

## Methodological notes to the green finance in Hungary publication

1. The aim of the publication is the presentation of:
  - a) key metrics of MNB's preferential capital treatment programmes for green corporate and municipal financing and green housing financing;
  - b) data on lending to resident non-financial corporations, self-employed persons (including primary agricultural producers) as well as municipals;
  - c) data on assets with environmental and social focus in the insurance, pension fund and investment fund sectors;
  - d) green securities issued by domestic operators available at the reference date.
2. Publication of revisions:
  - a) The data of the publication is updated every time it is published: the reports are supplemented with the data of the new period, and the values may change retroactively as a result of the modifications sent by the data providers, which results in improved data quality.
3. In relation to the **(1) Stock overview** table:
  - a) The table shows the stock of loans and bonds included in the preferential capital treatment programme for green corporate and municipal financing, as well as the total stock of domestic corporate and municipal loans, and the stock of loans included in the preferential capital treatment programme for green housing financing.
  - b) For the preferential capital treatment programmes, the source of the loan stocks is HITREG and the source of the bond stocks is the E22 regular data reports. In addition to these, the data sources are the voluntary monthly data reports for the programmes, the ZVT and ZTP data reports.
  - c) The gross value is the sum of the gross book value and the undrawn credit lines from the HITREG database. In the case of loans included in the preferential capital treatment programme for green corporate and municipal financing, the amount is multiplied by the green ratio of the exposure belonging to the transaction reported in the ZVT data report. The capital requirement discount is applied to this value.
  - d) The outstanding principal value is from the HITREG database, which is the amount of the total outstanding principal, including any capitalised interest. Principal amount outstanding at the end of the reference date, including unpaid past capitalised interest, but excluding accrued interest. In the case of loans included in the preferential capital treatment programme for green corporate and municipal financing, the amount is multiplied by the green ratio of the exposure belonging to the transaction reported in the ZVT data report.
  - e) Stock data on bonds held by credit institutions are shown at fair market value and are sourced from the E22 data reports.
  - f) Entities includes non-financial corporations, self-employed persons and municipalities, these types of borrowers can be included in the preferential capital treatment programme for green corporate and municipal financing.
  - g) The segregation of domestic (residents) and foreign (non-residents) sectors, as well as self-employed persons are defined in Annex 2, subsection I. A. of MNB Decree 54/2021 (XI. 23.) on the obligations to report data to the central bank's information system primarily to enable the Magyar Nemzeti Bank to carry out its basic duties

- h) The borrowers of the preferential capital requirements programme for green housing financing are consumers within the meaning of the Act CLXII of 2009 on Consumer Credit (Fhtv), as well as condominiums and housing cooperatives.
- i) In relation to the total domestic corporate and municipal loans column:
  - i. Within the framework of the data collection conducted by the MNB for supervisory purposes the published time series contain the data provided by credit institutions derived from templates SF07H (A/B/T) ("Changes in loans granted by the financial institution") and template SF1801 („Performing and non-performing loans"). The value shown in the column is the sum of the „Corporate lending activities of credit institutions" time series (1) All by forint-foreign curr. folder total loans value and the „Credit institutions' data" Loan structure folder 1.4. Loans – Local governments row value.
  - ii. The column contains data on lending to resident non-financial corporations, self-employed persons, as well as municipals by domestic credit institutions including branches of foreign credit institutions in both the EEA and third countries.
  - iii. The total domestic corporate and municipal loans column shows loans at their gross book value. Gross book value; upon applying the IFRS, in the case of loans recorded at amortised cost, it means the book value not reduced by accumulated impairment, in the case of loans at fair value through other comprehensive income, it means amortised cost not reduced by accumulated impairment, while in the case of performing loans at fair value through profit/loss, it means fair value, and in the case of non-performing loans at fair value through profit/loss, it means book value not adjusted by the accumulated negative changes in fair value due to credit risk.

4. In relation to the **(2) Concentration** table:

- a) The table provides the concentration of the stock data outstanding towards domestic entities of institutions participating in the preferential capital treatment programmes for green housing financing and green corporate and municipal financing in an anonymized format.
- b) The stocks included in the calculation of the concentration are the same as the exposures identified in subsection 3.a).
- c) The values of the stocks included are the same as the value fields defined in subsections 3.c) and 3.e).
- d) The order is always determined by the green asset value calculated on the basis of the current quarter. The order of institutions may vary between quarters.

5. In relation to the **(3) Corp. & mun. loan purpose** table:

- a) The table includes green credit exposures of resident non-financial corporations, self-employed persons and municipals as defined in subsection 5.b).
- b) The segregation of domestic (residents) and foreign (non-residents) sectors, as well as self-employed persons are defined in Annex 2, subsection I. A. of MNB Decree 54/2021 (XI. 23.) on the obligations to report data to the central bank's information system primarily to enable the Magyar Nemzeti Bank to carry out its basic duties.
- c) Green credit exposures are defined as loans in the preferential capital treatment programme for green corporate and municipal financing. Other green loans are exposures that are not part of the preferential capital requirements programme for green corporate and municipal financing, but affected by infrastructure support factor, or taxonomy aligned loans, or Baross Gábor green loans, or a combination of those.

- d) The outstanding principal value is from the HITREG database, which is the amount of the total outstanding principal, including any capitalised interest. Principal amount outstanding at the end of the reference date, including unpaid past capitalised interest, but excluding accrued interest. If the institution indicates that the entire principal value is not considered green, in the event that the transaction is a loan included in the preferential capital treatment programme for green corporate and municipal financing, the principal value is multiplied by the green ratio of the exposure belonging to the transaction reported in the ZVT data report, or if the transaction Taxonomy-aligned, then the capital amount is multiplied by the taxonomy-alignment ratio from the HITREG data report.
6. In relation to the **(4) SFDR – insurance**, **(5) SFDR – investment funds**, and **(6) SFDR – pension funds** tables:
- a) SFDR stands for Sustainable Finance Disclosures Regulation, Regulation (EU) 2019/2088 of the European Parliament and of the Council. According to the SFDR Regulation, financial products can fall into three broad categories:
- i. traditional products that do not have a sustainability objective (Article 6 "non-green"),
  - ii. ESG investment products that aim to promote environmental and/or social characteristics (Article 8, "light green"),
  - iii. sustainable products that contribute to an environmental and/or social objective through sustainable investments (Article 9, "dark green").
- b) The compliance of each financial product with the SFDR is recorded in the MNB's Green Financial Product Finder database and in a register compiled from information gathered during the supervisory process.
7. In relation to the **(4) SFDR – insurance** table:
- a) The table shows the changes in the value of assets related to unit-linked or index-linked insurance contracts belonging to domestic insurance undertakings based on the unit-linked or index-linked insurance contracts' SFDR compliance. The meaning of SFDR is explained in subsection 5.a)
- b) The values in the total value of assets related to unit-linked or index-linked insurance contracts column are the same as the values of assets related to unit-linked or index-linked insurance contracts shown in table 2A\_Q\_EXPOSURES in the time series of data for sectors supervised by Magyar Nemzeti Bank – the insurance sector publication.
- c) The net asset value of the asset fund(s) related to each SFDR Article 8-9 unit-linked insurance contract is derived from supervisory reporting table 42N9G1.
8. In relation to the **(5) SFDR – investment funds** table:
- a) The table shows the changes in assets in investment funds under management by domestic supervised investment fund managers based on the funds' SFDR compliance. The meaning of SFDR is explained in subsection 5.a)
- b) The values in the total assets under management column are the same as the values in the investment funds row of table 2\_net asset value\_inv pol in the time series of data on sectors supervised by the MNB - Investment funds publication.
- c) The net asset value data for each SFDR Article 8-9 investment fund is derived from supervisory reporting table 50C.
- d) These time series do not include data on many alternative investment fund managers (mostly venture capital fund managers) and the funds, which were removed from the list of supervised entities, pursuant to Paragraph a) of Section 1 of Act XVI of 2014 on January 1 2020.

9. In relation to the **(6) SFDR – pension funds** table:

- a) The table shows the changes in assets under management by domestic voluntary pension funds based on the portfolios' SFDR compliance. The meaning of SFDR is explained in subsection 5.a)
- b) The values in the total assets under management column are the same as the values in the total portfolio row of table vpf(6a)-portfolio in the time series of sectors supervised by Magyar Nemzeti Bank – Pension funds publication.
- c) The market value data for each SFDR Article 8-9 portfolio is derived from supervisory reporting table 72OB.

10. In relation to the **(7) Green securities** table:

- a) The table shows the list of green securities issued by domestic operators available at the reference date.
- b) Green securities include government bonds, mortgage bonds and corporate bonds.
- c) Data in the table are from the MNB's statistical securities register.
- d) The issuer's identification number is the first 8 digits of the tax number or the unique statistical number.
- e) Sectors as defined in Annex 2, subsection I. A. of MNB Decree 54/2021 (XI. 23.) on the obligations to report data to the central bank's information system primarily to enable the Magyar Nemzeti Bank to carry out its basic duties.