

METHODOLOGICAL DESCRIPTION  
FOR QUARTERLY CENTRAL BANK DATA SUPPLY ENTITLED  
'HOUSEHOLD LENDING ACTIVITY OF CREDIT INSTITUTIONS'

**Changes in the content of credit institutions' data starting from the publication of data for 2017 Q1**

From 2017, resident credit institutions are permitted to apply IFRS for the compilation of their individual reports and for keeping their accounting records. This justified the review of the credit institution data collection system used for the central bank's statistics, as part of which the H34 data reporting form, which formerly served as a basis for this publication, was cancelled and the necessary rows were integrated in the quarterly reporting package of credit institutions, primarily serving supervisory purposes. This resulted in material changes in the method of accounting and reporting; these changes are described below:

- credit institutions are no longer required to submit the table analysing the loan-to-value ratio; accordingly, the data in the table sets included in this publication as tables 3 and 4 are no longer published after 2016 Q4. If any of the reporting agents makes any retrospective amendment, the data will be updated retrospectively.
- due to statistical methodology reasons, from 2017 Q1 the vehicle loans granted to sole proprietors are included in the publication among other loans rather than among the vehicle loans.
- the substantial decrease in renegotiated loans included in tables 2, detailing delinquencies, is attributable to the change in the concept of renegotiated loans. According to the former – pre-2017 – stricter regulation, renegotiated exposures had to be kept in this category until maturity of the receivable; however, according to MNB Decree No 39/2016 (X.11), effective from 1 January 2017, credit institutions have the option, subject to certain conditions, to terminate the classification 'renegotiated'.
- tables 5, detailing the changes in outstanding lending to the household sector, show major other changes in stocks in 2017 Q1. This is attributable to the following reasons:
  - o in respect of credit institutions that changed over to IFRS, the impact of the changeover to IFRS appears here by loan categories with reference to the total loan portfolio; such impact is generated due to the different recognition of loan portfolios compared to the Hungarian accounting rules (application of amortised historic cost, effective interest rate, fair value, treatment of the forint conversion differently than in the Hungarian accounting standards) – this major difference is a one-off item, and specifically relates to the transition period;
  - o in the case of credit institutions that changed over to IFRS, items detailed in the previous point modify the value of other changes in stocks in respect of disbursed and repaid stocks, as in these columns the credit institutions are required to report the sum of the actual payment flows rather than the related IFRS flows – this smaller difference will appear in each quarter in the future;
  - o in accordance with previous practice, opening balances of credit institutions included newly in the range of institutions subject to publication – based on the annual review of the range of reporting agents covered by the publication – appear here; this expressly means the publication related to the

- first quarter (the range of credit institutions included in the publication is still tied to a threshold in the case of credit institutions functioning as branch offices of non-resident credit institution);
- in addition, the value of other changes in stocks is increased by the mergers that took place in the reporting quarter from outside the credit institutions sector – this may occur in any period later on as well.
  - from 2017 the other change in stocks column also contains changes in stock attributable to the exchange rate movements.
- from 2017 Q1 there will be also a difference, due to the changeover to IFRS, between the loan stock aggregated from tables 6, showing the cash flows by due date and the aggregated loan stock shown in the other tables. This is also attributable to the changeover to IFRS: in tables 6, the data of actual future cash movements are to be reported, i.e. the amount payable by the client, while in tables 2 and 5 the closing balance is the gross book value reported under IFRS in the case of credit institutions that changed over to IFRS, which is influenced by the factors detailed in the previous point.

## **1. PUBLICATION CRITERIA, DATA CONTENT**

The aim of stability/statistical data supply on the composition of loans extended to the household sector is to provide information on the quality of the household loan portfolio of the banking sector. It is commonly known that the portfolio of loans extended to the sector constitutes a substantial portion of risk exposure assumed by credit institutions; therefore, the analysis of developments in the portfolio plays an important role in analysing the stability of the financial sector.

The data supply entitled 'Composition of loans extended to households' is published each quarter on the website of the Magyar Nemzeti Bank, at the dates indicated in the release calendar for statistics.

Sources of data serving as a basis for the publication are as follows: the data supply entitled 'Composition of loans extended to the household sector', provided to the MNB on a quarterly basis by the group of data suppliers including banks, specialised credit institutions and EEA branches with a balance sheet total of over HUF 100 billion.

## **2. STRUCTURE OF SUPPLIED DATA, DATA CONTENT**

In the publication, the group of data suppliers defined in the above section provide information on their household loan portfolio relating to types of products, based on classification categories and defaulting payment; it also contains information on disbursement and outstanding principal in the reference quarter relating to housing loans and home equity, in a breakdown by loan-to-value ratio. The LTV ratio indicates the ratio of loans to the value of real property serving as collateral (gross loan/value of real property serving as collateral). In addition, the data supply presents developments in the stock of loans extended to households and a breakdown of cash flows over the remaining term to maturity according to due date.

Gross value means purchase, cost, book value, not reduced by impairment, provision or modified by the valuation difference in the case of credit institutions using Hungarian accounting standards. In respect of credit institutions changing over to the IFRSs, in the case of loans recorded at amortised cost or at fair value through other comprehensive

income, gross carrying value means the carrying value excluding accumulated impairment; and in the case of loans recorded at fair value through profit or loss, gross carrying amount means the carrying amount excluding accumulated changes in fair value due to credit risk.

Net value corresponds to the amount of carrying value less impairment, modified by the valuation difference.

## **2.1. Breakdown of the household loan portfolio based on classification categories and the number of contracts**

This section of the publication shows different types of loans (housing loans and consumer loans) in a breakdown by classification categories. The table contains both gross and net values. The classification categories are in conformity with the classification categories set out under the provisions of Government Decree 250/2000 (XII. 24.) on special provisions regarding the annual reporting and book-keeping obligation of credit institutions and financial enterprises. The rules relating to the setup of categories are defined in detail in the annex of the publication, with reference to the relevant regulation in effect.

Due to the fact that from 2015 the MNB does not collect data on household loans in a breakdown by the classification categories to be defined under Government Decree No 250/2000. (XII. 24.), Table set 1 is not updated from that date. Data contained in Table set 1 will only change when back data are revised. From 2015, data on the number of contracts are contained in Table set 6.

## **2.2. Breakdown of the household loan portfolio based on defaulting payment**

The tables show the breakdown of the portfolio based on defaulting payment, based on classification of the type of risk (type of transaction) relating to the 2009-2010 period. This means that if the customer has two loans of the same type of transaction, both loans are classified according to the loan maturing earlier. (Example: the customer has two overdraft facilities - one is defaulting, the other is not. In this case, both types of loan are deemed to be defaulting. If, however, the customer has a defaulting overdraft facility and a non-defaulting housing loan, the housing loan – belonging to another product group – is not classified as defaulting.) Thus, the risk of credit institutions vis-à-vis their customers, based on the type of risk, was classified according to the receivable maturing earliest.

A portion of matured principal or interest receivables is deemed to be maturing the earliest which is yet to be settled by the customer in accordance with the contract, irrespective that interest receivables overdue for over 30 days must be deemed contingent according to accounting regulations and may not be recorded among receivables.

The basis of classification has changed: as from 2011, the default categories of the portfolios are set up on the basis of contractual classification.

In the publication forint loans extended to convert non-performing foreign currency loans under the FX Loan Act<sup>1</sup> are shown as restructured loans; however, buffer account loans and the stock of foreign currency loans serving as a basis for extending buffer account loans until 2014 are not treated as restructured loans.

From 2015, the stock of foreign currency loans serving as a basis for buffer account loans and the related buffer account loans where the foreign currency loan has been restructured before application for a buffer account loan (or has been actually restructured since then) are included in the stock of restructured loans.

Under Act LXXVII of 2014, forint conversions are not treated as loan restructuring; therefore, in Table set 2 loans converted into forints are included in the stock of restructured loans if the original foreign currency loan has already been restructured or has been restructured since forint conversion.

From 2019 the loans with no overdue payment and with overdue less than 30 days are published together.

### **2.3. Breakdown of housing loans and home equity disbursed in the reference quarter based on loan to value ratio and the loan purpose**

The tables indicate the breakdown of housing loans and home equity loans disbursed in the reference quarter based on the LTV ratio, where the value of real property serving as collateral in relation to the period 2009–2010 is the loan collateral value, but from 2011, the value of collateral is determined according to the market value. Since the market value is typically higher than the loan collateral value, the methodological change may account for the lower LTV values. From 2014, in determining the value of the real property serving as collateral, the calculation of the LTV ratio must also take into account other debt (in case of mortgage registrations, senior debts). If the same real property serves as collateral for several loans, the market value of the property concerned is determined in proportion to the stock of loans. If several real properties serve as collateral for a single loan, the consolidated market value of the properties concerned must be considered in the calculation of the LTV ratio. The tables also contain the breakdown of housing loan disbursement data based on loan purpose.

Automatic forint conversion, discussed under point 2.2, is not treated as disbursement; therefore, in Table set 3 disbursements do not include loans that have been converted into forint loans. However, new debt consolidation loans provided under the programme are included in disbursements, in accordance with general principles.

As the MNB has not collected data on the LTV ratio in the previous structure from 2017, Tables 3 and 4 have not been updated since that period. Data contained in these tables will change only in case of retrospective data revisions.

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<sup>1</sup> Act LXXV of 2011 on the fixing of exchange rates for repayments of non-performing foreign currency denominated loans and the administration of the forced sales of residential property (hereinafter: FX Loan Act).

## **2.4. Principal outstanding in the reference quarter in relation to housing loans and home equity, based on the LTV ratio**

The tables indicate the breakdown of principal outstanding in the reference quarter in relation to housing loans and home equity loans, based on the LTV ratio. Information under section 2.3 applies to the valuation of real property serving as collateral. Data are gross values.

As the MNB has not collected data on the LTV ratio in the previous structure from 2017, Tables 3 and 4 have not been updated since that period. Data contained in these tables will change only in case of retrospective data revisions.

## **2.5. Developments in the stock of loans extended to the household sector**

The tables show changes in the stocks of loans of the household sector. The forint equivalent of foreign currency loans is calculated at the MNB's official foreign exchange rates prevailing at the end of the reporting quarter. The tables for the period prior to 2017 do not show revaluations arising from movements in exchange rates. From 2012, the column 'Other change in stock' includes changes (e.g. capitalisation of interest, reclassifications) not elsewhere specified and, from 2017, volume changes arising from exchange rate movements.

For data quality reasons, from 2009 Q1 to 2011 Q1 the tables only include the data of the 8 largest banks. Starting from the subsequent period, data reported by all data providers are presented, showing data for 2011 Q1 repeatedly. The 8 large banks are defined based on their balance sheet totals as at December 2011. The reporting population of the data underlying the publication is comprised of banks, specialised credit institutions and the Hungarian subsidiaries of foreign credit institutions with a balance sheet total of over HUF 100 billion.

The contents of the tables showing the individual types of loan are the following: outstanding debt at the beginning and end of each reporting period for all types of loans (housing, loans, home equity loans, personal loans, vehicle loans, overdrafts, hire purchase loans and other consumption loans and other loans) from 2009 Q1, as well as data on claims written off and sold from 2011 Q1 are contained in the publication. In the case of housing loans (forint loans at market rates and other subsidised forint and foreign currency loans) and home equity loans (forint and foreign currency), redemptions in the reporting period are also presented from 2009 Q1, in addition to the above.

Redemption and disbursement data on overdrafts in Tables 5.10 and 5.11 are shown on a net basis by contract from 2012. This means that if the stock of a given overdraft has increased relative the previous period, changes are shown in the 'Disbursement' column and, conversely, declines are shown in the 'Redemption' column.

The fall in non-performing foreign currency loans and the increase in forint loans related to conversions into forint loans, as well as changes in the stock of buffer account loans are included in the column 'Other change in stock' in Tables numbered 5. Debt cancellations related to conversions are shown among capital receivables written off in the reporting quarter.

Changes in the stock of loans arising from early repayments are also included in the Tables numbered 5. In contrast with monetary statistics, where the full impact of early repayments is recorded under transactions, the Tables numbered 5 in the publication show repayments at fixed exchange rates in the columns 'Capital redemption in the

reporting quarter total' and 'of which: early repayment', while the loss resulting from the difference between fixed and end-of-period exchange rates is shown in the column 'Capital receivables written off in the reporting quarter'.

The 'Total redemptions in the reporting quarter' column in Table 5.15 does not include capital redemptions of overdrafts prior to 2012.

From 2015, the MNB has been collecting data on assets sold on an aggregated basis, without any breakdown as specified in Government Decree No 250/2000; therefore, these time series are also shown on an aggregated basis in the release.

Forint conversions implemented under Act LXXVII of 2014 and settlements conducted under Act XXXVIII of 2014 are shown in the time series as follows: the effect of automatic conversions into forints of foreign currency loans is shown in the column 'Other change in volume' in Table set 5. The reduction in the stock of foreign currency loans is shown at the MNB's official exchange rates for the end of the reference period, while the increase in the stock of forint loans is shown at the exchange rates fixed by Act LXXVII of 2014.

The stock reducing effect of financial settlements implemented is shown as early repayments in Table set 5.

Contents of "Other changes" column are detailed above, at the beginning of this document.

## **2.6. Breakdown of cash flows over the remaining term to maturity of household loans according to due date and the number of contracts**

The tables show undiscounted cash flows on the outstanding stocks of lending to households in a breakdown by remaining term to maturity and loan product.

Overdue loans, i.e. those unsettled until the due date, are shown in the column 'Overdue'. The rest of columns show loans not overdue in the reference period, according to the time remaining to maturity. Capitalised interest on deferred payment housing loans and tuition fee loans, for which banks are required to set aside provisions under Government Decree No 250/2000, are not included in the breakdown of loans according to maturity.

The column of loans with no maturity date shows items that do not have a specific due date.

For methodological reasons, in Tables 6.10 and 6.11 showing cash flows on overdrafts by remaining term to maturity all cash flow items are treated as becoming due within one year. Cash flow items without a due date and those with remaining term to maturity of over one year are shown among items with remaining maturities of 91 to 365 days in the statistics.

## **3. FORINT CONVERSIONS OF OTHER HOUSEHOLD LOANS EXCLUDING MORTGAGE LOANS IN THE PUBLICATION**

Automatic forint conversions implemented under act CXLV of 2015 are shown as other volume change in Table set 5 of the publication, with the reduction in the stock of foreign currency loans entered with a negative sign and the increase in the stock of forint loans entered with a positive sign. The reduction in foreign currency loans is shown at official exchange rates of the MNB for the end of the reference period and the increase in forint loans is shown at the

exchange rate set out in Article 12 (1) of Act CXLV of 2015. The amount of debt cancellation for households in accordance with Articles 12 (2) and 16 (1) of the Act is shown in the time series for forint loans, among capital receivables written off in the reporting period, in Table set 5.

Automatic forint conversion, discussed under point 2.2, is not treated as disbursement; therefore, loans converted into forints in Table set 2 are included in the stock of restructured loans if they have already been restructured or have been restructured since forint conversion.

#### **4. INCLUSION OF DATA ON LOANS TO RETAIL CUSTOMERS LINKED TO THE BABY-EXPECTING SUPPORT UNDER GOVERNMENT DECREE NO 44/2019 (III.12) (SO-CALLED BABY-EXPECTING LOANS) IN THE STATISTICS**

Consistent with other monetary statistical releases, so-called data on baby-expecting loans are presented within hire purchase loans and other consumer loans in the published data set (Tables 2.12., 5.12. and 6.12.). In case the customer uses a baby-expecting loan to repay an existing loan, the redemption is recorded as principal repayment in the reference quarter in Tables No 5 showing volume changes. The principal-reducing effect of the ('childbearing') support related to the birth of the second and third child is also recorded under repayments of which early repayments during the reference quarter.

#### **5. RELATIONSHIP WITH MONETARY BALANCE SHEET, PRUDENTIAL AND OTHER STATISTICS**

Data contained in the currently launched publication is also published in other publications, particularly in those dealing with monetary statistics and prudential issues.

Changes in the household loan portfolio, based on loan type, currency and original maturity, are also shown in the data supply entitled 'Balance sheets and money quantities of monetary financial institutions', but the breakdown of the types of loans and the components of the change in stock is not as detailed as in this publication.

The publication entitled 'Consumer loans extended to households in the breakdown of their purpose' provides information on trends affecting different types of consumer loans in the breakdown of currency and original maturity.

The data supply entitled 'Housing loan portfolio in the breakdown of sector, maturity and currency' provides insight into housing loan trends, showing the housing loan portfolio of non-financial enterprises in addition to the household sector.

The publication entitled 'Time series of sectors supervised by MNB - Credit institutions' also presents the composition of loans extended to the household sector in a breakdown by classification (up to the end of 2014), defaulting payment and remaining term to maturity. However, the table showing the breakdown by defaulting payment in this publication provides a more detailed breakdown of the gross loan portfolio's delinquency. In addition, for household loans net stock data are also published.

However, all four data supplies relate to a different group of data suppliers than used in this publication, as they also contain data of co-operative banks and of the Hungarian subsidiaries of foreign credit institutions with a balance sheet total under HUF 100 billion.