



MAGYAR JELZÁLOGBANK EGYESÜLET  
ASSOCIATION OF HUNGARIAN MORTGAGE BANKS

---

# Housing Finance beyond Subprime

First Session: Guarantors of stability in times of crises / FX-  
denominated mortgage loans in Hungary

17 May, 2010

András Gábor BOTOS, Secretary General, Association of  
Hungarian Mortgage Banks



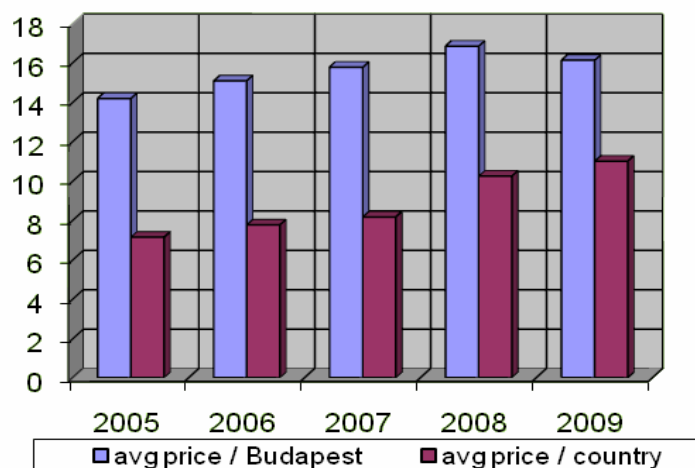
### Housing stock, prices, home ownership ratio

The housing stock consisted of 4.04 million properties in 1998, and exceeded 4.3 million by 2009. During this period, housing prices quadrupled in Hungary, with the average annual price increase being 13.2% between 1998 and 2009. Taking inflation into account, real values of housing have only doubled over the time in question, increasing by an annual average of 6.2%.

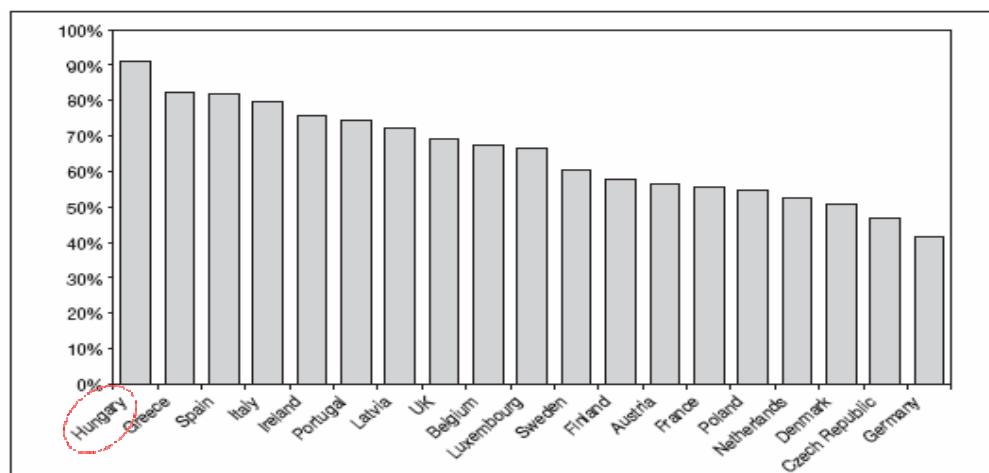
With regard to the fact that prices of residential units were particularly low after the collapse of Communism in Hungary, it is obvious that there was no house price bubble.

92% of the Hungarian residential stock - almost 4 million dwellings - is of private ownership, which is the highest home ownership ratio in the European Union. Accordingly, there is only a low proportion of residential properties acquired or built for investment purposes, the large proportion of owners would risk to lose their home when not paying the monthly instalments.

**Average prices of flats in Hungary 2005-2009 (HUF mn)**



**Home ownership ratio**

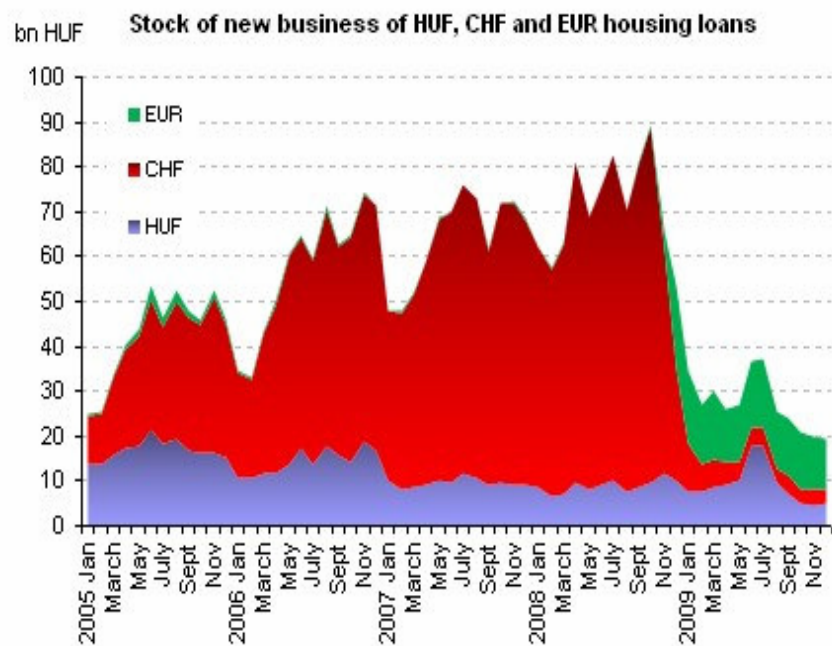


Source: EMF, OECD



### Forint denominated loans gaining in importance

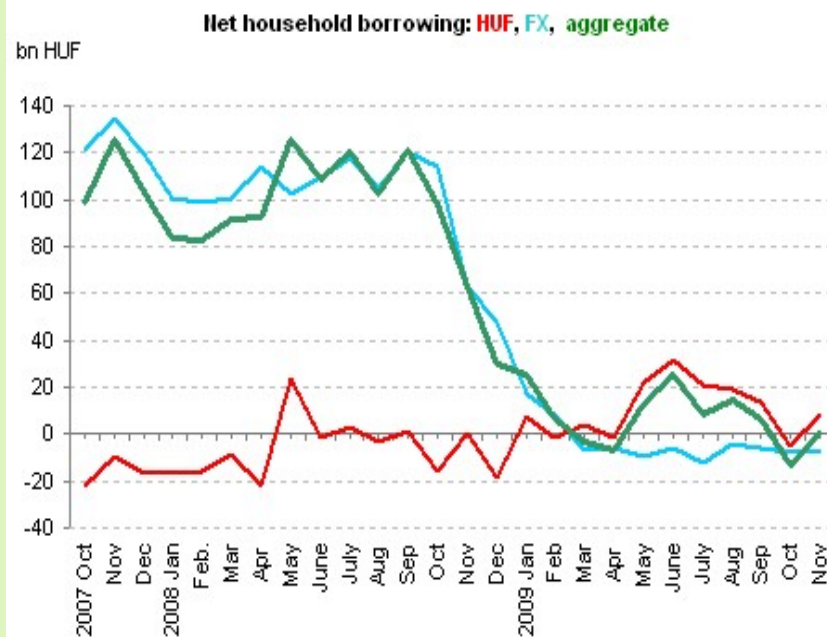
The National Bank of Hungary (NBH) cut the benchmark rate by 25 bps to 5,5 in March, 2010 (the lowest base rate ever). It is expected, accordingly, that the difference between the interest rate of HUF- and euro denominated household loans will decline. It is one of the key goals of the HNB to enhance the interest rate transmission.



Source: NBH, Portfolio.hu

### Decreasing proportion of FX-denominated loans

With regards to FX loans, the Hungarian household sector has been net payer every single month since March 2009. In Q1 2009, the weakening forint was the main driver of the decline in asset quality indicators, however, since the currency recovering in Q2 2009, the forint is stable.

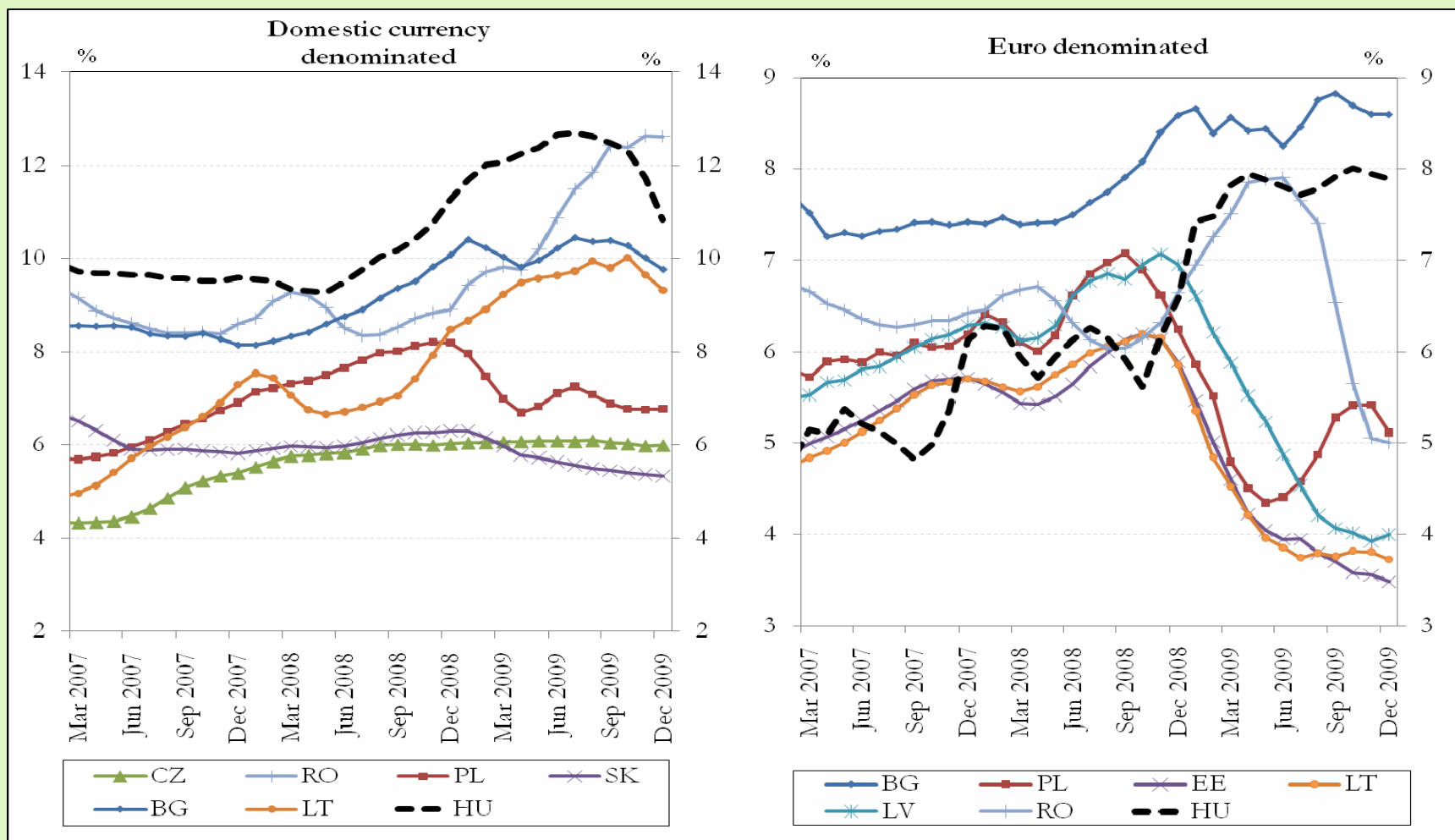


Source: National Bank of Hungary, Portfolio.hu

\*: no seasonal adjustment, net: balance of redemption and new borrowing



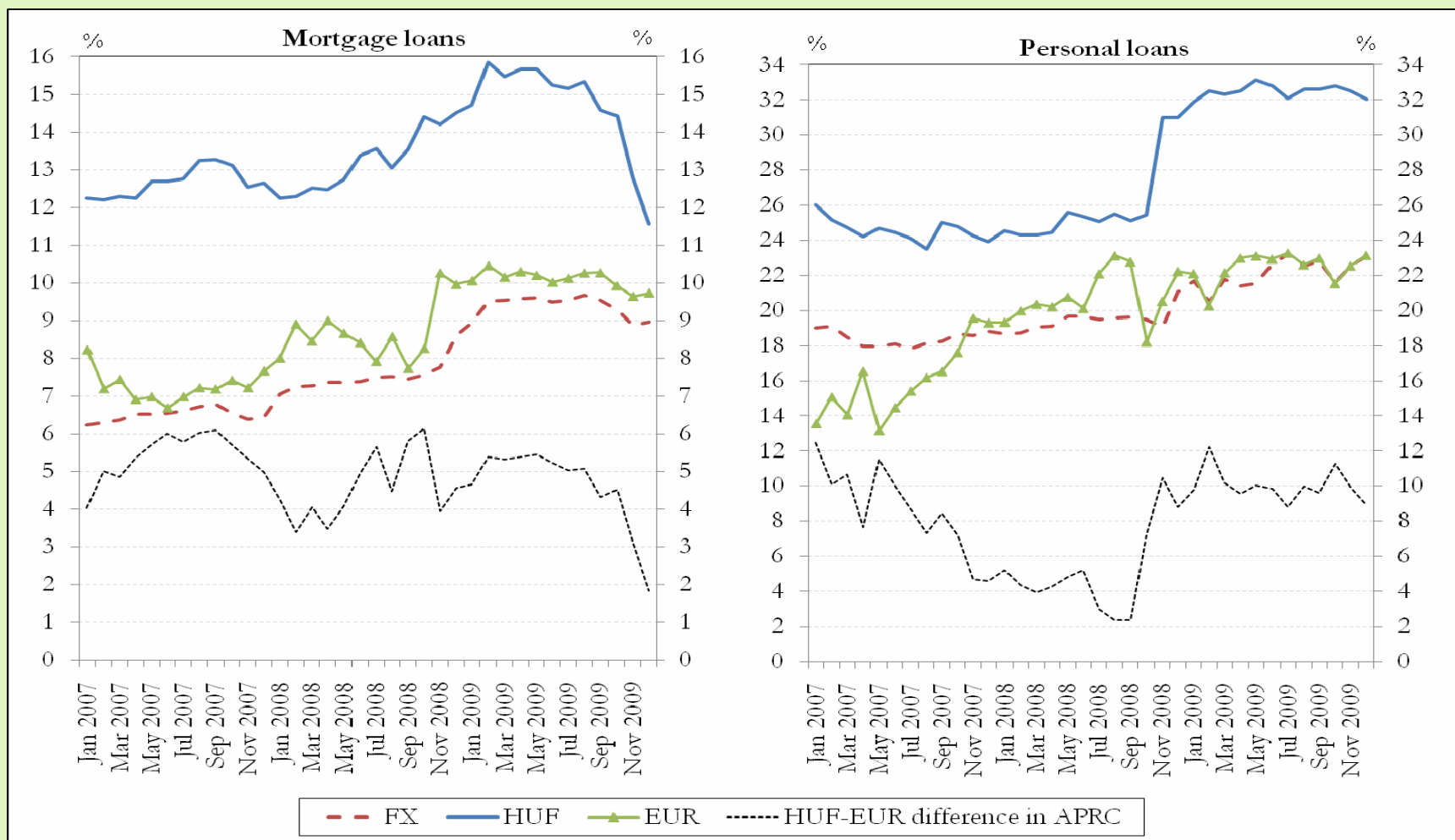
## Interest rates on new housing loans in international comparison



Source: National Bank of Hungary



### Average 'annual percentage rates' (APRs)



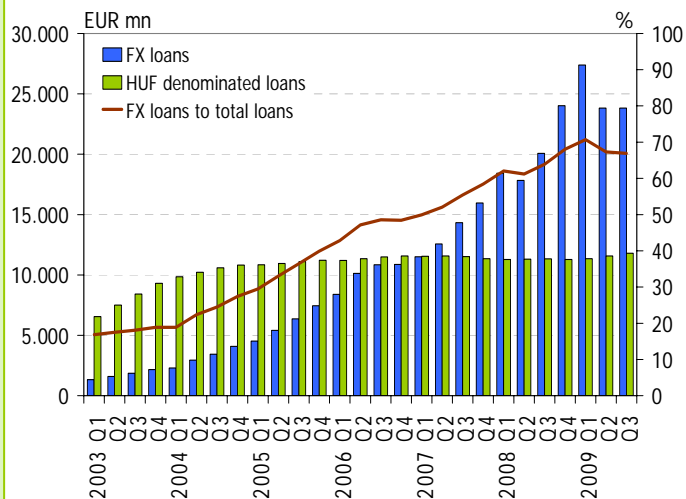
Source: National Bank of Hungary



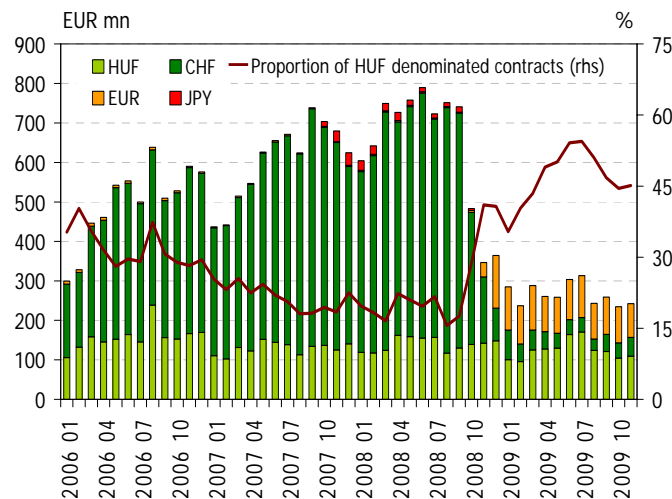
# MAGYAR JELZÁLOGBANK EGYESÜLET

## ASSOCIATION OF HUNGARIAN MORTGAGE BANKS

### Denomination structure of retail loans

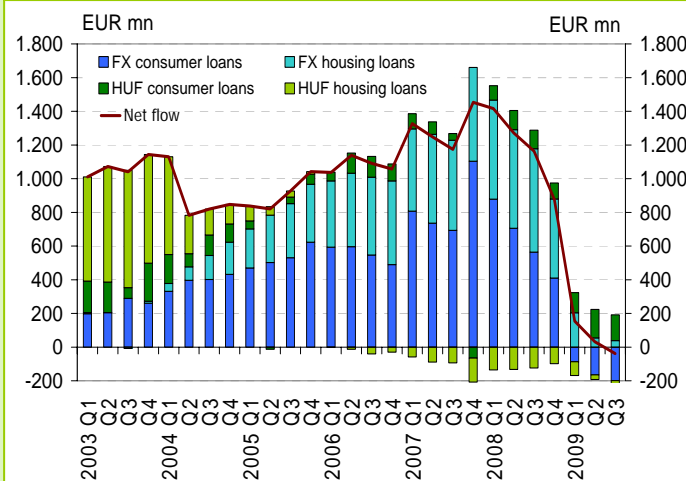


### FX composition of new retail bank loans

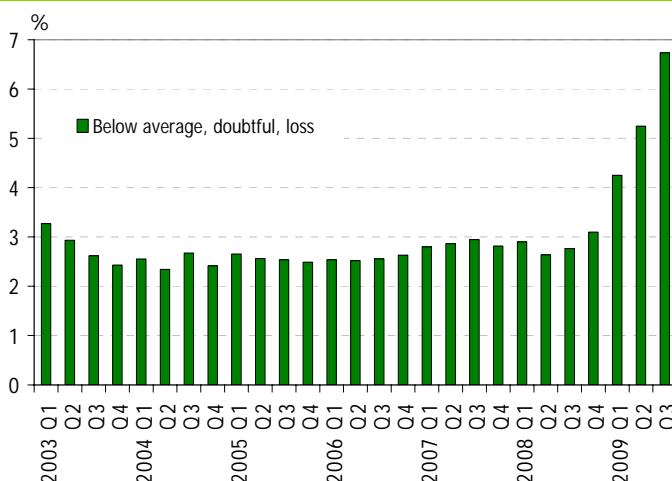


**Retail FX loans should not be a strong concern**

### Retail loans, net quarterly changes



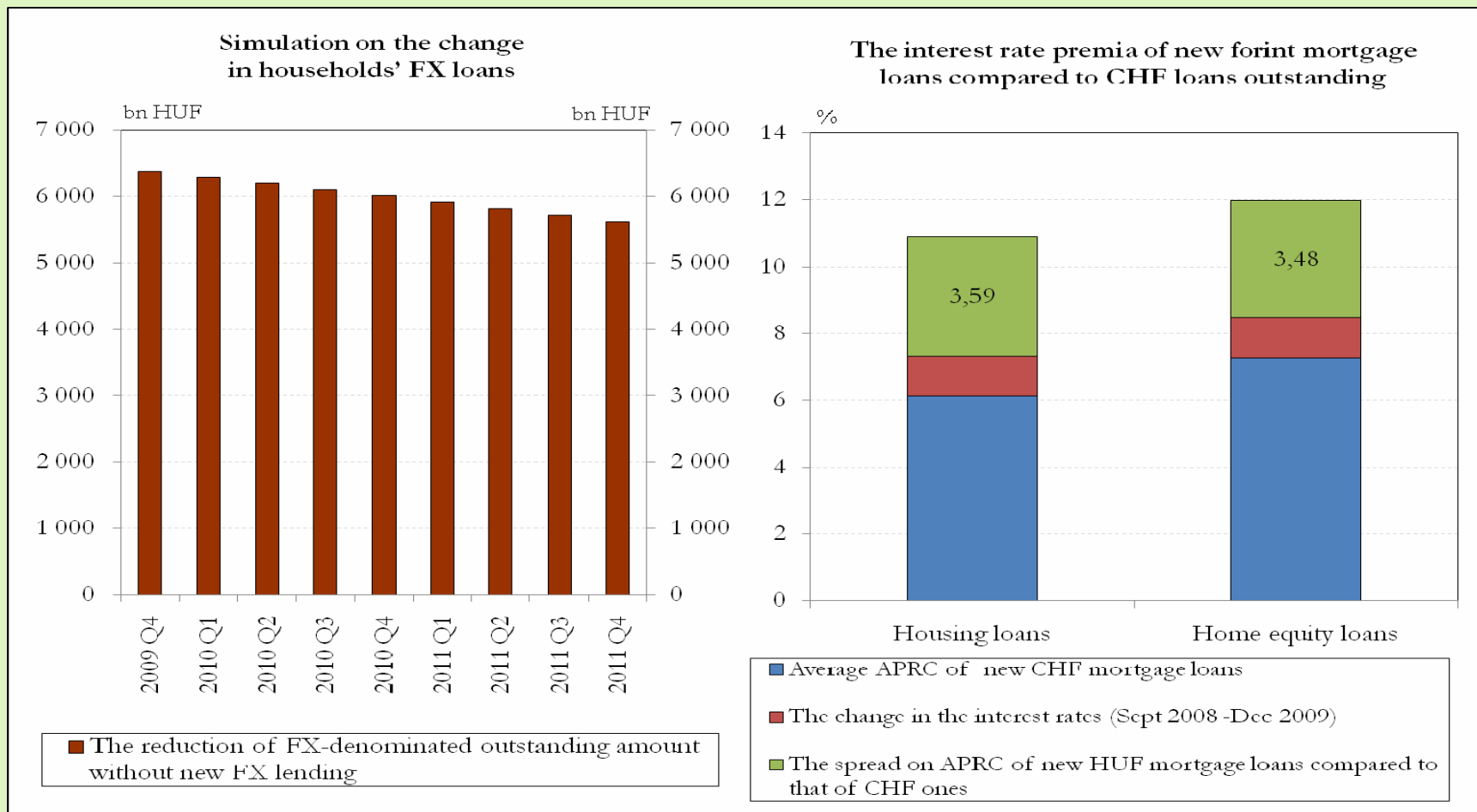
### Retail NPL/ total loans



Source: National Bank of Hungary



### Simulation of the change in households' foreign currency loans and the interest rate premium of new forint mortgage loans compared to outstanding CHF loans



Source: National Bank of Hungary



### Government measurements

Hence conservative lending practice of banks in Hungary, the Government introduced a new regulation of LTV limits – effective from 1 March, 2010.

Act No. IV. of 2009 on the Direct and Unconditional Surety Undertaken by the Hungarian State in relation to Mortgage Loans targets homeowners who are unable to service their mortgage payments due to unemployment or other temporary income shocks. Under the scheme, eligible borrowers obtain so-called "bridging loans" enabling them to redeem part of their mortgage installments for a period of up to two years.

The duty on the acquisition of real estate has been reduced.

### Potential market growth

The residential mortgage debt is still moderate in proportion of the GDP in Hungary.

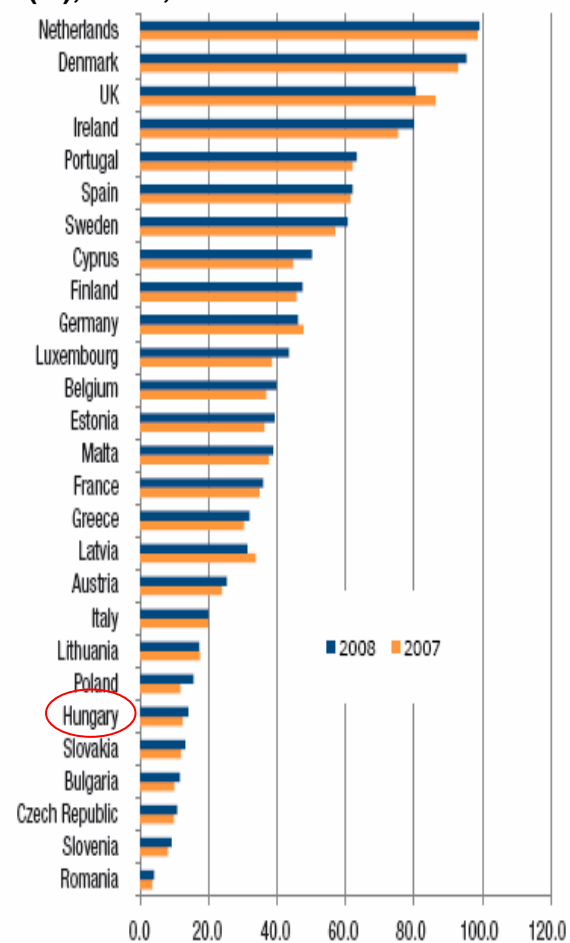
There is a strong demand for better housing conditions.

Real property is still considered to be households' most important and most secure investment.

There was an estimated setback of app. 50 percent in the number of transactions on the housing market during the first six months of 2009.

A notable increase in the loan portfolios is only expected at the end of 2010 or at the beginning of 2011, after a recovery in external demand, a pick-up in investment projects and a decline in bankruptcy rates and unemployment.

### Residential Mortgage Debt to GDP ratio (%), EU27, 2008 and 2007



Source: European Mortgage Federation, Hyostat - 2009 November





MAGYAR JELZÁLOGBANK EGYESÜLET  
ASSOCIATION OF HUNGARIAN MORTGAGE BANKS

---

Thank you for your attention!

Contact details:

Association of Hungarian Mortgage Banks

[www.mortgagebanks.hu](http://www.mortgagebanks.hu)

Telephone: +36-1-411-1346

Fax: +36-1-411-1347

E-mail: [botos.andras@jelzbank.hu](mailto:botos.andras@jelzbank.hu)