Disclosure according to Pillar 3

Risk Report

K&H Banking Group and
K&H Bank Zrt

For the 2017 Financial Year

Tartalom

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

K&H committed itself to conform to the requirements of Pillar 3 defined in Chapter 8 of 575/2013/EU Regulation of the European Parliament, of the Council (CRR) and in Article 122 of the Hpt.[1] and the 13/2017 (XI.30) recommendation of the Hungarian National Bank. K&H prepares this "Risk Report" for such purposes, containing the information required by law. In line with its general communications policy, K&H is trying to communicate its market risk exposures as openly as possible. Consequently, it discloses information on risk management taking place at K&H in a separate chapter of the "Annual Report" and also in more detail in this document in order to satisfy the requirements of the market as much as possible.

K&H publishes its "Risk Report" five times a year (only once for the full year), simultaneously with the disclosure of the "Annual Report" and makes it also accessible in Hungary (and in English) on the K&H corporate website (www.kh.hu). As the K&H Bank Zrt is a systemtically important institution on the Hungarian market, the bank also publishes half yearly and quartely reports in a simplified form.

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

This "Risk Report" was prepared for the cut-off date of 31 December 2017 and contains:

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

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

Level I: Overarching company and risk committees

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

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

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

Board of Directors (as of 31 December 2017)	Title	Committee Membership
Luc Popelier	Chairman	RCC, NomCo, RemCo
Christine Van Rijsseghem	Member	RCC, NomCo, RemCo
Willem Hueting	Member	RCC, NomCo, RemCo
David Moucheron	Member	
Lajos Beke	Member	
Attila Gombás	Member	

1. Table: Members of BOD

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

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

The **Remuneration Committee (RemCo)** approves the Bank's remuneration policy as well as the salaries of the Bank's senior managers. They decide about fringe benefits and performance based benefits as well. The Committee has 4 members (Luc Propelier, Chistine Van Rijsseghem, Williem Heuting, Katalin Bóna) and met 3 times in 2017. (March 8, 2017; April 19, 2017; September 21, 2017.)

The **Nomination Committee (NomCo)** recommend the candidates for the senior manager positions. Apart from this task they regularly challenge the experience, knowledge and skills if they are really appropriate for their actual role. The committee met once in 2017 (September 21, 2017)

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

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

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

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

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

- credit risk (Annual stress tests: two historical scenarios and four hypothetical stress scenarios)
- market risk (both interest rate and ALM stress tests incorporate historical scenarios, we implemented in 2017 a interest rate risk scenario, which is based on the stress of specific macroeconomic parameters)
- integrated risk stress test (3 year forward looking scenario)

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

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

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

Level II: Specialized risk councils

- Credit risk council (CRCs). The CRCs' role is to assist the ExCo and CROC of K&H Bank Group with the operation, implementation and application of a credit risk management framework that meets the expectations of internal and external stakeholders and complies with applicable laws and regulations. The CRCs are the preliminary discussion and advisory forum for all credit risk-related activities of the K&H Bank Group in close collaboration with line management, which is primarily responsible and accountable for credit risk management. The CRCs are chaired by the Bank's Chief Risk Officer.
- Trading risk council (TRC). The TRC's role is to assist the ExCo and CROC of K&H Bank Group with the operation, implementation and application of a trading risk management framework that meets the expectations of internal and external stakeholders and complies with applicable laws and regulations. The TRC is the preliminary discussion and advisory forum for all trading risk-related activities of the K&H Bank Group in close collaboration with line management, which is primarily responsible and accountable for trading risk management. The TRC is chaired by the Bank's Chief Risk Officer.
- Operational Risk Councils (ORCs). The ORCs' role is to assist the ExCo and CROC of K&H Bank Group with the operation, implementation and application of an operational risk management framework that meets the expectations of internal and external stakeholders and complies with applicable laws and regulations. The ORCs are the preliminary discussion and advisory forum for all operating risk-related activities of the K&H Bank Group in close collaboration with

line management, which is primarily responsible and accountable for operational risk management. The councils are chaired by senior line managers.

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

- Country Team Hungary (CT-H, since January 2007). This is a group of the top managers of K&H Group and K&H Insurance who are in key managerial positions in Hungary (members of the Board of Directors or persons holding other important top managerial positions). The goal of the Country Team is to improve mutual communication among managers and coordinate the KBC Group’s principal activities in Hungary. The Country Team is headed by a Country Manager, who reports to the CEO of the Central Europe Business Unit.
- Management Committee International Markets (MC IM, since January 2013). The goal of the MC IM is to improve mutual communication among the Country Teams and coordinate the KBC Group’s principal activities in Central and Eastern Europe and Ireland.

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

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

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

The board of the K&H with accepting the Internal control statement for 2017 prooved that the risk management system is appropriate with respect to the risk profile and strategy of the bank.

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

3.1. Credit risk

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

3.1.1. Credit risk framework

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

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

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

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

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

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

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

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

External ratings used under the standardized approach may be accepted from the following external credit rating agencies: Standard & Poor's, Fitch and Moody's. K&H does not use the external ratings of export credit agencies. The following ratings of the Hungarian State have been considered: Standard and Poor's: BB; Moody's: Ba1; Fitch: BB+ (credit rating: 4).

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

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

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

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

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

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

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

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

3.1.3. Credit risk limits

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

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

- Case-by-case approval for a given transaction (a given counterparty);
- A pre-approved limit for all the transactions of a particular risk type.

Limits at individual counterparty level

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

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

Limits at group/sector/portfolio level

The limits assigned to client groups and sectors/portfolios are designed to define the maximum desirable exposure concentration for client groups, industry sectors, etc. These limits are not approved individually for each client but apply to all clients that fit the scope of the particular limit (e.g. a given industry sector).

Credit risk monitoring

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

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

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

- Retail
- SME
- Corporate

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

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

3.1.4. Changes in the exposure in 2017

Main credit risk changes in 2017 were as follows: Corporate and Premium SME segment showed improvement during the year, during the second half of the year volume also started to increase. Quality of FFG portfolio remains stable.

Quality of retail portfolio also stable, credit risk metrics show improving tendency. The driver of improvement is twofold, in one part due to the dilution effect of new lending and also due to the effective work-out activities, with debt sales continuing to be at a high level. It should be noted that cures from NPL also contributed to the improvement of the portfolio, although to a lesser degree. New lending was only slightly able to counterbalance the natural amortization of the portfolio, thus the net increase was only minor compared to new lending. Only Consumer Finance portfolio increased significantly, mainly due to Cash loan product. Quality of New book continues to be very good.

3.1.5. Counterparty credit risk (CRR Article 439)

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

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

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

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

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

3.1.6. The capital requirement of credit risk

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

3.2. Market risk

3.2.1. Trading risk (CRR Article 445)

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

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

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

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

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

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

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

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

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

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

The framework system provides a clear and unambiguous description:

- on the risk limits and the calculation of their utilisation rate,
- on the scope of authority and responsibility of the various actors involved, as well as on their cooperation.

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

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

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

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

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

3.2.2. ALM risk (CRR Article 448)

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

Basis point value

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

Interest rate gaps

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

ICM ALM

ICM ALM measures the impact of very severe events on the Available Capital under Pillar 1 through the Group level ICM model. Only the impact on available capital is measured in the ICM.

The ICM model is based on shifts which measure the impact of certain market risks in accordance with going concern principle and accounting logic

Net interest income (NII) sensitivity

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

Scenario analysis and stress tests

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

Yield curve rise, 2017. December 31	Denomination	Capital Sensitivity
+10 basis point	CHF	-
	EUR	-28
	HUF	-749
	USD	-
+10 basis point total		-777
+100 basis point		
	CHF	-
	EUR	-274
	HUF	-7 259
	USD	-
+100 basis point total		-7 533
+200 basis point		
	CHF	-
	EUR	-542
	HUF	-14 026
	USD	-
+200 basis point total		-14 567

Yield curve fall, 2017. December 31	Denomination	Capital Sensitivity
-10 basis point	CHF	-
	EUR	28
	HUF	755
	USD	-
-10 basis point total		782
-100 basis point		
	CHF	-
	EUR	282
	HUF	7 793
	USD	-
-100 basis point total		8 075
-200 basis point		
	CHF	-
	EUR	572
	HUF	16 167
	USD	-
-200 basis point total		16 739

2. Table Results of market risk stress test, values in million HUF

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

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

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

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

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

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

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

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

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

- operational liquidity risk management
- structural liquidity risk management
- emergency liquidity risk management

Operational liquidity risk

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

Structural liquidity risk

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

Emergency liquidity risk

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

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

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

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

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

		Total unweighted value AVG 2017.03.31	Total weighted value AVG 2017.03.31	Total unweighted value AVG 2017.06.30	Total weighted value AVG 2017.06.30	Total unweighted value AVG 2017.09.30	Total weighted value AVG 2017.09.30	Total unweighted value AVG 2017.12.29	Total weighted value AVG 2017.12.29
	HIGH-QUALITY LIQUID ASSETS								
1	Total high-quality liquid assets (HQLA)		605 155		584 017		582 252		762 709
	CASH-OUTFLOWS								
2	Retail deposits and deposits from small business customers, of which:	960 773	81 518	973 489	82 599	1 114 491	70 995	1 160 455	74 963
3	*Stable deposits*	457 167	22 858	463 136	23 157	851 939	42 597	876 772	43 839
4	*Less stable deposits*	503 606	58 659	510 353	59 442	262 552	28 398	283 683	31 124
5	Unsecured wholesale funding	842 176	418 644	856 407	431 715	852 916	462 208	945 718	502 598
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	0	0	0	0	0	0	0	0
7	*Non-operational deposits (all counterparties)*	842 176	418 644	856 407	431 715	852 916	462 208	945 718	502 598
8	*Unsecured debt*	0	0	0	0	0	0	0	0
9	Secured wholesale funding		0		0		0		0
10	Additional requirements	461 789	139 844	461 125	150 878	478 584	174 356	516 021	181 100
11	*Outflows related to derivative exposures and other collateral requirements*	76 792	76 792	91 675	91 675	97 386	97 386	101 059	101 059
12	*Outflows related to loss of funding on debt products*	0	0	0	0	0	0	0	0
13	*Credit and liquidity facilities*	384 997	63 052	369 449	59 202	381 198	76 970	414 961	80 041
14	Other contractual funding obligations	5 933	0	5 420	687	6 440	1 523	9 793	4 810
15	Other contingent funding obligations	293 557	22 296	337 365	28 398	325 925	25 029	313 588	20 760
16	TOTAL CASH OUTFLOWS		662 301		694 277		734 111		784 230
	CASH-INFLOWS								
17	Secured lending (eg reverse repos)	144 064	0	109 437	33 936	100 474	100 474	85 492	45 418
18	Inflows from fully performing exposures	360 063	348 025	393 290	379 794	413 099	399 877	373 808	360 457
19	Other cash inflows	116 052	116 052	80 689	80 689	2 185	2 185	7 700	7 700
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)		0		0		0		0
EU-19b	(Excess inflows from a related specialised credit institution)		0		0		0		0
20	**TOTAL CASH INFLOWS**	620 180	464 078	583 417	494 419	515 758	502 536	467 000	413 574
EU-20a	***Fully exempt inflows***	0	0	0	0	0	0	0	0
EU-20b	***Inflows Subject to 90% Cap***	0	0	0	0	0	0	0	0
EU-20c	***Inflows Subject to 75% Cap***	620 180	464 078	583 417	494 419	515 758	502 536	467 000	413 574
	TOTAL ADJUSTED VALUE								
21	**LIQUIDITY BUFFER**		605 155		584 017		582 252		762 709
22	**TOTAL NET CASH OUTFLOWS**		198 223		210 561		231 575		370 656
23	**LIQUIDITY COVERAGE RATIO (%)**		315%		287%		255%		214%

3. Table Liquidity coverae ratio (K&H Group, values in million HUF)

		Total unweighted value AVG 2017.03.31	Total weighted value AVG 2017.03.31	Total unweighted value AVG 2017.06.30	Total weighted value AVG 2017.06.30	Total unweighted value AVG 2017.09.30	Total weighted value AVG 2017.09.30	Total unweighted value AVG 2017.12.29	Total weighted value AVG 2017.12.29
	HIGH-QUALITY LIQUID ASSETS								
1	Total high-quality liquid assets (HQLA)		597 682		577 049		575 279		755 656
	CASH-OUTFLOWS								
2	Retail deposits and deposits from small business customers, of which:	960 773	81 518	974 618	82 695	1 114 491	70 995	1 160 455	74 963
3	*Stable deposits*	457 167	22 858	463 674	23 184	851 939	42 597	876 772	43 839
4	*Less stable deposits*	503 606	58 659	510 945	59 511	262 552	28 398	283 683	31 124
5	Unsecured wholesale funding	882 354	458 823	895 723	469 606	870 700	476 179	978 381	529 315
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	0	0	0	0	0	0	0	0
7	*Non-operational deposits (all counterparties)*	882 354	458 823	895 723	469 606	870 700	476 179	978 381	529 315
8	*Unsecured debt*	0	0	0	0	0	0	0	0
9	Secured wholesale funding		0		0		0		0
10	Additional requirements	481 455	159 510	520 125	209 878	537 584	233 356	579 687	244 767
11	*Outflows related to derivative exposures and other collateral requirements*	96 459	96 459	150 675	150 675	156 386	156 386	164 726	164 726
12	*Outflows related to loss of funding on debt products*	0	0	0	0	0	0	0	0
13	*Credit and liquidity facilities*	384 997	63 052	369 449	59 202	381 198	76 970	414 961	80 041
14	Other contractual funding obligations	5 833	0	5 320	687	6 340	1 523	9 693	4 810
15	Other contingent funding obligations	293 557	22 296	337 365	28 398	325 925	25 029	313 588	20 760
16	**TOTAL CASH OUTFLOWS**		722 146		791 263		807 082		874 614
	CASH-INFLOWS								
17	Secured lending (eg reverse repos)	144 064	0	109 437	33 936	100 474	100 474	85 492	45 418
18	Inflows from fully performing exposures	361 908	352 119	395 860	384 554	414 260	403 736	381 069	370 817
19	Other cash inflows	116 052	116 052	80 689	80 689	2 185	2 185	7 700	7 700
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)		0		0		0		0
EU-19b	(Excess inflows from a related specialised credit institution)		0		0		0		0
20	**TOTAL CASH INFLOWS**	622 025	468 171	585 987	499 179	516 919	506 395	474 261	423 935
EU-20a	***Fully exempt inflows***	0	0	0	0	0	0	0	0
EU-20b	***Inflows Subject to 90% Cap***	0	0	0	0	0	0	0	0
EU-20c	***Inflows Subject to 75% Cap***	622 025	468 171	585 987	499 179	516 919	506 395	474 261	423 935
	TOTAL ADJUSTED VALUE								
21	**LIQUIDITY BUFFER**		597 682		577 049		575 279		755 656
22	**TOTAL NET CASH OUTFLOWS**		253 975		292 084		300 688		450 679
23	**LIQUIDITY COVERAGE RATIO (%)**		237%		201%		193%		172%

4. Table Liquidity coverage ratio (K&H Bank)

3.3. Operational risk (CRR Article 446.)

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

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

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

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

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

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

Scenario Analysis:

Although operational risk capital requirement is calculated with standard approach, Bank applies some elements of the advanced AMA methodology - including scenario analysis – in order to evaluate the adequacy of capital requirement calculated under Pillar 1 and Pillar 2 (benchmarking).

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

Group Key Controls

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

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

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

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

At present there are no compulsory limits for operational risks, although certain risk limits have been set in respect of the Key Risk Indicators.

3.3.1. Internal risk reporting

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

- developing and maintaining the proper regulation of operational risks
- reliability of operational risk management data – from financial and non-financial aspects – reported and/or identified within the organisation

- compliance with statutory, internal and external regulations
- allocating resources for the management of operational risks
- systematic review of all material operational risk related to loss events which occurred at K&H

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

3.3.2. External risk reporting

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

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

In 2002 the KBC decided to manage its operational risks and calculate the capital requirement of operational risks according to the *standardised approach (*TSA) specified in Basel II. KBC Group seeks to focus on the actual (quality) management of operational risks rather than to optimise the capital requirement of operational risks using an internal financial/risk model.

Nevertheless – as it was discussed from the previous chapters – KBC applies the very same stringent standards as required under the *Advanced Measurement Approach (*AMA).

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

According to the *Standardised approach* the total capital requirement of operational risks equals the simple aggregate of the capital requirements calculated by business line as defined in the Basel principles. The own funds requirement of the various business lines is calculated by multiplying the average of the eligible gross operating profit over three years with a *"beta factor"* assigned by the Capital Requirement Directive to the respective business line.

3.3.3. Capital policy

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

- Creation of durable values for the shareholders, which means the most efficient utilisation of the capital of the KBC Group with maximum return available under the assumed risks and without any excessive unused capital.
- Compliance with the restrictions on the capital funds of the KBC Group, defined by the regulatory authorities and rating agencies.
- Maintaining capital adequacy by also taking into account the business development outlook of the KBC Group beyond one year as an organic part of the strategic, business and capital planning process.
- Maintaining capitalisation at the KBC Group in order to cover all material risks up to a set high funding level.

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

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

Accounting category	Equity	Subordinated loan capital #1	Subordinated loan capital #2	Subordinated loan capital #3
Applicable regulation	CRR Article 28.	CRR Article 62.	CRR Article 62.	CRR Article 62.
Transition rules on the regulation of capital requirements	Core Tier1 Capital instrument	Core Tier2 Capital instrument	Core Tier2 Capital instrument	Core Tier2 Capital instrument
Rules of capital requirements after transition period	Core Tier1 Capital instrument	Core Tier2 Capital instrument	Core Tier2 Capital instrument	Core Tier2 Capital instrument
Eligible based on individual and subconsolidated basis	Individual and subconsolidated	Individual and subconsolidated	Individual and subconsolidated	Individual and subconsolidated
Nominal value of instrument	HUF 140,978 million	EUR 60 million	EUR 30 million	EUR 37 million
Currency of issue	HUF	EUR	EUR	EUR
Issue Price	-	100%	100%	100%
Redemption Price	-	100%	100%	100%
Original Issue date	-	2006.06.30	2015.09.28	2017.12.22
Maturity	until further notice	2026.06.30	2025.09.28	2027.12.22
The call option of the issuer requires prior supervisory approval	-	No	No	No
Optional purchase date, pending purchase date and redemption amount	-	Pursuant to CRR Article 63.	Pursuant to CRR Article 63.	Pursuant to CRR Article 63.
Interest payment date, conditions	N/A	EURIBOR+2.70%	EURIBOR+3.05%	EURIBOR+1.53%
Fixed or variable dividend, interest coupon	-	variable	variable	variable
Advancing or redemption incentive	-	No	No	No
Not accumulating, accumulating	-	Not accumulating	Not accumulating	Not accumulating
Nonconvertiible, convertible	-	Nonconvertible	Nonconvertible	Nonconvertible
Description	-	No	No	No
Position in the liqiudation hierarchy	in case of insolvency or liquidation of the institution, the instruments are classified behind all other receivables	Pursuant to CRR Article 63.	Pursuant to CRR Article 63.	Pursuant to CRR Article 63.

5. Table Capital Instruments

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

4.1. Capital requirements (CRR Articles 451.)

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

The table below provide information about the risk weight assets of the bank and the exact value of the capital adequacy ratio at the end of 2017.

Risk Weight Asset (RWA)	K&H Group	K&H Bank
Total RWA	1698	1689
Credit Risk (CVA included)	1425	1413
Market Risk	26	26
Operational Risk	247	250
Capital Adequecy Ratio	16,29%	16,37%

6. Table Capital adequecy ratio, values in billion HUF

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

According to the 2013/36/EU directive (CRD) the institution-specific countercyclical capital buffer rate shall consist of the weighted average of the countercyclical buffer rates that apply in the jurisdictions where the relevant credit exposures of the institution are located. The institution-specific countercyclical capital buffer rate of K&H Group shall be considered zero at 31st December 2017 (<0.001 basispoint).

Overview of RWAs:

Values in HUF million	RWAs		Minimum capital requirements
	T	T-1	T
Credit risk (excluding CCR)	**1 400 182**	**1 371 972**	**112 015**
Of which the standardised approach	85 943	85 905	6 875
Of which the foundation IRB (FIRB) approach	0	0	0
Of which the advanced IRB (AIRB) approach	1 276 607	1 243 122	102 129
Of which MRA	37 632	42 944	3 011
Of which equity IRB under the simple risk-weighted approach or the IMA	0	0	0
CCR	**25 210**	**38 191**	**20 168**
Of which mark to market	23 754	36 595	1 900
Of which original exposure	0	0	0
Of which the standardised approach	0	0	0
Of which internal model method (IMM)	0	0	0
Of which risk exposure amount for contributions to the default fund of a CCP	0	0	0
Of which CVA	1 456	1 595	116
Settlement risk	0	0	0
Securitisation exposures in the banking book (after the cap)	0	0	0
Of which IRB approach	0	0	0
Of which IRB supervisory formula approach (SFA)	0	0	0
Of which internal assessment approach (IAA)	0	0	0
Of which standardised approach	0	0	0
Market risk	**25 976**	**26 884**	**2 078**
Of which the standardised approach	25 976	26 884	2 078
Of which IMA	0	0	0
Large exposures	0	0	0
Operational risk	**246 796**	**248 985**	**19 744**
Of which basic indicator approach	0	0	0
Of which standardised approach	246 796	248 985	19 744
Of which advanced measurement approach	0	0	0
Amounts below the thresholds for deduction (subject to 250% risk weight)	0	0	0
Floor adjustment	0	0	0
Total	**1 698 163**	**1 686 031**	**154 004**

7. Table EU OV1 – Overview of RWAs (K&H Group)

Values in HUF million	RWAs		Minimum capital requirements
	T	T-1	T
Credit risk (excluding CCR)	**1 424 890**	**1 371 972**	**113 991**
Of which the standardised approach	65 533	85 905	5 243
Of which the foundation IRB (FIRB) approach	0	0	0
Of which the advanced IRB (AIRB) approach	1 321 725	1 243 122	105 738
Of which MRA	37 632	42 944	3 011
Of which equity IRB under the simple risk-weighted approach or the IMA	0	0	0
CCR	**25 410**	**38 191**	**2 033**
Of which mark to market	23 954	36 595	1 916
Of which original exposure	0	0	0
Of which the standardised approach	0	0	0
Of which internal model method (IMM)	0	0	0
Of which risk exposure amount for contributions to the default fund of a CCP	0	0	0
Of which CVA	1 456	1 595	116
Settlement risk	0	0	0
Securitisation exposures in the banking book (after the cap)	0	0	0
Of which IRB approach	0	0	0
Of which IRB supervisory formula approach (SFA)	0	0	0
Of which internal assessment approach (IAA)	0	0	0
Of which standardised approach	0	0	0
Market risk	**25 976**	**26 884**	**2 078**
Of which the standardised approach	25 976	26 884	2 078
Of which IMA	0	0	0
Large exposures	0	0	0
Operational risk	**249 869**	**267 583**	**19 990**
Of which basic indicator approach	0	0	0
Of which standardised approach	249 869	267 583	19 990
Of which advanced measurement approach	0	0	0
Amounts below the thresholds for deduction (subject to 250% risk weight)	0	0	0
Floor adjustment	0	0	0
Total	**1 726 145**	**1 704 629**	**138 092**

8. Table EU OV1 – Overview of RWAs (K&H Bank, values in million HUF)

4.2. Own funds (CRR Articles 437.)

Components of own funds (HUF million)	K&H Bank	K&H Group
OWN FUNDS	**276 561**	**276 431**
_TIER 1 CAPITAL(TIER 1 OR T1 CAPITAL)	**237 173**	**237 043**
__COMMON EQUITY TIER 1 CAPITAL (CET 1 CAPITAL)	**237 173**	**237 043**
___ Capital instruments eligible as CET1 capital	**189 753**	**189 753**
___ Paid up capital instruments	**140 978**	**140 978**
____ Memorandum item: Capital instruments not eligible	**-**	**-**
____ Share premium	**48 775**	**48 775**
____ (-) Own CET1 instruments	**-**	**-**
_____ (-) Direct holdings of CET1 instruments	**-**	**-**
_____ (-) Indirect holdings of CET1 instruments	**-**	**-**
____ (-) Synthetic holdings of CET1 instruments	**-**	**-**
___ (-) Actual or contingent obligations to purchase own CET1 instruments	**-**	**-**
___Retained earnings	**42 639**	**40 944**
____Previous years retained earnings	**825**	**- 845**
____Profit or loss eligible	**41 815**	**41 789**

_____Profit/loss attributable to owners of the parent	**41 815**	**41 789**
____(-) Part of interim or year-end profit not eligible	**-**	**-**
___ Accumulated other comprehensive income	**22 226**	**22 226**
___Other reserves	**-**	**-**
___Funds for general banking risk	**13 463**	**13 463**
___Transitional adjustments due to grandfathered CET1 Capital instruments	**-**	**-**
___Minority interest given recognition in CET1 capital	**-**	**-**
___Transitional adjustments due to additional minority interests	**-**	**-**
___Adjustments to CET1 due to prudential filters	**- 6 655**	**- 6 663**
(-) Increases in equity resulting from securitised assets	**-**	**-**
___ Cash flow hedge reserve	**- 5 936**	**- 5 936**
____Cumulative gains and losses due to changes in own credit risk on fair valued liabilities	**- 46**	**- 46**
___ Fair value gains and losses arising from the institution's own credit risk related to derivative liabilities	**- 4**	**- 13**
____(-) Value adjustments due to the requirements for prudent valuation	**- 669**	**- 669**
___(-) Goodwill	**-**	**-**
____(-) Goodwill accounted for as intangible asset	**-**	**-**
____(-) Goodwill included in the valuation of significant investments	**-**	**-**
____Deferred tax liabilities associated to goodwill	**-**	**-**
___ (-) Other intangible assets	**- 15 887**	**- 14 538**
____(-) Other intangible assets gross amount	**- 15 887**	**- 14 538**
____Deferred tax liabilities associated to other intangible assets	**-**	**-**
___(-) Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	**- 0**	**-**
___(-) IRB shortfall of credit risk adjustments to expected losses	**- 8 367**	**- 8 141**
___(-) Defined benefit pension fund assets	**-**	**-**
____(-) Defined benefit pension fund assets gross amount	**-**	**-**
____Deferred tax liabilities associated to defined benefit pension fund assets	**-**	**-**
____ Defined benefit pension fund assets which the institution has an unrestricted ability to use	**-**	**-**
___(-) Reciprocal cross holdings in CET1 Capital	**-**	**-**
___(-) Excess of deduction from AT1 items over AT1 Capital	**-**	**-**
___(-) Qualifying holdings outside the financial sector which can alternatively be subject to a 1,250 % risk weight	**-**	**-**
___(-) Securitisation positions which can alternatively be subject to a 1250 % risk weight	**-**	**-**
____(-) Free deliveries which can alternatively be subject to a 1,250 % risk weight	**-**	**-**
___(-) Positions in a basket for which an institution cannot determine the risk weight under the IRB approach, and can alternatively be subject to a 1,250 % risk weight	**-**	**-**
___(-) Equity exposures under an internal models approach which can alternatively be subject to a 1,250 % risk weight	**-**	**-**
___(-) CET1 instruments of financial sector entities where the institution does not have a significant investment	**-**	**-**
___(-) Deductible deferred tax assets that rely on future profitability and arise from temporary differences	**-**	**-**
___(-) CET1 instruments of financial sector entities where the institution has a significant investment	**-**	**-**
___(-) Amount exceeding the 17,65 % threshold	**-**	**-**
___Other transitional adjustments to CET1 Capital	**-**	**-**
___Additional deductions of CET1 Capital due to Article 3 CRR	**-**	**-**
___CET1 capital elements or deductions — other	**-**	**-**
ADDITIONAL TIER 1 CAPITAL (AT1 CAPITAL)	**-**	**-**
__Capital instruments eligible as AT1 Capital	**-**	**-**
___Paid up capital instruments	**-**	**-**

____ Memorandum item: Capital instruments not eligible	-	-
____ Share premium	-	-
___(-) Own AT1 instruments	-	-
_____ (-) Direct holdings of AT1 instruments	-	-
_____ (-) Indirect holdings of AT1 instruments	-	-
____ (-) Synthetic holdings of AT1 instruments	-	-
___ (-) Actual or contingent obligations to purchase own AT1 instruments	-	-
___Transitional adjustments due to grandfathered AT1 Capital instruments	-	-
___Instruments issued by subsidiaries that are given recognition in AT1 Capital	-	-
___Transitional adjustments due to additional recognition in AT1 Capital of instruments issued by subsidiaries	-	-
___(-) Reciprocal cross holdings in AT1 Capital	-	-
___(-) AT1 instruments of financial sector entities where the institution does not have a significant investment	-	-
___(-) AT1 instruments of financial sector entities where the institution has a significant investment	-	-
___(-) Excess of deduction from T2 items over T2 Capital	-	-
___Other transitional adjustments to AT1 Capital	-	-
__Excess of deduction from AT1 items over AT1 Capital (deducted in CET1)	-	-
__Additional deductions of AT1 Capital due to Article 3 CRR	-	-
__AT1 capital elements or deductions — other	-	-
_TIER 2 CAPITAL (T2 CAPITAL)	**39 388**	**39 388**
__ Capital instruments and subordinated loans eligible as T2 Capital	**39 388**	**39 388**
__Paid up capital instruments and subordinated loans	**39 388**	**39 388**
____ Memorandum item: Capital instruments and subordinated loans not eligible	**- 26**	**- 26**
____ Share premium	-	-
____ (-) Own T2 instruments	-	-
____(-) Direct holdings of T2 instruments	-	-
___(-) Indirect holdings of T2 instruments	-	-
____ (-) Synthetic holdings of T2 instruments	-	-
___(-) Actual or contingent obligations to purchase own T2 instruments	-	-
__Transitional adjustments due to grandfathered T2 Capital instruments and subordinated loans	-	-
__Instruments issued by subsidiaries that are given recognition in T2 Capital	-	-
__Transitional adjustments due to additional recognition in T2 Capital of instruments issued by subsidiaries	-	-
___IRB Excess of provisions over expected losses eligible	-	-
__SA General credit risk adjustments	-	-
__(-) Reciprocal cross holdings in T2 Capital	-	-
___(-) T2 instruments of financial sector entities where the institution does not have a significant investment	-	-
___(-) T2 instruments of financial sector entities where the institution has a significant investment	-	-
___Other transitional adjustments to T2 Capital	-	-
__Excess of deduction from T2 items over T2 Capital (deducted in AT1)	-	-
__(-) Additional deductions of T2 Capital due to Article 3 CRR	-	-
__T2 capital elements or deductions — other	-	-

4.3. Leverage ratio (CRR Article 451.)

The below tables show the leverage ratio.

Leverage ratio	2017.12.31
SFT exposure according to CRR 222	12 460
Derivatives	93 029
Undrawn credit facilities, which may be cancelled unconditionally at any time without notice	112 436
Medium/ low risk trade related off-balance sheet items	18 307
Medium risk trade related off-balance sheet items and officially supported export finance related off-balance sheet items	275 776
Other off-balance sheet items	488 733
Other assets	3 012 098
Tier 1 capital	237 173
Regulatory adjustments	-22 542
Leverage ratio	**5,94%**

9. Table Leverage ratio (K&h Group, values in million HUF)

Leverage ratio	2017.12.31
SFT exposure according to CRR 222	19 636
Derivatives	93 033
Undrawn credit facilities, which may be cancelled unconditionally at any time without notice	100 652
Medium/ low risk trade related off-balance sheet items	19 137
Medium risk trade related off-balance sheet items and officially supported export finance related off-balance sheet items	314 203
Other off-balance sheet items	437 561
Other assets	3 033 645
Tier 1 capital	237 043
Regulatory adjustments	-21 201
Leverage ratio	**5,93%**

10. Table Leverage ratio (K&H Bank, values in million HUF)

5. ICAAP model

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

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

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

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

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

One of the main component of ICAAP process is to define the risk appetite. We callibrate our operational limits and early warning triggers and their measurement and management methods based on our actual risk appetite. The fist step of this process setting up the risk profile of the Bank and compare the risk profile of the actual year with the one of the previous year. The risk appetite (risk acceptance) and the risk profile needs to be syncron. The board of the K&H accepted the Risk Appetite 2017 document as of 25th of October, 2016. The board defines the risk appetite and the methods of measurement of risk. The bank monitors these limits monthly and weekly as well (in the Integrated Risk Dashboard and on the weekly specific risk committe meetings) to avoid the limit overruns.

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

- Creation of durable values for the shareholders, which means the most efficient utilisation of the capital of the KBC Group with maximum return available under the assumed risks and without any excessive unused capital.
- Compliance with the restrictions on the capital funds of the KBC Group, defined by the regulatory authorities and rating agencies.
- Maintaining capital adequacy by also taking into account the business development outlook of the KBC Group beyond one year as an organic part of the strategic, business and capital planning process.
- Maintaining capitalisation at the KBC Group in order to cover all material risks up to a set high funding level.
- The KBC Group's value and risk management governance model seeks to define the responsibilities and tasks of various bodies and persons within the organization with a view to ensuring the sound management of value creation and of the associated risks to which both the banking and insurance businesses are exposed. The effective risk management process ensures that all the material risks of the institution are addressed.

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

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

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

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

	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of non-encumbered assets	Fair value of non-encumbered assets
Assets of the reporting institution	271 408 655 671		2 625 074 487 021	
Equity instruments	0	0	2 276 836 391	2 276 836 391
Debt securities	200 313 656 002	215 017 589 719	494 338 381 864	525 396 086 486
Other assets	0		166 953 716 055	

11. Table Encumbered Assets (values in HUF, K&H Group)

	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of non-encumbered assets	Fair value of non-encumbered assets
Assets of the reporting institution	289 153 481 495		2 636 863 994 725	
Equity instruments	0	0	12 351 551 000	12 351 551 000
Debt securities	200 313 656 002	215 017 589 719	494 338 381 864	525 879 033 402
Other assets	17 440 891 005		150 632 491 638	

12. Table Encumbered Assets (values in HUF, K&H Bank)

	Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance
Collateral received by the reporting institution	0	27 212 433 814
Equity instruments	0	0
Debt securities	0	1 012 814 999
Other collateral received	0	0
Own debt securities issued other than own covered bonds or ABSs	0	0

13. Table Received Collateral (values in HUF, K&H Group)

	Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance
Collateral received by the reporting institution	0	27 212 433 814
Equity instruments	0	0
Debt securities	0	1 012 814 999
Other collateral received	0	0
Own debt securities issued other than own covered bonds or ABSs	0	0

14. Table Received Collateral (values in HUF, K&H Bank)

	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
Carrying amount of selected financial liabilities	250 720 450 605	271 408 655 671

15. Table Liabilities due to encumbered assets and received collateral (values in HUF, K&H Group)

	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
Carrying amount of selected financial liabilities	245 720 450 605	271 408 655 671

16. Table Liabilities due to encumbered assets and received collateral (values in HUF, K&H Bank)

7. Remuneration policy (CRR Articles 450.)

K&H publishes the remuneration policy applicable to all organisational units and employees of the Bank, and the employees of the subsidiaries K&H Csoportszolgáltató Kft., K&H Befektetési Alapkezelő Zrt. and K&H Faktor Zrt. on its web site (www.kh.hu).

A detailed description of the decision making process used to define the remuneration policy can be found in Chapter 5.2 of the referenced regulation. The most important features of the remuneration system (including information on the requirements related to performance measurement and identification of the relevant risk, on the deferral policy and remuneration eligibilities), the information about the relation between performance and performance remuneration, and the performance-related criteria which the eligibility for phantom shares, the variable part of remuneration and options is based on can be found in chapters 2.1–4.6. The characteristics and conditions of performance remuneration and other non-cash remuneration can be found in Chapter 1.

The following tables show all quantitative information about 2017 remunerations.

Breakdown by division of gross wage and bonus payments, with cafeteria benefits for 2017	
Division	**Gross wages, cafeteria, bonus (HUF mln)**
Retail Banking Division	2 014
Retail Banking Division - network	9 079
Business Banking Division	2 184
Business Banking Division - network	2 175
Chief Executive Officer	688
CRO Services Division	555
Change Management Division	932
Finance Division	1 892
Operation, Technologies and Retail Credit Management Division	6 280
Other	0
K&H Bank Zrt. Total	**25 799**
K&H Service Center	825
K&H Factor	98
K&H Asst management	337
K&H Bank Group Total	**27 058**

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

Remuneration of persons in management position and key identified staff in 2017	
Number of persons receiving remuneration	47 persons
Fixed remuneration (HUF mln)	1 293
Performance based remuneration (HUF mln)	401
Of which cash (HUF mln)	348
Of which phantom stock (HUF mln)	53
Payments related to new employment contracts (0 item, HUF mln)	0 pcs, n/a

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

Deferred remuneration of persons in management position and key identified staff in 2017 (HUF mln)	
Deferred, already entitled (phantom stock):	28
Deferred, not yet entitled:	104
Deferred remuneration granted in 2017 paid out and performance-adjusted:	269

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

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

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

The members of the management body hold membership on the Board of Directors

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

Values in Huf	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items				
			Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
Assets							
Cash and cash balances at central banks	238 331 473 700	238 331 473 700	238 331 473 700				
Other demand deposit with credit institutions	199 514 561 109	199 514 561 109	199 514 561 109				
Securities held-for-trading	59 042 273 720	59 042 273 720				59 042 273 720	
Derivative financial instruments	62 212 637 686	62 212 637 686		62 212 637 686		39 149 047 654	
Loans and advances to banks	421 119 576 125	421 119 576 125	421 119 576 125				
Loans and advances to customers	1 329 188 610 653	1 329 188 610 653	1 329 188 610 653				
Reverse repurchase agreements and other similar secured lending	8 206 359 876	8 206 359 876		8 206 359 876			
Available-for-sale securities	194 208 209 398	194 208 209 398	194 208 209 398				
Held-to-maturity securities	423 500 286 100	423 500 286 100	423 500 286 100				
Other assets	78 350 921 575	78 350 921 575	63 825 901 998				14 525 019 577
...							
Total assets	**3 013 674 909 942**	**3 013 674 909 942**	**2 869 688 619 083**	**70 418 997 562**	**0**	**98 191 321 374**	**14 525 019 577**
Liabilities							
Measured at amortised cost-Deposits from banks	- 104 316 556 148	- 104 316 556 148					- 104 316 556 148
Measured at amortised cost - Customer accounts	- 2 404 446 056 828	- 2 404 446 056 828					- 2 404 446 056 828
Repurchase agreements and other similar secured borrowings	- 4 151 743 226	- 4 151 743 226					- 4 151 743 226
Held-for-trading (excluding derivatives)	- 8 836 905 779	- 8 836 905 779				- 8 836 905 779	
Financial liabilities designated at fair value	- 120 509 365 097	- 120 509 365 097					- 120 509 365 097
Derivative financial instruments	- 31 739 690 283	- 31 739 690 283		- 31 739 690 283		- 27 636 979 263	
Other liabilities	- 71 829 167 169	- 71 829 167 169					- 71 829 167 169
...							
Total liabilities	**- 2 745 829 484 530**	**- 2 745 829 484 530**	**-**	**- 31 739 690 283**	**-**	**- 36 473 885 042**	**- 2 705 252 888 468**

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

	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items				
			Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
Assets							
Cash and cash balances at central banks	238 331 062 779	238 331 062 779	238 331 062 779				
Other demand deposit with credit institutions	199 514 561 109	199 514 561 109	199 514 561 109				
Securities held-for-trading	59 042 273 720	59 042 273 720				59 042 273 720	
Derivative financial instruments	62 215 070 608	62 215 070 608		62 215 070 608		39 151 480 576	
Loans and advances to banks	421 119 588 532	421 119 588 532	421 119 588 532				
Loans and advances to customers	1 347 158 175 563	1 347 158 175 563	1 347 158 175 563				
Reverse repurchase agreements and other similar secured lending	8 206 359 876	8 206 359 876		8 206 359 876			
Available-for-sale securities	204 285 560 398	204 285 560 398	204 285 560 398				
Held-to-maturity securities	423 500 286 100	423 500 286 100	423 500 286 100				
Other assets	77 944 355 801	77 944 355 801	63 405 895 545				14 538 460 256
...							
Total assets	**3 041 317 294 486**	**3 041 317 294 486**	**2 897 315 130 026**	**70 421 430 484**	**0**	**98 193 754 296**	**14 538 460 256**
Liabilities							
Measured at amortised cost-Deposits from banks	- 171 972 706 727	- 171 972 706 727					- 171 972 706 727
Measured at amortised cost - Customer accounts	- 2 342 358 294 687	- 2 342 358 294 687					- 2 342 358 294 687
Repurchase agreements and other similar secured borrowings	- 11 124 125 466	- 11 124 125 466					- 11 124 125 466
Held-for-trading (excluding derivatives)	- 8 836 905 779	- 8 836 905 779				- 8 836 905 779	
Financial liabilities designated at fair value	- 120 509 365 097	- 120 509 365 097					- 120 509 365 097
Derivative financial instruments	- 31 739 787 471	- 31 739 787 471		- 31 739 787 471		- 27 637 076 451	
Other liabilities	- 88 752 487 002	- 88 752 487 002					- 88 752 487 002
...							
Total liabilities	**- 2 775 293 672 229**	**- 2 775 293 672 229**	**-**	**- 31 739 787 471**	**-**	**- 36 473 982 230**	**- 2 734 716 978 979**

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

	Total	Items subject to			
		Credit risk framework	CCR framework	Securitisation framework	Market risk framework
Assets carrying value amount under the scope of regulatory consolidation (as per template EU LI1)	3 013 674 909 942	2 869 688 619 083	70 418 997 562		98 191 321 374
Liabilities carrying value amount under the regulatory scope of consolidation (as per template EU LI1)	- 2 745 829 484 530		- 31 739 690 283		- 36 473 885 042
Total net amount under the regulatory scope of consolidation	267 845 425 412	2 869 688 619 083	38 679 307 279	-	61 717 436 332
Off-balance-sheet amounts	812 680 114 495	812 680 114 495			
Differences in valuations					
Differences due to different netting rules, other than those already included in row 2					
Differences due to consideration or provisions					
Differences due to prudential filters					
Collateral placded at the institution					
Potential future exposure					
Effect of Advanced IRB method		- 256 013 574 291			
Other					10 663 079 347
Exposure amounts considered for regulatory purposes		3 426 355 159 288	29 778 786 621		72 380 515 679

22. Table Main sources of differences between regulatory exposure amounts and carrying values in financial statements (K&H Group, values in HUF)

	Total	Items subject to			
		Credit risk framework	CCR framework	Securitisation framework	Market risk framework
Assets carrying value amount under the scope of regulatory consolidation (as per template EU LI1)	3 041 317 294 486	2 897 315 130 026	70 421 430 484		98 193 754 296
Liabilities carrying value amount under the regulatory scope of consolidation (as per template EU LI1)	- 2 775 293 672 229		- 31 739 787 471		- 36 473 982 230
Total net amount under the regulatory scope of consolidation	266 023 622 257	2 897 315 130 026	38 681 643 013	-	61 719 772 066
Off-balance-sheet amounts	816 600 510 866	816 600 510 866			
Differences in valuations					
Differences due to different netting rules, other than those already included in row 2					
Differences due to consideration or provisions					
Differences due to prudential filters					
Collateral placded at the institution					
Potential future exposure					
Effect of Advanced IRB method		- 287 560 481 605			
Other					10 663 079 347
Exposure amounts considered for regulatory purposes		3 426 355 159 288	29 778 786 621		72 380 515 679

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

Explanations of differences between accounting and regulatory exposure amounts:

- **Market risk framework**: market risk of K&H, the capital requirement of the market risk of trading activities (including FX-risk) is calculated based on the standard method of CRR. Capital requirement of the standard method is calculated based on portfolios, instead of the classic credit risk EADs, where netting is not fully considered in case of FX and interest rate risk. Therefore it is calculated from a different type computed EAD.

- **Counterparty credit risk framework:** The Bank applies the netting according to CRR based on the permission of HNB, while netting according to Basel regulations is different from the accounting view of balance sheet netting.

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

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

9. Information on the credit portfolio

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

Specialised lendng							
Regulatory categories	Remaining maturity	On-balance sheet amount	Off-balance sheet amount	Risk weight	Exposure amount	RWAs	Expected losses
Category 1	Less than 2.5 years	43 415	13 093	50%	56 600	12 121	1 371
	Equal to or more than 2.5 years	47 266	5 608	70%	52 028	31 799	94
Category 2	Less than 2.5 years	187	6 381	70%	6 573	3 633	13
	Equal to or more than 2.5 years	18 722	7 108	90%	25 587	20 471	121
Category 3	Less than 2.5 years	16	-	115%	16	17	0
	Equal to or more than 2.5 years	7 012	7 060	115%	14 281	15 691	39
Category 4	Less than 2.5 years	2 869	500	250%	3 455	7 382	586
	Equal to or more than 2.5 years	12 599	4 745	250%	17 452	25 910	1 454
Category 5	Less than 2.5 years	-	-	-	-	-	0
	Equal to or more than 2.5 years	-	-	-	-	-	0
Total	Less than 2.5 years	46 486	19 974		66 644	23 153	1 971
	Equal to or more than 2.5 years	85 599	24 521		109 347	93 871	1 708
Equities under the simple risk-weighted approach							
Categories		On-balance sheet amount	Off-balance sheet amount	Risk weight	Exposure amount	RWAs	Capital requirement
Exchange-traded equity exposures		0	0	190%	0	0	0
Private equity exposures		0	0	290%	0	0	0
Other equity exposures		0	0	370%	0	0	0
Total		0	0		0	0	0

25. Table EU CR10 – IRB (specialised lending and equities, K&H Group, vues in million HUF)

Specialised lendng							
Regulatory categories	Remaining maturity	On-balance sheet amount	Off-balance sheet amount	Risk weight	Exposure amount	RWAs	Expected losses
Category 1	Less than 2.5 years	43 318	12 973	50%	56 360	12 002	1 371
	Equal to or more than 2.5 years	47 470	5 662	70%	52 307	31 748	93
Category 2	Less than 2.5 years	187	6 381	70%	6 573	3 591	13
	Equal to or more than 2.5 years	17 701	7 174	90%	24 647	19 768	119
Category 3	Less than 2.5 years	16	-	115%	16	16	0
	Equal to or more than 2.5 years	6 981	7 056	115%	14 245	16 137	42
Category 4	Less than 2.5 years	2 869	500	250%	3 455	7 379	586
	Equal to or more than 2.5 years	13 545	4 749	250%	18 390	26 591	1 457
Category 5	Less than 2.5 years	-	-	-	-	-	0
	Equal to or more than 2.5 years	-	-	-	-	-	0
Total	Less than 2.5 years	46 389	19 854		66 403	22 988	1 970
	Equal to or more than 2.5 years	85 696	24 641		109 587	94 244	1 710
Equities under the simple risk-weighted approach							
Categories		On-balance sheet amount	Off-balance sheet amount	Risk weight	Exposure amount	RWAs	Capital requirement
Exchange-traded equity exposures		0	0	190%	0	0	0
Private equity exposures		0	0	290%	0	0	0
Other equity exposures		0	0	370%	0	0	0
Total		0	0		0	0	0

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

9.1. Cedit risk and general information about credit risk mitigation

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

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

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

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

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

Corporate segment

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

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

SME segment

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

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

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

Retail segment

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

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

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

9.1.1. General quantitative information about credit risk

	Net value of exposures at the end of the period	Average net exposures over the period
Central governments or central banks	39 689	40 243
Institutions	856 322	803 904
Corporates	1 272 713	1 317 068
Of which: Specialised lending	173 361	140 215
Of which: SMEs	617 694	557 068
Retail	528 334	628 325
Secured by real estate property	455 688	445 994
SMEs	-	-
Non-SMEs	-	-
Qualifying revolving	-	-
Other retail	-	-
SMEs	-	-
Non-SMEs	-	-
Equity	-	-
Total IRB approach	2 697 058	2 789 541
Central governments or central banks	883 012	796 163
Regional governments or local authorities	0	

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

	Net value of exposures at the end of the period	Average net exposures over the period
Central governments or central banks	39 689	36 884
Institutions	856 645	806 552
Corporates	1 331 821	1 379 171
Of which: Specialised lending	173 361	140 215
Of which: SMEs	617 694	557 068
Retail	528 334	628 323
Secured by real estate property	455 688	445 992
SMEs	-	-
Non-SMEs	-	-
Qualifying revolving	-	-
Other retail	-	-
SMEs	-	-
Non-SMEs	-	-
Equity	-	-
Total IRB approach	2 756 489	2 850 931
Central governments or central banks	855 271	768 030
Regional governments or local authorities	0	

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

Exposure class	Middle and East Europe	Hungary	Other	Western Europe	France	United Kingdom	Spain	Other	Africa	North America	Asia	Middle East	Australia	Total
Central governments or central banks	39 689	39 689	-	-	-	-	-	-	-	-	-	-	-	39 689
Institutions	757 618	755 428	2 190	96 577	47 283	28 133	14 999	6 162	7	1 556	374	105	87	856 322
Corporates	1 246 109	1 240 584	5 525	21 905	-	-	-	21 905	4 525	74	99	-	-	1 272 713
Retail	528 334	528 334	-	-	-	-	-	-	-	-	-	-	-	528 334
Equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total IRB approach	2 571 750	2 564 035	7 715	118 482	47 283	28 133	14 999	28 067	4 532	1 630	473	105	87	2 697 058
Central governments or central banks	883 012	883 012	-	-	-	-	-	-	-	-	-	-	-	883 012
Regional governments or local authorities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public sector entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
International organisations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Corporates	33 430	33 430	-	-	-	-	-	-	-	-	-	-	-	33 430
Retail	593	593	-	-	-	-	-	-	-	-	-	-	-	593
Secured by mortgages on immovable property	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Exposures in default	1 655	1 654	2	1	0	0	-	1	-	-	-	-	-	1 656
Items associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Covered bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Claims on institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Collective investments undertakings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equity exposures	2 398	2 398	-	-	-	-	-	-	-	-	-	-	-	2 398
Other exposures	176 810	176 810	-	-	-	-	-	-	-	-	-	-	-	176 810
Total standardised approach	1 097 900	1 097 898	2	1	0	0	-	1	-	-	-	-	-	1 097 901
Total	3 669 649	3 661 932	7 717	118 483	47 283	28 133	14 999	28 068	4 532	1 630	473	105	87	3 794 959

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

Exposure class	Middle and East Europe	Hungary	Other	Western Europe	France	United Kingdom	Spain	Other	Africa	North America	Asia	Middle East	Australia	Total
Central governments or central banks	39 689	39 689	-	-	-	-	-	-	-	-	-	-	-	39 689
Institutions	17 338	11 095	6 243	811 966	48 523	33 110	14 999	715 334	7	26 768	374	105	87	856 645
Corporates	1 305 217	1 299 692	5 525	21 905	-	-	-	21 905	4 525	74	99	-	-	1 331 821
Retail	528 334	528 334	-	-	-	-	-	-	-	-	-	-	-	528 334
Equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total IRB approach	1 890 579	1 878 811	11 768	833 872	48 523	33 110	14 999	737 239	4 532	26 842	473	105	87	2 756 489
Central governments or central banks	855 271	855 271	-	-	-	-	-	-	-	-	-	-	-	855 271
Regional governments or local authorities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public sector entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
International organisations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Corporates	56	56	-	-	-	-	-	-	-	-	-	-	-	56
Retail	618	618	-	-	-	-	-	-	-	-	-	-	-	618
Secured by mortgages on immovable property	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Exposures in default	1 647	1 646	2	1	0	0	-	1	-	-	-	-	-	1 648
Items associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Covered bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Claims on institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Collective investments undertakings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equity exposures	2 398	2 398	-	-	-	-	-	-	-	-	-	-	-	2 398
Other exposures	176 280	176 280	-	-	-	-	-	-	-	-	-	-	-	176 280
Total standardised approach	1 036 271	1 036 269	2	1	0	0	-	1	-	-	-	-	-	1 036 272
Total	2 926 850	2 915 079	11 770	833 873	48 523	33 110	14 999	737 240	4 532	26 842	473	105	87	3 792 761

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

Exposure class	Automitive	Other	Building and construction	Metal machinery and heavy equipment	Shipping and aviation	Authority	IT nd Electronics	Commercial real estate	Private Person	Media & Telecom	Agriculture, farming, fishing and food	Finance and insurance	Shipping and aviation	HORECA	Utility	Textil, timber and paper	Chemicals	Electricity and water	Total
Central governments or central banks	-	-	-	-	-	39 689	-	-	-	-	-	-	-	-	-	-	-	-	39 689
Institutions	-	745 183	-	-	-	-	-	-	-	-	-	111 140	-	-	-	-	-	-	856 322
Corporates	69 212	519	94 838	69 618	207 115	776	38 926	155 476	-	4 842	215 079	73 293	37 298	18 981	91 676	26 151	57 499	111 414	1 272 713
Retail	-	-	-	-	-	-	-	-	528 334	-	-	-	-	-	-	-	-	-	528 334
Equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total IRB approach	69 212	745 702	94 838	69 618	207 115	40 465	38 926	155 476	528 334	4 842	215 079	184 432	37 298	18 981	91 676	26 151	57 499	111 414	2 697 058
Central governments or central banks	-	-	-	-	-	883 012	-	-	-	-	-	-	-	-	-	-	-	-	883 012
Regional governments or local authorities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public sector entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
International organisations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Corporates	55	27	378	147	198	-	17	0	-	1	3	1	31 840	2	566	35	159	1	33 430
Retail	-	-	-	-	-	-	-	-	593	-	-	-	-	-	-	-	-	-	593
Secured by mortgages on immovable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Exposures in default	470	879	21	17	42	7	3	12	-	5	11	41	37	2	106	2	1	1	1 656
Items associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Covered bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Claims on institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Collective investments undertakings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equity exposures	-	2 398	-	-	-	-	-	-	-	-	-	0	-	-	-	-	-	-	2 398
Other exposures	-	176 810	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	176 810
Total standardised approach	525	180 114	399	164	240	883 019	21	12	593	6	14	42	31 877	4	672	37	160	2	1 097 901
Total	69 737	925 816	95 237	69 782	207 355	923 484	38 947	155 489	528 927	4 848	215 093	184 475	69 175	18 985	92 348	26 188	57 659	111 416	3 794 959

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

Exposure class	Automitive	Other	Building and construction	Metal machinery and heavy equipment	Shipping and aviation	Authority	IT nd Electronics	Commercial real es	Private Person	Media & Telecom	Agriculture, farming, fishing and food	Finance and insurance	Shipping and aviation	HORECA	Utility	Textil, timb	Chemicals	Electricity and water	Total
Central governments or central banks	-	-	-	-	-	39 689	-	-	-	-	-	-	-	-	-	-	-	-	39 689
Institutions	-	807	-	-	-	-	-	-	-	-	-	855 838	-	-	-	-	-	-	856 645
Corporates	69 212	1 575	94 838	69 618	205 055	776	38 926	155 476	-	4 842	215 079	128 126	37 298	18 981	96 956	26 151	57 499	111 414	1 331 821
Retail	-	-	-	-	-	-	-	-	528 334	-	-	-	-	-	-	-	-	-	528 334
Equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total IRB approach	69 212	2 382	94 838	69 618	205 055	40 465	38 926	155 476	528 334	4 842	215 079	983 964	37 298	18 981	96 956	26 151	57 499	111 414	2 756 489
Central governments or central banks	-	29 394	-	-	-	825 877	-	-	-	-	-	-	-	-	-	-	-	-	855 271
Regional governments or local	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public sector entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
International organisations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Corporates	2	1	12	4	15	-	-	0	-	1	3	1	1	2	13	-	-	1	56
Retail	-	617	-	-	-	-	-	-	1	-	-	-	-	-	-	-	-	-	618
Secured by mortgages on immovable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Exposures in default	470	871	21	17	42	7	3	12	-	5	11	41	37	2	106	2	1	1	1 648
Items associated with particularly high	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Covered bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Claims on institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Collective investments undertakings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equity exposures	-	2 398	-	-	-	-	-	-	-	-	-	0	-	-	-	-	-	-	2 398
Other exposures	-	176 280	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	176 280
Total standardised approach	473	209 561	33	21	57	825 883	3	12	1	6	14	42	38	4	119	2	1	2	1 036 272
Total	69 684	211 943	94 871	69 639	205 112	866 349	38 929	155 489	528 335	4 848	215 093	984 006	37 336	18 985	97 075	26 153	57 499	111 416	3 792 761

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

	Net exposure value					
Exposure class	On demand	≤ 1 year	>1 year ≤ 5 y	> 5 year	No stated maturity	Total
Central governments or central banks	-	39 689	-	-	-	39 689
Institutions	-	9 953	94 184	752 185	-	856 322
Corporates	-	373 272	471 862	427 579	-	1 272 713
Retail	-	17 326	47 211	463 796	-	528 334
Equity	-	-	-	-	-	-
Total IRB approach	**-**	**440 241**	**613 257**	**1 643 560**	**-**	**2 697 058**
Central governments or central banks	-	0	2	883 010	-	883 012
Regional governments or local authorities	-	-	-	-	-	-
Public sector entities	-	-	-	-	-	-
Multilateral development banks	-	-	-	-	-	-
International organisations	-	-	-	-	-	-
Institutions	-	-	-	-	-	-
Corporates	-	32 140	1 287	3	-	33 430
Retail	-	550	43	1	-	593
Secured by mortgages on immovable property	-	-	-	-	-	-
Exposures in default	-	117	2	1 538	-	1 656
Items associated with particularly high risk	-	-	-	-	-	-
Covered bonds	-	-	-	-	-	-
Claims on institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
Collective investments undertakings	-	-	-	-	-	-
Equity exposures	-	-	-	2 398	-	2 398
Other exposures	-	-	-	176 810	-	176 810
Total standardised approach	**-**	**32 807**	**1 333**	**1 063 761**	**-**	**1 097 901**
Total	**-**	**473 048**	**614 590**	**2 707 321**	**-**	**3 794 959**

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

	Net exosure value					
Exposure class	On demand	≤ 1 year	>1 year ≤ 5 y	> 5 year	No stated maturity	Total
Central governments or central banks	-	5 421	15 454	18 814	-	39 689
Institutions	-	538 685	263 115	54 845	-	856 645
Corporates	-	388 416	472 903	470 503	-	1 331 821
Retail	-	17 326	47 211	463 796	-	528 334
Equity	-	-	-	-	-	-
Total IRB approach	**-**	**949 849**	**798 682**	**1 007 958**	**-**	**2 756 489**
Central governments or central banks	-	218 844	256 057	380 370	-	855 271
Regional governments or local authorities	-	-	-	-	-	-
Public sector entities	-	-	-	-	-	-
Multilateral development banks	-	-	-	-	-	-
International organisations	-	-	-	-	-	-
Institutions	-	-	-	-	-	-
Corporates	-	51	5	-	-	56
Retail	-	565	50	3	-	618
Secured by mortgages on immovable property	-	-	-	-	-	-
Exposures in default	-	114	2	1 533	-	1 648
Items associated with particularly high risk	-	-	-	-	-	-
Covered bonds	-	-	-	-	-	-
Claims on institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
Collective investments undertakings	-	-	-	-	-	-
Equity exposures	-	-	-	2 398	-	2 398
Other exposures	-	-	-	176 280	-	176 280
Total standardised approach	**-**	**219 574**	**256 114**	**560 584**	**-**	**1 036 272**
Total	**-**	**1 169 423**	**1 054 797**	**1 568 542**	**-**	**3 792 761**

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

Credit quality of exposures by exposure class and instrument (values in million HUF)	Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values
	Defaulted exposures	Non-defaulted exposures					(a+b-c-d-e)
Central governments or central banks	-	39 693	-	6	NA	4	39 688
Institutions	-	856 650	309	19	NA	1	856 321
Corporates	21 631	1 264 356	12 697	1 246	NA	1 051	1 272 044
Of which: Specialised lending	6 477	170 104	3 138	82	NA	- 937	173 361
Of which: SMEs	15 126	612 268	8 343	944	NA	- 279	618 106
Retail	51 111	524 980	45 677	2 142	NA	- 50	528 272
Secured by real estate property	49 882	452 381	44 982	1 670	NA	346	455 612
SMEs	-	-	-	-	NA	-	-
Non-SMEs	-	-	-	-	NA	-	-
Qualifying revolving	-	-	-	-	NA	-	-
Other retail	1 229	72 600	696	472	NA	- 395	72 661
SMEs	-	-	-	-	NA	-	-
Non-SMEs	-	-	-	-	NA	-	-
Equity	-	-	-	-	NA	-	-
Total IRB approach	72 742	2 685 679	58 683	3 413	-	1 006	2 696 325
Central governments or central banks	-	883 022	-	8	NA	2	883 014
Regional governments or local authorities	-	-	-	-	NA	-	-
Public sector entities	-	-	-	-	NA	-	-
Multilateral development banks	-	-	-	-	NA	-	-
International organisations	-	-	-	-	NA	-	-
Institutions	-	-	-	-	NA	-	-
Corporates	-	33 493	4	2	NA	49	33 486
Of which: SMEs	-	912	2	0	NA	21	909
Retail	-	640	2	14	NA	43	625
Of which: SMEs	-	-	-	-	NA	-	-
Secured by mortgages on immovable property	-	-	-	-	NA	-	-
Of which: SMEs	-	-	-	-	NA	-	-
Exposures in default	3 187	-	463	48	NA	- 151	2 676
Items associated with particularly high risk	-	-	-	-	NA	-	-
Covered bonds	-	-	-	-	NA	-	-
Claims on institutions and corporates with a short-term credit assessment	-	-	-	-	NA	-	-
Collective investments undertakings	-	-	-	-	NA	-	-
Equity exposures	-	2 398	-	-	NA	-	2 398
Other exposures	-	177 092	-	-	NA	-	177 092
Total standardised approach	3 187	1 096 645	470	72	-	- 57	1 099 291
Total	75 929	3 782 325	59 153	3 485	-	948	3 795 616
Of which: Loans	72 384	2 280 195	59 153	3 485	NA	948	2 289 942
Of which: Debt securities	-	610 423	-	-	NA	-	610 423
Of which: Off-balance-sheet exposures	3 545	891 707	-	-	NA	-	895 252

35. Table EU CR1-A – Credit quality of exposures by exposure class and instrument (K&H Group)

Credit quality of exposures by exposure class and instrument (values in million HUF)	Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values
	Defaulted exposures	Non-defaulted exposures					(a+b-c-d-e)
Central governments or central banks	-	39 693	-	4	NA	1	39 689
Institutions	-	856 973	309	19	NA	- 1	856 645
Corporates	21 631	1 323 464	12 906	1 263	NA	940	1 330 927
Of which: Specialised lending	6 477	170 104	3 138	82	NA	937	173 361
Of which: SMEs	15 126	612 268	8 343	944	NA	279	618 106
Retail	51 111	524 980	45 677	2 142	NA	50	528 272
Secured by real estate property	49 882	452 381	44 982	1 670	NA	- 346	455 612
SMEs	-	-	-	-	NA	-	-
Non-SMEs	-	-	-	-	NA	-	-
Qualifying revolving	-	-	-	-	NA	-	-
Other retail	1 229	72 600	696	472	NA	395	72 661
SMEs	-	-	-	-	NA	-	-
Non-SMEs	-	-	-	-	NA	-	-
Equity	-	-	-	-	NA	-	-
Total IRB approach	72 742	2 745 111	58 892	3 428	-	991	2 755 533
Central governments or central banks	-	855 281	98	10	NA	- 104	855 173
Regional governments or local authorities	-	-	-	-	NA	-	-
Public sector entities	-	-	-	-	NA	-	-
Multilateral development banks	-	-	-	-	NA	-	-
International organisations	-	-	-	-	NA	-	-
Institutions	-	-	-	-	NA	-	-
Corporates	-	80	4	0	NA	- 41	76
Of which: SMEs	-	79	2	0	NA	- 21	77
Retail	-	702	2	14	NA	- 49	686
Of which: SMEs	-	-	-	-	NA	-	-
Secured by mortgages on immovable property	-	-	-	-	NA	-	-
Of which: SMEs	-	-	-	-	NA	-	-
Exposures in default	3 178	-	463	48	NA	151	2 666
Items associated with particularly high risk	-	-	-	-	NA	-	-
Covered bonds	-	-	-	-	NA	-	-
Claims on institutions and corporates with a short-term credit assessment	-	-	-	-	NA	-	-
Collective investments undertakings	-	-	-	-	NA	-	-
Equity exposures	-	2 398	-	-	NA	-	2 398
Other exposures	-	176 562	-	-	NA	-	176 562
Total standardised approach	3 178	1 035 024	567	73	-	- 43	1 037 561
Total	75 919	3 780 135	59 459	3 501	-	948	3 793 094
Of which: Loans	72 374	2 301 705	58 363	3 223	NA	1 803	2 312 493
Of which: Debt securities	-	610 423	-	-	NA	-	610 423
Of which: Off-balance-sheet exposures	3 545	868 008	1 097	277	NA	- 856	870 179

36. Table EU CR1-A – Credit quality of exposures by exposure class and instrument (K&H Bank)

Credit quality of exposures by industry or counterparty types (values in million HUF)	Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values
	Defaulted exposures	Non-defaulted exposures					(a+b-c-d-e)
Authorities	7	894 089	0	6	NA	4	894 090
unknown	2 176	955 026	1 572	146	NA	2 353	955 483
Private Persons	51 111	525 621	45 679	2 155	NA	-7	528 897
Agriculture Farming Fishing & Food	1 939	214 475	1 064	258	NA	-2	215 092
Distribution & Traders	5 148	204 567	1 503	160	NA	-137	208 051
Finance & Insurance	41	184 455	313	34	NA	-1	184 150
Commertial Real estate	4 563	152 735	1 725	74	NA	-1 054	155 499
Energy Electricity & Water	374	111 369	288	39	NA	58	111 415
Building & Construction	450	95 098	198	79	NA	1	95 272
Services	354	92 292	156	109	NA	-59	92 381
Metals Machinery & Heavy Equipment	2 408	69 814	2 341	101	NA	-68	69 780
Automotive	777	69 245	184	100	NA	-48	69 737
Shipping & Aviation	200	69 225	187	100	NA	16	69 137
Chemicals	3	57 711	1	55	NA	-12	57 658
IT & Electronics	2 681	38 557	2 267	26	NA	-41	38 946
Textile Timber & Paper	287	26 127	201	26	NA	-27	26 187
HORECA	3 263	17 081	1 339	14	NA	-34	18 992
Media & Telecom	148	4 839	135	4	NA	6	4 848
Total	75 929	3 782 325	59 153	3 485	0	948	3 795 616

37. Table EU CR1-B – Credit quality of exposures by industry or counterparty types (K&H Group)

Credit quality of exposures by industry or counterparty types (values in million HUF)	Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values
	Defaulted exposures	Non-defaulted exposures					(a+b-c-d-e)
Authorities	7	866 348	98	6	NA	-101	866 251
unknown	2 166	211 494	1 783	23	NA	-402	211 854
Private Persons	51 111	524 981	45 677	2 142	NA	50	528 273
Agriculture Farming Fishing & Food	1 939	214 475	1 064	258	NA	2	215 092
Distribution & Traders	5 148	202 323	1 503	312	NA	137	205 656
Finance & Insurance	41	984 308	313	34	NA	1	984 003
Commertial Real estate	4 563	152 735	1 725	74	NA	1 054	155 499
Energy Electricity & Water	374	111 369	288	39	NA	-58	111 415
Building & Construction	450	94 732	198	79	NA	-1	94 905
Services	354	97 019	156	109	NA	59	97 108
Metals Machinery & Heavy Equipment	2 408	69 671	2 341	101	NA	68	69 637
Automotive	777	69 191	184	100	NA	48	69 684
Shipping & Aviation	200	37 386	187	100	NA	-16	37 298
Chemicals	3	57 551	1	55	NA	12	57 498
IT & Electronics	2 681	38 540	2 267	26	NA	41	38 928
Textile Timber & Paper	287	26 093	201	26	NA	27	26 153
HORECA	3 263	17 081	1 339	14	NA	34	18 992
Media & Telecom	148	4 839	135	4	NA	-6	4 848
Total	75 919	3 780 135	59 459	3 501	0	948	3 793 094

38. Table EU CR1-B – Credit quality of exposures by industry or counterparty types (K&H Bank)

Credit quality of exposures by geography (values in million HUF)	Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values
	Defaulted exposures	Non-defaulted exposures					(a+b-c-d-e)
Central Eastern Europe	75 928	3 656 998	58 844	3 455	NA	949	3 670 628
Hungary	75 926	3 649 277	58 843	3 449	NA	949	3 662 911
Other	2	7 721	0	6	NA	1	7 717
Western Europe	1	118 493	309	24	NA	- 4	118 162
France	0	47 285	0	3	NA	3	47 283
United Kindom	0	28 134	0	1	NA	1	28 133
Spain	-	15 000	-	1	NA	1	14 999
Other	1	28 074	309	19	NA	- 9	27 747
Africa	-	4 538	0	1	NA	3	4 537
North America	0	1 630	-	6	NA	0	1 624
Asia	0	473	-	0	NA	- 0	473
Middle East	-	105	-	0	NA	- 0	105
Australia and Oceania	0	87	-	0	NA	- 0	87
Total	75 929	3 782 325	59 153	3 485	-	948	3 795 616

39. Table EU CR1-C Credit quality of exposures by geography (K&H Group)

Credit quality of exposures by geography (values in million HUF)	Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values
	Defaulted exposures	Non-defaulted exposures					(a+b-c-d-e)
Central Eastern Europe	75 918	2 913 885	59 150	3 470	NA	947	2 927 183
HUNGARY	75 916	2 902 111	59 150	3 464	NA	947	2 915 413
Other	2	11 775	0	6	NA	- 1	11 770
Western Europe	1	834 204	309	24	NA	4	833 873
BELGIUM	-	520 887	309	12	NA	7	520 566
IRELAND	0	196 274	-	1	NA	- 0	196 273
FRANCE	0	48 526	0	3	NA	- 3	48 523
Other	1	68 517	0	8	NA	- 0	68 510
Africa	0	26 842	0	1	NA	- 3	26 842
North America	-	4 538	-	6	NA	- 0	4 532
Asia	0	473	-	0	NA	0	473
Middle East	-	105	-	0	NA	0	105
Australia and Oceania	0	87	-	0	NA	0	87
Total	75 919	3 780 135	59 459	3 501	-	948	3 793 094

40. Table EU CR1-C Credit quality of exposures by geography (K&H Bank)

Ageing of past-due exposures (values in HUF million)	Gross carrying value					
	≤ 30 days	> 30 days ≤ 60 days	> 60 days ≤ 90 days	> 90 days ≤ 180 days	> 180 days ≤ 1 year	> 1 year
Loans	61 650	114	185	720	777	12 483
Debt securities	-	-	-	-	-	-
Total exposures	61 650	114	185	720	777	12 483

41. Table EU CR1-D Ageing of past-due exposures (K&H Group)

Ageing of past-due exposures (values in million HUF)	Gross carrying value					
	≤ 30 days	> 30 days ≤ 60 days	> 60 days ≤ 90 days	> 90 days ≤ 180 days	> 180 days ≤ 1 year	> 1 year
Loans	61 640	114	185	720	777	12 483
Debt securities	-	-	-	-	-	-
Total exposures	61 640	114	185	720	777	12 483

42. Table EU CR1-D – Ageing of past-due exposures (K&H Bank)

Non-performing and forborne exposures (values in HUF)	Gross carrying amount of performing and non-performing exposures							Accumulated impairment and provisions and negative fair value adjustments due to credit risk				Collaterals and financial guarantees received	
		Of which performing but past due > 30 days and <= 90 days	Of which performing forborne	Of which non-performing				On performing exposures		On non-performing exposures		On non-performing exposures	Of which forborne exposures
					Of which defaulted	Of which impaired	Of which forborne		Of which forborne		Of which forborne		
Loans and advances	2 178 757 964 469	4 311 651 989	7 822 855 961	70 488 608 300	70 488 608 300	63 497 853 804	27 769 898 838	- 3 211 527 629	- 148 074 795	- 30 123 088 634	- 10 963 460 383	37 715 871 170	22 979 775 375
Debt securities	630 342 167 735		0	0				- 70 062 634					
Total Exposure	2 809 100 132 204	4 311 651 989	7 822 855 961	70 488 608 300	70 488 608 300	63 497 853 804	27 769 898 838	- 3 281 590 263	- 148 074 795	- 30 123 088 634	- 10 963 460 383	37 715 871 170	22 979 775 375

43. Table EU CR1-E – Non-performing and forborne exposures (K&H Group)

Non-performing and forborne exposures (values in HUF)	Gross carrying amount of performing and non-performing exposures							Accumulated impairment and provisions and negative fair value adjustments due to credit risk				Collaterals and financial guarantees received	
		Of which performing but past due > 30 days and <= 90 days	Of which performing forborne	Of which non-performing				On performing exposures		On non-performing exposures		On non-performing exposures	Of which forborne exposures
					Of which defaulted	Of which impaired	Of which forborne		Of which forborne		Of which forborne		
Loans and advances	1 451 688 901 538	4 311 651 988	7 822 855 961	70 488 057 575	70 488 057 575	63 497 303 077	27 769 898 835	- 3 268 679 979	- 148 047 181	- 30 061 646 959	- 10 963 487 996	37 710 615 449	22 978 056 968
Debt securities	630 342 167 735	0	0	0	0	0	0	- 70 062 634	-	-	-	0	0
Total Exposure	2 082 031 069 273	4 311 651 988	7 822 855 961	70 488 057 575	70 488 057 575	63 497 303 077	27 769 898 835	- 3 338 742 613	- 148 047 181	- 30 061 646 959	- 10 963 487 996	37 710 615 449	22 978 056 968

44. Table EU CR1-E – Non-performing and forborne exposures (K&H Bank)

Changes in the stock of general and specific credit risk adjustments (values in HUF)	Accumulated specific credit risk adjustment	Accumulated general credit risk adjustment
Opening balance	41 295 367 908	3 745 740 664
Increases due to amounts set aside for estimated loan losses during the period	15 692 811 484	7 215 726 308
Decreases due to amounts reversed for estimated loan losses during the period	- 16 205 710 890	- 7 466 932 327
Decreases due to amounts taken against accumulated credit risk adjustments	- 8 683 431 696	-
Transfers between credit risk adjustments	-	-
Impact of exchange rate differences	- 215 991 758	- 5 137 005
Business combinations, including acquisitions and disposals of subsidiaries	-	-
Other adjustments	- 663 450 034	602 360
Closing balance	31 219 595 013	3 490 000 000
Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	-	-
Specific credit risk adjustments directly recorded to the statement of profit or loss	- 14 699 948 336	-

45. Table EU CR7 – CR2-A – Changes in the stock of general and specific credit risk adjustments (K&H Group)

Changes in the stock of general and specific credit risk adjustments (values in HUF)	Accumulated specific credit risk adjustment	Accumulated general credit risk adjustment
Opening balance	41 136 559 041	3 741 170 364
Increases due to amounts set aside for estimated loan losses during the period	15 690 874 919	7 215 779 430
Decreases due to amounts reversed for estimated loan losses during the period	- 16 204 761 706	- 7 465 234 226
Decreases due to amounts taken against accumulated credit risk adjustments	- 8 683 431 696	-
Transfers between credit risk adjustments	-	-
Impact of exchange rate differences	- 215 991 758	- 5 137 005
Business combinations, including acquisitions and disposals of subsidiaries	-	-
Other adjustments	- 504 876 339	1 421 437
Closing balance	31 218 372 460	3 488 000 000
Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	-	-
Specific credit risk adjustments directly recorded to the statement of profit or loss	- 14 699 948 336	-

46. Table Table Changes in the stock of general and specific credit risk adjustments (K&H Bank)

(Values in HUF million)	Opening	Recognised	Released	Used	Discount effect	FX revaluation	Closing
Impairment	42 805	21 907	- 21 814	- 8 683	- 147	- 730	33 338
Provision	2 235	1 002	- 1 858	-	1	- 6	1 374
Total	45 040	22 909	- 23 672	- 8 683	- 146	- 736	34 712

47. Table Changes in value adjustments and provisions during the year (K&H Group)

(Values in HUF million)	Opening	Recognised	Released	Used	Discount effect	FX revaluation	Closing
Impairment	42 644	21 905	- 21 812	- 8 683	- 147	- 574	33 333
Provision	2 235	1 002	- 1 858	-	1	- 6	1 374
Total	44 879	22 907	- 23 670	- 8 683	- 146	- 580	34 707

48. Table Changes in value adjustments and provisions during the year (K&H Bank)

Values in HUF million	Direct at net value	Indirect	PIBB	Regulatory Capital adjustment due to PIBB	Net value of all investments	Total net value
credit institution	3500		3 500			3 500
financial company	1990		1 990			1 990
insurance cmpany						0
other domestic company	5770			60		5 770
foreign financial company	1216		1 216			1 216
foreign insurance company						0
other foreign company						0
Összesen	12476	0	6 706	60	0	12 476

49. Table K&H Bank shares CRR Article 447

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

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

- The (legal) status of the collateral must be clear and unambiguous in every case.

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

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

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

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

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

- guarantee
- unconditional (first-loss) surety guarantee

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

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

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

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

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

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

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

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

9.1.3. Quantitaive informations about credit risk mitigation

CRM Techniques (values in HUF million)	Exposures unsecured – Carrying amount	Exposures to be secured	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
Total loans	2 234 257	1 013 574	775 570	238 004	-
Total debt securities	610 423	-	-	-	-
Total exposures	2 844 680	1 013 574	775 570	238 004	-
Of which defaulted	20 781	55 148	53 050	2 098	-

50. Table EU CR3 – CRM techniques – Overview (K&H Goup)

CRM Techniques (values in HUF million)	Exposures unsecured – Carrying amount	Exposures to be secured	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
Total loans	2 306 513	939 119	742 059	197 060	-
Total debt securities	610 423	-	-	-	-
Total exposures	2 916 936	939 119	742 059	197 060	-
Of which defaulted	20 826	55 094	53 050	2 044	-

51. Table EU CR3 – CRM techniques – Overview (K&H Bank)

STD	Exposures before CCF and CRM		Exposures post CCF and CRM		RWAs and RWA density	
Exposure classes	On-balance-sheet amount	Off-balance-sheet amount	On-balance-sheet amount	Off-balance-sheet amount	RWA	RW
Central governments or central banks	855 359	27 663	855 349	27 663	0	0%
Regional government or local authorities	0	0	0	0	0	0%
Public sector entities	0	0	0	0	0	0%
Multilateral development banks	0	0	0	0	0	0%
International organisations	0	0	0	0	0	0%
Institutions	0	0	0	0	0	0%
Corporates	18 311	15 182	18 248	0	18 128	99%
Retail	640	1	593	1	445	75%
Secured by mortgages on immovable property	0	0	0	0	0	0%
Exposures in default	3 187	0	1 656	0	1 657	100%
Higher-risk categories	0	0	0	0	0	0%
Covered bonds	0	0	0	0	0	0%
Institutions and corporates with a short-term credit assessment	0	0	0	0	0	0%
Collective investment undertakings	0	0	0	0	0	0%
Equity	2 398	0	2 398	0	2 398	100%
Other Items	177 092	0	176 810	0	63 315	36%
Total	1 056 988	42 845	1 055 056	27 663	85 943	8%

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

STD	Exposures before CCF and CRM		Exposures post CCF and CRM		RWAs and RWA density	
Exposure classes	On-balance-sheet amount	Off-balance-sheet amount	On-balance-sheet amount	Off-balance-sheet amount	RWA	RW
Central governments or central banks	855 281	0	855 271	0	0	0%
Regional government or local authorities	0	0	0	0	0	0%
Public sector entities	0	0	0	0	0	0%
Multilateral development banks	0	0	0	0	0	0%
International organisations	0	0	0	0	0	0%
Institutions	0	0	0	0	0	0%
Corporates	80	0	56	0	43	77%
Retail	702	1	617	1	464	75%
Secured by mortgages on immovable property	0	0	0	0	0	0%
Exposures in default	3 178	0	1 648	0	1 648	100%
Higher-risk categories	0	0	0	0	0	0%
Covered bonds	0	0	0	0	0	0%
Institutions and corporates with a short-term credit assessment	0	0	0	0	0	0%
Collective investment undertakings	0	0	0	0	0	0%
Equity	2 398	0	2 398	0	2 398	100%
Other Items	176 562	0	176 280	0	60 980	35%
Total	1 038 201	1	1 036 271	1	65 533	6%

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

	Risk weight																	
Exposure classes	0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Egyéb	Deducted	Total	Of which unrated
Central governments or central banks	883 022			0		0		0	0			0	0	0			883 022	
Regional government or local authorities																		
Public sector entities																		
Multilateral development banks																		
International organisations																		
Institutions																		
Corporates					0	0	0	0		33 493	0						33 493	
Retail									640								640	
Secured by mortgages on immovable property																		
Exposures in default										3 187	0						3 187	
Higher-risk categories																		
Covered bonds																		
Institutions and corporates with a short-term credit assessment																		
Collective investment undertakings																		
Equity										2 398		0		0			2 398	
Other Items	113 527									63 545		21					177 092	
Total	996 549	0	0	0	0	0	0	0	640	102 623	0	21	0	0	0	0	1 099 833	

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

	Risk weight																	
Exposure classes	0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Egyéb	Deducted	Total	Of which unrated
Central governments or central banks	855 281			0		0		0	0			0	0	0			855 281	
Regional government or local authorities																		
Public sector entities																		
Multilateral development banks																		
International organisations																		
Institutions																		
Corporates					0	0	0	0		80	0						80	
Retail									702								702	
Secured by mortgages on immovable property																		
Exposures in default										3 177	0						3 178	
Higher-risk categories																		
Covered bonds																		
Institutions and corporates with a short-term credit assessment																		
Collective investment undertakings																		
Equity										2 398		0		0			2 398	
Other Items	115 301									61 261		0					176 562	
Total	970 581	0	0	0	0	0	0	0	702	66 917	0	0	0	0	0	0	1 038 201	

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

9.1.4. IRB Approach

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

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

Probability of default (PD)

The Bank determines the default probability of the exposures on product level in the retail segment and on client level in the rest of the segments. The average PDs of the segments are calibrated to the long term, through-the-cycle default rates. The difference between the average PDs and observed default rates are usually caused by the change of the portfolio distribution or the change of the portfolio quality. This effect is regularly monitored and if necessary, the bank sets new calibration target and re-calibrates the model.

The Bank performs the rating of its retail transactions using behavioural scorecards. The behaviour points belonging to the specific transactions are computed automatically in the data warehouse of the Bank, and serve as a basis for the allocation of the exposure to the appropriate risk pools. The table below presents the IRB systems in non-retail segments, broken down by exposure class, applied by the Bank:

Exposure class	Rating model
Central governments and central banks	Country risk PD model
Credit institutions, investment undertakings	Banks, life-insurance companies and other financial institutions PD model
Corporates	Corporate PD model Upper SME PD model Micro SME PD model SME behavioural model FRT for sub-national governments FRT for worldwide clients Commercial real estate PD model Project finance PD model MBO/LBO (buyout) PD model Non-life insurance companies PD model Securities houses PD model

56. Table: Rating models

In the non-retail segments the client rating is established in the course of the credit approval process and the annual (for certain client segments monthly) reviews. The Bank has a sophisticated automated process in place to identify transactions in default, which ensures that these exposures are assigned to the appropriate risk category.

The Bank measures the expected default probability on a standardised rating scale. The calculated PD cannot be lower than 0.03% prescribed by the regulation, furthermore in case of corporate and SME exposures denominated in foreign currency the PD cannot be better than the transfer rating of Hungary.

PD rating	Default probability 1-year time span
1	0.03% - 0.10%
2	0.11% - 0.20%
3	0.21% - 0.40%
4	0.41% - 0.80%
5	0.81% - 1.60%
6	1.61% - 3.20%
7	3.21% - 6.40%
8	6.41% - 12.80%
9	12.81% - 100%
10	exposures in default
11	
12	

57. Table: KBC master scale for rating non-retail clients

Exposure at default (EAD)

The bank uses historical information that is available on exposures of defaulted counterparties to model EAD. The EAD model is used to estimate the amount that is expected to be outstanding when a counterparty defaults in the course of the next year.

Measuring EAD tends to be less complicated and generally boils down to clearly defining certain components (discount rate, moment of default and moment of reference) and gathering the appropriate data. In most cases, EAD equals the nominal amount of the facility, but for certain facilities (e.g., those with undrawn commitments) it includes an estimate of future drawings prior to default. During the calculation of exposure at default, in addition to the application of an internal credit conversion factor (CCF) the Bank makes an additional adjustment to estimate the increase in the exposure of FX-based loans that might result from exchange rate changes.

Loss given default (LGD)

The LGD models currently used at K&H (and KBC) are all workout LGDs, i.e. LGD is determined by the sum of cashflows resulting from the workout and/or collections process, discounted to the time of default and expressed as a percentage of the estimated exposure at default. The models developed are (methodologically) based on historical cure rates, collateral recovery rates and costs occurring during the workout process. The regulatory, conservative LGD is also based on the same parameters, but only observations under downturn conditions are used for parameter estimations. On the low default portfolios the bank applies a semi-simplified LGD formula and – due to the low number of available observations – on such portfolios KBC group-wide models are used.

Exposure class	PD scale	Original on-balance-sheet gross exposures	Off-balance-sheet exposures pre-CCF	Average CCF	EAD post CRM and post CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWAs	RWA density	EL	Value adjust-ments and provisions
Central governments or central banks	01 [0,00% - 0,10%]	-	-	0%	-	0,00%	-	0,00%	-	-	0%	-	-
	02 [0,10% - 0,20%]	-	-	0%	-	0,00%	-	0,00%	-	-	0%	-	-
	03 [0,20% - 0,40%]	21 624	11 421	92%	25 419	0,31%	699	-31,26%	- 54,88	1 004	4%	2	1
	04 [0,40% - 0,80%]	2 915	1 631	92%	3 464	0,65%	440	34,47%	2,26	2 084	60%	8	2
	05 [0,80% - 1,60%]	1 324	297	96%	1 424	1,19%	265	43,90%	3,85	1 657	116%	8	1
	06 [1,60% - 3,20%]	-	0	30%	0	2,26%	4	35,00%	1,00	0	82%	0	-
	07 [3,20% - 6,40%]	482	1	100%	483	4,53%	1 016	59,39%	5,00	1 183	245%	13	-
	08 [6,40% -	-	-	0%	-	0,00%	2	0,00%	-	-	0%	-	-
	09 [12,80% -	-	-	0%	-	0,00%	-	0,00%	-	-	0%	-	-
	10 [100,00%]	-	-	0%	-	0,00%	-	0,00%	-	-	0%	-	-
Institutions	01 [0,00% - 0,10%]	598 747	182 694	94%	682 360	0,09%	339	1,86%	4,92	252 866	37%	337	322
	02 [0,10% - 0,20%]	5 731	64 413	39%	27 264	0,11%	148	64,31%	0,91	10 739	39%	19	4
	03 [0,20% - 0,40%]	232	246	99%	456	0,31%	11	63,66%	4,90	644	141%	1	0
	04 [0,40% - 0,80%]	1 267	2 866	100%	4 101	0,56%	43	63,44%	0,83	3 672	90%	15	2
	05 [0,80% - 1,60%]	-	151	100%	151	1,33%	8	62,70%	1,00	184	122%	1	-
	06 [1,60% - 3,20%]	-	172	100%	172	2,04%	6	62,70%	1,00	245	142%	2	-
	07 [3,20% - 6,40%]	0	123	100%	123	4,58%	375	62,70%	1,14	238	194%	4	0
	08 [6,40% -	-	7	20%	1	9,06%	2	54,76%	1,00	3	255%	0	0
	09 [12,80% -	-	-	0%	-	0,00%	-	0,00%	-	-	0%	-	-
	10 [100,00%]	-	-	0%	-	0,00%	-	0,00%	-	-	0%	-	-
Corporates	01 [0,00% - 0,10%]	5 560	8 558	85%	9 992	0,08%	1 746	47,45%	1,75	1 542	15%	4	2
	02 [0,10% - 0,20%]	18 955	64 109	74%	45 229	0,15%	5 191	54,52%	1,46	14 807	33%	37	11
	03 [0,20% - 0,40%]	116 526	194 887	84%	191 266	0,29%	7 719	41,22%	2,45	84 307	44%	224	51
	04 [0,40% - 0,80%]	189 775	115 610	94%	252 867	0,57%	11 822	42,68%	2,62	163 938	65%	612	138
	05 [0,80% - 1,60%]	180 142	90 832	97%	229 303	1,16%	12 277	42,29%	2,47	182 050	79%	1 126	254
	06 [1,60% - 3,20%]	115 759	58 523	97%	149 089	2,25%	11 128	40,24%	2,12	127 999	86%	1 363	265
	07 [3,20% - 6,40%]	52 653	22 033	97%	65 650	4,46%	39 862	43,27%	2,44	68 495	104%	1 277	287
	08 [6,40% -	18 148	3 675	101%	20 627	9,13%	2 878	42,79%	1,74	25 177	122%	807	155
	09 [12,80% -	7 116	1 493	101%	7 981	27,32%	2 286	44,17%	1,51	10 943	137%	957	155
	10 [100,00%]	18 590	3 040	95%	20 456	100,00%	1 513	63,99%	1,44	33 182	162%	11 955	11 955

of which specialised lending	01 [0,00% - 0,10%]	-	-	0%	-	0,00%	-	0,00%	-	-	0%	-	-
	02 [0,10% - 0,20%]	134	3	122%	159	0,16%	22	25,13%	1,31	20	12%	0	0
	03 [0,20% - 0,40%]	28 501	7 215	101%	36 042	0,34%	140	19,54%	3,06	7 989	22%	22	4
	04 [0,40% - 0,80%]	54 280	16 568	101%	71 221	0,53%	132	35,54%	4,30	50 054	70%	130	23
	05 [0,80% - 1,60%]	30 387	12 232	98%	40 917	1,21%	204	31,88%	4,25	30 456	74%	157	20
	06 [1,60% - 3,20%]	9 052	7 905	102%	17 317	2,29%	115	30,69%	3,04	13 605	79%	136	16
	07 [3,20% - 6,40%]	1 694	64	102%	1 788	4,37%	87	37,61%	2,84	1 481	83%	30	3
	08 [6,40% -	1 602	401	103%	2 067	8,87%	29	32,52%	1,75	2 523	122%	59	16
	09 [12,80% -	65	1	101%	67	17,88%	15	65,57%	1,33	141	211%	8	0
	10 [100,00%]	6 370	106	99%	6 413	100,00%	58	58,86%	2,21	10 755	168%	3 138	3 138
of which SMEs	01 [0,00% - 0,10%]	5 550	6 426	89%	9 316	0,08%	1 586	48,62%	1,67	1 279	14%	4	2
	02 [0,10% - 0,20%]	12 896	17 181	88%	21 996	0,15%	3 999	50,54%	1,73	5 236	24%	17	5
	03 [0,20% - 0,40%]	29 946	48 833	86%	49 632	0,29%	6 492	46,22%	2,16	18 518	37%	67	14
	04 [0,40% - 0,80%]	92 670	54 630	94%	120 808	0,59%	9 862	44,03%	2,03	66 116	55%	315	78
	05 [0,80% - 1,60%]	103 824	45 019	97%	127 737	1,16%	9 627	43,20%	2,18	91 799	72%	639	147
	06 [1,60% - 3,20%]	75 340	26 605	98%	90 093	2,28%	9 169	41,10%	2,06	67 997	75%	841	150
	07 [3,20% - 6,40%]	47 363	18 853	97%	58 790	4,43%	10 745	43,75%	2,51	60 712	103%	1 150	221
	08 [6,40% -	15 912	3 143	101%	17 836	9,15%	2 646	43,61%	1,77	21 128	118%	712	129
	09 [12,80% -	7 049	1 028	102%	7 805	27,56%	2 172	43,79%	1,51	10 481	134%	939	154
	10 [100,00%]	12 192	2 934	92%	13 946	100,00%	1 392	66,60%	1,09	22 289	160%	8 799	8 799
Retail	01 [0,00% - 0,10%]	-	-	0%	-	0,00%	-	0,00%	-	-	0%	-	-
	02 [0,10% - 0,20%]	134 250	40	99%	133 130	0,19%	23 042	27,69%	4,94	15 090	11%	70	29
	03 [0,20% - 0,40%]	86 350	2 763	100%	89 371	0,33%	62 941	29,20%	4,74	15 957	18%	86	36
	04 [0,40% - 0,80%]	58 401	10 892	102%	70 301	0,65%	166 921	37,98%	4,01	24 043	34%	161	71
	05 [0,80% - 1,60%]	91 872	5 857	101%	97 984	1,09%	92 069	34,92%	4,75	45 793	47%	376	122
	06 [1,60% - 3,20%]	49 711	4 238	101%	53 997	2,09%	72 810	34,25%	4,64	35 238	65%	397	169
	07 [3,20% - 6,40%]	32 763	1 100	101%	34 227	4,86%	36 332	42,60%	4,45	33 509	98%	731	256
	08 [6,40% -	15 880	90	103%	16 349	7,88%	10 876	34,98%	4,72	22 496	138%	453	194
	09 [12,80% -	30 633	141	102%	31 484	26,46%	14 755	35,56%	4,81	61 678	196%	2 977	1 260
	10 [100,00%]	50 606	505	155%	79 293	100,00%	78 420	59,34%	2,16	35 842	45%	45 621	45 621

Secured by mortgages on immovable property	01 [0,00% - 0,10%]	-	-	0%	-	0,00%	-	0,00%	-	-	0%	-	-
	02 [0,10% - 0,20%]	134 250	40	99%	133 130	0,19%	23 038	27,69%	4,94	15 090	11%	70	29
	03 [0,20% - 0,40%]	85 823	34	100%	85 429	0,33%	20 754	28,52%	4,91	15 071	18%	81	34
	04 [0,40% - 0,80%]	41 105	33	99%	40 861	0,76%	8 186	28,13%	4,93	12 694	31%	87	36
	05 [0,80% - 1,60%]	83 214	603	101%	84 296	1,08%	16 093	31,96%	4,94	37 366	44%	289	82
	06 [1,60% - 3,20%]	44 802	54	101%	45 327	1,98%	11 669	30,78%	4,91	28 675	63%	277	116
	07 [3,20% - 6,40%]	18 820	51	102%	19 259	4,27%	5 512	33,60%	4,89	20 672	107%	274	115
	08 [6,40% -	14 607	2	102%	14 899	7,64%	3 992	33,35%	4,91	21 146	142%	375	158
	09 [12,80% -	28 940	2	102%	29 574	25,84%	7 005	34,45%	4,92	59 116	200%	2 612	1 093
	10 [100,00%]	49652,39*	230	156%	78 065	100,00%	12 826	59,21%	2,16	32 770	42%	44 911	44 911
Retail - Qualifying revolving		-	-	0%	-	0,00%	-	0,00%	-	-	0%	-	-
Other retail	01 [0,00% - 0,10%]	-	-	0%	-	0,00%	-	0,00%	-	-	0%	-	-
	02 [0,10% - 0,20%]	-	-	0%	-	0,00%	4	0,00%	-	-	0%	-	-
	03 [0,20% - 0,40%]	527	2 728	121%	3 942	0,26%	42 187	43,98%	1,12	886	22%	5	2
	04 [0,40% - 0,80%]	17 297	10 859	107%	29 440	0,49%	158 735	51,64%	2,74	11 349	39%	74	35
	05 [0,80% - 1,60%]	8 658	5 254	101%	13 688	1,20%	75 976	53,14%	3,58	8 427	62%	87	41
	06 [1,60% - 3,20%]	4 909	4 184	99%	8 671	2,65%	61 141	52,36%	3,27	6 563	76%	120	54
	07 [3,20% - 6,40%]	13 943	1 048	100%	14 968	5,63%	30 820	54,17%	3,88	12 837	86%	457	140
	08 [6,40% -	1 273	88	108%	1 449	10,36%	6 884	51,69%	2,75	1 350	93%	78	35
	09 [12,80% -	1 693	138	105%	1 910	36,08%	7 750	52,79%	3,06	2 562	134%	365	167
	10 [100,00%]	954	275	100%	1 228	100,00%	65 594	67,70%	2,53	3 072	250%	710	710
Equity		-	-	0%	-	0,00%	-	0,00%	-	-	0%	-	-

***Based on IFRS9 in case of POCI (Purchased or Originated Credit Impaired) loans the exposure decreased with the provision. Without this correction the total exposure would be 77,894 mHUF. The exposure without provision correction is the base for capital calculation.**

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

Exposure class	PD scale	Original on-balance-sheet gross exposures	Off-balance-sheet exposures pre-CCF	Average CCF	EAD post CRM and post CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWAs	RWA density	EL	Value adjust-ments and provisions
Central governments or central banks	01 [0,00% - 0,10%]	-	-	0%	-	0,00%	-	0,00%	-	-	0%	-	-
	02 [0,10% - 0,20%]	-	-	0%	-	0,00%	-	0,00%	-	-	0%	-	-
	03 [0,20% - 0,40%]	21 624	11 421	92%	25 419	0,25%	153	3,17%	3,06	997	4%	2	1
	04 [0,40% - 0,80%]	2 915	1 631	92%	3 464	0,65%	440	34,47%	2,26	2 095	60%	8	2
	05 [0,80% - 1,60%]	1 324	297	96%	1 424	1,22%	265	43,90%	3,85	1 672	117%	8	1
	06 [1,60% - 3,20%]	-	0	30%	0	2,26%	4	35,00%	1,00	0	82%	0	-
	07 [3,20% - 6,40%]	482	1	100%	483	4,53%	1 006	59,39%	5,00	1 183	245%	13	-
	08 [6,40% - 12,80%]	-	-	0%	-	0,00%	-	0,00%	-	-	0%	-	-
	09 [12,80% - 99,99%]	-	-	0%	-	0,00%	-	0,00%	-	-	0%	-	-
	10 [100,00%]	-	-	0%	-	0,00%	-	0,00%	-	-	0%	-	-
Institutions	01 [0,00% - 0,10%]	598 345	180 045	96%	680 787	0,08%	304	62,03%	1,47	252 709	37%	337	323
	02 [0,10% - 0,20%]	6 413	67 105	39%	28 880	0,12%	182	64,17%	1,08	12 397	43%	21	4
	03 [0,20% - 0,40%]	232	246	99%	456	0,32%	11	63,66%	4,90	657	144%	1	0
	04 [0,40% - 0,80%]	1 267	2 866	100%	4 101	0,53%	43	63,44%	1,30	3 863	94%	14	2
	05 [0,80% - 1,60%]	-	151	100%	151	1,22%	8	62,70%	1,00	177	117%	1	-
	06 [1,60% - 3,20%]	-	172	100%	172	2,26%	5	62,70%	1,00	254	147%	2	-
	07 [3,20% - 6,40%]	0	123	100%	123	4,78%	375	62,70%	1,14	242	197%	4	0
	08 [6,40% - 12,80%]	-	7	20%	1	9,05%	2	54,76%	1,00	3	255%	0	0
	09 [12,80% - 99,99%]	-	-	0%	-	0,00%	-	0,00%	-	-	0%	-	-
	10 [100,00%]	-	-	0%	-	0,00%	-	0,00%	-	-	0%	-	-
Corporates	01 [0,00% - 0,10%]	5 376	7 488	87%	9 458	0,08%	1 725	48,55%	1,64	1 294	14%	4	2
	02 [0,10% - 0,20%]	57 424	80 542	83%	88 956	0,16%	5 148	58,14%	2,36	55 396	62%	85	11
	03 [0,20% - 0,40%]	116 667	185 713	84%	189 782	0,29%	7 754	41,50%	2,46	83 966	44%	223	51
	04 [0,40% - 0,80%]	186 593	124 841	94%	251 258	0,57%	11 782	42,52%	2,63	163 052	65%	610	135
	05 [0,80% - 1,60%]	182 845	94 506	97%	233 163	1,15%	12 338	42,37%	2,42	184 813	79%	1 132	258
	06 [1,60% - 3,20%]	117 811	58 530	97%	151 147	2,25%	11 130	40,24%	2,16	129 332	86%	1 375	265
	07 [3,20% - 6,40%]	52 658	22 034	97%	65 655	4,47%	39 453	43,27%	2,44	68 501	104%	1 279	287
	08 [6,40% - 12,80%]	18 153	3 676	101%	20 632	8,94%	2 880	42,80%	1,74	24 909	121%	789	155
	09 [12,80% - 99,99%]	7 116	1 493	101%	7 981	19,36%	2 286	44,17%	1,51	11 386	143%	684	155
	10 [100,00%]	18 590	3 040	95%	20 456	100,00%	1 514	63,99%	1,44	33 182	162%	11 955	11 955

of which specialised lending	01 [0,00% - 0,10%]	-	-	0%	-	0,00%	-	0,00%	-	-	0%	-	-
	02 [0,10% - 0,20%]	134	3	122%	159	0,15%	22	25,13%	1,31	20	12%	0	0
	03 [0,20% - 0,40%]	28 501	7 215	101%	36 042	0,32%	140	19,54%	3,06	7 794	22%	21	4
	04 [0,40% - 0,80%]	54 280	16 568	101%	71 221	0,54%	132	35,54%	4,30	50 500	71%	132	23
	05 [0,80% - 1,60%]	30 387	12 232	98%	40 917	1,19%	204	31,88%	4,25	30 368	74%	155	20
	06 [1,60% - 3,20%]	9 052	7 905	102%	17 317	2,34%	115	30,69%	3,04	13 663	79%	138	16
	07 [3,20% - 6,40%]	1 694	64	102%	1 788	4,36%	87	37,61%	2,84	1 477	83%	29	3
	08 [6,40% - 12,80%]	1 602	401	103%	2 067	8,81%	29	32,52%	1,75	2 514	122%	58	16
	09 [12,80% - 99,99%]	65	1	101%	67	18,07%	15	65,57%	1,33	142	213%	8	0
	10 [100,00%]	6 370	106	99%	6 413	100,00%	58	58,86%	2,21	10 755	168%	3 138	3 138
of which SMEs	01 [0,00% - 0,10%]	5 365	6 356	88%	9 085	0,08%	1 568	48,23%	1,66	1 215	13%	3	2
	02 [0,10% - 0,20%]	12 940	17 136	88%	21 996	0,15%	3 960	50,68%	1,73	5 202	24%	16	5
	03 [0,20% - 0,40%]	30 086	48 894	86%	49 832	0,29%	6 537	46,23%	2,16	18 431	37%	66	14
	04 [0,40% - 0,80%]	92 561	54 641	94%	120 691	0,59%	9 822	44,03%	2,03	66 192	55%	315	78
	05 [0,80% - 1,60%]	103 928	45 054	97%	127 874	1,15%	9 673	43,20%	2,18	91 454	72%	634	147
	06 [1,60% - 3,20%]	75 335	26 612	98%	90 094	2,29%	9 173	41,11%	2,06	68 076	76%	843	150
	07 [3,20% - 6,40%]	47 367	18 854	97%	58 795	4,44%	10 744	43,75%	2,51	60 733	103%	1 152	221
	08 [6,40% - 12,80%]	15 917	3 144	101%	17 841	8,95%	2 648	43,61%	1,77	20 894	117%	697	129
	09 [12,80% - 99,99%]	7 049	1 028	102%	7 805	19,41%	2 172	43,79%	1,51	10 922	140%	666	154
	10 [100,00%]	12 192	2 934	92%	13 946	100,00%	1 393	66,60%	1,09	22 289	160%	8 799	8 799
Retail	01 [0,00% - 0,10%]	-	-	0%	-	0,00%	-	0,00%	-	-	0%	-	-
	02 [0,10% - 0,20%]	134 250	40	99%	133 130	0,19%	23 042	27,69%	4,94	15 090	11%	70	29
	03 [0,20% - 0,40%]	86 350	2 763	100%	89 371	0,33%	62 941	29,20%	4,74	15 957	18%	86	36
	04 [0,40% - 0,80%]	58 401	10 892	102%	70 301	0,65%	166 921	37,98%	4,01	24 043	34%	161	71
	05 [0,80% - 1,60%]	91 872	5 857	101%	97 984	1,09%	92 069	34,92%	4,75	45 793	47%	376	122
	06 [1,60% - 3,20%]	49 711	4 238	101%	53 997	2,09%	72 810	34,25%	4,64	35 238	65%	397	169
	07 [3,20% - 6,40%]	32 763	1 100	101%	34 227	4,86%	36 332	42,60%	4,45	33 509	98%	731	256
	08 [6,40% - 12,80%]	15 880	90	103%	16 349	7,88%	10 876	34,98%	4,72	22 496	138%	453	194
	09 [12,80% - 99,99%]	30 633	141	102%	31 484	26,46%	14 755	35,56%	4,81	61 678	196%	2 977	1 260
	10 [100,00%]	50 606	505	155%	79 293	100,00%	78 420	59,34%	2,16	35 842	45%	45 621	45 621

Secured by mortgages on immovable property	01 [0,00% - 0,10%]	-	-	0%	-	0,00%	-	0,00%	-	-	0%	-	-
	02 [0,10% - 0,20%]	134 250	40	99%	133 130	0,19%	23 038	27,69%	4,94	15 090	11%	70	29
	03 [0,20% - 0,40%]	85 823	34	100%	85 429	0,33%	20 754	28,52%	4,91	15 071	18%	81	34
	04 [0,40% - 0,80%]	41 105	33	99%	40 861	0,76%	8 186	28,13%	4,93	12 694	31%	87	36
	05 [0,80% - 1,60%]	83 214	603	101%	84 296	1,08%	16 093	31,96%	4,94	37 366	44%	289	82
	06 [1,60% - 3,20%]	44 802	54	101%	45 327	1,98%	11 669	30,78%	4,91	28 675	63%	277	116
	07 [3,20% - 6,40%]	18 820	51	102%	19 259	4,27%	5 512	33,60%	4,89	20 672	107%	274	115
	08 [6,40% - 12,80%]	14 607	2	102%	14 899	7,64%	3 992	33,35%	4,91	21 146	142%	375	158
	09 [12,80% - 99,99%]	28 940	2	102%	29 574	25,84%	7 005	34,45%	4,92	59 116	200%	2 612	1 093
	10 [100,00%]	*49652,39	230	156%	78 065	100,00%	12 826	59,21%	2,16	32 770	42%	44 911	44 911
Retail - Qualifying revolving		-	-	0%	-	0,00%	-	0,00%	-	-	0%	-	-
Other retail	01 [0,00% - 0,10%]	-	-	0%	-	0,00%	-	0,00%	-	-	0%	-	-
	02 [0,10% - 0,20%]	-	-	0%	-	0,00%	4	0,00%	-	-	0%	-	-
	03 [0,20% - 0,40%]	527	2 728	121%	3 942	0,26%	42 187	43,98%	1,12	886	22%	5	2
	04 [0,40% - 0,80%]	17 297	10 859	107%	29 440	0,49%	158 735	51,64%	2,74	11 349	39%	74	35
	05 [0,80% - 1,60%]	8 658	5 254	101%	13 688	1,20%	75 976	53,14%	3,58	8 427	62%	87	41
	06 [1,60% - 3,20%]	4 909	4 184	99%	8 671	2,65%	61 141	52,36%	3,27	6 563	76%	120	54
	07 [3,20% - 6,40%]	13 943	1 048	100%	14 968	5,63%	30 820	54,17%	3,88	12 837	86%	457	140
	08 [6,40% - 12,80%]	1 273	88	108%	1 449	10,36%	6 884	51,69%	2,75	1 350	93%	78	35
	09 [12,80% - 99,99%]	1 693	138	105%	1 910	36,08%	7 750	52,79%	3,06	2 562	134%	365	167
	10 [100,00%]	954	275	100%	1 228	100,00%	65 594	67,70%	2,53	3 072	250%	710	710
Equity		-	-	0%	-	0,00%	-	0,00%	-	-	0%	-	-

***Based on IFRS9 in case of POCI (Purchased or Originated Credit Impaired) loans the exposure decreased with the provision. Without this correction the total exposure would be 77,894 mHUF. The exposure without provision correction is the base for capital calculation.**

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

	Pre-credit derivatives RWAs	Actual RWAs
Exposures under FIRB	-	-
Central governments and central banks	-	-
Institutions	-	-
Corporates – SMEs	-	-
Corporates – Specialised lending	-	-
Corporates – Other	-	-
Exposures under AIRB	1 276 607	1 276 607
Central governments and central banks	5 928	5 928
Institutions	268 593	268 593
Corporates – SMEs	365 557	365 557
Corporates – Specialised lending	117 023	117 023
Corporates – Other	229 861	229 861
Retail – Secured by real estate SMEs	-	-
Retail – Secured by real estate non-SMEs	242 600	242 600
Retail – Qualifying revolving	-	-
Retail – Other SMEs	-	-
Retail – Other non-SMEs	47 045	47 045
Equity IRB	-	-
Other non credit obligation assets	-	-
Total	1 276 607	1 276 607

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

	Pre-credit derivatives RWAs	Actual RWAs
Exposures under FIRB	-	-
Central governments and central banks	-	-
Institutions	-	-
Corporates – SMEs	-	-
Corporates – Specialised lending	-	-
Corporates – Other	-	-
Exposures under AIRB	1 321 725	1 321 725
Central governments and central banks	5 947	5 947
Institutions	270 303	270 303
Corporates – SMEs	365 409	365 409
Corporates – Specialised lending	117 232	117 232
Corporates – Other	273 189	273 189
Retail – Secured by real estate SMEs	-	-
Retail – Secured by real estate non-SMEs	242 600	242 600
Retail – Qualifying revolving	-	-
Retail – Other SMEs	-	-
Retail – Other non-SMEs	47 045	47 045
Equity IRB	-	-
Other non credit obligation assets	-	-
Total	1 321 725	1 321 725

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

	RWA amounts	Capital requirements
RWAs as at the end of the previous reporting period	1 243 122	99 450
Asset size	86 959	6 957
Asset quality	-51 658	-4 133
Model updates	0	0
Methodology and policy	0	0
Acquisitions and disposals	0	0
Foreign exchange movements	-1 816	-145
Other	0	0
RWAs as at the end of the reporting period	1 276 607	102 129

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

	RWA amounts	Capital requirements
RWAs as at the end of the previous reporting period	1 291 177	103 294
Asset size	82 508	6 601
Asset quality	-50 119	-4 010
Model updates	0	0
Methodology and policy	0	0
Acquisitions and disposals	0	0
Foreign exchange movements	-1 841	-147
Other	0	0
RWAs as at the end of the reporting period	1 321 725	105 738

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

Exposure class	PD-Range	External rating equivalent	Weighted average PD	Arithmetic average PD	Number of obligors		Defaulted obligors in the year	Of which new obligors	Average historical annual default rate
					End of previous year	End of the year			
Central governments, central banks	01 [0,00% - 0,10%]	A	0	0	0	0	0	0	0,00%
	02 [0,10% - 0,20%]	BBB	0	0	1	0	0	0	0,00%
	03 [0,20% - 0,40%]	BBB-	0,0033	0,0025	552	699	0	0	0,00%
	04 [0,40% - 0,80%]	BB+	0,0069	0,0061	93	436	0	0	0,00%
	05 [0,80% - 1,60%]	BB	0,012	0,0101	38	265	0	0	0,00%
	06 [1,60% - 3,20%]	BB-	0,0226	0,0226	3	4	0	0	0,00%
	07 [3,20% - 6,40%]	B	0,0453	0,0453	17	1016	0	0	0,00%
	08 [6,40% - 12,80%]	B-	0,0841	0,0906	1	2	0	0	0,00%
	09 [12,80% - 100,00%]	CCC	0	0	0	0	0	0	0,00%
Institutions	01 [0,00% - 0,10%]	A	0,0009	0,0007	214	338	0	0	0,00%
	02 [0,10% - 0,20%]	BBB	0,0012	0,0013	84	147	0	0	0,00%
	03 [0,20% - 0,40%]	BBB-	0,0029	0,0029	18	9	0	0	0,00%
	04 [0,40% - 0,80%]	BB+	0,0055	0,0056	10	41	0	0	0,00%
	05 [0,80% - 1,60%]	BB	0,0127	0,0127	3	8	0	0	0,00%
	06 [1,60% - 3,20%]	BB-	0,0204	0,02	5	6	0	0	0,00%
	07 [3,20% - 6,40%]	B	0,0527	0,0456	10	375	0	0	0,00%
	08 [6,40% - 12,80%]	B-	0,0878	0,0906	1	2	0	0	0,00%
	09 [12,80% - 100,00%]	CCC	0	0	0	0	0	0	0,00%
Corporations	01 [0,00% - 0,10%]	A	0,0008	0,0008	38	1327	0	0	0,00%
	02 [0,10% - 0,20%]	BBB	0,0016	0,0015	2500	4076	0	0	0,00%
	03 [0,20% - 0,40%]	BBB-	0,003	0,0029	4290	5714	0	0	0,00%
	04 [0,40% - 0,80%]	BB+	0,0057	0,0058	7671	9167	0	0	0,00%
	05 [0,80% - 1,60%]	BB	0,0117	0,0118	7436	9758	0	0	0,00%
	06 [1,60% - 3,20%]	BB-	0,0227	0,0224	6838	8522	0	0	0,00%
	07 [3,20% - 6,40%]	B	0,0444	0,0453	6509	38132	0	0	0,00%
	08 [6,40% - 12,80%]	B-	0,0922	0,0909	1800	2114	0	0	0,00%
	09 [12,80% - 100,00%]	CCC	0,2186	0,2949	1443	1599	1392	1244	0,68%

of which specislised lending	01 [0,00% - 0,10%]	A	0	0	0	0	0	0	0,00%
	02 [0,10% - 0,20%]	BBB	0,0015	0,0016	5	21	0	0	0,00%
	03 [0,20% - 0,40%]	BBB-	0,0034	0,0031	16	140	0	0	0,00%
	04 [0,40% - 0,80%]	BB+	0,0052	0,0054	56	128	0	0	0,00%
	05 [0,80% - 1,60%]	BB	0,012	0,0123	77	202	0	0	0,00%
	06 [1,60% - 3,20%]	BB-	0,0225	0,0241	33	110	0	0	0,00%
	07 [3,20% - 6,40%]	B	0,0435	0,045	39	82	0	0	0,00%
	08 [6,40% - 12,80%]	B-	0,1049	0,0873	14	27	0	0	0,00%
	09 [12,80% - 100,00%]	CCC	0,1817	0,1856	8	13	57	2	1,29%
of which SMEs	01 [0,00% - 0,10%]	A	0,0008	0,0008	42	1168	0	0	0,00%
	02 [0,10% - 0,20%]	BBB	0,0016	0,0015	2021	2907	0	0	0,00%
	03 [0,20% - 0,40%]	BBB-	0,003	0,0029	3591	4587	0	0	0,00%
	04 [0,40% - 0,80%]	BB+	0,006	0,0058	6056	7365	0	0	0,00%
	05 [0,80% - 1,60%]	BB	0,0115	0,0118	5888	7214	0	0	0,00%
	06 [1,60% - 3,20%]	BB-	0,0229	0,0225	5567	6873	0	0	0,00%
	07 [3,20% - 6,40%]	B	0,0442	0,0454	5351	9062	0	0	0,00%
	08 [6,40% - 12,80%]	B-	0,0904	0,0907	1655	1898	0	0	0,00%
	09 [12,80% - 100,00%]	CCC	0,2663	0,301	1324	1489	1275	983	0,73%
Retail	01 [0,00% - 0,10%]	A	0	0	15464	0	0	0	0,00%
	02 [0,10% - 0,20%]	BBB	0,0016	0,0019	42037	23042	0	0	0,00%
	03 [0,20% - 0,40%]	BBB-	0,003	0,0029	41527	41901	0	0	0,00%
	04 [0,40% - 0,80%]	BB+	0,0059	0,0053	57060	96888	0	0	0,00%
	05 [0,80% - 1,60%]	BB	0,0125	0,0116	55024	59589	0	0	0,00%
	06 [1,60% - 3,20%]	BB-	0,0228	0,025	35054	47229	0	0	0,00%
	07 [3,20% - 6,40%]	B	0,0502	0,0529	21040	29269	0	0	0,00%
	08 [6,40% - 12,80%]	B-	0,0899	0,0925	8056	9447	0	0	0,00%
	09 [12,80% - 100,00%]	CCC	0,293	0,3006	85868	13016	85776	74461	6,23%

Mortgage	01 [0,00% - 0,10%]	A	0	0	0	0	0	0	0,00%
	02 [0,10% - 0,20%]	BBB	0,0016	0,0019	21999	23038	0	0	0,00%
	03 [0,20% - 0,40%]	BBB-	0,0029	0,0032	14875	20754	0	0	0,00%
	04 [0,40% - 0,80%]	BB+	0,0061	0,0076	17299	8186	0	0	0,00%
	05 [0,80% - 1,60%]	BB	0,0126	0,0101	14238	16093	0	0	0,00%
	06 [1,60% - 3,20%]	BB-	0,022	0,0202	5732	11669	0	0	0,00%
	07 [3,20% - 6,40%]	B	0,0453	0,0431	4209	5512	0	0	0,00%
	08 [6,40% - 12,80%]	B-	0,0895	0,0762	3267	3992	0	0	0,00%
	09 [12,80% - 100,00%]	CCC	0,2908	0,2581	6110	7005	12826	1511	4,15%
Retail – Qualifying revolving			0	0	0	0	0	0	0,00%
Other retail	01 [0,00% - 0,10%]	A	0	0	15464	0	0	0	0,00%
	02 [0,10% - 0,20%]	BBB	0,0012	0,0019	20038	4	0	0	0,00%
	03 [0,20% - 0,40%]	BBB-	0,0035	0,0026	26652	21147	0	0	0,00%
	04 [0,40% - 0,80%]	BB+	0,0053	0,0051	39761	88702	0	0	0,00%
	05 [0,80% - 1,60%]	BB	0,0118	0,0122	40786	43496	0	0	0,00%
	06 [1,60% - 3,20%]	BB-	0,0261	0,0266	29322	35560	0	0	0,00%
	07 [3,20% - 6,40%]	B	0,0564	0,0552	16834	23757	0	0	0,00%
	08 [6,40% - 12,80%]	B-	0,0935	0,1043	4789	5455	0	0	0,00%
	09 [12,80% - 100,00%]	CCC	0,3277	0,3501	79758	6011	72950	72950	6,74%
Equity IRB			0	0	0	0	0	0	0,00%

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

of which SMEs	01 [0,00% - 0,10%]	A	0,0008	0,0008	35	1153	0	0	0,00%
	02 [0,10% - 0,20%]	BBB	0,0015	0,0015	1997	2885	0	0	0,00%
	03 [0,20% - 0,40%]	BBB-	0,003	0,0029	3599	4617	0	0	0,00%
	04 [0,40% - 0,80%]	BB+	0,006	0,0059	6063	7344	0	0	0,00%
	05 [0,80% - 1,60%]	BB	0,0115	0,0117	5883	7238	0	0	0,00%
	06 [1,60% - 3,20%]	BB-	0,0231	0,0226	5587	6876	0	0	0,00%
	07 [3,20% - 6,40%]	B	0,0443	0,0454	5351	9061	0	0	0,00%
	08 [6,40% - 12,80%]	B-	0,0897	0,0907	1655	1899	0	0	0,00%
	09 [12,80% - 100,00%]	CCC	0,192	0,1977	1324	1489	1276	983	0,73%
Retail	01 [0,00% - 0,10%]	A	0	0	15464	0	0	0	0,00%
	02 [0,10% - 0,20%]	BBB	0,0016	0,0019	42037	23042	0	0	0,00%
	03 [0,20% - 0,40%]	BBB-	0,003	0,0029	41527	41901	0	0	0,00%
	04 [0,40% - 0,80%]	BB+	0,0059	0,0053	57060	96888	0	0	0,00%
	05 [0,80% - 1,60%]	BB	0,0125	0,0116	55024	59589	0	0	0,00%
	06 [1,60% - 3,20%]	BB-	0,0228	0,025	35054	47229	0	0	0,00%
	07 [3,20% - 6,40%]	B	0,0501	0,0529	21043	29269	0	0	0,00%
	08 [6,40% - 12,80%]	B-	0,0899	0,0925	8056	9447	0	0	0,00%
	09 [12,80% - 100,00%]	CCC	0,293	0,3006	85868	13016	85776	74461	6,23%
Mortgage	01 [0,00% - 0,10%]	A	0	0	0	0	0	0	0,00%
	02 [0,10% - 0,20%]	BBB	0,0016	0,0019	21999	23038	0	0	0,00%
	03 [0,20% - 0,40%]	BBB-	0,0029	0,0032	14875	20754	0	0	0,00%
	04 [0,40% - 0,80%]	BB+	0,0061	0,0076	17299	8186	0	0	0,00%
	05 [0,80% - 1,60%]	BB	0,0126	0,0101	14238	16093	0	0	0,00%
	06 [1,60% - 3,20%]	BB-	0,022	0,0202	5732	11669	0	0	0,00%
	07 [3,20% - 6,40%]	B	0,0459	0,0431	4209	5512	0	0	0,00%
	08 [6,40% - 12,80%]	B-	0,0895	0,0762	3267	3992	0	0	0,00%
	09 [12,80% - 100,00%]	CCC	0,2908	0,2581	6110	7005	12826	1511	4,15%
Retail – Qualifying revolving			0	0	0	0	0	0	0,00%
Other retail	01 [0,00% - 0,10%]	A	0	0	15464	0	0	0	0,00%
	02 [0,10% - 0,20%]	BBB	0,0012	0,0019	20038	4	0	0	0,00%
	03 [0,20% - 0,40%]	BBB-	0,0035	0,0026	26652	21147	0	0	0,00%
	04 [0,40% - 0,80%]	BB+	0,0053	0,0051	39761	88702	0	0	0,00%
	05 [0,80% - 1,60%]	BB	0,0118	0,0122	40786	43496	0	0	0,00%
	06 [1,60% - 3,20%]	BB-	0,0261	0,0266	29322	35560	0	0	0,00%
	07 [3,20% - 6,40%]	B	0,0564	0,0552	16834	23757	0	0	0,00%
	08 [6,40% - 12,80%]	B-	0,0935	0,1043	4789	5455	0	0	0,00%
	09 [12,80% - 100,00%]	CCC	0,3277	0,3501	79758	6011	72950	72950	6,74%
Equity IRB			0	0	0	0	0	0	0,00%

Exposure class	PD-Range	External rating equivalent	Weighted average PD	Arithmetic average PD	Number of obligors: End of previous year	Number of obligors: End of the year	Defaulted obligors in the year	Of which new obligors	Average historical annual default rate
Central governments, central banks	01 [0,00% - 0,10%]	A	0	0	0	0	0	0	0,00%
	02 [0,10% - 0,20%]	BBB	0	0	1	0	0	0	0,00%
	03 [0,20% - 0,40%]	BBB-	0,0024	0,0035	18	153	0	0	0,00%
	04 [0,40% - 0,80%]	BB+	0,0068	0,0063	93	436	0	0	0,00%
	05 [0,80% - 1,60%]	BB	0,0116	0,0102	39	265	0	0	0,00%
	06 [1,60% - 3,20%]	BB-	0,0226	0,0226	3	4	0	0	0,00%
	07 [3,20% - 6,40%]	B	0,0453	0,0453	16	1006	0	0	0,00%
	08 [6,40% - 12,80%]	B-	0	0	1	0	0	0	0,00%
	09 [12,80% - 100,00%]	CCC	0	0	0	0	0	0	0,00%
Institutions	01 [0,00% - 0,10%]	A	0,0008	0,0007	215	303	0	0	0,00%
	02 [0,10% - 0,20%]	BBB	0,0013	0,0013	81	181	0	0	0,00%
	03 [0,20% - 0,40%]	BBB-	0,003	0,0029	19	9	0	0	0,00%
	04 [0,40% - 0,80%]	BB+	0,0052	0,0055	10	41	0	0	0,00%
	05 [0,80% - 1,60%]	BB	0,0115	0,0117	3	8	0	0	0,00%
	06 [1,60% - 3,20%]	BB-	0,0226	0,0226	5	5	0	0	0,00%
	07 [3,20% - 6,40%]	B	0,0557	0,0457	10	375	0	0	0,00%
	08 [6,40% - 12,80%]	B-	0,0905	0,0905	1	2	0	0	0,00%
	09 [12,80% - 100,00%]	CCC	0	0	0	0	0	0	0,00%
Corporations	01 [0,00% - 0,10%]	A	0,0008	0,0008	38	1309	0	0	0,00%
	02 [0,10% - 0,20%]	BBB	0,0017	0,0015	2500	4050	0	0	0,00%
	03 [0,20% - 0,40%]	BBB-	0,003	0,0029	4290	5735	0	0	0,00%
	04 [0,40% - 0,80%]	BB+	0,0057	0,0059	7672	9146	0	0	0,00%
	05 [0,80% - 1,60%]	BB	0,0116	0,0118	7438	9796	0	0	0,00%
	06 [1,60% - 3,20%]	BB-	0,0229	0,0225	6841	8523	0	0	0,00%
	07 [3,20% - 6,40%]	B	0,0444	0,0453	6509	37723	0	0	0,00%
	08 [6,40% - 12,80%]	B-	0,0912	0,091	1800	2115	0	0	0,00%
	09 [12,80% - 100,00%]	CCC	0,1896	0,1967	1443	1599	1393	1244	0,68%
of which specisiised lending	01 [0,00% - 0,10%]	A	0	0	0	0	0	0	0,00%
	02 [0,10% - 0,20%]	BBB	0,0015	0,0016	5	21	0	0	0,00%
	03 [0,20% - 0,40%]	BBB-	0,0032	0,003	16	140	0	0	0,00%
	04 [0,40% - 0,80%]	BB+	0,0054	0,0055	55	128	0	0	0,00%
	05 [0,80% - 1,60%]	BB	0,0121	0,012	78	202	0	0	0,00%
	06 [1,60% - 3,20%]	BB-	0,0227	0,0244	33	110	0	0	0,00%
	07 [3,20% - 6,40%]	B	0,0434	0,0445	39	82	0	0	0,00%
	08 [6,40% - 12,80%]	B-	0,102	0,0871	14	27	0	0	0,00%
	09 [12,80% - 100,00%]	CCC	0,1814	0,1869	8	13	57	2	1,29%

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

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

Methods used to calculate CCR regulatory requirements (values in HUF)	Notional	Replacement cost/current market value	Potential future credit exposure	EEPE	Multiplier	EAD post CRM	RWAs
Mark to market		36 879 328 315	27 974 446 238			19 651 993 834	23 421 672 066
Original exposure							
Standardised approach							
IMM (for derivatives and SFTs)							
Of which securities financing transactions							
Of which derivatives and long settlement transactions							
Of which from contractrual cross product netting							
Financial collateral simple method (for SFTs)							
Financial collateral comprehensive method (for SFTs)						276 000 934	332 276 214
VAR for SFTs							
Total							23 753 948 280

66. Table EU CCR1 – Analysis of CCR exposure by approach (K&H Group)

Methods used to calculate CCR regulatory requirements (values in HUF)	Notional	Replacement cost/current market value	Potential future credit exposure	EEPE	Multiplier	EAD post CRM	RWAs
Mark to market		63 800 491 343	28 474 737 093			29 281 095 960	23 517 201 953
Original exposure							
Standardised approach							
IMM (for derivatives and SFTs)							
Of which securities financing tra							
Of which derivatives and long settlement transactions							
Of which from contractrual cross product netting							
Financial collateral simple method (for SFTs)							
Financial collateral comprehensive method (for SFTs)						497 690 660	436 816 155
VAR for SFTs							
Total							23 954 018 108

67. Table EU CCR1 – Analysis of CCR exposure by approach (K&H Bank)

CVA regulatory calculations (values in HUF)	Esposure value	RWAs
Total portfolios subject to the advanced method		
i. VaR component (including the 3x multiplier)		
ii. SVaR component (including the 3x multiplier)		
All portfolios subject to the standardised method	4 539 417 071	1 456 151 055
Based on the original exposure method		
Total subject to the CVA capital charge	4 539 417 071	1 456 151 055

68. Table EU CCR2 – CVA capital charge (K&H Group&Bank)

	Risk weight											Total	Of which unrated
Exposure classes	0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Other		
Central governments or central banks	527 011 378											527 011 378	
Regional government or local authorities												0	
Public sector entities												0	
Multilateral development banks												0	
International organisations												0	
Institutions												0	
Corporates												0	
Retail												0	
Institutions and corporates with a short-term credit assessment												0	
Other Items												0	
Total	527 011 378	0	0	0	0	0	0	0	0	0	0	527 011 378	

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

	Risk weight											Total	Of which unrated
Exposure classes	0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Egyéb		
Central governments or central banks	527 011 378											527 011 378	
Regional government or local authorities												0	
Public sector entities												0	
Multilateral development banks												0	
International organisations												0	
Institutions												0	
Corporates												0	
Retail												0	
Institutions and corporates with a short-term credit assessment												0	
Other Items												0	
Total	527 011 378	0	0	0	0	0	0	0	0	0	0	527 011 378	

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

Exposure class	PD scale	EAD post CRM	Average PD	Number of obligors	Average LGD	Average maturity	RWA	RWA density
Institutions	0,00 – <0,15	13 018	0,12%	5267	16,93%	2	1 982	15,22%
	0,15 – <0,25	46	0,18%	13	62,70%	1	26	55,42%
	0,25 – <0,50	25 164	0,35%	8	1,40%	5	5 151	20,47%
	0,75 – <2,50	0	0,00%	14	0,00%	0	0	0,00%
	2,50 – <10,00	6 918	4,37%	12	4,40%	0	804	11,63%
Central governments or cental banks	0,15 – <0,25	0	0,00%	28	35,00%	0	0	0,00%
Corporates	0,00 – <0,15	71	0,14%	432	59,96%	1	26	36,30%
	0,15 – <0,25	570	0,23%	505	59,47%	1	280	49,11%
	0,25 – <0,50	2 414	0,34%	1338	57,92%	3	1 985	82,21%
	0,50 – <0,75	8 844	0,57%	2833	41,69%	3	7 130	80,61%
	0,75 – <2,50	3 259	1,22%	4099	54,84%	3	3 409	104,61%
	2,50 – <10,00	461	6,33%	5778	48,92%	2	651	141,14%
	10,00 – <100,00	2	18,10%	2	63,04%	5	5	230,39%
	100,00 (default)	229	100,00%	28	80,52%	1	2 306	1006,49%
of which SMEs	0,00 – <0,15	14	0,10%	50	60,87%	3	5	40,63%
	0,15 – <0,25	54	0,22%	338	60,30%	1	16	30,62%
	0,25 – <0,50	630	0,43%	1123	53,90%	1	349	55,42%
	0,50 – <0,75	769	0,65%	1981	59,43%	1	574	74,70%
	0,75 – <2,50	1 797	1,22%	2302	59,53%	2	1 902	105,84%
	2,50 – <10,00	424	6,44%	764	48,01%	2	582	137,23%
	10,00 – <100,00	2	18,10%	2	63,04%	5	5	230,39%
	100,00 (default)	7	100,00%	22	59,39%	1	54	742,34%
of which specialised lending	0,50 – <0,75	6 593	0,57%	24	35,64%	4	4 916	74,57%
	0,75 – <2,50	356	1,42%	5	33,00%	4	343	96,35%
	100,00 (default)	222	100,00%	6	81,21%	1	2 253	1015,08%

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

Exposure class	PD scale	EAD post CRM	Average PD	Number of obligors	Average LGD	Average maturity	RWA	RWA density
Institutions	0,00 – <0,15	44 167	0,10%	9844	18,89%	1,95	6 894	15,61%
	0,15 – <0,25	46	0,18%	13	62,70%	1,00	26	55,42%
	0,25 – <0,50	1 146	0,45%	7	21,30%	1,00	306	26,67%
	0,75 – <2,50	0	0,00%	14	0,00%	0,00	0	0,00%
	2,50 – <10,00	6 963	4,53%	12	4,78%	0,06	865	12,43%
Corporates	0,00 – <0,15	71	0,13%	432	59,96%	1,44	25	35,73%
	0,15 – <0,25	568	0,22%	485	59,48%	1,31	270	47,55%
	0,25 – <0,50	2 416	0,34%	1357	57,96%	3,02	2 009	83,18%
	0,50 – <0,75	8 912	0,58%	2979	41,84%	3,44	7 251	81,37%
	0,75 – <2,50	3 195	1,23%	3967	54,84%	2,60	3 355	105,01%
	2,50 – <10,00	461	6,00%	870	48,92%	2,29	641	139,12%
	10,00 – <100,(	2	18,10%	2	63,04%	5,00	5	230,39%
	100,00 (nemt	229	100,00%	36	80,52%	1,00	2 306	1006,49%
of which SMEs	0,00 – <0,15	14	0,11%	50	60,87%	3,34	6	41,34%
	0,15 – <0,25	54	0,21%	338	60,30%	1,00	16	30,31%
	0,25 – <0,50	630	0,42%	1123	53,90%	1,49	347	55,12%
	0,50 – <0,75	837	0,67%	2127	59,56%	1,50	646	77,20%
	0,75 – <2,50	1 729	1,25%	2156	59,47%	2,19	1 842	106,52%
	2,50 – <10,00	424	6,09%	756	48,01%	2,40	573	135,09%
	10,00 – <100,(	2	18,10%	2	63,04%	5,00	5	230,39%
	100,00 (nemt	7	100,00%	30	59,39%	1,00	54	742,34%
of which specialised lending	0,50 – <0,75	6 593	0,57%	24	35,64%	3,75	4 911	74,50%
	0,75 – <2,50	356	1,41%	5	33,00%	4,07	343	96,13%
	100,00 (nemt	222	100,00%	6	81,21%	1,00	2 253	1015,08%

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

Overview of the impact of netting and collateral held on exposures for which exposure value for which exposure value is measured as per part Three, Title II, Chapter 6 of the CRR, including exposures arising from transactions cleared throuh a CCP (values in HUF)		Gross positive fair value or net carrying amount	Netting benefits	Netted current credit exposure	Collateral held	Net credit exposure
Derivatives	1	32 115 330 196	7 923 018 144	28 956 836 808	9 304 842 974	19 651 993 834
SFTs	2	14 429 541 224	0	6 696 753 721	6 420 752 787	276 000 934
Cross-product netting	3					
Total	4	46 544 871 420	7 923 018 144	35 653 590 529	15 725 595 761	19 927 994 768

73. Table EU CCR5-A – Impact of netting and collateral held on exposure values (K&H Group)

Overview of the impact of netting and collateral held on exposures for which exposure value for which exposure value is measured as per part Three, Title II, Chapter 6 of the CRR, including exposures arising from transactions cleared throuh a CCP (values in HUF)		Gross positive fair value or net carrying amount	Netting benefits	Netted current credit exposure	Collateral held	Net credit exposure
Derivatives	1	31 972 729 312	39 065 525 862	52 976 434 905	23 695 338 945	29 281 095 960
SFTs	2	14 429 541 224	0	14 735 430 947	14 237 740 287	497 690 660
Cross-product netting	3					
Total	4	46 402 270 537	39 065 525 862	67 711 865 853	37 933 079 232	29 778 786 621

74. Table EU CCR5-A – Impact of netting and collateral held on exposure values (K&H Bank)

	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of posted collateral
(Values in HUF)	Segregated	Unsegregated	Segregated	Unsegregated		
Cash collateral		9 304 842 974		23 850 909 882	6 420 752 787	
Total		9 304 842 974		23 850 909 882	6 420 752 787	

75. Table EU CCR5-B – Composition of collateral for exposures to CCR (K&H Group)

	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of posted collateral
(Values in HUF)	Segregated	Unsegregated	Segregated	Unsegregated		
Cash collateral		23 695 338 945	n/a	23 850 909 882	14 237 740 287	
Total		23 695 338 945	n/a	23 850 909 882	14 237 740 287	

76. Table EU CCR5-B – Composition of collateral for exposures to CCR (K&H Bank)

10.Quantitative information about market risk

Display the components of own funds requirements under the standardised approach for market risk (values in HUF)	RWAs	Capital requirements
Outright products		
Interest rate risk (general and specific)	23 039 108 625	1 843 128 690
Equity risk (general and specific)	784 278 050	62 742 244
Foreign exchange risk	2 290 465 017	183 237 201
Commodity risk	0	0
Options		
Simplified approach		
Delta-plus method		
Scenario approach		
Securitisation (specific risk)		
Total	26 113 851 692	2 089 108 135

77. Table EU MR1 – Market risk under the standardised approach (K&H Bank, K&H Group)

11.List of abbreviations

AIRB	*Advanced IRB approach (credit risk)*
AMA	*Advanced Measurement Approach (operational risk)*
ARC	*Audit Committee*
ASA	*Alternative Standardized Approach (operational risk)*
BCBS	*Basel Committee of Banking Supervision*
BIA	*Basic Indicators Approach (operational risk)*
BoD	*Board of Directors*
CIC	*Corporate Institutional Committee*
CRC	*Credit Risk Council*
CRD	*Capital Requirements Directive*
CrisCo	*Crisis Committee*
CRO	*Chief Risk Officer*
CROC	*Capital and Risk Oversight Committee*
CT	*Country Team*
EAD	*Exposure at Default*
ERM	*Enterprise-wide Risk Management*
EXCO	*Executive Committee*
FFG	*Funding for growth*
FIRB	*Foundation IRB approach (credit risk)*
HAS	*Hungarian Accounting Standards*
HPT	Credit Institutions and Financial Enterprises Act (Act CXII of *1996)*
ICAAP	*Internal Capital Adequacy Assessment Process*
ICM	*Internal Capital Model*
IFRS	*International Financial Reporting Standards*
IMA	*Internal Models Approach (market risk)*
IRB	*Internal Ratings Based approach (credit risk)*
LGD	*Loss Given Default*

MC IM	*Management Committee International Markets*
MNB	*the Central Bank of Hungary*
NAPP	*New and Active Products Process*
NCC	*National Credit Committee*
NCsC	*National Credit Sub-Committee*
ORC	*Operational Risk Council*
PD	*Probability of Default*
RAROC	*Risk-adjusted Return on Capital*
RC	*Remuneration Committee*
RCC	*Retail Credit Committee*
RCs	*Retail Committees*
RPC	*Retail Product Committee*
RWA	*Risk Weighted Assets*
SMA	*Standardized Measurement Approach* (*market risk)*
SREP	*Supervisory Review and Evaluation Process*
STA	*Standardized Approach* (*credit risk)*
TRC	*Trading Risk Council*
TSA	*Standardized Approach (operational risk)*
VRM	*Value and Risk Management*