Kereskedelmi és Hitelbank Zrt.

Basel III. - Disclosure according to Pillar 3.

Risk Report

For the 2014 Financial Year

31.12. 2014

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Chapter I. - Background Information

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 and of the Council (CRR) and in Article 122 of the Hpt.[1]. 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*" once a year, simultaneously with the disclosure of the "*Annual Report*" and makes it also accessible in Hungary (and in English) on the K&H corporate website (www.kh.hu). 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 CBH 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 also checks 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 2014 and contains:
- Individual, financial and statutory reporting data of K&H Bank, audited according to HAS, and
- Consolidated, audited financial and preliminary statutory reporting data of the K&H Group, according to IFRS.

K&H Group Structure (CRR Article 436.)

The K&H group may be divided into the following three main parts:
- Bank
- Leasing Group
- other subsidiaries

In total, the following companies were fully consolidated at the end of the year:

Company name	Company type	Consolidation method	Ownership ratio % (direct)	Company balance sheet total (HUF million)	Company equity (HUF million)	Post-tax profit (HUF million)	Net profit/loss (HUF million)
K&H Lízing Zrt. (voluntary dissolution)	Financial	full consolidation	100.00	132	124	0	0
K&H Ingatlanlízing Zrt.	Financial	full consolidation	100.00	24,638	179	45	45
K&H Autópark Kft.	Operational leasing	full consolidation	100.00	6,212	389	212	212
K&H Eszközlízing Kft.	Operational leasing	full consolidation	100.00	390	255	2	2
K&H Alkusz Kft.	Other	full consolidation	100.00	87	78	25	25
K&H Faktor Pénzügyi Szolgáltató Zrt.	Financial	full consolidation	100.00	13,013	379	67	67
K&H Csoport-szolgáltató Kft.	Auxiliary	full consolidation	100.00	3,997	562	40	40
K&H Befektetési Alapkezelő Zrt	Investment Fund management	full consolidation	100.00	3,922	3.397	2,396	2,396
K&H Equities ZRt.	Other	full consolidation	100.00	34,032	2,097	-52	-52

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

Table 1: Companies fully consolidated in the K&H Group

Within the K&H Group there are no actual or predictable major practical or legal obstacles preventing any immediate transfer of own funds, or repayment of obligations between the parent company and subsidiaries.

Chapter II. – Capital Adequacy

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.

Capital structure and capital 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 Hungarian law, less the required negative components. The Tier 2 capital consists primarily of hybrid and debt securities eligible under the Hungarian laws and regulations, less the required negative components. The total own funds equal the total of Tier 1 and Tier 2 capital less deductions.

Accounting category	equity	subordinated loan capital
Applicable regulation	CRR Article 28.	CRR Article 62.
Transition rules of the regulation on capital requirements (CRR)	core Tier 1 capital instrument	Tier 2 capital instrument
Rules of the CRR after the transition period	core Tier 1 capital instrument	Tier 2 capital instrument
Eligible based on individual and/or sub-consolidated basis	Individual and (sub)consolidated	Individual and (sub)consolidated
Nominal value of the instrument	HUF 140,978 million	EUR 60 million
Currency of issue	HUF	EUR
Issue price	-	100%
Redemption price	-	100%
Original date of issue	-	30.06.2006.
Maturity	until further notice	30.06.2016.
The (call) option of the issuer requires prior supervisory approval	-	No
Optional purchase date, pending purchase date and redemption amount	-	Pursuant to CRR Article 63
Interest payment date, conditions	N/A	EURIBOR+0.55%

fixed or variable dividend / interest coupon	-	variable
Advancing or redemption incentive	-	No
Not accumulating, accumulating	-	Not accumulating
Convertible, non-convertible	-	Nonconvertible
Description	-	No
Position in the liquidation hierarchy	in the case of insolvency or liquidation of the institution, the instruments are classified behind all other receivables	Pursuant to CRR Article 63

Table 2: Main components of the capital instruments (K&H Group)

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 monthly 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, dividend payment, etc.).

The tables below provide an overview of the leverage ratio, capital adequacy of the Group and the Bank and the detailed composition of the Tier 1 and Tier 2 capital components.

Components of own funds (HUF million)	**K&H Bank (HAS)**	**K&H Group (IFRS)**
OWN FUNDS	**171,159**	**172,052**
_TIER 1 CAPITAL(TIER 1 OR T1 CAPITAL)	**163,445**	**164,050**
__COMMON EQUITY TIER 1 CAPITAL (CET 1 CAPITAL)	**163,445**	**164,050**
___ Capital instruments eligible as CET1 capital	155,371	189,753
___ Paid up capital instruments	140,978	140,978
____ Memorandum item: Capital instruments not eligible	0	0
____ Share premium	14,393	48,775
____ (-) Own CET1 instruments	0	0
_____ (-) Direct holdings of CET1 instruments	0	0
_____ (-) Indirect holdings of CET1 instruments	0	0
____ (-) Synthetic holdings of CET1 instruments	0	0
___ (-) Actual or contingent obligations to purchase own CET1 instruments	0	0
___Retained earnings	-5,004	-43,852
____Previous years retained earnings	9,715	-16,176
____Profit or loss eligible	-14,719	-27,676
_____Profit/loss attributable to owners of the parent	-14,719	-27,676
____(-) Part of interim or year-end profit not eligible	0	0
___ Accumulated other comprehensive income	0	12,671
___Other reserves	8,786	0
___Funds for general banking risk	20,423	20,423
___Transitional adjustments due to grandfathered CET1 Capital	0	0

instruments		
___Minority interest given recognition in CET1 capital	0	0
___Transitional adjustments due to additional minority interests	0	0
___Adjustments to CET1 due to prudential filters	-381	-4,150
(-) Increases in equity resulting from securitised assets	0	0
___ Cash flow hedge reserve	0	-4,008
____Cumulative gains and losses due to changes in own credit risk on fair valued liabilities	0	-138
___ Fair value gains and losses arising from the institution's own credit risk related to derivative liabilities	-381	-3
____(-) Value adjustments due to the requirements for prudent valuation	0	0
___(-) Goodwill	0	0
____(-) Goodwill accounted for as intangible asset	0	0
____(-) Goodwill included in the valuation of significant investments	0	0
____Deferred tax liabilities associated to goodwill	0	0
___ (-) Other intangible assets	-13,776	-10,048
____(-) Other intangible assets gross amount	-13,776	-10,048
____Deferred tax liabilities associated to other intangible assets	0	0
___(-) Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	0	-101
___(-) IRB shortfall of credit risk adjustments to expected losses	0	0
___(-) Defined benefit pension fund assets	0	0
____(-) Defined benefit pension fund assets gross amount	0	0
____Deferred tax liabilities associated to defined benefit pension fund assets	0	0
____ Defined benefit pension fund assets which the institution has an unrestricted ability to use	0	0
___(-) Reciprocal cross holdings in CET1 Capital	0	0
___(-) Excess of deduction from AT1 items over AT1 Capital	0	0
___(-) Qualifying holdings outside the financial sector which can alternatively be subject to a 1,250 % risk weight	0	0
___(-) Securitisation positions which can alternatively be subject to a 1250 % risk weight	0	0
____(-) Free deliveries which can alternatively be subject to a 1,250 % risk weight	0	0
___(-) Positions in a basket for which an institution cannot determine the risk weight under the IRB approach, and can alternatively be subject to a 1,250 % risk weight	0	0
___(-) Equity exposures under an internal models approach which can alternatively be subject to a 1,250 % risk weight	0	0
___(-) CET1 instruments of financial sector entities where the institution does not have a significant investment	-646	-646
___(-) Deductible deferred tax assets that rely on future profitability and arise from temporary differences	0	0
___(-) CET1 instruments of financial sector entities where the institution has a significant investment	-1,329	0
___(-) Amount exceeding the 17,65 % threshold	0	0
___Other transitional adjustments to CET1 Capital	0	0
___Additional deductions of CET1 Capital due to Article 3 CRR	0	0
___CET1 capital elements or deductions — other	0	0
ADDITIONAL TIER 1 CAPITAL (AT1 CAPITAL)	**0**	**0**
__Capital instruments eligible as AT1 Capital	0	0
___Paid up capital instruments	0	0
____ Memorandum item: Capital instruments not eligible	0	0
____ Share premium	0	0
___(-) Own AT1 instruments	0	0

_____ (-) Direct holdings of AT1 instruments	0	0
_____ (-) Indirect holdings of AT1 instruments	0	0
____ (-) Synthetic holdings of AT1 instruments	0	0
___ (-) Actual or contingent obligations to purchase own AT1 instruments	0	0
___Transitional adjustments due to grandfathered AT1 Capital instruments	0	0
___Instruments issued by subsidiaries that are given recognition in AT1 Capital	0	0
___Transitional adjustments due to additional recognition in AT1 Capital of instruments issued by subsidiaries	0	0
___(-) Reciprocal cross holdings in AT1 Capital	0	0
___(-) AT1 instruments of financial sector entities where the institution does not have a significant investment	0	0
___(-) AT1 instruments of financial sector entities where the institution has a significant investment	0	0
___(-) Excess of deduction from T2 items over T2 Capital	0	0
___Other transitional adjustments to AT1 Capital	0	0
__Excess of deduction from AT1 items over AT1 Capital (deducted in CET1)	0	0
__Additional deductions of AT1 Capital due to Article 3 CRR	0	0
__AT1 capital elements or deductions — other	0	0
_TIER 2 CAPITAL (T2 CAPITAL)	**7,714**	**8,002**
__ Capital instruments and subordinated loans eligible as T2 Capital	5,657	5,657
__Paid up capital instruments and subordinated loans	5,657	5,657
____ Memorandum item: Capital instruments and subordinated loans not eligible	13,237	13,224
____ Share premium	0	0
____ (-) Own T2 instruments	0	0
____(-) Direct holdings of T2 instruments	0	0
___(-) Indirect holdings of T2 instruments	0	0
____ (-) Synthetic holdings of T2 instruments	0	0
___(-) Actual or contingent obligations to purchase own T2 instruments	0	0
__Transitional adjustments due to grandfathered T2 Capital instruments and subordinated loans	0	0
__Instruments issued by subsidiaries that are given recognition in T2 Capital	0	0
__Transitional adjustments due to additional recognition in T2 Capital of instruments issued by subsidiaries	0	0
___IRB Excess of provisions over expected losses eligible	2,058	2,346
__SA General credit risk adjustments	0	0
__(-) Reciprocal cross holdings in T2 Capital	0	0
___(-) T2 instruments of financial sector entities where the institution does not have a significant investment	0	0
___(-) T2 instruments of financial sector entities where the institution has a significant investment	0	0
___Other transitional adjustments to T2 Capital	0	0
__Excess of deduction from T2 items over T2 Capital (deducted in AT1)	0	0
__(-) Additional deductions of T2 Capital due to Article 3 CRR	0	0
__T2 capital elements or deductions — other	0	0

Table 3: Components of own funds under Pillar 1 (K&H Bank and K&H Group)

Leverage ratio	31.12 20141	30.11.2014	31.12.2014
SFT exposure according to CRR 222	305	951	55
Derivatives	83,073	87,591	86,515
Undrawn credit facilities, which may be cancelled unconditionally at any time without notice	94,949	94,670	100,847
Medium/ low risk trade related off-balance sheet items	0	0	0
Medium risk trade related off-balance sheet items and officially supported export finance related off-balance sheet items	0	0	0
Other off-balance sheet items	69,314	43,302	27,421
Other assets	2,626,036	2,502,393	2,574,707
Tier 1 capital	170,966	173,547	163,445
Leverage ratio	**5.98%**	**6.39%**	**5.89%**
Leverage ratio calculated as a simple mathematical average			**6.09%**

Table 4: Leverage ratio (K&H Bank)

Leverage ratio	31.10.2014	30.11.2014	31.12.2014
SFT exposure according to CRR 222	305	951	55
Derivatives	83,073	87,591	86,515
Undrawn credit facilities, which may be cancelled unconditionally at any time without notice	83,095	83,344	83,215
Medium/ low risk trade related off-balance sheet items	0	0	0
Medium risk trade related off-balance sheet items and officially supported export finance related off-balance sheet items	0	0	0
Other off-balance sheet items	81,167	54,628	35,504
Other assets	2,625,309	2,499,983	2,522,570
Tier 1 capital	159,654	164,084	164,050
Leverage ratio	**5.59%**	**6.05%**	**6.05%**
Leverage ratio calculated as a simple mathematical average			**5.90%**

Table 5: Leverage ratio (K&H Group)

ICAAP Strategy, Process (CRR Article 438 /a)

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.

Consequently, a multi-dimensional approach (time, scenarios, etc,) has been developed in line with the best practice of the financial sector. In 2007 KBC developed an ICAAP procedure for the whole group. The procedure contains internal models for measuring capital requirements, more specifically economic capital[2] (see ECap above). This ensures the set funding ratio at KBC, which is associated with the predefined reliability level of default in economic sense.
Under Pillar 2, the KBC Group uses the ECap model to calculate the total economic capital requirement. The model has also been implemented in the K&H Group, K&H calculates ECap for 5 risk types for the same time horizon and confidence level, they are the building blocks of ECap.

[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.

Chapter III – Risk governance and risk management at K&H

(CRR Article 435)

Risk governance

The KBC Group's value and risk management governance model seeks to define the responsibilities and tasks of various bodies and persons within the organization with a view to ensuring the sound management of value creation and of the associated risks to which both the banking and insurance businesses are exposed. The effective risk management process ensures that all the material risks of the institution are addressed.

The K&H governance model defines the responsibilities and tasks required for the management of value creation and of all the associated risks. Similarly to the KBC Group's standards, the K&H Group's risk governance model is organized in three tiers:

Tier I: Overarching company and risk committees

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

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

> 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 (RC)** approves the Bank's remuneration policy as well as the salaries of the Bank's senior managers. (Fringe benefits salaries are regulated by the Bank's remuneration policy.) The Committee has 3 members and met 4 times in 2014.

The management of K&H subsidiaries (Group members) is independent in legal terms. However, adherence to a common 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 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 Bank 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 Bank Group. The CROC can rely on support from one or more Risk Councils that act as advisory forums for specific risk areas. The committee is chaired by the Chief Risk Officer.

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 committee is chaired by the Chief Risk Officer.

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.

Tier II: Specialized risk councils

- **Credit risk council (CRCs).** The CRCs' 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 CRCs are 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 CRCs are chaired by the Bank's Chief Risk Officer.

- **Trading risk council (TRC).** The TRC's role is to assist the ExCo and CROC of K&H Bank Group with the operation, implementation and application of a trading risk management framework that meets the expectations of internal and external stakeholders and complies with applicable laws and regulations. The TRC is the preliminary discussion and advisory forum for all trading risk-related activities of the K&H Bank Group in close collaboration with line management, which is primarily responsible and accountable for trading risk management. The TRC 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. The councils are chaired by senior line managers.

In addition to the above-mentioned committees, the 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 and Eastern Europe and Ireland.

Risk management

Risk management makes it possible for senior management to effectively deal with uncertainty and with the related risks and opportunities, enhancing capacity to build value. Therefore, in both the KBC Group and the K&H Group, risk management is based on the following fundamental principles:

- Value, risk and capital management are closely linked to one another. KBC entities must have adequate capital to be able to deal with any unforeseen consequences of adverse market developments.

- Risk management should be approached from a comprehensive, company-wide angle, taking into account all the risks the company is exposed to and all the activities it engages in. Policies and methodologies must be coherent and consistent throughout the KBC Group.

- Every significant subsidiary is required to adhere to the same risk governance model as the parent company (KBC), which – in terms risk management – is based on the following underlying principles: primary responsibility for value and risk management lies with line management, while a separate organizational unit – operating independently of line management – performs an advisory, supporting and supervisory role.

Risk policy

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 following high-level policies form the basis for risk strategy in the KBC Group:

- Maintain an environment where all significant and material risks are identified, assessed, controlled, managed, reported and monitored.
- Have independent supervision in place to govern risk-taking activities, with clearly established responsibilities and accountability.
- Follow an open risk culture that is designed to effectively facilitate timely risk mitigation.
- Optimize risk-return in a controlled manner at high standards.

The foundations of risk management

In accordance with the policies above, the following basic principles form the foundations of risk management at the KBC Group:

- A single, consistent approach should be taken to value, risk and capital management within the group.
- A single, global risk governance model applies to all entities, in accordance with the proportionality principle.
- Value and risk management has advisory, supporting and monitoring tasks and operates independently of business lines.
- KBC Group implements new risk management techniques as soon as they are considered to be industry standards.

The role of "line management"

According to the risk governance model applied throughout the KBC Group, line management has primary responsibility for value and risk management, which includes the following tasks:

- being accountable for risk management and risks incurred within its area of responsibility to superiors in the management structure and to the senior management of the legal entity;
- ensuring that the risk management framework applicable to its business line is embedded in policies and procedures and communicated to the staff;
- taking measures to manage the risks that are not (yet) addressed in the risk management framework; additionally, reporting shortcomings in compliance with the bottom-up communication line applicable to its business;
- delivering risk data in the required format and by specified deadlines to the local Value and Risk Management unit and ensuring their integrity by performing the specified controls.

The role of "value and risk management"

Value and Risk Management (VRM) is part of the CRO Services Division, and is tasked with resolving value, risk and capital management issues independently of business lines. VRM has an advisory, supporting and supervisory role with respect to risk management according to the KBC Group standards.

Although efficient cooperation between line management and Value and Risk Management is indispensable, Value and Risk Management operates independently of business lines. The Risk Management departments assist business lines in taking calculated risks, thus assuming an advisory, supporting and monitoring role.

The departments report to the CRO and assist the CRO in performing his activities, namely value, risk and capital management. Therefore this organizational unit provides the *"risk control"* function at the different KBC Group entities.

By approving the 2014 "Internal Control Statement" the K&H governing body has confirmed that the risk management system in place is compliant in light of the profile and strategy of the institution. On 26 November 2014 the K&H governing body approved the "Risk Appetite" document, which briefly presents the general risk profile of the institution related to the business strategy it applies, and based on which the risk profile of the institution is in line with the risk appetite defined by the governing body.

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.

Framework for credit risk management and governance at KBC

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.

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: Standard and Poor's: BB; Moody's: Ba1; Fitch: BB+ (credit rating: 4).

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.

In the retail segment, ratings are assigned at pool level, that is, on the basis of 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 behavioral 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).

When preparing its balance sheet, the Group always reviews whether it needs to recognize impairment on its financial assets. A financial asset or a group of financial assets can be considered impaired if – and only if – there are objective external factors that result from events occurring after the purchase of the asset, such events have an impact on the estimated future cash flow of the financial asset or group of financial assets, and such impact can be estimated reliably. The impairment

recognized on financial assets must be used when the asset is derecognized because it is irrecoverable or its title is transferred.
The objective external factors underlying impairment may be the following signals: the borrower or borrower group is facing significant financial difficulties, interest payments or principal repayments are made late or missed, bankruptcy or some other financial restructuring is likely, and where the available data show a tangible decrease in the estimated future cash flow, such as a failure to pay, or economic conditions that correlate with insolvency.

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 Credit Risk Department prepares a report for senior management on the total consolidated loan portfolio of K&H on quarterly basis; the report covers both the retail and non-retail (i.e., corporate 3 SME) segments. The so-called Quarterly Credit Risk portfolio report is intended for the Credit Risk Council and the Country Team.

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

Exposure class (HUF million)		Original exposure pre credit conversion factors	Average exposure
IRB	Central governments and central banks	40,964	10,241
	Institutions	100,443	481
	Corporates	683,571	102
	Small and medium-sized enterprises	471,417	22
	Retail mortgages	541,416	6
	Retail other	39,461	0
Standard	Central governments and central banks	976,732	24,418
	Institutions	30	30
	Corporates	21,934	7
	Retail	17,173	1
	Past due	9,097	2
	Other	142,054	142,054
TOTAL		**3,044,292**	**8**

Table 6: Loan portfolio by exposure class (K&H Bank) CRR Article 442/c

Exposure class (HUF million)		Original exposure pre credit conversion factors	Average exposure
IRB	Central governments and central banks	58,308	530
	Institutions	69,711	719
	Corporates	591,337	88
	Small and medium-sized enterprises	471,417	22
	Retail mortgages	490,615	6
	Retail other	38,811	0
Standard	Central governments and central banks	983,644	19,673
	Institutions	997	249
	Corporates	47,881	14
	Retail	11,229	1
	Past due	9,097	2
	Other	189,679	189,679
TOTAL		**2,962,725**	**7**

Table 7: Loan portfolio by exposure class (K&H Group) CRR Article 442/c

A more detailed breakdown of the loan portfolio is provided in the appendix.

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).

The evolution of credit risk was driven by the following key factors in 2014: the quality of the corporate and SME portfolio improved slightly during the year, mainly as a result of newly disbursed loans, especially those disbursed under the Funding for Growth Scheme (FGS), which increased the performing portfolio. The quality of the FGS portfolio is stable at present, but as only a short time has passed since disbursement, long-term trends are not yet clear.
The quality of the retail portfolio continued to deteriorate in 2014, albeit at a slower rate, then began to stabilize at the end of the year. The disbursement of new loans sped up in Q2, which had a positive impact on credit risk indicators. By the end of the year the new retail mortgage-backed loans offset the natural amortization of the portfolio, so the total portfolio grew slightly.

Credit risk adjustments (CRR Article 442)

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.

HUF million	Opening 01.01.2014	Recognized	Released	Used	Discount effect	FX revaluation	Closing 31.12.2014.
Impairment	118,074	35,619	-21,889	-14,308		4,105	121,601
Provisions	4,243	1,688	-759			188	5,360
Total	**122,317**	**37,307**	**-22,648**	**-14,308**	**0**	**4,293**	**126,961**

Table 8: *Changes in value adjustments and provisions during the year (K&H Bank)*

HUF million	Opening 01.01.2014	Recognized	Released	Used	Discount effect	FX revaluation	Closing 31.12.2014.
Impairment	118,193	70,110	-56,595	-14,311	-726	3,958	120,629
Provisions	3,300	1,928	-766	0	6	191	4,659
Total	**121,493**	**72,038**	**-57,361**	**-14,311**	**-720**	**4,149**	**125,288**

Table 9: *Changes in value adjustments and provisions during the year (K&H Group)*

Exposure class (HUF million)	Original exposure pre credit conversion factors	Value adjustment and provisions
Central governments and central banks	6	6
Corporates	71,990	24,850
Institutions	11,100	853
Retail mortgages	548,175	75,492
Retail other	31,905	11,045
Small and medium-sized enterprises	25,296	17,184
Other	0	0
TOTAL	**688,471**	**129,431**

Table 10: Loan portfolio affected by value adjustments and provisions, by exposure class (K&H Bank)

Exposure class (HUF million)	Original exposure pre credit conversion factors	Value adjustment and provisions
Central governments and central banks	6	5
Corporates	75,857	23,187
Institutions	0	0
Retail mortgages	548,175	73,199
Retail other	31,905	11,045
Small and medium-sized enterprises	25,280	17,182
Other	0	0
TOTAL	**681,223**	**124,619**

Table 11: Loan portfolio affected by value adjustments and provisions, by exposure class (K&H Group)

Continent (HUF million)	Original exposure pre credit conversion factors	Value adjustment and provisions
Central and Eastern Europe	672,586	127,361
Western Europe	15,886	2,070
Asia	0	0
North America	0	0
Latin Amerika	0	0
Middle East	0	0
Australia and Oceania	0	0
Africa	0	0
TOTAL	**688,471**	**129,431**

Table 12: Loan portfolio affected by value adjustments and provisions, by continent (K&H Bank)

Continent (HUF million)	Original exposure pre credit conversion factors	Value adjustment and provisions
Central and Eastern Europe	681,218	124,614
Western Europe	5	5
Asia	0	0
North America	0	0
Latin Amerika	0	0
Middle East	0	0
Australia and Oceania	0	0
Africa	0	0
TOTAL	**681,223**	**124,619**

Table 13: Loan portfolio affected by value adjustments and provisions, by continent (K&H Group)

Country (HUF million)	Original exposure pre credit conversion factors	Value adjustment and provisions
Belgium	15,886	2,070
Hungary	665,666	125,318
Romania	6,920	2,044
TOTAL	**688,471**	**129,431**

Table 14: Loan portfolio affected by value adjustments and provisions, by country (K&H Bank)

Country (HUF million)	Original exposure pre credit conversion factors	Value adjustment and provisions
Belgium	5	5
Hungary	668,492	121,364
Romania	12,726	3,250
TOTAL	**681,223**	**124,619**

Table 15: Loan portfolio affected by value adjustments and provisions, by country (K&H Group)

Sector (HUF million)	Original exposure pre credit conversion factors	Value adjustment and provisions
Agriculture, Farming & Fishing	3,813	3,234
Authorities	6	6
Automotive	1,192	933
Aviation	31,539	505
Beverages	4	4
Building & Construction	4,030	1,805
Chemicals	588	300
Commercial Real Estate	24,527	8,342
Consumer Goods	33	32
Distribution	8,073	5,838
Electricity	5,378	3,784
Electronics	199	188
Finance & Insurance	13,822	2,972
Food Producers	1,500	731
HORECA	4,254	1,706
IT	17	14
Machinery & Heavy Equipment	445	398
Media	57	56
Metals	2,483	2,453
Paper & Pulp	1	1
Private Persons	580,093	86,551
Services	2,531	2,173
Shipping	231	205
Telecom	22	10
Textile & Apparel	61	59
Timber & Wooden Furniture	208	66
Traders	76	54
Water	1,079	614
Other	2,208	6,397
TOTAL	**688,471**	**129,431**

Table 16: Loan portfolio affected by value adjustments and provisions, by sector (K&H Bank)

Sector (HUF million)	Original exposure pre credit conversion factors	Value adjustment and provisions
Agriculture, Farming & Fishing	3,851	3,234
Authorities	6	5
Automotive	1,192	933
Aviation	31,539	505
Beverages	4	4
Building & Construction	4,030	1,805
Chemicals	588	300
Commercial Real Estate	28,347	8,342
Consumer Goods	33	32
Distribution	8,065	5,838
Electricity	5,378	3,784
Electronics	200	188
Finance & Insurance	2,723	2,119
Food Producers	1,500	731
HORECA	4,254	1,706
IT	17	14
Machinery & Heavy Equipment	445	398
Media	57	56
Metals	2,483	2,453
Paper & Pulp	1	1
Private Persons	580,093	84,258
Services	2,531	2,173
Shipping	231	205
Telecom	22	10
Textile & Apparel	61	59
Timber & Wooden Furniture	208	66
Traders	76	54
Water	1,079	614
Other	2,208	4,731
TOTAL	**681,223**	**124,619**

Table 17: Loan portfolio affected by value adjustments and provisions, by sector (K&H Group)

A more detailed breakdown of these figures by exposure class is presented in the appendix.

(HUF million)	2013			2014		
	Expected loss	Impairment and provisions	Credit risk adjustments in the period	Expected loss	Impairment and provisions	Credit risk adjustments in the period
Retail mortgages	79,338	69,632	-16,934	75,729	74,505	-7,922
Retail other	4,479	13,556	-2,313	7,098	12,444	-2,318
Businesses	29,854	38,305	-3,151	28,919	38,340	-4,886
Total	113,671	121,493	-22,398	111,746	125,288	-15,127

Table 18: Estimated and actual losses (K&H Group)

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). In the retail segment the capital requirement is based on in-house estimates of PD, LGD and CCF risk parameters (Advanced IRB approach), while in the non-retail segments the capital requirement is determined using regulatory LGD and CCF parameters calculated by applying the Foundation IRB approach.

(HUF million)	Original exposure pre credit conversion factors	Risk-weighted exposure	Capital requirement
Balance sheet items (1)	2,554,653	934,679	74,774
Off-balance sheet items (2)	489,639	128,052	10,244
Lending (1+2)	**3,044,292**	**1,062,731**	**85,018**
Repos	6,467	765	61
Derivative transactions	86,515	43,856	3,508
TOTAL	**3,137,275**	**1,107,351**	**88,588**

Table 19: Capital requirement of credit risks (K&H Bank)

(HUF million)	Original exposure pre credit conversion factors	Risk-weighted exposure	Capital requirement
Balance sheet items (1)	2,499,439	917,017	73,361
Off-balance sheet items (2)	463,286	118,719	9,498
Lending (1+2)	**2,962,725**	**1,035,736**	**82,859**
Repos	6,467	701	56
Derivative transactions	86,487	45,507	3,641
TOTAL	**3,055,679**	**1,081,945**	**86,556**

Table 20: Capital requirement of credit risks (K&H Group)

Exposure class (HUF million)		Original exposure pre credit conversion factors	Risk-weighted exposure	Capital requirement
IRB	Central governments and central banks	40,964	32,250	2,580
	Institutions	100,443	41,762	3,341
	Corporates	683,571	410,949	32,876
	Small and medium-sized enterprises	471,417	262,984	21,039
	Retail mortgages	541,416	192,732	15,419
	Retail other	39,461	26,141	2,091
Standard	Central governments and central banks	976,732	0	0
	Institutions	30	6	0
	Corporates	21,934	15,783	1,263
	Retail	17,173	12,119	970
	Past due	9,097	966	77
	Other	142,054	67,102	5,368
TOTAL		**3,044,292**	**1,062,794**	**85,023**

Table 21: Capital requirement of the loan portfolio by exposure class (K&H Bank) CRR Article 438

Exposure class (HUF million)		Original exposure pre credit conversion factors	Risk-weighted exposure	Capital requirement
IRB	Central governments and central banks	58,308	50,837	4,067
	Institutions	69,711	26,108	2,089
	Corporates	591,337	350,632	28,051
	Small and medium-sized enterprises	471,417	262,149	20,972
	Retail mortgages	490,615	189,086	15,127
	Retail other	38,811	26,121	2,090
Standard	Central governments and central banks	983,644	0	0
	Institutions	997	483	39
	Corporates	47,881	34,180	2,734
	Retail	11,229	7,661	613
	Past due	9,097	966	77
	Other	189,679	87,515	7,001
TOTAL		**2,962,725**	**1,035,736**	**82,859**

Table 22: Capital requirement of the loan portfolio by exposure class (K&H Group) CRR Article 438

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, 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.

Close-out 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 and mitigation through collateral, however, are not yet used in the capital calculation procedure for OTC derivatives due to system constraints, so they are not included in the table below.

Transaction type	Mark-to-market	Add-on	Counterparty exposure	Notional value of contracts	Capital requirement
Credit derivatives	-	-	-	-	-
CDS bought – trading portfolio	-	-	-,	-	-
CDS sold – trading portfolio	-	-	-,	-	-
Other	-	-	-,	-	-
Interest rate-related transactions	**47,305**	**8,251**	**52,630**	**744,341**	**2,321**
Interest rate swaps	43,265	5,487	45,825	530,297	1,905
Caps/floors	4,041	2,764	6,805	214,043	415
Other	0	0	0	0	0
FX-related transactions	**7,910**	**25,975**	**33,886**	**404,647**	**1,175**
FX forwards	771	4,291	5,062	69,946	491
FX swaps	3,472	4,920	8,392	178,221	241
CIRS	3,564	16,281	19,846	153,095	414
Other	103	483	586	3,386	29
Equity-related transactions	-	-	-	-	-
Equity swaps	-	-	-	-	,-
Equity options	-	-	-	-	,-
Commodity transactions	-	-	-	-	-
TOTAL gross counterparty risk	**55,216**	**34,226**	**86,515**	**1,148,988**	**3,495**
- Netting benefit	-	-	-,	-	-
- Collateral benefit	-	-	-,	-	-
TOTAL net counterparty risk	**55,216**	**34,226**	**86,515**	**1,148,988**	**3,495**

Table 23: Capital requirement of counterparty credit risk (K&H Bank)

Transaction type	Mark-to-market	Add-on	Counterparty exposure	Notional value of contracts	Capital requirement
Credit derivatives	-	-	-	-	-
CDS bought – trading portfolio	-	-	-,	-	-
CDS sold – trading portfolio	-	-	-,	-	-
Other	-	-	-,	-	-
Interest rate-related transactions	**17,677**	**2,903**	**66,388**	**255,017**	**2,964**
Interest rate swaps	14,488	1,347	61,644	119,684	2,667
Caps/floors	3,189	1,556	4,745	135,333	298
Other	0	0	0	0	0
FX-related transactions	**5,845**	**14,254**	**20,099**	**289,833**	**665**
FX forwards	761	3,925	4,685	54,633	410
FX swaps	1,941	3,458	5,399	107,712	115
CIRS	3,081	6,724	9,804	126,163	122
Other	63	147	210	1,325	18
Equity-related transactions	-	-	-	-	-
Equity swaps	-	-	-	-	,-
Equity options	-	-	-	-	,-
Commodity transactions	-	-	-	-	-
TOTAL gross counterparty risk	**23,522**	**17,156**	**86,487**	**544,850**	**3,630**
- Netting benefit	-	-	-,	-	-
- Collateral benefit	-	-	-,	-	-
TOTAL net counterparty risk	**23,522**	**17,156**	**86,487**	**544,850**	**3,630**

Table 24: Capital requirement of counterparty credit risk (K&H Group)

A breakdown of net counterparty risk is provided below by residual maturity, geographic region (i.e. where the counterparty is located), and industry sector.

Net derivative exposure (HUF million)	Original exposure pre credit conversion factors
<1 year	19,973
1 <= <5 years	39,484
5 <= <10 years	27,059
10 <= years	0
TOTAL	**86,515**

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Table 25: Counterparty credit risk by maturity (K&H Bank)

Net derivative exposure (HUF million)	Original exposure pre credit conversion factors
<1 year	58,577
1 <= <5 years	15,586
5 <= <10 years	12,324
10 <= years	0
TOTAL	**86,487**

Table 26: Counterparty credit risk by maturity (K&H Group)

Net derivative exposure (HUF million)	Original exposure pre credit conversion factors
Central and Eastern Europe	32,767
Western Europe	53,749
Asia	0
North America	0
Latin Amerika	0
Middle East	0
Australia and Oceania	0
Africa	0
TOTAL	**86,515**

Table 27: Counterparty credit risk by continent (K&H Bank)

Net derivative exposure (HUF million)	Original exposure pre credit conversion factors
Central and Eastern Europe	80,997
Western Europe	5,490
Asia	0
North America	0
Latin Amerika	0
Middle East	0
Australia and Oceania	0
Africa	0
TOTAL	**86,487**

Table 28: Counterparty credit risk by continent (K&H Group)

Net derivative exposure (HUF million)	Original exposure pre credit conversion factors
Agriculture, Farming & Fishing	2,048
Authorities	11,050
Automotive	695
Aviation	9,599
Beverages	175
Building & Construction	853
Chemicals	119
Commercial Real Estate	893
Consumer Goods	17
Distribution	691
Electricity	170
Electronics	1,124
Finance & Insurance	55,157
Food Producers	1,399
Machinery & Heavy Equipment	11
Media	2
Metals	599
Unidentified	469
Paper & Pulp	673
Private Persons	14
Services	423
Shipping	4
Telecom	225
Textile & Apparel	62
Timber & Wooden Furniture	12
Traders	22
Water	10
Total	**86,515**

Table 29: Counterparty credit risk by sector (K&H Bank)

Net derivative exposure (HUF million)	Original exposure pre credit conversion factors
Agriculture, Farming & Fishing	2,048
Authorities	11,050
Automotive	695
Aviation	9,599
Beverages	175
Building & Construction	853
Chemicals	119
Commercial Real Estate	893
Consumer Goods	17
Distribution	691
Electricity	170
Electronics	1,124
Finance & Insurance	6,423
Food Producers	1,399
Machinery & Heavy Equipment	11
Media	2
Metals	599
Unidentified	49,203
Paper & Pulp	673
Private Persons	14
Services	395
Shipping	4
Telecom	225
Textile & Apparel	62
Timber & Wooden Furniture	12
Traders	22
Water	10
Total	**86,487**

Table 30: Counterparty credit risk by sector (K&H Group)

Application of credit risk mitigation techniques (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), and has not applied close-out netting in capital requirement calculation in relation to counterparty credit risk, either.

With regard to collateral for counterparty risk arising from derivative transactions, collateral is not taken into account in capital requirement calculation due to current K&H system constraints; however, the Bank has a clear internal policy for monitoring and managing collaterals provided to secure derivative transactions. K&H Bank has no credit derivatives.

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 both the Foundation IRB and Advanced IRB approaches. 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.

Exposure class (HUF million)	Cash collateral	Guarantees	Real estate collateral	Total secured by collateral
Central governments and central banks	1,692	275	0	**1,967**
Institutions	0	6	0	**6**
Corporates	3,758	56,120	1,919	**61,797**
SME	21,152	2,900	4,554	**28,606**
Retail mortgage	0	0	548,175	**548,175**
TOTAL	**26,602**	**59,301**	**554,648**	**640,551**

Table 31: Credit risk mitigation by exposure class (K&H Bank)

Exposure class (HUF million)	Cash collateral	Guarantees	Real estate collateral	Total secured by collateral
Central governments and central banks	1,692	424	0	**2,116**
Institutions	0	0	0	**0**
Corporates	6,400	28,919	2,055	**37,374**
SME	24,877	2,890	5,007	**32,774**
Retail mortgage	0	0	548,175	**548,175**
TOTAL	**32,969**	**32,233**	**555,236**	**620,438**

Table 32: Credit risk mitigation by exposure class (K&H Group)

Guarantor	Rating
Central government	
Magyar Export-Import Bank Zrt.	BB+
Hungarian State	BB+
Regional governments and local municipalities	
Cece Village Municipality	BB+
Jánoshalma Town Municipality	BB+
Szeged Municipality	BB+
Pécs City Municipality	BB+
Gádoros Village Municipality	BB+
Lakitelek Village Municipality	BB+
Nagyatád Municipality	BB+
Institutions	
ABN AMRO Bank	A+
Agrár-Vállalkozási Hitelgarancia Alapítvány	BB+
Bank of Valletta	BBB+
Garantiqa Hitelgarancia Zrt.	BB+
OTP Bank	BB
Royal Bank of Scotland	BBB+
UniCredit Bank Hungary Zrt.	BB+

Table 33: Name and rating of guarantors by exposure class

Information on concentrations arising in the course of credit risk mitigation

In this chapter the concentration of credit protection is presented in respect of the types of collateral most often accepted by the Bank for the mitigation of credit risk. As the collaterals pledged to the leasing group represent an insignificant part of the total collateral portfolio, in this document we only disclose the information on the concentration of collaterals accepted to secure loan transactions.

Type of collateral	Total book value (HUF million)
State guarantees	45,065
Bank guarantees	42,015
Unconditional surety guarantees from the central budget	57,474
Other unconditional surety guarantees	336,512
Collateral deposits	49,198
Real estate	1,508,174
Movable properties	323,253
Other liens	510,590
Other	174,102

Table 34: Total book value of collaterals by type (K&H Bank)

Guarantees, unconditional surety guarantees

Guarantees and unconditional (first-loss) surety guarantees make up 15% of the total collateral portfolio. Within this category, other unconditional surety guarantees are the most dominant (11%), unconditional surety guarantees from the central budget represent 2%, while state and bank guarantees account for 1% each. KBC guarantees make up three-fourths of the bank guarantee portfolio.

Mortgages

Mortgages on real estate show significant concentration in both the retail and non-retail portfolios. They account for 50% of the total collateral portfolio at book value. Within mortgages, residential properties make up 47%, commercial properties represent 52%, and other properties account for 1%. Most residential properties pledged as collateral are related to retail mortgage-backed transactions (97%), and only the remaining 3% are linked to non-retail transactions.

Collateral deposits

Collateral deposits make up 2% of the total collateral portfolio. Within that, forint (HUF) deposits represent 86% and other currencies account for 14%.

Internal Rating Based (IRB) models (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. A substantial part of the models was designed by statistical modelling, using the internal data of the Bank, while in the case of segments where fewer observations were available (for example: Country risk PD model, Project Financing PD model) KBC Group level models were introduced.

The Bank determines the default probability of the exposures on product level in the retail segment and on client level in the rest of the segments. The table below presents the IRB systems, broken down by exposure class, applied by the Bank:

Exposure class	Rating model
Central governments and central banks	Country risk model
Credit institutions, investment undertakings	Bank PD model
Corporates	Corporate PD model Large SME PD model Small SME PD model SME behaviour model Municipalities PD model Commercial Real Estate Project PD model Project Financing PD model MBO/LBO PD model Others
Retail	Behavioural PD model and PD pooling model

Table 35: Rating models

The Bank performs the rating of its retail transactions using behavioural scorecards. The behaviour points belonging to the specific transactions are computed automatically in the data warehouse of the Bank, and serve as a basis for the allocation of the exposure to the appropriate risk pools. In the non-retail segments the client rating is established in the course of the credit approval process and the annual reviews. The Bank has a sophisticated automated process in place to identify transactions in default, which ensures that these exposures are assigned to the appropriate risk category. In the case of non-retail exposures the Bank measures the expected default probability on a standardised rating scale.

PD rating	Default probability 1-year time span
1	0.00% - 0.10%
2	0.11% - 0.20%
3	0.21% - 0.40%
4	0.41% - 0.80%
5	0.81% - 1.60%
6	1.61% - 3.20%
7	3.21% - 6.40%
8	6.41% - 12.80%
9	12.81% - 100%
10	exposures in default
11	
12	

Table 36: KBC master scale for rating non-retail clients

In the retail segment the loss given default (LGD) rate was determined by product type and in proportion to the coverage rate. During the calculation of exposure at default, in addition to the application of an internal credit conversion factor (CCF) the Bank makes an additional adjustment to estimate the increase in the exposure of FX-based loans that might result from exchange rate changes.

	Exposure class							
PD scale	**EAD (HUF million) RWA (HUF million) average risk weight (%)**	**Central governments and central banks**	**Institutions**	**Corporates**	**Small and medium-size enterprises**	**Retail mortgage**	**Retail other**	**Total**
01 [0.00% - 0.10%]	EAD	0	66,045	503	235	26,563	597	93,943
	RWA	0	20,054	157	24	1,007	58	21,301
	Average RW	0%	30%	31%	10%	0%	10%	23%
02 [0.10% - 0.20%]	EAD	0	8,008	39	6	55,539	5,602	69,194
	RWA	0	3,611	33	1	3,408	936	7,990
	Average RW	0%	45%	86%	23%	6%	17%	12%
03 [0.20% - 0.40%]	EAD	0	21	114,620	36,183	106,391	8,229	265,444
	RWA	0	14	62,529	13,960	13,769	2,685	92,956
	Average RW	0%	65%	55%	39%	13%	33%	35%
04 [0.40% - 0.80%]	EAD	40,553	10,637	130,975	72,969	34,982	4,275	294,392
	RWA	32,053	8,368	106,425	39,934	7,436	2,047	196,263
	Average RW	79%	79%	81%	55%	21%	48%	67%
05 [0.80% - 1.60%]	EAD	0	3,108	87,551	97,736	71,119	4,666	264,181
	RWA	0	2,101	85,757	71,503	14,464	3,029	176,853
	Average RW	0%	0%	98%	73%	20%	65%	67%
06 [1.60% - 3.20%]	EAD	0	269	78,818	81,212	18,033	5,731	184,063
	RWA	0	252	97,838	70,552	9,816	4,712	183,170
	Average RW	0%	94%	124%	87%	54%	82%	100%
07 [3.20% - 6.40%]	EAD	0	6,349	26,159	36,815	16,593	3,902	89,817
	RWA	0	4,181	34,927	37,012	13,231	3,688	93,039
	Average RW	0%	66%	134%	101%	80%	95%	104%
08 [6.40% - 12.80%]	EAD	0	0	9,066	10,151	21,991	5,186	46,394
	RWA	0	0	16,916	13,267	26,083	5,243	61,508
	Average RW	0%	197%	187%	131%	119%	101%	133%
09 [12.80% - 100.00%]	EAD	0	298	3,629	10,178	64,943	2,366	81,414
	RWA	0	0	7,144	20,032	103,520	3,743	134,439
	Average RW	0%	0%	197%	197%	159%	158%	165%
EAD total		**40,553**	**94,735**	**451,360**	**345,486**	**416,154**	**40,554**	**1,388,842**
RWA total		**32,053**	**38,581**	**411,726**	**266,285**	**192,732**	**26,141**	**967,520**
Average risk weight		**79%**	**41%**	**91%**	**77%**	**46%**	**64%**	**70%**

Table 37: *Average weight of the IRB portfolio broken down by PD pool (K&H Bank)*

		Exposure class						
PD scale	**EAD (HUF million) RWA (HUF million) average risk weight (%)**	**Central governments and central banks**	**Institutions**	**Corporates**	**Small and medium-size enterprises**	**Retail mortgage**	**Retail other**	**Total**
01 [0.00% - 0.10%]	EAD	113	24,385	116	235	0	559	25,408
	RWA	0	12,287	13	23	0	56	12,379
	Average RW	0%	50%	11%	10%	0%	10%	49%
02 [0.10% - 0.20%]	EAD	0	3,627	0	6	41,129	4,990	49,752
	RWA	0	2,414	0	1	3,408	918	6,741
	Average RW	0%	67%	30%	16%	8%	18%	14%
03 [0.20% - 0.40%]	EAD	0	21	108,228	36,277	106,391	8,229	259,147
	RWA	0	20	29,807	14,805	13,769	2,685	61,087
	Average RW	0%	98%	28%	41%	13%	33%	24%
04 [0.40% - 0.80%]	EAD	49,744	2,234	87,843	73,205	34,982	4,275	252,284
	RWA	49,817	2,339	62,564	42,662	7,436	2,047	166,864
	Average RW	100%	105%	71%	58%	21%	48%	66%
05 [0.80% - 1.60%]	EAD	1,695	0	94,960	97,021	71,119	4,666	269,462
	RWA	693	0	88,431	69,520	11,823	3,029	173,496
	Average RW	41%	0%	93%	72%	17%	65%	64%
06 [1.60% - 3.20%]	EAD	145	3	78,904	81,700	18,033	5,731	184,516
	RWA	58	3	103,118	71,667	9,816	4,712	189,374
	Average RW	40%	102%	131%	88%	54%	82%	103%
07 [3.20% - 6.40%]	EAD	207	9,343	29,909	33,827	16,593	3,902	93,780
	RWA	269	9,746	40,890	30,853	13,231	3,688	98,678
	Average RW	130%	104%	137%	91%	80%	95%	105%
08 [6.40% - 12.80%]	EAD	0	0	9,125	10,205	21,991	5,186	46,507
	RWA	0	0	18,367	12,670	26,083	5,243	62,362
	Average RW	0%	176%	201%	124%	119%	101%	134%
09 [12.80% - 100.00%]	EAD	298	0	3,767	10,264	64,943	2,366	81,637
	RWA	0	0	7,442	19,947	103,520	3,743	134,652
	Average RW	0%	0%	198%	194%	159%	158%	165%
EAD total		**52,203**	**39,613**	**412,852**	**342,741**	**375,181**	**39,904**	**1,262,494**
RWA total		**50,837**	**26,809**	**350,632**	**262,149**	**189,086**	**26,121**	**905,633**
Average risk weight		**97%**	**68%**	**85%**	**76%**	**50%**	**65%**	**72%**

Table 38: Average weight of the IRB portfolio broken down by PD pool (K&H Group)

		PD scale									
Exposure class		**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**Total**
Central governments and central banks	EAD	0	0	0	40,553	0	0	0	0	0	**40,553**
	Outstanding amount	0	0	0	40,553	0	0	0	0	0	**40,553**
	Undrawn amount	0	0	0	0	0	0	0	0	0	**0**
	Average CCF - %	0.00%	0.00%	0.00%	100.00%	0.00%	0.00%	0.00%	0.00%	0.00%	**100.00%**
	Average LGD - %	0.00%	0.00%	0.00%	45.00%	0.00%	0.00%	0.00%	0.00%	0.00%	**45.00%**
Institutions	EAD	66,045	8,008	21	10,637	3,108	269	6,349	0	298	**94,735**
	Outstanding amount	50,255	7,675	21	10,579	2,903	266	5,836	0	298	**77,834**
	Undrawn amount	15,790	333	0	58	205	3	513	0	0	**16,901**
	Average CCF - %	78.95%	88.82%	97.66%	72.58%	0.00%	31.98%	95.20%	100.00%	0.00%	**79.39%**
	Average LGD - %	45.00%	45.00%	45.00%	45.00%	0.00%	29.47%	25.62%	45.01%	0.00%	**45.00%**
Corporates	EAD	503	39	114,620	130,975	87,551	78,818	26,159	9,066	3,629	**451,360**
	Outstanding amount	497	39	88,796	106,800	66,831	72,118	22,299	8,601	3,606	**369,587**
	Undrawn amount	6	0	25,823	24,175	20,720	6,700	3,860	465	24	**81,772**
	Average CCF - %	95.73%	0.39%	121.76%	71.94%	72.88%	94.99%	88.29%	92.48%	99.23%	**73.23%**
	Average LGD - %	51.35%	45.00%	44.95%	44.87%	44.88%	44.64%	43.48%	41.79%	48.51%	**45.00%**
Small and medium-size enterprises	EAD	235	6	36,183	72,969	97,736	81,212	36,815	10,151	10,178	**345,486**
	Outstanding amount	201	6	25,154	59,021	81,003	69,754	31,425	8,569	9,238	**284,372**
	Undrawn amount	34	0	11,028	13,948	16,734	11,458	5,390	1,581	940	**61,114**
	Average CCF - %	82.33%	100.00%	87.05%	80.57%	83.53%	87.78%	83.66%	87.63%	94.35%	**81.16%**
	Average LGD - %	45.00%	45.00%	41.87%	43.04%	43.48%	43.09%	40.71%	41.18%	43.58%	**45.00%**
Retail mortgage	EAD	26,563	55,539	106,391	34,982	71,119	18,033	16,593	21,991	64,943	**416,154**
	Outstanding amount	26,563	55,539	106,391	34,982	71,119	18,033	16,593	21,991	64,943	**416,154**
	Undrawn amount	0	0	0	0	0	0	0	0	0	**0**
	Average CCF - %	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	**100.00%**
	Average LGD - %	0.00%	22.65%	25.62%	24.32%	26.83%	24.08%	28.25%	27.46%	27.45%	**45.00%**
Retail other	EAD	597	5,602	8,229	4,275	4,666	5,731	3,902	5,186	2,366	**40,554**
	Outstanding amount	28	134	4,035	2,749	2,785	3,279	2,380	5,020	2,204	**22,614**
	Undrawn amount	568	5,468	4,195	1,526	1,881	2,452	1,522	166	162	**17,940**
	Average CCF - %	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	**100.00%**
	Average LGD - %	56.08%	56.08%	60.30%	57.90%	58.87%	57.59%	60.31%	61.02%	57.47%	**45.00%**

Table 39: Average LGD and CCF of the IRB portfolio (K&H Bank) (CRR Article 452 (e))

		PD scale									
Exposure class		**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**Total**
Central governments and central banks	EAD	113	0	0	49,744	1,695	145	207	0	298	**52,203**
	Outstanding amount	113	0	0	49,742	1,491	145	207	0	298	**51,997**
	Undrawn amount	0	0	0	2	205	0	0	0	0	**206**
	Average CCF - %	100.00%	0.00%	0.00%	92.42%	54.78%	20.52%	57.98%	0.00%	100.00%	**89.42%**
	Average LGD - %	45.00%	0.00%	0.00%	44.65%	20.92%	15.73%	43.15%	0.00%	0.00%	**43.54%**
Institutions	EAD	24,385	3,627	21	2,234	0	3	9,343	0	0	**39,613**
	Outstanding amount	23,749	3,255	21	2,157	0	0	8,823	0	0	**38,005**
	Undrawn amount	636	372	0	77	0	3	520	0	0	**1,608**
	Average CCF - %	67.87%	92.08%	100%	98.54%	0.00%	92.17%	96.60%	100.00%	0.00%	**71.91%**
	Average LGD - %	45.00%	45.00%	45.00%	45.00%	0.00%	45.00%	25.27%	45.01%	0.00%	**43.54%**
Corporates	EAD	116	0	108,228	87,843	94,960	78,904	29,909	9,125	3,767	**412,852**
	Outstanding amount	98	0	82,267	63,694	65,740	72,172	27,298	8,660	3,743	**323,674**
	Undrawn amount	18	0	25,961	24,149	29,220	6,732	2,611	464	24	**89,178**
	Average CCF - %	88.02%	0.39%	96.50%	76.77%	77.71%	94.86%	89.76%	92.51%	99.27%	**75.32%**
	Average LGD - %	51.20%	45.00%	44.94%	44.77%	44.71%	44.64%	42.57%	41.76%	48.37%	**43.54%**
Small and medium-size enterprises	EAD	235	6	36,277	73,205	97,021	81,700	33,827	10,205	10,264	**342,741**
	Outstanding amount	201	6	25,221	59,294	80,340	70,329	28,451	8,626	9,326	**281,793**
	Undrawn amount	34	0	11,056	13,912	16,682	11,371	5,376	1,579	938	**60,948**
	Average CCF - %	82.33%	100.00%	86.72%	80.60%	83.52%	87.92%	83.69%	87.74%	94.39%	**81.16%**
	Average LGD - %	45.00%	45.00%	41.70%	42.96%	43.35%	43.03%	40.27%	41.08%	43.57%	**43.54%**
Retail mortgage	EAD	0	41,129	106,391	34,982	71,119	18,033	16,593	21,991	64,943	**375,181**
	Outstanding amount	0	41,129	106,391	34,982	71,119	18,033	16,593	21,991	64,943	**375,181**
	Undrawn amount	0	0	0	0	0	0	0	0	0	**0**
	Average CCF - %	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	**100.00%**
	Average LGD - %	0.00%	22.65%	25.62%	24.32%	26.83%	24.08%	28.25%	27.46%	27.45%	**43.54%**
Retail other	EAD	559	4,990	8,229	4,275	4,666	5,731	3,902	5,186	2,366	**39,904**
	Outstanding amount	19	27	4,035	2,749	2,785	3,279	2,380	5,020	2,204	**22,498**
	Undrawn amount	539	4,963	4,195	1,526	1,881	2,452	1,522	166	162	**17,406**
	Average CCF - %	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	**100.00%**
	Average LGD - %	56.08%	56.08%	60.30%	57.90%	58.87%	57.59%	60.31%	61.02%	57.47%	**43.54%**

Table 40: Average LGD and CCF of the IRB portfolio (K&H Group) (CRR Article 452 (e))

Use of the rating models in internal processes – use test (CRR Article 452 (b))

Beyond the calculation of the capital requirement of the Bank, IRB parameter estimates are integrated in the following processes and procedures:

- determination of the credit approval authority
- credit-related decision, capital allocation
- provisioning
- portfolio monitoring
- portfolio limits
- pricing
- credit risk stress test

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 (ECap)
- 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 which 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 Treasury and to the local Value and Risk Management by eRIS 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 Audit 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 following table presents the capital requirement of the market risks run by the K&H Group.

Capital requirement of market risk		
Risks	**Position value (HUF million)**	**Capital requirement (HUF million)**
Exposure to bond positions	66,107	1,977
Exposure to shares and investment units	2,655	128
Exchange rate risk	11,326	906
Commodities exchange risk	0	0
TOTAL	**80,088,**	**3,011**

Table 41: Capital requirements of market risks

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

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 the 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 end-to-end, from the identification of the risk up to its reporting. KBC Group implemented a uniform set of tools for applying the processes, risk event types and the methods for mitigating/measuring 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 that may give reason for concern 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 actual (residual) main operational risks posed by critical points, key products, processes and systems, which have not been properly mitigated as yet.

RSAs are forward-looking and allow the Bank to take into account future developments and events. Division heads and the *operational risk managers of the divisions (*LORM) are obliged to plan RSAs for a period of 3 years, using the process definitions of the relevant business area and their own professional experience.

Case Study Assessment (CSA): This assessment was designed to test and evaluation the level of defence against grave operational risk events – which actually occurred in the banking or insurance sector – ensured by the current regulatory environment.

Group key controls
These are the key principles for the uniform management of group-level key risks, and the regulation and mitigation of the material risks inherent in processes defined on KBC Group level. Group Key Controls ensure that significant operational risks are managed in a uniform manner throughout the entire group.

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

Loss Event Database (LED): Since 2004 the 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 adopted a decision to report each and every loss event to the central database, regardless of its amount.

Key Risk Indicators (KRIs): KRIs are metrics or indicators for monitoring exposure to a loss or other potential event. 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 there are no compulsory limits for operational risks, although certain risk limits have been set in respect of the Key Risk Indicators.

Internal risk reporting

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

- 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 which occurred at K&H

The minutes taken at the meetings of the Operational Risk Committee are forwarded to the CROC.

External risk reporting

K&H 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 the K&H Group.

The (consolidated) capital requirement for operational risks is reported to KBC VRM in March each year. In the scope of the statutory reports to the Supervision, K&H regularly advises the 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 2002 the KBC decided to manage its operational risks and calculate the capital requirement of operational risks 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 from the previous chapters – KBC applies the very same 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 three years with a *"beta factor"* assigned by the Capital Requirement Directive to the respective business line.

Operational risk capital requirement (HUF million)	K&H Bank	K&H Group
Standardised approach	19,363	19,310

Table 42: Capital requirement of operational risks

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.

Economic capital (ECap)

KBC Bank decided to apply the so-called parametric VaR method for the calculation of the interest rate risk. According to the method, risk is calculated by shifting the risk factors of the present date (using the parametric method comprising the mean value of the expected yield and the standard deviation) then computing the impact on the value. Thereafter, the risks, broken down to risk factors, are aggregated with the help of a correlation matrix to obtain the VaR.

In general, the VaR model is based on shifts which measure the impact of certain market risks on a pre-determined confidence level.

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 parallel shifts in the yield curve. An internal limit was implemented to put a cap on the BVP of the banking book.

Currency	BPV in HUF million
10 bp parallel, UP scenario	
CHF	-15.47
EUR	167.32
HUF	-1,342.02
USD	1.94
TOTAL	-1,188.26
100 bp parallel, UP scenario	
CHF	-154.25
EUR	1,612.59
HUF	-12,945.89
USD	19.32
TOTAL	-11,468.56
200 bp parallel, UP scenario	
CHF	-307.52
EUR	3,098.84
HUF	-24,898.86
USD	38.37
TOTAL	-22,069.88

Currency	BPV In HUF million
10 bp parallel, DOWN scenario	
CHF	15.48
EUR	-168.72
HUF	1,352.94
USD	-1.95
TOTAL	1,197.78
100 bp parallel, DOWN scenario	
CHF	155.24
EUR	-1,752.68
HUF	14,038.46
USD	-19.59
TOTAL	12,421.72
200 bp parallel, DOWN scenario	
CHF	311.47
EUR	-3,660.83
HUF	29,280.73
USD	-,39.47
TOTAL	25,892.47

Table 43: Stress test results of the banking book positions

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 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, up to the full utilisation of the buffer. During the year the BPV limit was raised.

Both the Board of Directors and the Audit 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.

Liquidity risk

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. In the second half of 2009 a more sophisticated liquidity framework system was implemented 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 highly liquid intra-day security.

Structural liquidity risk

The Bank manages structural liquidity through the loan-to-deposit ratio (LTD), the balance sheet coverage ratio, the deposit coverage 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 liquidity reserve 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 time 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.

Chapter IV – Remuneration policy

K&H publishes the remuneration policy applicable to all organisational units and employees of the Bank, and the employees of the subsidiaries K&H Csoportszolgáltató Kft., K&H Befektetési Alapkezelő Zrt. and K&H Faktor 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 4.2 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 the eligibility for phantom shares, the variable part of remuneration and options is based on can be found in chapters 2.1–3.4. The characteristics and conditions of performance remuneration and other non-cash remuneration can be found in Chapter 1.

The following tables show all quantitative information about 2014 remunerations.

Gross wages and bonuses including cafeteria remuneration as broken down by division, 2014	
Division	**Gross wage, cafeteria, bonus (HUF million)**
Retail Banking Division	2,118
Retail Banking Division – network	8,766
Corp. Institutional Banking Division	1,593
Corp. Institutional Banking Division – network	1,340
Markets Directorate	521
CEO	1,121
CRO Services Division	1,052
Finance and Corporate, SME Credit Management Division	1,690
Banking and Investment Division	1,757
Other	0
K&H Bank Zrt. total	**19,960**
K&H Csoportszolgáltató	787
K&H Faktor	85
K&H Alapkezelő	316
K&H Banking Group total	**21,147**

Table 44: Gross remuneration in 2014

Remuneration of persons in executive positions, 2014	
Number of persons receiving remuneration	7
Standard remuneration (HUF million)	421.4
Performance remuneration (HUF million)	106.3
of which: cash (HUF million)	57.8
of which: phantom shares (HUF million)	48.5
Payments related to new employment contracts (number, HUF million)	0, n/a

Table 45: Remuneration of persons in executive positions in 2014

Deferred remuneration of persons in executive positions, 2014 (HUF million)	
Deferred but earned (phantom shares)	24.5
Deferred but not yet earned eligibility	47.9
Deferred remuneration awarded in 2014, paid and adjusted by performance	33.9

Table 46: Deferred remuneration of persons in executive positions relating to 2014

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).

2 members of the management body hold membership on the Board of Directors.

Chapter V – Appendix

List of abbreviations

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

Shares

	Direct, at net value	Indirect	Financial institutions, investment enterprises, insurance companies (PIBB)	Additional enterprise	Regulatory capital adjustment due to PIBB	Net value of all investments
financial company	1,969	0	1,969	0	1,969	0
insurance company	0	0	0	0	0	0
other domestic company	3,100	0	0	60	0	3,100
foreign financial company	6	0	6	0	6	0
foreign insurance company	0	0	0	0	0	0
other foreign company	0	0	0	0	0	0
Total	**5,075**	**0**	**1,975**	**60**	**1,975**	**3,100**

Table 47: K&H Bank shares CRR Article 447

Detailed breakdown of K&H Bank's loan portfolio

Maturity (HUF million)	Central government and central bank	Corporates	Institutions	Retail mortgage	Retail other	Small- and medium-sized enterprises	Other	Total
<1 year	460,202	244,581	22,968	48,108	29,555	186,969	142,054	**1,134,438**
1 <= <5 years	247,908	245,398	39,629	30,134	24,308	155,297	0	**742,674**
5 <= <10 years	238,619	123,326	33,888	93,924	1,824	69,100	0	**560,681**
10 <= years	70,968	92,250	3,988	369,250	9,993	60,051	0	**606,500**
TOTAL	**1,017,696**	**705,556**	**100,473**	**541,416**	**65,680**	**471,417**	**142,054**	**3,044,292**

Table 48: Lending portfolio broken down by maturity and exposure class (K&H Bank) CRR Article 442(f)

Maturity (HUF million)	Central government and central bank	Corporates	Institutions	Retail mortgage	Retail other	Small- and medium-sized enterprises	Other	Total
<1 year	470,470	242,045	45,762	48,108	22,961	187,075	189,679	**1,206,100**
1 <= <5 years	256,681	245,182	3,726	30,134	24,308	155,200	0	**715,229**
5 <= <10 years	242,669	101,237	20,813	43,123	1,824	69,091	0	**478,757**
10 <= years	72,133	50,805	407	369,250	9,993	60,051	0	**562,638**
TOTAL	**1,041,952**	**639,268**	**70,708**	**490,615**	**59,086**	**471,417**	**189,679**	**2,962,725**

Table 49: Lending portfolio broken down by maturity and exposure class (K&H Group) CRR Article 442(f)

Continent (HUF million)	Central government and central bank	Corporates	Institutions	Retail mortgage	Retail other	Small- and medium-sized enterprises	Other	Total
Africa	0	0	13	0	0	0	0	**13**
Asia	0	0	340	0	0	0	0	**340**
Central and Eastern Europe	1,017,696	654,524	41,150	541,416	65,680	470,605	142,054	**2,933,125**
Middle East	0	0	350	0	0	0	0	**350**
North America	0	138	19,781	0	0	220	0	**20,139**
Australia and Oceania	0	0	527	0	0	0	0	**527**
Western Europe	0	50,894	38,313	0	0	591	0	**89,798**
TOTAL	**1,017,696**	**705,556**	**100,473**	**541,416**	**65,680**	**471,417**	**142,054**	**3,044,292**

Table 50*:* Lending portfolio broken down by continent and exposure class (K&H Bank) CRR Article 442(d)

Continent (HUF million)	Central government and central bank	Corporates	Institutions	Retail mortgage	Retail other	Small- and medium-sized enterprises	Other	Total
Africa	0	0	13	0	0	0	0	**13**
Asia	0	0	333	0	0	0	0	**333**
Central and Eastern Europe	1,041,952	604,639	48,199	490,615	59,086	470,572	189,679	**2,904,741**
Middle East	0	0	350	0	0	0	0	**350**
North America	0	77	8,333	0	0	283	0	**8,694**
Australia and Oceania	0	0	527	0	0	0	0	**527**
Western Europe	0	34,552	12,953	0	0	561	0	**48,066**
TOTAL	**1,041,952**	**639,268**	**70,708**	**490,615**	**59,086**	**471,417**	**189,679**	**2,962,725**

Table 51: Lending portfolio broken down by continent and exposure class (K&H Group) CRR Article 442(d)

Country (HUF million)	Central government and central bank	Corporates	Institutions	Retail mortgage	Retail other	Small- and medium-sized enterprises	Other	Total
Australia	0	0	527	0	0	0	0	**527**
Austria	0	4,160	50	0	0	26	0	**4,235**
Belgium	0	28,638	23,769	0	0	41	0	**52,447**
British Virgin Islands	0	0	0	0	0	0	0	**0**
Canada	0	0	970	0	0	0	0	**970**
Cyprus	0	0	0	0	0	0	0	**0**
Czech Republic	0	0	4,118	0	0	0	0	**4,118**
Denmark	0	0	83	0	0	0	0	**83**
France	0	176	3,079	0	0	0	0	**3,255**
Germany	0	0	2,390	0	0	130	0	**2,520**

Hong Kong	0	0	20	0	0	0	0	**20**
Hungary	1,017,696	647,245	33,940	541,416	65,680	468,558	142,054	**2,916,590**
India	0	0	63	0	0	0	0	**63**
Ireland	0	13,210	0	0	0	0	0	**13,210**
Italy	0	488	0	0	0	0	0	**488**
Japan	0	0	250	0	0	0	0	**250**
Luxemburg	0	197	3,988	0	0	0	0	**4,185**
Malta	0	0	0	0	0	177	0	**177**
Morocco	0	0	0	0	0	0	0	**0**
the Netherlands	0	3,985	490	0	0	218	0	**4,693**
New Zealand	0	0	0	0	0	0	0	**0**
Norway	0	0	280	0	0	0	0	**280**
Poland	0	358	82	0	0	0	0	**440**
Qatar	0	0	38	0	0	0	0	**38**
Kazakhstan	0	0	53	0	0	0	0	**53**
Romania	0	6,920	233	0	0	315	0	**7,468**
Russian Federation	0	0	605	0	0	0	0	**605**
Singapore	0	0	6	0	0	0	0	**6**
Slovakia	0	0	2,119	0	0	1,732	0	**3,851**
Sweden	0	0	308	0	0	0	0	**308**
Switzerland	0	41	2,045	0	0	0	0	**2,086**
Tunisia	0	0	13	0	0	0	0	**13**
Turkey	0	0	153	0	0	0	0	**153**
Ukraine	0	0	0	0	0	0	0	**0**
United Arab Emirates	0	0	160	0	0	0	0	**160**
United Kingdom	0	0	1,832	0	0	0	0	**1,832**
United States of America	0	138	18,811	0	0	220	0	**19,169**
Total	**1,017,696**	**705,556**	**100,473**	**541,416**	**65,680**	**471,417**	**142,054**	**3,044,292**

Table 52: Lending portfolio broken down by country and exposure class (K&H Bank) CRR Article 442(d)

Country (HUF million)	Central government and central bank	Corporates	Institutions	Retail mortgage	Retail other	Small- and medium-sized enterprises	Other	Total
Australia	0	0	527	0	0	0	0	**527**
Austria	0	15,496	50	0	0	26	0	**15,571**
Belgium	0	1,111	881	0	0	0	0	**1,992**
British Virgin Islands	0	0	0	0	0	0	0	**0**
Canada	0	0	970	0	0	0	0	**970**
Cyprus	0	0	0	0	0	0	0	**0**
Czech Republic	0	0	0	0	0	0	0	**0**
Denmark	0	0	83	0	0	0	0	**83**
France	0	0	606	0	0	0	0	**606**
Germany	0	24	2,390	0	0	130	0	**2,544**
Hong Kong	0	0	20	0	0	0	0	**20**
Hungary	1,041,952	591,554	47,226	490,615	59,086	468,525	189,679	**2,888,636**
India	0	0	63	0	0	0	0	**63**
Ireland	0	13,210	0	0	0	0	0	**13,210**
Italy	0	488	0	0	0	0	0	**488**
Japan	0	0	250	0	0	0	0	**250**
Luxemburg	0	197	3,988	0	0	0	0	**4,185**
Malta	0	0	0	0	0	214	0	**214**
Morocco	0	0	0	0	0	0	0	**0**
the Netherlands	0	3,985	490	0	0	192	0	**4,668**
New Zealand	0	0	0	0	0	0	0	**0**
Norway	0	0	280	0	0	0	0	**280**
Poland	0	358	82	0	0	0	0	**440**

Qatar	0	0	38	0	0	0	0	**38**
Kazakhstan	0	0	53	0	0	0	0	**53**
Romania	0	12,726	233	0	0	315	0	**13,274**
Russian Federation	0	0	605	0	0	0	0	**605**
Singapore	0	0	0	0	0	1,732	0	**1,732**
Slovakia	0	0	308	0	0	0	0	**308**
Sweden	0	41	2,045	0	0	0	0	**2,087**
Switzerland	0	0	13	0	0	0	0	**13**
Tunisia	0	0	153	0	0	0	0	**153**
Turkey	0	0	0	0	0	0	0	**0**
Ukraine	0	0	160	0	0	0	0	**160**
United Arab Emirates	0	0	1,832	0	0	0	0	**1,832**
United Kingdom	0	77	7,363	0	0	283	0	**7,723**
TOTAL	**1,041,952**	**639,268**	**70,708**	**490,615**	**59,086**	**471,417**	**189,679**	**2,962,725**

Table *53:* Lending portfolio broken down by country and exposure class (K&H Group) CRR Article 442(d)

PD scale	Country (HUF million)	EAD (HUF million)
01 [0.00% - 0.10%]	Belgium	34,147
	Hungary	59,796
	Romania	0
02 [0.10% - 0.20%]	Belgium	2,005
	Hungary	66,956
	Romania	233
03 [0.20% - 0.40%]	Belgium	82
	Hungary	265,047
	Romania	315
04	Belgium	0

PD scale	Country (HUF million)	EAD (HUF million)
01 [0.00% - 0.10%]	Belgium	881
	Hungary	24,527
	Romania	0
02 [0.10% - 0.20%]	Belgium	0
	Hungary	49,519
	Romania	233
03 [0.20% - 0.40%]	Belgium	82
	Hungary	258,751
	Romania	315
04	Belgium	0

[0.40% - 0.80%]	Hungary	294,392
	Romania	0
05 [0.80% - 1.60%]	Belgium	0
	Hungary	264,181
	Romania	0
06 [1.60% - 3.20%]	Belgium	0
	Hungary	184,063
	Romania	0
07 [3.20% - 6.40%]	Belgium	1,024
	Hungary	88,793
	Romania	0
08 [6.40% - 12.80%]	Belgium	0
	Hungary	46,394
	Romania	0
09 [12.80% - 100.00%]	Belgium	0
	Hungary	81,414
	Romania	0
DEFAULT [100.00%]	Belgium	0
	Hungary	188,046
	Romania	6,920
EAD total		**1,583,808**

Table *54:* Credit risk exposures by relevant geographical location (K&H Bank)

CRR Article 442(d)

[0.40% - 0.80%]	Hungary	252,284
	Romania	0
05 [0.80% - 1.60%]	Belgium	0
	Hungary	269,462
	Romania	0
06 [1.60% - 3.20%]	Belgium	0
	Hungary	184,516
	Romania	0
07 [3.20% - 6.40%]	Belgium	1,024
	Hungary	92,756
	Romania	0
08 [6.40% - 12.80%]	Belgium	0
	Hungary	46,507
	Romania	0
09 [12.80% - 100.00%]	Belgium	0
	Hungary	81,637
	Romania	0
DEFAULT [100.00%]	Belgium	0
	Hungary	182,287
	Romania	12,726
EAD total		**1,457,507**

Table *55:* Credit risk exposures by relevant geographical location (K&H Group)

Sector (HUF million)	Central government and central bank	Corporates	Institutions	Retail mortgage	Retail other	Small- and medium-sized enterprises	Other	Total
Agricult., Land cult. and Fishing	0	31,732	0	0	0	93,725	0	**125,457**
Authorities	1,017,696	0	17,339	0	0	0	0	**1,035,035**
Car industry	0	58,485	0	0	0	20,111	0	**78,596**
Aeronautics	0	31,529	0	0	0	1,017	0	**32,547**
Beverage manufacturing	0	1,721	0	0	0	8,208	0	**9,929**
Construction industry and building development	0	48,658	0	0	0	29,967	0	**78,626**
Chemical industry	0	51,374	0	0	0	16,210	0	**67,584**
Commercial real properties	0	54,691	0	0	0	12,757	0	**67,448**
Consumer goods	0	102	0	0	0	3,575	0	**3,677**
Distribution	0	50,639	0	0	0	125,657	0	**176,296**
Electric industry	0	32,170	0	0	0	7,511	0	**39,680**
Electrotechnology	0	9,695	0	0	0	14,055	0	**23,751**
Financials and insurance	0	84,688	83,135	0	0	9,977	0	**177,800**
Food production	0	32,994	0	0	0	30,838	0	**63,832**
Hotel and catering industry	0	30,008	0	0	0	1,487	0	**31,495**
Information Technology	0	452	0	0	0	223	0	**675**
Machine industry and heavy equipment	0	2,614	0	0	0	8,318	0	**10,932**
Media	0	139	0	0	0	1,395	0	**1,534**
Metal industry	0	6,190	0	0	0	23,535	0	**29,725**
Oil, gas and other fuels	0	40,297	0	0	0	101	0	**40,398**
Paper and cellulose	0	23,485	0	0	0	4,857	0	**28,343**
Private individual	0	86	0	541,416	65,680	23	0	**607,205**
Services	0	51,859	0	0	0	39,503	0	**91,362**
Transport	0	1,012	0	0	0	2,355	0	**3,367**

Telecommunication	0	26,826	0	0	0	613	0	**27,439**
Textile and clothes	0	654	0	0	0	2,612	0	**3,265**
Timber and wood furniture	0	6,747	0	0	0	3,075	0	**9,822**
Tobacco industry	0	1,606	0	0	0	0	0	**1,606**
Traders	0	6,836	0	0	0	2,847	0	**9,683**
Water	0	12,454	0	0	0	6,729	0	**19,184**
Unidentified	0	5,813	0	0	0	135	142,054	**148,001**
TOTAL	**1,017,696**	**705,556**	**100,473**	**541,416**	**65,680**	**471,417**	**142,054**	**3,044,292**

Table 56: Lending portfolio broken down by sector and exposure class (K&H Bank) CRR Article 442(e)

Sector (HUF million)	Central government and central bank	Corporates	Institutions	Retail mortgage	Retail other	Small- and medium-sized enterprises	Other	Total
Agricult., Land cult. and Fishing	0	31,776	0	0	0	93,681	0	**125,457**
Authorities	1,041,952	0	0	0	0	0	0	**1,041,952**
Automobile industry	0	58,688	0	0	0	20,101	0	**78,789**
Aeronautics	0	31,529	0	0	0	1,017	0	**32,547**
Beverage manufacturing	0	2,087	0	0	0	8,208	0	**10,295**
Construction industry and building development	0	49,082	0	0	0	29,979	0	**79,061**
Chemical industry	0	51,734	0	0	0	16,209	0	**67,943**
Commercial real properties	0	54,707	0	0	0	12,757	0	**67,464**
Consumer goods	0	102	0	0	0	3,574	0	**3,677**
Distribution	0	22,279	0	0	0	125,732	0	**148,011**
Electric industry	0	32,170	0	0	0	7,511	0	**39,680**
Electrotechnology	0	9,743	0	0	0	14,054	0	**23,797**
Financials and insurance	0	41,392	70,708	0	0	9,977	0	**122,077**
Food production	0	33,104	0	0	0	30,818	0	**63,922**

Hotel and catering industry	0	30,019	0	0	0	1,476	0	**31,495**
Information Technology	0	452	0	0	0	223	0	**675**
Machine industry and heavy equipment	0	3,169	0	0	0	8,316	0	**11,486**
Media	0	139	0	0	0	1,395	0	**1,534**
Metal industry	0	6,244	0	0	0	23,519	0	**29,763**
Oil, gas and other fuels	0	40,297	0	0	0	101	0	**40,398**
Paper and cellulose	0	23,594	0	0	0	4,857	0	**28,451**
Private individual	0	86	0	490,615	59,086	23	0	**549,810**
Services	0	39,139	0	0	0	39,555	0	**78,694**
Transport	0	16,968	0	0	0	2,354	0	**19,322**
Telecommunication	0	26,829	0	0	0	613	0	**27,441**
Textile and clothes	0	654	0	0	0	2,611	0	**3,265**
Timber and wood furniture	0	6,754	0	0	0	3,075	0	**9,829**
Tobacco industry	0	1,606	0	0	0	0	0	**1,606**
Traders	0	6,867	0	0	0	2,816	0	**9,683**
Water	0	12,565	0	0	0	6,729	0	**19,294**
Unidentified	0	5,494	0	0	0	135	189,679	**195,307**
TOTAL	**1,041,952**	**639,268**	**70,708**	**490,615**	**59,086**	**471,417**	**189,679**	**2,962,725**

Table 57: Lending portfolio broken down by sector and exposure class (K&H Group) CRR Article 442(e)

Detailed breakdown of the credit portfolio affected by provisions raised for credit losses

Sector (HUF million)	Central government and central bank	Corporates	Institutions	Retail mortgage	Retail other	Small- and medium-sized enterprises	Other	Total
Agriculture, Land cultivation and Fishing	0	2,026	0	0	0	1,786	0	**3,813**
Authorities	6	0	0	0	0	0	0	**6**
Automobile industry	0	579	0	0	0	614	0	**1,192**
Aeronautics	0	31,498	0	0	0	40	0	**31,539**
Beverage manufacturing	0	0	0	0	0	4	0	**4**
Construction industry and building development	0	3,340	0	0	0	690	0	**4,030**
Chemical industry	0	2	0	0	0	586	0	**588**
Commercial real properties	0	22,286	0	0	0	2,241	0	**24,527**
Consumer goods	0	21	0	0	0	12	0	**33**
Distribution	0	3,291	0	0	0	4,781	0	**8,073**
Electric industry	0	0	0	0	0	5,378	0	**5,378**
Electrotechnology	0	14	0	0	0	185	0	**199**
Financials and insurance	0	223	11,100	0	0	2,500	0	**13,822**
Food production	0	315	0	0	0	1,185	0	**1,500**
Hotel and catering industry	0	4,152	0	0	0	102	0	**4,254**
Information Technology	0	7	0	0	0	10	0	**17**
Machine industry and heavy equipment	0	118	0	0	0	327	0	**445**
Media	0	6	0	0	0	52	0	**57**
Metal industry	0	141	0	0	0	2,341	0	**2,483**
Paper and cellulose	0	1	0	0	0	0	0	**1**
Private individual	0	13	0	548,175	31,905	0	0	**580,093**

Services	0	469	0	0	0	2,062	0	**2,531**
Transport	0	68	0	0	0	163	0	**231**
Telecommunication	0	7	0	0	0	15	0	**22**
Textile and clothes	0	8	0	0	0	53	0	**61**
Timber and wood furniture	0	61	0	0	0	147	0	**208**
Traders	0	61	0	0	0	15	0	**76**
Water	0	1,079	0	0	0	0	0	**1,079**
Other	0	2,203	0	0	0	5	0	**2,208**
TOTAL	6	71,990	11,100	548,175	31,905	25,296	0	**688,471**

Table 58: Breakdown of the lending portfolio affected by value adjustments and provisions by sector and exposure class (K&H Bank) – original exposure prior to credit conversion factors CRR Article 442(e)

Sector (HUF million)	**Central government and central bank**	**Corporates**	**Institutions**	**Retail mortgage**	**Retail other**	**Small- and medium-sized enterprises**	**Other**	**Total**
Agriculture, Land cultivation and Fishing	0	2,065	0	0	0	1,786	0	**3,851**
Authorities	6	0	0	0	0	0	0	**6**
Automobile industry	0	579	0	0	0	614	0	**1,192**
Aeronautics	0	31,498	0	0	0	40	0	**31,539**
Beverage manufacturing	0	0	0	0	0	4	0	**4**
Construction industry and building development	0	3,340	0	0	0	690	0	**4,030**
Chemical industry	0	2	0	0	0	586	0	**588**
Commercial real properties	0	26,106	0	0	0	2,241	0	**28,347**
Consumer goods	0	21	0	0	0	12	0	**33**
Distribution	0	3,298	0	0	0	4,767	0	**8,065**
Electric industry	0	0	0	0	0	5,378	0	**5,378**
Electrotechnology	0	15	0	0	0	185	0	**200**

Financials and insurance	0	223	0	0	0	2,500	0	**2,723**
Food production	0	315	0	0	0	1,185	0	**1,500**
Hotel and catering industry	0	4,152	0	0	0	102	0	**4,254**
Information Technology	0	7	0	0	0	10	0	**17**
Machine industry and heavy equipment	0	118	0	0	0	327	0	**445**
Media	0	6	0	0	0	52	0	**57**
Metal industry	0	141	0	0	0	2,341	0	**2,483**
Paper and cellulose	0	1	0	0	0	0	0	**1**
Private individual	0	13	0	548,175	31,905	0	0	**580,093**
Services	0	469	0	0	0	2,062	0	**2,531**
Transport	0	68	0	0	0	163	0	**231**
Telecommunication	0	7	0	0	0	15	0	**22**
Textile and clothes	0	8	0	0	0	53	0	**61**
Timber and wood furniture	0	61	0	0	0	147	0	**208**
Traders	0	61	0	0	0	15	0	**76**
Water	0	1,079	0	0	0	0	0	**1,079**
Other	0	2,203	0	0	0	5	0	**2,208**
TOTAL	**6**	**75,857**	**0**	**548,175**	**31,905**	**25,280**	**0**	**681,223**

Table 59: Breakdown of the lending portfolio affected by value adjustments and provisions by sector and exposure class (K&H Group) – original exposure prior to credit conversion factors CRR Article 442(e)

Sector (HUF million)	Central government and central bank	Corporates	Institutions	Retail mortgage	Retail other	Small- and medium-sized enterprises	Other	Total
Agriculture, Land cultivation and Fishing	0	1,933	0	0	0	1,302	0	**3,234**
Authorities	6	0	0	0	0	0	0	**6**
Automobile industry	0	514	0	0	0	418	0	**933**
Aeronautics	0	476	0	0	0	29	0	**505**
Beverage manufacturing	0	0	0	0	0	4	0	**4**
Construction industry and building development	0	1,194	0	0	0	611	0	**1,805**
Chemical industry	0	0	0	0	0	300	0	**300**
Commercial real properties	0	7,805	0	0	0	537	0	**8,342**
Consumer goods	0	20	0	0	0	12	0	**32**
Distribution	0	2,887	0	0	0	2,951	0	**5,838**
Electric industry	0	0	0	0	0	3,784	0	**3,784**
Electrotechnology	0	11	0	0	0	177	0	**188**
Financials and insurance	0	219	853	0	0	1,900	0	**2,972**
Food production	0	303	0	0	0	428	0	**731**
Hotel and catering industry	0	1,650	0	0	0	56	0	**1,706**
Information Technology	0	7	0	0	0	7	0	**14**
Machine industry and heavy equipment	0	106	0	0	0	292	0	**398**
Media	0	4	0	0	0	52	0	**56**
Metal industry	0	129	0	0	0	2,323	0	**2,453**
Paper and cellulose	0	1	0	0	0	0	0	**1**
Private individual	0	13	0	75,492	11,045	0	0	**86,551**
Services	0	430	0	0	0	1,742	0	**2,173**
Transport	0	64	0	0	0	142	0	**205**

Telecommunication	0	7	0	0	0	2	0	**10**
Textile and clothes	0	7	0	0	0	52	0	**59**
Timber and wood furniture	0	15	0	0	0	50	0	**66**
Traders	0	47	0	0	0	7	0	**54**
Water	0	614	0	0	0	0	**0**	**614**
Other	0	6,392	0	0	0	5	0	**6,397**
TOTAL	**6**	**24,850**	**853**	**75,492**	**11,045**	**17,184**	**0**	**129,431**

Table 60: Breakdown of the lending portfolio affected by value adjustments and provisions by sector and exposure class (K&H Bank) – value adjustments and provisions CRR Article 442(e)

Sector (HUF million)	Central government and central bank	Corporates	Institutions	Retail mortgage	Retail other	Small- and medium-sized enterprises	Other	Total
Agriculture, Land cultivation and Fishing	0	1,933	0	0	0	1,302	0	**3,234**
Authorities	5	0	0	0	0	0	0	**5**
Automobile industry	0	514	0	0	0	418	0	**933**
Aeronautics	0	476	0	0	0	29	0	**505**
Beverage manufacturing	0	0	0	0	0	4	0	**4**
Construction industry and building development	0	1,194	0	0	0	611	0	**1,805**
Chemical industry	0	0	0	0	0	300	0	**300**
Commercial real properties	0	7,805	0	0	0	537	0	**8,342**
Consumer goods	0	20	0	0	0	12	0	**32**
Distribution	0	2,890	0	0	0	2,949	0	**5,838**
Electric industry	0	0	0	0	0	3,784	0	**3,784**
Electrotechnology	0	11	0	0	0	177	0	**188**
Financials and insurance	0	219	0	0	0	1,900	0	**2,119**
Food production	0	303	0	0	0	428	0	**731**

Hotel and catering industry	0	1,650	0	0	0	56	0	**1,706**
Information Technology	0	7	0	0	0	7	0	**14**
Machine industry and heavy equipment	0	106	0	0	0	292	0	**398**
Media	0	4	0	0	0	52	0	**56**
Metal industry	0	129	0	0	0	2,323	0	**2,453**
Paper and cellulose	0	1	0	0	0	0	0	**1**
Private individual	0	13	0	73,199	11,045	0	0	**84,258**
Services	0	430	0	0	0	1,742	0	**2,173**
Transport	0	64	0	0	0	142	0	**205**
Telecommunication	0	7	0	0	0	2	0	**10**
Textile and clothes	0	7	0	0	0	52	0	**59**
Timber and wood furniture	0	15	0	0	0	50	0	**66**
Traders	0	47	0	0	0	7	0	**54**
Water	0	614	0	0	0	0	**0**	**614**
Other	0	4,726	0	0	0	5	0	**4,731**
TOTAL	**5**	**23,187**	**0**	**73,199**	**11,045**	**17,182**	**0**	**124,619**

Table 61: Breakdown of the lending portfolio affected by value adjustments and provisions by sector and exposure class (K&H Group) – value adjustments and provisions CRR Article 442(e)

	Not overdue			Overdue			Impaired			Total		
Exposure class (HUF million)	Original exposure prior to credit conversion factors	Impairment and provision	Credit risk adjustments within the period	Original exposure prior to credit conversion factors	Impairment and provision	Credit risk adjustments within the period	Original exposure prior to credit conversion factors	Impairment and provision	Credit risk adjustments within the period	Original exposure prior to credit conversion factors	Impairment and provision	Credit risk adjustments within the period
Central governments and central banks	1,017,690	0	0	0	0	0	6	6	-4	1,017,696	6	-4
Corporates	628,549	4,673	-580	1,626	557	-538	75,381	19,620	-5,280	705,556	24,850	-6,398
Institutions	89,361	0	-27	12	0	0	11,100	853	-1,554	100,473	853	-1,581
Retail, secured by real property	356,704	6,577	2,461	71,024	6,437	1,779	113,687	62,478	-15,424	541,416	75,492	-11,183
Retail, other	61,159	9,472	-1,474	3,053	333	-128	1,468	1,240	-613	65,680	11,045	-2,215
Small- and medium-sized enterprises	443,696	0	-857	1,591	0	-3	26,130	17,184	-2,280	471,417	17,184	-3,140
Other	142,054	0	0	0	0	0	0	0	0	142,054	0	0
Total	**2,739,214**	**20,721**	**-477**	**77,307**	**7,328**	**1,109**	**227,771**	**101,382**	**-25,155**	**3,044,292**	**129,431**	**-24,522**

Table 62: Overdue and not overdue exposures by exposure class (K&H Bank)

	Not overdue			Overdue			Impaired			Total		
Exposure class (HUF million)	Original exposure prior to credit conversion factors	Impairment and provision	Credit risk adjustments within the period	Original exposure prior to credit conversion factors	Impairment and provision	Credit risk adjustments within the period	Original exposure prior to credit conversion factors	Impairment and provision	Credit risk adjustments within the period	Original exposure prior to credit conversion factors	Impairment and provision	Credit risk adjustments within the period
Central governments and central banks	1,041,708	0	-10	12	0	0	232	5	-3	1,041,952	5	-14
Corporates	562,082	3,007	-618	1,628	557	-538	75,557	19,623	-5,278	639,268	23,187	-6,435
Institutions	69,919	0	-1,568	0	0	0	790	0	0	70,708	0	-1,568
Retail, secured by real property	305,903	4,284	2,461	71,024	6,437	1,779	113,687	62,478	-15,424	490,615	73,199	-11,183
Retail, other	54,565	9,472	-1,474	3,053	333	-128	1,468	1,240	-613	59,086	11,045	-2,215
Small- and medium-sized enterprises	443,712	0	-865	1,591	0	-3	26,114	17,182	-2,272	471,417	17,182	-3,140
Other	189,679	0	0	0	0	0	0	0	0	189,679	0	0
Total	**2,667,568**	**16,761**	**-2,075**	**77,309**	**7,328**	**1,109**	**217,848**	**100,530**	**-23,590**	**2,962,725**	**124,619**	**-24,556**

Table 63: Overdue and not overdue exposures by exposure class (K&H Group)