

Disclosure according to Pillar 3

# Risk Report

K&H Banking Group and  
K&H Bank Zrt

For the Third Quarter of 2021 Financial Year

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.<sup>1</sup> and the 9/2021 (VI.23.) recommendation of the Hungarian National Bank. K&H prepares this “Risk Report” for such purposes, containing the information required by law.

K&H publishes its “Risk Report” four times a year (only once for the full 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 Bank Zrt is a systematically important institution on the Hungarian market, the bank also publishes half yearly and quarterly reports in a simplified form.

Overview of RWAs and capital requirements as of 30th of September 2021:

### Own funds:

1. Table Component of own funds as of 30th September, 2021

		K&H Csoport	K&H Bank
<b>Common Equity Tier 1 (CET1) capital: instruments and reserves</b>			
1	Capital instruments and the related share premium accounts	189 753	189 753
	of which: Instrument type 1		
	of which: Instrument type 2		
	of which: Instrument type 2		
2	Retained earnings	169 080	156 479
3	Accumulated other comprehensive income (and other reserves)	- 8 211	- 8 217
EU-3a	Funds for general banking risk	31 703	31 622
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)		
EU-5a	Independently reviewed interim profits net of any foreseeable charge or dividend		
<b>6</b>	<b>Common Equity Tier 1 (CET1) capital before regulatory adjustments</b>	<b>382 325</b>	<b>369 637</b>

<sup>1</sup> Act CCXXXVII of 2013 on “credit institutions and financial enterprises” (Hpt.)

Common Equity Tier 1 (CET1) capital: regulatory adjustments					
7	Additional value adjustments (negative amount)	-	181	-	181
8	Intangible assets (net of related tax liability) (negative amount)	-	35 469	-	35 473
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		11 473		11 473
12	Negative amounts resulting from the calculation of expected loss amounts				
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				
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)				
EU-20a	Exposure amount of the following items which qualify for a RW of 1250 %, where the institution opts for the deduction alternative				
EU-20b	of which: qualifying holdings outside the financial sector (negative amount)				
EU-20c	of which: securitisation positions (negative amount)				
EU-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 17,65 % 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				
EU-25a	Losses for the current financial year (negative amount)				
EU-25b	Foreseeable tax charges relating to CET1 items (negative amount)				
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)				
27a	Other regulatory adjustments			-	5
28	<b>Total regulatory adjustments to Common Equity Tier 1 (CET1)</b>	-	24 177	-	24 186
29	<b>Common Equity Tier 1 (CET1) capital</b>		358 149		345 452

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		
EU-33a	Amount of qualifying items referred to in Article 494a(1) subject to phase out from AT1		
EU-33b	Amount of qualifying items referred to in Article 494b(1) 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	<b>Additional Tier 1 (AT1) capital before regulatory adjustments</b>		
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)		
42a	Other regulatory adjustments to AT1 capital		
43	<b>Total regulatory adjustments to Additional Tier 1 (AT1) capital</b>		
44	<b>Additional Tier 1 (AT1) capital</b>		
45	<b>Tier 1 capital (T1 = CET1 + AT1)</b>	358 149	345 452
Tier 2 (T2) capital: instruments and provisions			
46	Capital instruments and the related share premium accounts	38 199	38 199
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2		
EU-47a	Amount of qualifying items referred to in Article 494a (2) subject to		
EU-47b	Amount of qualifying items referred to in Article 494b (2) 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	6 330	6 310
51	<b>Tier 2 (T2) capital before regulatory adjustments</b>	44 528	44 508

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)		
EU-56a	Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative amount)		
56b	Other regulatory adjustments to T2 capital		
<b>57</b>	<b>Total regulatory adjustments to Tier 2 (T2) capital</b>		
<b>58</b>	<b>Tier 2 (T2) capital</b>	44 528	44 508
<b>59</b>	<b>Total capital (TC = T1 + T2)</b>	402 677	389 960
<b>60</b>	<b>Total risk weighted assets</b>	2 315 709	2 346 340
Capital ratios and requirements including buffers			
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	15,47%	14,72%
62	Tier 1 (as a percentage of total risk exposure amount)	15,47%	14,72%
63	Total capital (as a percentage of total risk exposure amount)	17,39%	16,62%
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)	8,68%	7,00%
65	of which: capital conservation buffer requirement	2,50%	2,50%
66	of which: countercyclical buffer requirement	0,0031%	0,0031%
67	of which: systemic risk buffer requirement		
EU-67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer		
EU-67b	ebből: a túlzott tőkeáttétel kockázatától eltérő kockázatok kezelését célzó kiegészítő szavatolótőke-követelmény		
<b>68</b>	<b>Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)</b>	9,39%	8,62%
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)	2 202	2 213
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)		6 366
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)	827	868
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach		
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	6 956	6 934
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	0	0
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)		

2. Table LRCOM - Leverage ratio common disclosure (values in million HUF, K&amp;H Group and K&amp;H Bank)

		CRR leverage ratio exposures			
		2021 Q3		2021 Q2	
		K&H Group	K&H Bank	K&H Group	K&H Bank
<b>On-balance sheet exposures (excluding derivatives and SFTs)</b>					
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	5 090 755	5 147 826	4 973 500	4 973 500
2	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework				
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	- 7 823	- 7 823	- 4 091	- 4 091
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)				
5	(General credit risk adjustments to on-balance sheet items)	- 36 981	- 37 036	- 40 318	- 40 369
6	(Asset amounts deducted in determining Tier 1 capital)	- 24 177	- 24 181	- 25 647	- 25 646
	_(-) A CRR 429a. cikke (1) bekezdésének n) pontja szerint mentesített, központi bankkal szembeni kitétségek	- 549 783	- 885 055	- 549 783	- 549 783
7	<b>Total on-balance sheet exposures (excluding derivatives and SFTs)</b>	<b>4 471 992</b>	<b>4 193 731</b>	<b>4 353 661</b>	<b>4 416 565</b>
<b>Derivative exposures</b>					
8	Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin)	23 324	23 324	24 880	24 882
EU-8a	Derogation for derivatives: replacement costs contribution under the simplified standardised approach				
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	26 056	26 059	39 234	39 239
EU-9a	Derogation for derivatives: Potential future exposure contribution under the simplified standardised approach				
EU-9b	Exposure determined under Original Exposure Method				
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)				
EU-10a	(Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach)				
EU-10b	(Exempted CCP leg of client-cleared trade exposures) (original exposure method)				
11	Adjusted effective notional amount of written credit derivatives				
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)				
13	<b>Total derivatives exposures</b>	<b>49 380</b>	<b>49 383</b>	<b>64 114</b>	<b>64 121</b>
<b>SFT exposures</b>					
14	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions				
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	65 293	76 327	51 450	72 757
16	Counterparty credit risk exposure for SFT assets	113	113	249	249
EU-16a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429e(5) and 222 CRR				
17	Agent transaction exposures				
EU-17a	(Exempted CCP leg of client-cleared SFT exposure)				
18	<b>Total securities financing transaction exposures</b>	<b>65 406</b>	<b>76 440</b>	<b>51 699</b>	<b>73 006</b>
<b>Other off-balance sheet exposures</b>					
19	Off-balance sheet exposures at gross notional amount	1 061 342	1 071 905	1 007 266	1 019 171
20	(Adjustments for conversion to credit equivalent amounts)	- 609 628	- 613 551	- 570 780	- 575 673
21	(General provisions deducted in determining Tier 1 capital and specific provisions associated with off-balance sheet exposures)	- 765	- 766	- 859	- 860
22	<b>Other off-balance sheet exposures (sum of lines 17 and 18)</b>	<b>450 949</b>	<b>457 588</b>	<b>435 627</b>	<b>442 638</b>

Excluded exposures					
EU-22a	(Exposures excluded from the leverage ratio total exposure measure in accordance with point (c) of Article 429a(1) CRR)				
EU-22b	(Exposures exempted in accordance with point (j) of Article 429a (1) CRR (on and off balance sheet))				
EU-22c	(Excluded exposures of public development banks (or units) - Public sector investments)				
EU-22d	(Excluded exposures of public development banks (or units) - Promotional loans): - Promotional loans granted by a public development credit institution - Promotional loans granted by an entity directly set up by the central government, regional governments or local authorities of a Member State - Promotional loans granted by an entity set up by the central government, regional governments or local authorities of a Member State through an intermediate credit institution)				
EU-22e	(Excluded passing-through promotional loan exposures by non-public development banks (or units): - Promotional loans granted by a public development credit institution - Promotional loans granted by an entity directly set up by the central government, regional governments or local authorities of a Member State - Promotional loans granted by an entity set up by the central government, regional governments or local authorities of a Member State through an intermediate credit institution)				
EU-22f	(Excluded guaranteed parts of exposures arising from export credits )				
EU-22g	(Excluded excess collateral deposited at triparty agents )				
EU-22h	(Excluded CSD related services of CSD/institutions in accordance with point (o) of Article 429a(1) CRR)				
EU-22i	(Excluded CSD related services of designated institutions in accordance with point (p) of Article 429a(1) CRR)				
EU-22j	(Reduction of the exposure value of pre-financing or intermediate loans )				
EU-22k	(Total exempted exposures)				
Capital and total exposure measure					
23	Tier 1 capital	358 149	345 452	362 050	349 369
24	Total exposure measure	5 037 727	4 777 142	4 905 101	4 996 330
Leverage ratio					
25	Leverage ratio	7,11%	7,23%	7,38%	6,99%
EU-25	Leverage ratio excluding the impact of the exemption of public sector investments and promotional loans) (%)	7,11%	7,23%	7,38%	6,99%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	6,41%	6,49%	6,64%	6,30%
26	Regulatory minimum leverage ratio requirement (%)	3,00%	3,00%	3,00%	3,00%
EU-26a	Additional own funds requirements to address the risk of excessive leverage (%)	3,00%	3,00%	3,00%	3,00%
EU-26b	of which: to be made up of CET1 capital (percentage points)	1,69%	1,69%	1,69%	1,69%
27	Leverage ratio buffer requirement (%)	0,00%	0,00%	0,00%	0,00%
EU-27a	Overall leverage ratio requirement (%)	6,00%	6,00%	6,00%	6,00%



Choice on transitional arrangements and relevant exposures					
EU-27b	Choice on transitional arrangements for the definition of the capital measure				
Disclosure of mean values					
28	Mean value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	9 797	9 797	5 779	5 779
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	65 293	76 327	51 450	72 757
30	Total exposure measure (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	4 982 231	4 710 612	4 859 430	4 929 352
30a	Total exposure measure (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	5 532 014	5 260 395	5 409 213	5 479 135
31	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	7,19%	7,33%	7,45%	7,09%
31a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	6,47%	6,57%	6,69%	6,38%