

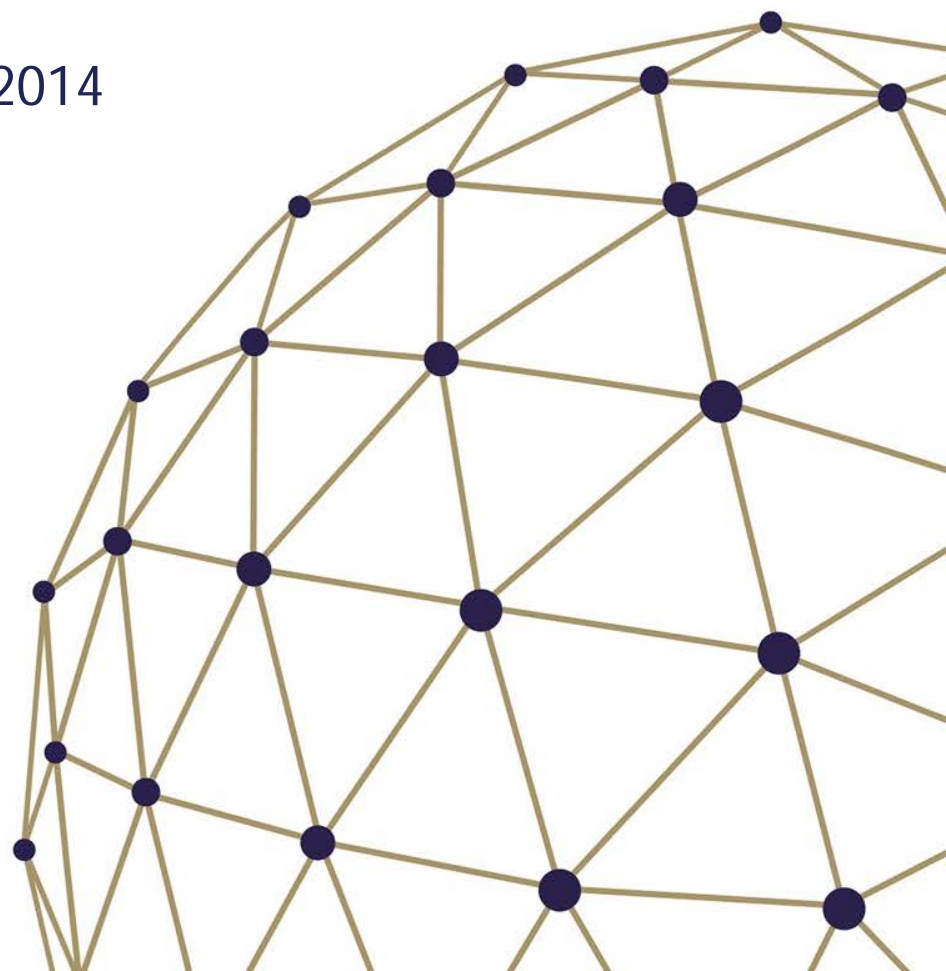


# Financial reforms to contain risks from FX lending in Hungary

Dániel Palotai

chief economist

Zürich, 21 November 2014



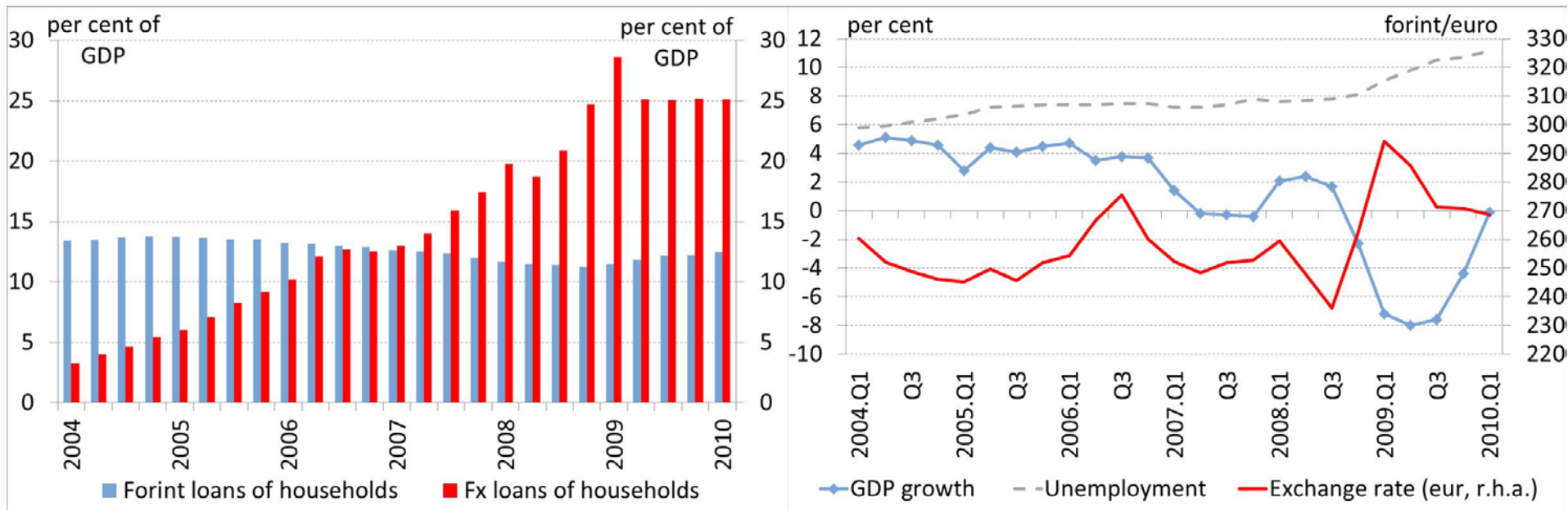


# The roots of a major macroeconomic imbalance

- Before the crisis: rapid growth in FX loans



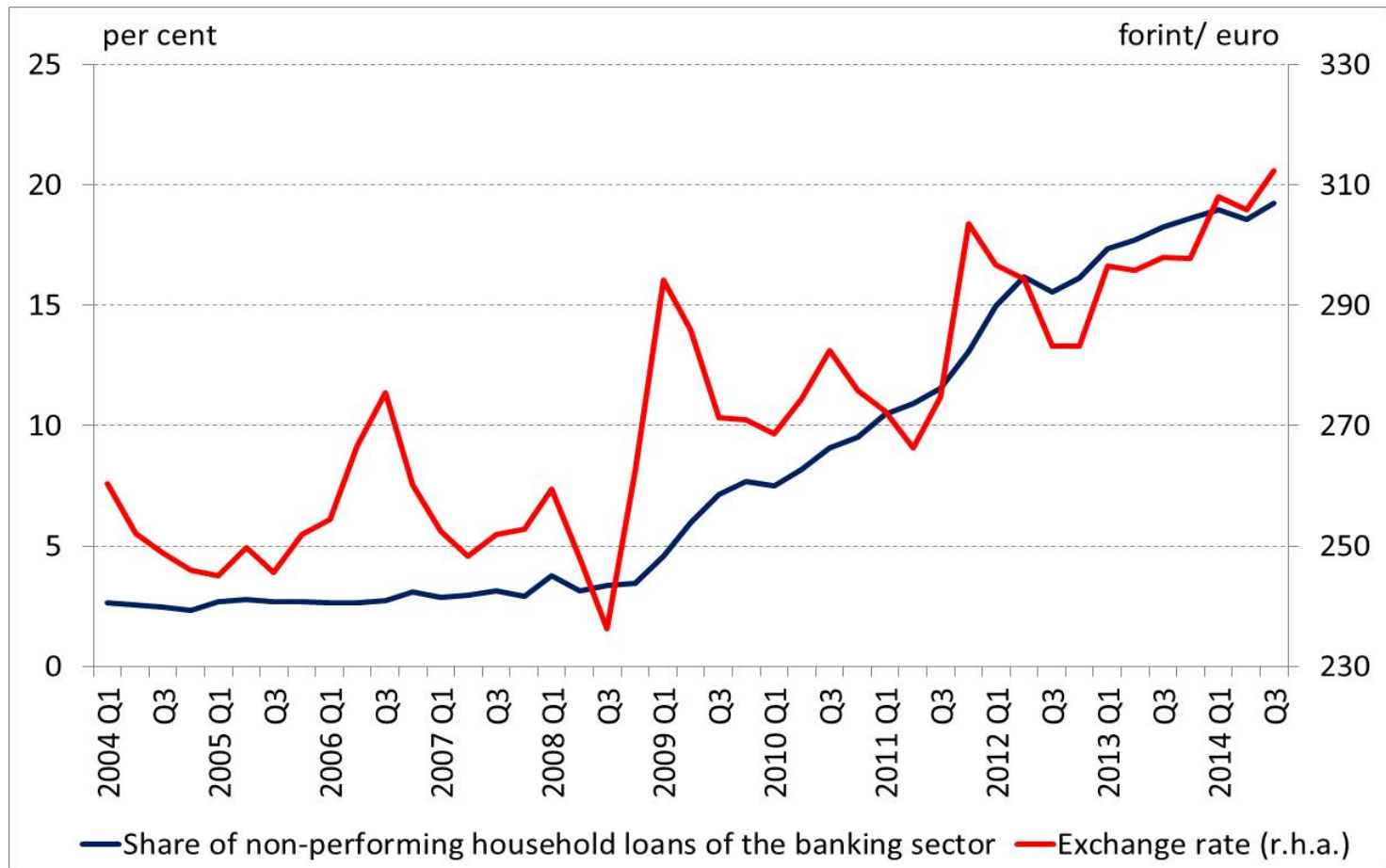
- A major channel of the international crisis hitting Hungary





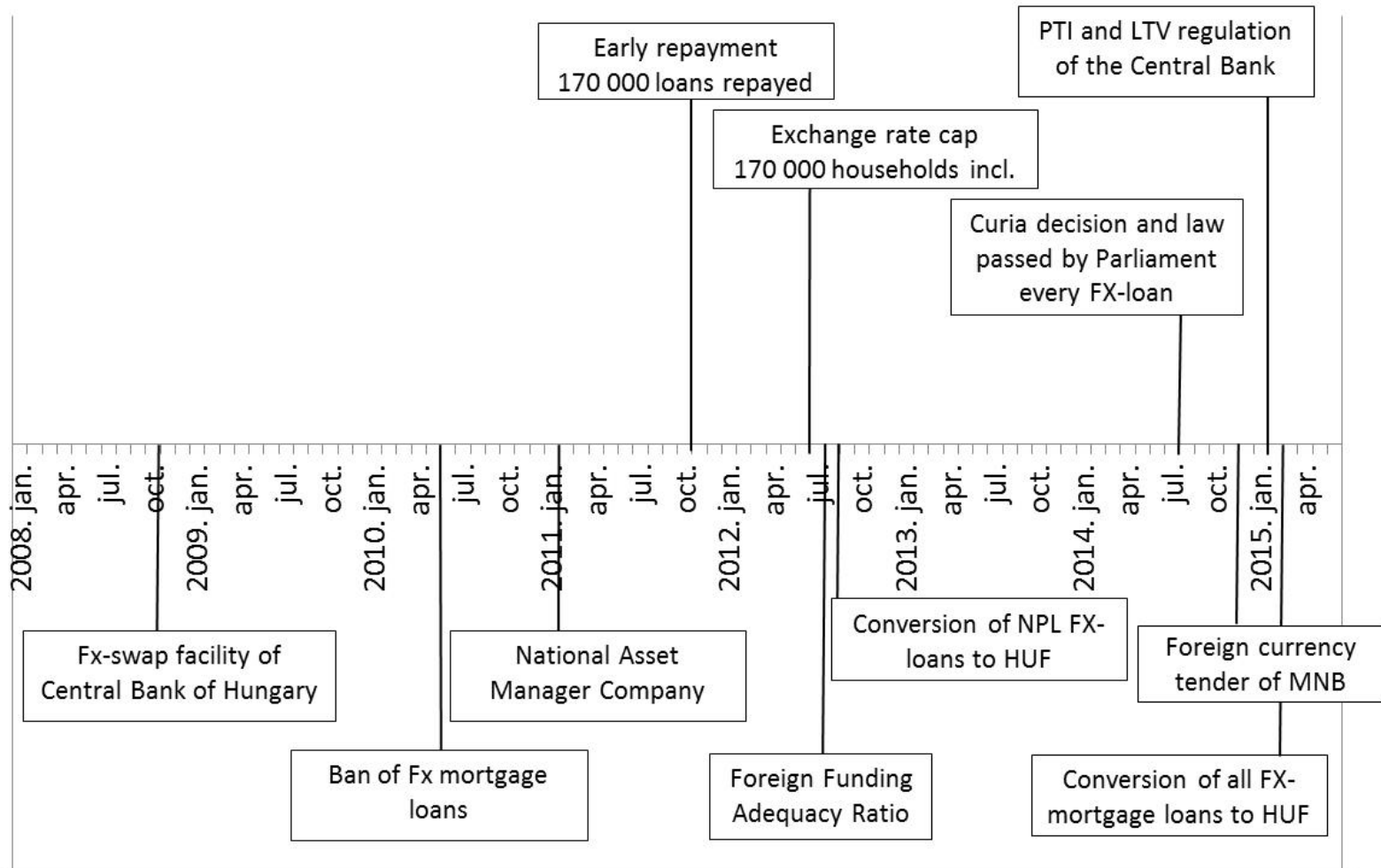
# In parallel with depreciation NPL rates increased

- Large volume of FX-loans and exchange rate depreciation makes it harder for households to repay



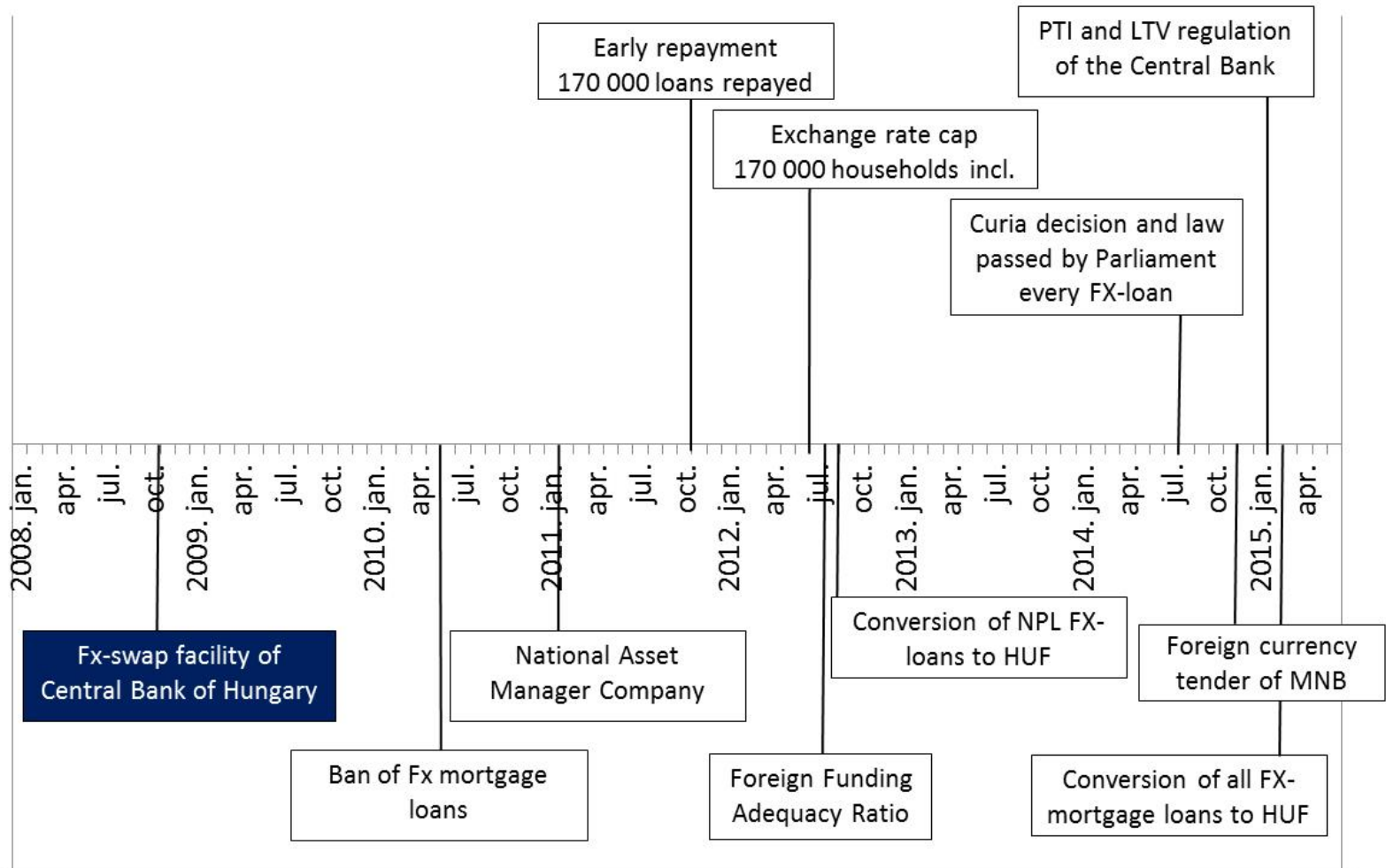


# Actions taken by authorities



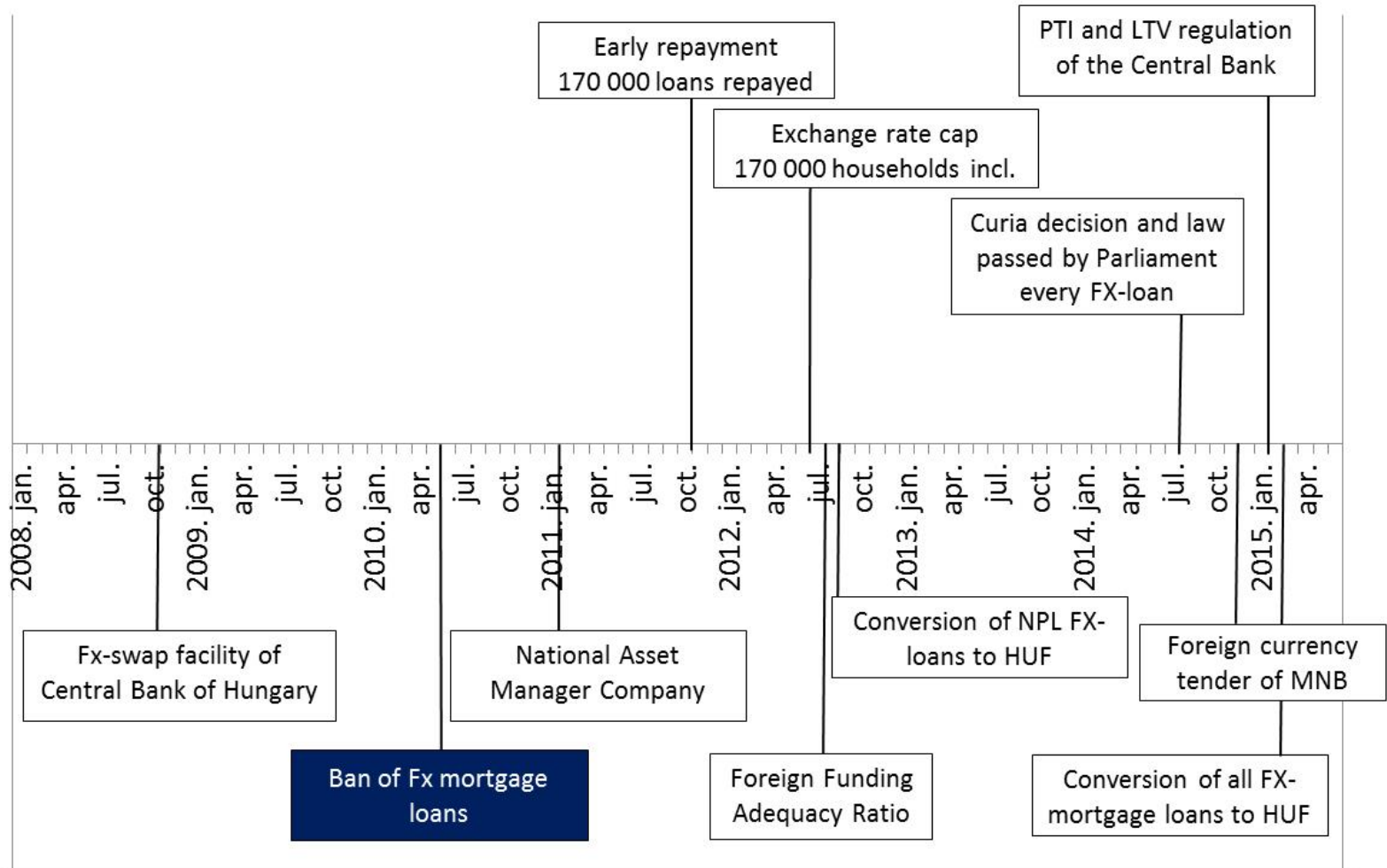


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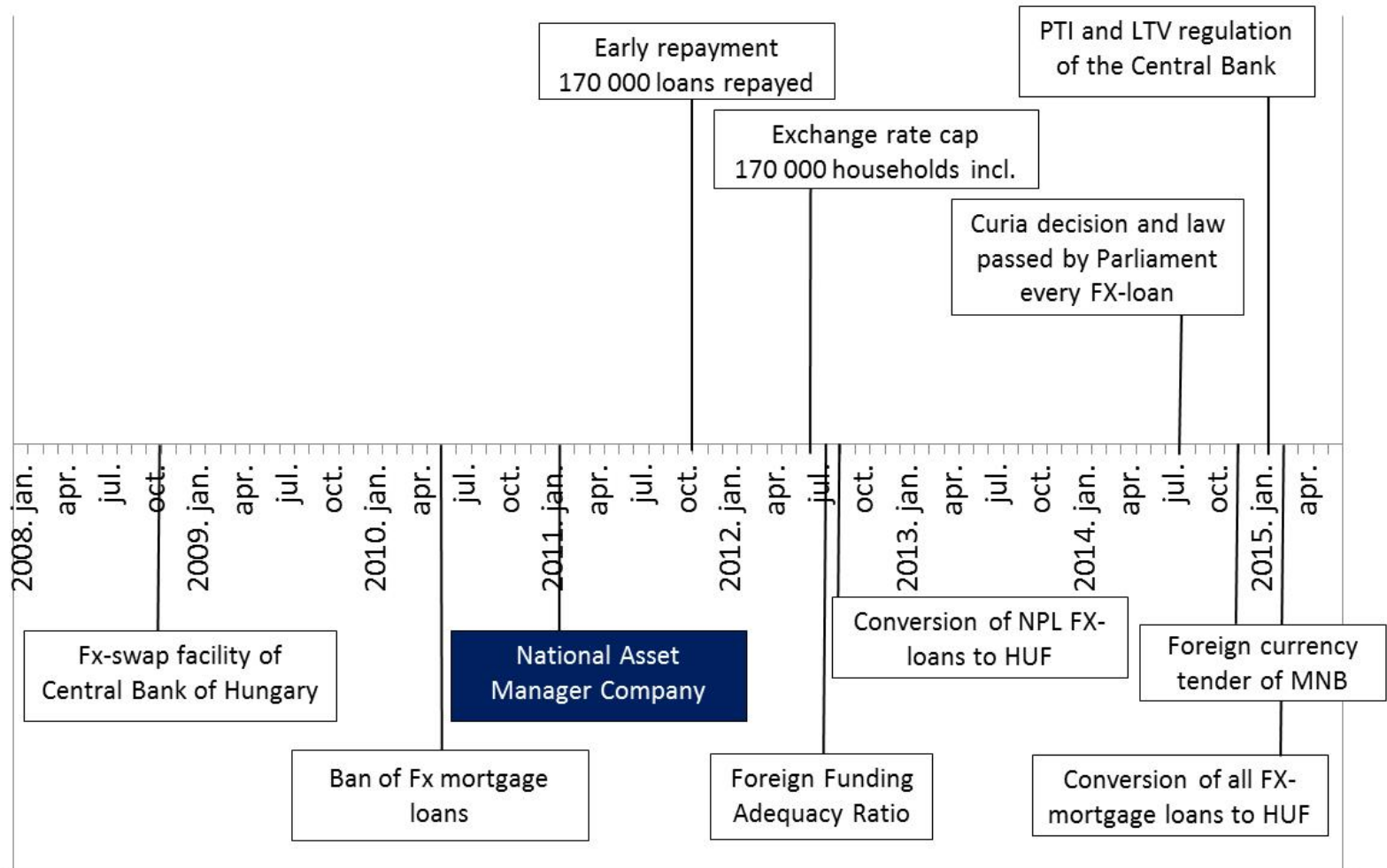


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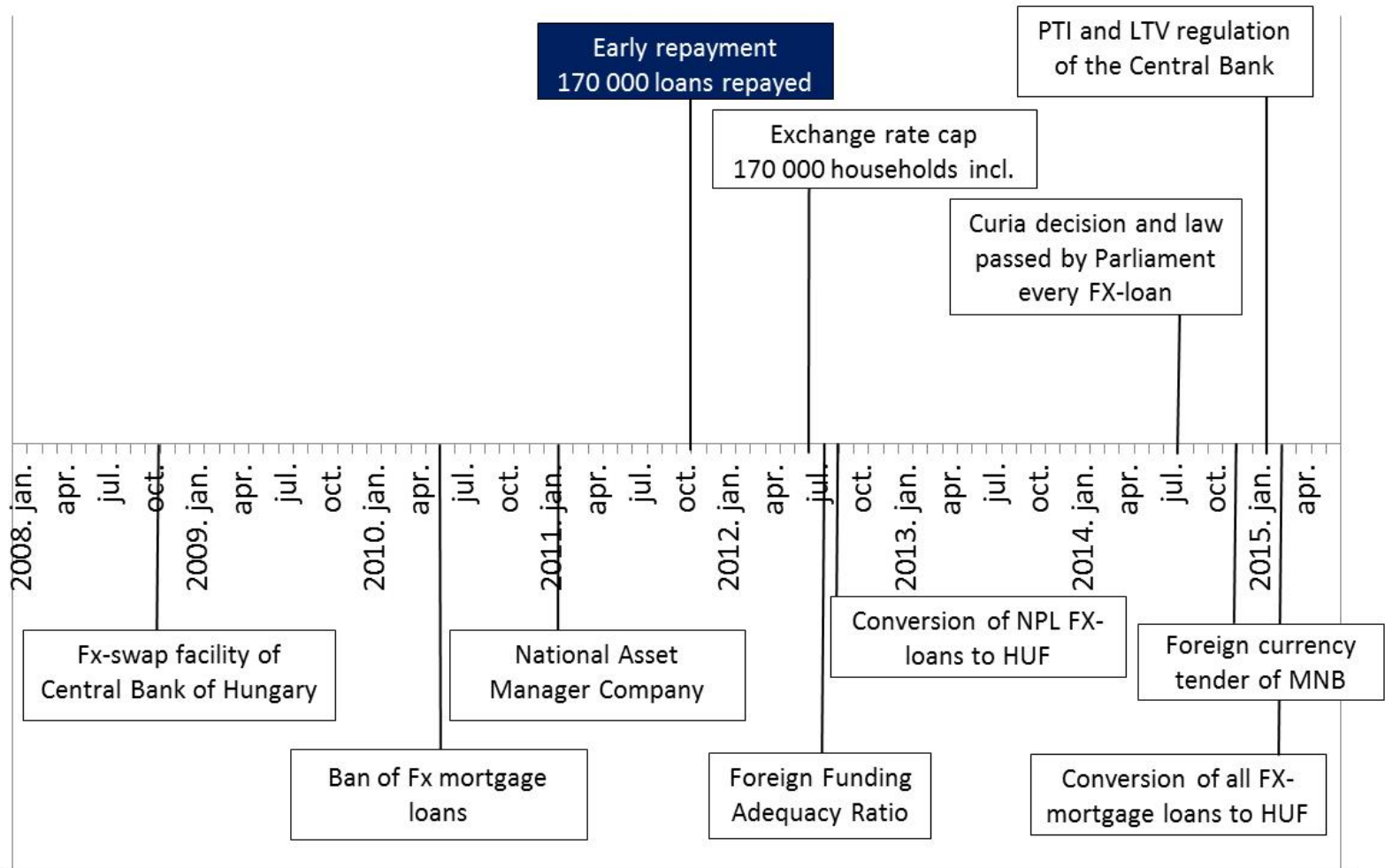


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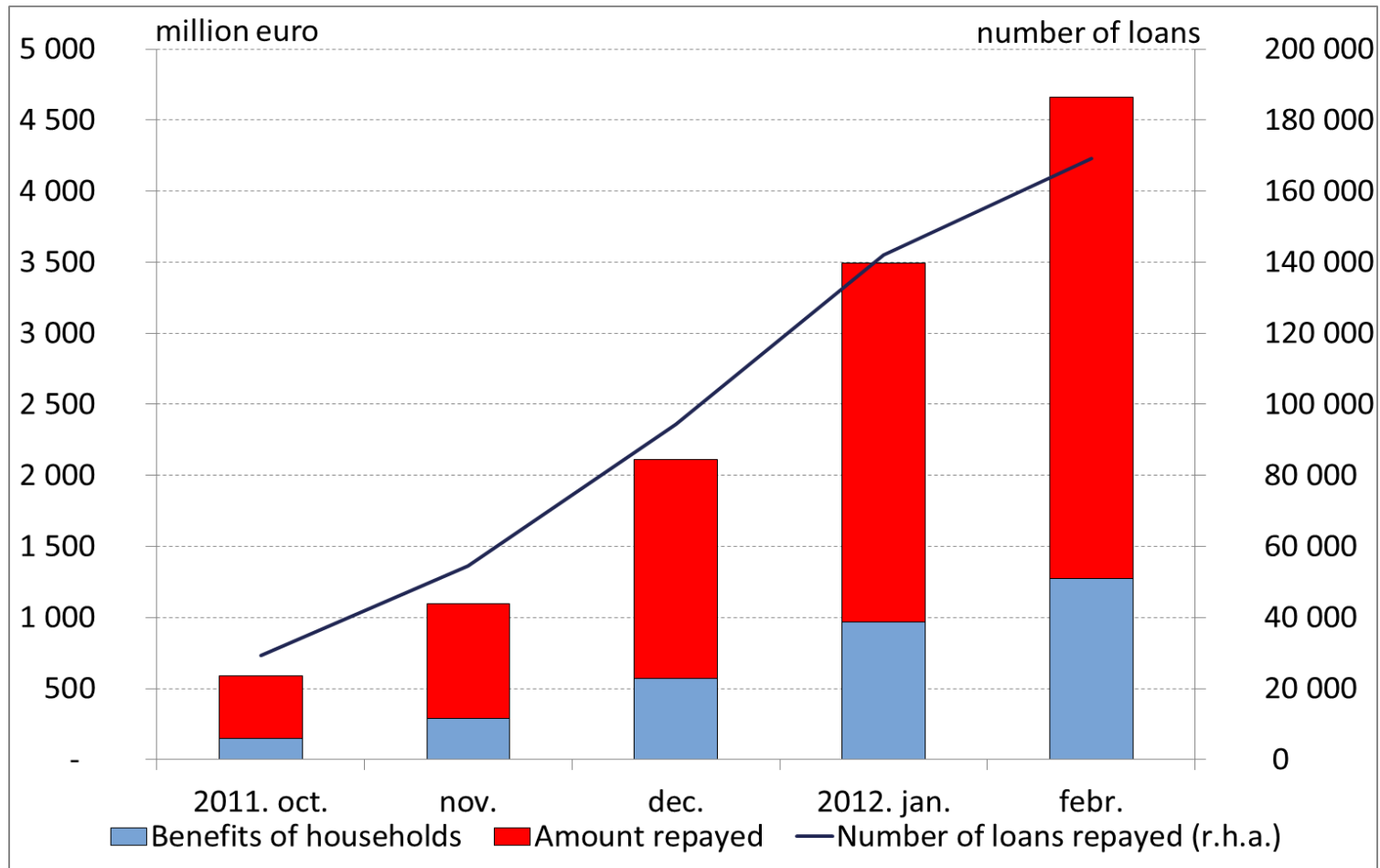






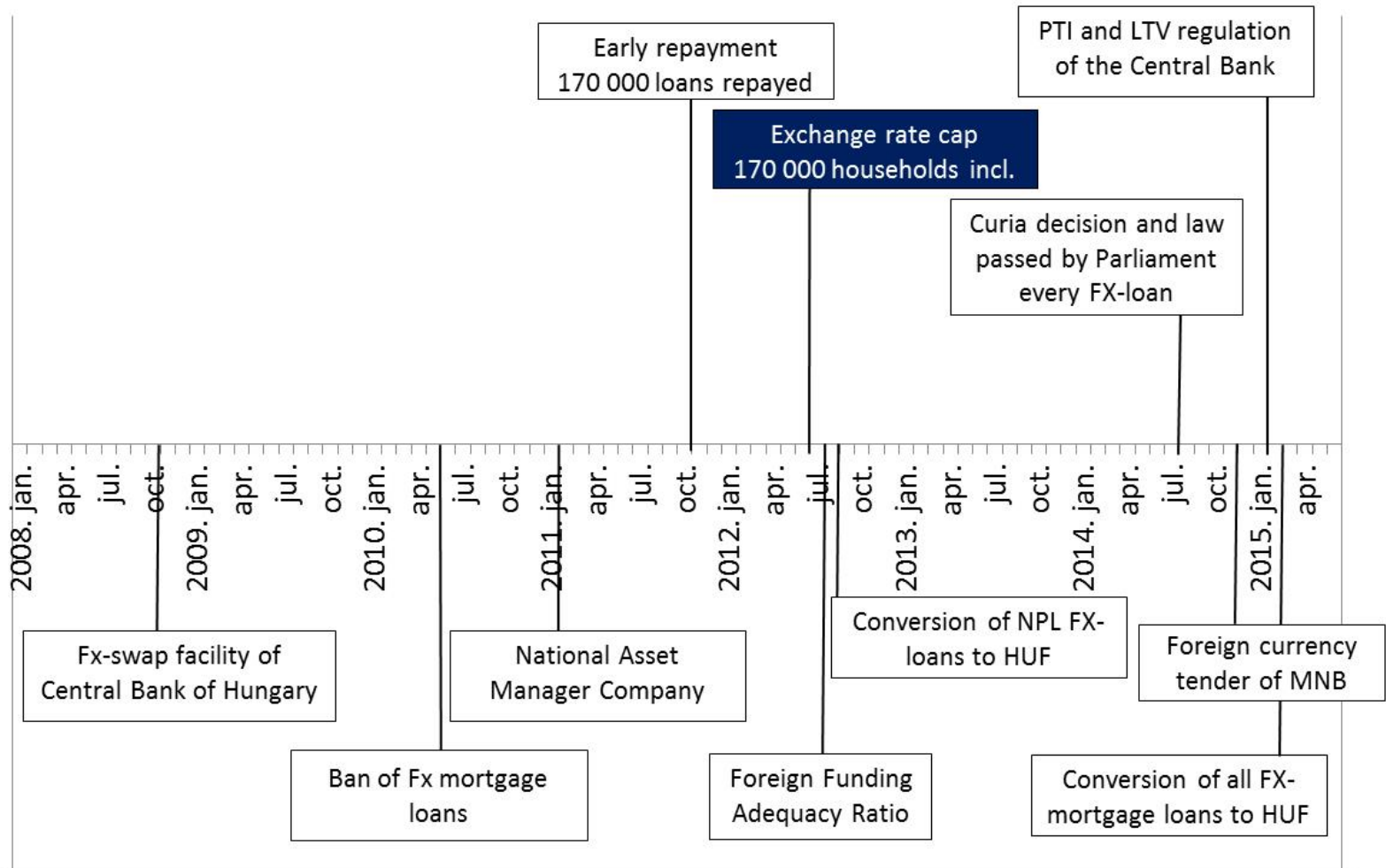
# Early repayment scheme

FX-debtors were offered to repay their loans at a preferential exchange rate





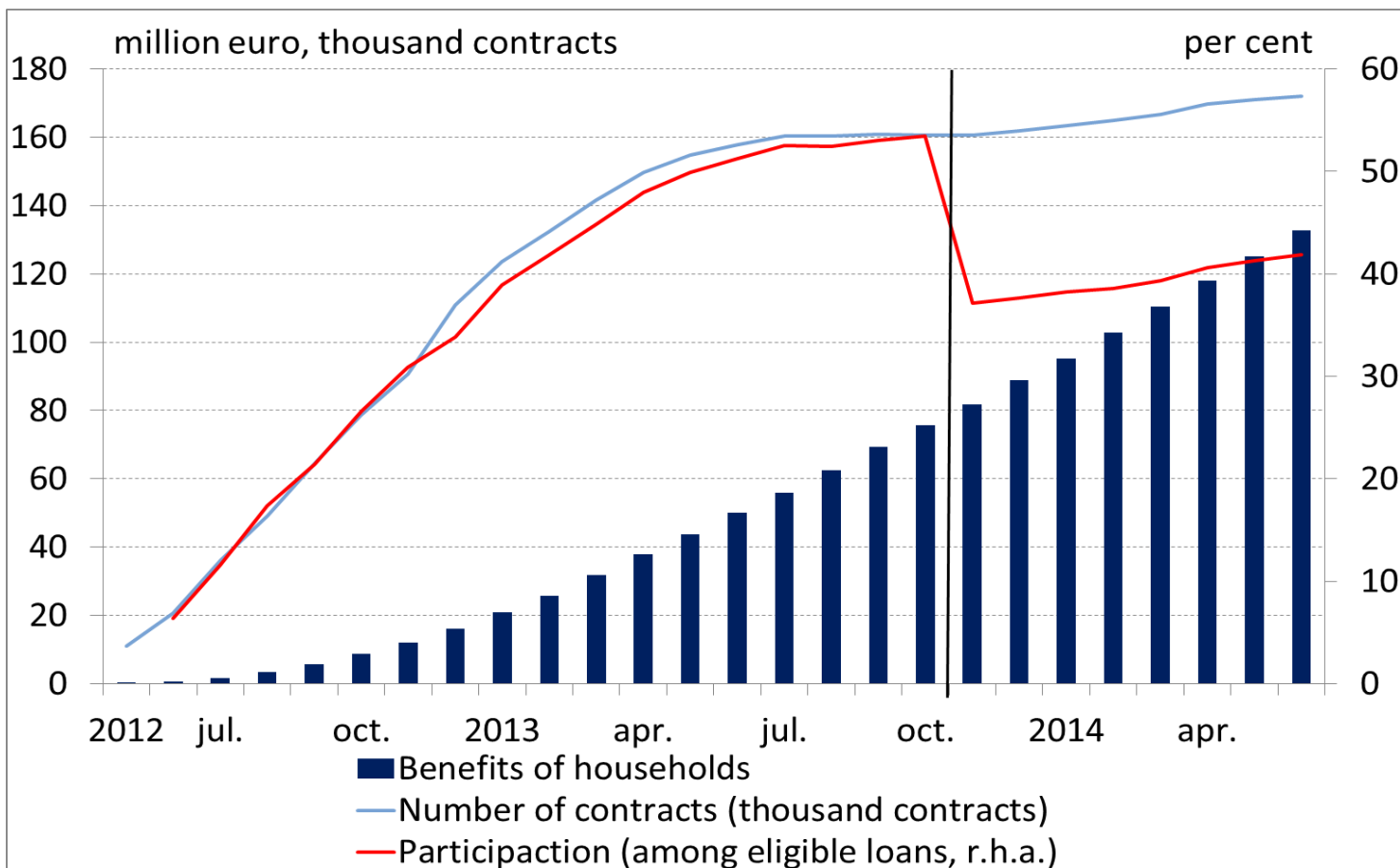
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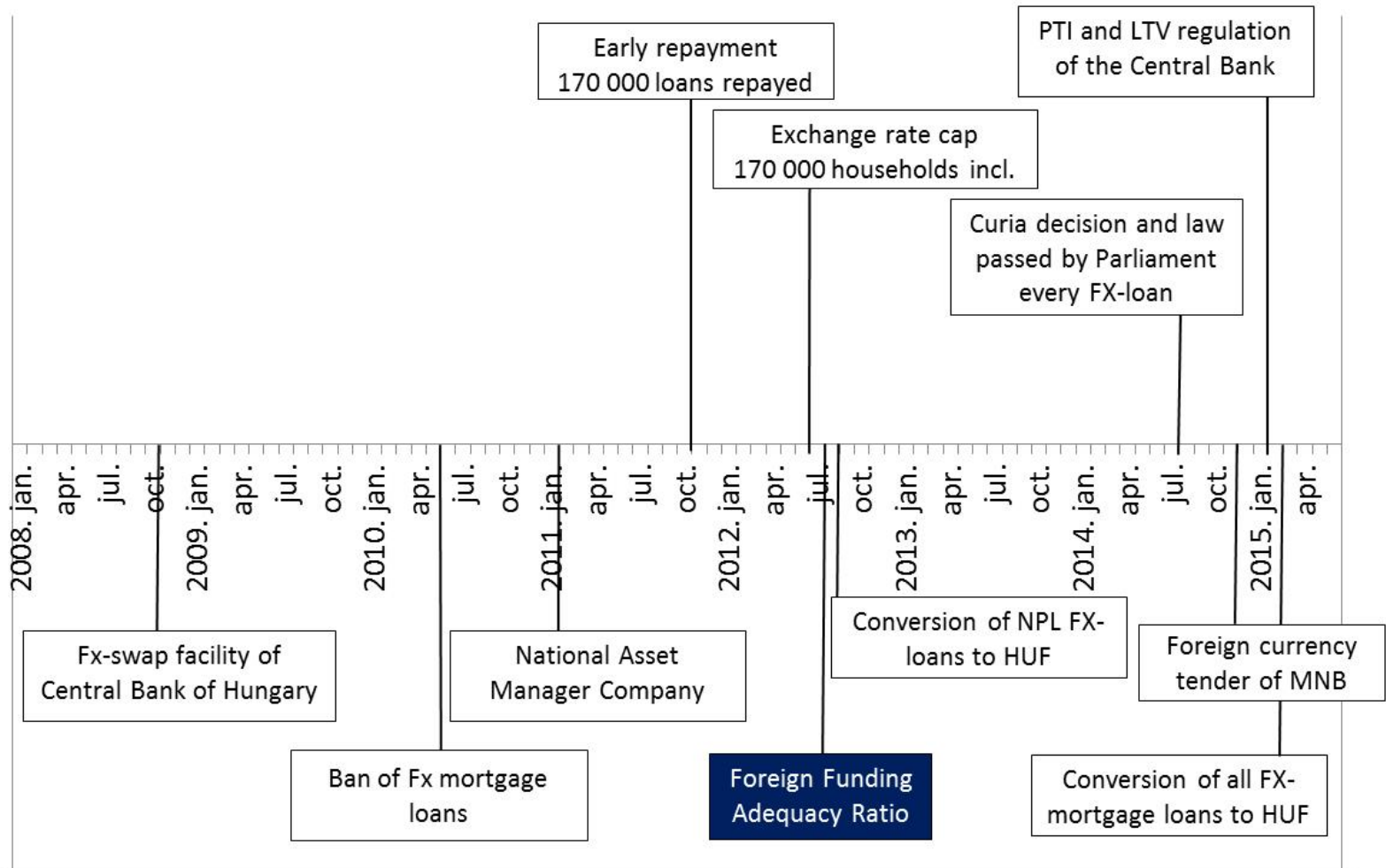
# Exchange rate cap

The participating borrowers can repay their loans at a preferential exchange rate for five years - the difference is accounted for on a loan account



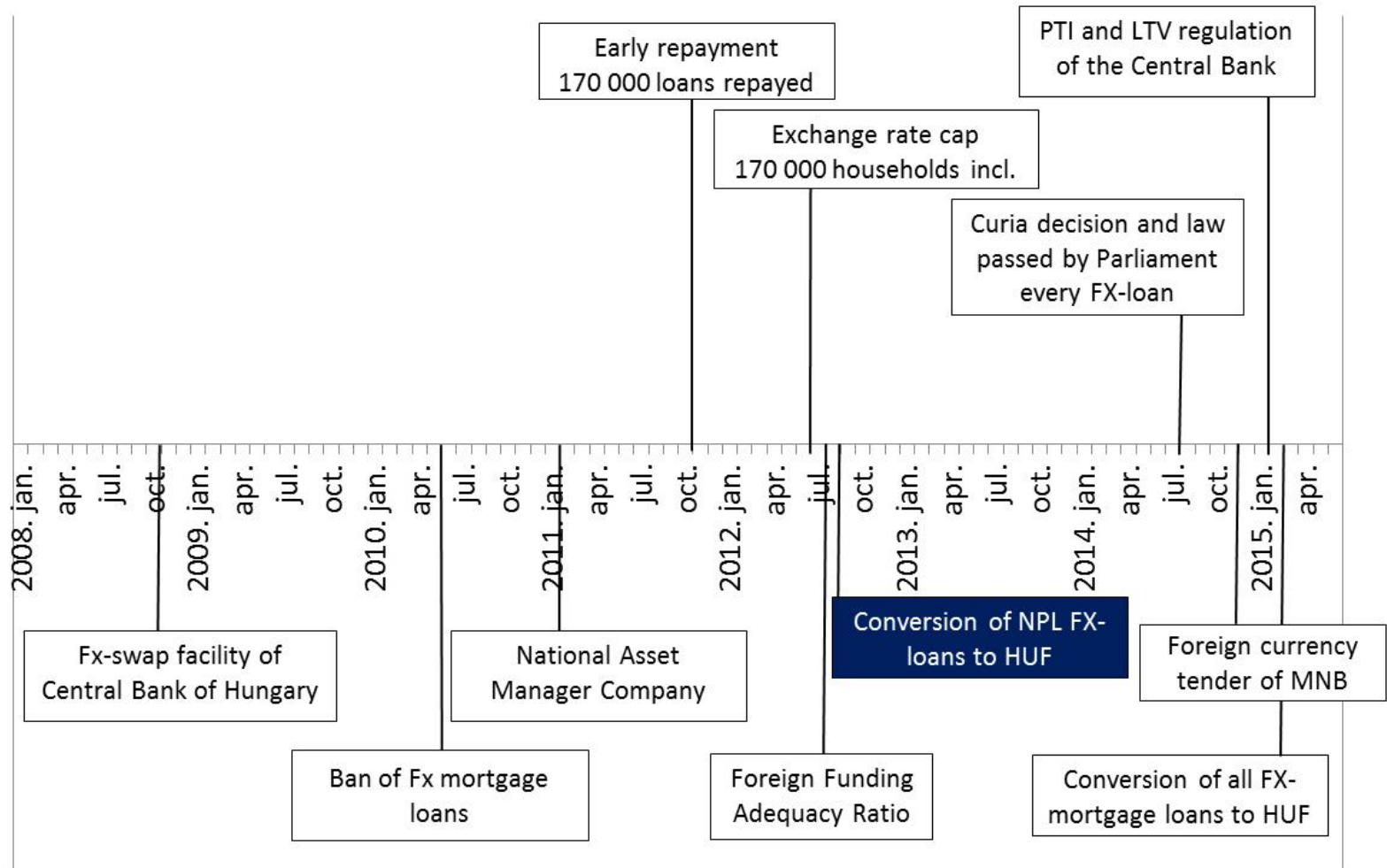


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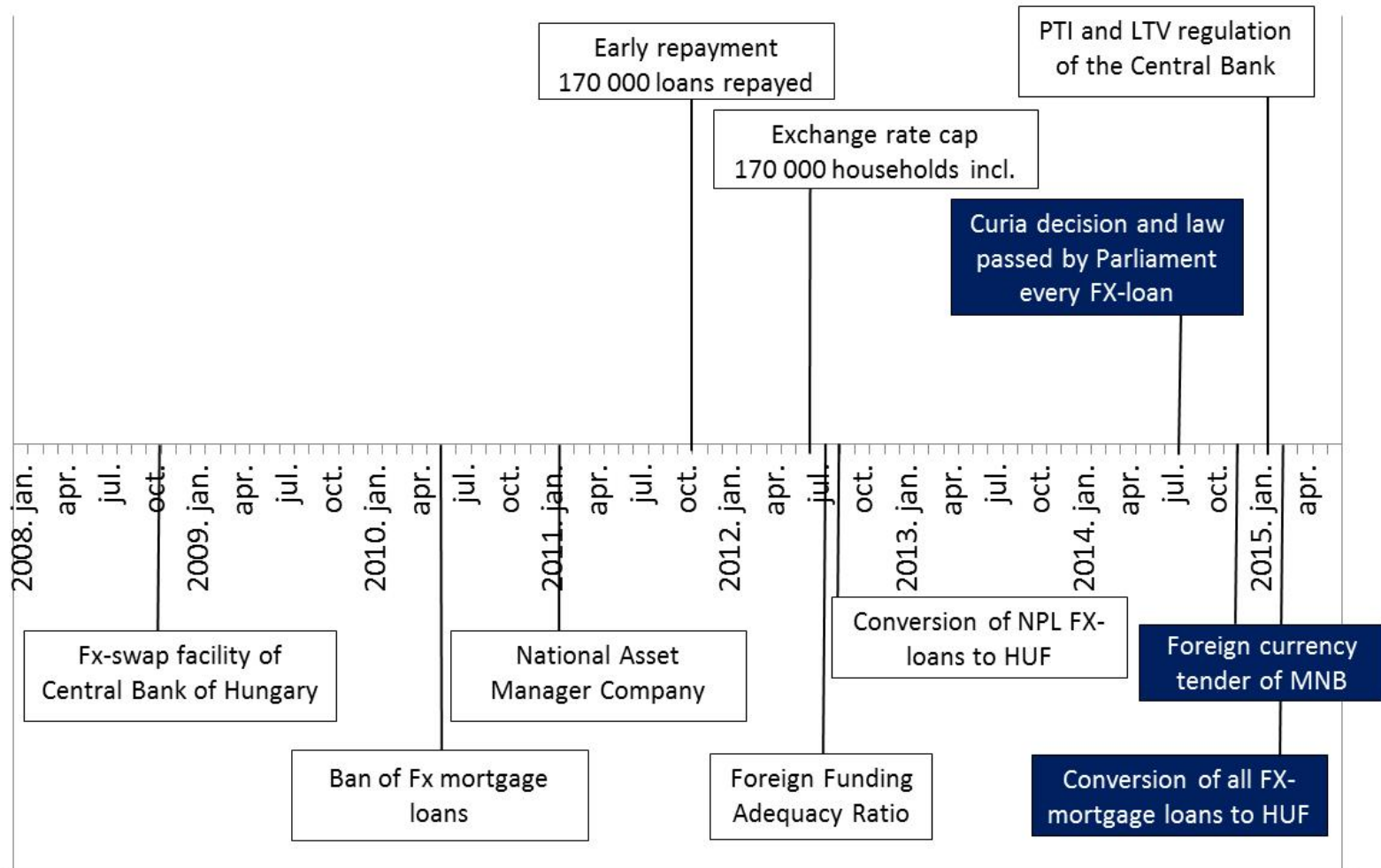


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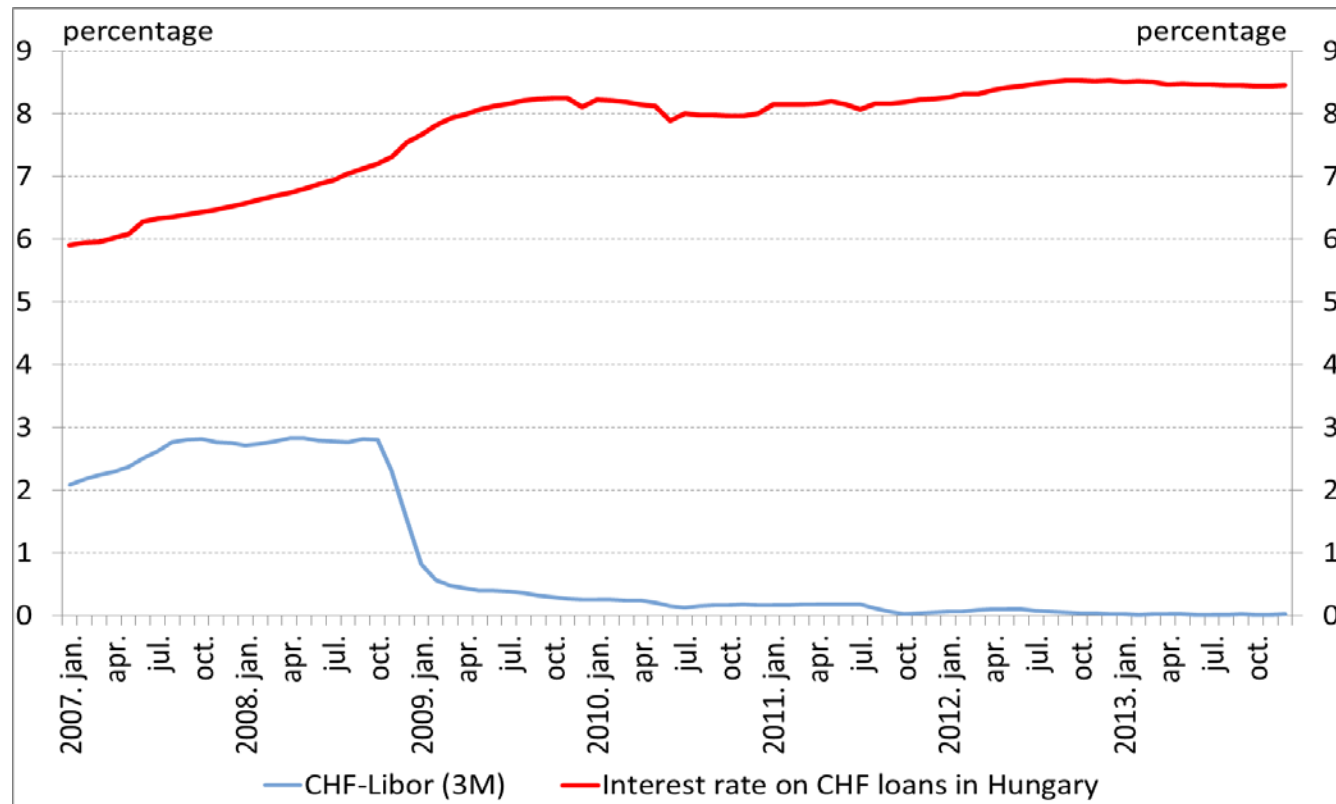
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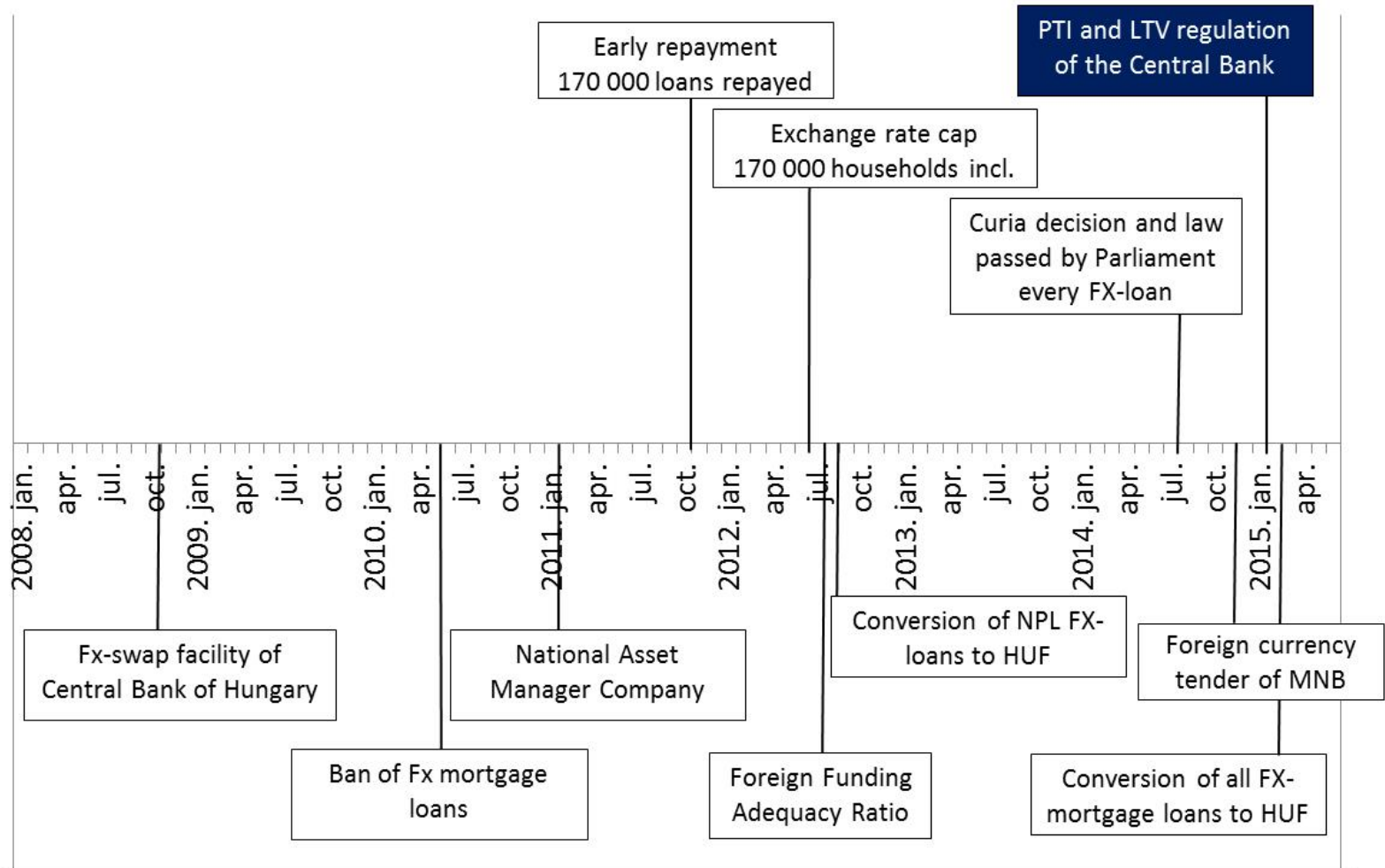
# Supreme Court decision and conversion

- According to Curia's decision and following legislation damages will be refunded to borrowers from:
  - exchange rate margins - bid-ask spreads
  - unilaterally raised interest rates
- Conversion of households' FX-mortgage loans on 1 February





# Actions taken by authorities







# PTI and LTV regulation of the Central Bank

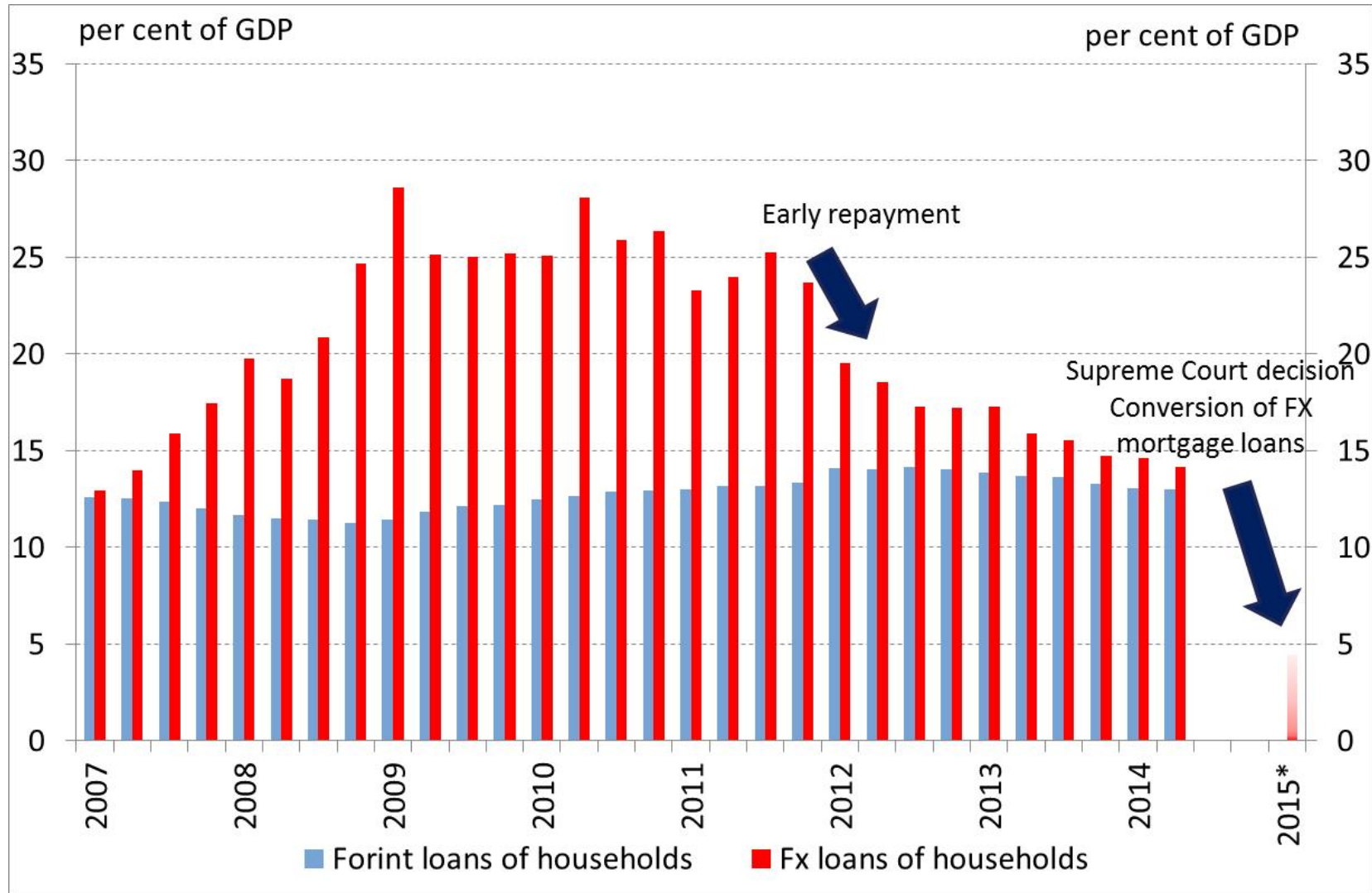
- PTI and LTV regulations introduced by the Central Bank - differentiates between FX and HUF loans
- Shall prevent the build up of further risks

		HUF	EUR	Other currency
Payment of income ratio	Under 400 000 HUF income	50 %	25 %	10 %
	At 400 000 HUF monthly income, or above	60 %	30 %	15 %
Loan to value ratio	Under 400 000 HUF income	80 %	50 %	35 %
	At 400 000 HUF monthly income, or above	75 %	45 %	30 %

(400 000 HUF approx. 1300 EUR)

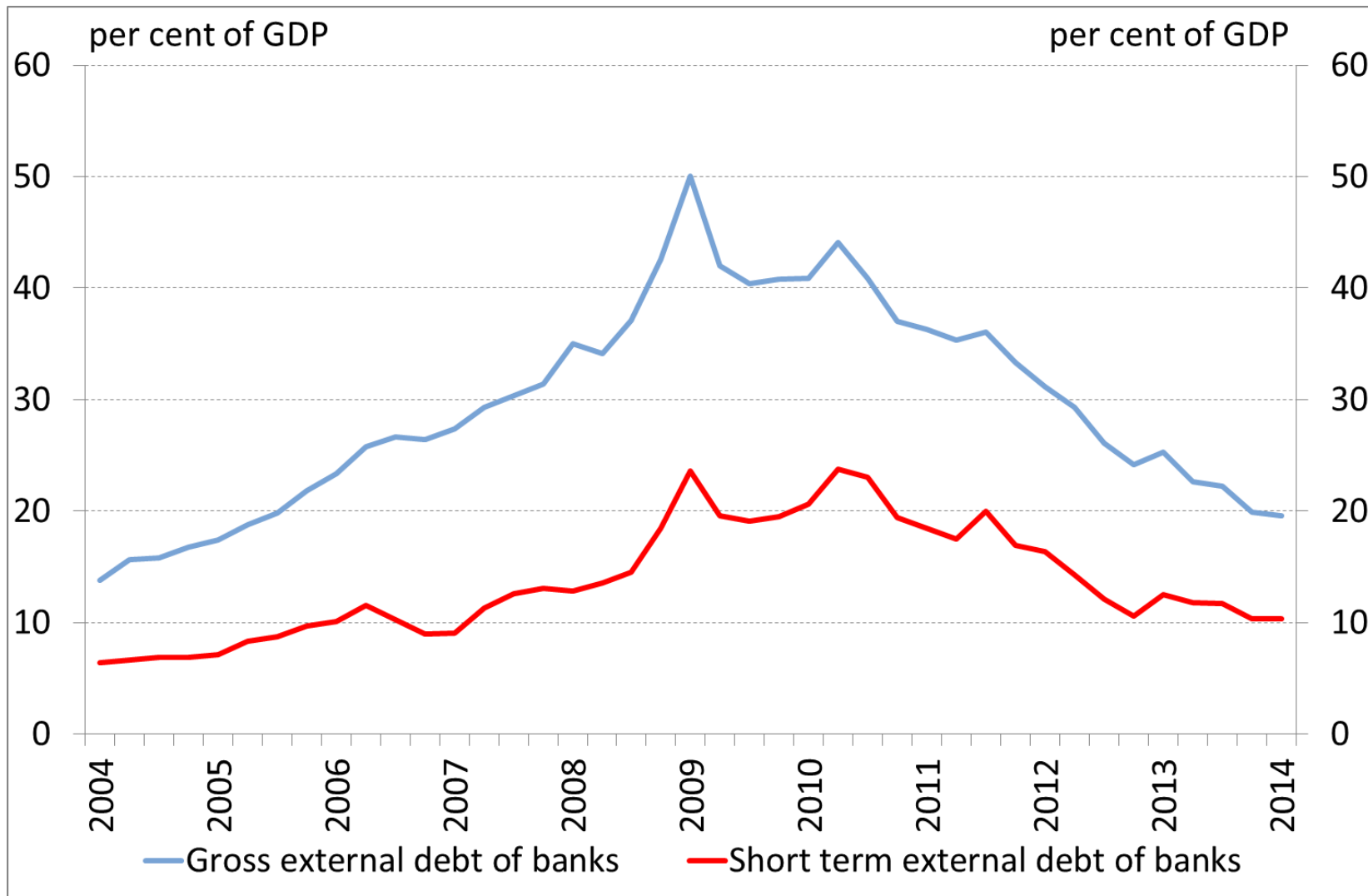


# Measures significantly reduced the risks of the household sector ...





# ... and also macroeconomic imbalances



Thank you for your attention!

