Disclosure according to Pillar 3

Risk Report

K&H Banking Group and K&H Bank Zrt

For the 2019 Financial Year

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1. Disclosure requirements at K&H (CRR Articles 431.-434.)

K&H committed itself to conform to the requirements of Pillar 3 defined in Chapter 8 of 575/2013/EU Regulation of the European Parliament, of the Council (CRR) and in Article 122 of the Hpt.[1] and the relevant recommendations of the Hungarian National Bank. K&H prepares this "Risk Report" for such purposes, containing the information required by law. In line with its general communications policy, K&H is trying to communicate its market risk exposures as openly as possible. Consequently, it discloses information on risk management taking place at K&H in a separate chapter of the "Annual Report" and also in more detail in this document in order to satisfy the requirements of the market as much as possible.

K&H publishes its "Risk Report" four times a year (only once for the full year including the last quarter of the year), simultaneously with the disclosure of the "Annual Report" and makes it also accessible in Hungarian (and in English) on the K&H corporate website (www.kh.hu).

As the K&H Banking Group is a systematically important institution on the Hungarian market, the bank also publishes half-yearly and quarterly reports in a simplified form.

Similarly to the "Annual Report", the "Risk Report" is prepared for the last day of the financial year i.e., for the cut-off date. Simultaneously with the display of the report on the K&H corporate portal, the Bank also submits the "Risk Report" to the HNB, which can also publish it in its own website. Pursuant to Article 431 of the CRR and Article 263 of the Hpt, the external auditor will check the content and accuracy in value of the information and data required under the disclosure rules under Pillar 3.

This "Risk Report" was prepared for the cut-off date of 31 December 2019 and contains:

- Standalone, financial and statutory reporting data of K&H Bank, audited according to IFRS, and
- Consolidated, audited financial and preliminary statutory reporting data of the K&H Group, according to IFRS.

2. Risk Management, risk governance (CRR Article 438.)

Level I: Overarching company and risk committees

The **Board of Directors** (BoD) is responsible for formulating the Bank's long-term strategy, and manages and monitors the Bank's operations.

Within the Board of Directors, three committees have been set up: the Audit, Risk and Compliance Committee, Nomination Committee and the Remuneration Committee.

Board of Directors (as of 31 December 2019)	Title	Committee Membership
Luc Popelier	CEO, International Markets, KBC Bank&Insurance	Chairman
Christine Van Rijsseghem	KBC Group CRO, KBC Group NV.	Member
David Moucheron	CEO of K&H Bank	Member
Gombás Attila	CFO of K&H Bank	Member
Beke Lajos	CRO of K&H Bank	Member

1. Table: Members of BOD

[1] Act CCXXXVII of 2013 on "credit institutions and financial enterprises" (Hpt.)

The **Risk and Compliance Committee (RCC)** is a discussion forum for the Bank's management, members of the management delegated to the Board of Directors, as well as internal auditors of K&H and the shareholders.

The Risk and Compliance Committee supervises, on behalf of the Board, the integrity, efficiency and effectiveness of the internal regulatory measures and the risk management in place, paying special attention to correct financial reporting, and overseeing the company's processes to comply with laws and regulations. The Committee meets 4 times a year.

The **Remuneration Committee (RemCo)** approves the Bank's remuneration policy as well as the salaries of the Bank's senior managers. They decide about fringe benefits and performance based benefits as well. The Committee has 4 members (Luc Propelier, Chistine Van Rijsseghem, Diego Du Monceau, Katalin Bóna) and met 3 times in in 2019. (April 3, 2019; June 12, 2019; November 27, 2019.)

The **Nomination Committee (NomCo)** recommend the candidates for the senior manager positions. Apart from this task, they regularly challenge the experience, knowledge and skills if they are appropriate for their actual role. The Nomination Committee met once in 2019 (11 September 2019).

The management of K&H subsidiaries (Group members) is independent in legal terms. However, adherence to a common KBC Group strategy is ensured by the presence of members of the K&H Board of Directors on the subsidiaries' Supervisory Boards.

The Board of Directors and the Risk and Compliance Committee have an important role to play in value creation and risk governance. Regular reporting to the Risk and Compliance Committee ensures that there is an ample flow of information to the relevant members of the Board over the course of the year.

The **Executive Committee (EXCO)** is the body in control of the operations of the Bank and a decision-making and consulting forum for the top management of the Bank. This is an executive body responsible for the implementation of KBC Group strategy in all business segments.

The Executive Committee is responsible for the implementation of the value and risk management strategy, and outlines the structure to allow risk management tasks to be carried out and makes the necessary resources available. A Chief Risk Officer (CRO) has been appointed within the EXCO and entrusted with the specific task of supervising risk management and the internal control structure. The Executive Committee is always informed about the topics raised on the below mentioned Risk Committee through the ratification of meeting minutes.

The **Capital and Risk Oversight Committee (CROC)** is to assist the Executive Committee of the K&H Group with the operation, implementation and application of an overall risk management framework that meets the expectations of internal and external stakeholders and complies with applicable laws and regulations. The CROC is the single integrating committee on risk and capital matters that supports, and leverages the time of the Executive Committee of the K&H Group. This committee also approves the new limits. The CROC can rely on support from one or more Risk Councils that act as advisory forums for specific risk areas. The Chief Risk Officer chairs the committee. This committee evaluate the regular stress tests:

- credit risk (Annual stress tests: two historical scenarios and four hypothetical stress scenarios)
- market risk (both interest rate and ALM stress tests incorporate historical scenarios, interest rate risk scenarios, which are based on the stress of specific macroeconomic parameters)
- integrated risk stress test (3 year forward looking scenario)

The **Crisis Preparation Committee (CrisPreCo)** is charged with managing the preparations for risk events (crises) that pose a significant threat to the Bank's operations, and monitor the status of the related tasks. The Chief Risk Officer chairs the committee.

The **Crisis Committee (CrisCo)** is a committee to take control whenever a crisis actually occurs, manage decision making as well as internal and external communication, give instructions and monitor the execution of the individual Business Continuity Processes (BCPs) to be followed in a given crisis event and, as the case may be, also of the Recovery Plan. The members of the Crisis Committee are the Executive Committee and the managers with the expertise in handling the given crisis event.

New and Active Products Process (NAPP). The purpose of the NAPP is to establish across K&H Group a smooth but robust and transparent process for approving new and regularly reviewing existing products whereby commercial aspects are balanced against risk and operational matters. All existing products on offer are reviewed at regular intervals to make sure that they are still appropriate from a commercial and risk management perspective in an ever-changing world.

Level II: Specialized risk councils

- **Credit Risk Council (CRC)**. The CRC' role is to assist the ExCo and CROC of K&H Bank Group with the operation, implementation and application of a credit risk management framework that meets the expectations of internal and external stakeholders and complies with applicable laws and regulations. The CRC is the preliminary discussion and advisory forum for all credit risk-related activities of the K&H Bank Group in close collaboration with line management, which is primarily responsible and accountable for credit risk management. The CRC is chaired by the Bank's Chief Risk Officer.
- **Asset Liability Management Risk Council (ALM RC)**. ALM RC is to assist the ExCo and the CROC of K&H Bank Group with the running of the ALM&Liquidity risk management framework for K&H Bank Group in line with the KBC Group Framework, with the achievement of sound ALM&Liquidity risk/return performance and with the acknowledgement, application and implementation of ALM&Liquidity risk related standards decided by various bodies at KBC Group level applying to all KBC Group entities. ALM RC is chaired by the Bank's Chief Risk Officer.
- **Operational Risk Councils (ORCs)**. The ORCs' role is to assist the ExCo and CROC of K&H Bank Group with the operation, implementation and application of an operational risk management framework that meets the expectations of internal and external stakeholders and complies with applicable laws and regulations. The ORCs are the preliminary discussion and advisory forum for all operating risk-related activities of the K&H Bank Group in close collaboration with line management, which is primarily responsible and accountable for operational risk management. Senior line managers chair the councils.

Level III: Other key governing bodies of K&H are:

- **Country Team Hungary (CT-H, since January 2007)**. This is a group of the top managers of K&H Group and K&H Insurance who are in key managerial positions in Hungary (members of the Board of Directors or persons holding other important top managerial positions). The goal of the Country Team is to improve mutual communication among managers and coordinate the KBC Group's principal activities in Hungary. The Country Team is headed by a Country Manager, who reports to the CEO of the Central Europe Business Unit.

- **Management Committee International Markets (MC IM, since January 2013)**. The goal of the MC IM is to improve mutual communication among the Country Teams and coordinate the KBC Group's principal activities in Central, Eastern Europe, and Ireland.

The KBC Group has relied on its fundamental attitude to risk and risk management in approaching the key issues and defining general strategic conditions for the organization. Consequently, it has drawn up a group-wide strategy and policy with regard to risk and capital.

The board of the K&H with accepting the internal control statement for 2019 proved that the risk management system is appropriate with respect to the risk profile and strategy of the bank.

3. Risk management, risk targets and policies by risk categories

3.1. Credit risk

Credit risk management refers to the structural and repetitive tasks performed with regard to the identification, measurement and reporting of credit risks. Credit risk is managed by means of rules and procedures approved by the Executive Committee that govern the acceptance process for new loan and limit applications, the process of monitoring and supervising credit risks, and portfolio management.

3.1.1. Credit risk framework

Credit risk is the potential shortfall relative to the value expected consequent on non-payment or non-performance by an obligor. The term of obligator is used in a general sense, including borrower, guarantor, counterparty to an inter-professional transaction or issuer of a debt instrument etc.

Credit risk may be caused by that obligator's insolvency or lack of willingness to pay, or to events or measures taken by the political or monetary authorities of a particular country. Therefore, credit risk also includes country risk, dilution risk, settlement risk and counterparty risk.

Credit risk arises from mainly lending activities, contingent liabilities, and guarantees - including letters of credit and loan commitments - investments in bonds and debt instruments, money market transactions and other related activities.

Credit risk management decisions are taken by the Capital and Risk Oversight Committees organized at group level (Group CRC) and/or at local level (local CRC) (with approval from the group-level or local Executive Committee (ExCo)).

The ultimate responsibility of credit risk management lies with line management, which is assisted by several activity-specific committees. A separate credit risk unit is established may have an advisory, supporting and supervisory role with respect to credit risk management.

The significant entities in the KBC Group must implement a credit risk governance structure that includes a risk committee and a credit risk management unit that is independent of the business. K&H complies with these requirements.

Credit risk is managed at two levels: transaction and portfolio level. Managing credit risk at the transaction level means that there are sound procedures, processes and applications in place to assess and monitor risks before and after the given credit, exposures are accepted. Managing the risk at the portfolio level entails risk assessment, monitoring and reporting on (parts of) the consolidated loan portfolio.

3.1.2. Rating systems (CRR Articles 442, 444 and 452)

A key element of measuring credit risk is having a credit rating system. K&H uses several credit risk models – developed in-house or by KBC – to determine the Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD) for different debtors or facilities.

Financial institutions are required to perform a rating exercise including the analysis of the client's financial position, creditworthiness, and future solvency, as well as the valuation of the collaterals pledged in order to measure credit risks associated with the business activity. Credit institutions justify their debtor and/or debt rating decisions based on several aspects. All client and facility ratings must be reviewed regularly, but at least once a year. During this review process, it is possible to assess and identify the changes in the counterparty's creditworthiness, including any change in collateral characteristics.

Internal ratings are available for all counterparties in the K&H portfolio.

External ratings used under the standardized approach may be accepted from the following external credit rating agencies: Standard & Poor's, Fitch and Moody's. K&H does not use the external ratings of export credit agencies. The following ratings of the Hungarian State have been considered (as of 31.12.2019): Standard and Poor's: BBB; Moody's: Baa3; Fitch: BBB (credit rating: 3).

Debtor ratings are based on the obligor's probability of default (PD). The KBC Group has defined default as a situation where full repayment at maturity is (at least) uncertain. There are three categories of default, depending on the extent the obligor is performing its liabilities still outstanding and on the chances of recovering the loan.

The KBC Group applies a single group-wide PD rating scale to all counterparties. External ratings provided by rating agencies (Standard & Poor's, Fitch, Moody's) are also mapped to this master scale. There are nine PD rating categories for counterparties "not in default" (PD 1-9) and, as mentioned above, three PD rating categories for counterparties in default (PD10: possible loss - performing; PD11: possible loss – non-performing; PD12: irrecoverable).

The Bank has also developed loss given default and exposure at default calculation models for the corporate segment, which are also used in business processes.

The bank implemented the so-called Forborne definition, which replaces the standing restructured definition. The main difference compared to the previous definition is the Forbearance affects distressed clients. This means that clients affected with forbearance cannot be rated as performing; they have to at least be put into PD 10 category. The details of Forbearance can be found in EBA ITS Definition of Forbearance (EBA ITS 2013/03).

In the retail segment, ratings are assigned at pool level that is, based on grouping together exposures with similar characteristics. Debtor rating in the consumer segment is performed with the help of different scorecard models such as application scorecards and behavioural scorecards, which K&H uses as inputs for pool-level credit risk models. Separate models are used to estimate the other credit risk parameters (i.e. LGD and EAD) of retail exposures.

Loans past due comprise the assets that the client failed to settle at the due date (even if the delay is one day only).

3.1.3. Expected credit loss (ECL)

From 2018 the K&H Group applies the expected credit loss model established by IFRS 9 for impairment.

Expected credit losses are modelled over instrument's lifetime period. The lifetime period is equal to the remaining contractual period to maturity of debt instruments, adjusted for expected prepayments, if any. For loan commitments and financial guarantee contracts, it is the contractual period over which an entity has a present contractual obligation to extend credit. The exception from determining the lifetime exposure based on contractual maturity, for credit cards and overdrafts, the lifetime exposure is measured over a period that is based on expected life of the credit card contracts, based on internal statistics it is set to 30 years.

Management models *Lifetime ECL,* that is, losses that result from all possible default events over the remaining lifetime period of the financial instrument is based on various models developed both locally and centrally depending on the sub-portfolio. The *12-month ECL,* represents a portion of lifetime ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting period, or remaining *lifetime period* of the financial instrument if it is less than a year.

It is important to note that the ECLs estimated for the purposes of these financial statements are point-in-time estimates, rather than through-the-cycle estimates that are commonly used for regulatory purposes. The estimates consider *forward-looking information,* that is, ECLs reflect probability weighted development of key macroeconomic variables (e.g. unemployment, GDP evolution) that have an impact on credit risk.

The ECL modelling does not differ for Purchased or Originated Credit Impaired ("POCI") financial assets, except that (a) gross carrying value and discount rate are based on cash flows that were recoverable at initial recognition of the asset, rather than based on contractual cash flows, and (b) the ECL is always a lifetime ECL. POCI assets are financial assets that are credit-impaired upon initial recognition, such as loans affected by settlement of CHF mortgage loans that were NPL at the time of settlement. (On 16 June 2014, the Hungarian Supreme Court rendered its decision regarding the legal assessment of foreign currency based loans ("FX loans") for consumers under Hungarian civil law. In accordance with the Conversion Act the Group was required to convert foreign currency and foreign currency-based consumer mortgage loan contracts into Hungarian Forints with the effect date of 1 February 2015.)

For purposes of measuring PD, the Bank defines default as described in the Accounting policy – Definition of default chapter.

An instrument is considered to be no longer in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of three months. This period of three months has been determined based on an analysis that considers the likelihood of a financial instrument returning to default status after curing by using the definition of cures.

Although the default/non-default flag is conceptually conceived on client level, a different treatment is allowed in case of retail exposures. For these exposures, the definition of default can be applied at the level of a particular facility, rather than at the level of the obligor. Therefore, a default of a client on one retail exposure does not require to treat all other retail exposure of this client as defaulted as well.

The assessment whether or not there has been a significant increase in credit risk ("SICR") since initial recognition is performed on an individual basis and on a portfolio basis. On loans issued to corporate entities, interbank loans and debt securities at AC or at FVOCI, SICR is assessed on an individual basis by monitoring the triggers stated below. For loans issued to individuals and other financial assets, SICR is assessed either on a portfolio basis or on an individual basis, depending on the existence of scoring models. The criteria used to identify an SICR are monitored and reviewed periodically for appropriateness by the Group's Risk Management Department. The presumption, being that there have been significant increases in credit risk since initial recognition when financial assets are more than 30 days past due, has not been rebutted.

The Group considers a financial instrument to have experienced an SICR when one or more of the following quantitative, qualitative or backstop criteria has been met.

The level of ECL that is recognised in these consolidated financial statements depends on whether the credit risk of the borrower has increased significantly since initial recognition. This is a three-stage model for ECL measurement. A financial instrument that is not credit-impaired on initial recognition and its credit risk has not increased significantly since initial recognition has a credit loss allowance based on 12-month ECLs (Stage 1). If a SICR since initial recognition is identified, the financial instrument is moved to Stage 2 but is not yet deemed to be credit-impaired and the loss allowance is based on lifetime ECLs. If a financial instrument is credit-impaired, the financial instrument is moved to Stage 3 and loss allowance is based on lifetime ECLs. The consequence of an asset being in Stage 3 is that the entity ceases to recognise interest income based on gross carrying value and applies the asset's effective interest rate to the carrying amount, net of ECL, when calculating interest income.

If there is evidence that the SICR criteria are no longer met, the instrument is transferred back to Stage 1. If an exposure has been transferred to Stage 2 based on a qualitative indicator, the Group monitors whether that indicator continues to exist or has changed. The monitoring is done in an automated way in the engine that calculates ECL.

ECL for POCI financial assets is always measured on a lifetime basis. The Group therefore only recognises the cumulative changes in lifetime expected credit losses.

The Group has two approaches for ECL measurement: (i) assessment on an individual basis; (ii) assessment on a portfolio basis: internal ratings are estimated on an individual basis but the same credit risk parameters (e.g. PD, LGD) will be applied during the process of ECL calculations for the same credit risk ratings and homogeneous segments of the loan portfolio. The Group performs an assessment on an individual basis for non-retail clients above HUF 300mln exposure. The Group performs an assessment on a portfolio basis for the following types of loans: retail loans and non-retail loans where exposure is below HUF 300mln when no borrower-specific information is available.

ECL assessment on an individual basis is performed by weighting the estimates of credit losses for different possible outcomes against the probabilities of each outcome. The Group defines at least two possible outcomes for each assessed loan, one of which leads to a credit loss even if the probability of such a scenario may be very low. Individual assessment is primarily based on the expert judgement of experienced officers from the Credit Management Department. Expert judgements are regularly tested in order to decrease the difference between estimates and actual losses.

When assessment is performed on a portfolio basis, the Group determines the staging of the exposures and measures the loss allowance on a collective basis. The Group analyses its exposures by segments determined on the basis of shared credit risk characteristics, such that exposures within a group have homogeneous or similar risks. The different segments also reflect differences in credit risk parameters such as PD and LGD. The appropriateness of groupings/models is monitored and reviewed on yearly periodic basis by the Modelling Department and validated by Credit Risk Department locally or centrally depending on the specific model.

In general, ECL is the sum of the multiplications of the following credit risk parameters: EAD, PD and LGD, that are defined as explained below, and discounted to present value using the instrument's effective interest rate. The ECL is determined by predicting credit risk parameters (EAD, PD and LGD) for each future year during the lifetime period for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has been repaid). This effectively calculates an ECL for each future period, that is then discounted back to the reporting date and summed up. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

EADs are determined based on the expected payment profile, that varies by product type. EAD is based on the contractual repayments owed by the borrower over a 12-month or lifetime basis for amortising products and bullet repayment loans. This will also be adjusted for any expected overpayments made by a borrower. Early repayment or refinancing assumptions are also incorporated into the calculation. For revolving products, the EAD is predicted by taking the current drawn balance and adding a "credit conversion factor" that accounts for the expected drawdown of the remaining limit by the time of default. These assumptions vary by product type, current limit utilisation and other borrower-specific behavioural characteristics.

PDs are used for calculating ECLs: The Group uses different statistical approaches depending on the segment and product type to calculated lifetime ECLs, such as the extrapolation of 12-month ECLs based on migration matrixes, developing lifetime ECL curves based on the historical default data, hazard rate.

LGD represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by the type of counterparty, type and seniority of the claim, and the availability of collateral or other credit support. LGDs are determined based on the factors that influence the expected recoveries after a default event. The approach to LGD measurement can be divided into three possible approaches:

- measurement of LGD based on the specific characteristics of the collateral;
- calculation of LGD on a portfolio basis based on recovery statistics; or
- individually defined LGD depending on different factors and scenarios.

The Group calculates LGD based on specific characteristics of the collateral, such as projected collateral values, historical discounts on sales and other factors for loans secured by real estate, cash and liquid securities. LGD is calculated on a collective basis based on the latest available recovery statistics for the remainder of the corporate loan portfolio and for retail secured and unsecured products.

ECL measurement for financial guarantees and loan commitments

The ECL measurement for these instruments includes the same steps as described above for on-balance sheet exposures and differs with respect to EAD calculation. The EAD is a product of credit conversion factor ("CCF") and amount of the commitment ("$ExOff$"). CCF for undrawn credit lines of corporate customers, credit cards and overdrafts issued to both individuals and non-retail entities, and for financial guarantees is defined based on statistical analysis of past exposures at default.

Forward-looking information incorporated in the ECL models

The assessment of SICR and the calculation of ECLs both incorporate supportable forward-looking information. The Group identified certain key economic variables that correlate with developments in credit risk and ECLs. Forecasts of economic variables (the "base economic scenario") are provided by the Group's Chief Economist and provide the best estimate of the expected macro-economic development over the next five years. After five years, a mean reversion approach is used, which means that economic variables tend to revert to either a long run average rate (e.g. for unemployment) or a long run average growth rate (e.g. GDP). The impact of the relevant economic variables on the PD, EAD and LGD has been determined by performing statistical regression analysis to understand the impact that the changes in these variables historically had on the default rates and on the components of LGD and EAD.

In addition to the base economic scenario, the Group's Credit Risk Department also provides other possible scenarios (e.g. stress tests) along with scenario weightings. The number of other scenarios used is set based on the analysis of each major product type to ensure that non-linearities are captured. The number of scenarios and their attributes are reassessed at each reporting date. The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, taking into account the range of possible outcomes of which each chosen scenario is representative. The assessment of SICR is performed using the12 month PD as a proxy for Lifetime PD under each of the bases and the other scenarios, multiplied by the associated scenario weighting, along with qualitative and backstop indicators. This determines whether the whole financial instrument is in Stage 1, Stage 2, or Stage 3 and hence whether a 12-month or lifetime ECL should be recorded. Following this assessment, the Group measures ECL as either a probability-weighted 12 month ECL (Stage 1), or a probability weighted lifetime ECL (Stages 2 and 3). These probability-weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting (as opposed to weighting the inputs).

As with any economic forecast, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty, and therefore the actual outcomes may be significantly different to those projected. The Group considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linearities and asymmetries within the Group's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

The Group regularly reviews its methodology (back testing) and assumptions to reduce any difference between the estimates and the actual loss of credit. Such back testing is performed semi-annually.

The results of back testing the ECL measurement methodology are communicated to Group Management and further steps for tuning models and assumptions are defined after discussions between authorised persons.

3.1.4. Credit risk limits

Maximum credit risk exposure and/or credit risk concentration is managed and monitored via limits, which define the maximum credit risk exposure allowed in terms of a specific measurement approach.

Transactions that carry a credit risk may only be entered into if authorized by a positive credit decision, which will stipulate, among others, the maximum acceptable credit risk exposure (limit), which may refer to:

- Case-by-case approval for a given transaction (a given counterparty);

- A pre-approved limit for all the transactions of a particular risk type.

Limits at individual counterparty level

In addition to the limit types above, an overall KBC Group limit (as decided by the KBC Group Executive Committee) also applies to corporate exposures in terms of Loss Given Default (LGD) and Expected Loss (EL). These are “hard limits”, which means that immediate action is required if such limit is or would be exceeded.

Apart from the limits defined internally at debtor/guarantor/counterparty and country level, large exposure limits are also monitored in compliance with applicable law.

Limits at group/sector/portfolio level

The limits assigned to client groups and sectors/portfolios are designed to define the maximum desirable exposure concentration for client groups, industry sectors, etc. These limits are not approved individually for each client but apply to all clients that fit the scope of the particular limit (e.g. a given industry sector). The limits are subject to regular review in order to meet market/macroeconomic requirements and the Bank's risk appetite.

Credit risk monitoring

Credit Risk Department prepares quarterly reports to the senior management regarding the whole consolidated credit portfolio of K&H including both retail (Private Persons and Micro SME) and non-retail (i.e. corporate + Premium SME) segment. These reports are regularly amend and fine-tuned to show information on the actual relevant issues/topics

The so-called Integrated Risk report, prepared for the Country Team on a monthly basis, is aimed at presented and monitoring credit risk, among others.

The credit management functions prepare monthly reports on the following segments:

- Retail
- SME
- Corporate

These reports provide a comprehensive view of the given segment’s portfolio development in terms of exposures (e.g. approved limits, loans disbursed) and credit quality (e.g. delays, ratings, impairment losses, loan loss rates, etc.), and assess credit portfolio’ main risks broken down by indicators and sub-portfolios.

Also included here are reports from different pseudo portfolios that identify segments with specific risk characteristics (e.g. accumulation loans, settled loans that were converted to HUF).

Once risks have been identified, measured, monitored and reported, it is the responsibility of both line management and committees to respond, i.e. to bring risks in line with the risk appetite.

Risk avoidance can be achieved by the introduction of credit policies (e.g. forbidding credit risk resulting from lending to specific borrowers), withdrawing or reducing limits (e.g. suspending country limits upon actions of monetary authorities) or deciding to stop certain activities (e.g. when risk and return are not in balance).

3.1.5. Changes in the exposure in 2019

Main credit risk changes in 2019 were as follows: Corporate and Premium SME segment showed stable risk parameters during the year, increase of volume also continued. Quality of FFG portfolio remains stable.

Quality of retail portfolio also stable, credit risk metrics show improving tendency. New lending was only slightly able to counterbalance the natural amortization of the portfolio, thus the net increase was only minor compared to new lending. Only Consumer Finance portfolio increased significantly, mainly due to Cash loan product. Quality of New book continues to be very good.

3.1.6. Counterparty credit risk (CRR Article 439)

K&H defines counterparty credit risk as the credit risk resulting from over-the-counter (i.e., off-exchange) transactions such as foreign exchange or interest rate swaps, commodity swaps, Credit Default Swaps (CDS), and caps/floors.

The pre-settlement counterparty credit risk is the sum of the (positive) current replacement value (marked-to-market) of a transaction and the applicable add-on (= current exposure method).

Counterparty limits are set for each individual counterparty taking into account the general rules and procedures set out in the K&H Group's applicable documents. The Bank keeps track of risks through a daily monitoring report, which is available to all Bank employees on the Bank's intranet. Dealers are obliged to carry out a pre-transaction check before entering into any transaction using "heavy" add-ons, which are higher than the regulatory add-ons.

The clients of K&H enter into derivative transactions for hedging purposes, so the impact of adverse risks is negligible, as any deterioration in clients' positions is offset by the improvement in their export-import balance.

Closeout netting and collateral techniques are used in the internal limit utilization monitoring process to manage counterparty risk. When derivative transactions are secured by a cash deposit, the Bank manages the collateral on a bilateral basis, which is not affected by any downgrade. Netting benefits are used in the capital calculation procedure for OTC derivatives. Cash collateral received due to CSAs are also taken into the capital charge calculation as a mitigation tool.

3.1.7. The capital requirement of credit risk

Until 2010 the K&H Group had used the *"standardized approach"* to calculate the capital requirement of credit risk. Since 1 January 2011 the Bank has been using the *"internal ratings based (IRB) approach"* to determine its capital requirement (except for sovereign and leasing exposures and other items). Home-host joint decision of the National Bank of Belgium and Hungarian National Bank licensed K&H Banking Group the use of IRB Advanced method for non-retail segment as of the third quarter of 2015. (TF/2015/25/KND) Both in the retail and non-retail segments the capital requirement is based on own estimations of PD, LGD and CCF risk parameters (Advanced IRB approach).

3.2. Market risk

3.2.1. Trading risk (CRR Article 445)

Trading risks are managed centrally in the KBC Group. The development of models, measurement of the risk position, monitoring and reporting are all performed centrally, thus eliminating the duplication of the tasks on local level.

The trading risk manager of K&H is responsible for the following:

- analysing limit overruns and stress tests
- conducting parameter reviews
- following up on counterparty limits and tasks related to operational risks
- supporting local internal and external data supply

The primary "formal" tool used for the identification and recognition of risks related to trading operations is the New and Active Product Procedure (NAPP). A business proposal is required to be submitted for each new product, which analyses the material risks and describes the method of their management. (= measuring, mitigating, monitoring and reporting).

Several units of measurement are applied for capturing the market risk arising from trading operations, for example:

- Value at risk (VaR)
- Economic Capital (ICM)
- Basis point value (BPV)
- Concentrations
- Nominal position limits

For the purpose of managing and monitoring the market risk attached to the trading portfolio, the Bank applies the VaR methodology. The KBC Group selected the historical VaR (hVaR) method for measuring, managing and monitoring the market risk arising from the trading book. The hVaR method currently applied by KBC includes the following factors: 10-day position holding period and a 99% unilateral confidence level, calculated for a 500-day unweighted observation period.

In addition to the above, the Bank conducts several stress tests for the evaluation of the potential impact of a specific stress event and/or a "volatile" movement in the set of financial variables on its positions. Although K&H applies the KBC Group level scenarios to analyse the stress tests, it also developed local scenarios that provide a better view of the past and presumed Hungarian developments.

Besides making hVaR calculations and carrying out stress tests, K&H also monitors the risk concentrations through the secondary limits, such as the FX concentration limits for putting a cap on the exchange rate risk inherent in a specific FX position and the basis point value (BPV) limits for the interest rate risk. The BPV limits are set by foreign currency and periods.

KBC applies the combination of several limits for monitoring market risk, including the market risk arising from the trading activities of K&H (often in a hierarchy, whereby each sub-segment has its own limit).

The framework system provides a clear and unambiguous description:

- on the risk limits and the calculation of their utilisation rate,

- on the scope of authority and responsibility of the various actors involved, as well as on their cooperation.

K&H monitors the hVaR global limit in respect of the entirety of its trading operations, and the periodic BVP limits, broken down by foreign currency in respect of its interest rate risk position. In addition, it also applies nominal limits relating to activities not falling within the scope of the hVaR limits.

The K&H Market and Liquidity Risk Department forwards an abstract of the available trading exposure data to the local dealers, the head of the Market Directorate by Risk Analytics on a daily basis. The local Executive Committee (Integrated Risk Report) and the Board of Directors are kept informed on the limit utilisation rates in the form of a monthly and quarterly report, respectively. The Risk and Compliance Committee also receives quarterly information regarding the key market risk indicators and issues.

The Bank applies the standardised approach for calculating the capital requirement of its exposures in the trading book. The Bank calculates the capital requirement of bonds and other securities, as well as for deposits and derivative transactions for the local regulator (MNB) on a daily basis. In addition, the capital requirement related to the exchange rate risk and commodities exposures is also calculated and reported daily.

Furthermore, in line with the standardised approach the Bank prepares a monthly supplementary report to the MNB showing the capital requirement of exposures from its bond and share positions as well as of the exchange rate risk and commodities risk.

The Bank also reports its exposure to high risk counterparties to the Supervision on a quarterly basis a (banking and trading books combined)

3.2.2. ALM risk (CRR Article 448)

The primary official tool of risk identification and recognition is the compulsory New and Active Product Procedure (NAPP). This Group standard was designed to ensure that the organisation is ready and able to handle the new products and that all legal, taxation, compliance, accounting, risk management etc. issues are properly addressed before we undertake positions in new products. Since 2009 active products also need to be re-negotiated in the scope of the NAPP in line with their review date.

Basis point value

One of the specific units of measurements used in connection with interest rate risks is the basis point value (BPV). BPV denotes the change in the actual value upon a 10 basis point (i.e., 0.10%) parallel movement in the interest rate curve. The BPV allows the CROC to assess our existing positions as the direction of the risk is known. In addition, the BPVs are easy to aggregate. The impact of non-parallel shifts on the economic value is also calculated and monitored on a monthly basis.

Interest rate gaps

The interest rate gap is used as a supplementary technique for measuring interest rate risks, and is reported periodically. This is one of the fundamental methods for assessing interest rate sensitivity. A positive cumulative gap position shows the net surplus of the assets to be re-priced in a given period. Having a positive cumulative gap, the Bank can increase the net interest margin when the interest rate curve is rising.

ICM ALM

ICM ALM measures the impact of a worst-case scenario on the full economic balance sheet, i.e. including prepayment risk, defined as the maximum economic value the portfolio can lose

Net interest income (NII) sensitivity

By regularly calculating the change in the net interest income with the help of various scenarios, the Bank can analyse its re-pricing risk profile and keep track of the changes in the risk profile.

Scenario analysis and stress tests

With the view to measuring the ALM risks the KBC Group is exposed to, we conduct scenario analyses and stress tests both on individual risk factors and the comprehensive ALM risk factors. The following BPV tables present the year-end results of the stress test carried out on the economic value of the banking book. For the stress test, we used the scenario of 10, 100 and 200 basis point and EBA parallel shifts in the yield curve. An internal limit was implemented to put a cap on the BVP of the banking book.

	Yieldcurve increase	Yieldcurve decrease
200 bp parallel shift	-28 468	29 298
EBA parallel shift	-35 909	18 272
whereof HUF 200 bp parallel shift	-29 698	29 701
whereof HUF EBA parallel shift	-37 031	18 210
whereof EUR 200 bp parallel shift	**1 310**	**-484**
whereof EUR EBA parallel shift	1 238	-46

2. Table: Stress test results of the banking book positions (values in HUF million)

As K&H is an entity of the KBC Group, it has an ALM activity risk limit system, comprising a hierarchy of multiple limits. The limit system is reviewed by K&H on an annual basis to ensure that it remains updated.

As a substantial part of ALM risks is covered by interest rate risks in the K&H Group, the tolerance variance for BPV is narrow. The interest rate risk is also measured by way of conducting scenario analyses on the net interest income (see above). The banking book was characterised by an increasing exposure to interest rate risks due to early adoption of the maturity of transformation model.

Both the Board of Directors and the Risk and Compliance Committee of K&H receive information on the main ALM risk indicators and the utilisation of the limit on a quarterly basis.

The primary objective of the Asset and Liability Management of KBC and K&H is to create economic value. In the process of value creation, the role of ALM is restricted to providing market-compatible pricing of ALM risks to the business units (transfer pricing) to allow them to make well-informed pricing decisions. In addition, the ALM needs to set (i.e., to optimise) the appropriate risk/income profiles.

Due to No. 680/2014 Regulation (EU), the encumbered assets for K&H Bank are mainly driven by refinancing loans from EIB, and MNB LFG program.

Assets and collateral have been determined as encumbered with consistent with the definition provided in the EBA Guidelines on the Disclosure of Encumbered assets (EBA GL/2014/03), assets are considered encumbered when they have been pledged or used to secure, collateralise or credit enhance a transaction which impacts their transferability and free use. Asset encumbrance is integral to K&H Bank business and funding models that, over time, have increased as a result of participation on MNB LFG programs.

3.2.3. Liquidity risk (MNB proposal nr. 9/2017)

The prime objective of KBC liquidity management is to be capable of financing the group on the one hand, and to make the generation of income from the main business activities of the group possible, even under unfavourable conditions.

In the KBC Group – and consequently, at K&H as well – the liquidity risk management system covers the liquidity financing risk, and not the market liquidity risk. The liquidity framework system is based on the following pillars:

- operational liquidity risk management
- structural liquidity risk management
- liquidity reserve risk management

Operational liquidity risk

Operational liquidity is measured with (5, 30 and 90-day) liquidity gap. K&H is required to cover the entirety of the liquidity gap with liquid intra-day security.

Structural liquidity risk

The Bank manages structural liquidity through the loan-to-deposit ratio (LTD), the interbank funding ratio, the foreign currency-financing ratio, the net stable financing ratio and the liquidity coverage ratio, serving as a common benchmark to assess liquidity.

Liquidity reserve risk

The group uses a number of liquidity stress scenarios to measure emergency liquidity risk. Stress tests are conducted with the aim of measuring the changes in the liquidity buffer of K&H Group in stress situations. The liquidity buffer is calculated for each and every scenario: this will be the liquidity surplus for the relevant periods. In fact, there are two different types of the stress test: the general market scenario and the KBC/K&H-specific scenarios. K&H would remain a going concern for the internally defined survival period under either of the two scenarios.

The majority of the above-mentioned measurements are subject to the limits set by KBC. The liquidity thresholds applicable to the various subsidiaries are governed by the KBC liquidity risk management guidelines. Nevertheless, K&H has additional local limits in place, which boosts the security of the group. It is important to note that the management of these local limits is the responsibility of the local treasury and local liquidity risk units.

In addition to the periodical follow-up on the above measurements and limits, the local ALM risk management also takes into account the liquidity risk during the analysis of other business developments and trading operations. It is important to note that the local ALM risk management is not authorised to make a decision regarding any steps of the liquidity risk management process autonomously, it merely provides advice to the local CROC concerning the implementation of an appropriate framework e.g., in respect to the acceptable risk level, etc.

The local liquidity report on monitoring the operational liquidity limit is submitted daily to the Treasury by Risk Management (ALM department). The Controlling Department reports the changes in the loan to deposit ratio (LTD) on a monthly basis. Risk Management submits a monthly report (in the Integrated Risk Report) to the Executive Committee, presenting the changes in the operational liquidity and a summary of all measures related to liquidity. The liquidity stress test scenarios are calculated by KBC based on the information provided by the local risk management. The results are also submitted to the Audit Committee on a quarterly basis.

If the report on the liquidity risk shows e.g. an overrun of the operational liquidity risk limits or a deterioration in the long-term liquidity position, the (internal) stakeholders (i.e., the committees receiving this information) are responsible for making the decision on the eventual corrective measures to be taken.

	Total unweighted value AVG				Total weighted value AVG			
Quarter ending on	2019.03.31	2019.06.30	2019.09.30	2019.12.31	2019.03.31	2019.06.30	2019.09.30	2019.12.31
Number of data points used in the calculation of avera	3	3	3	3	3	3	3	3
HIGH-QUALITY LIQUID ASSETS								
Total high-quality liquid assets (HQLA)					**807 258**	**786 386**	**851 661**	**991 180**
KIÁRAMLÁSOK								
Retail deposits and deposits from small business customers, of which:	**1 387 315**	**1 404 697**	**1 408 722**	**1 454 943**	**87 395**	**87 989**	**95 794**	**102 410**
Stable deposits	1 030 070	1 052 679	1 052 404	1 007 529	51 503	52 634	52 620	50 376
Less stable deposits	357 245	352 018	356 318	447 414	35 891	35 355	43 173	52 033
Unsecured wholesale funding	**954 682**	**908 856**	**892 803**	**973 424**	**483 143**	**460 005**	**443 135**	**480 625**
Operational deposits (all counterparties) and deposits in networks of cooperative banks								
Non-operational deposits (all counterparties)	954 682	908 856	892 803	973 395	483 143	460 005	443 135	480 597
Unsecured debt				29				29
Secured wholesale funding								
Additional requirements	**763 549**	**781 527**	**807 238**	**543 743**	**435 288**	**439 829**	**473 428**	**264 875**
Outflows related to derivative exposures and other collateral requirements	365 538	367 542	400 659	218 619	365 538	367 542	400 659	218 619
Outflows related to loss of funding on debt products								
Credit and liquidity facilities	398 011	413 985	406 579	325 124	69 750	72 287	72 769	46 256
Other contractual funding obligations	**15 856**	**6 200**	**9 544**	**7 452**	**9 756**	**1 267**	**4 444**	**1 518**
Other contingent funding obligations	**430 762**	**437 695**	**447 196**	**478 405**	**56 345**	**55 121**	**63 864**	**66 136**
TOTAL CASH OUTFLOWS					**1 071 926**	**1 044 210**	**1 080 665**	**915 564**
CASH-INFLOWS								
Secured lending (eg reverse repos)	**9 772**	**11 458**	**4 212**	**16 698**	**31**	**79**	**39**	**55**
Inflows from fully performing exposures	**335 475**	**302 051**	**191 282**	**184 049**	**323 047**	**286 841**	**175 680**	**171 565**
Other cash inflows	**251 387**	**258 311**	**302 167**	**120 436**	**251 387**	**258 311**	**302 167**	**120 436**
(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)								
(Excess inflows from a related specialised credit institution)								
TOTAL CASH INFLOWS	**596 635**	**571 821**	**497 661**	**321 182**	**574 465**	**545 232**	**477 886**	**292 056**
Fully exempt inflows								
Inflows Subject to 90% Cap								
Inflows Subject to 75% Cap	***596 635***	***571 821***	***497 661***	***321 182***	***574 465***	***545 232***	***477 886***	***292 056***
TOTAL ADJUSTED VALUE								
LIQUIDITY BUFFER					**807 258**	**786 386**	**851 661**	**991 180**
TOTAL NET CASH OUTFLOWS					**497 461**	**498 978**	**602 779**	**623 508**
LIQUIDITY COVERAGE RATIO (%)					**162%**	**158%**	**141%**	**159%**

3. Table: EU LIQ1 - quantitative information on LCR (values in HUF million, K&H Group)

	Total unweighted value AVG				Total weighted value AVG			
Quarter ending on	2019.03.31	2019.06.30	2019.09.30	2019.12.31	2019.03.31	2019.06.30	2019.09.30	2019.12.31
Number of data points used in the calculation of ave	3	3	3	3	3	3	3	3
HIGH-QUALITY LIQUID ASSETS								
Total high-quality liquid assets (HQLA)					**802 002**	**781 091**	**846 812**	**988 121**
KIÁRAMLÁSOK								
Retail deposits and deposits from small business customers, of which:	**1 387 315**	**1 404 697**	**1 408 722**	**1 454 943**	**87 395**	**87 989**	**95 794**	**102 410**
Stable deposits	1 030 070	1 052 679	1 052 404	1 007 529	51 503	52 634	52 620	50 376
Less stable deposits	357 245	352 018	356 318	447 414	35 891	35 355	43 173	52 033
Unsecured wholesale funding	**957 164**	**916 420**	**898 755**	**977 456**	**482 480**	**464 326**	**445 743**	**483 223**
Operational deposits (all counterparties) and deposits in networks of cooperative banks								
Non-operational deposits (all counterparties)	957 164	916 420	898 755	977 456	482 480	464 326	445 743	483 223
Unsecured debt								
Secured wholesale funding								
Additional requirements	**763 549**	**781 527**	**807 238**	**543 781**	**435 288**	**439 829**	**473 428**	**264 912**
Outflows related to derivative exposures and other collateral requirements	365 538	367 542	400 659	218 656	365 538	367 542	400 659	218 656
Outflows related to loss of funding on debt products								
Credit and liquidity facilities	398 011	413 985	406 579	325 124	69 750	72 287	72 769	46 256
Other contractual funding obligations	**15 722**	**6 050**	**9 394**	**7 318**	**9 756**	**1 267**	**4 444**	**1 518**
Other contingent funding obligations	**453 388**	**459 545**	**468 489**	**489 183**	**58 607**	**57 306**	**71 355**	**70 343**
TOTAL CASH OUTFLOWS					**1 073 526**	**1 050 717**	**1 090 763**	**922 406**
CASH-INFLOWS								
Secured lending (eg reverse repos)	**9 772**	**11 458**	**4 212**	**16 698**	**31**	**79**	**39**	**55**
Inflows from fully performing exposures	**339 094**	**305 706**	**195 687**	**184 892**	**329 115**	**293 394**	**183 032**	**173 591**
Other cash inflows	**251 524**	**258 311**	**302 167**	**120 436**	**251 524**	**258 311**	**302 167**	**120 436**
(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)								
(Excess inflows from a related specialised credit institution)								
TOTAL CASH INFLOWS	**600 390**	**575 475**	**502 066**	**322 025**	**580 670**	**551 785**	**485 238**	**294 081**
Fully exempt inflows								
Inflows Subject to 90% Cap								
Inflows Subject to 75% Cap	***600 390***	***575 475***	***502 066***	***322 025***	***580 670***	***551 785***	***485 238***	***294 081***
TOTAL ADJUSTED VALUE								
LIQUIDITY BUFFER					**802 002**	**781 091**	**846 812**	**988 121**
TOTAL NET CASH OUTFLOWS					**492 855**	**498 932**	**605 525**	**628 325**
LIQUIDITY COVERAGE RATIO (%)					**163%**	**157%**	**140%**	**157%**

4. Table: EU LIQ1 - quantitative information on LCR (values in HUF million, K&H Bank)

3.3. Operational risk (CRR Article 446.)

At K&H the definition of operational risk comprises the risk of fraud as well as the legal and compliance risks, but excludes strategic and systemic risks. K&H also takes into consideration reputation risk to a certain level: when assessing the vulnerability of K&H to operational risk events, the impact of various incidents on the reputation of K&H is also taken into account.

The ”*KBC Group Operational Risk Management Framework”* covers the management of operational risks from their identification up to their reporting. KBC Group implemented a uniform set of tools that apply for the management of end-to-end operational risk processes, and methods for measuring and mitigating operational risks. For the purpose of reporting, processes and risk event types are used jointly as a common and general/uniform framework of reference. Risk mitigating controls comprise the processes for the proper separation of tasks and responsibilities, access management, reconciliation and monitoring. The tools currently applied for the management of operational risks were designed to cover the entire spectrum of expected, unexpected and even catastrophic loss events.

The following tools are used for the recognition and identification of the operational risks run by KBC Group entities:

Global Risk Surveys (GRS): GRS is a top-down, scenario-based questionnaire for the senior management to report the major issues they see as a potential threat, as well as the existing operational and business risks. It is required to be completed once a year.

Risk Self-Assessment (RSA): These bottom-up assessments focus on the main (residual) operational risks represented by errors, weaknesses, gaps related to key products, processes and systems, which have not yet been properly mitigated.

RSAs are forward-looking and allow the Bank to take into account future developments and events. Accountable managers and the operational risk managers appointed for end-to-end processes (LORM) are obliged to regularly plan RSAs, using the process definitions of the relevant business area and their own professional experience.

Scenario Analysis:

Although operational risk capital requirement is calculated with the standardized approach under both Pillars, in Pillar 2 the Bank applies some elements of the advanced AMA methodology - including scenario analysis – in order to benchmark the adequacy of the standardized capital requirement.

Scenario analyses are reviewed on a yearly basis, where experts give their estimation for relevant risk events affecting K&H Bank. The results of scenario analysis are included in K&H's capital benchmarking model as extreme events.

Group Key Controls

The Group Key Controls (GKC) are top down basic control objectives defined on KBC Group level, to mitigate key inherent risks of the underlying processes and activities of K&H Group. GKCs ensure that significant operational risks are managed in a uniform manner throughout the group.

The following tools are applied for the purpose of measuring the operational risks of KBC Group entities:

Loss Event Database: Since 2004 KBC Group records each operational loss amounting to, or exceeding EUR 1,000 in a central database. The same database contains the legal claims filed against the Group entities. K&H collects and registers the operational risk related loss events in a structured manner, in line with the group standards.

Key Risk Indicators (KRIs): KRIs are metrics or indicators for monitoring exposure to a loss or other potential event (risks). KRIs may pertain to the entire organisation or only a part thereof. The purpose of the KRIs is to combine the measurement of risk with the current risk management by way of a pragmatic approach, allowing prompt application of the measures to the business area. The main KRIs are reported to the CROC.

At present a Loss Tolerance Limit and a corresponding Early Warning Limit is in place for operational losses, while warning and alert risk limits have been set in respect of the Key Risk Indicators.

3.3.1. Internal risk reporting

The Capital and Risk Oversight Committee is responsible for monitoring the operational risk profile and the implementation of the operational risk management framework in general. The reporting obligation includes, without limitation, the followings:

- Developing and maintaining the proper regulation of operational risks;
- Reliability of operational risk management data – from financial and non-financial aspects – reported and/or identified within the organisation;
- Compliance with statutory, internal and external regulations;
- Allocating resources for the management of operational risks;
- Systematic review of all material operational risk related to loss events that occurred at K&H.

CROC also ratifies the minutes taken at the meetings of the Operational Risk Councils.

3.3.2. External risk reporting

The Bank regularly prepares reports and memoranda for the risk management of KBC Group presenting the developments in the main operational risks, internal controls and risk management processes of K&H Group.

The (consolidated) capital requirement for operational risks is reported to CROC in the second quarter each year. In the scope of the statutory reports to the Supervisor, K&H regularly informs MNB of the methodology of operational risk management and the changes therein. A periodical (quarterly) report is also submitted to the MNB on the capital requirement of operational risks.

In 2008 KBC decided to measure its operational risk capital requirement according to the *standardised approach (*TSA) specified in Basel II. KBC Group seeks to focus on the actual (quality) management of operational risks, rather than to optimise the capital requirement of operational risks using an internal financial/risk model.

Nevertheless, – as it was discussed in the previous chapter – KBC applies the stringent standards as required under the *Advanced Measurement Approach (*AMA).

K&H has applied the *Standardised approach* since 1 January 2008.

According to the *Standardised approach* the total capital requirement of operational risks equals the simple aggregate of the capital requirements calculated by business line as defined in the Basel principles. The own funds requirement of the various business lines is calculated by multiplying the average of the eligible gross operating profit over the last three years with a *"beta factor"* assigned by the Capital Requirement Directive to the respective business line. K&H follows up the regulatory developments with regard to the new OPR capital calculation method, the Standard Measurement Approach, and is prepared to switch to the new methodology.

4. Capital policy

The capital strategy supplementing the risk policies of the KBC Group referred to above contains the following:

- Creation of durable values for the shareholders, which means the most efficient utilisation of the capital of the KBC Group with maximum return available under the assumed risks and without any excessive unused capital.

- Compliance with the restrictions on the capital funds of the KBC Group, defined by the regulatory authorities and rating agencies.
- Maintaining capital adequacy by also taking into account the business development outlook of the KBC Group beyond one year as an organic part of the strategic, business and capital planning process.
- Maintaining capitalisation at the KBC Group in order to cover all material risks up to a set high funding level.

4.1. Capital structure and adequacy (CRR Articles 437. and 451.)

The supervisory available own funds (also referred to as supervisory equity) consists of Tier 1 and Tier 2 capital. Tier 1 capital consists primarily of share capital and other capital market securities eligible according to the current legislation, less the required negative components. The Tier 2 capital consists primarily of hybrid and debt securities eligible under the current laws and regulations, less the required negative components. The total own funds equal the total of Tier 1 and Tier 2 capital less deductions.

		equity	subordinated loan capital #1	subordinated loan capital #2	subordinated loan capital #3
1	Issuer	K&H Bank Zrt.	KBC Bank NV	KBC Bank NV	KBC Bank NV
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	ISIN: HU0000075304	N/A	N/A	N/A
3	Governing law(s) of the instrument	Hungarian law	Belgian law	Belgian law	Belgian law
Regulatory treatment					
4	Transitional CRR rules	core Tier 1 capital instrumentum	Tier 2 capital instrumentum	Tier 2 capital instrumentum	Tier 2 capital instrumentum
5	Post-transitional CRR rules	core Tier 1 capital instrumentum	Tier 2 capital instrumentum	Tier 2 capital instrumentum	Tier 2 capital instrumentum
6	Eligible at solo/ (sub-)consolidated/ solo&(sub-)consolidated	individuel and (sub)consolidated	individuel and (sub)consolidated	individuel and (sub)consolidated	individuel and (sub)consolidated
7	Instrument type (types to be specified by each jurisdiction)	Share, Common Equity Tier 1 as published in Regulation (EU) No 575/2013 article 28	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63
8	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	HUF 140,978 million	EUR 60 million	EUR 30 million	EUR 37 million
9	Nominal amount of instrument	HUF 140,978 million	EUR 60 million	EUR 30 million	EUR 37 million
9a	Issue price	N/A	100%	100%	100%
9b	Redemption price	N/A	100%	100%	100%
10	Accounting classification	equity	subordinated loan	subordinated loan	subordinated loan
11	Original date of issuance	N/A	2006.06.30	2015.09.28	2017.12.22
12	Perpetual or dated	perpetual	dated	dated	dated
13	Original maturity date	no maturity	2026.06.30	2025.09.28	2027.12.22
14	Issuer call subject to prior supervisory approval	N/A	No	No	No
15	Optional call date, contingent call dates and redemption amount	N/A	Pursuant to CRR Article 63	Pursuant to CRR Article 63	Pursuant to CRR Article 63
16	Subsequent call dates, if applicable	N/A	N/A	N/A	N/A
Coupons / dividends					
17	Fixed or floating dividend/coupon	N/A	variable	variable	variable
18	Coupon rate and any related index	N/A	EURIBOR+2.70%	EURIBOR+3.05%	EURIBOR+1.53%
19	Existence of a dividend stopper	No	N/A	N/A	N/A
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A	N/A	N/A	N/A
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A	N/A	N/A	N/A
21	Existence of step up or other incentive to redeem	N/A	No	No	No
22	Noncumulative or cumulative	N/A	Noncumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	N/A	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A	N/A
30	Write-down features	N/A	No	No	No
31	If write-down, write-down trigger(s)	N/A	N/A	N/A	N/A
32	If write-down, full or partial	N/A	N/A	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A	N/A	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	in the case of insolvency or liquidation of the institution, the instruments are classified behind all other receivables	Pursuant to CRR Article 63	Pursuant to CRR Article 63	Pursuant to CRR Article 63
36	Non-compliant transitioned features	N/A	N/A	N/A	N/A
37	If yes, specify non-compliant features	N/A	N/A	N/A	N/A
(1) Insert 'N/A' if the question is not applicable					

5. Table: Capital Instruments main features

According to the Hungarian laws and regulations the K&H Group must have minimum own funds that exceed 8% of the risk weighted assets but, during the SREP review, the Supervisory Authority may set an additional capital requirement on a pro rata basis according to the capital requirement under Pillar 1.

The Bank also takes into account this requirement while planning and preparing its detailed budget and sets aside further reserves in order to have enough own funds in case the HUF weakens or other unexpected market events occur. The Bank reports its capital adequacy position to the Supervisory Authority quarterly and also prepares monthly projections for the Bank's Capital and Risk Oversight Committee, CROC). When necessary, the Bank's Executive Committee EXCO makes decisions on the required actions (e.g., capital increase etc.).

4.2. Capital requirements (CRR Articles 451.)

The table below provide information about the risk weight assets of the bank and the exact value of the capital adequacy ratio at the end of 2019.

Risk Weighted Assets (RWA)	K&H Group	K&H Bank
Total RWA	1 910 592	1 951 189
Credit Risk (incl. CVA)	1 630 950	1 675 955
Market Risk	7 809	7 809
Operational Risk	271 832	267 425
Capital Adequacy Ratio	18,68%	18,17%

6. Table: Capital adequecy ratio, values in million HUF

Institution-specific **countercyclical capital buffer** (Article CRR 440.)

Breakdown by country	General credit exposures		Trading book exposure		Securitisation exposure		Own funds requirements				Own funds requirement weights	Countercyclical capital buffer rate
	Exposure value for SA	Exposure value IRB	Sum of long and short position of trading book	Value of trading book exposure for internal models	Exposure value for SA	Exposure value for IRB	Of which: General credit exposures	Of which: Trading book exposures	Of which: Securitisation exposures	Total		
HU	289 928	1 933 737					112 561			112 561	0,980	
AT		3 994					183			183	0,002	
CY	3						0			0	0,000	
LU	2	6 887					399			399	0,004	
RO		693					33			33	0,000	
RU		788					2			2	0,000	
SK		1 961					211			211	0,002	1,5000%
US		88					1			1	0,000	
ZA		4 466					1 429			1 429	0,012	
CH		61					4			4	0,000	
Total	**289 933**	**1 952 675**					**114 823**			**114 823**	**1,000**	**0,0027%**

7. Table: Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer (values in million HUF, K&H Group)

Breakdown by country	General credit exposures		Trading book exposure		Securitisation exposure		Own funds requirements				Own funds requirement weights	Countercyclical capital buffer rate
	Exposure value for SA	Exposure value IRB	Sum of long and short position of trading book	Value of trading book exposure for internal models	Exposure value for SA	Exposure value for IRB	Of which: General credit exposures	Of which: Trading book exposures	Of which: Securitisation exposures	Total		
HU	273802	1978622					116184			116184	0,981	
AT		3994					183			183	0,002	
CY	3										0,000	
BE	0	313					8			8	0,000	
LU	2	6887					399			399	0,003	
RO		693					33			33	0,000	
RU		788					2			2	0,000	
SK		1961					218			218	0,002	0,015
US		88					1			1	0,000	
ZA		4466					1429			1429	0,012	
CH		61					4			4	0,000	
Total	**273 807**	**1 997 873**					**118 461**			**118 461**	**1,000**	**0,0027%**

8. Table: Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer (values in million HUF, K&H Bank)

Total risk exposure amount	1 910 592
Institution specific countercyclical buffer rate	0,0027%
Institution specific countercyclical buffer requirement	52

9. Table: Amount of institution-specific countercyclical capital buffer (values in million HUF, K&H Group)

Total risk exposure amount	1 951 189
Institution specific countercyclical buffer rate	0,0027%
Institution specific countercyclical buffer requirement	53

10. Table: Amount of institution-specific countercyclical capital buffer (values in million HUF, K&H Bank)

According to the 2013/36/EU directive (CRD) the institution-specific countercyclical capital buffer rate shall consist of the weighted average of the countercyclical buffer rates that apply in the jurisdictions where the relevant credit exposures of the institution are located. The institution-specific countercyclical capital buffer rate of K&H Group was below 0.01 %point at 31st December 2019.

Overview of RWAs:

Values in HUF million	RWA		Minimum capital
	T	T-1 year	T
Credit risk (excluding CCR)	**1 597 566**	**1 540 705**	**127 805**
Of which the standardised approach	104 157	95 774	8 333
Of which the foundation IRB (FIRB) approach	0	0	0
Of which the advanced IRB (AIRB) approach	1 468 077	1 400 760	117 446
Of which MRA	25 332	44 171	2 027
Of which equity IRB under the simple risk-weighted approach or the IMA	0	0	0
CCR	**33 385**	**26 994**	**2 671**
Of which mark to market	32 802	26 457	2 624
Of which original exposure			
Of which the standardised approach			
Of which internal model method (IMM)			
Of which risk exposure amount for contributions to the default fund of a CCP			
Of which CVA	583	538	47
Settlement risk			
Securitisation exposures in the banking book (after the cap)			
Of which IRB approach			
Of which IRB supervisory formula approach (SFA)			
Of which internal assessment approach (IAA)			
Of which standardised approach			
Market risk	**7 809**	**14 040**	**625**
Of which the standardised approach	7 809	14 040	625
Of which IMA			
Large exposures			
Operational risk	**271 832**	**257 642**	**21 747**
Of which basic indicator approach			
Of which standardised approach	271 832	257 642	21 747
Of which advanced measurement approach			
Amounts below the thresholds for deduction (subject to 250% risk weight)			
Floor adjustment			
Total	**1 910 592**	**1 839 381**	**152 847**

11. Table: EU OV1 – Overview of RWAs (values in HUF million; K&H Group compared to last year)

Values in HUF million	RWA		Minimum capital
	T	T-1 year	T
Credit risk (excluding CCR)	**1 640 919**	**1 574 381**	**131 274**
Of which the standardised approach	89 228	86 962	7 138
Of which the foundation IRB (FIRB) approach			
Of which the advanced IRB (AIRB) approach	1 526 359	1 443 248	122 109
Of which MRA	25 332	44 171	2 027
Of which equity IRB under the simple risk-weighted approach or the IMA			
CCR	**35 036**	**27 082**	**2 756**
Of which mark to market	34 453	26 545	2 756
Of which original exposure			
Of which the standardised approach			
Of which internal model method (IMM)			
Of which risk exposure amount for contributions to the default fund of a CCP			
Of which CVA	583	538	47
Settlement risk			
Securitisation exposures in the banking book (after the cap)			
Of which IRB approach			
Of which IRB supervisory formula approach (SFA)			
Of which internal assessment approach (IAA)			
Of which standardised approach			
Market risk	**7 809**	**14 040**	**625**
Of which the standardised approach	7 809	14 040	625
Of which IMA			
Large exposures			
Operational risk	**267 425**	**258 207**	**21 394**
Of which basic indicator approach			
Of which standardised approach	267 425	258 207	21 394
Of which advanced measurement approach			
Amounts below the thresholds for deduction (subject to 250% risk weight)			
Floor adjustment			
Total	**1 951 189**	**1 873 710**	**156 095**

12. Table: EU OV1 – Overview of RWAs (values in HUF million; K&H Bank compared to last year)

Values in HUF million	RWA		Minimum capital
	T	T-1 quarter	T
Credit risk (excluding CCR)	**1 597 566**	**1 692 919**	**127 805**
Of which the standardised approach	104 157	101 860	8 333
Of which the foundation IRB (FIRB) approach			
Of which the advanced IRB (AIRB) approach	1 468 077	1 544 396	117 446
Of which MRA	25 332	46 663	2 027
Of which equity IRB under the simple risk-weighted approach or the IMA			
CCR	**33 385**	**45 714**	**2 671**
Of which mark to market	32 802	45 164	2 624
Of which original exposure			
Of which the standardised approach			
Of which internal model method (IMM)			
Of which risk exposure amount for contributions to the default fund of a CCP			
Of which CVA	583	550	47
Settlement risk			
Securitisation exposures in the banking book (after the cap)			
Of which IRB approach			
Of which IRB supervisory formula approach (SFA)			
Of which internal assessment approach (IAA)			
Of which standardised approach			
Market risk	**7 809**	**7 667**	**625**
Of which the standardised approach	7 809	7 667	625
Of which IMA			
Large exposures			
Operational risk	**271 832**	**260 442**	**21 747**
Of which basic indicator approach			
Of which standardised approach	271 832	260 442	21 747
Of which advanced measurement approach			
Amounts below the thresholds for deduction (subject to 250% risk weight)			
Floor adjustment			
Total	**1 910 592**	**2 006 742**	**152 847**

13. Table: EU OV1 – Overview of RWAs (values in HUF million; K&H Group compared to last quarter)

Values in HUF million	RWA		Minimum capital
	T	T-1 quarter	T
Credit risk (excluding CCR)	**1 640 919**	**1 707 603**	**131 274**
Of which the standardised approach	89 228	84 091	7 138
Of which the foundation IRB (FIRB) approach			
Of which the advanced IRB (AIRB) approach	1 526 359	1 576 849	122 109
Of which MRA	25 332	46 663	2 027
Of which equity IRB under the simple risk-weighted approach or the IMA			
CCR	**35 036**	**45 840**	**2 803**
Of which mark to market	34 453	45 290	2 756
Of which original exposure			
Of which the standardised approach			
Of which internal model method (IMM)			
Of which risk exposure amount for contributions to the default fund of a CCP			
Of which CVA	583	550	47
Settlement risk			
Securitisation exposures in the banking book (after the cap)			
Of which IRB approach			
Of which IRB supervisory formula approach (SFA)			
Of which internal assessment approach (IAA)			
Of which standardised approach			
Market risk	**7 809**	**7 667**	**625**
Of which the standardised approach	7 809	7 667	625
Of which IMA			
Large exposures			
Operational risk	**267 425**	**259 481**	**21 394**
Of which basic indicator approach			
Of which standardised approach	267 425	259 481	21 394
Of which advanced measurement approach			
Amounts below the thresholds for deduction (subject to 250% risk weight)			
Floor adjustment			
Total	**1 951 189**	**2 020 591**	**156 095**

14. Table: EU OV1 – Overview of RWAs (values in HUF million; K&H Bank compared to last quarter)

4.3. Own funds (CRR Articles 437.)

		K&H Csoport	K&H Bank
	Common Equity Tier 1 (CET1) capital: instruments and reserves		
1	Capital instruments and the related share premium accounts	189 753	189 753
	of which: Instrument type 1	140 978	140 978
	of which: Instrument type 2	48 775	48 775
	of which: Instrument type 2		
2	Retained earnings	82 978	80 574
3	Accumulated other comprehensive income (and other reserves)	12 819	12 830
3a	Funds for general banking risk	23 359	23 335
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1		
5	Minority interests (amount allowed in consolidated CET1)		
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	50 877	50 415
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**359 786**	**356 907**
	Common Equity Tier 1 (CET1) capital: regulatory adjustments		
7	Additional value adjustments (negative amount)		
8	Intangible assets (net of related tax liability) (negative amount)	- 30 424	- 30 422
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)		
11	Fair value reserves related to gains or losses on cash flow hedges	- 6 048	- 6 048
12	Negative amounts resulting from the calculation of expected loss amounts	- 8 484	- 7 830
13	Any increase in equity that results from securitised assets (negative amount)		
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	- 3	- 3
15	Defined-benefit pension fund assets (negative amount)		
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)		
17	Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		
18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10 % threshold and net of eligible short positions) (negative amount)		
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10 % threshold and net of eligible short positions) (negative amount)		
20a	Exposure amount of the following items which qualify for a RW of 1250 %, where the institution opts for the deduction alternative		
20b	of which: qualifying holdings outside the financial sector (negative amount)		
20c	of which: securitisation positions (negative amount)		
20d	of which: free deliveries (negative amount)		
21	Deferred tax assets arising from temporary differences (amount above 10 % threshold, net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)		
22	Amount exceeding the 15 % threshold (negative amount)		
23	of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities		
25	of which: deferred tax assets arising from temporary differences		
25a	Losses for the current financial year (negative amount)		
25b	Foreseeable tax charges relating to CET1 items (negative amount)		
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)		
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**- 44 959**	**- 44 303**
29	**Common Equity Tier 1 (CET1) capital**	**314 827**	**312 604**

	Additional Tier 1 (AT1) capital: instruments		
30	Capital instruments and the related share premium accounts		
31	of which: classified as equity under applicable accounting standards		
32	of which: classified as liabilities under applicable accounting standards		
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1		
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties		
35	of which: instruments issued by subsidiaries subject to phase out		
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**		
	Additional Tier 1 (AT1) capital: regulatory adjustments		
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)		
38	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10 % threshold and net of eligible short positions) (negative amount)		
40	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)		
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)		
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**		
44	**Additional Tier 1 (AT1) capital**		
45	**Tier 1 capital (T1 = CET1 + AT1)**	**314 827**	**312 604**
	Tier 2 (T2) capital: instruments and provisions		
46	Capital instruments and the related share premium accounts		
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2		
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties		
49	of which: instruments issued by subsidiaries subject to phase out		
50	Credit risk adjustments		
51	**Tier 2 (T2) capital before regulatory adjustments**		
	Tier 2 (T2) capital: regulatory adjustments		
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)		
53	Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		
54	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10 % threshold and net of eligible short positions) (negative amount)		
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)		
57	**Total regulatory adjustments to Tier 2 (T2) capital**		
58	**Tier 2 (T2) capital**	**41 976**	**41 976**
59	**Total capital (TC = T1 + T2)**	**356 803**	**354 580**
60	**Total risk weighted assets**	**1 910 592**	**1 951 189**

	Capital ratios and buffers		
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	16,48%	16,02%
62	Tier 1 (as a percentage of total risk exposure amount)	16,48%	16,02%
63	Total capital (as a percentage of total risk exposure amount)	18,68%	18,17%
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus systemically important institution buffer expressed as a percentage of risk exposure amount)	62 146	48 832
65	of which: capital conservation buffer requirement	47 765	48 780
66	of which: countercyclical buffer requirement	52	53
67	of which: systemic risk buffer requirement	0	0
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	14 329	0
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	3,25%	2,50%
	Amounts below the thresholds for deduction (before risk weighting)		
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)		
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10 % threshold and net of eligible short positions)		
75	Deferred tax assets arising from temporary differences (amount below 10 % threshold, net of related tax liability where the conditions in Article 38 (3) are met)		
	Applicable caps on the inclusion of provisions in Tier 2		
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)		
77	Cap on inclusion of credit risk adjustments in T2 under standardised		
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)		
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach		
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)		
80	Current cap on CET1 instruments subject to phase out arrangements		
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)		
82	Current cap on AT1 instruments subject to phase out arrangements		
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)		
84	Current cap on T2 instruments subject to phase out arrangements		
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)		

15. Table: Own funds (values in HUF million, K&H Group and K&H Bank)

4.4. Leverage ratio (CRR Article 451.)

The below tables show the leverage ratio.

	Applicable Amount	
	K&H Group	K&H Bank
Total assets as per published financial statements	4 088 481	4 113 699
Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation		
(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio total exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013)		
Adjustments for derivative financial instruments		
Adjustment for securities financing transactions (SFTs)		
Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)		
(Adjustment for intragroup exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(7) of Regulation (EU) No 575/2013)		
(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(14) of Regulation (EU) No 575/2013)		
Other adjustments		
Leverage ratio total exposure measure	**4 088 481**	**4 113 699**

16. Table: LRSum - Summary reconciliation of accounting assets and leverage ratio exposures (values in million HUF, K&H Group and K&H Bank)

		CRR leverage ratio exposures	
		K&H Group	K&H Bank
	On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	3 605 411	3 619 805
2	(Asset amounts deducted in determining Tier 1 capital)	- 36 685	- 36 684
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fidu-ciary assets) (sum of lines 1 and 2)**	**3 568 726**	**3 583 121**
	Derivative exposures		
4	Replacement cost associated with all derivatives transactions (ie net of eligi- ble cash variation margin)	51 285	51 293
5	Add-on amounts for PFE associated with all derivatives transactions (mark- to-market method)		
EU-5a	Exposure determined under Original Exposure Method		
6	Gross-up for derivatives collateral provided where deducted from the bal- ance sheet assets pursuant to the applicable accounting framework		
7	(Deductions of receivables assets for cash variation margin provided in deri- vatives transactions)		
8	(Exempted CCP leg of client-cleared trade exposures)		
9	Adjusted effective notional amount of written credit derivatives		
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)		
11	**Total derivatives exposures (sum of lines 4 to 10)**	**51 285**	**51 293**
	SFT exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales ac- counting transactions	26 648	29 856
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)		
14	Counterparty credit risk exposure for SFT assets		
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429b(4) and 222 of Regulation (EU) No 575/2013		
15	Agent transaction exposures		
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)		
16	**Total securities financing transaction exposures (sum of lines 12 to 15a)**	**26 648**	**29 856**
	Other off-balance sheet exposures		
17	Off-balance sheet exposures at gross notional amount		
18	(Adjustments for conversion to credit equivalent amounts)	441 822	449 429
19	**Other off-balance sheet exposures (sum of lines 17 and 18)**	**441 822**	**449 429**

Exempted exposures in accordance with Article 429(7) and (14) of Regulation (EU) No 575/2013 (on and off balance sheet)			
EU-19a	(Intragroup exposures (solo basis) exempted in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))		
EU-19b	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))		
Capital and total exposure mesure			
20	**Tier 1 capital**	314 827	312 604
21	**Leverage ratio total exposure measure (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)**	**4 088 481**	**4 113 699**
Leverage ratio			
22	**Leverage ratio**	**7,70%**	**7,60%**
Choice on transitional arrangements and amount of derecognised fiduciary items			
EU-23	Choice on transitional arrangements for the definition of the capital mea- sure		
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) No 575/2013		

17. Table: LRCom - Leverage ratio common disclosure (values in million HUF, K&H Group and K&H Bank)

		CRR leverage ratio exposures	
		K&H Group	**K&H Bank**
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	3 605 411	3 619 805
EU-2	Trading book exposures		
EU-3	Banking book exposures, of which:	3 605 411	3 619 805
EU-4	Covered bonds	-	-
EU-5	Exposures treated as sovereigns	1 220 554	1 213 265
EU-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns		
EU-7	Institutions	512 124	512 351
EU-8	Secured by mortgages of immovable properties	517 561	517 561
EU-9	Retail exposures	123 691	123 693
EU-10	Corporate	891 381	913 607
EU-11	Exposures in default	66 861	66 861
EU-12	Other exposures (eg equity, securitisations, and other non-credit obliga- tion assets)	273 239	272 467

18. Table: LRSpl - Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)(values in million HUF, K&H Group and K&H Bank)

5. ICAAP model

The KBC Group considers ICAAP an ideal step to gradually move the whole group towards high level and reliable risk management procedures, Consequently, KBC does not consider ICAAP a separate regulatory burden but a tool that may have a major role in achieving the above objective. This is why the KBC Group considers it important to have a well-founded ICAAP approach. Internal procedures and systems must be elaborated that ensure the availability of sufficient funding for a long term, paying sufficient attention to each important risk.

In 2007 KBC developed an ICAAP procedure for the whole group that was renewed in 2015. The procedure contains internal models for measuring capital requirements, more specifically economic capital[2]. This ensures the set funding ratio at KBC, which is associated with the predefined reliability level of default in economic sense.

[2] The concept of economic capital is different from own funds as own funds refers to the minimum level of necessary and mandatory capital required by the regulators to be maintained by the institution; economic capital is the closest estimate of the required amount of capital that the financial institutions use internally to manage their own risks and distribute the costs of maintenance of own funds within the various units or between the members of the organisation.

Under Pillar 2, the KBC Group uses the ICM model to calculate the total economic capital requirement. The model has also been implemented in the K&H Group, K&H calculates economic capital for 4 risk types for the same time horizon and confidence level, they are the building blocks of ICM:

- credit risk
- operational risk
- market risk (trading and ALM)
- business risk

One of the main component of ICAAP process is to define the risk appetite. We calibrate our operational limits and early warning triggers and their measurement and management methods based on our actual risk appetite. The first step of this process setting up the risk profile of the Bank and compare the risk profile of the actual year with the one of the previous year. The risk appetite (risk acceptance) and the risk profile needs to be syncron. The ExCo of the K&H accepted the K&H Banking Group Risk Appetite Statement 2019 - 2021 document as of 26th of February, 2019.

The board defines the risk appetite and the methods of measurement of risk. The bank monitors these limits monthly and weekly as well (in the Integrated Risk Dashboard and on the weekly specific risk committee meetings) to avoid the limit overruns.

6. Encumbered assets (No. 680/2014 Regulation (EU))

Due to No. 680/2014 Regulation (EU), the encumbered assets for K&H Bank are mainly driven by refinancing loans from EIB, and MNB LFG program.

Assets and collateral have been determined as encumbered with consistent with the definition provided in the EBA Guidelines on the Disclosure of Encumbered assets (EBA GL/2014/03), assets are considered encumbered when they have been pledged or used to secure, collateralise or credit enhance a transaction which impacts their transferability and free use. Asset encumbrance is integral to K&H Bank business and funding models that, over time, have increased as a result of participation on MNB LFG programs.

	Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
		of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA and HQLA
Assets of the reporting institution	**269 534**				**3 006 935**			
Equity instruments					2 850			
Debt securities	109 832		117 921		719 308		777 119	
of which: covered bonds								
of which: asset-backed securities								
of which: issued by general governments	109 832		117 921		717 414		775 225	
of which: issued by financial corporations								
of which: issued by non-financial corporations					1 894		1 894	
Other assets	153 400				2 320 193			
of which: ...								

19. Table: Encumbered and unencumbered assets (values in million HUF, K&H Group)

	Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
		of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA and HQLA
Assets of the reporting institution	**285 040**				**3 022 761**			
Equity instruments					2 850			
Debt securities	109 832		117 921		719 514		777 325	
of which: covered bonds								
of which: asset-backed securities								
of which: issued by general governments	109 627		117 715		717 072		774 857	
of which: issued by financial corporations	206		208					
of which: issued by non-financial corporations					2 442		2 468	
Other assets	168 907				2 335 038			
of which: ...								

20. Table: Encumbered and unencumbered assets (values in million HUF, K&H Bank)

	Fair value of encumbered collateral received or own debt securities issued		Unencumbered, Fair value of collateral received or own debt securities issued available for encumbrance	
		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA
Collateral received by the reporting institution			**5 944**	
Loans on demand			5 944	
Equity instruments				
Debt securities				
of which: covered bonds				
of which: asset-backed securities				
of which: issued by general governments				
of which: issued by financial corporations				
of which: issued by non-financial corporations				
Loans and advances other than loans on demand				
Other collateral received				
of which: ...				
Own debt securities issued other than own covered bonds or asset-backed securities				
Own covered bonds and asset-backed securities issued and not yet pledged				
TOTAL ASSETS, COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED	**269 534**			

21. Table: Received Collateral (values in HUF million, K&H Group)

	Fair value of encumbered collateral received or own debt securities issued		Unencumbered, Fair value of collateral received or own debt securities issued available for encumbrance	
		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA
Collateral received by the reporting institution			**5 944**	
Loans on demand			5 944	
Equity instruments				
Debt securities				
of which: covered bonds				
of which: asset-backed securities				
of which: issued by general governments				
of which: issued by financial corporations				
of which: issued by non-financial corporations				
Loans and advances other than loans on demand				
Other collateral received				
of which: ...				
Own debt securities issued other than own covered bonds or asset-backed securities				
Own covered bonds and asset-backed securities issued and not yet pledged				
TOTAL ASSETS, COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED	**285 040**			

22. Table: Received Collateral (values in HUF million, K&H Bank)

	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
Carrying amount of selected financial liabilities	**304 624**	**269 534**
Derivatives	82 961	17 869
Deposits	97 154	110 768
Debt securities issued	121 500	134 842

23. Table: Source of encumbrance (values in HUF million, K&H Group)

	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
Carrying amount of selected financial liabilities	**303 124**	**269 534**
Derivatives	82 962	17 869
Deposits	214 295	249 151
Debt securities issued	0	0

24. Table: Source of encumbrance (values in HUF million, K&H Bank)

7. Remuneration policy (CRR Articles 450.)

K&H publishes the remuneration policy applicable to all organisational units and employees of the Bank, and the employees of the subsidiaries K&H Group Service Provider Ltd., K&H Investment Fund Management Plc., K&H Factor Plc., K&H Mortgage Bank Plc. (K&H Csoportszolgáltató Kft., K&H Befektetési Alapkezelő Zrt., K&H Faktor Zrt. and K&H Jelzálogbank Zrt) on its web site (www.kh.hu).

A detailed description of the decision making process used to define the remuneration policy can be found in Chapter 5.2.3 of the referenced regulation. The most important features of the remuneration system (including information on the requirements related to performance measurement and identification of the relevant risk, on the deferral policy and remuneration eligibilities), the information about the relation between performance and performance remuneration, and the performance-related criteria which are the basis of the eligibility for phantom shares, the variable part of remuneration and options, these can be found in chapters 3.1–4.5. The characteristics and conditions of performance remuneration and other non-cash remuneration can be found in Chapter 4.

The following tables show all quantitative information about 2019 remunerations.

Division	Gross wages, cafeteria, reward (HUF mln)
Retail Banking Division	1 933
Retail Banking Division - network	9 783
Business Banking Division	2 401
Business Banking Division - network	2 394
CEO functions	1 225
CRO Services Division	659
Finance and Corporate,SME Credit Management Division	2 218
Operation, Technologies and Retail Credit Management Division	7 485
Other	
K&H Bank Zrt. Total	**28 098**
K&H Service Center	924
K&H Factor	99
K&H Asset management	362
K&H Mortgage Bank	39
K&H Bank Group Total	**29 522**

25. Table: By division breakdown of gross remuneration (K&H Group)

Remuneration of persons in management position and key identified staff in 2019	
Number of persons receiving remuneration	60
Fixed remuneration (HUF mln)	1 457
Performance based remuneration (HUF mln)	434
Of which cash (HUF mln)	382
Of which phantom stock (HUF mln)	52
Severance payment made to number of people, amount	0 item, 0 HUF mln
Payments related to new employment contracts (0 item, HUF mln)	0 item, 0 HUF mln

26. Table: Remuneration of persons in management position and key identified staff (K&H Group)

Deferred remuneration of persons in management position and key identified staff in 2019 (HUF mln)	
Deferred, already entitled (phantom stock):	27
Deferred, not yet entitled:	107
Deferred remuneration granted in 2019 paid out and performance-adjusted:	300

27. Table: Deferred remuneration of persons in management position and key identified staff (K&H Group)

	Committee with governing rights (Board of Directors)	Committee with supervising rights (Supervisory Board)
Number of persons receiving remuneration	3	3
Fixed remuneration (HUF mln)	197	25
Performance based remuneration (HUF mln)	55	3
Of which cash (HUF mln)	27,5	3
Of which phantom stock (HUF mln)	27,5	
Severance payment made to number of people, amount	0 item, 0 HUF mln	0 item, 0 HUF mln
Payments related to new employment contracts (0 item, HUF mln)	0 item, 0 HUF mln	0 item, 0 HUF mln

28. Table: Remuneration of Governing and supervising board members (K&H Group)

Members of the management body are selected by the Nomination Committee based on the following criteria:

- identification of the roles and skills required for membership in the given management body,
- assessment of the coherence between the knowledge, skills and experience levels of management body members,
- specifying the gender ratio within the management body and develop the necessary strategy to achieve the appropriate ratio (at KBC level institutions are obliged to publish their gender ratios, their strategy developed to achieve those ratios and the method of implementing that strategy).

8. Information on the scope of application of the regulatory framework

	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items				
			Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
Assets							
Cash and cash balances at central banks	326 226	326 226	326 226				
Other demand deposit with credit institutions	87 576	87 576	87 576				
Securities held-for-trading	11 806	11 806				11 806	
Derivative financial instruments	94 722	94 722		94 722		65 215	
Loans and advances to banks	452 346	452 346	452 346				
Loans and advances to customers	2 265 470	2 265 470	2 265 470				
Reverse repurchase agreements and other similar secured lending							
Available-for-sale securities	92 830	92 830	92 830				
Held-to-maturity securities	67 016	67 016	67 016				
Other assets	124 162	124 162	93 738				30 424
...							
Total assets	**3 522 155**	**3 522 155**	**3 385 203**	**94 722**	**-**	**77 021**	**30 424**
Liabilities							
Measured at amortised cost- Deposits from banks	- 90 361	- 90 361					- 90 361
Measured at amortised cost - Customer accounts	- 2 856 233	- 2 856 233					- 2 856 233
Repurchase agreements and other similar secured borrowings	- 19 936	- 19 936					- 19 936
Held-for-trading (excluding derivatives)							
Financial liabilities designated at fair value	- 52 614	- 52 614					- 52 614
Derivative financial instruments	- 86 214	- 86 214		- 86 214		- 61 193	
Other liabilities	- 57 010	- 57 010					- 57 010
...							
Total liabilities	**- 3 162 368**	**- 3 162 368**		**- 86 214**		**- 61 193**	**- 3 076 154**

29. Table: EU LI1 – Differences between accounting and regulatory scopes of consolidation and the mapping of financial statement categories with regulatory risk categories (values in HUF million, K&H Group)

	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items				
			Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
Assets							
Cash and cash balances at central banks	326 226	326 226	326 226				
Other demand deposit with credit institutions	87 276	87 276	87 276				
Securities held-for-trading	11 806	11 806				11 806	
Derivative financial instruments	94 727	94 727		94 727		65 220	
Loans and advances to banks	452 281	452 281	452 281				
Loans and advances to customers	2 285 790	2 285 790	2 285 790				
Reverse repurchase agreements and other similar secured lending							
Available-for-sale securities	93 040	93 040	93 040				
Held-to-maturity securities	67 016	67 016	67 016				
Other assets	136 017	136 017	106 261				29 756
...							
Total assets	**3 554 179**	**3 554 179**	**3 417 890**	**94 727**		**77 026**	**29 756**
Liabilities							
Measured at amortised cost- Deposits from banks	- 235 638	- 235 638					- 235 638
Measured at amortised cost - Customer accounts	- 2 720 900	- 2 720 900					- 2 720 900
Repurchase agreements and other similar secured borrowings	- 23 086	- 23 086					- 23 086
Held-for-trading (excluding derivatives)							
Financial liabilities designated at fair value	- 52 614	- 52 614					- 52 614
Derivative financial instruments	- 86 214	- 86 214		- 86 214		- 61 193	
Other liabilities	- 78 819	- 78 819					- 78 819
...							
Total liabilities	**- 3 197 272**	**- 3 197 272**		**- 86 214**		**- 61 193**	**- 3 111 059**

30. Table: EU LI1 – Differences between accounting and regulatory scopes of consolidation and the mapping of financial statement categories with regulatory risk categories (values in HUF million, K&H Bank)

	Total	Items subject to			
		Credit risk framework	CCR framework	Securitisation framework	Market risk framework
Assets carrying value amount under the scope of regulatory consolidation (as per template EU LI1)	3 522 155	3 385 203	94 722		77 021
Liabilities carrying value amount under the regulatory scope of consolidation (as per template EU LI1)	-3 162 368		-86 214		-61 193
Total net amount under the regulatory scope of consolidation	359 787	3 385 203	8 508		15 828
Off-balance-sheet amounts	874 139	874 139			
Differences in valuations					
Differences due to different netting rules, other than those already included in row 2	2 401		2 401		
Differences due to consideration or provisions	-12 472	-12 472			
Differences due to prudential filters					
Collateral placded at the institution	-4 449		-4 449		
Potential future exposure	71 471		71 471		
Effect of Advanced IRB method	-196 695	-196 695			
Other	833				833
Exposure amounts considered for regulatory purposes	4 144 768	4 050 175	77 932		16 661

31. Table: EU LI2 - Main sources of differences between regulatory exposure amounts and carrying values in financial statements (values in HUF million, K&H Group)

	Total	Items subject to			
		Credit risk framework	CCR framework	Securitisation framework	Market risk framework
Assets carrying value amount under the scope of regulatory consolidation (as per template EU LI1)	3 554 179	3 417 890	94 727		77 026
Liabilities carrying value amount under the regulatory scope of consolidation (as per template EU LI1)	-3 197 272		-86 214		-61 193
Total net amount under the regulatory scope of consolidation	356 907	3 417 890	8 513		15 833
Off-balance-sheet amounts	885 699	885 699			
Differences in valuations					
Differences due to different netting rules, other than those already included in row 2	25 461		25 461		
Differences due to consideration or provisions	-860	-860			
Differences due to prudential filters					
Collateral placded at the institution					
Potential future exposure	-24 315		-24 315		
Effect of Advanced IRB method	-162 006	-233 495	71 490		
Other	828				828
Exposure amounts considered for regulatory purposes	4 167 044	4 069 234	81 149		16 661

32. Table: EU LI2 - Main sources of differences between regulatory exposure amounts and carrying values in financial statements (values in HUF million, K&H Bank)

Explanations of differences between accounting and regulatory exposure amounts:

- **Market risk framework**: market risk of K&H, the capital requirement of the market risk of trading activities (including FX-risk) is calculated based on the standard method of CRR. Capital requirement of the standard method is calculated based on portfolios, instead of the classic credit risk EADs, where netting is not fully considered in case of FX and interest rate risk. Therefore it is calculated from a different type computed EAD.
- **Counterparty credit risk framework:** The Bank applies the netting according to CRR based on the permission of HNB, while netting according to Basel regulations is different from the accounting view of balance sheet netting.

Name of the entitiy	Method of accounting consolidation	Method of regulatory consolidation				Description of the entity
		Full consolidation	Proportional consolidation	Neither consolidated nor deducted	Deducted	
K&H Jelzálogbank Zrt.	Full consilidation					Credit institution
K&H Ingatlanlízing Zrt.	Full consilidation					Financial corporation / Leasing company
K&H Autópark Kft.	Full consilidation					Leasing company / operative leasing
K&H Faktor Pénzügyi Szolgáltató Zrt.	Full consilidation					Financial Corporation / Factoring
K&H Csoportszolgáltató Kft.	Full consilidation					Non financial corporation
K&H Befektetési Alapkezelő Zrt	Full consilidation					Financial corporation / Investment fund
K&H Equities Zrt.	Full consilidation					Non financial corporation
K&H Értékpapír Zrt.	Full consilidation					Financial corporation / Investment company

33. Table: EU LI3 Outline of the differences in the scopes of consolidation (entity by entity)

9. Information on the credit portfolio

In the following tables we demonstrate the credit portfolio of the K&H Group. We demonstrate the off balance and on balance items as well divided by asset classes.

Specialised lending							
Regulatory categories	Remaining maturity	On-balance sheet amount	Off-balance sheet amount	Risk weight	Exposure amount	RWAs	Expected losses
Category 1	Less than 2.5 years	37 384	23 638	50%	53 475	15 635	166
	Equal to or more than 2.5 years	47 055	983	70%	49 087	30 270	122
Category 2	Less than 2.5 years	1 227	3 222	70%	4 465	2 907	17
	Equal to or more than 2.5 years	53 912	9 722	90%	61 986	49 022	255
Category 3	Less than 2.5 years	42	1 335	115%	1 364	1 356	10
	Equal to or more than 2.5 years	37 151	5 449	115%	42 302	40 636	174
Category 4	Less than 2.5 years	644	377	250%	1 029	1 776	123
	Equal to or more than 2.5 years	27 054	4 043	250%	31 458	76 618	1 204
Category 5	Less than 2.5 years						
	Equal to or more than 2.5 years						
Total	Less than 2.5 years	**39 296**	**28 572**		**60 333**	**21 674**	**317**
	Equal to or more than 2.5 years	**165 172**	**20 197**		**184 833**	**196 545**	**1 754**
Equities under the simple risk-weighted approach							
Categories		On-balance sheet amount	Off-balance sheet amount	Risk weight	Exposure amount	RWAs	Capital requirement
Exchange-traded equity exposures				190%			
Private equity exposures				290%			
Other equity exposures				370%			
Total							

34. Table: EU CR10 - IRB specialised lending and equities (values in HUF million, K&H Group)

Specialised lending							
Regulatory categories	Remaining maturity	On-balance sheet amount	Off-balance sheet amount	Risk weight	Exposure amount	RWAs	Expected losses
Category 1	Less than 2.5 years	28 018	23 425	50%	43 831	12 824	136
	Equal to or more than 2.5 years	46 320	1 371	70%	48 631	29 468	114
Category 2	Less than 2.5 years	1 408	6 166	70%	7 561	5 039	27
	Equal to or more than 2.5 years	22 783	2 237	90%	25 120	20 439	105
Category 3	Less than 2.5 years	39	29	115%	70	69	1
	Equal to or more than 2.5 years	73 221	8 146	115%	80 366	81 249	311
Category 4	Less than 2.5 years	658	951	250%	1 605	2 858	127
	Equal to or more than 2.5 years	32 021	6 444	250%	37 981	86 154	1 272
Category 5	Less than 2.5 years						
	Equal to or more than 2.5 years						
Total	Less than 2.5 years	**30 123**	**30 571**		**53 068**	**20 791**	**291**
	Equal to or more than 2.5 years	**174 345**	**18 198**		**192 098**	**217 310**	**1 803**
Equities under the simple risk-weighted approach							
Categories		On-balance sheet amount	Off-balance sheet amount	Risk weight	Exposure amount	RWAs	Capital requirement
Exchange-traded equity exposures				190%			
Private equity exposures				290%			
Other equity exposures				370%			
Total							

35. Table: EU CR10 - IRB specialised lending and equities (values in HUF million, K&H Bank)

9.1. Credit risk and general information about credit risk mitigation

Corporate segment

The Bank uses the *"normal rating procedure"* for all receivables related to corporate clients, that is, all the aspects specified in applicable law are taken into account during the rating process. K&H does not apply the *"group valuation procedure"* in the corporate segment, thus all items are rated manually, using the *"individual valuation procedure"* in all cases.

Valuation is performed on a quarterly basis unless the Bank obtains new, negative information concerning the client's financial position or the collaterals pledged, which triggers an extraordinary review of the rating categories of the client and all of its exposures. Impairment and provisions are calculated on the basis of *"gross risk"*.

SME segment

In the case of SME clients, the rating classification is based on the *"group valuation procedure"* by default, considering the relatively high number of exposures in this segment. As provided for by applicable law, K&H uses the *"simplified rating procedure"* for this purpose. Classifications are revised automatically on a monthly basis, and the results are reported to senior management.

The rating process also takes into consideration past due status and the collaterals. An indicator derived from the "*net risk*" serves as the final basis for classifying the exposures for SME clients and is also used to calculate the required level of impairment and provisions to be recognized on these exposures. As a consequence, impairment loss and provisions are determined on the basis of *"net risk"*.

In the case of exposures related to clients managed by the Special Credits Department, rating classification and the calculation of the required level of impairment loss provisions is based on the "*individual valuation procedure*" applied to corporate clients.

Retail segment

The Bank uses the *"simplified rating procedure"* for all its retail receivables. By default, the Bank assigns retail items into *"valuation groups"* in accordance with the rules of the *"group valuation procedure"* prescribed by Hungarian law. The Bank defines the *"valuation groups"* in such a way that transactions with similar characteristics are included in the same group.

In the case of the *"group valuation procedure"*, items are assigned to *"valuation groups"* automatically, and impairment and provisions are also calculated automatically during the preparation of the regular portfolio reports by the Consumer MIS and Modelling Unit, i.e., there is no need for a separate proposal or decision of a competent authority.

In addition to the default *"group valuation procedure"*, in certain special cases the Bank uses the *"simplified rating procedure"* as part of the *"individual valuation procedure"*, whereby the Bank decides the rating of each transaction individually, on a case-by-case basis, also determining the required level of impairment and provisions. The rating of receivables under the *"individual rating procedure"* is reviewed each quarter based on the previously determined *"asset rating categories"* and the required impairment and provisions.

9.1.1. General quantitative information about credit risk

Exposure class	Net value of exposures at the end of the period	Average net exposures over the period
Central governments or central banks	52 132	57 507
Institutions	753 251	896 387
Corporates	1 426 623	1 651 845
Of which: Specialised lending	250 970	246 492
Of which: SMEs	616 900	623 866
Retail	678 345	597 616
Secured by real estate property	530 515	520 356
SMEs		
Non-SMEs		
Qualifying revolving		
Other retail	147 829	77 260
SMEs		
Non-SMEs		
Equity		
Total IRB approach	**2 910 350**	**3 203 355**
Central governments or central banks	1 198 331	971 602
Regional governments or local authorities		

36. Table: EU CRB-B – Total and average net amount of exposures (values in HUF million, K&H Group)

Exposure class	Net value of exposures at the end of the period	Average net exposures over the period
Central governments or central banks	52 132	57 506
Institutions	754 171	899 580
Corporates	1 486 617	1 709 503
Of which: Specialised lending	250 970	246 492
Of which: SMEs	616 900	623 866
Retail	678 345	597 616
Secured by real estate property	530 515	520 356
SMEs		
Non-SMEs		
Qualifying revolving		
Other retail	147 829	77 260
SMEs		
Non-SMEs		
Equity		
Total IRB approach	**2 971 264**	**3 264 205**
Central governments or central banks	1 191 071	960 669
Regional governments or local authorities		

37. Table: EU CRB-B – Total and average net amount of exposures (values in HUF million, K&H Bank)

Exposure class	Middle and East Europe	Hungary	Other	Western Europe	France	United Kingdom	Spain	Other	Africa	North America	Asia	Middle East	Australia	Total
Central governments or central banks	52 112	52 112		20		20								52 132
Institutions	646 269	645 245	1 024	104 198	49 982	25 560	15 000	13 656		2 192	305	96	190	753 251
Corporates	1 404 556	1 400 964	3 593	19 286				19 286	2 700	81				1 426 623
Retail	678 345	678 345												678 345
Equity														
Total IRB approach	2 781 282	2 776 666	4 617	123 503	49 982	25 580	15 000	32 942	2 700	2 274	305	96	190	2 910 350
Central governments or central banks	1 198 331	1 198 331												1 198 331
Regional governments or local authorities														
Public sector entities														
Multilateral development banks														
International organisations														
Institutions														
Corporates	26 522	26 522												26 522
Retail														
Secured by mortgages on immovable property														
Exposures in default	1 742	1 741	0	5	0	0		5	0	0	0			1 747
Items associated with particularly high risk														
Covered bonds														
Claims on institutions and corporates with a short-term credit assessment														
Collective investments undertakings														
Equity exposures	3 069	3 069												3 069
Other exposures	273 111	273 111												273 111
Total standardised approach	1 502 774	1 502 774	0	5	0	0		5	0	0	0			1 502 779
Total	4 284 057	4 279 440	4 617	123 508	49 982	25 580	15 000	32 947	2 700	2 274	305	96	190	4 413 130

38. Table: EU CRB-C– Geographical breakdown of exposures (values in HUF million, K&H Group)

Exposure class	Middle and East Europe	Hungary	Other	Western Europe	France	United Kingdom	Spain	Other	Africa	North America	Asia	Middle East	Australia	Total
Central governments or central banks	52 112	52 112		20		20								52 132
Institutions	46 571	38 999	7 572	676 681	51 304	31 201	15 000	579 176		30 328	305	96	190	754 171
Corporates	1 464 050	1 460 457	3 593	19 786				19 786	2 700	81				1 486 617
Retail	678 345	678 345												678 345
Equity														
Total IRB approach	2 241 077	2 229 913	11 165	696 487	51 304	31 221	15 000	598 962	2 700	30 409	305	96	190	2 971 264
Central governments or central banks	1 191 071	1 191 071												1 191 071
Regional governments or local authorities														
Public sector entities														
Multilateral development banks														
International organisations														
Institutions														
Corporates														
Retail	2	2												2
Secured by mortgages on immovable property														
Exposures in default	1 742	1 741	0	5	0	0	-	5	0	0	0			1 747
Items associated with particularly high risk														
Covered bonds														
Claims on institutions and corporates with a short-term credit assessment														
Collective investments undertakings														
Equity exposures	3 069	3 069												3 069
Other exposures	269 398	269 398												269 398
Total standardised approach	1 465 282	1 465 281	0	5	0	0		5	0	0	0			1 465 287
Total	3 706 359	3 695 194	11 165	696 492	51 304	31 221	15 000	598 967	2 700	30 409	305	96	190	4 436 551

39. Table: EU CRB-C – Geographical breakdown of exposures (values in HUF million, K&H Bank)

Exposure class	Automitive	Other	Building and construction	Metal machinery and heavy equipment	Shipping and aviation	Authority	IT nd Electronics	Commercial real estate	Private Person	Media & Telecom	Agriculture, farming, fishing and food	Finance and insurance	Shipping and aviation	HORECA	Utility	Textil, timber and paper	Chemicals	Electricity and water	Total
Central governments or central banks		1				52 112						20							52 132
Institutions		5 536										747 714							753 251
Corporates	101 233	8 973	109 560	57 943	214 608	3	47 898	163 817		6 844	223 681	53 839	30 690	19 424	97 833	25 788	69 392	195 094	1 426 623
Retail									678 345										
Equity																			
Total IRB approach	101 233	14 510	109 560	57 943	214 608	52 115	47 898	163 817	678 345	6 844	223 681	801 574	30 690	19 424	97 833	25 788	69 392	195 094	2 910 350
Central governments or central banks		2 184				1 196 147													1 198 331
Regional governments or local authorities																			
Public sector entities																			
Multilateral development banks																			
International organisations																			
Institutions																			
Corporates	58	2	224	91	658		67						24 938		374	7	103		26 522
Retail																			
Secured by mortgages on immovable property																			
Exposures in default	13	860	25	1	35	408	1	18	0	0	9	15	62	3	291	3	1	1	1 747
Items associated with particularly high risk																			
Covered bonds																			
Claims on institutions and corporates with a short-term credit assessment																			
Collective investments undertakings																			
Equity exposures		3 069										0							3 069
Other exposures		273 111																	273 111
Total standardised approach	71	279 226	249	92	693	1 196 555	68	18	0	0	9	15	25 000	3	665	10	103	1	1 502 779
Total	101 304	293 736	109 809	58 036	215 301	1 248 670	47 966	163 835	678 345	6 844	223 691	801 589	55 690	19 427	98 498	25 798	69 495	195 095	4 413 130

40. Table: EU CRB-D - Concentration of exposures by industry or counterparty types (values in HUF million, K&H Group)

Exposure class	Automitive	Other	Building and construction	Metal machinery and heavy	Shipping and aviation	Authority	IT nd Electronics	Commercial real estate	Private Person	Media & Telecom	Agriculture, farming, fishing and	Finance and insurance	Shipping and aviation	HORECA	Utility	Textil, timber and paper	Chemicals	Electricity and water	Total
Central governments or central banks						52 112						20							52 132
Institutions		5 539										748 633							754 171
Corporates	101 233	7 348	109 560	57 943	214 608	3	47 898	163 817		6 844	223 681	110 301	30 690	19 424	102 990	25 788	69 392	195 094	1 486 617
Retail									678 345										678 345
Equity																			
Total IRB approach	101 233	12 886	109 560	57 943	214 608	52 115	47 898	163 817	678 345	6 844	223 681	858 953	30 690	19 424	102 990	25 788	69 392	195 094	2 971 264
Central governments or central banks		2 185				1 188 886													1 191 071
Regional governments or local authorities																			
Public sector entities																			
Multilateral development banks																			
International organisations																			
Institutions																			
Corporates																			
Retail		2																	2
Secured by mortgages on immovable property																			
Exposures in default	13	860	25	1	35	408	1	18	0	0	9	15	62	3	291	3	1	1	1 747
Items associated with particularly high risk																			
Covered bonds																			
Claims on institutions and corporates with a short-term credit assessment																			
Collective investments undertakings																			
Equity exposures		3 069										0							3 069
Other exposures		269 398																	269 398
Total standardised approach	13	275 514	25	1	35	1 189 294	1	18	0	0	9	15	62	3	291	3	1	1	1 465 287
Total	101 247	288 400	109 585	57 945	214 643	1 241 409	47 899	163 835	678 345	6 844	223 691	858 969	30 752	19 427	103 281	25 791	69 392	195 095	4 436 551

41. Table: EU CRB-D - Concentration of exposures by industry or counterparty types (values in HUF million, K&H Bank)

Exposure class	On demand	≤ 1 year	>1 year ≤ 5 year	> 5 year	No stated maturity	Total
Central governments or central banks		52 132				52 132
Institutions		511 260	203 617	38 374		753 251
Corporates		430 416	418 646	577 560		1 426 623
Retail		31 613	74 280	572 451		678 345
Equity						
Total IRB approach		1 025 422	696 544	1 188 385		2 910 350
Central governments or central banks		311 651	255 963	630 718		1 198 332
Regional governments or local authorities						
Public sector entities						
Multilateral development banks						
International organisations						
Institutions						
Corporates		25 415	1 107			26 522
Retail						
Secured by mortgages on immovable property						
Exposures in default		0		1 747		1 747
Items associated with particularly high risk						
Covered bonds						
Claims on institutions and corporates with a short-term credit assessment						
Collective investments undertakings						
Equity exposures				3 069		3 069
Other exposures				273 111		273 111
Total standardised approach		337 066	257 070	908 644		1 502 780
Total		1 362 488	953 614	2 097 029		4 413 130

42. Table: EU CRB-E - Maturity of exposures (values in HUF million, K&H Group)

Exposure class	On demand	≤ 1 year	>1 year ≤ 5 year	> 5 year	No stated maturity	Total
Central governments or central banks		1 633	30 291	20 208		52 132
Institutions		516 799	204 148	33 225		754 171
Corporates		448 899	419 457	618 261		1 486 617
Retail		36 223	74 280	567 841		678 345
Equity						
Total IRB approach		1 003 553	728 176	1 239 535		2 971 264
Central governments or central banks		313 836	249 589	627 646		1 191 071
Regional governments or local authorities						
Public sector entities						
Multilateral development banks						
International organisations						
Institutions						
Corporates						
Retail		2				2
Secured by mortgages on immovable property						
Exposures in default		186		1 560		1 747
Items associated with particularly high risk						
Covered bonds						
Claims on institutions and corporates with a short-term credit assessment						
Collective investments undertakings						
Equity exposures				3 069		3 069
Other exposures				269 398		269 398
Total standardised approach		314 024	249 589	901 673		1 465 287
Total		1 317 577	977 766	2 141 208		4 436 551

43. Table: EU CRB-E - Maturity of exposures (values in HUF million, K&H Bank)

Exposure classes and Instruments	Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values
	Defaulted exposures	Non-defaulted exposures					(a+b-c-d-e)
Central governments or central banks		52 148		15	NA	-5	52 133
Institutions		753 300		49	NA	-68	753 251
Corporates	19 942	1 422 385	12 347	3 358	NA	-263	1 426 623
Of which: Specialised lending	1 774	251 463	865	1 401	NA	-841	250 970
Of which: SMEs	11 450	614 419	7 217	1 752	NA	-1 331	616 899
Retail	31 614	667 249	16 038	4 480	NA	-1 211	678 344
Secured by real estate property	29 978	518 339	15 268	2 534	NA	0	530 515
SMEs					NA		
Non-SMEs					NA		
Qualifying revolving					NA		
Other retail	1 636	148 910	771	1 946	NA	-1 211	147 829
SMEs					NA		
Non-SMEs					NA		
Equity					NA		
Total IRB approach	51 557	2 895 082	28 385	7 903		-1 547	2 910 350
Central governments or central banks		1 198 778		447	NA	0	1 198 331
Regional governments or local authorities					NA		
Public sector entities					NA		
Multilateral development banks					NA		
International organisations					NA		
Institutions					NA		
Corporates		26 522	0		NA	0	26 522
Of which: SMEs		567	0		NA	0	567
Retail					NA		
Of which: SMEs					NA		
Secured by mortgages on immovable property					NA		
Of which: SMEs					NA		
Exposures in default	2 319	0	477	96	NA	-164	1 747
Items associated with particularly high risk					NA		
Covered bonds					NA		
Claims on institutions and corporates with a short-term credit assessment					NA		
Collective investments undertakings					NA		
Equity exposures		3 069			NA		3 069
Other exposures		273 398	288		NA		273 110
Total standardised approach	2 319	1 501 767	765	542		-164	1 502 779
Total	53 876	4 396 849	29 150	8 446		-1 711	4 413 129
Of which: Loans*	51 662	2 608 498	28 511	7 884	NA	-2 071	2 623 765
Of which: Debt securities		892 829			NA		892 829
Of which: Off-balance-sheet exposures	2 214	895 522	639	562	NA	360	896 535
*including interbank deposit, other assets…etc							

44. Table: EU CR1-A - Credit quality of exposures by exposure class and instrument (values in HUF million, K&H Group)

Exposure classes and Instruments	Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the	Net values
	Defaulted exposures	Non-defaulted exposures					(a+b-c-d-e)
Central governments or central banks		52 147		16	NA	-4	52 132
Institutions		754 221		50	NA	-68	754 171
Corporates	19 942	1 482 405	12 347	3 384	NA	-263	1 486 617
Of which: Specialised lending	1 774	251 463	865	1 401	NA	-841	250 970
Of which: SMEs	11 450	614 419	7 217	1 751	NA	-1 331	616 900
Retail	31 614	667 249	16 038	4 480	NA	-1 211	678 344
Secured by real estate property	29 978	518 339	15 268	2 534	NA		530 515
SMEs					NA		
Non-SMEs					NA		
Qualifying revolving					NA		
Other retail	1 636	148 910	771	1 946	NA	-1 211	147 829
SMEs					NA		
Non-SMEs					NA		
Equity					NA		
Total IRB approach	51 557	2 956 022	28 385	7 930		-1 546	2 971 264
Central governments or central banks		1 191 071		0	NA	-9	1 191 072
Regional governments or local authorities					NA		
Public sector entities					NA		
Multilateral development banks					NA		
International organisations					NA		
Institutions					NA		
Corporates			0		NA	0	
Of which: SMEs			0		NA	0	
Retail		2			NA		2
Of which: SMEs					NA		
Secured by mortgages on immovable property					NA		
Of which: SMEs					NA		
Exposures in default	2 319		467	106	NA	-164	1 746
Items associated with particularly high risk					NA		
Covered bonds					NA		
Claims on institutions and corporates with a short-term credit assessment					NA		
Collective investments undertakings					NA		
Equity exposures		3 069			NA		3 069
Other exposures		269 686	288		NA		269 398
Total standardised approach	2 319	1 463 828	755	106		-173	1 465 287
Total	53 876	4 419 850	29 140	8 036		-1 719	4 436 550
Of which: Loans*	51 662	2 626 550	28 501	7 464	NA	-2 080	2 642 248
Of which: Debt securities		885 369			NA		885 369
Of which: Off-balance-sheet exposures	2 214	907 931	639	572	NA	361	908 934
*including interbank deposit, other assets…etc							

45. Table: EU CR1-A – Credit quality of exposures by exposure class and instrument (values in HUF million, K&H Bank)

Industries	Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values
	Defaulted exposures	Non-defaulted exposures					(a+b-c-d-e)
Authorities	751	1 248 721	339	18	NA	- 5	1 249 114
unknown	1 295	899 639	1 021	265	NA	- 1 638	899 648
Private Persons	31 614	667 249	16 038	4 480	NA	- 0	678 344
Agriculture Farming Fishing & Food	4 105	222 994	3 129	339	NA		223 632
Distribution & Traders	6 726	212 407	2 840	682	NA		215 611
Finance & Insurance	16	195 174	1	81	NA	- 68	195 109
Commertial Real estate	2 024	164 138	1 016	1 315	NA		163 832
Energy Electricity & Water	108	195 179	75	123	NA	- 0	195 090
Building & Construction	298	109 877	238	126	NA	- 0	109 811
Services	860	98 129	252	265	NA		98 472
Metals Machinery & Heavy Equipment	1 513	57 298	672	111	NA	- 0	58 028
Automotive	169	101 606	98	405	NA	- 0	101 272
Shipping & Aviation	298	55 610	180	41	NA		55 686
Chemicals	1 163	68 875	508	63	NA		69 467
IT & Electronics	2 461	47 986	2 418	70	NA		47 958
Textile Timber & Paper	330	25 695	219	24	NA		25 783
HORECA	22	19 434	7	22	NA	- 0	19 427
Media & Telecom	124	6 838	99	18	NA	- 0	6 844
Total	53 876	4 396 849	29 150	8 446	-	- 1 713	4 413 129

46. Table: EU CR1-B – Credit quality of exposures by industry or counterparty types (values in HUF million, K&H Group)

Industries	Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values
	Defaulted exposures	Non-defaulted exposures					(a+b-c-d)
Authorities	751	1 241 014	339	28	NA	- 13	1 241 397
Unknown	1 295	287 838	1 011	102	NA	- 1 637	288 019
Private Persons	31 614	667 249	16 038	4 480	NA		678 344
Agriculture Farming Fishing & Food	4 105	222 994	3 129	339	NA	- 0	223 632
Distribution & Traders	6 726	211 749	2 840	682	NA		214 953
Finance & Insurance	16	859 033	1	94	NA	- 68	858 955
Commertial Real estate	2 024	164 138	1 016	1 032	NA		164 115
Energy Electricity & Water	108	195 179	75	123	NA	- 0	195 090
Building & Construction	298	109 653	238	126	NA	- 0	109 587
Services	860	102 926	252	278	NA	- 0	103 255
Metals Machinery & Heavy Equipment	1 513	57 207	672	111	NA	- 0	57 937
Automotive	169	101 548	98	405	NA	- 0	101 215
Shipping & Aviation	298	30 671	180	41	NA		30 748
Chemicals	1 163	68 772	508	63	NA		69 365
IT & Electronics	2 461	47 919	2 418	70	NA		47 891
Textile Timber & Paper	330	25 688	219	24	NA		25 775
HORECA	22	19 434	7	22	NA	- 0	19 427
Media & Telecom	124	6 838	99	18	NA	- 0	6 844
Total	53 876	4 419 850	29 140	8 036		- 1 721	4 436 550

47. Table: EU CR1-B – Credit quality of exposures by industry or counterparty types (values in HUF million, K&H Bank)

Geographic territories and countries	Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values
	Defaulted exposures	Non-defaulted exposures					(a+b-c-d-e)
Central Eastern Europe	49 370	4 270 458	27 349	8 388	NA	- 1 711	4 284 091
HUNGARY	49 367	4 265 834	27 347	8 379	NA	- 1 711	4 279 474
Other	3	4 624	2	9	NA	0	4 617
Western Europe	5	123 526	0	58	NA	- 0	123 473
UNITED KINGDOM	0	25 580		0	NA	- 0	25 580
FRANCE	0	50 000	0	18	NA	- 0	49 982
SPAIN		15 000			NA	0	15 000
Other	5	32 946	0	40	NA	0	32 911
Africa	0	305		0	NA	- 0	305
North America		190			NA		190
Asia	4 500		1 801		NA	- 0	2 700
Middle East	0	2 274		0	NA	0	2 273
Australia and Oceania		96			NA		96
Total	53 876	4 396 849	29 150	8 446		- 1 711	4 413 129

48. Table: EU CR1-C - Credit quality of exposures by geography (values in HUF million, K&H Group)

Geographic territories and countries	Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values
	Defaulted exposures	Non-defaulted exposures					(a+b-c-d-e)
Central Eastern Europe	49 370	3 692 318	27 339	7 978	NA	- 1 719	3 706 372
HUNGARY	49 367	3 681 146	27 337	7 969	NA	- 1 719	3 695 207
Other	3	11 173	2	9	NA	- 0	11 165
Western Europe	5	696 531	0	58	NA	- 0	696 478
BELGIUM	0	285 716		27	NA	0	285 689
IRELAND		271 026		8	NA	- 0	271 018
FRANCE	0	51 322	0	18	NA	- 0	51 304
Other	5	88 466	0	5	NA	0	88 467
Africa	0	30 409		0	NA	0	30 409
North America	4 500		1 801		NA	- 0	2 700
Asia	0	305		0	NA	- 0	305
Middle East		190			NA		190
Australia and Oceania		96			NA		96
Total	**53 876**	**4 419 850**	**29 140**	**8 036**	**-**	**- 1 719**	**4 436 550**

49. Table: EU CR1-C - Credit quality of exposures by geography (values in HUF million, K&H Bank)

		Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
		Performing forborne	Non-performing forborne			On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
				Of which defaulted	Of which impaired				
1	Loans and advances	4 224	20 157	20 157	20 157	-84	-9 991	11 050	7 509
2	*Central banks*								
3	*General governments*		343	343	343		-339		
4	*Credit institutions*								
5	*Other financial corporations*								
6	*Non-financial corporations*	336	9 469	9 469	9 469	-3	-6 000	1 057	992
7	*Households*	3 888	10 345	10 345	10 345	-81	-3 652	9 993	6 517
8	Debt securities								
9	Loan commitments given								
10	**Total**	4 224	20 157	20 157	20 157	-84	-9 991	11 050	7 509

50. Table: NPE1 - Credit quality of forborne exposures (values in HUF million, K&H Group)

		Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
		Performing forborne	Non-performing forborne			On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
				Of which defaulted	Of which impaired				
1	Loans and advances	3 955	20 105	20 105	20 105	-83	-9 974	10 893	7 353
2	*Central banks*								
3	*General governments*		343	343	343		-339		
4	*Credit institutions*								
5	*Other financial corporations*								
6	*Non-financial corporations*	67	9 417	9 417	9 417	-2	-5 983	901	836
7	*Households*	3 888	10 345	10 345	10 345	-81	-3 652	9 992	6 517
8	Debt securities								
9	Loan commitments given								
10	**Total**	**3 955**	**20 105**	**20 105**	**20 105**	**-83**	**-9 974**	**10 893**	**7 353**

51. Table: NPE1 - Credit quality of forborne exposures (values in HUF million, K&H Bank)

		Gross carrying amount/nominal amount											
		Performing exposures			Non-performing exposures								
			Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
1	**Loans and advances**	**2 331 925**	**2 329 247**	**2 678**	**51 232**	**14 801**	**3 317**	**2 181**	**2 918**	**9 459**	**6 950**	**11 606**	**51 232**
2	*Central banks*	272 000	272 000										
3	*General governments*	53 775	53 775		343			343					343
4	*Credit institutions*	541 590	541 590										
5	*Other financial corporations*	22 973	22 973		341							341	341
6	*Non-financial corporations*	773 944	773 732	212	18 655	11 215	1 842	387	945	2 825	189	1 252	18 655
7	*Of which SMEs*	491 932	491 725	207	13 611	6 704	1 842	387	945	2 816	174	743	13 611
8	*Households*	667 643	665 177	2 466	31 893	3 586	1 475	1 451	1 973	6 634	6 761	10 013	31 893
9	**Debt securities**	**886 947**	**886 947**										
10	*Central banks*												
11	*General governments*	880 268	880 268										
12	*Credit institutions*												
13	*Other financial corporations*												
14	*Non-financial corporations*	6 679	6 679										
15	**Off-balance-sheet exposures**	**871 664**			**2 474**								**2 474**
16	*Central banks*												
17	*General governments*	14 262											
18	*Credit institutions*	242 424											
19	*Other financial corporations*	66 246											
20	*Non-financial corporations*	509 624			1 880								1 880
21	*Households*	39 108			594								594
22	**Total**				**53 706**								**53 706**

52. Table: NPE3 - Credit quality of performing and non-performing exposures by past due days (values in HUF million, K&H Group)

		Gross carrying amount/nominal amount											
		Performing exposures			Non-performing exposures								
			Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
1	**Loans and advances**	**1 664 425**	**1 661 744**	**2 681**	**50 564**	**13 283**	**3 317**	**2 181**	**2 918**	**10 309**	**6 950**	**11 606**	**50 564**
2	*Central banks*												
3	*General governments*	52 404	52 404		343			343					343
4	*Credit institutions*	125 178	125 178										
5	*Other financial corporations*	58 940	58 940		341							341	341
6	*Non-financial corporations*	760 693	760 481	212	17 987	10 551	1 842	387	945	2 821	189	1 252	17 987
7	*Of which SMEs*	478 559	478 352	207	12 942	6 039	1 842	387	945	2 812	174	743	12 942
8	*Households*	667 210	664 741	2 469	31 893	2 732	1 475	1 451	1 973	7 488	6 761	10 013	31 893
9	**Debt securities**	**887 158**	**887 158**										
10	*Central banks*												
11	*General governments*	879 846	879 846										
12	*Credit institutions*	210	210										
13	*Other financial corporations*												
14	*Non-financial corporations*	7 102	7 102										
15	**Off-balance-sheet exposures**	**883 485**			**2 214**								**2 214**
16	*Central banks*												
17	*General governments*	14 262											
18	*Credit institutions*	242 424											
19	*Other financial corporations*	85 321											
20	*Non-financial corporations*	502 371			1 620								1 620
21	*Households*	39 107			594								594
22	**Total**	**3 435 068**			**52 778**								**52 778**

53. Table: NPE3 - Credit quality of performing and non-performing exposures by past due days (values in HUF million, K&H Bank)

		Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received	
		Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
			Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3			
1	**Loans and advances**	**1 640 528**	**1 473 904**	**166 624**	**51 119**		**51 119**	**-7 402**	**-3 250**	**-4 152**	**-27 696**		**-27 696**		**969 097**	**17 322**
2	*Central banks*															
3	*General governments*	53 775	51 282	2 493	343		343	-33	-15	-18	-339		-339		40 393	
4	*Credit institutions*	125 190	125 190					-19	-15	-4					33 728	
5	*Other financial corporations*	22 973	22 947	26	341		341	-107	-107		-339		-339		16 184	
6	*Non-financial corporations*	771 380	707 361	64 019	18 542		18 542	-2 971	-1 928	-1 043	-10 829		-10 829		357 267	3 107
7	*Of which SMEs*	485 324	442 529	42 795	13 498		13 498	-1 972	-1 326	-646	-8 864		-8 864		262 692	3 103
8	*Households*	667 210	567 124	100 086	31 893		31 893	-4 272	-1 185	-3 087	-16 189		-16 189		521 525	14 215
9	**Debt securities**	**887 158**	**887 158**					**-501**	**-501**						**9 790**	
10	*Central banks*	879 846	879 846													
11	*General governments*	210	210					-494	-494						9 790	
12	*Credit institutions*															
13	*Other financial corporations*	7 102	7 102													
14	*Non-financial corporations*							-7	-7							
15	**Off-balance-sheet exposures**	**883 486**	**830 340**	**53 146**	**2 214**		**2 214**	**-562**	**-307**	**-255**	**-760**		**-760**		**161 012**	**448**
16	*Central banks*															
17	*General governments*	14 262	14 232	30				-3	-3						1 661	
18	*Credit institutions*	242 424	240 008	2 416				-20	-20						42 859	
19	*Other financial corporations*	85 321	78 843	6 478				-8	-8						11 246	
20	*Non-financial corporations*	502 371	462 694	39 677	1 620		1 620	-405	-221	-184	-760		-760		103 046	448
21	*Households*	39 108	34 563	4 545	594		594	-126	-55	-71					2 200	
22	**Total**	**3 411 172**	**3 191 402**	**219 770**	**53 333**		**53 333**	**-8 465**	**-4 058**	**-4 407**	**-28 456**		**-28 456**		**1 139 899**	**17 770**

54. Table: NPE4 - Performing and non-performing exposures and related provisions (values in HUF million, K&H Group)

		Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received	
		Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
			Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3			
1	**Loans and advances**	**1 664 425**	**1 510 013**	**154 412**	**50 564**		**50 564**	**-7 323**	**-3 334**	**-3 989**	**-28 078**		**-28 078**		**969 097**	**17 322**
2	*Central banks*															
3	*General governments*	52 404	51 282	1 122	343		343	-15	-15		-339		-339		40 393	
4	*Credit institutions*	125 178	125 178					-30	-30						33 728	
5	*Other financial corporations*	58 940	58 916	24	341		341	-119	-119		-339		-339		16 184	
6	*Non-financial corporations*	760 693	707 513	53 180	17 987		17 987	-2 804	-1 932	-872	-10 940		-10 940		357 267	3 107
7	*Of which SMEs*	478 559	441 279	37 280	12 943		12 943	-1 917	-1 342	-575	-8 552		-8 552		262 426	3 103
8	*Households*	667 210	567 124	100 086	31 893		31 893	-4 355	-1 238	-3 117	-16 460		-16 460		521 525	14 215
9	**Debt securities**	**887 158**	**887 158**					**-501**	**-501**						**9 790**	
10	*Central banks*	879 846	879 846													
11	*General governments*	210	210					-494	-494						9 790	
12	*Credit institutions*															
13	*Other financial corporations*	7 102	7 102													
14	*Non-financial corporations*							-7	-7							
15	**Off-balance-sheet exposures**	**883 486**	**830 340**	**53 146**	**2 214**		**2 214**	**-571**	**-316**	**-255**	**-639**		**-639**		**161 012**	**448**
16	*Central banks*															
17	*General governments*	14 262	14 232	30				-3	-3						1 661	
18	*Credit institutions*	242 424	240 008	2 416				-20	-20						42 859	
19	*Other financial corporations*	85 321	78 843	6 478				-8	-8						11 246	
20	*Non-financial corporations*	502 371	462 694	39 677	1 620		1 620	-414	-230	-184	-639		-639		103 046	448
21	*Households*	39 108	34 563	4 545	594		594	-126	-55	-71					2 200	
22	**Total**	**3 435 069**	**3 227 511**	**207 558**	**52 778**		**52 778**	**-8 395**	**-4 151**	**-4 244**	**-28 717**		**-28 717**		**1 139 899**	**17 770**

55. Table: NPE4 - Performing and non-performing exposures and related provisions (values in HUF million, K&H Bank)

		Collateral obtained by taking possession	
		Value at initial recognition	Accumulated negative changes
1	Property, plant and equipment (PP&E)		
2	Other than PP&E	2 009	-135
3	*Residential immovable property*	2 009	-135
4	*Commercial Immovable property*		
5	*Movable property (auto, shipping, etc.)*		
6	*Equity and debt instruments*		
7	*Other*		
8	**Total**	**2 009**	**-135**

56. Table: NPE9 - Collaterals obtained by taking possession and execution processes (K&H Group and K&H Bank, values in HUF million)

	Accumulated specific credit risk adjustment	Accumulated general credit risk adjustment
Opening balance	34 876	8 658
Increases due to amounts set aside for estimated loan losses during the period	9 426	5 650
Decreases due to amounts reversed for estimated loan losses during the period	-8 328	-5 872
Decreases due to amounts taken against accumulated credit risk adjustments	-8 425	-93
Transfers between credit risk adjustments		
Impact of exchange rate differences	154	25
Business combinations, including acquisitions and disposals of subsidiaries		
Other adjustments	755	-376
Closing balance	28 457	7 992
Recoveries on credit risk adjustments recorded directly to the statement of profit or loss		
Specific credit risk adjustments directly recorded to the statement of profit or loss		

57. Table: EU CR2-A – Changes in the stock of general and specific credit risk adjustments (values in HUF million, K&H Group)

	Accumulated specific credit risk adjustment	Accumulated general credit risk adjustment
Opening balance	34 823	8 355
Increases due to amounts set aside for estimated loan losses during the period	9 426	5 650
Decreases due to amounts reversed for estimated loan losses during the period	-8 112	-5 919
Decreases due to amounts taken against accumulated credit risk adjustments	-8 425	-93
Transfers between credit risk adjustments		
Impact of exchange rate differences	154	25
Business combinations, including acquisitions and disposals of subsidiaries		
Other adjustments	573	-194
Closing balance	28 438	7 824
Recoveries on credit risk adjustments recorded directly to the statement of profit or loss		
Specific credit risk adjustments directly recorded to the statement of profit or loss		

58. Table: EU CR2-A – Changes in the stock of general and specific credit risk adjustments (values in HUF million, K&H Bank)

	Gross carrying value defaulted exposures
Opening balance	61 427
Loans and debt securities that have defaulted or impaired since the last reporting period	9 327
Returned to non-defaulted status	-2 373
Amounts written off	-8 518
Other changes	-9 025
Closing balance	50 838

59. Table: EU CR2-B - Changes in the stock of defaulted and impaired loans and debt securities (values in HUF million, K&H Group)

	Gross carrying value defaulted exposures
Opening balance	62 149
Loans and debt securities that have defaulted or impaired since the last reporting period	9 327
Returned to non-defaulted status	-2 373
Amounts written off	-8 518
Other changes	-10 415
Closing balance	50 170

60. Table: EU CR2-B - Changes in the stock of defaulted and impaired loans and debt securities (values in HUF million, K&H Bank)

	Direct at net value	Indirect	PIBB	Regulatory Capital adjustment due to PIBB	Net value of all investments	Total net value
Credit institution						
Financial company	640		640			640
Insurance cmpany						
Other domestic company						
Foreign financial company	2 429		2 423			2 429
Foreign insurance company						
Other foreign company						
Total	3 069		3 063			3 069

61. Table: Shares out of Trading Book CRR Article 447 (values in million HUF, K&H Group)

	Direct at net value	Indirect	PIBB	Regulatory Capital adjustment due to PIBB	Net value of all investments	Total net value
Credit institution	5 500		5 500			5 500
Financial company	2 350		2 350			2 350
Insurance cmpany						
Other domestic company	4 992					4 992
Foreign financial company	2 428		2 423			2 428
Foreign insurance company						
Other foreign company						
Total	15 270		10 273			15 270

62. Table: Shares out of Trading Book CRR Article 447 (values in million HUF, K&H Bank)

9.1.2. Qualitative information about credit risk mitigation methods (CRR article 453.)

The acceptance and valuation of collaterals the Bank receives from its clients and the calculation of collateral value must be governed by the principle of conservatism. Before any risk-taking decision the representatives of the business line must verify the existence, fair value and enforceability of the required credit protection and collaterals. In the acceptance and valuation of collaterals must the following prerequisites and factors must be considered:

- The (legal) status of the collateral must be clear and unambiguous in every case.
- When a collateral deposit is accepted, it must be held with a member company of the Bank Group.

- Securities may only be accepted as collateral if they are unconditionally negotiable, can be endorsed and have been deposited with K&H Bank or a member of a K&H Group or the KBC Group.
- In the case of guarantees given by banks and companies and debt securities issued by banks, a country and bank or company limit applicable to the issuer of the guarantee/securities is a prerequisite for acceptance.

In the mitigation of credit risk the Bank may take into account the following types of credit protection, which meet the minimum requirements of eligibility.

Types of funded credit protection that may be taken into account by the Bank:

- financial collateral (collateral deposits in particular)
- physical collateral on real property (mortgages in particular), pledge, lien or purchase option on movable property (e.g. vehicles)

Types of unfunded credit protection that may be taken into account by the Bank (solely pursuant to an individual decision and a specific legal opinion):

- guarantee
- unconditional (first-loss) surety guarantee

The collateral value of a real property that may be taken into account is based on its market value or credit protection value, also considering the regular reviews prescribed by applicable law and any encumbrance arising from any right related to the property that may reduce the value of the property. Therefore, the collateral value of the property cannot exceed its market value. As under applicable law when the internal rating based approach is used, the property must be valued by an independent appraiser – excluding regular, statistics-based property value reviews – only properties whose value has been determined this way are eligible for collateral purposes.

With respect to capital requirement, credit risk mitigation entails the use of methods that may reduce the calculated minimum capital requirement of credit risk. Credit risk may be reduced by a number of risk-mitigating factors, the most important of which are:

- netting and delivery versus payment (DVP) mechanisms
- surety guarantees / collateral received
- credit derivatives (bought credit protection)

K&H does not engage in on-balance sheet netting (i.e., the offsetting of balance sheet items such as loans and deposits). K&H Bank uses both netting and collateral received through CSAs and GMRA as risk mitigation tool in the capital charge calculation.

When making estimates for loss given default, K&H Bank takes into consideration the risk-mitigating effects of certain types of collaterals. Eligible collaterals are governed by an internal regulation and procedures, in compliance with applicable law.

In the retail segment, a Bank's internal model-based LGD parameter estimate depends on the coverage ratio of mortgage-backed exposures. In the non-retail segment, the only types of funded credit protection taken into account in the calculation of the regulatory LGD are the financial collaterals and mortgages that meet the eligibility and minimum requirements set out in applicable law. The risk-mitigating effect of unfunded credit protection (e.g. surety guarantees) are taken into consideration in the PD estimates used in capital requirement calculation. The discount rates of the corporate LGD model apply to the following non-retail segments: corporates, SMEs, municipalities, financial institutions, independent commercial real estate projects. The discount rate-based LGD models are applied as part of the use test preceding the planned implementation of the Advanced IRB approach. The Bank uses a discount rate to determine collateral value; the rate is calculated on the basis of the LGD model developed according to KBC-approved methods, and is updated regularly. The Bank uses these discount rates for collateral valuation with Advanced IRB approach. The eligible value of credit protection, i.e., the collateral value ($C_{adjusted}$) is calculated using the initial value ($C_{initial}$) and the discount rate (d). By default, the initial value may be the market, liquidation or book value – pursuant to the relevant decision.

The collateral value of credit protection: $C_{adjusted} = C_{initial} * d$, except for the special case if the contractual amount is smaller, as in this case the contractual value serves as the upper limit.

The discount rate may be reduced by the relationship manager of the credit sponsor when the credit application is written, or by the credit advisor or the competent decision-makers during the pre-decision or decision phase.

9.1.3. Quantitative information about credit risk mitigation

	Exposures unsecured – Carrying amount	Exposures to be secured	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
Total loans	2 463 404	1 094 492	854 629	239 863	
Total debt securities	882 616	10 212	43	10 169	
Total exposures	3 346 021	1 104 705	854 672	250 032	
Of which defaulted	20 809	33 067	31 864	1 203	
including interbank deposit, other assets, off-balance sheet exposures…etc					

63. Table: EU CR3 – CRM techniques – Overview (values in HUF million, K&H Goup)

	Exposures unsecured – Carrying amount	Exposures to be secured	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
Total loans	2 576 903	1 011 455	805 810	205 645	
Total debt securities	884 946	422	43	379	
Total exposures	3 461 849	1 011 877	805 853	206 024	
Of which defaulted	20 812	33 063	31 863	1 200	
including interbank deposit, other assets, off-balance sheet exposures…etc					

64. Table: EU CR3 – CRM techniques – Overview (values in HUF million, K&H Bank)

Exposure classes	Exposures before CCF and CRM		Exposures post CCF and CRM		RWAs and RWA density	
	On-balance-sheet amount	Off-balance-sheet amount	On-balance-sheet amount	Off-balance-sheet amount	RWA	RW
Central governments or central banks	1 171 842	26 936	1 171 396	26 936	8 112	1%
Regional government or local authorities						
Public sector entities						
Multilateral development banks						
International organisations						
Institutions						
Corporates	15 356	11 165	15 356	0	15 246	99%
Retail						
Secured by mortgages on immovable property						
Exposures in default	2 319		1 747		2 620	150%
Higher-risk categories						
Covered bonds						
Institutions and corporates with a short-term credit assessment						
Collective investment undertakings						
Equity	3 069	0	3 069	0	3 069	100%
Other Items	273 398		273 111		75 110	28%
Total	**1 465 985**	**38 101**	**1 464 678**	**26 936**	**104 157**	**7%**

65. Table: EU CR4 – Standardised approach – Credit risk exposure and CRM effects (values in million HUF, K&H Group)

Exposure classes	Exposures before CCF and CRM		Exposures post CCF and CRM		RWAs and RWA density	
	On-balance-sheet amount	Off-balance-sheet amount	On-balance-sheet amount	Off-balance-sheet amount	RWA	RW
Central governments or central banks	1 164 136	26 936	1 164 136	26 936	8 116	1%
Regional government or local authorities						
Public sector entities						
Multilateral development banks						
International organisations						
Institutions						
Corporates						
Retail	2		2		2	75%
Secured by mortgages on immovable property						
Exposures in default	2 319		1 747		2 620	150%
Higher-risk categories						
Covered bonds						
Institutions and corporates with a short-term credit assessment						
Collective investment undertakings						
Equity	3 069	0	3 069	0	3 069	100%
Other Items	269 686		269 398		75 422	28%
Total	**1 439 212**	**26 936**	**1 438 351**	**26 936**	**89 228**	**6%**

66. Table: EU CR4 – Standardised approach – Credit risk exposure and CRM effects (values in million HUF, K&H Bank)

Exposure classes	Risk weight																Total	Of which: not qualified
	0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Other	Deductions		
Central governments or central banks	1 162 216														36 562		1 198 778	
Regional government or local authorities																		
Public sector entities																		
Multilateral development banks																		
International organisations																		
Institutions																		
Corporates										26 522							26 522	
Retail																		
Secured by mortgages on immovable property																		
Exposures in default										18	2 302						2 319	
Higher-risk categories																		
Covered bonds																		
Institutions and corporates with a short-term credit assessment																		
Collective investment undertakings																		
Equity										3 069							3 069	
Other Items	196 666				1 748					74 942		43					273 398	
Total	1 358 882				1 748					104 550	2 302	43			36 562		1 504 086	

67. Table: EU CR5 – Standardised approach (values in million HUF, K&H Group)

Exposure classes	Risk weight																Total	Of which: not qualified
	0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Other	Deductions		
Central governments or central banks	1 154 510														36 562		1 191 071	
Regional government or local authorities																		
Public sector entities																		
Multilateral development banks																		
International organisations																		
Institutions																		
Corporates																		
Retail									2								2	
Secured by mortgages on immovable property																		
Exposures in default										18	2 302						2 319	
Higher-risk categories																		
Covered bonds																		
Institutions and corporates with a short-term credit assessment																		
Collective investment undertakings																		
Equity										3 069							3 069	
Other Items	192 577				1 748					75 361							269 686	
Total	1 347 087				1 748				2	78 447	2 302				36 562		1 466 147	

68. Table: EU CR5 – Standardised approach (values in million HUF, K&H Bank)

9.1.4. IRB Approach (CRR Article 452)

The Bank back-tests and reviews its internal rating systems on an annual basis. The processes of developing, testing and authorising new models are governed by KBC group-level guidelines and methodologies. After the back test, redesign of a model validation performed independently from the modelling unit and the validator asses the model adequacy based on pre-defined aspects in the validation advice.

A substantial part of the models is designed by statistical modelling, using regression on the internal data of the Bank, while in the case of segments where fewer observations are available (for example: Country risk PD model, Project Financing PD model) KBC Group level models were introduced. These latter models, of which many cover low default portfolios, are designed by statistical modelling as well, in most of the cases by using regression to assess probability of default. For certain special portfolios the bank uses the so-called Flexible Rating Tool (FRT).

Exposure class	PD scale	Original on-balance-sheet gross exposures	Off-balance-sheet exposures pre-CCF	Average CCF	EAD post CRM and post CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWAs	RWA density	EL	Value adjust-ments and provisions
Central governments or central banks	01 [0,00% - 0,10%]	20		101%	20	0,03%	2	64,99%	1,00	2	12%	0	0
	02 [0,10% - 0,20%]	29 569	32	107%	29 742	0,15%	25	1,70%	4,21	384	1%	1	-446
	03 [0,20% - 0,40%]	14 312	1 820	99%	15 023	0,32%	230	8,05%	4,71	1 974	13%	4	3
	04 [0,40% - 0,80%]	2 379	1 147	92%	2 758	0,56%	700	36,51%	3,49	2 001	73%	6	5
	05 [0,80% - 1,60%]	2 180	351	99%	2 312	1,04%	151	41,59%	2,25	2 171	94%	10	7
	06 [1,60% - 3,20%]												
	07 [3,20% - 6,40%]	334		100%	334	4,53%	968	42,00%	4,42	556	166%	6	
	08 [6,40% - 12,80%]						1						
	09 [12,80% - 99,99%]	3	0	102%	3	19,19%	4	71,55%	1,00	10	372%	0	1
	10 [100,00%] (default)												
	Subtotal	48 798	3 350	96%	50 191	0,30%	2 081	7,65%	4,23	7 097	14%	27	-431
Institutions	01 [0,00% - 0,10%]	496 036	136 136	95%	531 615	0,05%	290	2,16%	4,92	128 760	24%	124	22
	02 [0,10% - 0,20%]	7 097	105 342	43%	38 968	0,12%	107	49,34%	1,95	12 063	31%	21	28
	03 [0,20% - 0,40%]	8 001	107	100%	8 023	0,29%	23	55,98%	0,01	2 963	37%	13	0
	04 [0,40% - 0,80%]	580		103%	597	0,52%	6	64,99%	1,00	634	106%	2	0
	05 [0,80% - 1,60%]						3						
	06 [1,60% - 3,20%]						3						
	07 [3,20% - 6,40%]						67						
	08 [6,40% - 12,80%]						3						
	09 [12,80% - 99,99%]												
	10 [100,00%] (default)												
	Subtotal	511 715	241 585	77%	579 202	0,06%	502	6,15%	4,65	144 420	25%	160	49
Corporates	01 [0,00% - 0,10%]	5 821	9 269	94%	10 859	0,07%	1 910	48,39%	1,85	1 748	16%	4	0
	02 [0,10% - 0,20%]	41 845	107 900	60%	90 378	0,14%	7 010	58,70%	1,44	30 792	34%	75	4
	03 [0,20% - 0,40%]	109 258	121 295	95%	179 076	0,30%	10 163	53,53%	2,10	100 678	56%	283	48
	04 [0,40% - 0,80%]	166 575	124 194	99%	250 871	0,58%	14 257	48,88%	2,13	176 406	70%	718	140
	05 [0,80% - 1,60%]	285 671	121 329	101%	364 531	1,12%	16 856	44,21%	2,65	307 458	84%	1 788	826
	06 [1,60% - 3,20%]	133 639	63 941	100%	175 306	2,24%	11 463	45,81%	2,68	187 514	107%	1 823	903
	07 [3,20% - 6,40%]	59 120	23 932	100%	75 960	4,49%	15 712	45,24%	2,43	92 743	122%	1 544	470
	08 [6,40% - 12,80%]	30 280	6 277	104%	35 936	9,31%	3 350	52,71%	1,56	66 527	185%	1 773	679
	09 [12,80% - 99,99%]	7 504	4 535	95%	9 054	28,45%	2 481	43,82%	1,50	12 689	140%	1 059	527
	10 [100,00%] (default)	18 323	1 620	99%	18 847	100,00%	1 360	74,49%	1,39	43 722	232%	12 444	12 444
	Subtotal	858 035	584 293	84%	1 210 819	1,63%	84 562	48,69%	2,29	1 020 276	84%	21 512	16 041
Of which: Specialised lending	01 [0,00% - 0,10%]												
	02 [0,10% - 0,20%]	1	9	89%	9	0,18%	4	71,55%	1,00	3	30%	0	0
	03 [0,20% - 0,40%]	10 131	3 355	102%	13 684	0,32%	146	28,27%	1,82	3 514	26%	11	19
	04 [0,40% - 0,80%]	30 164	5 965	100%	35 771	0,56%	176	29,97%	3,62	21 022	59%	60	45
	05 [0,80% - 1,60%]	113 145	21 698	101%	131 601	1,12%	844	31,89%	4,21	101 030	77%	469	588
	06 [1,60% - 3,20%]	41 242	12 561	96%	49 970	2,13%	572	40,68%	4,73	65 973	132%	462	610
	07 [3,20% - 6,40%]	7 564	5 165	96%	11 892	4,51%	162	35,89%	4,47	15 292	129%	193	136
	08 [6,40% - 12,80%]	34	11	101%	45	8,41%	13	68,10%	1,67	71	157%	3	3
	09 [12,80% - 99,99%]	412	4	101%	422	19,67%	10	7,18%	1,00	107	25%	8	0
	10 [100,00%] (default)	1 774		100%	1 771	100,00%	22	97,17%	2,58	11 207	633%	865	865
	Subtotal	204 468	48 769	97%	245 166	1,40%	1 949	33,83%	4,09	218 219	89%	2 071	2 267
Of which: SMEs	01 [0,00% - 0,10%]	5 821	7 768	97%	10 404	0,07%	1 764	50,49%	1,71	1 524	15%	4	0
	02 [0,10% - 0,20%]	17 875	22 128	96%	31 373	0,15%	5 644	52,10%	1,69	7 468	24%	24	2
	03 [0,20% - 0,40%]	34 995	34 423	98%	58 453	0,30%	8 497	49,08%	1,86	20 887	36%	85	12
	04 [0,40% - 0,80%]	86 240	53 496	100%	118 110	0,58%	11 469	48,67%	1,94	68 895	58%	336	58
	05 [0,80% - 1,60%]	113 465	51 673	101%	147 210	1,14%	12 182	49,78%	1,81	115 399	78%	834	147
	06 [1,60% - 3,20%]	74 856	30 212	102%	94 791	2,27%	9 373	47,00%	1,92	82 685	87%	1 006	223
	07 [3,20% - 6,40%]	36 271	11 661	100%	43 396	4,43%	10 410	46,69%	1,73	43 463	100%	899	275
	08 [6,40% - 12,80%]	17 952	4 176	103%	21 382	8,98%	2 793	51,37%	1,73	33 326	156%	991	277
	09 [12,80% - 99,99%]	6 875	4 531	94%	8 375	29,12%	2 388	46,48%	1,54	12 349	147%	1 041	526
	10 [100,00%] (default)	9 849	1 601	91%	10 395	100,00%	1 247	71,40%	1,32	14 440	139%	7 787	7 787
	Subtotal	404 199	221 670	87%	543 888	2,07%	65 767	49,30%	1,83	400 436	74%	13 006	9 308
Retail	01 [0,00% - 0,10%]	2		101%	2	0,09%	2	26,84%	5,00	0	7%	0	0
	02 [0,10% - 0,20%]	13 774	4	101%	13 907	0,15%	7 366	26,26%	4,85	1 236	9%	5	0
	03 [0,20% - 0,40%]	236 094	7 449	101%	245 827	0,28%	177 934	28,14%	4,79	37 223	15%	191	103
	04 [0,40% - 0,80%]	109 633	9 087	101%	119 513	0,54%	205 684	36,11%	4,36	35 948	30%	232	188
	05 [0,80% - 1,60%]	123 688	6 419	101%	130 775	1,11%	114 047	33,07%	4,79	59 203	45%	481	257
	06 [1,60% - 3,20%]	35 364	5 101	101%	40 640	2,34%	86 950	36,56%	4,44	28 636	70%	355	330
	07 [3,20% - 6,40%]	86 959	1 512	100%	88 778	4,86%	71 341	45,68%	4,68	74 892	84%	1 992	1 064
	08 [6,40% - 12,80%]	12 963	86	102%	13 256	9,17%	16 327	35,04%	4,62	19 187	145%	431	432
	09 [12,80% - 99,99%]	18 958	155	102%	19 401	41,65%	23 529	35,56%	4,62	35 558	183%	2 836	2 107
	10 [100,00%] (default)	31 020	594	146%	46 250	100,00%	1 146 370	59,07%	1,72	4 402	10%	31 497	31 497
	Subtotal	668 456	30 407	103%	718 348	2,58%	1 849 550	35,29%	4,48	296 283	41%	38 020	35 979
Secured by real estate property	01 [0,00% - 0,10%]												
	02 [0,10% - 0,20%]	13 716	4	101%	13 847	0,15%	7 334	26,25%	4,85	1 229	9%	5	0
	03 [0,20% - 0,40%]	235 952	336	100%	236 861	0,27%	76 050	27,80%	4,94	35 075	15%	179	84
	04 [0,40% - 0,80%]	75 428	226	101%	75 983	0,55%	33 054	28,75%	4,89	19 347	25%	121	88
	05 [0,80% - 1,60%]	114 424	1 498	100%	116 461	1,09%	36 085	31,16%	4,94	51 075	44%	396	177
	06 [1,60% - 3,20%]	28 646	284	101%	29 141	2,22%	14 011	32,07%	4,88	20 667	71%	208	190
	07 [3,20% - 6,40%]	19 523	588	101%	20 273	4,42%	9 732	32,98%	4,89	21 905	108%	296	253
	08 [6,40% - 12,80%]	11 420	4	101%	11 521	8,99%	5 740	33,39%	4,88	17 741	154%	347	313
	09 [12,80% - 99,99%]	16 265	23	101%	16 437	42,46%	7 645	33,53%	4,88	31 909	194%	2 326	1 431
	10 [100,00%] (default)	29 978		151%	45 219	100,00%	11 995	58,87%	1,70	4 114	9%	30 726	30 726
	Subtotal	545 353	2 964	103%	565 743	2,29%	201 646	31,75%	4,66	203 063	36%	34 605	33 261
Other retail	01 [0,00% - 0,10%]	2		101%	2	0,09%	2	26,84%	5,00	0	7%	0	0
	02 [0,10% - 0,20%]	59		101%	59	0,18%	32	26,99%	4,87	6	11%	0	0
	03 [0,20% - 0,40%]	143	7 113	124%	8 966	0,38%	101 884	36,88%	1,00	2 148	24%	13	19
	04 [0,40% - 0,80%]	34 205	8 861	102%	43 531	0,52%	172 630	48,95%	3,43	16 600	38%	112	100
	05 [0,80% - 1,60%]	9 263	4 921	103%	14 313	1,22%	77 962	48,61%	3,52	8 127	57%	85	80
	06 [1,60% - 3,20%]	6 717	4 817	102%	11 500	2,65%	72 939	47,93%	3,31	7 969	69%	146	140
	07 [3,20% - 6,40%]	67 436	924	100%	68 504	4,99%	61 609	49,44%	4,62	52 987	77%	1 695	811
	08 [6,40% - 12,80%]	1 543	82	108%	1 734	10,38%	10 587	45,96%	2,88	1 445	83%	84	120
	09 [12,80% - 99,99%]	2 693	132	106%	2 964	37,22%	15 884	46,81%	3,15	3 649	123%	510	676
	10 [100,00%] (default)	1 042	594	100%	1 031	100,00%	1 134 375	67,90%	2,24	288	28%	771	771
	Subtotal	123 103	27 444	101%	152 605	3,59%	1 647 904	48,39%	3,80	93 220	61%	3 416	2 717
Total (all portfolios)		**2 087 004**	**859 635**	**87%**	**2 558 561**	**1,49%**	**1 936 695**	**34,49%**	**3,48**	**1 468 077**	**57%**	**59 720**	**51 638**

69. Table: EU CR6 – IRB approach – Credit risk exposures by exposure class and PD range(values in million HUF, K&H Group)

Exposure class	PD scale	Original on-balance-sheet gross exposures	Off-balance-sheet exposures pre-CCF	Average CCF	EAD post CRM and post CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWAs	RWA density	EL	Value adjust-ments and provisions
Central governments or central banks	01 [0,00% - 0,10%]	20		101%	20	0,04%	2	64,99%	1,00	3	14%	0	0
	02 [0,10% - 0,20%]	29 569	32	100%	29 742	0,14%	25	1,70%	2,56	384	1%	1	1
	03 [0,20% - 0,40%]	14 312	1 820	99%	15 023	0,35%	224	8,05%	4,71	1 976	13%	4	3
	04 [0,40% - 0,80%]	2 379	1 147	92%	2 758	0,58%	684	36,51%	3,49	2 019	73%	6	5
	05 [0,80% - 1,60%]	2 180	351	99%	2 311	0,98%	145	41,59%	2,25	2 132	92%	10	7
	06 [1,60% - 3,20%]												
	07 [3,20% - 6,40%]	334		100%	334	4,53%	963	42,00%	4,42	556	166%	6	0
	08 [6,40% - 12,80%]						1						
	09 [12,80% - 99,99%]	3	0	102%	3	19,01%	4	71,55%	1,00	10	370%	0	1
	10 [100,00%] (default)												
	Subtotal	48 797	3 350	96%	50 191	0,30%	2 048	7,65%	3,25	7 079	14%	27	16
Institutions	01 [0,00% - 0,10%]	496 089	136 975	96%	531 782	0,04%	282	56,90%	1,65	129 195	24%	124	22
	02 [0,10% - 0,20%]	7 126	105 342	43%	38 998	0,12%	105	49,35%	1,95	12 466	32%	22	28
	03 [0,20% - 0,40%]	8 001	107	100%	8 023	0,28%	23	55,98%	1,00	3 937	49%	13	0
	04 [0,40% - 0,80%]	580		103%	597	0,49%	6	64,99%	1,00	615	103%	2	0
	05 [0,80% - 1,60%]						3						
	06 [1,60% - 3,20%]						3						
	07 [3,20% - 6,40%]						67						
	08 [6,40% - 12,80%]						3						
	09 [12,80% - 99,99%]												
	10 [100,00%] (default)												
	Subtotal	511 796	242 424	77%	579 400	0,05%	492	56,39%	1,66	146 213	25%	160	49
Corporates	01 [0,00% - 0,10%]	5 675	7 904	93%	10 219	0,07%	1 681	50,43%	1,69	1 452	14%	4	0
	02 [0,10% - 0,20%]	77 769	127 955	64%	132 601	0,14%	6 296	59,66%	2,03	65 183	49%	111	17
	03 [0,20% - 0,40%]	102 638	117 911	94%	171 496	0,29%	9 306	53,72%	2,08	94 578	55%	268	47
	04 [0,40% - 0,80%]	173 371	127 961	99%	258 941	0,58%	12 947	48,91%	2,14	182 823	71%	741	142
	05 [0,80% - 1,60%]	287 074	124 988	100%	367 716	1,12%	15 259	44,38%	2,64	324 426	88%	1 819	839
	06 [1,60% - 3,20%]	133 566	63 944	100%	175 238	2,30%	10 366	45,81%	2,68	191 847	109%	1 862	903
	07 [3,20% - 6,40%]	59 120	23 932	100%	75 960	4,50%	14 328	45,24%	2,43	93 583	123%	1 545	472
	08 [6,40% - 12,80%]	30 280	6 277	104%	35 936	9,30%	2 999	52,71%	1,56	66 250	184%	1 770	679
	09 [12,80% - 99,99%]	7 504	4 535	95%	9 054	19,48%	2 333	43,82%	1,50	12 921	143%	765	527
	10 [100,00%] (default)	18 323	1 620	99%	18 847	100,00%	1 351	74,49%	1,39	43 722	232%	12 444	12 444
	Subtotal	895 320	607 028	84%	1 256 008	1,53%	76 866	49,19%	2,32	1 076 785	86%	21 329	16 070
Of which: Specialised lending	01 [0,00% - 0,10%]												
	02 [0,10% - 0,20%]	1	9	89%	9	0,18%	4	71,55%	1,00	3	29%	0	0
	03 [0,20% - 0,40%]	10 131	3 355	102%	13 684	0,31%	112	28,27%	1,82	3 635	27%	11	19
	04 [0,40% - 0,80%]	30 164	5 965	100%	35 771	0,57%	143	29,97%	3,62	21 384	60%	60	45
	05 [0,80% - 1,60%]	113 145	21 698	101%	131 601	1,11%	764	31,89%	4,21	114 381	87%	462	588
	06 [1,60% - 3,20%]	41 242	12 561	96%	49 970	2,28%	524	40,68%	4,73	71 002	142%	494	610
	07 [3,20% - 6,40%]	7 564	5 165	96%	11 892	4,52%	151	35,89%	4,47	16 284	137%	193	136
	08 [6,40% - 12,80%]	34	11	101%	45	8,15%	11	68,10%	1,67	70	155%	3	3
	09 [12,80% - 99,99%]	412	4	101%	422	18,15%	8	7,18%	1,00	135	32%	6	0
	10 [100,00%] (default)	1 774		100%	1 771	100,00%	22	97,17%	2,58	11 207	633%	865	865
	Subtotal	204 468	48 769	97%	245 166	1,42%	1 739	33,83%	4,09	238 101	97%	2 095	2 267
Of which: SMEs	01 [0,00% - 0,10%]	5 675	7 404	94%	10 067	0,07%	1 538	50,21%	1,70	1 402	14%	4	0
	02 [0,10% - 0,20%]	17 830	22 108	94%	31 204	0,15%	4 960	52,05%	1,70	7 285	23%	23	2
	03 [0,20% - 0,40%]	35 069	34 309	97%	58 391	0,29%	7 839	49,25%	1,86	20 446	35%	84	12
	04 [0,40% - 0,80%]	86 342	53 992	99%	118 662	0,59%	10 468	48,63%	1,94	68 680	58%	340	58
	05 [0,80% - 1,60%]	113 418	51 672	100%	147 160	1,14%	11 061	49,79%	1,81	113 869	77%	832	147
	06 [1,60% - 3,20%]	74 918	30 214	102%	94 857	2,28%	8 465	47,00%	1,92	81 937	86%	1 010	223
	07 [3,20% - 6,40%]	36 271	11 661	100%	43 396	4,40%	9 878	46,69%	1,73	43 119	99%	892	275
	08 [6,40% - 12,80%]	17 952	4 176	103%	21 382	9,01%	2 535	51,37%	1,73	33 148	155%	993	277
	09 [12,80% - 99,99%]	6 875	4 531	94%	8 375	19,44%	2 244	46,48%	1,54	12 549	150%	749	526
	10 [100,00%] (default)	9 849	1 601	99%	10 395	100,00%	1 238	71,40%	1,32	14 440	139%	7 787	7 787
	Subtotal	404 199	221 670	87%	543 888	1,92%	60 226	49,30%	1,83	396 875	73%	12 716	9 308
Retail	01 [0,00% - 0,10%]	2		101%	2	0,09%	2	26,84%	5,00	0	7%	0	0
	02 [0,10% - 0,20%]	13 774	4	101%	13 907	0,15%	7 366	26,26%	4,85	1 236	9%	5	0
	03 [0,20% - 0,40%]	236 094	7 449	101%	245 827	0,28%	177 934	28,14%	4,79	37 223	15%	191	103
	04 [0,40% - 0,80%]	109 633	9 087	101%	119 513	0,54%	205 684	36,11%	4,36	35 948	30%	232	188
	05 [0,80% - 1,60%]	123 688	6 419	101%	130 775	1,11%	114 047	33,07%	4,79	59 203	45%	481	257
	06 [1,60% - 3,20%]	35 364	5 101	101%	40 640	2,34%	86 950	36,56%	4,44	28 636	70%	355	330
	07 [3,20% - 6,40%]	86 959	1 512	100%	88 778	4,86%	71 341	45,68%	4,68	74 892	84%	1 992	1 064
	08 [6,40% - 12,80%]	12 963	86	102%	13 256	9,17%	16 327	35,04%	4,62	19 187	145%	431	432
	09 [12,80% - 99,99%]	18 958	155	102%	19 401	41,65%	23 529	35,56%	4,62	35 558	183%	2 836	2 107
	10 [100,00%] (default)	31 020	594	146%	46 250	100,00%	1 146 370	59,07%	1,72	4 402	10%	31 497	31 497
	Subtotal	668 456	30 407	103%	718 348	2,58%	1 849 550	35,29%	4,48	296 283	41%	38 020	35 979
Secured by real estate property	01 [0,00% - 0,10%]												
	02 [0,10% - 0,20%]	13 716	4	101%	13 847	0,15%	7 334	26,25%	4,85	1 229	9%	5	0
	03 [0,20% - 0,40%]	235 952	336	100%	236 861	0,27%	76 050	27,80%	4,94	35 075	15%	179	84
	04 [0,40% - 0,80%]	75 428	226	101%	75 983	0,55%	33 054	28,75%	4,89	19 347	25%	121	88
	05 [0,80% - 1,60%]	114 424	1 498	100%	116 461	1,09%	36 085	31,16%	4,94	51 075	44%	396	177
	06 [1,60% - 3,20%]	28 646	284	101%	29 141	2,22%	14 011	32,07%	4,88	20 667	71%	208	190
	07 [3,20% - 6,40%]	19 523	588	101%	20 273	4,42%	9 732	32,98%	4,89	21 905	108%	296	253
	08 [6,40% - 12,80%]	11 420	4	101%	11 521	8,99%	5 740	33,39%	4,88	17 741	154%	347	313
	09 [12,80% - 99,99%]	16 265	23	101%	16 437	42,46%	7 645	33,53%	4,88	31 909	194%	2 326	1 431
	10 [100,00%] (default)	29 978		151%	45 219	100,00%	11 995	58,87%	1,70	4 114	9%	30 726	30 726
	Subtotal	545 353	2 964	103%	565 743	2,29%	201 646	31,75%	4,66	203 063	36%	34 605	33 261
Other retail	01 [0,00% - 0,10%]	2		101%	2	0,09%	2	26,84%	5,00	0	7%	0	0
	02 [0,10% - 0,20%]	59		101%	59	0,18%	32	26,99%	4,87	6	11%	0	0
	03 [0,20% - 0,40%]	143	7 113	124%	8 966	0,38%	101 884	36,88%	1,00	2 148	24%	13	19
	04 [0,40% - 0,80%]	34 205	8 861	102%	43 531	0,52%	172 630	48,95%	3,43	16 600	38%	112	100
	05 [0,80% - 1,60%]	9 263	4 921	103%	14 313	1,22%	77 962	48,61%	3,52	8 127	57%	85	80
	06 [1,60% - 3,20%]	6 717	4 817	102%	11 500	2,65%	72 939	47,93%	3,31	7 969	69%	146	140
	07 [3,20% - 6,40%]	67 436	924	100%	68 504	4,99%	61 609	49,44%	4,62	52 987	77%	1 695	811
	08 [6,40% - 12,80%]	1 543	82	108%	1 734	10,38%	10 587	45,96%	2,88	1 445	83%	84	120
	09 [12,80% - 99,99%]	2 693	132	106%	2 964	37,22%	15 884	46,81%	3,15	3 649	123%	510	676
	10 [100,00%] (default)	1 042	594	100%	1 031	100,00%	1 134 375	67,90%	2,24	288	28%	771	771
	Subtotal	123 103	27 444	101%	152 605	3,59%	1 647 904	48,39%	3,80	93 220	61%	3 416	2 717
Total (all portfolios)		**2 124 369**	**883 209**	**87%**	**2 603 947**	**1,43%**	**1 928 956**	**46,15%**	**2,79**	**1 526 359**	**59%**	**59 537**	**52 113**

70. Table: EU CR6 – IRB approach – Credit risk exposures by exposure class and PD range (values in million HUF, K&H Bank)

	Pre-credit derivatives RWAs	Actual RWAs
Exposures under FIRB		
Central governments and central banks		
Institutions		
Corporates – SMEs		
Corporates – Specialised lending		
Corporates – Other		
Exposures under AIRB		
Central governments and central banks	7 097	7 097
Institutions	144 420	144 420
Corporates – SMEs	400 436	400 436
Corporates – Specialised lending	218 219	218 219
Corporates – Other	401 621	401 621
Retail – Secured by real estate SMEs		
Retail – Secured by real estate non-SMEs	203 063	203 063
Retail – Qualifying revolving		
Retail – Other SMEs		
Retail – Other non-SMEs	93 220	93 220
Equity IRB		
Other non credit obligation assets		
Total	**1 468 077**	**1 468 077**

71. Table: EU CR7 – IRB approach – Effect on the RWAs of credit derivatives used as CRM techniques (values in million HUF, K&H Group)

	Pre-credit derivatives RWAs	Actual RWAs
Exposures under FIRB		
Central governments and central banks		
Institutions		
Corporates – SMEs		
Corporates – Specialised lending		
Corporates – Other		
Exposures under AIRB		
Central governments and central banks	7 079	7 079
Institutions	146 213	146 213
Corporates – SMEs	396 875	396 875
Corporates – Specialised lending	238 101	238 101
Corporates – Other	441 809	441 809
Retail – Secured by real estate SMEs		
Retail – Secured by real estate non-SMEs	203 063	203 063
Retail – Qualifying revolving		
Retail – Other SMEs		
Retail – Other non-SMEs	93 220	93 220
Equity IRB		
Other non credit obligation assets		
Total	**1 526 359**	**1 526 359**

72. Table: EU CR7 – IRB approach – Effect on the RWAs of credit derivatives used as CRM techniques (values in million HUF, K&H Bank)

	RWA amounts	Capital requirements
RWAs on 31.12.2018	1 400 760	112 061
Asset size	102 338	8 187
Asset quality	-23 205	-1 856
Model updates	-21 332	-1 707
Methodology and policy		
Acquisitions and disposals		
Foreign exchange movements	9 515	761
Other		
RWAs on 31.12.2019	1 468 077	117 446

73. Table: EU CR8 – RWA flow statements of credit risk exposures under the IRB approach (year to year, values in million HUF, K&H Group)

	RWA amounts	Capital requirements
RWAs on 30.09.2019	1 544 396	123 552
Asset size	-33 569	-2 686
Asset quality	-32 086	-2 567
Model updates	-21 332	-1 707
Methodology and policy		
Acquisitions and disposals		
Foreign exchange movements	10 667	853
Other		
RWAs on 31.12.2019	1 468 077	117 446

74. Table: EU CR8 – RWA flow statements of credit risk exposures under the IRB approach (quarter to quarter, values in million HUF, K&H Group)

	RWA amounts	Capital requirements
RWAs on 31.12.2018	1 443 248	115 460
Asset size	109 964	8 797
Asset quality	-15 214	-1 217
Model updates	-21 332	-1 707
Methodology and policy		
Acquisitions and disposals		
Foreign exchange movements	9 693	775
Other		
RWAs on 31.12.2019	1 526 359	122 109

75. Table: EU CR8 – RWA flow statements of credit risk exposures under the IRB approach (year to year, values in million HUF, K&H Bank)

	RWA amounts	Capital requirements
RWAs as on 30.09.2019	1 576 849	126 148
Asset size	-11 535	-923
Asset quality	-10 992	-879
Model updates	-21 332	-1 707
Methodology and policy		
Acquisitions and disposals		
Foreign exchange movements	-6 631	-531
Other		
RWAs as on 31.12.2019	1 526 359	122 109

76. Table: EU CR8 – RWA flow statements of credit risk exposures under the IRB approach (quarter to quarter, values in million HUF, K&H Bank

Exposure Class	PD-Range	External rating equivalent	Weighted average PD	Arithmetic average PD	Number of obligors: End of previous year	Number of obligors: End of the year	Defaulted obligors in the year	Of which new obligors	Average historical annual default rate
Central governments or central banks	01 [0,00% - 0,10%]	A	0,0003	0,0003	1	1			
	02 [0,10% - 0,20%]	BBB		0,0013	13	409			
	03 [0,20% - 0,40%]	BBB-	0,0030	0,0036	1817	220			
	04 [0,40% - 0,80%]	BB+	0,0051	0,0057	459	687			1,11%
	05 [0,80% - 1,60%]	BB	0,0115	0,0099	499	147			
	06 [1,60% - 3,20%]	BB-							1,28%
	07 [3,20% - 6,40%]	B	0,0453	0,0453	1126	967			1,88%
	08 [6,40% - 12,80%]	B-	0,0872	0,0961	3	1			
	09 [12,80% - 100,00%]	CCC	0,2008	0,1993	1	2			
Institutions	01 [0,00% - 0,10%]	A	0,0005	0,0006	313	288			
	02 [0,10% - 0,20%]	BBB	0,0012	0,0013	166	103			
	03 [0,20% - 0,40%]	BBB-	0,0029	0,0029	22	23			
	04 [0,40% - 0,80%]	BB+	0,0053	0,0065	14	5			
	05 [0,80% - 1,60%]	BB	0,0125	0,0121	5	3			
	06 [1,60% - 3,20%]	BB-	0,0204	0,0204	15	3			
	07 [3,20% - 6,40%]	B	0,0388	0,0442	77	67			
	08 [6,40% - 12,80%]	B-	0,0875	0,0875	9	3			
	09 [12,80% - 100,00%]	CCC							
Corporates	01 [0,00% - 0,10%]	A	0,0007	0,0008	1739	1341			4,63%
	02 [0,10% - 0,20%]	BBB	0,0015	0,0015	5198	4862			0,02%
	03 [0,20% - 0,40%]	BBB-	0,0030	0,0029	6586	6782	2	1	0,50%
	04 [0,40% - 0,80%]	BB+	0,0058	0,0058	9344	9667	3	3	0,14%
	05 [0,80% - 1,60%]	BB	0,0114	0,0115	10915	11979	2	1	0,22%
	06 [1,60% - 3,20%]	BB-	0,0224	0,0226	8491	8180	8	8	0,30%
	07 [3,20% - 6,40%]	B	0,0452	0,0452	38929	13389	18	17	0,31%
	08 [6,40% - 12,80%]	B-	0,0916	0,0885	1874	2257	7	5	9,71%
	09 [12,80% - 100,00%]	CCC	0,2639	0,2781	1510	1683	66	58	8,29%
of which specialised lending	01 [0,00% - 0,10%]	A							1,85%
	02 [0,10% - 0,20%]	BBB	0,0018	0,0018		2			
	03 [0,20% - 0,40%]	BBB-	0,0030	0,0034	147	110			
	04 [0,40% - 0,80%]	BB+	0,0057	0,0055	211	136			
	05 [0,80% - 1,60%]	BB	0,0112	0,0122	311	754			
	06 [1,60% - 3,20%]	BB-	0,0214	0,0206	261	520			
	07 [3,20% - 6,40%]	B	0,0459	0,0451	146	145			0,27%
	08 [6,40% - 12,80%]	B-	0,0781	0,0804	15	8			
	09 [12,80% - 100,00%]	CCC	0,1995	0,3009	7	6			17,85%
of which SMEs	01 [0,00% - 0,10%]	A	0,0007	0,0008	1540	1195			5,32%
	02 [0,10% - 0,20%]	BBB	0,0015	0,0015	3811	3544			0,02%
	03 [0,20% - 0,40%]	BBB-	0,0030	0,0029	5517	5421	1		0,16%
	04 [0,40% - 0,80%]	BB+	0,0059	0,0058	7231	7485	3	3	0,11%
	05 [0,80% - 1,60%]	BB	0,0117	0,0114	7749	8122	2	1	0,22%
	06 [1,60% - 3,20%]	BB-	0,0228	0,0228	6656	6408	8	8	0,37%
	07 [3,20% - 6,40%]	B	0,0453	0,0451	8967	8438	17	17	0,63%
	08 [6,40% - 12,80%]	B-	0,0894	0,0881	1721	1889	5	3	1,54%
	09 [12,80% - 100,00%]	CCC	0,2662	0,2814	1441	1598	66	58	9,79%
Retail	01 [0,00% - 0,10%]	A		0,0009	1	1			0,50%
	02 [0,10% - 0,20%]	BBB	0,0015	0,0016	3382	3684	2	2	0,11%
	03 [0,20% - 0,40%]	BBB-	0,0028	0,0033	79904	89010	163	145	0,29%
	04 [0,40% - 0,80%]	BB+	0,0054	0,0056	97837	102882	2440	1649	0,68%
	05 [0,80% - 1,60%]	BB	0,0111	0,0116	61307	57169	1971	1627	1,02%
	06 [1,60% - 3,20%]	BB-	0,0233	0,0252	46993	43521	3047	2874	1,41%
	07 [3,20% - 6,40%]	B	0,0480	0,0487	28618	35759	755	625	2,22%
	08 [6,40% - 12,80%]	B-	0,0913	0,0934	9130	8165	640	459	3,64%
	09 [12,80% - 100,00%]	CCC	0,4162	0,4015	12676	11768	2444	1737	29,21%
Mortgage	01 [0,00% - 0,10%]	A							0,05%
	02 [0,10% - 0,20%]	BBB	0,0015	0,0016	3365	3668	2	2	0,13%
	03 [0,20% - 0,40%]	BBB-	0,0027	0,0027	34471	38060	29	26	0,24%
	04 [0,40% - 0,80%]	BB+	0,0055	0,0058	16939	16547	68	51	0,78%
	05 [0,80% - 1,60%]	BB	0,0109	0,0110	20553	18181	104	76	0,97%
	06 [1,60% - 3,20%]	BB-	0,0223	0,0223	8274	7029	115	70	1,44%
	07 [3,20% - 6,40%]	B	0,0441	0,0443	5838	4917	166	77	3,50%
	08 [6,40% - 12,80%]	B-	0,0898	0,0898	3438	2871	260	113	4,17%
	09 [12,80% - 100,00%]	CCC	0,4222	0,4209	4716	3824	933	430	15,10%
Retail - Qualifying revolving									
Other Retail	01 [0,00% - 0,10%]	A		0,0009	1	1			1,10%
	02 [0,10% - 0,20%]	BBB	0,0018	0,0018	17	16			0,10%
	03 [0,20% - 0,40%]	BBB-	0,0038	0,0038	45433	50950	134	119	0,42%
	04 [0,40% - 0,80%]	BB+	0,0053	0,0056	80898	86335	2372	1598	0,93%
	05 [0,80% - 1,60%]	BB	0,0121	0,0118	40754	38988	1867	1551	1,60%
	06 [1,60% - 3,20%]	BB-	0,0261	0,0258	38719	36492	2932	2804	2,66%
	07 [3,20% - 6,40%]	B	0,0500	0,0494	22780	30842	589	548	2,38%
	08 [6,40% - 12,80%]	B-	0,1025	0,0953	5692	5294	380	346	4,79%
	09 [12,80% - 100,00%]	CCC	0,3749	0,3922	7960	7944	1511	1307	44,53%
Equity IRB									

77. Table: EU CR9 – IRB approach – Backtesting of PD per exposure class (K&H Group)

Exposure Class	PD-Range	External rating equivalent	Weighted average PD	Arithmetic average PD	Number of obligors		Defaulted obligors in the year	Of which new obligors	Average historical annual default rate
					End of previous year	End of the year			
Central governments or central banks	01 [0,00% - 0,10%]	A	0,0004	0,0004	1	1			
	02 [0,10% - 0,20%]	BBB		0,0013	13	21			
	03 [0,20% - 0,40%]	BBB-	0,0030	0,0034	12	220			
	04 [0,40% - 0,80%]	BB+	0,0049	0,0056	455	683			1,11%
	05 [0,80% - 1,60%]	BB	0,0110	0,0098	495	145			
	06 [1,60% - 3,20%]	BB-							1,28%
	07 [3,20% - 6,40%]	B	0,0453	0,0453	1123	963			1,88%
	08 [6,40% - 12,80%]	B-		0,0905	2	1			
	09 [12,80% - 100,00%]	CCC	0,2067	0,2045	1	2			
Institutions	01 [0,00% - 0,10%]	A	0,0004	0,0005	290	281			
	02 [0,10% - 0,20%]	BBB	0,0012	0,0014	183	103			
	03 [0,20% - 0,40%]	BBB-	0,0028	0,0028	21	23			
	04 [0,40% - 0,80%]	BB+	0,0050	0,0061	15	5			
	05 [0,80% - 1,60%]	BB	0,0113	0,0113	5	3			
	06 [1,60% - 3,20%]	BB-	0,0226	0,0226	13	3			
	07 [3,20% - 6,40%]	B	0,0404	0,0445	77	67			
	08 [6,40% - 12,80%]	B-	0,0905	0,0905	9	3			
	09 [12,80% - 100,00%]	CCC							
Corporates	01 [0,00% - 0,10%]	A	0,0007	0,0008	1716	1294			4,63%
	02 [0,10% - 0,20%]	BBB	0,0014	0,0015	5143	4821			0,02%
	03 [0,20% - 0,40%]	BBB-	0,0029	0,0029	6637	6816	2	1	0,19%
	04 [0,40% - 0,80%]	BB+	0,0058	0,0058	9346	9713	3	3	0,14%
	05 [0,80% - 1,60%]	BB	0,0114	0,0115	10931	11973	2	1	0,22%
	06 [1,60% - 3,20%]	BB-	0,0230	0,0227	8503	8191	8	8	0,30%
	07 [3,20% - 6,40%]	B	0,0451	0,0451	38504	12752	18	17	0,31%
	08 [6,40% - 12,80%]	B-	0,0914	0,0887	1874	2259	7	5	1,37%
	09 [12,80% - 100,00%]	CCC	0,1921	0,1957	1510	1683	66	58	8,29%
of which specialised lending	01 [0,00% - 0,10%]	A							1,85%
	02 [0,10% - 0,20%]	BBB	0,0018	0,0018		2			
	03 [0,20% - 0,40%]	BBB-	0,0030	0,0033	147	110			
	04 [0,40% - 0,80%]	BB+	0,0057	0,0057	211	136			
	05 [0,80% - 1,60%]	BB	0,0111	0,0122	311	754			
	06 [1,60% - 3,20%]	BB-	0,0228	0,0217	261	520			
	07 [3,20% - 6,40%]	B	0,0461	0,0454	146	145			0,27%
	08 [6,40% - 12,80%]	B-	0,0794	0,0788	15	8			
	09 [12,80% - 100,00%]	CCC	0,1828	0,1888	7	6			17,85%
of which SMEs	01 [0,00% - 0,10%]	A	0,0007	0,0008	1519	1151			5,32%
	02 [0,10% - 0,20%]	BBB	0,0015	0,0015	3757	3516			0,02%
	03 [0,20% - 0,40%]	BBB-	0,0029	0,0029	5567	5477	1		0,16%
	04 [0,40% - 0,80%]	BB+	0,0059	0,0058	7232	7496	3	3	0,09%
	05 [0,80% - 1,60%]	BB	0,0116	0,0114	7763	8115	2	1	0,21%
	06 [1,60% - 3,20%]	BB-	0,0229	0,0228	6666	6419	8	8	0,31%
	07 [3,20% - 6,40%]	B	0,0449	0,0450	8966	8437	17	17	0,46%
	08 [6,40% - 12,80%]	B-	0,0890	0,0885	1721	1891	5	3	1,48%
	09 [12,80% - 100,00%]	CCC	0,1918	0,1959	1441	1598	66	58	8,59%
Retail	01 [0,00% - 0,10%]	A		0,0009	1	1			0,50%
	02 [0,10% - 0,20%]	BBB	0,0015	0,0016	3382	3684	2	2	0,11%
	03 [0,20% - 0,40%]	BBB-	0,0028	0,0033	79904	89010	163	145	0,29%
	04 [0,40% - 0,80%]	BB+	0,0054	0,0056	97837	102882	2440	1649	0,68%
	05 [0,80% - 1,60%]	BB	0,0111	0,0116	61307	57169	1971	1627	1,02%
	06 [1,60% - 3,20%]	BB-	0,0233	0,0252	46993	43521	3047	2874	1,41%
	07 [3,20% - 6,40%]	B	0,0480	0,0487	28618	35759	755	625	2,22%
	08 [6,40% - 12,80%]	B-	0,0913	0,0934	9130	8165	640	459	3,64%
	09 [12,80% - 100,00%]	CCC	0,4162	0,4015	12676	11768	2444	1737	29,21%
Mortgage	01 [0,00% - 0,10%]	A							0,05%
	02 [0,10% - 0,20%]	BBB	0,0015	0,0016	3365	3668	2	2	0,12%
	03 [0,20% - 0,40%]	BBB-	0,0027	0,0027	34471	38060	29	26	0,23%
	04 [0,40% - 0,80%]	BB+	0,0055	0,0058	16939	16547	68	51	0,73%
	05 [0,80% - 1,60%]	BB	0,0109	0,0110	20553	18181	104	76	0,91%
	06 [1,60% - 3,20%]	BB-	0,0223	0,0223	8274	7029	115	70	1,30%
	07 [3,20% - 6,40%]	B	0,0441	0,0443	5838	4917	166	77	3,28%
	08 [6,40% - 12,80%]	B-	0,0898	0,0898	3438	2871	260	113	3,62%
	09 [12,80% - 100,00%]	CCC	0,4222	0,4209	4716	3824	933	430	13,58%
Retail - Qualifying revolving									
Other Retail	01 [0,00% - 0,10%]	A		0,0009	1	1			1,10%
	02 [0,10% - 0,20%]	BBB	0,0018	0,0018	17	16			0,10%
	03 [0,20% - 0,40%]	BBB-	0,0038	0,0038	45433	50950	134	119	0,38%
	04 [0,40% - 0,80%]	BB+	0,0053	0,0056	80898	86335	2372	1598	0,60%
	05 [0,80% - 1,60%]	BB	0,0121	0,0118	40754	38988	1867	1551	0,95%
	06 [1,60% - 3,20%]	BB-	0,0261	0,0258	38719	36492	2932	2804	1,44%
	07 [3,20% - 6,40%]	B	0,0500	0,0494	22780	30842	589	548	1,98%
	08 [6,40% - 12,80%]	B-	0,1025	0,0953	5692	5294	380	346	3,75%
	09 [12,80% - 100,00%]	CCC	0,3749	0,3922	7960	7944	1511	1307	41,76%
Equity IRB									

78. Table: EU CR9 – IRB approach – Backtesting of PD per exposure class (K&H Bank)

9.2. Quantitative information about Counterparty Credit risk exposure: (CRR Article 439.)

	Notional	Replacement cost/current market value	Potential future credit exposure	EEPE	Multiplier	EAD post CRM	RWAs
Mark to market		138 618	71 471			26 145	24 352
Original exposure							
Standardised approach							
IMM (for derivatives and SFTs)							
Of which securities financing transactions							
Of which derivatives and long settlement transactions							
Of which from contractrual cross product netting							
Financial collateral simple method (for SFTs)							
Financial collateral comprehensive method (for SFTs)							
VAR for SFTs							
Total							**24 352**

79. Table: EU CCR1 – Analysis of CCR exposure by approach (values in million HUF, K&H Group)

	Notional	Replacement cost/current market value	Potential future credit exposure	EEPE	Multiplier	EAD post CRM	RWAs
Mark to market		138 618	71 490			42 167	30 261
Original exposure							
Standardised approach							
IMM (for derivatives and SFTs)							
Of which securities financing transactions							
Of which derivatives and long settlement transactions							
Of which from contractrual cross product netting							
Financial collateral simple method (for SFTs)							
Financial collateral comprehensive method (for SFTs)						121	8
VAR for SFTs							
Total							**30 269**

80. Table: EU CCR1 – Analysis of CCR exposure by approach (values in million HUF, K&H Bank)

	Esposure value	RWAs
Total portfolios subject to the advanced method		
i. VaR component (including the 3x multiplier)		
ii. SVaR component (including the 3x multiplier)		
All portfolios subject to the standardised method	1 061	583
Based on the original exposure method		
Total subject to the CVA capital charge	**1 061**	**583**

81. Table: EU CCR2 – CVA capital charge (values in million HUF, K&H Group and K&H Bank)

Exposure classes	Risk weight											Total	Of which unrated
	0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Other		
Central governments or central banks	6 658											6 658	
Regional government or local authorities													
Public sector entities													
Multilateral development banks													
International organisations													
Institutions													
Corporates													
Retail													
Institutions and corporates with a short-term credit assessment													
Other Items													
Total	6 658											6 658	

82. Table: EU CCR3 – Standardised approach – CCR exposures by regulatory portfolio and risk (values in million HUF, K&H Group and K&H Bank)

Exposure class	PD scale	EAD post CRM	Average PD	Number of obligors	Average LGD	Average maturity	RWA	RWA density
Institutions	0,00 – <0,15	63 566	0,05%	19 205	14,98%	2,53	6 220	9,79%
	0,15 – <0,25	16 206	0,18%	7	0,43%	4,85	5 621	34,69%
	0,25 – <0,50	138	0,28%	15		1,01		
	0,50 – <0,75			4				
	0,75 – <2,50							
	2,50 – <10,00							
	10,00 – <100,00							
	100,00 (default)							
	Subtotal	**79 910**	**0,07%**	**19 231**	**12,00%**	**3,00**	**11 842**	**14,82%**
Corporates	0,00 – <0,15	1 107	0,10%	1 641	63,91%	1,21	325	29,35%
	0,15 – <0,25	1 097	0,19%	357	36,77%	3,37	711	64,80%
	0,25 – <0,50	1 699	0,36%	1 431	68,30%	1,32	1 081	63,63%
	0,50 – <0,75	6 602	0,60%	2 483	47,65%	1,71	4 473	67,75%
	0,75 – <2,50	11 568	1,28%	4 775	65,70%	3,10	16 193	139,98%
	2,50 – <10,00	1 549	4,42%	783	70,90%	3,01	3 491	225,37%
	10,00 – <100,00	326	11,86%	97	66,58%	1,28	936	287,32%
	100,00 (default)	17	100,00%	10	82,54%	1,37	176	1031,70%
	Subtotal	**23 965**	**1,34%**	**11 577**	**59,87%**	**2,48**	**27 386**	**114,27%**
of which SMEs	0,00 – <0,15	419	0,08%	706	66,62%	1,05	67	16,03%
	0,15 – <0,25	157	0,21%	227	67,30%	1,28	56	35,30%
	0,25 – <0,50	1 089	0,37%	1 268	66,44%	1,22	604	55,47%
	0,50 – <0,75	2 404	0,65%	1 288	67,71%	1,24	2 046	85,08%
	0,75 – <2,50	4 121	1,25%	3 022	67,52%	1,15	4 145	100,58%
	2,50 – <10,00	746	5,50%	552	56,82%	1,39	978	131,02%
	10,00 – <100,00	22	18,10%	1	72,24%	5,00	60	266,58%
	100,00 (default)	17	100,00%	10	82,54%	1,37	176	1031,70%
	Subtotal	**8 976**	**1,49%**	**7 074**	**66,54%**	**1,21**	**8 131**	**90,58%**
of which specialised lending	0,00 – <0,15							
	0,15 – <0,25							
	0,25 – <0,50	152	0,36%	9	88,02%	1,32	148	97,07%
	0,50 – <0,75	3 610	0,57%	6	31,27%	2,01	1 817	50,34%
	0,75 – <2,50	3 853	1,29%	101	66,58%	4,93	7 803	202,50%
	2,50 – <10,00	689	3,10%	29	88,02%	5,00	2 291	332,45%
	10,00 – <100,00							
	100,00 (default)							
	Subtotal	**8 304**	**1,11%**	**145**	**53,40%**	**3,60**	**12 059**	**145,21%**
Total (all portfolios)		**103 875**	**0,37%**	**30 808**	**23,05%**	**2,88**	**39 228**	**37,76%**

83. Table: EU CCR4 – IRB approach – CCR exposures by portfolio and PD scale (values in HUF million, K&H Group and K&H Bank)

	Gross positive fair value or net carrying amount	Netting benefits	Netted current credit exposure	Collateral held	Net credit exposure
Derivatives	11 867	5 819	44 626	4 449	40 178
SFTs	22 984				
Cross-product netting					
Total	**34 851**	**5 819**	**44 626**	**4 449**	**40 178**

84. Table: EU CCR5-A – Impact of netting and collateral held on exposure values (values in HUF million, K&H Group)

	Gross positive fair value or net carrying amount	Netting benefits	Netted current credit exposure	Collateral held	Net credit exposure
Derivatives	11 867	103 613	44 635	4 449	40 186
SFTs	22 984		19 987	19 866	121
Cross-product netting					
Total	**34 851**	**103 613**	**64 622**	**24 315**	**40 307**

85. Table: EU CCR5-A – Impact of netting and collateral held on exposure values (values in HUF million, K&H Bank)

	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of collateral		Fair value of posted collateral			
	Segregated	Unsegregated	Segregated	Unsegregated	Fair value of collateral received	Fair value of posted collateral
Cash collateral		4 449		5 062	19 866	
Total		4 449		5 062	19 866	

86. Table: EU CCR5-B – Composition of collateral for exposures to CCR (values in HUF million, K&H Group and K&H Bank)

The bank did not have deals contracted via central contracting agency at end of year 2019.

The bank did not have credit derivatives at end of year 2019.

10. Quantitative information about market risk

	RWAs	Capital requirements
Outright products		
Interest rate risk (general and specific)	6 426	514
Equity risk (general and specific)		
Foreign exchange risk	1 383	111
Commodity risk		
Options		
Simplified approach		
Delta-plus method		
Scenario approach		
Securitisation (specific risk)		
Securitisation (specific risk)		
Total	**7 809**	**625**

87. Table: EU MR1 – Market risk under the standardised approach (values in HUF million, K&H Bank and K&H Group)

11. List of abbreviations

AIRB	*Advanced IRB approach* (*credit risk)*
AMA	*Advanced Measurement Approach* (*operational risk)*
ARC	*Audit Committee*
ASA	*Alternative Standardized Approach* (*operational risk)*
BCBS	*Basel Committee of Banking Supervision*
BIA	*Basic Indicators Approach* (*operational risk)*
BoD	*Board of Directors*
CIC	*Corporate Institutional Committee*
CRC	*Credit Risk Council*
CRD	*Capital Requirements Directive*
CrisCo	*Crisis Committee*
CRO	*Chief Risk Officer*
CROC	*Capital and Risk Oversight Committee*
CT	*Country Team*
EAD	*Exposure at Default*
ERM	*Enterprise-wide Risk Management*
EXCO	*Executive Committee*
FFG	*Funding for growth*
FIRB	*Foundation IRB approach* (*credit risk)*
HAS	*Hungarian Accounting Standards*
HPT	Credit Institutions and Financial Enterprises Act (Act CXII of *1996)*
ICAAP	*Internal Capital Adequacy Assessment Process*
ICM	*Internal Capital Model*
IFRS	*International Financial Reporting Standards*
IMA	*Internal Models Approach* (*market risk)*
IRB	*Internal Ratings Based approach* (*credit risk)*
LGD	*Loss Given Default*
MC IM	*Management Committee International Markets*
MNB	*the Central Bank of Hungary*
NAPP	*New and Active Products Process*
NCC	*National Credit Committee*
NCsC	*National Credit Sub-Committee*
ORC	*Operational Risk Council*
PD	*Probability of Default*
RAROC	*Risk-adjusted Return on Capital*
RC	*Remuneration Committee*
RCC	*Retail Credit Committee*
RCs	*Retail Committees*
RPC	*Retail Product Committee*
RWA	*Risk Weighted Assets*
SICR	*Significant Increase in Credit Risk*
SMA	*Standardized Measurement Approach* (*market risk)*
SREP	*Supervisory Review and Evaluation Process*
STA	*Standardized Approach* (*credit risk)*
TSA	*Standardized Approach (operational risk)*
VRM	*Value and Risk Management*