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Disclosure according to Pillar 3

Risk Report

K&H Banking Group and K&H Bank Zrt

For the 2022 Financial Year

Public

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

K&H committed itself to conform to the requirements of Pillar 3 defined in Chapter 8 of 575/2013/EU Regulation of the European Parliament, of the Council (CRR) and in Article 122 of the Hpt.[1] and the relevant recommendations of the Hungarian National Bank (7/2022. (IV.22.)). K&H applies the uniform disclosure formats, templates and tables of the commission Implementing regulation (EU) 2021/637. 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.

The K&H corresponds with the requirements of the Article 449a of the CRR Disclosure of environmental, social and governance risks (ESG risks) and the relevant recommendations of the Hungarian National Bank 10/2022. (VIII.2.).

K&H publishes its “Risk Report” two times a year, simultaneously with the disclosure of the “Annual Report” and makes it also accessible in Hungarian (and in English) on the K&H corporate website (www.kh.hu).

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

K&H did not take the opportunity to mitigate the impact on own funds during the adoption of IFRS 9 International Financial Reporting Standard by (EU) 2017/2395 Regulation of the European Parliament and of the Council and Recommendation 6/2022 (IV.22.) of the Hungarian National Bank and the own funds, capital adequacy and leverage ratios of the bank already reflect the amount of unrealised gains or losses on government securities measured at fair value through other comprehensive income and also the full impact of IFRS 9 or similar bookings based on an expected credit loss model as required.

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 2022 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.

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

2. Disclosure of key metrics and overview of risk-weighted exposure amounts (CRR Articles 447, 438)

2.1. EU KM1 - Key metrics

1. Table: Template EU KM1 - Key metrics template (values in HUF million, K&H Group)

		31/12/2022	30/06/2022	31/12/2021	30/06/2021
Available own funds (amounts)					
1	Common Equity Tier 1 (CET1) capital	410 836	358 920	365 716	362 050
2	Tier 1 capital	410 836	358 920	365 716	362 050
3	Total capital	459 869	402 119	409 806	407 392
Risk-weighted exposure amounts					
4	Total risk-weighted exposure amount	2 692 856	2 397 588	2 263 749	2 272 715
Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common Equity Tier 1 ratio (%)	15,26%	14,97%	16,16%	15,93%
6	Tier 1 ratio (%)	15,26%	14,97%	16,16%	15,93%
7	Total capital ratio (%)	17,08%	16,77%	18,10%	17,93%
Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)					
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	3,55%	3,55%	2,99%	2,99%
EU 7b	of which: to be made up of CET1 capital (percentage points)	2,00%	2,00%	1,68%	1,68%
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	2,66%	2,66%	2,24%	2,24%
EU 7d	Total SREP own funds requirements (%)	11,55%	11,55%	10,99%	10,99%
Combined buffer requirement (as a percentage of risk-weighted exposure amount)					
8	Capital conservation buffer (%)	2,50%	2,50%	2,50%	2,50%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	0,00%	0,00%	0,00%	0,00%
9	Institution specific countercyclical capital buffer (%)	0,00%	0,00%	0,00%	0,00%
EU 9a	Systemic risk buffer (%)	0,00%	0,00%	0,00%	0,00%
10	Global Systemically Important Institution buffer (%)	0,00%	0,00%	0,00%	0,00%
EU 10a	Other Systemically Important Institution buffer	0,25%	0,25%	0,00%	0,00%
11	Combined buffer requirement (%)	2,75%	2,75%	2,50%	2,50%
EU 11a	Overall capital requirements (%)	14,31%	14,31%	13,49%	13,49%
12	CET1 available after meeting the total SREP own funds requirements (%)	9,08%	8,77%	9,18%	9,93%
Leverage ratio					
13	Leverage ratio total exposure measure	4 197 993	3 939 722	4 219 473	4 905 101
14	Leverage ratio %	9,79%	9,11%	8,67%	7,38%
Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)					
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	1,69%	1,69%	1,69%	1,69%
EU 14b	of which: to be made up of CET1 capital (percentage points)	3,00%	3,00%	3,00%	3,00%
EU 14c	Total SREP leverage ratio requirements (%)				
Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)					
EU 14d	Leverage ratio buffer requirement (%)	0,00%	0,00%	0,00%	0,00%
EU 14e	Overall leverage ratio requirements (%)	3,00%	3,00%	3,00%	3,00%
Liquidity Coverage Ratio					
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	1 808 474	602 986	789 187	1 120 068
EU 16a	Cash outflows - Total weighted value	1 318 464	1 154 487	1 201 276	1 056 978
EU 16b	Cash inflows - Total weighted value	234 506	1 490 417	1 199 206	509 401
16	Total net cash outflows (adjusted value)	1 083 958	288 622	300 319	547 576
17	Liquidity coverage ratio (%)	167%	209%	263%	205%
Net Stable Funding Ratio					
18	Total available stable funding	3 783 029	3 867 867	3 723 719	3 214 632
19	Total required stable funding	2 172 567	2 294 996	2 183 584	1 993 747
20	NSFR ratio (%)	174%	169%	171%	161%

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2. Table: Template EU KM1 - Key metrics template (values in HUF million, K&H Bank)

		31/12/2022	30/06/2022	31/12/2021	30/06/2021
Available own funds (amounts)					
1	Common Equity Tier 1 (CET1) capital	406 477	355 267	363 196	349 369
2	Tier 1 capital	406 477	355 267	363 196	349 369
3	Total capital	455 463	398 446	407 242	394 690
Risk-weighted exposure amounts					
4	Total risk-weighted exposure amount	2 728 817	2 425 232	2 303 304	2 302 925
Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common Equity Tier 1 ratio (%)	14,90%	14,65%	15,77%	15,17%
6	Tier 1 ratio (%)	14,90%	14,65%	15,77%	15,17%
7	Total capital ratio (%)	16,69%	16,43%	17,68%	17,14%
Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)					
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	0,00%	0,00%	0,00%	0,00%
EU 7b	of which: to be made up of CET1 capital (percentage points)	0,00%	0,00%	0,00%	0,00%
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	0,00%	0,00%	0,00%	0,00%
EU 7d	Total SREP own funds requirements (%)	8,00%	8,00%	8,00%	8,00%
Combined buffer requirement (as a percentage of risk-weighted exposure amount)					
8	Capital conservation buffer (%)	2,50%	2,50%	2,50%	2,50%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	0,00%	0,00%	0,00%	0,00%
9	Institution specific countercyclical capital buffer (%)	0,00%	0,00%	0,00%	0,00%
EU 9a	Systemic risk buffer (%)	0,00%	0,00%	0,00%	0,00%
10	Global Systemically Important Institution buffer (%)	0,00%	0,00%	0,00%	0,00%
EU 10a	Other Systemically Important Institution buffer	0,00%	0,00%	0,00%	0,00%
11	Combined buffer requirement (%)	2,50%	2,50%	2,50%	2,50%
EU 11a	Overall capital requirements (%)	10,50%	10,50%	10,50%	10,50%
12	CET1 available after meeting the total SREP own funds requirements (%)	8,69%	8,43%	8,38%	9,14%
Leverage ratio					
13	Leverage ratio total exposure measure	4 240 447	4 886 931	4 262 510	4 996 330
14	Leverage ratio %	9,59%	7,27%	8,52%	6,99%
Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)					
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	1,69%	1,69%	1,69%	1,69%
EU 14b	of which: to be made up of CET1 capital (percentage points)	3,00%	3,00%	3,00%	3,00%
EU 14c	Total SREP leverage ratio requirements (%)				
Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)					
EU 14d	Leverage ratio buffer requirement (%)	0,00%	0,00%	0,00%	0,00%
EU 14e	Overall leverage ratio requirements (%)	3,00%	3,00%	3,00%	3,00%
Liquidity Coverage Ratio					
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	1 806 435	604 490	789 556	1 120 068
EU 16a	Cash outflows - Total weighted value	1 348 701	1 166 656	1 220 459	1 059 855
EU 16b	Cash inflows - Total weighted value	234 500	1 490 411	1 199 195	509 389
16	Total net cash outflows (adjusted value)	1 114 200	291 664	305 115	550 465
17	Liquidity coverage ratio (%)	162%	207%	259%	203%
Net Stable Funding Ratio					
18	Total available stable funding	3 766 717	3 834 414	3 700 748	3 040 567
19	Total required stable funding	2 216 383	2 360 159	2 227 667	2 019 764
20	NSFR ratio (%)	170%	162%	166%	151%

2.2. EU OV1[2] - Overview of risk weighted exposure amounts

3. Table: EU OV1 –values in HUF million; K&H Group compared to last year

Values in HUF million		Risk weighted exposure amounts (RWEAs)		Total own funds requirements
		31/12/2022	31/12/2021	31/12/2022
1	Credit risk (excluding CCR)	**2 235 073**	**1 863 881**	**178 806**
2	Of which the standardised approach	145 252	114 294	11 620
3	Of which the foundation IRB (FIRB) approach			
4	Of which: slotting approach			
EU 4a	Of which: equities under the simple riskweighted approach			
5	Of which the advanced IRB (A-IRB) approach	1 933 410	1 635 745	154 673
6	Counterparty credit risk - CCR	**47 782**	**58 780**	**3 823**
7	Of which the standardised approach	46 656	54 938	3 733
8	Of which internal model method (IMM)			
EU 8a	Of which exposures to a CCP			
EU 8b	Of which credit valuation adjustment - CVA	505	1 918	40
9	Of which other CCR	621	1 924	50
15	Settlement risk			
16	Securitisation exposures in the non-trading book (after the cap)			
17	Of which SEC-IRBA approach			
18	Of which SEC-ERBA (including IAA)			
19	Of which SEC-SA approach			
EU 19a	Of which 1250%			
20	Position, foreign exchange and commodities risks (Market risk)	**330**	**345**	**26**
21	Of which the standardised approach	330	345	26
22	Of which IMA			
EU 22a	Large exposures			
23	Operational risk	**409 670**	**334 609**	**32 774**
EU 23a	Of which basic indicator approach			
EU 23b	Of which standardised approach	409 670	334 609	32 774
EU 23c	Of which advanced measurement approach			
24	Amounts below the thresholds for deduction (subject to 250% risk weight)			
29	Total	**2 692 855**	**2 257 615**	**215 428**

[2] Operational risk data - 31/12/2021 year audited, 31/12/2022 year calculated based on preliminary data

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4. Table: EU OV1 –values in HUF million; K&H Group compared to last quarter

Values in HUF million		Risk weighted exposure amounts (RWEAs)		Total own funds requirements
		31/12/2022	30/09/2022	31/12/2022
1	Credit risk (excluding CCR)	**2 235 073**	**2 109 079**	**178 806**
2	Of which the standardised approach	145 252	143 014	11 620
3	Of which the foundation IRB (FIRB) approach			
4	Of which: slotting approach			
EU 4a	Of which: equities under the simple riskweighted approach			
5	Of which the advanced IRB (A-IRB) approach	1 933 410	1 907 539	154 673
6	Counterparty credit risk - CCR	**47 782**	**88 556**	**3 823**
7	Of which the standardised approach	46 656	86 251	3 733
8	Of which internal model method (IMM)			
EU 8a	Of which exposures to a CCP			
EU 8b	Of which credit valuation adjustment - CVA	505	1 366	40
9	Of which other CCR	621	939	50
15	Settlement risk			
16	Securitisation exposures in the non-trading book (after the cap)			
17	Of which SEC-IRBA approach			
18	Of which SEC-ERBA (including IAA)			
19	Of which SEC-SA approach			
EU 19a	Of which 1250%			
20	Position, foreign exchange and commodities risks (Market risk)	**330**	**496**	**26**
21	Of which the standardised approach	330	496	26
22	Of which IMA			
EU 22a	Large exposures			
23	Operational risk	409 670	334 609	32 774
EU 23a	Of which basic indicator approach			
EU 23b	Of which standardised approach	409 670	334 609	32 774
EU 23c	Of which advanced measurement approach			
24	Amounts below the thresholds for deduction (subject to 250% risk weight)			
29	Total	**2 692 855**	**2 532 739**	**215 428**

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5. Table: EU OV1 – values in HUF million; K&H Bank compared to last year

	Values in HUF million	Risk weighted exposure amounts (RWEAs)		Total own funds requirements
		31/12/2022	31/12/2021	31/12/2022
1	Credit risk (excluding CCR)	**2 273 695**	**1 915 174**	**181 896**
2	Of which the standardised approach	134 969	120 332	10 798
3	Of which the foundation IRB (FIRB) approach			
4	Of which: slotting approach			
EU 4a	Of which: equities under the simple riskweighted approach			
5	Of which the advanced IRB (A-IRB) approach	1 982 314	1 677 656	158 585
6	Counterparty credit risk - CCR	**48 194**	**58 787**	**3 855**
7	Of which the standardised approach	46 652	54 939	3 732
8	Of which internal model method (IMM)			
EU 8a	Of which exposures to a CCP			
EU 8b	Of which credit valuation adjustment - CVA	505	1 918	40
9	Of which other CCR	1 037	1 930	83
15	Settlement risk			
16	Securitisation exposures in the non-trading book (after the cap)			
17	Of which SEC-IRBA approach			
18	Of which SEC-ERBA (including IAA)			
19	Of which SEC-SA approach			
EU 19a	Of which 1250%			
20	Position, foreign exchange and commodities risks (Market risk)	**330**	**345**	**26**
21	Of which the standardised approach	330	345	26
22	Of which IMA			
EU 22a	Large exposures			
23	Operational risk	**406 598**	**331 406**	**32 528**
EU 23a	Of which basic indicator approach			
EU 23b	Of which standardised approach	406 598	331 406	32 528
EU 23c	Of which advanced measurement approach			
24	Amounts below the thresholds for deduction (subject to 250% risk weight)			
29	Total	**2 728 817**	**2 305 712**	**218 305**

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6. Table: EU OV1 – values in HUF million; K&H Bank compared to last quarter

Values in HUF million		Risk weighted exposure amounts (RWEAs)		Total own funds requirements
		31/12/2022	30/09/2022	31/12/2022
1	Credit risk (excluding CCR)	**2 273 695**	**2 142 736**	**181 896**
2	Of which the standardised approach	134 969	137 245	10 798
3	Of which the foundation IRB (FIRB) approach			
4	Of which: slotting approach			
EU 4a	Of which: equities under the simple riskweighted approach			
5	Of which the advanced IRB (A-IRB) approach	1 982 314	1 946 965	158 585
6	Counterparty credit risk - CCR	**48 194**	**88 699**	**3 855**
7	Of which the standardised approach	46 652	86 251	3 732
8	Of which internal model method (IMM)			
EU 8a	Of which exposures to a CCP			
EU 8b	Of which credit valuation adjustment - CVA	505	1 366	40
9	Of which other CCR	1 037	1 082	83
15	Settlement risk			
16	Securitisation exposures in the non-trading book (after the cap)			
17	Of which SEC-IRBA approach			
18	Of which SEC-ERBA (including IAA)			
19	Of which SEC-SA approach			
EU 19a	Of which 1250%			
20	Position, foreign exchange and commodities risks (Market risk)	**330**	**496**	**26**
21	Of which the standardised approach	330	496	26
22	Of which IMA			
EU 22a	Large exposures			
23	Operational risk	**406 598**	**331 406**	**32 528**
EU 23a	Of which basic indicator approach			
EU 23b	Of which standardised approach	406 598	331 406	32 528
EU 23c	Of which advanced measurement approach			
24	Amounts below the thresholds for deduction (subject to 250% risk weight)			
29	Total	**2 728 817**	**2 563 336**	**218 305**

2.3. EU OVC - ICAAP information

2.3.1. (a) (Article 438(a) CRR) A summary of their approach to assessing the adequacy of their internal capital to support current and future activities;

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.

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

In 2007 KBC developed an ICAAP procedure for the whole group that was renewed in 2015. The procedure contains internal models for measuring capital requirements, more specifically economic capital[3]. This ensures the set funding ratio at KBC, which is associated with the predefined reliability level of default in economic sense.

Under Pillar 2, the KBC Group uses the 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)

One of the main component of ICAAP process is to define the risk appetite. We calibrate our operational limits and early warning triggers and their measurement and management methods based on our actual risk appetite. The first step of this process setting up the risk profile of the Bank and compare the risk profile of the actual year with the one of the previous year. The risk appetite (risk acceptance) and the risk profile needs to be syncron. The RCC of K&H approved the K&H Banking Group Risk Appetite Statement 2022 - 2024 document as of 9th March, 2022.

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

2.3.2. (b) Article 438(c) CRR upon demand from the relevant competent authority, the result of the institution's internal capital adequacy assessment process;

No demand from the relevant competent authority.

2.4. EU INS1 - Insurance participations

Empty tables for both K&H Group and Bank

2.5. EU INS2 - Financial conglomerates information on own funds and capital adequacy ratio

Empty tables for both K&H Group and Bank

[3] 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.

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3. Disclosure of risk management objectives and policies (CRR Article 435)

3.1. EU OVA - Institution risk management approach

3.1.1. (a) (Point (f) of Article 435 (1) CRR) Disclosure of concise risk statement approved by the management body

(c) (Point (e) of Article 435 (1) CRR) Declaration approved by the management body on the adequacy of the risk management arrangements

The Risk and Compliance Committee of K&H approved the Capital Adequacy Statement of 2022 and the Internal Control Statement of 2022 of the K&H group and bank on 8th March, 2023.

3.1.2. (b) (Point (b) of Article 435 (1) CRR) Information on the risk governance structure for each type of risk

(d) (Point (c) of Article 435 (1) CRR) Disclosure on the scope and nature of risk disclosure and/or measurement systems

(e) (Point (c) of Article 435 (1) CRR) Disclose information on the main features of risk disclosure and measurement systems.

(f) (Point (a) of Article 435 (1) CRR) Strategies and processes to manage risks for each separate category of risk

(g) (Points (a) and (d) of Article 435 (1) CRR) Information on the strategies and processes to manage, hedge and mitigate risks, as well as on the monitoring of the effectiveness of hedges and mitigants

See in Chapter 8.1 LIQA for liquidity risk, Chapter 9.1 EU CRA for credit Risk, Chapter 16.1 MRA for market risk, Chapter 17.1 ORA for operational risk.

3.2. EU OVB - Disclosure on governance arrangements

3.2.1. (a) (Points (a) of Article 435 (2) CRR) The number of directorships held by members of the management body

We have an internal registry about the number of directorships held by members of the management body, taking into account the legal limits (set by Hpt.)

3.2.2. (b) (Points (b) of Article 435 (2) CRR) Information regarding the recruitment policy for the selection of members of the management body and their actual knowledge, skills and expertise and

(c) (Points (c) of Article 435 (2) CRR) Information on the diversity policy with regard of the members of the management body

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,

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- 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).
- assessing the needed time for managing the position (can take enough time for his/her responsibilities) and the detailed assessment of the criteria set by MNB recommendation

Information about our diversity policy and gender ration targets regarding the members of the management body is available on K&H website (https://www.kh.hu/csoport/bank/vezetoseg).

3.2.3. (d) (Points (d) of Article 435 (2) CRR) Information whether or not the institution has set up a separate risk committee and the frequency of the meetings

The K&H Risk and Compliance Committee (RCC) advises the Board of Directors on the overall current and future risk appetite and risk strategy, as well as on the current and future compliance risk appetite and strategy. It assists the Board of Directors in monitoring and overseeing the implementation of these elements and rules by senior management. The RCC monitors whether the prices of the liabilities and assets and the categories of off-balance sheet products offered to clients take full account of K&H Bank's business model and risk strategy and, in particular, the possible reputation risks linked to these products. The RCC oversees the risk management and compliance functions, and pays special attention to the company's processes to comply with relevant laws and regulations. The K&H Risk and Compliance Committee met 4 times during 2022 (March 9 2022; May 18 2022; September 21 2022; November 23 2022).

3.2.4. (e) (Points (e) of Article 435 (2) CRR) Description on the information flow on risk to the management body.

The chairman of the RCC regularly reports to the Board of Directors about the RCC's activity. In addition, the RCC minutes are officially submitted to the following Board of Directors meeting as well.

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4. Disclosure of the scope of application (CRR Article 436)

4.1. EU LI1 - Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories

7. Table: EU LI1 (values in HUF million; K&H Group)

		Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items				
				Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
	Assets							
1	Cash and cash balances at central banks	1 157 904	1 157 904	1 157 904				
2	Other demand deposit with credit institutions	11 833	11 833	11 833				
3	Securities held-for-trading	11 322	11 322				11 322	
4	Derivative financial instruments	399 448	399 448		399 448		193 065	
5	Loans and advances to banks	221 861	221 861	221 861				
6	Loans and advances to customers	3 447 795	3 447 795	3 447 795				
7	Reverse repurchase agreements and other similar secured lending	33 643	33 643		33 643			
8	Fair value through other comprehensive income	36 622	36 622	36 622				
9	Mandatory fair value through profit or loss	272 012	272 012	272 012				
10	Other assets	- 5 745	- 5 745	- 5 745				
xxx	**Total assets**	**5 586 695**	**5 586 695**	**5 142 282**	**433 091**		**204 387**	
	Liabilities							
1	Measured at amortised cost- Deposits from banks	- 470 597	- 470 597					- 470 597
2	Measured at amortised cost - Customer accounts		- 4 319 720					- 4 319 720
3	Repurchase agreements and other similar secured borrowings		- 51 212					- 51 212
4	Held-for-trading (excluding derivatives)							
5	Financial liabilities designated at fair value		- 13 597					- 13 597
6	Derivative financial instruments		- 428 303		- 428 303		- 160 141	
7	Other liabilities		120 258					120 258
xxx	**Total liabilities**	**- 5 163 170**	**- 5 163 170**		**- 428 303**	**-**	**- 160 141**	**- 4 734 867**

8. Table: EU LI1 (values in HUF million; K&H Bank)

		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							
1	Cash and cash balances at central banks	1 157 903	1 157 903	1 157 903				
2	Other demand deposit with credit institutions	11 835	11 835	11 835				
3	Securities held-for-trading	11 322	11 322				11 322	
4	Derivative financial instruments	399 448	399 448		399 448		193 065	
5	Loans and advances to banks	223 609	223 609	223 609				
6	Loans and advances to customers	3 465 911	3 465 911	3 465 911				
7	Reverse repurchase agreements and other similar secured lending	33 643	33 643		33 643			
8	Fair value through other comprehensive income	37 105	37 105	37 105				
9	Mandatory fair value through profit or loss	272 012	272 012	272 012				
10	Other assets	10 713	10 713	10 713				
xxx	**Total assets**	**5 623 501**	**5 623 501**	**5 179 088**	**433 091**		**204 387**	
	Liabilities							
1	Measured at amortised cost- Deposits from banks	-651 209	-651 209					-651 209
2	Measured at amortised cost - Customer accounts	-4 137 002	-4 137 002					-4 137 002
3	Repurchase agreements and other similar secured borrowings	-73 174	-73 174					-73 174
4	Held-for-trading (excluding derivatives)							
5	Financial liabilities designated at fair value	-13 597	-13 597					-13 597
6	Derivative financial instruments	-428 307	-428 307		-428 307		-160 146	
7	Other liabilities	98 993	98 993					98 993
xxx	**Total liabilities**	**-5 204 296**	**-5 204 296**		**-428 307**		**-160 146**	**-4 775 989**

Public

4.2. EU LI3 - Outline of the differences in the scopes of consolidation (entity by entity)

9. Table: EU LI3 - K&H Group

Name of the entity	Method of accounting consolidation	Method of prudential consolidation					Description of the entity
		Full consolidation	Proportional consolidation	Equity method	Neither consolidated nor deducted	Deducted	
K&H Jelzálogbank Zrt.	*Full consolidation*	*x*					*Credit institution*
K&H Ingatlanlízing Zrt.	*Full consolidation*	*x*					*Leasing company/Financial corporation*
K&H Autópark Kft.	*Full consolidation*	*x*					*Leasing company/Operative leasing*
K&H Faktor Pénzügyi Szolgáltató Zrt.	*Full consolidation*	*x*					*Factoring/Financial Corporation*
K&H Csoportszolgáltató Kft.	*Full consolidation*	*x*					*Accounting; tax consultancy/Financial corporation*
K&H Equities Zrt.	*Full consolidation*	*x*					*Business and other management consultancy activities/Non financial corporation*

4.3. EU LI2 - Main sources of differences between regulatory exposure amounts and carrying values in financial statements

10. Table: EU LI2 - K&H Group

		Total	Items subject to			
			Credit risk framework	Securitisation framework	CCR framework	Market risk framework
1	**Assets carrying value amount under the scope of prudential consolidation (as per template LI1)**	5 586 695	5 142 282	433 091		204 387
2	**Liabilities carrying value amount under the scope of prudential consolidation (as per template LI1)**	- 5 163 170		- 428 303		- 160 141
3	**Total net amount under the scope of prudential consolidation**	423 525	5 142 282	4 788		44 246
4	**Off-balance-sheet amounts**	1 319 378	1 319 378			
5	*Differences in valuations*					
6	*Differences due to different netting rules, other than those already included in row 2*	64 154			64 154	
7	*Differences due to consideration of provisions*	50 631	50 631			
8	*Differences due to the use of credit risk mitigation techniques (CRMs)*	43 454			43 454	
9	*Differences due to credit conversion factors*	- 681 931	- 681 931			
10	*Differences due to Securitisation with risk transfer*					
11	*Other differences*					
12	**Exposure amounts considered for regulatory purposes**	6 056 841	5 948 990		107 608	243

11. Table: EU LI2 - K&H Bank

		Total	Items subject to			
			Credit risk framework	Securitisation framework	CCR framework	Market risk framework
1	**Assets carrying value amount under the scope of prudential consolidation (as per template LI1)**	5 623 501	5 179 088	433 091		204 387
2	**Liabilities carrying value amount under the scope of prudential consolidation (as per template LI1)**	- 5 204 296		- 428 307		- 160 146
3	**Total net amount under the scope of prudential consolidation**	419 205	5 179 088	4 784		44 241
4	**Off-balance-sheet amounts**	1 362 833	1 362 833			
5	*Differences in valuations*					
6	*Differences due to different netting rules, other than those already included in row 2*	66 427			66 427	
7	*Differences due to consideration of provisions*	50 648	50 648			
8	*Differences due to the use of credit risk mitigation techniques (CRMs)*	43 454			43 454	
9	*Differences due to credit conversion factors*	- 708 248	- 708 248			
10	*Differences due to Securitisation with risk transfer*					
11	*Other differences*					
12	**Exposure amounts considered for regulatory purposes**	6 114 371	6 004 247		109 881	243

4.4. EU LIA - Explanations of differences between accounting and regulatory exposure amounts

There are no differences.

4.5. EU LIB táblázat – Other qualitative information on the scope of application

Not relevant for K&H Group

Public

4.6. EU PV1: Prudent valuation adjustments (PVA)

12. Table: EU PV1 (values in HUF million; K&H Group and Bank)

		Risk category					Category level AVA - Valuation uncertainty		Total category level post-diversification		
	Category level AVA	Equity	Interest Rates	Foreign exchange	Credit	Commodities	Unearned credit spreads AVA	Investment and funding costs AVA		Of which: Total core approach in the trading book	Of which: Total core approach in the banking book
1	Market price uncertainty							130	**130**	130	
2	Not applicable										
3	Close-out cost		2	3					6	6	
4	Concentrated positions										
5	Early termination										
6	Model risk						99		99	99	
7	Operational risk										
8	Not applicable										
9	Not applicable										
10	Future administrative costs										
11	Not applicable										
12	Total Additional Valuation Adjustments (AVAs)								**235**	**235**	

Public

5. Disclosure of own funds (CCR Article 437)

5.1. EU CC1 - Composition of regulatory own funds

13. Table: EU CC1 (values in HUF million; K&H Group and K&H Bank)

		K&H Bank	K&H Group
	Common Equity Tier 1 (CET1) capital: instruments and reserves		
1	Capital instruments and the related share premium accounts	189 753	189 753
	of which: Instrument type 1		
	of which: Instrument type 2		
	of which: Instrument type 2		
2	Retained earnings	179 222	182 699
3	Accumulated other comprehensive income (and other reserves)	- 56 763	- 56 710
EU-3a	Funds for general banking risk	40 063	40 170
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1		
5	Minority interests (amount allowed in consolidated CET1)		
EU-5a	Independently reviewed interim profits net of any foreseeable charge or dividend	66 930	67 615
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**419 205**	**423 526**
	Common Equity Tier 1 (CET1) capital: regulatory adjustments		
7	Additional value adjustments (negative amount)	- 148	- 148
8	Intangible assets (net of related tax liability) (negative amount)	- 64 383	- 64 344
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)		
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	52 728	52 728
12	Negative amounts resulting from the calculation of expected loss amounts		
13	Any increase in equity that results from securitised assets (negative amount)		
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing		
15	Defined-benefit pension fund assets (negative amount)		
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)		
17	Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		
18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10 % threshold and net of eligible short positions) (negative amount)		
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10 % threshold and net of eligible short positions) (negative amount)		

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EU-20a	Exposure amount of the following items which qualify for a RW of 1250 %, where the institution opts for the deduction alternative		
EU-20b	of which: qualifying holdings outside the financial sector (negative amount)		
EU-20c	of which: securitisation positions (negative amount)		
EU-20d	of which: free deliveries (negative amount)		
21	Deferred tax assets arising from temporary differences (amount above 10 % threshold, net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)		
22	Amount exceeding the 17,65 % threshold (negative amount)		
23	of which: direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities		
25	of which: deferred tax assets arising from temporary differences		
EU-25a	Losses for the current financial year (negative amount)		
EU-25b	Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (negative amount)		
27	Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount)		
27a	Other regulatory adjusments	- 926	- 926
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**- 148**	**- 148**
29	**Common Equity Tier 1 (CET1) capital**	**406 477**	**410 836**
	Additional Tier 1 (AT1) capital: instruments		
30	Capital instruments and the related share premium accounts	38 120	38 120
31	of which: classified as equity under applicable accounting standards		
32	of which: classified as liabilities under applicable accounting standards		
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1		
EU-33a	Amount of qualifying items referred to in Article 494a(1) subject to phase out from AT1		
EU-33b	Amount of qualifying items referred to in Article 494b(1) subject to phase out from AT1		
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties		
35	of which: instruments issued by subsidiaries subject to phase out		
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**		

Public

	Additional Tier 1 (AT1) capital: regulatory adjustments		
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)		
38	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10 % threshold and net of eligible short positions) (negative amount)		
40	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)		
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)		
42a	Other regulatory adjustments to AT1 capital		
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**		
44	**Additional Tier 1 (AT1) capital**		
45	**Tier 1 capital (T1 = CET1 + AT1)**	**406 477**	**410 836**
	Tier 2 (T2) capital: instruments and provisions		
46	Capital instruments and the related share premium accounts	38 120	38 120
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2 as described in Article 486 (4) CRR		
EU-47a	Amount of qualifying items referred to in Article 494a (2) subject to phase out from T2		
EU-47b	Amount of qualifying items referred to in Article 494b (2) subject to phase out from T2		
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties		
49	of which: instruments issued by subsidiaries subject to phase out		
50	Credit risk adjustments	10 866	10 913
51	**Tier 2 (T2) capital before regulatory adjustments**	**48 986**	**49 033**
	Tier 2 (T2) capital: regulatory adjustments		
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)		
53	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		
54	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10 % threshold and net of eligible short positions) (negative amount)		

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55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)		
EU-56a	Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative amount)		
56b	Other regulatory adjusments to T2 capital		
57	**Total regulatory adjustments to Tier 2 (T2) capital**		
58	**Tier 2 (T2) capital**	**48 986**	**49 033**
59	**Total capital (TC = T1 + T2)**	**455 463**	**459 869**
60	**Total risk exposure amount**	**2 728 817**	**2 692 856**
	Capital ratios and buffers		
61	Common Equity Tier 1	14,90%	15,26%
62	Tier 1	14,90%	15,26%
63	Total capital	16,69%	17,08%
64	Institution CET1 overall capital requirements	7,00%	9,25%
65	of which: capital conservation buffer requirement	2,50%	2,50%
66	of which: countercyclical buffer requirement	0,002%	0,002%
67	of which: systemic risk buffer requirement		
EU-67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer		0
EU-67b	of which: additional own funds requirements to address the risks other than the risk of excessive leverage		
68	**Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)**	8,69%	9,08%
	Amounts below the thresholds for deduction (before risk weighting)		
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	1 619	1 619
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions)	11 060	
75	Deferred tax assets arising from temporary differences (amount below 17.65% threshold, net of related tax liability where the conditions in Article 38 (3) are met)		
	Applicable caps on the inclusion of provisions in Tier 2		
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	1 740	2 114
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach		
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	11 941	11 992
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	982	
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)		
80	Current cap on CET1 instruments subject to phase out arrangements		
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)		
82	Current cap on AT1 instruments subject to phase out arrangements		
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)		
84	Current cap on T2 instruments subject to phase out arrangements		
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)		

Public

5.2. EU CC2 - reconciliation of regulatory own funds to balance sheet in the audited financial statements

14. Table: EU CC2 (values in HUF million; K&H Group)

		Balance sheet as in published financial statements	Reference
		As at period end	
Assets - *Breakdown by asset clases according to the balance sheet in the published financial statements*			
1	Cash and cash balances with central banks and other demand deposits with credit institutions	1 169 737	
2	Cash	72 113	
3	Cash balances with central banks	1 085 791	
4	Other demand deposit with credit institutions	11 833	
5	of which asset pledged as collateral	0	
6	Financial assets	0	
7	Held for trading	204 387	
8	Mandatorily at fair value through profit or loss	272 012	
9	At fair value through other comprehensive income	36 622	
10	of which asset pledged as collateral	0	
11	At amortised cost	3 703 299	
12	of which asset pledged as collateral	25 549	
13	Hedging derivatives	206 383	
14	Fair value changes of hedged item under portfolio hedge of interest rate risk	-174 648	
15	Tax assets	6 959	
16	Current tax assets	40	
17	Deferred tax assets	6 919	
18	Investment property	502	
19	Property, plant and equipment	45 871	
20	Intangible assets	75 460	
21	Non-current assets held for sale and disposal groups	0	
22	Other assets	40 111	
xxx	**Total assets**	5 586 695	
Liabilities - *Breakdown by liability clases according to the balance sheet in the published financial statements*			
1	Financial liabilities	5 283 427	
2	Held for trading	160 141	
3	Designated at fair value through profit or loss	13 597	
4	Measured at amortised cost	4 841 528	
5	Hedging derivatives	268 161	
6	Fair value changes of hedged item under portfolio hedge of interest rate risk	-189 356	
7	Tax liabilities	2 579	
8	Current tax liabilities	2 579	
9	Deferred tax liabilities	0	
10	Provisions for risks and charges and credit commitments	4 656	
11	Other liabilities	61 862	
xxx	**Total liabilities**	5 163 168	
Shareholders' Equity			
1	Share capital	140 978	
2	Share premium	48 775	
3	Accumulated profit	243 551	
4	Other reserves	-9 777	
xxx	**Total shareholders' equity**	423 527	

Public

15. Table: EU CC2 (values in HUF million; K&H Bank)

		Balance sheet as in published financial statements	Reference
		As at period end	
	Assets - *Breakdown by asset clases according to the balance sheet in the published financial statements*		
1	Cash and cash balances with central banks and other demand deposits with credit institutions	1 169 738	
2	Cash	72 113	
3	Cash balances with central banks	1 085 790	
4	Other demand deposit with credit institutions	11 835	
5	of which assets pledged as collateral		
6	Financial assets	4 443 049	
7	Held for trading	204 387	
8	Mandatorily at fair value through profit or loss	272 012	
9	At fair value through other comprehensive income	37 105	
10	of which assets pledged as collateral		
11	At amortised cost	3 723 162	
12	of which assets pledged as collateral	48 803	
13	Hedging derivatives	206 383	
14	Fair value changes of hedged item under portfolio hedge of interest rate risk	-174 648	
15	Tax assets	6 804	
16	Current tax assets		
17	Deferred tax assets	6 804	
18	Investments in subsidiaries and associated companies	16 241	
19	Investment property	466	
20	Property, plant and equipment	46 507	
21	Intangible assets	75 389	
22	Non-current assets held for sale and disposal groups		
23	Other assets	39 953	
xxx	**Total assets**	5 623 499	
	Liabilities - *Breakdown by liability clases according to the balance sheet in the published financial statements*		
1	Financial liabilities	5 303 288	
2	Held for trading	160 146	
3	Designated at fair value through profit or loss	13 597	
4	Measured at amortised cost	4 861 384	
5	Hedging derivatives	268 161	
6	Fair value changes of hedged item under portfolio hedge of interest rate risk	-189 356	
7	Tax liabilities	2 499	
8	Current tax liabilities	2 499	
9	Deferred tax liabilities		
10	Provisions for risks and charges and credit commitments	4 658	
11	Other liabilities	83 205	
xxx	**Total liabilities**	5 204 294	
	Shareholders' Equity		
1	Share capital	140 978	
2	Share premium	48 775	
3	Accumulated profit	239 460	
4	Other reserves	-10 008	
xxx	**Total shareholders' equity**	419 205	

Public

5.3. EU CCA: Main features of regulatory own funds instruments and eligible liabilities instruments

16. Table: EU CCA

		equity	subordinated loan capital #1	subordinated loan capital #2	subordinated loan capital #3
1	Issuer	K&H Bank Zrt.	KBC Bank NV	KBC Bank NV	KBC Bank NV
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	ISIN: HU0000075304	N/A	N/A	N/A
3	Governing law(s) of the instrument	Hungarian law	Belgian law	Belgian law	Belgian law
Regulatory treatment					
4	Transitional CRR rules	core Tier 1 capital instrumentum	Tier 2 capital instrumentum	Tier 2 capital instrumentum	Tier 2 capital instrumentum
5	Post-transitional CRR rules	core Tier 1 capital instrumentum	Tier 2 capital instrumentum	Tier 2 capital instrumentum	Tier 2 capital instrumentum
6	Eligible at solo/ (sub-)consolidated/ solo&(sub-)consolidated	individuel and (sub)consolidated	individuel and (sub)consolidated	individuel and (sub)consolidated	individuel and (sub)consolidated
7	Instrument type (types to be specified by each jurisdiction)	Share, Common Equity Tier 1 as published in Regulation (EU) No 575/2013 article 28	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63
8	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	HUF 140,978 million	EUR 60 million	EUR 30 million	EUR 37 million
9	Nominal amount of instrument	HUF 140,978 million	EUR 60 million	EUR 30 million	EUR 37 million
9a	Issue price	N/A	100%	100%	100%
9b	Redemption price	N/A	100%	100%	100%
10	Accounting classification	equity	subordinated loan	subordinated loan	subordinated loan
11	Original date of issuance	N/A	2006.06.30	2015.09.28	2017.12.22
12	Perpetual or dated	perpetual	dated	dated	dated
13	Original maturity date	no maturity	2026.06.30	2025.09.28	2027.12.22
14	Issuer call subject to prior supervisory approval	N/A	No	No	No
15	Optional call date, contingent call dates and redemption amount	N/A	Pursuant to CRR Article 63	Pursuant to CRR Article 63	Pursuant to CRR Article 63
16	Subsequent call dates, if applicable	N/A	N/A	N/A	N/A
Coupons / dividends					
17	Fixed or floating dividend/coupon	N/A	variable	variable	variable
18	Coupon rate and any related index	N/A	EURIBOR+2.70%	EURIBOR+3.05%	EURIBOR+1.53%
19	Existence of a dividend stopper	No	N/A	N/A	N/A
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A	N/A	N/A	N/A
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A	N/A	N/A	N/A
21	Existence of step up or other incentive to redeem	N/A	No	No	No
22	Noncumulative or cumulative	N/A	Noncumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	N/A	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A	N/A
30	Write-down features	N/A	No	No	No
31	If write-down, write-down trigger(s)	N/A	N/A	N/A	N/A
32	If write-down, full or partial	N/A	N/A	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A	N/A	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	in the case of insolvency or liquidation of the institution, the instruments are classified behind all other receivables	Pursuant to CRR Article 63	Pursuant to CRR Article 63	Pursuant to CRR Article 63
36	Non-compliant transitioned features	N/A	N/A	N/A	N/A
37	If yes, specify non-compliant features	N/A	N/A	N/A	N/A

(1) Insert 'N/A' if the question is not applicable

Public

6. Disclosure of countercyclical capital buffers (CRR Article 440)

6.1. EU CCyB1 - Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer

17. Table: EU CCyB1 (values in HUF million; K&H Group)

Breakdown by country	General credit exposures		Relevant credit exposures – Market risk		Securitisation exposures Exposure value for non-trading book	Total exposure value	Own funds requirements				Risk-weighted exposure amounts	Own funds requirement weights	Countercyclical capital buffer rate
	Exposure value for SA	Exposure value IRB	Sum of long and short positions of trading book exposures for SA	Value of trading book exposure for internal models			Relevant credit risk exposures - Credit risk	Relevant credit exposures – Market risk	Relevant credit exposures – Securitisation positions in the non-trading book	Total			
HU	207 677	2 847 063				3 054 740	159 383			159 383	1 992 288	99,21%	
AT		83				83	5			5	63		
BE		384				384	10			10	125	0,01%	
BG		1				1							1,00%
CH		60				60	6			6	75		
CY		5				5	1			1	13		
CZ		1				1							1,50%
FR		14 276				14 276	318			318	3 975	0,20%	
GB		17 172				17 172	615			615	7 688	0,38%	
IL		40				40	2			2	25		
LU		562				562	6			6	75		0,50%
NL		3				3							
RO		2				2							0,50%
RU		33				33	2			2	25		
SK		2 354				2 354	282			282	3 525	0,18%	1,00%
TR		26				26	2			2	25		
US		112				112	27			27	338	0,02%	
Total	**207 677**	**2 882 177**				**3 089 854**	**160 659**			**160 659**	**2 008 238**		

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18. Table: EU CCyB1 (values in HUF million; K&H Bank)

Breakdown by country	General credit exposures		Relevant credit exposures – Market risk		Securitisation exposures Exposure value for non-trading book	Total exposure value	Own funds requirements				Risk-weighted exposure amounts	Own funds requirement weights	Countercyclical capital buffer rate
	Exposure value for SA	Exposure value IRB	Sum of long and short positions of trading book exposures for SA	Value of trading book exposure for internal models			Relevant credit risk exposures - Credit risk	Relevant credit exposures – Market risk	Relevant credit exposures – Securitisation positions in the non-trading book	Total			
HU	196 428	2 915 842				3 112 270	162 505			162 505	2 031 313	99,22%	
AT		83				83	5			5	63		
BE		384				384	10			10	125	0,01%	
BG		1				1							0,01
CH		60				60	6			6	75		
CY		5				5	1			1	13		
CZ		1				1							
FR		14 276				14 276	318			318	3 975	0,19%	
GB		17 172				17 172	615			615	7 688	0,38%	
IL		40				40	2			2	25		
LU		562				562	6			6	75		0,01
NL		3				3							
RO		2				2							0,01
RU		33				33	2			2	25		
SK		2 354				2 354	282			282	3 525	0,17%	0,01
TR		26				26	2			2	25		
US		112				112	27			27	338		
Összesen	**196 428**	**2 950 956**				3 147 384	**163 781**			**163 781**	**2 047 263**		

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6.2. EU CCyB2 - Amount of institution-specific countercyclical capital buffer

19. Table: EU CCyB2 (values in HUF million; K&H Group)

Total risk exposure amount	2 692 856
Institution specific countercyclical buffer rate	0,002%
Institution specific countercyclical buffer requirement	48 471 403

20. Table: EU CCyB2 (values in HUF million; K&H Bank)

Total risk exposure amount	2 728 817
Institution specific countercyclical buffer rate	0,002%
Institution specific countercyclical buffer requirement	46 389 888

7. Disclosure of the leverage ratio (CRR Article 451)

7.1. EU LR1 - LRSum: Summary reconciliation of accounting assets and leverage ratio exposures

21. Table: EU LR1 (values in HUF million; K&H Group and K&H Bank)

		Applicable Amount	
		K&H Bank	K&H Group
1	Total assets as per published financial statements	5 623 501	5 586 695
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation		
3	(Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)		
4	(Adjustment for temporary exemption of exposures to central bank (if applicable))	- 1 530 484	- 1 530 484
5	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the total exposure measure in accordance with point (i) of Article 429a(1) CRR)		
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting		
7	Adjustment for eligible cash pooling transactions		
8	Adjustments for derivative financial instruments	84 475	84 474
9	Adjustment for securities financing transactions (SFTs)	34 072	34 072
10	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	373 890	369 540
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)	- 52 388	- 52 745
EU-11a	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with point (c) of Article 429a(1) CRR)		
EU-11b	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with point (j) of Article 429a(1) CRR)		
12	Other adjustments	- 293 345	- 294 285
13	**Leverage ratio total exposure measure**	**4 239 721**	**4 197 267**

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7.2. EU LR2 - LRCom: Leverage ratio common disclosure

22. Table: EU LR2 (values in HUF million; K&H Group and K&H Bank)

		CRR leverage ratio exposures			
		2022.12.31		2022.06.30	
		K&H Bank	K&H Group	K&H Bank	K&H Group
On-balance sheet exposures (excluding derivatives and SFTs)					
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	5 361 763	5 323 981	5 147 057	5 111 269
2	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework				
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	- 54 416	- 54 416	- 77 889	- 77 889
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)				
5	(General credit risk adjustments to on-balance sheet items)	- 50 222	- 50 581	- 42 015	- 42 287
6	(Asset amounts deducted in determining Tier 1 capital)	- 12 700	- 12 662	- 4 112	- 4 039
7	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	**5 244 425**	**5 206 322**	**5 023 041**	**4 987 054**
Securities financing transaction (SFT) exposures					
8	Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin)	72 562	72 562	57 636	57 636
EU-8a	Derogation for derivatives: replacement costs contribution under the simplified standardised approach				
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	43 648	43 647	33 902	33 901
EU-9a	Derogation for derivatives: Potential future exposure contribution under the simplified standardised approach				
EU-9b	Exposure determined under Original Exposure Method				
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)				
EU-10a	(Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach)				
EU-10b	(Exempted CCP leg of client-cleared trade exposures) (original exposure method)				
11	Adjusted effective notional amount of written credit derivatives				
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)				
13	**Total derivatives exposures**	**116 210**	**116 209**	**91 538**	**91 537**
SFT exposures					
14	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions				
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	35 311	35 311	60 248	60 248
16	Counterparty credit risk exposure for SFT assets	369	369	2 027	47
EU-16a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429e(5) and 222 CRR				
17	Agent transaction exposures				
EU-17a	(Exempted CCP leg of client-cleared SFT exposure)				
18	**Total securities financing transaction exposures**	**35 680**	**35 680**	**62 275**	**60 295**
Other off-balance sheet exposures					
19	Off-balance sheet exposures at gross notional amount	1 362 838	1 319 381	1 252 162	1 241 419
20	(Adjustments for conversion to credit equivalent amounts)	- 986 782	- 947 677	- 885 874	- 877 190
21	(General provisions deducted in determining Tier 1 capital and specific provisions associated with off-balance sheet exposures)	- 2 166	- 2 164	- 2 344	- 2 342
22	**Other off-balance sheet exposures**	**373 890**	**369 540**	**363 944**	**361 887**

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	Excluded exposures				
EU-22a	(Exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)				
EU-22b	(Exposures exempted in accordance with point (j) of Article 429a (1) CRR (on and off balance sheet))	- 1 530 484	- 1 530 484	- 1 550 578	- 1 550 578
EU-22c	(-) Excluded exposures of public development banks - Public sector investments				
EU-22d	(Excluded exposures of public development banks (or units) - Promotional loans)				
EU-22e	(Excluded passing-through promotional loan exposures by non-public development banks (or units)				
EU-22f	(Excluded guaranteed parts of exposures arising from export credits)				
EU-22g	(Excluded excess collateral deposited at triparty agents)				
EU-22h	(Excluded CSD related services of CSD/institutions in accordance with point (o) of Article 429a(1) CRR)				
EU-22i	(Excluded CSD related services of designated institutions in accordance with point (p) of Article 429a(1) CRR)				
EU-22j	(Reduction of the exposure value of pre-financing or intermediate loans)				
EU-22k	(Total exempted exposures)	- 1 530 484	- 1 530 484	- 1 550 578	- 1 550 578
	Capital and total exposure mesure				
23	**Tier 1 capital**	406 477	410 836	355 267	358 920
24	**Leverage ratio total exposure measure**	**4 239 721**	**4 197 267**	**3 990 220**	**3 950 195**
	Leverage ratio				
25	**Leverage ratio**	9,59%	9,79%	8,90%	9,09%
EU-25	**Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)**	9,59%	9,79%	8,90%	9,09%
25a	**Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)**	7,04%	9,79%	6,30%	6,64%
26	**Regulatory minimum leverage ratio requirement (%)**	3,00%	3,00%	3,00%	3,00%
EU-26a	**Additional own funds requirements to address the risk of excessive leverage (%)**	3,00%	3,00%	2,99%	2,99%
EU-26b	**of which: to be made up of CET1 capital (percentage points)**	1,69%	1,69%	1,68%	1,68%
27	**Leverage ratio buffer requirement (%)**	0,00%	0,00%	0,00%	0,00%
EU-27a	**Overall leverage ratio requirement (%)**	6,00%	6,00%	5,99%	5,99%
	Choice on transitional arrangements and relevant exposures				
EU-27b	Choice on transitional arrangements for the definition of the capital measure				
	Disclosure of mean values				
28	Mean value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivable	21 348	21 348	9 498	9 498
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	35 311	35 311	60 248	60 248
30	Total exposure measure (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	4 225 758	4 183 304	3 939 470	3 899 445
30a	Total exposure measure (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	4 225 758	5 713 788	5 478 839	5 408 918
31	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	9,62%	9,82%	9,02%	9,20%
31a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	9,62%	7,19%	6,48%	6,64%

7.3. EU LR3 - LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

23. Table: EU LR3 (values in HUF million; K&H Group and K&H Bank)

		CRR leverage ratio exposures	
		K&H Bank	K&H Group
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	3 690 836	3 690 836
EU-2	Trading book exposures		
EU-3	Banking book exposures, of which:	3 690 836	3 690 836
EU-4	Covered bonds		
EU-5	Exposures treated as sovereigns	906 905	906 905
EU-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns		
EU-7	Institutions	164 778	164 778
EU-8	Secured by mortgages of immovable properties	655 683	655 683
EU-9	Retail exposures	283 294	283 294
EU-10	Corporate	1 453 187	1 453 187
EU-11	Exposures in default	34 863	34 863
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	192 126	192 126

7.4. EU LRA - disclosure on LRA qualitative items

7.4.1. (a) Description of the processes used to manage the risk of excessive leverage

K&H Group and K&H Bank monitors it regularly. The dividend and capitalization policy of KBC Group ensure the continuous adequacy to regulatory minimum

7.4.2. Description of the factors that had an impact on the leverage ratio during the period to which the disclosed leverage ratio refers

Leverage ratio of K&H Group increased from 8,67% to 9,79%, while the leverage ratio of K&H Bank increased from 8,31% to 9,59% in 2021. The value of leverage ratios were far above 3% regulatory minimum under reported period. At the calculation of leverage exposure value, the ratio of excluded exposures increased from 2021 to 2022, which improved the leverage ratio

8. Disclosure of liquidity requirements (CRR Articles 435 (1), 451a)

8.1. EU LIQA - Liquidity risk management

8.1.1. (a) Strategies and processes in the management of the liquidity risk, including policies on diversification in the sources and tenor of planned funding,

The liquidity strategy has a three years horizon. The Bank's liquidity situation is great. Maintaining this is a key element of the Bank's overall strategy. The major source of liquidity is the well-diversified retail and corporate deposits. The goal is that the well-diversified liability structure shall be available for the Bank.

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The Bank minimized the reliance on wholesale funding, the stable retail and corporate funding ensures sufficient funding. Also, foreign exchange funds are more than enough to fund its foreign currency denominated assets.

The goal is to continue holding the adequate liquidity buffer, having large volume of stable retail and corporate deposits and the Bank meets the regulatory ratios all time.

8.1.2. (b) Structure and organisation of the liquidity risk management function (authority, statute, other arrangements)

Treasury's main objective is to manage the daily liquidity situation of the Bank. Maintaining the necessary liquidity level and meeting the required ratios are the responsibilities of Treasury. The control function is at Dealing Room Risk and Control Department, which is independent from Treasury. Dealing Room Risk and Control Department monitors the liquidity situation, calculates and reports the liquidity measures like LCR and NSFR. Also, it calculates internal measures, does analysis and stress tests and reports them to certain bodies.

The main governing bodies are the CROC and ExCo. They receive reports regularly from both Treasury and Dealing Room Risk and Control Department.

8.1.3. (c) A description of the degree of centralisation of liquidity management and interaction between the group's units

Treasury acts independently while manages the Bank's liquidity situation. Its responsibility that the Bank has sufficient liquidity buffer and meets all regulatory and internal liquidity measures. However, the Bank is part of KBC Group and Treasury works with the Group's units in a group framework in order that KBC Group also has a sufficient liquidity situation.

8.1.4. (d) Scope and nature of liquidity risk reporting and measurement systems

Dealing Room Risk and Control Department measures all liquidity risks at the Bank. Main focus is the calculation of regulatory measures, however calculating internal measures defined by either KBC Group or the Bank itself does strength the liquidity risk measurement process and reporting processes.

8.1.5. (e) Policies for hedging and mitigating the liquidity risk and strategies and processes for monitoring the continuing effectiveness of hedges and mitigants

The liquidity risk appetite of the Bank is consistently low, the liquidity has to be available for the Bank in order that it can perform its normal business activity all the time. In case of not expected or unfavourable market situations the liquidity has to be there.

Treasury does diversify the structure of source of liquidity and the maturity profile is also diversified according to the business strategy.

8.1.6. (f) An outline of the bank`s contingency funding plans

In a liquidity emergency situation the Bank would withdraw its deposits at National Bank of Hungary at first round. Then it would tap its facilities at KBC.

At the same time it would enter into repurchase transaction in the interbank market. Finally, it would tap the secured funding facilites at the central bank.

Depending on the situation and possible scenarios, the following actions can be performed by the Bank;

- liquidate some part of its security portfolio
- review the pricing of deposits and could set a very advanced pricing in the market for the clients
- cancel uncommitted credit and liquidty lines
- review the rates of loans, those could be increased, the Bank may support prepayment or abort lending
- initiate some discussions about selling some part of its loan portfolio after carefull analysis
- finally, to prepare for the normalcy after the emergency situation, the Bank would create new liquidity increasing products, it would make a new marketing strategy about deposit campaigns and a new image at the market.

8.1.7. (g) An explanation of how stress testing is used

Liquidity stress test are created monthly and the Bank's governing bodies review them regularly. In a holistic approach the stress tests were developed to cover all perspectives; there is historical stress test, empirical stress test, scenario stress test and reverse stress test as components of the stress test portfolio. The different aspects and views ensures that the Bank shall receive a clear and whole picture.

Also, the stress tests have different horizons; from short window till 6 months horizon. The severity of the stress tests varies too.

During the year stress tests showed that the Bank has a strong liqudity profile.

8.1.8. (h) A declaration approved by the management body on the adequacy of liquidity risk management arrangements of the institution providing assurance that the liquidity risk management systems put in place are adequate with regard to the institution's profile and strategy

The Capital and Risk Oversight Comittee and Executive Committee yearly overviews the Liquidity Adequacy Statement which contains the liquidty strategy and adequacy. The Statement aims to ensrue the that evolution of main liqudity measures are in line with the set strategy. The liqudity measures have to meet the regulatory requirements all the time. The Bank's liqudity profile and situation is very strong, even at stress scenarios.

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8.1.9. (i) A concise liquidity risk statement approved by the management body succinctly describing the institution's overall liquidity risk profile associated with the business strategy. This statement shall include key ratios and figures (other than those already covered in the EU LIQ1 template under this ITS) providing external stakeholders with a comprehensive view of the institution's management of liquidity risk, including how the liquidity risk profile of the institution interacts with the risk tolerance set by the management body. These ratios may include:

Concentration limits on collateral pools and sources of funding (both products and counterparties)

Customised measurement tools or metrics that assess the structure of the bank's balance sheet or that project cash flows and future liquidity positions, taking into account off-balance sheet risks which are specific to that bank

Liquidity exposures and funding needs at the level of individual legal entities, foreign branches and subsidiaries, taking into account legal, regulatory and operational limitations on the transferability of liquidity

Balance sheet and off-balance sheet items broken down into maturity buckets and the resultant liquidity gaps

Liquidity Adequacy statement;

The Bank's liqudity and financing situation measured in its actual and in the forward looking business plans' risk profile is sufficient and adequate in both expected and unexpected stress scenarios. The risk governance and risk measurement ensures that regulatory and internal risk measures meet the required levels in the future too.

The Retail and SME deposit ratio to the total balance sheet is minimum 30%

Corporate deposit ratio to the total balance sheet is maximum 35%

Interbank deposit ratio to the total balance sheet is maximum 10%

The Bank manages the future cashflows with contractual maturity dates, and majority of the balance sheet items belongs to this category. The non-maturity deposits and client behavioral modeled liabilites are under special attention. Treasury regularly analysis the behavioral model results and the actual client behavier. If necessary Treasury proposes actions or advices to manage difference.

Treasury department manages the liquidity for the whole K&H Banking Group under the internal FTP system.

The maturity bands (version with contractual dates and modeled dates) are shown to the Capital and Risk Oversight Comittee regularly. Limit utilizations are also reported and action plans are added if it was needed.

Treasury manages the K&H banking group's liqudity too, internal prices towards affiliates are the key component of this process.

Public

8.2. EU LIQ1 - Quantitative information of LCR

24. Table: EU LIQ1 (values in HUF million; K&H Group)

		Total unweighted value (average)				Total weighted value (average)			
EU 1a	Quarter ending on (DD Month YYY)	2022.12.31	2022.09.30	2022.06.30	2022.03.31	2022.12.31	2022.09.30	2022.06.30	2022.03.31
EU 1b	Number of data points used in the calculation of averages	3	3	3	3				
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid assets (HQLA), after application of haircuts in line with Article 9 of regulation (EU) 2015/61					1 687 115	605 017	680 618	749 241
CASH - OUTFLOWS									
2	retail deposits and deposits from small business customers, of which:	2 125 022	2 169 055	2 193 964	2 119 009	152 215	154 295	1 490 400	151 399
3	*Stable deposits*	1 425 042	1 469 838	1 462 443	1 424 342	71 252	73 492	986 246	71 217
4	*Less stable deposits*	699 980	699 217	731 521	694 667	80 963	80 803	504 154	80 182
5	Unsecured wholesale funding	1 605 752	1 464 736	1 390 964	1 622 066	802 428	698 385	1 266 381	874 041
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*								
7	*Non-operational deposits (all counterparties)*	1 605 454	1 463 678	1 390 817	1 621 976	802 130	697 327	1 266 134	873 951
8	*Unsecured debt*	298	1 058	147	90	298	1 058	248	90
9	*Secured wholesale funding*								
10	Additional requirements	618 595	643 362	639 845	609 655	232 944	240 737	497 128	235 805
11	*Outflows related to derivative exposures and other collateral requirements*	173 845	178 464	176 040	175 071	173 845	178 464	174 576	175 071
12	*Outflows related to loss of funding on debt products*								
13	*Credit and liquidity facilities*	444 751	464 898	463 805	434 584	59 099	62 273	322 551	60 734
14	Other contractual funding obligations	484 875	389 766	346 329	372 386	61 389	8 616	297 531	57 430
15	Other contingent funding obligations	414 227	405 467	389 104	406 023	114 191	112 047	305 841	107 546
16	TOTAL CASH OUTFLOWS					1 363 167	1 214 079	1 363 167	1 426 222
CASH - INFLOWS									
17	Secured lending (e.g. reverse repos)	29 171	26 128	20 030	14 890				
18	Inflows from fully performing exposures	223 744	1 402 838	1 517 728	1 638 945	205 589	1 387 188	1 503 672	1 625 127
19	Other cash inflows	2 296	8 162	14 293	895	2 296	8 162	14 293	895
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there								
EU-19b	(Excess inflows from a related specialised credit institution)								
20	TOTAL CASH INFLOWS	255 212	1 437 129	1 552 052	1 654 729	207 885	1 395 351	1 517 966	1 626 022
EU-20a	*Fully exempt inflows*								
EU-20b	*Inflows subject to 90% cap*								
EU-20c	*Inflows subject to 75% cap*	255 212	1 437 129	1 552 052	1 654 729	207 885	1 395 351	1 517 966	1 626 022
TOTAL ADJUSTED VALUE									
21	LIQUIDITY BUFFER					1 687 115	605 017	680 618	749 241
22	TOTAL NET CASH OUTFLOWS					1 155 281	303 520	288 589	356 555
23	LIQUIDITY COVERAGE RATIO					147%	200%	236%	212%

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25. Table: EU LIQ1 (values in HUF million; K&H Bank)

		Total unweighted value (average)				**Total** weighted value (average)			
EU 1a	**Quarter ending on (DD Month YYY)**	**T**	**T-1**	**T-2**	**T-3**	**T**	**T-1**	**T-2**	**T-3**
EU 1b	**Number of data points used in the calculation of averages**	3	3	3	3				
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid assets (HQLA), after application of haircuts in line with Article 9 of regulation (EU) 2015/61					1 684 967	604 268	676 798	749 752
CASH - OUTFLOWS									
2	retail deposits and deposits from small business customers, of which:	2 125 126	2 169 367	2 194 273	2 119 009	152 231	154 342	157 867	151 399
3	*Stable deposits*	1 425 042	1 469 838	1 462 443	1 424 342	71 252	73 492	73 122	71 217
4	*Less stable deposits*	700 084,27	699 529	731 830	694 667	80 979	80 850	84 745	80 182
5	Unsecured wholesale funding	1 623 487	1 479 690	1 405 728	1 641 117	815 550	708 823	648 985	886 448
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*								
7	*Non-operational deposits (all counterparties)*	1 623 487	1 479 690	1 405 728	1 641 117	815 550	708 823	648 985	886 448
8	*Unsecured debt*								
9	*Secured wholesale funding*								
10	Additional requirements	629 899	643 362	639 845	609 655	244 248	240 738	240 967	235 805
11	*Outflows related to derivative exposures and other collateral requirements*	185 149	178 465	176 040	175 071	185 149	178 465	176 040	175 071
12	*Outflows related to loss of funding on debt products*								
13	*Credit and liquidity facilities*	444 751	464 898	463 805	434 584	59 099	62 273	64 927	60 734
14	Other contractual funding obligations	485 055	389 946	346 475	372 566	61 389	8 616	7 079	57 430
15	Other contingent funding obligations	445 405	426 739	410 281	425 139	123 821	118 247	115 900	113 356
16	TOTAL CASH OUTFLOWS					1 397 239	1 230 765	1 170 797	1 444 438
CASH - INFLOWS									
17	Secured lending (e.g. reverse repos)	29 171	26 128	20 030	14 890				
18	Inflows from fully performing exposures	223 732	1 402 825	1 517 714	1 638 922	205 583	1 387 182	1 503 665	1 625 116
19	Other cash inflows	2 296	8 164	14 293	895	2 296	8 164	14 293	895
EU-19a	(Difference between total weighted inflows and total weighted outflows								
EU-19b	(Excess inflows from a related specialised credit institution)								
20	TOTAL CASH INFLOWS	255 200	1 437 117	1 552 038	1 654 706	207 879	1 395 346	1 517 959	1 626 010
EU-20a	*Fully exempt inflows*								
EU-20b	*Inflows subject to 90% cap*								
EU-20c	*Inflows subject to 75% cap*	255 200	1 437 117	1 552 038	1 654 706	207 879	1 395 346	1 517 959	1 626 010
TOTAL ADJUSTED VALUE									
21	LIQUIDITY BUFFER					1 684 967	604 268	676 798	749 752
22	TOTAL NET CASH OUTFLOWS					1 189 359	307 691	292 699	361 110
23	LIQUIDITY COVERAGE RATIO					142%	197%	231%	209%

8.3. EU LIQB - on qualitative information on LCR, which complements template EU LIQ1

8.3.1. (a) Explanations on the main drivers of LCR results and the evolution of the contribution of inputs to the LCR's calculation over time

The Bank's liquidity situation is stabile due to the well diversified and ample customer deposit basis. The majority of liqudity buffer is invested in Hungarian government bonds or deposited to National Bank of Hungary, so it is ensured that an adequate liduity buffer is available.

8.3.2. (b) Explanations on the changes in the LCR over time

The LCR is sufficiently and continuously above the regulatory requirement level. There is some volatility because of the natural movements of customer deposits, and because of rearrangements between inflows and liquid assets.

8.3.3. (c) Explanations on the actual concentration of funding sources

The retail and corporate deposits are the sources of the Bank's liquidity. These are well diversified liabilities so the Bank has no additional concentration risk to one party or a group.

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8.3.4. (d) High-level description of the composition of the institution`s liquidity buffer

The liqudity buffer is kept in Hungarian goverment bonds, short term deposits at National Bank of Hungary and naturally there is cash too. Overall the Bank has a liqudity buffer made of very high quality Level 1 liquid assets.

8.3.5. (e) Derivative exposures and potential collateral calls

There are no major inflows or outflows from derivatives because the clients' transactions are back-to-back hedges, while ALM only hedges the positions with derivative deals. The so-called HLBA methodology is used for potential collateral outflow modeling, it is taken into account of liqudity calculations.

8.3.6. (f) Currency mismatch in the LCR

The Bank is self-financed from foreign currency liquidity perspective. The main foreign currency is euro, the Bank has much more liabilities than assets in euro. ALM continously ensures that there shall be liqudity in every currency.

8.3.7. (g) Other items in the LCR calculation that are not captured in the LCR disclosure template but that the institution considers relevant for its liquidity profile

As the National Bank of Hungary requires, all items in the Bank are taken into account during liqudity risk calculations. For example uncommitted credit lines impacts liquidity calculations.

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8.4. EU LIQ2 - Net Stable Funding Ratio

26. Table: EU LIQ2 (values in HUF million; K&H Group)

		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
Available stable funding (ASF) Items						
1	Capital items and instruments	**343 942**			**49 033**	**392 975**
2	*Own funds*	343 942			49 033	392 975
3	*Other capital instruments*					
4	Retail deposits		**2 117 855**	**3 969**	**123**	**1 981 562**
5	*Stable deposits*		1 433 760	2 196	1	1 364 160
6	*Less stable deposits*		684 095	1 773	122	617 402
7	Wholesale funding:		**1 778 964**	**205 113**	**599 294**	**1 408 492**
8	*Operational deposits*					
9	*Other wholesale funding*		1 778 964	205 113	599 294	1 408 492
10	Interdependent liabilities					
11	Other liabilities:		**1 623**			
12	*NSFR derivative liabilities*		-			
13	*All other liabilities and capital instruments not included in the above categories*		1 623			
14	**Total available stable funding (ASF)**					**3 783 029**
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)					**16 106**
EU-15a	Assets encumbered for a residual maturity of one year or more in a cover pool		**5 497**	**5 297**	**166 620**	**150 802**
16	Deposits held at other financial institutions for operational purposes					
17	Performing loans and securities:		**452 975**	**311 326**	**1 639 037**	**1 684 766**
18	*Performing securities financing transactions with financial customerscollateralised by Level 1 HQLA subject to 0% haircut*		2 724			
19	*Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions*		50 909	56 194	97 411	130 599
20	*Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:*		383 610	239 655	1 067 659	1 219 194
21	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*					
22	*Performing residential mortgages, of which:*		15 187	15 383	433 587	300 331
23	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		12 013	11 905	379 351	258 537
24	*Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products*		545	94	40 379	34 641
25	Interdependent assets					
26	Other assets:		**932 809**	**2 795**	**208 507**	**274 211**
27	*Physical traded commodities*					
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*					
29	*NSFR derivative assets*		53 005			53 005
30	*NSFR derivative liabilities before deduction of variation margin posted*		90 587			4 529
31	*All other assets not included in the above categories*		789 218	2 795	208 507	216 677
32	Off-balance sheet items		**614 041**	**55 517**	**199 115**	**46 681**
33	**Total RSF**					**2 172 567**
34	**Net Stable Funding Ratio (%)**					174%

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27. Table: EU LIQ2 (values in HUF million; K&H Bank)

		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
Available stable funding (ASF) Items						
1	Capital items and instruments	**340 268**			**48 986**	**389 254**
2	*Own funds*	340 268			48 986	389 254
3	*Other capital instruments*					
4	Retail deposits		**2 117 855**	**3 969**	**123**	**1 981 562**
5	*Stable deposits*		1 433 760	2 196	1	1 364 160
6	*Less stable deposits*		684 095	1 773	122	617 402
7	Wholesale funding:		**1 851 672**	**201 690**	**584 691**	**1 395 901**
8	*Operational deposits*					
9	*Other wholesale funding*		1 851 672	201 690	584 691	1 395 901
10	Interdependent liabilities					
11	Other liabilities:	**1 339**	**1 623**			
12	*NSFR derivative liabilities*	1 339				
13	*All other liabilities and capital instruments not included in the above categories*		1 623			
14	**Total available stable funding (ASF)**					**3 766 717**
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)					**16 106**
EU-15a	Assets encumbered for a residual maturity of one year or more in a cover pool		**5 497**	**5 297**	**166 620**	**150 802**
16	Deposits held at other financial institutions for operational purposes					
17	Performing loans and securities:		**480 596**	**311 397**	**1 679 080**	**1 727 018**
18	*Performing securities financing transactions with financial customerscollateralised by Level 1 HQLA subject to 0% haircut*		9 217			
19	*Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions*		71 832	56 194	121 068	156 349
20	*Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:*		383 815	239 547	1 067 499	1 219 107
21	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*					
22	*Performing residential mortgages, of which:*		15 187	15 383	433 587	300 331
23	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		12 013	11 905	379 351	258 537
24	*Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products*		545	272	56 926	51 231
25	Interdependent assets					
26	Other assets:		**944 281**	**2 795**	**208 507**	**274 799**
27	*Physical traded commodities*					
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*					
29	*NSFR derivative assets*		53 005			53 005
30	*NSFR derivative liabilities before deduction of variation margin posted*		102 058			5 103
31	*All other assets not included in the above categories*		789 218	2 795	208 507	216 691
32	Off-balance sheet items		**667 792**	**55 517**	**199 115**	**47 659**
33	**Total RSF**					**2 216 383**
34	**Net Stable Funding Ratio (%)**					170%

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9. Disclosure of credit risk quality (CRR Articles 435, 442)

9.1. EU CRA: General qualitative information about credit risk

9.1.1. (a) In the concise risk statement in accordance with point (f) of Article 435(1) CRR, how the business model translates into the components of the institution's credit risk profile

(b) When discussing their strategies and processes to manage credit risk and the policies for hedging and mitigating that risk in accordance with points (a) and (d) of Article 435(1) CRR, the criteria and approach used for defining the credit risk management policy and for setting credit risk limits

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

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

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

Limits at individual counterparty level

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

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

Limits at group/sector/portfolio level

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

Credit risk monitoring

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

The so-called Integrated Risk report, prepared for the ExCo 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

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- Corporate

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

Also included here are reports from different pseudo portfolios that identify segments with specific risk characteristics (e.g. moratorum, MTG interest rate cap).

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).

9.1.2. (c) When informing on the structure and organisation of the risk management function in accordance with point (b) of Article 435(1) CRR, the structure and organisation of the credit risk management and control function

The three lines of defence concept (3 LOD model) is used to further improve the Internal Control System within the K&H Banking Group. The roles and responsibilities of the different parties within this concept are highlighted below.

First line of defence: business entities

The first line of defence (the business side) has full ownership of its risks. It needs to identify, understand and deal with these risks as well as have the necessary controls executed. This involves allocating sufficient priority and capacity to risk topics, making sure the business self-assessments of the risks are of a sufficient quality, and performing the right controls in the right manner.

Second line of defence: the risk function

The risk function, as part of the second line of defence, formulates independent opinions on the risks K&H faces and on the way, they are mitigated. It provides an overview of the group's control environment and risk exposure. To do this consistently while adhering to high standards, the risk function develops, imposes and monitors consistent implementation of the KBC risk management framework, describing the processes, methods and tools to identify, measure and report on risks. To make sure that its voice is heard, the CRO also has a veto right that can be exercised in the different committees where major decisions are taken.

Third line of defence: internal audit

The third line of defence (internal audit) gives reasonable assurance to the Boards of Directors that the overall internal control environment is effective and that policies and processes are in place, effective and consistently applied throughout the K&H Banking Group.

9.1.3. (d) When informing on the authority, status and other arrangements for the risk management function in accordance with point (b) of Article 435(1) CRR, the relationships between credit risk management, risk control, compliance and internal audit functions.

The Three Lines of Defence Model (3 LOD model), as described in the previous point, ensures the resilience of K&H's risk and control environment and safeguards the sustainability of our business model going forward. In this model, Business acts as the first line of defence, Risk as one of the second lines and Internal Audit as the third line. They all work together in order to prevent major impact losses for the K&H Banking Group.

9.2. EU CRB: Additional disclosure related to the credit quality of assets

9.2.1. The scope and definitions of 'past-due' and 'impaired' exposures used for accounting purposes and the differences, if any, between the definitions of past due and default for accounting and regulatory purposes as specified by the EBA Guidelines on the application of the definition of default in accordance with Article 178 CRR.

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

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

It is important to note that the so-called "Cross Default" is also applicable for retail portfolio. This means that if a retail clients Non-performing exposure exceeds 20% of said clients total exposure then all exposures shall be reported as Non-performing.

9.2.2. The extent of past-due exposures (more than 90 days) that are not considered to be impaired and the reasons for this.

The Bank calculates days past due figure for default triggers according to EU regulations. These rules set a materiality, if overdue amounts do not exceed the materiality then the deal shall not be reported as Non-performing or Impaired

9.2.3. Description of methods used for determining general and specific credit risk adjustments.

The institution's own definition of a restructured exposure used for the implementation of point (d) of Article 178(3) CRR specified by the EBA Guidelines on default in accordance with Article 178 CRR when different from the definition of forborne exposure defined in Annex V to Commission Implementing Regulation (EU) 680/2014.

The bank implemented the so-called Forborne definition, which replaces the standing restructured definition. The main difference compared to the previous definition is the introduction of distressed renegotiation. Basically if the restructuring is linked to any payment difficulty then the restructured deal needs to be flagged as High Risk Forbearance. This means that deals restructured due to payment difficulties cannot be rated as performing, they have to at least be put into PD 10 category. Restructuring activities where there is no indication of payment difficulties can be flagged as

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performing forborne. The details of Forbearance can be found in EBA ITS Definition of Forbearance (EBA ITS 2013/03).

It is important to note that after the introduction of blanket moratorium in Hungary the Bank strengthened its Forbearance measures/triggers. If a client was still under moratorium after 1, November 2021, then the client was flagged as at least performing Forborne. If any indication of vulnerability was found (through PD information, client declaration, or based on transactional info) then the client was flagged as Non-Performing Forborne. This is a very conservative approach, expectation most of these clients will heal, to Performing status in the long run.

9.2.4. Total and average net amount of exposures

28. Table: EU CRB-B (values in HUF million; K&H Group)

Exposure class	Net value of exposures at the end of the period	Average net exposures over the period
Central governments or central banks	37 918	47 798
Institutions	495 465	598 178
Corporates	2 411 594	2 166 247
Of which: Specialised lending	356 260	317 286
Of which: SMEs	870 532	852 888
Retail	844 407	842 006
Secured by real estate property	686 847	642 623
SMEs		
Non-SMEs	686 847	642 623
Qualifying revolving		
Other retail	157 559	199 383
SMEs		
Non-SMEs	157 559	199 383
Equity		
Total IRB approach	**3 789 384**	**3 654 229**
Central governments or central banks	2 399 471	2 374 905
Regional governments or local authorities		
Public sector entities		
Multilateral development banks		
International organisations		
Institutions		
Corporates	36 085	33 705
Of which: SMEs	10 021	2 605
Retail	172 761	162 342
Of which: SMEs		
Secured by mortgages on immovableproperty		
Of which: SMEs		
Exposures in default	3 125	1 908
Items associated with particularlyhigh risk		
Covered bonds		
Claims on institutions and corporates with a short-term credit assessment		
Collective investments undertakings		
Equity exposures	1 626	2 229
Other exposures	177 838	177 907
Total standardised approach	**2 790 905**	**2 752 998**
Total	**6 580 290**	**6 407 227**

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29. Table: EU CRB-B (values in HUF million; K&H Bank)

Exposure class	Net value of exposures at the end of the period	Average net exposures over the period
Central governments or central banks	37 918	47 798
Institutions	495 465	598 285
Corporates	2 514 976	2 239 216
Of which: Specialised lending	356 260	317 286
Of which: SMEs	870 532	852 888
Retail	844 407	842 006
Secured by real estate property	686 847	642 623
SMEs		
Non-SMEs	686 847	642 623
Qualifying revolving		
Other retail	157 559	199 383
SMEs		
Non-SMEs	157 559	199 383
Equity		
Total IRB approach	**3 892 766**	**3 727 305**
Central governments or central banks	2 399 471	2 374 905
Regional governments or local authorities		
Public sector entities		
Multilateral development banks		
International organisations		
Institutions		
Corporates	410	216
Of which: SMEs		
Retail	172 435	162 092
Of which: SMEs		
Secured by mortgages on immovable property		
Of which: SMEs		
Exposures in default	1 524	1 506
Items associated with particularlyhigh risk		
Covered bonds		
Claims on institutions and corporates with a short-term credit assessment		
Collective investments undertakings		
Equity exposures	17 867	18 701
Other exposures	177 374	178 611
Total standardised approach	**2 769 081**	**2 736 031**
Total	**6 661 847**	**6 463 336**

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9.2.5. Geographical breakdown of exposures

30. Table: EU CRB-C (values in HUF million; K&H Group)

Exposure class	Middle and East Europe			Western Europe					Africa	North America	Latin America	Asia	Middle East	Australia	Total
		Hungary	Other		France	United Kingdom	Spain	Other							
Central governments or central banks	37 918	37 918													37 918
Institutions	113 794	95 386	18 408	378 149	46 577		15 000	316 572		3 235		192	8	87	495 465
Corporates	2 333 675	2 331 530	2 145	77 532	42 109	34 096		1 327		58			330		2 411 594
Retail	843 659	843 514	145	612	19	102	14	476		54		67	4	11	844 406
Equity															
Total IRB approach	3 329 046	3 308 348	20 698	456 293	88 706	34 198	15 014	318 375		3 347		258	342	98	3 789 384
Central governments or central banks	2 399 471	2 399 471													2 399 471
Regional governments or local authorities															
Public sector entities															
Multilateral development banks															
International organisations															
Institutions															
Corporates	36 085	36 085													36 085
Retail	174 233	174 230	3	17				17							174 249
Secured by mortgages on immovable property															
Exposures in default	1 635	1 635	1	1											1 636
Items associated with particularly high risk															
Covered bonds															
Claims on institutions and corporates with a short-term credit assessment															
Collective investments undertakings															
Equity exposures	1 626	1 626													1 626
Other exposures	177 838	177 838													177 838
Total standardised approach	2 790 887	2 790 883	4	17				17							2 790 904
Total	6 119 933	6 099 231	20 702	456 310	88 706	34 198	15 014	318 392		3 347		258	342	98	6 580 288

31. Table: EU CRB-C (values in HUF million; K&H Bank)

Exposure class	Middle and East Europe			Western Europe					Africa	North America	Latin America	Asia	Middle East	Australia	Total
		Hungary	Other		France	United Kingdom	Spain	Other							
Central governments or central banks	37 918	37 918													37 918
Institutions	113 794	95 386	18 408	378 149	46 577		15 000	316 572		3 235		192	8	87	495 465
Corporates	2 437 057	2 434 912	2 145	77 532	42 109	34 096		1 327		58			330		2 514 976
Retail	843 659	843 514	145	612	19	102	14	476		54		67	4	11	844 406
Equity															
Total IRB approach	3 432 428	3 411 730	20 698	456 293	88 706	34 198	15 014	318 375		3 347		258	342	98	3 892 766
Central governments or central banks	2 399 471	2 399 471													2 399 471
Regional governments or local authorities															
Public sector entities															
Multilateral development banks															
International organisations															
Institutions															
Corporates	410	410													410
Retail	173 907	173 904	3	17				17							173 924
Secured by mortgages on immovable property															
Exposures in default	34	34	1	1											35
Items associated with particularly high risk															
Covered bonds															
Claims on institutions and corporates with a short-term credit assessment															
Collective investments undertakings															
Equity exposures	17 867	17 867													17 867
Other exposures	177 374	177 374													177 374
Total standardised approach	2 769 062	2 769 059	4	17				17							2 769 080
Total	6 201 490	6 180 788	20 702	456 310	88 706	34 198	15 014	318 392		3 347		258	342	98	6 661 846

9.2.6. Concentration of exposures by industry or counterparty types

32. Table: EU CRB-D (values in HUF million; K&H Group)

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						37 918													37 918
Institutions		26 475				25 191						442 564							494 230
Corporates	175 719	13 551	184 356	109 676	303 267	2	52 541	228 805	0	8 774	389 588	205 700	36 734	26 109	141 161	27 820	125 314	382 477	2 411 594
Retail									844 407										844 407
Equity																			
Total IRB approach	175 719	40 027	184 356	109 676	303 267	63 111	52 541	228 805	844 407	8 774	389 588	648 263	36 734	26 109	141 161	27 820	125 314	382 477	3 788 149
Central governments or central banks		15 438				2 384 032													2 399 471
Regional governments or local authorities																			
Public sector entities																			
Multilateral development banks																			
International organisations																			
Institutions																			
Corporates	4 848	246	727	3 937	5 473		228				9 506		422		5 778	25	4 895		36 085
Retail		326				173 182			742										174 250
Secured by mortgages on immovable property																			
Exposures in default	1 601	0							35										1 636
Items associated with particularly high risk																			
Covered bonds																			
Claims on institutions and corporates with a short-term credit assessment																			
Collective investments undertakings																			
Equity exposures		1 626																	1 626
Other exposures		177 838																	177 838
Total standardised approach	6 449	195 474	727	3 937	5 473	2 557 214	228		777		9 506		422		5 778	25	4 895		2 790 905
Total	182 168	235 501	185 083	113 614	308 740	2 620 325	52 769	228 805	845 184	8 774	399 094	648 263	37 156	26 109	146 939	27 845	130 209	382 477	6 579 054

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33. Table: EU CRB-D (values in HUF million; K&H Bank)

Exposure class	Automitive	Other	Building and construction	Metal machinery and heavy equipment	Shipping and aviation	Authority	IT nd Electronics	Commercial real estate	Private Person	Media & Telecom	Agriculture, farming, fishing and food	Finance and insurance	Shipping and aviation	HORECA	Utility	Textil, timber and paper	Chemicals	Electricity and water	Total
Central governments or central banks						37 918													37 918
Institutions		26 475				25 191						442 564			1 236				495 465
Corporates	175 719	15 530	184 356	109 676	303 267	2	52 541	228 805	0	8 774	389 588	305 303	36 734	26 109	142 962	27 820	125 314	382 477	2 514 976
Retail									844 407										844 407
Equity																			
Total IRB approach	175 719	42 005	184 356	109 676	303 267	63 111	52 541	228 805	844 407	8 774	389 588	747 866	36 734	26 109	144 197	27 820	125 314	382 477	3 892 766
Central governments or central banks		15 438				2 384 032													2 399 471
Regional governments or local authorities																			
Public sector entities																			
Multilateral development banks																			
International organisations																			
Institutions																			
Corporates		410																	410
Retail						173 182			742										173 924
Secured by mortgages on immovable property																			
Exposures in default		0							35										35
Items associated with particularly high risk																			
Covered bonds																			
Claims on institutions and corporates with a short-term credit assessment																			
Collective investments undertakings																			
Equity exposures		17 867																	17 867
Other exposures		177 374																	177 374
Total standardised approach		211 089				2 557 214			777										2 769 081
Total	175 719	253 094	184 356	109 676	303 267	2 620 325	52 541	228 805	845 184	8 774	389 588	747 866	36 734	26 109	144 197	27 820	125 314	382 477	6 661 847

9.2.7. Maturity of exposures

34. Table: EU CRB-E (values in HUF million; K&H Group)

Exposure class	On demand	≤ 1 year	>1 year ≤ 5 year	> 5 year	No stated maturity	Total
Central governments or central banks			30 541	7 377		37 918
Institutions		271 741	170 207	53 517		495 465
Corporates		751 568	656 230	1 003 796		2 411 594
Retail		23 160	86 994	734 252		844 407
Equity						
Total IRB approach		1 046 469	943 973	1 798 943		3 789 384
Central governments or central banks		1 576 619	402 095	420 756		2 399 471
Regional governments or local authorities						
Public sector entities						
Multilateral development banks						
International organisations						
Institutions						
Corporates		26 858	416	8 811		36 085
Retail		741	43	173 465		174 250
Secured by mortgages on immovable property						
Exposures in default		35		1 601		1 636
Items associated with particularly high risk						
Covered bonds						
Claims on institutions and corporates with a short-term credit assessment						
Collective investments undertakings						
Equity exposures				1 626		1 626
Other exposures				177 838		177 838
Total standardised approach		1 604 253	402 554	784 098		2 790 905
Total		2 650 722	1 346 527	2 583 041		6 580 290

Public

35. Table: EU CRB-E (values in HUF million; K&H Bank)

Exposure class	On demand	≤ 1 year	>1 year ≤ 5 year	> 5 year	No stated maturity	Total
Central governments or central banks			30 541	7 377		37 918
Institutions		271 741	170 207	53 517		495 465
Corporates		753 923	656 597	1 104 456		2 514 976
Retail		23 160	86 994	734 252		844 407
Equity						
Total IRB approach		1 048 824	944 340	1 899 602		3 892 766
Central governments or central banks		1 576 619	402 095	420 756		2 399 471
Regional governments or local authorities						
Public sector entities						
Multilateral development banks						
International organisations						
Institutions						
Corporates		410				410
Retail		741	43	173 140		173 924
Secured by mortgages on immovable property						
Exposures in default		35				35
Items associated with particularly high risk						
Covered bonds						
Claims on institutions and corporates with a short-term credit assessment						
Collective investments undertakings						
Equity exposures				17 867		17 867
Other exposures				177 374		177 374
Total standardised approach		1 577 805	402 139	789 137		2 769 080
Total		2 626 629	1 346 479	2 688 739		6 661 847

Public

9.3. EU CQ3: Credit quality of performing and non-performing exposures by past due days

36. Table: EU CQ3 (values in HUF million; K&H Group)

		Gross carrying amount/nominal amount											
		Performing exposures			Non-performing exposures								
			Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
0.5	**Cash balances at central banks and other demand deposits**	**1 097 624**	**1 097 624**										
1	**Loans and advances**	**3 044 176**	**3 041 808**	**2 368**	**58 081**	**46 303**	**3 013**	**2 156**	**2 230**	**1 186**	**2 325**	**868**	**58 081**
2	*Central banks*	414 478	414 478										
3	*General governments*	189 890	189 890										
4	*Credit institutions*	274 732	274 732										
5	*Other financial corporations*	42 816	42 816		4	4							4
6	*Non-financial corporations*	1 146 213	1 146 032	181	19 744	14 533	1 474	140	297	647	2 242	411	19 744
7	*Of which SMEs*	725 844	725 670	174	12 829	7 627	1 474	140	294	647	2 241	406	12 829
8	*Households*	976 047	973 860	2 187	38 333	31 766	1 539	2 016	1 933	539	83	457	38 333
9	**Debt securities**												
10	*Central banks*												
11	*General governments*												
12	*Credit institutions*												
13	*Other financial corporations*												
14	*Non-financial corporations*												
15	**Off-balance-sheet exposures**	**1 314 157**			**5 220**								**5 220**
16	*Central banks*												
17	*General governments*	27 578											
18	*Credit institutions*	337 181											
19	*Other financial corporations*	62 144											
20	*Non-financial corporations*	823 158			4 183								4 183
21	*Households*	64 096			1 037								1 037
22	**Total**	**3 044 176**	**3 041 808**	**2 368**	**63 301**	**46 303**	**3 013**	**2 156**	**2 230**	**1 186**	**2 325**	**868**	**63 301**

Public

37. Table: EU CQ3 (values in HUF million; K&H Bank)

		Gross carrying amount/nominal amount											
		Performing exposures			Non-performing exposures								
			Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
0.5	**Cash balances at central banks and other demand deposits**	**41 337**	**41 337**										
1	**Loans and advances**	**2 586 777**	**2 584 418**	**2 359**	**58 022**	**46 283**	**3 008**	**2 147**	**2 148**	**1 230**	**2 329**	**877**	**58 022**
2	*Central banks*												
3	*General governments*	187 034	187 034										
4	*Credit institutions*	213 689	213 689										
5	*Other financial corporations*	87 394	87 394										
6	*Non-financial corporations*	1 122 543	1 122 362	181	19 775	14 565	1 474	140	290	652	2 241	413	19 775
7	*Of which SMEs*	718 891	718 717	174	12 825	7 623	1 474	140	292	649	2 241	406	12 825
8	*Households*	976 117	973 939	2 178	38 247	31 718	1 534	2 007	1 858	578	88	464	38 247
9	**Debt securities**	**959 006**	**959 006**										
10	*Central banks*												
11	*General governments*	922 674	922 674										
12	*Credit institutions*	484	484										
13	*Other financial corporations*												
14	*Non-financial corporations*	35 848	35 848										
15	**Off-balance-sheet exposures**	**1 359 214**			**3 619**								**3 619**
16	*Central banks*												
17	*General governments*	27 578											
18	*Credit institutions*	337 181											
19	*Other financial corporations*	115 074											
20	*Non-financial corporations*	815 285			2 582								2 582
21	*Households*	64 096			1 037								1 037
22	**Total**	**4 946 334**			**61 641**								**61 641**

Public

9.4. EU CR1-A: Maturity of exposure

38. Table: EU CR1-A (values in HUF million; K&H Group)

		Net exposure value					
		On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
1	Loans and advances	0	2 570 907	916 564	2 135 103	0	5 622 574
2	Debt securities	0	79 815	429 963	447 937	0	957 716
3	***Total***	***0***	***2 650 722***	***1 346 527***	***2 583 041***	***0***	***6 580 290***

39. Table: EU CR1 (values in HUF million; K&H Bank)

		Net exposure value					
		On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
1	Loans and advances	0	2 546 635	916 347	2 240 665	0	5 703 648
2	Debt securities	0	79 993	430 131	448 075	0	958 199
3	***Total***	***0***	***2 626 629***	***1 346 479***	***2 688 740***	***0***	***6 661 847***

Public

9.5. EU CR2: Changes in the stock of non-performing loans and advances

40. Table: EU CR2 (values in HUF million; K&H Group)

		Gross carrying amount
010	**Initial stock of non-performing loans and advances**	53 178
020	Inflows to non-performing portfolios	23 438
030	Outflows from non-performing portfolios	- 21 684
040	Outflows due to write-offs	- 446
050	Outflow due to other situations	- 21 239
060	**Final stock of non-performing loans and advances**	54 931

41. Table: EU CR2 (values in HUF million; K&H Bank)

		Gross carrying amount
010	**Initial stock of non-performing loans and advances**	52 332
020	Inflows to non-performing portfolios	23 438
030	Outflows from non-performing portfolios	- 20 840
040	Outflows due to write-offs	- 446
050	Outflow due to other situations	- 20 395
060	**Final stock of non-performing loans and advances**	54 929

Public

9.6. EU CR1: Performing and non-performing exposures and related provisions

42. Table: EU CR1 (values in HUF million; K&H Group)

		Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received	
		Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
			Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3			
0.5	**Cash balances at central banks and other demand deposits**	**1 097 627**	**1 097 588**	**39**				**- 2**	**- 2**							
1	**Loans and advances**	**2 285 098**	**1 467 061**	**818 037**	**58 023**		**58 023**	**- 27 257**	**- 3 535**	**- 23 722**	**- 22 087**		**- 22 087**		**1 511 435**	**24 512**
2	*Central banks*															
3	*General governments*	189 873	183 374	6 499				- 74	- 39	- 35					141 894	
4	*Credit institutions*	211 945	185 255	232	25		25	- 37	- 33	- 3					92 374	
5	*Other financial corporations*	42 816	28 368	14 448	4		4	- 389	- 289	- 100	- 1		- 1		21 697	
6	*Non-financial corporations*	1 136 801	571 250	565 550	19 743		19 743	- 12 869	- 2 153	- 10 717	- 8 727		- 8 727		452 551	5 294
7	*Of which SMEs*	722 771	384 642	338 129	12 825		12 825	- 9 914	- 1 696	- 8 218	- 5 504		- 5 504		351 261	4 416
8	*Households*	976 116	498 814	231 308	38 251		38 251	- 13 888	- 1 021	- 12 867	- 13 359		- 13 359		802 919	19 218
9	**Debt securities**	**959 006**	**959 006**					**- 806**	**- 806**							
10	*Central banks*	922 674	922 674													
11	*General governments*	484	484					- 532	- 532							
12	*Credit institutions*															
13	*Other financial corporations*	35 848	35 848													
14	*Non-financial corporations*							- 274	- 274							
15	**Off-balance-sheet exposures**	**1 359 213**	**962 822**	**396 391**	**3 619**		**3 619**	**- 1 915**	**- 635**	**- 1 280**	**- 250**		**- 250**		**175 705**	**490**
16	*Central banks*															
17	*General governments*	27 578	24 255	3 323				- 20	- 9	- 11					1 502	
18	*Credit institutions*	337 181	327 181	10 000				- 19	- 19							
19	*Other financial corporations*	115 073	114 962	111				- 292	- 246	- 46					1 051	
20	*Non-financial corporations*	815 285	440 601	374 684	2 582		2 582	- 1 417	- 317	- 1 100	- 250		- 250		165 241	428
21	*Households*	64 096	55 823	8 273	1 037		1 037	- 167	- 44	- 123					7 911	62
22	**Total**	**4 603 317**	**3 388 889**	**1 214 428**	**61 642**		**61 642**	**- 29 978**	**- 4 976**	**- 25 002**	**- 22 337**		**- 22 337**		**1 687 140**	**25 002**

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43. Table: EU CR1 (values in HUF million; K&H Bank)

		Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received	
		Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
			Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3			
0.5	**Cash balances at central banks and other demand deposits**	**41 337**	**41 298**	**39**												
1	**Loans and advances**	**2 314 324**	**1 513 551**	**800 773**	**52 449**		**52 449**	**- 27 031**	**- 3 548**	**- 23 483**	**- 21 280**		**- 21 280**		**1 511 434**	**24 511**
2	*Central banks*															
3	*General governments*	187 034	183 374	3 660				- 39	- 39						141 894	
4	*Credit institutions*	187 231	187 231		25		25	- 33	- 33						92 374	
5	*Other financial corporations*	87 395	72 948	14 447	4		4	- 403	- 303	- 100	- 1		- 1		21 697	
6	*Non-financial corporations*	1 122 543	571 185	551 358	19 741		19 741	- 12 667	- 2 151	- 10 516	- 8 727		- 8 727		452 551	5 294
7	*Of which SMEs*	718 890	384 244	334 646	12 825		12 825	- 9 865	- 1 695	- 8 170	- 5 506		- 5 506		351 261	4 416
8	*Households*	730 121	498 813	231 308	32 679		32 679	- 13 889	- 1 022	- 12 867	- 12 552		- 12 552		802 918	19 217
9	**Debt securities**	**959 005**	**959 005**					- 806	- 806							
10	*Central banks*															
11	*General governments*	922 673	922 673					- 532	- 532							
12	*Credit institutions*	484	484													
13	*Other financial corporations*															
14	*Non-financial corporations*	35 848	35 848					- 274	- 274							
15	**Off-balance-sheet exposures**	**1 359 213**	**962 822**	**396 391**	**3 619**		**3 619**	**- 1 916**	**- 636**	**- 1 280**	**- 250**		**- 250**		**175 706**	**490**
16	*Central banks*	0	0										-			
17	*General governments*	27 578	24 255	3 323				- 20	- 9	- 11			-		1 502	
18	*Credit institutions*	337 181	327 181	10 000				- 19	- 19				-			
19	*Other financial corporations*	115 073	114 962	111				- 292	- 246	- 46			-		1 051	
20	*Non-financial corporations*	815 285	440 601	374 684	2 582		2 582	- 1 418	- 318	- 1 100	- 250		- 250		165 242	428
21	*Households*	64 096	55 823	8 273	1 037		1 037	- 167	- 44	- 123			-		7 911	62
22	**Total**	**4 673 879**	**3 476 676**	**1 197 203**	**56 068**		**56 068**	**- 29 753**	**- 4 990**	**- 24 763**	**- 21 530**		**- 21 530**		**1 687 140**	**25 001**

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9.7. EU CQ1: Credit quality of forborne exposures

44. Table: EU CQ1 (values in HUF million; K&H Group)

		Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
		Performing forborne	Non-performing forborne	Of which defaulted	Of which impaired	On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
0.5	**Cash balances at central banks and other demand deposits**								
1	Loans and advances	27 313	39 721	39 721	39 721	-546	-14 427	87 220	58 056
2	*Central banks*							35 022	
3	*General governments*	3 493				-16		3 477	
4	*Credit institutions*								
5	*Other financial corporations*		3	3	3		-1		3
6	*Non-financial corporations*	10 699	13 601	13 601	13 601	-292	-6 164	8 779	17 448
7	*Households*	13 121	26 117	26 117	26 117	-238	-8 262	39 942	40 605
8	Debt securities								
9	Loan commitments given	588	287						174
10	**Total**	27 901	40 008	39 721	39 721	-546	-14 427	87 220	58 230

45. Table: EU CQ1 (values in HUF million; K&H Bank)

		Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
		Performing forborne	Non-performing forborne	Of which defaulted	Of which impaired	On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
0.5	Cash balances at central banks and other demand deposits								
1	Loans and advances	71 015	42 104	42 104	40 327	-15 347	-14 824	40 839	20 317
2	*Central banks*								
3	*General governments*	3 477						3 477	
4	*Credit institutions*								
5	*Other financial corporations*	3	3	3	3		-1		
6	*Non-financial corporations*	24 300	13 601	13 601	13 601	-6 456	-6 164	8 279	3 847
7	*Households*	43 235	28 500	28 500	26 723	-8 891	-8 659	29 083	16 470
8	Debt securities								
9	Loan commitments given								
10	**Total**	71 015	42 104	42 104	40 327	-15 347	-14 824	40 839	20 317

9.8. EU CQ4: Quality of non-performing exposures by geography

Not applicable for K&H

9.9. EU CQ5: Credit quality of loans and advances by industry

Not applicable for K&H

9.10. EU CQ7: Collateral obtained by taking possession and execution processes

Not applicable for K&H

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9.11. EU CR2a: Changes in the stock of non-performing loans and advances and related net accumulated recoveries

46. Table: EU CR2-A (values in HUF million; K&H Group)

		Gross carrying amount	Related net cumulated recoveries
010	**Initial stock of non-performing loans and advances**	53 178	
020	Inflows to non performing portfolios	23 438	
030	Outflows from non-performing portfolios	- 21 684	
040	Outflow to performing portfolio	- 6 162	
050	Outflow due to loan repayment, partial or total	- 13 163	
060	Outflow due to collateral liquidations		
070	Outflow due to taking possession of collateral		
080	Outflow due to sale of instruments	- 1 914	472
090	Outflow due to risk transfers		
100	Outflows due to write-offs	- 446	
110	Outflow due to Other Situations		
120	Outflow due to reclassification as held for sale		
130	**Final stock of non-performing loans and advances**	54 931	

47. Table: EU CR2-A (values in HUF million; K&H Bank)

		Gross carrying amount	Related net cumulated recoveries
010	**Initial stock of non-performing loans and advances**	52 332	
020	Inflows to non performing portfolios	23 438	
030	Outflows from non-performing portfolios	- 20 840	
040	Outflow to performing portfolio	- 6 162	
050	Outflow due to loan repayment, partial or total	- 12 319	
060	Outflow due to collateral liquidations		
070	Outflow due to taking possession of collateral		
080	Outflow due to sale of instruments	- 1 914	472
090	Outflow due to risk transfers		
100	Outflows due to write-offs	- 446	
110	Outflow due to Other Situations		
120	Outflow due to reclassification as held for sale		
130	**Final stock of non-performing loans and advances**	54 929	

9.12. EU CQ2: Quality of forbearance

Not applicable for K&H

9.13. EU CQ6: Collateral valuation - loans and advances

Not applicable for K&H

9.14. EU CQ8: Collateral obtained by taking possession and execution processes – vintage breakdown

Not applicable for K&H

Public

10.Disclosure of the use of credit risk mitigation techniques (CRR Article 453)

10.1. EU CRC – Qualitative disclosure requirements related to CRM techniques

10.1.1. (a) (Point (a) of Article 453 CRR) A description of the core features of the policies and processes for on- and off-balance sheet netting and an indication of the extent to which institutions make use of balance sheet netting

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.

10.1.2. (b) (Point (b) of Article 453 CRR) The core features of policies and processes for eligible collateral evaluation and management

(c) (Point (c) of Article 453 CRR) For guarantees and credit derivatives used as credit protection, the main types of guarantor and credit derivative counterparty and their creditworthiness used for the purposes of reducing capital requirements, excluding those used as part of synthetic securitisation structures

The main types of guarantors are government entities and large financial institutions, such as banks, investment banks and insurance companies.

10.1.3. (d) (Point (d) of Article 453 CRR) A description of the main types of collateral taken by the institution to mitigate credit risk

The EU CR3 table presented in section 10.2 provides an overview of the main types of collateral taken by K&H Banking Group to mitigate credit risk.

10.1.4. (e) (Point (e) of Article 453 CRR) Information about market or credit risk concentrations within the credit mitigation taken

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)

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- 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)

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.

Public

10.2. EU CR3 – CRM techniques overview: Disclosure of the use of credit risk mitigation techniques

48. Table: EU CR3 (values in HUF million; K&H Group)

		Unsecured carrying amount	Secured carrying amount			
				Of which secured by collateral	Of which secured by financial guarantees	
						Of which secured by credit derivatives
1	Loans and advances	2 669 027	1 530 857	1 169 853	361 003	
2	Debt securities	958 522				
3	Total	3 627 548	1 530 857	1 169 853	361 003	
4	*Of which non-performing exposures*	33 577	24 505	22 939	1 567	
EU-5	*Of which defaulted*	33 577	24 505			

49. Table: EU CR3 (values in HUF million; K&H Bank)

		Unsecured carrying amount	Secured carrying amount			
				Of which secured by collateral	Of which secured by financial guarantees	
						Of which secured by credit derivatives
1	Loans and advances	2 634 606	1 535 945	1 174 942	361 003	
2	Debt securities	958 522				
3	Total	3 593 128	1 535 945	1 174 942	361 003	
4	*Of which non-performing exposures*	35 936	24 505	22 939	1 567	
EU-5	*Of which defaulted*	35 936	24 505			

11.Disclosure of the use of standardised approach (CRR Articles 453, 444)

11.1. EU CRD – Qualitative disclosure requirements related to standardised model

11.1.1. (a) (Point (a) of Article 444 CRR) Names of the external credit assessment institutions (ECAIs) and export credit agencies (ECAs) nominated by the institution, and the reasons for any changes over the disclosure period

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.

11.1.2. (b) (Point (b) of Article 444 CRR) The exposure classes for which each ECAI or ECA is used

The following ratings of the Hungarian State have been considered (as of 31.12.2022): Standard and Poor's: BBB; Moody's: Baa2; Fitch: BBB (credit rating: 3).

11.1.3. (c) (Point (c) of Article 444 CRR) A description of the process used to transfer the issuer and issue credit ratings onto comparable assets items not included in the trading book

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

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default, depending on the extent the obligor is performing its liabilities still outstanding and on the chances of recovering the loan.

11.1.4. (d) (Point (d) of Article 444 CRR) The association of the external rating of each nominated ECAI or ECA (as referred to in row (a)) with the risk weights that correspond with the credit quality steps as set out in Chapter 2 of Title II of Part Three CRR (except where the institution complies with the standard association published by the EBA)

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.

11.2. EU CR4 – standardised approach – Credit risk exposure and CRM effects

50. Table: EU CR4 (values in HUF million; K&H Group)

	Exposure classes	Exposures before CCF and CRM		Exposures post CCF and CRM		RWAs and RWA density	
		On-balance-sheet exposures	Off-balance-sheet exposures	On-balance-sheet exposures	Off-balance-sheet exposures	RWEA	RWEA density (%)
1	Central governments or central banks	2 399 471		2 571 805			0%
2	Regional government or local authorities						0%
3	Public sector entities						0%
4	Multilateral development banks						0%
5	International organisations						0%
6	Institutions						0%
7	Corporates	27 110	8 975	27 110		26 046	96%
8	Retail	171 914	848	1 068		801	75%
9	Secured by mortgages on immovable property						0%
10	Exposures in default	1 524	1 601	35	0	35	101%
11	Exposures associated with particularly high risk						0%
12	Covered bonds						0%
13	Institutions and corporates with a short-term credit assessment						0%
14	Collective investment undertakings						0%
15	Equity	1 626		1 626		1 626	100%
16	Other items	177 838		177 838		116 743	66%
17	**TOTAL**	**2 779 482**	**11 423**	**2 779 482**	**0**	**145 252**	**5%**

51. Table: EU CR4 (values in HUF million; K&H Bank)

	Exposure classes	Exposures before CCF and CRM		Exposures post CCF and CRM		RWAs and RWA density	
		On-balance-sheet exposures	Off-balance-sheet exposures	On-balance-sheet exposures	Off-balance-sheet exposures	RWEA	RWEA density (%)
1	Central governments or central banks	2 399 471		2 571 805			0%
2	Regional government or local authorities						0%
3	Public sector entities						0%
4	Multilateral development banks						0%
5	International organisations						0%
6	Institutions						0%
7	Corporates	410		410		410	100%
8	Retail	171 588	848	742		557	75%
9	Secured by mortgages on immovable property						0%
10	Exposures in default	1 524	0	35	0	35	101%
11	Exposures associated with particularly high risk						0%
12	Covered bonds						0%
13	Institutions and corporates with a short-term credit assessment						0%
14	Collective investment undertakings						0%
15	Equity	17 867		17 867		17 867	100%
16	Other items	177 374		177 374		116 101	65%
17	**TOTAL**	**2 768 233**	**848**	**2 768 233**	**0**	**134 969**	**5%**

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11.3. EU CR5 – standardised approach

52. Table: EU CR5 (values in HUF million; K&H Group)

	Exposure classes	Risk weight															Total	Of which unrated
		0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Others		
1	Central governments or central banks	2 571 805															**2 571 805**	
2	Regional government or local authorities																	
3	Public sector entities																	
4	Multilateral development banks																	
5	International organisations																	
6	Institutions																	
7	Corporates										27 110						**27 110**	27 110
8	Retail									1 068							**1 068**	1 068
9	Secured by mortgages on immovable property																	
10	Exposures in default										35	1					**35**	35
11	Higher-risk categories																	
12	Covered bonds																	
13	Institutions and corporates with a short-term credit assessment																	
14	Collective investment undertakings																	
15	Equity										1 626						**1 626**	1 626
16	Other Items	68 985				3 128					98 796		6 929				**177 838**	177 838
17	**Total**	2 640 791				3 128				1 068	127 566	1	6 929				**2 779 482**	207 677

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53. Table: EU CR5 (values in HUF million; K&H Bank)

	Exposure classes	Risk weight															Total	Of which unrated
		0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Others		
1	Central governments or central banks	2 571 805															**2 571 805**	
2	Regional government or local authorities																	
3	Public sector entities																	
4	Multilateral development banks																	
5	International organisations																	
6	Institutions																	
7	Corporates										410						**410**	410
8	Retail									742							**742**	742
9	Secured by mortgages on immovable property																	
10	Exposures in default										35	1					**35**	35
11	Higher-risk categories																	
12	Covered bonds																	
13	Institutions and corporates with a short-term credit assessment																	
14	Collective investment undertakings																	
15	Equity										17 867						**17 867**	17 867
16	Other Items	68 985				3 128					98 451		6 810				**177 374**	177 374
17	**Total**	2 640 791				3 128				742	116 762	1	6 810				**2 768 233**	196 428

12. Disclosure of the use of the IRB approach to credit risk (CRR Articles 452, 453, 438, 180 (1))

12.1. EU CRE – Qualitative disclosure requirements related to IRB approach (Article 452 CRR)

12.1.1. (a) (Point (a) of Article 452 CRR) The competent authority's permission of the approach or approved transition

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

12.1.2. (b) (Point (c) of Article 452 CRR) The control mechanisms for rating systems at the different stages of model development, controls and changes, which shall include information on:

- *the relationship between the risk management function and the internal audit function;*
- *the rating system review;*
- *procedure to ensure the independence of the function in charge of reviewing the models from the functions responsible for the development of the models;*
- *the procedure to ensure the accountability of the functions in charge of developing and reviewing the models*

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

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

12.1.3. (c) (Point (d) of Article 452 CRR) The role of the functions involved in the development, approval and subsequent changes of the credit risk models

The processes of developing, testing and authorising new models are governed by KBC group-level guidelines and methodologies.

Validation is a specific – more stringent – form of verification, aimed at challenging an internally designed model, and can only be performed by members of an independent validation unit. Validation is key to the challenging process, as it provides an independent view of the internal model.

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The internal models measuring required capital (Pillar 1 and 2) and models which serve as input for these models (e.g., behavioural score models) are subject to formal model validation.

Decisions on the appropriateness of models and changes to the models are taken by the local CRO or the Group CRO (for models that are used group-wide).

12.1.4. (d) (Point (e) of Article 452 CRR) The scope and main content of the reporting related to credit risk models

(e) (Point (f) of Article 452 CRR) A description of the internal ratings process by exposure class, including the number of key models used with respect to each portfolio and a brief discussion of the main differences between the models within the same portfolio, covering:

- *(i) the definitions, methods and data for estimation and validation of PD, which shall include information on how PDs are estimated for low default portfolios, whether there are regulatory floors and the drivers for differences observed between PD and actual default rates at least for the last three periods;*
- *(ii) where applicable, the definitions, methods and data for estimation and validation of LGD, such as methods to calculate downturn LGD, how LGDs are estimated for low default portfolio and the time lapse between the default event and the closure of the exposure;*
- *(iii) where applicable, the definitions, methods and data for estimation and validation of credit conversion factors, including assumptions employed in the derivation of those variables.*

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.

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

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

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

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12.2. EU CR6-A – Scope of the use of IRB and SA approaches

54. Table: EU CR6-A (values in HUF million; K&H Group)

		Exposure value as defined in Article 166 CRR for exposures subject to IRB approach	Total exposure value for exposures subject to the Standardised approach and to the IRB approach	Percentage of total exposure value subject to the permanent partial use of the SA (%)	Percentage of total exposure value subject to a roll-out plan (%)	Percentage of total exposure value subject to IRB Approach (%)
1	Central governments or central banks	37 932	2 437 921	98%		2%
1,1	*Of which Regional governments or local authorities*					100%
1,2	*Of which Public sector entities*		16 835			100%
2	Institutions	495 534	495 534			100%
3	Corporates	2 436 244	2 474 304	2%		98%
3,1	*Of which Corporates - Specialised lending, excluding slotting approach*		360 512			100%
3,2	*Of which Corporates - Specialised lending under slotting approach*					100%
4	Retail	870 306	1 045 759	17%		83%
4,1	*of which Retail – Secured by real estate SMEs*					100%
4,2	*of which Retail – Secured by real estate non-SMEs*		702 679			100%
4,3	*of which Retail – Qualifying revolving*					100%
4,4	*of which Retail – Other SMEs*					100%
4,5	*of which Retail – Other non-SMEs*		343 079	51%		49%
5	Equity		1 626	100%		
6	Other non-credit obligation assets		177 892	100%		
7	**Total**	**3 840 016**	**6 633 035**	**42%**		**58%**

55. Table: EU CR6-A (values in HUF million; K&H Bank)

		Exposure value as defined in Article 166 CRR for exposures subject to IRB approach	Total exposure value for exposures subject to the Standardised approach and to the IRB approach	Percentage of total exposure value subject to the permanent partial use of the SA (%)	Percentage of total exposure value subject to a roll-out plan (%)	Percentage of total exposure value subject to IRB Approach (%)
1	Central governments or central banks	37 932	2 437 921	98%	0%	2%
1,1	*Of which Regional governments or local authorities*		0	0%	0%	100%
1,2	*Of which Public sector entities*		16 835	0%	0%	100%
2	Institutions	495 534	495 534	0%	0%	100%
3	Corporates	2 539 643	2 540 053	0%	0%	100%
3,1	*Of which Corporates - Specialised lending, excluding slotting approach*		360 512	0%	0%	100%
3,2	*Of which Corporates - Specialised lending under slotting approach*		0	0%	0%	100%
4	Retail	870 306	1 045 432	17%	0%	83%
4,1	*of which Retail – Secured by real estate SMEs*		0	0%	0%	100%
4,2	*of which Retail – Secured by real estate non-SMEs*		702 679	0%	0%	100%
4,3	*of which Retail – Qualifying revolving*		0	0%	0%	100%
4,4	*of which Retail – Other SMEs*		0	0%	0%	100%
4,5	*of which Retail – Other non-SMEs*		342 752	51%	0%	49%
5	Equity	0	17 867	100%	0%	0%
6	Other non-credit obligation assets	0	177 428	100%	0%	0%
7	**Total**	**3 943 414**	**6 714 235**	**41%**	**0%**	**59%**

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12.3. EU CR6 – IRB approach – Credit risk exposures by exposure class and PD range

The F-IRB tables are empty both for K&H Group, and for K&H Bank.

56. Table: EU CR6 (values in HUF million; K&H Group)

A-IRB	PD range	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjust-ments and provisions
Central governments or central banks													
	0.00 – <0.15	37 932	0	99%	37 647	0,13%	5	20%	4,0	7 843	21%	10	-14
	0.00 – <0.10												
	0.10 – <0.15	37 932	0	99%	37 647	0,13%	5	20%	4,0	7 843	21%	10	-14
	0.15 – <0.25												
	0.25 – <0.50												
	0.50 – <0.75												
	0.75 – <2.50												
	0.75 – <1.75												
	1.75 – <2.5												
	2.50 – <10.00	0	0	0%	0	0,00%	2	0%	0,0	0	0%	0	0
	2.5 – <5	0	0	0%	0	0,00%	2	0%	0,0	0	0%	0	0
	5 – <10												
	10.00 – <100.00												
	10 – <20												
	20 – <30												
	30.00 – <100.00												
	100.00 (Default)												
Subtotal (exposure class)		**37 932**	**0**	**99%**	**37 647**	**0,13%**	**7**	**20%**	**4,0**	**7 843**	**21%**	**10**	**-14**

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Institutions												
0.00 – <0.15	153 595	266 558	78%	225 361	0,06%	80	70%	1,7	90 166	40%	103	-17
0.00 – <0.10	152 075	251 546	79%	219 293	0,06%	52	70%	1,7	87 225	40%	98	-17
0.10 – <0.15	1 520	15 012	48%	6 068	0,12%	28	71%	1,0	2 941	48%	5	0
0.15 – <0.25	42 465	3 325	100%	43 585	0,15%	17	5%	2,6	2 189	5%	3	-17
0.25 – <0.50	11 171	5 023	94%	12 673	0,39%	76	11%	3,3	2 359	19%	6	-6
0.50 – <0.75	9 171	1 267	99%	9 714	0,60%	52	35%	3,3	7 102	73%	20	-18
0.75 – <2.50	2 611	105	101%	2 682	1,04%	74	49%	2,7	3 255	121%	14	-5
0.75 – <1.75	2 572	103	101%	2 641	1,02%	62	49%	2,7	3 210	122%	13	-5
1.75 – <2.5	39	1	104%	42	2,06%	12	36%	2,1	45	108%	0	0
2.50 – <10.00	218	2	103%	226	4,98%	177	52%	1,2	417	185%	6	-2
2.5 – <5	196	1	103%	203	4,64%	172	50%	1,2	356	175%	5	0
5 – <10	22	1	101%	23	8,04%	5	71%	1,0	61	267%	1	-2
10.00 – <100.00	22	2	108%	26	19,31%	14	61%	1,3	82	321%	3	-2
10 – <20	19	2	108%	22	18,06%	10	60%	1,4	69	311%	2	-2
20 – <30	1	0	100%	2	24,97%	2	72%	1,0	6	392%	0	0
30.00 – <100.00	2	0	107%	2	30,00%	2	68%	1,0	7	380%	0	0
100.00 (Default)	1	0	100%	1	100,00%	2	89%	1,0	2	143%	1	-1
Subtotal (exposure class)	**219 254**	**276 280**	**83%**	**294 267**	**0,12%**	**492**	**56%**	**2,0**	**105 572**	**36%**	**156**	**-69**
Corporates - SME												
0.00 – <0.15	42 629	38 101	97%	62 796	0,11%	1 677	35%	1,8	7 916	13%	24	-109
0.00 – <0.10	11 891	13 679	95%	18 985	0,07%	701	39%	1,8	1 936	10%	5	-52
0.10 – <0.15	30 738	24 421	97%	43 811	0,13%	976	33%	1,8	5 980	14%	19	-57
0.15 – <0.25	31 322	27 345	97%	46 746	0,21%	2 110	45%	2,1	13 710	29%	43	-99
0.25 – <0.50	76 298	65 484	98%	109 611	0,36%	3 838	44%	1,9	38 751	35%	171	-324
0.50 – <0.75	71 575	45 055	100%	94 982	0,61%	2 350	45%	1,8	44 646	47%	261	-299
0.75 – <2.50	213 598	151 342	99%	286 838	1,38%	6 074	45%	1,8	184 522	64%	1 739	-3 076
0.75 – <1.75	163 037	102 076	100%	216 939	1,13%	4 487	46%	1,8	134 904	62%	1 111	-1 884
1.75 – <2.5	50 560	49 266	97%	69 898	2,16%	1 587	42%	2,0	49 617	71%	627	-1 192
2.50 – <10.00	62 881	23 962	90%	76 446	4,26%	10 645	46%	1,8	69 101	90%	1 502	-2 742
2.5 – <5	53 469	19 728	88%	64 627	3,75%	9 438	46%	1,8	56 966	88%	1 121	-2 110
5 – <10	9 412	4 234	102%	11 819	7,04%	1 207	46%	1,8	12 136	103%	380	-633
10.00 – <100.00	14 634	4 872	105%	17 528	22,74%	1 361	36%	1,6	22 693	129%	1 528	-1 167
10 – <20	8 256	4 306	102%	10 091	17,05%	743	28%	1,8	8 535	85%	451	-597
20 – <30	4 783	358	109%	5 581	27,60%	247	45%	1,2	10 638	191%	685	-289
30.00 – <100.00	1 594	208	106%	1 856	39,09%	371	56%	1,3	3 519	190%	391	-281
100.00 (Default)	13 401	2 500	100%	14 998	100,00%	538	70%	1,5	55 098	367%	6 649	-6 649
Subtotal (exposure class)	**526 338**	**358 659**	**98%**	**709 946**	**3,85%**	**28 593**	**44%**	**1,8**	**436 436**	**61%**	**11 915**	**-14 465**

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Corporates - Specialised Lending													
	0.00 – <0.15	268	245	93%	404	0,12%	4	60%	2,5	115	28%	0	0
	0.00 – <0.10	0	0	0%	0	0,00%	0	0%	0,0	0	0%	0	0
	0.10 – <0.15	268	245	93%	404	0,12%	4	60%	2,5	115	28%	0	0
	0.15 – <0.25	10	50	102%	60	0,23%	3	54%	1,0	20	33%	0	0
	0.25 – <0.50	3 382	43	102%	3 502	0,41%	35	30%	1,7	1 162	33%	4	-4
	0.50 – <0.75	8 113	1 918	97%	9 384	0,67%	28	47%	3,7	7 305	78%	28	-40
	0.75 – <2.50	203 888	38 683	100%	235 548	1,44%	393	37%	4,1	256 934	109%	1 229	-1 123
	0.75 – <1.75	158 320	34 367	100%	186 226	1,22%	335	39%	4,4	211 828	114%	888	-860
	1.75 – <2.5	45 568	4 316	100%	49 323	2,28%	58	30%	2,9	45 106	91%	342	-263
	2.50 – <10.00	81 256	19 691	105%	105 376	5,41%	161	38%	4,5	168 575	160%	2 074	-2 705
	2.5 – <5	60 461	19 240	104%	82 300	4,42%	131	40%	4,4	130 539	159%	1 430	-1 353
	5 – <10	20 795	450	109%	23 077	8,95%	30	31%	4,9	38 036	165%	644	-1 352
	10.00 – <100.00	215	8	103%	230	16,51%	4	40%	2,3	302	132%	15	-4
	10 – <20	215	8	103%	230	16,51%	4	40%	2,3	302	132%	15	-4
	20 – <30	0	0	0%	0	0,00%	0	0%	0,0	0	0%	0	0
	30.00 – <100.00	0	0	0%	0	0,00%	0	0%	0,0	0	0%	0	0
	100.00 (Default)	2 658	85	100%	2 657	100,00%	2	9%	2,2	1 364	51%	377	-377
Subtotal (exposure class)		**299 790**	**60 722**	**101%**	**357 163**	**3,32%**	**630**	**37%**	**4,2**	**435 777**	**122%**	**3 727**	**-4 252**
Corporates - Other													
	0.00 – <0.15	73 025	143 007	86%	131 067	0,12%	286	37%	2,1	28 525	22%	49	-59
	0.00 – <0.10	3 370	108 231	40%	37 034	0,08%	157	70%	1,0	11 792	32%	20	-28
	0.10 – <0.15	69 655	34 776	104%	94 034	0,14%	129	24%	2,5	16 734	18%	29	-31
	0.15 – <0.25	9 891	8 958	67%	12 593	0,16%	231	42%	2,2	5 027	40%	8	-23
	0.25 – <0.50	301 038	164 345	102%	384 072	0,31%	607	41%	2,2	209 143	54%	487	-625
	0.50 – <0.75	74 689	79 525	99%	102 959	0,61%	497	58%	1,9	102 552	100%	360	-182
	0.75 – <2.50	122 559	140 774	98%	185 475	1,43%	1 209	53%	1,5	205 158	111%	1 357	-1 729
	0.75 – <1.75	94 355	107 636	98%	142 767	1,19%	896	55%	1,6	158 387	111%	923	-1 152
	1.75 – <2.5	28 204	33 138	96%	42 708	2,23%	313	46%	1,3	46 772	110%	434	-577
	2.50 – <10.00	46 211	17 002	89%	55 764	3,64%	7 876	57%	1,9	95 242	171%	1 084	-1 285
	2.5 – <5	44 039	16 540	88%	53 370	3,54%	7 719	57%	1,9	91 894	172%	1 035	-1 263
	5 – <10	2 172	462	112%	2 394	5,94%	157	44%	1,2	3 348	140%	48	-23
	10.00 – <100.00	2 520	3 522	95%	4 917	13,25%	146	49%	1,0	10 859	221%	311	-124
	10 – <20	2 446	3 519	95%	4 837	12,95%	104	49%	1,0	10 601	219%	297	-82
	20 – <30	63	1	115%	65	29,22%	18	64%	1,1	222	341%	11	-39
	30.00 – <100.00	11	2	127%	15	39,91%	24	66%	1,6	36	244%	2	-3
	100.00 (Default)	3 669	1	100%	3 659	100,00%	102	72%	1,1	9 295	254%	1 907	-1 907
Subtotal (exposure class)		**633 601**	**557 134**	**97%**	**880 507**	**1,25%**	**10 954**	**46%**	**2,0**	**665 802**	**76%**	**5 564**	**-5 933**

Public

Retail - Secured by immovable property non-SME													
	0.00 – <0.15	30 901	125	102%	31 624	0,14%	4 303	26%	5,0	2 695	9%	12	-367
	0.00 – <0.10	1	0	108%	1	0,09%	1	27%	5,0	0	6%	0	0
	0.10 – <0.15	30 900	125	102%	31 623	0,14%	4 302	26%	5,0	2 695	9%	12	-367
	0.15 – <0.25	1 586	0	103%	1 627	0,18%	1 244	23%	3,9	148	9%	1	-14
	0.25 – <0.50	360 680	2 980	102%	370 916	0,27%	45 436	27%	4,9	53 592	14%	273	-5 384
	0.50 – <0.75	87 348	729	103%	90 676	0,54%	14 605	28%	4,9	22 190	24%	138	-1 582
	0.75 – <2.50	155 835	9 022	103%	168 489	1,29%	22 046	30%	4,9	78 800	47%	655	-1 102
	0.75 – <1.75	127 968	8 619	102%	138 917	1,10%	16 807	30%	4,9	59 457	43%	462	-712
	1.75 – <2.5	27 867	404	105%	29 571	2,18%	5 239	30%	4,9	19 343	65%	193	-390
	2.50 – <10.00	21 822	293	106%	22 451	5,83%	5 063	30%	4,9	25 177	112%	402	-680
	2.5 – <5	15 336	270	106%	15 433	4,34%	3 560	30%	4,9	14 844	96%	199	-316
	5 – <10	6 486	23	108%	7 018	9,11%	1 503	32%	4,9	10 333	147%	203	-364
	10.00 – <100.00	7 214	12	108%	7 764	45,32%	1 749	31%	4,9	13 574	175%	1 089	-574
	10 – <20	0	0	0%	0	0,00%	0	0%	0,0	0	0%	0	0
	20 – <30	0	0	0%	0	0,00%	0	0%	0,0	0	0%	0	0
	30.00 – <100.00	7 214	12	108%	7 764	45,32%	1 749	31%	4,9	13 574	175%	1 089	-574
	100.00 (Default)	24 020	112	112%	26 966	100,00%	4 266	26%	4,8	2 343	9%	7 946	-6 129
Subtotal (exposure class)		**689 406**	**13 273**	**103%**	**720 515**	**4,93%**	**98 712**	**28%**	**4,9**	**198 519**	**28%**	**10 515**	**-15 832**
Retail - Other non-SME													
	0.00 – <0.15	13	0	102%	13	0,14%	23	39%	4,9	2	13%	0	-1
	0.00 – <0.10	0	0	0%	0	0,00%	0	0%	0,0	0	0%	0	0
	0.10 – <0.15	13	0	102%	13	0,14%	23	39%	4,9	2	13%	0	-1
	0.15 – <0.25	4	0	102%	4	0,18%	26	39%	3,8	1	16%	0	0
	0.25 – <0.50	57 700	11 411	104%	71 501	0,46%	182 245	48%	3,5	24 885	35%	158	-1 087
	0.50 – <0.75	4 670	9 130	106%	14 081	0,63%	108 624	46%	3,3	5 693	40%	42	-59
	0.75 – <2.50	14 156	16 675	101%	30 655	1,32%	93 622	46%	4,1	16 872	55%	189	-370
	0.75 – <1.75	13 261	12 797	102%	26 269	1,18%	62 093	46%	4,2	13 965	53%	144	-332
	1.75 – <2.5	895	3 879	95%	4 387	2,14%	31 529	48%	3,7	2 907	66%	45	-38
	2.50 – <10.00	33 568	3 375	101%	37 143	4,61%	52 162	49%	4,1	28 458	77%	843	-1 233
	2.5 – <5	27 612	3 180	101%	30 941	4,31%	42 075	49%	4,2	23 515	76%	656	-846
	5 – <10	5 956	195	101%	6 201	6,08%	10 087	50%	3,9	4 943	80%	187	-387
	10.00 – <100.00	5 050	376	102%	5 488	30,40%	11 246	49%	3,8	6 368	116%	807	-1 144
	10 – <20	1 687	31	101%	1 736	11,78%	2 040	50%	4,0	1 626	94%	101	-219
	20 – <30	1 394	169	99%	1 535	26,88%	2 449	51%	4,3	2 052	134%	210	-325
	30.00 – <100.00	1 969	177	104%	2 217	47,41%	6 757	47%	3,4	2 691	121%	496	-600
	100.00 (Default)	10 576	922	92%	10 578	100,00%	23 001	46%	3,6	1 182	11%	6 182	-6 173
Subtotal (exposure class)		**125 737**	**41 889**	**102%**	**169 463**	**8,72%**	**470 949**	**48%**	**3,7**	**83 460**	**49%**	**8 222**	**-10 067**
Total (all exposures classes)		**2 532 058**	**1 307 957**	**98%**	**3 169 508**		**610 337**		**3,0**	**1 933 410**	**61%**	**40 109**	**-50 631**

Public

57. Table: EU CR6 (values in HUF million; K&H Bank)

A-IRB	PD range	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjust-ments and provisions
Central governments or central banks													
	0.00 – <0.15	37 932	0	99%	37 647	0,13%	5	20%	4,0	7 843	21%	10	-14
	0.00 – <0.10	0	0	0%	0	0,00%	0	0%	0,0	0	0%	0	0
	0.10 – <0.15	37 932	0	99%	37 647	0,13%	5	20%	4,0	7 843	21%	10	-14
	0.15 – <0.25	0	0	0%	0	0,00%	0	0%	0,0	0	0%	0	0
	0.25 – <0.50	0	0	0%	0	0,00%	0	0%	0,0	0	0%	0	0
	0.50 – <0.75	0	0	0%	0	0,00%	0	0%	0,0	0	0%	0	0
	0.75 – <2.50	0	0	0%	0	0,00%	0	0%	0,0	0	0%	0	0
	0.75 – <1.75	0	0	0%	0	0,00%	0	0%	0,0	0	0%	0	0
	1.75 – <2.5	0	0	0%	0	0,00%	0	0%	0,0	0	0%	0	0
	2.50 – <10.00	0	0	0%	0	0,00%	2	0%	0,0	0	0%	0	0
	2.5 – <5	0	0	0%	0	0,00%	2	0%	0,0	0	0%	0	0
	5 – <10	0	0	0%	0	0,00%	0	0%	0,0	0	0%	0	0
	10.00 – <100.00	0	0	0%	0	0,00%	0	0%	0,0	0	0%	0	0
	10 – <20	0	0	0%	0	0,00%	0	0%	0,0	0	0%	0	0
	20 – <30	0	0	0%	0	0,00%	0	0%	0,0	0	0%	0	0
	30.00 – <100.00	0	0	0%	0	0,00%	0	0%	0,0	0	0%	0	0
	100.00 (Default)	0	0	0%	0	0,00%	0	0%	0,0	0	0%	0	0
Subtotal (exposure class)		**37 932**	**0**	**99%**	**37 647**	**0,13%**	**7**	**20%**	**4,0**	**7 843**	**21%**	**10**	**-14**

Public

Institutions													
	0.00 – <0.15	153 595	266 558	78%	225 361	0,06%	79	70%	1,7	90 166	40%	103	-17
	0.00 – <0.10	152 075	251 546	79%	219 293	0,06%	51	70%	1,7	87 225	40%	98	-17
	0.10 – <0.15	1 520	15 012	48%	6 068	0,12%	28	71%	1,0	2 941	48%	5	0
	0.15 – <0.25	42 465	3 325	100%	43 585	0,15%	17	5%	2,6	2 189	5%	3	-17
	0.25 – <0.50	11 171	5 023	94%	12 673	0,39%	76	11%	3,3	2 359	19%	6	-6
	0.50 – <0.75	9 171	1 267	99%	9 714	0,60%	52	35%	3,3	7 102	73%	20	-18
	0.75 – <2.50	2 611	105	101%	2 682	1,04%	74	49%	2,7	3 255	121%	14	-5
	0.75 – <1.75	2 572	103	101%	2 641	1,02%	62	49%	2,7	3 210	122%	13	-5
	1.75 – <2.5	39	1	104%	42	2,06%	12	36%	2,1	45	108%	0	0
	2.50 – <10.00	218	2	103%	226	4,98%	177	52%	1,2	417	185%	6	-2
	2.5 – <5	196	1	103%	203	4,64%	172	50%	1,2	356	175%	5	0
	5 – <10	22	1	101%	23	8,04%	5	71%	1,0	61	267%	1	-2
	10.00 – <100.00	22	2	108%	26	19,31%	14	61%	1,3	82	321%	3	-2
	10 – <20	19	2	108%	22	18,06%	10	60%	1,4	69	311%	2	-2
	20 – <30	1	0	100%	2	24,97%	2	72%	1,0	6	392%	0	0
	30.00 – <100.00	2	0	107%	2	30,00%	2	68%	1,0	7	380%	0	0
	100.00 (Default)	1	0	100%	1	100,00%	2	89%	1,0	2	143%	1	-1
Subtotal (exposure class)		**219 254**	**276 280**	**83%**	**294 267**	**0,12%**	**491**	**56%**	**2,0**	**105 572**	**36%**	**156**	**-69**
Corporates - SME													
	0.00 – <0.15	42 629	38 101	78%	62 796	0,11%	1 677	35%	1,8	7 916	13%	24	-109
	0.00 – <0.10	11 891	13 679	74%	18 985	0,07%	701	39%	1,8	1 936	10%	5	-52
	0.10 – <0.15	30 738	24 421	79%	43 811	0,13%	976	33%	1,8	5 980	14%	19	-57
	0.15 – <0.25	31 322	27 345	80%	46 746	0,21%	2 110	45%	2,1	13 710	29%	43	-99
	0.25 – <0.50	76 298	65 484	77%	109 611	0,36%	3 838	44%	1,9	38 750	35%	171	-324
	0.50 – <0.75	71 575	45 055	81%	94 982	0,61%	2 350	45%	1,8	44 646	47%	261	-299
	0.75 – <2.50	213 598	151 342	79%	286 838	1,38%	6 074	45%	1,8	184 458	64%	1 739	-3 076
	0.75 – <1.75	163 037	102 076	82%	216 939	1,13%	4 487	46%	1,8	134 864	62%	1 111	-1 884
	1.75 – <2.5	50 560	49 266	70%	69 898	2,16%	1 587	42%	2,0	49 594	71%	627	-1 192
	2.50 – <10.00	62 881	23 962	90%	76 446	4,26%	10 645	46%	1,8	69 091	90%	1 502	-2 742
	2.5 – <5	53 469	19 728	88%	64 627	3,75%	9 438	46%	1,8	56 955	88%	1 121	-2 110
	5 – <10	9 412	4 234	102%	11 819	7,04%	1 207	46%	1,8	12 136	103%	380	-633
	10.00 – <100.00	14 634	4 872	105%	17 528	22,74%	1 361	36%	1,6	22 682	129%	1 528	-1 167
	10 – <20	8 256	4 306	102%	10 091	17,05%	743	28%	1,8	8 531	85%	451	-597
	20 – <30	4 783	358	109%	5 581	27,60%	247	45%	1,2	10 638	191%	685	-289
	30.00 – <100.00	1 594	208	106%	1 856	39,09%	371	56%	1,3	3 512	189%	391	-281
	100.00 (Default)	13 401	2 500	100%	14 998	100,00%	538	70%	1,5	55 098	367%	6 649	-6 649
Subtotal (exposure class)		**526 338**	**358 659**	**81%**	**709 946**	**3,85%**	**28 593**	**44%**	**1,8**	**436 350**	**61%**	**11 915**	**-14 465**

Public

Corporates - Specialised Lending											
0.00 – <0.15	268	245	93%	404	0,12%	4	60%	2,5	115	28%	0	0
0.00 – <0.10	0	0	0%	0	0,00%	0	0%	0,0	0	0%	0	0
0.10 – <0.15	268	245	93%	404	0,12%	4	60%	2,5	115	28%	0	0
0.15 – <0.25	10	50	102%	60	0,23%	3	54%	1,0	20	33%	0	0
0.25 – <0.50	3 382	43	102%	3 502	0,41%	35	30%	1,7	1 162	33%	4	-4
0.50 – <0.75	8 113	1 918	97%	9 384	0,67%	28	47%	3,7	7 305	78%	28	-40
0.75 – <2.50	203 888	38 683	100%	235 548	1,44%	393	37%	4,1	256 934	109%	1 229	-1 123
0.75 – <1.75	158 320	34 367	100%	186 226	1,22%	335	39%	4,4	211 828	114%	888	-860
1.75 – <2.5	45 568	4 316	100%	49 323	2,28%	58	30%	2,9	45 106	91%	342	-263
2.50 – <10.00	81 256	19 691	105%	105 376	5,41%	161	38%	4,5	168 575	160%	2 074	-2 705
2.5 – <5	60 461	19 240	104%	82 300	4,42%	131	40%	4,4	130 539	159%	1 430	-1 353
5 – <10	20 795	450	109%	23 077	8,95%	30	31%	4,9	38 036	165%	644	-1 352
10.00 – <100.00	215	8	103%	230	16,51%	4	40%	2,3	302	132%	15	-4
10 – <20	215	8	103%	230	16,51%	4	40%	2,3	302	132%	15	-4
20 – <30	0	0	0%	0	0,00%	0	0%	0,0	0	0%	0	0
30.00 – <100.00	0	0	0%	0	0,00%	0	0%	0,0	0	0%	0	0
100.00 (Default)	2 658	85	100%	2 657	100,00%	2	9%	2,2	1 364	51%	377	-377
Subtotal (exposure class)	**299 790**	**60 722**	**101%**	**357 163**	**3,32%**	**630**	**37%**	**4,2**	**435 777**	**122%**	**3 727**	**-4 252**
Corporates - Other												
0.00 – <0.15	120 415	197 037	85%	195 595	0,12%	285	48%	2,2	75 952	39%	104	-75
0.00 – <0.10	6 180	109 332	45%	40 744	0,08%	156	70%	1,0	12 911	32%	22	-28
0.10 – <0.15	114 235	87 705	96%	154 851	0,13%	129	42%	2,5	63 041	41%	82	-47
0.15 – <0.25	9 891	8 958	67%	12 593	0,16%	231	42%	2,2	5 027	40%	8	-23
0.25 – <0.50	301 038	164 345	102%	384 072	0,31%	607	41%	2,2	209 143	54%	487	-625
0.50 – <0.75	74 689	79 525	99%	102 959	0,61%	497	58%	1,9	102 552	100%	360	-182
0.75 – <2.50	124 535	140 776	98%	187 453	1,43%	1 209	52%	1,5	206 722	110%	1 370	-1 729
0.75 – <1.75	96 331	107 638	98%	144 745	1,19%	896	54%	1,6	159 950	111%	936	-1 152
1.75 – <2.5	28 204	33 138	96%	42 708	2,23%	313	46%	1,3	46 772	110%	434	-577
2.50 – <10.00	46 211	17 002	89%	55 764	3,64%	7 876	57%	1,9	95 242	171%	1 084	-1 285
2.5 – <5	44 039	16 540	88%	53 370	3,54%	7 719	57%	1,9	91 894	172%	1 035	-1 263
5 – <10	2 172	462	112%	2 394	5,94%	157	44%	1,2	3 348	140%	48	-23
10.00 – <100.00	2 520	3 522	95%	4 917	13,25%	146	49%	1,0	10 859	221%	311	-124
10 – <20	2 446	3 519	95%	4 837	12,95%	104	49%	1,0	10 601	219%	297	-82
20 – <30	63	1	115%	65	29,22%	18	64%	1,1	222	341%	11	-39
30.00 – <100.00	11	2	127%	15	39,91%	24	66%	1,6	36	244%	2	-3
100.00 (Default)	3 669	1	100%	3 659	100,00%	102	72%	1,1	9 295	254%	1 907	-1 907
Subtotal (exposure class)	**682 968**	**611 166**	**96%**	**947 013**	**1,17%**	**10 953**	**47%**	**2,0**	**714 792**	**75%**	**5 631**	**-5 950**

Public

Retail - Secured by immovable property non-SME													
	0.00 – <0.15	30 901	125	102%	31 624	0,14%	4 303	26%	5,0	2 695	9%	12	-367
	0.00 – <0.10	1	0	108%	1	0,09%	1	27%	5,0	0	6%	0	0
	0.10 – <0.15	30 900	125	102%	31 623	0,14%	4 302	26%	5,0	2 695	9%	12	-367
	0.15 – <0.25	1 586	0	103%	1 627	0,18%	1 244	23%	3,9	148	9%	1	-14
	0.25 – <0.50	360 680	2 980	102%	370 916	0,27%	45 436	27%	4,9	53 592	14%	273	-5 384
	0.50 – <0.75	87 348	729	103%	90 676	0,54%	14 605	28%	4,9	22 190	24%	138	-1 582
	0.75 – <2.50	155 835	9 022	103%	168 489	1,29%	22 046	30%	4,9	78 800	47%	655	-1 102
	0.75 – <1.75	127 968	8 619	102%	138 917	1,10%	16 807	30%	4,9	59 457	43%	462	-712
	1.75 – <2.5	27 867	404	105%	29 571	2,18%	5 239	30%	4,9	19 343	65%	193	-390
	2.50 – <10.00	21 822	293	106%	22 451	5,83%	5 063	30%	4,9	25 177	112%	402	-680
	2.5 – <5	15 336	270	106%	15 433	4,34%	3 560	30%	4,9	14 844	96%	199	-316
	5 – <10	6 486	23	108%	7 018	9,11%	1 503	32%	4,9	10 333	147%	203	-364
	10.00 – <100.00	7 214	12	108%	7 764	45,32%	1 749	31%	4,9	13 574	175%	1 089	-574
	10 – <20	0	0	0%	0	0,00%	0	0%	0,0	0	0%	0	0
	20 – <30	0	0	0%	0	0,00%	0	0%	0,0	0	0%	0	0
	30.00 – <100.00	7 214	12	108%	7 764	45,32%	1 749	31%	4,9	13 574	175%	1 089	-574
	100.00 (Default)	24 020	112	112%	26 966	100,00%	4 266	26%	4,8	2 343	9%	7 946	-6 129
Subtotal (exposure class)		**689 406**	**13 273**	**103%**	**720 515**	**4,93%**	**98 712**	**28%**	**4,9**	**198 519**	**28%**	**10 515**	**-15 832**
Retail - Other non-SME													
	0.00 – <0.15	13	0	102%	13	0,14%	23	39%	4,9	2	13%	0	-1
	0.00 – <0.10	0	0	0%	0	0,00%	0	0%	0,0	0	0%	0	0
	0.10 – <0.15	13	0	102%	13	0,14%	23	39%	4,9	2	13%	0	-1
	0.15 – <0.25	4	0	102%	4	0,18%	26	39%	3,8	1	16%	0	0
	0.25 – <0.50	57 700	11 411	104%	71 501	0,46%	182 245	48%	3,5	24 885	35%	158	-1 087
	0.50 – <0.75	4 670	9 130	106%	14 081	0,63%	108 624	46%	3,3	5 693	40%	42	-59
	0.75 – <2.50	14 156	16 675	101%	30 655	1,32%	93 622	46%	4,1	16 872	55%	189	-370
	0.75 – <1.75	13 261	12 797	102%	26 269	1,18%	62 093	46%	4,2	13 965	53%	144	-332
	1.75 – <2.5	895	3 879	95%	4 387	2,14%	31 529	48%	3,7	2 907	66%	45	-38
	2.50 – <10.00	33 568	3 375	101%	37 143	4,61%	52 162	49%	4,1	28 458	77%	843	-1 233
	2.5 – <5	27 612	3 180	101%	30 941	4,31%	42 075	49%	4,2	23 515	76%	656	-846
	5 – <10	5 956	195	101%	6 201	6,08%	10 087	50%	3,9	4 943	80%	187	-387
	10.00 – <100.00	5 050	376	102%	5 488	30,40%	11 246	49%	3,8	6 368	116%	807	-1 144
	10 – <20	1 687	31	101%	1 736	11,78%	2 040	50%	4,0	1 626	94%	101	-219
	20 – <30	1 394	169	99%	1 535	26,88%	2 449	51%	4,3	2 052	134%	210	-325
	30.00 – <100.00	1 969	177	104%	2 217	47,41%	6 757	47%	3,4	2 691	121%	496	-600
	100.00 (Default)	10 576	922	92%	10 578	100,00%	23 001	46%	3,6	1 182	11%	6 182	-6 173
Subtotal (exposure class)		**125 737**	**41 889**	**102%**	**169 463**	**8,72%**	**470 949**	**48%**	**3,7**	**83 460**	**49%**	**8 222**	**-10 067**
Total (all exposures classes)		**2 581 424**	**1 361 990**	**94%**	**3 236 014**		**610 335**		**3,0**	**1 982 314**	**61%**	**40 176**	**-50 648**

Public

12.4. EU CR7 – IRB approach – Effect on the RWEAs of credit derivatives used as CRM techniques

58. Table: EU CR7 (values in HUF million; K&H Group)

		Pre-credit derivatives risk weighted exposure amount	Actual risk weighted exposure amount
1	**Exposures under F-IRB**		
2	Central governments and central banks		
3	Institutions		
4	Corporates		
4,1	*of which Corporates - SMEs*		
4,2	*of which Corporates - Specialised lending*		
5	**Exposures under A-IRB**	**1 933 410**	**1 933 410**
6	Central governments and central banks	7 843	7 843
7	Institutions	105 572	105 572
8	Corporates	1 538 016	1 538 016
8,1	*of which Corporates - SMEs*	436 436	436 436
8,2	*of which Corporates - Specialised lending*	435 777	435 777
9	Retail	281 979	281 979
9,1	*of which Retail – SMEs - Secured by immovable property collateral*		
9,2	*of which Retail – non-SMEs - Secured by immovable property collateral*	198 519	198 519
9,3	*of which Retail – Qualifying revolving*		
9,4	*of which Retail – SMEs - Other*		
9,5	*of which Retail – Non-SMEs- Other*	83 460	83 460
10	**TOTAL (including F-IRB exposures and A-IRB exposures)**	**1 933 410**	**1 933 410**

59. Table: EU CR7 (values in HUF million; K&H Bank)

		Pre-credit derivatives risk weighted exposure amount	Actual risk weighted exposure amount
1	**Exposures under F-IRB**		
2	Central governments and central banks		
3	Institutions		
4	Corporates		
4,1	*of which Corporates - SMEs*		
4,2	*of which Corporates - Specialised lending*		
5	**Exposures under A-IRB**	**1 982 314**	**1 982 314**
6	Central governments and central banks	7 843	7 843
7	Institutions	105 572	105 572
8	Corporates	1 586 919	1 586 919
8,1	*of which Corporates - SMEs*	436 350	436 350
8,2	*of which Corporates - Specialised lending*	435 777	435 777
9	Retail	281 979	281 979
9,1	*of which Retail – SMEs - Secured by immovable property collateral*		
9,2	*of which Retail – non-SMEs - Secured by immovable property collateral*	198 519	198 519
9,3	*of which Retail – Qualifying revolving*		
9,4	*of which Retail – SMEs - Other*		
9,5	*of which Retail – Non-SMEs- Other*	83 460	83 460
10	**TOTAL (including F-IRB exposures and A-IRB exposures)**	**1 982 314**	**1 982 314**

Public

12.5. EU CR7-A – IRB approach – Disclosure of the extent of the use of CRM techniques

The F-IRB tables are empty both for K&H Group, and for K&H Bank.

60. Table: EU CR7-A Advanced IRB (values in HUF million; K&H Group)

	A-IRB	Total exposures	Credit risk Mitigation techniques											Credit risk Mitigation methods in the calculation of RWEAs	
			Funded credit Protection (FCP)									Unfunded credit Protection (UFCP)		RWEA without substitution effects (reduction effects only)	RWEA with substitution effects (both reduction and sustitution effects)
			Part of exposures covered by **Financial Collaterals (%)**	Part of exposures covered by **Other eligible collaterals (%)**	Part of exposures covered by **Immovable property Collaterals (%)**	Part of exposures covered by **Receivables (%)**	Part of exposures covered by **Other physical collateral (%)**	Part of exposures covered by **Other funded credit protection (%)**	Part of exposures covered by **Cash on deposit (%)**	Part of exposures covered by **Life insurance policies (%)**	Part of exposures covered by **Instruments held by a third party (%)**	Part of exposures covered by **Guarantees (%)**	Part of exposures covered by **Credit Derivatives (%)**		
1	Central governments and central banks	37 647		0%	0%							8%		7 843	7 843
2	Institutions	294 267		0%	0%							16%		105 572	105 572
3	Corporates	1 947 615	1%	5%	5%			0%		0%	1%	9%		1 538 016	1 538 016
3,1	Of which Corporates – SMEs	709 946	2%	3%	3%			0%		0%	2%	9%		436 436	436 436
3,2	Of which Corporates – Specialised lending	357 163	0%	19%	19%							1%		435 777	435 777
3,3	Of which Corporates – Other	880 507	1%	2%	2%						1%	13%		665 802	665 802
4	Retail	889 978		74%	74%									281 979	281 979
4,1	Of which Retail – Immovable property SMEs														
4,2	Of which Retail – Immovable property non-SMEs	720 515		91%	91%									198 519	198 519
4,3	Of which Retail – Qualifying revolving														
4,4	Of which Retail – Other SMEs														
4,5	Of which Retail – Other non-SMEs	169 463												83 460	83 460
5	Total	3 169 508	1%	24%	24%			0%		0%	1%	7%		1 933 410	1 933 410

61. Table: EU CR7-A Advanced IRB (values in HUF million; K&H Bank)

	A-IRB	Total exposures	Credit risk Mitigation techniques											Credit risk Mitigation methods in the calculation of RWEAs	
			Funded credit Protection (FCP)									Unfunded credit Protection (UFCP)		RWEA without substitution effects (reduction effects only)	RWEA with substitution effects (both reduction and sustitution effects)
			Part of exposures covered by **Financial Collaterals (%)**	Part of exposures covered by **Other eligible collaterals (%)**	Part of exposures covered by **Immovable property Collaterals (%)**	Part of exposures covered by **Receivables (%)**	Part of exposures covered by **Other physical collateral (%)**	Part of exposures covered by **Other funded credit protection (%)**	Part of exposures covered by **Cash on deposit (%)**	Part of exposures covered by **Life insurance policies (%)**	Part of exposures covered by **Instruments held by a third party (%)**	Part of exposures covered by **Guarantees (%)**	Part of exposures covered by **Credit Derivatives (%)**		
1	Central governments and central banks	37 647		0%	0%						0%	8%		7 843	7 843
2	Institutions	294 267		0%	0%						0%	16%		105 572	105 572
3	Corporates	2 014 121	1%	5%	5%			0%		0%	1%	9%		1 586 919	1 586 919
3,1	Of which Corporates – SMEs	709 946	2%	3%	3%			0%		0%	2%	9%		436 350	436 350
3,2	Of which Corporates – Specialised lending	357 163	0%	19%	19%						0%	1%		435 777	435 777
3,3	Of which Corporates – Other	947 013		1%	1%						0%	12%		714 792	714 792
4	Retail	889 978		74%	74%						0%	0%		281 979	281 979
4,1	Of which Retail – Immovable property SMEs														
4,2	Of which Retail – Immovable property non-SMEs	720 515		91%	91%						0%	0%		198 519	198 519
4,3	Of which Retail – Qualifying revolving														
4,4	Of which Retail – Other SMEs														
4,5	Of which Retail – Other non-SMEs	169 463									0%	0%		83 460	83 460
5	Total	3 236 014	1%	23%	23%			0%		0%	1%	7%		1 982 314	1 982 314

Public

12.6. EU CR8 – RWEA flow statements of credit risk exposures under the IRB approach

62. Table: EU CR8 (values in HUF million; K&H Group)

		Risk weighted exposure amount
1	**Risk weighted exposure amount as at the end of the previous reporting period**	1 907 539
2	Asset size (+/-)	106 185
3	Asset quality (+/-)	-44 344
4	Model updates (+/-)	
5	Methodology and policy (+/-)	
6	Acquisitions and disposals (+/-)	
7	Foreign exchange movements (+/-)	-35 970
8	Other (+/-)	
9	**Risk weighted exposure amount as at the end of the reporting period**	1 933 410

63. Table: EU CR8 (values in HUF million; K&H Bank)

		Risk weighted exposure amount
1	**Risk weighted exposure amount as at the end of the previous reporting period**	1 946 965
2	Asset size (+/-)	116 444
3	Asset quality (+/-)	-44 708
4	Model updates (+/-)	
5	Methodology and policy (+/-)	
6	Acquisitions and disposals (+/-)	
7	Foreign exchange movements (+/-)	-36 386
8	Other (+/-)	
9	**Risk weighted exposure amount as at the end of the reporting period**	1 982 314

Public

12.7. EU CR9 –IRB approach – Back-testing of PD per exposure class (fixed PD scale)

The F-IRB tables are empty both for K&H Group, and for K&H Bank.

64. Table: EU CR9 (values in HUF million; K&H Group)

Exposure class	PD range	Number of obligors at the end of the previous year		Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
			of which: number of obligors which defaulted during the year				
Central governments or central banks	0.00 to <0.15	3			0,1%	0,1%	
	0.00 to<0.10						
	0.10 to<0.15	3			0,1%	0,1%	
	0.15 to<0.25						
	0.25 to<0.50	12				0,4%	
	0.50 to<0.75	20				0,6%	
	0.75 to<2.50	2				1,1%	
	0.75 to<1.75	2				1,1%	
	1.75 to<2.5						
	2.50 to<10.00	2				4,5%	
	2.5 to<5	2				4,5%	
	5 to<10						
	10.00 to<100.00						
	10 to<20						
	20 to<30						
	30.00 to<100.00						
	100.00 (Default)						

Public

Institutions	0.00 to <0.15	31			0,1%	0,1%	
	0.00 to<0.10	27			0,1%	0,1%	
	0.10 to<0.15	4			0,1%	0,1%	
	0.15 to<0.25	6			0,2%	0,2%	
	0.25 to<0.50	4			0,4%	0,3%	
	0.50 to<0.75	2			0,6%	0,6%	0,9%
	0.75 to<2.50	3			1,0%	1,8%	
	0.75 to<1.75	1			1,0%	1,1%	
	1.75 to<2.5	2			2,1%	2,2%	
	2.50 to<10.00				5,0%		
	2.5 to<5				4,6%		
	5 to<10				8,0%		
	10.00 to<100.00				19,3%		
	10 to<20				18,1%		
	20 to<30				25,0%		
	30.00 to<100.00				30,0%		
	100.00 (Default)				100,0%		
Corporates - SME	0.00 to <0.15	1 081	1	0,1%	0,1%	0,1%	0,1%
	0.00 to<0.10	380	1	0,3%	0,1%	0,1%	0,2%
	0.10 to<0.15	701		0,0%	0,1%	0,1%	0,1%
	0.15 to<0.25	1 078	2	0,2%	0,2%	0,2%	0,0%
	0.25 to<0.50	2 137	4	0,2%	0,4%	0,4%	0,1%
	0.50 to<0.75	1 661	3	0,2%	0,6%	0,6%	0,1%
	0.75 to<2.50	3 470	18	0,5%	1,4%	1,5%	0,3%
	0.75 to<1.75	2 262	11	0,5%	1,1%	1,2%	0,2%
	1.75 to<2.5	1 208	7	0,6%	2,2%	2,1%	0,5%
	2.50 to<10.00	2 132	39	1,8%	4,3%	4,9%	0,6%
	2.5 to<5	1 362	17	1,3%	3,8%	3,7%	0,4%
	5 to<10	770	22	2,9%	7,0%	7,1%	1,3%
	10.00 to<100.00	904	125	13,8%	22,7%	18,7%	6,8%
	10 to<20	515	56	10,9%	17,1%	15,6%	5,1%
	20 to<30	389	69	17,7%	27,6%	22,9%	8,9%
	30.00 to<100.00				39,1%		
	100.00 (Default)	223			100,0%	100,0%	

Public

Corporates - Specialised Lending	0.00 to <0.15	2			0,1%	0,1%	
	0.00 to<0.10						
	0.10 to<0.15	2			0,1%	0,1%	
	0.15 to<0.25	2			0,2%	0,2%	
	0.25 to<0.50	15			0,4%	0,4%	
	0.50 to<0.75	11			0,7%	0,6%	
	0.75 to<2.50	171			1,4%	1,4%	
	0.75 to<1.75	128			1,2%	1,1%	
	1.75 to<2.5	43			2,3%	2,1%	
	2.50 to<10.00	39			5,4%	4,8%	0,2%
	2.5 to<5	30			4,4%	4,0%	
	5 to<10	9			9,0%	7,4%	1,5%
	10.00 to<100.00	2			16,5%	18,1%	
	10 to<20	2			16,5%	18,1%	
	20 to<30						
	30.00 to<100.00						
	100.00 (Default)	1			100,0%	100,0%	
Corporates - Other	0.00 to <0.15	43			0,1%	0,1%	0,1%
	0.00 to<0.10	35			0,1%	0,1%	
	0.10 to<0.15	8			0,1%	0,1%	0,1%
	0.15 to<0.25	17			0,2%	0,2%	
	0.25 to<0.50	66			0,3%	0,4%	0,1%
	0.50 to<0.75	52			0,6%	0,6%	0,1%
	0.75 to<2.50	108	1	0,9%	1,4%	1,5%	0,5%
	0.75 to<1.75	61			1,2%	1,1%	0,2%
	1.75 to<2.5	47	1	2,1%	2,2%	2,1%	0,9%
	2.50 to<10.00	5 040	151	3,0%	3,6%	4,5%	1,0%
	2.5 to<5	5 035	151	3,0%	3,5%	4,5%	0,9%
	5 to<10	5			5,9%	7,7%	1,5%
	10.00 to<100.00	7			13,2%	17,3%	7,0%
	10 to<20	6			13,0%	16,4%	7,5%
	20 to<30	1			29,2%	22,8%	6,3%
	30.00 to<100.00				39,9%		
	100.00 (Default)	8			100,0%	100,0%	

Public

Retail - Secured by immovable property non-SME	0.00 to <0.15	3 305	60	1,8%	0,1%	0,1%	0,4%
	0.00 to<0.10				0,1%	0,0%	0,0%
	0.10 to<0.15	3 305	60	1,8%	0,1%	0,1%	0,4%
	0.15 to<0.25	1 608	6	0,4%	0,2%	0,2%	0,4%
	0.25 to<0.50	46 858	431	0,9%	0,3%	0,3%	0,4%
	0.50 to<0.75	15 871	236	1,5%	0,5%	0,6%	1,4%
	0.75 to<2.50	23 804	356	1,5%	1,3%	1,4%	1,0%
	0.75 to<1.75	18 456	217	1,2%	1,1%	1,1%	0,8%
	1.75 to<2.5	5 348	139	2,6%	2,2%	2,2%	1,7%
	2.50 to<10.00	3 344	150	4,5%	5,8%	5,8%	3,3%
	2.5 to<5	2 349	87	3,7%	4,3%	4,4%	2,6%
	5 to<10	995	63	6,3%	9,1%	9,0%	4,4%
	10.00 to<100.00	1 557	298	19,1%	45,3%	43,3%	13,7%
	10 to<20						0,9%
	20 to<30						4,2%
	30.00 to<100.00	1 557	298	19,1%	45,3%	43,3%	19,0%
	100.00 (Default)	4 170			100,0%	100,0%	0,1%
Retail - Other non-SME	0.00 to <0.15	1			0,1%	0,1%	
	0.00 to<0.10	1				0,1%	
	0.10 to<0.15				0,1%		
	0.15 to<0.25	11			0,2%	0,2%	
	0.25 to<0.50	109 690	1 347	1,2%	0,5%	0,4%	0,7%
	0.50 to<0.75	58 807	830	1,4%	0,6%	0,6%	0,8%
	0.75 to<2.50	50 905	1 601	3,2%	1,3%	1,5%	2,1%
	0.75 to<1.75	35 241	997	2,8%	1,2%	1,2%	1,8%
	1.75 to<2.5	15 664	604	3,9%	2,1%	2,2%	2,9%
	2.50 to<10.00	39 173	1 456	3,7%	4,6%	4,4%	2,7%
	2.5 to<5	32 279	976	3,0%	4,3%	3,8%	2,1%
	5 to<10	6 894	480	7,0%	6,1%	6,8%	5,1%
	10.00 to<100.00	10 425	3 095	29,7%	30,4%	39,7%	17,9%
	10 to<20	1 632	201	12,3%	11,8%	14,2%	8,0%
	20 to<30	2 261	186	8,2%	26,9%	24,5%	12,0%
	30.00 to<100.00	6 532	2 708	41,5%	47,4%	51,3%	27,1%
	100.00 (Default)	9 178			100,0%	100,0%	0,0%

Public

65. Table: EU CR9 (values in HUF million; K&H Bank)

Exposure class	PD range	Number of obligors at the end of the previous year		Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
			of which: number of obligors which defaulted during the year				
Central governments or central banks	0.00 to <0.15	3			0,1%	0,1%	
	0.00 to<0.10						
	0.10 to<0.15	3			0,1%	0,1%	
	0.15 to<0.25						
	0.25 to<0.50	12				0,4%	
	0.50 to<0.75	20				0,6%	
	0.75 to<2.50	2				1,1%	
	0.75 to<1.75	2				1,1%	
	1.75 to<2.5						
	2.50 to<10.00	2				4,5%	
	2.5 to<5	2				4,5%	
	5 to<10						
	10.00 to<100.00						
	10 to<20						
	20 to<30						
	30.00 to<100.00						
	100.00 (Default)						

Public

Institutions	0.00 to <0.15	35			0,1%	0,1%	
	0.00 to<0.10	31			0,1%	0,1%	
	0.10 to<0.15	4			0,1%	0,1%	
	0.15 to<0.25	6			0,2%	0,2%	
	0.25 to<0.50	5			0,4%	0,3%	
	0.50 to<0.75	2			0,6%	0,6%	0,9%
	0.75 to<2.50	5			1,0%	2,9%	
	0.75 to<1.75	2			1,0%	1,4%	
	1.75 to<2.5	3			2,1%	2,9%	
	2.50 to<10.00				5,0%		
	2.5 to<5				4,6%		
	5 to<10				8,0%		
	10.00 to<100.00				19,3%		
	10 to<20				18,1%		
	20 to<30				25,0%		
	30.00 to<100.00				30,0%		
	100.00 (Default)				100,0%		
Corporates - SME	0.00 to <0.15	1 081	1	0,1%	0,1%	0,1%	0,1%
	0.00 to<0.10	380	1	0,3%	0,1%	0,1%	0,2%
	0.10 to<0.15	701		0,0%	0,1%	0,1%	0,1%
	0.15 to<0.25	1 078	2	0,2%	0,2%	0,2%	0,0%
	0.25 to<0.50	2 137	4	0,2%	0,4%	0,4%	0,1%
	0.50 to<0.75	1 661	3	0,2%	0,6%	0,6%	0,1%
	0.75 to<2.50	3 469	18	0,5%	1,4%	1,5%	0,3%
	0.75 to<1.75	2 267	11	0,5%	1,1%	1,2%	0,2%
	1.75 to<2.5	1 202	7	0,6%	2,2%	2,1%	0,5%
	2.50 to<10.00	2 132	39	1,8%	4,3%	4,9%	0,6%
	2.5 to<5	1 362	17	1,3%	3,8%	3,7%	0,4%
	5 to<10	770	22	2,9%	7,0%	7,1%	1,3%
	10.00 to<100.00	904	125	13,8%	22,7%	18,7%	6,8%
	10 to<20	515	56	10,9%	17,1%	15,6%	5,1%
	20 to<30	389	69	17,7%	27,6%	22,9%	8,9%
	30.00 to<100.00				39,1%		
	100.00 (Default)	223			100,0%	100,0%	

Public

Corporates - Specialised Lending	0.00 to <0.15	2			0,1%	0,1%	
	0.00 to<0.10						
	0.10 to<0.15	2			0,1%	0,1%	
	0.15 to<0.25	2			0,2%	0,2%	
	0.25 to<0.50	15			0,4%	0,4%	
	0.50 to<0.75	11			0,7%	0,6%	
	0.75 to<2.50	171			1,4%	1,4%	
	0.75 to<1.75	128			1,2%	1,1%	
	1.75 to<2.5	43			2,3%	2,1%	
	2.50 to<10.00	39			5,4%	4,8%	0,2%
	2.5 to<5	30			4,4%	4,0%	
	5 to<10	9			9,0%	7,4%	1,5%
	10.00 to<100.00	2			16,5%	18,1%	
	10 to<20	2			16,5%	18,1%	
	20 to<30						
	30.00 to<100.00						
	100.00 (Default)	1			100,0%	100,0%	
Corporates - Other	0.00 to <0.15	47			0,1%	0,1%	0,1%
	0.00 to<0.10	36			0,1%	0,1%	0,0%
	0.10 to<0.15	11			0,1%	0,1%	0,1%
	0.15 to<0.25	17			0,2%	0,2%	0,0%
	0.25 to<0.50	66			0,3%	0,4%	0,1%
	0.50 to<0.75	52			0,6%	0,6%	0,1%
	0.75 to<2.50	108	1	0,9%	1,4%	1,5%	0,5%
	0.75 to<1.75	64			1,2%	1,1%	0,2%
	1.75 to<2.5	44	1	2,3%	2,2%	2,2%	0,9%
	2.50 to<10.00	5 040	151	3,0%	3,6%	4,5%	1,0%
	2.5 to<5	5 035	151	3,0%	3,5%	4,5%	0,9%
	5 to<10	5			5,9%	7,7%	1,5%
	10.00 to<100.00	7			13,2%	17,3%	7,0%
	10 to<20	6			13,0%	16,4%	7,5%
	20 to<30	1			29,2%	22,8%	6,3%
	30.00 to<100.00				39,9%		
	100.00 (Default)	8			100,0%	100,0%	

Public

Retail - Secured by immovable property non-SME	0.00 to <0.15	3 305	60	1,8%	0,1%	0,1%	0,4%
	0.00 to<0.10				0,1%		
	0.10 to<0.15	3 305	60	1,8%	0,1%	0,1%	0,4%
	0.15 to<0.25	1 608	6	0,4%	0,2%	0,2%	0,4%
	0.25 to<0.50	46 858	431	0,9%	0,3%	0,3%	0,4%
	0.50 to<0.75	15 871	236	1,5%	0,5%	0,6%	1,4%
	0.75 to<2.50	23 804	356	1,5%	1,3%	1,4%	1,0%
	0.75 to<1.75	18 457	217	1,2%	1,1%	1,1%	0,8%
	1.75 to<2.5	5 347	139	2,6%	2,2%	2,2%	1,7%
	2.50 to<10.00	3 344	150	4,5%	5,8%	5,8%	3,3%
	2.5 to<5	2 349	87	3,7%	4,3%	4,4%	2,6%
	5 to<10	995	63	6,3%	9,1%	9,0%	4,4%
	10.00 to<100.00	1 557	298	19,1%	45,3%	43,3%	13,7%
	10 to<20						0,9%
	20 to<30						4,2%
	30.00 to<100.00	1 557	298	19,1%	45,3%	43,3%	19,0%
	100.00 (Default)	4 170			100,0%	100,0%	0,1%
Retail - Other non-SME	0.00 to <0.15	1			0,1%	0,1%	
	0.00 to<0.10	1				0,1%	
	0.10 to<0.15				0,1%		
	0.15 to<0.25	11			0,2%	0,2%	
	0.25 to<0.50	109 690	1 347	1,2%	0,5%	0,4%	0,7%
	0.50 to<0.75	58 807	830	1,4%	0,6%	0,6%	0,8%
	0.75 to<2.50	50 905	1 601	3,2%	1,3%	1,5%	2,1%
	0.75 to<1.75	35 242	997	2,8%	1,2%	1,2%	1,8%
	1.75 to<2.5	15 663	604	3,9%	2,1%	2,2%	2,9%
	2.50 to<10.00	39 173	1 456	3,7%	4,6%	4,4%	2,7%
	2.5 to<5	32 279	976	3,0%	4,3%	3,8%	2,1%
	5 to<10	6 894	480	7,0%	6,1%	6,8%	5,1%
	10.00 to<100.00	10 425	3 095	29,7%	30,4%	39,7%	17,9%
	10 to<20	1 632	201	12,3%	11,8%	14,2%	8,0%
	20 to<30	2 261	186	8,2%	26,9%	24,5%	12,0%
	30.00 to<100.00	6 532	2 708	41,5%	47,4%	51,3%	27,1%
	100.00 (Default)	9 178			100,0%	100,0%	0,0%

Public

12.8. EU CR9.1 –IRB approach – Back-testing of PD per exposure class (only for PD estimates according to point (f) of Article 180(1) CRR)

The CR9.1- F IRB tables are empty both for K&H Group and for K&H Bank.

66. Table: EU CR9.1 –A-IRB approach (K&H Group)

Exposure class	PD range	External rating equivalent	Number of obligors at the end of the year		Observed average default rate (%)	Average PD (%)	Average historical annual default rate (%)
				of which: number of obligors which defaulted during the year			
Central governments and central banks	0,00%	AAA					
	0,00%	AA+					
	0,01%	AA					
	0,01%	AA-					
	0,02%	A+					
	0,03%	A					
	0,04%	A-					
	0,08%	BBB+					
	0,13%	BBB	2			0,21%	
	0,22%	BBB-					
	0,38%	BB+					
	0,64%	BB					
	1,10%	BB-					
	7,87%	B+					
	3,19%	B					
	5,43%	B-					
	9,26%	CCC+					
	15,77%	CCC					
	26,87%	CCC-					
	45,79%	CC					
	78,04%	C					

Public

Institutions	0,03%	AAA					
	0,03%	AA+					
	0,03%	AA	2			0,24%	
	0,04%	AA-					
	0,06%	A+					
	0,08%	A	5			0,13%	
	0,10%	A-	1			0,11%	
	0,14%	BBB+	3			0,19%	
	0,18%	BBB	6			0,21%	
	0,29%	BBB-	2			1,54%	
	0,48%	BB+	1			0,45%	
	0,77%	BB	1			3,55%	
	1,25%	BB-	1			1,13%	
	2,04%	B+	1			2,26%	
	3,31%	B					
	5,38%	B-					
	8,75%	CCC+					
	14,21%	CCC					
	23,14%	CCC-					
	37,70%	CC					
	61,40%	C					
Corporates - Other	0,03%	AAA				0,04%	
	0,03%	AA+				0,04%	
	0,03%	AA	5			0,04%	
	0,04%	AA-					
	0,06%	A+					
	0,08%	A	2			0,24%	
	0,10%	A-					
	0,14%	BBB+	1			0,14%	
	0,18%	BBB	1			1,26%	
	0,29%	BBB-	1			0,28%	
	0,48%	BB+					
	0,77%	BB					
	1,25%	BB-					
	2,04%	B+					
	3,31%	B					
	5,38%	B-					
	8,75%	CCC+					
	14,21%	CCC					
	23,14%	CCC-					
	37,70%	CC					
	61,40%	C					

Public

67. Table: EU CR9.1 –A-IRB approach (K&H Bank)

Exposure class	PD range	External rating equivalent	Number of obligors at the end of the year		Observed average default rate (%)	Average PD (%)	Average historical annual default rate (%)
				of which: number of obligors which defaulted during the year			
Central governments and central banks	0,00%	AAA					
	0,00%	AA+					
	0,01%	AA					
	0,01%	AA-					
	0,02%	A+					
	0,03%	A					
	0,04%	A-					
	0,08%	BBB+					
	0,13%	BBB	2			0,28%	
	0,22%	BBB-					
	0,38%	BB+					
	0,64%	BB					
	1,10%	BB-					
	7,87%	B+					
	3,19%	B					
	5,43%	B-					
	9,26%	CCC+					
	15,77%	CCC					
	26,87%	CCC-					
	45,79%	CC					
	78,04%	C					

Public

Institutions	0,03%	AAA					
	0,03%	AA+					
	0,03%	AA	20			0,24%	
	0,04%	AA-					
	0,06%	A+					
	0,08%	A	6			0,16%	
	0,10%	A-	1			0,11%	
	0,14%	BBB+	3			0,19%	
	0,18%	BBB	6			0,21%	
	0,29%	BBB-	2			1,54%	
	0,48%	BB+	1			0,45%	
	0,77%	BB	1			3,55%	
	1,25%	BB-	1			1,13%	
	2,04%	B+	1			2,26%	
	3,31%	B					
	5,38%	B-					
	8,75%	CCC+					
	14,21%	CCC					
	23,14%	CCC-					
	37,70%	CC					
	61,40%	C					
Corporates - Other	0,03%	AAA	5			0,04%	
	0,03%	AA+	5			0,04%	
	0,03%	AA	5			0,04%	
	0,04%	AA-					
	0,06%	A+					
	0,08%	A	2			0,24%	
	0,10%	A-					
	0,14%	BBB+	1			0,14%	
	0,18%	BBB	1			1,26%	
	0,29%	BBB-	1			0,28%	
	0,48%	BB+					
	0,77%	BB					
	1,25%	BB-					
	2,04%	B+					
	3,31%	B					
	5,38%	B-					
	8,75%	CCC+					
	14,21%	CCC					
	23,14%	CCC-					
	37,70%	CC					
	61,40%	C					

Public

13.Disclosure of specialised lending (CRR Article 438)

13.1. EU CR10 – Specialised lending and equity exposures under the simple riskweighted approach

Not applicable for K&H Group and Bank

14.Disclosure of exposures to counterparty credit risk

14.1. EU CCRA – Qualitative disclosure related to CCR

14.1.1. (a) (Article 439 (a) CRR) Description of the methodology used to assign internal capital and credit limits for counterparty credit exposures, including the methods to assign those limits to exposures to central counterparties

The Bank uses regulatory SA-CCR methodology for the EAD calculation in both own funds calculation and internal limit monitoring calculation since June 2021. The internal credit limit exposure methodology has been also updated to become SA-CCR compliant in early 2022.

14.1.2. (b) (Article 439 (b) CRR) Description of policies related to guarantees and other credit risk mitigants, such as the policies for securing collateral and establishing credit reserves

The Bank concludes a deal with institutional clients under ISDA/CSA or GMRA agreements only. Daily cash margining ensures that such credit exposures are collateralized. Other clients have credit limits and they can make trades within the given limits, institutional clients have limits too.

14.1.3. (c) (Article 439 (c) CRR) Description of policies with respect to Wrong-Way risk as defined in Article 291 of the CRR

The Bank's clients are dealing with the sole purpose of satisfying their hedging needs arising from their core businesses. Credit limits are given based on their natural position maximized by the Bank's risk appetite. So clients are hedgers, wrong-way risk is not relevant.

14.1.4. (d) (Article 431 (3) and (4) CRR) Any other risk management objectives and relevant policies related to CCR

The Bank always uses netting agreements with clients. Corresponding netting and collateral are taken into consideration at own funds calculation.

14.1.5. (e) (Article 439 (d) CRR) The amount of collateral the institution would have to provide if its credit rating was downgraded

In such event the bank sees no significant collateral outflow.

Public

14.2. EU CCR1 – Analysis of CCR exposure by approach

68. Table: EU CCR1 – values in HUF million; K&H Group

		Replacement cost (RC)	Potential future exposure (PFE)	EEPE	Alpha used for computing regulatory exposure value	Exposure value pre-CRM	Exposure value post-CRM	Exposure value	RWEA
EU1	EU - Original Exposure Method (for derivatives)				1.4				
EU2	EU - Simplified SA-CCR (for derivatives)				1.4				
1	SA-CCR (for derivatives)	51 814	18 257		1.4	116 562	98 100	98 100	46 656
2	IMM (for derivatives and SFTs)								
2a	Of which securities financing transactions netting sets								
2b	Of which derivatives and long settlement transactions netting sets								
2c	Of which from contractual cross-product netting sets								
3	Financial collateral simple method (for SFTs)								
4	Financial collateral comprehensive method (for SFTs)					34 499	9 507	9 507	621
5	VaR for SFTs								
6	**Total**					151 061	107 608	107 608	47 277

69. Table: EU CCR1 – values in HUF million; K&H Bank

		Replacement cost (RC)	Potential future exposure (PFE)	EEPE	Alpha used for computing regulatory exposure value	Exposure value pre-CRM	Exposure value post-CRM	Exposure value	RWEA
EU1	EU - Original Exposure Method (for derivatives)				1.4				
EU2	EU - Simplified SA-CCR (for derivatives)				1.4				
1	SA-CCR (for derivatives)	51 814	18 257		1.4	116 562	98 100	98 100	46 652
2	IMM (for derivatives and SFTs)								
2a	Of which securities financing transactions netting sets								
2b	Of which derivatives and long settlement transactions netting sets								
2c	Of which from contractual cross-product netting sets								
3	Financial collateral simple method (for SFTs)								
4	Financial collateral comprehensive method (for SFTs)					36 773	11 781	11 781	1 037
5	VaR for SFTs								
6	**Total**					153 335	109 881	109 881	47 689

14.3. EU CCR2 – Transactions subject to own funds requirements for CVA risk

70. Table: EU CCR2 – values in HUF million; K&H Group and K&H Bank

		Esposure value	RWEAs
1	Total portfolios subject to the Advanced method		
2	i. VaR component (including the 3x multiplier)		
3	ii. stressed VaR component (including the 3x multiplier)		
4	Transactions subject to the Standardised method	3 013	505
EU4	Transactions subject to the Alternative approach (Based on the Original Exposure Method)		
5	**Total subject to the CVA capital charge**	**3 013**	**505**

Public

14.4. EU CCR3 – Standardised approach – CCR exposures by regulatory exposure class and risk weights

71. Table: EU CCR3 – values in HUF million; K&H Group and K&H Bank

	Exposure classes	Risk weight											Total
		0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Egyéb	
1	Central governments or central banks	52 922											52 922
2	Regional government or local authorities												
3	Public sector entities												
4	Multilateral development banks												
5	International organisations												
6	Institutions												
7	Corporates												
8	Retail												
9	Institutions and corporates with a short-term credit assessment												
10	Other Items												
11	Total	52 922											52 922

14.5. EU CCR4 – IRB approach – CCR exposures by exposure class and PD scale

72. Table: EU CCR4 – values in HUF million; K&H Group

Exposure class	PD scale	Exposure value	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	RWEA	Density of risk weighted exposure amount
Central governments and central banks	0,00 – <0,15							
	0,15 – <0,25							
	0,25 – <0,50							
	0,50 – <0,75							
	0,75 – <2,50							
	2,50 – <10,00							
	10,00 – <100,00							
	100,00 (default)							
	Subtotal							
Institutions	0,00 – <0,15	9 268	0,06%	13	56,02%	2,57	3 835	41,38%
	0,15 – <0,25	39	0,20%	1	55,98%	1,00	21	52,61%
	0,25 – <0,50	795	0,32%	1	55,98%	0,03	421	52,89%
	0,50 – <0,75							
	0,75 – <2,50							
	2,50 – <10,00			1				
	10,00 – <100,00							
	100,00 (default)							
	Subtotal	10 102	0,08%	16	56,02%	2,36	4 276	42,33%
Corporates	0,00 – <0,15	2 704	0,23%	31	124,58%	3,09	980	61,30%
	0,15 – <0,25	1 224	0,37%	17	130,67%	2,66	517	83,74%
	0,25 – <0,50	10 335	1,13%	36	220,36%	3,13	6 141	189,03%
	0,50 – <0,75	10 974	1,91%	40	160,23%	7,17	8 627	224,15%
	0,75 – <2,50	13 639	4,00%	192	204,68%	6,24	15 685	425,21%
	2,50 – <10,00	5 394	13,24%	49	209,42%	7,04	9 186	637,59%
	10,00 – <100,00	155	44,13%	3	132,32%	2,00	506	618,03%
	100,00 (default)	119	100,00%	3	88,02%	1,02	1 305	1100,24%
	Subtotal	44 546	4,81%	371	201,84%	6,31	42 948	396,63%
Retail	0,00 – <0,15							
	0,15 – <0,25							
	0,25 – <0,50							
	0,50 – <0,75							
	0,75 – <2,50							
	2,50 – <10,00	37	4,53%	63	92,00%	1,00	53	142,59%
	10,00 – <100,00							
	100,00 (default)							
	Subtotal	37	4,53%	63	92,00%	1,00	53	142,59%
Total (all CCR relevant exposure classes)		54 685	1,20%	450	64,34%	1,50	47 277	86,45%

Public

73. Table: EU CCR4 – values in HUF million; K&H Bank

Exposure class	PD scale	Exposure value	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	RWEA	Density of risk weighted exposure amount
Central governments and central banks	0,00 – <0,15							
	0,15 – <0,25							
	0,25 – <0,50							
	0,50 – <0,75							
	0,75 – <2,50							
	2,50 – <10,00							
	10,00 – <100,00							
	100,00 (default)							
	Subtotal							
Institutions	0,00 – <0,15	9 268	0,06%	12	56,02%	2,57	3 835	41,38%
	0,15 – <0,25	39	0,20%	1	55,98%	1,00	21	52,61%
	0,25 – <0,50	795	0,32%	1	55,98%	0,03	421	52,89%
	0,50 – <0,75							
	0,75 – <2,50							
	2,50 – <10,00			1				
	10,00 – <100,00							
	100,00 (default)							
	Subtotal	10 102	0,08%	15	56,02%	2,36	4 276	42,33%
Corporates	0,00 – <0,15	4 978	0,21%	31	124,58%	2,13	1 396	49,96%
	0,15 – <0,25	1 224	0,37%	17	130,67%	2,66	517	83,74%
	0,25 – <0,50	10 335	1,13%	36	220,36%	3,13	6 141	189,03%
	0,50 – <0,75	10 974	1,91%	40	160,23%	7,17	8 627	224,15%
	0,75 – <2,50	13 639	4,00%	192	204,68%	6,24	15 681	425,16%
	2,50 – <10,00	5 394	13,24%	49	209,42%	7,04	9 185	637,54%
	10,00 – <100,00	155	44,13%	3	132,32%	2,00	506	618,03%
	100,00 (default)	119	100,00%	3	88,02%	1,02	1 305	1100,24%
	Subtotal	46 819	4,73%	371	201,02%	6,22	43 359	390,12%
Retail	0,00 – <0,15							
	0,15 – <0,25							
	0,25 – <0,50							
	0,50 – <0,75							
	0,75 – <2,50							
	2,50 – <10,00	37	4,53%	63	92,00%	1,00	53	142,59%
	10,00 – <100,00							
	100,00 (default)							
	Subtotal	37	4,53%	63	92,00%	1,00	53	142,59%
Total (all CCR relevant exposure classes)		56 959	1,16%	449	64,01%	1,45	47 689	83,72%

14.6. EU CCR5 – Composition of collateral for CCR exposures

74. Table: EU CCR5 - Composition of collateral for exposures to CCR (values in HUF million, 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	
	Collateral type	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated
1	Cash – domestic currency								
2	Cash – other currencies		1 609		54 416				
3	Domestic sovereign debt						32 969		50 339
4	Other sovereign debt								
5	Government agency debt								
6	Corporate bonds								
7	Equity securities								
8	Other collateral								
9	Total		1 609		54 416		32 969		50 339

Public

75. Table: EU CCR5 - Composition of collateral for exposures to CCR (values in HUF million, 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	
	Collateral type	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated
1	Cash – domestic currency								1 976
2	Cash – other currencies		1 609		54 416				
3	Domestic sovereign debt						56 218		73 589
4	Other sovereign debt								
5	Government agency debt								
6	Corporate bonds								
7	Equity securities								
8	Other collateral								
9	Total		1 609		54 416		56 218		75 565

14.7. EU CCR6 – Credit derivatives exposures

Empty tables for both K&H Group and Bank

14.8. EU CCR7 – RWEA flow statements of CCR exposures under the IMM

Empty tables for both K&H Group and Bank

14.9. EU CCR8 – Exposures to CCPs

Empty tables for both K&H Group and Bank

15. Disclosure of exposures to securitisation positions (CRR Article 449)

EU-SECA, and EU SEC1-5 tables are empty, as there is no exposures to securitisation positions in the K&H Group and Bank

16. Disclosure of the use of standardised approach and internal model for market risk (CRR Article 445)

16.1. EU MRA: Qualitative disclosure requirements related to market risk

16.1.1. (a) (Points (a) and (d) of Article 435 (1) CRR) A description of the institution's strategies and processes to manage market risk, including:

- *An explanation of management's strategic objectives in undertaking trading activities, as well as the processes implemented to identify, measure, monitor and control the institution's market risks*
- *A description of their policies for hedging and mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges*

The Bank does not carry out trading activity, immaterial non-tradeable positions are held, like only-retail government bonds (MÁP+). Also, the Bank intends to hedge all arising FX positions immediately.

From 2020 Q2, K&H Bank reports its trading risk capital requirement applying CRR. Art.94 – Derogation of Small Trading Book (STB), as a result of compliance with regulatory requirements. National Bank of Hungary (MNB) accepted that K&H Bank was going to use STB. Position risk' capital requirement is henceforth calculated under the credit risk framework, thus the trading risk capital requirement decreased significantly. There is continuous daily monitoring and strong control environment in place appreciated and accepted by MNB when support was given on STB implementation. FX positions are monitored daily in order that all FX positions are to be hedged.

16.1.2. (b) (Point (b) of Article 435 (1) CRR) A description of the structure and organisation of the market risk management function, including a description of the market risk governance structure established to implement the strategies and processes of the institution discussed in row (a) above, and that describes the relationships and the communication mechanisms between the different parties involved in market risk management.

Trading and Sales (together Markets) manage client driven flows and corresponding positions as first line of defence. Dealing Room Risk and Control Department represents the second line function, it is an independent unit from business, reporting to CRO. Dealing Room Risk and Control Department monitors positions and calculates limit utilizations. Risk measures are the competence of it also. Dealing Room Risk and Control Department reports risk measures and limit utilizations to main governance bodies: CROC and ExCo on a regular basis who approve policies and set actions.

16.1.3. (c) (Point (c) of Article 435 (1) CRR) Scope and nature of risk reporting and measurement systems

Several risk measures and limits are measured and calculated by Dealing Room Risk and Control Department. The main measures are VaR, FX positions, stress tests and Small Trading Book limit. HVaR (historical VaR) has been used which was developed by KBC Bank, responsible for its maintenance too. HVaR was the primary tool to measure market risk, supported by FX stress tests. Since the introduction of Small Trading Book the risk focus has become to monitor the fluent derisking mechanism ensuring open positions to stay immaterial low level. Measures are calculated daily. CROC and ExCo receives regular monthly reports.

16.2. EU MR1 - Market risk under the standardised approach

76. Table: EU MR1 - values in HUF million, K&H group & K&H Bank)

		RWAs	Capital requirements
	Outright products		
1	Interest rate risk (general and specific)		
2	Equity risk (general and specific)		
3	Foreign exchange risk	329	26
4	Commodity risk		
	Options		
5	Simplified approach		
6	Delta-plus method		
7	Scenario approach		
	Securitisation (specific risk)		
8	Securitisation (specific risk)		
9	**Total**		

Public

17.Disclosure of operational risk (CRR Articles 435(1), 446 and 454)

17.1. EU ORA - Qualitative information on operational risk

17.1.1. (a) Disclosure of the risk management objectives and policies (Points (a), (b), (c) and (d) of Article 435(1) CRR)

Operational risk is considered as a 'non-financial risk' and is defined as the risk resulting from inadequate or failed internal processes, people and systems or from sudden man-made or natural external events. It is divided into 9 subtypes: IT risk, information security risk, business continuity risk, process risk, outsourcing & 3rd party risk, model risk, legal risk, fraud risk, and personal & physical security risk. K&H also takes into consideration reputation risk to a certain level: when assessing the vulnerability to operational risk events, the impact of various incidents on the reputation is also taken into account.

The "KBC Group Operational Risk Management Framework" covers the management of operational risks from their identification up to their reporting. KBC Group implemented a uniform set of tools that apply for the identification, measurement, and management/mitigation 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 applied for operational risk management were designed to cover the entire spectrum of expected, unexpected and even catastrophic operational risk events.

Amongst others, the following tools are used for the recognition and identification of the operational risks:

Risk Scan: a yearly KBC Group-wide exercise to identify and assess financial & non-financial top risks, including operational risks, that can significantly impact the business model. The outcome of this exercise is a list of top risks for KBC Group and its main subsidiaries which are used as input for several other risk management exercises (e.g. risk appetite setting, stress testing, financial and risk planning, etc.).

New and Active Products Process: a process set up to identify and mitigate all risks related to new and existing products and services, which may negatively impact the customer and/or K&H. All material risks, including all relevant operational risks have to be identified, analyzed and discussed as part of the respective approval process.

Business Continuity Management (BCM): An essential part of the operational risk management framework. The BCM process aims to plan for and respond to serious (business) disruptions, crises or disasters in order to continue business operations at an acceptable, pre-defined level. It identifies potential threats and the consequent impact to K&H business operations that those threats, if realised, might cause. The ultimate goal of business continuity management is to build organizational resilience with the capability for an effective response that safeguards the interests of K&H key stakeholders, reputation, brand and value-creating activities.

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

Public

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

Scenario Analysis:

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

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

Group Key Controls (GKC)

Top down basic control objectives defined at KBC Group level, to mitigate key inherent risks of the underlying processes and activities of the Group. GKCs ensure that significant operational risks are managed in a uniform manner throughout the Group.

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

Loss Event Database: Since 2004 KBC Group records each operational loss amounting to, or exceeding EUR 1,000 in a central database. The same database contains the legal claims filed against the Group entities. K&H collects and registers the operational risk related loss events in a structured manner, in line with the group standards. . Since 2020 near miss events, i.e. operational risk events with no financial impact, are registered as well. **Key Risk Indicators (KRIs):** KRIs are metrics or indicators for monitoring exposure to a loss or other potential event (risks). KRIs may pertain to the entire organisation or only a part thereof. The purpose of the KRIs is to combine the measurement of risk with the current risk management by way of a pragmatic approach, allowing prompt application of the measures in case alerts are observed.

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

Internal risk reporting

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

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

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

External risk reporting

Public

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

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

17.1.2. (b) Disclosure of the approaches for the assessment of minimum own funds requirements (Article 446 CRR)

Operational risk capital requirement: In 2008 KBC decided to measure its operational risk capital requirement according to the *standardised approach (*TSA) specified in Basel II. KBC Group seeks to focus on the actual (quality) management of operational risks, rather than to optimise the capital requirement of operational risks using an internal financial/risk model. Nevertheless – as already discussed above – KBC applies the stringent standards as required under the *Advanced Measurement Approach (*AMA).

In line with the Group decision, K&H has applied the *Standardised approach* since 1 January 2008, the methodology of which is described by the relevant articles of the Capital Requirement Directive.

K&H follows up the regulatory developments with regard to the new OPR capital calculation method, the Standard Measurement Approach, and is prepared to switch to the new methodology.

The result of the *Standardized approach* is subject to yearly underpinning to test whether re-using the Pillar 1 capital charge for ICAAP purposes is adequate. The underpinning approach for operational risk required capital is based on a combination of qualitative methodologies and quantitative models

17.1.3. Description of the AMA methodology approach used (if applicable) (Article 454 CRR)

Not applicable for K&H Group and Bank

17.1.4. Description of the AMA methodology approach used (if applicable) (Article 454 CRR)

Not applicable for K&H Group and Bank

17.2. EU OR1 - Operational risk own funds requirements and risk-weighted exposure amounts

77. Table: EU OR1 – values in HUF million; K&H Group

	Banking activities	Relevant indicator			Own funds requirements	Risk exposure amount
		Year-3	Year-2	Last year		
1	Banking activities subject to basic indicator approach (BIA)					
2	Banking activities subject to standardised (TSA) / alternative standardised (ASA) approaches	176 676	200 367	288 239	32 774	409 670
3	*Subject to TSA:*	176 676	200 367	288 239		
4	*Subject to ASA:*					
5	Banking activities subject to advanced measurement approaches AMA					

78. Table: EU OR1 – values in HUF million; K&H Bank

	Banking activities	Relevant indicator			Own funds requirements	Risk exposure amount
		Year-3	Year-2	Last year		
1	Banking activities subject to basic indicator approach (BIA)					
2	Banking activities subject to standardised (TSA) / alternative standardised (ASA) approaches	176 076	198 018	285 916	32 528	406 598
3	*Subject to TSA:*	176 076	198 018	285 916		
4	*Subject to ASA:*					
5	Banking activities subject to advanced measurement approaches AMA					

18.Disclosure of remuneration policy (CRR Article 450)

18.1. EU REMA - Remuneration policy

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

The purpose of the policy is to create a framework for a sound remuneration practice within K&H Group in line with the corporate sustainability strategy and considering the European and national legislation. This framework aims to ensure consistency with and to promote sound and effective risk management, to prevent incentives for excessive risk taking and to be aligned with the long-term interests of K&H Group. The policy defines the general remuneration guidelines for all staff and specific remuneration guidelines for “Key Identified Staff” working within K&H Group. The policy also determines the governance environment, the responsibilities, the roles and the decision-making competencies. **(point b) REMA)**

The Remuneration Governance bodies established at K&H Group level are as follows **(point b) REMA)**

- the Board of Directors of K&H Group
- the Supervisory Board of K&H Group
- the Remuneration Committee of K&H Group (K&H Bank or subsidiary)
- the Risk and Compliance Committee of K&H Group

Point 5.2 in the Remuneration Policy describes the main tasks of the remuneration governance bodies and the decision making process itself **(point b) REMA)**

K&H has not used external advisors so far in respect of Remuneration Governance bodies. **(point a) REMA)**

The Remuneration Committee (RemCo) approves the Bank's remuneration policy as well as the remuneration of the Bank's senior managers. They decide about fringe benefits and performance based benefits as well. The Committee has 4 members (Peter Andronov, Christine Van Rijsseghem, Cedric Du Monceau, Katalin Bóna) and met 4 times in in 2022. (March 9, 2022; May 18 2022; September 21 2022; November 23, 2022;). **(point a) REMA)**

The Remuneration Committee reviews the Bank Group's Remuneration Policy on an annual basis. The main changes have been made in 2022 are as follows **(point b) REMA):**

- Changes based on KBC Remuneration Policy modifications and legislative changes:
  The internal rule for KIS identification of Risk Takers has changed to include the exempt KIS Risk Takers' circle. Risk Takers as of Hay-level 16 are considered as exempt KIS
  For KBC Senior General Managers, in case variable remuneration exceeds 200.000€, the 60% of variable remuneration deferral has changed to 50%
- Modification based on MNB recommendation:
  The position holder of Head of Investment Service Back & Middle Office should be KIS on K&H Bank Group level.
  For the CEO and the two Deputy CEO-s the phantom stock instrument, the ratio deferred should be higher than 50%. According to the legislation in the above mentioned positions we deferred 52% of the phantom stock instruments.

Point 3.4 of the Remuneration Policy defines the maximum ratios of fix and variable remuneration as follows **(point d) REMA)**:

Total fixed yearly remuneration	Maximum variable remuneration
below 50.000 EUR	100% of fixed
between 50.000 EUR and 100.000 EUR	50.000 EUR
above 100.000 EUR	50% of fixed

The variable remuneration is based on performance, there is no guaranteed variable remuneration. Severance payments are meant as payments on top of what legally is mandatory to pay out when someone leaves K&H Group. In defining the amount of such severance payments, the applicable labor laws and the Collective Agreement of K&H Group should be respected. **(point b) REMA)**

K&H Bankgroup's result and individual performance evaluation is used as criteria for performance measurement (Point 4.5 of the Remuneration Policy is used for risk-adjusted remuneration and long-term assessment.). **(point b) REMA**)

The Institution and the Bank Group's performance is included in the calculation of parameter 'C' of the variable remuneration. The below main areas are defined with the following KPIs:

- Retail Banking Division: segment level direct income, segment cost, RAROC and Bank Group Profit After Tax

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- Business Banking Division: segment level direct income, segment cost, RAROC and Bank Group Profit After Tax
- Other Bank Group areas: bank group level Direct Income, total cost, RAROC and Bank Group Profit After Tax

In case of Top50 managers the bank group's performance is measured by the risk adjusted profit year on year change (increase or decrease).

For individual performance measurement different quantitative and qualitative measures are used. The result of that appears in a different parameter of the variable calculation. **(point e) REMA)**

With "weak" performance the risk gateway is not passed resulting in no variable payment on group level. In addition the parameter C of variable remuneration measures company performance between 70-120% meaning that below 70% there is no variable payment. For Top50 managers' circle the variable remuneration is affected by the risk adjusted profit change compared to the previous year. Below 100% it results lower awarded variable remuneration than standard. **(point e) REMA)**

The section 4.1 of the Remuneration Policy describes those employee categories, whose activity might have a material impact on the company's risk profile**. (point a) REMA**)

The methods and process of deferred payments are described in the Remuneration Policy point 4.2 and 4.3. **(point f) REMA)**

In case of Key Identified Staff (K.I.S), if the level of variable remuneration and/or its' ratio compared to the total remuneration reaches or exceeds the prescribed limits in the Remuneration Policy, deferred payment in applied. In such cases 50% of the variable remuneration is linked to non-cash instruments. For example: phantom stock based upon KBC Group share. **(point g) REMA)**

Section 4.5 of the K&H Remuneration Policy describes the detailed process of Ex Ante and Ex Post Risk Adjustment.

Ex ante risk adjustment is realized through qualitative and quantitative risk-adjusted performance measures.

A risk gateway is installed as a quantitative risk-adjusted performance measure. Such risk gateway consists of internal or regulatory measures, that will determine if variable remuneration is paid and deferred amounts can be vested or not . The K&H Risk Gateway consists of the following KPIs:

- K&H Group Common Equity Tier 1 ratio
- K&H Bank Consolidated NSFR ratio
- LCR K&H Bank Consolidated
- K&H Group ICM ratio

If the risk gateway is not passed, no variable remuneration will be paid for the respective performance year and the deferred amounts of previous years will not vest and will be lost for that year.

If the risk gateway is passed, the level of the variable remuneration that can be paid, still depends on other risk based variable remuneration guidelines and processes in force, such as:

- Quantitative risk adjustment measures (e.g. Risk Adjusted Profit (RAP) and RAROC+) and other indicators (e.g. net results), are additionally introduced and impact the level of variable remuneration directly by (risk) adjusting the size of bonus pools and individual awards.

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- The performance appraisal procedure on individual level includes risk-related objectives, that can be both qualitative and quantitative and that prohibit excessive risk-taking.

All performance-related variable remuneration is subject to “ex post risk adjustment” either by applying a “malus” (reducing of unvested variable remuneration) and/or a “claw back” (reclaiming ownership of already vested or paid variable remuneration in the past up to maximum five years after payment) at the discretion of the Supervisory Board of KBC Group as mentioned below and to the extent permitted by law. **(point c) and f) REMA)**

K&H Bank Group's result defines partly the level of variable remuneration, for which the control functions have no direct impact. The annual KPI-s of the head of control functions and the variable remuneration amount of them is approved by the Remuneration Committee. **(point b) REMA)**

K&H does not benefit from a derogation laid down in Article 94 (3) CRD . **(point i) REMA)**

The remuneration of the collective management body is disclosed via the following tables (Identified staff remuneration) **(point j) REMA)**

Public

18.2. EU REM1 - Remuneration awarded for the financial year

79. Table: EU REM1

			MB Supervisory function	MB Management function	Other senior management	Other identified staff
1	Fixed remuneration	Number of identified staff	6	5	4	31
2		Total fixed remuneration	27,75	219,76	205,57	792,31
3		Of which: cash-based	27,75	219,76	205,57	792,31
4		(Not applicable in the EU)				
EU-4a		Of which: shares or equivalent ownership interests				
5		Of which: share-linked instruments or equivalent non-cash instruments				
EU-5x		Of which: other instruments				
6		(Not applicable in the EU)				
7		Of which: other forms				
8		(Not applicable in the EU)				
9	Variable remuneration	Number of identified staff	6	5	4	31
10		Total variable remuneration	4,30	68,87	26,36	364,47
11		Of which: cash-based	4,30	35,72	13,55	275,33
12		Of which: deferred		14,87	5,12	35,66
EU-13a		Of which: shares or equivalent ownership interests				
EU-14a		Of which: deferred				
EU-13b		Of which: share-linked instruments or equivalent non-cash instruments		33,15	12,81	89,14
EU-14b		Of which: deferred		17,24	5,12	35,66
EU-14x		Of which: other instruments				
EU-14y		Of which: deferred				
15		Of which: other forms				
16		Of which: deferred				
17	Total remuneration (2 + 10)		32,05	288,63	231,93	1156,77

18.3. EU REM2 - Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff)

In 2022 there wasn't any special payments for identified staff.

Public

18.4. EU REM3 - Deferred remuneration

80. Table: EU REM3

	Deferred and retained remuneration	Total amount of deferred remuneration awarded for previous performance periods	Of which due to vest in the financial year	Of which vesting in subsequent financial years	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years	Total amount of adjustment during the financial year due to ex post implicit adjustments (i.e.changes of value of deferred remuneration due to the changes of prices of instruments)	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year	Total of amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods
1	MB Supervisory function								
2	Cash-based								
3	Shares or equivalent ownership interests								
4	Share-linked instruments or equivalent non-cash instruments								
5	Other instruments								
6	Other forms								
7	MB Management function	78,68	18,62	60,06			-9,21	18,62	8,34
8	Cash-based	31,74	8,36	23,38				8,36	
9	Shares or equivalent ownership interests								
10	Share-linked instruments or equivalent non-cash instruments	46,94	10,26	36,68			-9,21	10,26	8,34
11	Other instruments								
12	Other forms								
13	Other senior management	31,26	20,13	11,13			0,00	20,13	0,54
14	Cash-based	12,48	7,80	4,68				7,80	
15	Shares or equivalent ownership interests								
16	Share-linked instruments or equivalent non-cash instruments	18,79	12,33	6,46			-1,53	12,33	0,54
17	Other instruments								
18	Other forms								
19	Other identified staff	152,26	49,77	102,49			-1,86	45,12	4,65
20	Cash-based	129,00	45,12	83,88				45,12	0,00
21	Shares or equivalent ownership interests								
22	Share-linked instruments or equivalent non-cash instruments	23,26	4,65	18,61			-1,86		4,65
23	Other instruments								
24	Other forms								
25	Total amount	262,20	88,52	173,68			-12,60	83,87	13,53

Public

18.5. EU REM4 - Remuneration of 1 million EUR or more per year

There is no employee with such a remuneration in K&H Group.

18.6. EU REM5 - Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff)

81. Table: EU REM5

		Management body remuneration			Business areas						Total
		MB Supervisory function	MB Management function	Total MB	Investment banking	Retail banking	Asset management	Corporate functions	Independent internal control functions	All other	
1	Total number of identified staff										46
2	Of which: members of the MB	6	5	11							
3	Of which: other senior management				2	1				1	
4	Of which: other identified staff				13	1		10	3	4	
5	Total remuneration of identified staff	32,05	288,63	320,68	546,62	135,96		379,04	129,00	198,08	
6	Of which: variable remuneration	4,30	68,87	73,17	215,26	9,56		91,85	31,36	42,80	
7	Of which: fixed remuneration	27,75	219,76	247,51	331,36	126,40		287,19	97,65	155,28	

19. Disclosure of encumbered and unencumbered assets (CRR Article 443)

19.1. EU AE1 - Encumbered and unencumbered assets

82. Table: EU AE1 – values in HUF million; K&H Group

		Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
			of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA and HQLA
010	**Assets of the reporting institution**	449 010							
030	Equity instruments								
040	Debt securities	270 566		270 566		236 281			
050	of which: covered bonds								
060	of which: securitisations								
070	of which: issued by general governments	270 566		270 566		236 281			
080	of which: issued by financial corporations								
090	of which: issued by non-financial corporations								
120	Other assets	178 444							

Public

83. Table: EU AE1 – values in HUF million; K&H Bank

		Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
			of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA and HQLA
010	**Assets of the reporting institution**	463 223							
030	Equity instruments								
040	Debt securities	270 566		270 566		236 281		473	
050	of which: covered bonds								
060	of which: securitisations								
070	of which: issued by general governments	270 566		270 566		236 281			
080	of which: issued by financial corporations							473	
090	of which: issued by non-financial corporations								
120	Other assets	192 657							

Public

19.2. EU AE2 - Collateral received and own debt securities issued

84. Table: EU AE2 – values in HUF million; K&H Group

		Fair value of encumbered collateral received or own debt securities issued		Unencumbered	
				Fair value of collateral received or own debt securities issued available for encumbrance	
			of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA
130	**Collateral received by the disclosing institution**				
140	Loans on demand				
150	Equity instruments				
160	Debt securities				
170	of which: covered bonds				
180	of which: securitisations				
190	of which: issued by general governments				
200	of which: issued by financial corporations				
210	of which: issued by non-financial corporations				
220	Loans and advances other than loans on demand				
230	Other collateral received				
240	**Own debt securities issued other than own covered bonds or securitisations**				
241	**Own covered bonds and-securitiation issued and not yet pledged**				
250	**TOTAL COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED**	449 010			

Public

85. Table: EU AE2 – values in HUF million; K&H Bank

		Fair value of encumbered collateral received or own debt securities issued		Unencumbered: Fair value of collateral received or own debt securities issued available for encumbrance	
			of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA
130	**Collateral received by the disclosing institution**				
140	Loans on demand				
150	Equity instruments				
160	Debt securities				
170	of which: covered bonds				
180	of which: securitisations				
190	of which: issued by general governments				
200	of which: issued by financial corporations				
210	of which: issued by non-financial corporations				
220	Loans and advances other than loans on demand				
230	Other collateral received				
240	**Own debt securities issued other than own covered bonds or securitisations**				
241	**Own covered bonds and-securitiation issued and not yet pledged**				
250	**TOTAL COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED**	463 223			

19.3. EU AE3 - Sources of encumbrance

86. Table: EU AE3 – values in HUF million; K&H Group

Public

		Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and securitisations encumbered
1	**Carrying amount of selected financial liabilities**	179 577	190 808

87. Table: EU AE3 – values in HUF million; K&H Bank

		Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and securitisations encumbered
1	**Carrying amount of selected financial liabilities**	413 454	463 223

19.4. EU AE4 - Accompanying narrative information

19.4.1. (a) General narrative information on asset encumbrance

(b) Narrative information on the impact of the business model on assets encumbrance and the importance of encumbrance to the institution's business model, which provides users with the context of the disclosures required in Template EU AE1 and EU AE2.

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

Assets and collateral have been determined as encumbered with consistent with the definition provided in the EBA Guidelines on the Disclosure of Encumbered assets (EBA GL/2014/03), assets are considered encumbered when they have been pledged or used to secure, collateralise or credit enhance a transaction which impacts their transferability and free use.

Asset encumbrance is integral to K&H Bank business and funding models that, over time, have increased as a result of participation on MNB LFG programs.

Public

20. Environmental, social and governance risks (Article 449a CRR)

20.1. Qualitative information on Environmental risk

20.1.1. Business strategy and processes

K&H has a well-developed Risk Appetite Statement and process, which supports the banking group in the successful implementation of its strategy and is fully embedded into KBC's financial planning process. It evolves in sync with changes in the internal and external context and the strategic ambitions. The risk appetite covers all material risks that K&H is exposed to with particular attention for risks which dominate the external environment not only today but also in the future. Given the increased importance K&H assigns to climate risk, a specific risk appetite objective is included to the Risk Appetite Statement, covering both angles of the 'double materiality': The Group is committed to embed climate and environmental impacts into its decision making, products and processes with the aim of contributing positively to society and safeguarding long-term sustainability.

To be less vulnerable to changes in the external environment – including climate change – we pursue diversity and flexibility in our business mix, client segments, distribution channels and geographies, where we refrain from focusing on short-term gains at the expense of long-term stability. We manage volatility of net results by defining a solid risk management framework and risk appetite to ensure financial and operational resilience in the short, medium and long term.

By signing the Collective Commitment to Climate Action (CCCA) in 2019, KBC group stated publicly that it wants to play a leading role and be a significant lever in the process of transitioning to a more sustainable society and a low-carbon economy, including by committing to aligning its portfolios and business strategy with the Paris Agreement to keep global warming below 2°C while striving for a target of 1.5°C.

In 2022, we calculated the financed emissions of a selection of our portfolios using the methodology put forward by the Partnership for Carbon Accounting Financials (PCAF).

Following the changes in client behaviour and expectations means that we are not just focusing on digital transformation, but also sustainability and green financing are becoming very important factors in daily business activities: in both Retail and Business Banking, K&H will become the leading advisor of clients when it comes to green financing. In Retail, K&H have already introduced a green mortgage product which is available for both sustainable home purchase and renovation to increase energy efficiency. On the investment side, we provide a wide variety of responsible mutual funds fitting every client's risk profile. In Business Banking, K&H also provides green financing for sustainability-related purposes, green leasing for fully electric cars and aim at developing segment specific advisory in numerous areas of the economic spectrum based on group white papers.

Client dialogue is an essential part of bank's approach to better understanding how business clients already deal or plan to deal with sustainability challenges and to supporting them in this transition. We also use this dialogue to collect our clients' environmentally relevant data and steer business clients towards additional disclosures that might become necessary (e.g. related to the Corporate Sustainability Reporting Directive (CSRD), or the EU Taxonomy).

Public

20.1.2. Governance

On group level the Internal Sustainability Board (ISB), chaired by the group CEO, is the primary forum for the discussion of all sustainability-related topics (including our approach to climate change) and the main platform for driving sustainability at group level (with representation of senior managers from all business units and core countries. It debates and takes strategic and commercial decisions on all sustainability-related matters. On local K&H level sustainability related governance is managed through K&H Sustainability Programme.

With regards to the first and second line of defence, a hybrid organisational structure and governance, with strong central management and clear accountability in each of our business lines, are in place to ensure that sustainability topics receive the necessary attention and resources in our business operations and strategies going forward.

Main local decision body in sustainability questions is the K&H Sustainability Streering Commmittee (SSC) chaired by the CEO. CRO represents risk function in the committee. The K&H Sustainability Programme reports to the bank executive committee quarterly and to the Board of Directors annually.

All K&H senior managers have an explicit sustainability objective to increase sustainability awareness and to encourage management to take concrete action in the domain of sustainability (including climate policy). At least 10% of the variable remuneration received by senior management depends on the achievement of individual targets related to the implementation of the group’s sustainability strategy.

20.1.3. Risk management

The KBC Enterprise Risk Management Framework defines the group overall approach to risk management and sets group-wide standards for risk management. It covers all risks to which the group is exposed, including ESG risks, which are gradually being embedded in the risk management processes.

ESG risks are identified in our risk taxonomy as key risks related to the business environment. ESG risks are considered as important risk drivers of the external environment and manifest themselves through all other traditional risk areas, such as credit risk, technical insurance risk, market risk, operational and reputational risk. As such, we do not consider ESG as standalone risk types.

When assessing potential impacts of ESG-risks, we consider three angles, ranging from direct to indirect impacts:

- direct impacts through our own operations, e.g., our own environmental footprint, workforce considerations, diversity, corporate governance & code of conduct,
- impacts through our outsourced activities and suppliers (related to the ESG profile of these third parties), and,
- indirect impacts through our core activities (lending and investing) and clients/exposures.

K&H uses a variety of approaches and processes to identify new, emerging and changing risks, including climate and other ESG risks. We continuously scan the internal and external environment for new and emerging risks we are exposed to in the short term (1-to-3-year horizon), in the medium term (4-to-10-year horizon) and in the long term (beyond 10-year horizon). By doing so, we also incorporate a forward-looking perspective.

Public

The KBC group makes use of a series of tools and methodologies to strengthen our ability to identify, measure and analyse transition risks for our lending and investment activities. These tools provide further insights into the impact of climate change on our business model, as well as that of our activities on the environment:

The Paris Agreement Capital Transition Assessment (PACTA) methodology measures the alignment of KBC Group corporate industrial loan portfolio with decarbonisation pathways and helps to determine whether the companies in the loan portfolio are following a transition path in line with targets set by various climate transition scenarios. The scope of the PACTA tool in 2022 covers carbon-intensive activities within the steel, automotive, aviation, power, oil and gas, coal and cement sectors.

In 2022 the group rolled out the UNEP FI transition risk assessment methodology to highly climate-relevant sectors and their relevant subsegments, covering a similar scope as the White Paper exercises. After selecting six different climate scenarios, KBC Group assessed the impact of a transition to a low-carbon economy by estimating how the portfolios' Expected Loss (EL) could potentially change if these scenarios were to materialise.

In 2022, we calculated the financed emissions of a selection of our portfolios using the methodology put forward by the Partnership for Carbon Accounting Financials (PCAF).

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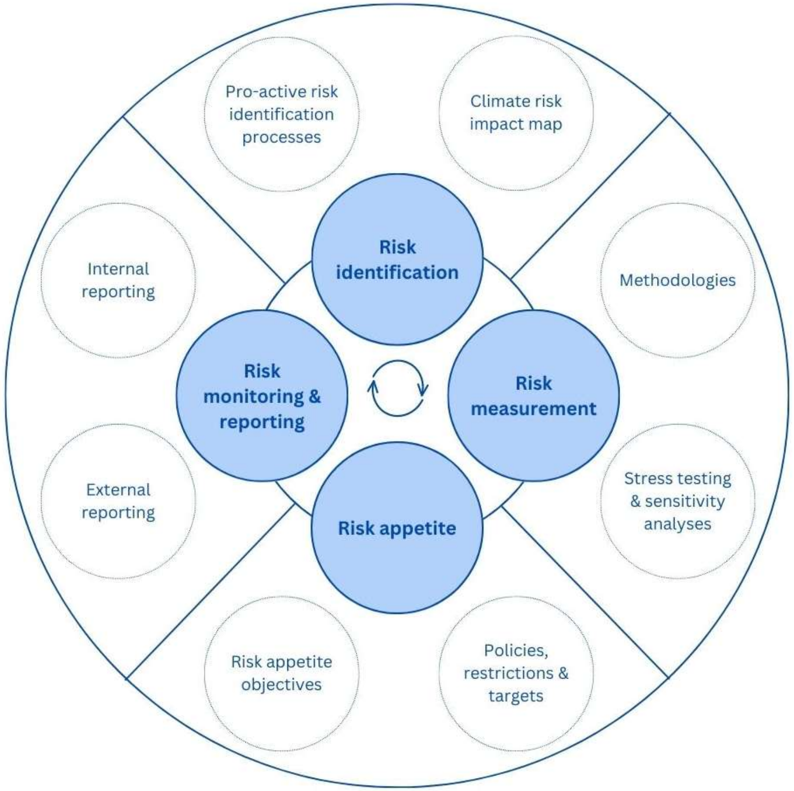

1. Figure - Processes to identify, measure and monitor activities and exposures (and collateral where applicable) sensitive to environmental risks

For climate and other environmental risks, we differentiate between transition and physical risks:

- **Transition risks**: risks arising from disruptions and shifts associated with the transition to a low-carbon, climate-resilient or environmentally sustainable economy which include policy changes (e.g., imposition of carbon-pricing mechanisms, energy efficiency requirements or encouragement of sustainable use of environmental resources), technological changes/progress (e.g., old technology replaced by cleaner technology) or behavioural changes (e.g., where consumers or investors shift towards more sustainable products and services or difficulties to attract and retain customers, employees, investors or business partners for companies with a reputation of harming the environment).

Public

- **Physical risks**: risks arising from physical phenomena associated with both climate or environmental trends such as (chronic) changing weather patterns, rising sea levels, increasing temperatures, biodiversity loss, resource scarcity, reduced water availability, changes in water and soil productivity, etc. and extreme weather events (acute), including storms, floods, fires, heatwaves or droughts that may disrupt operations or value chains or damage property.

K&H approaches climate risk from a double materiality perspective, concentrating on both:

- **Financial materiality** (outside-in view), looking at the impact of climate change on our business. Transition risks, for example, can lead to sudden repricing of assets, market volatility, credit losses and climate-related litigation resulting from financing obsolete (brown) technology or infrastructure, impacting lending and investment portfolios, whereas physical risk can increase the level of claims under the insurance policies we provide as well as the value of our assets or collateral; and
- **Environmental and social materiality** (inside-out view), looking at our business' impact on the environment.

In 2023, additional risk identification exercises for the other environmental risks will be performed (a.o. including other environmental considerations into the 2023 update of the White Papers and working towards an extension of the Climate Risk Impact Map to other environmental risks).

Other environmental risks can translate into financial risk through physical and transition risk drivers (similar to the ones for climate risk: policy & regulation, technological change & consumer preference). Aligned with the environmental objectives described by the EU Taxonomy, we consider the following environmental risk types: biodiversity loss, water stress, pollution, waste risk.

In our policies for sustainable and responsible lending we identify controversial activities with respect to the environment (including climate and biodiversity), human rights, business ethics and sensitive/controversial societal issues (e.g. intoxicating crops, gambling, fur, mining operations, land acquisition and the involuntary resettlement of indigenous people and prostitution). These specify the economic activities we are not willing to finance (such as activities related to thermal coal) or only under strict conditions (such as biomass technologies, production of palm oil, etc.).

Since 2020, strategic sectoral projects (so-called White Papers) have been set up, with a focus on our credit business, for eight carbon-intensive industrial sectors (energy, commercial real estate, agriculture, food production, building and construction, chemicals, transportation and metals) and three product lines (mortgages, car loans and car leasing). The selected sectors and business lines are material for K&H loan portfolio both from a Greenhouse Gas (GHG) perspective and from an exposure perspective. The White Papers make a clear analysis of the challenges and technological developments in each of these sectors and business lines, including the relevant European and local regulations and action plans, their impact on K&H portfolios in terms of climate-related risks and opportunities, which reporting metrics can be used to steer these portfolios. They also provide an initial outline of possible risk-mitigating measures, commercial policy adjustments and how we can steer the portfolio in line with the Paris Agreement. The White Papers are updated regularly (annually/biannually) to monitor the changing business environment, to evaluate long-term resilience towards climate and other environmental risks and to seek opportunities.

Public

In 2021, the group initiated the development of a Climate Risk Impact Map. This yearly executed risk identification process aims to identify the most material climate risk drivers for group's businesses and portfolios. It reflects the impact of transition risk (policy and regulation, technology and consumer preference) and physical risk (split according to different climate perils) drivers on the traditional risk types by (1) distinguishing between different drivers of transition and physical risk, (2) considering three distinct climate scenarios, (3) for three different time horizons.

The timing and severity of transition risks and physical risks (i.e., the "climate pathway") depend mainly on government and policy action. Given the uncertainty on the climate pathway that will eventually materialize, climate risks impacts are estimated for three distinct climate scenarios. These are made available by the Network for Greening of the Financial System (NGFS) and encompass a global, harmonised set of transition pathways, physical climate change impacts and economic indicators. Importantly, macroeconomic insights provided by these scenarios facilitate an assessment of the impact of these scenarios on the financial sector as a whole and K&H in particular. Aligning with NGFS scenarios ensures assumptions are aligned with the industry standards and facilitate comparability between the impact map and other internal and external climate risk related exercises. The relevance of these scenarios has already been demonstrated as these were also selected by the ECB for its 2022 climate stress test. Each scenario contains different assumptions regarding the timing and impact of different physical and transition risk drivers:

- Net Zero 2050 (Orderly scenario): in this scenario, there is early and decisive action to reduce global emissions in a gradual way, with clearly signposted government policies implemented relatively smoothly. There is a structural reallocation but no other macroeconomic shock. Transition risk is present, but remains rather limited. The actions are sufficient to limit global average temperature increases to below 1.5°C. However, even this moderate increase in global temperatures leads to higher physical risks.
- Delayed transition (Disorderly scenario): under this scenario, action to address climate change is delayed by ten years. To compensate for the delayed start, a more far-reaching adjustment is required. Companies and consumers change their behavior in response to these dramatic shifts, and asset prices see a sharp repricing as a result, leading to a macroeconomic shock. The climate target is still met, and global average temperature increases are limited to below 2°C. Under this scenario, physical risks increase more than in the Net Zero 2050 scenario and transition risks are severe.
- Current policies (Hot house world): this scenario assumes no limit on the global temperature by 2100, assuming no accelerated economic transition and a continuation of current policy trends. Physical climate change is high under this scenario, with climate impacts for these emissions reflecting the riskier (high) end of current estimates.

As the impacts of climate risk will materialise over different time horizons, impacts are assessed for three different time frames: short (1-3 years), medium (4-10 years) and long term (>10 years).

In the climate risk impact map, impacts are assessed in an expert-based way, supported by already available quantitative insights. With every (yearly) review of the Impact Map, additional insights, data and quantification will be added to the underpinning of the assessments in order for KBC to evaluate climate risk in a progressively data-driven way.

Public

Currently there are no indications that a material impact is to be expected within the short term for any of the risk types. Looking forward to the medium and long term, we expect upward pressure from climate change on credit risk, legal risk and reputation risk (under the conservative assumption that K&H's portfolio would remain unchanged and no additional mitigating actions would be taken). These impacts stem both from transition risk and physical risk drivers.

Since 2022, the conclusions from the climate risk impact map are incorporated into our risk management processes. In particular, the impact map's insights are gradually enabling us to incorporate the most material climate risk drivers and the time horizons over which these are expected to materialize in the different scenarios into our stress testing, to address the most material climate risks within risk appetite, e.g. by adjusting policies and setting targets and to follow-up on the associated metrics and targets within our reporting processes. As such, the Climate Risk Impact Map is crucial input to ICAAP/ILAAP and the assessment of the impact of climate change.

There is currently still a lack of data and standardised methods to properly assess and measure ESG risks with the same level of accuracy and quality as is usual for the more traditional risk types. In order to enable a more data-driven approach towards managing ESG risk, we keep on increasing our efforts to identify ESG-related data needs, define ESG metrics, adjust data architecture and ensure the implementation in our reporting processes. Since 2021 ESG data delivery project is running at K&H. Main task of the project is to identify data requirement and organise the collection and storage of the data.

K&H Sustainability Program adopted quantified long term targets for certain priority sectors: energy, real estate and transport.

Target setting prioritization of sectors are based on the observation that these sectors are frontloaded in the whole climate transition and/ or have the necessary clean technology availability to achieve relatively rapid carbon emission reductions. The absence of any of these features explains the rationale for not setting already quantified targets for the remaining sectors for the time being.

Business decisions have to consider the impact on the path towards the long term targets. Realisation should be annually monitored and reviewed.

Public

Transmission channels		
	Transition risk	**Physical risk**
Corporates	Depending on each individual company's transition plans, impacts can be different across and within sectors: Companies can be directly affected (e.g., loss of clients, increased costs and lower profitability, increased litigation costs, etc.), but also indirectly as their supply chain might be impacted by transition risk. • Failure to make a transition or making a transition at too slow pace can lead to a loss of business. Additional investments might be necessary and increasing costs can occur.	Corporates can be impacted by physical risk through direct damage caused by extreme weather events: • Critical assets can be damaged/destroyed or infrastructure can become unavailable. • Physical risks can cause supply-side shocks via impacts on transportation or primary resources.
Households	• Households can face increased costs re. utility and/or food. • As energy efficiency considerations become more factored into house prices, energy inefficient houses may decrease in value or increase more slowly.	• Extreme weather events can damage real estate or others assets (such as vehicles). Even though these damages are mostly covered by insurance, these insurance prices can also be expected to go up. • Costs can increase, e.g., due to more costs for cooling/heating, increased food costs, …
Sovereigns	The impact on sovereigns follow the impact of the underlying economy. In extreme circumstances, sovereigns which are most vulnerable to transition and physical risks can for example run the risk of downgrades.	
Financial institutions	The extent to which financial institutions will be impacted by transition and physical risks is dependent on their business and portfolio characteristics.	

Public

20.2. Qualitative information on Social risk

20.2.1. Business strategy and processes

The corporate strategy of KBC group is built around four pillars where one of them is that KBC group takes its responsibility towards society and local economies very seriously and aims to reflect that in its everyday activities.

KBC Group has defined risk appetite objectives, which guide and support the Group in defining and realising its strategic goals. Amongst others the group champions a strong corporate culture which encourages responsible behavior and is supported by a promotion and remuneration policy with a sustainable and long-term view.

The group's Risk Appetite Statement applies to all entities of KBC Group. The Group Risk Appetite Statement specifies how the risk appetite should be 'cascaded' to the local entities including K&H.

KBC is a signatory of the UN Global Compact Principles, which it implements in its policies to make sure they are applied in all its operations. The UN Global Compact asks companies to embrace, support and, within their sphere of influence, enact a set of core values in the areas of human rights, labour standards, the environment and combating corruption.

Companies involved in controversial weapon systems (e.g., nuclear weapons, cluster bombs and biological or chemical weapons) and UN Global Compact Worst Offenders enter the 'KBC Blacklist' and are excluded from all our activities, including the actively managed non-RI funds of KBC Asset Management. A group-wide zero-tolerance policy is in place for 'new business with a company on the KBC Blacklist'. This policy is fully embedded in the organisation as part of the operational risk management framework.

20.2.2. Governance

On group level the ISB, chaired by the CEO, is the primary forum for the discussion of all sustainability-related topics (including our approach to social risk) and the main platform for driving sustainability at group level (with representation of senior managers from all business units and core countries, the Group Corporate Sustainability Senior General Manager, and the Group CFO as vice-chairman). It debates and takes strategic and commercial decisions on all sustainability-related matters. On local K&H level sustainability related governance is managed through K&H Sustainability Programme. Main local decision body in sustainability questions is the K&H Sustainability Streering Commmittee chaired by the CEO.

Social aspects w.r.t. our own operations are handled within several K&H departments, such as Sustainability Streering Commmittee (SSC), HR (e.g. employee growth and development, diversity and inclusion), Facilities (workplace safety), Compliance (compliance risks), Risk (cyber and other operational risks), Marketing & Communication (responsible marketing), Complaints handling, etc.

All K&H senior managers have an explicit responsible behaviour objective to increase awareness and to encourage management to take concrete action At least 10% of the variable remuneration received by senior management depends on the achievement of individual targets related to the implementation of the group's sustainability strategy.

Public

20.2.3. Risk management

KBC is a signatory of the UN Global Compact Principles, which it implements in its policies to make sure they are applied in all its operations.

The 'New and Active Products Process' (NAPP) is set up to identify and mitigate all risks related to new and existing products and services, which may negatively impact the customer and/or K&H. To ensure responsible product development within K&H, no product/process/service can be created, purchased, changed or sold without an approval in line with the NAPP governance.

Policies are in place for credit risk, corporate social responsibility (CSR)/sustainable & responsible lending as well as restricted delegations prevail and KBC black list is applicable.

As member of KBC group, the focus of K&H Bank's corporate lending activity is on borrowers · that are intrinsically well-managed financial institutions or corporates,· with whom the Bank keeps or wants to establish a broad long term relationship, · and that are located in a recognised and respected legal environment.

20.3. Qualitative information on Governance risk

20.3.1. Governance

On group level the ISB, chaired by the CEO, is the primary forum for the discussion of all sustainability-related topics (including our approach to governance risk) and the main platform for driving sustainability at group level (with representation of senior managers from all business units and core countries, the Group Corporate Sustainability Senior General Manager, and the Group CFO as vice-chairman). It debates and takes strategic and commercial decisions on all sustainability-related matters. On local K&H level sustainability related governance is managed through K&H Sustainability Programme. Main local decision body in sustainability questions is the K&H Sustainability Streering Commmittee (SSC) chaired by the CEO.

Governance risk defined in KBC Group is the risk arising from changing expectations concerning corporate governance (corporate policies & code of conducts, e.g., responsibilities of senior staff members, remuneration, internal controls, shareholder rights), anti-corruption & anti-bribery and transparency (e.g., in tax planning, external disclosures, …). The group Compliance Charter, several Compliance domains closely link with social and governance risks, e.g. Corporate Governance, Conduct, Embargo, Investor protection, Data protection, Ethics & Fraud, Consumer protection and anti-money laundering).

In the area of operational and reputational risk, KBC group screens its outsourced entities and suppliers by using the Sustainability Code of Conduct. The Code of Conduct is in line with the UN Global Compact Principles and applies to all entities of the KBC Group. As input to any outsourcing decision, a risk, compliance and legal assessment is always being prepared according to due diligence guidance also covering ESG risks.

As input to any outsourcing decision, a risk, compliance and legal assessment is always being prepared according to due diligence guidance also covering ESG risks.

Public

20.3.2. Risk management

KBC group has implemented the ESG Assessment Guide in the loan origination/review process (including several credit acceptance criteria). An ESG assessment is mandatory for high-risk sectors above certain materiality thresholds (which we are gradually lowering), as also specified in KBC's Credit Risk Standards on Loan Origination for Corporate, SME and Micro SME. Next to the environmental risks governance risk factors (incl. ethical considerations, strategy and risk management, inclusiveness and transparency) are considered in this ESG assessment. For the full Corporate and SME segment, the client's governance aspects (e.g., organizational structure, ethical considerations, past controversies, …) are also part of this due diligence process.

In April MNB launched the latest scheme of the Funding for Growth Programme in order to support access to finance for SMEs. The scheme makes financial funds available to micro-, small and medium-sized businesses from April 20 through credit institutions and financial businesses at a fixed interest rate of a maximum 2.5%, available on a wider scale than before, helping SMEs to overcome the economic effects of the coronavirus.

In addition, based on Government decree of 1170/2020. (IV.21.) for the mitigation of the negative effects of the Covid-19 crises to SMEs and corporates, Garantiqa Hitelgarancia Zrt. launched a loan guarantee program with specific conditions giving a maximum 90% guarantee which quickens the application of loans for the companies.

20.4. ESG risks templates

In the first iteration of this regulatory reporting exercise, required data inputs are based on information that is collected on a best-effort basis and hence is also reliant on proxy estimations. Consequently, the templates must be interpreted with care and regarded as work in progress as, going forward, more and better data sources will become available (e.g., as a result of the further implementation of the Corporate Sustainability Reporting Directive (CSRD) and the European Reporting Standards (ESRS)). This should allow a better assessment of K&H's exposure to transition and physical risk based on the reported templates.

A one-on-one comparison between this and other externally published reports is not always possible to the full extent.

Public

20.4.1. ESG - Template 1: Banking book- Climate Change transition risk: Credit quality of exposures by sector, emissions and residual maturity

88. Table: ESG - Template 1 – values in HUF million

	Sector/subsector	Gross carrying amount					Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions			GHG financed emissions (scope 1, scope 2 and scope 3 emissions of the counterparty) (in tons of CO2 equivalent)		GHG emissions (column i): gross carrying amount percentage of the portfolio derived from company-specific reporting	<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity
			Of which exposures towards companies excluded from EU Paris-aligned Benchmarks in accordance with points (d) to (g) of Article 12.1 and in accordance with Article 12.2 of Climate Benchmark Standards Regulation	Of which environmentally sustainable (CCM)	Of which stage 2 exposures	Of which non-performing exposures		Of which Stage 2 exposures	Of which non-performing exposures		Of which Scope 3 financed emissions						
1	**Exposures towards sectors that highly contribute to climate change***																
2	A - Agriculture, forestry and fishing	139 307			66 482	1 306,75	-1 624,09	-1 330,84	-249,76	147 235 473			86 877,63	42 661,02	9 191,80		1 645,18
3	B - Mining and quarrying	122,26	122,15		45,64	0,33	-0,30			265 754			122,26				562,71
4	*B.05 - Mining of coal and lignite*																
5	*B.06 - Extraction of crude petroleum and natural gas*																
6	*B.07 - Mining of metal ores*																
7	*B.08 - Other mining and quarrying*	0,06			45,64					36			0,06				564,28
8	*B.09 - Mining support service activities*	122,20	122,15			0,33	-0,30			265 718			122,20				561,15
9	C - Manufacturing	348 809	3 739,71		188 182	13 258,54	-10 878,81	-3 214,57	-7 362,10	67 756 477			250 688,94	66 493,97	6 687,10		1 013,26
10	*C.10 - Manufacture of food products*	115 798			69 442,69	4 693,03	-3 767,99	-3 627,50	-101,50	15 755 235			87 804,04	25 127,16	1 706,80		1 110,73
11	*C.11 - Manufacture of beverages*	5 554,14			643,45	100,34	-88,06	-35,44	-39,74	814 806			2 018,23	432,71			687,09
12	*C.12 - Manufacture of tobacco products*																
13	*C.13 - Manufacture of textiles*	3 788,60			3,18	145,93	-117,70	-0,01		410 454			1 239,13	2 325,47			1 324,48
14	*C.14 - Manufacture of wearing apparel*	760,75			50,17	31,14	-24,99	-0,05	-24,55	94 950			665,59	95,16			926,62
15	*C.15 - Manufacture of leather and related products*	1 838,91			435,63	75,28	-60,40	-1,93	-58,13	205 905			996,42	842,50			480,04
16	*C.16 - Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials*	2 361,34			922,43	96,67	-77,55	-30,32	-45,52	634 844			1 568,90	792,43			828,94

Public

17	*C.17 - Manufacture of pulp, paper and paperboard*	4 718,06			3 462,82	193,15	-154,95	-154,95		1 119 825			2 706,94	2 011,12			1 757,93
18	*C.18 - Printing and service activities related to printing*	2 912,36			904,71	119,23	-95,65	-93,49		407 385			2 377,74	534,62			647,71
19	*C.19 - Manufacture of coke oven products*	3 739,71	3 739,71		3 740,69	-0,23	-44,00	0,00		2 448 558			-5,60				1 001,61
20	*C.20 - Production of chemicals*	39 560,51			30 253,61	1 535,88	-1 236,93	-1 195,31		16 724 536			20 258,98	17 258,41			1 394,91
21	*C.21 - Manufacture of pharmaceutical preparations*	8 827,40			7 854,02	96,40	-170,83	-160,47		3 752 827			2 354,72	0,10			1 002,78
22	*C.22 - Manufacture of rubber products*	31 285,27			18 713,85	1 201,33	-968,49	-892,22	-25,44	2 450 848			25 927,69	3 417,45			929,98
23	*C.23 - Manufacture of other non-metallic mineral products*	12 746,77			8 975,49	521,82	-418,64	-391,55	-20,00	12 805 647			7 131,61	634,74	4 980,30		1 029,22
24	*C.24 - Manufacture of basic metals*	4 470,39			3 460,04	183,01	-146,82	-98,83	-25,74	2 132 279			4 362,17	108,22			1 020,25
25	*C.25 - Manufacture of fabricated metal products, except machinery and equipment*	28 540			14 249,76	1 168,38	-937,35	-181,92	-720,59	2 668 533			23 703,61	4 836,78			1 095,25
26	*C.26 - Manufacture of computer, electronic and optical products*	7 898,35			426,81	67,46	-137,82	-25,25		408 569			1 566,54	81,34			952,06
27	*C.27 - Manufacture of electrical equipment*	7 192,99			294,87	294,47	-236,24	-2,79	-205,38	417 553			6 004,27	1 188,72			762,28
28	*C.28 - Manufacture of machinery and equipment n.e.c.*	8 297			3 295,72	339,67	-272,50	-132,29	-70,76	507 654			7 588,44	708,72			803,79
29	*C.29 - Manufacture of motor vehicles, trailers and semi-trailers*	46 727			17 931,18	1 912,90	-1 534,65	-100,17	-1 426,10	2 937 892			42 664,52	4 062,41			1 288,18
30	*C.30 - Manufacture of other transport equipment*	1 292,28			989,49	52,90	-42,44	-39,93		137 438			1 292,28				835,83
31	*C.31 - Manufacture of furniture*	1 037,35			201,45	42,47	-34,07	-14,73	-14,58	158 055			6 300,06	1 250,60			663,91
32	*C.32 - Other manufacturing*	7 550,66			1 738,35	309,11	-247,99	-0,79	-247,15	642 313			996,98	40,37			1 073,23
33	*C.33 - Repair and installation of machinery and equipment*	1 910,65			191,19	78,22	-62,75	-29,61	-9,46	120 372			1 165,69	744,94			1 166,13
34	D - Electricity, gas, steam and air conditioning supply	88 494	155,22		90 093	0,72	-1 579,15	-1 494,73		139 776 292			30 890,17	12 719,47	41 056,26		2 940,75
35	*D35.1 - Electric power generation, transmission and distribution*	83 602			82 806,02	0,67	-1 488,44	-1 414,23		133 563 009			29 994,56	12 687,18	37 092,11		3 180,24
36	*D35.11 - Production of electricity*	83 602			82 806,02	0,67	-1 488,44	-1 414,23		133 563 009			29 994,56	12 687,18	37 092,11		3 180,24
37	*mains*	155,22	155,22		181,34	0,00	-2,88	-0,23		303 927			155,22				207,21
38	*D35.3 - Steam and air conditioning supply*	4 736,84			7 105,81	0,04	-87,83	-85,83		5 909 355			740,39	32,29	3 964,15		5 434,79
39	E - Water supply; sewerage, waste management and remediation activities	11 784			1 546,22	0,10	-39,91	-30,65		11 899 126			9 545,21	2 210,15	28,10		1 128,76
40	F - Construction	30 753			13 872	163,47	-316,92	-89,91	-116,24	2 793 046			18 229,90	4 522,29	2 433,45	5 567,71	1 369,73
41	*F.41 - Construction of buildings*	22 213			8 580,67	118,07	-228,91	-53,69	-23,29	2 017 384			11 142,31	3 170,48	2 332,14	5 567,71	2 518,05
42	*F.42 - Civil engineering*	4 190,12			1 782,08	22,27	-43,18	-4,75	-37,57	380 551			3 569,24	519,51	101,32		1 486,24
43	*F.43 - Specialised construction activities*	4 350			3 509,37	23,12	-44,83	-28,64	-15,74	395 111			3 518,35	832,31			1 130,33
44	G - Wholesale and retail trade; repair of motor vehicles and motorcycles	166 773	50,54		77 415	1 032,69	-3 680,44	-2 584,72	-636,83	9 976 634			133 989,88	27 412,72			1 127,62
45	H - Transportation and storage	66 571			18 834	160,24	-1 106,04	-509,32	-57,82	1 683 946			45 803,43	11 768,33	8 595,22		1 668,43
46	*H.49 - Land transport and transport via pipelines*	41 074			16 907,30	98,49	-680,22	-392,44	-42,80	698 807			22 289,67	10 170,81	8 209,77		2 041,38
47	*H.50 - Water transport*																
48	*H.51 - Air transport*	2,04					-0,03			1 928			2,04				203,07
49	*H.52 - Warehousing and support activities for transportation*	25 065			1 607,32	60,70	-418,62	-25,63	-0,30	979 915			23 130,79	1 548,82	385,46		1 535,43
50	*H.53 - Postal and courier activities*	429,64			318,93	1,04	-7,18	-0,40	-6,72	3 296,47			380,93	48,70			1 321,15
51	I - Accommodation and food service activities	22 547			13 197,98	2 670,39	-619,77	-240,51	-377,46	1 773 003			10 886,39	5 531,40	6 129,50		2 508,51
52	L - Real estate activities	159 273			35 474	139,98	-1 090,78	-422,61	-46,95	4 115 544			24 584,30	129 536,66	5 151,84		1 941,42
53	**climate change***																
54	K - Financial and insurance activities	91 462			1 106,27	21,33	-309,20	-288,82		5 855 502			90 194,71	853,49			1 368,34
55	Exposures to other sectors (NACE codes J, M - U)	75 965			11 706	989,41	-518,08	-143,90	-296,14	7 202 371			63 347,68	12 005,25	239,06		1 191,55
56	**TOTAL**	**1 201 859**	**4 067,62**		**517 952**	**19 743,94**	**-21 763,49**	**-10 350,58**	**-4 473,70**	**400 333 168**			**765 160,52**	**315 714,74**	**79 512,32**	**5 567,71**	**1 502,26**

Template 1 contains information on those exposures more susceptible to potential risks related to the transition towards a low-carbon and climate resilient economy. It includes exposures of non-financial corporates operating in climate-sensitive sectors, incl. non-performance status, stage 2 classification and related provisions as well as maturity buckets and information on financed GHG emission data (scope 1 and scope 2). Scope 3 data will be added to the template at a later stage, once more data is available or by applying the PCAF methodology (EBA deadline: June 2024).

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The financed GHG emissions (expressed in tonnes of CO2 equivalent) are calculated based on the guidelines created by the Partnership for Carbon Accounting Financials (PCAF) in the 'The Global GHG Accounting & Reporting Standard for the Financial Industry'. In case data could not be obtained directly from the counterparty, the scope 1 and 2 financed emissions were calculated based on the PCAF asset-based emission factor (based on the counterparty's NACE rev2 code and country).

20.4.2. ESG - Template 2: Banking book - Climate change transition risk: Loans collateralised by immovable property - Energy efficiency of the collateral

89. Table: ESG - Template 2 – values in HUF million

	Counterparty sector	Total gross carrying amount														
			Level of energy efficiency (EP score in kWh/m² of collateral)						Level of energy efficiency (EPC label of collateral)							Without EPC label of collateral	
			0; <= 100	> 100; <= 200	> 200; <= 300	> 300; <= 400	> 400; <= 500	> 500	A	B	C	D	E	F	G		Of which level of energy efficiency (EP score in kWh/m² of collateral) estimated
1	**Total EU area**	1 222 338	152 478	389 600	261 589	81 002	19 473	2 857	9 247	46 861	30 545	8 065	12 361	3 320	13 903	1 098 037	870 916
2	Of which Loans collateralised by commercial immovable property	563 234	103 346	6 362	122 002	78	22	559	4 520	23 752	30 141	7 819	11 849	2 969	13 462	468 722	219 526
3	Of which Loans collateralised by residential immovable property	659 104	47 993	374 357	136 352	79 048	19 001	2 245	4 727	23 108	404	246	512	351	441	651 391	651 391
4	Of which Collateral obtained by taking possession: residential and commercial immovable properties																
5	Of which Level of energy efficiency (EP score in kWh/m² of collateral) estimated	870 954	123 247	383 359	261 589	81 002	19 458	2 298								870 954	870 954
6	**Total non-EU area**	110														110	
7	Of which Loans collateralised by commercial immovable property																
8	Of which Loans collateralised by residential immovable property	110														110	
9	Of which Collateral obtained by taking possession: residential and commercial immovable properties																
10	Of which Level of energy efficiency (EP score in kWh/m² of collateral) estimated																

Template 2 includes information on the loans collateralized with commercial and residential immovable property, including information on the level of energy efficiency of the collaterals measured or estimated in terms of kWh/m^2 energy consumption, and in terms of the label of the energy performance certificate (EPC).

When energy efficiency scores were not available but details of the underlying asset were available, internal estimates were used to complete columns b-g of the template.. The allocation to the EPC labels of the report is text-based, i.e. if the label contains A, in whichever form, it will be allocated to the A label and likewise for labels B-G. Loans of which the collateral was obtained by taking possession are not reported due to the low materiality of the portfolio. The collection of EP scores or labels is an ongoing process and both the share of certified scores as well as the share of estimated scores will continuously improve going forward.

20.4.3. ESG - Template 4: Banking book - Climate change transition risk: Exposures to top 20 carbon-intensive firms

Not applicable for K&H.

Public

20.4.4. ESG - Template 5: Banking book - Climate change physical risk: Exposures subject to physical risk

90. Table: ESG - Template 5 – values in HUF million

	Variable: Geographical area subject to climate change physical risk - acute and chronic events	Gross carrying amount													
			of which exposures sensitive to impact from climate change physical events												
			Breakdown by maturity bucket					of which exposures sensitive to impact from chronic climate change events	of which exposures sensitive to impact from acute climate change events	of which exposures sensitive to impact both from chronic and acute climate change events	Of which Stage 2 exposures	Of which non-performing exposures	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
			<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity							of which Stage 2 exposures	Of which non-performing exposures
1	A - Agriculture, forestry and fishing	138 730,49	12 814,45	6 292,50	1 355,79		1 799,37		20 462,75		9 806,11	192,75	-239,35	-196,30	-36,84
2	B - Mining and quarrying	1 083,28					63,33								
3	C - Manufacturing	345 233,34	14 539,07	2 969,77	401,16		944,15		19 091,40		9 178,76	733,20	-597,34	-175,21	-409,60
4	D - Electricity, gas, steam and air conditioning supply	84 665,90	178,15	1 067,18	6 162,93		5 103,96		7 408,27		2 828,17	0,06	-137,36	-130,34	
5	E - Water supply; sewerage, waste management and remediation activities	11 783,56	954,52	221,02	2,81		1 058,31		1 178,36		154,62	0,01	-3,99	-3,07	
6	F - Construction	31 829,32	383,89	94,58	50,90	116,45	2 739,12		668,42		295,16	3,43	-6,71	-1,89	-2,44
7	G - Wholesale and retail trade; repair of motor vehicles and motorcycles	161 403,63	7 201,58	1 498,02			988,50		8 699,66		4 150,48	55,66	-197,57	-139,12	-34,44
8	H - Transportation and storage	66 398,45	3 015,43	777,28	567,70		1 745,37		4 375,66		1 229,06	10,56	-72,83	-33,56	-3,81
9	L - Real estate activities	159 272,80	904,70	4 766,95	189,59		2 752,96		5 861,24		1 305,43	5,15	-40,14	-15,55	-1,73
10	Loans collateralised by residential immovable property	659 214,26	2 345,10	5 451,08	20 218,73	7 763,85	6 272,99	7 778,73	34 147,30	197,76	12 212,15	1 472,33	-855,51	-492,27	-353,77
11	Loans collateralised by commercial immovable property	563 233,71	14 027,43	10 508,77	1 589,11	4 015,98	2 572,64	42 467,82	27 711,10		31 033,47	1 468,22	-1 218,43	-549,38	-536,63
12	Repossessed colalterals														
13	Other relevant sectors (breakdown below where relevant)														

Template 5 includes information on exposures in the banking book towards non-financial corporates, on loans collateralized with immovable property and on repossessed real estate collaterals, exposed to chronic and acute climate-related hazards, with a breakdown by sector of economic activity and by geography of location of the activity of the counterparty or of the collateral, for those sectors and geographical areas subject to climate change acute and chronic events. We refer to chapter 20.1.3 for an overview of the sources of information and the applied methodologies to identify the exposures subject to climate-change physical risk.

Public

20.4.5. ESG - Template 10 - Other climate change mitigating actions that are not covered in the EU Taxonomy

91. Table: ESG - Template 10 – values in HUF million

	Type of financial instrument	Type of counterparty	Gross carrying amount	Type of risk mitigated (Climate change transition risk)	Type of risk mitigated (Climate change physical risk)	Qualitative information on the nature of the mitigating actions
1	Bonds (e.g. green, sustainable, sustainability-linked under standards other than the EU standards)	Financial corporations				
2		Non-financial corporations				
3		Of which Loans collateralised by commercial immovable property				
4		Households				
5		Of which Loans collateralised by residential immovable property				
6		Of which building renovation loans				
7		Other counterparties				
8	Loans (e.g. green, sustainable, sustainability-linked under standards other than the EU standards)	Financial corporations				
9		Non-financial corporations				
10		Of which Loans collateralised by commercial immovable property				
11		Households				
12		Of which Loans collateralised by residential immovable property				
13		Of which building renovation loans	34,55	34,55		Green Capital Relief Program of the Hungarian National Bank
14		Other counterparties				

21. 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

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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
ESG	Environmental, social and governance risks
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

Public

NAPP	New and Active Products Process
NCC	National Credit Committee
NCsC	National Credit Sub-Committee
ORC	Operational Risk Council
PD	Probability of Default
RAROC	Risk-adjusted Return on Capital
RC	Remuneration Committee
RCC	Retail Credit Committee
RCs	Retail Committees
RPC	Retail Product Committee
RWA	Risk Weighted Assets
SICR	Significant Increase in Credit Risk
SMA	Standardized Measurement Approach (market risk)
SREP	Supervisory Review and Evaluation Process
STA	Standardized Approach (credit risk)
TSA	Standardized Approach (operational risk)
VRM	Value and Risk Management