



**Kereskedelmi és Hitelbank Zártkörűen Működő
Részvénytársaság**

CONSOLIDATED ANNUAL REPORT

31 December 2025

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Independent Auditors' Report

To the shareholder of K&H Bank Zrt.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the 2025 consolidated financial statements of K&H Bank Zrt. and its subsidiaries (collectively, "the Group"), which comprise the consolidated statement of financial position as at 31 December 2025, with total assets of MHUF 6,217,134, the consolidated income statement, with profit for the year of MHUF 139,292, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2025, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU IFRSs) and they are prepared, in all material respects, in accordance with the provisions applicable to entities preparing consolidated annual financial statements in accordance with EU IFRSs of Act C of 2000 on Accounting in force in Hungary (Act on Accounting).

Basis for Opinion

We conducted our audit in accordance with Hungarian National Standards on Auditing and applicable laws and regulations in Hungary. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with ethical requirements that are relevant to audits of the consolidated financial statements of public interest entities as provided in applicable laws in force in Hungary, the policy on rules of conduct (ethics) of the audit profession and on disciplinary procedures of the Chamber of Hungarian Auditors and the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with these requirements as applicable to audits of the consolidated financial statements of public interest entities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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K&H Bank Zrt. - K30 - 2025.12.31.



Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of loans and advances to corporates and households measured at amortized cost — expected credit losses (ECL)	
<p><i>Carrying amount of loans and advances to corporates and households measured at amortized cost as at 31 December 2025: HUF 2,456,557 million</i></p> <p><i>Total impairment allowance as at 31 December 2025: HUF 25,529 million</i></p> <p><i>Refer to Note 2.2 “Significant accounting judgements and estimates”, Note 2.3.3 “Financial assets - Impairment” and Note 16 “Financial assets and financial liabilities by portfolio and product” and Note 22 “Loans and advances, breakdown by portfolio and quality” and Note 24 “Impairment on financial assets at amortised cost and provision for credit commitments” and Note 43.4 “Credit risk” and Note 43.5 “Credit risk – forborne loans”</i></p>	
Key audit matter	How the matter was addressed in our audit
<p>Impairment allowances on loans and advances to corporates and households measured at amortized cost represent management’s best estimate of expected credit losses (ECL). Measuring ECL under IFRS 9 is complex and involves significant judgement.</p> <p>For performing exposures (Stage 1 and Stage 2) and for individually not-significant non-performing exposures (Stage 3) impairment is calculated on a collective basis using models that rely on key parameters such as probability of default (PD), exposure at default (EAD) and loss given default (LGD). These models depend on the identification of significant increases in credit risk (SICR), historical default and loss data, forward-looking information and management overlays.</p> <p>For individually significant non-performing exposures (Stage 3), impairment is assessed individually using discounted cash flow models. This involves subjectivity in identifying default and other impairment triggers and in estimating future cash flows, including the timing and amount of recoveries and collateral realization.</p>	<p>With the support of our credit risk, valuation and IT specialists, we tested key controls over the credit risk and ECL process and performed detailed procedures focused on the most judgmental aspects of the ECL measurement.</p> <p>Our procedures included:</p> <ul style="list-style-type: none"> — Methodology and framework: Inspecting the Bank’s ECL methodologies (including staging criteria and the definition of default) and assessing their compliance with IFRS 9 and regulatory guidance, and whether the level of sophistication was appropriate for the Bank’s risk profile. — Controls over credit risk and ECL process: Testing the design, implementation and, where relevant, operating effectiveness of key controls over loan approval, data capture, monitoring and impairment, including controls over staging (identification of significant increases in credit risk and default events), days-past-due calculations and the calculation and approval of impairment allowances.

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<p>In the current environment of heightened economic uncertainty, assumptions relating to default rates, PD, LGD, recovery scenarios and forward-looking information are particularly judgmental and sensitive. As a result, we identified the impairment of loans and advances to corporates and households as an area with a significant risk of material misstatement and determined it to be a key audit matter.</p>	<p>Testing relevant IT general and application controls over key credit and source systems.</p> <ul style="list-style-type: none">— Collective ECL: Evaluating ECL models and the related model documentation; assessing the reasonableness of forward-looking information and macroeconomic scenarios used in the models by comparing them to external forecasts and market data; challenging assumptions relating to SICR, PD, LGD, EAD parameters and management overlays.— Individual ECL: For a risk-based sample of individually assessed loans, assessing whether impairment triggers and staging criteria (Stage 2 versus Stage 3) were identified appropriately by reference to loan files and discussions with credit risk and relationship managers; challenging key assumptions in the cash-flow projections (including recovery strategies, timing of recoveries and expected collateral proceeds) by reference to loan files and collateral valuation reports.— Overall reasonableness and disclosures: Analyzing movements in impairment allowances and coverage ratios for key portfolios during the year; and assessing whether the loan impairment and credit risk-related disclosures are complete and appropriate in accordance with the applicable financial reporting framework.
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Other Information

The other information comprises the 2025 consolidated business report of the Group. Management is responsible for the preparation of the consolidated business report in accordance with the Act on Accounting and other applicable legal requirements, if any.

Our opinion on the consolidated financial statements expressed in the Opinion section of our report does not cover the consolidated business report.

In connection with our audit of the consolidated financial statements, our responsibility is to read the consolidated business report and, in doing so, consider whether the consolidated business report is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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Based on the Act on Accounting, we are also responsible for assessing whether the consolidated business report has been prepared in accordance with the Act on Accounting and other applicable legal requirements and expressing an opinion on this and whether the consolidated business report is consistent with the consolidated financial statements.

With respect to the consolidated business report, based on the Act on Accounting, we are also responsible for checking whether the consolidated business report includes the consolidated sustainability statement specified in Chapter VI/C of the Act on Accounting.

In our opinion the 2025 consolidated business report of the Group is consistent, in all material respects, with its 2025 consolidated financial statements and the applicable provisions of the Act on Accounting.

There are no other legal requirements that are applicable to the consolidated business report, therefore, we do not express an opinion in this respect.

We declare that the consolidated sustainability statement specified in Chapter VI/C of the Act on Accounting has not been provided in the consolidated business report based on the exemption set out in Section 134/I § (7) of the Act on Accounting.

In addition, in light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the consolidated business report, and if so, the nature of such misstatement. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with EU IFRSs and for the preparation of the consolidated financial statements in accordance with provisions applicable to entities preparing consolidated annual financial statements in accordance with EU IFRSs of the Act on Accounting and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Hungarian National Standards on Auditing and applicable laws and regulations in Hungary will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Hungarian National Standards on Auditing and applicable laws and regulations in Hungary, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

We were appointed by the shareholder on 24 April 2025 to audit the consolidated financial statements of the Group for the financial year ended 31 December 2025. Our total uninterrupted period of engagement is one year, covering the financial year ending 31 December 2025.

We confirm that:

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- our audit opinion is consistent with the additional report presented to the Audit Committee of the Group dated 7 April 2026
- we have not provided to the Group prohibited non-audit services (NASs) as set out by Article 5(1) of Regulation (EU) No 537/2014 and in terms of the member state derogations by the Act LXXV of 2007 on the Chamber of Hungarian Auditors, the Activities of Auditors, and on the Public Oversight of Auditors in force in Hungary. We also remained independent of the audited entity in conducting the audit.

The engagement partner on the audit resulting in this independent auditors' report is the signatory of this report.

Budapest, 21 April 2026

KPMG Hungária Kft.

Registration number: 000202

Zsuzsanna Csáki
Partner, Professional Accountant
Registration number: 007448

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K&H Bank Zrt. - K30 - 2025.12.31.

KERESKEDELMI ÉS HITELBANK ZÁRTKÖRŰEN MŰKÖDŐ RÉSZVÉNYTÁRSASÁG

**CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS
AS ADOPTED BY THE EUROPEAN UNION**

FOR THE YEAR ENDED 31 DECEMBER 2025

WITH THE REPORT OF INDEPENDENT AUDITOR

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FOR THE YEAR ENDED 31 DECEMBER 2025****CONTENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS**

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K&H BANK ZRT.**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025****CONSOLIDATED INCOME STATEMENT**

	<u>Notes</u>	<u>2025</u> <u>MHUF</u>	<u>2024</u> <u>MHUF</u>
Interest and similar income	5	467 045	467 878
Interest income calculated using the effective interest method	5	302 011	323 766
Other similar income	5	165 034	144 112
Interest and similar expense	5	<u>(239 048)</u>	<u>(249 754)</u>
Net interest and similar income	5	227 997	218 124
Fee and commission income	6	164 796	142 173
Fee and commission expense	6	<u>(43 218)</u>	<u>(36 858)</u>
Net fee and commission income	6	121 578	105 315
Net gains / (losses) from financial instruments at fair value through profit or loss	7	17 968	16 274
Foreign exchange differences		14 959	19 465
Dividend income	9	7	10
Net gains / (losses) on the disposal of assets at amortised cost	10	922	654
Other income	11	14 854	2 777
Other expense	11	<u>(946)</u>	<u>(11 775)</u>
Total income		397 339	350 844
Operating expenses excluding impairment losses		(229 381)	(206 046)
Staff expenses	14;38;39	(49 012)	(45 679)
General administrative expenses	12	(120 044)	(98 522)
Depreciation and amortisation of tangible and intangible assets	29;30	(34 709)	(30 012)
Bank tax	13	(25 616)	(31 833)
Impairment:	24	(3 951)	8 793
At amortised cost	23	(3 212)	8 388
At fair value through other comprehensive income	24	(18)	(154)
Other - impairment on non-financial assets	3	(721)	559
Modification losses on financial assets at amortized cost		<u>(1 797)</u>	<u>(890)</u>
Profit / (loss) before tax		162 210	152 701
Income tax expense	15	<u>(22 918)</u>	<u>(23 426)</u>
Profit / (loss) after tax		<u>139 292</u>	<u>129 275</u>

Approved by the Board of Directors on 20 April 2026.

Peter Roebben
Chief Executive Officer
Member of the Board

Attila Gombás
Chief Financial Officer
Member of the Board

K&H BANK ZRT.**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025****CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	<u>Notes</u>	<u>2025</u> <u>MHUF</u>	<u>2024</u> <u>MHUF</u>
Profit after tax		139 292	129 275
Other comprehensive income			
Items that may be reclassified to the profit or loss			
Revaluation reserve of debt instruments			
Net gain / (loss) from fair value changes		(6 490)	2 313
Deferred tax impact on fair value changes	27	702	(250)
Transfer from revaluation reserve to net profit:			
(Losses)/gains on impairment	23	18	154
Deferred income tax	27	(2)	(17)
Cash flow hedge			
Net gain / (loss) from fair value changes	25	3 999	8 192
Deferred tax impact on fair value changes	27	(360)	(737)
Transfer from cash flow hedge reserve to net profit:			
Gross amount	7;25	550	80
Deferred income tax	27	(49)	(7)
Items that will not be reclassified to the profit or loss			
Revaluation reserve of equity instruments			
Net gain / (loss) from fair value changes		(31)	372
Deferred tax impact on fair value changes	27	41	15
Actuarial result on defined benefit plans	39	2	-
Total other comprehensive income		(1 620)	10 115
Total comprehensive income		<u>137 672</u>	<u>139 390</u>

Approved by the Board of Directors on 20 April 2026.

Peter Roebben
Chief Executive Officer
Member of the Board

Attila Gombás
Chief Financial Officer
Member of the Board

K&H BANK ZRT.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<u>Notes</u>	<u>2025</u> <u>MHUF</u>	<u>2024</u> <u>MHUF</u>
ASSETS			
Cash and cash balances with central banks and other demand deposits with credit institutions		604 999	1 015 429
Cash		94 868	89 885
Cash balances with central banks	16;19;21	391 822	881 595
Other demand deposit with credit institutions	16;19;21	118 309	43 949
Financial assets		5 398 109	4 900 725
Held for trading	16;19;21;25	46 682	53 193
Mandatorily at fair value through profit or loss	16;19-21	523 249	382 876
At fair value through other comprehensive income	16;19;21	419 405	476 510
of which asset pledged as collateral	17	7 985	23 011
At amortised cost	16;19;21	4 312 817	3 865 953
of which asset pledged as collateral	17	27 323	28 933
Hedging derivatives	19;21;25	95 956	122 193
Fair value changes of hedged item under portfolio hedge of interest rate risk	25	(45 231)	(68 439)
Tax assets		1 988	1 635
Current tax assets		147	45
Deferred tax assets	27	1 841	1 590
Investment property	28	73	122
Property and equipment	29	52 686	48 709
Intangible assets	30	114 752	112 356
Other assets	26	89 758	50 459
Total assets		<u>6 217 134</u>	<u>6 060 996</u>
LIABILITIES AND EQUITY			
Financial liabilities		5 425 318	5 299 808
Held for trading	16;19;21	47 413	53 500
Designated at fair value through profit or loss	16;19-21	72 131	55 130
Measured at amortised cost	16;19;21	5 230 733	5 104 976
Hedging derivatives	16;19;21;25	75 041	86 202
Fair value changes of hedged item under portfolio hedge of interest rate risk	25	(18 866)	(42 985)
Tax liabilities		2 783	6 093
Current tax liabilities		2 781	6 092
Deferred tax liabilities	27	2	1
Provisions for risks and charges and credit commitments	24;31	5 111	5 062
Other liabilities	32	62 475	78 377
Total liabilities		<u>5 476 821</u>	<u>5 346 355</u>
Share capital	33	140 978	140 978
Share premium		48 775	48 775
Other reserves		78 373	66 427
Accumulated profit		472 187	458 461
Total equity	34;44	<u>740 313</u>	<u>714 641</u>
Total liabilities and equity		<u>6 217 134</u>	<u>6 060 996</u>

Approved by the Board of Directors on 20 April 2026.

Peter Roebben
Chief Executive Officer
Member of the Board

Attila Gombás
Chief Financial Officer
Member of the Board

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Other reserves						Retained earnings MHUF	Total equity MHUF
	Share capital MHUF	Share premium MHUF	Statutory risk reserve MHUF	Revaluation reserve of securities MHUF	Cash flow reserve MHUF	Other revaluation reserves MHUF		
2024								
Balance at the beginning of the period	140 978	48 775	57 801	4 890	(18 826)	52	341 581	575 251
Transfer from revaluation reserve to retained earnings (Note 8)	-	-	-	(515)	-	-	515	-
Net profit for the year	-	-	-	-	-	-	129 275	129 275
Other comprehensive income for the period	-	-	-	2 587	7 528	-	-	10 115
Total comprehensive income	-	-	-	2 587	7 528	-	129 275	139 390
Transfer from retained earnings to statutory risk reserve	-	-	12 910	-	-	-	(12 910)	-
Total change	-	-	12 910	2 072	7 528	-	116 880	139 390
Balance at the end of the period	140 978	48 775	70 711	6 962	(11 298)	52	458 461	714 641
<i>of which revaluation reserve for shares</i>	-	-	-	539	-	-	-	539
<i>of which revaluation reserve for bonds (Note 16)</i>	-	-	-	6 424	-	-	-	6 424
2025								
Balance at the beginning of the period	140 978	48 775	70 711	6 962	(11 298)	52	458 461	714 641
Transfer from revaluation reserve to retained earnings (Note 8)	-	-	-	(352)	-	-	352	-
Net profit for the year	-	-	-	-	-	-	139 292	139 292
Other comprehensive income for the period	-	-	-	(5 762)	4 140	2	-	(1 620)
Total comprehensive income	-	-	-	(5 762)	4 140	2	139 292	137 672
Dividend paid	-	-	-	-	-	-	(112 000)	(112 000)
Transfer from retained earnings to statutory risk reserve	-	-	13 918	-	-	-	(13 918)	-
Total change	-	-	13 918	(6 114)	4 140	2	13 726	25 672
Balance at the end of the period	140 978	48 775	84 629	848	(7 158)	54	472 187	740 313
<i>of which revaluation reserve for shares</i>	-	-	-	198	-	-	-	198
<i>of which revaluation reserve for bonds (Note 16)</i>	-	-	-	650	-	-	-	650

Other revaluation reserves include own credit risk adjustments and the actuarial result on defined benefit plans. The dividend paid on ordinary shares amounted to HUF 112 000 million in 2025 (no dividend was paid in 2024). Dividend paid on ordinary shares amounted to HUF 0.794450 HUF/share in 2025. See Note 44 for dividend proposed on ordinary shares in 2025.

Approved by the Board of Directors on 20 April 2026.

Peter Roebben
Chief Executive Officer
Member of the Board

Attila Gombás
Chief Financial Officer
Member of the Board

K&H BANK ZRT.**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025****CONSOLIDATED STATEMENT OF CASH FLOWS**

	<u>Notes</u>	<u>2025</u>	<u>Restated*</u> <u>2024</u>
		<u>MHUF</u>	<u>MHUF</u>
OPERATING ACTIVITIES			
Profit / (loss) before tax		162 210	152 701
Adjustments for:			
Interest and similar income	5	(467 045)	(467 878)
Interest and similar expense	5	239 048	249 754
Net transfer from revaluation reserve of securities	8	(18)	(154)
Net transfer from cash flow hedge reserve	7	(501)	(80)
Depreciation and impairment of property, plant and equipment, intangible assets, financial assets at fair value through other comprehensive income and other assets	31;32	35 451	29 617
(Profit)/Loss on the disposal of property and equipment	10	(496)	(1 014)
(Profit)/Loss on the disposal of investment property	10	(116)	(77)
Change of modification result on financial assets at amortized cost		1 797	890
Change in impairment on financial assets valued at amortised cost	24	3 212	(8 388)
Change in other provisions	33	(444)	(211)
Unrealised valuation differences	7	(7 015)	(7 042)
Cash flows from operating profit / (loss) before tax and before changes in operating assets and liabilities		(33 917)	(51 882)
Changes in financial assets held for trading		15 367	24 699
Changes in financial assets mandatorily valued at fair value through profit or loss		(122 626)	(49 463)
Changes in financial assets valued at fair value through other comprehensive income		49 125	(306 120)
Changes in financial assets valued at amortised cost		(239 989)	(295 064)
Changes in other assets		(64 004)	50 619
Changes in operating assets		(362 127)	(575 329)
Changes in financial liabilities held for trading		(12 027)	(15 354)
Changes in financial liabilities designated at fair value through profit or loss		(3 697)	(48 094)
Changes in financial liabilities measured at amortised cost		103 475	318 543
Changes in other liabilities		37 266	(22 216)
Changes in operating liabilities		125 017	232 879
Income taxes paid		(26 248)	(23 059)
Interest received		460 528	474 439
Interest paid		(239 709)	(253 596)
Net cash from/(used in) operating activities		(76 456)	(196 548)

*For details see note 2.7.

The accompanying notes on pages 12 to 174 are an integral part of these financial statements.

K&H BANK ZRT.**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025****CONSOLIDATED STATEMENT OF CASH FLOWS (continued)**

	<u>Notes</u>	<u>2025</u> <u>MHUF</u>	<u>Restated*</u> <u>2024</u> <u>MHUF</u>
INVESTING ACTIVITIES			
Purchase of securities at amortised cost		(406 849)	(160 467)
Proceeds from sale/repayment at maturity of securities at amortised cost		192 340	54 666
Dividends received from associated companies		7	10
Purchase of intangible assets	30	(28 758)	(38 209)
Purchase of property and equipment	29	(13 228)	(10 107)
Proceeds from the sale of property and equipment		499	1 102
Proceeds from the sale of investment property		212	204
Net cash from/(used in) investing activities		<u>(255 777)</u>	<u>(152 801)</u>
FINANCING ACTIVITIES			
Repayment of subordinated liabilities		(13 817)	-
Repayment of principal of mortgage bonds	16	-	(57 000)
Proceeds from issuance of mortgage bonds	16	40 000	110 000
Proceeds from issuance of bonds	16	9 098	7 500
Repayment of principal of lease liabilities		(3 289)	(3 797)
Dividend paid		(112 000)	-
Net cash from/(used in) financing activities		<u>(80 008)</u>	<u>56 703</u>
CHANGE IN CASH AND CASH EQUIVALENTS			
Net increase/(decrease) in cash and cash equivalents		(412 242)	(292 646)
Net foreign exchange difference		(2 517)	1 570
Cash and cash equivalents at beginning of the period		<u>1 038 600</u>	<u>1 329 676</u>
Cash and cash equivalents at end of the period		<u>623 841</u>	<u>1 038 600</u>

*For details see note 2.7.

The accompanying notes on pages 12 to 174 are an integral part of these financial statements.

K&H BANK ZRT.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

Notes	<u>2025</u> MHUF	<u>Restated*</u> 2024 MHUF
COMPONENTS OF CASH AND CASH EQUIVALENTS		
Cash and cash balances with central banks and other demand deposits with credit institutions	604 999	1 015 429
Loans and advances to banks repayable on demand and term loans to banks < 3 months	<u>18 842</u>	<u>23 171</u>
Total cash and cash equivalents	<u>623 841</u>	<u>1 038 600</u>

*For details see note 2.7.

Loans and advances to banks repayable on demand and term loans to banks < 3 months are recorded as Loans and advances at amortised cost in the consolidated statement of financial position.

The Group uses the indirect method for presentation of cash flows resulting from operating activities.

Approved by the Board of Directors on 20 April 2026.

Peter Roebben
Chief Executive Officer
Member of the Board

Attila Gombás
Chief Financial Officer
Member of the Board

K&H BANK ZRT.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – GENERAL

Kereskedelmi és Hitelbank Zártkörűen Működő Részvénytársaság (“K&H Bank Zrt.” or “the Bank”) is a limited liability company incorporated in Hungary. K&H Bank Zrt. and its subsidiaries (“the Group”) provide a full range of banking services through a nation-wide network of 190 branches. As at 31 December 2025 K&H Bank Zrt.’s registered office was at Lechner Ödön fasor 9, Budapest. Website: www.kh.hu.

The parent company of K&H Bank Zrt. is KBC Bank N.V. The ultimate parent is KBC Group N.V.

Peter Roebben Chief Executive Officer (Budapest) and Attila Gombás Chief Financial Officer (Budapest) are obliged to sign these consolidated financial statements.

The Bank and the Group are required to have its accounts audited under applicable law.

Person in charge of accounting tasks: Paula Ecsedi (Budapest), registration number: 140573.

NOTE 2 – MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policies adopted in the preparation of these financial statements are summarised below.

2.1 Basis of presentation

The consolidated financial statements have been prepared under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value, and by the revaluation of financial instruments categorised at fair value through profit or loss (“FVTPL”) and at fair value through other comprehensive income (“FVOCI”). The carrying values of recognized assets and liabilities that are hedged items in fair value hedges, and otherwise carried at amortised cost, are adjusted to record changes in fair value attributable to the risk that are being hedged.

The Group maintains its accounting records and prepares its statutory accounts in accordance with commercial banking and fiscal regulations prevailing in Hungary. The Group entities’ functional currency is the Hungarian Forint (“HUF”). All balances are presented in millions of Hungarian Forints (“MHUF”) unless otherwise stated. The tables in this report may contain rounding differences.

The accounting policies are consistent with those applied in prior years except for changes in presentation explained in note 2.7.

2.1.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the EU.

On 1 January 2017 K&H Bank implemented IFRSs for statutory purposes instead of Hungarian Accounting Standards.

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 – MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.1.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and all entities it controlled as at 31 December 2025. The Bank and the entities which it controls are referred to collectively as “the Group”. Control is presumed to exist if all of the following conditions are met:

- the Bank has power over the entity;
- the Bank has exposure, or rights, to variable returns from its involvement with the investee;
- the Bank has the ability to use its power over the investee to affect the amount of the investor’s returns.

In case of the Bank’s exclusive control the effects of all material intercompany balances and transactions are eliminated.

A list of subsidiary and associated companies is provided in Note 41.

2.2 Significant accounting judgements and estimates

In the process of applying the Groups’ accounting policies, Management has used its judgements and made estimates in determining the amounts recognized in the consolidated financial statements. The most significant use of judgements and estimates are as follows:

Fair value of financial instruments

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction on principal market at the measurement date. Fair value is not the amount that an entity would receive or pay in a forced transaction, involuntary liquidation or distress sale. An imbalance between supply and demand (e.g. fewer buyers than sellers, thereby forcing prices down) is not the same as a forced transaction or distress sale.

Where the fair values of financial assets and financial liabilities recorded on the consolidated statement of financial position can not be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of liquidity and model inputs such as correlation and volatility for longer dated derivatives. For the sensitivity of the judgements used for fair value calculation see Note 19 and Note 43.3.

Allowance for impairment of loans and advances, provision for contingent liabilities and commitments

The impairment allowances of loans and advances and provision for contingent liabilities are determined based on the expected credit losses (ECL). Calculating ECL requires significant judgments on different aspects for example, but not limited to, the borrowers’ financial position and repayment capabilities, the value and recoverability of collaterals, forward looking and macroeconomic information. The Group applies neutral and free from bias approach when dealing with uncertainties and making decisions based on significant judgments.

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 – MATERIAL ACCOUNTING POLICY INFORMATION (continued)

The Group regularly reviews its financial assets at amortised cost and financial assets valued at fair value through other comprehensive income and contingent liabilities and commitments to assess impairment and provision. The Group applies its judgement on the basis of experience to estimate the amount of any impairment loss in cases where a borrower is in financial difficulties and where there is little available historical data relating to similar borrowers. Similarly, the Group estimates changes in future cash flows based on the observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the Group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the group of amortised cost assets. Refer to Note 24 for further details and Note 43.4 for macro-economic forecast scenarios.

In cases when the historical loss experience is not able to capture all the specific risks expert-based calculation at portfolio level is performed via a management overlay.

Provision for litigations and claims

The amount of provision required to meet losses incurred as a result of litigations and claims is another principal area of estimation uncertainty in these consolidated financial statements. Refer to Note 31 for further details.

2.3 Material accounting policies

2.3.1 Foreign currency translation

The functional and presentational currency of the Group is HUF. Monetary assets and liabilities denominated in foreign currencies are translated into HUF at exchange rates quoted by the Hungarian National Bank as at the date of the consolidated statement of financial position. Negative and positive exchange rate differences are recognized in the income statement. Exceptions to the above general rule are the cases when a monetary asset or liability is involved in a cash flow hedge relationship as a hedging instrument and in accordance with the hedging documentation the foreign exchange translation difference of the hedging instrument is recognized as other comprehensive income. Non-monetary items are translated into the functional currency at a historical exchange rate as at the date of transaction. Non-monetary items measured at FV through OCI, which are denominated in foreign currencies, are translated into HUF at exchange rates quoted by the Hungarian National Bank as at the date of the consolidated statement of financial position and recorded as foreign exchange differences in the income statement. Income and expenses arising in foreign currencies are converted at the rate of exchange on the transaction date. Resulting foreign exchange gains or losses are recorded in the income statement on line foreign exchange differences.

2.3.2 Financial assets

The Group applies all the requirements of IFRS 9 as from 1 January 2018, except for the hedge accounting transactions which continued to be accounted for in accordance with IAS 39.

2.3.2.1 Financial assets – recognition and derecognition

2.3.2.1.1 Recognition

Financial assets and liabilities are recognised in the consolidated statement in financial position when the Group becomes a party to the contractual provisions of the instruments. Regular-way purchases or sales of financial assets are recognised using settlement date accounting.

All financial assets are measured initially at fair value plus transaction costs that are directly attributable to its acquisition; with the exception of financial assets measured at fair value through profit or loss.

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 – MATERIAL ACCOUNTING POLICY INFORMATION (continued)

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the Group recognises the difference as follows:

- When the transaction price in a non-active market differs from the fair value of other observable market transactions in the same instrument or from the fair value based on a valuation technique whose variables include only data from observable markets, the difference between the transaction price and the fair value (day 1 profit/loss) is taken to profit or loss.
- If this is not the case (i.e. the variables do not include only data from observable markets), day 1 profit/loss is deferred and is released in profit or loss during the life and until the maturity of the financial instrument.

2.3.2.1.2 Derecognition and modification

The Group derecognises a financial asset when the contractual cash flows from the asset expire or the Group transfers its rights to receive contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership are transferred.

In specific transactions like repurchase agreements and securities lending and borrowing the Group assesses the transfer of the risks and rewards based on the applicable facts and circumstances and on the predetermined repurchase price. When this indicates that the Group has retained substantially all risks and rewards then financial assets and liabilities are not derecognised but the relating consideration or financial assets received/paid are presented as separate financial liability/asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Repo and reverse repo agreements

Assets sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognized in the consolidated statement of financial position and are measured in accordance with accounting policies for trading securities or investment securities if the repurchase price is not fair value at the time of reacquisition. The counterparty liability for amounts received under these agreements is included in financial liabilities measured at amortised cost. The difference between sale and repurchase price is treated as interest expense and accrued over the life of the repo agreement. Assets purchased with a corresponding commitment to resell at a specified future date (reverse repos) are not recognized in the consolidated statement of financial position, as the Group does not obtain control over the assets. Amounts paid under these agreements are included in financial assets at amortised cost. The difference between purchase and resale price is treated as interest income and accrued over the life of the reverse repo agreement.

Securities lending and borrowing

Securities lending and borrowing transactions are usually collateralised by securities or cash. The transfer of the securities to counterparties is only reflected on the consolidated statement of financial position if the risks and rewards of ownership are also transferred. Cash advanced or received as collateral is recorded as an asset or liability.

Securities borrowed are not recognized on the consolidated statement of financial position, unless they are sold to third parties, in which case the obligation to return the securities is recorded as a trading liability and measured at fair value with any gain or losses included in Net gains / (losses) from financial instruments at fair value through profit or loss.

When during the term of a financial asset there is a change in the terms and conditions, then the Group assesses whether the new terms are substantially different to the original terms indicating that the rights to the cash flows of the initial instruments have expired. In case the conclusion is that the terms are substantially different then the transaction is accounted for as financial asset derecognition, which requires derecognising the existing financial asset and recognising a new financial asset based on the revised terms. Conversely, when the Group assesses that the terms are not substantially different then the transaction is accounted for as financial asset modification.

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 – MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Renegotiated loans

Where possible, the Group seeks to renegotiate loans rather than to take possession of collateral.

The Group considers a loan (receivable) renegotiated if the loan or credit arrangements are renegotiated, rescheduled (prolonged) and renegotiated upon the debtor's or the financial institution's initiative, within the framework of the amendment of the underlying contract, where the underlying contract is amended because of the considerable deterioration in the financial condition or solvency of the borrower, on account of which he is unable to meet the obligations of repayment as originally contracted. Such amendments result in significant changes in the terms and conditions of the underlying contract, bringing considerably more favourable terms for the client - by way of deviating from the market conditions pertaining to contracts of the same type bearing similar terms and conditions.

Before the modification, the Group assesses whether a write-off should take place for the portion of assets as there is no reasonable expectation of recovering it. The assessment of the substantially different terms is made when loans to customers are renegotiated or otherwise modified. In considering the substantially different terms, the Group evaluates whether:

- The borrower has changed;
- The loan has been partially written off because the Group estimates that the part or entirety of the loan became irrecoverable;
- Changes made to a loan or loans of the same borrower resulted in refinancing or consolidation of the loans into a new loan;
- Due to significant financial difficulty of the borrower, the Group has granted more than one concession;
- Substantial new terms have been introduced, such as profit share/equity-based return significantly modifying the risk profile of the loan;
- The nature of the interest rate or the reference rate has significantly changed;
- The currency of the contract has changed.

The amendments are representing, among others, the deferral of repayments (interest and/or principal) temporarily for a specific period (grace period), payment by instalments, modification of interest rates (for example repricing in the form of discount rates), capitalization of interest, changing the type of currency of denomination, extending the term of the loan, rescheduling instalment payments, reducing the level of collateralization or the level of security requested, or allowing other form of collateral or security, waiving the collateral or security requirements (non-collateralization), introducing new contract terms and conditions or eliminating certain existing terms and conditions. Furthermore a supplementary agreement or a new contract may be concluded between the debtor and the Group, or between the borrower and an affiliate of the original lender, for a new loan for refinancing the debts (interest and principal) outstanding on account of the existing contract, or for undertaking additional commitments with a view to avoiding any further increase in risk exposure or to cutting losses, upon which the claims of the Group (including the financial institution participating as the affiliate of the original lender) arising on account of the aforesaid supplementary agreement or new contract are also recognized as renegotiated loans (receivables).

The terms are considered as substantially different in any case if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial asset.

The process of financial asset modification requires adjusting the carrying amount of the previously recognised financial asset in order to reflect the changed terms on the contractual cash flows. In doing that the Group recalculates the gross carrying amount of the financial asset and recognises a modification gain or loss. The carrying amount of the financial asset is recalculated as the present value of the estimated future cash payments through the expected life of the changed terms that are discounted at the financial asset's original effective interest rate. The change in the carrying amount resulting from a modification shall be presented in the income statement at the initial recognition of the modification gain or loss in such a way that the effect relating to transactions classified in Stage 1 from a credit risk perspective is recognised as part of net interest income, while the amount relating to transactions classified in Stage 2 or Stage 3 is recognised on a separate line as a modification gain or loss. The adjustment of the carrying amount shall be amortised over the remaining maturity of the affected transactions as part of interest income calculated using the effective interest rate method.

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 – MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Any costs or fees incurred as part of the modification shall adjust the carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

Loans where the relevant contract had to be amended due to changes in market conditions are not considered as renegotiated loans (receivables), furthermore, where the parties agree in market conditions pertaining to similar agreements and where the solvency of the debtor is such as to ascertain his ability to comply with his ensuing contractual obligations.

If the renegotiation does not result in derecognition, the impact of modification will be presented as change in the assets' gross carrying amount. The effect of contract modification on gross carrying amount is presented in the profit or loss on line of modification losses on financial assets at amortized cost.

Derecognition of renegotiated loans

For derecognition of the renegotiated loans the Group applies the following criteria. An exchange between an existing borrower and lender of debt instruments with substantially different terms shall be accounted for as an extinguishment of the original financial asset and the recognition of a new financial asset. A substantial modification of the terms of an existing financial asset or a part of it is accounted for as an extinguishment of the original financial asset and the recognition of a new financial asset.

If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the asset and are amortised over the remaining term of the modified asset.

2.3.2.1.3 Write-offs

A write-off is a direct reduction of the gross carrying amount of a financial asset when the Group has no reasonable expectations of recovering the financial asset on its entirety or a portion thereof. A write-off constitutes a derecognition event.

Write-offs do not constitute a debt forgiveness and the Group retains its legal enforceable rights towards the borrower until the official legal proceedings have concluded otherwise.

2.3.2.2 Equity and debt instruments classification

On initial recognition of a financial asset, the Group first assesses the contractual terms of the instrument in order to classify it as an equity or debt instrument. An equity instrument is defined as any contract that evidences a residual interest in another entity's net assets. In order to satisfy this condition, the Group reviews whether the instrument includes no contractual obligation for the issuer to deliver cash or exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the issuer.

Any instruments which do not meet the criteria of equity instruments are classified as debt instruments by the Group.

2.3.2.2.1 Classification and measurement – debt instruments

When the Group concludes that the financial asset is a debt instrument then on initial recognition, it can be categorised in one of the following categories:

- Mandatorily measured at fair value through profit or loss (FVPL);
- Designated at initial recognition at fair value through profit or loss (FVO);
- Fair value through other comprehensive income (FVOCI);
- Amortised cost (AC)

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 – MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Debt instruments have to be classified in the FVPL category when (i) they are not held in business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets or alternatively (ii) they are held in such business model but the contractual terms of the instrument give rise on specified dates to cash flows that are not solely payments of principal and interest on the principal amount outstanding.

Further, the Group may in some cases, on initial recognition, irrevocably designate a financial asset that otherwise meets the requirements to be measured at AC or at FVOCI as at fair value (FVO) if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVO:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets;
- and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at AC only if it meets both of the following conditions and is not designated as at FVO:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows;
- and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

2.3.2.2.2 Business model assessment

The business model assessment is relevant for debt instruments to assess whether they are allowed to be measured at AC and FVOCI. In performing the assessment, the Group reviews the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to key management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or whose performance is evaluated on a fair value basis are measured at FVPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

2.3.2.2.3 Assessment whether contractual cash flows are solely payments of principal and interest (SPPI)

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 – MATERIAL ACCOUNTING POLICY INFORMATION (continued)

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money – e.g. periodical reset of interest rates.

2.3.2.2.4 Reclassification

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets which could occur when the Group begins or ceases to perform an activity that is significant to its operations (e.g.: when the Group acquires, disposes of, or terminates a business line). The reclassification takes place from the start of the first reporting period following the change.

2.3.2.2.5 Classification and measurement – Equity instruments

Financial equity instruments are categorised in one of the following categories:

- Mandatorily measured at fair value through profit or loss (FVPL) or
- Equity instruments elected for fair value through other comprehensive income (FVOCI).

In the banking activity all equity instruments is included in the FVOCI category when the investment is not held for trading. This is a specific designation that is be made on a case-by-case basis, applicable to strategic investments. The election to include equity instruments in the FVOCI category is irrevocable on initial recognition and can be done on an investment-by-investment basis which is interpreted by the Group as share-by-share basis. Equity categorised in the FVOCI category is subsequently measured at fair value with all changes recognised in other comprehensive income and without any recycling into the income statement even when the investments is disposed. The only exception applies to the dividend income which are recognised in the income statement.

2.3.2.2.6 Classification and measurement - Derivatives

The Group can recognise derivative instruments either for trading purpose or as hedging derivatives. Derivatives can have asset or liability positions depending on their actual market value.

Trading derivatives

Derivative instruments are always measured at fair value and the Group makes a distinction as follows:

- Derivatives that are held with a hedging intent but for which hedge accounting can not be or is not applied (economic hedge): hedging instruments can be acquired with the intention of economically hedging an external exposure but without the application of hedge accounting. The interest component of these derivatives is recognised under 'Net interest income', while all other fair value changes are recognised under 'Net result from financial instruments at fair value through profit or loss'.
- Derivatives held without hedging intent (trading derivative): the Group can also enter into a derivative position without any intention to hedge economically a position. Such activity can relate to closing / selling an external position in the near term or for short-term profit taking purposes. All fair value changes on such derivatives are recognised under 'Net result from financial instruments at fair value through profit or loss'.

Hedging derivatives

Hedging derivatives are derivatives which are specifically designated in a hedge relationship. The accounting process of such derivatives are detailed in the section "Hedge Accounting".

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NOTE 2 – MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.3.2.3 Fair value hierarchy of financial instruments

The fair value measurements are classified into the levels of fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1	quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
Level 3	inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety shall be determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement.

A fair value adjustment related to the unobservable input is considered to be material for the Group if this fair value adjustment makes up at least 5% of the nominal exposure of the underlying portfolio.

The amount of the fair value which is calculated on transaction level is adjusted (MVA - Market Value Adjustment) by the Bank taking into account the elements listed below. The adjustment according to the following elements is calculated by instrument / transaction types or on customer level:

- close-out cost of the transactions,
- funding value adjustment,
- illiquidity of the markets,
- counterparty risk.

Changes to the fair value classification

The classification of a financial instrument into the fair value hierarchy is not static. Financial instruments can shift between different fair value levels for various reasons, for instance:

- Market changes: The market can become inactive. As a result, previously observable parameters can become unobservable (possible shift from level 1 to level 2 or 3);
- Model changes: The application of a new refined model that takes more observable input factors into account or reduces the fair value impact of unobservable inputs (possible shift from level 3 to level 2);
- Change in sensitivity: The sensitivity of a valuation input to the entire fair value may change over time. An unobservable input that used to be significant to the entire fair value measurement may become insignificant (or vice versa). The fair value classification in the hierarchy would consequently change from level 3 to level 2 (or vice versa).

Defining the fair value classification of a financial instrument can only be made taking into account changing market circumstances, upgraded models and the sensitivity of the valuation inputs. With this regard, the fair value classification per instrument/portfolio is reassessed by the Group on a regular basis. The Group recognises transfers between levels of the fair value hierarchy at the date the event or change in circumstances occurred.

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 – MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.3.3 Financial assets - Impairment

2.3.3.1 Definition of default

The Group uses the definition for defaulted financial assets which is used for internal risk management purposes and it is in line with guidance and standards of the financial industry regulators. A financial asset is considered as defaulted if one or more of the following conditions are fulfilled:

- The asset is flagged as non-accrual
- The asset is flagged as high risk forborne in line with the internal policies for forbearance specified as stage 3 forborne
- Liquidation proceedings have been initiated against the client
- The counterparty has filed for bankruptcy or sought similar protection measures.
- The credit facility towards the customer is terminated due to decline in credit worthiness.

The Group applies a backstop for facilities that have at least 90 days past due status. In this context a backstop is used as a final control to ensure that all the assets that should have been designated as defaulted, are properly identified.

2.3.3.2 Expected credit loss model

The model for impairment of financial assets is called the Expected Credit Loss model (ECL). The scope of the ECL model is based on the classification of financial assets. The ECL model is applicable to the following financial assets:

- Financial assets measured at amortised cost;
- Debt instruments measured at fair value through the other comprehensive income;
- Loan commitments and financial guarantees;
- Finance lease receivables; and
- Trade and other receivables.

No ECL are calculated for equity investments. Financial assets that are in scope for the ECL carry an amount of impairments equal to the life-time ECL if the credit risk has increased significantly since initial recognition. If the credit risk has not increased significantly since initial recognition, the loss allowance equals to an amount of 12 month ECL (see below for the references to the significant increase in credit risk).

To distinguish between the different stages with regards the amount of ECL, the Group uses the internationally accepted terminology for stage 1, stage 2 and stage 3 financial assets.

All financial assets at initial recognition, unless they are already credit impaired, are classified at stage 1 and carry 12 month ECL. Once a significant increase in credit risk since initial recognition occurs, the asset migrates to stage 2 and carries life-time ECL. Once an asset meets the definition of default it migrates to stage 3.

IFRS 9 allows for a practical expedient for leasing and trade receivables. The ECL for trade receivable are measured in an amount equal to the life-time ECL. The Group applies this practical expedient for trade receivables.

Impairment gains and losses on financial assets are recognised under the heading “Impairments” in the income statement.

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 – MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial assets that are measured at amortised cost are presented on the consolidated statement of financial position at their carrying amount being the gross carrying amount minus loss allowances. Debt instruments measured at fair value through other comprehensive income are presented on the consolidated statement of financial position at their carrying amount being the fair value at the reporting date. The adjustment for the ECL is recognised as a reclassification adjustment between the income statement and the other comprehensive income. For loan commitments and financial guarantees a provision for ECL is recognized as liability.

2.3.3.3 Significant increase in credit risk since initial recognition

In accordance to the ECL model, a financial assets attracts life-time ECL once the credit risk has increased significantly since initial recognition; therefore the assessment of the significant increase in credit risk defines the staging of financial assets. The assessment of a significant increase in credit risk is a relative assessment based on the credit risk that was assigned at initial recognition. This is a multi-factor assessment, and, thus the Group has developed a multi-tier approach (MTA).

2.3.3.3.1 Multi-Tier Approach – Bond portfolio

For the bond portfolio the MTA consists of three tiers:

Low credit exception: Bonds always carry 12-months ECL if they have a low credit risk at the reporting date (i.e. stage 1). The Group uses the low credit risk exception for bonds which are BB+ and above based on internal rating. Internal rating: only applicable if the first tier is not met. This is a relative assessment comparing the Probability of Default (PD) at initial recognition to the PD at the reporting date. The Group makes the assessment on a facility level at each reporting period.

Management assessment: Finally management reviews and assesses the significant increase in credit risk for financial assets at an individual and a portfolio level.

If none of these triggers results in a migration to stage 2, then the bond remains in stage 1. A financial asset is considered impaired (i.e. stage 3) as soon as it meets the definition of default. The MTA is symmetrical, i.e. a credit that has migrated to stage 2 or 3 can return to stage 2 or 1 if the Tier that triggered the migration is not present in a subsequent reporting date.

2.3.3.3.2 Multi-tier approach – Loan portfolio

For the loan portfolio the Group uses a five-tier approach. This MTA is a waterfall approach, i.e. if after assessing the first Tier, doesn't result in migrating to stage 2, then the second Tier is assessed and so on. At the end, if all Tiers are being assessed without triggering a migrations to stage 2, then the financial asset remains in stage 1.

- Lifetime probability of default (LTPD): the LTPD is used as the main criterion for assessing the increase in credit risk. This is a relative assessment comparing the LTPD at initial recognition to the LTPD at the reporting date. The Group makes the assessment on a facility level at each reporting period.
- Forbearance: Forborne financial assets are always considered as stage 2 unless they are already impaired. In the latter case, they migrate to stage 3.
- Days past due: the Group uses the backstop described in the standard. A financial asset that has more than 30 days past due, migrates to stage 2.
- Watch list: the watch list includes clients with an increased credit risk but not (yet) classified as non-performing, and thus the Group monitors the exposures concerned closely.
- Management assessment: Finally, management reviews and assesses the significant increase in credit risk for financial assets at an individual and a portfolio level.

A financial asset is considered impaired (i.e. stage 3) as soon as it meets the definition of default. The MTA is symmetrical, i.e. a credit that has migrated to stage 2 or 3 can return to stage 2 or 1 if the Tier that triggered the migration is not met at the reporting date.

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 – MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.3.3.4 Measurement of ECL

The ECL is calculated as the product of the probability of default (PD), the estimated exposure at default (EAD) and the loss given default (LGD).

The ECL are calculated in a way that reflect:

- an unbiased, probability weighted amount;
- the time value of money; and
- information about the past events, current conditions and forecast economic conditions.

The life-time ECL represents the sum of the ECL over the life time of the financial asset discounted at the original effective interest. The 12 months ECL represent the portion of the life time ECL that results from a default in 12-month period after the reporting date.

The Group uses specific IFRS 9 models for PD, EAD and LGD to calculate ECL. To the extent possible the Group uses similar modelling techniques that have been developed for prudential purposes (i.e. Basel models) for efficiency purposes. Having said that, the Group ensures that the Basel models are adapted to be in compliance with IFRS 9, for example:

- the Group removes the conservatism which is required by the regulator for Basel models
- the Group adjusts the way that macroeconomic parameters affect the outcome to ensure that the IFRS 9 models reflect a “point-in-time” rather than “through-the-cycle” estimate (the latter is required by the regulator).
- the Group applies forward looking macroeconomic information in the models.

The Group also considers three different forward looking macro-economic scenarios with different weights in the calculation of ECL (see Note 43.4). The base case macro-economic scenario represents the Group’s estimations for the most probable outcome and it also serves as a primary input for other internal and external purposes.

The maximum period for measurement of the ECL is the maximum contractual period (including extensions) with the exception of specific financial assets which include a drawn and an undrawn amount available on demand which is not limited the exposure to the contractual period. Only for such assets a measurement period can extend beyond the contractual period.

2.3.3.5 Purchased or originated credit impaired (POCI)

The Group defines POCI assets as financial assets in scope of the IFRS 9 impairment which at origination are already defaulted (i.e. meet the definition of default).

POCI assets are recognised initially at an amount net of impairments and are measured at amortised cost using a credit adjusted effective interest rate. In subsequent period any changes to the estimated lifetime ECL are recognised in the income statement. Favourable changes are recognised as an impairment gain even if the lifetime ECL at the reporting date is lower than the estimated lifetime ECL at origination.

2.3.4 Cash, cash balances with central banks and other demand deposits

Cash comprises cash on hand and demand deposits, e.g. cheques, petty cash and central bank balances as well as other bank balances. For the purposes of reporting cash flows, cash and cash equivalents comprise balances with an original maturity less than 90 days, including cash, balances due from banks and balances with the Hungarian National Bank (including obligatory reserves).

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 – MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.3.5 Financial liabilities

Financial instruments or their component parts are classified as liabilities or as equity in accordance with the substance of the contractual arrangements on initial recognition and the definitions of financial liabilities and equity instruments. A financial instrument is classified as a liability if:

- the Group has a contractual obligation to deliver cash or another financial asset to the holder or to exchange another financial instrument with the holder under conditions that are potentially unfavourable to the Group; or
- the Group has a contractual obligation to settle the financial instrument in a variable number of its own equity instruments.

A financial instrument is classified as an equity instrument if both of the conditions are not met and in that case is covered under the section “Equity”.

2.3.5.1 Financial liabilities – recognition and derecognition

The Group recognises a financial liability when it becomes a party to the contractual provisions of the instrument which is typically the date when the consideration received in the form of cash or other financial asset has been received. At initial recognition the financial liability is recognised at fair value and less transaction costs that are directly attributable to its issuance, except for financial liabilities at fair value through profit or loss.

Financial liabilities are derecognised when they are extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or expires. The Group can also derecognise the financial liability and recognise a new one when there is an exchange between the Group and the lenders of the financial liability with substantially different terms, as well as substantial modifications of the terms of the existing financial liabilities. In assessing whether terms are different, the Group compares the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, and the discounted present value of the remaining cash flows of the original financial liability. If the difference is at least 10% or more then the Group derecognises the original financial liabilities and recognises a new one. When the exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment.

Financial liabilities held for trading

Held-for-trading liabilities are those incurred principally for the purpose of generating a profit from short-term fluctuations in price or dealer’s margin. A liability also qualifies as a trading liability if it belongs to a portfolio of financial instruments held for trading separately by the trading desk and for which there is a recent pattern of short-term profit-taking.

Trading liabilities can include derivative liabilities, short positions in debt and equity instruments, term deposits and debt certificates. In connection with derivative liabilities the Group makes similarly distinction between trading and hedging derivatives as in case for derivative assets.

Initially, held-for-trading liabilities are measured at fair value. At the end of the reporting date, trading liabilities are measured at fair value. Fair value adjustments are always recorded in the income statement.

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 – MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial liabilities upon initial recognition designated by the entity at fair value through profit or loss

IFRS 9 allows measuring a (group of) financial liability(s) on initial recognition at fair value, whereby fair value changes are recognized in profit or loss except for fair value changes related to the changes in own credit risk which are presented separately in OCI. The fair value designation is used by the Group for the following reasons:

- the Group designates a financial liability or group of financial liabilities at fair value when these are managed and their performance are evaluated on a fair value basis.
- Fair value option can be used when the use eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.
- A financial instrument is regarded as a hybrid instrument when it contains one or more embedded derivatives that are not closely related to the host contract. The fair value option can be used when it is not possible to separate the non-closely related embedded derivative from the host contract and then the entire hybrid instrument can be designated at fair value. This results that both the embedded derivative and the host contract are measured at fair value. The Group uses this option when, for example, structured products contain non closely related embedded derivatives, in which case both the host contract and the embedded derivative are measured at fair value.

Financial liabilities measured at amortised cost

The Group classifies most of its financial liabilities under this category, also those used to fund trading activities, when the trading intent is not present in the financial liabilities (e.g.: issued bonds). These financial liabilities are initially measured at cost, which is the fair value of the consideration received including transaction costs. Subsequently they are measured at amortised cost, which is the amount at which the funding liability was initially recognised minus principal repayments and plus or minus the cumulative amortisation of any difference between that initial amount and the maturity amount. The difference between the amount made available and the nominal value is recorded on an accruals basis as an interest expense. Interest expenses accrued, but not yet paid, are recorded under accruals and deferrals.

2.3.5.2 Financial liabilities – own credit risk

For financial liabilities designated at fair value, IFRS 9 requires measuring the financial liability on initial recognition at fair value. Thereafter fair value changes are recognized in the income statement, except for fair value changes related to the changes in own credit risk which are presented separately in OCI.

Accordingly, the fair value movement of the liability is presented in different parts: changes in own credit risk are presented in OCI and all other fair value changes are presented in the income statement under the line item “Net result from financial instruments at fair value through profit or loss”. The amounts recognized in OCI relating to the own credit risk are not recycled to the income statement even when the liability is derecognized and the amounts are realized. Although recycling is prohibited, the Group transfers the amounts in OCI to other reserves within equity at derecognition. The only situation when the presentation of the own credit risk in OCI is not applied when this would create an accounting mismatch in the income statement.

2.3.5.3 Financial liability – financial guarantee contract

A financial guarantee contract is a contract that requires the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Such a contract is initially recognised at fair value and is subsequently measured at the higher of

- the amount determined in accordance with impairment provisions of IFRS 9 (see section “Financial Assets – Impairment”) and
- the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the revenue recognition principle of IFRS 15.

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 – MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.3.6 Offsetting

The Group offsets and presents only a net amount in the consolidated statement of financial position of a financial asset and financial liability when and only when it has currently a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

2.3.7 Hedge accounting

The Group applies IAS 39 the EU carve-out version to hedge accounting.

For the purposes of hedge accounting, hedges are classified into two categories: (a) fair value hedges which hedge the exposure to changes in the fair value of a recognized asset or liability; and (b) cash flow hedges which hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a forecasted transaction.

At inception of the hedge relationship, the Group formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk, the objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship.

Also at the inception of the hedge relationship, a formal assessment is undertaken to ensure the hedging instrument is expected to be highly effective in offsetting the designated risk in the hedged item. Hedges are formally assessed regularly. The frequency is defined in the hedging document. A hedge is regarded as highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated are expected to offset in a range of 80% to 125%. For situations where that hedged item is a forecast transaction, the Group assesses whether the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect the income statement.

Fair value micro hedging: In relation to fair value hedges which meet the conditions for hedge accounting, any gains or losses from the changes in fair value of the derivative are recognized immediately in the income statement together with changes in the fair value of the hedged item that are attributable to the hedged risk. Accrued interest income/expense from interest rate swaps is recognized in net interest and similar income/expense. If the hedging derivative expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for fair value hedge accounting, or the hedge designation is revoked, then the hedge accounting is discontinued prospectively. Any adjustment up to the point of discontinuation that is made to a hedged item is amortised to the income statement over its remaining life or recognized directly when the hedged item is derecognized.

Fair value macro hedging: a group of derivatives can be viewed in combination and jointly designated as a hedging instrument. The Group uses interest rate swaps to hedge the interest rate risk for a portfolio of financial instruments (loans, deposits, securities). Interest rate swaps are measured at fair value, with fair-value changes being reported in the income statement. Accrued interest income/expense from interest rate swaps is recognized in net interest and similar income/expense. The hedged amount of loans is measured in fair value as well, with fair value changes being reported in the income statement.

When a hedging relationship is terminated, the cumulative fair value change in the hedged amount will be amortised to the income statement over the remaining lifetime of the hedged assets or will be immediately removed from the statement of financial position if ineffectiveness is due to derecognition of the corresponding loans.

Cash flow hedges: In relation to cash flow hedges which meet the conditions for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized initially in the other comprehensive income in the cash flow hedge reserve. Any ineffective portion of changes in the fair value of a derivative is immediately recognized in the income statement. The amount recognized in OCI is reclassified to the income statement as a reclassification adjustment in the same period as the hedged cash flows affect the income statement. Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time, the cumulative gain or loss on a cash flow hedge recognized in the other comprehensive income remains in the other comprehensive income until the forecasted transaction occurs, when it is then transferred to the income statement for the period.

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NOTE 2 – MATERIAL ACCOUNTING POLICY INFORMATION (continued)

For hedges which do not qualify for hedge accounting and trading derivatives, any gains or losses arising from changes in the fair value of the hedging instrument are taken directly to the income statement for the period.

2.3.8 Leasing

2.3.8.1 The Group, as a lessee

On initial recognition the Group recognises a right-of-use (ROU) asset and a lease liability which are both measured - in most cases - at the present value of the lease payments. The ROU asset will be recognized in the Group's statement of financial position similarly as to where the leased assets would be recognized if it were subject to a finance lease. The lease liability will be recognized as "Financial liabilities at amortised cost – other liabilities".

The ROU asset is measured at cost, less any accumulated depreciation and any accumulated impairment losses; and adjusted for any remeasurement of the lease liability. The depreciation requirements follow IAS 16, the impairment requirements follow IAS 36. The lessee shall depreciate the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Group recognises a financial cost on the lease. The cost represents the unwinding of the discount rate of the lease. The Group uses the incremental borrowing rate for discounting the lease payments when and if the rate implicit in the lease is not readily determinable.

The lease term is determined as the non-cancellable period of the lease, taking into account the periods covered by an option to extend or terminate the lease. For assessing these options, the Group uses all economic facts and circumstances, including the factors listed in IFRS 16 B37 to determine the lease term.

The lease liability is remeasured when there is a lease modification or a reassessment such as an indexation of the rent payment or at the reassessment of the lease term. The lease liability shall be remeasured using a revised discount rate, whereby the revised rate is determined at the date of the remeasurement in case of a change in the lease term. The remeasurement shall occur when there are changes to the lease term or in case of other reassessments. The lease liability shall be remeasured using an unchanged discount rate when there are change in index or rate affecting payments.

The Group opts to apply the following practical expedients foreseen in the standard: the Group applies a single discount rate to a portfolio of leases with reasonably similar characteristics ('portfolio approach'). The Group applies the recognition exemption for both leases with a low value (< 5.000 EUR recalculated at current HUF exchange rate) and short-term leases (< 12 months). The Group does not recognise contracts of intangibles as leasing agreement.

IFRS 16 requires that an lease should be recorded in the lessee's balance sheet both as an asset and as an obligation to pay future rentals. The derecognition requirements for finance lease liabilities are based on IFRS 9 rules. At the commencement of the lease term, the sum to be recognised both as an asset and as a liability is the present value of the minimum lease payments each determined at the inception of the lease. In calculating the present value of the minimum lease payments, the discount factor is the lessee's incremental borrowing rate. Any initial direct costs of the lessee are added to the amount recognised as an asset.

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NOTE 2 – MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.3.8.2 The Group, as a lessor

All leases need to be classified as either finance leases or operating leases. The classification under IFRS 16 is based on the extent to which risk and rewards incidental to ownership of leased assets lie with the lessor or the lessee. A finance lease transfers substantially all the risks and rewards incidental to ownership of an asset.

The amount due from the lessee under a finance lease is recognised in the Group's statement of financial position as claims from customers at an amount equal to the Group's net investment in the lease in the financial statement line item of financial assets at amortised cost. Over the lease term, rentals are apportioned between a reduction in the net investment in the lease and income. The net investment in a lease is its gross investment in the lease discounted at the interest rate implicit in the lease. The gross investment in the lease is equal to the minimum lease payments plus any unguaranteed residual accruing to the lessor.

During the lease term, the net investment in the lease will represent the remaining minimum lease payments, less that part of the minimum lease payments that is attributable to future gross earnings (i.e. interest) and it will also include the unguaranteed residual value. The unguaranteed residual value, which is expected to be small in a finance lease (even in a property lease), represent the amount the lessor expects to recover from the value of the leased asset at the end of the lease term that is not guaranteed in any way by either the lessee or third parties.

The requirements on subsequent measurement are based on IFRS 16, but for the impairment and derecognition of finance lease assets IFRS 9 must be applied.

Assets subject to operating leases are included in premises and equipment in the statement of financial position and lease payments received are presented as income in the income statement. When the Group provides lease incentive to the lessee, the aggregate cost of incentives are treated as a reduction of rental income over the lease term.

In case of financing the purchase of a vehicle or other equipment, the main collateral is the vehicle or the other equipment, on which the Group has got the right to buy. When the contract is extraordinarily terminated the assets received in the debt settlement are measured at the lower of cost and net realisable value which is defined as the fair value of the vehicle or other equipment. If the carrying amount of the received asset differs from the value defined at the subsequent valuation of the asset then impairment is accounted for or the formerly booked impairment is fully or partially released.

2.3.9 Equity (Reserves)

Reserves in the consolidated financial statements of the Group contains the following:

- In Other Comprehensive Income
 - revaluation reserve of financial instruments measured through other comprehensive income, where the fair value changes of FVOCI financial instruments are recognised.
 - accumulated amount of financial liabilities designated at fair value through profit or loss that is attributable only to the own credit changes of the Group
 - hedging reserve, which is the gain or loss on the hedging instrument included in a cash flow hedge that is determined to be an effective hedge.
 - remeasurement of defined benefit plans: the actuarial gains and losses recognised as remeasurements of the net defined benefit (e.g. effect of change in yield curves applied for estimating or discounting, or changes in tax rates related to the benefit)
- Statutory risk reserve which is set aside as 10% of the profit calculated in accordance with Hungarian Accounting Regulations for use against future losses.
- Share premium which is the excess amount received by the Group over the par value of its shares at the time of capital increase.

2.3.10 Dividend on ordinary shares

Dividends on ordinary shares are recognized as a liability and deducted from equity when they are approved by the shareholders. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the Group.

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NOTE 2 – MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.3.11 Share based payment transactions

A number of employees of the Group receive remuneration in the form of share based payment transactions. They are granted share appreciation rights, which can only be settled in cash (“cash-settled transactions”). The cost of cash-settled transactions is measured at fair value at the grant date, using the KBC share price determining the fair value. The value of the share based payment is expensed in the year of the remunerated performance considering the vesting period with recognition of a corresponding liability. The liability is valued at the closing price of the underlying share at the end of the period. The liability is released at the date of pay-out.

2.3.12 Investment property

Investment property is defined as a real estate property either built, purchased or acquired under a finance lease by the Group, which is held to earn rentals or capital appreciations rather than used by the Group for the supply of services or for administrative purposes.

The Group subsequently measures investment property at initial cost minus accumulated depreciation and impairment losses.

Depreciation is provided on a straight-line basis during the useful life of the asset. The useful life of investment property is generally 33 years, except if the consideration of certain special circumstances results different useful lifetime.

2.3.13 Property and equipment

Property and equipment are tangible items that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and are expected to be used during more than one period. An item of property and equipment is recognized as an asset only when it is probable that future economic benefits associated with the asset will flow to the entity and the cost of the asset can be measured reliably.

The Group considers movables as tangible asset only above HUF 100,000 initial cost. Items under this amount – including decorative elements, art works with low value – are accounted for as material cost.

Property and equipment is initially measured at cost. Cost is the amount of cash or cash equivalents paid or the fair value of other consideration given to acquire an asset at the time of its acquisition or construction.

After initial recognition subsequent cost can increase the carrying amount of an asset or can be recognized as a separate asset, if it is probable that future economic benefits associated with the asset will flow to the Group and the cost can be measured reliably. The carrying amount of replaced components are derecognized. Repairs and maintenance are charged to the income statement as incurred

In case of compound assets, main components of these can differ regarding the economic characteristics. In this case the initial cost is divided among main components. Useful life, residual value and depreciation method is determined individually for every main components.

The subsequent measurement of property and equipment is based on the cost model, i.e. property and equipment are carried at initial cost less accumulated depreciation and any accumulated impairment losses.

Every part of property and equipment, which represents significant value compared to the total initial cost of the asset is depreciated separately. Depreciation is calculated on a straight-line basis under the estimated useful life of the asset. Land, art works have unlimited useful lives, therefore are not depreciated.

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 – MATERIAL ACCOUNTING POLICY INFORMATION (continued)

The estimated useful lives of property and equipment are the following:

Buildings (including leasehold rights, and leasehold improvements)	10-50 years
Right-of-use assets (leases)	3-20 years
IT and office equipments (including system software)	3-7 years
Other	10-50 years

System software (operating systems) are initial software linked to the purchase of hardware, without whose installation the hardware will not function or operate. Such software regulates the internal operation of the computer and ensures communication with the configuration or the network, and thus includes operating systems, support software and compilers, therefore system software forms an integral part of related hardware.

Leasehold rights are mainly right-of-use assets in connection with IFRS 16 Leases standard. For further details see Note 2.3.8. Leasing.

The Group prepares reassessment for the useful lives and the residual values at least on a yearly basis.

2.3.14 Intangible assets

An intangible asset shall be recognised if, and only if it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably.

Intangible assets can have a finite or indefinite useful life. The Group owns intangible assets with finite useful life.

Intangible assets with finite lives are amortised over the useful economic life; the amortisation expense is recorded as operating expense in the income statement. The impairment assessment of intangible assets with finite lives is the same as tangible assets. Intangible assets with finite lives have no residual value, as the Group does not intend to dispose the intangible assets before their economic useful lives.

The subsequent measurement of intangible assets is based on the cost model i.e. are carried at initial cost less accumulated amortisation and any accumulated impairment losses. Depreciation is calculated on a straight-line basis under the estimated useful life of the asset:

Standard software and other intangibles	5 years
Core banking software	8-15 years

On a discretionary basis the accounting policy leaves room to use an extended useful life estimation for selected core systems compared to the general rules explained above if it is economically justified.

Core banking systems are software handling back-end data processing applications for processing all transactions that have occurred during the day and posting updated data on account balances to the mainframe. Core systems typically include deposit account processing, loan and credit processing, interfaces to the general ledger and reporting tools.

The Group owns purchased trademarks, the depreciation is based on the useful life determined in the purchase agreement.

2.3.15 Impairment of non-financial assets

When the Group prepares consolidated financial statements it ensures that the carrying amount of the non-financial asset does not exceed the amount what could be obtained from either using or selling it ("recoverable amount"). Property and equipment, investment property and software are subject to the impairment review only when an objective evidence of impairment indicator exists. The Group reviews at least annually whether there are any indicators of impairment.

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 – MATERIAL ACCOUNTING POLICY INFORMATION (continued)

When an impairment indicator is present, or the impairment test of an asset must be prepared, the Group estimates the asset's recoverable amount. The recoverable amount is defined as the higher of fair value less cost to sell or the value in use, determined individually by assets, except if the economic benefits realized on the asset can not be separated from economic benefits realized on other assets or group of assets. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

2.3.16 Contingent liabilities

In the ordinary course of its business, the Group enters into off-statement of financial position commitments such as guarantees, commitments to extend credit, letters of credit, warranties and transactions with financial instruments. These commitments are recorded in the consolidated financial statements if and when they become payable.

To determine the allowance for losses on contingent liabilities the Group uses the Expected Credit Loss model (ECL) (for details see Note 2.3.3 Financial assets – Impairment).

2.3.17 Provisions

Provisions are recognised at the reporting date if and only if there is a present obligation (legal or constructive) due to a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

When the timing effect is material, the amount recognised as a provision is the net present value of the best estimate. Any compensation that arises in relation to provisions for operational losses from claims and legal disputes regarding commercial activity are presented in other income / (expense) when they become virtually certain.

When it is virtually certain that another party will repay the expenditure of the provisions, the reimbursement is treated as a separate asset.

2.3.18 Revenue recognition

2.3.18.1 Net interest and similar income

Net Interest Income falls under the scope of IFRS 9. Interest income and expense are calculated and recognised based on the effective interest rate method, or, if considered appropriate, based on a method that results in an interest income or interest expense that is a reasonable approximation of using the effective interest rate method as basis for the calculation. The effective interest includes fees considered to be part of the effective interest rate of a financial instrument (generally fees received as compensation for risk or origination fees). Prepayment fees are also presented as interest income.

Interest income calculated using effective interest method is presented as a separate line item on the face of the income statement. Interest income related to assets held for trading, mandatorily at fair value through profit or loss and hedging derivatives are presented in a separate line item as "other similar income".

Interest income and expenses from financial instruments are, with the exceptions described below classified as "Net Interest Income".

For financial assets measured at amortised cost or debt instruments measured at fair value through other comprehensive income, the calculation of the interest income depends on the stage of the asset used in the calculation of ECL. For assets that are in stage 1 and stage 2 the interest recognition is based on the gross carrying amount while for assets in stage 3 and POCI on the carrying amount. The gross carrying amount of a financial asset is defined as the amortised cost before adjusting for any loss allowance.

**CONSOLIDATED FINANCIAL STATEMENTS
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NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 – MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.3.18.2 Net fee and commission income

The Group presents the revenue of different transaction under this line item. Most of these fall under the scope of IFRS 15 Revenue from Contracts with Customers as they cover services and goods provided by the Group to its customers while certain transactions reported under Commitment credit are accounted for under IFRS 9. The revenue recognised on these transactions reflect the amount of consideration to which it expects to be entitled in exchange for transferring goods or service to the customers. For the recognition of revenue the Group needs to identify the contract and define what the promises are (performance obligations) in the transaction. Thereafter the transaction price is calculated and allocated to all performance obligations identified in the contract. Revenue is recognised only when the Group has satisfied the performance obligation.

The revenue from fiduciary and trading services falls under the scope of IFRS 15. These transactions are straightforward because the Group provides series of distinct services which is consumed by the customer simultaneously when the benefits are provided. The Group is remunerated after executed transactions or on a timely basis, the fee is determined as a fixed amount or a percentage. The fee arrangements do not include variable compensation and revenue is estimated and recognised straightforward. Due to the nature of the promises the Group recognises these revenues at that point in time or over time.

Commitment credit represents revenue on fees received from lending and financial leasing business that are not considered as part of the Effective Interest Rate and consequently, have to be recognised under the scope of IFRS 15, except for financial guarantees which are accounted for in accordance with IFRS 9. This includes typically credit-related fees like loan administration fees or fees charged as prepayment fees. The Group also recognises fees received for the issuance of guarantees, letters of credit, standby credit agreement and similar transactions. It also includes fees charged to companies with specific financing needs requiring integrated or highly complex structure. The terms applied by the Group on these revenue do not contain complex arrangements and relates to a certain percentage of the transaction and variability is limited. The terms of the provided services are straightforward and are recognised in general at the point when the actual service has been performed or transferred to the customer except for financial guarantees for which the received fees are treated as income and recognised in general over time until expiry of the guarantee.

Fee income also contains fees related to payment services whereby the Group charges the customer for different transactions linked with its current accounts, domestic or foreign payments, payment services through ATM, etc. These services are mainly completed when the actual transaction is executed therefore the relating consideration can be recognised directly at that point in time.

2.3.19 Employee benefits

2.3.19.1 Short-term employee benefits

Short-term employee benefits, such as salaries, paid absences, performance-based cash awards and social security costs are recognised over the period in which the employees provide the related services. The relating expenses are presented under the income statement as Staff expenses.

2.3.19.2 Post-employment benefits

A number of employees of the Group receive post-employment benefits in the form of defined benefit plans. The defined benefit plan belongs to post-employment benefits. The components of the benefit costs related to the program are recorded as follows in the consolidated financial statements:

- vested benefits and costs arising from the change of the program's conditions as personal expenses in the income statement
- interest expenses related to the defined benefit plan as interest and similar expense in the income statement
- the revaluation of the defined benefit plan (e.g. impact of change of the curves used to the estimation and discount calculation or change of the tax rate related to the benefit) in other comprehensive income.

**CONSOLIDATED FINANCIAL STATEMENTS
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NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 – MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.3.20 Government grants

Government grants are assistance by government in the form of transfers of resources to the Group in return for past or future compliance with certain conditions relating to the operating activities of the entity.

Government grants are recognised when there is a reasonable assurance that the grant will be received and the conditions attached to it will be met. The grants are recognised in the income statement in a systematic basis to match the way that the Group recognises the expenses for which the grants are intended to compensate.

Government grants related to assets, including non-monetary grants at fair value, shall be presented in the statement of financial position either by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset. The Group applies the deferred income (gross) presentation method.

2.3.21 Levies

Public authorities could impose different levies on the Group. The amount of the levies can be dependent on the amount of revenue (mainly interest) generated by the Group, on the amount of deposits accepted from customers, on the total balance sheet volume with corrections based on some specific ratio's. Levies are recognised, in accordance with IFRIC 21, when the obligating event that gives rise to the recognition of the liability, as stated in the relevant legislation, has occurred. Depending on the obligating event, levies can be recognised at one point or over time. The majority of the levies imposed on the Group have to be recognised at one point, which occurs mainly at the beginning of the financial year. The Group recognises the levies as part of Operating Expenses (See Note 2.5).

2.3.22 Income tax

Income tax consists of two elements: current year's taxes paid/payable and changes in deferred tax assets/liabilities. Income tax is accounted for either in the income statement or in the Other Comprehensive Income depending on where the items that triggered the tax are accounted for. Income taxes that are initially accounted for in the Other Comprehensive Income and that relate to gains/losses that are subsequently recognised in the income statement, are recycled in the income statement in the same period that the item is accounted for in the income statement. Current taxation is provided for in accordance with the fiscal regulations of Hungary.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized.

Deferred tax assets are recognised for the carry-forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilized.

Deferred and current tax assets and liabilities are offset only if the Group has a legally enforceable right to set off, and the Group intend to settle them on a net basis or to realize the assets and settle the liabilities simultaneously

2.3.23 Non-current assets held-for-sale and liabilities associated with disposal groups

Non-current assets or group of assets and liabilities held for sale are those for which the Group will recover the carrying amount from a sale transaction that is expected to qualify as a sale within a year, instead of through continuing use.

In line with IFRS 5 standard the Group presents a non-current assets as Non-current asset or disposal group comprising assets and liabilities as held-for-sale only if it is available for immediate sale in its present condition and the sale of the asset is highly probable.

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 – MATERIAL ACCOUNTING POLICY INFORMATION (continued)

The Group measures a non-current asset or disposal group classified as held for sale at the lower of carrying amount or fair value less cost to sell.

Non-current assets held for sale and liabilities held for sale are reported separately from the other assets and liabilities in the consolidated statement of financial position at the end of the reporting date.

Non-current assets held for sale (disposals groups) are not depreciated but measured at the lower of their carrying amount and fair value less costs to sell.

A discontinued operation is a component of the Group that either has been disposed of, or that is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business
- or geographical area of operations; or is a subsidiary acquired exclusively with a view to resale.

2.3.24 Fiduciary assets

Assets held in trust or in a fiduciary capacity are not assets of the Group and accordingly are not included in these consolidated financial statements.

2.3.25 Events after reporting period

Events after the reporting date are defined as favourable or unfavourable events that occur between the reporting date and the date that the consolidated financial statements are authorised for issue. There are two types of events after the reporting period:

- those which provide evidence of conditions that existed at the reporting date (adjusting events)
- those that are indicative of conditions that arose after the reporting date (non-adjusting events).

The impact of adjusting events has already been reflected in the statement of financial position and performance of the current year.

The impact and consequences of the non-adjusting events are disclosed in the notes of the consolidated financial statements.

2.4 Changes in accounting policies

2.4.1 Adoption of new or revised standards and interpretations

The following amended standard became effective from 1 January 2025, but did not have any material impact on the Group:

- Amendments to IAS 21 Lack of Exchangeability
Effective from: 1 January 2025

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 – MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4.2 New accounting pronouncements

The Group has not applied the following IASs, IFRSs, amendments to IASs and IFRSs and Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) that have been issued but are not yet effective. The Group will apply these standards when they become mandatory.

The list of standards and amendments:

- Classification and Measurement of Financial Instruments - Amendments to IFRS 9 and IFRS 7
Effective from: 1 January 2026
- Contracts Referencing Nature-dependent Electricity Amendments to IFRS 9 and IFRS 7 (issued on 18 December 2024)
Effective from: 1 January 2026
- Annual improvements – Volume 11
Effective from: 1 January 2026
- IFRS 18 Presentation and Disclosure in Financial Statements (Issued on 9 April 2024 and effective for annual periods beginning on or after 1 January 2027). In April 2024, the IASB has issued IFRS 18, the new standard on presentation and disclosure in financial statements, with a focus on updates to the statement of profit or loss. The key new concepts introduced in IFRS 18 relate to: the structure of the statement of profit or loss; required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management-defined performance measures); and enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general. IFRS 18 will replace IAS 1; many of the other existing principles in IAS 1 are retained, with limited changes. IFRS 18 will not impact the recognition or measurement of items in the financial statements, but it might change what an entity reports as its 'operating profit or loss'. IFRS 18 will apply for reporting periods beginning on or after 1 January 2027 and also applies to comparative information. The Group is currently assessing the impact of the amendments on its financial statements.
Accountability: Disclosures (issued on 21 August 2025)
Effective from: 1 January 2027 (not yet endorsed by the EU)
- IFRS 19 Subsidiaries without Public Accountability: Disclosures
Effective from: 1 January 2027
- Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Translation to a Hyperinflationary Presentation Currency (issued on 13 November 2025)
Effective from: 1 January 2027
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28
Effective from: not yet endorsed by the EU

Other than referred above the Group does not expect any material impact on its financial reporting.

**CONSOLIDATED FINANCIAL STATEMENTS
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NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 – MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.5 Taxes and levies payable by financial institutions

Credit institutions and financial institutions are exposed to pay the so called “bank tax” introduced in 2010 in Hungary (see Note 13). The actual bank tax and its reversal (if any) are recorded as expense in the financial period in which it is legally payable. As the bank tax is payable based on non-net income measures it does not meet the definition of income tax under IFRS and is therefore presented as an operating expense in the income statement.

The IFRIC 21 Levies interpretation identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. Based on the interpretation of IFRIC 21 the “bank tax” amount is recognized at the beginning of the year in a lump sum in the Group’s Consolidated Financial Statements.

In addition to the regular “bank tax” extraordinary tax payment had to be made in 2020. As the additional “bank tax” is deductible in the next 5 years’ regular tax obligation, it has no effect on the profit or loss, but it is reported as an outstanding claim in the statement of financial position.

In 2013 a tax called financial transaction levy (FTL) has been introduced. The FTL is payable based on specified type of transactions (including cash movements and money transfers). Subject of the levy are financial service providers (with seat or branch in Hungary). The FTL is recorded as part of general administrative expenses when the underlying business transaction occurs.

In the case of bankcard transactions the FTL is recognized at the beginning of the year in a lump sum, because the base of this levy is the bankcard numbers of the previous year that triggers the payment obligation of the levy at the beginning of the year.

The Investor Protection Fund (IPF) is established to provide indemnity to investors against property damages arising from the potential insolvency of investment service providers. Members make annual contribution payments to the IPF. Based on the interpretation of IFRIC 21 the amount is recognized at the beginning of the year in a lump sum in the Group’s Consolidated Financial Statements.

The Resolution Fund was established in 2014 to shift the costs of crisis management in the financial sector to the members of the sector. The Fund is financed by credit institutions and investment firms from the annual fees paid by the members. According to IFRIC 21 the Group records the total annual fee at the beginning of the period.

2.6 Change in estimate

When preparing the financial statements and applying the Group’s accounting policies, management is required to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Some degree of uncertainty is inherent in almost all amounts reported. The estimates are based on the experience and assumptions that the Group’s management believes are reasonable at the time the financial statements are being prepared.

Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. Significant areas of estimation uncertainty, and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are detailed in the relevant notes.

**CONSOLIDATED FINANCIAL STATEMENTS
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NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 – MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.7 Restatement of the comparative information

In these consolidated financial statements, the comparative information presented in the consolidated statement of cash flows, and notes for the financial year ended 31 December 2024 has been restated compared with the information approved at the end of 2024 financial year as a result of the matter described below.

In 2025, the Group corrected and revised its definition of cash equivalents in the consolidated statement of cash flows to ensure compliance with IAS 7. Financial liabilities at amortised cost to banks (refinancing liabilities from central banks and demand deposit from credit institutions) that had previously been included within cash equivalents were excluded from cash and cash equivalents balance in the statement of cash flows.

This restatement has no impact on the balances reported in the consolidated statement of financial position or the consolidated statement of comprehensive income for the year ended 31 December 2024.

The table below presents the impact of the above-described changes on the consolidated statement of cash flows for the year ended 31 December 2024.

	Restated 2024	Restatement	As reported 2024
	MHUF	MHUF	MHUF
OPERATING ACTIVITIES			
Changes in financial liabilities measured at amortised cost	318 543	(12 944)	331 487
Changes in operating liabilities	232 879	(12 944)	245 823
Net cash from/(used in) operating activities	(196 548)	(12 944)	(183 604)
CHANGE IN CASH AND CASH EQUIVALENTS			
Net decrease in cash and cash equivalents	(292 646)	(12 944)	(279 702)
Cash and cash equivalents at beginning of year	1 329 676	232 522	819 022
Cash and cash equivalents at end of year	1 038 600	219 578	819 022
COMPONENTS OF CASH AND CASH EQUIVALENTS			
Deposits from banks repayable on demand and redeemable at notice	-	219 578	(219 578)
Total cash and cash equivalents	<u>1 038 600</u>	<u>219 578</u>	<u>819 022</u>

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 3 – INTEREST RATE CAP

The government decree of 782/2021 introduced an interest rate cap for short term repricing retail mortgage loans with floating interests (where interest rates are repriced between 27 October 2021 and 30 June 2022). In case of these loans the reference rates used as a basis for determining the interest rate at repricing can not exceed the relevant reference rate as of 27 October 2021 for the period between 1 January 2022 and 30 June 2022.

In 2022 the interest rate cap legislation was prolonged in more steps until 30 June 2023. Additionally, the scope of eligibility for the interest cap legislation was also extended:

- according to the government decree of 390/2022 (14 October) from 1 November 2022, the interest cap regulation is applicable also for borrowers with 3 and 5-year mortgages at market interest rates.
- the government decree of 415/2022 (26 October) extended the scope for the SME sector. In case of non state subsidized loans with variable rates the reference rate which will be used to determine the contractual interest rate shall be not higher than the reference rate on 28 June 2022 for the period from 15 November 2022 until 30 June 2023.

In the following years the interest rate cap was further prolonged:

- the government decree of 175/2023 (12 May) extended the interest rate cap for additional six months (until 31 December 2023)
- as of 30 November 2023, the government announced (government decree of 522/2023) a further prolongation with unchanged conditions (SMEs: until 1 April 2024, mortgage borrowers: until 30 June 2024)
- for mortgage borrowers the government decree of 130/2024 provided a further extension of the interest cap until 31 December 2024, then additional extension until 30 June 2025 was announced in the government decree of 374/2024
- in 2025, the interest rate cap was further prolonged until 30 Jun 2026 in two steps (government decree of 374/2024 and 364/2025).

The estimated negative impact of the above measures (HUF 1 797 million loss in 2025, HUF 3 560 million loss in 2024) is recognized as interest and similar income (2025: 0, 2024: HUF 2,670 million) and modification to the gross carrying amount of the related loans (2025: HUF 1,797 million, 2024: HUF 890 million)..

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 4 – CHANGES IN FINANCING

	<u>2025</u>	<u>2024</u>
	<u>MHUF</u>	<u>MHUF</u>
Cash and cash equivalents	623 841	1 038 600
Subordinated liabilities (see Note 16)	(37 398)	(52 097)
Financial leasee liabilities (see Note 37)	(10 168)	(11 099)
Issued bond (see Note 16)	(15 884)	(7 022)
Issued mortgage bonds (see Note 16)	<u>(267 664)</u>	<u>(227 426)</u>
Net debt	<u>292 727</u>	<u>740 956</u>

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**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4 – CHANGES IN FINANCING (continued)

The components of net debt changed as follows in 2025.

	Cash	Cash balances with central banks	Other demand deposits with credit institutions	Loans and advances to banks repayable on demand and term loans to banks < 3	Financial Lease liabilities	Subordinated liabilities	Issued bond	Issued mortgage bonds	Total net debt
	<u>MHUF</u>	<u>MHUF</u>	<u>MHUF</u>	<u>MHUF</u>	<u>MHUF</u>	<u>MHUF</u>	<u>MHUF</u>	<u>MHUF</u>	<u>MHUF</u>
Net debt as at 31 December 2024	<u>89 885</u>	<u>881 595</u>	<u>43 949</u>	<u>23 171</u>	<u>(11 099)</u>	<u>(52 097)</u>	<u>(7 022)</u>	<u>(227 426)</u>	<u>740 956</u>
Cash flows	4 983	(489 773)	76 796	(4 248)	3 289	13 817	(9 098)	(40 000)	(444 235)
Foreign exchange adjustments	-	-	(2 436)	(81)	-	1 109	-	-	(1 408)
Other non-cash movements	-	-	-	-	(2 358)	(227)	236	(238)	(2 587)
Net debt as at 31 December 2025	<u>94 868</u>	<u>391 822</u>	<u>118 309</u>	<u>18 842</u>	<u>(10 168)</u>	<u>(37 398)</u>	<u>(15 884)</u>	<u>(267 664)</u>	<u>292 726</u>

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 4 – CHANGES IN FINANCING (continued)

The components of net debt changed as follows in 2024.

	<u>Cash</u>	<u>Cash balances with central banks</u>	<u>Other demand deposits with credit institutions</u>	<u>Loans and advances to banks repayable on demand and term loans to banks < 3</u>	<u>Financial Lease liabilities</u>	<u>Subordinated liabilities</u>	<u>Issued bond</u>	<u>Issued mortgage bonds</u>	<u>Total net debt</u>
	MHUF	MHUF	MHUF	MHUF	MHUF	MHUF	MHUF	MHUF	MHUF
Net debt as at 31 December 2023	<u>78 954</u>	<u>1 166 774</u>	<u>61 330</u>	<u>22 618</u>	<u>(12 600)</u>	<u>(48 641)</u>	<u>-</u>	<u>(174 101)</u>	<u>1 094 334</u>
Cash flows	10 931	(285 179)	(19 130)	731	3 748	-	(7 500)	(53 000)	(349 399)
Foreign exchange adjustments	-	-	1 748	(178)	-	(3 487)	-	-	(1 917)
Other non-cash movements	-	-	-	-	(2 247)	31	478	(325)	(2 063)
Net debt as at 31 December 2024	<u><u>89 885</u></u>	<u><u>881 595</u></u>	<u><u>43 949</u></u>	<u><u>23 171</u></u>	<u><u>(11 099)</u></u>	<u><u>(52 097)</u></u>	<u><u>(7 022)</u></u>	<u><u>(227 426)</u></u>	<u><u>740 956</u></u>

K&H BANK ZRT.**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025****NOTES TO THE FINANCIAL STATEMENTS****NOTE 5 – NET INTEREST AND SIMILAR INCOME**

	<u>2025</u> <u>MHUF</u>	<u>2024</u> <u>MHUF</u>
Financial assets at amortised cost	271 503	307 526
Financial assets at fair value through other comprehensive income	30 446	16 140
Positive interest on financial liabilities	62	100
Interest income calculated using the effective interest method	302 011	323 766
Financial assets held for trading	224	117
Financial assets mandatorily fair value through profit or loss other than held for trading	32 666	26 799
Asset/liability management derivatives	26 300	26 901
Hedging derivatives	99 110	84 061
Interest and similar income from lease	6 734	6 234
Other similar income	165 034	144 112
Total interest and similar income	467 045	467 878
Financial liabilities measured at amortised cost	(90 911)	(102 468)
Other	(5)	(5)
Negative interest on financial assets	(70)	(121)
Interest expense calculated using the effective interest method	(90 986)	(102 594)
Asset/liability management derivatives	(47 626)	(45 354)
Hedging derivatives	(95 962)	(95 685)
Other financial liabilities at fair value through profit or loss	(4 227)	(5 912)
Interest and similar expense of defined benefit plans	(15)	(14)
Interest and similar expense from lease	(232)	(195)
Other similar expense	(148 062)	(147 160)
Total interest and similar expense	(239 048)	(249 754)
Net interest and similar income	227 997	218 124

The Group recorded HUF 492 million interest income (unwinding discount effect) on impaired assets in 2025 (HUF 820 million in 2024).

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FOR THE YEAR ENDED 31 DECEMBER 2025****NOTES TO THE FINANCIAL STATEMENTS****NOTE 6 – NET FEE AND COMMISSION INCOME**

	<u>2025</u>	<u>2024</u>
	MHUF	MHUF
Credit and guarantee fee income	9 191	9 090
Structured finance	72	36
Total fee income related to financial instruments not at fair value through profit or loss	<u>9 263</u>	<u>9 126</u>
Investment services	15 042	12 086
Trust and fiduciary activities	4 172	3 913
Payment services	107 208	89 102
Card services	20 735	20 546
Other	<u>8 376</u>	<u>7 400</u>
Fee and commission income	<u>164 796</u>	<u>142 173</u>
Investment services	(1 005)	(750)
Credit and guarantee fee expense	(8 154)	(7 804)
Commissions to agents	(2 429)	(1 424)
Payment transactions	(9 934)	(8 774)
Card services	(12 393)	(10 488)
Insurance commissions	(6 912)	(5 998)
Other	<u>(2 391)</u>	<u>(1 620)</u>
Fee and commission expense	<u>(43 218)</u>	<u>(36 858)</u>
Net fee and commission income	<u>121 578</u>	<u>105 315</u>

Front-end fees related to financial assets at amortised cost (loans and receivables) are part of the effective interest rate method calculation and are recorded as interest income or expenses over the life of the underlying asset.

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CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

NOTES TO THE FINANCIAL STATEMENTS

NOTE 7 – NET GAINS / (LOSSES) FROM FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>2025</u> MHUF	<u>2024</u> MHUF
Trading securities	260	248
Interest rate derivatives (including interest and fair value changes in trading derivatives)	(1 601)	(2 956)
Other financial liabilities designated at fair value through profit or loss mandatorily at fair value through profit or loss other than held for trading*	(481)	(203)
Foreign exchange trading (including interest and fair value changes in trading foreign exchange derivatives)	12 820	17 063
Fair value adjustments in hedge accounting**	8 845	2 202
	<u>(1 875)</u>	<u>(80)</u>
Net gains / (losses) from financial instruments at fair value through profit or loss	<u>17 968</u>	<u>16 274</u>

In 2020 a new valuation methodology was implemented for loans mandatorily valued at fair value through profit or loss in accordance with IFRS 9 and since then this fair value calculation is updated quarterly along with the IRSs intended to hedge this position economically and accounting wise.

As these loans should be kept at fair value, the Group's purpose with the economic hedge is to decrease the impact on the current year's result. (The repricing period of these product is over 1 year, and as the market rates are constantly moving, the fair value can also change during the repricing period).

The change in the fair value of financial instruments at fair value through profit or loss, where the fair value calculation is based on non-observable parameters was HUF 3 519 million loss in 2025 (HUF 7 267 million gain in 2024).

*The Group has been concentrating all trading-related risk in the book of KBC Bank. Locally, incoming transactions are transferred to KBC Bank within seconds through the established automated process, after which all further processing - including trading book risk-management - takes place there. The profit generated on KBC's side is subsequently transferred to the Group and is reported under this line (HUF 11 880 million gain in 2025 and HUF 9 682 million gain in 2024).

**Results of cash flow hedge derivatives transferred from Consolidated other comprehensive income to the Consolidated income statement amounted to HUF 550 million loss in 2025 (HUF 80 million loss in 2024). The residual part of the result presented as Fair value adjustments in hedge accounting arose from early terminations. No result was recorded as the unrealised revaluation of the ineffective cash flow hedge transactions in 2025 (nor in 2024).

NOTE 8 – NET REALISED GAINS / (LOSSES) FROM SECURITIES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

In 2025 (and in 2024) the Group converted a part of its Visa Inc. C series preferred shares into A series. In 2025 the Group sold the converted shares. Due to the disposal a gain of HUF 352 million was transferred from revaluation reserve of equity instruments to accumulated profit in 2025. (HUF 515 million 2024.)

K&H BANK ZRT.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9 – DIVIDEND INCOME

The Group recognised HUF 7 million dividend income in 2025 (HUF 10 million in 2024). The dividend was paid by VISA Inc..

NOTE 10 – GAINS / (LOSSES) ON THE DISPOSAL OF ASSETS AT AMORTISED COST

	<u>2025</u> <u>MHUF</u>	<u>2024</u> <u>MHUF</u>
Loss on the disposal of debt securities	-	(172)
Gain on the disposal of loans and advances	922	826
(Loss) / Gain on the disposal of assets at amortised cost	<u>922</u>	<u>654</u>

By the disposals of assets at amortised cost (where the disposals were not in contradiction with the concerned business model) the Group decreased the realised loss arising from its lending activity and slightly increase its income resulting from securities.

NOTE 11 – OTHER INCOME AND EXPENSE

	<u>2025</u> <u>MHUF</u>	<u>2024</u> <u>MHUF</u>
Gain on property and equipment	622	1 118
Gain on sale of goods	221	238
Gain on other services	1 294	1 140
Recoveries related to operational risks	11 153	13
Other income – other	1 564	268
Other income	<u>14 854</u>	<u>2 777</u>

The income of HUF 1 294 million reported as gain on other services in 2025 (HUF 1 140 million 2024) results from finance and accounting, business management, technical, logistic and bank security services granted by the Group to other KBC Group entities operating in Hungary, but not included in the consolidation.

	<u>2025</u> <u>MHUF</u>	<u>2024</u> <u>MHUF</u>
Losses on property and equipment	(10)	(26)
Losses due to operational risks	(765)	(11 576)
Other expense – other	(171)	(173)
Other expense	<u>(946)</u>	<u>(11 775)</u>

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CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

NOTES TO THE FINANCIAL STATEMENTS

NOTE 12 – GENERAL ADMINISTRATIVE EXPENSES

	<u>2025</u>	<u>2024</u>
	MHUF	MHUF
IT expenses	(27 467)	(23 487)
Rental expenses	158	209
Repair and maintenance	(2 974)	(2 474)
Marketing expenses	(2 901)	(2 215)
Professional fees	(3 041)	(2 810)
Other facilities expenses	(5 097)	(5 338)
Communication expenses	(25)	(27)
Travel expenses	(65)	(62)
Training expenses	(852)	(761)
Personnel related expenses	(282)	(206)
Financial transaction levy	(70 610)	(55 620)
Other administrative expenses	(6 888)	(6 205)
Other provision	-	474
	<u> </u>	<u> </u>
Total general administrative expenses	<u>(120 044)</u>	<u>(98 522)</u>

NOTE 13 – BANK TAX

The Group recorded a bank tax of HUF 25 616 million in 2025 (HUF 31 833 million in 2024). The basis and the tax rate of the tax payable by financial institutions can differ per group members, dependent on their activities. The tables below present the details of the bank tax paid by the group members in 2025 and 2024.

2025	Activity	Tax base	Effective tax rate	Tax
		MHUF	%	MHUF
Group members:				
K&H Bank Zrt.	Credit institution	5 326 662	0.200	10 628
K&H Bank Zrt. (extra profit tax)	Credit institution	206 800	7.126	14 736
K&H Faktor Zrt.	Other financial services	957	6.479	62
K&H Faktor Zrt. (extra profit tax)	Other financial services	717	6.974	50
K&H Ingatlanlízing Zrt.	Finance lease	199	6.533	13
K&H Ingatlanlízing Zrt. (extra profit tax)	Finance lease	165	7.273	12
K&H Jelzálogbank Zrt.	Credit institution	7 016	0.157	11
K&H Jelzálogbank Zrt. (extra profit tax)	Credit institution	1486	6.999	104
		<u> </u>	<u> </u>	<u> </u>
Total		<u>5 544 002</u>	<u>0.462</u>	<u>25 616</u>
2024	Activity	Tax base	Effective tax rate	Tax
		MHUF	%	MHUF
Group members:				
K&H Bank Zrt.	Credit institution	5 412 451	0.200	10 800
K&H Bank Zrt. (extra profit tax)	Credit institution	149 700	13.864	20 755
K&H Faktor Zrt.	Other financial services	766	6.527	50
K&H Faktor Zrt. (extra profit tax)	Other financial services	511	12.916	66
K&H Ingatlanlízing Zrt.	Finance lease	184	6.522	12
K&H Ingatlanlízing Zrt. (extra profit tax)	Finance lease	157	12.739	20
K&H Jelzálogbank Zrt.	Credit institution	11 217	0.152	17
K&H Jelzálogbank Zrt. (extra profit tax)	Credit institution	872	12.959	113
		<u> </u>	<u> </u>	<u> </u>
Total		<u>5 575 858</u>	<u>0.571</u>	<u>31 833</u>

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 13 – BANK TAX (continued)

The bank tax payable by the Group members for the year 2025 is calculated as follows.

For credit institutions the tax base includes the total asset value as at 31 December 2023, less:

- Hungarian interbank loan receivables, including bank deposits and repo transactions;
- bonds and shares issued by Hungarian credit institutions, financial enterprises and investment enterprises;
- loan receivables, subordinated and supplementary subordinated loan receivables with respect to capital provided to Hungarian financial enterprises and investment enterprises (including receivables under repos, collateralized repos, repos settled in kind);
- receivables deriving from EU inter-bank credits, bonds and shares issued by other credit institutions.

In 2024 the tax base of credit institutions was the total asset value as at 31 December 2022 adjusted by the above mentioned decreasing items.

The bank tax for credit institutions is payable at 0.15% on tax base below HUF 50 000 million and 0.20% on tax base above HUF 50 000 million in 2025 (same in 2024).

K&H Faktor Zrt. and K&H Ingatlanlízing Zrt. pays a bank tax of 6.5% calculated on total net interest and fee income presented in the annual financial statements prepared for the second financial year preceding the tax year.

The bank tax for the Group is expected to be HUF 11 517 million in 2026, which was established on January 1, 2026. In 2026 the tax base of credit institutions is the total asset value as at 31 December 2024 adjusted by the above mentioned decreasing items.

In 2022-2026, the financial institution sector is obliged to pay a special tax (the so called extra profit tax).

In 2025, the tax base is the adjusted pre-tax profit for 2023, where the tax rate is 7% for a tax base below HUF 20 000 million and 18% above HUF 20 000 million. The tax for 2025 has been reduced by 50% via increasing the stock of government securities.

In 2026, the tax base is the adjusted pre-tax profit for 2024, where the tax rate is 10% for a tax base below HUF 20 000 million and 30% above HUF 20 000 million. The tax for 2026 can be reduced by 30% via increasing the stock of government securities.

In 2025, the Group recorded HUF 14 902 million extra profit tax (HUF 20 954 million in 2024). The Group's extra profit tax is expected to be HUF 46 780 million in 2026 (without reduction) which was established on 1 January, 2026.

K&H BANK ZRT.**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025****NOTES TO THE FINANCIAL STATEMENTS****NOTE 14 – AVERAGE NUMBER OF PERSONNEL AND STAFF EXPENSES**

	<u>2025</u>	<u>2024</u>
White-collar staff	3 303	3 294
Blue-collar staff	15	17
Key management	36	54
	<u>3 354</u>	<u>3 365</u>
	<u>2025</u>	<u>2024</u>
	<u>MHUF</u>	<u>MHUF</u>
Wages and salaries	37 456	35 111
Social security charges	6 752	6 245
Defined benefit plan	(5)	(9)
Share based payments	181	246
Other staff expenses	4 628	4 086
	<u>49 012</u>	<u>45 679</u>

NOTE 15 – INCOME TAXES

The components of income tax expense for the year ended 31 December 2025 and 2024 are:

	<u>Notes</u>	<u>2025</u>	<u>2024</u>
		<u>MHUF</u>	<u>MHUF</u>
Statutory income tax expense		(12 915)	(13 234)
Statutory income tax from self-revision of prior years		104	111
Local business tax and innovation contribution		(10 024)	(9 236)
Pillar Two income tax		-	(700)
Deferred taxes on income / (expense)	27	(83)	(367)
		<u>(22 918)</u>	<u>(23 426)</u>

Pillar Two income tax expense

Pillar Two regulations came into effect in Hungary on January 1, 2024, and the Group has already taken this into account when calculating its tax obligations for the current financial period. This calculation has been made based on the currently effective OECD rules and Hungarian law.

The Group continuously assesses the impact of the regulations and monitors the implementation processes in Hungary. Any changes that may arise will be disclosed in the subsequent financial statements. The Group remains committed to providing transparent disclosures and will update its financial statements as new information becomes available.

The Group applies the temporary exemption provided by the IAS 12 amendments, which means that no deferred tax assets or liabilities related to Pillar Two taxes are recognized or presented in the financial statements. This approach is consistently applied in the financial reporting.

**CONSOLIDATED FINANCIAL STATEMENTS
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NOTES TO THE FINANCIAL STATEMENTS

NOTE 15 – INCOME TAXES (continued)

Statutory income tax expense

In 2025 and 2024 corporate income tax was payable at 9% on yearly profits.

Considering their non-turnover characteristics, local business taxes are presented as an income tax expense for IFRS purposes. Local business taxes include local government tax and innovation tax.

There is no procedure for final agreement of tax assessments in Hungary. The tax authorities may examine the accounting records and revise assessments for up to six years after the period to which they relate. Consequently, the Group may be subject to further assessments in the event of an audit by the tax authorities. The corporate tax returns for the Bank have been reviewed and closed off by the taxation authorities for the years up to 2019. Management is not aware of any additional significant non-accrued potential tax liability which might arise relating to years not audited by the tax authorities.

The effective income tax rate varied from the statutory income tax rate due to the following items:

	<u>2025</u> <u>MHUF</u>	<u>2024</u> <u>MHUF</u>
Profit / (loss) before tax	162 210	152 701
Income tax rate	9,00%	9,00%
Income tax calculated	(14 599)	(13 743)
Plus/minus tax effects attributable to:		
Tax base decreasing items	1 219	881
Adjustments related to prior years	104	111
Unrecognised tax credit used to reduce current tax expense	5	58
Local taxes and innovation contribution	(10 163)	(9 236)
Tax base increasing items	516	(1 497)
Total tax effects	(8 319)	(9 683)
Income tax expense (income tax calculated + total tax effects)	<u>(22 918)</u>	<u>(23 426)</u>

The effective income tax rate is 14.13% excluding Pillar Two income tax. (2024: 15.34% including Pillar Two income tax and 14.88% if Pillar Two income tax is excluded).

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**CONSOLIDATED FINANCIAL STATEMENTS
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NOTES TO THE FINANCIAL STATEMENTS

NOTE 16 – FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY PORTFOLIO AND PRODUCT

	Held for trading	Mandatorily fair value through profit or loss	At fair value through other comprehensive income	At amortised cost*	Hedging derivatives	Total
	MHUF	MHUF	MHUF	MHUF	MHUF	MHUF
Financial assets at 31 December 2025						
Securities	130	-	419 405	1 209 963	-	1 629 498
Loans and advances	-	523 249	-	3 612 985	-	4 136 234
Derivatives	46 552	-	-	-	95 956	142 508
Total	46 682	523 249	419 405	4 822 948	95 956	5 908 240
	Held for trading	Mandatorily fair value through profit or loss	At fair value through other comprehensive income	At amortised cost*	Hedging derivatives	Total
	MHUF	MHUF	MHUF	MHUF	MHUF	MHUF
Financial assets at 31 December 2024						
Securities	453	-	476 510	990 751	-	1 467 714
Loans and advances	-	382 876	-	3 800 746	-	4 183 622
Derivatives	52 740	-	-	-	122 193	174 933
Total	53 193	382 876	476 510	4 791 497	122 193	5 826 269

*Including cash balance with central banks and other demand deposits to credit institutions.

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**CONSOLIDATED FINANCIAL STATEMENTS
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NOTES TO THE FINANCIAL STATEMENTS

**NOTE 16 – FINANCIAL ASSETS AND FINANCIAL LIABILITIES, BREAKDOWN BY PORTFOLIO AND PRODUCT
(continued)**

	Held for trading	Designated at fair value through profit or loss	Hedging derivatives	Measured at amortised cost	Total
	MHUF	MHUF	MHUF	MHUF	MHUF
Financial liabilities as at 31 December 2025					
Deposits from central banks	-	-	-	91 884	91 885
Deposits from credit institutions and investment firms*	-	-	-	676 397	676 397
Deposits from customers and debt certificates	-	72 131	-	4 451 206	4 523 337
Deposits from customers	-	56 247	-	4 145 914	4 202 161
Demand deposits	-	-	-	2 890 108	2 890 108
Term deposits	-	56 247	-	959 090	1 015 337
Savings deposits	-	-	-	296 716	296 716
Debt certificates	-	15 884	-	305 292	321 176
Certificates of deposits	-	-	-	230	230
Issued bonds	-	15 884	-	267 664	283 548
Non-convertible subordinated liabilities	-	-	-	37 398	37 398
Derivatives	47 413	-	75 041	-	122 454
Other	-	-	-	11 246	11 246
Total carrying value	47 413	72 131	75 041	5 230 733	5 425 318

*Of which HUF 16 649 million is deposits from banks repayable on demand.

Deposits from credit institutions and investment firms includes repo transactions of HUF 69 463 million.

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NOTES TO THE FINANCIAL STATEMENTS

**NOTE 16 – FINANCIAL ASSETS AND FINANCIAL LIABILITIES, BREAKDOWN BY PORTFOLIO AND PRODUCT
(continued)**

Other includes a HUF 10 168 million financial lease liability (HUF 11 099 million in 2024) (see Note 37).

	Held for trading	Designated at fair value through profit or loss	Hedging derivatives	Measured at amortised cost	Total
	MHUF	MHUF	MHUF	MHUF	MHUF
Financial liabilities as at 31 December 2024					
Deposits from central banks	-	-	-	140 354	140 354
Deposits from credit institutions and investment firms*	-	-	-	756 993	756 993
Deposits from customers and debt certificates	-	55 130	-	4 195 657	4 250 787
Deposits from customers	-	48 108	-	3 915 904	3 964 012
Demand deposits	-	-	-	2 719 383	2 719 383
Time deposits	-	48 108	-	915 211	963 319
Savings deposits	-	-	-	281 310	281 310
Debt certificates	-	7 022	-	279 753	286 775
Certificates of deposits	-	-	-	230	230
Non-convertible bonds	-	7 022	-	227 426	234 448
Non-convertible subordinated liabilities	-	-	-	52 097	52 097
Derivatives	53 500	-	86 202	-	139 702
Other	-	-	-	11 972	11 972
Total carrying value	53 500	55 130	86 202	5 104 976	5 299 808

*Of which HUF 79 224 million is deposits from banks repayable on demand.

Deposits from credit institutions and investment firms includes repo transactions of HUF 70 397 million.

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NOTES TO THE FINANCIAL STATEMENTS

**NOTE 16 – FINANCIAL ASSETS AND FINANCIAL LIABILITIES, BREAKDOWN BY PORTFOLIO AND PRODUCT
(continued)**

Details of financial instruments

Securities

The breakdown of securities is presented in the tables below.

	<u>2025</u> MHUF	<u>2024</u> MHUF
Held for trading		
Hungarian government bonds issued in HUF	130	453
Total held for trading securities	<u>130</u>	<u>453</u>

Securities at fair value through other comprehensive income are presented in the table below.

	<u>2025</u>			<u>2024</u>		
	<u>Gross carrying amount</u>	<u>Fair value adjustment</u>	<u>Impairment</u>	<u>Gross carrying amount</u>	<u>Fair value adjustment</u>	<u>Impairment</u>
	MHUF	MHUF	MHUF	MHUF	MHUF	MHUF
<u>Fair value through other comprehensive income</u>						
Hungarian treasury bills	-	-	-	120 756	326	(40)
Hungarian government bonds issued in HUF	415 437	2 686	(256)	352 146	1 481	(203)
Listed equity instrument	56	254	-	157	653	-
Unlisted equity instruments	739	-	-	745	-	-
Bond issued by non- financial corporations in HUF	572	(43)	(40)	595	(71)	(36)
Total fair value through other comprehensive income	<u>416 804</u>	<u>2 897</u>	<u>(296)</u>	<u>474 399</u>	<u>2 389</u>	<u>(279)</u>

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NOTES TO THE FINANCIAL STATEMENTS

**NOTE 16 – FINANCIAL ASSETS AND FINANCIAL LIABILITIES, BREAKDOWN BY PORTFOLIO AND PRODUCT
(continued)**

The quality of securities at fair value through other comprehensive income in 2025 is presented in the tables below.

	Gross carrying amount and fair value adjustments		Impairment		Total MHUF
	Stage 1	Stage 3	Stage 1	Stage 3	
	MHUF	MHUF	MHUF	MHUF	
<i>Hungarian treasury bills</i>	-	-	-	-	-
<i>Hungarian government bonds issued in HUF</i>	418 123	-	(256)	-	417 867
<i>Bond issued by non-financial corporations in HUF</i>	408	121	-	(40)	489
				-	
<i>Total carrying amount of securities at fair value through other comprehensive income</i>	<u>418 531</u>	<u>121</u>	<u>(256)</u>	<u>(40)</u>	<u>418 356</u>

The quality of securities at fair value through other comprehensive income in 2024 is presented in the tables below.

	Gross carrying amount and fair value adjustments		Impairment		Total MHUF
	Stage 1	Stage 3	Stage 1	Stage 3	
	MHUF	MHUF	MHUF	MHUF	
<i>Hungarian treasury bills</i>	121 082	-	(40)	-	121 042
<i>Hungarian government bonds issued in HUF</i>	353 628	-	(203)	-	353 425
<i>Bond issued by non-financial corporations in HUF</i>	408	116	-	(36)	488
				-	
<i>Total carrying amount of securities at fair value through other comprehensive income</i>	<u>475 118</u>	<u>116</u>	<u>(243)</u>	<u>(36)</u>	<u>474 955</u>

K&H BANK ZRT.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

NOTES TO THE FINANCIAL STATEMENTS

NOTE 16 – FINANCIAL ASSETS AND FINANCIAL LIABILITIES, BREAKDOWN BY PORTFOLIO AND PRODUCT **(continued)**

FVOCI equity instruments contain as at 31 December 2025 unlisted equity instruments in a value of HUF 739 million (HUF 745 million at the end of 2024) for which a fair value can not be measured reliably. These investments are not traded on active markets.

The fair value of the Group's investment in Visa Inc. (class C shares in 2025 and in 2024) is presented as listed equity instrument in the table above.

These FVOCI investments contain long term investments in companies where the Group does not have significant influence. These participations are not consolidated.

FVOCI investments disclosed on their net carrying amount are:

	<u>2025</u> MHUF	<u>2024</u> MHUF
Garantiqa Hitelgarancia Zrt.	640	640
SWIFT S.C.	99	105
	<u>739</u>	<u>745</u>

The Group recorded HUF 5 788 million loss after tax in other comprehensive income as a result of the fair value revaluation of FVOCI debt securities in 2025 (HUF 2 063 million gain after tax in 2024).

The unrealised result of FVOCI debt securities is cumulatively HUF 650 million gain after tax as at 31 December 2025 (HUF 6 424 million gain as at 31 December 2024).

Debt securities at amortised cost consisted of the following types of securities.

	<u>2025</u>		<u>2024</u>	
	Gross carrying amount	Impairment	Gross carrying amount	Impairment
	MHUF	MHUF	MHUF	MHUF
<u>At amortised cost</u>				
Hungarian treasury bills	188 125	(56)	148 111	(24)
Government bonds issued in HUF	904 285	(572)	711 370	(410)
Government bonds issued in foreign currency	75 755	(46)	91 245	(52)
Bonds issued by municipality issued in HUF	-	-	-	-
Bonds issued by financial corporations in HUF	3 602	-	5 441	-
Bond issued by non-financial corporations in HUF	36 269	(928)	35 989	(919)
Bond issued by non financial corporations in foreign currency	3 531	(2)	-	-
Total at amortised cost	<u>1 211 567</u>	<u>(1 604)</u>	<u>992 156</u>	<u>(1 405)</u>

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NOTES TO THE FINANCIAL STATEMENTS

**NOTE 16 – FINANCIAL ASSETS AND FINANCIAL LIABILITIES, BREAKDOWN BY PORTFOLIO AND PRODUCT
(continued)**

The quality of securities held at amortised cost in 2025 is presented in the tables below.

	Gross carrying amount			Impairment			Total carrying amount MHUF
	Stage 1 MHUF	Stage 2 MHUF	Stage 3 MHUF	Stage 1 MHUF	Stage 2 MHUF	Stage 3 MHUF	
Hungarian treasury bills	188 125	-	-	(56)	-	-	188 069
Hungarian government bonds	980 040	-	-	(618)	-	-	979 422
Bond issued by financial corporations	3 602	-	-	-	-	-	3 602
Bond issued by non-financial corporations	22 206	15 666	1 928	(48)	(129)	(753)	38 870
Total carrying amount of securities at amortised cost	1 193 973	15 666	1 928	(722)	(129)	(753)	1 209 963

The quality of securities held at amortised cost in 2024 is presented in the tables below.

	Gross carrying amount			Impairment			Total carrying amount MHUF
	Stage 1 MHUF	Stage 2 MHUF	Stage 3 MHUF	Stage 1 MHUF	Stage 2 MHUF	Stage 3 MHUF	
Hungarian treasury bills	148 111	-	-	(24)	-	-	148 087
Hungarian government bonds	802 615	-	-	(462)	-	-	802 153
Bond issued by financial corporations	5 441	-	-	-	-	-	5 441
Bond issued by non-financial corporations	17 683	16 390	1 916	(27)	(211)	(681)	35 070
Total carrying amount of securities at amortised cost	973 850	16 390	1 916	(513)	(211)	(681)	990 751

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 16 – FINANCIAL ASSETS AND FINANCIAL LIABILITIES, BREAKDOWN BY PORTFOLIO AND PRODUCT (continued)

Bonds issued by financial corporations include bonds issued by the Investor Protection Fund of Hungary.

The Group participated in the Bond Funding for Growth Scheme (BGS) launched by Hungarian National Bank with the aim of developing local bond market, boosting securitization of existing loans and diversifying the funding structure of corporate sector. Within the framework of the scheme, Hungarian National Bank purchased bonds in both the primary and secondary markets. Bonds resulting from the program are presented as Bonds issued by non-financial corporations in the table above.

Assets pledged as collateral for liabilities and contingent liabilities

	Note	2025		2024	
		Asset pledged MHUF	Related liability MHUF	Asset pledged MHUF	Related liability MHUF
Assets pledged:					
Hungarian government bonds pledged for repo liabilities	18	62 369	69 463	70 291	70 397
Hungarian government bonds pledged for Funding for Growth Scheme launched by the Hungarian National Bank		85 362	76 403	115 976	100 915
Other demand deposit with credit institutions pledged for derivative transactions	18	287	12 587	502	10 051
Hungarian government bonds pledged for clearing transactions		37 602	-	30 411	-
Hungarian government bonds pledged for issued mortgage bonds		65 678	59 318	46 785	38 586
Mortgage loans pledged for Issued mortgage bonds		230 844	208 492	229 142	188 986
Total		482 142	426 263	493 107	408 935

Assets pledged as collateral for refinancing credits, derivatives and clearing transactions contain cash and cash equivalents and securities. These assets are not transferred to the counterparty. In case of derivatives the terms and conditions of collateral settlement are defined in separate CSAs (Credit Support Annexes) between the counterparties. In case of securities the collateral requirement is defined on portfolio basis and it is held in custody at a central clearing house (KELER).

Bonds pledged for repo liabilities includes not only transferred assets (financial assets continued to be recognised in their entirety in the statement of financial position) but also collaterals received (bond collaterals behind reverse repo transactions) where the Group is allowed to re-pledge the collateral for its own liabilities.

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**CONSOLIDATED FINANCIAL STATEMENTS
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NOTES TO THE FINANCIAL STATEMENTS

NOTE 16 – FINANCIAL ASSETS AND FINANCIAL LIABILITIES, BREAKDOWN BY PORTFOLIO AND PRODUCT (continued)

The following table presents the breakdown of cash balances with central banks and other demand deposits to credit institutions, financial assets mandatorily at fair value through profit or loss and at amortised cost by portfolio and product as at 31 December 2025.

	<u>Mandatorily at fair value through profit or loss</u>			<u>At amortised cost</u>		
	<u>Gross carrying amount</u>	<u>Accumulated negative changes in fair value due to credit risk*</u>	<u>Total</u>	<u>Gross carrying amount</u>	<u>Accumulated impairment</u>	<u>Total</u>
		<u>MHUF</u>				
Loans and advances at 31 December 2025						
Central bank and credit institutions**	-	-	-	1 001 442	(83)	1 001 359
General government	-	-	-	155 149	(80)	155 069
Corporate	-	-	-	1 540 391	(13 974)	1 526 417
of which: Small and Medium enterprises	-	-	-	752 626	(7 562)	745 064
Households	523 271	(22)	523 249	941 695	(11 555)	930 140
Consumer credit	301 320	-	301 320	162 620	(3 863)	158 757
Credit card	-	-	-	8 482	(337)	8 145
Current account	-	-	-	13 958	(2 107)	11 851
Finance lease	-	-	-	2 064	(2)	2 062
Mortgage loan	221 951	(22)	221 929	735 430	(5 207)	730 223
Term loan	-	-	-	19 141	(39)	19 102
Total	<u>523 271</u>	<u>(22)</u>	<u>523 249</u>	<u>3 638 677</u>	<u>(25 692)</u>	<u>3 612 985</u>

*For non-performing loans and advances.

For details of the valuation method of loans and advances mandatorily at fair value through profit or loss see Note 19.

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**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 16 – FINANCIAL ASSETS AND FINANCIAL LIABILITIES, BREAKDOWN BY PORTFOLIO AND PRODUCT (continued)

The following table presents the breakdown of cash balances with central banks and other demand deposits to credit institutions and loans and advances by portfolio and product as at 31 December 2024.

	<u>Mandatorily at fair value through profit or loss</u>			<u>At amortised cost</u>		
	<u>Gross carrying amount</u>	<u>Accumulated negative changes in fair value due to credit risk*</u>	<u>Total</u>	<u>Gross carrying amount</u>	<u>Accumulated impairment</u>	<u>Total</u>
	<u>MHUF</u>	<u>MHUF</u>	<u>MHUF</u>	<u>MHUF</u>	<u>MHUF</u>	<u>MHUF</u>
Loans and advances at 31 December 2024						
Central bank and credit institutions**	-	-	-	1 360 840	(64)	1 360 776
General government	-	-	-	165 519	(54)	165 465
Corporate	-	-	-	1 448 303	(13 855)	1 434 448
of which: Small and Medium enterprises	-	-	-	752 771	(7 016)	745 755
Households	382 903	(27)	382 876	853 155	(13 098)	840 057
Consumer credit	260 230	-	260 230	132 432	(4 152)	128 280
Credit card	-	-	-	7 172	(137)	7 035
Current account	-	-	-	9 027	(1 387)	7 640
Finance lease	-	-	-	1 749	(5)	1 744
Mortgage loan	122 673	(27)	122 646	681 970	(7 317)	674 653
Term loan	-	-	-	20 805	(100)	20 705
Total	<u>382 903</u>	<u>(27)</u>	<u>382 876</u>	<u>3 827 817</u>	<u>(27 071)</u>	<u>3 800 746</u>

*For non-performing loans and advances.

**From the total balance of loans and advances to Central bank and credit institutions HUF 528 986 million is either repayable on demand or is maturing in less than 90 days (HUF 951 024 million in 2024). Reverse repo transactions amounted to HUF 27 237 million in 2025 (HUF 20 881 million in 2024).

**CONSOLIDATED FINANCIAL STATEMENTS
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NOTES TO THE FINANCIAL STATEMENTS

**NOTE 16 – FINANCIAL ASSETS AND FINANCIAL LIABILITIES, BREAKDOWN BY PORTFOLIO AND PRODUCT
(continued)**

Refinancing credits

The Bank has entered into several refinancing credit facilities with financial institutions (such as EXIM Bank, MBH Bank) for the purpose of funding portions of the Bank's activities. There are several covenants governing the determination of qualified recipients, the on-going monitoring process of the ultimate recipients and the repayment process. In all cases the Bank assumes all credit risk related to the ultimate borrower and must check compliance with all covenants.

The Hungarian National Bank (MNB) launched a program called Funding for Growth Scheme in 2013. The aim of the program is the refinancing of small and medium enterprises (SME) through the Hungarian bank system. The MNB funds the credit institutions attending the program through below market rate refinancing loans during a temporary period and in a limited amount. These funds are used by the credit institutions for granting credits to SMEs with similar, favourable conditions for pre-determined purposes. The maximum maturity of the refinancing loans is 10 years at initiation and it corresponds to the maturity of the loans granted to the customers.

The latest phase of Funding for Growth Scheme launched in April 2020 aims to help SMEs and corporations to mitigate the negative financial effects of the Covid-19 crises. The scheme makes financial funds available to micro-, small and medium-sized businesses through credit institutions and financial businesses at a fixed interest rate of a maximum 2.5. The maximum tenor of the loans is set at 20 years. In a further easing of terms compared to previous phases of the scheme, it was possible to draw down loans within three years from the signing of the contract (this time limitation has already expired, the Group had no loan commitment from the program in 2025). The minimum loan amount is reduced to HUF 1 million and the maximum loan amount per one SME is HUF 20 000 million. Financial institutions must assess loan applications within two weeks from the availability of the necessary information.

Due to the favourable interest conditions the Group recorded day 1 profit both on the refinancing loans and customer credits being the difference between the transaction price and the fair value calculated at the date of initial recognition and recorded the gain and the loss in the income statement. After initial recognition the Group reverses this fair value adjustment over the term of the instruments. The Group uses valuation technique based on non-market observable inputs for the fair value calculation. The day 1 profit recorded on refinancing loans and customer credits offset each other therefore have no impact on the income statement. The value adjustment included in the carrying amount of refinancing loans amounted to HUF 1 629 gain and the same amount of loss was recorded in the carrying amount of customer loans (HUF 2 299 gain and loss in 2024).

At 31 December 2025 and 2024, Management believes that the Bank is in compliance with all covenants. Refinancing credits are presented as financial liabilities at amortised cost in the consolidated statement of financial position.

	2025		2024	
	Liabilities	Assets	Liabilities	Assets
	MHUF	MHUF	MHUF	MHUF
Refinancing credits in the frame of the Funding for Growth Scheme	76 403	76 555	100 915	101 898
Other refinancing credits	181 072	175 110	184 930	180 564
Total refinancing credits	<u>257 475</u>	<u>251 665</u>	<u>285 845</u>	<u>282 462</u>

Issued bonds

In 2025 the Group issued a new capital protected bond with a maturity of 3 years. The interest is due at maturity in one sum. The bonds are economically hedged by FX options. The bonds are presented as financial instrument at fair value through profit or loss in the consolidated statement of financial position to avoid accounting mismatch.

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CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

NOTES TO THE FINANCIAL STATEMENTS

NOTE 16 – FINANCIAL ASSETS AND FINANCIAL LIABILITIES, BREAKDOWN BY PORTFOLIO AND PRODUCT **(continued)**

In 2025 the Group issued a nominal of HUF 40 000 million mortgage bonds (HUF 110 000 million in 2024), which were mainly purchased by KBC Group entities (Hungarian National Bank and KBC Group entities in 2024) (for further details see Note 38). The mortgage bond portfolio consists of fix payer bonds with a nominal of HUF 90 000 million (HUF 90 000 million in 2024) - with a maturity of 4-10 years -, and variable payer bonds with a nominal of HUF 175 000 million (HUF 135 000 million in 2024). The bonds are recorded as financial liabilities at amortised cost in the consolidated statement of financial position.

The following table presents the notional amount of the issued mortgage bonds held at the end of the year by the date of issuance.

	2025	2024
	MHUF	MHUF
Issued in 2021	15 000	15 000
Issued in 2022	15 000	15 000
Issued in 2023	85 000	85 000
Issued in 2024	110 000	110 000
Issued in 2025	40 000	-
	<u>265 000</u>	<u>225 000</u>
Total nominal amount of mortgage bond portfolio	<u>265 000</u>	<u>225 000</u>

Non-convertible subordinated liabilities

	2025	2024
	MHUF	MHUF
Subordinated loan from KBC Group	<u>37 398</u>	<u>52 097</u>

In June 2006, the Group borrowed EUR 60 million (HUF 23 124 million in 2025 and HUF 24 605 million in 2024) of subordinated debt from KBC Bank N.V. Dublin branch, a member of the KBC Group. In 2014 KBC Bank N.V. has taken over the facility from its branch. In March 2015 the loan's original maturity of 30 June 2016 was extended with 10 years. The loan bears a variable interest rate of 3 month-EURIBOR plus 2.70 percent per annum.

In September 2015 the Group agreed on an additional subordinated debt of EUR 30 million (HUF 12 303 million in 2024) with KBC Bank N.V. with conditions of 10 years maturity and a variable interest rate of 3 month-EURIBOR plus 3.05 percent per annum. The debt expired in 2025.

The third subordinated loan contract between the Group and KBC Bank N.V. was made in December 2017. KBC Bank N.V. granted an additional EUR 37 million (HUF 14 260 million in 2025 and HUF 15 173 million in 2024) loan to the Group with a maturity of 10 years and a variable interest rate of 3 months-EURIBOR plus 1.53 percent per annum.

Non-convertible subordinated liabilities are presented as financial liabilities at amortised cost in the consolidated statement of financial position.

**CONSOLIDATED FINANCIAL STATEMENTS
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NOTES TO THE FINANCIAL STATEMENTS

NOTE 17 – TRANSFERRED FINANCIAL ASSETS

The following table includes transferred financial assets continued to be recognised in their entirety.

	2025		2024	
	Carrying amount of transferred asset	Carrying amount of associated liability	Carrying amount of transferred asset	Carrying amount of associated liability
	MHUF	MHUF	MHUF	MHUF
Held-to-maturity debt instruments				
Debt securities at amortised cost	27 323	34 287	28 933	26 642
Debt securities at fair value through other comprehensive income	7 985	7 940	23 011	23 000
Total transferred assets and associated liabilities	35 308	42 227	51 944	49 642

Repo and reverse repo agreements

Under reverse repo transactions, the Group obtains legal ownership of the respective collateral received and, thus, is permitted to utilise the collateral; however, the same collateral must be delivered back to the borrower of the funds on maturity, which generates an asset recorded as financial asset at amortised cost in the consolidated statement of financial position. The Group recorded a HUF 27 237 million reverse repo transaction as at 31 December 2025 (HUF 20 881 in 2024).

The terms of repos and reverse repo transactions are less than three months and the interest rate is based on HUF interbank rates (BUBOR).

The Group has no associated liabilities which have recourse limited only to the transferred assets.

**CONSOLIDATED FINANCIAL STATEMENTS
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NOTES TO THE FINANCIAL STATEMENTS

NOTE 18 – OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

The following tables present the financial assets and liabilities which are subject to enforceable master netting agreements as at 31 December 2025:

	Amounts presented in the statement of financial position			Amounts not set off in the statement of financial position			Net amount
	Gross amount of recognised financial assets	Gross amount of financial liabilities set off	Net amounts of financial assets	Financial instruments	Cash collateral received	Securities collateral received	
	MHUF	MHUF	MHUF	MHUF	MHUF	MHUF	
Derivatives	142 508	-	142 508	109 867	15 387	-	17 254
Reverse repurchase agreements	27 237	-	27 237	-	-	27 061	176
Total financial assets subject to offsetting or master netting agreements	169 745	-	169 745	109 867	15 387	27 061	17 430
	Amounts presented in the statement of financial position			Amounts not set off in the statement of financial position			Net amount
	Gross amount of recognised financial liabilities	Gross amount of financial assets set off	Net amounts of financial liabilities	Financial instruments	Cash collateral pledged	Securities collateral pledged	
	MHUF	MHUF	MHUF	MHUF	MHUF	MHUF	
Derivatives	122 454	-	122 454	109 867	287	-	12 300
Repurchase agreements	69 463	-	69 463	-	-	62 369	7 094
Total financial liabilities subject to offsetting or master netting agreements	191 917	-	191 917	109 867	287	62 369	19 394

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 18 – OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES (continued)

The following tables present the financial assets and liabilities which are subject to enforceable master netting agreements as at 31 December 2024:

	<u>Amounts presented in the statement of financial position</u>			<u>Amounts not set off in the statement of financial position</u>			<u>Net amount MHUF</u>
	<u>Gross amount of recognised financial assets</u>	<u>Gross amount of financial liabilities set off</u>	<u>Net amounts of financial assets</u>	<u>Financial instruments</u>	<u>Cash collateral received</u>	<u>Securities collateral received</u>	
	<u>MHUF</u>	<u>MHUF</u>	<u>MHUF</u>	<u>MHUF</u>	<u>MHUF</u>	<u>MHUF</u>	
Derivatives	174 933	-	174 933	129 651	24 439	-	20 843
Reverse repurchase agreements	20 881	-	20 881	-	-	20 737	144
Total financial assets subject to offsetting or master netting agreements	<u>195 814</u>	<u>-</u>	<u>195 814</u>	<u>129 651</u>	<u>24 439</u>	<u>20 737</u>	<u>20 987</u>
	<u>Amounts presented in the statement of financial position</u>			<u>Amounts not set off in the statement of financial position</u>			<u>Net amount MHUF</u>
	<u>Gross amount of recognised financial liabilities</u>	<u>Gross amount of financial assets set off</u>	<u>Net amounts of financial liabilities</u>	<u>Financial instruments</u>	<u>Cash collateral pledged</u>	<u>Securities collateral pledged</u>	
	<u>MHUF</u>	<u>MHUF</u>	<u>MHUF</u>	<u>MHUF</u>	<u>MHUF</u>	<u>MHUF</u>	
Derivatives	139 702	-	139 702	129 651	502	-	9 549
Repurchase agreements	70 397	-	70 397	-	-	70 291	106
Total financial liabilities subject to offsetting or master netting agreements	<u>210 099</u>	<u>-</u>	<u>210 099</u>	<u>129 651</u>	<u>502</u>	<u>70 291</u>	<u>9 655</u>

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 18 – OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES (continued)

Derivatives, repurchase and reverse repurchase agreements are subject to different netting agreements as ISDA (International Swaps and Derivatives Association) Master Agreements, CSAs (Credit Support Annex) and GMRA (Global Master Repurchase Agreement) in case of institutional clients (credit institutions and investment firms) or treasury limits in case of corporate customers.

Financial assets and liabilities subject to master netting agreements are not netted in the consolidated statement of financial position, since the Group has no intention to settle these instruments on a net basis in the normal course of business.

Given cash collaterals are recognised in the amortised cost portfolio as loans and advances to credit institutions and investment firms repayable on demand. Cash collaterals received are included in financial liabilities held on amortised cost and are recognised as demand deposits from credit institutions and investment firms.

Securities collaterals received are not recorded in the consolidated statements of financial position. Securities collaterals pledged are recognised in the consolidated statement of financial position in the appropriate portfolio (and are presented as assets pledged as collateral for liabilities and contingent liabilities in Note 16).

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

NOTES TO THE FINANCIAL STATEMENTS

NOTE 19 – FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The table below presents information concerning the fair value of financial assets and liabilities for year 2025:

	Fair value			Total fair value MHUF	Total carrying amount MHUF	Accumulated difference between FV and carrying amount not recognised in PL or equity MHUF	Recognised in other comprehensive income: unobservable input MHUF	Recognised in profit or loss un- observable inputs* MHUF
	Quoted market price (level 1)	Valuation techniques - observable inputs (level 2)	Valuation techniques - un- observable inputs (level 3)					
	MHUF	MHUF	MHUF					
Cash and cash balances with central banks and other demand deposits with credit institutions	94 868	510 131	-	604 999	604 999	-	-	-
Financial assets	1 523 762	208 667	3 585 968	5 318 397	5 398 109	(79 712)	72	1 077
Held for trading	86	41 532	5 064	46 682	46 682	-	-	4 596
Debt securities	86	44	-	130	130	-	-	-
Derivatives	-	41 488	5 064	46 552	46 552	-	-	4 596
Fair value through other comprehensive income	417 966	489	950	419 405	419 405	-	72	-
Equity instruments	99	-	950	1 049	1 049	-	72	-
Debt securities	417 867	489	-	418 356	418 356	-	-	-
Measured at amortised cost	1 105 710	70 690	3 056 705	4 233 105	4 312 817	(79 712)	-	-
Debt securities	1 105 710	43 472	-	1 149 182	1 209 963	(60 781)	-	-
Loans and advances	-	27 218	3 056 705	3 083 923	3 102 854	(18 931)	-	-
Loans and advances mandatorily at fair value through profit or loss other than held for trading	-	-	523 249	523 249	523 249	-	-	(3 519)
Hedging derivatives	-	95 956	-	95 956	95 956	-	-	-
Total financial assets and cash and cash balances with central banks and other demand deposits with credit institutions	1 618 630	718 798	3 585 968	5 923 396	6 003 108	(79 712)	72	1 077
Financial liabilities	-	42 302	5 111	47 413	47 413	-	-	(4 649)
Held for trading derivatives	-	72 131	-	72 131	72 131	-	-	-
Fair value option	-	56 248	-	56 248	56 248	-	-	-
Deposits	-	15 883	-	15 883	15 883	-	-	-
Issued bonds	-	774 563	4 418 891	5 193 454	5 230 733	37 279	-	-
Measured at amortised cost	-	469 274	4 407 414	4 876 688	4 914 195	37 507	-	-
Deposits	-	305 289	230	305 519	305 292	(227)	-	-
Debt certificates	-	-	11 247	11 247	11 246	(1)	-	-
Other	-	75 041	-	75 041	75 041	-	-	-
Hedging derivatives	-	-	-	-	-	-	-	-
Total financial liabilities	-	964 037	4 424 002	5 388 039	5 425 318	37 279	-	(4 649)

*Recognised as Net gains / (losses) from financial instruments at fair value through profit or loss in the Consolidated income statement.

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NOTES TO THE FINANCIAL STATEMENTS
NOTE 19 – FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (continued)

The table below presents information concerning the fair value of financial assets and liabilities for year 2024:

Fair value

	Quoted market price (level 1) MHUF	Valuation techniques - observable inputs (level 2) MHUF	Valuation techniques -un- observable inputs (level 3) MHUF	Total fair value MHUF	Total carrying amount MHUF	Accumulated difference between FV and carrying amount not recognised in PL or equity MHUF	Recognised in other comprehensive income: unobservable input MHUF	Recognised in profit or loss un- observable inputs* MHUF
Cash and cash balances with central banks and other demand deposits with credit institutions	89 885	925 544	-	1 015 429	1 015 429	-	-	-
Financial assets	1 348 678	246 518	3 195 973	4 791 169	4 900 725	(109 556)	(143)	9 937
Held for trading	-	50 026	3 167	53 193	53 193	-	-	2 604
Debt securities	-	453	-	453	453	-	-	-
Derivatives	-	49 573	3 167	52 740	52 740	-	-	2 604
Fair value through other comprehensive income	474 572	488	1 450	476 510	476 510	-	(143)	-
Equity instruments	105	-	1 450	1 555	1 555	-	(143)	-
Debt securities	474 467	488	-	474 955	474 955	-	-	-
Measured at amortised cost	874 106	73 811	2 808 480	3 756 397	3 865 953	(109 556)	-	-
Debt securities	874 106	41 479	-	915 585	990 751	(75 166)	-	-
Loans and advances	-	32 332	2 808 480	2 840 812	2 875 202	(34 390)	-	-
Loans and advances mandatorily at fair value through profit or loss other than held for trading	-	-	382 876	382 876	382 876	-	-	7 333
Hedging derivatives	-	122 193	-	122 193	122 193	-	-	-
Total financial assets and cash and cash balances with central banks and other demand deposits with credit institutions	1 438 563	1 172 062	3 195 973	5 806 598	5 916 154	(109 556)	(143)	9 937
Financial liabilities								
Held for trading derivatives	-	50 286	3 214	53 500	53 500	-	-	(2 670)
Fair value option	-	55 130	-	55 130	55 130	-	-	-
Deposits	-	48 108	-	48 108	48 108	-	-	-
Issued bonds	-	7 022	-	7 022	7 022	-	-	-
Measured at amortised cost	-	858 186	4 193 308	5 051 494	5 104 976	53 482	-	-
Deposits	-	578 951	4 181 336	4 760 287	4 813 251	52 964	-	-
Debt certificates	-	279 235	-	279 235	279 753	518	-	-
Other	-	-	11 972	11 972	11 972	-	-	-
Hedging derivatives	-	86 202	-	86 202	86 202	-	-	-
Total financial liabilities	-	1 049 804	4 196 522	5 246 326	5 299 808	53 482	-	(2 670)

*Recognised as Net gains / (losses) from financial instruments at fair value through profit or loss in the Consolidated income statement.

The accompanying notes on pages 12 to 174 are an integral part of these financial statements.

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NOTES TO THE FINANCIAL STATEMENTS
NOTE 19 – FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (continued)

In 2025 no debt instruments were transferred from Quoted market price to Valuation techniques-market observable inputs category (nor in 2024).

The following evaluation tables present the change in the fair value of financial instruments for which no market observable inputs are available.

Financial assets	Held-for trading-derivatives	Mandatorily at fair value through profit or loss	At fair value through other comprehensive income	Total
	MHUF	MHUF	MHUF	MHUF
Balance as at 31 December 2024	3 167	382 876	809	386 852
Net gains / (losses)				
In profit or loss	4 596	(3 519)	-	1077
In other comprehensive income	-	-	72	72
Acquisitions	-	173 118	-	173 118
Settlement	(2 699)	(29 226)	(452)	(32 377)
Other	-	-	521	521
Balance as at 31 December 2025	5 064	523 249	950	529 263

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NOTES TO THE FINANCIAL STATEMENTS
NOTE 19 – FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (continued)

Financial assets	Held-for trading-derivatives	Mandatorily at fair value through profit or loss	At fair value through other comprehensive income	Total
	MHUF	MHUF	MHUF	MHUF
Balance as at 31 December 2023	2 910	315 013	1 161	319 084
Net gains / (losses)				
In profit or loss	(4)	7 333	-	7 329
In other comprehensive income	-	-	(143)	(143)
Acquisitions	2 608	83 826	-	86 434
Settlement	(2 347)	(23 327)	(209)	(25 883)
Other	-	31	-	31
Balance as at 31 December 2024	3 167	382 876	809	386 852

Financial liabilities	Held-for-trading derivatives
	MHUF
Balance as at 31 December 2024	3 214
Net (gains) / losses	
In profit or loss	4 649
Acquisitions	-
Settlement	(2 752)
Balance as at 31 December 2025	5 111

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NOTES TO THE FINANCIAL STATEMENTS
NOTE 19 – FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (continued)

Financial liabilities	Held-for-trading derivatives
	MHUF
Balance as at 31 December 2023	<u>2 935</u>
Net (gains) / losses	
In profit or loss	18
Acquisitions	2 652
Settlement	<u>(2 391)</u>
Balance as at 31 December 2024	<u>3 214</u>

Fair value of financial instruments
Financial instruments at fair value

Held-for-trading instruments, financial instruments designated at fair value through profit or loss, financial assets mandatorily at fair value through profit or loss, financial assets at fair value through other comprehensive income and hedging derivatives are carried at their fair value.

Financial instruments which have an active market with regularly published price quotations are marked to market. Usually treasury bills, Hungarian government bonds, other listed bonds and listed equity instruments belong to this category, excluding bonus Hungarian government bonds denominated in HUF and some treasury bills. There are no price quotations for HUNGARIAN government bonds denominated in HUF and maturing within 3 months therefore they are valued based on BUBOR yield curve within 3 months maturity.

If there is no active market or quoted prices for a financial instrument then valuation techniques based on observable market parameters are used, such as discounted cash flow analysis or option pricing models. Bonus Hungarian government bonds denominated in HUF, most of the financial liabilities designated at fair value through profit or loss and most of the derivatives are valued based on these techniques, such as currency forwards and swaps, foreign exchange and interest rate options, cross currency- and interest rate swaps and forward rate agreements.

When market parameters are not available, the Group uses its best estimations and assumptions to determine the relevant circumstances which have to be taken into account during the model valuation. Valuation techniques based on unobservable market parameters are used in case of held-for-trading exotic derivatives.

Exotic derivatives are primarily revalued by built-in models of the front office system using market observable parameters. For which no system model exists, there are two alternatives; (1) position is either back-to-back hedged, and the Group accepts the hedging partner prices (when hedging bank acts as valuation agent) or (2) valuation is based on internal model based best estimates (e.g. in case of municipality bonds embedded swaption valuation).

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 19 – FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (continued)

The Group provides exotic derivatives on back to back basis, accordingly immaterial result is recorded on held-for-trading exotic derivatives in the consolidated income statement. From the same reason, applying alternative assumptions for the fair value calculation would cause no result in the consolidated income statement.

The calculation of the fair value of Visa Inc. preferred shares is based on the amount of shares the Group holds, the conversion rate to Visa Inc. listed shares, the Visa Inc. share price as listed on the New York Stock Exchange and the illiquidity discount. An increase or decrease of 10 bp in the level 3 component (illiquidity gap) of the fair value model of Visa shares increases or decreases the fair value of the shares by 0.11% (0.11% in 2024).

For determination of the fair value of loan portfolios which failed the IFRS9 SPPI test the Group applies a discounted cash-flow model for subsequent measurement. The estimates of expected cash-flows are based on stochastic model using historical demographical data. The Group determines the fair value as the present value of the expected cash-flows to consider the time value and addition factors in the valuation model, such as impact of market rates, liquidity risk, credit risk, cost of capital, operational costs. For sensitivity analysis of the fair value see Note 43.3.

The following describes the methodology and assumptions used to determine fair values for those financial instruments which are not recorded at fair value in the financial statements.

FVOCI equity instruments

FVOCI equity instruments contain as at 31 December 2025 equity instruments in a value of HUF 739 million (HUF 745 million at the end of 2024) where Management believes that the acquisition value best represents the fair value.

Underlying the definition of fair value is the presumption that the Group is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

Financial assets and financial liabilities measured at amortised cost

Debt securities at amortised cost include Hungarian government bonds issued in HUF and EUR. The fair value of Hungarian government bonds denominated in HUF and maturing over 3 months disclosed in this Note is calculated based on regularly quoted market prices, since these instruments have an active market. Hungarian government bonds denominated in HUF and maturing within 3 months are valued based on BUBOR yield curve within 3 months maturity. Hungarian government bonds issued in EUR have an active market with regularly published price quotations and are marked to market.

Bonus Hungarian government bonds denominated in HUF are valued by a valuation technique where the future cash flow is discounted by a curve calculated from IRS curves modified by asset swap and illiquidity spreads. Although illiquidity spread is non-market observable input, due to its immaterial effect in the fair value of the asset the bond is classified as financial instrument valued by valuation techniques – market observable inputs in the fair value hierarchy.

Municipality bonds were issued in HUF. There is an embedded option which assures that the municipality can change the denomination of the bond at any point of time during its duration to EUR or CHF at the spot rate of the conversion date. Nevertheless, the interest spread remains unchanged over the reference rate.

**CONSOLIDATED FINANCIAL STATEMENTS
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NOTES TO THE FINANCIAL STATEMENTS

NOTE 19 – FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (continued)

This optionality corresponds to a sold, deferred premium, American type multicurrency differential swaption from the Group's point of view. Cross-currency swaption of this kind is an instrument for which no market value is available but its intrinsic value can be calculated from available market parameters. The value of the swaption is not material.

The municipality bond as such can be split to two components which fair values give the total fair value of the bond. The two instruments are (1) bonds and, (2) swaptions. The market value of the bonds is calculated using discounted present value of the future cash flows. The future cash flow of the bond is predicted by the default money market yield curve. The value of swaptions is calculated regularly.

There is no active market for these municipality bonds to get market observable parameters for the revaluation especially for credit spread which is a risk on the top of the Hungarian government bonds. To challenge the fair valuation model, the Group uses a reasonably possible alternative assumption to increase the applied credit spread.

Municipality bonds did not fail the IFRS 9 SPPI test since the reference interest follows the concerned currency before and after the conversion as well.

For loans and advances and financial liabilities that are liquid or have a short term remaining maturity (less than one year) it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits, savings accounts without a specific maturity, and variable rate financial instruments.

The estimated fair value of fixed interest bearing deposits with more than one year remaining maturity is based on discounted cash flows using current interbank market yield curve appropriate for the remaining term to maturity.

The estimated fair value of fixed interest bearing assets with more than one year remaining maturity is based on discounted cash flows using current interbank market yield curve appropriate for the remaining term to maturity which is adjusted with the average margin of the retail and corporate loan portfolio of the Group to arrive at the estimated market yield curve of the asset.

The Group believes that the carrying amount of the impaired loans is the best estimation of their fair value and therefore does not present any unrecognised gain or loss on impaired loans and advances in this Note.

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NOTES TO THE FINANCIAL STATEMENTS

**NOTE 20 – FINANCIAL ASSETS MANDATORILY AT FAIR VALUE THROUGH PROFIT OR LOSS AND
FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS**

	<u>2025</u> <u>MHUF</u>	<u>2024</u> <u>MHUF</u>
Loans to customers	523 249	382 876
Total financial assets mandatorily at fair value through profit or loss	<u>523 249</u>	<u>382 876</u>

Loans to customers measured mandatorily at fair value through profit and loss include customer loans which failed the SPPI test due to leverage in the interest rate calculation.

Loans to customers mandatorily at fair value through profit or loss are level 3 instruments in the fair value hierarchy. For loans to customers valued mandatorily at fair value to profit or loss significant unobservable input comprises required returns, coverages of cost and demographic variables if applies. The difference (if material) of the transaction price and the calculated fair value at the date of recognition is recorded in the statement of financial position and is amortised into the profit or loss over the term of the loan.

	<u>2025</u> <u>MHUF</u>	<u>2024</u> <u>MHUF</u>
Term deposits:		
- retail	4 678	5 295
- corporate	51 569	42 813
Other issued bonds	15 884	7 022
Total financial liabilities designated at fair value through profit or loss	<u><u>72 131</u></u>	<u><u>55 130</u></u>

Included in financial liabilities designated at fair value through profit or loss are retail and corporate term deposits combined with currency options which are accounted for as embedded derivatives. The fair value of the deposits and the options are not separated.

Based on the Group's treasury policy the long term issued bonds included in financial liabilities designated at fair value through profit or loss are economically hedged by index options.

The amount that the Group would contractually be required to pay at maturity is HUF 217 million higher than the fair value of the deposits and issued bonds (HUF 759 million 2024).

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FOR THE YEAR ENDED 31 DECEMBER 2025**
NOTES TO THE FINANCIAL STATEMENTS
NOTE 21 – FINANCIAL ASSETS AND LIABILITIES, BREAKDOWN BY PORTFOLIO AND GEOGRAPHIC LOCATION

The Group's financial assets and financial liabilities as at 31 December 2025 can be analysed by the following geographical regions.

	Cash balances with central banks and other demand deposit with credit institutions	Held for trading	Designated at fair value through profit or loss	Mandatory fair value through profit or loss	At fair value through other comprehensive income	Amortised cost	Hedging derivatives	Total
	MHUF	MHUF	MHUF	MHUF	MHUF	MHUF	MHUF	MHUF
Financial assets								
Hungary	393 710	18 176	-	523 243	418 996	4 064 615	311	5 419 051
EMU* countries	114 170	28 106	-	6	99	246 641	95 512	484 534
East-European countries	857	187	-	-	-	59	-	1 103
Russia	-	-	-	-	-	9	-	9
Ukraine	-	-	-	-	-	3	-	3
Other European countries	11	213	-	-	-	498	133	855
Non-European countries	1 383	-	-	-	310	992	-	2 685
Total	510 131	46 682	-	523 249	419 405	4 312 817	95 956	5 908 240
Financial liabilities								
Hungary	-	14 569	72 072	-	-	4 633 919	-	4 720 560
EMU* countries	-	32 487	59	-	-	550 067	74 682	657 295
East-European countries	-	130	-	-	-	33 220	-	33 350
Russia	-	-	-	-	-	2 663	-	2 663
Ukraine	-	-	-	-	-	797	-	797
Other European countries	-	227	-	-	-	3 668	359	4 254
Non-European countries	-	-	-	-	-	6 399	-	6 399
Total	-	47 413	72 131	-	-	5 230 733	75 041	5 425 318

*Economic and Monetary Union of the European Union

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NOTES TO THE FINANCIAL STATEMENTS
NOTE 21 – FINANCIAL ASSETS AND LIABILITIES, BREAKDOWN BY PORTFOLIO AND GEOGRAPHIC LOCATION (continued)

The geographical breakdown of financial assets and financial liabilities as at 31 December 2024 is presented below:

	Cash balances with central banks and other demand deposit with credit institutions	Held for trading	Designated at fair value through profit or loss	Mandatory fair value through profit or loss	At fair value through other comprehensive income	Amortised cost	Hedging derivatives	Total
	MHUF	MHUF	MHUF	MHUF	MHUF	MHUF	MHUF	MHUF
Financial assets								
Hungary	884 515	23 488	-	382 870	475 595	3 631 423	468	5 398 359
EMU* countries	36 471	29 456	-	6	105	222 416	121 484	409 938
East-European countries	83	126	-	-	-	4 524	-	4 733
Russia	23	-	-	-	-	14	-	37
Ukraine	-	-	-	-	-	5	-	5
Other European countries	-	123	-	-	-	3 222	241	3 586
Non-European countries	4 452	-	-	-	810	4 349	-	9 611
Total	925 544	53 193	-	382 876	476 510	3 865 953	122 193	5 826 269
Financial liabilities								
Hungary	-	11 098	55 048	-	-	4 428 279	-	4 494 425
EMU* countries	-	41 951	82	-	-	612 204	85 385	739 622
East-European countries	-	260	-	-	-	41 447	-	41 707
Russia	-	-	-	-	-	2 975	-	2 975
Ukraine	-	-	-	-	-	747	-	747
Other European countries	-	191	-	-	-	12 461	817	13 469
Non-European countries	-	-	-	-	-	6 863	-	6 863
Total	-	53 500	55 130	-	-	5 104 976	86 202	5 299 808

*Economic and Monetary Union of the European Union

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 22 – LOANS AND ADVANCES, BREAKDOWN BY PORTFOLIO AND QUALITY

Stage 1 and stage 2 financial instruments are presented as performing assets in these financial statements, while stage 3 financial instruments are non-performing and credit impaired.

Credit quality per class of financial assets

The tables below presents the credit quality by asset classes as at 31 December 2025:

	Loans and advances mandatorily at fair value through profit or loss			
	Gross carrying amount		Accumulated negative changes in fair value due to credit risk	Total MHUF
	Performing MHUF	Non-performing MHUF	Non-performing MHUF	
Loans and advances at 31 December 2025				
Households	522 513	758	(22)	523 249
Consumer credit	300 690	630	-	301 320
Mortgage loan	221 823	128	(22)	221 929
Total	522 513	758	(22)	523 249

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 22 – LOANS AND ADVANCES, BREAKDOWN BY PORTFOLIO AND QUALITY (continued)

	<u>Loans and advances mandatorily at fair value through profit or loss</u>			
	<u>Gross carrying amount</u>		<u>Accumulated negative changes in fair value due to credit risk</u>	<u>Total MHUF</u>
	<u>Performing MHUF</u>	<u>Non-performing MHUF</u>	<u>Non-performing MHUF</u>	
Loans and advances at 31 December 2024				
Households	382 332	571	(27)	382 876
Consumer credit	259 794	436	-	260 230
Mortgage loan	122 538	135	(27)	122 646
Total	<u>382 332</u>	<u>571</u>	<u>(27)</u>	<u>382 876</u>

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 22 – LOANS AND ADVANCES, BREAKDOWN BY PORTFOLIO AND QUALITY (continued)

	Loans and advances at amortised cost*					
	Gross carrying amount			Accumulated impairment		
	Performing MHUF	Non- performing MHUF	Total MHUF	Performing MHUF	Non- performing MHUF	Total MHUF
Loans and advances at 31 December 2025						
Central bank and credit institutions	1 001 442	-	1 001 442	(83)	-	(83)
General government	155 149	-	155 149	(80)	-	(80)
Corporate	1 520 362	20 029	1 540 391	(5 985)	(7 989)	(13 974)
of which: Small and Medium enterprises	741 669	10 957	752 626	(2 988)	(4 574)	(7 562)
Households	933 913	7 782	941 695	(8 173)	(3 382)	(11 555)
Consumer credit	159 646	2 974	162 620	(2 435)	(1 428)	(3 863)
Credit card	8 373	109	8 482	(264)	(73)	(337)
Current account	12 475	1 483	13 958	(924)	(1 183)	(2 107)
Finance lease	2 057	7	2 064	(1)	(1)	(2)
Mortgage loan	732 283	3 147	735 430	(4 521)	(686)	(5 207)
Term loan	19 079	62	19 141	(28)	(11)	(39)
Total	<u>3 610 866</u>	<u>27 811</u>	<u>3 638 677</u>	<u>(14 321)</u>	<u>(11 371)</u>	<u>(25 692)</u>

*The table includes the net carrying amount of loans and advances at amortised cost and cash balances with central banks and other demand deposits to credit institutions.

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 22 – LOANS AND ADVANCES, BREAKDOWN BY PORTFOLIO AND QUALITY (continued)

Loans and advances at amortised cost*

	Gross carrying amount			Accumulated impairment		
	Performing MHUF	Non- performing MHUF	Total MHUF	Performing MHUF	Non- perform ing MHUF	Total MHUF
Loans and advances at 31 December 2024						
Central bank and credit institutions	1 360 840	-	1 360 840	(64)	-	(64)
General government	165 519	-	165 519	(54)	-	(54)
Corporate	1 424 451	23 852	1 448 303	(5 083)	(8 772)	(13 855)
of which: Small and Medium enterprises	741 396	11 375	752 771	(2 659)	(4 357)	(7 016)
Households	844 737	8 418	853 155	(9 622)	(3 476)	(13 098)
Consumer credit	129 302	3 130	132 432	(2 640)	(1 512)	(4 152)
Credit card	7 124	48	7 172	(105)	(32)	(137)
Current account	7 978	1 049	9 027	(520)	(867)	(1 387)
Finance lease	1 738	11	1 749	(2)	(3)	(5)
Mortgage loan	677 931	4 039	681 970	(6 274)	(1 043)	(7 317)
Term loan	20 664	141	20 805	(81)	(19)	(100)
Total	<u>3 795 547</u>	<u>32 270</u>	<u>3 827 817</u>	<u>(14 823)</u>	<u>(12 248)</u>	<u>(27 071)</u>

*The table includes the net carrying amount of loans and advances in the loans and receivables portfolio and cash balances with central banks and other demand deposits to credit institutions.

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 22 – LOANS AND ADVANCES, BREAKDOWN BY PORTFOLIO AND QUALITY (continued)

Aging analysis of loans per class of financial assets

	Loans and advances*							Total MHUF
	Performing				Non-performing			
	Not past due	Past due <= 30 days	Past due > 30 days <= 90 days	Past due > 90 days	Past due <= 30 days	Past due > 30 days <= 90 days	Past due > 90 days	
	MHUF	MHUF	MHUF	MHUF	MHUF	MHUF	MHUF	
Loans and advances at 31 December 2025								
Central bank and credit institutions	1 001 359	-	-	-	-	-	-	1 001 359
General government	155 064	5	-	-	-	-	-	155 069
Corporate	1 501 646	12 347	384	-	8 363	936	2 741	1 526 417
of which: Small and Medium enterprises	728 512	9 904	265	-	2 706	936	2 741	745 064
Households	1 427 347	17 597	3 309	-	2 362	462	2 312	1 453 389
Consumer credit	449 031	7 268	1 602	-	869	224	1 083	460 077
Credit card	7 862	203	44	-	5	1	30	8 145
Current account	7 576	3 538	437	-	51	9	240	11 851
Finance lease	1 793	263	-	-	-	6	-	2 062
Mortgage loan	942 170	6 201	1 214	-	1 411	216	940	952 152
Term loan	18 915	124	12	-	26	6	19	19 102
Total	4 085 416	29 949	3 693	-	10 725	1 398	5 053	4 136 234

*The table includes the net carrying amount of loans and advances mandatorily at fair value through profit or loss and at amortised cost, and cash balances with central banks and other demand deposits to credit institutions.

Past due assets include those that are past due even by one day. The financial moratorium does not increase the number of days in delay.

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 22 – LOANS AND ADVANCES, BREAKDOWN BY PORTFOLIO AND QUALITY (continued)

	Loans and advances*							Total MHUF
	Performing				Non-performing			
	Not past due MHUF	Past due <= 30 days MHUF	Past due > 30 days <= 90 days MHUF	Past due > 90 days MHUF	Past due <= 30 days MHUF	Past due > 30 days <= 90 days MHUF	Past due > 90 days MHUF	
Loans and advances at 31 December 2024								
Central bank and credit institutions	1 360 776	-	-	-	-	-	-	1 360 776
General government	165 465	-	-	-	-	-	-	165 465
Corporate	1 416 490	2 590	168	120	12 952	339	1 789	1 434 448
of which: Small and Medium enterprises	737 002	1 565	91	79	4 893	339	1 786	745 755
Households	1 199 846	15 090	2 059	452	2 712	577	2 197	1 222 933
Consumer credit	378 361	6 709	1 204	182	917	196	941	388 510
Credit card	6 858	148	12	1	5	1	10	7 035
Current account	6 865	394	72	127	35	22	125	7 640
Finance lease	1 716	20	-	-	3	4	1	1 744
Mortgage loan	786 374	6 926	756	139	1 646	352	1 106	797 299
Term loan	19 672	893	15	3	106	2	14	20 705
Total	4 142 577	17 680	2 227	572	15 664	916	3 986	4 183 622

*The table includes the net carrying amount of loans and advances in the loans and receivables portfolio and cash balances with central banks and other demand deposits to credit institutions.

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 22 – LOANS AND ADVANCES, BREAKDOWN BY PORTFOLIO AND QUALITY (continued)

Maximum exposure to credit risk without taking into account of any collateral and credit enhancements

The table below presents the maximum exposure to credit risk for the components of the consolidated statement of financial position, including derivatives. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting and collateral agreements.

	<u>2025</u> MHUF	<u>2024</u> MHUF
Debt instruments	1 628 449	1 466 159
Loans and advances*	4 231 102	4 273 507
Derivatives	142 508	174 933
Other assets	89 758	50 459
	<u>6 091 817</u>	<u>5 952 129</u>
Total assets		
Commitments to extend credit	1 263 089	953 253
Guarantees	967	1 127
Letters of credit	505 648	514 377
	<u>1 769 704</u>	<u>1 468 757</u>
Total commitments and contingent liabilities		
Total credit exposure	<u><u>7 861 521</u></u>	<u><u>7 433 815</u></u>

*Including also cash and cash balances with central banks and other demand deposits to credit institutions.

The amounts shown above represent the current credit risk exposure, which may change over time as a result of changes in values (derivative financial instruments, financial investments, etc.) and changes in FX rates (due to FCY lending). The effect of collateral and other risk mitigation techniques is shown in Note 43.4.

Risk concentration of the maximum exposure to credit risk

Concentration of risk is managed by client/client group and by industry sector. The maximum credit exposure to any client or counterparty (excluding Hungarian Government) as of 31 December 2025 was HUF 111 772 million (HUF 103 345 million as of 31 December 2024) before taking account of any collateral or other credit enhancements.

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 22 – LOANS AND ADVANCES, BREAKDOWN BY PORTFOLIO AND QUALITY (continued)

Gross carrying amount transfers between impairment stages

	From Stage 1 to Stage 2 MHUF	From Stage 2 to Stage 1 MHUF	From Stage 2 to Stage 3 MHUF	From Stage 3 to Stage 2 MHUF	From Stage 1 to Stage 3 MHUF	From Stage 3 to Stage 1 MHUF	Total MHUF
Loans and advances at 31 December 2025*							
Central bank and credit institutions	-	-	-	-	-	-	-
General government	2 065	-	-	-	-	-	2 065
Corporate	33 387	22 042	2 245	491	239	-	58 404
of which: Small and Medium enterprises	24 804	19 209	2 245	175	239	-	46 672
Households	70 937	80 314	2 418	914	794	88	155 465
Consumer credit	4 190	6 502	1 284	272	559	27	12 834
Credit card	231	439	13	13	10	-	706
Current account	991	1 528	501	31	58	8	3 117
Finance lease	205	93	-	-	-	-	298
Mortgage loan	64 523	69 585	597	532	154	53	135 444
Term loan	797	2 167	23	66	13	-	3 066
Total	<u>106 389</u>	<u>102 356</u>	<u>4 663</u>	<u>1 405</u>	<u>1 033</u>	<u>88</u>	<u>215 934</u>
Loan commitments	52 984	8 616	30	321	46	11	62 008
Financial guarantees	7 207	3 624	48	-	15	-	10 894
Other commitments	-	-	-	-	-	-	-
Total	<u>60 191</u>	<u>12 240</u>	<u>78</u>	<u>321</u>	<u>61</u>	<u>11</u>	<u>72 902</u>

*The table includes the gross carrying amount of loans and advances at amortised cost.

The table shows year-to-year stage transfers.

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NOTE 22 – LOANS AND ADVANCES, BREAKDOWN BY PORTFOLIO AND QUALITY (continued)

Gross carrying amount transfers between impairment stages

	From Stage 1 to Stage 2 MHUF	From Stage 2 to Stage 1 MHUF	From Stage 2 to Stage 3 MHUF	From Stage 3 to Stage 2 MHUF	From Stage 1 to Stage 3 MHUF	From Stage 3 to Stage 1 MHUF	Total MHUF
Loans and advances at 31 December 2024*							
Central bank and credit institutions	-	1	-	-	-	-	1
General government	4	985	-	1	-	-	990
Corporate	52 337	174 531	1 152	617	1 429	-	230 066
of which: Small and Medium enterprises	36 893	118 042	1 152	463	1 429	-	157 979
Households	57 204	22 068	1 468	12 634	937	111	94 422
Consumer credit	41 378	643	821	2 245	680	26	45 793
Credit card	227	142	10	48	12	2	441
Current account	1 088	620	142	754	27	6	2 637
Finance lease	212	571	-	-	-	-	783
Mortgage loan	10 220	18 590	486	9 570	122	75	39 063
Term loan	4 079	1 502	8	17	96	2	5 704
Total	109 545	197 585	2 620	13 252	2 366	111	325 479
Loan commitments	13 415	58 299	32	101	54	16	71 917
Financial guarantees	11 135	80 347	537	12	138	-	92 169
Other commitments	39	617	-	-	-	-	656
Total	24 589	139 263	569	113	192	16	164 742

*The table includes the gross carrying amount of loans and advances at amortised cost.

The table shows year-to-year stage transfers.

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 23 – IMPAIRMENT ON FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The Group recorded an additional impairment of HUF 18 million on debt securities at fair value through other comprehensive income in 2025 (HUF 154 million in 2024).

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 24 – IMPAIRMENT ON FINANCIAL ASSETS AT AMORTISED COST AND PROVISION FOR CREDIT COMMITMENTS

Changes recorded in the income statement including derecognition due to sales

	Opening balance MHUF	Incr. due to origin. MHUF	Decr. due to derecog. MHUF	Chg in cr. risk – no stage transfers MHUF	Chg in cr. risk – transf. from stage 1 MHUF	Chg in cr. risk – transf. from stage 2 MHUF	Chg in cr. risk – transf. from stage 3 MHUF	Chg due to modif. MHUF	Decr. due to write- offs MHUF	Other MHUF	Transl. diff. MHUF	Closing balance MHUF
Impairment on financial assets at amortised cost classified as stage 1 at 31 December 2025												
Debt securities												
General government	486	199	(37)	30	-	-	-	-	-	(5)	-	673
Corporate	27	2	-	15	-	3	-	-	-	1	-	48
Total impairment on debt securities	513	201	(37)	45	-	3	-	-	-	(4)	-	721
Loans and advances*												
Central bank and credit institutions	58	29	(13)	11	-	-	-	-	-	(2)	-	83
General government	50	24	(17)	3	(3)	-	-	-	-	(1)	-	56
Corporate	2 480	1 255	(487)	(246)	(121)	43	-	-	-	(30)	(69)	2 825
of which: Small and Medium enterprises	1 341	411	(189)	(198)	(90)	29	-	-	-	6	(33)	1 277
Households	3 489	423	(482)	135	(2 689)	79	5	-	-	(20)	-	940
of which: POCI	-	-	-	-	-	-	-	-	-	-	-	-
Consumer credit	402	355	(240)	107	(76)	37	3	-	-	(3)	-	585
Credit card	39	-	(1)	20	(2)	4	-	-	-	(1)	-	59
Current account	18	-	(1)	13	(4)	11	-	-	-	1	-	38
Finance lease	-	-	-	-	-	-	-	-	-	1	-	1
Mortgage loan	3 019	68	(240)	-	(2 606)	27	2	-	-	(21)	-	249
Term loan	11	-	-	(5)	(1)	-	-	-	-	3	-	8
Total impairment on loans and advances	6 077	1 731	(999)	(97)	(2 813)	122	5	-	-	(53)	(69)	3 904

*Also including cash balances with central banks and other demand deposits to credit institutions.

Decrease due to derecognition includes also the reversal of impairments used for decreasing the realized loss resulting from sold financial assets therefore a part of the decrease has no impact on profit or loss.

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NOTE 24 – IMPAIRMENT ON FINANCIAL ASSETS AT AMORTISED COST AND PROVISION FOR CREDIT COMMITMENTS (continued)
Changes recorded in the income statement including derecognition due to sales

	Opening balance MHUF	Incr. due to origin. MHUF	Decr. due to derecog. MHUF	Chg in cr. risk – no stage transfers MHUF	Chg in cr. risk – transf. fr. stage 1 MHUF	Chg in cr. risk – transf. fr. stage 2 MHUF	Chg in cr. risk – transf. fr. stage 3 MHUF	Chg due to modif. MHUF	Decr. due to write- offs MHUF	Other MHUF	Transl. diff. MHUF	Total MHUF
Impairment on financial assets at amortised cost classified as stage 2 at 31 December 2025												
Debt securities												
Corporate	211	-	-	(68)	-	(14)	-	-	-	-	-	129
Total impairment on debt securities	211	-	-	(68)	-	(14)	-	-	-	-	-	129
Loans and advances*												
Central bank and credit institutions	6	-	-	-	-	-	-	-	-	(6)	-	-
General government	4	-	-	-	23	-	-	-	-	(3)	-	24
Corporate	2 603	669	(321)	660	616	(281)	1	(176)	(149)	(427)	(35)	3 160
of which: Small and Medium enterprises	1 318	276	(214)	315	13	(274)	-	(24)	(99)	425	(25)	1 711
Households	6 133	439	(1 569)	427	2 764	(1 046)	7	5	(81)	156	(2)	7 233
of which: POCI	73	-	-	-	-	-	-	-	-	(17)	-	56
Consumer credit	2 238	418	(1 090)	311	379	(419)	42	-	(11)	(18)	-	1 850
Credit card	66	-	(10)	148	30	(29)	1	-	(1)	-	-	205
Current account	502	-	(113)	534	89	(111)	9	6	(22)	(7)	(1)	886
Finance lease	2	-	-	(1)	-	-	-	-	-	(1)	-	-
Mortgage loan	3 255	20	(356)	(553)	2 263	(481)	(46)	(1)	(47)	218	-	4 272
Term loan	70	1	-	(12)	3	(6)	1	-	-	(36)	(1)	20
Total impairment on loans and advances	8 746	1 108	(1 890)	1 087	3 403	(1 327)	8	(171)	(230)	(280)	(37)	10 417

*Also including cash balances with central banks and other demand deposits to credit institutions.

Decrease due to derecognition includes also the reversal of impairments used for decreasing the realized loss resulting from sold financial assets therefore a part of the decrease has no impact on profit or loss.

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NOTES TO THE FINANCIAL STATEMENTS
NOTE 24 – IMPAIRMENT ON FINANCIAL ASSETS AT AMORTISED COST AND PROVISION FOR CREDIT COMMITMENTS (continued)
Changes recorded in the income statement including derecognition due to sales

	Opening balance MHUF	Incr. due to origin. MHUF	Decr. due to derecog. MHUF	Chg in cr. risk – no stage transfers MHUF	Chg in cr. risk – transf. fr. stage 1 MHUF	Chg in cr. risk – transf. fr. stage 2 MHUF	Chg in cr. risk – transf. fr. stage 3 MHUF	Chg due to modif. MHUF	Decr. due to write- offs MHUF	Other MHUF	Transl. diff. MHUF	Total MHUF
Impairment on financial assets at amortised cost classified as stage 3 at 31 December 2025												
Debt securities												
General government	-	-	-	-	-	-	-	-	-	-	-	-
Corporate	681	-	-	73	-	-	-	-	-	-	-	754
Total impairment on debt securities	681	-	-	73	-	-	-	-	-	-	-	754
Loans and advances*												
Central bank and credit institutions	-	-	-	-	-	-	-	-	-	-	-	-
General government	-	-	-	-	-	-	-	-	-	-	-	-
Corporate	8 772	-	(513)	219	95	400	(109)	130	(65)	(589)	(351)	7 989
of which: Small and Medium enterprises	4 357	-	(506)	635	95	400	(40)	(35)	(65)	(135)	(132)	4 574
Households	3 476	-	(1 668)	404	355	956	(280)	3	(50)	192	(6)	3 382
of which: POCI	193	-	(89)	(25)	-	(32)	44	-	3	41	-	135
Consumer credit	1 512	-	(945)	83	262	515	(104)	1	(23)	127	-	1 428
Credit card	32	-	(13)	49	7	8	(9)	-	(2)	1	-	73
Current account	867	-	(396)	345	40	365	(24)	-	(25)	17	(6)	1 183
Finance lease	3	-	-	(1)	-	-	-	-	-	(1)	-	1
Mortgage loan	1 043	-	(310)	(71)	42	66	(138)	2	-	52	-	686
Term loan	19	-	(4)	(1)	4	2	(5)	-	-	(4)	-	11
Total impairment on loans and advances	12 248	-	(2 181)	623	450	1 356	(389)	133	(115)	(397)	(357)	11 371

*Also including cash balances with central banks and other demand deposits to credit institutions.

Decrease due to derecognition includes also the reversal of impairments used for decreasing the realized loss resulting from sold financial assets therefore a part of the decrease has no impact on profit or loss.

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 24 – IMPAIRMENT ON FINANCIAL ASSETS AT AMORTISED COST AND PROVISION FOR CREDIT COMMITMENTS (continued)

Changes recorded in the income statement including derecognition due to sales

	Opening balance MHUF	Incr. due to origin. MHUF	Decr. due to derecog. MHUF	Chg in cr. risk – no stage transfers MHUF	Chg in cr. risk – transf. from stage 1 MHUF	Chg in cr. risk – transf. from stage 2 MHUF	Chg in cr. risk – transf. from stage 3 MHUF	Chg due to modif. MHUF	Decr. due to write- offs MHUF	Other MHUF	Transl. diff. MHUF	Closing balance MHUF
Impairment on financial assets at amortised cost classified as stage 1 at 31 December 2024												
Debt securities												
General government	479	26	(16)	(7)	-	-	-	-	-	3	-	485
Corporate	27	-	-	(9)	(9)	19	-	-	-	(1)	-	27
Total impairment on debt securities	506	26	(16)	(16)	(9)	19	-	-	-	2	-	512
Loans and advances*												
Central bank and credit institutions	99	12	(16)	(36)	-	-	-	-	-	(1)	-	58
General government	288	12	(30)	(224)	-	-	-	-	-	4	-	50
Corporate	5 332	750	(651)	(2 895)	(456)	439	-	(18)	(14)	(67)	60	2 480
of which: Small and Medium enterprises	3 333	324	(368)	(1 812)	(332)	264	-	(18)	(6)	(82)	38	1 341
Households	3 310	326	(552)	344	(319)	453	6	(3)	(4)	(72)	-	3 489
of which: POCI	-	-	-	-	-	-	-	-	-	-	-	-
Consumer credit	310	269	(357)	339	(172)	15	3	-	(2)	(3)	-	402
Credit card	39	-	(1)	3	(3)	1	-	-	-	-	-	39
Current account	27	-	(1)	-	(8)	5	-	(1)	(2)	(2)	-	18
Finance lease	10	-	(4)	(3)	(3)	-	-	-	-	-	-	-
Mortgage loan	2 682	57	(189)	123	(78)	431	3	-	-	(10)	-	3 019
Term loan	242	-	-	(118)	(55)	1	-	(2)	-	(57)	-	11
Total impairment on loans and advances	9 029	1 100	(1 249)	(2 811)	(775)	892	6	(21)	(18)	(136)	60	6 077

*Also including cash balances with central banks and other demand deposits to credit institutions.

Decrease due to derecognition includes also the reversal of impairments used for decreasing the realized loss resulting from sold financial assets therefore a part of the decrease has no impact on profit or loss.

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 24 – IMPAIRMENT ON FINANCIAL ASSETS AT AMORTISED COST AND PROVISION FOR CREDIT COMMITMENTS (continued)

Changes recorded in the income statement including derecognition due to sales

	Opening balance	Incr. due to origin.	Decr. due to derecog.	Chg in cr. risk – no stage transfers	Chg in cr. risk – transf. fr. stage 1	Chg in cr. risk – transf. fr. stage 2	Chg in cr. risk – transf. fr. stage 3	Chg due to modif.	Decr. due to write- offs	Other	Transl. diff.	Total
	MHUF	MHUF	MHUF	MHUF	MHUF	MHUF	MHUF	MHUF	MHUF	MHUF	MHUF	MHUF
Impairment on financial assets at amortised cost classified as stage 2 at 31 December 2024												
Debt securities	-	-	-	-	-	-	-	-	-	-	-	-
Corporate	602	-	-	18	77	(487)	-	-	-	1	-	211
Total impairment on debt securities	602	-	-	18	77	(487)	-	-	-	1	-	211
Loans and advances*												
Central bank and credit institutions	1	-	-	-	-	-	-	-	-	5	-	6
General government	17	-	-	-	-	(13)	-	-	-	-	-	4
Corporate	6 349	59	(667)	(326)	423	(3 149)	51	(102)	(58)	(41)	64	2 603
of which: Small and Medium enterprises	4 340	50	(427)	(230)	-	(2 762)	24	(46)	(42)	375	36	1 318
Households	6 633	448	(1 332)	(677)	1 558	(700)	580	(209)	(195)	26	1	6 133
of which: POCI	-	-	-	-	-	-	73	-	-	-	-	73
Consumer credit	1 251	411	(700)	255	1 152	(16)	186	(197)	(9)	(95)	-	2 238
Credit card	57	-	(5)	3	26	(17)	2	-	-	-	-	66
Current account	372	-	(134)	196	94	(51)	53	(3)	(34)	8	1	502
Finance lease	31	-	(1)	(5)	1	(22)	-	(2)	-	-	-	2
Mortgage loan	4 824	15	(478)	(1 066)	274	(575)	339	-	(152)	74	-	3 255
Term loan	98	22	(14)	(60)	11	(19)	-	(7)	-	39	-	70
Total impairment on loans and advances	13 000	507	(1 999)	(1 003)	1 981	(3 862)	631	(311)	(253)	(10)	65	8 746

*Also including cash balances with central banks and other demand deposits to credit institutions.

Decrease due to derecognition includes also the reversal of impairments used for decreasing the realized loss resulting from sold financial assets therefore a part of the decrease has no impact on profit or loss.

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NOTE 24 – IMPAIRMENT ON FINANCIAL ASSETS AT AMORTISED COST AND PROVISION FOR CREDIT COMMITMENTS (continued)
Changes recorded in the income statement including derecognition due to sales

	Opening balance	Incr. due to origin.	Decr. due to derecog.	Chg in cr. risk – no stage transfers	Chg in cr. risk – transf. fr. stage 1	Chg in cr. risk – transf. fr. stage 2	Chg in cr. risk – transf. fr. stage 3	Chg due to modif.	Decr. due to write- offs	Other	Transl. diff.	Total
	MHUF	MHUF	MHUF	MHUF	MHUF	MHUF	MHUF	MHUF	MHUF	MHUF	MHUF	MHUF
Impairment on financial assets at amortised cost classified as stage 3 at 31 December 2024												
Debt securities												
General government	-	-	-	-	-	-	-	-	-	-	-	-
Corporate	699	-	-	(17)	-	-	-	-	-	-	-	682
Total impairment on debt securities	699	-	-	(17)	-	-	-	-	-	-	-	682
Loans and advances*												
Central bank and credit institutions	-	-	-	-	-	-	-	-	-	-	-	-
General government	-	-	-	-	-	-	-	-	-	-	-	-
Corporate	9 425	-	(614)	(431)	205	474	(76)	(19)	(84)	(456)	348	8 772
of which: Small and Medium enterprises	4 464	-	(234)	(141)	205	474	(48)	28	(77)	(402)	88	4 357
Households	6 131	-	(2 036)	778	353	524	(2 454)	6	(110)	279	5	3 476
of which: POCI	262	-	(122)	(34)	-	-	-	-	(12)	99	-	193
Consumer credit	2 110	-	(927)	391	307	335	(772)	5	(50)	113	-	1 512
Credit card	102	-	(46)	2	8	7	(38)	-	(3)	-	-	32
Current account	889	-	(466)	485	16	111	(116)	-	(33)	(24)	5	867
Finance lease	50	-	(46)	-	-	-	-	-	-	(1)	-	3
Mortgage loan	2 967	-	(551)	(94)	16	69	(1 528)	1	(24)	187	-	1 043
Term loan	13	-	-	(6)	6	2	-	-	-	4	-	19
Total impairment on loans and advances	15 556	-	(2 650)	347	558	998	(2 530)	(13)	(194)	(177)	353	12 248

*Also including cash balances with central banks and other demand deposits to credit institutions.

Decrease due to derecognition includes also the reversal of impairments used for decreasing the realized loss resulting from sold financial assets therefore a part of the decrease has no impact on profit or loss. In case of stage 2 and stage 3 the column increase due to origination represents newly recognised impairment on assets originated in the period where the quality of the asset became worse within the year.

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 24 – IMPAIRMENT ON FINANCIAL ASSETS AT AMORTISED COST AND PROVISION FOR CREDIT COMMITMENTS (continued)

The gross carrying amount of loans written-off amounted to HUF 353 million in 2025 (HUF 473 million in 2024).

The gross carrying amount of loans and advances which were sold by the Group amounted to HUF 3 976 million in 2025 (HUF 4 604 million in 2024). The Group recorded a HUF 2 627 million income on the disposals (HUF 2 842 million in 2024). The loans were mostly retail consumer credits in 2025 (and in 2024).

Stage transfers show shifts between stages having impact on profit or loss. 'Stage transfers from' columns decrease the balance of impairments in the old stage category and increase the balance in the new stage category.

The breakdown of impairments on cash balances with central banks and other demand deposits to credit institutions and financial assets at amortised cost recorded in the income statement is presented below.

	<u>Stage 1</u> MHUF	<u>Stage 2</u> MHUF	<u>Stage 3</u> MHUF	<u>Total</u> MHUF
Changes in impairment on financial assets at amortised cost in 2025				
Debt securities				
General government	(192)	-	-	(192)
Corporate	(20)	82	(73)	(11)
Total impairment on debt securities	(212)	82	(73)	(203)
Loans and advances*				
Central bank and credit institutions	(27)	-	-	(27)
General government	(7)	(23)	-	(30)
Corporate	(444)	(1 168)	(222)	(1 834)
of which: Small and Medium enterprises	37	(92)	(549)	(604)
Households	2 529	(1 027)	230	1 732
of which: POCI	-	-	102	102
Consumer credit	(186)	359	188	361
Credit card	(21)	(140)	(42)	(203)
Current account	(19)	(414)	(330)	(763)
Finance lease	-	1	1	2
Mortgage loan	2 749	(846)	409	2 312
Term loan	6	13	4	23
Total changes recorded in the income statement including derecognition due to sales	1 839	(2 136)	(65)	(362)
Derecognition due to sales	176	970	1 128	2 274
Total impairment result	<u>1 663</u>	<u>(3 106)</u>	<u>(1 193)</u>	<u>(2 636)</u>

*Also including cash balances with central banks and other demand deposits to credit institutions.

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 24 – IMPAIRMENT ON FINANCIAL ASSETS AT AMORTISED COST AND PROVISION FOR CREDIT COMMITMENTS (continued)

	<u>Stage 1</u> MHUF	<u>Stage 2</u> MHUF	<u>Stage 3</u> MHUF	<u>Total</u> MHUF
Changes in impairment on financial assets at amortised cost in 2024				
Debt securities				
General government	(3)	-	-	(3)
Corporate	(1)	392	17	408
Total impairment on debt securities	(4)	392	17	405
Loans and advances*				
Central bank and credit institutions	40	-	-	40
General government	242	13	-	255
Corporate	2 831	3 711	461	7 003
of which: Small and Medium enterprises	1 942	3 391	(284)	5 049
Households	(255)	332	2 829	2 906
of which: POCI	-	(73)	156	83
Consumer credit	(97)	(1 091)	661	(527)
Credit card	-	(9)	67	58
Current account	5	(155)	(30)	(180)
Finance lease	10	29	46	85
Mortgage loan	(347)	1 491	2 087	3 231
Term loan	174	67	(2)	239
Total changes recorded in the income statement including derecognition due to sales	2 854	4 448	3 307	10 609
Derecognition due to sales	314	784	1 928	3 026
Total impairment result	<u>2 540</u>	<u>3 664</u>	<u>1 379</u>	<u>7 583</u>

*Also including cash balances with central banks and other demand deposits to credit institutions.

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 24 – IMPAIRMENT ON FINANCIAL ASSETS AT AMORTISED COST AND PROVISION FOR CREDIT COMMITMENTS (continued)

	Changes recorded in the income statement as impairment							Other changes			Closing balance	
	Opening balance	Incr. due to origin.	Decr. due to derecog.	Chg in cr. risk – no stage transfers	Chg in cr. risk – transf. from stage 1	Chg in cr. risk – transf. from stage 2	Chg in cr. risk – transf. from stage 3	Chg due to modif.	Decr. due to write-offs	Other		Transl. diff.
	MHUF	MHUF	MHUF	MHUF	MHUF	MHUF	MHUF	MHUF	MHUF	MHUF	MHUF	MHUF
Impairment on loan commitments and guarantees classified as stage 1 at 31 December 2025												
Loan commitments	518	493	(301)	343	(22)	14	-	-	-	(32)	-	1 013
Financial guarantees	2	398	-	(398)	-	-	-	-	-	-	-	2
Other commitments	254	-	-	160	-	-	-	-	-	-	-	414
Total	774	891	(301)	105	(22)	14	-	-	-	(32)	-	1 429

	Changes recorded in the income statement as impairment							Other changes			Closing balance	
	Opening balance	Incr. due to origin.	Decr. due to derecog.	Chg in cr. risk – no stage transfers	Chg in cr. risk – transf. from stage 1	Chg in cr. risk – transf. from stage 2	Chg in cr. risk – transf. from stage 3	Chg due to modif.	Decr. due to write-offs	Other		Transl. diff.
	MHUF	MHUF	MHUF	MHUF	MHUF	MHUF	MHUF	MHUF	MHUF	MHUF	MHUF	MHUF
Impairment on loan commitments and guarantees classified as stage 2 at 31 December 2025												
Loan commitments	297	372	(64)	200	161	(77)	5	(1)	-	(34)	-	859
Financial guarantees	-	132	-	(132)	-	-	-	-	-	-	-	-
Other commitments	139	-	-	(7)	-	-	-	-	-	-	-	132
Total	436	504	(64)	61	161	(77)	5	(1)	-	(34)	-	991

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 24 – IMPAIRMENT ON FINANCIAL ASSETS AT AMORTISED COST AND PROVISION FOR CREDIT COMMITMENTS (continued)

	Changes recorded in the income statement as impairment						Other changes			Closing balance MHUF		
	Opening balance MHUF	Incr. due to origin. MHUF	Decr. due to derecog. MHUF	Chg in cr. risk – no stage transfers MHUF	Chg in cr. risk – transf. from stage 1 MHUF	Chg in cr. risk – transf. from stage 2 MHUF	Chg in cr. risk – transf. from stage 3 MHUF	Chg due to modif. MHUF	Decr. due to write-offs MHUF		Other MHUF	Transl. diff. MHUF
Impairment on loan commitments and guarantees classified as stage 3 at 31 December 2025												
Loan commitments	109	-	(522)	528	-	-	(81)	-	-	(18)	-	16
Financial guarantees	24	-	-	(24)	-	-	-	-	-	-	-	-
Other commitments	952	-	-	(601)	-	-	-	-	-	-	-	351
Total	1 085	-	(522)	(97)	-	-	(81)	-	-	(18)	-	367

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NOTES TO THE FINANCIAL STATEMENTS
NOTE 24 – IMPAIRMENT ON FINANCIAL ASSETS AT AMORTISED COST AND PROVISION FOR CREDIT COMMITMENTS (continued)

	Changes recorded in the income statement as impairment							Other changes			Closing balance MHUF	
	Opening balance MHUF	Incr. due to origin. MHUF	Decr. due to derecog. MHUF	Chg in cr. risk – no stage transfers MHUF	Chg in cr. risk – transf. from stage 1 MHUF	Chg in cr. risk – transf. from stage 2 MHUF	Chg in cr. risk – transf. from stage 3 MHUF	Chg due to modif. MHUF	Decr. due to write-offs MHUF	Other MHUF		Transl. diff. MHUF
Impairment on loan commitments and guarantees classified as stage 1 at 31 December 2024												
Loan commitments	1 215	246	(1 036)	13	(14)	94	-	-	-	-	-	518
Financial guarantees	7	-	-	(5)	-	-	-	-	-	-	-	2
Other commitments	76	159	(52)	15	(16)	39	-	-	-	33	-	254
Total	1 298	405	(1 088)	23	(30)	133	-	-	-	33	-	774

	Changes recorded in the income statement as impairment							Other changes			Closing balance MHUF	
	Opening balance MHUF	Incr. due to origin. MHUF	Decr. due to derecog. MHUF	Chg in cr. risk – no stage transfers MHUF	Chg in cr. risk – transf. from stage 1 MHUF	Chg in cr. risk – transf. from stage 2 MHUF	Chg in cr. risk – transf. from stage 3 MHUF	Chg due to modif. MHUF	Decr. due to write-offs MHUF	Other MHUF		Transl. diff. MHUF
Impairment on loan commitments and guarantees classified as stage 2 at 31 December 2024												
Loan commitments	438	81	(189)	(5)	118	(166)	-	-	-	20	-	297
Financial guarantees	2	-	-	(2)	-	-	-	-	-	-	-	-
Other commitments	206	5	(66)	3	131	(139)	-	-	-	(1)	-	139
Total	646	86	(255)	(4)	249	(305)	-	-	-	19	-	436

**CONSOLIDATED FINANCIAL STATEMENTS
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NOTES TO THE FINANCIAL STATEMENTS

NOTE 24 – IMPAIRMENT ON FINANCIAL ASSETS AT AMORTISED COST AND PROVISION FOR CREDIT COMMITMENTS (continued)

Changes recorded in the income statement as impairment

Other changes

	Changes recorded in the income statement as impairment							Other changes			Closing balance MHUF	
	Opening balance MHUF	Incr. due to origin. MHUF	Decr. due to derecog. MHUF	Chg in cr. risk – no stage transfers MHUF	Chg in cr. risk – transf. from stage 1 MHUF	Chg in cr. risk – transf. from stage 2 MHUF	Chg in cr. risk – transf. from stage 3 MHUF	Chg due to modif. MHUF	Decr. due to write-offs MHUF	Other MHUF		Transl. diff. MHUF
Impairment on loan commitments and guarantees classified as stage 3 at 31 December 2024												
Loan commitments	166	-	(43)	(14)	-	-	-	-	-	-	-	109
Financial guarantees	-	-	-	24	-	-	-	-	-	-	-	24
Other commitments	897	247	(215)	(251)	52	182	-	-	-	40	-	952
Total	1 063	247	(258)	(241)	52	182	-	-	-	40	-	1 085

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**CONSOLIDATED FINANCIAL STATEMENTS
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NOTES TO THE FINANCIAL STATEMENTS

NOTE 24 – IMPAIRMENT ON FINANCIAL ASSETS AT AMORTISED COST AND PROVISION FOR CREDIT COMMITMENTS (continued)

The breakdown of provision on loan commitments and guarantees recorded in the income statement in 2025 is presented below.

	<u>Stage 1</u> MHUF	<u>Stage 2</u> MHUF	<u>Stage 3</u> MHUF	<u>Total</u> MHUF
Loan commitments	(527)	(596)	75	(1 048)
Financial guarantees	-	-	24	24
Other commitments	(160)	7	601	448
Total	<u>(687)</u>	<u>(589)</u>	<u>700</u>	<u>(576)</u>

The breakdown of provision on loan commitments and guarantees recorded in the income statement in 2024 is presented below.

	<u>Stage 1</u> MHUF	<u>Stage 2</u> MHUF	<u>Stage 3</u> MHUF	<u>Total</u> MHUF
Loan commitments	697	161	57	915
Financial guarantees	5	2	(24)	(17)
Other commitments	(145)	66	(15)	(94)
Total	<u>557</u>	<u>229</u>	<u>18</u>	<u>804</u>

	<u>2025</u> MHUF	<u>2024</u> MHUF
Impairment on other		
Intangible assets	(471)	(989)
Investment property	-	-
Property and equipment	(295)	1 507
Other	45	41
Total impairment on other	<u>(721)</u>	<u>559</u>

**CONSOLIDATED FINANCIAL STATEMENTS
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NOTES TO THE FINANCIAL STATEMENTS
NOTE 25 – DERIVATIVE FINANCIAL INSTRUMENTS

	Year ended 31 December 2025				Year ended 31 December 2024			
	Notional amount Assets MHUF	Notional amount Liabilities MHUF	Positive fair value Assets MHUF	Negative fair value Liabilities MHUF	Notional amount Assets MHUF	Notional amount Liabilities MHUF	Positive fair value Assets MHUF	Negative fair value Liabilities MHUF
Derivatives held for trading								
Foreign exchange derivatives								
Currency forwards	68 992	69 959	431	(961)	98 957	99 180	994	(392)
Currency swaps	2 244 880	2 243 587	12 820	(12 043)	1 339 867	1 341 143	6 044	(7 411)
Currency options	358 400	412 763	5 289	(5 459)	280 222	280 222	3 334	(3 495)
Total foreign exchange derivatives	<u>2 672 272</u>	<u>2 726 309</u>	<u>18 540</u>	<u>(18 463)</u>	<u>1 719 046</u>	<u>1 720 545</u>	<u>10 372</u>	<u>(11 298)</u>
Interest rate derivatives								
Interest rate swaps	1 413 714	1 413 714	23 686	(27 251)	1 327 500	1 327 500	38 851	(40 052)
Cross currency interest rate swaps	18 395	18 395	380	(309)	23 182	23 182	1 011	(911)
Interest rate options	62 567	62 567	760	(695)	60 844	60 844	1 025	(993)
Total interest rate derivatives	<u>1 494 676</u>	<u>1 494 676</u>	<u>24 826</u>	<u>(28 255)</u>	<u>1 411 526</u>	<u>1 411 526</u>	<u>40 887</u>	<u>(41 956)</u>
Equity options	18 666	2 068	2 991	(508)	8 568	1 068	1 417	(190)
Commodity swaps	2 514	2 514	195	(187)	4 846	4 846	64	(56)
Commodity options	-	-	-	-	-	-	-	-
Total derivatives held for trading	<u>4 188 128</u>	<u>4 225 567</u>	<u>46 552</u>	<u>(47 413)</u>	<u>3 143 986</u>	<u>3 137 985</u>	<u>52 740</u>	<u>(53 500)</u>
Derivatives designated as micro fair value cash								
Interest rate swaps	643 966	643 966	4 110	(16 850)	375 019	375 019	7 566	(3 099)
Derivatives designated as portfolio fair value hedges								
Interest rate swaps	2 147 348	2 147 348	87 936	(49 214)	2 160 332	2 160 332	110 237	(68 772)
Derivatives designated as cash flow hedges								
Interest rate swaps	181 835	181 835	1 582	(8 977)	263 618	263 618	3 155	(14 331)
Cross currency interest rate swaps	10 508	7 758	2 328	-	21 016	18 593	1 235	-
Total derivatives held for hedging	<u>2 983 657</u>	<u>2 980 907</u>	<u>95 956</u>	<u>(75 041)</u>	<u>2 819 985</u>	<u>2 817 562</u>	<u>122 193</u>	<u>(86 202)</u>
Total derivative financial instruments	<u>7 171 785</u>	<u>7 206 474</u>	<u>142 508</u>	<u>(122 454)</u>	<u>5 963 971</u>	<u>5 955 547</u>	<u>174 933</u>	<u>(139 702)</u>

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 25 – DERIVATIVE FINANCIAL INSTRUMENTS (continued)

The following table presents the hedging instruments and the hedged items under **micro fair value hedge** in 2025.

	Hedging instruments				Change in fair value of hedging items used as basis for recognising hedge ineffectiveness for the period MHUF	Hedged item			
	Notional amounts		Carrying amount			Carrying amount MHUF	Accumulated fair value adjustments MHUF	Change in fair value of hedged items used as basis for recognising hedge ineffectiveness for the period MHUF	Result on discontinuation of hedge accounting recorded in profit or loss MHUF
	Assets MHUF	Liabilities MHUF	Assets MHUF	Liabilities MHUF					
Interest rate swaps	643 966	643 966	4 110	(16 850)	(9 881)	Debt securities at fair value through other comprehensive income 332 446	3 424	6 166	
						Debt securities at amortised cost 282 277	3 526	3 526	
						Loans and advances at amortised cost 19 265	(3 088)	189	-
Total micro fair value hedge	643 966	643 966	4 110	(16 850)	(9 881)	633 988	3 862	9 881	-

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 25 – DERIVATIVE FINANCIAL INSTRUMENTS (continued)

The following table presents the hedging instruments and the hedged items under **portfolio fair value hedge** in 2025.

	Hedging instruments				Change in fair value of hedging items used as basis for recognising hedge ineffectiveness for the period MHUF	Hedged item				
	Notional amounts		Carrying amount			Carrying amount MHUF	Accumulated fair value adjustments MHUF	Change in fair value of hedged items used as basis for recognising hedge ineffectiveness for the period MHUF	Result on discontinuation of hedge accounting recorded in profit or loss MHUF	
	Assets MHUF	Liabilities MHUF	Assets MHUF	Liabilities MHUF						
Interest rate swaps	2 147 348	2 147 348	87 936	(49 214)	(1 629)	Debt securities at fair value through other comprehensive income	61 790	(1 510)	1 234	
						Debt securities at amortised cost	310 706	(41 357)	16 064	
						Loans and advances at amortised cost	472 431	(2 861)	6 404	
						Deposits at amortised cost	1 240 063	16 630	(22 073)	
						Discontinued hedges		1 223		
Total portfolio fair value hedge	<u>2 147 348</u>	<u>2 147 348</u>	<u>87 936</u>	<u>(49 214)</u>	<u>(1 629)</u>		<u>2 084 990</u>	<u>(27 875)</u>	<u>1 629</u>	<u>(1 325)</u>

In case of HUF interest rate swaps, the average interest rate on the receiver leg was 5.9% at 31 December 2025 and 5.9% average interest rate was paid on the payer leg. For the EUR interest rate swaps, the receiver leg bears an average interest rate of 2.0% at 31 December 2025 and the payer leg has an average interest rate of 1.8%.

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 25 – DERIVATIVE FINANCIAL INSTRUMENTS (continued)

The following table presents the hedging instruments and the hedged items under **cash flow hedge** in 2025.

	Hedging instruments				Change in fair value of hedging items used as basis for recognising hedge ineffecti- veness for the period MHUF	Hedged item Change in fair value of hedged items used as basis for recognising hedge ineffecti- veness for the period MHUF
	Notional amount		Carrying amount			
	Asset MHUF	Liability MHUF	Asset MHUF	Liability MHUF		
Interest rate swaps	181 835	181 835	1 582	(8 977)		
Cross currency interest rate swaps	10 508	7 758	2 328	-		
Total cash flow hedge	192 343	189 593	3 910	(8 977)	3 999	(3 999)

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NOTES TO THE FINANCIAL STATEMENTS
NOTE 25 – DERIVATIVE FINANCIAL INSTRUMENTS (continued)

The following table presents the hedging instruments and the hedged items under **micro fair value hedge** in 2024.

	Hedging instruments				Change in fair value of hedging items used as basis for recognising hedge ineffectiveness for the period MHUF	Hedged item			
	Notional amounts		Carrying amount			Carrying amount MHUF	Accumulated fair value adjustments MHUF	Change in fair value of hedged items used as basis for recognising hedge ineffectiveness for the period MHUF	Result on discontinuation of hedge accounting recorded in profit or loss MHUF
	Assets MHUF	Liabilities MHUF	Assets MHUF	Liabilities MHUF					
Interest rate swaps	375 019	375 019	7 566	(3 099)	7 806	337 462	(2 742)	(8 203)	-
						20 508	(3 278)	397	-
Total micro fair value hedge	375 019	375 019	7 566	(3 099)	7 806	357 970	(6 020)	(7 806)	-

Debt securities at fair value through other comprehensive income
Loans and advances at amortised cost

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 25 – DERIVATIVE FINANCIAL INSTRUMENTS (continued)

The following table presents the hedging instruments and the hedged items under **portfolio fair value** hedge in 2024.

	Hedging instruments				Change in fair value of hedging items used as basis for recognising hedge ineffectiveness for the period MHUF	Hedged item			
	Notional amounts		Carrying amount			Carrying amount MHUF	Accumulated fair value adjustments MHUF	Change in fair value of hedged items used as basis for recognising hedge ineffectiveness for the period MHUF	Result on discontinuation of hedge accounting recorded in profit or loss MHUF
	Assets MHUF	Liabilities MHUF	Assets MHUF	Liabilities MHUF					
Interest rate swaps	2 160 332	2 160 332	110 237	(68 772)	1 367	28 566	(2 744)	(582)	
						297 014	(57 421)	1 440	
						501 627	(9 265)	244	
						1 222 648	41 059	(2 469)	
							173		
Total portfolio fair value hedge	2 160 332	2 160 332	110 237	(68 772)	1 367	2 049 855	(28 198)	(1 367)	(1 567)

In case of HUF interest rate swaps, the average interest rate on the receiver leg was 5.8% at 31 December 2024 and 5.8% average interest rate was paid on the payer leg. For the EUR interest rate swaps, the receiver leg bears an average interest rate of 2.3% at 31 December 2024 and the payer leg has an average interest rate of 2.7%.

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 25 – DERIVATIVE FINANCIAL INSTRUMENTS (continued)

The following table presents the hedging instruments and the hedged items under **cash flow hedge** in 2024.

	Hedging instruments				Change in fair value of hedging items used as basis for recognising hedge ineffecti- veness for the period MHUF	Hedged item Change in fair value of hedged items used as basis for recognising hedge ineffecti- veness for the period MHUF
	Notional amount		Carrying amount			
	Asset MHUF	Liability MHUF	Asset MHUF	Liability MHUF		
Interest rate swaps	263 618	263 618	3 155	(14 331)		
Cross currency interest rate swaps	21 016	18 593	1 235	-		
Total cash flow hedge	284 634	282 211	4 390	(14 331)	8 192	(8 192)

**CONSOLIDATED FINANCIAL STATEMENTS
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NOTES TO THE FINANCIAL STATEMENTS

NOTE 25 – DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Trading derivatives - Options

Although options are not accounted for as hedges, the Group has an operational policy where the risks of options sold and purchased are matched on a one to one basis with offsetting deals conducted with counterparties of sound credit standing.

Hedge accounting

The Group applies hedge accounting for some of its derivatives concluded in frame of Asset and Liability Management. The below sections outline the different types of hedge accounting techniques applied by the Group. As explained previously in note 2.3.7 hedging relationships are subject to regular retrospective and prospective hedge effectiveness testing and whilst the future might differ from management expectations and judgements due to the substantial headroom in each of the hedged portfolios and as a result of the construction of the hedge relationships management believes no significant inefficiencies due to changes to the volume or the fair value of the hedged portfolio are expected in the future that would lead to significant discontinuance or material inefficiencies even if assumptions change compared to current expectation. The sharp change in fair value of the hedging instruments and the hedged items in the fair value micro hedges and fair value hedges for a portfolio of interest rate risk for 2024 are attributable to the substantial decrease in market interest rates.

Cash flow hedge of interest rate risk

The aim of the cash-flow hedges designated by the Group is to hedge changes in cash flows group of assets and liabilities related to changes in interest and foreign exchange rates. The hedging instruments are EUR and HUF interest rate swaps.

Hedging relationships are subject to prospective and retrospective effectiveness measurement. Fair value changes in hedging instruments for the effective part of the hedging relationship are recognised in other comprehensive income and are accumulated to Cash flow hedge reserve. Since the exchange revaluation result of the hedged assets and liabilities is recorded as Net gains / (losses) from financial instruments at fair value through profit or loss, the foreign exchange revaluation effect of the hedging cross currency interest rate swaps recorded in Other comprehensive income was transferred to the Consolidated income statement at the same time.

The fair value change of hedging derivatives recorded in the consolidated comprehensive income as Cash flow hedge - Net gain / (loss) from fair value changes amounted to HUF 3 999 million gain in 2025 (HUF 8 192 million gain in 2024). In 2025 the Group did not transfer any result to the net profit due to ineffectiveness (nor in 2024).

The Group recognised a HUF 7 910 million accumulated loss in other comprehensive income as the effective portion at 31 December 2025 (HUF 12 386 million loss in 2024). Other comprehensive income includes HUF 43 million accumulated gain on discontinued cash flow hedges in 2025 (HUF 30 million loss in 2024).

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CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

NOTES TO THE FINANCIAL STATEMENTS

NOTE 25 – DERIVATIVE FINANCIAL INSTRUMENTS (continued)

The periods when the cash flows of the hedging instruments are expected to occur are the following:

	2025		2024	
	Expected cash flows		Expected cash flows	
	Inflow	Outflow	Inflow	Outflow
	MHUF	MHUF	MHUF	MHUF
< 3 months	270	(1 356)	457	(2 182)
3-6 months	701	(1 926)	1 527	(3 250)
6 months - 1 year	2 119	(2 905)	2 549	(4 358)
1-2 years	2 826	(4 812)	3 044	(6 267)
2-5 years	5 457	(8 462)	5 710	(11 284)
> 5 years	2 582	(3 089)	3 321	(3 106)
Total	13 955	(22 550)	16 608	(30 447)

Forecast transactions for which hedge accounting had previously been used but which is no longer expected to occur amounted to HUF 25 million as at 31 December 2025 (HUF 6 million as at 31 December 2024). The related transfer was presented as Cash flow hedges – Gross amount in the consolidated other comprehensive income.

Fair value hedge of interest rate risk on deposits and debt instruments

The risk to be hedged under fair value hedge of interest rate risk is interest rate risk, arising from changes in fair value of non-maturity deposits and debt instruments to changes in the risk-free (interest rate swap) yield curve. The hedging instruments are HUF interest rate swaps.

The accumulated fair value changes of hedged item under portfolio hedge of interest rate risk are presented separately in the consolidated statement of financial position and amounted to HUF 45 231 million loss on the asset side and HUF 18 886 million gain on the liability side in 2025 (HUF 68 439 million loss on asset side and HUF 42 985 million gain on liability side in 2024). The loss / gain recorded on the hedged item was compensated by a gain / loss recorded on the hedging instrument in the same amount. The fair value changes of the hedged item and the hedging instrument in the current year is recorded as Net gains / (losses) from financial instruments at fair value through profit or loss in the consolidated income statement.

Fair value hedge of fixed rate FVOCI bonds

The Group defines the risk to be hedged as the interest rate risk arising from changes in fair value of FVOCI bonds to changes in the risk-free (interest rate swap) yield curve. The hedging instruments are fixed rate payer-floating rate receiver (BUBOR 3M-6M) interest rate swaps.

The changes in the fair value of the FVOCI government bonds and the interest rate swaps due to interest rate risk are offset in the consolidated income statement and the unhedged credit spread of the bonds remains in the consolidated other comprehensive income. The change in the fair value of the hedged instrument amounted to a gain of HUF 1 234 million in 2025 (a loss of HUF 582 million in 2024).

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 26 – OTHER ASSETS

	2025	2024
	MHUF	MHUF
Prepayments	1 500	3 038
Trade receivables	1 199	1 401
Receivables from employees	19	22
Receivables from bankcard service	12 378	11 999
Items in transit due to payment services	28 495	8 512
Items in transit due to trading in securities	77	145
Income accruals and cost prepayments	19 065	10 635
Inventories	2 248	576
Other receivables	24 777	14 131
	<u>89 758</u>	<u>50 459</u>

K&H BANK ZRT.**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025****NOTES TO THE FINANCIAL STATEMENTS****NOTE 27 – DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES**

The deferred tax included in the consolidated statement of financial position and changes recorded in the consolidated income statement and equity are as follows:

For the period ended 31 December 2025

	<u>Assets</u> MHUF	<u>Liabilities</u> MHUF	<u>Income</u> <u>statement</u> MHUF	<u>Equity</u> MHUF
Employee benefits	192	-	21	-
Losses carry forward	-	-	-	-
Tangibles and intangibles assets	954	497	(538)	-
Other provisions for risk and charges and credit commitments	80	-	(2)	-
Impairment for losses on loans and advances	-	-	(68)	-
Fair value adjustments FVOCI	(103)	-	2	741
Cash flow hedge	708	-	-	(409)
Other	10	(495)	502	-
	<u>1 841</u>	<u>2</u>	<u>(83)</u>	<u>332</u>

For the period ended 31 December 2024

	<u>Assets</u> MHUF	<u>Liabilities</u> MHUF	<u>Income</u> <u>statement</u> MHUF	<u>Equity</u> MHUF
Employee benefits	171	-	116	-
Losses carry forward	-	-	-	-
Tangibles and intangibles assets	995	-	(363)	-
Other provisions for risk and charges and credit commitments	82	-	(113)	-
Impairment for losses on loans and advances	68	-	(7)	-
Fair value adjustments FVOCI	(846)	-	-	(252)
Cash flow hedge	1 117	-	(1)	(744)
Other	3	1	1	-
	<u>1 590</u>	<u>1</u>	<u>(367)</u>	<u>(996)</u>

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CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

NOTES TO THE FINANCIAL STATEMENTS

NOTE 27 – DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES (continued)

In 2025 and 2024 income taxes were calculated on all temporary differences under the asset and liability method using a tax rate of 9% or 10.82% (9% corporate income tax and 1.82% local business tax).

Deferred income tax for tax losses carried forward is calculated to the extent that realisation of the related tax benefit is assessed as probable. Losses carry forward from financial periods beginning on or after 1 January 2015 can be utilized for 5 years.

There is a total of HUF 311 million tax losses carried forward as at 31 December 2025 which has been assessed as not being probable and therefore was not included in the base of the deferred tax calculation (HUF 364 million in 2024).

NOTE 28 – INVESTMENT PROPERTIES

	Investment properties MHUF
At 31 December 2023	
Cost	298
Accumulated depreciation	(34)
Net book value	<u>264</u>
Movements in 2024	
Additions	-
Disposals - net	(132)
Impairment charge	-
Depreciation charge	(10)
At 31 December 2024	
Cost	150
Accumulated depreciation	(28)
Net book value	<u>122</u>
Movements in 2025	
Additions	-
Disposals - net	(46)
Impairment charge	-
Depreciation charge	(3)
At 31 December 2025	
Cost	80
Accumulated depreciation	(7)
Net book value	<u>73</u>

Investment properties include collaterals obtained by taking in possession. The Group intends to sell investment properties within a reasonable time period.

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 28 – INVESTMENT PROPERTIES (continued)

The following table presents the results related to investment properties.

Expenses from investment properties

	<u>2025</u> MHUF	<u>2024</u> MHUF
Acquisition cost	-	(3)
Maintenance expenses	(11)	(25)
Sale related cost	(1)	(9)
Total	<u>(12)</u>	<u>(37)</u>

No impairment was recorded on investment properties in 2025 (nor in 2024).

Expenses recorded in 2025 (and 2024) were not recognised as asset in the consolidated statement of financial position.

The difference between the fair value and the carrying amount of the assets is immaterial as of 31 December 2025 (and as of 31 December 2024).

The Group believes that the carrying amount of investment properties approximates their fair value (classified as level 3 in the fair value hierarchy).

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 29 – PROPERTY AND EQUIPMENT

	<u>Land and buildings</u>	<u>IT equipment</u>	<u>Office equipment</u>	<u>Right of use assets</u>	<u>Other</u>	<u>Total</u>
	MHUF	MHUF	MHUF	MHUF	MHUF	MHUF
At 31 December 2023						
Cost	52 491	18 689	10 149	24 147	4 341	109 817
Accumulated depreciation	<u>(27 565)</u>	<u>(12 005)</u>	<u>(7 068)</u>	<u>(14 471)</u>	<u>(1 522)</u>	<u>(62 631)</u>
Net book value	<u>24 926</u>	<u>6 684</u>	<u>3 081</u>	<u>9 676</u>	<u>2 819</u>	<u>47 186</u>
Movements in 2024						
Additions (acquired separately)	5 011	2 481	617	1 550	448	10 107
Disposals - net	(153)	(5)	-	(1 338)	(104)	(1 600)
Impairment charge	(1 639)	(7)	(38)	3 191	-	1 507
Depreciation charge	<u>(2 231)</u>	<u>(2 241)</u>	<u>(482)</u>	<u>(3 084)</u>	<u>(453)</u>	<u>(8 491)</u>
At 31 December 2024						
Cost	56 245	18 286	10 681	21 722	4 427	111 361
Accumulated depreciation	<u>(30 331)</u>	<u>(11 374)</u>	<u>(7 503)</u>	<u>(11 727)</u>	<u>(1 717)</u>	<u>(62 652)</u>
Net book value	<u>25 914</u>	<u>6 912</u>	<u>3 178</u>	<u>9 995</u>	<u>2 710</u>	<u>48 709</u>

Accumulated depreciation includes HUF 1 801 million impairment in 2024.

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**CONSOLIDATED FINANCIAL STATEMENTS
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NOTES TO THE FINANCIAL STATEMENTS

NOTE 29 – PROPERTY AND EQUIPMENT (continued)

	<u>Land and buildings</u>	<u>IT equipment</u>	<u>Office equipment</u>	<u>Right of use assets</u>	<u>Other</u>	<u>Total</u>
	MHUF	MHUF	MHUF	MHUF	MHUF	MHUF
At 31 December 2024						
Cost	56 245	18 286	10 681	21 722	4 427	111 361
Accumulated depreciation	<u>(30 331)</u>	<u>(11 374)</u>	<u>(7 503)</u>	<u>(11 727)</u>	<u>(1 717)</u>	<u>(62 652)</u>
Net book value	<u>25 914</u>	<u>6 912</u>	<u>3 178</u>	<u>9 995</u>	<u>2 710</u>	<u>48 709</u>
Movements in 2025						
Additions (acquired separately)	2 900	4 414	1 113	3 190	1 611	13 228
Disposals - net	180	(4)	-	(180)	(133)	(137)
Impairment charge	(253)	(4)	(35)	-	(3)	(295)
Depreciation charge	<u>(2 356)</u>	<u>(2 331)</u>	<u>(520)</u>	<u>(3 167)</u>	<u>(445)</u>	<u>(8 819)</u>
At 31 December 2025						
Cost	58 393	21 171	11 166	23 491	5 729	119 950
Accumulated depreciation	<u>(32 008)</u>	<u>(12 184)</u>	<u>(7 430)</u>	<u>(13 653)</u>	<u>(1 989)</u>	<u>(67 264)</u>
Net book value	<u>26 385</u>	<u>8 987</u>	<u>3 736</u>	<u>9 838</u>	<u>3 740</u>	<u>52 686</u>

Accumulated depreciation includes HUF 1 796 million impairment in 2025.

Expenditure on items in the course of construction amounted to HUF 3 886 million as at 31 December 2025 (HUF 3 582 million as at 31 December 2024).

K&H BANK ZRT.**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025****NOTES TO THE FINANCIAL STATEMENTS****NOTE 30 – INTANGIBLE ASSETS**

	<u>Software</u>	<u>Other intangible assets</u>	<u>Total</u>
	MHUF	MHUF	MHUF
At 31 December 2023			
Cost	170 317	42	170 359
Accumulated depreciation	(73 660)	(42)	(73 702)
Net book value	<u>96 657</u>	<u>-</u>	<u>96 657</u>
Movements in 2024			
Additions (acquired separately)	38 209	-	38 209
Impairment charge	(989)	-	(989)
Depreciation charge	(21 521)	-	(21 521)
At 31 December 2024			
Cost	207 537	42	207 579
Accumulated depreciation	(95 181)	(42)	(95 223)
Net book value	<u>112 356</u>	<u>-</u>	<u>112 356</u>
Movements in 2025			
Additions (acquired separately)	28 757	1	28 758
Impairment charge	(471)	-	(471)
Depreciation charge	(25 890)	-	(25 890)
At 31 December 2025			
Cost	221 214	43	221 257
Accumulated depreciation	(106 462)	(43)	(106 505)
Net book value	<u>114 752</u>	<u>-</u>	<u>114 752</u>

Accumulated depreciation includes HUF 6 225 million impairment in 2025 (HUF 6 225 million in 2024).

Expenditure on items in the course of construction amounted to HUF 32 256 million as at 31 December 2025 (HUF 31 731 million as at 31 December 2024).

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 31 – PROVISIONS FOR RISK AND CHARGES

	<u>Provision for restructuring MHUF</u>	<u>Provision for tax litigation and pending legal disputes MHUF</u>	<u>Other MHUF</u>	<u>Total MHUF</u>
Balance as at 31 December 2023	610	1 591	778	2 979
Amounts allocated	371	31	-	402
Amounts used	-	(126)	-	(126)
Unused amounts reversed	(12)	(2)	(473)	(487)
Balance as at 31 December 2024	969	1 494	305	2 768
Amounts allocated	290	253	-	543
Amounts used	(33)	(726)	-	(759)
Unused amounts reversed	(228)	-	-	(228)
Balance as at 31 December 2025	998	1 021	305	2 324

The Group is party to litigation and claims arising in the normal course of business, the provision of HUF 1 021 million from the total provision for losses from tax litigation and pending legal disputes at 31 December 2025 relates to these litigations (HUF 1 494 million at 31 December 2024). Management considers the provision raised for the still pending cases adequate to cover any remaining potential losses.

Provisions on credit commitments of HUF 2 787 million as at 31 December 2025 (HUF 2 294 million as at 31 December 2024) is presented in Note 24 and Note 36. The sum of HUF 2 324 million provision for risk and charges and HUF 2 787 million provisions for credit commitments amounts to HUF 5 111 million (HUF 5 062 million in 2024).

K&H BANK ZRT.**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025****NOTES TO THE FINANCIAL STATEMENTS****NOTE 32 – OTHER LIABILITIES**

	<u>2025</u> <u>MHUF</u>	<u>2024</u> <u>MHUF</u>
Trade creditors	11 185	9 914
Lease liabilities	461	467
Items in transit due to payment services	15 021	31 921
Items in transit due to lending activity	267	396
Liabilities from bankcard service	6 950	6 185
Other	28 591	29 494
Total other liabilities	<u>62 475</u>	<u>78 377</u>

Other liabilities include mainly short term liabilities.

Other includes trading tax liabilities, social charges, liability from transactional levy not settled yet, liabilities due to employees (see Note 38) and other accrued charges and deferred income arising from the normal course of business recorded as general administrative expenses in the consolidated income statement.

NOTE 33 – SHARE CAPITAL

	<u>2025</u> <u>MHUF</u>	<u>2024</u> <u>MHUF</u>
Ordinary shares issued and outstanding	<u>140 978</u>	<u>140 978</u>

The nominal value of the ordinary shares issued and outstanding at 31 December 2025 is HUF 1 per share (31 December 2024: HUF 1).

Shareholders of the Bank:

	<u>2025</u> <u>Shareholding %</u>	<u>2024</u> <u>Shareholding %</u>
KBC Bank N. V.	<u>100.00</u>	<u>100.00</u>
	<u>100.00</u>	<u>100.00</u>

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025****NOTES TO THE FINANCIAL STATEMENTS**

NOTE 34 – EARNINGS PER SHARE

Earnings per share is the profit attributable to shareholders of the Group divided by the weighted average number of shares outstanding during the period, excluding treasury shares. There were no other potentially dilutive securities in existence at 31 December 2025 and 2024. The following amounts were used in the calculation of earnings per share:

	<u>2025</u> number	<u>2024</u> number
Net profit attributable to shareholders (MHUF)	139 292	129 275
Weighted average shares outstanding (in millions)	140 978	140 978
Earnings / (loss) per share in HUF (basic)	0,98804	0,91699

The figures of earnings per share calculated for basic and diluted shares do not differ.

NOTE 35 – SHARE BASED PAYMENT

The Group applies specific rules for Key Identified Staff (KIS). The performance-based remuneration of Key Identified Staff is awarded in a manner which promotes sound risk management and does not induce excessive risk-taking. This is ensured by specific rules, which are applicable to the variable remuneration of Key Identified Staff:

- At least 40% of variable remuneration awarded to Key Identified Staff may not be paid straightaway and its payment is spread over a period of four to five years;
- Half of the total amount of variable remuneration for Key Identified Staff is awarded in the form of non-cash instruments (phantom shares) with a one-year retention period;
- No advance payments may be made in relation to the variable component and claw-back/holdback is put in place (evidence of misconduct or serious error; significant deterioration in the financial performance of the Group; major shortcomings in risk management; significant changes in the economic or regulatory capital base of the Group).

Key Identified Staff who are allocated variable compensation of less than the amount stated in the Remuneration Policy are considered exempt Key Identified Staff. (In this case, variable remuneration is not subject to four-five years' deferral and payment in non-cash instruments, but 100% of the variable remuneration is settled upfront in cash.) The employees whose variable remuneration is subject to deferral and payment in non-cash instruments are called material Key Identified Staff.

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 35 – SHARE BASED PAYMENT (continued)

The number of phantom shares to which each Key Identified Staff is entitled is calculated based on the average price of the KBC share during the first three months of the year following the year to which the variable remuneration relates. Phantom shares are converted into cash on the basis of the average price of the KBC share during the first three months of the pay-out year.

	2025		2024	
	number of shares	weighted average share price* HUF/share	number of shares	weighted average share price* HUF/share
Outstanding as at the beginning of the period	10 036	25 467	7 559	25 659
Granted	5 182	32 911	6 227	24 748
Exercised	(4 887)	24 959	(3 750)	26 722
Personal changes	608	34 725	-	-
Outstanding as at the end of the period	<u>10 939</u>	<u>29 155</u>	<u>10 036</u>	<u>25 467</u>

*Share prices as at the grant date weighted by the number of shares granted at that date.

The value of the phantom shares outstanding as at 31 December 2025 based on the year-end closing price of KBC shares was 40 722 HUF/share (28 461 HUF/share as at 31 December 2024).

There were no shares exercisable as at 31 December 2025 (and as at 31 December 2024).

The weighted average share price of shares converted to cash as at the date of the exercise was 32 911 HUF/share in 2025 (24 748 HUF/share in 2024).

The weighted average remaining contractual life of phantom shares outstanding as at 31 December 2025 is 19 months (19 months as at 31 December 2024).

The Group applied the share based payment plan for the 2025 performance as well.

As at 31 December 2025 the information related to the number of phantom shares for the 2025 performance is not available, since the first grant date is in April 2026.

From the grant date phantom shares are valued based on the quoted market prices of KBC shares. No intrinsic value is recorded.

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 36 – COMMITMENTS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES

In the normal course of business, the Group is a party to credit related financial instruments recorded as off balance sheet items. These financial instruments include commitments to extend credit, financial guarantees and commercial letters of credit. These instruments involve elements of credit risk in excess of the amounts recognized in the consolidated statement of financial position.

Credit risk for off-statement of financial position financial instruments is defined as the possibility of sustaining a loss because any other party to a financial instrument fails to perform in accordance with the terms of the contract. The Group uses the same credit policies in making commitments and conditional obligations as it does for financial instruments in the consolidated statement of financial position through established credit approvals, risk control limits and monitoring procedures.

Commitments are contractual agreements to extend credit which generally have fixed expiration dates or other termination requirements and may require payment of a fee. The potential credit loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific standards. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements.

Financial guarantees are conditional commitments issued by the Group to guarantee the performance of a customer to a third party. The credit risk involved in issuing guarantees is essentially the same as that involved in extending credit facilities to other customers. The Group applies similar principles as those applied in assessing the required allowance for losses under other credit facilities when assessing the likelihood of loss under the guarantee.

Letters of credit represent a financing transaction by a Group to its customer where the customer is usually the buyer/importer of goods and the beneficiary is typically the seller/exporter. Credit risk is limited as the merchandise shipped serves as collateral for the transaction.

K&H BANK ZRT.**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025****NOTES TO THE FINANCIAL STATEMENTS****NOTE 36 – COMMITMENTS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES (continued)**

The Group has the following commitments, contingent assets and liabilities:

	<u>2025</u> MHUF	<u>2024</u> MHUF
Credit commitments – undrawn amount		
Received	31 873	21 930
Given		
Irrevocable	771 347	601 452
Revocable	493 630	352 725
Total given	<u>1 264 977</u>	<u>954 177</u>
Collaterals		
Given	969	1 153
Guarantees received/collateral		
For impaired and past due assets		
Non-financial assets	15 885	22 156
Financial assets	1 019	4 668
For assets that are not impaired or past due		
Non-financial assets	3 122 437	2 920 623
Financial assets	713 785	743 525
Total guarantees received/collateral	<u>3 853 126</u>	<u>3 690 972</u>
Other commitments given		
Other commitments – irrevocable	198 677	201 657
Other commitments – revocable	307 868	314 064
Total given	<u>506 545</u>	<u>515 721</u>

Other commitments given includes non-financial guarantees and letters of credit.

The amount of the received guarantees and collaterals includes the indexed or reviewed collateral value.

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 36 – COMMITMENTS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES (continued)

The following table presents the nominal value and the provision for loan commitments and guarantees at 31 December 2025.

	<u>Nominal amount</u>			<u>Provision</u>			<u>Total MHUF</u>
	<u>Performing</u>		<u>Non- performing</u>	<u>Performing</u>		<u>Non- performing</u>	
	<u>Stage 1 MHUF</u>	<u>Stage 2 MHUF</u>	<u>Stage 3 MHUF</u>	<u>Stage 1 MHUF</u>	<u>Stage 2 MHUF</u>	<u>Stage 3 MHUF</u>	
Loan commitments	1 079 377	184 980	620	(1 013)	(859)	(16)	1 263 089
Financial guarantees	855	114	-	(2)	-	-	967
Other commitments	456 832	48 052	1 661	(414)	(132)	(351)	505 648
Total	1 537 064	233 146	2 281	(1 429)	(991)	(367)	1 769 704

For evaluation of provision on commitments and contingent liabilities in 2025 see Note 24.

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 36 – COMMITMENTS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES (continued)

The following table presents the nominal value and the provision for loan commitments and guarantees at 31 December 2024.

	<u>Nominal amount</u>			<u>Provision</u>			<u>Total MHUF</u>
	<u>Performing</u>		<u>Non- performing</u>	<u>Performing</u>		<u>Non- performing</u>	
	<u>Stage 1 MHUF</u>	<u>Stage 2 MHUF</u>	<u>Stage 3 MHUF</u>	<u>Stage 1 MHUF</u>	<u>Stage 2 MHUF</u>	<u>Stage 3 MHUF</u>	
Loan commitments	840 405	110 897	2 875	(518)	(297)	(109)	953 253
Financial guarantees	952	172	29	(2)	-	(24)	1 127
Other commitments	460 684	47 816	7 221	(253)	(139)	(952)	514 377
Total	1 302 041	158 885	10 125	(773)	(436)	(1 085)	1 468 757

For evaluation of provision on commitments and contingent liabilities in 2024 see Note 24.

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 36 – COMMITMENTS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES (continued)

Legal claims

Litigation is a common occurrence in the banking industry due to the nature of the business. The Group has an established protocol of dealing with such legal claims. Once professional advice has been obtained and the amount of damages reasonably estimated, the Group makes adjustments to account for any adverse effects which the claims may have on its financial standing. At year-end the Group had several unresolved legal claims in the amount of HUF 6 205 million (HUF 191 million as at 31 December 2024) where the Group has been advised by its legal advisor that it is possible, but not probable, that the action will succeed. Accordingly no provision for these claims has been made in these consolidated financial statements. The increase of claims in 2025 mainly relates to one case where subsequent events confirmed that no provision is needed.

NOTE 37 – FINANCE LEASES

Lessor position

The Group offers open end financial lease (OEFL) and closed end financial lease (CEFL) products for existing or targeted Corporate, Business and Micro SME customers of the Group. The products are handled in the Group's normal credit approval and monitoring process, which gives a well-defined and established basis for managing credit risk.

Leasing residual value risk management framework is in place which contains residual value policy, residual value limit setting methodology and guaranty framework.

The assets leased out by the Group are predominantly cars and trucks. In finance lease, the lessee selects an asset and the Group purchases that asset and gives it to the lessee. In this way the Group acts as a financier of the assets borrowed by the lessee. The lessee will have to use the asset during the lease period and will have to pay for the cost of repairs, maintenance and insurance of the asset. The Group is the legal owner of the asset during the period of lease and recovers a major part of the cost of the asset plus interest earned from lease payment by the lessee. The lessee assumes some risks of the ownership and enjoys some of the benefits. The lessee or the third party has the option to acquire ownership of the asset by paying a nominal price which is the repurchase price.

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NOTE 37 – FINANCE LEASES (continued)

The following tables indicate the key amounts of the Group's lease activity:

	<u>2025</u>	<u>2024</u>
	<u>MHUF</u>	<u>MHUF</u>
<u>Finance lease receivables</u>		
Total of gross investment in the lease, receivable:		
less than one year	39 284	39 019
one to five years	91 613	79 105
more than five years	4 450	5 207
	<u>135 347</u>	<u>123 331</u>
The present value of minimum lease payments receivables*:		
less than one year	33 005	33 604
one to five years	82 779	70 781
more than five years	4 207	4 853
	<u>119 991</u>	<u>109 238</u>
Unearned finance income	15 356	14 093
Contingent rents recognized as income - gross	6 725	6 218
Non-guaranteed residual values	18 988	17 566

*Net of impairment.

The total impairment recorded on finance lease receivables amounted to HUF 123 million as at 31 December 2025 (HUF 202 million as at 31 December 2024).

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CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

NOTES TO THE FINANCIAL STATEMENTS

NOTE 37 – FINANCE LEASES (continued)

Lessee position

The Group has entered into property lease agreements. According to IFRS 16 these contracts are presented as lease liabilities and right-of-use assets.

The following tables give information about the client types and the remaining maturity of these liabilities recorded according to IFRS 16.

	<u>2025</u> MHUF	<u>2024</u> MHUF
< 1 year	903	948
1-2 years	853	3 874
2-3 years	930	1 448
3-4 years	1 514	1 022
4-5 years	2 143	1 709
over 5 years	3 825	2 098
Total financial lease liabilities	<u>10 168</u>	<u>11 099</u>

	<u>2025</u> MHUF	<u>2024</u> MHUF
Sector		
General government	1 203	396
Corporate	5 863	6 199
Small and Medium enterprises	3 102	4 504
Total	<u>10 168</u>	<u>11 099</u>

Expenses relating to short-term leases and low-value lease are included in general administration expenses and amounted to HUF 287 million in 2025 (HUF 152 million in 2024).

Following table shows the total cash outflow for leases.

	<u>2025</u> MHUF	<u>2024</u> MHUF
Interest expense	219	191
Principal repayment	3 289	3 797
Total	<u>3 508</u>	<u>3 988</u>

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CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

NOTES TO THE FINANCIAL STATEMENTS

NOTE 38 – RELATED PARTY TRANSACTIONS

For the purposes of these financial statements, related parties include all enterprises that directly or indirectly through one or more intermediaries, control or are controlled by, or are under common control with the Bank (this includes parents, subsidiaries and fellow subsidiaries) and key management.

Parent:

KBC Bank N.V. owns 100% of the ordinary shares in K&H Bank (2024: 100%). The ultimate parent of the Group is KBC Group N.V.

Subsidiaries:

See list of subsidiaries in Note 41.

Members of KBC Group and other related parties:

CBC Banque SA
Československa Obchodna Banka a.s.
Československa Obchodni Banka a.s.
DISCAI N.V.
IVESAM N.V.
K&H Biztosító Zrt.
K&H Pénzforgalmi Szolgáltató Kft.
KBC Asset Management N.V.
KBC Commercial Finance N.V.
KBC Global Services N.V.
KBC Securities N.V.
Omnia N.V.
Patria Finance a.s.
United Bulgarian Bank AD

Other related parties through key management

If the Group's key management has direct or indirect authority and responsibility for planning, directing and controlling the activity of a company outside of KBC Group, the companies are presented as other related parties through key management.

The banking transactions entered into with related parties in the normal course of business including loans and deposits were carried out on normal commercial terms and conditions and at market rates. All loans and advances to related parties are performing.

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CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

NOTES TO THE FINANCIAL STATEMENTS

NOTE 38 - RELATED PARTY TRANSACTIONS (continued)

The year-end balances and the income and expenses in respect of related parties included in the consolidated financial statements are as follows:

	Parent MHUF	Other related parties (KBC Group) MHUF	Other related parties (through key management) MHUF	Total MHUF
As at 31 December 2025				
Assets				
Other demand deposit	106 527	984	-	107 511
Loans and advances	238 207	38	1 913	240 158
Current accounts	-	38	173	211
Term loans	238 207	-	1 740	239 947
Finance leases	-	-	-	-
Derivatives	123 807	353	-	124 160
Held for trading	28 298	353	-	28 651
Hedging	95 509	-	-	95 509
Other receivables	11 888	3 567	-	15 455
Total assets	480 429	4 942	1 913	487 284
Liabilities				
Deposits	483 536	19 654	195	503 385
Current accounts	4 985	14 733	195	19 913
Term deposits (with agreed maturity)	478 551	4 921	-	483 472
Subordinated liabilities	37 398	-	-	37 398
Non-convertible bonds	261 365	-	-	261 365
Derivatives	107 260	311	-	107 571
Held for trading	32 578	311	-	32 889
Hedging	74 682	-	-	74 682
Other liabilities	895	237	-	1 132
Total liabilities	890 454	20 202	195	910 851
Income statement				
Net interest and similar income	(21 298)	(1 192)	155	(22 335)
Interest and similar income	15 274	77	155	15 506
Interest and similar expense	(36 572)	(1 269)	-	(37 841)
Net fee and commission income	915	16 990	31	17 936
Fee and commission income	1 775	17 576	37	19 388
Fee and commission expense	(860)	(586)	(6)	(1 452)
Other income	380	1 242	-	1 622
Other expense	(3 775)	(12 925)	-	(16 700)
Total income statement	(23 778)	4 115	186	(19 477)
Off-statement of financial position items				
Commitments and contingent liabilities	185 320	48 219	116	233 655
Guarantees received	923	17 005	-	17 928
Notional amount of derivatives	7 492 583	55 768	-	7 548 351

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FOR THE YEAR ENDED 31 DECEMBER 2025**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 38 - RELATED PARTY TRANSACTIONS (continued)

	Parent MHUF	Other related parties (KBC Group) MHUF	Other related parties (through key management) MHUF	Total MHUF
As at 31 December 2024				
Assets				
Other demand deposit	10 339	78	-	10 417
Loans and advances	206 940	362	2 227	209 529
Current accounts	-	157	97	254
Term loans	206 940	205	2 130	209 275
Finance leases	-	-	-	-
Derivatives	151 027	208	-	151 235
Held for trading	29 549	208	-	29 757
Hedging	121 478	-	-	121 478
Other receivables	9 746	3 620	-	13 366
Total assets	378 052	4 268	2 227	384 547
Liabilities				
Deposits	527 629	26 847	300	554 776
Current accounts	48 196	17 803	300	66 299
Term deposits (with agreed maturity)	479 433	9 044	-	488 477
Subordinated liabilities	52 097	-	-	52 097
Non-convertible bonds	221 096	-	-	221 096
Derivatives	127 260	358	-	127 618
Held for trading	41 874	358	-	42 232
Hedging	85 386	-	-	85 386
Other liabilities	637	3 679	-	4 316
Total liabilities	928 719	30 884	300	959 903
Income statement				
Net interest and similar income	(30 144)	(1 249)	321	(31 072)
Interest and similar income	9 157	118	321	9 596
Interest and similar expense	(39 301)	(1 367)	-	(40 668)
Net fee and commission income	30	14 634	21	14 685
Fee and commission income	1 190	15 558	26	16 774
Fee and commission expense	(1 160)	(924)	(5)	(2 089)
Other income	-	1 424	-	1 424
Other expense	(2 097)	(9 318)	-	(11 415)
Total income statement	(32 211)	5 491	342	(26 378)
Off-statement of financial position items				
Commitments and contingent liabilities	223 326	27 440	212	250 978
Guarantees received	1 423	7 891	-	9 314
Notional amount of derivatives	5 959 851	55 913	-	6 015 764

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025****NOTES TO THE FINANCIAL STATEMENTS****NOTE 38 - RELATED PARTY TRANSACTIONS (continued)**

The interest rate of related party liabilities (demand and term deposits, refinancing loans and repos) varied in a range of 0 and 9 percent in 2025 (0 and 12 percent in 2024). Related party assets (loans and advances) bear a minimum interest rate of 0 and a maximum interest rate of 21 percent in 2025 (0 and 22 in 2024). For interest rate conditions of subordinated liabilities see Note 16.

Transactions with key management

The Group's key management includes the members of the executive committee, senior executive directors and executive directors.

Loans

In accordance with the Group's internal policy, all employees of the Group, including key management may apply for loans with favourable conditions.

The major part of the total of HUF 544 million outstanding amount of loans of key management at 31 December 2025 was housing loan (HUF 865 million at 31 December 2024), with the long-term maturity obligations ranging from 15-20 years.

Deposits

In accordance with the Group's internal policy, all employees of the Group, including key management staff are entitled to have a bank account and a securities/bond account with condition of K&H 4000+ account package offered for companies with number of employees over 4 000. According to this package the interest paid on deposit is the basic interest rate of the Hungarian National Bank less 3.25 but if it is negative, then the interest rate for the K&H Demand Deposit Account.

At 31 December 2025 the outstanding amount of deposits was HUF 598 million (HUF 617 million at 31 December 2024).

Staff expenses

The following amounts have been recorded related to key management personnel:

	<u>2025</u>	<u>2024</u>
	MHUF	MHUF
Short-term employee benefits	2 730	2 544
Other long-term benefits	17	13
Termination benefits	75	5
Share based payment (cash settled)	<u>64</u>	<u>43</u>
Total benefits	<u><u>2 886</u></u>	<u><u>2 605</u></u>

The liability of HUF 503 million in 2025 (HUF 323 million in 2024) resulting from the carrying amount of share based payment is recorded as other liability in the consolidated statement of financial position.

**CONSOLIDATED FINANCIAL STATEMENTS
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NOTES TO THE FINANCIAL STATEMENTS
NOTE 39 – DEFINED BENEFIT PLAN

A part of the Bank's employees are entitled to participate in defined benefit plan founded by the Bank. The amount of benefits to be provided depends on the employee's length of service in a certain past period and the level of reference interest rate. The future payments regarding to the plan have no significant effect on the Bank's cash flow.

The table below presents the reconciliation of defined benefit obligations recorded as other liabilities.

	<u>2025</u> <u>MHUF</u>	<u>2024</u> <u>MHUF</u>
Defined benefit obligations at the beginning of the period	254	268
Interest cost	15	14
Actuarial gains and losses arising from changes in financial assumptions	(2)	-
Benefits paid	(15)	(20)
Past service cost, including gains and losses arising from settlements	<u>(5)</u>	<u>(8)</u>
Defined benefit obligation at end of the period	<u>247</u>	<u>254</u>

Interest cost on defined retirement benefit plans are recorded as interest and similar expense in the consolidated income statement (see Note 5). Current service cost includes the effect of the renegotiation of defined benefit plans. Current service costs, benefits paid and past service costs are recorded as staff expenses in the consolidated income statement (see Note 14). Actuarial gains and losses arising from changes in financial assumptions are accounted directly in other comprehensive income.

NOTE 40 – AUDITOR'S REMUNERATION

	<u>2025</u> <u>MHUF</u>	<u>2024</u> <u>MHUF</u>
Fees for the statutory audit services	272	286
Total fees paid to audit firms	<u>272</u>	<u>286</u>

The amounts in the table above include VAT.

The Group is provided with statutory audit services by KPMG Hungária Könyvvizsgáló, Adó- és Közgazdasági Tanácsadó Korlátolt Felelősségű Társaság.

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CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

NOTES TO THE FINANCIAL STATEMENTS

NOTE 41 – SUBSIDIARIES

Fully consolidated subsidiaries	Address of headquarter	Principal activities	Capital 2025	Effective Shareholding 2025	Effective Shareholding 2024
			MHUF	%	%
K&H Jelzálogbank Zrt.	1095 Budapest, Lechner Ödön fasor 9.	Credit institution	3 700	100	100
K&H Autópark Kft.	1095 Budapest, Lechner Ödön fasor 9.	Operating lease	11	100	100
K&H Ingatlanlízing Zrt.	1095 Budapest, Lechner Ödön fasor 9.	Finance lease	50	100	100
K&H Csportszolgáltató Kft.	1095 Budapest, Lechner Ödön fasor 9.	Group service center	60	100	100
K&H Equities Zrt.	1095 Budapest, Lechner Ödön fasor 9.	Business and management consultancy	38	100	100
K&H Faktor Zrt.	1095 Budapest, Lechner Ödön fasor 9.	Other financial services	51	100	100

The principal place of business of the companies mentioned in the table is Hungary.

On 1st November 2025 the business activity of K&H Faktor Zrt. was transferred to K&H Bank Zrt. The transaction had no impact on the Consolidated Financial Statements.

NOTE 42 – SUBSEQUENT EVENTS

Subsequent events related to legal matters ongoing at the reporting date were taken into account in these financial statements.

An armed conflict between the United States, Israel and Iran began in late February 2026. This initially caused regional instability and is impacting a number of areas, including energy prices, trade routes and the financial markets. The Group is closely monitoring the macroeconomic impact and spillover effects for the Group and its customers, both financially and operationally, including cyber threats.

**CONSOLIDATED FINANCIAL STATEMENTS
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NOTES TO THE FINANCIAL STATEMENTS

NOTE 43 – RISK MANAGEMENT

43.1 General

The Group is not only a universal commercial bank and a major player in the Hungarian market but also part of the KBC Group. As such the activities of the Group cover a wide range including the retail, corporate and the professional money market segments. In its role as a financial intermediary, the Group faces different uncertainties presenting both risk and opportunity at the same time. The challenge for management is to determine how much uncertainty to accept as it strives to grow stakeholder value.

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

- Value, risk and capital management are inextricably linked to one another.
- Risk management is approached from a comprehensive, enterprise- wide angle, taking into account all the risks an institution exposed to and all the activities it engages in.
- Primary responsibility for value and risk management lies with line management, while within Capital and Risk Oversight (CRO) Services Division separate Value and Risk Management departments – operating independently of line management – perform advisory, supporting and supervisory role.
- Every material subsidiary is required to adhere to the same risk governance model as the parent company.

The Group risk management activity is primarily based on the on-going Internal Capital Adequacy Assessment Process (ICAAP) that is aligned with international standards and KBC Group principles. The ICAAP is subject of annual Supervisory Review and Evaluation Process (SREP) conducted by the local supervisor (Hungarian National Bank) in the frame of Joint Capital Decision of home supervisor (European Central Bank) and host supervisors (Hungarian National Bank).

The Group has Recovery Plan prepared according to the guidelines set out by KBC Group's and the local supervisors. The Recovery Plan of the KBC Group covers the whole K&H Group too.

Risk management governance model

The risk management governance model seeks to define the responsibilities and tasks of various bodies and persons within the organisations with a view to ensure the sound management of value creation and all the associated risks to which the banking business is exposed. The Bank's risk governance model is organised in three tiers:

- Overarching company and risk committees are the Board of Directors (BoD), the Audit Board (AB), Risk and Compliance Committee (RCC), the Executive Committee (ExCo), the Country Team (CT) and the Capital and Risk Oversight Committee (CROC). These committees concentrate on overarching risk management and on monitoring value creation.
- Specialised risk councils (Credit Risk Council (CRC), Operational Risk Councils (ORC), Asset Liability Management Risk Council (ALRC) concentrate on implementing a group-wide framework for one particular type of risk and monitoring the associated risk management process. The risk councils are composed of representatives from line management and relevant Risk Management departments.
- Line management and activity-specific committees have primary responsibility for value and risk management on the operational level. Whereas Risk Management Directorate measures risks, economic capital and value creation for all relevant business entities and reports their findings directly to line management and the relevant activity-specific committees.

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 – quarterly risk reports, yearly overview of the remuneration policy and the risk based pricing policy – ensures that there is an ample flow of information to the relevant members of the Board over the course of the year. Moreover, through the involvement of the entire Board in the annual round of approvals of risk-tolerance limits, the Board is able to take informed decisions on the degree of risk it finds acceptable for the Bank and on the adequacy of the risk management structure.

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 43 – RISK MANAGEMENT (continued)

Risk measurement and monitoring

Risk measurement and monitoring in general includes the following sub-processes:

- Identification of risks is a process of discovering and defining material risks, namely those risks that could have a positive or negative impact on the statement of financial position of the Group. Identification of risks is further ensured with setting up New and Active Products Process (NAPPs) in all business domains.
- Measurement of risks; qualitative and quantitative assessment of exposure to risk. The Group uses amongst others the following risk measures for the following most significant risk types:
 - Credit default and migration risks: nominal positions (outstanding/exposure), PD (probability of default), LGD/EL (loss given default/expected loss), credit concentration ratios, loan delinquency ratios, renegotiated loan ratios, credit loss ratios, RWA, stress test results;
 - Trading risk: historic VaR (value at risk), and stress test results;
 - ALM (asset-liability management) risk: BPV (basis point value), results of stress test on interest income, parametric VaR;
 - Operational risk: KRI (key risk indicator), results of risk self-assessment, level of compliance with Group Standards, availability of crisis management plans;
 - Liquidity risk: liquidity gaps, loan-to-deposit ratio, liquidity coverage ratio (LCR), net stable funding ratio (NSFR), liquidity concentration ratios, stress test results.
- Risk appetite and setting limits; is a way of authorizing specific forms of risk taking. A limit indicates how much risk the Group considers being 'an acceptable maximum' for a portfolio or a segment of a portfolio. They reflect the general risk appetite, set by the Board of Directors. This general risk appetite cascades down in specific risk limits or tolerances that reflect the degree of acceptable variation to the achievement of objectives. Risk appetite and limits are agreed upon by the Board of Directors.
- Reporting; delivery of risk measurement results and compliance with the limits (comparison of risk exposure with the risk limit) to the decision makers (relevant risk committees) in a structured format. The main types of reports used in the Group:
 - exposures to key risk types
 - key risk indicators
 - limit breaches
 - losses
 - advice from Risk Management Directorate regarding the risk response.

A dual reporting system by the local risk departments exists: hierarchical reporting to the local Executive Committee via the local risk committees, and functional reporting via the KBC Group Value and Risk Management to the group risk committees and on to the KBC Group Executive Committee.

- Monitoring and response to shortcomings; the purpose of responding to risks is to constrain threats and take advantage of the opportunities. Management (or respective decision makers) need to come up with a response to risk and define, implement and execute controls instruments that help to achieve a residual risk level aligned with the Group's risk limits.

Climate risk

The Group - as part of KBC Group - committed in 2019 to align its own operations and its financing activities to the Paris Climate Agreement. Accordingly, in 2022 the Group published the sectoral climate (financed emission intensity) targets, which cover the majority of the financed portfolios. Ever since then, this commitment and the published targets serve as an overarching strategic direction to the ESG and more specifically to the climate related actions. The Group publishes the convergence to these targets annually in the KBC Group sustainability report and also locally in the K&H Report to Society.

**CONSOLIDATED FINANCIAL STATEMENTS
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NOTES TO THE FINANCIAL STATEMENTS

NOTE 43 – RISK MANAGEMENT (continued)

The management of ESG related risks (including climate risks) is fully embedded in the existing risk management governance of the Group, including the 'Three Lines of Defence Model' as well, and is also firmly embedded in all building blocks of the Risk Management Framework.

As said, the management of ESG risks is firmly embedded in all building blocks of the Risk Management Framework, which means that dedicated processes have been developed focusing on the risk management of ESG risks, and in particular on identification measurement, risk appetite and follow-up. The main elements of this management framework are the followings:

- The Group identifies climate-related risks and opportunities among others through strategic analyses (the so-called sectoral or thematic 'White Papers') and tailored risk and opportunity assessments. During the White Paper analyses the Group detects opportunities and translates them into concrete service offerings and products. The Group engages with the clients to support their transition, develop sustainable products and monitor decarbonisation progress. The outcome of this continuous risk and opportunity management is closely linked with the climate strategy and target follow-up and is also taken into account in the financial planning cycle, touching directly on the portfolio mix, expenses and capital adequacy assessment.
- Specific climate-related Key Risk Indicators are monitored via the ESG Dashboard, which is reported to the Sustainability Committee quarterly and yearly to the Board of Directors and Supervisory Board.
- In order to identify environmental risk the Group uses the Environmental Risk Impact Map (ERIM) to assess the impact of various climate and environmental risk drivers on the classic risk profiles. The same applies for social risks in the Social Risk Impact Map (SRIM) risk identification exercise. The outcomes of the risk assessment process are embedded then in the Group's Risk Appetites Statement (RAS).
- In the loan origination and review process, a sector-based environmental and social (E&S) heat map is used. This is a screening tool to identify the risks involved in the portfolio of loans to corporate entities and SMEs. For material credit files in scope of high E&S Risk sectors, an ESG assessment is performed at counterparty level. The Group's commitment to consider climate and environmental risks is reflected in standards and policies. These standards and policies apply in every step of the credit process, including, for instance, in loan pricing and collateral valuation.
- The Group conducts annual climate stress test to assess environmental risks, examining the Group's resilience under different climate scenarios from the Network for Greening the Financial System (NGFS)."

43.2 Liquidity risk and funding management

Liquidity is the ability of the Group to fund increases in assets and meet obligations as they come due, without incurring unacceptable losses. The fundamental role of the Bank in the maturity transformation of short-term deposits into long-term loans makes the Bank inherently vulnerable to liquidity risk both of an institution-specific nature and that which affects markets as a whole. Liquidity risk management is of paramount importance because a liquidity shortfall at a single institution can have system-wide repercussions. Financial market developments in the past decade have increased the complexity of liquidity risk and its management.

**CONSOLIDATED FINANCIAL STATEMENTS
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NOTES TO THE FINANCIAL STATEMENTS

NOTE 43 – RISK MANAGEMENT (continued)

The objective of the liquidity risk management framework is to limit liquidity risks by taking into account an adequate level of funding, the potential growth of the Group, and in considering liquidity shocks to guarantee the availability of sufficient cash flow to meet all of the Group's financial commitments:

- in a normal business environment;
- under extreme circumstances (shocks);
- and on different time horizons (short, medium and long term).

The Group assesses the following liquidity risk aspects:

- Short-term liquidity risk represents the risk that the Bank will not be able to meet its payment obligations in full or in time. Short-term liquidity risk is measured up to 30-90 working days.
- Long-term liquidity risk represents the risk that additional refinancing funds will be available only at higher market interest rates. Long-term liquidity risk is measured from 1 year onwards.
- Concentration liquidity risk occurs when the Bank has an excessive level of exposure to individual depositor, type of deposit instrument, market segment or currency of denomination, mainly on the liabilities' side. However, concentration liquidity risk can be also due to concentration in a particular on- or off-statement of financial position instrument, which could significantly alter expected cash flows.
- Marketable asset risk represents the risk that the Bank will not be able to liquidate assets on the market only at a discount.

The core collateral pool (liquidity buffer or liquidity reserve) is considered as the liquidity resource of the Group. The Group maintains adequate liquidity resources at all times, both as to amount, maturity and quality, to ensure that the Group can continue to meet its liabilities as they fall due, both in normal and stressed times.

The structure of the core collateral pool reflects the Group's market position, and advantages resulting from the composition of shareholders and various internal and external prudential expectations such as:

- Attracting significant client funds (both corporate and retail);
- Having (indirect) access to international capital markets, funds provided by KBC Group (parent company);
- Keeping the cost of funding to a minimum, while maintaining competitiveness (prices should be in line with the rates of other key players in the market);
- Avoiding as much as possible reliance on volatile deposits;
- Offering full service to clients with the widest possible array of financial products.

The Group maintains adequate balances on its accounts with the Hungarian National Bank and foreign correspondents to continuously meet its obligations.

K&H BANK ZRT.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

NOTES TO THE FINANCIAL STATEMENTS

NOTE 43 – RISK MANAGEMENT (continued)

The following table shows a breakdown of the financial assets and financial liabilities by contractual maturity at 31 December 2025:

	<u><=1 year</u> MHUF	<u>1-5 year</u> MHUF	<u>>5 year</u> MHUF	<u>Without</u> <u>maturity</u> MHUF	<u>Total</u> MHUF
Financial assets					
Cash balances with central banks and other demand deposits with credit institutions	604 999	-	-	-	604 999
Held for trading	19 206	23 074	4 402	-	46 682
Mandatorily at fair value through profit or loss	24 825	106 791	391 633	-	523 249
Fair value through other comprehensive income	43 821	308 203	66 332	1 049	419 405
Amortised cost	1 256 102	1 949 289	1 107 426	-	4 312 817
Fair value changes of hedged item under portfolio hedge of interest rate risk	(45 231)	-	-	-	(45 231)
Hedging derivatives	6 207	52 050	37 699	-	95 956
	<u>1 909 929</u>	<u>2 439 407</u>	<u>1 607 492</u>	<u>1 049</u>	<u>5 957 877</u>
	<u><=1 year</u> MHUF	<u>1-5 year</u> MHUF	<u>>5 year</u> MHUF	<u>Without</u> <u>maturity</u> MHUF	<u>Total</u> MHUF
Financial liabilities					
Held for trading	21 575	22 999	2 839	-	47 413
Designated at fair value through profit or loss	56 247	15 884	-	-	72 131
Hedging derivatives	9 324	52 246	13 471	-	75 041
Measured at amortised cost	4 402 802	694 208	133 723	-	5 230 733
Fair value changes of hedged item under portfolio hedge of interest rate risk	(18 866)	-	-	-	(18 866)
Total financial liabilities	<u>4 471 082</u>	<u>785 337</u>	<u>150 033</u>	<u>-</u>	<u>5 406 452</u>
Commitments and contingent liabilities	<u>1 471 051</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1 471 051</u>
Total financial liabilities, commitments and contingent liabilities	<u>5 942 133</u>	<u>785 337</u>	<u>150 033</u>	<u>-</u>	<u>6 877 503</u>

Financial assets and liabilities repayable on demand are included in the <=1 year category. The Group assumes that commitments and contingent liabilities will be draw down within 1 year.

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CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

NOTES TO THE FINANCIAL STATEMENTS

NOTE 43 – RISK MANAGEMENT (continued)

The following table shows a breakdown of the financial assets and financial liabilities by contractual maturity at 31 December 2024:

	<u><=1 year</u> MHUF	<u>1-5 year</u> MHUF	<u>>5 year</u> MHUF	<u>Without</u> <u>maturity</u> MHUF	<u>Total</u> MHUF
Financial assets					
Cash balances with central banks and other demand deposits with credit institutions	1 015 429	-	-	-	1 015 429
Held for trading	11 457	35 897	5 839	-	53 193
Mandatorily at fair value through profit or loss	16 645	77 170	289 061	-	382 876
Fair value through other comprehensive income	121 046	271 237	82 672	1 555	476 510
Amortised cost	1 108 003	1 567 534	1 190 416	-	3 865 953
Fair value changes of hedged item under portfolio hedge of interest rate risk	(68 439)	-	-	-	(68 439)
Hedging derivatives	8 943	49 016	64 234	-	122 193
	<u>2 213 084</u>	<u>2 000 854</u>	<u>1 632 222</u>	<u>1 555</u>	<u>5 847 715</u>
Total financial assets and cash balances with central banks and other demand deposits with credit institutions					
	<u><=1 year</u> MHUF	<u>1-5 year</u> MHUF	<u>>5 year</u> MHUF	<u>Without</u> <u>maturity</u> MHUF	<u>Total</u> MHUF
Financial liabilities					
Held for trading	12 187	36 306	5 007	-	53 500
Designated at fair value through profit or loss	48 108	7 022	-	-	55 130
Hedging derivatives	5 450	61 058	19 694	-	86 202
Measured at amortised cost	4 213 271	672 717	218 988	-	5 104 976
Fair value changes of hedged item under portfolio hedge of interest rate risk	(42 985)	-	-	-	(42 985)
Total financial liabilities	<u>4 236 031</u>	<u>777 103</u>	<u>243 689</u>	<u>-</u>	<u>5 256 823</u>
Commitments and contingent liabilities	<u>1 471 051</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1 471 051</u>
Total financial liabilities, commitments and contingent liabilities	<u>5 707 082</u>	<u>777 103</u>	<u>243 689</u>	<u>-</u>	<u>6 727 874</u>

Financial assets and liabilities repayable on demand are included in the <=1 year category. The Group assumes that commitments and contingent liabilities will be draw down within 1 year.

K&H BANK ZRT.**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025****NOTES TO THE FINANCIAL STATEMENTS****NOTE 43 – RISK MANAGEMENT (continued)**

The remaining maturity of non-financial assets and liabilities held as at 31 December 2025 is presented in the table below.

	<u>< 1 year</u> <u>MHUF</u>	<u>> 1 year</u> <u>MHUF</u>	<u>Total</u> <u>MHUF</u>
Tax assets	147	1 841	1 988
Investment property	-	73	73
Property and equipment	-	52 686	52 686
Intangible assets	-	114 752	114 752
Other assets	89 758	-	89 758
Total assets	89 905	169 352	259 257
Tax liabilities	2 781	2	2 783
Provisions for risks and charges	5 111	-	5 111
Other liabilities	62 475	-	62 475
Total liabilities	70 367	2	70 369

The remaining maturity of non-financial assets and liabilities held as at 31 December 2024 is presented in the table below.

	<u>< 1 year</u> <u>MHUF</u>	<u>> 1 year</u> <u>MHUF</u>	<u>Total</u> <u>MHUF</u>
Tax assets	45	1 590	1 635
Investment property	-	-	-
Property and equipment	-	122	122
Intangible assets	-	48 709	48 709
Non-current assets held for sale and disposal groups	-	112 356	112 356
Other assets	50 459	-	50 459
Total assets	50 504	162 777	213 281
Tax liabilities	6 092	1	6 093
Provisions for risks and charges	5 062	-	5 062
Other liabilities	78 377	-	78 377
Total liabilities	89 531	1	89 532

The expected remaining maturity breakdown above represents the current and non-current classification of non-financial assets and liabilities.

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 43 – RISK MANAGEMENT (continued)

The following tables present the future undiscounted cash flows of financial assets, financial liabilities and commitments and contingent liabilities by remaining contractual maturity as at 31 December 2025. For held-for-trading derivatives fair values are disclosed in the table.

	Cash balances with central banks and other demand deposits with credit institutions	Held for trading derivatives	Mandatory fair value through profit or loss	Fair value through other comprehensive income	Amortised cost	Hedging derivatives	Total
	MHUF	MHUF	MHUF	MHUF	MHUF	MHUF	MHUF
Financial assets							
On demand and less than three months	510 131	568 614	5 373	65 477	672 724	2 019 909	3 842 228
More than three months but not more than one year	-	567 332	16 227	47 672	758 759	695 255	2 085 245
More than one but not more than five years	-	737 880	106 247	276 446	2 087 968	2 035 475	5 244 016
More than five years	-	264 412	389 831	27 197	1 378 422	813 560	2 873 422
Total	510 131	2 138 238	517 678	416 792	4 897 873	5 564 199	14 044 911

	Held for trading derivatives	Designated at fair value through profit or loss	Amortised cost	Hedging derivatives	Total
	MHUF	MHUF	MHUF	MHUF	MHUF
Financial liabilities					
On demand and less than three months	568 911	57 514	4 228 245	2 019 463	6 874 133
More than three months but not more than one year	567 903	-	60 970	694 588	1 323 461
More than one but not more than five years	721 698	14 557	685 215	2 032 147	3 453 617
More than five years	264 412	-	137 290	813 560	1 215 262
Total	2 122 924	72 071	5 111 720	5 559 758	12 866 473

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NOTE 43 – RISK MANAGEMENT (continued)

	Commitments to extend credit	Guarantees	Letters of credit	Total
	MHUF	MHUF	MHUF	MHUF
Commitments and contingent liabilities				
On demand and less than three months	1 264 977	969	506 545	1 772 491
More than three months but not more than one year	-	-	-	-
More than one but not more than five years	-	-	-	-
More than five years	-	-	-	-
Total	<u>1 264 977</u>	<u>969</u>	<u>506 545</u>	<u>1 772 491</u>

The following tables present the future undiscounted cash flows of financial assets, financial liabilities and commitments and contingent liabilities by remaining contractual maturity as at 31 December 2024. For held-for-trading derivatives fair values are disclosed in the table.

	Cash balances with central banks and other demand deposits with credit institutions	Held for trading derivatives	Mandatory fair value through profit or loss	Fair value through other comprehensive income	Amortised cost	Hedging derivatives	Total
	MHUF	MHUF	MHUF	MHUF	MHUF	MHUF	MHUF
Financial assets							
On demand and less than three months	925 543	476 634	3 374	73 266	566 638	1 427 617	3 473 072
More than three months but not more than one year	-	692 417	10 794	96 562	754 652	313 860	1 868 285
More than one but not more than five years	-	702 521	75 997	259 705	1 927 396	1 528 571	4 494 190
More than five years	-	192 650	284 624	44 860	1 438 224	591 292	2 551 650
Total	<u>925 543</u>	<u>2 064 222</u>	<u>374 789</u>	<u>474 393</u>	<u>4 686 910</u>	<u>3 861 340</u>	<u>12 387 197</u>

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NOTE 43 – RISK MANAGEMENT (continued)

	Held for trading derivatives	Designated at fair value through profit or loss	Amortised cost	Hedging derivatives	Total
	MHUF	MHUF	MHUF	MHUF	MHUF
Financial liabilities					
On demand and less than three months	476 434	48 552	4 057 914	1 428 035	6 010 935
More than three months but not more than one year	692 218	41	187 052	313 860	1 193 171
More than one but not more than five years	702 170	6 900	774 536	1 525 622	3 009 228
More than five years	192 517	-	366 421	591 292	1 150 230
Total	<u>2 063 339</u>	<u>55 493</u>	<u>5 385 923</u>	<u>3 858 809</u>	<u>11 363 564</u>

	Commitments to extend credit	Guarantees	Letters of credit	Total
	MHUF	MHUF	MHUF	MHUF
Commitments and contingent liabilities				
On demand and less than three months	954 177	1 153	515 721	1 471 051
More than three months but not more than one year	-	-	-	-
More than one but not more than five years	-	-	-	-
More than five years	-	-	-	-
Total	<u>954 177</u>	<u>1 153</u>	<u>515 721</u>	<u>1 471 051</u>

The Group uses different ratios to measure and limit liquidity risk that arises from financial intermediation. The operational liquidity is monitored via limits on the unsecured liquidity gap, stress tests and “Basel III” and local regulatory liquidity indicators. From a structural liquidity point of view a group wide net stable funding ratio is used. The Group is also analysing liquidity stress test results.

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 43 – RISK MANAGEMENT (continued)

Operational liquidity is measured by the unsecured liquidity gap limit. The operational liquidity gap is the difference between the cash in and outflows in different time horizons (5 days, 30 days) and an internal limit was set for the gap to be covered by Hungarian National Bank eligible collaterals. The Group had sufficient liquidity gap surplus in 2025 and 2024, having increasing reliance on sight deposits.

Liquidity stress tests

Contingency liquidity risk is assessed in the Group on the basis of several liquidity stress scenarios. The aim of the stress tests is to measure how the liquidity buffer of the Group evolves under stressed scenarios. For each scenario the evolution of the liquidity buffer is calculated: this is the amount of excess liquidity per time bucket. Excess liquidity is the amount of cash that is available which is not required to cover immediately maturing liabilities. The simulated liquidity buffer is the sum of two components: the expected cash evolution under stressed scenarios and the expected liquidity increasing actions under stressed scenarios. In essence, there are four different types of stress tests: K&H specific empirical scenario, 2013's Cyprus banking crisis inspired empirical scenario, Combined general market turmoil and Central Europe specific scenarios, and a reverse stress scenario. Under all scenarios the Group would achieve the internally set survival period of one month and also the time to wall period is indicated which is sufficiently remote in each stress test.

Basel III and regulatory ratios

LCR and NSFR ratios prescribed in regulation from Basel III origin on liquidity measurement are calculated and reported regularly as key liquidity risk measure. Effective LCR legal threshold is 100 since 1 October 2015, the Group's LCR ratio stood at 177% at the end of 2025 and at 199% at the end of 2024 meeting all time the regulatory minimum requirement. NSFR's 100 regulatory compliance is launched from 30 June 2021. The Group stood at 139% at the end of 2025 and at 148% at the end of 2024.

43.3 Market Risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates and foreign exchange rates. The Group classifies exposures to market risk into either trading or non-trading portfolios.

Market risk – trading

The Group is exposed to market risk via the trading books of the Bank's dealing room and via the FX exposure of the subsidiaries. The Group has set limits on the level of market risk that may be accepted. The Group applies VaR methodology to assess the market risk positions held and to estimate the potential economic loss based on a number of parameters and assumptions for various changes in market conditions. VaR is defined as an estimate of the amount of money that can be lost on a given portfolio due to market risk, over a defined holding period, to a given confidence level. The measure only considers the market risk of the current portfolio and does not attempt to capture possible losses due to further trading or hedging, counterparty default or operational losses.

In practice the actual trading results will differ from the VaR calculation and in particular, the calculation does not provide a meaningful indication of profits and losses in stressed market conditions. To determine the reliability of the VaR models, actual outcomes are monitored regularly to test the validity of the assumptions. Market risk positions are also subject to regular stress tests to assess if the Group would withstand market shocks.

There are a number of different approaches used in the industry to generate VaR, with each having a varying level of suitability for different sizes and types of portfolios. The pVaR issued by the Magyar Nemzeti Bank (MNB) was used for this purpose from October 2024.

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NOTE 43 – RISK MANAGEMENT (continued)

In the last quarter of 2024, the pVaR method was used. The pVaR model is a so-called variance-covariance model, which assumes a normal distribution of returns with an expected value of 0. The model assumes a holding period of 10 days and a 99% confidence level. (The use of the 99 confidence level means that, within a one day horizon, losses exceeding the VaR figure should occur, on average, once every hundred days.) Given these parameters, the 1-day standard deviation of the portfolio of foreign exchange positions is multiplied by the 99% of the standard normal distribution and the root of the holding period. The official exchange rate data from the MNB are used as the authoritative exchange rate figures. The daily capital requirement for foreign exchange rate risk is the risk value given by this model plus three times the average risk value over the last 60 trading days, whichever is greater, unless the stressed value (sVaR) is one and a half times higher.

Group also performs a sVar calculation using the 2009 high FX volatility period (stressed) exchange rate values and parameters (10 days, assumed normal distribution and 99% confidence level) that are the same as the parameters for the pVaR calculation. The higher of pVaR and 1.5 times the 60-day average of sVaR is taken as the capital requirement under Pillar 2.

From 2020 Q2, the Group reports its trading risk capital requirement applying CRR. Art.94 – Derogation of Small Trading Book (STB), as a result of compliance with regulatory requirements. Hungarian National Bank accepted that the Group was going to use STB. Position risk' capital requirement is henceforth calculated under the credit risk framework, thus the trading risk capital requirement decreased significantly. There is continuous daily monitoring and strong control environment in place which was accepted by Hungarian National Bank to provide STB compliance and regulatory requirements. From this point of time, total VaR equals with the foreign exchange VaR figures and interest rate VaR is no longer considered within trading risk.

In 2025 STB has been compliant with all requirements, daily VaR average has remained overall low, with two increased maximum value due to a momentarily high EUR position (both persisted 1 day).

No exposure to equity risk in order to meet STB rules.

VaR results can be presented as follows:	Foreign exchange pVaR	Foreign exchange sVaR	Interest rate
	MHUF	MHUF	MHUF
2025 – 31 December	18	25	-
2025 – Average daily (60 days)	6	17	-
2025 – Highest	27	81	-
2025 – Lowest	1	2	-
2024 – 31 December	68	96	-
2024 – Average daily (60 days)	23	64	-
2024 – Highest	55	131	-
2024 – Lowest	6	18	-

Based on the measured values, the sVaR result has been found to be higher than the pVaR value for the period, so sVaR has been applied as capital requirement.

FX risk is handled via FX concentration limits in the Group.

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 43 – RISK MANAGEMENT (continued)

Market risk – Non-trading

The Capital and Risk Oversight Committee (CROC) is responsible for controlling the value creation, the maturity transformation and the market risks of the banking book. Risk tolerance levels are allocated by KBC Group and approved by the K&H Board of Directors.

Majority of the Group's ALM risks are interest rate related risks; consequently the tolerance level is limited in BPV terms (10-basispoint upward parallel yield curve shift impact on net present value). The interest rate risk is also measured with scenario analyses (including stressed environment). ALM-Capital Model determines the amount of capital that is required in view of the ALM risk profile in the banking book. ALM-CM measures the impact of very severe events on the Available Capital under Pillar I. Banking book's inherent risks are interest rate risk, inflation, real estate and equity risk that are measured and monitored according to the Group approach. Foreign currency risk is not inherent in the banking book.

Result of yield curve change by 10basis points in total NPV of banking book. It's considered as a risk measurement figure, does not directly reflected in balance sheet / PnL.

The BPV tables below present the results (risk measurement figure, does not directly reflected in the statement of financial position or in the income statement) reasonable possible changes of the net present value (NPV) of the full banking book on 31 December 2025 and 2024. Possible alternative was calculated based on the scenario of 10 basis point parallel shifts in yield curves. The banking book is limited in BPV by an internally set limit. The results contain the impact of derivative exposures too.

	2025	2024
	MHUF	MHUF
EUR	(49.35)	59.15
CZK	(0.03)	(0.01)
HUF	(972.84)	(1 206.32)
USD	2.45	3.39
GBP	0.53	0.45
Other	(0.05)	(0.17)
	<hr/>	<hr/>
Total	<u>(1 019.30)</u>	<u>(1 143.51)</u>

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 43 – RISK MANAGEMENT (continued)

Currency risk

Currency or foreign exchange (FX) risk basically arises from mismatches in the currency structure of the Group's assets and liabilities. Positions are monitored on a daily basis and the hedging strategy of the Group is to close all material FX positions in the bank's banking book, thus currency risk is managed exclusively within the trading book. Trading FX exposure is managed within the trading limit, and the global hVaR limit of the Group. For details see the market risk-trading section above.

Fair valuation

One of the building blocks of a sound market risk management is also the prudent valuation of positions valued at Fair Value. This applies to *HFT instruments*: Held For Trading (adjustments impact P&L), *FIFV instruments*: financial instruments designated at fair value through profit or loss (adjustments impact P&L) and *FVOCI instruments*: Fair value through other comprehensive income (adjustments impact equity).

The Group's overall Valuation Framework stipulates that, when available, published independent price quotations from well-established active markets are used to determine Fair Value. In case of non-active markets, other valuation techniques (i.e. mark-to-model) are used in order to arrive at realistic estimates of Fair Value.

Consequently a daily independent valuation of front-office positions is performed by the Dealing Room Risk and Control Department. Market-observed prices used in the valuation are regularly validated by the Dealing Room Risk and Control Department via a formal parameter review process. Apart from market parameters, valuation techniques/models are also subject of independent review by the Dealing Room Risk and Control Department.

43.4 Credit risk

Credit risk is the potential shortfall relative to the value expected consequent on non-payment or non-performance by an obligor (a borrower, guarantor, counterparty to an inter-professional transaction or issuer of a debt instrument), due to that party's insolvency or lack of willingness to pay, or to events or measures taken by the political or monetary authorities of a particular country. The latter risk is also referred to as 'country risk'.

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded in the consolidated statement of financial position. The Group makes available to its customers guarantees which may require that the Group makes payment on their behalf. Such payments are collected from customers based on the terms of the credit contracts. They expose the Group to similar risks to loans and these are mitigated by the same control processes and policies.

Credit risk is managed at both transactional and portfolio level. Managing credit risk at the transactional level means that there are sound procedures, processes and applications in place to estimate the risks before and after accepting individual credit exposures. Managing the risk at portfolio level encompasses periodic reporting on (parts of) the consolidated loan portfolio, monitoring limit discipline and the specific portfolio management function.

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 43 – RISK MANAGEMENT (continued)

Expected credit loss (ECL)

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

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

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

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

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

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

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

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

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

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NOTE 43 – RISK MANAGEMENT (continued)

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

The SICR criteria are detailed in Note 2.3.3.3 - Significant increase in credit risk since initial recognition.

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

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

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

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

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NOTE 43 – RISK MANAGEMENT (continued)

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

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

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

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

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

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

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 43 – RISK MANAGEMENT (continued)

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

In addition to the base economic scenario, the Group's Credit Risk Department also provides other possible scenarios (e.g. stress tests) along with scenario weightings. The number of other scenarios used is set based on the analysis of each major product type to ensure that non-linearities are captured. The number of scenarios and their attributes are reassessed at each reporting date. The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, taking into account the range of possible outcomes of which each chosen scenario is representative. The assessment of SICR is performed using Lifetime PD, along with qualitative and backstop indicators. In 2024 ASSA factor* was also introduced to the Lifetime PD stage assessment. This determines whether the whole financial instrument is in Stage 1, Stage 2, or Stage 3 and hence whether a 12-month or lifetime ECL should be recorded. Following this assessment, the Group measures ECL as either a probability-weighted 12 month ECL (Stage 1), or a probability weighted lifetime ECL (Stages 2 and 3). These probability-weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting (as opposed to weighting the inputs).

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

The Group regularly reviews its methodology (back testing) and assumptions to reduce any difference between the estimates and the actual loss of credit. Such back testing is performed annually for high-priority portfolios and every two years for low-priority portfolios.

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

* For improving the forward looking aspect of IFRS9, ASSA (Automated Sector Stress Analyser) was incorporated in the LTPD for staging by multiplying only the first year CPD in line with the short-term nature of ASSA.

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NOTE 43 – RISK MANAGEMENT (continued)
Accounting judgements and estimates related to ECL

The following table presents the sensitivity analysis of the economic scenarios and the impairments recorded on and impairment recorded on debt instruments at fair value through other comprehensive income, debt instruments held at amortised cost and provision on commitments and contingent liabilities as at 31 December 2025.

	Stage 1	Stage 2	Stage 3	Total
	MHUF	MHUF	MHUF	MHUF
Base scenario	6 351	9 561	5 643	21 554
Up scenario	5 030	13 191	6 049	24 270
Down scenario	7 478	15 811	6 064	29 353
Collectively calculated - weighted average	<u>6 312</u>	<u>11 537</u>	<u>5 808</u>	<u>23 657</u>
Individually calculated	<u>-</u>	<u>-</u>	<u>6 724</u>	<u>6 724</u>
Total impairment recorded	<u><u>6 312</u></u>	<u><u>11 537</u></u>	<u><u>12 532</u></u>	<u><u>30 381</u></u>

The following table presents the sensitivity analysis of the economic scenarios and the impairments recorded on and impairment recorded on debt instruments at fair value through other comprehensive income, debt instruments held at amortised cost and provision on commitments and contingent liabilities as at 31 December 2024.

	Stage 1	Stage 2	Stage 3	Total
	MHUF	MHUF	MHUF	MHUF
Base scenario	6 459	8 201	5 506	20 167
Up scenario	8 415	9 708	6 142	24 265
Down scenario	10 241	12 652	6 164	29 057
Collectively calculated - weighted average	<u>7 607</u>	<u>9 393</u>	<u>5 765</u>	<u>22 765</u>
Individually calculated	<u>-</u>	<u>-</u>	<u>8 285</u>	<u>8 285</u>
Total impairment recorded	<u><u>7 607</u></u>	<u><u>9 393</u></u>	<u><u>14 050</u></u>	<u><u>31 050</u></u>

Due to the war between Russia and Ukraine that broke out in the 2022, an overlay was formed due to emerging risks. The size of the overlay is reviewed every quarter and the amount changes depending on the result.

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 43 – RISK MANAGEMENT (continued)

The Group released HUF 965 million net impairment for the geopolitical and emerging risks in 2025 (of which ASSA impact amounted to 859 million impairment charge, tier5* stage transfer and mortgage interest cap** overlay resulted in 279 million and 1 545 million HUF impairment release, respectively) compared to the HUF 5 930 million net impairment release in 2024. The outstanding balance of ECL for the geopolitical and emerging risks amounts to 5 067 million HUF at the end of 2025.

The Group used supportable forward looking information for measurement of ECL, primarily an outcome of its own macro-economic forecasting model. The most significant forward looking assumptions for Hungary that correlate with ECL level and their assigned weights were as follows:

31 December 2025

Variable	Scenario	Assigned weight	Assumption for:				
			2026	2027	2028	2029	2030
Unemployment rate	Base	60%	4.0%	3.7%	3.4%	3.4%	3.4%
	Optimistic	20%	3.3%	2.7%	2.0%	2.3%	2.5%
	Pessimistic	20%	4.7%	4.7%	4.8%	4.6%	4.3%
Real GDP Growth rate	Base	60%	2.4%	3.0%	2.8%	2.6%	2.4%
	Optimistic	20%	4.4%	5.9%	6.3%	5.5%	4.8%
	Pessimistic	20%	0.4%	0.2%	-0.7%	-0.3%	0.1%

31 December 2024

Variable	Scenario	Assigned weight	Assumption for:				
			2025	2026	2027	2028	2029
Unemployment rate	Base	60%	4.3%	3.9%	3.7%	3.7%	3.6%
	Optimistic	20%	3.6%	3.0%	2.4%	2.6%	2.8%
	Pessimistic	20%	5.0%	4.8%	4.9%	4.7%	4.5%
Real GDP Growth rate	Base	60%	2.4%	3.1%	3.0%	2.8%	2.5%
	Optimistic	20%	4.3%	5.8%	6.3%	5.5%	4.7%
	Pessimistic	20%	0.6%	0.5%	-0.2%	0.1%	0.4%

The Group uses two variables for the ECL calculation: unemployment rate and real GDP growth rate. The Group updates the macroeconomic assumptions quarterly.

*The ECL management overwrite to recognise vulnerable portfolios and transfer them to Stage 2 not captured by the staging models.

**The ECL management overlay addresses the estimated impact of risks arising from interest cap measures on the Group's retail credit portfolio, which are not captured by the ASSA tool.

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NOTE 43 – RISK MANAGEMENT (continued)

The industry breakdown of loans and advances is presented in the table below:

	<u>2025</u>	<u>2024</u>
Industry sector	MHUF	MHUF
Agriculture, forestry and fishing	136 966	143 475
Mining and quarrying	549	264
Manufacturing	316 535	368 731
Electricity, gas, steam and air conditioning supply	105 237	107 314
Water supply	5 971	8 631
Construction	44 373	60 368
Wholesale and retail trade	218 091	206 055
Transport and storage	132 707	71 562
Accommodation and food service activities	17 330	17 250
Information and communication	12 573	15 834
Financial and insurance activities	134 662	73 557
Real estate activities	279 047	248 026
Professional, scientific and technical activities	93 387	87 508
Administrative and support service activities	34 858	30 293
Public administration and defence, compulsory social security	19	11
Education	1 391	1 411
Human health services and social work activities	3 359	3 252
Arts, entertainment and recreation	852	753
Central bank	403 943	885 326
Individuals	1 464 964	1 236 058
Central governments	130 083	113 913
Municipalities	25 066	51 606
Credit institutions	597 501	475 523
Other services	2 487	4 007
	<u>4 161 951</u>	<u>4 210 728</u>
Gross loans and advances		
	<u>(25 717)</u>	<u>(27 106)</u>
Total impairment on loans and advances (see Note 24)		
Total loans and advances	<u><u>4 136 234</u></u>	<u><u>4 183 622</u></u>

The table includes the net carrying amount of loans and advances mandatorily at fair value through profit or loss and at amortised cost, and cash balances with central banks and other demand deposits to credit institutions.

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FOR THE YEAR ENDED 31 DECEMBER 2025**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 43 – RISK MANAGEMENT (continued)

Collateral and other credit enhancements

In compliance with its business policy the Group does not grant collateral-based financing (i.e. financing that is not based on the loan repayment capacity of the client), however, there is one exception to this rule in case of a special credit type when the loan is collateralized with cash deposit. The borrower's cash flow represents the primary – direct – source of loan repayment to the Group.

The inclusion of any type of collateral is subject to the assessment of the credit solvency of the client/guarantor, in the course of which the assets in question must be evaluated in compliance with the concerning internal regulations.

The main types of collateral applied are as follows:

- for retail lending, mortgages on residential real estate,
- for commercial lending, mortgage on real estate properties (both commercial and residential), state and institutional guarantees, and pledge on inventory and trade receivables,
- for securities lending cash deposits or security pledges.

The Group also obtains guarantees from parent companies for loans to their subsidiaries.

In case of corporate clients relationship-managers monitor the market value of collaterals, regularly request for a review of the concerning collateral or requests additional collateral behind the deal if necessary. For defaulted counterparties, collaterals are assessed thoroughly to estimate expected recovery in order to set necessary level of impairments. For retail clients the regularly updated indexed market values are used.

The carrying amount of investment properties and other assets, which were obtained by the Group by taking possession during 2025 amounted to HUF 33 million (HUF 41 million in 2024).

The Group sells its assets obtained as collateral instead of using them for its operation.

The following tables present un-, under- and full or over collateralised loans and advances. The tables include the fair value of collaterals maximized to the net carrying amount of loans and advances, loan commitments, guarantees and other commitments given.

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FOR THE YEAR ENDED 31 DECEMBER 2025**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 43 – RISK MANAGEMENT (continued)

	<u>Under collateralised loans</u>		<u>Full and over collateralised loans</u>				
	<u>Carrying amount of loans</u>	<u>Fair value of collateral</u>	<u>Carrying amount of loans</u>	<u>Fair value of collateral</u>	<u>Uncollateralised loans</u>	<u>Total carrying amount of loans</u>	<u>Total fair value of collateral</u>
	<u>MHUF</u>	<u>MHUF</u>	<u>MHUF</u>	<u>MHUF</u>	<u>MHUF</u>	<u>MHUF</u>	<u>MHUF</u>
Loans and advances at 31 December 2025							
Central bank and credit institutions	193 425	185 944	-	-	807 934	1 001 359	185 944
General government	131 357	92 686	21	21	23 691	155 069	92 707
Corporate	906 584	524 714	155 117	155 117	464 716	1 526 417	679 831
of which: Small and Medium enterprises	466 767	276 559	123 453	123 453	154 844	745 064	400 012
Households	93 452	85 226	1 182 291	1 182 517	177 646	1 453 389	1 267 743
Consumer credit	76 843	74 795	225 890	225 891	157 344	460 077	300 686
Credit card	-	-	-	-	8 145	8 145	-
Current account	23	19	7	7	11 821	11 851	26
Finance lease	735	719	1 321	1 321	6	2 062	2 040
Mortgage loan	5 519	3 950	946 633	946 858	-	952 152	950 808
Term loan	10 332	5 743	8 440	8 440	330	19 102	14 183
Total	1 324 818	888 570	1 337 429	1 337 655	1 473 987	4 136 234	2 226 225
Loan commitments and guarantees at 31 December 2025							
Loan commitments	211 099	134 929	701	701	1 053 177	1 264 977	135 630
Financial guarantees	846	653	12	12	111	969	665
Other commitments	283 998	108 411	656	656	221 891	506 545	109 067
Total	495 943	243 993	1 369	1 369	1 275 179	1 772 491	245 362

The table includes the net carrying amount of loans and advances mandatorily at fair value through profit or loss and at amortised cost, and cash balances with central banks and other demand deposits to credit institutions. The fair value of collaterals is maximised to the net carrying amount of the loans and loan commitments.

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 43 – RISK MANAGEMENT (continued)

	<u>Under collateralised loans</u>		<u>Full and over collateralised loans</u>			<u>Total carrying amount of loans</u>	<u>Total fair value of collateral</u>
	<u>Carrying amount of loans</u>	<u>Fair value of collateral</u>	<u>Carrying amount of loans</u>	<u>Fair value of collateral</u>	<u>Uncollateralised loans</u>		
	<u>MHUF</u>	<u>MHUF</u>	<u>MHUF</u>	<u>MHUF</u>	<u>MHUF</u>		
Loans and advances at 31 December 2024							
Central bank and credit institutions	202 972	195 440	14 998	14 998	1 142 806	1 360 776	210 438
General government	125 590	99 424	267	267	39 608	165 465	99 691
Corporate	963 153	522 099	152 707	152 707	318 588	1 434 448	674 806
of which: Small and Medium enterprises	532 467	293 373	115 325	115 325	97 963	745 755	408 698
Households	91 239	83 609	840 838	840 838	290 856	1 222 933	924 447
Consumer credit	72 560	71 103	188 807	188 807	127 143	388 510	259 910
Credit card	-	-	-	-	7 035	7 035	-
Current account	1 091	590	136	136	6 413	7 640	726
Finance lease	947	928	796	796	1	1 744	1 724
Mortgage loan	6 382	4 540	642 200	642 200	148 356	797 299	646 740
Term loan	10 259	6 448	8 899	8 899	1 908	20 705	15 347
Total	1 382 954	900 572	1 008 810	1 008 810	1 791 858	4 183 622	1 909 382
Loan commitments and guarantees at 31 December 2024							
Loan commitments	227 727	111 388	1 068	1 068	725 382	954 177	112 456
Financial guarantees	989	697	-	-	164	1 153	697
Other commitments	288 744	100 100	270	270	226 707	515 721	100 370
Total	517 460	212 185	1 338	1 338	952 253	1 471 051	213 523

The table includes the net carrying amount of loans and advances mandatorily at fair value through profit or loss and at amortised cost, and cash balances with central banks and other demand deposits to credit institutions. The fair value of collaterals is maximised to the net carrying amount of the loans and loan commitments.

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 43 – RISK MANAGEMENT (continued)

The breakdown of loans and advances* by the type of collateral is presented below.

	Collateralised by								Total carrying amount of loans MHUF	Total fair value of collateral MHUF
	residential immovable property		commercial immovable property		debt securities		other			
	Carrying amount of loans MHUF	Fair value of collateral MHUF	Carrying amount of loans MHUF	Fair value of collateral MHUF	Carrying amount of loans MHUF	Fair value of collateral MHUF	Carrying amount of loans MHUF	Fair value of collateral MHUF		
Loans and advances* at 31 December 2025										
Central bank and credit institutions	-	-	-	-	-	-	193 425	185 944	193 425	185 944
General government	-	-	5 044	1 682	-	-	126 334	91 025	131 378	92 707
Corporate	23	23	698 170	463 150	36 706	2 818	326 802	213 840	1 061 701	679 831
of which: Small and Medium enterprises	23	23	380 059	250 006	461	196	209 677	149 787	590 220	400 012
Households	1 254 882	1 251 491	8 269	4 635	121	113	12 471	11 504	1 275 743	1 267 743
Consumer credit	302 733	300 686	-	-	-	-	-	-	302 733	300 686
Current account	-	-	4	4	-	-	26	22	30	26
Finance lease	-	-	-	-	-	-	2 056	2 040	2 056	2 040
Mortgage loan	952 149	950 805	-	-	3	3	-	-	952 152	950 808
Term loan	-	-	8 265	4 631	118	110	10 389	9 442	18 772	14 183
Total	<u>1 254 905</u>	<u>1 251 514</u>	<u>711 483</u>	<u>469 467</u>	<u>36 827</u>	<u>2 931</u>	<u>659 032</u>	<u>502 313</u>	<u>2 662 247</u>	<u>2 226 225</u>
Unsecured exposures	<u>156 828</u>	<u>-</u>	<u>499</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1 316 660</u>	<u>-</u>	<u>1 473 987</u>	<u>-</u>
Total carrying value loans and advances to customers at amortised cost (amount representing exposure to credit risk for each class of loans at amortised cost)	<u>1 411 733</u>	<u>1 251 514</u>	<u>711 982</u>	<u>469 467</u>	<u>36 827</u>	<u>2 931</u>	<u>1 975 692</u>	<u>502 313</u>	<u>4 136 234</u>	<u>2 226 225</u>

The table includes the net carrying amount of loans and advances mandatorily at fair value through profit or loss and at amortised cost, and cash balances with central banks and other demand deposits to credit institutions.

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 43 – RISK MANAGEMENT (continued)

	Collateralised by								Total carrying amount of loans	Total fair value of collateral
	residential immovable property		commercial immovable property		debt securities		other			
	Carrying amount of loans	Fair value of collateral	Carrying amount of loans	Fair value of collateral	Carrying amount of loans	Fair value of collateral	Carrying amount of loans	Fair value of collateral		
MHUF	MHUF	MHUF	MHUF	MHUF	MHUF	MHUF	MHUF	MHUF	MHUF	
Loans and advances* at 31 December 2024										
Central bank and credit institutions	-	-	-	-	-	-	217 970	210 438	217 970	210 438
General government	-	-	5 837	1 257	-	-	120 020	98 434	125 857	99 691
Corporate	-	-	762 115	463 108	1 829	1 445	351 916	210 253	1 115 860	674 806
of which: Small and Medium enterprises	-	-	422 857	256 174	1 829	1 445	223 106	151 079	647 792	408 698
Households	909 949	906 647	7 917	4 744	36	39	14 175	13 017	932 077	924 447
Consumer credit	261 367	259 910	-	-	-	-	-	-	261 367	259 910
Current account	-	-	779	540	-	-	448	186	1 227	726
Finance lease	-	-	-	-	-	-	1 743	1 724	1 743	1 724
Mortgage loan	648 582	646 737	-	-	-	3	-	-	648 582	646 740
Term loan	-	-	7 138	4 204	36	36	11 984	11 107	19 158	15 347
Total	<u>909 949</u>	<u>906 647</u>	<u>775 869</u>	<u>469 109</u>	<u>1 865</u>	<u>1 484</u>	<u>704 081</u>	<u>532 142</u>	<u>2 391 764</u>	<u>1 909 382</u>
Unsecured exposures	<u>275 749</u>	<u>-</u>	<u>247</u>	<u>-</u>	<u>3</u>	<u>-</u>	<u>1 515 859</u>	<u>-</u>	<u>1 791 858</u>	<u>-</u>
Total carrying value loans and advances to customers at amortised cost (amount representing exposure to credit risk for each class of loans at amortised cost)	<u>1 185 698</u>	<u>906 647</u>	<u>776 116</u>	<u>469 109</u>	<u>1 868</u>	<u>1 484</u>	<u>2 219 940</u>	<u>532 142</u>	<u>4 183 622</u>	<u>1 909 382</u>

*The table includes the net carrying amount of loans and advances in the loans and receivables portfolio and cash balances with central banks and other demand deposits to credit institutions.

Collaterals behind non-performing or past due financial assets amounted to HUF 19 916 million as at 31 December 2025 (HUF 23 487 million as at 31 December 2024). The amount of the collaterals includes the indexed or reviewed collateral value limited to the carrying amount of the related asset.

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 43 – RISK MANAGEMENT (continued)

The following tables present loans and advances by stage categories.

	Loans and advances at amortised cost						Total net carrying amount MHUF
	Gross carrying amount			Accumulated impairment			
	Stage 1 MHUF	Stage 2 MHUF	Stage 3 MHUF	Stage 1 MHUF	Stage 2 MHUF	Stage 3 MHUF	
Loans and advances* at 31 December 2025							
Central bank and credit institutions	1 001 442	-	-	(83)	-	-	1 001 359
General government	153 077	2 072	-	(56)	(24)	-	155 069
Corporate	1 248 485	271 877	20 029	(2 825)	(3 160)	(7 989)	1 526 417
of which: Small and Medium enterprises	648 708	92 961	10 957	(1 277)	(1 711)	(4 574)	745 064
Households	761 128	172 785	7 782	(940)	(7 233)	(3 382)	930 140
of which: purchased or originated credit impaired	-	3 200	803	-	(56)	(135)	3 812
Consumer credit	118 398	41 248	2 974	(585)	(1 850)	(1 428)	158 757
Credit card	7 455	918	109	(59)	(205)	(73)	8 145
Current account	6 663	5 812	1 483	(38)	(886)	(1 183)	11 851
Finance lease	1 665	392	7	(1)	-	(1)	2 062
Mortgage loan	613 960	118 323	3 147	(249)	(4 272)	(686)	730 223
Term loan	12 987	6 092	62	(8)	(20)	(11)	19 102
Total	3 164 132	446 734	27 811	(3 904)	(10 417)	(11 371)	3 612 985

Including cash balance with central banks and other demand deposits to credit institutions.

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 43 – RISK MANAGEMENT (continued)

	Loans and advances at amortised cost						Total net carrying amount MHUF
	Gross carrying amount			Accumulated impairment			
	Stage 1 MHUF	Stage 2 MHUF	Stage 3 MHUF	Stage 1 MHUF	Stage 2 MHUF	Stage 3 MHUF	
Loans and advances* at 31 December 2024							
Central bank and credit institutions	1 360 372	468	-	(58)	(6)	-	1 360 776
General government	139 578	25 941	-	(50)	(4)	-	165 465
Corporate	1 218 876	205 575	23 852	(2 480)	(2 603)	(8 772)	1 434 448
of which: Small and Medium enterprises	645 289	96 107	11 375	(1 341)	(1 318)	(4 357)	745 755
Households	626 110	218 627	8 418	(3 489)	(6 133)	(3 476)	840 057
of which: purchased or originated credit impaired	-	3 336	1 000	-	(73)	(193)	4 070
Consumer credit	65 591	63 711	3 130	(402)	(2 238)	(1 512)	128 280
Credit card	6 373	751	48	(39)	(66)	(32)	7 035
Current account	3 972	4 006	1 049	(18)	(502)	(867)	7 640
Finance lease	1 311	427	11	-	(2)	(3)	1 744
Mortgage loan	535 382	142 549	4 039	(3 019)	(3 255)	(1 043)	674 653
Term loan	13 481	7 183	141	(11)	(70)	(19)	20 705
Total	3 344 936	450 611	32 270	(6 077)	(8 746)	(12 248)	3 800 746

Including cash balance with central banks and other demand deposits to credit institutions

**CONSOLIDATED FINANCIAL STATEMENTS
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NOTES TO THE FINANCIAL STATEMENTS

NOTE 43 – RISK MANAGEMENT (continued)

Credit risk exposure for each internal risk rating

The table below includes outstanding exposure of loans and loan commitments to customers and banks (without any money market position). Past due assets are distributed to the internal risk rating classes.

	Historical default rates 2025	Average unsecured share of exposure 2025	Total 2025 MHUF	Historical default rates 2024	Average unsecured share of exposure 2024	Total 2024 MHUF
PD 1-2	0.00%	79.64%	1 239 957	0.00%	84.28%	1 442 224
PD 3-4	0.05%	58.36%	1 362 172	0.03%	57.00%	1 340 251
PD 5-9	0.48%	61.30%	1 500 914	1.55%	64.25%	1 353 236
PD 10-12	100.00%	61.26%	33 191	100.00%	57.47%	47 911
Total			<u>4 136 234</u>			<u>4 183 622</u>

*Impaired (PD10-12) portfolio per credit grades compared to last year's total non-impaired portfolio.

The description of the above used internal PD rating is the following:

- PD 1-2 - Very Low Risk category, PD% between 0.1% - 0.2%, performing
- PD 3-4 - Low Risk category, PD% between 0.2% - 0.8%, performing
- PD 5-9 - Medium/High Risk category, PD% between 0.8% - 100%, performing
- PD 10-12 - Default, PD% = 100%, non-performing

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 43 – RISK MANAGEMENT (continued)

The following tables present the distribution of the loan portfolio according to the internal ratings.

	Performing (STAGE1 + STAGE2)									Non-performing (STAGE3)			Total
	PD1	PD2	PD3	PD4	PD5	PD6	PD7	PD8	PD9	PD10	PD11	PD12	
	%	%	%	%	%	%	%	%	%	%	%	%	%
Loans and advances* at 31 December 2025													
Central bank and credit institutions	1.3	22.3	0.1	0.4	-	-	-	-	-	-	-	-	24.1
General government	0.3	2.0	0.3	0.3	0.1	0.1	-	-	-	-	-	-	3.1
Corporate	0.9	2.9	3.0	6.7	9.0	10.4	5.1	0.6	0.3	0.1	-	0.2	39.2
of which: Small and Medium enterprises	0.9	1.0	1.8	3.6	4.2	4.1	3.2	0.4	0.3	0.1	0.1	0.1	19.8
Households	-	0.3	1.4	11.0	5.3	11.3	3.0	0.6	0.6	-	0.1	-	33.6
Consumer credit	-	-	-	1.8	0.5	6.9	0.9	0.2	0.2	-	-	-	10.5
Credit card	-	-	-	-	-	0.1	-	-	0.1	-	-	-	0.2
Current account	-	-	-	0.1	-	0.1	0.1	-	-	-	-	-	0.3
Finance lease	-	-	-	-	-	-	-	-	-	-	-	-	-
Mortgage loan	-	0.3	1.3	9.0	4.6	4.1	1.9	0.3	0.2	-	-	-	21.7
Term loan	-	-	-	0.1	0.2	0.1	0.1	-	-	-	-	-	0.5
Total	2.5	27.5	4.8	18.4	14.4	21.8	8.1	1.2	0.9	0.1	0.1	0.2	100.0

*The table includes the distribution of loans and advances and “Cash balances with central banks and other demand deposits to credit institutions”.

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 43 – RISK MANAGEMENT (continued)

The following tables present the distribution of the loan portfolio according to the internal ratings.

	Performing (STAGE1 + STAGE2)									Non-performing (STAGE3)			Total
	PD1	PD2	PD3	PD4	PD5	PD6	PD7	PD8	PD9	PD10	PD11	PD12	
	%	%	%	%	%	%	%	%	%	%	%	%	%
Loans and advances* at 31 December 2024													
Central bank and credit institutions	5.0	27.3	-	-	-	-	-	-	-	-	-	-	32.3
General government	-	0.1	3.0	0.3	-	-	-	-	-	-	-	-	3.4
Corporate	0.3	3.6	2.3	5.5	12.6	7.5	2.1	0.3	0.2	0.2	-	-	34.6
of which: Small and Medium enterprises	0.3	2.3	1.3	3.2	5.6	4.1	1.6	0.2	0.2	0.1	-	-	18.9
Households	-	1.1	10.5	8.3	4.8	1.4	2.9	0.3	0.3	0.1	-	-	29.7
Consumer credit	-	-	-	5.8	0.5	0.5	2.4	0.1	0.1	-	-	-	9.4
Credit card	-	-	-	0.1	0.1	-	-	-	-	-	-	-	0.2
Current account	-	-	-	-	-	-	-	-	-	-	-	-	-
Finance lease	-	-	-	-	-	-	-	-	-	-	-	-	-
Mortgage loan	-	1.1	10.5	2.2	4.1	0.7	0.4	0.2	0.2	0.1	-	-	19.5
Term loan	-	-	-	0.1	0.1	0.2	0.1	-	-	-	-	-	0.5
Total	5.3	32.1	15.8	14.1	17.4	8.9	5.0	0.6	0.5	0.3	-	-	100.0

*The table includes the distribution of loans and advances and “Cash balances with central banks and other demand deposits to credit institutions”.

**CONSOLIDATED FINANCIAL STATEMENTS
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NOTES TO THE FINANCIAL STATEMENTS

NOTE 43 – RISK MANAGEMENT (continued)

43.5 Credit risk – forborne loans

The policy on forbearance is based on the directive of the European Banking Authorities (EBA) harmonizing the definitions of forbearance and non-performing loans within the EU from 30/09/2014 on and on Regulation 39/2016 issued by the Hungarian National Bank

Forbearance is similar to distressed renegotiations, whereby the bank agrees to renegotiate the existing contracts and obligations for a borrower with financial difficulties in order to avoid default (e.g. in order to avoid overdue interest, rent, capital and/or fees). Please note that the moratorium instated by the Hungarian government is not an automatic trigger for forbearance.

However, in 2022, in a prudent manner, the bank reclassified customers who had been participating in the moratorium for 9 months as non-performing forborne loans, in accordance with EBA regulations. After the Healing period elaborated in the mentioned EBA regulations the majority of these deals migrated back to Performing Forborne status from High Risk Forborne status (NPL), no payment difficulties to speak of were observed. This of course also triggered the migration of affected clients from Stage3 to Stage2 IFRS category. Taking into consideration that the majority of these clients showed no signs of facing payment difficulties, the expectation is that they will migrate further to Stage1. This will likely happen during 2026.

Forbearance measures consist of concessions towards a debtor facing or about to face difficulties in meeting its financial commitments.

A concession refers to either of the following actions:

- a) a modification of the terms and conditions of an existing contract because the debtor is considered unable to comply with the terms and conditions of the contract due to its financial difficulties and whereby the modification in principle would not have been granted in case the debtor would not have been in financial difficulties;
- b) a total or partial refinancing of a troubled debt contract because the debtor is considered unable to comply with the terms and conditions of the troubled debt due to its financial difficulties and whereby the partial refinancing in principle would not have been granted in case the debtor would not have been in financial difficulties.

The above means that an exposure should be perceived as forborne in case that two conditions are met:

- a) The bank granted concessions towards the borrower
- b) due to the fact that he borrower has financial difficulties.

The forbearance classification is discontinued when all the following conditions are met:

- a minimum 2 year probation period has passed from the date the forborne exposure was considered as performing;
- the contract is considered as performing, including if it has been reclassified from the non-performing category after an analysis of the financial condition of the debtor showed it no longer met the conditions to be considered as non-performing;
- regular payments of more than an insignificant aggregate amount of principal or interest have been made during at least half of the probation period;
- none of the exposures to the debtor is more than 30 days past-due at the end of the probation period.

A non-performing exposure for which forbearance measurement has been applied can not be considered as performing for at least one year after the forbearance measurement.

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 43 – RISK MANAGEMENT (continued)

The rating category of the debtor can not improve due to the forbearance measurement. The Group classifies borrowers with forbore exposures to at least PD9. In the following cases forbore borrowers are classified to a default status (i.e. at least PD 10):

- a second forbearance during the probation period;
- in case of 30 days past due for an amount exceeding the default materiality threshold of 2 of the exposure or HUF 250 000 during the probation period;
- partial and/or full debt forgiveness.

Forbearance measurement is applied on facility level (not on entire exposure).

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 43 – RISK MANAGEMENT (continued)

The following table presents forborne loans.

	Mandatorily at fair value through profit or loss			At amortised cost		
	Gross carrying amount	Accumulated negative changes in fair value due to credit risk	Total	Gross carrying amount	Accumulated impairment	Total
	MHUF	MHUF	MHUF	MHUF	MHUF	MHUF
Loans and advances at 31 December 2025						
Corporate	-	-	-	13 916	(3 872)	10 044
of which: Small and Medium enterprises	-	-	-	8 604	(2 191)	6 413
Households	3 497	(4)	3 493	23 857	(1 132)	22 725
Consumer credit	2 172	-	2 172	2 741	(182)	2 559
Credit card	-	-	-	91	(5)	86
Current account	-	-	-	256	(52)	204
Finance lease	-	-	-	-	-	-
Mortgage loan	1 325	(4)	1 321	20 358	(890)	19 468
Term loan	-	-	-	411	(3)	408
Total	3 497	(4)	3 493	37 773	(5 004)	32 769

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**CONSOLIDATED FINANCIAL STATEMENTS
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NOTES TO THE FINANCIAL STATEMENTS

NOTE 43 – RISK MANAGEMENT (continued)

The following table presents forborne loans.

	Mandatorily at fair value through profit or loss			At amortised cost		
	Gross carrying amount	Accumulated negative changes in fair value due to credit risk	Total	Gross carrying amount	Accumulated impairment	Total
	MHUF	MHUF	MHUF	MHUF	MHUF	MHUF
Loans and advances at 31 December 2024						
Corporate	-	-	-	22 912	(6 928)	15 984
of which: Small and Medium enterprises	-	-	-	9 023	(2 650)	6 373
Households	3 804	(7)	3 797	27 961	(1 589)	26 372
Consumer credit	2 308	-	2 308	4 034	(341)	3 693
Credit card	-	-	-	97	(11)	86
Current account	-	-	-	180	(26)	154
Finance lease	-	-	-	-	-	-
Mortgage loan	1 496	(7)	1 489	23 153	(1 205)	21 948
Term loan	-	-	-	497	(6)	491
Total	<u>3 804</u>	<u>(7)</u>	<u>3 797</u>	<u>50 873</u>	<u>(8 517)</u>	<u>42 356</u>

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CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

NOTES TO THE FINANCIAL STATEMENTS

NOTE 43 – RISK MANAGEMENT (continued)

There were no forbore commitments and guarantees in 2025 and 2024.

The following table explains the change of forbore loans.

	<u>2025</u>	<u>2024</u>
	<u>MHUF</u>	<u>MHUF</u>
Balance as at the beginning of the period	46 153	56 257
Loans which have become forbore	5 174	1 120
Loans which are no longer considered to be forbore	(5 301)	(3 693)
Repayments	(12 529)	(12 177)
Change in the impairment of forbore loans	1 729	3 446
Other	1 036	1 200
	<u>36 262</u>	<u>46 153</u>

The Group recorded HUF 2 322 million interest income on forbore loans in the consolidated income statement in 2025 (HUF 3 184 million in 2024).

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 43 – RISK MANAGEMENT (continued)

Aging analysis and quality of forborne loans and advances as at 31 December 2025 is as follows:

	Loans and advances*							Total MHUF
	Performing				Non-performing			
	Not past due MHUF	Past due <= 30 days MHUF	Past due > 30 days <= 90 days MHUF	Past due > 90 days MHUF	Past due <= 30 days MHUF	Past due > 30 days <= 90 days MHUF	Past due > 90 days MHUF	
Loans and advances at 31 December 2025								
Corporate	5 654	136	4	-	3 501	15	734	10 044
of which: Small and Medium enterprises	3 912	136	6	-	1 605	17	737	6 413
Households	23 049	1 456	141	-	1 061	168	343	26 218
Consumer credit	4 223	204	19	-	197	35	53	4 731
Credit card	82	-	1	-	3	-	-	86
Current account	90	91	4	-	14	-	5	204
Finance lease	-	-	-	-	-	-	-	-
Mortgage loan	18 253	1 161	117	-	843	132	283	20 789
Term loan	401	-	-	-	4	1	2	408
Total	28 703	1 592	145	-	4 562	183	1 077	36 262

*The table includes the net carrying amount of loans and advances mandatorily at fair value through profit or loss and at amortised cost.

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 43 – RISK MANAGEMENT (continued)

Aging analysis and quality of forborne loans and advances as at 31 December 2024 is as follows:

	Loans and advances*							Total MHUF
	Performing				Non-performing			
	Not past due MHUF	Past due <= 30 days MHUF	Past due > 30 days <= 90 days MHUF	Past due > 90 days MHUF	Past due <= 30 days MHUF	Past due > 30 days <= 90 days MHUF	Past due > 90 days MHUF	
Loans and advances at 31 December 2024								
Corporate	3 655	14	-	-	11 401	14	900	15 984
of which: Small and Medium enterprises	1 806	14	2	-	3 633	15	903	6 373
Households	26 011	1 844	65	2	1 404	318	525	30 169
Consumer credit	5 237	310	10	2	306	68	68	6 001
Credit card	79	-	-	-	6	-	1	86
Current account	128	17	2	-	5	1	1	154
Finance lease	-	-	-	-	-	-	-	-
Mortgage loan	20 093	1 512	52	-	1 080	249	451	23 437
Term loan	474	5	1	-	7	-	4	491
Total	29 666	1 858	65	2	12 805	332	1 425	46 153

*The table includes the net carrying amount of loans and advances in the loans and receivables portfolio.

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**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 43 – RISK MANAGEMENT (continued)

Staging of forborne loans and advances are presented as follows.

Loans and advances at amortised cost*

	Gross carrying amount			Accumulated impairment			Total MHUF
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
	MHUF	MHUF	MHUF	MHUF	MHUF	MHUF	
Loans and advances* at 31 December 2025							
Corporate	2	6 016	7 898	-	(224)	(3 648)	10 044
of which: Small and Medium enterprises	2	4 245	4 357	-	(193)	(1 998)	6 413
Households	2 226	19 662	1 969	(4)	(666)	(462)	22 725
of which: purchased or originated credit impaired	-	1 526	559	-	(26)	(110)	1 949
Consumer credit	154	2 234	353	(1)	(74)	(107)	2 559
Credit card	25	62	4	-	(4)	(1)	86
Current account	44	155	57	-	(14)	(38)	204
Finance lease	-	-	-	-	-	-	-
Mortgage loan	2 003	16 810	1 545	(3)	(574)	(313)	19 468
Term loan	-	401	10	-	-	(3)	408
Total	2 228	25 678	9 867	(4)	(890)	(4 110)	32 769

*Also including cash balances with central banks and other demand deposits to credit institutions.

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FOR THE YEAR ENDED 31 DECEMBER 2025**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 43 – RISK MANAGEMENT (continued)

Staging of forborne loans and advances are presented as follows.

Loans and advances at amortised cost*

	Gross carrying amount			Accumulated impairment			Total MHUF
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
	MHUF	MHUF	MHUF	MHUF	MHUF	MHUF	
Loans and advances* at 31 December 2024							
Corporate	5	3 742	19 165	-	(78)	(6 850)	15 984
of which: Small and Medium enterprises	5	1 885	7 133	-	(68)	(2 582)	6 373
Households	4 293	20 813	2 855	(107)	(790)	(692)	26 372
of which: purchased or originated credit impaired	-	1 635	665	(44)	(44)	(114)	2 098
Consumer credit	135	3 278	621	(1)	(123)	(217)	3 693
Credit card	22	60	15	-	(3)	(8)	86
Current account	20	137	23	-	(10)	(16)	154
Finance lease	-	-	-	-	-	-	-
Mortgage loan	4 113	16 859	2 181	(106)	(652)	(447)	21 948
Term loan	3	479	15	-	(2)	(4)	491
Total	4 298	24 555	22 020	(107)	(868)	(7 542)	42 356

*Also including cash balances with central banks and other demand deposits to credit institutions.

K&H BANK ZRT.**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025****NOTES TO THE FINANCIAL STATEMENTS****NOTE 43 – RISK MANAGEMENT (continued)**

The industrial breakdown of forborne loans is included in the table below.

	<u>2025</u>	<u>2024</u>
<u>Industry sector</u>	<u>MHUF</u>	<u>MHUF</u>
Agriculture, forestry and fishing	6 718	3 779
Manufacturing	4 619	6 797
Water supply	-	-
Construction	6	20
Wholesale and retail trade	2 180	9 641
Transport and storage	10	36
Accommodation and food service activities	25	2 162
Information and communication	35	32
Administrative and support service activities	33	67
Real estate activities	80	206
Professional, scientific and technical activities	192	162
Public administration and defence, compulsory social security	-	-
Education	10	8
Human health services and social work activities	2	-
Arts, entertainment and recreation	-	1
Other	5	1
Individuals	27 355	31 765
Non-credit institutions	-	-
	<u>41 270</u>	<u>54 677</u>
Forborne loans and advances - gross	<u>41 270</u>	<u>54 677</u>
Accumulated impairment	(5 004)	(8 517)
Accumulated negative changes in fair value due to credit risk	(4)	(7)
	<u>(4)</u>	<u>(7)</u>
Total forborne loans to customers	<u><u>36 262</u></u>	<u><u>46 153</u></u>

All forborne loans are granted to domestic clients in 2025 and 2024.

The table includes the net carrying amount of loans and advances mandatorily at fair value through profit or loss and at amortised cost, and cash balances with central banks and other demand deposits to credit institutions.

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 43 – RISK MANAGEMENT (continued)

43.6 Operational risk

In line with KBC Group, the Group applies the official Basel definition of Operational Risk and Operational Risk Management. Operational risk is the risk of loss resulting from inadequate or failed internal processes, people or systems and from external events. It includes legal and tax risks, but excludes strategic and systemic risks. The Group takes reputation risk into account to a certain level. When controls fail to adequately perform, operational risks can result in financial loss, damage to reputation, have legal or regulatory consequences. The operational risks can not be completely eliminated; but using sound control framework these risks can be mitigated to an acceptable level.

Processes (business lines) and risk event types together are used as common and universal/uniform framework of reference for reporting purposes. The Group implemented the use of an uniform set of business lines, risk event types, risk mitigating/measuring processes and a toolkit for operational risk management. This framework was reviewed in 2023 and had been implemented from 2024 onward – except for some specific processes and risks - until the end of 2025.

The first element of the toolkit was the use of *Group-wide Control requirements (Group Key Controls)* which are the key controls, defined by a center of competence intended to control or mitigate major inherent risks. All KBC Group entities had to implement these Key Controls however, *Risk and Control Inventories* are replacing this element gradually, which are bottom-up analysis of the activities, related risks and the control environment. The compliance with the Group Key Controls/Risk and Control Inventories is monitored via a benchmarking (assessment) exercise, assessments which are used to determine the gap between the group-wide requirements and the local practice. The derived action plans are continuously monitored and reported to the Capital and Risk Oversight Committee and Operational Risk Councils. The Local line management is responsible for translating the Group Key Controls/Risk and Control Inventories into local activities as well as for the timely and proper implementation of action plans.

Risk Self-Assessments aim to identify and assess the operational risk inherent in all material products, activities, processes and systems by the line management with the involvement of other concerned parties.

A '*Case Study Assessment*' is the process of testing the level of the protection of the current control environment against severe operational risk events that have actually happened in the banking and insurance industry by detecting gaps in subsequent control layers.

In line with the guidelines of KBC, the Group collects the *operational loss events* in a unified and integrated database which is also used for analysis and reporting purposes.

The method and framework of *Key Risk Indicators* were implemented in 2009. These are measurable metrics or indicators which help the organization with monitoring the inherent and / or residual exposure to certain key risks, and combine the measurement of risk with the actual management of risk. Changes in the risk exposure versus the risk tolerance of the Group are measured by warning and alert thresholds that are set for each Key risk indicator.

In order to assure the continuity of its critical business services, the Group has an extensive business continuity framework in place, that includes business continuity plans for material activities, the testing of such plans in order to be prepared for potential crisis situations.

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CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

NOTES TO THE FINANCIAL STATEMENTS

NOTE 44 – SOLVENCY AND CAPITAL

Based on the Hungarian Law (Act C of 2000, no. 114 / B. §)

	<u>2025</u>	<u>2024</u>
	<u>MHUF</u>	<u>MHUF</u>
Share capital in accordance with IFRS	140 978	140 978
Capital reserve	48 775	48 775
Tied-up reserve	84 629	70 711
Revaluation reserve	(6 256)	(4 284)
Accumulated profit	332 895	329 186
Profit for the year	139 292	129 275
Total equity	740 313	714 641
from this		
Registered capital by the Registry Court	140 978	140 978
Distributable reserves available for dividend payment	464 862	452 121

In accordance with Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises (banking law) and the EU Regulation No 575/2013 on prudential requirements for credit institutions and investment firms (CRR), the Group must have a minimum capital in place. The Group reports its level of capital adequacy situation to the Hungarian National Bank on a quarterly basis and also forecasts are prepared to the Capital and Risk Oversight Committee (CROC) of the Group on a regular basis. When needed, the Group's Executive Committee decides and proposes to KBC Group any necessary steps that the Committee believes need to be taken (such as capital increase, subordinated debt increase, dividend payment, etc.).

	<u>2025</u>	<u>2024</u>
	<u>MHUF</u>	<u>MHUF</u>
Tier 1 capital elements	623 116	546 582
Adjustments due to prudential filters	4 098	8 200
Tier 1 total	627 215	554 782
Tier 2 capital elements	7 923	18 207
Tier 2 total	7 923	18 207
Own funds	635 137	572 989

The Group fulfilled the capital requirements set by Hungarian National Bank continuously during years 2025 (and 2024) and at 31 December 2025 (and at 31 December 2024).

The Bank is required to set aside 10% of its profit calculated as a statutory reserve for use against future losses. The balance of this reserve as at 31 December 2025 was HUF 84 629 million (HUF 70 711 million as at 31 December 2024).

The Bank had distributable reserves of HUF 464 862 million as at 31 December 2025 (HUF 452 121 million as at 31 December 2024).

Dividend proposed on ordinary shares for 2025 amounts to HUF 50 000 million (HUF 112 000 million as at 31 December 2024).

Approved by the Board of Directors on 20 April 2026.

Peter Roebben
Chief Executive Officer
Member of the Board

Attila Gombás
Chief Financial Officer
Member of the Board



K&H Bank Zrt.

Business report (consolidated)

31 December 2025

On 31 December 2025, the consolidated total assets of K&H Bank Group (hereunder “the Group”) stood at 6,217 bln. As a financial institution which offers banking and insurance products alike and has a nation-wide branch network of 190 branches, the Group offers the full range of financial services to its clients.

1. Economic environment

In 2025, the growth of the Hungarian economy remained moderate. Based on raw data, annual GDP volume exceeded the previous year’s level by 0.4%, weaker than the 0.6% growth recorded in 2024 and low by comparison with many EU member states. Economic expansion was mainly supported by the service sector and construction, while industrial and agricultural output underperformed.

Growth remained uneven over the year. In the first and third quarters, the economy experienced a slight contraction and stagnation, whereas expansion occurred in the second and fourth quarters. From a demand-side perspective, household consumption was the main driver of growth, while gross accumulation weighed on economic activity in the first half of the year and only contributed positively in the second half. The external environment continued to provide limited support to economic growth.

Inflation moderated steadily throughout 2025, declining from 5.5% in January to 3.3% in December. Nevertheless, average annual inflation stood at 4.4%, remaining above the central bank’s target range. Disinflation was supported by the appreciation of the exchange rate, moderating global food prices, government measures (including price caps), and the tight monetary policy stance maintained by the central bank.

The unemployment rate remained low, standing at 4.4% at the end of 2025, reflecting continued labor market tightness. At the same time, employment declined by approximately 45,000 persons, pointing to structural challenges, particularly in the context of a shrinking working-age population.

Fiscal policy became more accommodative over the course of the year, with new economic stimulus measures introduced mainly in the second half of 2025. Despite a nearly 1 percentage point of GDP reduction in interest expenditures, the budget deficit only decreased slightly to 4.8% from the 5% of GDP recorded in 2024, remaining well above initial targets. Public debt, which stood at 73.5% of GDP at the end of 2024, likely increased further to 74.6%, primarily due to weak economic growth. The share of foreign currency-denominated debt remained close to 30%.

Hungary’s current account balance remained in surplus in 2025, partly reflecting subdued import growth, to which weak investment activity also contributed, while exports grew at a faster pace.

No progress was made in accessing additional EU funds during 2025; only the amounts released at the end of 2023 remained available. Credit rating agencies did not change Hungary’s ratings during the year, maintaining investment-grade status. However, S&P’s negative outlook indicates downside risk. Overall, Hungary’s risk assessment remained broadly unchanged, with some improvement observed in December following the confirmation of the sovereign credit rating.

Overall, 2025 was characterized by slow and subdued economic growth. While inflationary pressures eased and unemployment remained low, structural challenges, fiscal vulnerabilities, and growth risks persisted.

	2024 actual	2025 preliminary
GDP growth	+0.6%	+0.4%
CPI (average)	+3.7%	+4.4%
Households’ consumption	+4.9%	+2.7%
Investments	-11.6%	-4.3%
Unemployment rate	+4.4%	+4.4%
Budget deficit (ESA) (in % of GDP)	-5.0%	-4.8%
Debt/GDP rate	73.5%	74.6%
Balance of payments (in % of GDP)	+1.5%	+1.7%

Source: MNB, KSH, K&H

The world’s leading central banks continued the monetary policy easing cycle that began in 2024. In the first half of the year, the European Central Bank (ECB) reduced its key policy rate from 3% to 2%. In contrast, the United States Federal Reserve (Fed) delayed its first rate cut until September and subsequently lowered the benchmark rate by 75 basis points in three steps, from the 4.25%–4.50% range to 3.50%–3.75%.

Unlike these major central banks, the Hungarian National Bank (MNB) kept its policy rate unchanged at 6.5% throughout 2025. The central bank maintained a cautious and restrictive monetary stance, prioritizing the rapid anchoring of inflation expectations and the restoration of price stability. In parallel, government measures—including the possibility of reducing the extra profit tax on banks—encouraged financial institutions to increase their holdings of government securities, thereby providing additional financing resources for the Government Debt Management Agency.

The restrictive monetary policy contributed to a significant strengthening of the forint. Compared to the beginning of the year, the domestic currency appreciated by approximately 7% against the euro, making it one of the best-performing emerging market currencies and outperforming regional peers. Against the US dollar, the appreciation was even more pronounced: by the end of the year, the forint was more than 21% stronger than at the start of 2025.

2. The Strategic Objectives of the Group

K&H Bank Group is a universal bank-insurer¹, providing banking, leasing, asset management and insurance services for individuals and corporate (focusing on SME and Mid-cap) customers with a strong emphasis on introducing innovative solutions.

In order to fulfil our mandate by our shareholder and our clients:

- we put the client at the centre of all our activities
- we provide our clients with easy & fast access through various channels
- we strive to maintain long-term relationship by making the difference through superior service and personal bond
- we combine the best international practice with sound local knowledge.

We want to be the reference in bank-insurance.

Customer strategy:

We help our clients realise their dreams and protect them.

Retail: customers are served based on the different segments' special needs providing convenient banking and insurance services and superior client experience.

Corporate clients: as a stable and independent advisor, building on personal relationship management and deep customer knowledge, we deliver tailor made and convenient financial solutions that best suit our clients' needs.

Product strategy:

Retail:

- Growth in lending, based on a good understanding of real client needs and credit risk.
- Strong focus on convenient daily banking services and primary banking relationships.
- Innovative saving products and advisory services to keep up our market leader status.
- Easy and fast processes.

Small and medium-sized enterprises (SME):

- Reliable and convenient transactional banking services.
- More standard products fitting client needs with simple, easy to access services.
- Easy and fast lending process to support financing SME businesses.

Corporate:

- Full service provider, emphasis on advisory to provide tailored solutions to our clients.

¹ Although K&H Bank Zrt. and K&H Biztosító Zrt. are both members of the KBC Group, there is no direct ownership relationship between them. (K&H Bank Zrt. is a subsidiary of KBC Bank N.V., while K&H Biztosító Zrt. is a subsidiary of KBC Insurance N.V.).

Strategy on distribution channels:

Omni-channel distribution approach – best fit combination of:

- e-bank, mobile bank
- extensive branch network with high level of cash automation and focus on advisory
- TeleCenter, remote advisory
- tied agents and brokers.

Key differentiators of the Bank Group:

- being close to our clients: easy access both physically (via our large branch network) and digitally (via remote channels)
- K&H Group acts as a full service provider for our clients in banking and insurance (universal financial institution)
- expertise and advice in the whole spectrum of financial services
- innovation: we continuously adopt to the changes in client behaviour and in the environment, continuing our digital transformation to be the best innovator in the market, and by combining digital banking, insurance and beyond banking services we are creating a “lifestyle app”
- sustainability: with a wide range of “green” products and services, we help our customers in the transition towards climate neutrality.

3. The Group’s consolidated activities**3.1 Balance sheet**

Total assets of the Group amounted to 6,217 bln on 31 Dec 2025 (2.6% growth compared to 31 Dec 2024).

HUF Bln	31 Dec 2024	31 Dec 2025	Variance
Total assets	6,061	6,217	+2.6%
Central Banks and credit institutions	1,361	1,001	-26.4%
Hungarian government bonds and Treasury bills	1,426	1,586	+11.3%
Loans and advances to customers	2,823	3,135	+11.1%
Deposits from customers	3,964	4,202	+6.0%

The most important elements of the evolution of the consolidated balance sheet are as follows:

- *Loans and advances to customers* increased by 11% in 2025:
 - In an environment where corporate loan demand remains subdued, K&H achieved a corporate portfolio growth of 3 percent compared to the previous year. K&H continues to play an active role in state subsidised financing programmes that support day-to-day operations and investment activity: under the Széchenyi Card Programme, our total contracted volume reached HUF 387 billion. Our project finance portfolio amounted to HUF 437 billion, representing a market share of over 12 percent. Under the Eximbank’s Demján Sándor Programme, K&H concluded contracts totalling around HUF 82 billion, reaching a 16 percent market share. Our clients also have access to the 3 percent interest rate Széchenyi Card Loan, the consumer-friendly loan products and the KAP loan facility. Our leasing portfolio reached HUF 120 billion at the end of the year, and new lease disbursements amounted to HUF 53 billion.
 - The housing loan market continued to grow robustly in 2025. K&H’s housing loan portfolio increased by 21 percent, outperforming the market average. The Otthon Start Programme, launched in September, generated significant demand, with more than HUF 285 billion in loan applications registered by year end. Thanks to the scheme, new mortgage disbursements exceeded the previous year’s volume by 38 percent, and in December were nearly three times the level of a year earlier. Within this, subsidised loan products accounted for 80 percent at K&H. Cash loan disbursements rose by 40 percent year on year.
- *Deposits from customers* reached HUF 4,202 billion, 6 percent higher than in the previous year:

- Retail deposits totalled HUF 1,554 billion, representing 12 percent annual growth. Assets under management in investment funds grew by 17 percent to more than HUF 2,082 billion, reflecting continued client confidence.
 - Corporate deposits increased by 2% yoy, K&H's market position remained quite stable throughout the year.
- *Shareholders' equity* increased by 26 bln (+4%) in 2025. Main elements of the change: profit of 2025 (+139.3 bln), dividend paid after the profit of 2024 (-112 bln), higher cash flow hedge reserve (+4.1 bln) and revaluation reserve of securities (-6.1 bln). The capital adequacy ratio was 19.8% at 31 December 2025.

	31 Dec 2024	31 Dec 2025
Equity (bln HUF)	715	740
Capital adequacy ratio (%)	17.5	19.8

3.2 Profit & loss

HUF Bln	31 Dec 2024	31 Dec 2025
Profit after tax	129.3	139.3

The Bank Group's profit was impacted by several government measures in 2025:

- windfall tax for financial institutions (-14.9 bln)
- interest rate cap for mortgages (-1.8 bln)

The evolution of the main P&L items:

- *Net interest income* went up by 5% compared to previous year (2025: 228.0 bln, 2024: 218.1 bln) primarily driven by the increasing loan and deposit volumes.
- There was 15% growth in *net fee and commission income* (2025: 121.6 bln, 2024: 105.3 bln) driven by higher transactional income and investment services (mutual funds volume managed by the Group increased by 17% in 2025).
- *Net gains from financial instruments at fair value & foreign exchange differences* amounted to 32.9 bln in 2025 (2024: 35.7 bln).
- *Operating expenses* amounted to 229.4 bln in 2025: the 11% increase is primarily due to IT costs (driven by new digital solutions, regulatory and the new core system related investments).
- There was a 3.2 bln negative P&L impact of impairment on financial assets at amortised cost (driven primarily by volume impact and migrations in corporate segment).

Non-performing loans	31 Dec 2024	31 Dec 2025
Retail	0.7%	0.6%
Corporate	1.3%	1.0%
Total	1.1%	0.8%

Detailed description on financial instruments' valuation is included in the consolidated financial statements (in the following notes: 16-22 and 25), while Note 42 in the consolidated financial statements is about subsequent events and Note 43 is about risk management.

The business performance of the Group is illustrated by the following figures:

	2024	2025	variance
Cost / income	58.7%	57.7%	-1.0%
Non-interest type income / total income	37.8%	42.6%	+4.8%
Fee and commission income / total income	30.0%	30.6%	+0.6%
Operating income / average headcount	104.3	118.5	+13.6%
Credit cost ratio	-0.3%	0.1%	+0.3%
Non-performing loans	1.1%	0.8%	-0.2%
Loan / deposit ratio	77.8%	79.6%	+1.8%
Capital adequacy ratio (consolidated)	17.5%	19.8%	+2.3%
LCR	199%	177%	-21%
NSFR	148%	139%	-9%
ROE (based on average balance of equity)	20.3%	18.7%	-1.6%
ROA (based on average balance sheet total)	2.2%	2.3%	+0.1%

4. Introduction of strategically important subsidiaries²

Leasing operation

At the end of December 2025, the Leasing operation consisted of two legal entities next to the leasing operations performed by the bank (three entities were merged with K&H Bank Zrt. in previous years).

Name	Main profile
K&H Autópark Kft.	Operative leasing, fleet management
K&H Ingatlanlízing Zrt.	Financial leasing (real-estate)

On 31st December 2025 the **Group's leasing** portfolio stood at 119.6 bln (11% higher than the level of the previous year).

K&H Csoportszolgáltató Kft. (K&H Shared Service Center Kft.)

In 2005 the Bank decided to set up a group services centre. The purpose of this unit was the centralization and efficient organization of supplementary service activities closely linked to the core activities of individual group members. Comprehensive service activities performed for the group include the management of the real estate portfolio, logistical and bank security tasks, operative business responsibilities (the booking of trade receivables and payables, fixed assets, tax accounting and payroll management) and support of business activities.

The company takes out service level agreements and contracts with individual group members for each individual services.

As part of the K&H group strategy, K&H+ app started in September 2020. This application provides digital solutions and offers beyond banking services through K&H mobile bank application, which operation is managed in close cooperation with K&H Bank.

² Note 41 in the consolidated financial statements provides a comprehensive overview on all subsidiaries.

K&H Faktor Zrt. (K&H Factoring)

The Board of Directors of the Bank decided to integrate the activity of K&H Faktor Zrt. in the form of transferring the portfolio into the Bank. The integration was accomplished with effect of 01.11.2025.

K&H Faktor Zrt. became an inoperative company.

K&H Jelzálogbank Zrt. (K&H Mortgage Bank)

As from April 1st 2017 MNB implemented a new indicator (Mortgage Financing Adequacy Ratio) to constrain the banking sector level systemic risk of maturity transformation related to the long term HUF retail mortgage loan portfolio. According to the current rules, at least 25% of the retail HUF mortgage loan portfolio is to be financed by long-term sources with maturity of at least 3 years (be it mortgage bonds or refinancing loans taken out from mortgage credit institutions).

K&H Mortgage Bank was established in 2016. The core business activity of the Mortgage Bank is refinancing of retail mortgage loan portfolios of K&H Bank Zrt. and mortgage bond issuance, started in Q1 2017.

Starting in March 2017, K&H Mortgage Bank issued several mortgage bonds, initially in the framework of private placements, then during public placements. On 31 December 2025, K&H Mortgage Bank's stock of mortgage bonds was HUF 265 bln publicly issued mortgage bonds, of which HUF 15 bln were green mortgage bonds issued under MNB Program.

5. Non-financial statement

KBC Group is obliged to publish a Sustainability Statement as part of its Annual Report, according to EU's Corporate Sustainability Reporting Directive. K&H - as a 100% subsidiary of KBC - is exempted from issuing a standalone, local Sustainability Statement. Nevertheless, K&H's relevant sustainability data is incorporated into the KBC Group (headquartered: Havenlaan 2, B-1080, Brussels, Belgium) Sustainability Statement.³

However to summarise the most important sustainability and ESG related information about K&H, every year we publish a voluntary (non-audited) K&H „Report to society”⁴ on our website. In this report we present our results in the field of environmental, social and governance topics:

- our sustainability strategy
- our efforts to make our business more sustainable
- progress in making our own environmental footprint smaller
- actions in the field of human resources and inclusive culture
- our answers to the relevant social sustainability related questions of the Hungarian society
- focus areas in innovation and governance.

Budapest, 20 April 2026

Peter Roebben
Chief Executive Officer

Attila Gombás
Chief Financial Officer

³ <https://wcmassets.kbc.be/content/dam/kbccom/doc/investor-relations/Results/jvs-2025/jvs-2025-gr-en.pdf.cdn.res/last-modified/1774614405054/jvs-2025-gr-en.pdf>

⁴ The report can be downloaded from the following site: <https://www.kh.hu/csoport/fenntarthatosagi-jelentesek>. Please note the voluntary report is not fully aligned with CSRD principles.