



**Annual report**  
on the  
**Central Credit Information System**  
**2014**

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B I S Z Zrt.

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# Contents

<b>1. Introduction.....</b>	<b>4</b>
<b>2. The operations of the KHR.....</b>	<b>5</b>
<b>2.1. Consumer subsystem .....</b>	<b>5</b>
2.1.1.Monthly changes in the number of registered natural persons .....	5
2.1.2.Monthly changes in the number of credit agreements on record .....	5
2.1.3.Existing credit agreements by currency as at the end of 2014 .....	6
2.1.4.Existing credit agreements by type as at the end of 2014 .....	6
2.1.5.Existing agreements by term as at the end of 2014 .....	7
<b>2.2. Business subsystem .....</b>	<b>8</b>
2.2.1.Monthly changes in the number of businesses with open agreements .....	8
2.2.2.Monthly changes in the number of credit agreements in the KHR .....	8
2.2.3.Existing credit agreements by currency as at the end of 2014 .....	9
2.2.4.Existing credit agreements by type as at the end of 2014 .....	10
2.2.5.Existing credit agreements by term as at the end of 2014 .....	10
<b>3. Number and volume of loans.....</b>	<b>11</b>
<b>3.1. Consumer subsystem .....</b>	<b>11</b>
3.1.1.Number of credit reports in a monthly breakdown .....	11
3.1.2.Number of newly registered credit agreements in a monthly breakdown .....	11
3.1.3.Newly registered credit agreements by currency.....	12
3.1.4.Newly registered credit agreements by type .....	12
3.1.5.Newly registered credit agreements by term .....	13
3.1.6.Age distribution of registered natural persons as at the end of 2014.....	13
<b>3.2. Business subsystem .....</b>	<b>14</b>
3.2.1.Number of credit reports in a monthly breakdown .....	14
3.2.2.Number of newly registered credit agreements in a monthly breakdown.....	14
3.2.3.Newly registered credit agreements by currency.....	15
3.2.4.Newly registered credit agreements by type .....	15
3.2.5.Newly registered credit agreements by term .....	16
<b>4. Fulfilment of contractual obligations, indebtedness.....</b>	<b>17</b>
<b>4.1. Consumer subsystem .....</b>	<b>17</b>
4.1.1.Monthly changes of existing credit agreements by defaults.....	17
4.1.2.Monthly changes in the number of defaults by status.....	17
4.1.3.Outstanding defaults by default period as at the end of 2014.....	18

4.1.4. Monthly changes in the number of newly registered defaults .....	18
4.1.5. Distribution of contracts with outstanding default by age of the individuals as at the end of 2014..	19
4.1.6. Monthly changes in the number of consumer rejections and card frauds .....	19
<b>4.2. Business subsystem .....</b>	<b>20</b>
4.2.1. Monthly changes of open credit agreements by defaults.....	20
4.2.2. Monthly changes in the number of defaults outstanding.....	20
4.2.3. Outstanding defaults by default period as at the end of 2014.....	21
4.2.4. Monthly changes in the number of newly registered defaults .....	21
4.2.5. Monthly changes in the number of insolvencies (queued items) by status .....	22
4.2.6. Monthly changes in the number of frauds connected to the acceptance of non-cash payment.....	22

## **1. Introduction**

Since 2012 the **Central Credit Information System (CCIS**, in Hungarian: **Központi Hitelinformációs Rendszer, KHR**) contains full records, which means both negative and positive credit data can be found in the consumer and business subsystems as well. The main purposes of the database extension were to support accurate credit assessment of the financial institutions and to promote responsible lending. The positive credit records could enable the institutions to take these data into consideration at the credit and pricing decisions by rewarding the disciplined payment behavior with discounts .

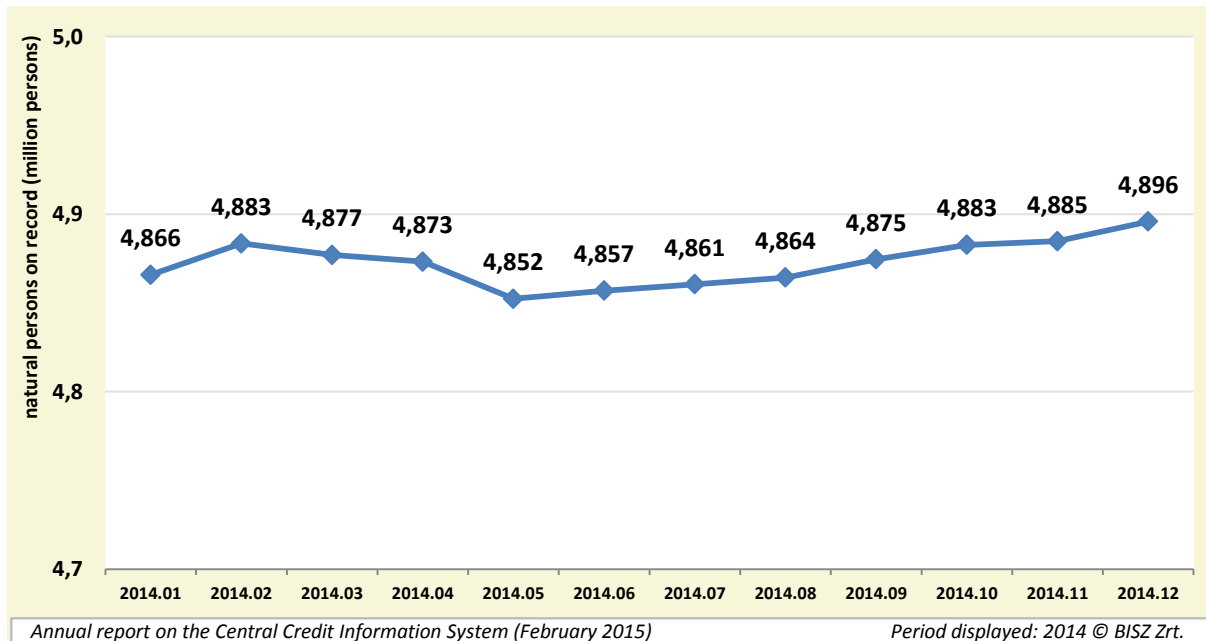
The KHR is relevant and informative not only to the financial institutions but also to the registered individuals. They are entitled to obtain information free of charge about their own credit data recorded by the reference data provider in the KHR. This information can be requested by applying for an own credit report via the credit institutions or at BISZ Plc.

As a result of the intensive and continuous cooperation with the reference data providers the KHR database is regularly refined and updated, which is also supported by data cleansing examinations and preventive input filters implemented by BISZ Plc. At the end of 2014 the database contained credit agreements of cca. 4.9 million individuals and 150,000 legal entities. Important goal of the company is still to provide a continuously available and accessible credit report database to the contracted partners in an adequate quality.

## 2. The operations of the KHR

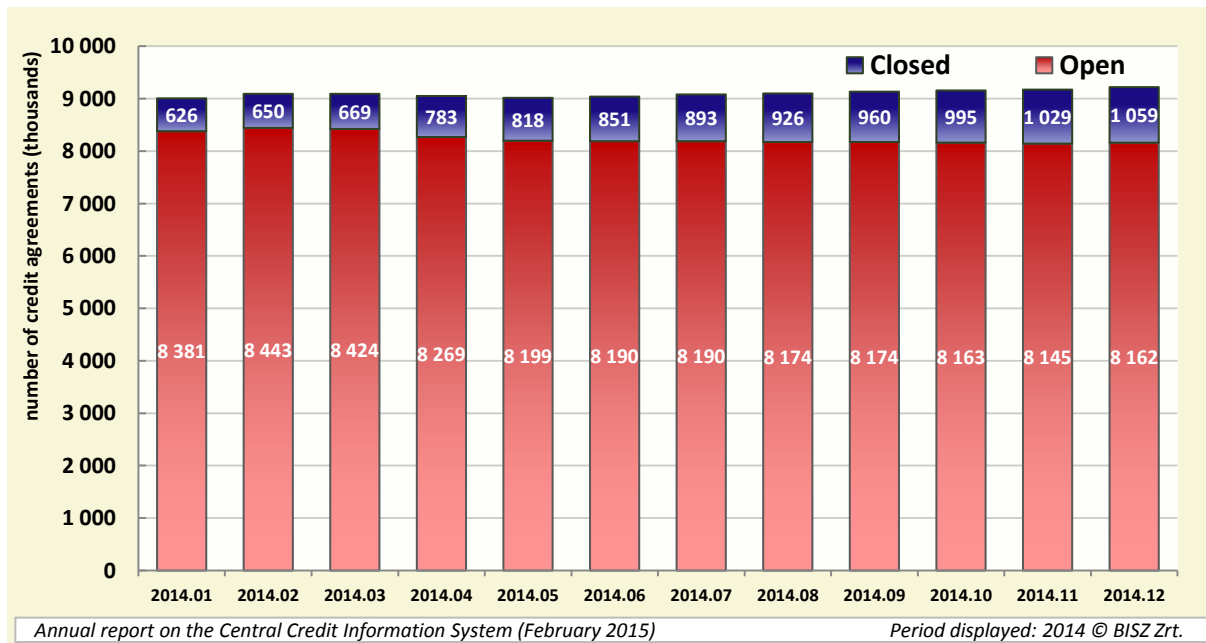
### 2.1. Consumer subsystem

#### 2.1.1. Monthly changes in the number of registered natural persons



In 2014, the number of registered natural persons was between 4.8 and 4.9 million just as in 2013. The 4.896 million natural persons on record give approximately 60.13% of the Hungarian adult population<sup>1</sup>.

#### 2.1.2. Monthly changes in the number of credit agreements on record

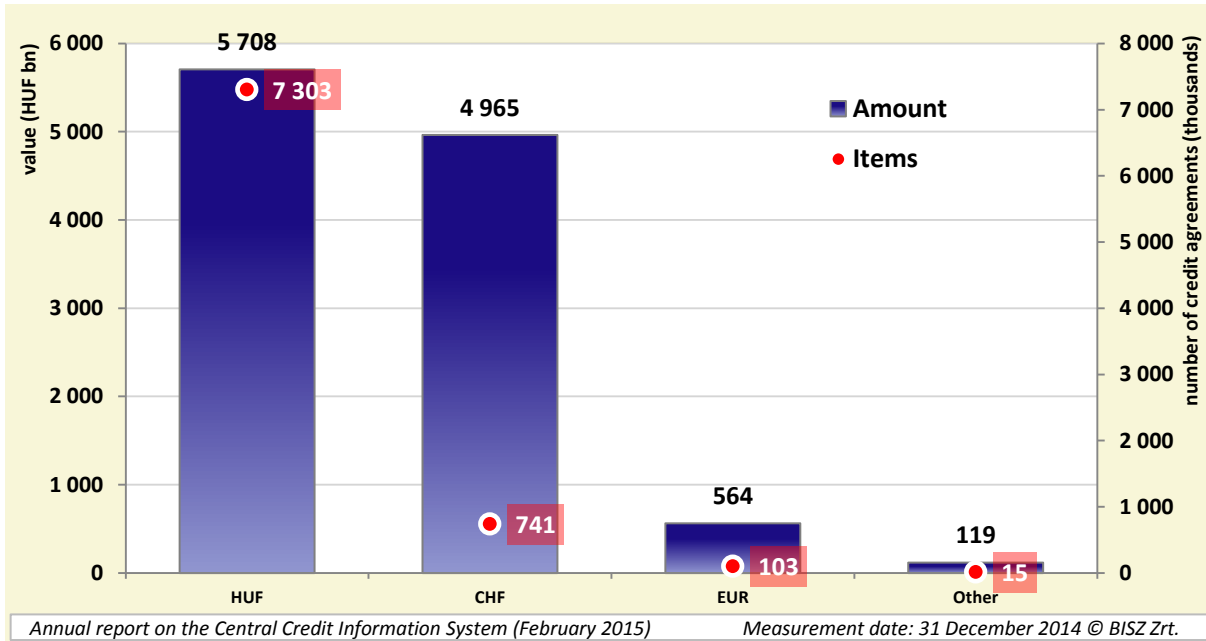


As at 31 December 2014, 89% of all consumer credit agreements on record were open and 11% were closed. As expected, the share of the closed credit agreements increased in 2014, so the growth rate of new issues has lagged behind the rate of termination of the open agreements. In this process it also played a role that the number of open credit agreements shows a decreasing trend and according to the KHR stats more and more natural persons give their consents to an

<sup>1</sup> Source of the number of adult population: KSH - Magyarország népességének száma nemek és életkor szerint, 2014. január 1. (Number of Hungarian population by gender and age, 1 January 2014), <http://www.ksh.hu/interaktiv/korfak/terulet.html> (Download date: 21 January 2015)

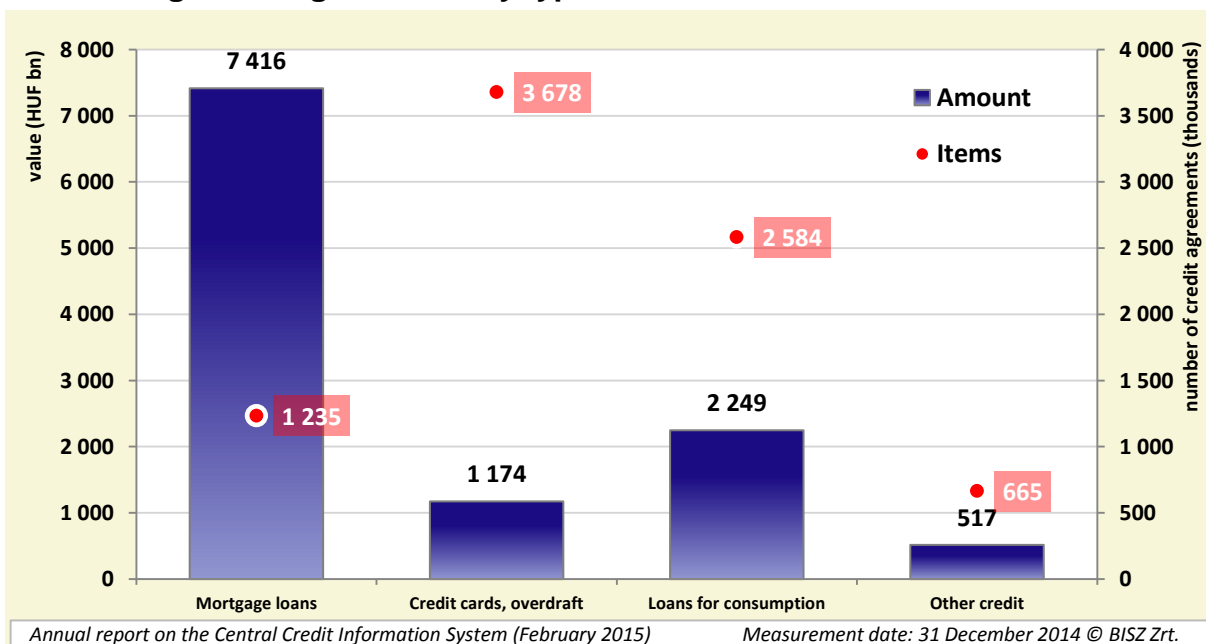
extended data storage beyond the termination of the agreement, thus it increased the number of closed (positive) agreements after its maturity and termination.

### 2.1.3. Existing credit agreements by currency as at the end of 2014



The open consumer credit agreements as at 31 December 2014 comprised a total loan value of HUF 11,356 bn at the time of issue, which is HUF 230 bn more than at the end of 2013. Nevertheless this increase is the consequence of the deterioration of the Hungarian Forint. Looking at the issue values of contracts issued in foreign currency at the prior year's FX rate rather than at the actual year's then cca. HUF 200 bn decrease in the total issue value could be seen in spite of the increase of the value of contracts issued in HUF compared to 2013. 89.48% of the open agreements were issued in HUF, 9.08% in CHF, 1.26% in EUR and 0.18% in other currencies. As for the volumes in all categories decrease could be observed but the proportion of the contracts issued in HUF has increased, so the number of agreements denominated in foreign currencies has decreased even more. 50% of the aggregate loan amount of consumer credit agreements was issued in HUF, 44% in CHF, 5% in EUR and 1% in other currencies. These ratios are exactly the same as at 2013.

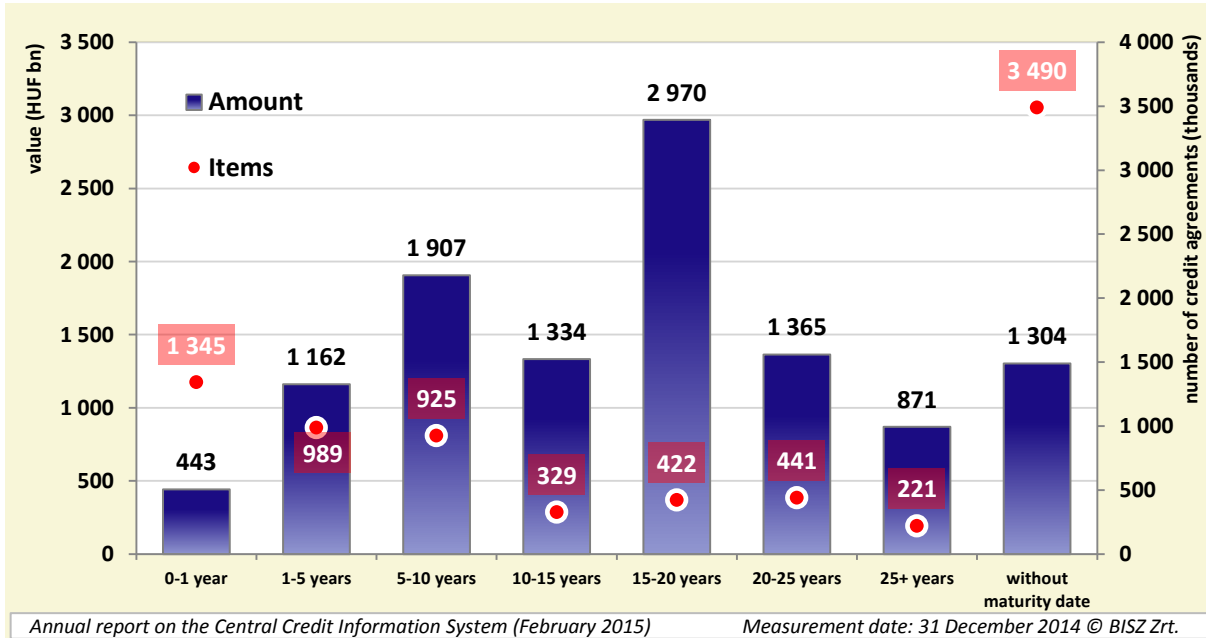
### 2.1.4. Existing credit agreements by type as at the end of 2014



As at 31 December 2014, 45% of the open credit agreements were credit cards or overdraft facilities, 32% consumer loans, 15% mortgage loans and 8% other types of credit. The majority of

the issue value of the consumer credit agreements was mortgage (65%). The consumer loans make up 20%, the credit cards/overdraft facilities 10%, and the other types of credit 5% of the total value of the credit granted. From volume perspective a decrease can be observed but the number of other agreements – which cannot be classified in the general categories – has increased compared to 2013. The aggregate loan value of the mortgage loans and credit card or overdraft facilities have increased; the value of consumer credit has decreased compared to the end of 2013.

**2.1.5. Existing agreements by term as at the end of 2014**



As for the distribution of credit agreements by term no considerable change can be seen compared to 2013. 40% of the existing agreements were issued with a term shorter than 10 years, and other 43% of the contracts were issued with no maturity date. These later ones are principally credit cards, charge accounts and other types of credit where the contractual term is indefinite.

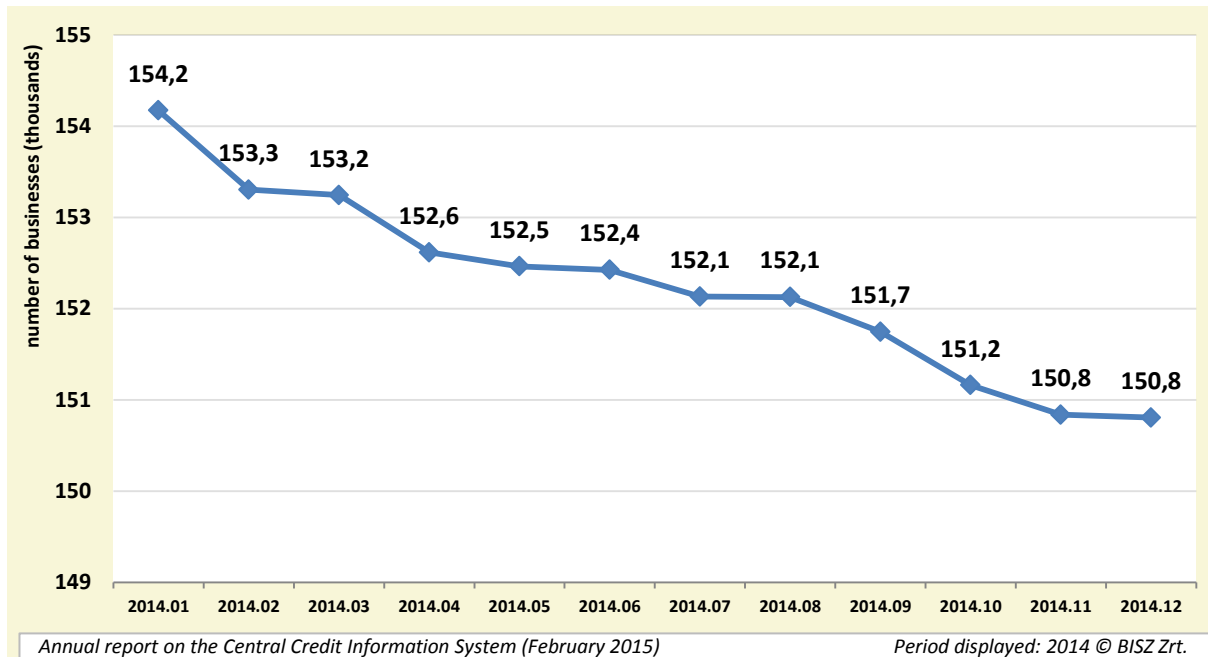
Compared to the same time of the previous year, the number of agreements issued with a maturity of 10-15 years and with no maturity has increased.

From total issue value perspective it can be stated, that the value of contracts maturing in 15-20 years (26%) and 5-10 years (17%) represents the biggest slice out of the total amount granted.

The average issue value is the highest in the case of loans maturing in 15-20 years (more than HUF 7 million). Compared to 2013 this number has increased because of the decrease of the existing contracts and the growth of the amount granted.

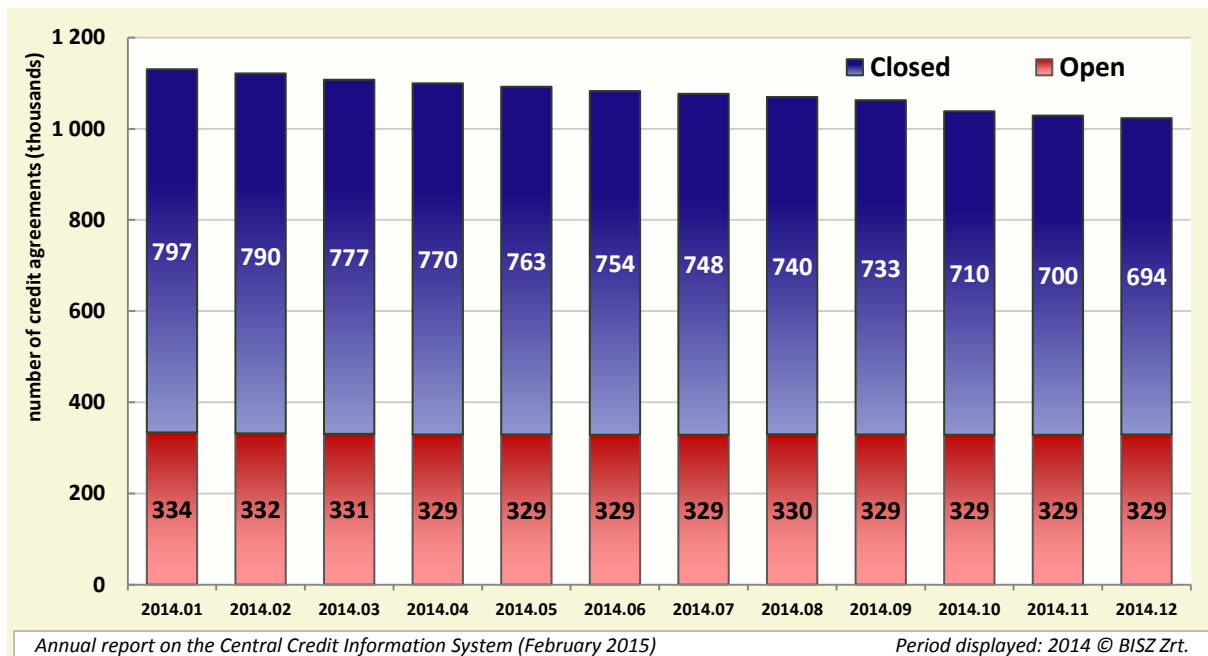
## 2.2. Business subsystem

### 2.2.1. Monthly changes in the number of businesses with open agreements



In the business subsystem of the KHR the number of businesses with open agreements followed the decreasing tendency starting from June 2012 but the pace of the decrease slowed down in this period. As at 31 December 2014, the 150,800 businesses recorded in the KHR correspond to 13.6% of all registered entities.<sup>2</sup>

### 2.2.2. Monthly changes in the number of credit agreements in the KHR



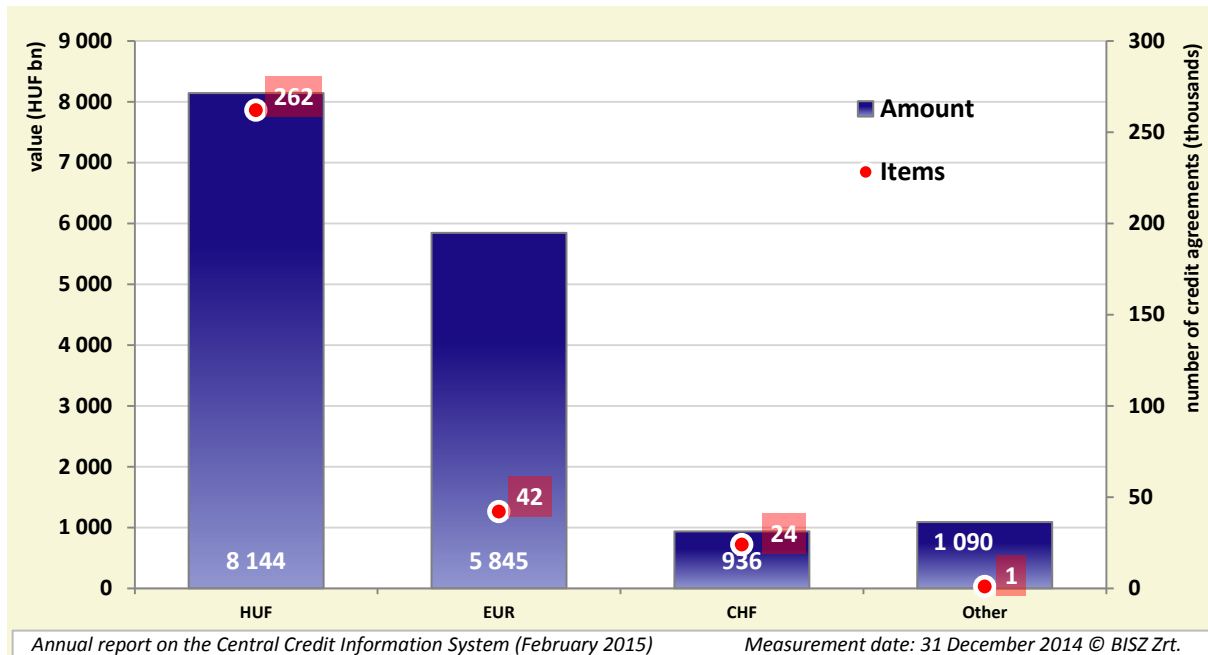
The number of business credit agreements shows persistent decrease in 2014 because many contracts reached the end of their 5-year storage time limit. The number of closed agreements has been reduced by 13% because of traceless erasure after the end of limitation period. The number of open agreements has stagnated after the small-scale decrease of 2014Q1.

<sup>2</sup> Companies, private entrepreneur with license, non-profit organizations and other organizations (sum of 1 111 883)  
Source: KSH STADAT - A regisztrált gazdasági szervezetek száma gazdálkodási forma szerint GFO'11  
[http://www.ksh.hu/docs/hun/xstadat/xstadat\\_evkozi/e\\_qvd010a.html](http://www.ksh.hu/docs/hun/xstadat/xstadat_evkozi/e_qvd010a.html) (November 2014) (Download date: 21 January 2015)



As at 31 December 2014, 32% of the recorded business loan agreements were open, 68% were closed. Since the limitation rate of closed agreements is beyond the rate of terminating contracts, henceforward, the proportion of open credit agreements shows an increase.

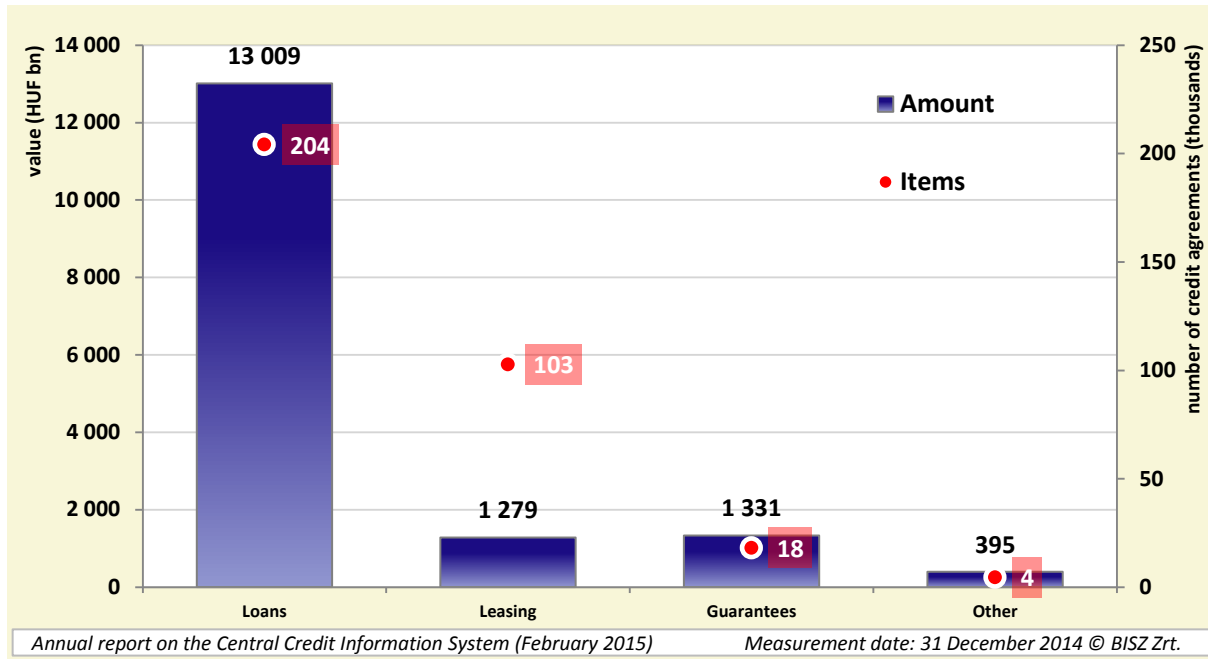
### 2.2.3. Existing credit agreements by currency as at the end of 2014



As at 31 December 2014, the total issue value of the open business credit agreements was HUF 16,014 bn which is HUF 615 bn more than at the end of 2013. If the issue values of open agreements could be converted to HUF with the exchange rate of 2013 and we compare this converted value to the previous year's value, only HUF 36 bn would remain from the increase in spite of the big growth (HUF 430 bn) in the value of the HUF-based credit agreements. 79.6% of the open agreements were made in HUF, 12.8% in EUR, 7.3% in CHF and 0.3% in other currencies. 51% of the aggregate loan amount of business credit agreements was denominated in HUF, 36% in EUR, 6% in CHF, and 7% in other currencies. So the EUR-based open business credit agreements have a remarkable weight in the portfolio despite their volume.

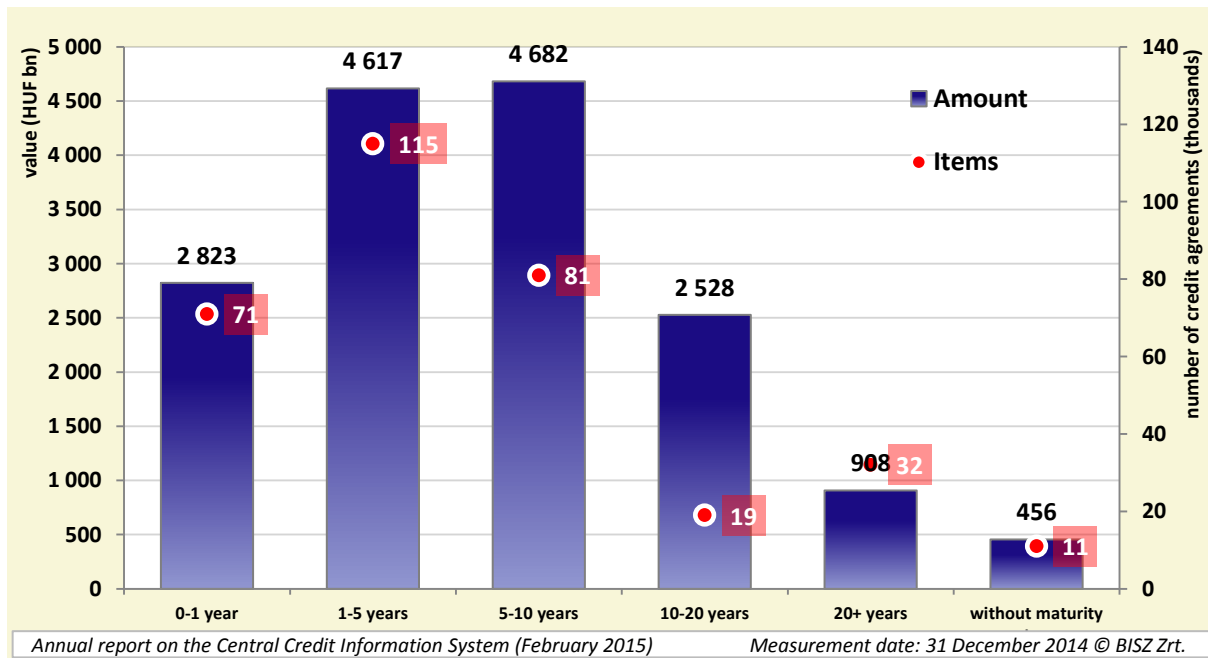
The trend observed in 2013 continued in 2014: the number and also the amount of HUF-based credit agreements have increased. The number of EUR-based agreements with high issue value has decreased but the total issue value of agreements denominated in EUR has increased onwards. Therefore, in this category the average issue value has increased substantially.

### 2.2.4. Existing credit agreements by type as at the end of 2014



As at the end of 2014, 62% of open business credit agreements were loans, 31.3% leasing, 5.5% guarantees, 1.2% other credits (e.g. factoring, cash-free means of payment, unsecured letter of credit). 81.2% of the amount of external credit to businesses were loans, 8% leasing, 8.3% guarantees and 2.5% other credit. The volume and the value of leasing agreements have increased according to 2013.

### 2.2.5. Existing credit agreements by term as at the end of 2014

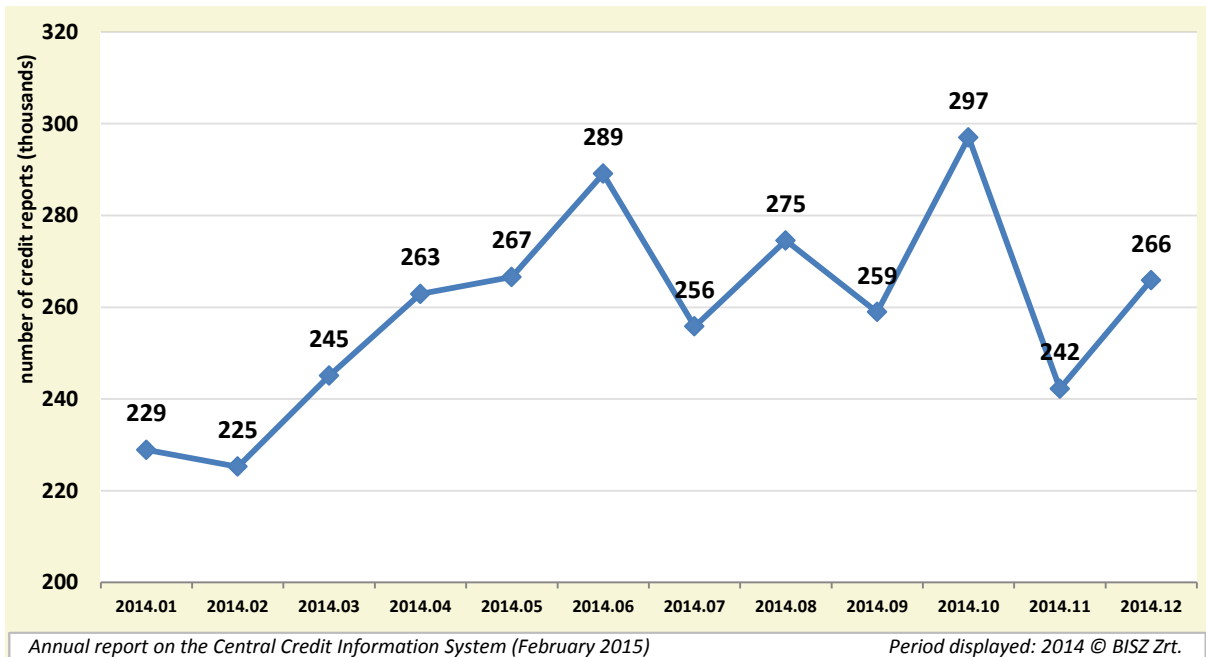


As at the end of 2014 the vast majority (81.2%) of the outstanding credit agreements was issued with a term shorter than 10 years. The number of agreements with no maturity date increased but in the other categories a decrease can be observed compared to the end of previous year. The total loan amount of the short-term (maximum 1 year) agreements has decreased, while in other categories an increase can be seen. The highest average issue value can be found in the category "10-20 years" (approx. HUF 133 million).

### 3. Number and volume of loans

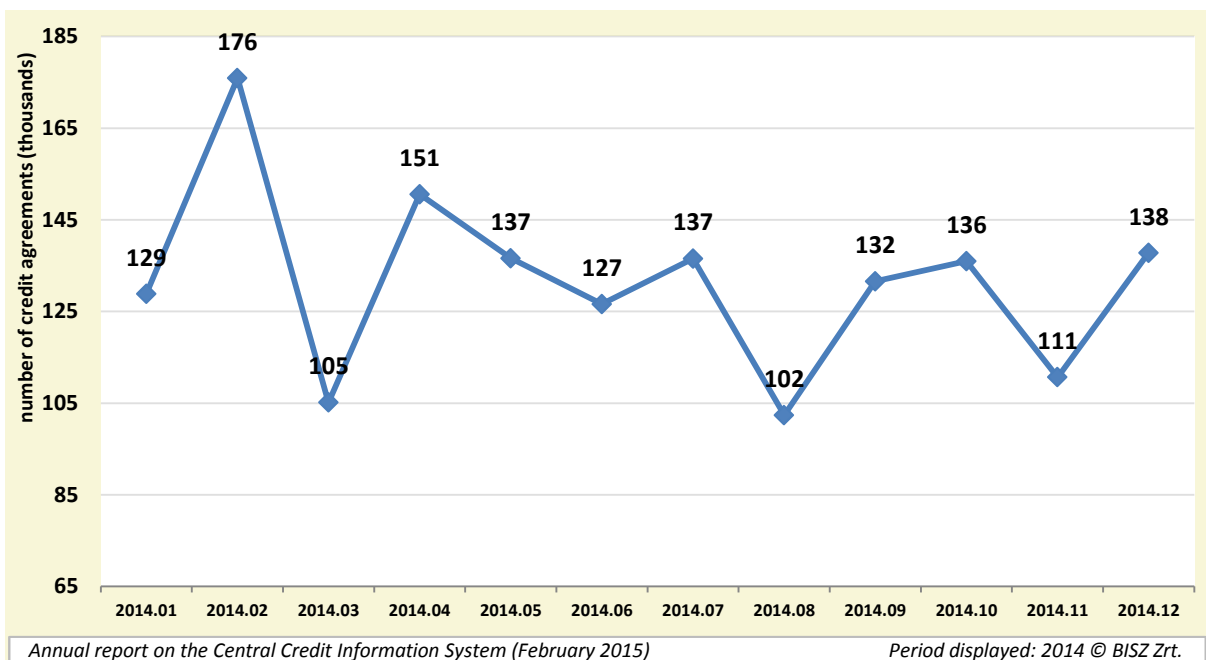
#### 3.1. Consumer subsystem

##### 3.1.1. Number of credit reports in a monthly breakdown



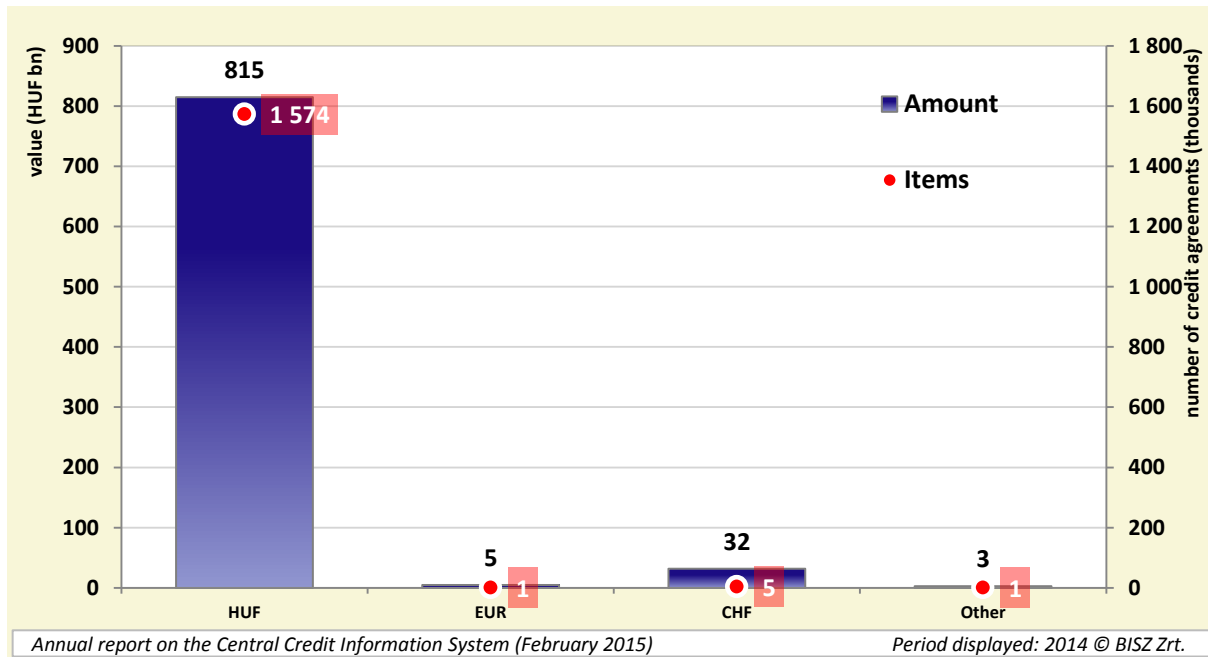
The Act of KHR requires that every loan applicant must be queried from the database before issue. These requests are also known as KHR credit report requests. Likewise the prior year seasonal effects can be observed before summer and Christmas in 2014, too. In total 2% more personal credit reports were requested in 2014 compared to the previous year.

##### 3.1.2. Number of newly registered credit agreements in a monthly breakdown



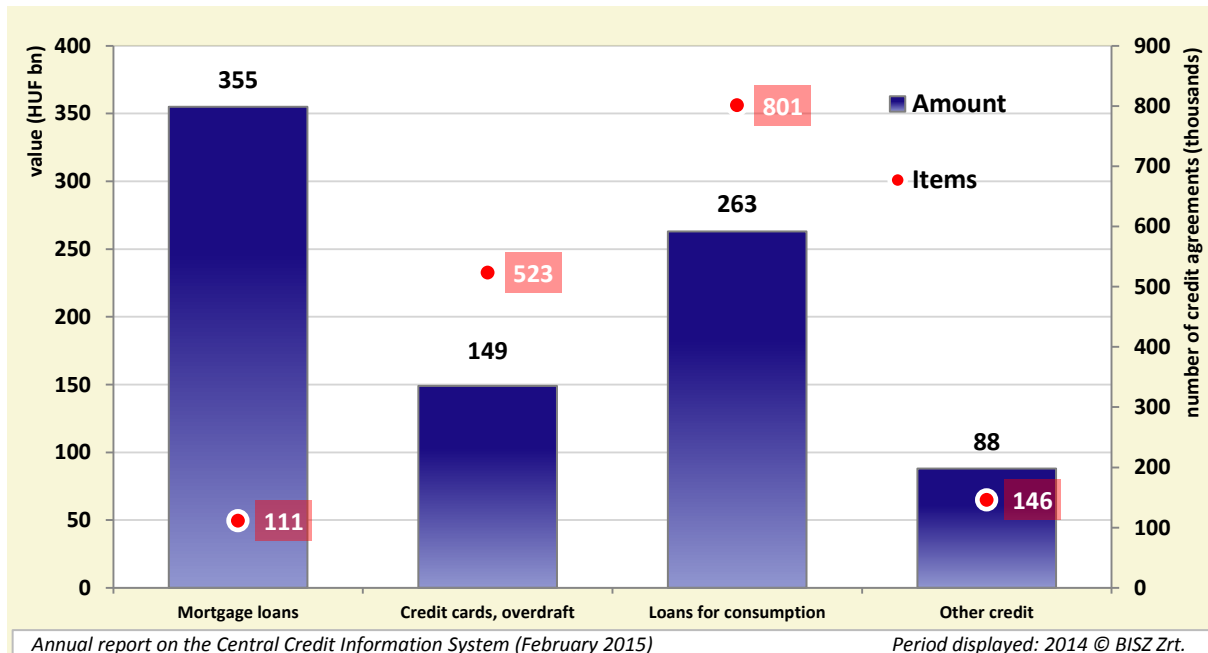
The monthly average number of newly uploaded consumer credit agreements was 132,000 in 2014 which is 6,000 less than the average volume in 2013. The main reason for the high number in February 2014 is the delayed data uploads of some reference data providers.

### 3.1.3. Newly registered credit agreements by currency



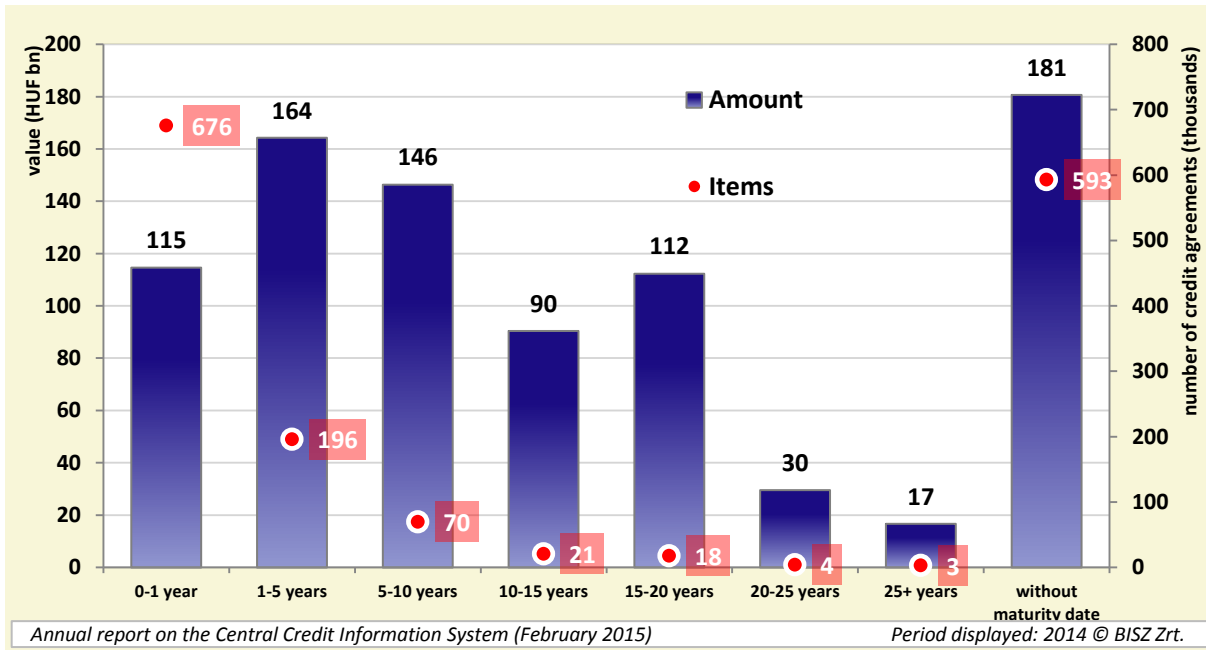
Out of the 1.581 million new consumer credit agreements registered in 2014, 99.56% were denominated in HUF, 0.06% in EUR, 0.32% in CHF. The total issue value of newly registered credit agreements were HUF 855 bn, which of 95.32% were HUF-based, 0.58% EUR-based, 3.74% CHF-based and 0.35% were denominated in other currencies. The decrease of agreements denominated in foreign currencies can be well seen in this chart, too.

### 3.1.4. Newly registered credit agreements by type



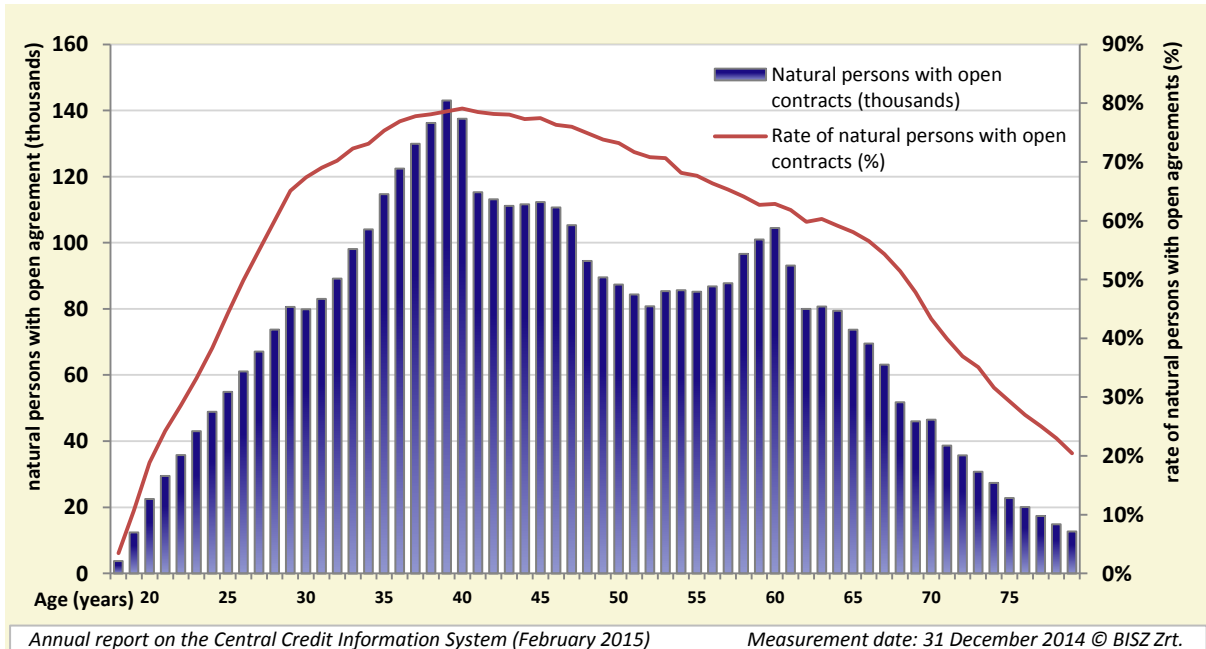
Out of the new consumer credit agreements registered in 2014, 7% were mortgage loans, 50.7% loans for consumption purposes, 33.1% credit cards or overdraft facilities and 9.2% other types of credit. 41.5% of total amount of newly registered agreements were mortgage loans, 17.4% credit cards or overdraft facilities, 30.8% consumption loans and 10.3% other types of credit. At the main categories decrease can be observed in the volume and the total value as well.

### 3.1.5. Newly registered credit agreements by term



Looking at the term of the newly registered consumer credit agreements it can be seen that the vast majority of the credit agreements was issued with a term less than a year (42.76%) or with no maturity date (37.51%). As for the total issue value of new credit agreements we can say that the personal loans moved towards the products with longer term and greater amount, because in the category “10-15 years” and also in “15-20 years” a massive increase can be observed from value perspective in spite of the decrease in volume. Signs of this effect were seen in 2013, too.

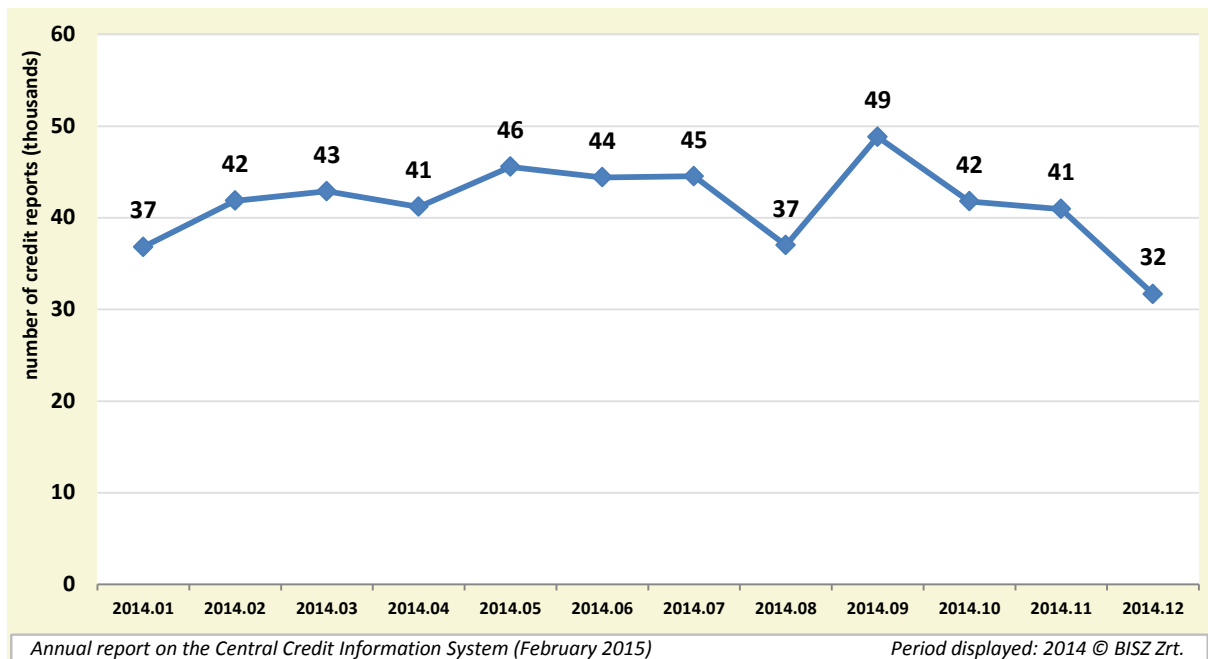
### 3.1.6. Age distribution of registered natural persons as at the end of 2014



Natural persons registered as either debtor or co-debtor in the KHR have an average of 1.74 open credit agreements. The shape of this chart is similar to the previous years' because the demographic indicators don't change considerably within a few years. The rate indicator on the chart equals the quotient of the number of clients with existing agreements and the appropriate value of the KSH demographic chart referred earlier. (Number of Hungarian population by gender and age, 1 January 2014)

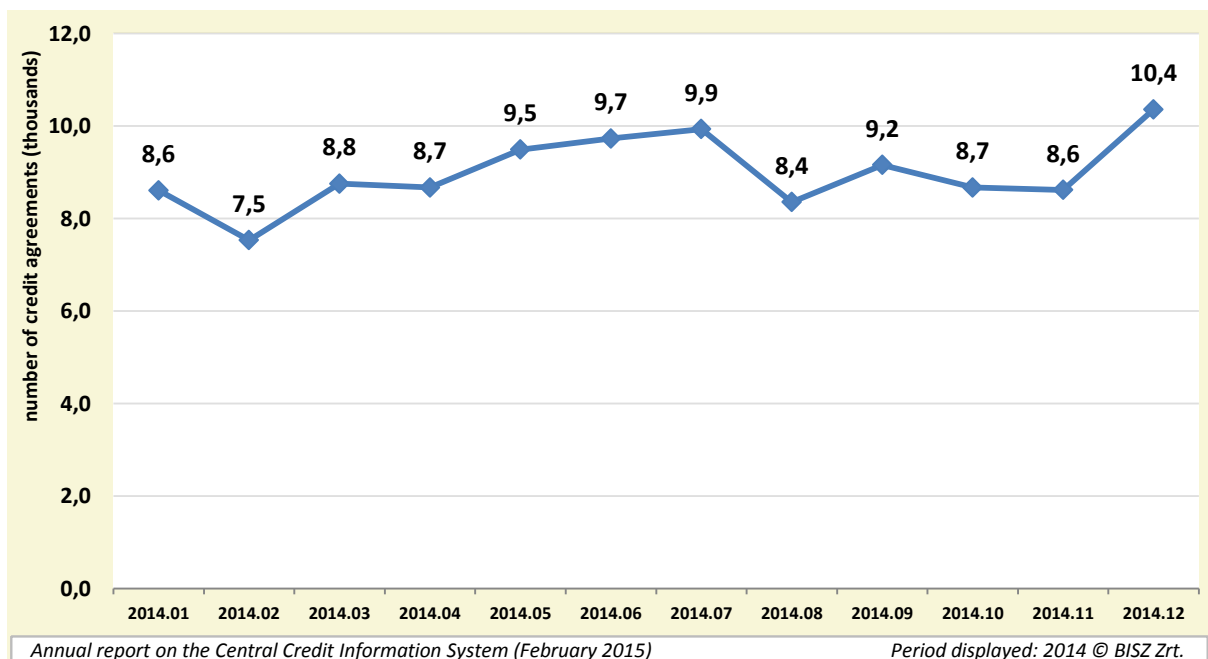
## 3.2. Business subsystem

### 3.2.1. Number of credit reports in a monthly breakdown



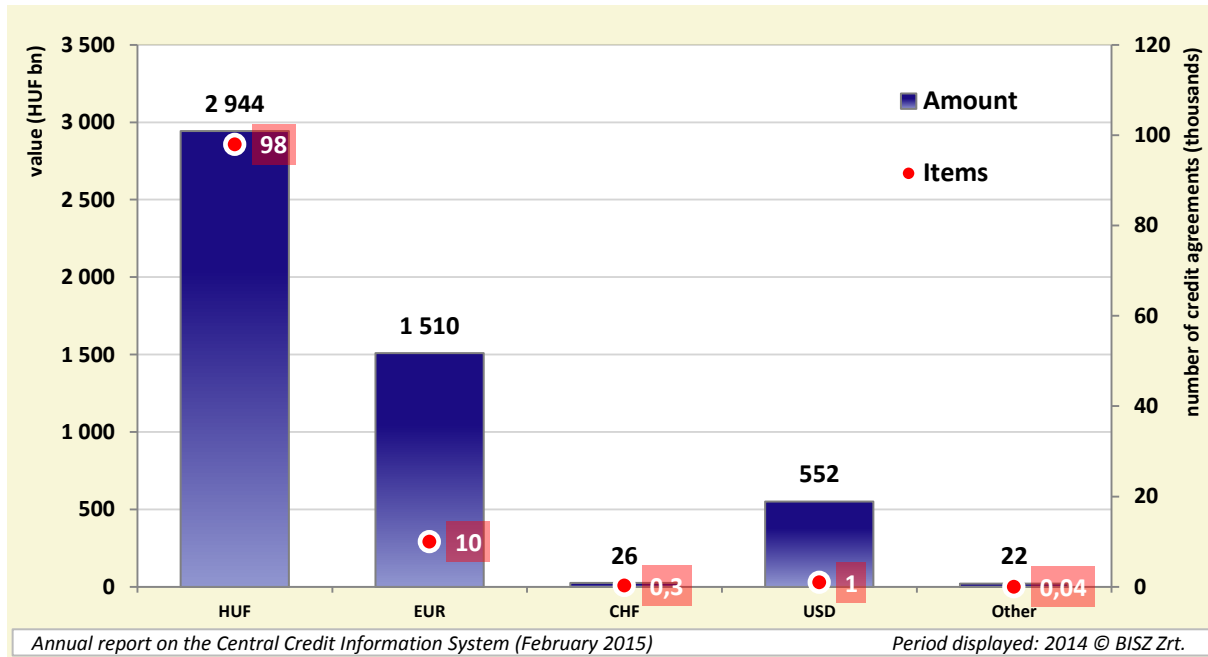
The reference data providers (like in the consumer subsystem) request credit reports of the companies in the business subsystem, too. In 2014 there was a stagnancy or slight increase in the number of credit reports after the prior years' continuously decreasing tendency. In 2014 a monthly average of 41,600 credit reports were requested by the financial institutions which is cca. 1,100 more than in 2013.

### 3.2.2. Number of newly registered credit agreements in a monthly breakdown



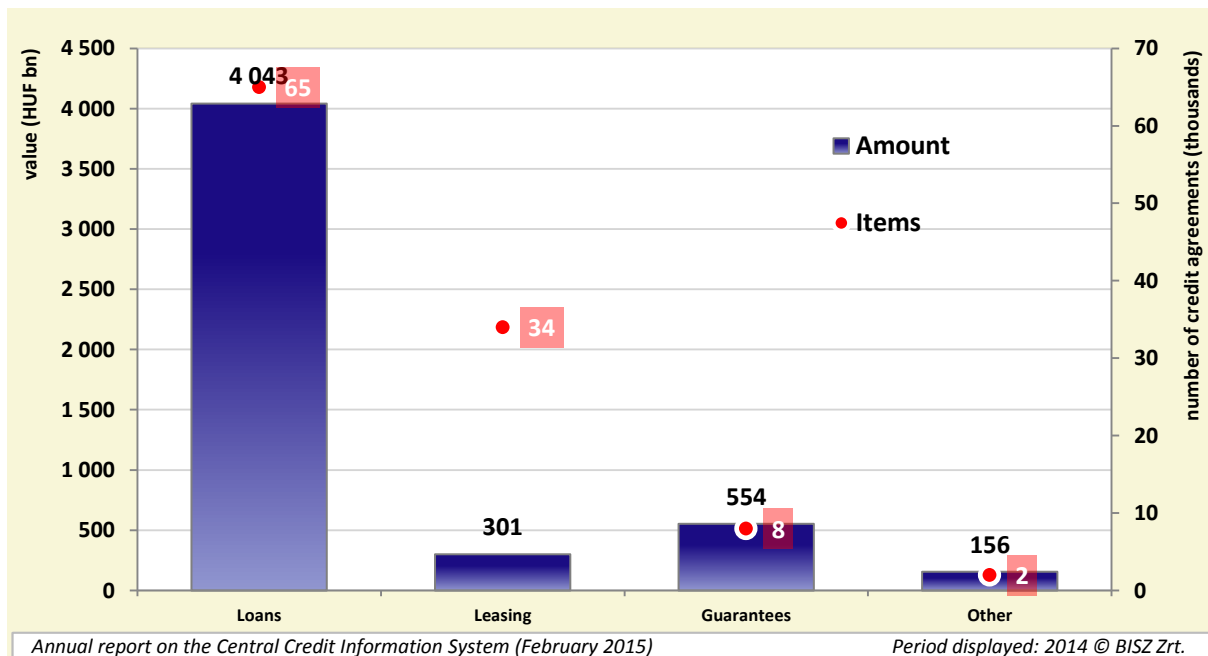
The monthly average number of new credit agreements was just over 9,000 which lag behind significantly from number experienced in the prior few years of 11-12 thousand. Compared to the values of chapter 3.2.1, this is approximately the fifth of the credit reports provided.

### 3.2.3. Newly registered credit agreements by currency



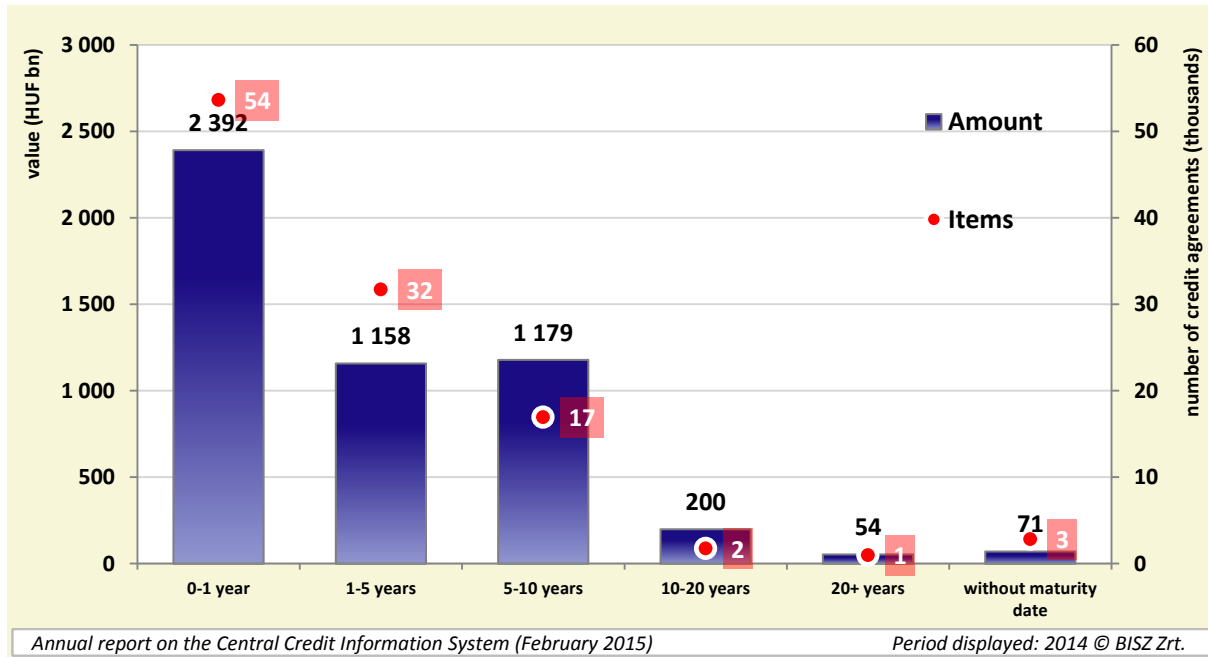
Out of the 109,000 new business credit agreements registered in 2014, 89.63% were denominated in HUF, 9.15% in EUR, 0.27% in CHF and 0.91% in USD. In 2014 the total value of new business credit contracts registered in the KHR was HUF 5,054 bn. From volume point of view we can report decrease or stagnation in the major currencies. The aggregate amount of new agreements denominated in USD has increased compared to 2013. This change remains (but less) if the recent year's values are converted to HUF with the exchange rate of 2013 at the comparison.

### 3.2.4. Newly registered credit agreements by type



Out of the new business credit agreements registered in 2014, 60% were loans, 31% leasing, 7% guarantees and 2% other credit. The ratio of leasing agreements has increased at the expense of loan agreements compared to 2013. Generally it can be said that the volume and also the value of leasing agreements has increased, the other types have decreased as regards for both their volume and value as well.

### 3.2.5. Newly registered credit agreements by term



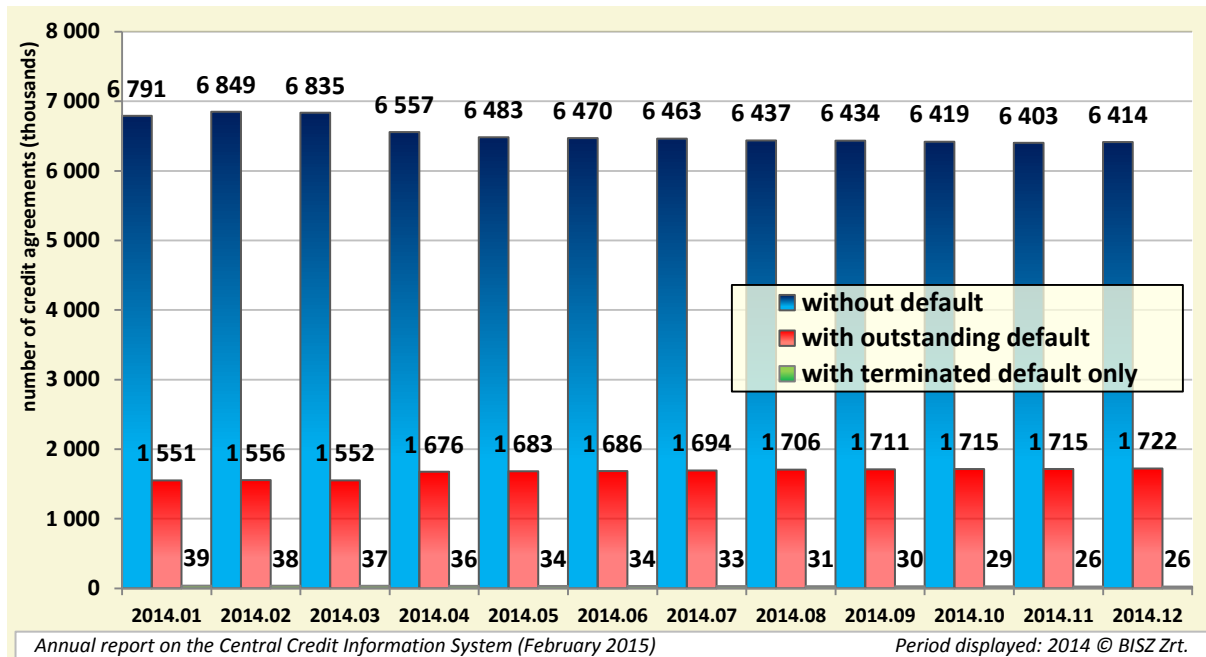
The vast majority (94.5%) of new business credit agreements is maturing in 10 years. However, in 2014 more agreements without maturity date were uploaded with higher value compared to 2013. Increase can be observed in this category only. The number and also the total value of short-term contracts have decreased the most compared to the previous year.



## 4. Fulfilment of contractual obligations, indebtedness

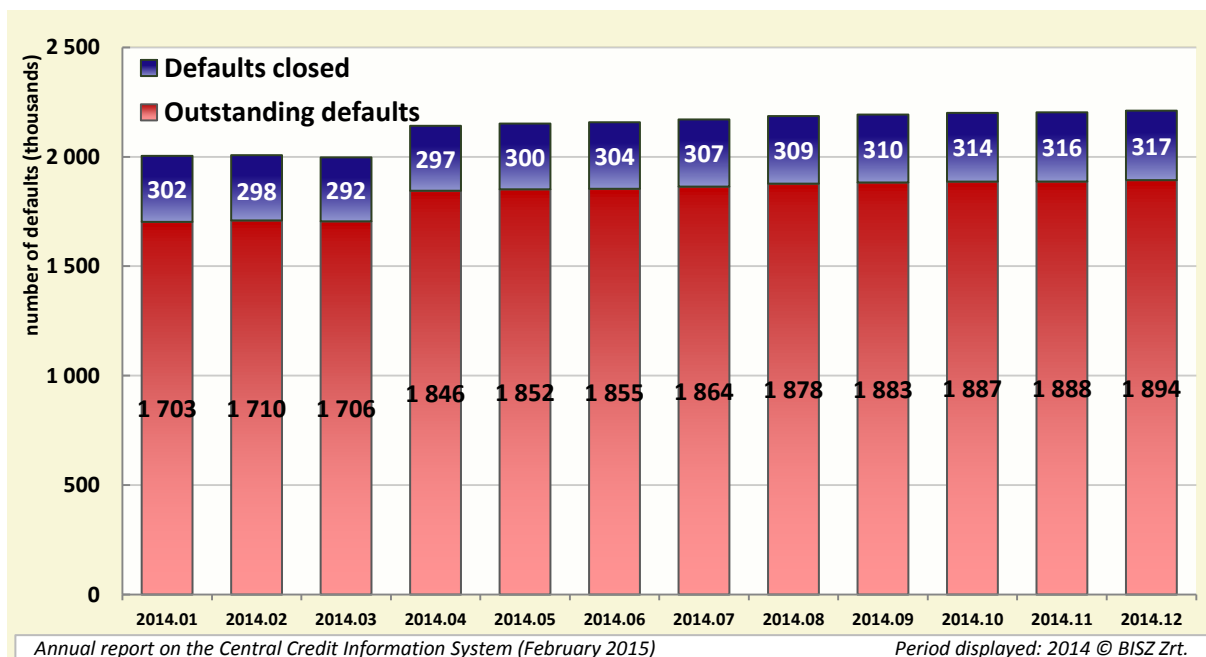
### 4.1. Consumer subsystem

#### 4.1.1. Monthly changes of existing credit agreements by defaults



As specified in the Act of KHR, default is defined as failure of paying the instalment in a value that exceeds the minimum wage, and which is overdue by more than 90 days. As at 31 December 2014, 21.1% of the 8,162,000 existing consumer credit agreements had unsettled defaults on record, and 78.58% of the existing agreements had no defaults. The earlier trend continued in 2014 as well: the proportion of agreements without default has decreased and the ratio of agreements with outstanding default has increased, although a delayed, massive default upload of a given reference data provider also contributed to this change in April 2014.

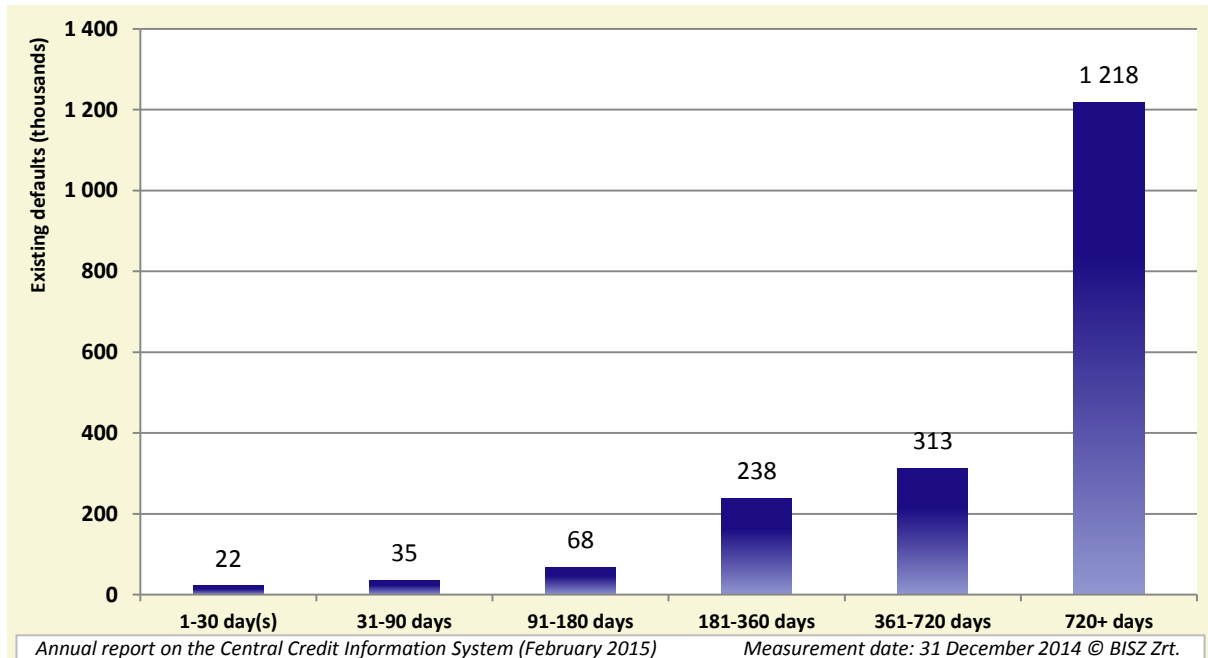
#### 4.1.2. Monthly changes in the number of defaults by status



In the analysis of the timeline of defaults in 2014, it can be well seen that the number of unsettled defaults has increased with a bigger rate and the number of terminated defaults also increased

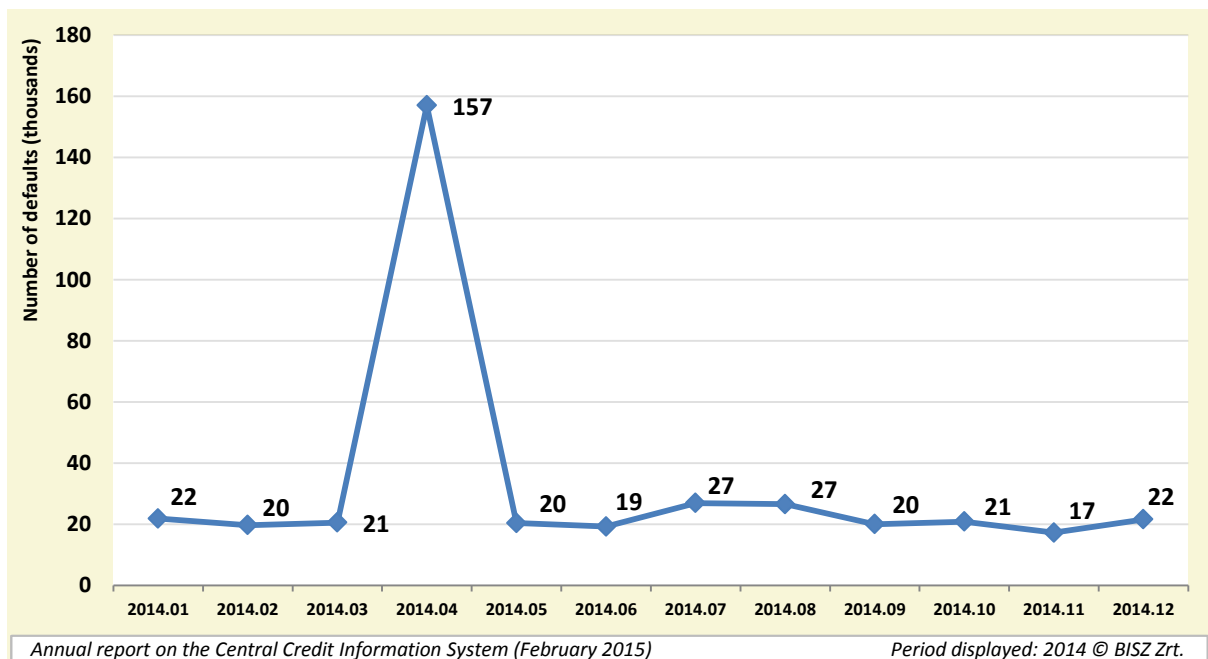
with a smaller extent. The number of outstanding defaults increased considerably in April 2014 which could be the result of a delayed maintenance of a given reference data provider. The chart is indicating that closed defaults expire (and get erased) with a slower pace than the outstanding defaults get closed, that's why the number of closed defaults has increased. The main reason for the increase of outstanding defaults is that the pace of default registration is faster than its settlement or termination.

#### 4.1.3. Outstanding defaults by default period as at the end of 2014



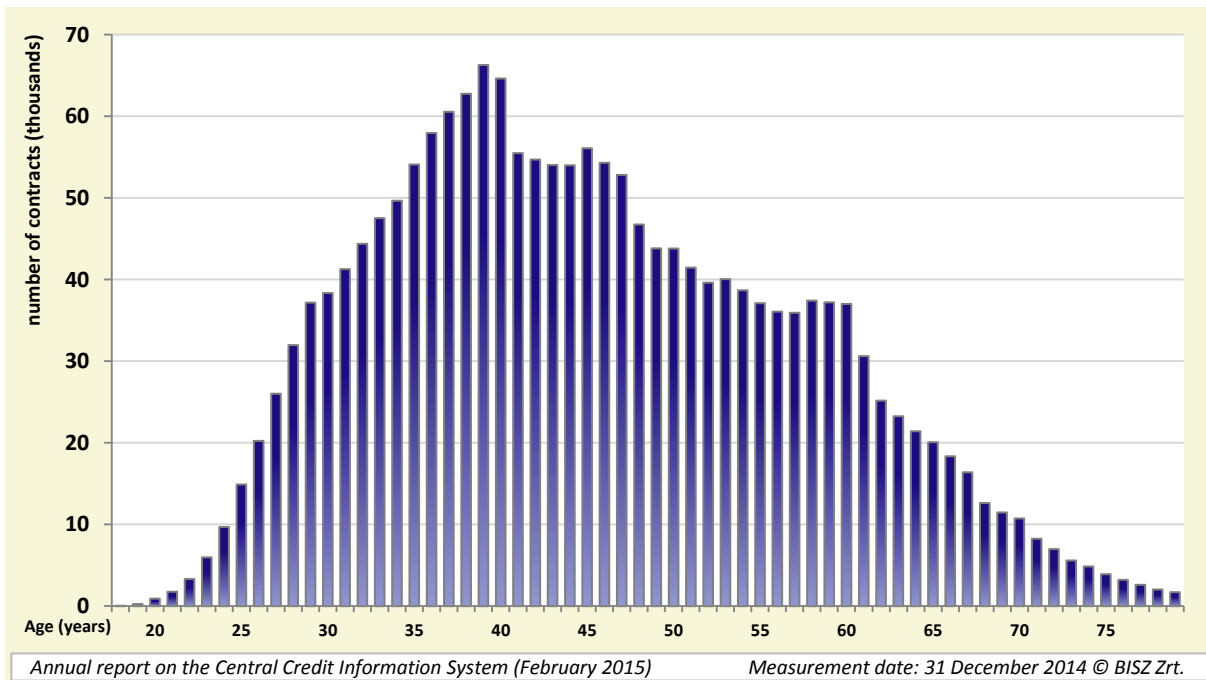
As at 31 December 2014, the vast majority (93.4%) of outstanding defaults were unsettled for over 6 month. Most of them were unsettled for over 2 years.

#### 4.1.4. Monthly changes in the number of newly registered defaults



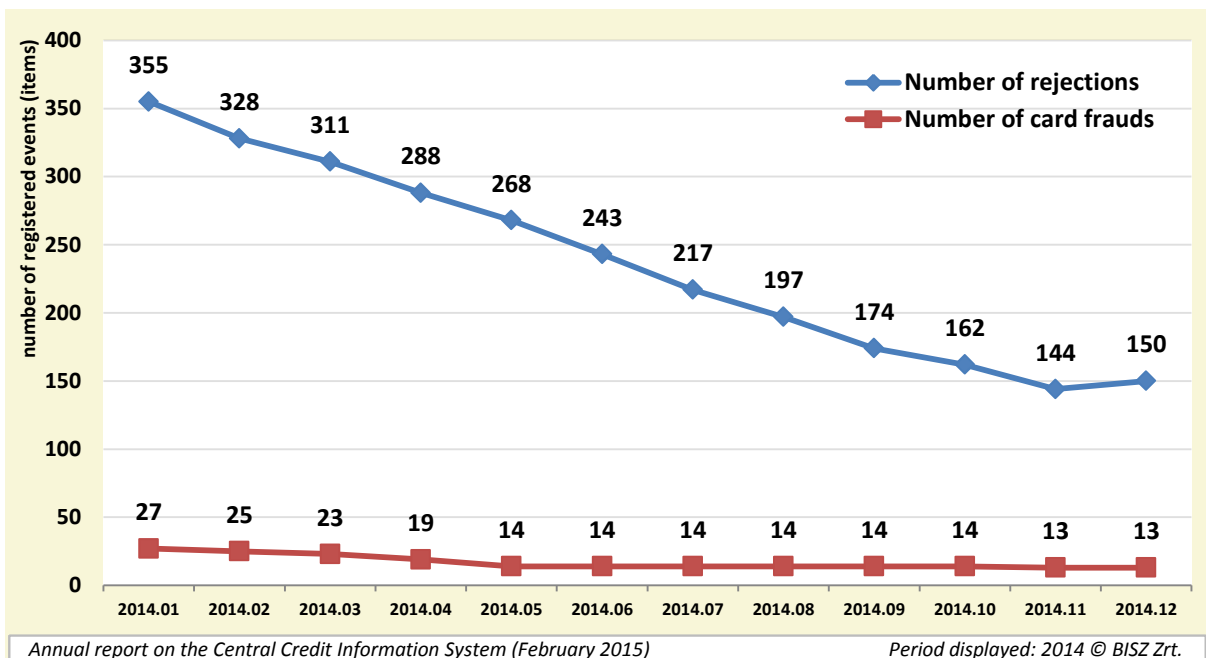
In 2014, the financial institutions registered a monthly average of 33,000 new defaults in the KHR. The statistics of April are distorted by some delayed data transmission carried out by a few financial institutions. Without the delayed data the monthly average would decrease to 21,500.

#### 4.1.5. Distribution of contracts with outstanding default by age of the individuals as at the end of 2014



The distribution of contracts with outstanding default by age of the individuals is similar to the age distribution of registered natural persons (3.1.6) with the difference that the high values in the 50-60 age range appear less. This observation points to the fact that the members of the 50-60 age range pay back their liabilities in a more disciplined way.

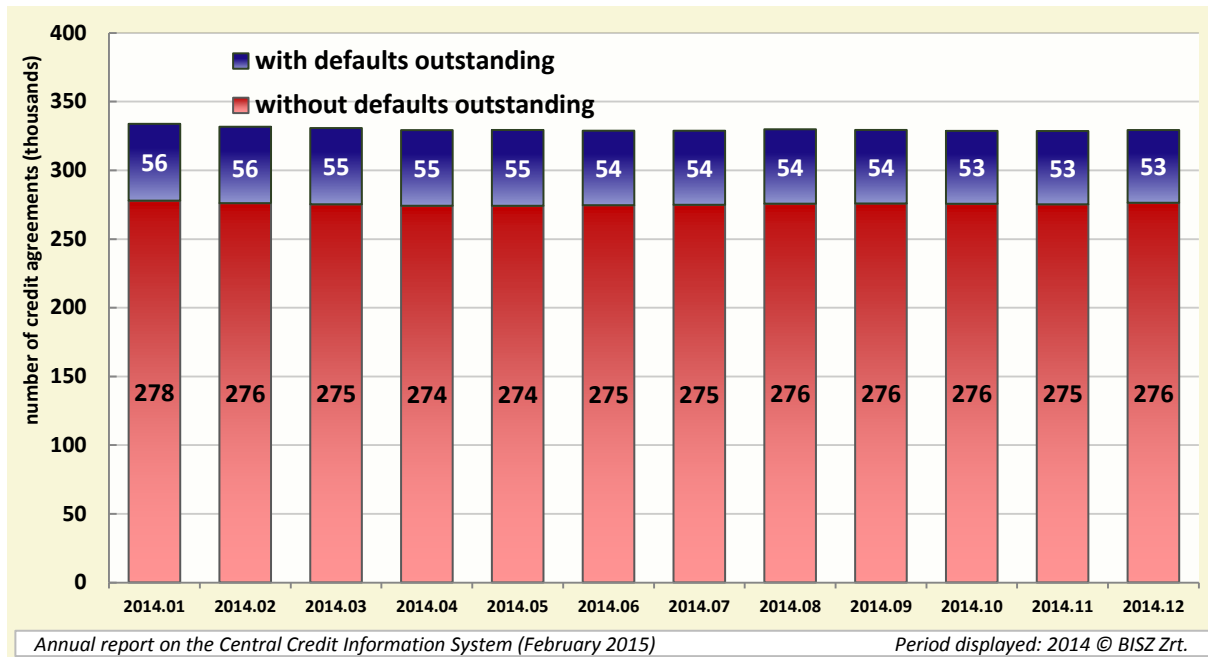
#### 4.1.6. Monthly changes in the number of consumer rejections and card frauds



Beyond the defaults, the rejections of credit requests are registered also as negative data in the KHR. The reason for the rejection is the use of false or forged documents or the supply of false data. The registered negative data includes the card fraud, too. The magnitude of these events is much less than the defaults' and shows continuous decreasing tendency, although in December 2014 these events were also uploaded in bulk.

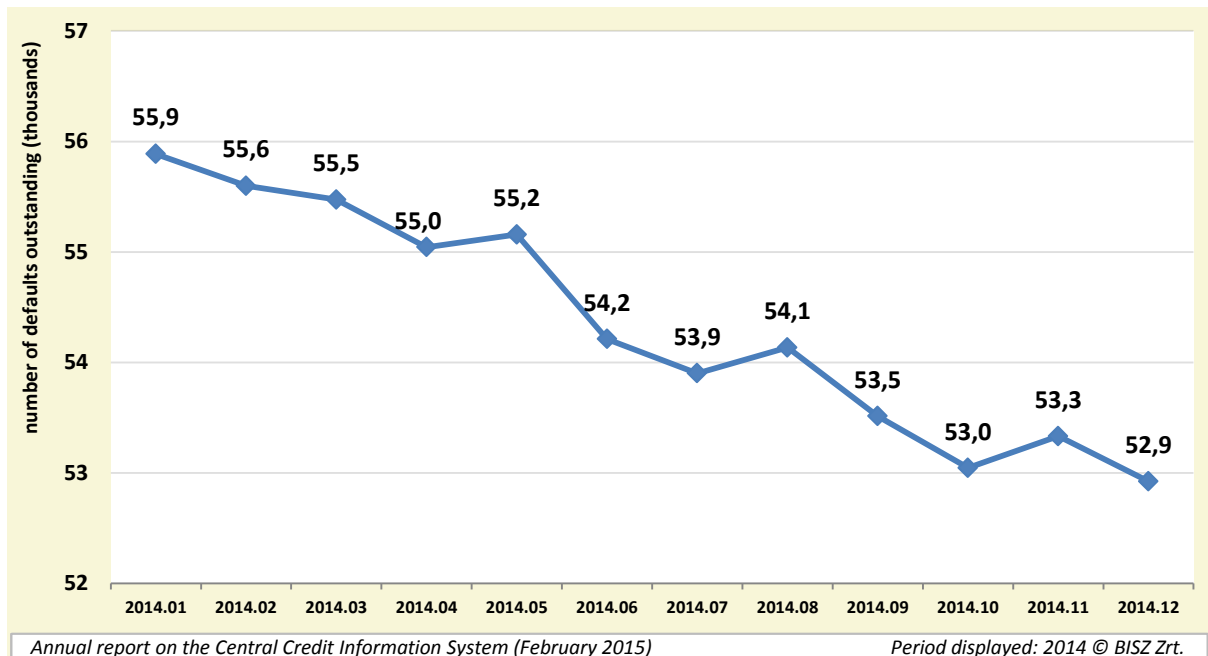
## 4.2. Business subsystem

### 4.2.1. Monthly changes of open credit agreements by defaults



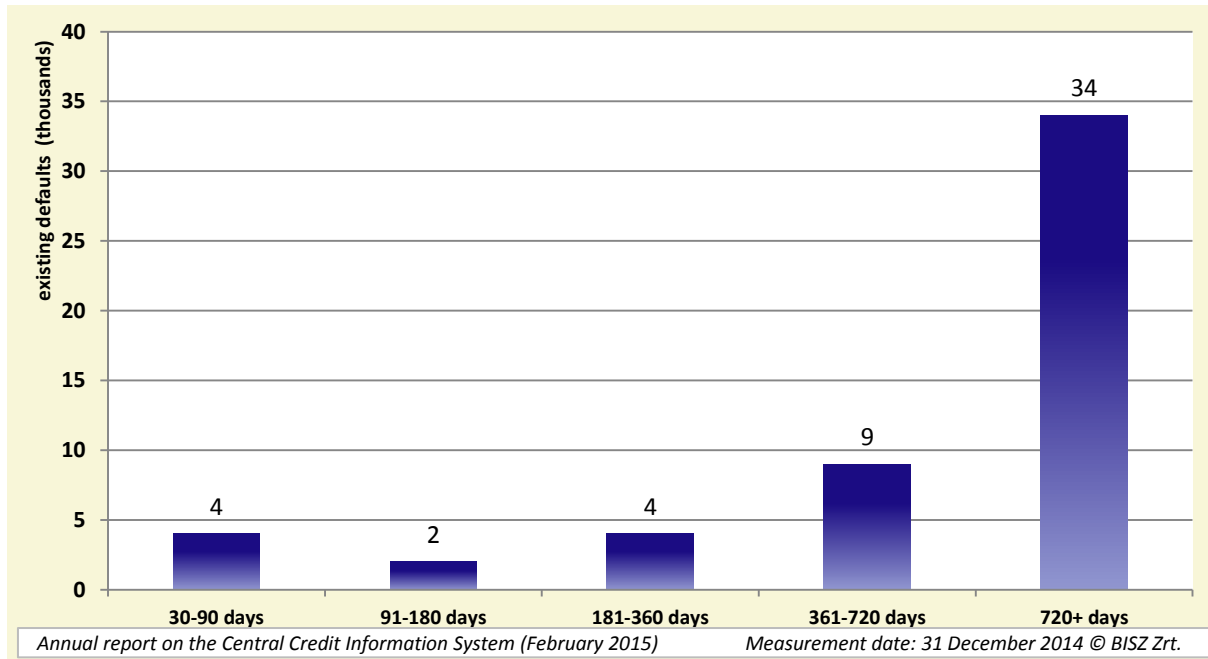
In the business subsystem, a loan is considered to be defaulted if any repayments under that loan become overdue. Such data are registered in the system 30 days after the default occurring. The quantity of business credit agreements with outstanding defaults shows a slight decrease just like in 2013.

### 4.2.2. Monthly changes in the number of defaults outstanding



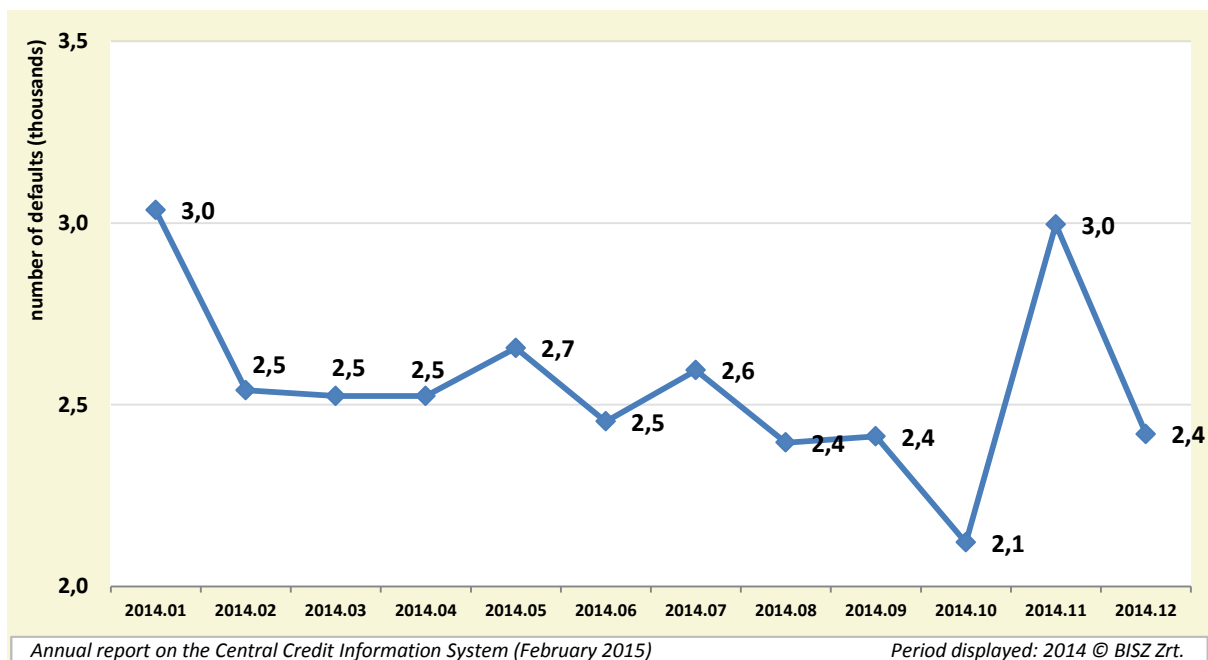
In 2014, the number of existing defaults moved in a tight range but slight decrease can be noticed at the reporting period as shown on diagram 4.2.1. This trend is in progress since January 2013 and it likely correlates to the decreasing trend/stagnation in number of open credit agreements.

### 4.2.3. Outstanding defaults by default period as at the end of 2014



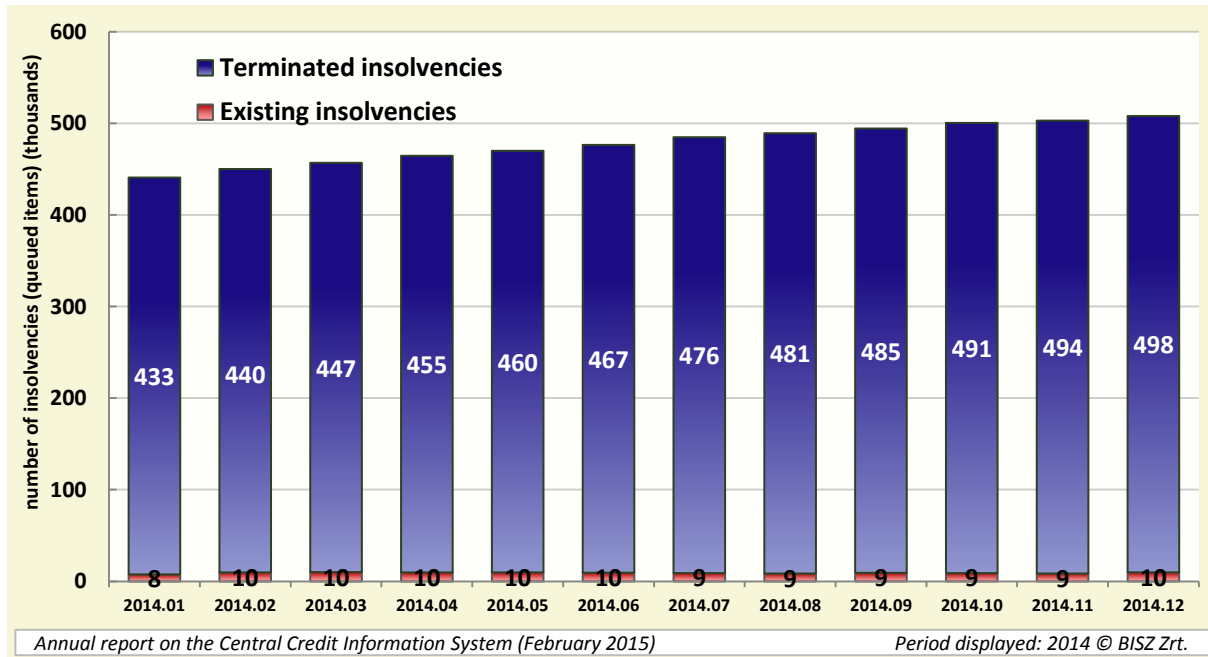
Looking at the time range of an outstanding default in force and compared to the end of the prior year it can be seen that in the first 4 categories the values have decreased and the number of defaults unsettled for over 720 days has increased. This fact is indicating that small quantity of new defaults was arisen and the defaults unsettled for 2 years or more mostly remain outstanding.

### 4.2.4. Monthly changes in the number of newly registered defaults



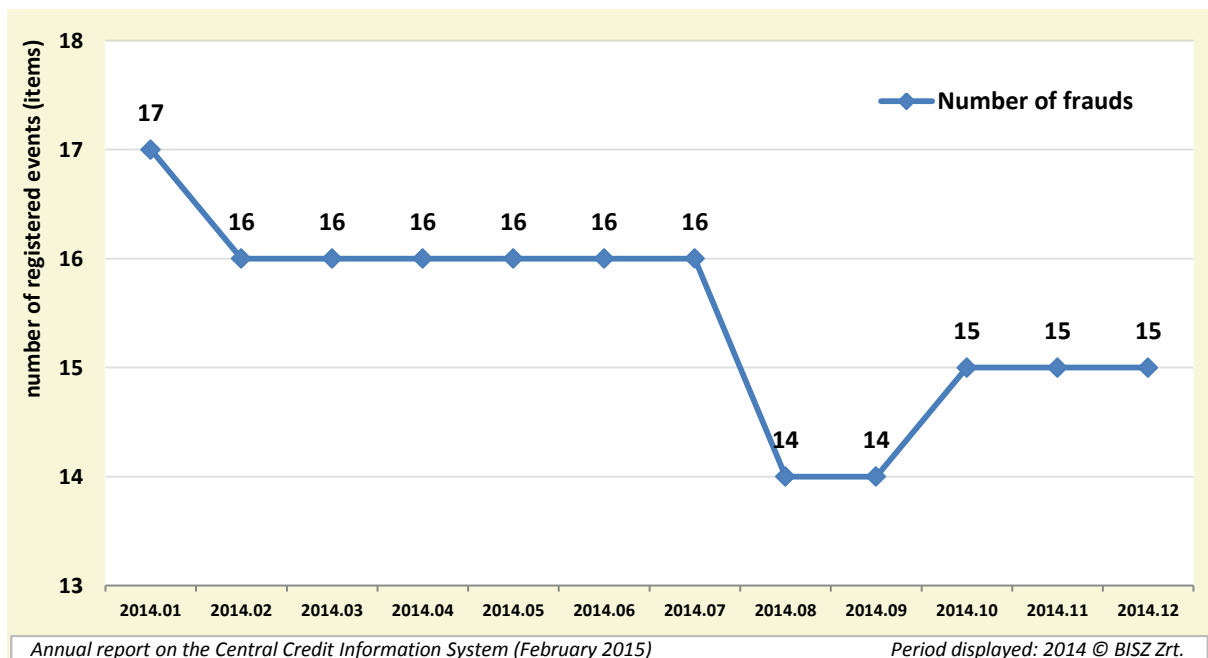
In 2014, the financial institutions registered a monthly average of 2,600 new defaults in the KHR. Decreasing tendency can be observed compared to the numbers of prior years and its effect is also shown on the chart 4.2.2.

#### 4.2.5. Monthly changes in the number of insolvencies (queued items) by status



The event registered in the KHR called insolvency (or queued items) occurs when a claim against the business account exceeds HUF 1 million due to insufficient funds and remains outstanding (in queue) for more than thirty consecutive days. Just like in the previous year in 2014 the number of existing insolvencies remained unchanged but the number of terminated insolvencies increased which implies that the existing insolvencies were terminated faster than the expiration rate of the 5-year storage time limit of the terminated insolvencies.

#### 4.2.6. Monthly changes in the number of frauds connected to the acceptance of non-cash payment



The event is called POS fraud (breach of a POS agreement) in the KHR's business subsystem when the firm commits fraud or abuse during the acceptance of non-cash payment using POS terminal. The number of these events fluctuates in a tight interval. In October a fraud was uploaded and in February and August 1+2 events have lapsed.