

## METHODOLOGICAL NOTES TO THE TIME SERIES ON CORPORATE LENDING ACTIVITY OF CREDIT INSTITUTIONS

1. The aim of the publication is the presentation of data on lending to resident non-financial corporations including micro, small and medium enterprises, as well as self-employed persons by domestic credit institutions including branches of foreign credit institutions in both the EEA and third countries<sup>1</sup>.
2. Within the framework of the data collection conducted by the MNB for supervisory purposes the published time series contain the combined data provided by credit institutions derived from templates SF07H (A/B/T) (“Changes in loans granted by the financial institution”) and SF1801 (“Performing and non-performing exposures”).
3. The published time series present data on lending to enterprises belonging to the domestic non-financial corporate sector (including auxiliary enterprises) and those of self-employed persons from the household sector. This publication does not cover lending to enterprises belonging to other financial corporate sectors. The classification of enterprises into the SME sector is performed in line with the regulations of Act XXXIV of 2004 on Small and Medium-sized Enterprises and the Support provided to such Enterprises.
4. The time series contain data on loans granted by domestic credit institutions operating in the legal form of limited companies or cooperatives, as well as that of foreign credit institutions’ branch offices, but do not include data of financial enterprises that qualify as credit institutions from a prudential aspect (Garantiqa Hitelgarancia Zrt. (Garantiqa Loan Guarantee PLC) and Agrár-Vállalkozási Hitelgarancia Alapítvány (Loan Guarantee Foundation Rural Enterprises)).
5. In the rows of the time series the components affecting the changes in lending to non-financial corporation including the SME sector and that of self-employed enterprises are presented in a way that the closing stocks of the reference period can be obtained from the previous end-of-quarter closing stocks applying the transaction data of the reference period as corrections.
6. Loans (claims) contain all loans and similar claims arising from lending activities of the credit institutions, including claims purchased and other claims arising from other financing agreements or from other financial services, irrespective of their type (e.g. discounted bills, factoring, financial leasing, claims sold with deferred payment and repurchase agreement). However, in the case of credit institutions that changed over to IFRS, from 2017 it does not contain loans classified as “available for sale”.
7. The data disclosures show loans at their gross book value and the changes - excluding “Other changes” – relate only to the principal amount of the loans. Gross book value, upon applying the Hungarian accounting standards, means book value not adjusted for accumulated impairment and valuation difference; upon applying the IFRS, in the case of loans at amortised cost or at fair value through other comprehensive income, it means book value not reduced by accumulated impairment, while in the case of loans at fair value through profit/loss, it means book value not adjusted by the accumulated changes in fair value due to credit risk.
8. The classification of individual exposures (forint, foreign currency) is fundamentally determined by the currency in the loan agreement, because if the disbursement is made in HUF or foreign currency then the exposure is classified based on the currency the outstanding loan is.

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<sup>1</sup> This time series replaces the time series presenting Cred.Inst (8) “Loans extended to micro-, small- and medium sized enterprises by credit institutions” of “Time series of sectors supervised by the MNB – Credit institutions” (<https://www.mnb.hu/en/supervision/time-series/i-financial-institutions>) formerly published by the MNB.

9. Data providers convert outstanding loans in foreign currency into HUF at an official foreign exchange rate published by the MNB for the last day of the quarter while transaction data are converted into HUF at a foreign exchange rate that is effective on the day of the transaction.
10. In the time series the contents of the individual transaction data are as follows:
  - 10.1 Disbursement and repayment: the actual disbursed and repaid amount (scheduled and extraordinary) of the principal in the reference quarter. In the case of overdraft the increase of the outstanding loan amount relative to the previous quarter appears as disbursement, while a decrease is reflected as repayment. Upon applying the IFRS, this also shows the disbursed and repaid principal amount, which may differ from the value reported under IAS 39.
  - 10.2. *Claims purchased* in the reference period (including loans acquired through assignments permitted by the MNB) are presented at cost value (purchase price).
  - 10.3 *Claims sold*: claims sold in the reference quarter including assignments based on the MNB's permission are separately shown at their gross book value and at the value determined in the sales agreement (selling price). The sale is reported in the quarter when the claims were sold under the contract irrespective of the time of financial settlement.
  - 10.4. *Non-performing* loans are the stock qualifying as non-performing pursuant to MNB Decree 39/2016 (X.11).
  - 10.5. *Net lending transactions* is the balance of transaction data (disbursement, repayment, purchase, sale) by which the lending activity can be characterized. A decline in stocks stemming from claims sold is calculated at the selling price of the claims.
  - 10.6. In the row *Receivables written-off* the receivables that were deemed irrecoverable and were written off in the reference quarter and those that were written off for other reasons are shown at their gross book value at write-off. The difference of the gross book value exceeding the selling price of claims sold is recorded in the row *Adjusted sum of receivables written off*.
  - 10.7. In the row *Other changes* the sum of reclassifications in the quarter is shown (including a sector reclassification, change in currency, capitalisation of interest, restructuring etc.), as well as the sum resulting from currency revaluation and other items (e.g. interest). In the case of IFRS this row also contains differences arising from the first day's profit/loss, the effective interest calculation and from the change in fair value. If the opening stock in the reference quarter from a justified reason (eg. mergers) differs from the closing stock of the previous reference quarter, the difference is shown here. The conversion of foreign currency loans in default into forints - if no further exchange rate changes are charged – is also shown as Other changes: the amount of the loan is included with a negative figure in the foreign currency column, while with a positive figure in the forint column. The effect of a one-off change in the loan stock resulting from the changeover to IFRS is also presented here.
11. The data in the time series may differ from those published earlier due to modifications of data providers. The data published earlier are revised quarterly.

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