



# The Israeli Banking System: Housing Loans

S&P meeting with the Bank of Israel

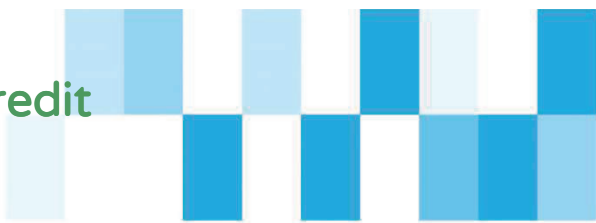
September, 2023 (Q2/2023)



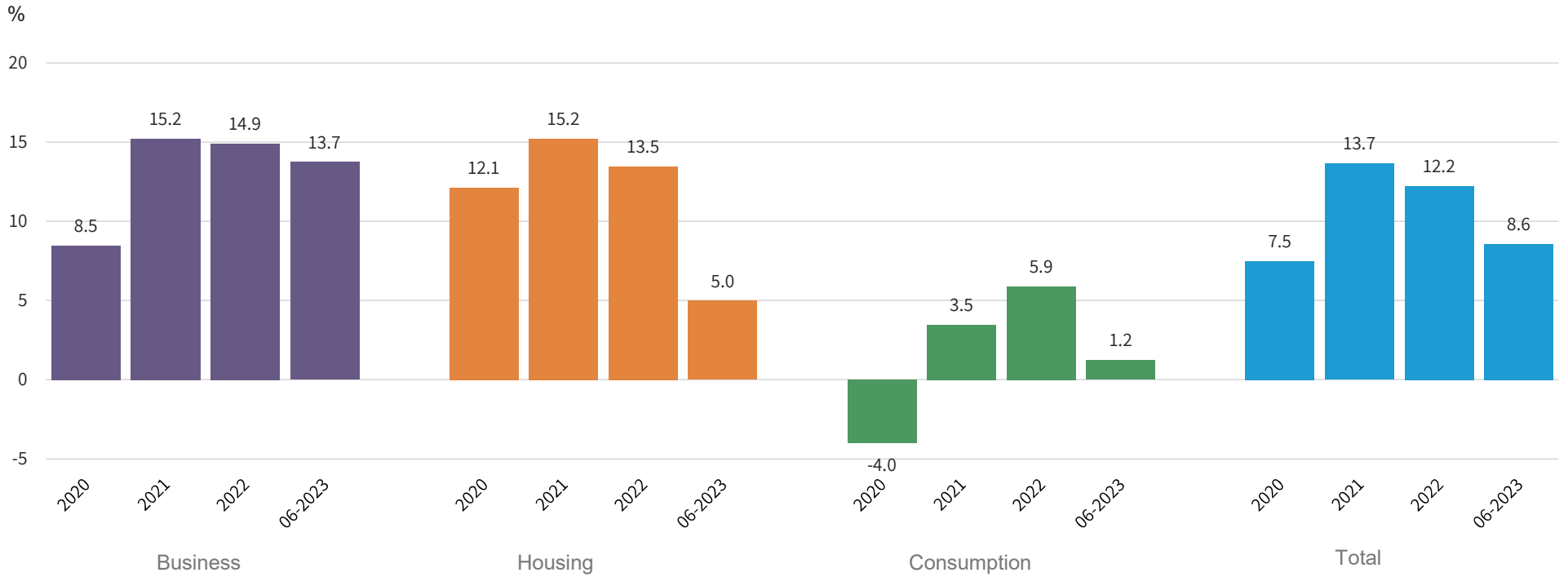
# Housing market and housing loans market



# Relatively high levels of growth rate in business and housing credit as of December 2022 and beyond



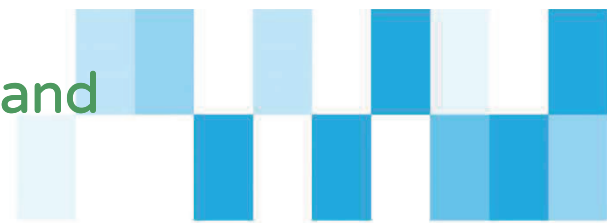
Annual Change in Outstanding Balance - Sheet Credit to Principal Sectors  
Total Banking System, 2017 to June 2023



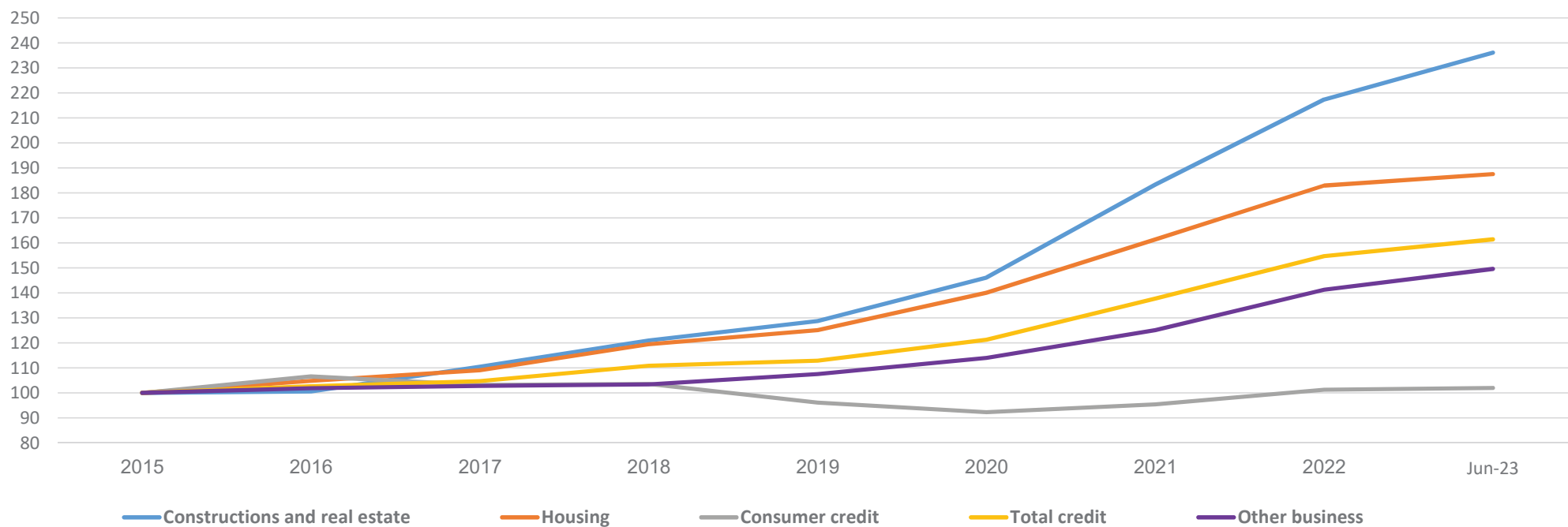
The decrease in the consumer credit in 2018-2019 caused by the selling of the credit card companies.  
**SOURCE:** Based on published financial statements and reports to the Banking Supervision Department



# Main credit growth factors are housing, construction and real estate

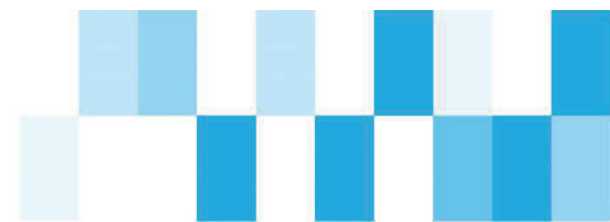


Development of Credit in the various activity segments  
Total Banking System, 2015 to June 2023

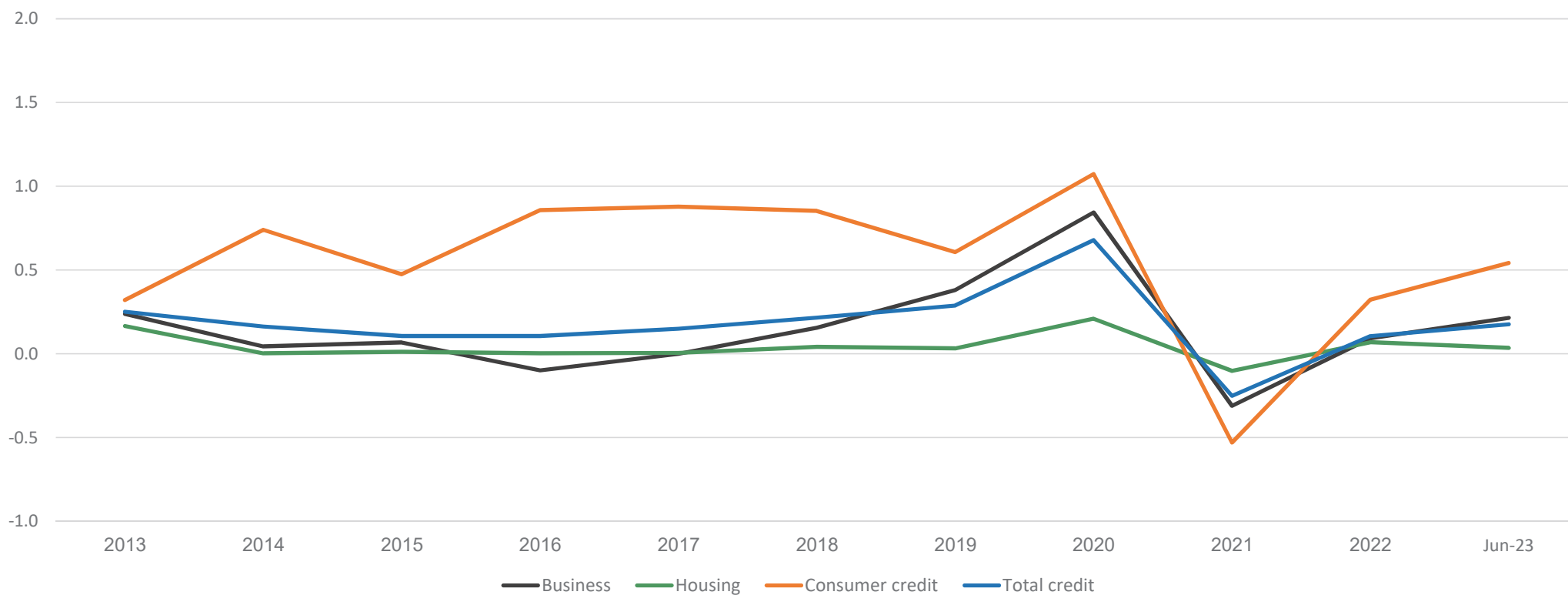




# Historically low levels of loan-loss provisions



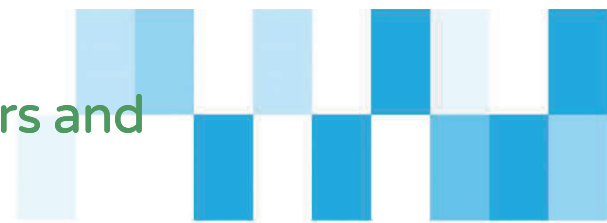
Loan-Loss Provisions to Total Balance-Sheet Credit to the industry  
Total Banking System, 2013 to June 2023



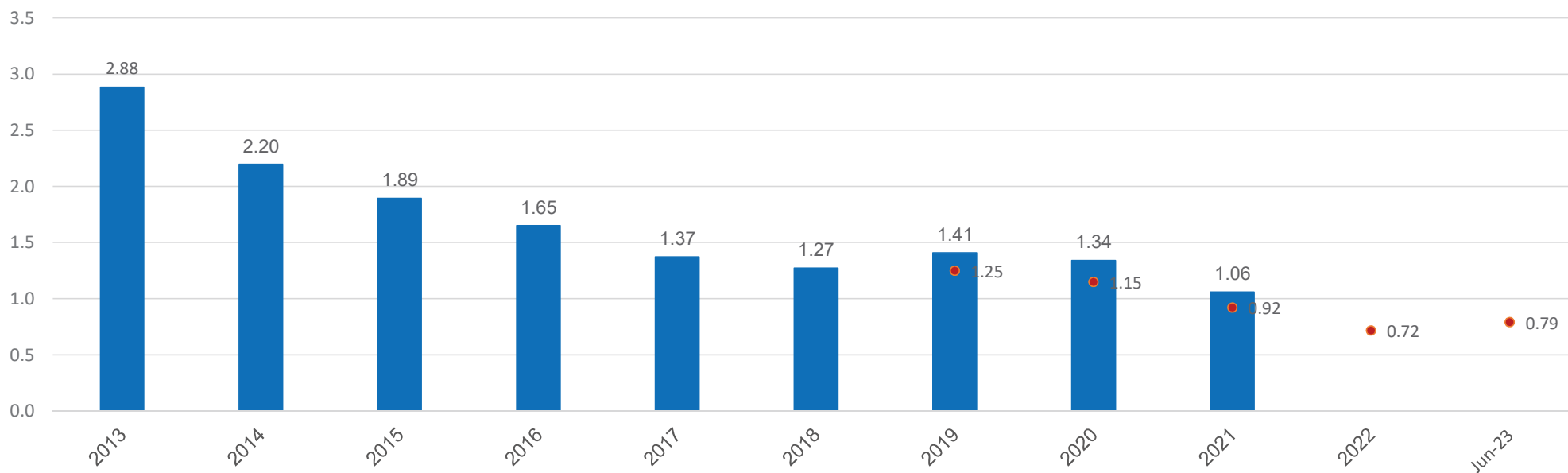
SOURCE: Based on published financial statements



## Share of NPL remained low and stable in the past four years and during the Covid-19



Share of Non-performing Loans\*  
Total Banking System, 2013 To June 2023



\*Data until 2018 represent impaired loans and 90 days or more past due non-impaired loans as a share of total balance-sheet credit to the public. Data from 2018 and on represent in addition, non-accrual loans and 90 days or more past due accrual loans.

SOURCE: Based on published financial statements and reports to the Banking Supervision Department.



# Housing prices remain stable while the number of transactions drops in recent months

House-Price-Index and Number of transactions in the housing market during past 12 months  
December 2012 - July 2023



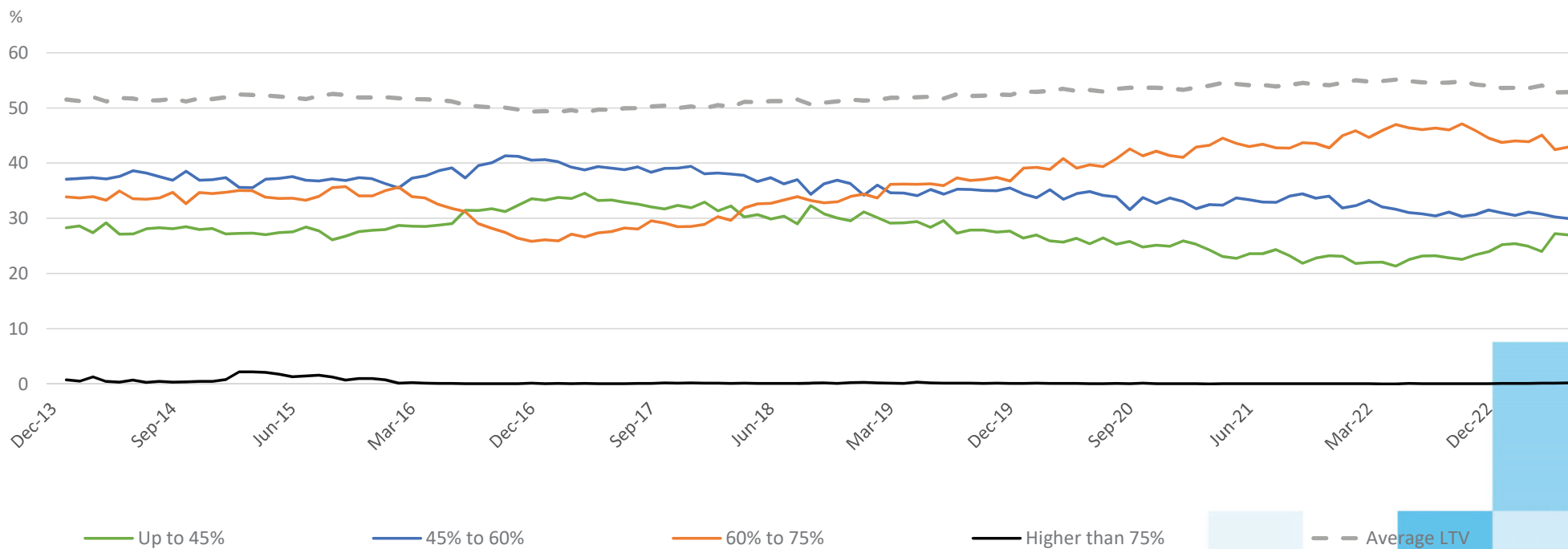
— Number of transactions during past 12 months, left axis

— House Price Index (base = 2014), right axis



# Gradual increase in share of high LTV ratio loans in past years and a slight decrease in recent months

Distribution of Loans for Housing by LTV (Loan-to-value) ratio  
Total Banking System, 2014 to June 2023

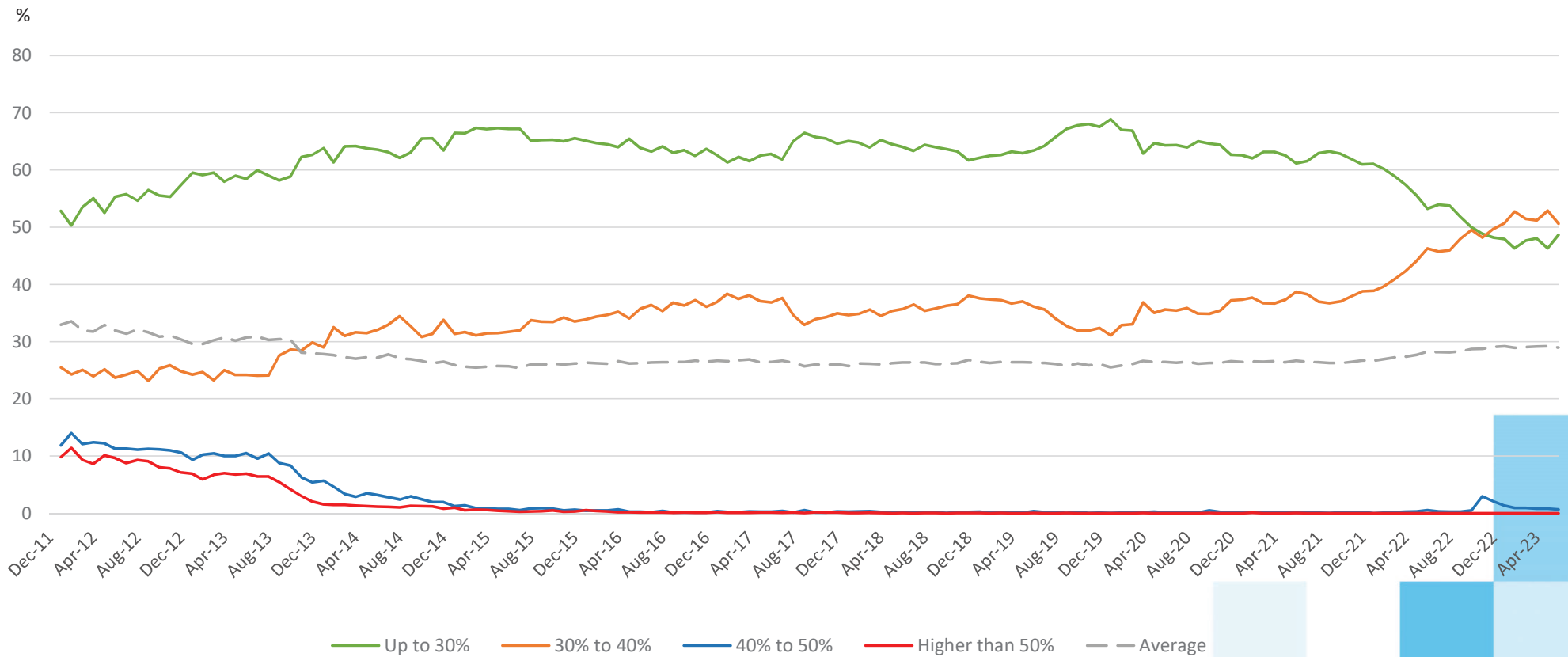






# Gradual increase in share of relatively high PTI ratio loans and a slight decrease recently

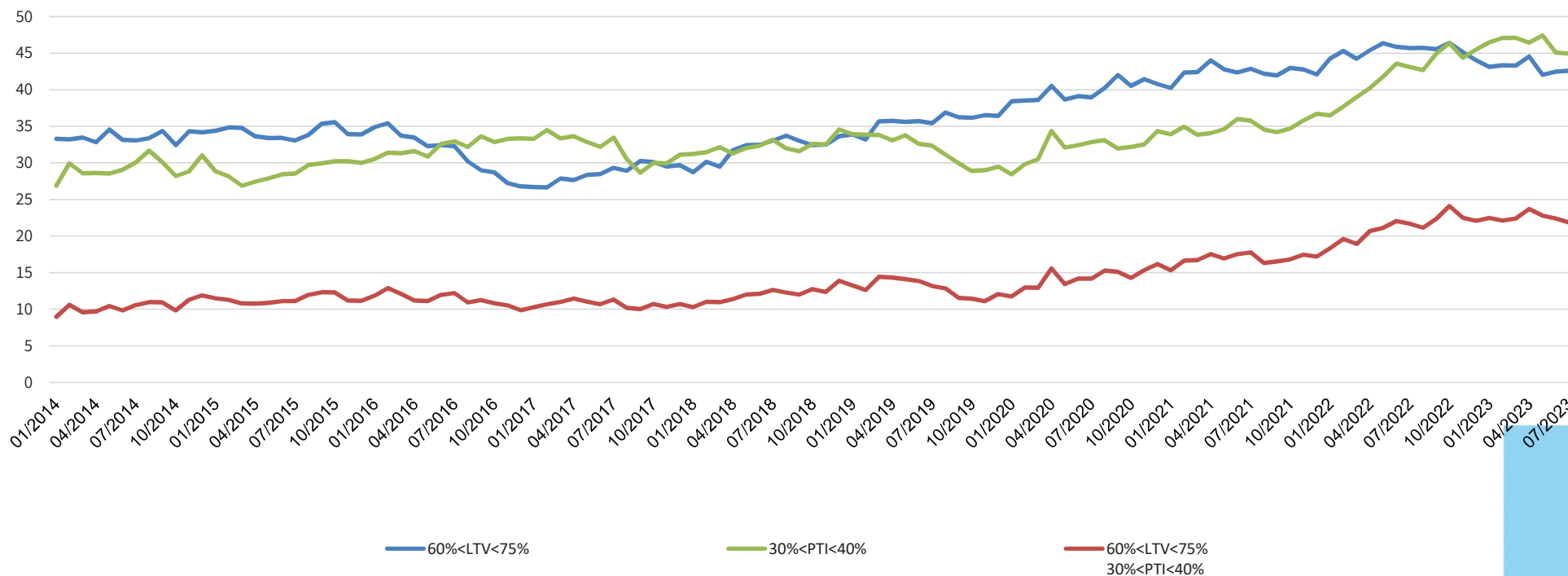
Distribution of Loans for Housing by PTI (Payment-to-Income) Ratio  
Total Banking System, January 2012 - June 2023





# Higher share of high risk profile housing loans

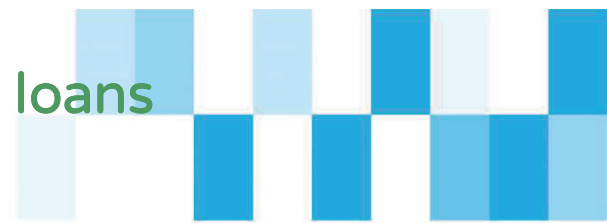
Share of loans with both high LTV and high PTI rates  
January 2014 – July 2023



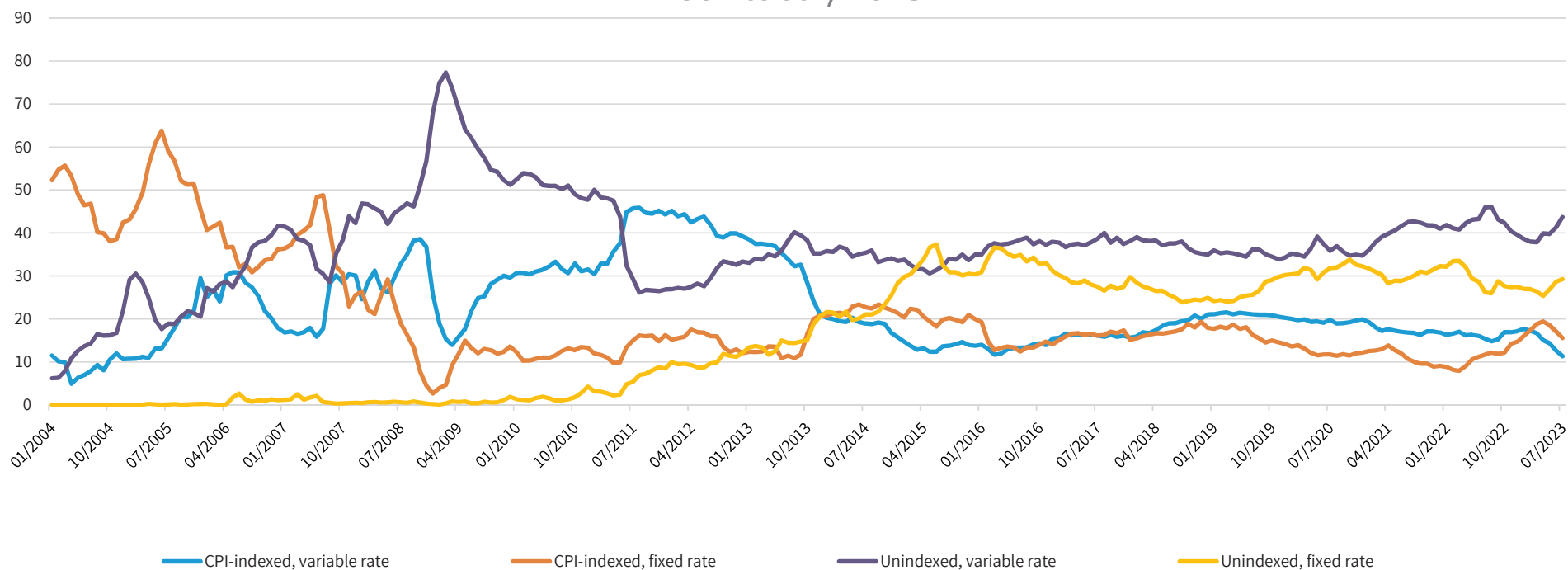
SOURCE: Based on published financial statements and reports to the Banking Supervision Department.



# Moderate increase in share of variable rate housing loans



Distribution of mortgages by Type of Indexation and Type of Interest<sup>1</sup>  
2004 to July 2023



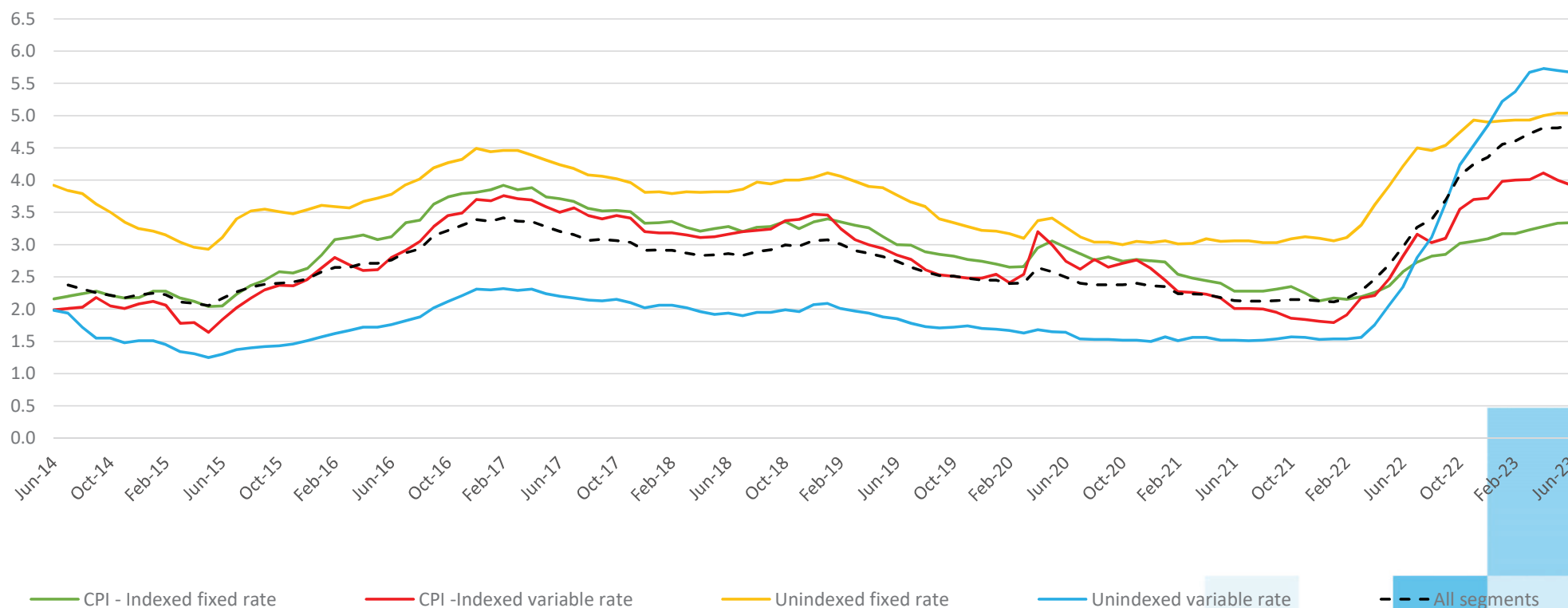
<sup>1</sup> Prime rate is the main credit in unindexed, variable rate.

SOURCE: Based on published financial statements and reports to the Banking Supervision Department.



# Inflation and rising BOI's interest rate lead to an increase in new housing loans rate

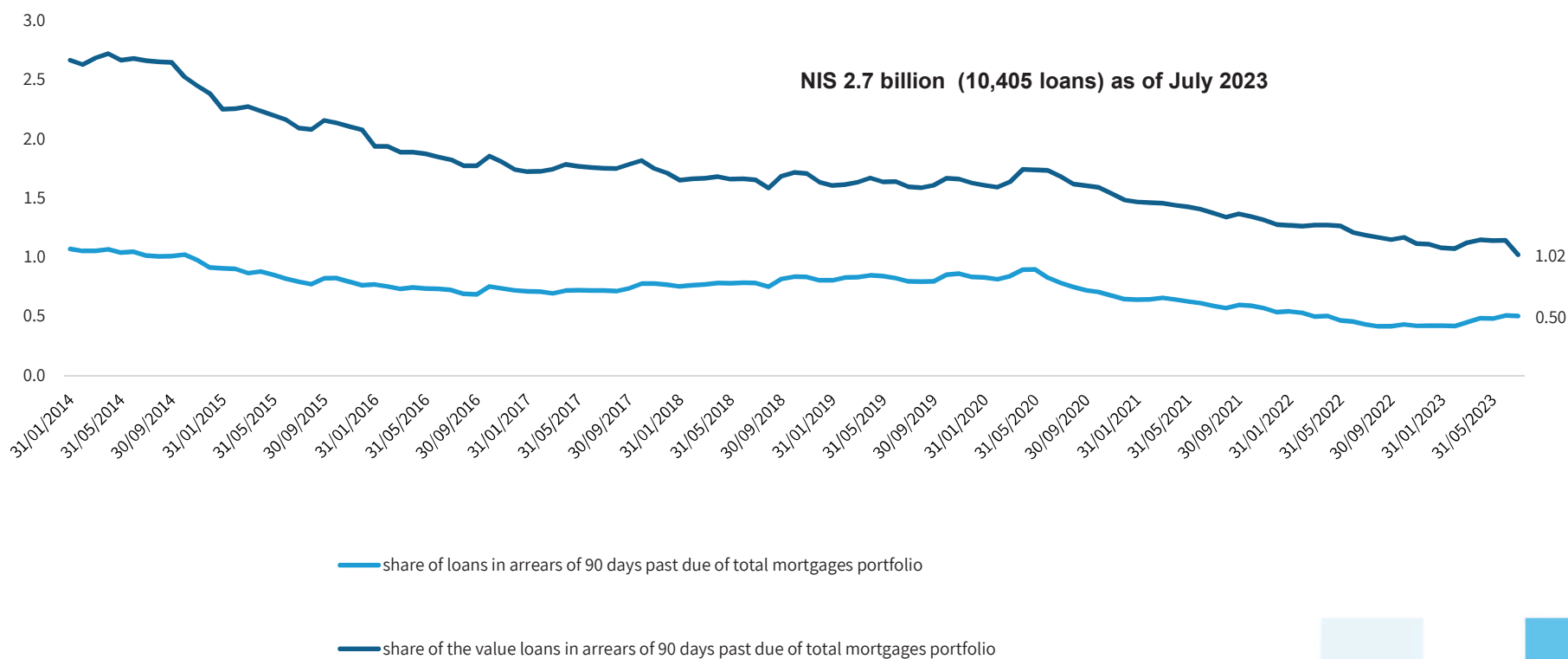
Interest rates on Housing Loans Issued by Indexation and Interest Rate Tracks  
June 2014 - June 2023





# Loans in arrears of 90 days past due are low and descending

## Loans in arrears of 90 days past due, 2014 to July 2023 – in %



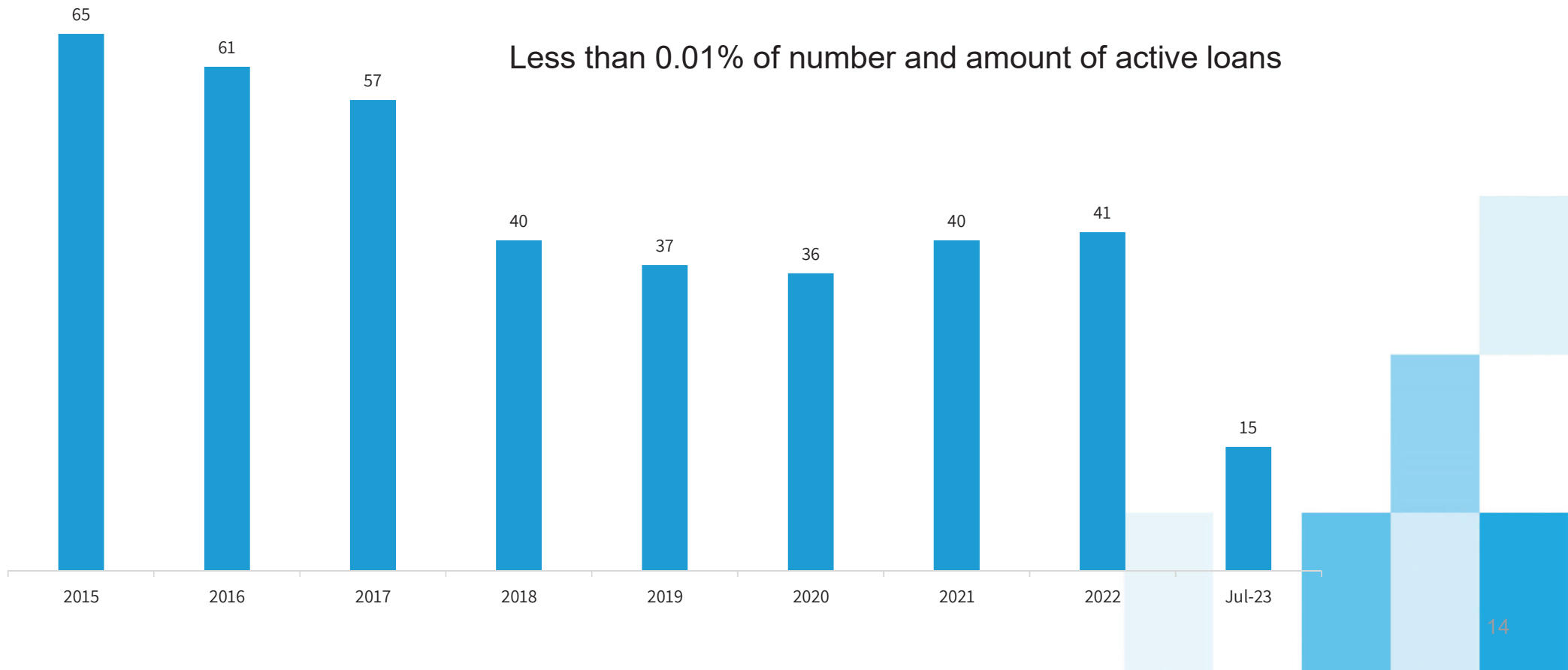


# Number of mortgage-borrowers evictions is negligible

## Number of evictions

2016 to July 2023

Less than 0.01% of number and amount of active loans

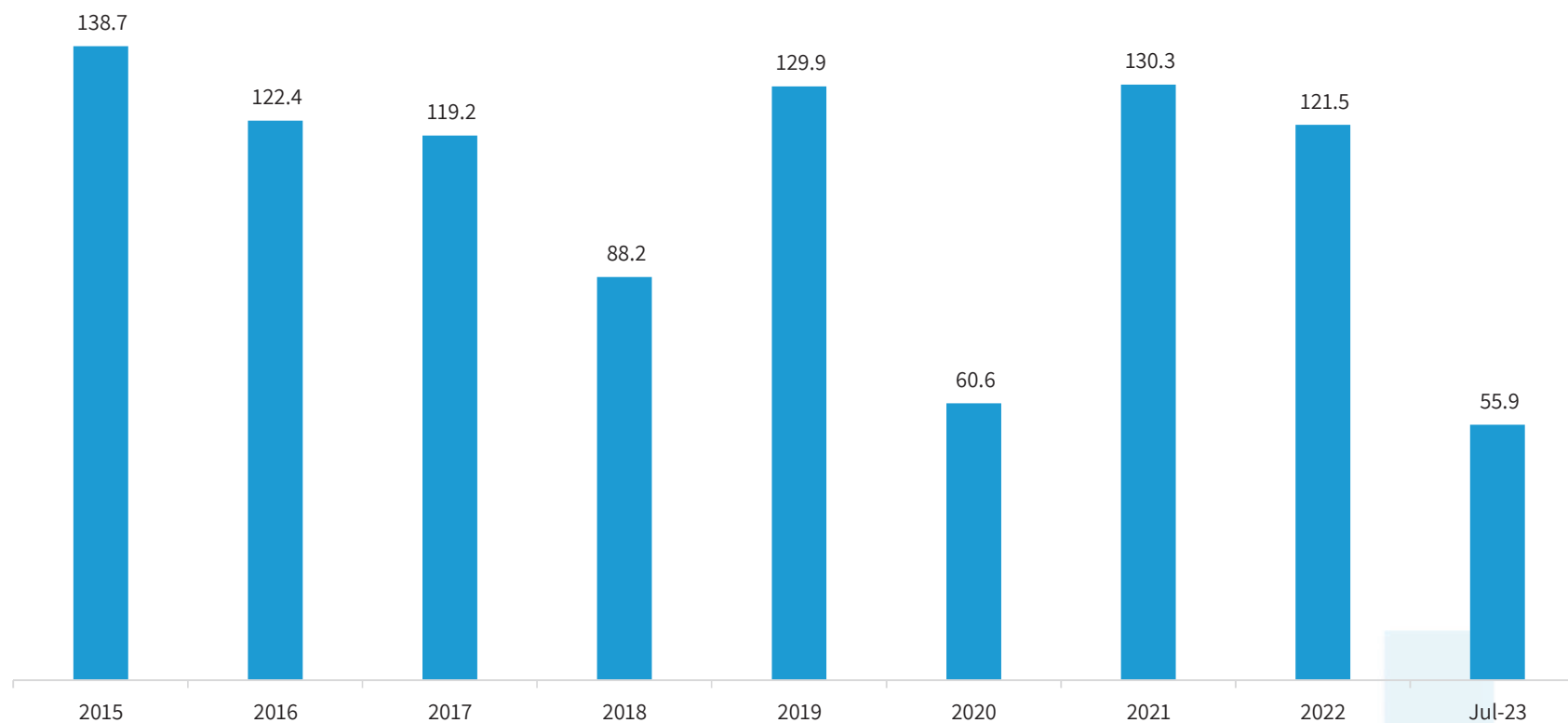




# Income from selling assets as a result of evictions is non material

Income from selling assets, 2015 to July 2023

NIS millions





## Links that may be of interest to you

- Balance of credit to the public, by supervisory activity-segments (before credit loss allowance)

[https://www.boi.org.il/boi\\_files/Pikuah/d100.xls](https://www.boi.org.il/boi_files/Pikuah/d100.xls)

- Housing loans – outstanding balances1-

Outstanding balances by indexation base (balance sheet and off balance sheet)

[https://www.boi.org.il/boi\\_files/Pikuah/n04a.xls](https://www.boi.org.il/boi_files/Pikuah/n04a.xls)

- Loans secured by residential property – outstanding balances1

Outstanding loan balance (balance sheet and off balance sheet)

[https://www.boi.org.il/boi\\_files/Pikuah/n050.xls](https://www.boi.org.il/boi_files/Pikuah/n050.xls)

- Interest rate comparisons – housing loans.

<https://www.boi.org.il/en/information-and-service-to-the-public/interest-rates-and-early-repayment-fee/interest-rate-comparisons-housing-loans/>





תודה THANK YOU شكرا جزيلًا