

Abstract of the articles

WHY DO WE NEED A HUNGARIAN AGRICULTURAL BANK?

ARNOLD GÓR

The financing of agriculture – mainly due to characteristics of the production – faces a lot of problems. The sources offered by financial institutions – strictly based on the market – are not able to manage these in an acceptable way for those affected. In many areas progress can be experienced, but still there are many difficulties, such as the management of guarantees, non-compliance of requirements, etc. These problems can only be solved by the establishment of an agricultural bank, which takes the peculiarities into account. The multi-functionality has not been realised domestically, but an agricultural bank can greatly speed up the process. This may help the convergence of the domestic agricultural sector to the level of other Member States by realizing the necessary investments and through the sustainability of undisturbed production.

„SENSE AND SENSIBILITY” RETAIL CUSTOMER BEHAVIOURS AND ATTITUDES TOWARDS BANKS

PÉTER NAGY–ZSÓFIA TÓTH

The global financial and economic crisis created new competition in the market for retail banking, and in the areas of existing customer retention and new customers' acquisition. The corresponding economic and social change called for new adaptive strategies on behalf of banks to better understand the economic behaviour of their customers. This paper focuses on certain relevant psychological, sociological and economic factors that tend to characterize customer behaviours and attitudes towards banks. With particular emphasis on highlighting the potential implications of relevant theories for the purposes of banks, our conceptual model incorporates elements of trust, monetary attitudes and underlying emotional components.

THE ROLE OF SUBSIDIZED LOAN PROGRAMMES IN FINANCING THE AGRICULTURAL SECTOR

SZILVIA BENCZE– ISTVÁN KISS

The realisation of income and expenditures in the agricultural sector often differs significantly in time, consequently agriculture is generally dependent on external sources of finance to maintain its daily operation. The Government aims to solve this problem through launching subsidized loan programmes, however the banks place greater emphasis in promoting their own financial products that are more profitable for them. Furthermore, banks consider agriculture as a far too risky sector, so their overall lending propensity is relatively low in this sector. Conversely more facts contradict banks' extreme prudence concerning financing this sector, one of which is that among all the economic sectors the rate of bankruptcy and also the rate of non-performing loans are the lowest in the agricultural sector. Another contradicting fact is that the profitability of crop production increased considerable due to the Union assistance, and it has to be also mentioned that the risks posed by the sector's exposure to natural hazards can be managed.

BALANCE OF REALITY OR WINNERS AND/OR LOSERS OF THE DOMESTIC FOREIGN CURRENCY BORROWING

KRISZTINA HOLMÁR

The goal of this essay is to analyse the effects of the most important measures adopted in the market of households' foreign currency borrowings in Hungary. These measures are the following: the final repayment of FX loans at fixed rate and the new program of fixing FX rate of repayment of foreign currency-denominated retail mortgage loans.

THE ACCEPTABILITY OF THE ASSUMPTION OF GEOMETRIC BROWNIAN MOTION IN THE VALUATION OF REAL OPTIONS

BALÁZS ÁRPÁD SZÜCS

Real options represent the flexibility of decision-making, and are thus part of the everyday work of corporate executives, often having great value. Valuing them with the use of traditional Discounted Cash Flow models has limited relevance, therefore

arises the alternative methodology of financial option pricing, the traditional versions of which assume that the price of the underlying asset follows Geometric Brownian Motion. The paper examines this assumption from the aspect of real option valuation and shows that although it might seem arbitrary, it is not only a mathematically convenient choice, but also a financially acceptable one.

EXCHANGE DIFFERENCES FROM ACCOUNTING PERSPECTIVE – REGULATION AND BUSINESS DECISION

ÉVA GULYÁS

Loan financing in Swiss Franc and Japanese Yen has disappeared in the last few years, financing in foreign currency has become more difficult, while the actual loan portfolio has worsened, losses born by financial institutions have increased. Despite this, the accounting prescriptions have hardly changed, which can be seen as if the current regulation is able to provide the fair and true picture.

According to the accounting approach, there is no material difference between FX and FX-denominated deals: rules on the recognition in the balance sheet, valuation and loan loss provisions are identical. In this article – after highlighting the magnitude of the problem -, I introduce the changes in the rules regarding items in foreign currency and the reasons behind those changes.

In the next part, I investigate the impact of application of different FX rates on the financial statement and their correspondence with the FX-position reported in the Balance sheet.

Later, I discuss the adequate order of the periodical accounting closing tasks, and the differences between impairment of receivables to be settled and denominated in foreign currency, or only denominated in FX with Forint Cash Flow.

DETERMINANTS OF THE PRICING OF SWISS FRANC DENOMINATED MORTGAGE LOANS

MÓNICA PITZ

In the last decade foreign currency indebtedness in Hungary became a systemic financial problem, which also has crippling impact on the real economy through its income and lending effects and has a significant constraining impact on economic policy. Besides the exchange rate the interest rate was also an important factor in determining the burden of households. My research focuses on the causes

and determinants of the pricing of Swiss franc denominated mortgage loans. In my consideration basically four main price shocks affected the pricing of credit institutions: higher foreign currency rates and risk premium, deterioration of loan portfolio quality and taxes paid by banks. The questions that arise are how these costs are related to the evolution of the interest rates on foreign currency loans and to what extent these cost shocks were passed on by banks to clients.

**WAS THERE A LIQUIDITY CRISIS?
– ANALYSIS THE RELATIONSHIP BETWEEN VOLATILITY
AND LIQUIDITY**

KATA VÁRADI

It is a widely supported empirical fact, that the greater volatility in itself decreases the liquidity of the market, namely more volatile a market is, the higher a transaction's price impact will be. I have examined in my paper the question, whether the decrease of liquidity during the crisis of 2007/2008 in case of the OTP stock – traded on the Budapest Stock Exchange – was the consequence of the increased volatility, or other factors had an effect on the illiquidity as well (e.g.: the drastic change of market participants' behaviour; reduction of financing sources; etc.). I have represented volatility with the standard deviation of the logreturns, and with the true range, while the illiquidity with the Budapest Liquidity Measure (BLM). On one hand I have identified, that in case of the OTP, the true range has a stronger relationship with the BLM than the standard deviation has. On the other hand it was clear, that the relationship between volatility and liquidity has changed notably during and after the crisis. During crisis the illiquidity was greater than what I have estimated based on the volatility increase, but after the crisis this relation has changed.

**EXAMINING THE BANK FINANCING
OF HUNGARIAN SELF-GOVERNMENTS
DURING THE CRISIS AND THE ALTERING REGULATION**

SZILÁRD HEGEDŰS

The objective of the study is to describe how the lending practices of banks changed due to the crisis, what factors affected the changes and what impacts can be expected on the announced reform of municipality system. In the course of research I examined the long and short-term municipality loans borrowed between 2008 and 2011, as well as the municipality bonds subscribed by credit institutes. I evaluated the main

tendencies, made estimations on the basis of the current trends and summarized the innovations in regulations concerning the relations between credit sector and municipalities following the new legislation.

PSYCHOLOGICAL ASPECTS OF INVESTMENT DECISIONS

ATTILA ÁCS

The recent economic crisis hit the world in 2008 erupted in the US financial segment. The insufficient risk management practice of the financial sector and scarce banking regulation showed up immediately with a massive power. The quick propagation of financial crisis to real economy highlighted the importance to better understand the investment behavior of the financial sector.

To one part of investment anomalies the behavioral economics gives explanation while other part of anomalies is deducible from the conflict between personal and company interest. Talking about the sensibleness of investment decisions it is vital to extend the sphere of rationality with the dimension of time and organization. What is rational from a personal point of view on the short horizon might be irrational from a company or social point of view on longer term.

The Basel III International framework for liquidity risk measurement, standards and monitoring introduces two measure of liquidity. With the introduction of Liquidity Coverage Ratio and Net Stable Funding Ratio the Basel III – voluntarily or involuntarily – addresses the time and organizational dimension of the investment anomalies, taking step in the right direction to contain personal and company interest to prevail over social interest.

PRESENT AND/OR FUTURE, NAMELY DILEMMA OF THE SAVINGS

ANNAMÁRIA HORVÁTHNÉ KÖKÉNY

In the present-day economic situation for the households more and more difficult to accumulate savings, ensure their self-care, that is to say for their long run aims they give up their present-day consumption. All the same the number of the self-care households increase as the people are realised by the doubtfulness of the economic crisis that a safety/security can it cause for themselves and their families. The desire of self-care increases in the uncertain financial periods but the main purpose is to

survive this period, and then the following can be to provide the financial safety for long term. The system of the state support has an important economical and social role. In this study I would like to collect and show the different saving possibilities which is supported by the state, especially the changing of the last period and analyse the effects of them.