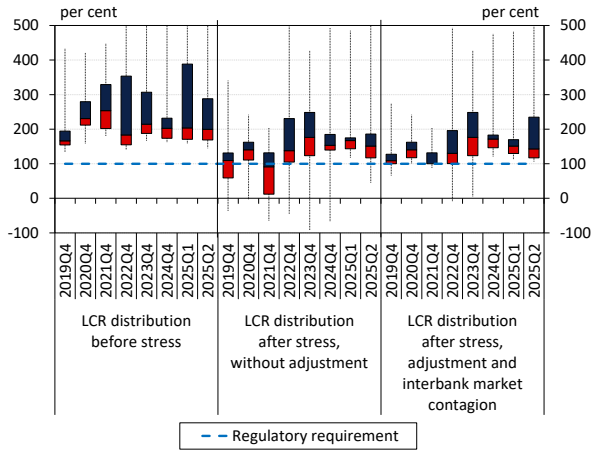
Banks have become more sensitive to credit line drawdowns and deposit withdrawal shocks. In the Liquidity Stress Test,[74] we examined the simultaneous occurrence of an exchange rate shock, an interest rate shock, a deposit withdrawal, a credit line drawdown and the withdrawal of owners' funds, along with possible interbank contagion effects (Table 3). Examining the impact of the parameters used in the stress scenario on a quarterly basis, it appears that corporate and household deposit withdrawals result in an outflow of more than HUF 3,600 billion at the sector level, while credit line drawdowns represent an additional significant liquidity shock of approximately HUF 1,600 billion in the first and second quarters.[75] Among the components of the shocks, available corporate credit line drawdowns increased the most. Sensitivity to withdrawals of owners' funds also increased in 2025, while the liquidity impact of interest rate shocks remained moderate compared to other factors. As in previous years, the depreciation of exchange rates affecting banks' foreign currency derivatives would improve the sector's liquidity (Chart 71). Overall, the combined impact of the shocks on the LCR in both quarters exceeds HUF 4,200 billion.

Based on the Liquidity Stress Test, the sector would still meet regulatory requirements, even in the event of a significant shock. We recognised the liquidity effect of the hypothetical stress components in the LCR's numerator, specifically within the central bank reserve account. If all hypothetical shocks were to occur simultaneously, the vast majority of banks would still meet the 100 per cent LCR requirement without needing

[74] The detailed description of the methodology can be found in Box 9 of the MNB's May 2016 Financial Stability Report. In our calculations, we continue to take into account the measures relevant to our Liquidity Stress Test still in force among the spring 2020 changes made to the Monetary Policy Toolkit, including the convertibility of the free part of large company loans and bonds (after being reduced with an appropriate haircut) into liquid assets through their use as collateral.

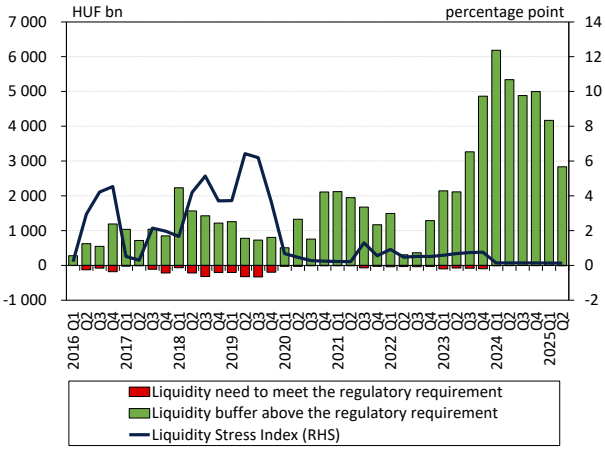
[75] Deposit withdrawals and credit line drawdowns would reduce not only the volume of liquid assets (numerator), but also the expected outflows calculated in the LCR (denominator). Therefore, the overall impact of these shocks appearing in the LCR is less than the amounts previously mentioned.

Chart 72: Distribution of banks according to the LCR indicator, before and after stress



Note: Number-based distribution. Vertical lines show the 10th percentile at the bottom and the 90th percentile at the top. The boxes show the 25th percentile at the bottom and the 75th percentile at the top; the range below the median is shown in red and above the median in blue. Source: MNB

Chart 73: Liquidity Stress Index



Note: The index indicates the total liquidity shortfalls in percentage points (up to a maximum of 100 percentage points), weighted by total assets, in relation to the 100 per cent regulatory limit for the LCR in the stress scenario. A higher indicator signifies a greater liquidity risk. Until the first quarter of 2018, it was based on the data from the top nine banks; afterwards, it was based on the data from the entire credit institution sector. Source: MNB

to adjust.[76] Taking into account the banks' options for adjustment, only one small-sized institution would face difficulties meeting the LCR requirement in the event of severe liquidity stress (Chart 72). Nonetheless, the shocks would force more than three-quarters of the sector – in terms of total assets – to make significant adjustments. Thanks to the significant level of liquid assets, banks would be able to raise a sufficient amount of central bank money through various adjustment channels. We estimate that this adjustment could reach around HUF 2,500 billion in the stress scenario. Banks can convert high-quality liquid assets into central bank money in three main ways: by maturing short-term assets, using them as collateral, or selling them. The adjustment may also have side effects on the market, such as a significant increase in yields in the event of large-scale sales of government securities. In addition to selling securities, banks can also use them as collateral to take out loans, thereby reducing such risks. Taking into account the banks' ability to adjust, only one small institution would be unable to meet the reserve requirement. Overall, we can state that when the stress components occur together, compliance with the 10-per cent reserve requirement applicable in mid-2025 would require more adjustment,[77] as compared to compliance with the LCR requirement.

The ratio of the sectoral-level liquidity surplus to the liquidity deficit continues to indicate a low level of risk. At the end of June 2025, the banks' initial liquidity surplus above the LCR requirement was nearly HUF 8,000 billion. In the stress scenario (after shocks and adjustment), banks with a liquidity surplus would have a buffer of nearly HUF 3,000 billion, while the liquidity needs of banks facing liquidity shortages amount to only HUF 10 billion at the end of 2025 Q2. Thus, the Liquidity Stress Index[78] remains close to its theoretical minimum and shows a low level of risk (Chart 73).

[76] The requirement applies to the Pillar I LCR indicator. The Pillar II requirement, which depends on the deposit concentration level, and the multi-stage supervisory requirement for the Pillar I indicator also contributed to the resilience of the banking system observed even in stress situations.

[77] In our Liquidity Stress Test, we used the reserve requirement in force on 30 June 2025. The MNB reduced the reserve requirement ratio from 10 per cent to 8 per cent on 1 August 2025, thereby increasing the banking system's free central bank liquidity buffer.

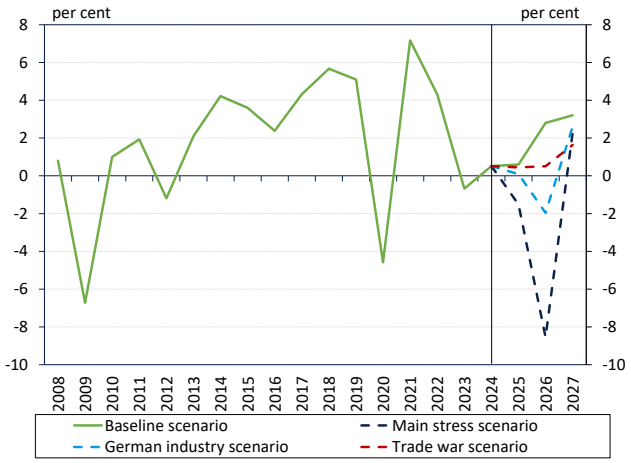
[78] The Liquidity Stress Index, designed to capture the heterogeneity of institutions, aggregates the liquidity deficit calculated for each bank in a stressed situation against the regulatory limit, weighted by the size of the banks, in percentage points. It provides an indication on the extent of a possible stress situation within the overall banking system.

8. Stress test: high profits enable banks to stabilise capital even during a severe shock

In our main stress test, we examine the banking system's shock resilience in an unfavourable economic scenario, assuming the following macroeconomic factors: rising geopolitical tensions, a weak global economic cycle, risk aversion affecting the emerging markets and persistently high inflation expectations. In addition, in this round, we also examined two further stress scenarios with a higher probability of occurrence than the main stress scenario, focusing on the weakness of the German industry and the escalation of the trade war.

We forecast stagnating after-tax income overall in the baseline scenario, with the main stress scenario causing a significant deterioration in the short term and the alternative stress scenarios causing deterioration to a lesser extent. In the stress scenarios, the most significant shock arises from the increase in credit risk: in the main stress scenario, the ratio of non-performing loans rises to nearly 10 per cent due to subdued real economic activity and rising interest payments. As a result, the stress test indicates additional loan loss provisioning needs of approximately HUF 1,000 billion compared to the baseline scenario over the two-year horizon of the stress test. The sector-level capital adequacy ratio of the institutions involved in the stress test – including interim, unaudited profit – was 22.4 per cent in June 2025, which decreases to approximately 20 per cent in the main stress scenario, by the end of the first year covered by the stress test. In the alternative stress scenarios, capital adequacy deteriorates less in the first year but is lower at the end of the time horizon than in the main stress scenario. The banks' ability to accumulate capital deteriorates significantly in each scenario, compared to the baseline scenario; however, if the banks' dividend distributions are adjusted accordingly, only manageable capital shortfalls emerge.

Chart 74: Annual growth rate of real GDP in each scenario

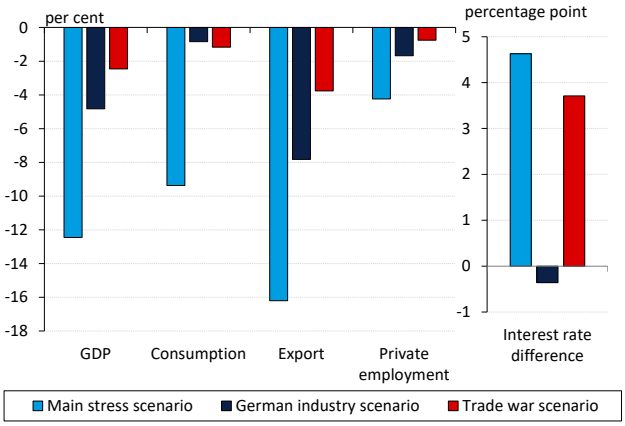


Note: The baseline trajectory of the stress test is based on the MNB's September 2025 Inflation Report. Source: MNB

8.1. Stress scenarios cover a wide range of global risks

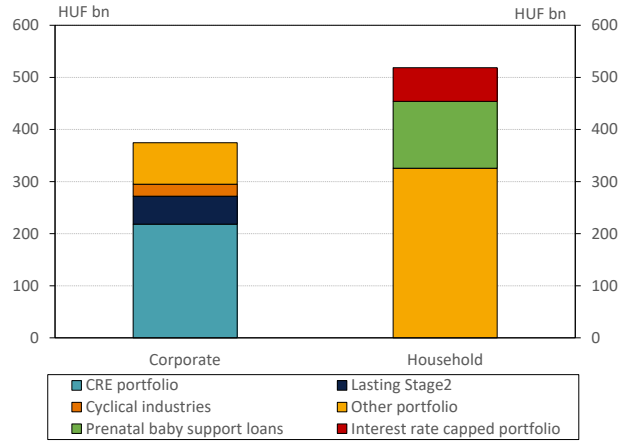
The main stress scenario is primarily determined by the weak global economy and uncertain economic prospects due to geopolitical tensions. One key element in our main stress scenario is a series of escalating geopolitical tensions that strongly influence international macroeconomic fundamentals, causing rising uncertainty in the financial and commodity markets and thus increasing their volatility compared to the baseline scenario. Investor risk aversion rises towards emerging and vulnerable countries, resulting in a weakening of the forint exchange rate. Prolonged wartime conditions cause serious global supply problems. Accordingly, in the stress scenario, rising raw material and energy prices lead to a persistently higher inflationary environment, which is reflected in domestic consumer prices. Due to global economic problems, the performance of foreign markets that are key for the Hungarian economy may also be more moderate, resulting in a significant decline in domestic exports. As a result, the recovery of the industrial sector is protracted, which is also reflected in significantly lower investment activity in the corporate sector. In response to shrinking markets, companies reduce their production levels, which leads to a significant rise in unemployment, with sharp slowdown in wage growth. As a result of higher inflation and the less

Chart 75: Average deviation of key macroeconomic variables from the baseline scenario over the stress test horizon



Note: The interest rate differential is the difference between domestic and foreign interest rates. Source: MNB

Chart 76: Loan loss provisioning on vulnerable sub-portfolios in the main stress scenario



Note: Two-year cumulative amounts. Source: MNB

favourable income situation, households react with a significant reduction in consumption. Overall, at the end of the second year of the stress scenario, GDP shows an approximately 14 per cent decrease (Chart 74), while the total number of people employed is more than 160,000 lower, and exports are nearly 20 per cent lower than in the baseline scenario. Furthermore, in the main stress scenario, we expect a significant weakening of the forint exchange rate and a higher interest rate environment, in line with the financial and real economy shocks.

In this round, we again prepared two alternative stress scenarios to examine the shock resilience of the banking system as comprehensively as possible. One of our alternative scenarios shows the negative impact of Germany's industrial performance on Hungary,[79] while the other stress scenario covers the effects of an escalating trade war.[80] Both scenarios result in a milder real economic impact compared to our main stress test. At the same time, it is important to note that in the weak German industry scenario, due to the purely demand-side nature of the shock, we project a lower interest rate environment compared to the baseline scenario. However, in the trade war scenario, due to the increase in risk premiums resulting from the shock, interest rate conditions – similarly to the main stress scenario – may be tighter than in our baseline scenario (Chart 75).

8.2. The banking sector's shock resilience would remain strong in the main stress scenario

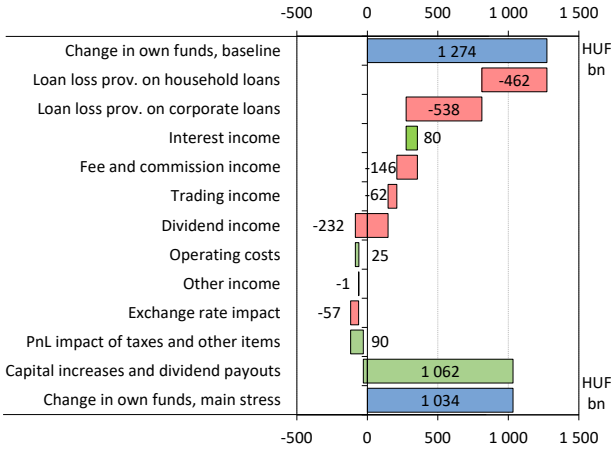
Large volume of loan loss provisioning is expected in the most vulnerable sub-portfolios. In the first year of the main stress scenario, a large immediate net impairment is realised, which, however, gradually decreases later on. The rapid forward-looking loss formation is accompanied by a significantly higher (protracting) NPL build-up; accordingly, the NPL rate of the household sector would rise to around 10 per cent by 2027 H2. Several sub-portfolios identified as vulnerable play a significant role in the growing impairment portfolio: in the corporate segment, this includes commercial real estate loans and loans outstanding that have been in Stage 2 for a longer period of time,[81] while in the household portfolio, it is mainly the vulnerable segment of interest rate cap loans,

[79] For more details, see Box 7 of the November 2024 Financial Stability Report.

[80] For more details, see Box 7 of the May 2025 Financial Stability Report.

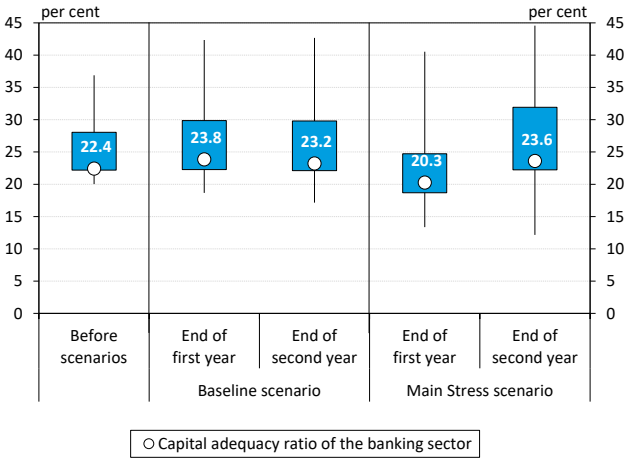
[81] As in previous rounds, we applied a higher LGD parameter in the case of loans with collateral identified with overvaluation risk for commercial real estate project loans. Moreover, across the entire corporate portfolio, transactions that have been in Stage 2 for several quarters have been classified into a higher risk category, due to their presumed elevated riskiness.

Chart 77: Development of the banking system's income items and own funds in the main stress scenario



Note: Two-year cumulative values. The profit and loss impact of taxes and other items consists of the following elements: NDIF, IPF and Resolution Fund fees, bank levy, windfall tax, capital needs of foreign subsidiaries and the tax liabilities of banking groups. The level of dividend payments is also influenced by profit and capital adequacy. Source: MNB

Chart 78: Distribution of banks, by capital adequacy ratio



Note: Sub-consolidated capital adequacy ratio (excluding foreign subsidiaries), including the interim, unaudited profit. Vertical line: 10–90-per-cent range, rectangle: 25–75-per-cent range. Sector-level average, weighted by total risk exposure. Source: MNB

Table 4: Outcome of the stress test, with varying level of capital requirements

	Overall CET1 capital requirement*		Overall capital requirement*	
	Baseline scenario 2026 Q2	Main Stress scenario 2026 Q2	Baseline scenario 2026 Q2	Main Stress scenario 2026 Q2
Capital need of banks (HUF bn)	0.0	2.6	0.0	37.4
Average capital need of banks** (percentage points)	0.0	3.9	0.0	4.6
Capital buffer of banks above requirement (HUF bn)	2 890	1 662	2 190	1 087
Average capital buffer of banks** (percentage points)	9.7	5.9	7.3	4.0

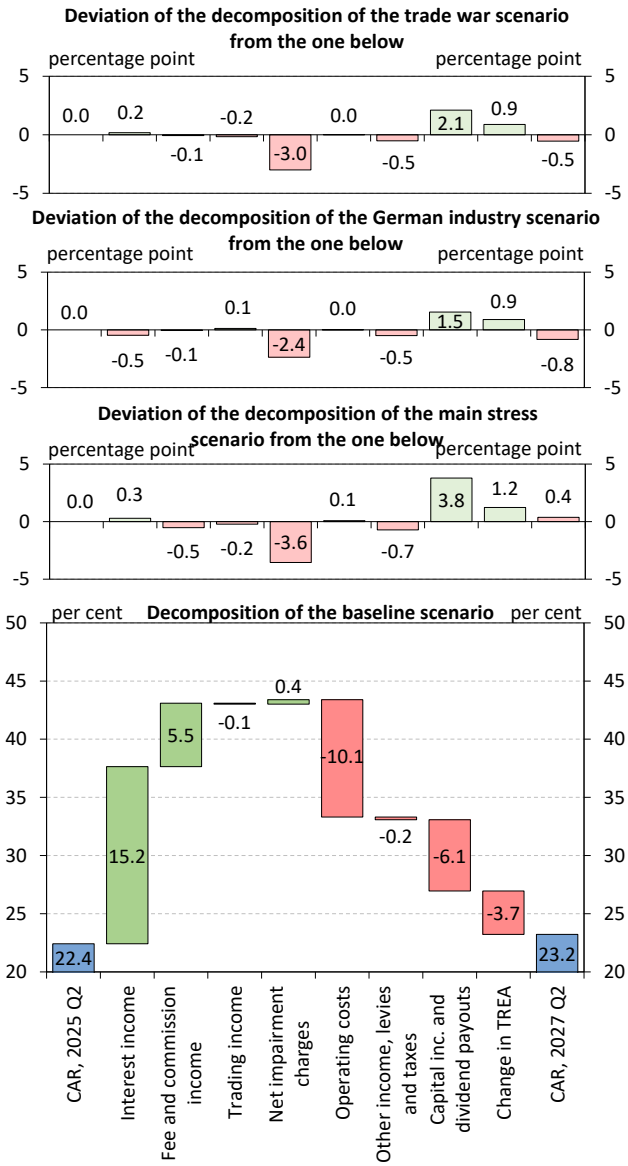
Note: *The requirement projected for the given quarter. **TREA-weighted averages. Source: MNB

prenatal baby support loans and HPS loans (Chart 76).[82] Approximately 55 per cent of the total corporate and household impairment volume accumulated over the two years in the main stress scenario can be attributed to these vulnerable sub-portfolios.

The main stress reduces the 2-year cumulated sector-wide after-tax profit by 43 per cent, or HUF 1,300 billion. After-tax income stagnates at a high level in the baseline scenario, amounting to roughly HUF 1,500 billion in both years. The profitability-reducing effect of the main stress scenario is primarily concentrated in net impairment, which amounts to nearly HUF 1,000 billion in additional losses compared to the baseline scenario, divided roughly equally between the household and corporate loan portfolios (Chart 77). The impact of the shock on net interest income is moderate, mainly because the interest rate path in the stress scenario is consistently significantly higher than in the baseline scenario, and, therefore, the stress does not reduce interest income overall, but increases it moderately by HUF 80 billion. However, fee and commission income declines by nearly HUF 150 billion, due to the severe recession occurring in the stress scenario. The revaluation of financial instruments carried at fair value due to stress is reflected in the deterioration of trading income, which, due to the hedging of portfolios against interest rate risk, represents a decrease of only HUF 62 billion compared to the two years of the baseline scenario. Domestic banks' dividend income, received mainly from abroad, declines by roughly one-half under less favourable conditions. Dividends paid by banks to owners represent the most significant channel of adjustment to stress: over the two-year stress horizon, the dividend payout totalling nearly HUF 700 billion falls more than HUF 1,000 billion short of the baseline scenario, as this is the only way for most banks to comply with the increasing capital requirements. We estimate that the banks' capacity for capital accumulation is nearly 20 per cent lower in the stress scenario than in the baseline scenario.

The banking system has sufficient capital buffer to cover losses arising from the main stress scenario. The aggregate capital adequacy ratio of the sample of banks under review – including interim, unaudited income – of 22.4 per cent as of June 2025, would be around 23 per cent in the baseline scenario, while it would decline to 20.3 per cent in the first year of the stress scenario, before rising back above 23 per cent by the end of the second year (Chart 78). Over the stress test's two-year time horizon, two institutions fail to meet the CET1 and

Chart 79: Factors affecting the sector-wide capital adequacy ratio in the baseline and main stress scenarios



Note: The breakdown shows cumulative values for two years in the bottom panel and deviations from these in the other panels. Both CAR and dividend payouts also take into account the unaudited portion of interim profits. Other income, levies and taxes: Dividends received, other income, exchange rate impact, fees to NDIF, IPF and Resolution Fund, bank levy, windfall tax, capital needs of foreign subsidiaries and tax obligations of banking groups The amount of financial transaction levy paid was deducted from fee and commission income. TREA: total risk exposure amount. Source: MNB

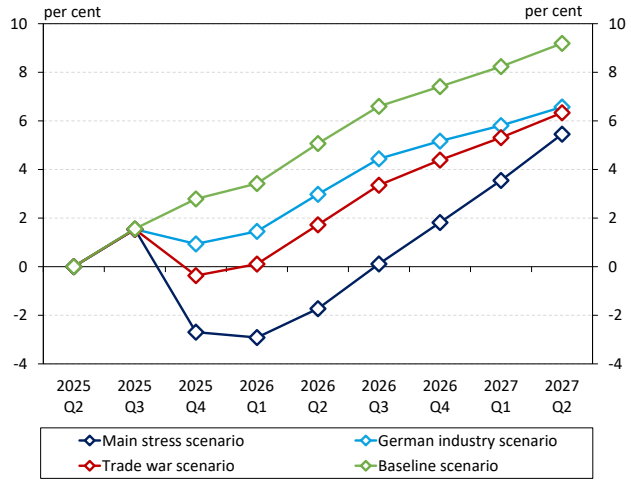
overall capital requirements (OCR), and one of them requires capital replenishment even in the (last quarter of the) baseline scenario. The capital shortfalls of banks below the regulatory capital requirements are manageable, amounting to less than HUF 40 billion in the stress scenario, which represents 0.1 per cent of the sector-level total risk exposure amount (TREA) (Table 4). Overall, the banking system's shock resilience is adequate, and even a significant macroeconomic downturn would not lead to system-wide solvency issues.

8.3. Alternative stress scenarios differ from the main stress scenario primarily in terms of the level of loan losses and dividend payouts

The stress scenario based on a slowdown in German industry and the trade war have a smaller impact on bank profits than the main stress scenario. Net interest income declines relative to the baseline scenario only in the event of distressed German industry, as this is the only stress scenario in which a recession is accompanied by a decline in interest rates (Chart 79). In the alternative stress scenarios, the economic downturn is more moderate, and therefore, declines in fee and commission income are much smaller than in the main stress scenario. The amount of additional net impairment is smallest in the weak German industry stress scenario, because only in this scenario is the recession that worsens loan repayment ability accompanied by a reduction in interest rates that alleviates the debt burden. In the alternative scenarios, as opposed to the main stress scenario, there is no immediate significant deterioration in portfolio quality but rather a gradual increase in net impairment. The significant deterioration in the category of other income combined with taxes compared to the baseline scenario is caused by a large drop in dividend income, showing nearly the same decrease in all stress scenarios. Thus, the weak German industry stress and the trade war stress scenarios would reduce the banks' after-tax profit, accumulated over two years in the baseline scenario, by 31 and 33 per cent, respectively. These effects correspond to 2.6 and 2.9 percentage points, respectively, in proportion to sector-wide TREA at the end of the two-year time horizon of the stress test (Chart 80). The impact of the trade war – similarly to the main stress scenario – is strongest after

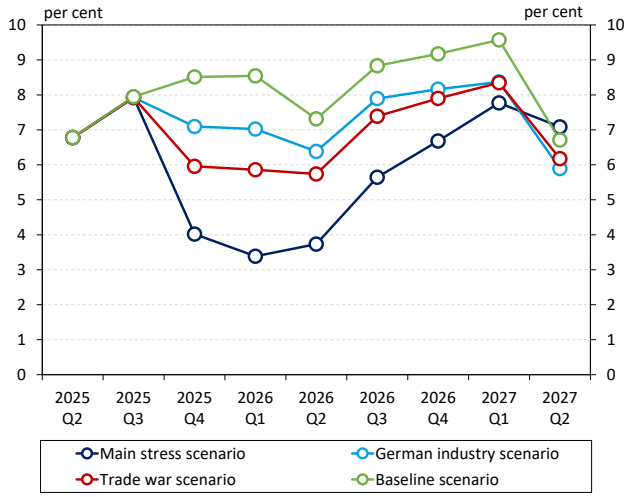
[82] In line with the practice of previous rounds, clients identified as vulnerable based on income tightness are classified into a higher risk category following the phase out of the interest rate cap. We followed a similar procedure for prenatal baby support loans and HPS loans, where we also identified certain transactions as vulnerable due to the risk of non-compliance with child-related conditions. In order to repay interest rate subsidy in case of those clients whose indebtedness allows we applied forced loan disbursement. Otherwise, the transaction was categorized as Stage 3.

Chart 80: Changes in the banking system's cumulative after-tax profit as a percentage of TREA



Note: Point of reference: 2025 Q2. The denominator is the total risk exposure amount (TREA) of the given quarter. Source: MNB

Chart 81: Changes in the TREA-proportionate value of free capital above the system-wide overall capital requirement (OCR)



Note: Point of reference: 2025 Q2. The denominator is the total risk exposure amount (TREA) of the given quarter. Source: MNB

four quarters, when it reduces after-tax income by 3.3 percentage points in proportion to TREA. The impact of weak German industry stress has different dynamics: its impact also becomes significant within a short period of time and does not diminish later, but rather intensifies continuously over the remaining period of the stress test.

Banks' capital position is worst at the end of the first year in the main stress scenario, while by the end of the second year, the stress impact of weak German industry has the strongest negative effect. Compared to capital buffers growing in the baseline scenario, the TREA-proportional value of capital surplus above the overall capital requirement (OCR) declines by nearly 5 percentage points in the first year in the main stress scenario, by more than 2 percentage points in the scenario capturing the impact of the trade war and by less than 2 percentage points in the scenario based on weak German industry (Chart 81).[83] Lack of capital only occurs, in addition to the main stress scenario, in the scenario capturing the impact of the trade war and amounts to less than HUF 13 billion at the end of the first year and a total of HUF 40 billion at the end of the second year. This would represent less than 2 per cent of the total risk exposure of the banks concerned. The banking system's strong shock resilience is demonstrated by the fact that even at the trough of the stress scenarios, the sector-level surplus capital ratio remains between 3–6 percentage points, approaching its initial value by the end of the two-year horizon. In the trade war and main stress scenarios, the impact of deteriorating profitability is offset by cutting back dividend payments. In the stress scenario based on weak German industry, profitability deteriorates to a lesser extent than in the other scenarios, but the distribution of retained earnings across institutions allows only limited adjustment through the restraint of dividend payouts. The development of TREA is primarily driven by the development of loans outstanding; therefore, it grows the most in the baseline scenario, to a lesser extent in the scenario based on weak German industry and the trade war, and the least in the main stress scenario. The impact of TREA growth on capital adequacy is also consistent with this, with less of a negative impact on capital adequacy in the main stress scenario as compared to the other two stress scenarios. As a result of these effects, capital adequacy ratio is lowest (22.4 per cent) at the end of the stress test period in the scenario based on weak German industry, while it is higher to some extent (22.7 per cent) in the trade war scenario.

LIST OF CHARTS

[83] In addition to profitability items and credit risk losses, dividend payments to be made in 2026 Q2 and 2027 Q2 also have a significant impact on the development of this ratio over time.

LIST OF TABLES

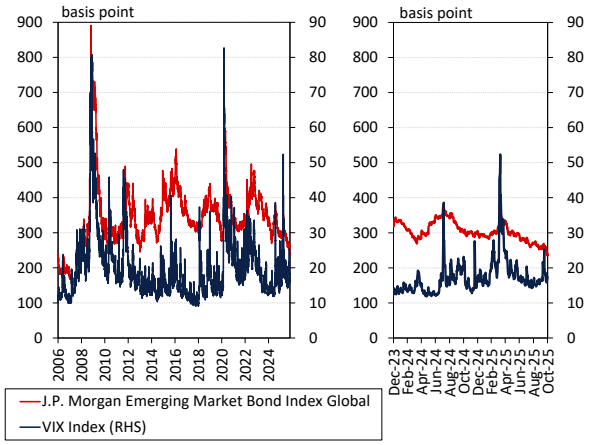
ABBREVIATIONS

APR	Annual Percentage Rate of Charge	IFRS	International Financial Reporting Standards
AT1	Additional Tier 1 Capital	IMF	International Monetary Fund
ATM	Automated Teller Machine	IPF	Investor Protection Fund
AVHGA	Agricultural Business Credit Guarantee Foundation	IRS	interest rate swap
BGRLP	Baross Gábor Reindustrialisation Loan Program	LCR	Liquidity Coverage Ratio
BGS	Bond Funding for Growth Scheme	LGD	Loss Given Default
BIRS	Budapest interest rate swap	LITT	Housing and Real Estate Market Advisory Board
BIS	Bank of International Settlements	LR	Leverage Ratio
Bn	Billion	LTI	Loan-To-Income ratio
BUBOR	Budapest Interbank Offered Rate	LTV	Loan-to-Value
CAR	Capital Adequacy Ratio	MÁK	Hungarian State Treasury
CCoB	Capital Conservation Buffer	MFAR	Mortgage Funding Adequacy Ratio
CCyB	Countercyclical Capital Buffer	MFB	Hungarian Development Bank
CEE	Central and Eastern Europe	MFCI	Monetary Financial Conditions Index
CET1	Common Equity Tier 1	mn	Million
CRE	Commercial Real Estate	MNB	Central Bank of Hungary
CRR	Capital Requirement Regulation	MNE	Ministry of National Economy
DSTI	Debt service to income	MREL	Minimum Requirement for own funds and Eligible Liabilities
DTI	Debt-to-income	MVH	Certified Corporate Loan
EBA	European Banking Authority	NCH	National Capital Holding
ECB	European Central Bank	NDIF	National Deposit Insurance Fund
EEA	European Economic Area	NPL	Non-performing loan
ESA	European System of Accounts	NSFR	Net Stable Funding Ratio
ESRB	European Systemic Risk Board	NTCA	National Tax and Customs Administration
EU	European Union	O/N	Overnight
FCI	Financial Conditions Index	OCR	Overall Capital Requirement
FDI	Foreign Direct Investment	OECD	Organisation for Economic Co-operation and Development
FECR	Foreign Exchange Coverage Ratio	OLR	Operative Liquidity Reserve
Fed	Federal Reserve Bank	O-SII	Other Systematically Important Institutions' Capital Buffer
FFAR	Foreign exchange Funding Adequacy Ratio	PD	Probability of Default
FGS	Funding for Growth Scheme	PNCCyB	Positive Neutral Countercyclical Capital Buffer
FVOCI	Fair Value through Other Comprehensive Income	RHS	Right-hand scale
FVTPL	Fair Value through Profit and Loss	RICS	Royal Institution of Chartered Surveyors
GDMA	Government Debt Management Agency	RoA	Return on Assets
GDP	Gross Domestic Product	RoE	Return on Equity
GHG	Garantiqa Credit Guarantee Ltd.	RRE	Residential Real Estate
GHP	Green Home Programme	SCP	Széchenyi Card Programme
GKI	GKI Economic Research Co.	SDP	Sándor Demján Programme
G-SII	Globally Important Institutions' Capital Buffer	SME	Small and Medium-Sized Enterprises
HAI	Housing Affordability Index	STA	Single Treasury Account
HaR	House price-at-risk	SyRB	Systemic Risk Buffer
HCSO	Hungarian Central Statistical Office	T2	Tier 2 Capital
HPS	Home Purchase Subsidy Scheme for Families	TREA	Total Risk Exposure Amount
IFR	Interbank Funding Ratio	VOSZ	Conferedation of Hungarian Businesses

APPENDIX: MACROPRUDENTIAL INDICATORS

1. Risk appetite

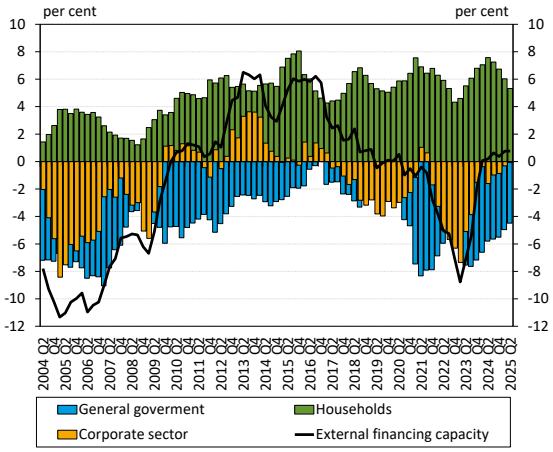
Chart 1: Primary risk indicators



Source: Bloomberg

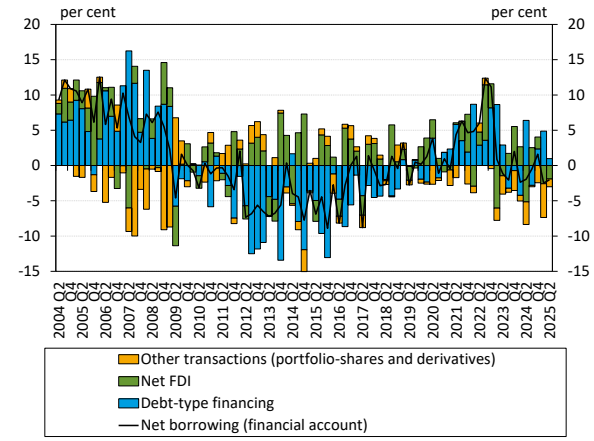
2. External balance and vulnerability

Chart 2: Net lending of the main sectors (four quarter values as a percentage of GDP)



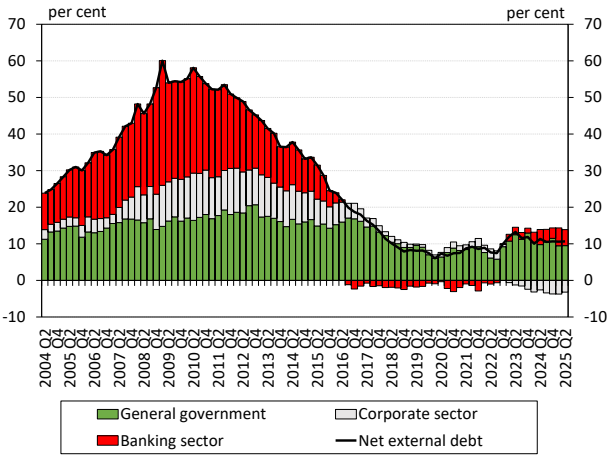
Source: MNB

Chart 3: Net borrowing and its financing as a percentage of GDP



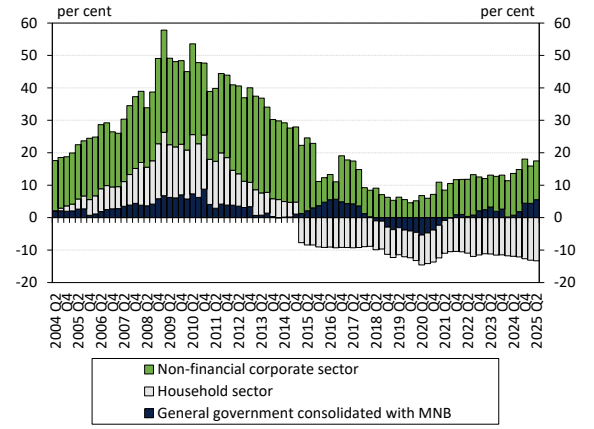
Source: MNB

Chart 4: Net external debt as a percentage of GDP



Source: MNB

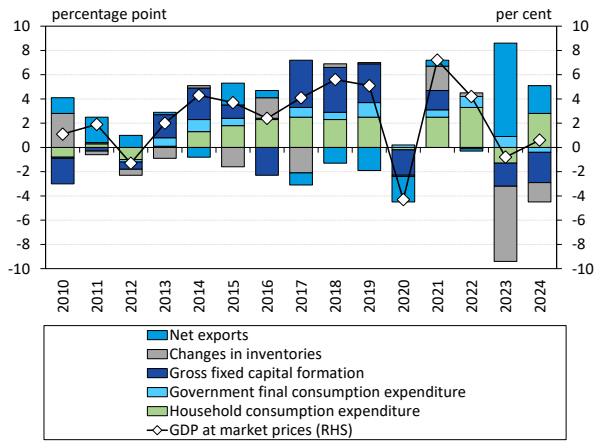
Chart 5: Open FX position of the main sectors in the balance sheet as percentage of GDP



Source: MNB

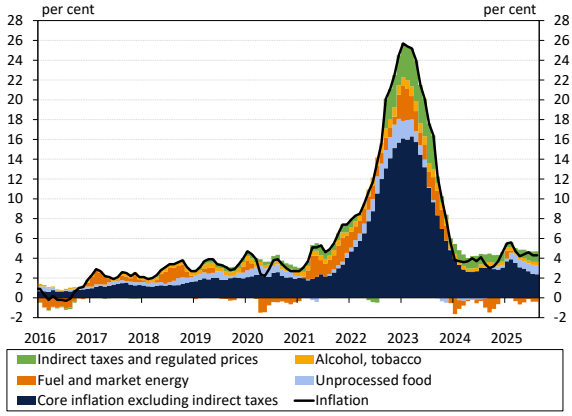
3. Macroeconomic performance

Chart 6: Annual change in decomposition of expenditure-side GDP



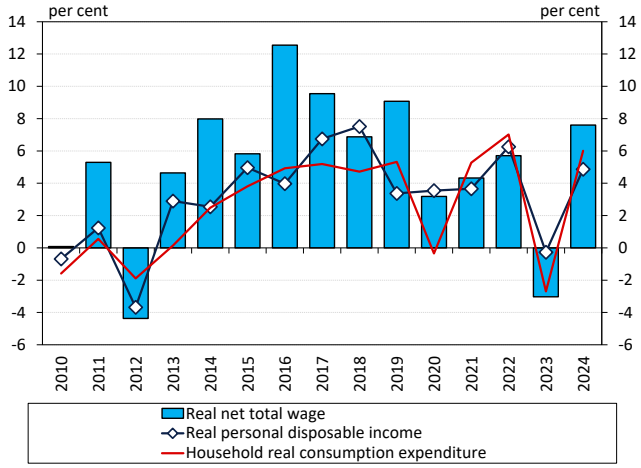
Source: HCSO, MNB

Chart 7: Decomposition of inflation



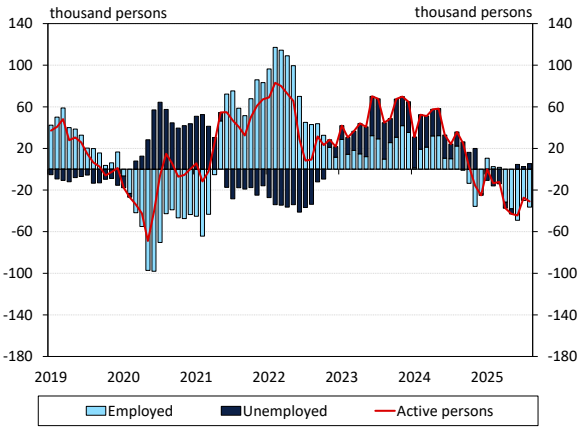
Source: MNB-calculation

Chart 8: Annual changes in net total wage, personal disposable income and household consumption expenditure in real terms



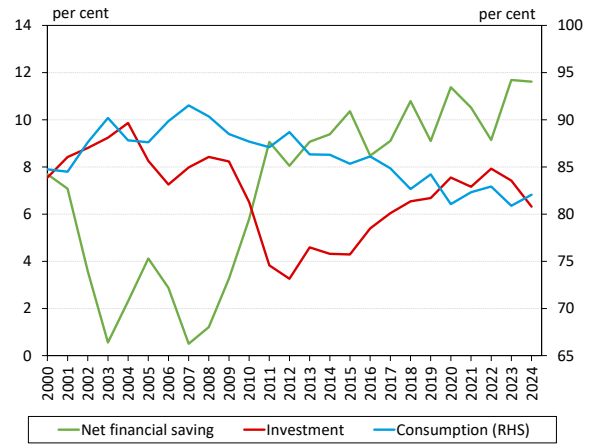
Source: HCSO, MNB

Chart 9: Decomposition of annual changes in the labour force participation



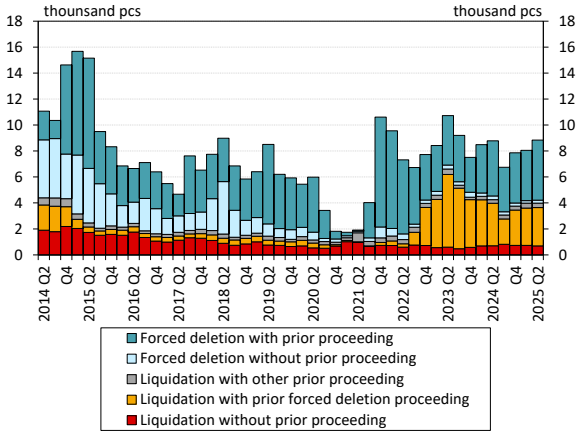
Source: HCSO

Chart 10: Distribution of the households' disposable income by use



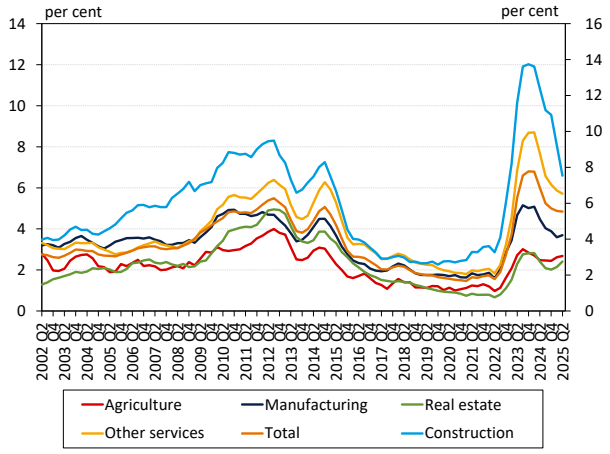
Source: HCSO, MNB

Chart 11: The number of starting liquidation and forced deletion proceedings announced



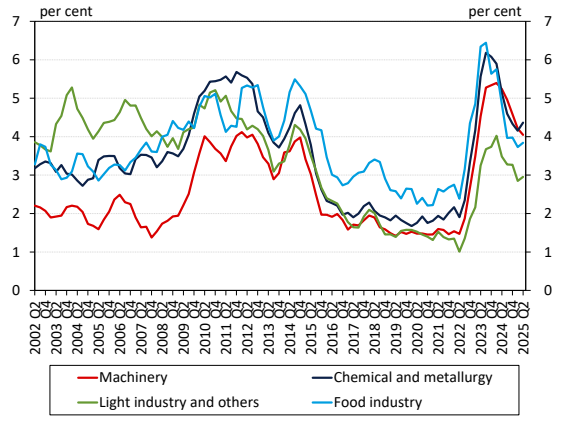
Source: Opten

Chart 12: Sectoral bankruptcy rates



Source: Opten, MNB, NTCA

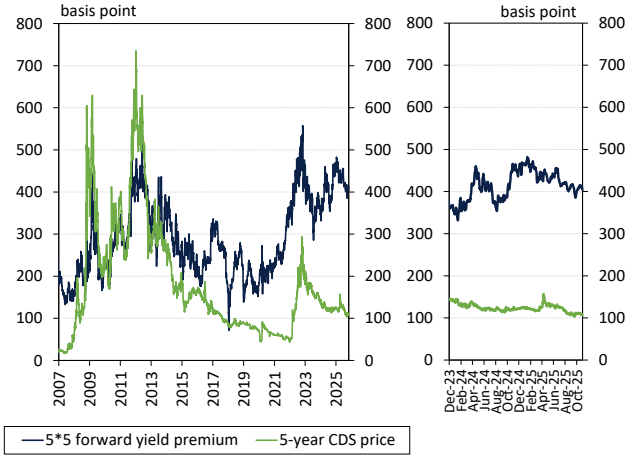
Chart 13: Bankruptcy rates for the subsets of manufacturing industry



Source: Opten, MNB, NTCA

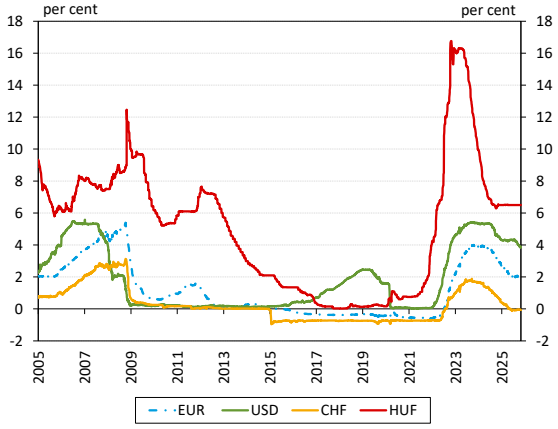
4. Monetary and financial conditions

Chart 14: Long-term sovereign default risk and forward premium of Hungary



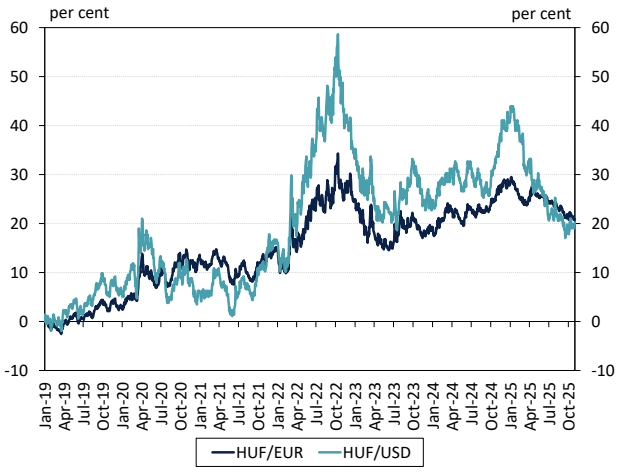
Source: Reuters, Bloomberg

Chart 15: Three-month EUR, USD, CHF and HUF money market interest rates



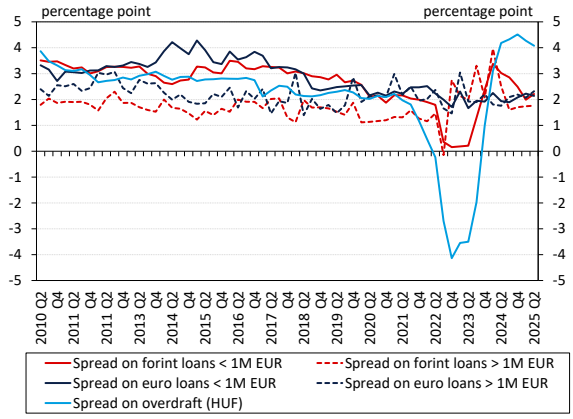
Source: Bloomberg

Chart 16: HUF/EUR and HUF/USD exchange rates changes compared to 2 January 2019



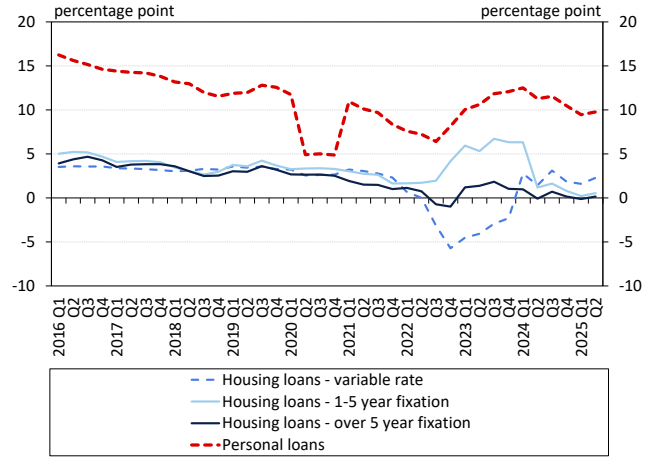
Source: Reuters

Chart 17: Interest rate spreads on new corporate loans



Source: MNB

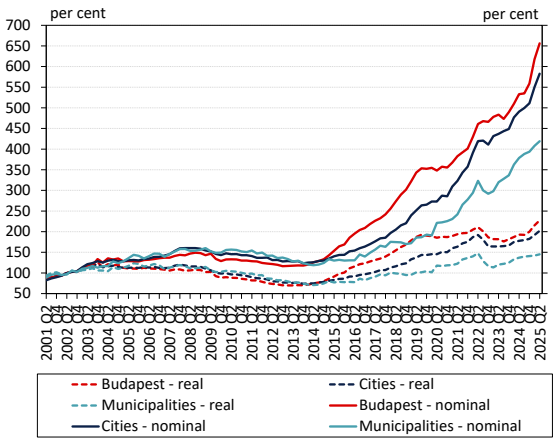
Chart 18: APR-based spreads on new household loans



Source: MNB

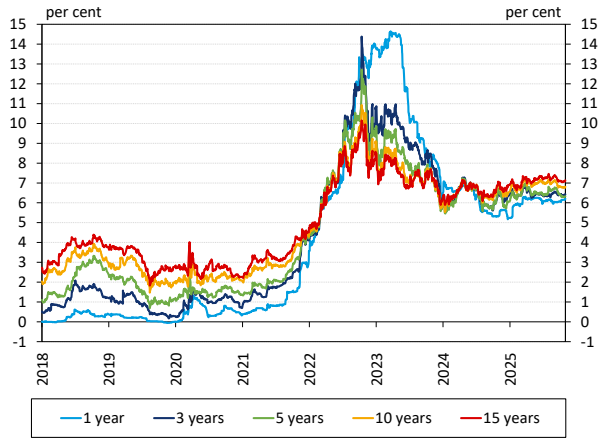
5. Asset prices

Chart 19: MNB house price index breakdown by settlement type



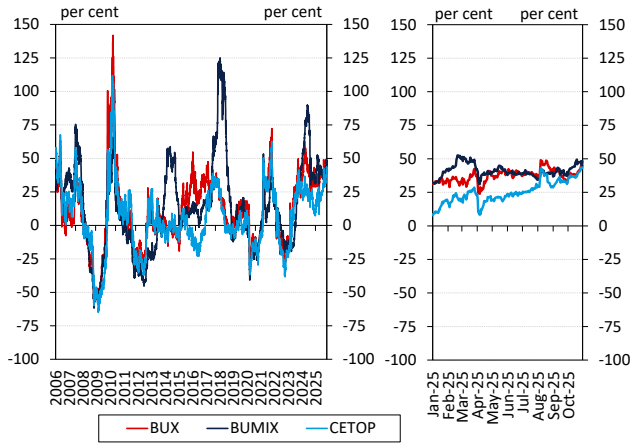
Source: MNB

Chart 20: Benchmark yields



Source: Government Debt Management Agency

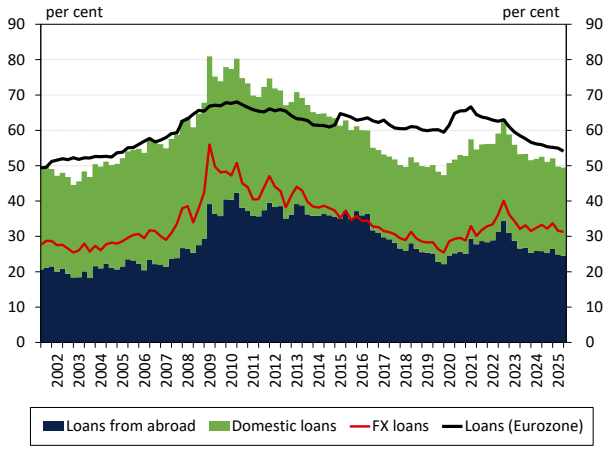
Chart 21: Annual yield of key Hungarian and Central and Eastern European stock market indices



Source: BSE

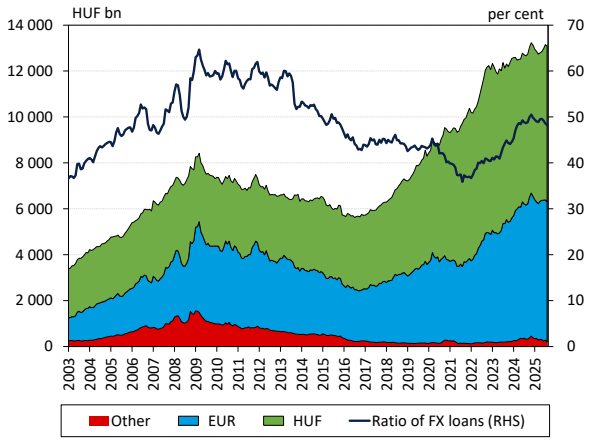
6. Risks of the financial intermediary system

Chart 22: Indebtedness of non-financial corporations as percentage of GDP



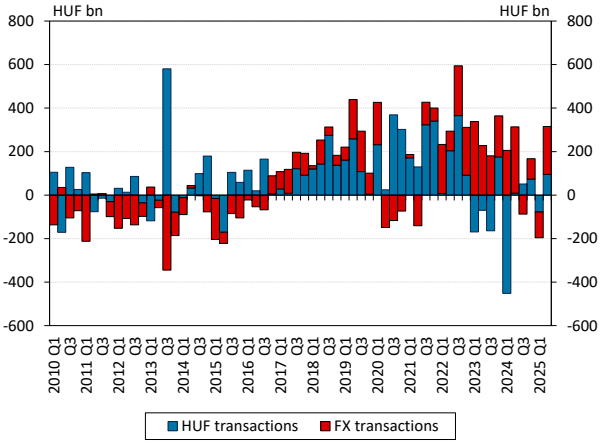
Source: MNB, ECB, Eurostat

Chart 23: Denomination structure of domestic bank loans of non-financial corporations



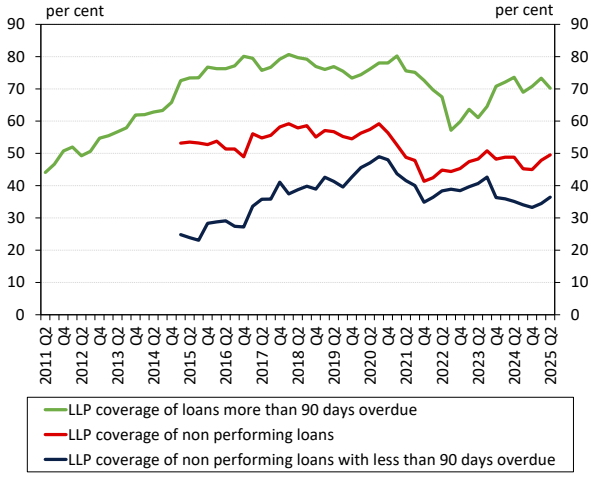
Source: MNB

Chart 24: Credit transactions to the non-financial corporate sector by denomination



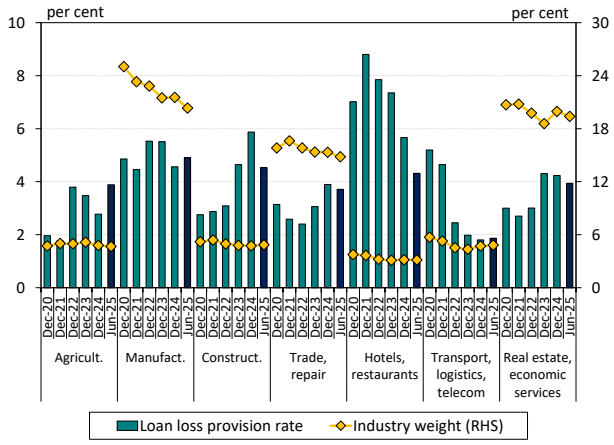
Source: MNB

Chart 25: Loan loss coverage ratio for non-performing corporate loans in the credit institutions sector



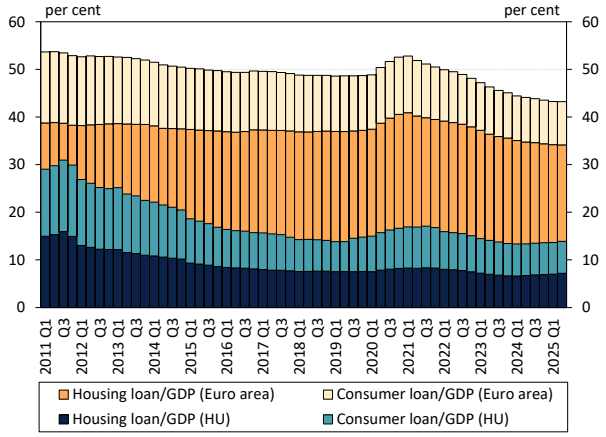
Source: MNB

Chart 26: Provisioning on loans of non-financial corporations by industry



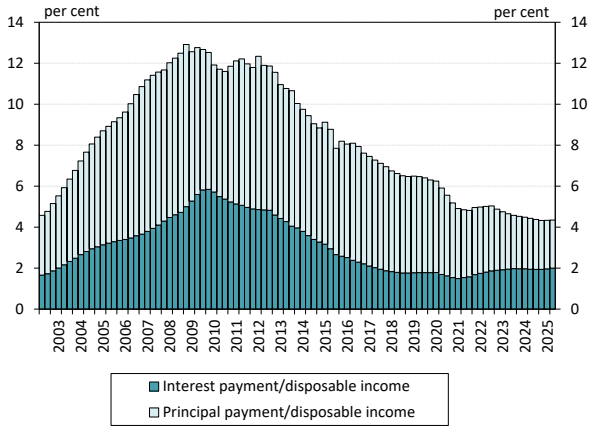
Source: MNB

Chart 27: Indebtedness of households



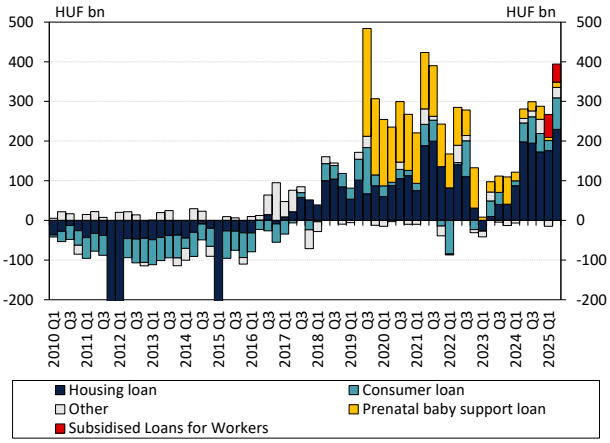
Source: MNB, ECB

Chart 28: Debt service burden of the household sector



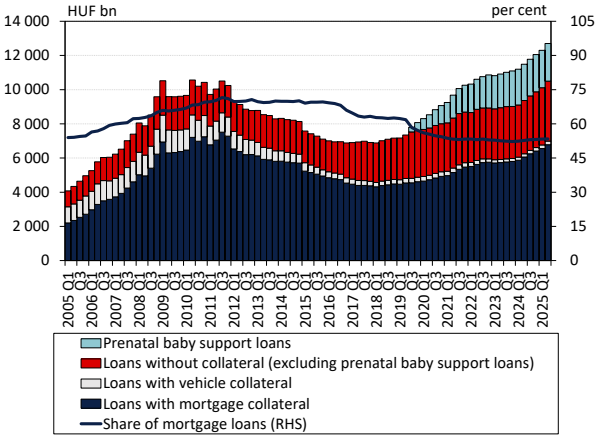
Source: MNB

Chart 29: Quarterly transactions of the household loan portfolio by loan purpose



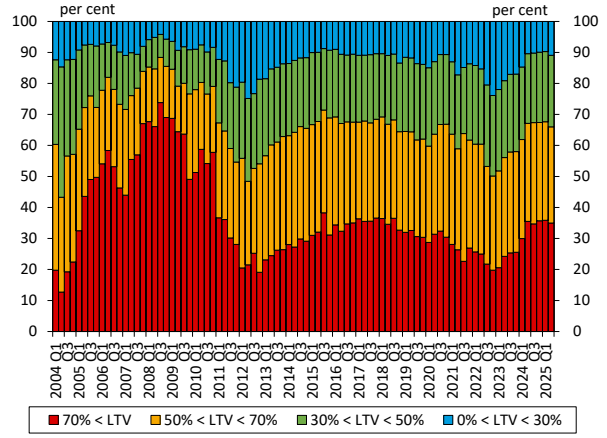
Source: MNB

Chart 30: Household loans distribution by collateralisation



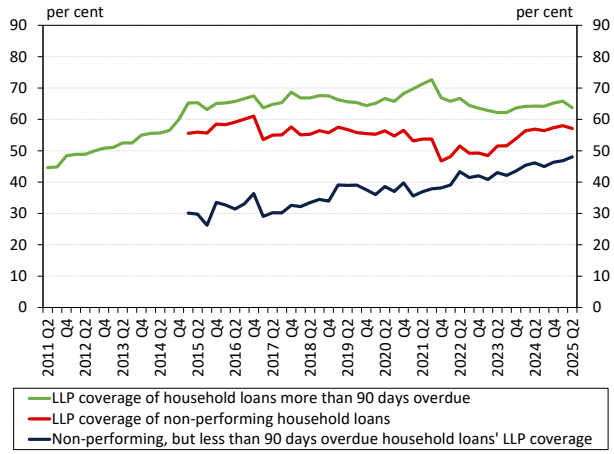
Source: MNB

Chart 31: Distribution of new housing loans by LTV



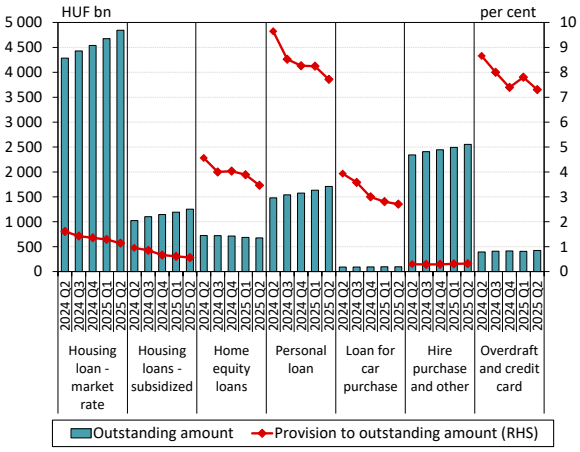
Source: MNB

Chart 32: Loan loss coverage ratio of non-performing household loans



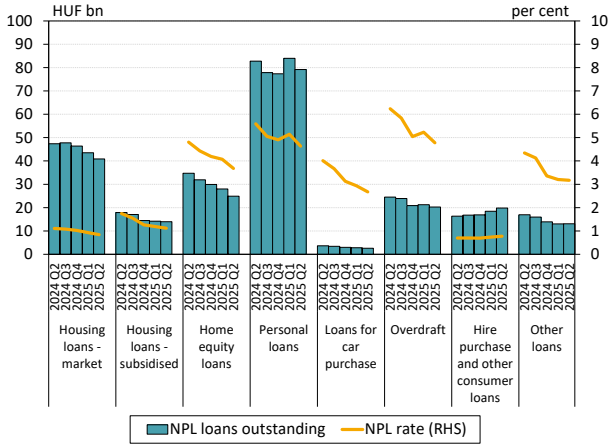
Source: MNB

Chart 33: Provisioning on household loans of financial institutions



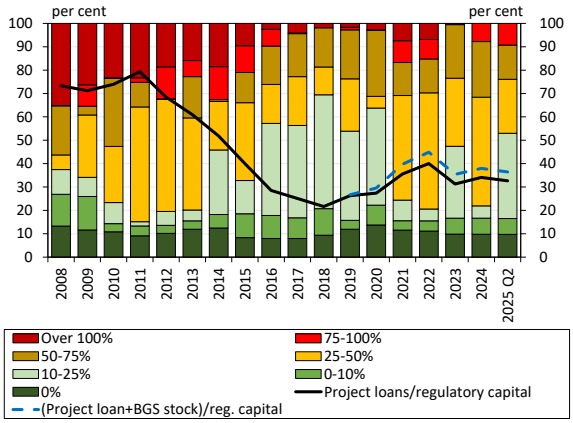
Source: MNB

Chart 34: Non-performing household loans by product type



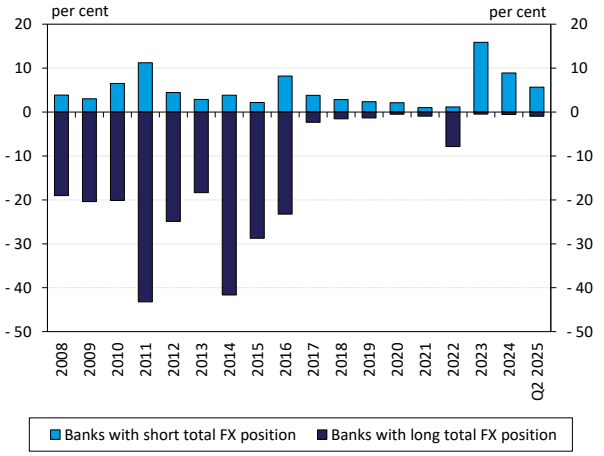
Source: MNB

Chart 35: Distribution of credit institutions by project loan stock-to-regulatory capital ratio



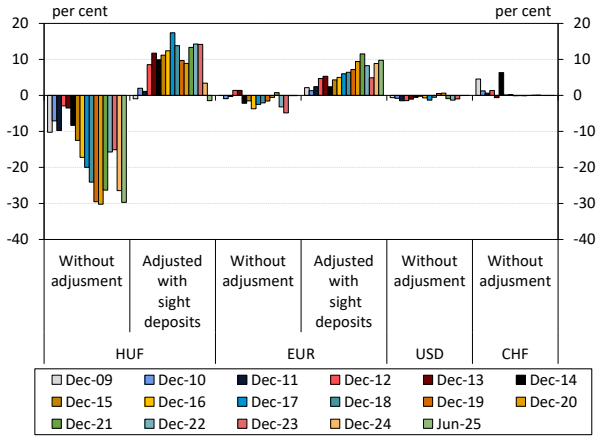
Source: MNB

Chart 36: The exchange rate exposure of the banking sector



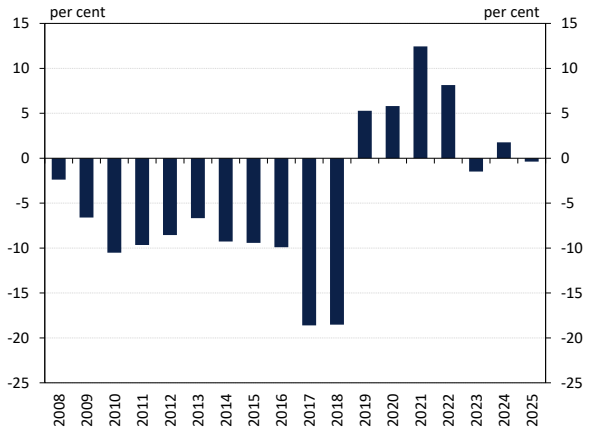
Source: MNB

Chart 37: 90-day re-pricing gap of the banking sector



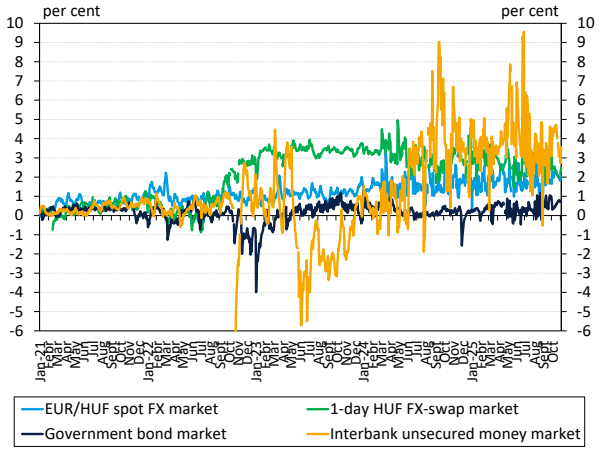
Source: MNB

Chart 38: Estimated maximum loss based on interest rate risk stress tests relative to equity



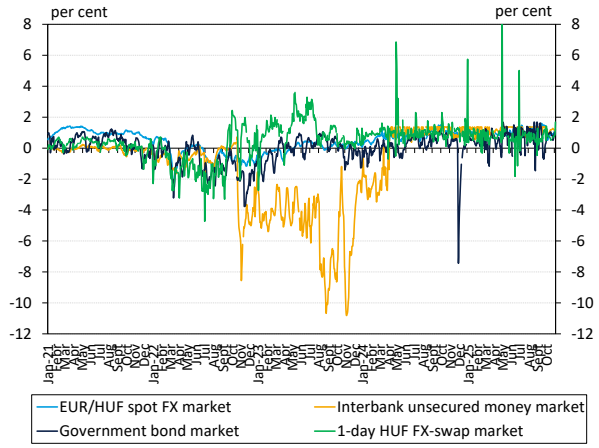
Source: MNB

Chart 39: Liquidity indices of sub-markets



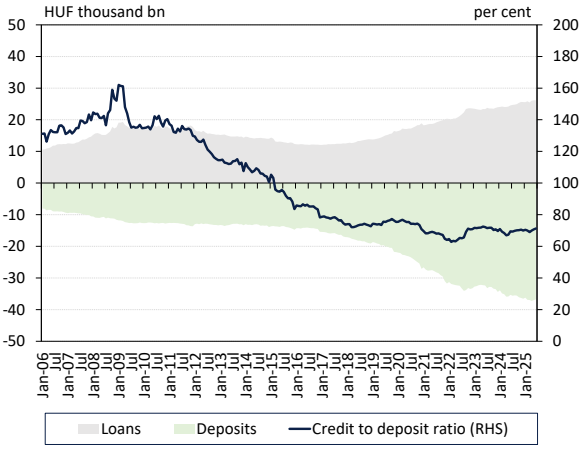
Source: MNB, KELER, Bloomberg

Chart 40: Liquidity sub-indices of bid-ask spreads of the major domestic financial markets



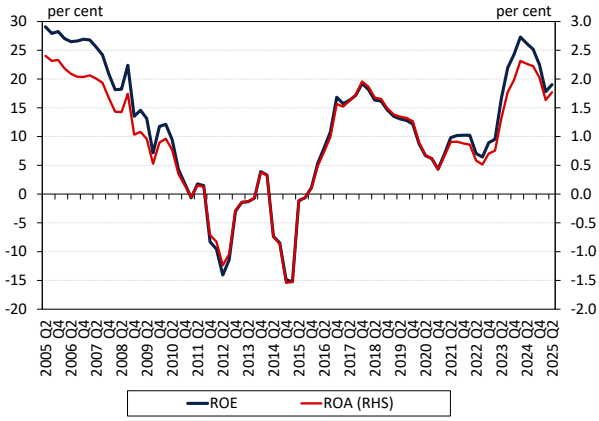
Source: MNB, KELER, Bloomberg

Chart 41: Loan-to-deposit ratio of the banking sector



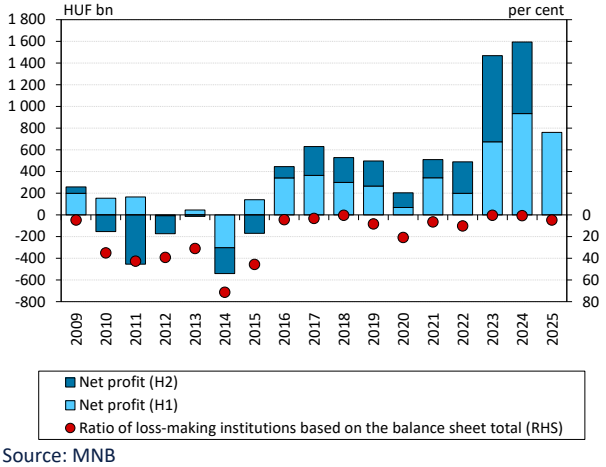
Source: MNB

Chart 42: ROA and ROE of the credit institution sector



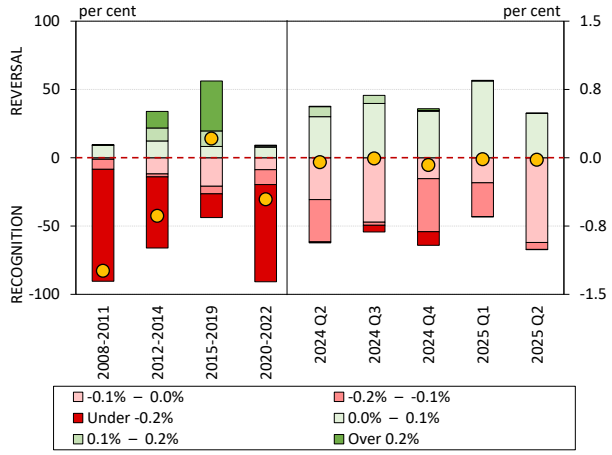
Source: MNB

Chart 43: After-tax profit and loss of the credit institutions sector



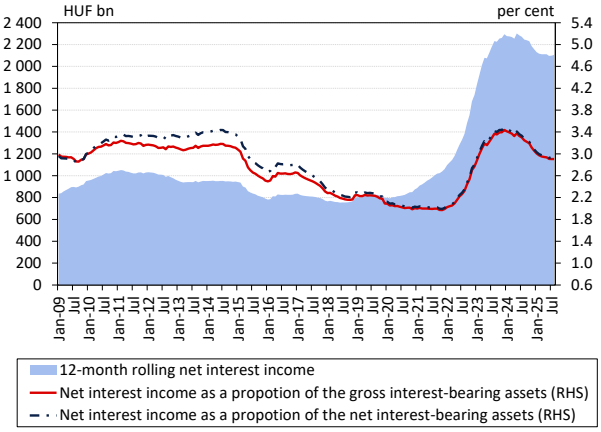
Source: MNB

Chart 44: Distribution of credit institutions based on total assets according to the quarterly net impairment recognition in proportion to assets



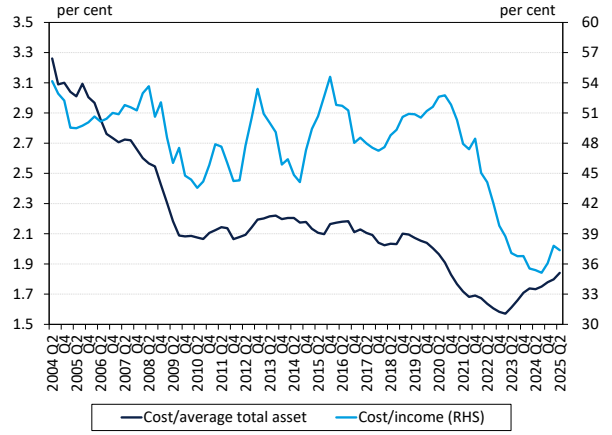
Source: MNB

Chart 45: Net interest income as a proportion of the gross and net interest bearing assets in the credit institution sector



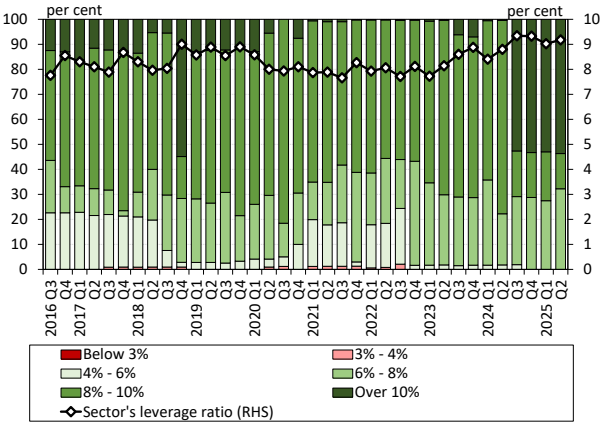
Source: MNB

Chart 46: Operating efficiency indicators of the banking sector



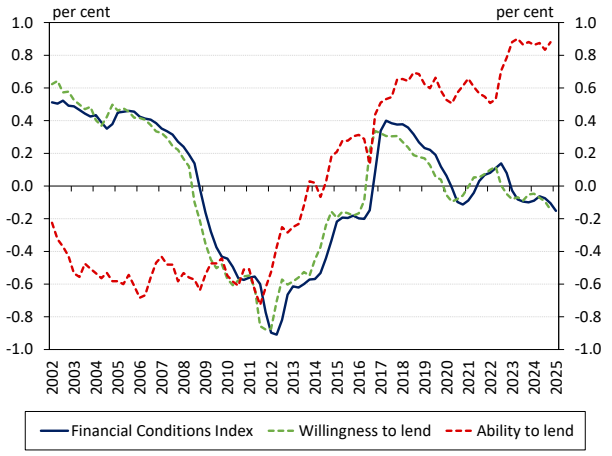
Source: MNB

Chart 47: Distribution of total exposure amount based on institutions' leverage ratio



Source: MNB

Chart 48: The Financial Conditions Index



Source: MNB

Notes to the appendix

The chart date (e.g. 2020) means the end of the year (the 31st of December) unless indicated otherwise.

Chart 1:

The increased value of the indicator shows declining risk appetite or increasing risk aversion. VIX: implied volatility of S&P 500.

Chart 3:

The fundamental development of debt is not influenced by the conversion between unallocated and bullion balances, thus this effect has been excluded.

Chart 4:

Excluding intercompany loans.

Chart 5:

The open FX position of households has turned because of the FX conversion. The compensation of this is shown at banks temporarily, then is was got to the consolidated state with the MNB.

Chart 6:

Government final consumption expenditure includes final consumption expenditure of general government and nonprofit institutions. Changes in inventories includes acquisitions less disposals of valuables.

Chart 8:

Based on the September 2025 Inflation Report.

Chart 10:

Personal disposable income is an MNB estimate based on income use. Based on the September 2025 Inflation Report.

Chart 12:

Number of bankruptcy proceedings of legal entities, aggregated as of the date of publication and cumulated for 4 quarters, divided by the number of legal entities operating a year before. It also includes economic organizations subject to liquidation proceedings from bankruptcy, voluntary liquidation and forced deletion proceedings.

Chart 13:

Number of bankruptcy proceedings of legal entities, aggregated as of the date of publication and cumulated for 4 quarters, divided by the number of legal entities operating a year before. It also includes economic organizations subject to liquidation proceedings from bankruptcy, voluntary liquidation and forced deletion proceedings.

Chart 14:

The 5-year forward forint risk premium as of 5 years from now, compared to the euro forward yield (3-day moving average) and the 5-year Hungarian credit default swap spread.

Chart 17:

Spread on the 3-month BUBOR and EURIBOR. Loans with variable interest rate or with up to 1-year initial rate fixation. From 2015, based on data net of money market loans exceeding EUR 1 million.

Chart 18:

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

Chart 19:

2002 average = 100 per cent.

Chart 22:

Nominal values, on current rates. Based on consolidated data (previously only unconsolidated data were available for the euro area), total financial intermediary system.

Chart 26:

In brackets below the names of sectors the weights within corporate credit portfolio are indicated for end-of-observation period.

Chart 29:

Seasonally unadjusted net change in outstanding amounts, with rolling exchange rate adjustment. To obtain the growth rate, we also took into consideration the repayments received by Sberbank between March and August 2022. The transactions contain the effect of the foreign currency loan settlement in 2015.

Chart 31:

The category 0-30 percent contains also the loans disbursed without mortgage before 2008.

Chart 35:

Non-consolidated data for the credit institutions sector excluding affiliates, by balance sheet total. Based on the project loan stock under the CRR definition of project loans until 2019, and based on a broader project loan definition from 2020 onwards; use of the broader definition results approximately one-quarter higher project loan stock in 2023 Q4 compared to the CRR definition. From 2019 onwards, data increased by BGS stocks include BGS bond holdings related to real estate sector in addition to project loans.

Chart 37:

From December 2019, the values for the security portfolio, the IRS portfolio, as well as for loans and liabilities were calculated on a cashflow basis instead of a contract basis. In addition, for loans and liabilities, from December 2019 onwards, we could only take into account the remaining maturities, not the time remaining until repricing.

Chart 38:

The interest rate risk stress test indicates the two-year projected result of an extreme interest rate event; in this scenario this event is a parallel upward shift of the yield curve by 300 basis points. For calculating the results, from December 2019 onwards, we applied the interest rate risk model detailed in Box 10 of the December 2019 Financial Stability Report. While for earlier calculations we assumed shocks of each currency's yield curve, for these new calculations we only assumed the shock-like upward shift of the HUF curve.

Chart 39:

Each aggregate liquidity index of a sub-market is the unweighted average of exponential moving averages normalized by the mean and standard deviation of the values of four sub-indices (number of transactions, average transaction size, bid-ask spread, and return to volume indices) between 2013 and 2017. An increase in the aggregate liquidity index indicates an increase in the liquidity of the given sub-market.

Chart 40:

A rise in the indices represents a narrowing bid-ask spread, thus an increase in the tightness and liquidity of the market. The liquidity-index of HUF FX swap market includes the data of USD/HUF and EUR/HUF segments, taking into account tom-next, overnight and spot-next transactions. The earlier version of the liquidity index included only the tom-next USD/HUF transactions.

Chart 41:

Client loans include loans and bonds of non-financial institutions, household loans, loans and bonds of financial and investment enterprises, government loans, municipal loans and municipal bonds. Client deposits include the deposits of non-financial institutions, household deposits, deposits of money market funds, deposits of financial and investment enterprises, government deposits and municipal deposits. The loan-to-deposit ratio is exchange-rate-adjusted with respect to the last period.

Chart 42:

ROE: pre-tax profit/average (equity - balance sheet profit).

ROA: pre-tax profit/average total assets.

Interim data are annualised.

Pre-tax profit: previous 12 months.

Average total assets: mean of previous 12 months.

Average (equity - balance sheet profit/loss): 12 month moving average.

Deflator: previous year same month=100 CPI (per cent).

Chart 43:

Based on non-consolidated data.

Chart 44:

Green categories indicate net impairment reversals, and red categories indicate net impairment recognition. For the periods between 2008-2011, 2012-2014, 2015-2019 and 2020-2022, institutions are counted with their average balance sheet total in the category according to their average net impairment formation in proportion to assets.

Chart 45:

Based on aggregated individual, non-consolidated data. Net interest income: 12-month rolling numbers, the difference of interest revenue and interest expenditure. Gross interest bearing assets: 12-month average numbers, total exposure. Net interest bearing assets: 12-month average numbers, exposure minus the provision.

Chart 46:

Cost: previous 12 months. Income: previous 12 months. Average total asset: mean of previous 12 months.

Chart 47:

The categories indicate the level of the leverage ratio, i.e. of the ratio of T1 capital to the total exposure amount used for the calculation of the indicator. For 2020 Q3, numerical data and data on an exposure basis are only available for 75 per cent and 84 per cent of banks, respectively.

Chart 48:

Positive values represent a larger contribution to economic growth compared to the cyclical position of the economy, while negative values represent a smaller contribution.

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