Methodological notes

to the publications of aggregated Supervisory Banking Statistics

1. General comments

The consolidated time series present the aggregated data of credit institutions at the highest level of consolidation in Hungary. The data also include the foreign interests of the Hungarian parent banks belonging to the prudential scope of consolidation. By contrast, the non-consolidated time series are prepared by aggregating the supervisory data of the credit institutions licensed in Hungary, at individual level. In these microprudential time series, financial enterprises[1] qualifying as credit institutions for prudential purposes are also regarded as credit institutions.

The published time series are prepared by aggregating the data, primarily of supervisory purpose (COREP, FINREP data), submitted to the MNB. The data content is determined by Comission Implementing Regulation (EU) 2021/451 of 17 December 2020 laying down implementing technical standards for the application of Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to supervisory reporting of institutions and repealing Implementing Regulation (EU) No 680/2014. When the data source is other than this, it will be noted separately.

At entity level, the financial and prudential data included in the time series qualify as confidential data, despite the fact that the institutions are required to disclose most of them at least annually. Due to this, the quarterly time series only include aggregated data points, which contain the data of at least 3 reporting entities. Due to confidentiality considerations, the distribution of the individual indicators is presented by bands, while the breakdowns by various aspects (dimensions) are presented separately in the time series.

The data occasionally may differ from those published earlier due to modifications included in resubmissions received meanwhile from the reporting entities. The data already published are revised and amended, as necessary, quarterly for the four preceding quarters.

2. Content of the data

The time series comprise of thematic parts, broken down into the following parts, having relevance for banking supervision:

Consolidated time series:

1. General information
2. Balance sheet composition
3. Profit and loss account and profitability
4. Asset quality
5. Capital adequacy
6. Liquidity

Non-consolidated time series:

7. Non-consolidated data of credit institutions

[1] Financial enterprises treated as equivalent to credit institutions under prudential requirements are those that MNB recognises as such by a resolution in accordance with Sections 103-105 of the Act on Credit Institutions and Financial Enterprises.

2.1 General information

Within the thematic sections, most of the aggregated consolidated data are presented by reference dates and by analytical groups (size, type of institution, strategic owner). Table 1.4 contains the current classification of the credit institutions by size, by institution type and by strategic owner.

The size-based, current classification of credit institutions from 2024 Q1 is as follows:

- large: balance sheet total over HUF 4,500 billion;
- medium-sized: balance sheet total between HUF 900 billion and HUF 4,500 billion;
- small: balance sheet total below HUF 900 billion.

Until 2020 Q4, banks with a balance sheet total of over HUF 1,500 billion were considered large, those with a balance sheet total of less than HUF 1,500 billion but over HUF 300 billion were considered medium-sized, and those with a balance sheet total below HUF 300 billion were considered small. According to these size thresholds, the credit institutions included in the publication were grouped by size based on their balance sheet total at the end of 2014.

The previous size thresholds determined on the basis of the audited balance sheet totals and market shares at the end of 2014 have been revised in 2021 because the aggregated balance sheet total has almost doubled in the meantime, and the doubling of the previously used rounded market share values of 5% and 1% reflect this. The classification of credit institutions by size was made on the basis of the data on 31 December 2020. From 2021 Q1 onwards, banks with a balance sheet total of above HUF 3,000 billion are considered large, the ones with a balance sheet total of less than that, but above HUF 600 billion are classified as medium-sized, whereas institutions with a balance sheet total of below HUF 600 billion are regarded as small-sized.

As a result of the revision of the size thresholds, conducted every three years, from 2024 Q1 onwards, new thresholds have been set utilising credit institution data from 2023 based on the rounded values of 5% and 1% used earlier. In line with the practice until now, in the coming years a credit institution will be transferred to another size category from Q1 of the following year, if its balance sheet total differs from the size classification in the previous calendar year for three quarters within a single calendar year.

The size thresholds are revised every three years. Next time it is expected to take place in 2027, based on the data for the end of 2026. The potential changes will be driven by the distribution of the individual institutions by share and confidentiality considerations, and those will be set by rounding to HUF 100 billion in the future as well.

Type-based classification of credit institutions is as follows:

Banking groups: Credit institutions registered in Hungary, the supervision of which is performed by the MNB on consolidated basis. Among others, it also contains subsidiary banks registered in Hungary, which operate under the control of a parent bank with registered office in another EU member state and supervised jointly by the MNB and the supervisory authority having competence on the basis of the parent bank's European registered office (home-host distribution of competence). The consolidated data always apply to the scope of prudential consolidation. The scope of prudential consolidation includes the resident and non-resident credit institutions and financial service provider institutions – with the exception of insurers, investment funds and funds – controlled by the parent bank.

Solo credit institutions: Credit institutions registered in Hungary, the supervision of which is performed by the MNB on individual rather than on consolidated basis.

Branches: Hungarian branch offices of credit institutions registered abroad, the supervision of which is performed by the MNB jointly with the authority having competence based on the credit institution's registered office.

Breakdown of credit institutions' total assets based on the **registered office of the strategic owner**:

under resident control (Hungary)

under non-resident control (further broken down within certain thematic parts: EEA country SSM, EEA country non-SSM, non-EEA country)

The time series present the ownership structure of the credit institution sector based on the actual control approach. The entire balance sheet total of an institution is stated under a single country; i.e. the balance sheet total is not broken down by the ownership share based on subscribed capital belonging to various countries, but rather the entire balance sheet total is allocated to a single country based on the status of the controlling ultimate owner, and then included in the category based on the status of the country (domestic or foreign EEA country SSM / EEA country non-SSM / non/EEA country). The classification also takes into consideration whether a bank is in the majority interest of a strategic investor or of a portfolio investor. When the management has strategic decision-making capacity, the institution is classified as a credit institution under resident control (based on its registered office), irrespective of the status of the majority owners of subscribed capital. If the direct strategic owner of the credit institution itself is also a subsidiary, the credit institution is allocated to the country of the ultimate strategic owner.

2.2. Balance sheet composition

The "Loans" row of the 2.1 - 2.4 Asset composition tables includes advances, both the central bank and the interbank deposits. In addition, the "loans" row of the 2.5 Asset composition table includes the cash balances at central banks and other demand deposits. Advances include, among others, pending items (such as funds that are awaiting investment, transfer, or settlement) and transit items (such as cheques and other forms of payment that have been sent for collection).

The "Deposits" row of the 2.6 - 2.9 Liability composition tables also includes the loans taken.

The 2.5 Asset composition table contains the breakdown of loans by the registered office of the counterparty according to the credit institution type. At the banking groups, the basis of the breakdown is the consolidated FINREP table entitled "F_20.04 Geographical breakdown of assets by the registered office of the counterparty", the loans and advances row of which contains the central bank and interbank deposits as well as the cash balances at central banks and other demand deposits.

Method of the resident-non-resident breakdown of the loans by the counterparty's registered office:

In the case of banking groups: if the foreign exposures reach 10%, banking groups are obliged to fill in the consolidated FINREP template entitled "F_20.04 Geographical breakdown of assets by the registered office of the counterparty", where the value of loans and advances must be reported under the country of the counterparties ' registered office. Banking groups with foreign exposure below 10% do not fill in template F_20.04, i.e. they do not report the balance of non-resident debtors, and thus the total loans are included in the resident sector.

The geographical breakdown of loans and advances of solo banks and branches is collected from the closing balance belonging to the "Counterparty's country" dimension of tables entitled "M0201 - Breakdown of credit institutions' statistical balance sheet – loans, receivables of loan type and certain other assets" and "M0301 – Breakdown of credit institutions' statistical balance sheet – loans, receivables of loan type and certain other assets – non-financial corporations, households and non-profit institutions supporting households". The difference resulting from the different classification of loans in the supervisory and statistical balance sheet (including advances), which accounting for less than 1% of the loan stock are allocated to the resident counterparty sector. The statement by the registered office of counterparties is prepared since 2017, as the underlying detailed statements were introduced from 2017.

Other assets include tangible assets, tax assets, in the case of credit institutions reporting in accordance with IFRS the "Qualified fixed assets and disposal groups classified as held for sale" under IFRS 5, Fair value changes of the hedged items in portfolio hedge of interest rate risk; between 2015 and 2018 in the case of credit institutions reporting in accordance with HAS, it includes the receivables from investment services, the accrued interest receivable and other accruals (net of the valuation reserve of derivative transactions).

Other liabilities include Other financial liabilities, tax liabilities, in the case of credit institutions reporting in accordance to IFRS, the short positions, the "Liabilities belonging to the disposal groups classified as Held for sale" under IFRS 5, the "Change in the fair value of items hedged in portfolio hedging transactions related to interest rate risk" and the capital repayable on demand; between 2015 and 2018 it includes the accrued interest payable and other deferrals (net of the valuation reserve of derivative transactions in the case of credit institutions reporting in accordance with HAS.

2.3 Profitability

The "Net other operating income" row includes the dividends, the net gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, the net gains or (-) losses on financial assets and liabilities measured at fair value through profit or loss, net gains or (-) losses from hedge accounting, the Expenses on share capital repayable on demand, the net gains or (-) losses on the derecognition of non-financial assets, net gains or (-) losses on non-trading financial assets measured at fair value through profit or loss on a mandatory basis, and other operating income/expenses. (Between 2015 and 2018, this row also included, in the case of entities reporting in accordance with the Hungarian Accounting Standards the Net profit/loss on financial transactions excluding exchange differences, profit/loss on investment services, the book value of own receivables upon write-off or sale, net profit/loss from non-financial and investment services, and taxes recognised in expenditures.)

Operating expenses include administrative expenses, depreciation cost and also the cash contributions to resolution funds and deposit guarantee schemes.

The "Other" row includes the net gains or (-) losses on the modification of contracted cash flows, Share of the profit or (-) loss of investments in subsidiaries, joint ventures and associates accounted for using the equity method, the profit or (-) loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations. (Between 2015 and 2018, this row also included extraordinary profit/loss in the case of entities applying the Hungarian accounting standards).

The individual profit/loss items were taken into consideration in accordance with applied accounting standards.

Among the profitability indicators, the numerators of the ROA (Return on Assets) and ROE (Return on Equity) are annualised by multiplying the (after-tax) cumulated net profit/loss of the respective period (e.g. at the end of Q2: cumulated Q2 net profit/loss x 2), while the denominator contains the balances at the end of the period without adjustments (equity, balance sheet total). No ROE is calculated for the branches.

The cost/income ratio is calculated on the basis of the flows of the respective period, i.e. it is not annualised. The cost in the numerator contains the administrative costs, the depreciation and the cash contributions to resolution funds and deposit guarantee schemes, while the operating income in the denominator includes the net interest income, the net fee and commission income, the net trading gain/loss, the net exchange differences and net other operating income.

2.4 Asset quality

NPL[2] ratio: non-performing loans to total loans, where loans also include cash balances at central banks and other demand deposits.

NPE[3] ratio: non-performing exposures to total exposures where exposures include debt securities other than held for trading and off-balance sheet exposures in addition to loans.

The basis of the published indicators is the gross carrying amount or, in the case of off-balance sheet exposures, the nominal amount.

Gross carrying amount:

When applying IFRS:

In the case of debt instruments measured at amortised cost, the gross carrying amount shall be the carrying amount before adjusting for any impairment loss and in case of debt instruments at fair value through other comprehensive income, the amortised cost before adjusting for any loss allowance.

The gross carrying amount of debt instruments measured at fair value through profit or loss – with the exception of those held for trading – depends on the rating of the instrument. In the case of performing instruments, the gross carrying amount corresponds to the fair value. In the case of non-performing instruments, the gross carrying amount shall be the book value not adjusted for any accumulated negative change in fair value resulting from the change in credit risk. The gross carrying amount must not exceed the value of the instrument at initial recognition.

Between 2015 and 2018, in the case of entities applying the Hungarian accounting standards:

The acquisition, cost or book value (not reduced by impairments, provisions or depreciation, not adjusted for valuation difference or value adjustment) of assets and off-balance sheet items, the principal value not yet repaid in the case of receivables arising from contracts concluded by the credit institution, and the not yet repaid part of the cost value, in the case of purchased receivables.

Non-performing exposure:

At individual level, the notion as specified in MNB Decree No 39/2016. (X. 11.) on the Prudential Requirements Pertaining to Non-performing Exposures and Forborne Debts, and at consolidated level, the notion as specified in Annex V to Commission Implementing Regulation (EU) 2021/451.

- the exposure past due for more than 90 days, if the past due part is material, in accordance with the applied accounting policy,
- the exposure, where it can be assumed that without realising the collateral the debtor will not be able to discharge his obligations in accordance with the contract, irrespective of whether or not the receivable is past due and the number of days past due.

[2] NPL – non-performing loans

[3] NPE – non-performing exposures

Loans with forbearance measures:

At individual level, the notion as specified in MNB Decree No 39/2016. (X. 11.) on the Prudential Requirements Pertaining to Non-performing Exposures and Forborne Debts, and at consolidated level, the notion as specified in Annex V to Commission Implementing Regulation (EU) 2021/451.
In the case of solo credit institutions and branches of foreign credit institutions, the pre-2017 time series contains the data satisfying the notion of restructured loan specified in Government Decree No 250/2000 (XII. 24).

The 4.1-4.8 time series, presenting the portfolio quality, do not contain the exposures held for trading.

Until 2020 Q1 the "Loans" row contains the cash balances at central banks and other demand deposits, as well as the central bank and interbank deposits and in case of banking groups it also includes advances, but in the case of banking groups it does not contain assets and disposal groups qualified as held for sale, as specified in IFRS 5, while in the case of solo credit institutions and branches it does not contain the advances. From 2020 Q2 due to changes in the data supply underlying the publication, cash balances at central banks and other demand deposits are presented separately from "Loans", in a dedicated row.

In the case of non-performing debt instruments measured at fair value through profit or loss, the "impairment" column includes the amount of the accumulated negative changes in fair value resulting from the change in credit risk.

In times series 4.2 and 4.8, the value of security deposits and collaterals stated up to the amount of the net book value of on-balance sheet receivables or the nominal amount of the off-balance sheet exposure reduced by provisions.

The IFRS 9 breakdown of loans by impairment stage in time series 4.9 includes only loans reported at amortised cost, not loans recorded at fair value through other comprehensive income. Loans include advances and deposits with the Bank and interbank deposits. As of 2021 Q2, in line with the changes in the methodology used in the data used for the publication, POCI (purchased or originated credit-impaired) loans are shown in a separate column.

In time series 4.1, the data related to the delinquency of loans were allocated to the individual maturity categories by contracts, by the number of days elapsed since the oldest delinquency.

The resident and non-resident counterparty sectors are not differentiated in the tables.

2.5 Capital adequacy

The branches of foreign credit institutions must comply with the requirements related to regulatory capital only together with the founding non-resident credit institution rather than independently, and thus the related time series (capital adequacy, risk-weighted exposure value, leverage) do not contain the data of the branches of foreign credit institutions.

The capital adequacy ratio is the percentage ratio of the credit institutions' existing regulatory capital and total risk-weighted exposure amount. The capital adequacy index is the percentage ratio of the credit institutions regulatory capital available at the respective level (CET1, Tier 1, total) and the capital requirement at the respective level[4].

The regulatory capital surplus and deficit rows contain the surplus of credit institutions with surplus regulatory capital and the deficit of credit institutions with regulatory capital deficit; the total surplus/deficit of credit institutions can be defined by aggregating the two rows.

[4] CET1 capital /CET 1 capital requirement, T1 capital/T1 capital requirement, total own funds/total own funds requirement

The capital requirement has 3 pillars. The Pillar 1 capital requirement is the capital requirement specified in Article 92 of Regulation 575/2013/EU of the European Parliament and of the Council (CRR). The capital requirement calculated with the SREP requirement is the sum of the Pillar 1 capital requirement and the excess capital requirement determined during the supervisory review process as specified in Sections 177-182 of Act CCXXXVII of 2013 (Act on Credit Institutions and Financial Enterprises). The Pillar 3 capital requirement equals to the sum of the capital requirement calculated with the SREP requirementand the combined buffer requirement.

The buffer requirements, effective from 2016, must be satisfied with CET1 capital in full. The key rules applicable to buffers are included in Sections 86-96 of the Act on Credit Institutions and Financial Enterprises (Hpt.). The combined buffer requirement is equal to the sum of the following buffers.

<table>
<tr><th>Row number of time series</th><th>Description</th><th></th><th>Notes, applicable rates</th></tr>
<tr><td>23.</td><td>Capital conservation buffer</td><td>Hpt. 86. §
gradual introduction:
Hpt. 298. §</td><td>Equals to a specified percentage value of the total risk exposure amount.<table><tr><td>2016.</td><td>0.625 %</td></tr><tr><td>2017.</td><td>1.25 %</td></tr><tr><td>2018.</td><td>1.875 %</td></tr><tr><td>2019.-</td><td>2.5 %</td></tr></table></td></tr>
<tr><td>24.</td><td>Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State</td><td>-</td><td>No such buffer is prescribed in Hungary.</td></tr>
<tr><td>25.</td><td>Institution specific countercyclical capital buffer</td><td>Hpt. 87.-88. §</td><td>Applicable rates in the EU</td></tr>
<tr><td>25.</td><td>Systemic risk buffer</td><td>Hpt. 92. §</td><td>Applicable rates in Hungary.</td></tr>
<tr><td>26.</td><td>Global Systemically Important Institution buffer</td><td>Hpt. 89. §</td><td>No such credit institution in Hungary.</td></tr>
<tr><td>27.</td><td>Other Systemically Important Institution buffer</td><td>Hpt. 90.-91. §</td><td>Applicable rates in Hungary</td></tr>
</table>

The leverage ratio is the quotient of the credit institution's core capital and total exposure taking into account the transitional provisions of Chapters 1 and 2 of Title I of Part Ten of the CRR and MNB Decree No 10/2014 (IV. 3.) on Capital Requirements, Unrealised Gains and Losses Measured at Fair Value, Related Deductions and Acquired Rights in Capital Instruments, as specified in Article 429 of CRR.

The exposure value of the balance sheet items must be taken into consideration without the credit conversion factors. The Asset value deducted from the Tier 1 capital row includes the items deducted from the Tier 1 capital upon calculating the regulatory capital, and thus not taken into consideration in exposure value either.

2.6 Liquidity

The loan-to-deposit ratio is calculated on the basis of the outstanding loans and deposits of the non-financial corporation and household sectors, as the quotient of those.

Article 415 of the regulation (EU) No 575/2013 of the European Parliament and of the Council (CRR) prescribes data supply related to the liquidity coverage ratio (LCR), which ratio shall be more than 100%. The publication only contains the data of institution falling under CRR. Due to confidentiality considerations, the data reported by the only 3rd country branch office are not published.

The numerator of LCR comprises liquid assets callable within 30 days in stress situations, referred to as liquidity buffer. The denominator of the LCR is the net liquidity outflow, determined on the basis of the liquidity inflows and liquidity outflows within 30 days.

Article 428b of Regulation (EU) No 575/2013 of the European Parliament and of the Council (CRR) sets out the requirement for a net stable funding ratio (NSFR). The minimum required NSFR rate is 100%. Only data on institutions that are subject to the CRR are included in the publication. Due to confidentiality reasons, data reported by a single branch in a third country are not published.

The numerator of the NSFR is the available stable funds, which is the sum of the liabilities and own funds of credit institutions weighted by various stable funding factors depending on their maturity. The denominator of the NSFR is the stable funding requirement, which is the sum of the various categories of assets and off-balance sheet items of credit institutions weighted by the stable funding factors at the levels required by the CRR.

2.7 Non-consolidated financial data of credit institutions

In the practice of previous years, the MNB published most of the prudential data at non-consolidated level since comparable consolidated and non-consolidated data were not available. The time series created from the non-consolidated data are available in the Archive until reference date 31 December 2018.

From 2019, only the key data of the balance sheet and profit and loss account are published as a supplement to the consolidated time series. In the case of terminations or mergers/acquisitions during the year, flow data (profit and loss) of the liquidated institutions are integrated in the sector's current year flow data, whenever the MNB considers that omission of these data would significantly reduce the assessment of the sector's performance.

Assets

The loans and advances are presented together, in the same way as in the consolidated assets. However, contrary to the consolidated assets, in the case of non-consolidated assets the balance of the central bank and interbank deposits will be shown separately from the loans and advances row. The content of the "other assets" row corresponds to the content of the "other assets" row in the consolidated balance sheet (see: Balance sheet composition section).

Liabilities

The "deposits" row, contrary to the consolidated balance sheet composition, does not include the " loans taken, since this stock is presented in a separate row. Furthermore, at non-consolidated level, the counterparty's deposits and interbank deposits are presented separately within the "Deposits" row. The content of the "other liabilities" row corresponds to the content of the "other liabilities" row in the consolidated balance sheet (see: Balance sheet composition section).

Profit and loss statement

The structure of the profit and loss account is the same as that of the consolidated profit and loss account, with the slight difference that the interest income and expenditure is shown separately within the “Net interest income” and the dividend income is also separated within „Net other operating income”.

MNB Directorate Statistics, Supervisory Reporting and Statistics Department