

Validity of risk indicators during the credit market crisis in Hungary

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The paper investigates the forecast quality of Value at Risk (VaR) regarding to the monthly debt burdens of foreign currency credits with exchange rate and interest exposure. First, we formed indices based on data from the period 2001-2008 both by assuming normal distribution and from the empirical distribution function. Our results demonstrate that the method assuming normal distribution produces an acceptable forecast of the risk. Second, we tested the accepted indices for the data of October 2008. In this case, the performance of VaR decreased notably and most of all for the Swiss franc became the risk unmanageable even by CVaR.

Keywords: forecasting, foreign currency credit, exchange exposure, CVaR, credit risk management