Disclosure Report 2021

ERSTE Bank

Contents

Declaration

under Regulation 575/2013 / EU (CRR) disclosure for the 2021 business year obligation Erste Bank Hungary Zrt. (hereinafter Bank) makes the following statement regarding its Disclosure:

Erste Bank Hungary Zrt. declares that the institution's risk management system is appropriate in terms of the company's strategy and profile.

The Disclosure document describes the institution's overall risk profile associated with the business strategy it uses. Key ratios and indicators are included in the document, which provides a comprehensive picture to external stakeholders on the risk management of the institution, including the connection between the Bank's risk profile and its risk appetite set by the management body.

PricewaterhouseCoopers Könyvvizsgáló Ltd. verifies that the information contained in the disclosure report is in accordance with the data sent to MNB, the National Bank of Hungary.

Budapest, 27 April 2022.

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Krisztina Zsiga

Chief Risk Officer

1. Introduction

The document is the Basel Pillar 3 Disclosure Report of Erste Bank Hungary Zrt.

Erste Bank Hungary Zrt. (referred to as 'EBH' or the 'Bank' hereafter) is a limited liability company, incorporated and domiciled in Hungary. The core activities of Erste Bank Hungary Zrt. are savings, investments, loans and credits as well as leasing services. Geographically the Bank focuses primarily on the Hungarian market and offers its services for private individuals, small and medium-sized enterprises as well as large corporations, financial institutes, municipalities, public sector and non-profit organizations.

Erste Bank Hungary Zrt. has been a member of Erste Group since 1997. Erste Group Bank AG is Erste Bank Hungary Zrt.'s parent company, hereinafter the preference shareholder, other shareholders are the Corvinus Nemzetközi Befektetési Zrt. and the European Bank for Reconstruction and Development.

Erste Group Bank AG was founded in 1819 as the first Austrian savings bank and has since developed into the largest privately owned Austrian banking group and into the largest financial services provider in Central and Eastern Europe. It has been listed on the Vienna, Prague and Bucharest Stock Exchange.

This report discloses an overview of the current risk profile and risk management of Erste Bank Hungary Zrt., organized as follows:

- structure of risk management;
- capital structure and adequacy;
- risk measurement approaches and methods;
- risk management systems with respect to each type of risk and the;
- risk positions assumed.

1.1. Disclosure policy and structure

The current Disclosure Report of Erste Bank Hungary meets the disclosure requirements of the Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises (hereinafter Hpt.) Article 122 and the Part Eight of the CRR, which took effect on 1 January 2014. In addition, report complies with the requirements set in Implementing technical standards on public disclosures by institutions of the information referred to in Titles II and III of Part Eight of Regulation (EU) No 575/2013 (EBA/ITS/2020/04 published on 24 June 2020) and other disclosure related guidelines.

The Disclosure Report provides comprehensive disclosure on risks, risk management and capital management. This document is required to be published on a regular basis – once a year – in Hungarian as well as in English. Erste Bank Hungary Zrt. has opted for the Internet as the medium of this publication https://www.erstebank.hu/hu/ebh-nyito/bankunkrol/erste-bank-hungary-zrt/vallalatiranyitas/hivatalalos-kozzetetelek. Relevant disclosures are either included in the annual report in the section "Financial reporting" or published as separate documents in the section "Regulatory reporting".

The preparation of the Disclosure Report and the formal review for completeness and compliance with the applicable requirements is carried out by Risk Management. The Disclosure Report is subject to review by internal audit.

Based on the institutions' audited data of 31 December 2014 the Bank was identified by the central bank of Hungary (referred to as 'MNB'), acting within its macro-prudential supervisory function, as a systemically important credit institution. Thus, the Bank is subject to a yearly 'Supervisory Review and Evaluation Process', to guarantee that the Bank has adequate rules, strategies, processes and mechanisms as well as capital and liquidity to ensure a sound management and coverage of their risks.

1.2. The regulatory framework of Basel 3

Implementation of Basel 3 in the European Union (EU)

On 26 June 2013, the European Parliament adopted the new capital and liquidity requirements for the implementation of Basel 3 in the EU (Capital Requirements Directive IV, - CRD IV and Capital Requirements Regulation – CRR I). On 20 May 2019, the amendments to the Capital Requirements Directive (CRD V) and the Capital Requirements Regulation (CRR II) were published in the Official Journal of the EU. The application of the new regulatory requirements for credit institutions and investment firms became effective as of 28 June 2021, with partial applicability date from May 2019. As of this time, Erste Hungary has been calculating regulatory capital and regulatory capital requirements according to Basel 3 revised framework.

The “Three Pillars” were introduced for the first time under Basel 2. The objectives of this framework are: more risk sensitive capital allocation (Pillar 1 – Minimum Capital Requirements), more detailed regulatory assessment of material risk categories (Pillar 2 - Supervisory Review Process) and increased market transparency (Pillar 3 – Market Discipline). Reforms introduced by latest Basel 3 framework aim to strengthen regulation, supervision and risk management of the banking sector, especially by improving banking sector’s ability to absorb shocks arising from financial and economic stress, improving management and governance of risk and strengthening banks’ transparency and disclosures.

Pillar 1 – Minimum requirements

As already introduced by Basel 2, Pillar 1 covers the calculation of capital requirements for credit risk, market risk and operational risk. As such, it details the different methods available for calculating risk weighted assets for the three risk types and provides information on the eligibility criteria for the constituents of the capital base. Under Basel 3, a leverage exposure requirement was introduced to complement the minimum risk-based capital requirements.

Basel 3 extended minimum requirements to also cover liquidity in addition to capital. In this regard, Pillar 1 specifies the requirements for the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR).

Pillar 2 – Supervisory review process

Pillar 2 requires banks to conduct an internal capital adequacy assessment process (ICAAP) to demonstrate that they have implemented methods and procedures to safeguard capital adequacy with due attention to all material risks. The ICAAP supplements the minimum regulatory requirements of Pillar 1. It considers a broader range of risk types as well as Erste Hungary risk and capital management capabilities.

In parallel to the introduction of Pillar 1 requirements for liquidity through the Basel 3 framework, the ICAAP was complemented with an internal liquidity adequacy assessment process (ILAAP) to ensure banks have implemented processes and tools to safeguard the adequacy of their funding and liquidity.

Furthermore, Pillar 2 requires supervisors to conduct a Supervisory Review and Evaluation Process (SREP) to assess the soundness of banks’ ICAAP and ILAAP and take any appropriate actions that may be required.

Pillar 3 – Market discipline

Taking account of Pillar 1 (Minimum Capital Requirements) and Pillar 2 (Supervisory Review Process), Pillar 3 aims to increase market transparency by providing information on the scope of application, regulatory capital, risk positions, risk measurement approaches and therefore, the capital adequacy of a bank.

2. Risk management objectives and policies (Art. 435.)

2.1. Risk policy and strategy (Art. 435. (1))

A core function of a bank is taking risks in a conscious and selective manner and professionally steering those risks. Adequate risk policy and risk strategy is essential to a bank's fundamental financial health and operational business success.

Erste Hungary has developed a risk management framework that is forward-looking and tailored to its business and risk profile. This framework is based on a clear risk strategy that defines the overall strategic direction of the Bank in terms of risk-taking and sets strategic-level limits by risk type, which are derived from the Risk Appetite Statement (RAS). The risk strategy is consistent with the business strategy and incorporates the expected impact of external environment on the planned business and risk development.

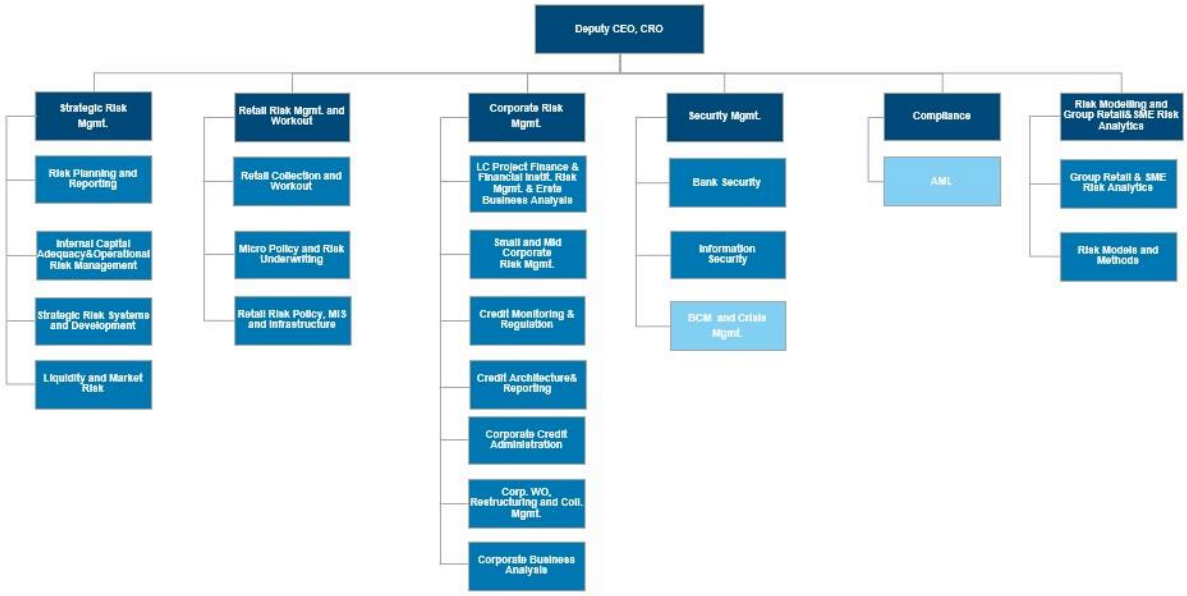
The risk strategy describes the current and targeted risk profile, risk management principles, strategic goals and initiatives for the key risk types as well as clear governance structure for execution of risk strategy. It also defines key elements of the risk management framework and their integration to ensure an adequate and consistent implementation, as well as principles and activities to enhance risk culture in Erste Hungary and across Erste Group.

2.1.1. Risk management approach (EU OVA)

2.1.1.1. Risk management organization

Risk management is achieved through a clear organizational structure with defined roles and responsibilities, delegated authorities and risk limits. Risk management units are completely separate from each business unit. Besides the Risk Governance Committee (RGC) the Bank has also established local committees in order to support efficient decision process and in order to ensure a multi-functional supervision (i.e. ensuring the participation of various fields professions) in risk management, in related principles, in risk strategy forming, harmonizing with business strategy, following up and monitoring the strategy and its execution, as well as strengthening the risk awareness and risk culture. The main objectives of the committees include the promotion of mutual understanding and coordination in the field of corporate and retail lending activities and between the internal management functions.

The following chart illustrates the organizational structure of the risk management area:



Strategic Risk Management

Provides data, methodology and professional competence to determine the Bank's risk exposure. Promotes the stable capital situation and effective operation of the Bank by forecasting future developments in the risk exposures, as well as supports the Bank's growth in line with legal requirements.

Retail Risk Management and Workout

It evaluates credit risks against retail customers, checks credit proposals, develops risk management opinions, checks documents, records and systems, and then makes decisions. The responsibility includes the operation of retail risk management reports, analyzes, management information system. Coordination and implementation of retail workout activities.

Corporate Risk Management

Its responsibility is to evaluate the credit risks of clients falling within its competence, to make decisions, to check the credit proposals from the point of view of risk management and compliance with the rules, to comment on them, and to check the documents, records and systems related to risk taking.

Security Management

The security activity of the Bank is an institutional care about planning, organizational management, implementation and control conditions, that serves the protection of the Bank's own assets, other important values, interests, of assets owned by third parties but managed by the Bank, of the personal safety and personal properties of employees, furthermore it serves the prevention or the obstruction of the continuation of unlawful behaviors threatening customers, as well as the minimization of related risks.

Compliance

Compliance function covers all the duties stemming from applicable local and international legal requirements in the field of anti-money laundering and combating of terrorist financing. It is also responsible for the maintenance of fraud management governance as well and also takes part in the operative fraud prevention. Furthermore, the function is accountable for anti-corruption internal framework, handling conflict of interest and in its advisory role stands by almost all the other functions of the bank.

Risk Modelling and Group Retail&SME Analytics

Its responsibility is to collect data for the development of rating models and for model development (Basel and IFRS9 parameters), monitoring and validation purposes, and ad hoc analyzes. Developing a rating methodology that meets current strategic objectives and expectations. Development, maintenance, monitoring and validation of rating models and credit risk parameters based on relevant methodologies.

2.1.1.2. Risk management system

In order to ensure that the risk management system is in line with the profile and strategy, the Bank has implemented a comprehensive Enterprise-wide Risk Management (ERM hereinafter) Framework. Key components of this framework are:

- the Risk Appetite Statement (RAS);
- Risk Materiality Assessment (RMA);
- Risk-bearing Capacity Calculation (RCC);
- and the Risk Strategy, which frames the above three.

In addition to the elements of the above mentioned ERM framework, the Bank's risk management performs also the following functions:

- Measuring and analyzing risks
- Risk planning and forecasting
- Stress Tests
- Recovery Plan
- Risk Reporting System

A fundamental objective of the Bank is to implement its strategic objectives by driving prudent and risk-conscious operations. The Bank lays down its risk management principles in its Risk Strategy. Erste Bank Hungary Zrt. uses a risk management and control system that is proactive and tailored to its business and risk profile. It is based on a clear Risk Appetite Statement (RAS) that is consistent with the Bank's business strategy and focused on early identification and management of risks and trends. In addition to meeting the internal goal of effective and efficient risk management, the Bank's risk management and control system has been developed to fulfil external and, in particular, regulatory requirements. The Bank defines its Risk Strategy and Risk Appetite through the annual planning process to ensure proper alignment of risk, limit system, capital, liquidity and performance targets.

The Bank has always focused on a reliable risk culture. As part of this, proactive behaviour and a strong risk management culture are expected from all employees. In terms of individual behaviour and decision-making, personal integrity and a high level of professionalism are essential.

Risk Appetite Statement (RAS)

The Bank's Risk Appetite Statement (RAS hereinafter) expresses the maximum level of risk that the Bank is willing to accept in order to deliver its business objectives by serving as a starting point for the implementation of the risk limit framework. The risk appetite thus provides a meaningful guidance for the planning process, the tolerances for the core risk metrics and key risk principles to manage risks. It sets the boundary for limits & target setting, and forms a key input into the annual strategic planning process, creating a holistic perspective on capital, liquidity and risk-return trade-offs.

EBH RAS for 2021 was approved by the Board of Directors and the Supervisory Board and acknowledged by the Managing Board in the first quarter of 2021. In the second half of 2021, interim revisions of EBH RAS and Risk Strategy were conducted and approved by the designated governance.

Risk Materiality Assessment (RMA)

The RMA contains the identifications of the risks and the required methodology and testing to determine the materiality of the risk. The main purpose of the risk assessment is to identify and assess material risks and consequently to analyse the risk profile of Erste Bank Hungary Key outputs are used for the limit system of the RAS, for designing elements of a risk management framework, and in the scenario design and selection of the comprehensive stress test.

Risk Strategy

Erste Bank Hungary's Risk Strategy forms an essential part of the ERM framework. The Risk Strategy defines the general principles and key elements of the risk management framework to ensure an adequate and consistent implementation of the Risk Strategy. The Strategy combines the principles of prudent risk-taking and risk culture, the outcomes of the RAS and RMA, and the initiatives needed to achieve strategic goals at the level of each type of risk or key business line.

Risk-bearing capacity calculation (RCC)

Within the RCC, all material risks are regularly quantified, aggregated and compared to the coverage potential, to the bank's own funds and to limits set in risk appetite. The result and evaluation of the calculation are part of the regular reports prepared for management, supporting senior management in their decision making processes, in order to comply with prudent risk-taking and risk limits. Insights generated by the assessment are used to improve risk management practices and further mitigate risks within EBH.

The Risk-bearing Capacity Calculation (RCC) describes the methodology of Pillar 2 capital adequacy calculation. In contrast to the regulatory view of Pillar 1, the RCC is based on an economic view of Pillar 1+ approach, assuming continuation of Erste Bank as expected by the MNB Guide to ICAAP, and determines whether Erste Bank Hungary has sufficient capital to cover all relevant risks it is exposed to. With this Pillar 1+ approach Erste Bank Hungary increases efficiency and ensures comparability with the Pillar 1 calculation. Based on the results of the RMA, economic capital is considered for relevant risk types as approved by the Board of Directors and the Supervisory Board. The economic capital requirement is then compared to internally available capital (coverage potential) to cover the Bank's risks in Pillar 2. Both economic capital and coverage potential are computed on the CRR scope of consolidation of Erste Bank Hungary as parent entity based on IFRS accounting standards.

Besides the Pillar 1 risk types (credit, market and operational risks), interest rate risk in the banking book, and additional credit risk types like concentration risk and NBH high-risk portfolios as well as business risk are explicitly considered within the economic capital calculated over a horizon of one year and at a confidence level of 99.92%. For the calculation of the economic capital, Erste Bank Hungary uses, where possible, more risk sensitive/advanced methodologies tailored to Erste Bank Hungary's individual risk profile and specificities of the Bank's individual risk exposures. Diversification effects between risks (inter-risk diversification) are not considered, reflecting the Bank's prudent approach to maintain sufficient internal capital in times when correlations between risks may change dramatically (like in times of stress). The largest portion of eco-nomic capital requirements is coming from credit risk, which accounts for 66.3% of total economic capital requirements at the end of 2021.

The calculation of internal capital or coverage potential required to cover Pillar 2 risks/unexpected losses is based on Pillar 1+ approach. Namely, CRR and CRR II (Regulation (EU) No. 575/2013 and Regulation (EU) No. 876/2019 amending Regulation (EU) No. 575/2013) regulatory own funds are adjusted by internal capital components which reflect economic view (e.g. year-to-date profit (if not already considered in Pillar 1 capi-tal), Pillar 2 IRB expected loss excess/shortfall add-on, etc.).

The coverage potential must be sufficient to absorb Pillar 2 risks/unexpected losses resulting from the Bank's operations at any point in time (normal and stressed), as reflected in the EBH's Risk Appetite through the limits set for EBH economic capital adequacy and stressed capital adequacy utilisation. At the end of 2021, the economic capital adequacy was at 54.9%.

The Managing Board, the Risk Governance Committee, the Board of Directors and the Supervisory Board are briefed quarterly on the results of the ICAAP capital adequacy through the EBH ICAAP Report. The ICAAP Report includes risk profile developments, available capital (coverage potential), consideration of potential losses in stress situations, the degree of the risk limit utilisation and the overall status of capital adequacy and outlines risk profile development in relation to risk appetite.

Risk reporting systems

The cooperation of the Bank's units in charge of risk management and the managerial reporting system ensures that management is provided with a comprehensive view of the Bank's risk position at all times.

In relation to its risk position, the Bank regularly prepares reports about its risk exposure, actual and forecasted capital position under Pillar I and Pillar II, results of comprehensive and supervisory Stress Testing, liquidity and market risk profile and concentration risk for discussion and approval for decision-making bodies and committees: for the Board of Directors, for the Managing Board, for the Supervisory Board, for the Risk Governance Committee as well as for the Risk Committees.

Risk planning and forecasting

The responsibility for risk management within the Bank includes ensuring sound risk planning and forecasting processes, focusing on both portfolio and economic environment changes. The forecasts determined by risk management are the result of close co-operation with all stakeholders in the Bank's overall planning process, and in particular, with Controlling, Finance and Accounting, Strategic/Corporate/Retail Risk Management and the Asset Liability Management by assessing:

- the expected portfolio quality and impairment levels
- risk-weighted asset management and ensuring capital adequacy
- capital allocation to entities, business lines and segments
- forecasting the liquidity and interest rate risk.

All insights from the ICAAP and controlling processes is used to allocate capital with a view to risk-return considerations.

Recovery plans

In compliance with the Hpt. 114.§ Erste Bank Hungary Zrt. is required to draw up a recovery plan for potential crisis situations. In 2021 an updat-ed Recovery Plan was submitted to the Regulator by the Bank.

The EBH Recovery Plan identifies options for restoring financial strength and viability in case Erste Bank Hungary comes under severe economic stress. The plan specifies potential options for the replenishment of capital and liquidity resources of the bank in order to cope with a range of scenarios including both idiosyncratic and market-wide stress. The recovery governance described in the plan ensures timely identification and proper management of any recovery situation. Furthermore, the assessment of the EBH Recovery Plan and the recently addressed assessment of the overall recovery capacity are part of the Supervisory Review and Evaluation Process (SREP) assessment. It is relevant to demonstrate that, in a severe stress which is close to a failing or likely to fail situation, there is sufficient recovery capacity available.

Erste Bank Hungary collaborates with the resolution authorities in the drawing up of resolution plans based on local and EU Regulation. Based on a joint decision taken in the Resolution College, Erste Group in April 2020 received notification of the preferred Multiple Point of Entry (MPE) resolution strategy on cross-country level, but a Single Point of Entry (SPE) resolution strategy within a country. This results in being MPE in Hungary.

The Bank Recovery and Resolution Directive (BRRD) introduced the Minimum Requirement for own funds and Eligible Liabilities (MREL), which is – in case of Erste due to the MPE resolution strategy – set on Resolution Group level. Based on the MREL joint decision, the require-ment is binding as of the date of the notification in case of notified MREL surplus, however in case of an MREL shortfall the requirement be-comes binding at the end of a transition period to be set between 2 and 4 years, at the latest by the end of 2023. MREL is expressed as the amount of own funds and eligible liabilities expressed as a percentage of the total liabilities and own funds (TLOF).

In June 2019 the new banking reform package was published, which includes the Bank Recovery and Resolution Directive (BRRD2). The trans-position into national law was done in November 2020. Key changes include the MREL expression in terms of Risk Weighted Assets (RWA) and Leverage Ratio Exposure (LRE) instead of TLOF, adapted transition arrangements (binding intermediate MREL target as of 01.01.2022 and a common deadline of 01.01.2024 to meet the final MREL target) as well as tighter eligibility criteria. Hence, MREL target setting will be subject to further changes. Potential changes in the MREL requirement will be reflected in Erste Bank Hungary’s funding plan as to ensure compliance with MREL and subordination targets.

Stress Tests

The Bank annually conducts its own impact assessment as the Bank’s risk management framework, aiming to assess the Bank’s resilience on its consolidated portolio in a variety of stress situations along with each type of risk. The applied scenarios include possible macroeconomic/business shocks after the acceptance of the participants of the respective decision forum. Stress testing is complemented with target-specific sensitivity tests using tools developed by the Bank. The results revealed by the analysis are fundamental to determining the Bank’s risk appetite, which is an integral part of the Bank’s risk strategy.

The Bank pays special attention to prevent the reproduction of the problematic portfolio and to reduce the previously non-performing portfolio.

2.1.1.3. Risk governance

The Risk Appetite Statement (RAS) is subject to approval by the supreme governing and supervisory bodies. The Bank’s risk management units operate independently of the business units. In the course of the actual management activities, the management through the integrated risk management framework – as part of the internal management – ensures compliance with the requirements set out in the Bank’ Risk Appetite Statement. The Bank continuously monitors and reports to the Board of

Directors on the ‘Risk Appetite’ and portfolio measures. Within the Bank, the Strategic Risk Management are is responsible for operating the integrated risk management framework.

The Board of Directors, the Executive Board, the Risk Management Committee and the Supervisory Board receive quarterly reports on the risk covered by the integrated risk management framework and on the current and future developments in the capital position under the I. and II. Pillars.

Regular monitoring of the Bank’s capital requirements and eligible capitals to cover risks provides sufficient time for management to take the necessary measures and timely intervention to mitigate the risks, thus ensuring the Bank’s prudent operation.

In February 2021 the Risk Materiality Assessment (RMA) – the risk profile of Erste Bank Hungary Zrt. – was discussed by the management bodies. Erste Bank Hungary Zrt. declares that the article CRR 435 (1), point e) that uses a risk management system that provides assurance that the terms of the risk management system applied profile and strategy of the institution is reasonable.

The Board of Directors of Erste Bank Hungary discussed the Risk Appetite Statement (RAS) and its indicators in February 2021. The risk appetite presented in this document is in line with the Bank’s business strategy and focuses on early identification and management of risks and trends. According to Article 453 (1) f) of CRR, Erste Bank Hungary declares that the risk profile of the Bank is in line with the Risk Appetite Statement.

In addition to meet the internal goals of effective and efficient risk management, the Bank’s risk management and control system has been designed to meet external – especially regulatory – requirements.

2.1.2. Credit risk

Credit risk is a fundamental risk for banks, the borrowers are unable to repay the loan and interest at maturity, or do not pay. Lending is one of the main activities in the profile of Erste Bank Hungary.

Credit risk related to retail, corporate, municipality, real estate and project loan portfolios are managed to ensure regulatory compliant risk management practices and to provide customers with manageable loan facilities that are within their financial capacities.

The special risk policies and rules of procedures:

- for retail customers are regulated by the Retail Risk Procedure;
- for SMEs and large corporations are regulated by the Corporate Risk Policy and Corporate risk taking approval authorities policy
- for municipalities are regulated by the Municipality Risk Policy and
- for real estate and project transactions are regulated by the Real Estate Financing Policy

Quantitative portfolio limits and qualitative risk principles are defined to ensure that the risk profile remains in line with the risk strategy. Moreover, the Bank’s risk management ensures that any new products or change in lending criteria are in line with the group-wide lending framework requirements and are adequately supported by the existing risk infrastructure. Erste Bank Hungary also ensures that the local environment (market, competitive, economic, political, and legal/regulatory) is appropriately addressed. A management summary of the key developments is distributed at least quarterly to senior management and key decision makers.

2.1.2.1. Structure and organisation

As lending is a core profile of the Bank, the Bank regularly identifies, evaluates, manages and monitors credit risk, carried out by the following risk management units:

- Strategic Risk Management,
- Retail Risk and Workout Management,
- Corporate Risk
- Risk Modelling

Inner policies define the retail lending framework by establishing policy rules for the entire retail lending cycle covering underwriting, portfolio management, early and late collection. Thus retail lending and analytical framework serves as a basis for the Bank's retail lending practices and for identifying potential adverse portfolio developments.

The compliance with inner policies is carried out by the Retail Risk and Workout Management. For new products or sub-products to ensure proper risk rules the Retail Risk and Workout Management also prepares proposal about minimum lending criteria, score cut-off, debt burden % criteria, documentation requirements, verification steps and other risk related parameters to gain approval and ensure proper introduction.

Corporate Risk evaluates credit risks related to large corporate, project and real estate financing, financial institution and municipality clients, makes proposals for credit decision-making as well as controls credit proposals in terms of risk management and compliance with rules.

The portfolios risk analytics are operated and managed by the operative risk areas through the 'management information system' (MIS) which serves as the analytical background that supports retail risk management decisions with various regular and specific analyses and ensures prudent lending while promoting the 'Managing-through-MIS' approaches and the pro-active, analytics based management of retail loan portfolios on a Bank wide basis.

Strategic Risk Management is responsible for the risk strategy and the related frameworks.

Risk Modelling's responsibility is to collect data for the development of rating models and for model development (Basel and IFRS9 parameters), monitoring and validation purposes, and ad hoc analyzes. Developing a rating methodology that meets current strategic objectives and expectations. Development, maintenance, monitoring and validation of rating models and credit risk parameters based on relevant methodologies.

2.1.2.2. Credit risk measurement and control

Prior to granting a loan, the creditworthiness of a client is determined and confirmed in view of the risk/reward trade-off. Loans can only be granted if the repayment capacity of the borrower is sufficient to serve the regular repayments. Risk-adjusted pricing ensures a balanced relationship between risk and return.

The regular credit risk reports contain information for the Management Board and the risk management committee related to the developments of loan exposures in each key segment, the quality of the portfolio by rating category and detailed risk-relevant information on customers at risk of default or already defaulted. The regular credit risk reports serve as the basis for the business and risk strategy.

The Retail Risk and Workout ensures historical data gathering regarding changes in the risk rule set. It reports the risk rule set changes toward the Group Retail Risk Management (GRRM) on a regular basis to build on up-to-date portfolio monitoring techniques (vintage analysis, delinquency trends, segment analyses, etc.) and to show key drivers behind specific portfolio developments.

2.1.2.3. Risk mitigation rules

In order to secure its claims, the Bank only takes risk with the proper collaterals. The Bank checks the existence of the collateral, their real value and enforceability, and continuously monitors them during the period of risk.

Interest rate hedging is provided to the extent necessary.

2.1.3. Market risk

In Erste Bank Hungary Zrt.'s internal documents market risk is defined as the risk of economic loss that may arise due to adverse changes in market prices and to the parameters derived from those prices. It is divided into interest rate risk, credit spread risk, currency risk, equity risk, commodity risk and volatility risk.

Market risks stem from short-term trading in instruments whose prices are determined daily (trading book) as well as from the traditional banking business (banking book).

The supervision and monitoring of market risks and capital ratios, performance indicators is the responsibility of the Managing Board, Board of Directors and the Asset Liability Committee (ALCO).

Market risk related monitoring, management and reporting is delegated to the Liquidity and Market Risk Management at Erste Bank Hungary Zrt. and holds responsibility for the following general objectives:

- to avoid unexpected losses and protect the capital of the bank;
- independent control of market risk, i.e. providing an objective check on risk-taking activities and the effectiveness of risk management to help ensure risks remain within the bank's defined risk appetite, so that risk concentrations are avoided, and risk and return objectives are appropriately balanced;
- ensuring all systemic portfolio and market risks taken within a particular business are well understood and controlled, understanding the drivers of P&L, valuation issues and potential sources of stress;
- mapping and management on the market risk in portfolios and in individual positions, especially concentrated positions;
- where market risks have been identified, reviewing – as far as possible – that they are completely and accurately captured and fed to risk measurement systems, and ensuring they are appropriately constrained through limits and/or other controls, as necessary;
- determining the appropriate regulatory capital treatment of risks subject to the market risk control framework.

The role of the Managing Board and the Board of Directors and its Committees is the definition and approval of a risk appetite (in relation to the banking as well as to the trading book), reviews market and liquidity risk limits with respect to capital and performance management in addition to reviewing local banking book profile.

There was no material change in the market risk management framework in 2021.

2.1.4. Trading Book

There are two method types, to measure market risk. Those methods can be categorized as portfolio based measures (like Value at Risk) and sensitivity based measures. Both methods are used in conjunction.

Value at Risk (VaR): Value at Risk measures the potential loss in value of a risky asset or portfolio over a predefined period for a given confidence interval. The risk horizon and confidence level is 1 day, 99%. At the moment historical simulation is used to generate value at risk estimates where value at risk is calculated for all instruments which are implemented in the market risk engine and for which a time series of the market risk factors is available.

Worst case interest rate movement over one year (Stress VaR):

- The basis is the time series starting in 2007, which is used to calibrate a one year period that presents the worst performance for the current portfolio of Erste Group. The Stress VaR is a historical VaR simulated on this period at a 99% confidence level.

Key Rate Shock or interest rate sensitivity per bucket

- Present value of one basis point (PVBP or PV01)
- Present value of a one basis point change of the credit curve (Credit01)

Performance based Triggers (Stop Loss)

Stop loss refers to an action trigger when the profit and loss shows a certain loss with respect to a certain predefined basis (this can be for example the YTD performance, the performance measured from a high water mark).

Recording risk in the trading book

The Bank's trading book is managed by the Treasury. Determining the position and the market value of the positions is a system of the Bank, which makes it possible to clearly distinguish the business assigned to the trading book for the established portfolio / folder structure. Each folder is assigned to a portfolio and assigns all portfolios to a bank or a trading book. Every trading day is updated on the trading book, based on fixed transactions

Limit Setting and monitoring

The limits must always be in line with the risk appetite of the respective trading unit. Starting with the budget of the unit a VaR limit is derived where in a further step sensitivity limits are derived. In order to control the development of the P&L, stop loss limits are derived based on the VaR / sensitivities and the yearly budget. In case limits are breached the breach is reported to the respective committees.

Capital requirement for position risk, exchange risk and large exposure risk is calculated according to the standardized method.

The general standards of market risk controlling and management (standards, limits and analyses) are defined by Erste Group, and described in the Group Principles for Managing Market Risk and are constantly reviewed based on the changes of the market circumstances, market standards and regulatory expectations.

Risk measurement is guaranteed by the daily calculation of VaR for each of the trading units. Additionally, sensitivity limits are in place for all asset classes.

The limits are monitored daily. Furthermore, a consistency check between the VaR limits and the sensitivity limits is carried out on a regular basis.

Risk measurement by purely statistical methods such as VaR does not adequately take into account the consequences of crisis situations.

For this reason, the Bank supplements its VaR-based risk measurement with stress testing based on several methods (stressed Value-at-Risk (sVaR), extreme value theory, scenario analysis). These assessments help to analyse the effects of market movements of low probability.

Market risk reporting

The Managing Board shall continuously review information on the bank's market risk development. Risk Management shall report to the Supervisory Board on a regular basis. In addition, the Supervisory Board shall be informed about the market risk strategy and the market risk management framework on a yearly basis.

Risk reporting is divided into internal and external reporting:

Internal reporting comprises of

- daily measurement and limit control of the market risk of all trading books (VaR, sensitivity and performance based triggers reporting to management);
- detailed monthly reports;
- stress tests.

External reporting comprises of

- Capital requirement based on the internal model;
- Reports on exceptions in backtesting of the internal model if required;
- Quarterly reports to the Magyar Nemzeti Bank;
- Stress testing on irregular basis.

Interest rate risk of the Banking Book

The rules of the CRR obligate banks to quantify the interest rate risk of their banking book and the capital requirements of this risk. Beyond the external requirements, business operations of the bank, managing their financial risks and the need for measuring profitability unambiguously requires the separation of banking and trading activities and their risk management. During the normal course of business the Bank undertakes interest rate risk arising from the repricing of collected funds and placements.

The internal documents of the Bank clearly outlines the tasks, responsibility and authority for:

- identifying the potential interest rate risk, which is arisen from the expected development of the balance sheet and banking activities;
- establishing and maintaining an interest rate risk measurement system;
- monitoring and reporting interest rate risk positions and;
- formulating and executing strategies to manage interest rate risk exposures in accordance with the guidelines of both Erste Group and Hungarian regulatory authorities.

The bank is committed to apply an interest rate risk management process, which is extensive and focuses on every relevant issue. In the interest of these, both short term, profit-oriented and long term, economic value oriented variables are included in the policy.

Organization

The Bank's Risk Appetite Statement consists of the core risk metrics and key risk principles to manage risks and sets the boundary for limits.

The supreme decision making body regarding the asset liability management and the interest rate risk management is the Asset Liability Committee, that meets at least monthly. Asset-Liability Management is responsible for the management of the interest rate of the banking book, and the maintenance of the funding transfer price system. Liquidity and Market Risk Management is responsible for the measurement of interest rate risk and reporting to the ALCO.

This organizational set-up guarantees the implementation of independence of interest rate risk measure, monitoring and controlling from departments undertaking interest rate risk.

Risk types and measurement methods

The Interest Rate Risk in the Banking Book (IRRBB) generally can be defined as follows: deterioration of the financial position of the bank deriving from the unexpected and unfavorable fluctuation of interest rates and the exposure to such negative consequences. The deterioration of the financial position can basically arise in two areas: it can impact profitability on the one hand, and the economic (business) value of the bank on the other hand.

Conventionally, risks can be listed under four categories based on the type of interest rate fluctuations and the type of positions exposed to risk:

- repricing risk;
- basis risk;
- yield curve risk;
- option risk.

Out of the above regarding positions recorded in the Banking Book generally the repricing (new pricing) risk is the most frequent and, regarding its impact, the most significant source of interest rate risk. Option risk is currently not quantified, but the Bank takes it into account in its internal transfer prices and manages this risk by appropriate pricing.

Risk Management in the Banking Book

The interest rate risk of the Banking Book is dealt with by the management in the Asset Liability Committee (ALCO). The ALM regularly reviews the interest rate risk position of the Bank and the development of the positions thereof. In addition to monitoring the position, the ALM also has the right to evaluate and rate the Bank’s interest rate risk position.

Risk Measurement and control

From the second half of 2021 the Kamakura Risk Management software is used throughout the entire Erste Group. The data for the current portfolio, market data for the cut-off date in question and the assumptions on future portfolio developments (volume, margins, etc.) are all entered into this system. It measures both the effect on profit/loss and the market value of the banking book positions. The data are organised in an account/product structure. The account structure corresponds to that of the IFRS balance sheet, while the product structure represents the currency and the interest rate-related behaviour of the products in this group.

Risk Measurement in the Banking Book

For assessing the interest rate risk of the Banking Book the Bank uses the simulation method, which is among the methodologically more sophisticated solutions.

The different aspects of exposure to interest rate risk are taken into consideration by the Bank, i.e. in the course of simulation the calculations are carried out with the approach traditionally used by asset-liability management, which means that

- the net interest income simulation (income perspective) and
- the cash-flow valuation, or the economic value simulation (economic perspective) are applied.

Risk hedging

The major instruments of interest rate risk management are balance sheet restructuring and off-balance-sheet instruments, influenced by the following risk characteristics: maturity, type of interest payment (fix or floating), repricing dates and periods, as well as the indicator to which the repricing are linked.

Risk reporting from the Banking Book

The Bank's management regularly receives reports about the development of the banking book interest rate risk exposure. These reports allow the Management:

- to evaluate the level and trend of the Bank's total interest rate risk exposure;
- to check compliance with the defined risk tolerance levels;
- to identify potential risk exposure excess of the level set forth by the policy;
- to determine if the Bank has enough capital to undertake the respective interest rate risk;
- to make decisions regarding interest rate risk.

2.1.5. Market Risk Model

Risks are calculated based on the standardised model (Article 329. (3), 352. (6), 358. (4) of CRR), the Bank does not use internal model. (Art. 455.).

2.1.6. Liquidity risk

Goals and principles of risk management

Liquidity risk is defined by Erste Bank Hungary Zrt. according to the principles of the Basel Committee for Banking Supervision. Thus, a difference is made between:

- market liquidity risk (i.e., the risk that the Bank will be unable to close a position due to insufficient market depth or market disruptions) and,
- funding liquidity risk, i.e., the risk that the bank would not be capable of efficiently fulfilling expected or unexpected requirements for current and future cash flows and collateral without restricting their daily business or the financial situation. The funding liquidity risk is broken down further into:
    - insolvency risk and
    - structural liquidity risk.

The former is the short-term risk that current or future payment obligations will not be fully met in a timely and economically appropriate manner, while structural liquidity risk refers to the long-term risk of losses due to a change in the refinancing costs or in the issuer spreads of the Bank.

Liquidity risk management framework

Liquidity and Market Risk Management is responsible for liquidity risk management in Erste Bank Hungary Zrt.

The process of formulating the liquidity strategy is the following:

- the Bank Supervisory Board acknowledges the RAS, receives Bank risk reports which include RAS development and the liquidity risk profile;
- the Board sets the strategic framework for liquidity management, approves the risk tolerance appropriate to the business strategy, approves the Bank strategy, policies and practices to manage liquidity risk in accordance with risk tolerance and reviews the information on the bank's liquidity development;
- the Asset and Liabilty Comittee is the highest decision making committee concerning all aspects of Liquidity Risk Management. It approves and is responsible for the definition and implementation of a sound liquidity risk analysis framework for identifying, measuring, monitoring and controlling all liquidity risk types across the Bank;
- the Operative Liquidity Committee consists of the relevant stakeholders of Treasury, ALM and Liquidity and Market Risk Management and monitors the liquidity position of the Bank
- The changes of the liquidity indicators and the Bank's liquidity strategy is presented to the Management during the monthly ALCO

2.1.6.1. Risk measurement and control

Survival period analysis

The short-term liquidity risk (insolvency risk) is measured and limited by applying a "Survival Period Analysis" for every currency. This analysis provides the maximum period during which a bank survives in a serious combined market and idiosyncratic crisis while relying on its pool of liquid assets. The worst-case scenario monitored simulates very limited money market and capital market access and at the same time significant client deposit outflow. Furthermore, the simulation assumes increased drawdown on guarantees and loan commitments dependent on the type of the customer, as well as the potential outflows from collateralised derivative transactions estimating the effect from collateral outflow in the case of adverse market movements.

Liquidity coverage ratio (LCR)

The CRR and the Delegated Act based ratios are monitored on monthly frequency. According to the RAS, the red zone limit level of the LCR is at 105%, there is furthermore a warning level (amber zone limit) that is defined in nominal terms for the LCR buffer (the difference between the High Quality Liquid Assets and Net Liquidity outflow) at EUR 400M.

In 2021, the Erste Bank consolidated LCR was measured in the range of 134% and 330%. In the consolidated balance sheet of Erste Hungary, there are three currencies surpassing the 1% level of the total assets: HUF, EUR and USD. The main currency of the liquidity surplus of the Bank is in HUF as the liquidity is primarily invested in Hungarian Government Bonds. The temporary FX liquidity shortages are managed by the ALM through FX derivatives.

The risk concentrations analysed on quarterly frequency in the Bank. In 2021, the measured value of the Herfindahl index quantifying the risk concentration was below 1% showing low level of risk.

2.1.6.2. Methods and instruments of Risk mitigation

The general standards of liquidity risk controlling and management are defined by the Bank, documented in the respective internal guidelines and are constantly reviewed and further developed.

The Contingency Funding Plan provides a framework for managing both temporary and long term liquidity disruptions that risk the bank's ability to fund some or all of its activities in a timely manner and/or at reasonable cost. The plan is tested and revised at least yearly. Testing shall ensure that roles and responsibilities are appropriate and understood, contact information is up to date and the transferability of cash and collateral is still present.

In HUF million	Total unweighted value (average)				Total weighted value (average)			
Quarter ending on (DD Month YYY)	31.12.2021	30.09.2021	30.06.2021	31.03.2021	31.12.2021	30.09.2021	30.06.2021	31.03.2021
Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
HIGH-QUALITY LIQUID ASSETS								
Total high-quality liquid assets (HQLA), after application of haircuts in line with Article 9 of regulation (EU) 2015/61					1,139,977	982,573	1,058,582	1,149,901
CASH - OUTFLOWS								
Retail deposits and deposits from small business customers, of which:	1,771,192	1,599,920	1,550,855	1,489,932	141,677	129,312	123,489	117,124
Stable deposits	815,571	706,538	716,257	693,961	40,779	35,327	35,813	34,698
Less stable deposits	955,620	893,382	834,597	795,971	100,898	93,986	87,676	82,426
Unsecured wholesale funding	1,190,680	1,103,113	1,091,122	1,270,297	686,398	664,003	653,963	847,752
Operational deposits (all counterparties) and deposits in networks of cooperative banks	1,089	1,257	1,066	1,128	54	63	53	56
Non-operational deposits (all counterparties)	1,189,591	1,101,856	1,090,055	1,269,169	686,343	663,940	653,910	847,696
Unsecured debt	0	0	0	0	0	0	0	0
Secured wholesale funding								
Additional requirements	1,250,828	311,256	674,946	329,930	1,250,828	311,256	674,946	329,930
Outflows related to derivative exposures and other collateral requirements	1,250,828	311,256	674,946	329,930	1,250,828	311,256	674,946	329,930
Outflows related to loss of funding on debt products	0	0	0	0	0	0	0	0
Credit and liquidity facilities	208,906	215,370	215,035	175,782	13,219	16,157	16,391	12,464
Other contractual funding obligations	289,523	226,404	262,756	205,284	36,208	29,623	39,542	18,646
Other contingent funding obligations	42,360	45,524	10,563	16,332	37,104	40,268	5,307	11,076
TOTAL CASH OUTFLOWS					**2,165,434**	**1,190,619**	**1,513,638**	**1,336,992**
CASH - INFLOWS								
Secured lending (e.g. reverse repos)	34,006	0	30,601	0	0	0	0	0
Inflows from fully performing exposures	780,323	898,806	751,929	525,292	764,903	891,584	747,509	514,846
Other cash inflows	1,211,502	252,879	611,796	246,831	1,211,502	252,879	611,796	246,831
(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					0	0	0	0
(Excess inflows from a related specialised credit institution)					0	0	0	0
TOTAL CASH INFLOWS	**2,025,831**	**1,151,685**	**1,394,325**	**772,123**	**1,976,405**	**1,144,463**	**1,359,305**	**761,677**
Fully exempt inflows	0	0	0	0	0	0	0	0
Inflows subject to 90% cap	0	0	0	0	0	0	0	0
Inflows subject to 75% cap	2,025,831	1,151,685	1,394,325	772,123	1,976,405	1,144,463	1,359,305	761,677
TOTAL ADJUSTED VALUE								
LIQUIDITY BUFFER					**1,139,977**	**982,573**	**1,058,582**	**1,149,901**
TOTAL NET CASH OUTFLOWS					**541,358**	**297,655**	**378,409**	**575,315**
LIQUIDITY COVERAGE RATIO					**211%**	**330%**	**280%**	**200%**

Table 1: Quantitative information on LCR (values are calculated as averages of month-end observations over the number of data points as outlined in the table) (Art. 451a (2) CRR Temlate EU LIQ1 (EU) 2021/637)

in HUF million	Unweighted value by residual maturity: No maturity[1]	< 6 months	6 months to < 1yr	≥ 1yr	Weighted value
Available stable funding (ASF) Items					
Capital items and instruments	421,847	0	0	63,450	485,298
Own funds	421,847	0	0	63,450	485,298
Other capital instruments		0	0	0	0
Retail deposits		1,742,492	2,085	172,015	1,784,445
Stable deposits		846,235	0	0	803,924
Less stable deposits		896,256	2,085	172,015	980,522
Wholesale funding:		1,414,211	22,390	498,237	994,018
Operational deposits		190,270	0	0	66,461
Other wholesale funding		1,223,941	22,390	498,237	927,556
Interdependent liabilities		0	0	0	0

Other liabilities:	-	30	0	64,541	64,541
NSFR derivative liabilities	-	0	0	0	0
All other liabilities and capital instruments not included in the above categories		30	0	64,541	64,541
Total available stable funding (ASF)		0	0	0	3,328,302
Required stable funding (RSF) Items					
Total high-quality liquid assets (HQLA)		0	0	0	143,426
Assets encumbered for more than 12m in cover pool		6,815	5,669	171,560	156,438
Deposits held at other financial institutions for operational purposes		0	0	0	0
Performing loans and securities:		282,824	191,991	1,510,719	1,534,917
Performing securities financing transactions with financial customerscollateralised by Level 1 HQLA subject to 0% haircut		34,000	0	0	0
Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		52,326	15,983	186,041	199,265
Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		171,780	157,081	820,274	894,308
With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		3,385	6,186	32,773	26,090
Performing residential mortgages, of which:		17,278	13,286	369,738	308,205
With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		4,835	3,834	106,772	0
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		7,440	5,641	134,666	133,140
Interdependent assets		0	0	0	0
Other assets:	-	534,029	3,732	259,105	243,090
Physical traded commodities		0	0	0	0
Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		0	0	0	0
NSFR derivative assets		0	0	0	0
NSFR derivative liabilities before deduction of variation margin posted		0	0	0	0
All other assets not included in the above categories		534,029	3,732	259,105	243,090
Off-balance sheet items		344,671	0	0	18,637
Total RSF		0	0	0	2,096,507
Net Stable Funding Ratio (%)					158.75%

Table 2: Net stable funding ratio (Art. 451a (3) CRR Temlate EU LIQ2 (EU) 2021/637)

2.1.7. Operational risk

Principles and objectives in Operational Risk Management

Definition of Operational Risk: The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, and includes legal risk.

Erste Bank Hungary Zrt. treats operational risk since 2004 and uses for identifying and assessing this type of risk quantitative and qualitative risk methodologies as well.

The fundamental objective besides determining the operational risk capital is to enhance the operational risk awareness in the Bank, the identification and collection of risk factors, and the treatment of operational risk proactively as well.

Organization

In Erste Bank Hungary Zrt. Operational Risk area within Strategic Risk Management, ICAAP and Operational Risk.

Measuring of risk and controls

Methodologies regarding measurement of operational risk

- Loss Data Collection: Loss data collection on a decentralized base covers the whole Bank with integrated rules and standards
- Key Risk Indicators: Monitoring and collection main risk indicators showing the risk evolution in the Bank
- Scenario analysis: Evaluating the exposure to potential low frequency high severity events
- Risk Control and Self Assessment: Risk assessment on a qualitative base should be performed with every business unit within the Bank, in order to identify high residual risk factors in the Bank
- Assessing the risk of Outsourcings, models, and products within the Bank
- Evaluation of Benchmark data with the following tools: HunOR the Hunagrian and ORX the international loss database

Methods for treating and preventing operational risk:

- Insurance for mitigating the impact of events
- Mitigation measures to prevent future similar events and for proactive management of potential risks
- Presenting the highest loss events, and mitigation measures to the Operational Risk Management Committee

2.1.8. Other risk

Strategic risk

Strategic risk, when crystallizing, will also impact the liquidity situation of the bank, either in the form of unexpected additional funding needs and/or higher funding costs.

EBH uses a model developed and maintained by Erste Group for quantification of economic capital for Business/Strategic risk. In addition to covering the economic capital in Pillar 2 risk-bearing capacity, a qualitative assessment is also performed annually within the Risk Materiality Assessment framework focusing on the key aspects of Strategic risk (business risk, profitability and capital risk, management risk). Main results of the qualitative and quantitative assessments are considered during the impementation of the management and control framework as well as risk factors are simulated and analysed in the regular internal stress testing framework.

Reputational risk

The reputational risk, as any type of risk to which the Bank is exposed, is assessed at least annually. Due to its nature, reputational risk falls under qualitative assessment.

EBA has established clear processes and a comprehensive framework to manage reputational risk:

- Code of Ethics, Compliance Policy, PR Directives and related processes and compliance therewith;
- Regulatory guidelines for corporate / retail product approval processes;
- Monitoring of events negatively affecting the Bank's reputation.

2.2. Governing and controlling bodies of Erste Bank Hungary Zrt.

2.2.1. Selection and assessment of members of management bodies

Erste Bank Hungary Zrt. has been a member of Erste Group since 1997. Erste Group Bank AG is Erste Bank Hungary Zrt.'s parent company, hereinafter the preference shareholder, other shareholders are the Corvinus Nemzetközi Befektetési Zrt. and the European Bank for Reconstruction and Development.

The qualification requirements (skills and expertise) for members of the governing and controlling bodies of Erste Bank Hungary Zrt. are governed by the internal guidelines for the selection and assessment of members of the management and supervisory boards, defined by the Nomination Committee of the company.

These guidelines define, in accordance with applicable legal provisions (Hpt. 112. §.), the internal framework for the selection and assessment of proposed and appointed members of the management bodies, corporate bodies and are also an important tool for ensuring good corporate governance and control. The assessment of proposed and appointed members of management bodies is based on the following criteria:

- reputation requirements (no criminal record, no violation of the statutory regulations pertaining to financial organizations);
- experience criteria (education and professional experience);
- governance and independence (examination of potential conflicts of interest; the overall (existing) composition of the Board of Directors or Supervisory Board and the relevant, necessary collective knowledge and experience; the ability of the candidate to perform his/her duties independently, without undue influence from other persons).
- time expense
- overall compliance

Both on individual and on overall level the management and supervisory bodies and their members possess the necessary knowledge, experience and expertise required to fulfil their role at the company, as follows:

Overview of education:	Overview of professional experience:	Overview of expertise:
Master - of Business Administration, - in Economics, - in Finance, - or in Engineering.	Diverse background gained at several local/regional/global organizations, private/public financial institutions as well as in consulting.	Relevant expertise on fields of banking operations.
Studies in internationally acknowledged institutions.	Overall experience of the board members covers the whole banking operation.	Deep expertise of financial markets.
Various extracurricular activities.	At least 15 years of professional experience in the banking sector or 10+ years of experience in managing respective fields.	Proven leadership skills and expertise.

Table 3: Skills and expertise of the managing and governing bodies of Erste Bank Hungary Zrt. as of 31 December 2021

2.2.1.1. Members of the Board of Directors on 31 December 2021

Radovan Jelasity Chairman of the Board of Directors, CEO (01.06.2011. -)

Mr Jelasity was born in Baja, finished his secondary school in Budapest. He obtained an MBA at the Finance Faculty of Illinois University in Chicago after acquiring a degree in economics at the Belgrade University. He started his banking career at the Deutsche Bank in Frankfurt where he worked for four years as area manager responsible for Central-Eastern Europe. Later he participated in banking projects in Germany, Poland and Bulgaria, on behalf of McKinsey&Company in Frankfurt. As Vice President of the Banking Rehabilitation Agency he participated in the reorganization of the banking sector and in the launch of the privatization process of several large banks. After serving as Deputy Governor he was appointed the Governor of the National Bank of Serbia in 2004 and held this office until 2010. . As central banker, Mr Jelasity played an important role in the consolidation of the Serbian banking sector and the insurance market, as well as in the strengthening of the regulatory and supervisory bodies; furthermore he played a key role in Serbia's negotiations with international financial institutions. Mr Jelasity - as Chief Executive Officer of the Company since June 2011 – beyond his responsibilities specified by the laws and by the by-laws of the Board of Directors - is responsible for the financial stability of the Company, acts as managing director of the Company and assists the Board of Directors in making decisions affecting the entire Company. He contributes to setting directions to the Company's business policies with evaluation of local and foreign business and macro-economic environment. He manages and coordinates the Company's Corporate Division, supervises the strategic and business planning as well as the operation of the Division. In addition to his position held in the Company, he has been the member of the General Council in the Hellenic Financial Stability Fund in Athens from October 2016 till November 2019. He is the president of the Hungarian Banking Association from May 2020.

László Harmati Managing Director, Deputy CEO Retail (02.04.2013. -)

Mr Harmati started his career at the ITCB - Consulting and Training, then between 1998 and 1999 he was Head of Department of Entrepreneurship and Regulation in the Ministry of Finance. Between 1999 and 2002, as Head of Department of Regulation at the National Bank of Hungary, he played a leading role, amongst others, in the development and launching of the domestic trading book regulation and the implementation of the Basel capital rules in Hungary. From 2002 until early 2013, as Deputy CEO at FHB Mortgage Bank Nyrt, and as CEO from 2010 the supervision of the entire business area belonged into his his competence and as a consequence he played a leading role in the management of the bank's business strategy. In 2006 and 2007 he undertook an active role in founding the FHB Bank Zrt where he fulfilled the position of the CEO. In 2010 and 2011 he was in charge of the acquisition of Allianz Bank Zrt. Mr Harmatie is associated with the establishment of the new business model, managing the rationalization project, and the intensive retail online developments (netbank, netbroker, lead generation via the Internet). He had a leading role in the cost rationalization, the development of the new set of tools for housing subsidy, he is credited with the re-tuning of the collection protocols, and the increase of the branch and direct channels' cross-sale potential. László Harmati as Deputy CEO (Chief Retail Officer) of the Company – since April 2013 – manages and coordinates the retail division of the Bank, supervises the operation of the branch network, manages and supervises the sale of retail products, the customer service and the telesales channel of the Bank.

Krisztina Zsiga Managing Director, Deputy CEO Risk management (06.11.2017. -)

Ms Zsiga graduated in 1993 at the Manchester Metropolitan University. She has been working in risk management for more than 20 years. She gained wide experience on this area in various European countries. Between 1995 and 2007 she worked at Inter-Európa Bank, Citibank and the CitiGroup in Budapest, Moscow, Norway, Prague, and London. She joined Erste Group Bank AG in January 2008 where she was working as Head of Retail Risk Management. Between 2013 and 2016 she was member of the Company's Supervisory Board before she had been elected as external member of the Board of Directors. In November 2017 Krisztina Zsiga was elected as Deputy CEO for Risk Management (Chief Risk Officer) of the Compay. She supervises the credit policies of the Bank's business lines, including the credit rating, collateral valuation and provisioning policies. She regularly reviews market risks, supervises the delegation of functions regarding credit clients and he holds responsibility for the safe and secure operation of the Company.

Manfred Schmid, Managing Director, Deputy CEO Finance (01.06.2021. -)

Mr. Manfred Schmid graduated at the Universität Wien, Business Informatics faculty in 1991 and continued his studies at Robert Kennedy University, Delémont, where he got his International Tax Law Diploma in 2022. He has professional experience in the field of IT, accounting and controlling at Budapest and Vienna. Between 1998 and 2001 he was filling director role and leading the Accounting and Controlling area in Erste Bank Hungary Zrt, between 2001 and 2010 the same position in Slovenska sporitelna a.s. (Erste Group Bank AG's subsidiary in Slovakia). He was leading the Group Accounting and Group Controlling area in Erste Group Bank AG between 2010 and 2020, thus he has been employed by Erste Group Bank AG and its subsidiaries for 22+ years. Manfred Schmid as Deputy CEO (Chief Financial Officer) of the Company – since May 2021 – is responsible for the financial stability within the Company's business policies and he supervises the Finance and Accounting, Controlling, ALM, Facility and Property Management and Procurement areas.

Tamás Foltányi, Managing Director, Deputy CEO IT and Operation (15.01.2016. -)

Mr Foltányi studied at the Budapest University of Technology at the Faculty of Electrical Engineering then finished the Bank Management Programme at The International Training Center for Bankers Ltd. (Bankárképző). During his career he held leading positions at Inter-Európa Bank and Creditanstalt. From 1999 until 2004 as a managing partner at PWC and IBM he was responsible for the Hungarian financial sector and services offered for them, then took over the management of the IBM Global Services businesses. From 2005 until 2015 he was the Deputy Chief Executive Officer of the FHB Mortgage Bank Nyrt. Tamás Foltányi as Deputy CEO for IT and Operation (Chief Operating Officer) of the Company – since January 2016 – is responsible for the Bank's IT and operations, supervises the IT system development and operational tasks of the Company, manages and coordinates the IT planning of the Company.

Dr. János Rudnay, external Board of Directors member (01.10.2004. -)

Mr Rudnay graduated at the Vienna University' Law School in 1977. Between 1977 and 1994 he worked in management positions at various Philips affiliates. As of 1994 has was the CEO of the Pécs Brewery Rt. then from 1995 he was the CEO of Reemtsma Debrecen Tobacco Plant Kft. Between 2001 and 2002 he was the member of SPB Investment Rt's advisory board. He has been a consultant to Erste Group Bank AG since September 2002. From 4 December 2003 he was external Board member of Postbank and Savings Fund Rt, then from 1 October 2004 he has been elecetd as external member of the Board of Directors at the Company.

Frederik Silzer external Board of Directors member (01.08.2005. -)

Mr Silzer started his career in 1988 at the die Erste österreichische Spar-Casse Bank, then from 1993 he worked at AVABANK in the are coordinating affiliates and he was Executive Director at several Central European subsidiaries. In 1998 he joined Bank Austria AG (earlier operated as Creditanstalt AG) where he was in charge of coordinating subsidiaries, amongst other in Hungary. Since 2008 he has been in charge of coordinating the activity of Erste Bank der österreichischen Sparkassen AG in Central-Eastern Europe, including Hungary, he is responsible for numerous acquisition and integration projects.

Zoltán István Marczinkó, external Board of Directors member (11.08.2016. -)

Mr Marczinkó graduated in 1988 at the Karl Marx University of Economic Sciences. At the beginning of his career he worked as the Head of Section for Production Organization in Dabas Printing House. He worked at Budapest Bank Nyrt. as Lending Executive from 1992. Later he was appointed the Head of

Branch Network/Head of Central Branch at the HBW Express Savings Cooperative. He worked in the same position (branch manager) at Budapest Bank Nyrt. from 2000 to the end of the year 2010, after that he was the head of the Corporate Business Center.

From 2013 he worked at the Széchenyi Kereskedelmi Bank Zrt. as Head of Acquisitions and Business Development. From 2014 he is Deputy Secretary of State at the Ministry for National Economy, responsible for Key Corporate Relations.

Michael Neumayr, external Board of Directors member (14.09.2016. -)

Mr Neumayr graduated in 1980 as doctor of law at the University of Vienna and subsequently obtained a diploma in International Relations at the Johns Hopkins University, Bologna Center.

He started his professional career in 1982 in international banking at Girozentrale Group, and held various management positions at the international division in Vienna, and the subsidiary in Zurich. In 1995 he joined Bank Austria Creditanstalt, Vienna, heading the International Finance and Syndications Department until 2002.

From 2002 to 2008 he was Executive Director and Member of the Board of Directors at the European Bank for Reconstruction and Development (EBRD) in London, representing Austria and five other shareholder countries, including Bosnia and Herzegovina, and Kazakhstan.

Since 2008, he is an independent business advisor, he established his own company under the name Finance and Business Consultant. He is Board of Directors member at KrK-Kreditimi Rural I Kosoves from 2012 and at Unibank from 2015, he is also a member of the Investment Committee at GFF.

Karin Svoboda, external Board of Directors member (01.04.2020.-)

Ms Karin Svoboda graduated in 1995 as economist at the University of Vienna. She started her career at Erste Group Bank AG from 1998, where she held various management positions from 2002. Later she was appointed the Head of Projects and CEE Governance, Head of Group Crisis Management and Head of Group Capital Management. Karin Svoboda is the Head of Enterprise wide Risk Management - since 2017 – is responsible for group level ICAAP framework, central credit risk calculation, group level IFRS 9 impairment methodology and validation, regulatory and management risk reporting, recovery and resolution planning.

2.2.1.2. Members of the Supervisory Board on 31 December 2021

Dr. Manfred Wimmer, Supervisory Board member, Chairman of the Supervisory Board (01.09.2008. -)

Mr Wimmer graduated in 1978 at the Law School of the Innsbruck University. Between 1982 and 1999 he worked at the International Division of Creditanstalt, Wien. He has been working at ERSTE Bank der Oesterreichischen Sparkassen AG. between 1998-1999 as Head of International Marketing Departmentbetween 1999-2002 as acquisition and integration Project Manager of Ceska Sporitelna then between 2002-2007 as Head of Strategic Holding Development Area. Between 2007 and 2008 ha held the position of the President and Board Member of Banca Comerciala Romana. Since 2008 Mr Wimmer is Board Member at Erste Group Bank AG responsible for Finance and Accounting and Performance Management. He retired as of 1 September 2013, but he is keeping the Chairman position of the Company’s Supervisory Board.

Friedrich Rödler, Supervisory Board member (28.04.2012. -)

He graduated in 1975 at the Vienna Technical University (Mathematics and IT specialty), then obtained an academic degree at the Vienna School of Economics in 1976, then a second degree in “International relations” specialty. From 1976 until 1986 he was employed by Arthur Andersen & Co, then between 1986 and 1990 he worked as a partner at GRT Robol & CO. He held various positions at PWC from 1990 to 2013. Mr Rödler is the Chairman of the Supervisory Board of Erste Group Bank AG. He has more than 34 years of work experience in financial, accounting and tax consultancy matters.

Maurizio Poletto, Supervisory Board member (01.06.2021. -)

Mr. Maurizio Poletto, during his professional career, held positions where he could gain broad professional horizon in digital banking developments and trends, not only in incumbent banking side, but also in digital strategy and transformation. He has 8+ years experience in leadership role in George Labs GmbH (connected to Erste Group Bank AG). Since 1st January 2021 he has been member of the Board of Directors of Erste Group Bank AG as Chief Platform Officer. He became Supervisory Board member at Erste Bank Hungary from 1st June 2021.

dr. Alíz Zsolnai, Supervisory Board member (11.08.2016. -)

Ms Zsolnai graduated in 2002 at the University of Szeged. She passed Specialist Exam in Public Administration in 2004. In 2006 she spent three months internship in the HM Treasury and finished her PhD studies in 2012. From 2002 she is a government official in the Ministry of Finance, where she worked as Deputy Head of Department in 2014, and as Head of Department since 2015. Regular lectures given at conferences, professional debates and training courses related to various financial organisations, institutions and services Preparation of national-scale central regulation of training programs and regular participation in the elaboration of training and examination materials for high-level as well as adult education and training.

Lucyna Stanczak-Wuczynska, Supervisory Board member (28.02.2017. -)

Ms Stanczak-Wuczynska graduated in 1990 at the Warsaw School of Economics then obtained a second degree in Economics and European Integration. She started her professional career in 1992 at Credit Agricole. Between 1998 and 2000 she was the Structured Finance Vice President of ABN Amro Bank Polska S.A. She joined the European Bank for Reconstruction and Development (EBRD) in 2000 in Poland, where she became Country Director. Since August 2014 she has been working at the headquarters of EBRD in London as Financial Institutions (EU Banks) Director. She became Chairperson of the Supervisory Board at BNP Paribas Bank Polska S.A. from 1st July 2021.

Alexandra Habeler-Drabek, Supervisory Board member (01.04.2021 -)

MS Habeler-Drabek started her carrer in 1995 at the Creditanstalt-Bankverein Bank as Restrucuring and Workout Manager, in 1999 she became the Head of Risk Management Corporate & SME. Between 2001 and 2010 she held different leader positions in Unicredit Bank Austria. In 2010 she became head of Workout & Restructuring & Op-risk in Erste Bank Österreich, then she was the head of Operative Risk Management between 2012 and 2014. Between 2013 and 2016 she was the head of Group Enterprise-wide Risk Management in Erste Group Bank AG. She was the CRO of Slovenská sporiteľňa, a.s. between 2017-2019, since 2019 she is the CRO of Erste Group Bank AG.

Magdolna Nagy, Supervisory Board member, representing employees (01.02.2013. -)

Ms Nagy is the Head of the Custody area of the Company

She graduated in 1990 at the Budapest School of Economics. She has 20 year experience in investment services. Since 1993 she developed the depository service activity in various Hungarian banks. Between 1993 and 1997, she was head of deposit management at Magyar Hitelbank then between 1997 and 2000 at CIB Central European International Bank Rt. At the Company she has been Head of the Custody area 2000.

Anna Kósa, Supervisory Board member, representing employees (11.08.2016. -)

Ms Kósa is the Head of Compliance at the Company.

She graduated as lawyer in the University of Miskolc. She worked as compliance and legal executive at the beginning of her career at the Magyarországi Volksbank. She joined the Company in 2012 as compliance expert at the AML and Securities Compliance. She was responsible for performance of compliance functions related to the financial and investment service activities of the Company and for the supervision of the relevant internal processes from compliance aspects. Later she was the Acting Head of Compliance Department. She is the Head of Compliance) since May 2016.

Attila István Balla, Supervisory Board member, representing employees (06. 12. 2018. -)

Mr Balla is the regional head of the branch network in the East Hungarian region, originally graduated as an engineer, but he also finished economy studies in 1993. Before joining the Company in 2010, he worked for several other credit institution in various positions (head of sale at retail and SME segment for Unicredit or branch director for Raiffeisen..etc). He was mainly responsible for sales activities in his positions, but he had committee mandates as well, like Supervisory Board member for Erste Biztosító as well as for UniCredit Bank.

Directorate outside the Group

Name	Number of directorate outside the Group
Radován Jelasity	0
Krisztina Zsiga	0
László Szabolcs Harmati	0
Manfred Schmid	0
Tamás Foltányi	0
Frederik Silzer	0
dr. János Rudnay	0
Zoltán István Marczinkó	0
Michael Neumayr	0
Karin Svoboda	0
Manfred Wimmer	0
Friedrich Rödler	1
Maurizio Poletto	0
dr. Alíz Zsolnai	0
Lucyna Stanczak-Wuczynska	1
Alexandra Habeler-Drabek	0
Magdolna Nagy	0
dr. Anna Kósa	0
Attila István Balla	0

2.2.1.3. Members of Managing Board on 31 December 2021

Jelasity Radován: Chairman of the Board of Directors, CEO, managing director responsible for the Corporate Business

László Harmati: Managing Director, Deputy CEO Retail

Krisztina Zsiga: Managing Director, Deputy CEO Risk management

Manfred Schmid: Managing Director, Deputy CEO Finance

Tamás Foltányi: Managing Director, Deputy CEO IT and Operation

2.2.1.4. Number of meetings held by the Board of Directors and the Supervisory Board in 2021

In 2021 both the Board of Directors and Supervisory Board held four meetings.

The quorum at the 2021 meetings of the Board of Directors and the Supervisory Board was ensured in each case.

2.2.1.5. The presentation of criteria considered when evaluating the work of the Board of Directors, the Supervisory Board, the Managing Board, as well as of the members of these bodies

The Company is a credit institution subject to the Credit Institution Act, where, in line with the legislative provisions the Nomination Committee appraised the members of the Board of Directors and the Supervisory Board. The appraisal criteria for members of these bodies are laid down in the Remuneration Policy published by the Company, its Fit & Proper regulation and other criteria laid down in the Credit Institution Act. No further measures were made as a follow-up to this appraisal.

2.2.2. Policy of diversity

Erste Group was founded on the principles of accessibility and inclusion. Diversity and equal opportunities are firmly embedded in Erste Group's corporate philosophy and corporate culture, thus providing a solid foundation for building strong and mutually beneficial relationships between Erste Group, its employees and the communities and societies in Erste Group's markets. The commitment to promoting equal opportunities and diversity was institutionalized by appointing a Diversity Manager responsible for developing a group-wide diversity policy, identifying targets and measures, as well as regular monitoring and reporting on targets.

During 2016 the Bank has joined the European Diversity Charter and since then, renewed its membersip in all years.

2.2.3. Risk governance committees

Risk management is achieved through a clear organisational structure with defined roles and responsibilities, delegated authorities and risk limits. Besides the Risk Governance Committee (RGC) the Bank has also established local committees in order to support an efficient decision process and in order to ensure a multi-functional supervision (i.e. ensuring the participation of various fields of professions). The main task of the committees are managing the risks, forming the related principles and risk strategies, harmonizing with business strategy, following up and monitoring the strategy and its execution, as well as strengthening the risk awareness and risk culture. The main objectives of the committees include the promotion of mutual understanding and coordination in the field of corporate and retail lending activities and between the internal management functions.

Risk Governance Committee

The Board of Directors established – with the acknowledgment of the Supervisory Board – according to "Banking Act" 110 § the Risk Governance Committee. The Risk Governance Committee held four meetings in 2021 at which it took decisions which are within its duties as outlined below:

- advises the Managing Board with regard to current and future risk tolerance; the credit institution's risk strategy and monitors the implementation of this risk strategy;
- it further checks whether the incentives offered by the internal remuneration system duly consider the risk, the capital, the liquidity and the probability as well as the time of realised profits;
- it is responsible for granting approval in all those cases in which loans and exposures or large exposures reach an amount exceeding the approval authority of the Managing Board defined in the approval authority regulation;
- it is responsible for monitoring risk management at Erste Bank Hungary Zrt.;
- it further checks whether services and products are adequately priced to take into account the business model and the credit institution's risk strategy.

Asset-Liability Management Committee (hereinafter ALCO) task and purpose:

In order to ensure the Bank's profitability and secure operation, it regularly reviews in terms of market risks the following:

- the Bank's short and medium term liquidity and the financial assets of the Bank;
- the interest rate margin of the bank's balance sheet;
- the structure and volume of market risk, with special focus on the changes in profitability resulting from eventual interest rate volatility;
- balance sheet growth,
- capital adequacy.

In addition to ensure adequate solvency position of the Bank it regularly discusses the overall solvency situation of the Bank, contributes to the discussion about the capital management, especially about the supply side of the capital and prepares decisions related to capital management to the Managing Board.

To ensure the the Bank's profitability and secure operation it has a decision making right in the areas of liquidity and refinancing, capital, internal transfer pricing listed below in the core competence section of the chapter.

Retail Risk Committee (hereinafater RRC) task and purpose:

The Retail Risk Committee (hereafter RRC) is responsible for continuous supervision of the Bank's retail lending activity; supervision of the retail collection and work out activity; supervision of the retail credit portfolio risk; definition of regulations related to lending criteria, processes and documents which are not regulated elsewhere.

No individual risk-taking decision competence is granted to this Committee. Its tasks contain:

- develop and decide on retail risk strategy which derived from the Risk Appetite Statement approved by the Board of Directors;
- setting risk triggers fit into the annual budget and also into risk strategy of EBH;

- deciding about policy rules for retail lending products;
- decide about risk related material changes in product setup;
- granting authority for daily operative portfolio decisions, differentiate them from material decisions;
- monitoring and approving GAPs versus the Holding risk regulations;
- risk monitoring of retail lending portfolio;
- monitoring of retail collection and work out activity;
- approve risk margin to be considered in pricing;
- inform monthly the Managing Board about its decisions;
- setting the risk limits relevant for the retail portfolio in line with the risk strategy and monitoring of these limits;
- contributing to the ICAAP tasks with input, inquires and discussion on topics related to the retail portfolio.

Corporate Risk Committee (hereinafter CRC) task and purpose:

The Corporate Risk Committee (CRC) is implemented for the general purpose to strengthen the communication and understanding between Corporate Business (VÜ)/ Real Estate Finance (ISF)/ Capital Markets Financial Institutions (FI) and Risk Management areas and to support establishment of well based decisions about risk appetite, general business policies and risk policies in corporate area.

The CRC is responsible for continuous supervision of the corporate/project/Financial institution lending activity, the products developed and sold for clients, the trends of the corporate/institutional markets and the behavior of the corporate portfolio. CRC is focusing also on interpretation of risk parameters, understanding the impacts thereof and approving the parameters. The functions of CRC are extended also to the corporate work-out & restructuring activities, trends of problematic portfolios, strategies for real estate property portfolios taken over to the books of the bank or to subsidiaries also.

The CRC is the forum of discussions and decisions on new business initiatives, on application of new tools, systems or procedures in business and in risk management, on regular reports about the high priority business and risk projects in corporate banking area.

The CRC does not take decisions regarding individual corporate clients or transactions.

Main tasks of Corporate Risk Committee:

- Defining and monitoring the corporate strategy (including all corporate areas listed above) based on the approved business and risk strategies as well risk appetite statements of the bank;
- Decision on the methodologies of provisioning and budgeting, forecasting in terms of NPL and Risk Costs;
- Decision on non-retail provisioning parameters;
- Monitoring of the volume trends, quality changes and concentrations of Corporate (ISF/FI) credit portfolio;
- Decision on minimum risk requirements for corporate clients and products;
- Decision on product development processes, implementation of individual products;
- Decision on accepting annual validation result of non retail scorecards and parameters;
- Decision on non retail PD, LGD, CCF models and parameters;
- Decision on new non-retail scorecard implementation;
- Decision on Expected Risk Margin Matrix used for pricing;
- Monitoring of the lending procedures and the sufficient controls applied in the processes;
- Monitoring of client and product segments in terms of profitability and capital requirement;
- Supervising the development of the main projects of risk and business areas;
- Supervising the collateral management functions and regulatory compliance thereof;
- Monitoring of the general compliance of local rules and procedures with risk guidelines of Erste Group and with requirements of regulators;

- Supervising the strategy of corporate work-out & restructuring, and monitoring the collection and restructuring activity of the bank;
- Supervising the strategy of Real estate restructuring &and Real estate leasing and enforcement, and monitoring the collection and restructuring activity of the bank,
- Monitoring the changes in external and internal risk regulations, identifying the impacts on thebusiness activities, capital adequacy and regulatory compliance of the bank, including the ICAAP requirement;
- Receiving the information about the overall the Risk Strategy and Risk appetite statement, on the Risk Bearing Capacity, and on the Risk Planning and forecasting methodologies;
- Contributing to the ICAAP tasks with input, inquires and discussion on topics related to the corporate portfolio, especially:
    - contributing to discussion about the Risk Materiality Assessment and Concentration risk analysis;
    - contributing to the Risk Based planning and forecasting related to the corporate portfolio, further it is informed about the overall Budget risk base case;
    - contributing to the discussion around portfolio-level Risk Limits and Targets that are in broken down from the risk strategy;
- Responsible for setting the risk limits relevant for the Corporate/ISF/FI business line in accordance to the risk strategy and monitoring of these limits.

Local Operational Risk Committee (hereinafter LORCO) task and purpose:

- to reduce operational risk and other Non-Financial Risk exposure: the Committee ensures that information and experience revealed and gained in the course of operational risk management shall be integrated into business and supporting processes, and thereby the EBH's exposure to operational risks can be reduced;
- supervise relevant entity-level methodologies and risk management standards: for non-financial risks on the entity level
- identify, assess, manage and reduce non-financial risk exposure: the committee will ensure that information and experience revealed and gained with regard to non-financial risk management is integrated into business and supporting processes, and thereby the Bank's exposure to non-financial risks reduced;
- provide advisory opinions to strategic decisions: the committee will provide expert opinions on entity level which may have an impact on non-financial risk exposure (e.g. merger and acquisition activities, product approval process / outsourcing / risk acceptance / risk profile);
- supervise non-financial risks and risk mitigation: the committee will ensure that all risks detected and events which have already occurred are discussed and addressed in order to implement adequate corrective measures and manage and reduce non-financial risk exposure;
- review, investigate and control relevant risks and issues: the committee shall have the authority to initiate reviews, investigations and perform control into any matters within its scope of responsibility;
- take informed decisions: the committee shall have the power and decision-making competence for the reduction of non-financial risks by deciding on risk return decision proposals and entity-wide risk mitigation actions;
- serve as escalation body: the committee provides opinion and advice on issues beyond its decision-making competence, and makes recommendations/decisions to local or Group bodies.
- Reporting: ROCC Office shall consider the local entity’s risk profile of non-financial risk to be submitted to ROCC and further on to Group Operational Conduct Committee (GOCC) in line with the by-laws of these committees.
- Local implementation: The committee shall consider the decisions/recommendations made by ROCC and GOCC for local entity implementation.

- Managing Board delegates its authorities for the designing, establishing, maintaining and operating of Internal Control System to the Local Operational Risk Management Committee. These tasks are summarized in the Internal Control System Procedure.

Other committees

In addition to the local committees, the CRO of Erste Bank Hungary Zrt. and the Head of Strategic Risk Department participate regularly in the Holding Level Committees. These committees are resposible for adaquate coordination and implementation of Group wide risk related actions.

Group Entreprise Wide Risk Management Committee's memberrs are the subsidiaries' directord of Strategic Risk departments. This Committee is considered as a preliminary decision making forum for the CRO Board in Risk relevant issues.

3. Scope of application (Art. 436.)

Accounting principles

The financial and regulatory figures published by Erste Hungary are based on IFRS. The consolidated financial statements of Erste Hungary for the financial year ending on 31 December 2021 were prepared in compliance with applicable International Financial Reporting Standards (IFRS) as adopted by the European Union on the basis of IAS Regulation (EC) No. 1606/2002. The uniform closing date of the consolidated regulatory figures of Erste Hungary is the 31 December of the respective year.

Scope of consolidation

The financial scope of consolidation is used to describe the scope of consolidation required by IFRS, which are applicable to the financial statements of the Bank.

This definition differs from the scope of consolidation according to IFRS, which also includes insurance companies and other entities, that are subject to full consolidation.

The regulatory scope of consolidation is used as a synonym for the scope of consolidation that follows the regulatory requirements for consolidation as defined by the CRR and by the Hpt.

Breakdown information is shown on consolidated level, solo Bank tables can be found in the Appendix.

	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items				
			Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
Cash and cash balances	197,463	197,463	197,463	0	0	0	0
Financial assets held for trading: Derivatives	51,008	51,008	0	51,008	0	46,510	0
Financial assets held for trading:Other financial assets held for trading	108,699	108,699	0	0	0	108,699	0
Non-trading financial assets at fair value through profit or loss: Debt securities	0	0	0	0	0	0	0
Non-trading financial assets at fair value through profit or loss: Equity instruments	2,739	2,739	2,739	0	0	0	0
Non-trading financial assets at fair value through profit or loss: Loans and advances to customers	208,444	208,444	208,444	0	0	0	0
Financial assets at fair value through other comprehensive income: Debt securities	135,020	135,020	135,020	0	0	0	0
Financial assets at fair value through other comprehensive income: Equity instruments	0	0	0	0	0	0	0
Financial assets at amortised cost: Debt securities	1,015,824	1,015,824	1,015,824	0	0	0	0
Financial assets at amortised cost: Loans and advances to banks	308,830	308,830	302,132	0	0	6,698	0
Financial assets at amortised cost: Loans and advances to customers	1,492,379	1,492,379	1,492,379	0	0	0	0
Finance lease receivables	45,587	45,587	45,587	0	0	0	0
Property and equipment	28,945	28,945	28,945	0	0	0	0
Investment property	16,455	16,455	16,455	0	0	0	0
Intangible assets	31,922	31,922	0	0	0	0	31,922
Investments in joint ventures and associates	0	0	0	0	0	0	0
Current tax assets	1,133	1,133	1,133	0	0	0	0
Deferred tax assets	3,017	3,017	3,017	0	0	0	0
Assets held for sale	1,490	1,490	0	0	0	0	1,490
Trade and other receivables	12,218	12,218	12,218	0	0	0	0
Other assets	39,062	39,062	39,062	0	0	0	0
TOTAL ASSETS	**3,700,235**	**3,700,235**	**3,500,418**	**51,008**	**0**	**161,907**	**33,412**

Financial liabilities held for trading: Derivatives	-48,180	-48,180	0	-48,180	0	-46,626	0
Financial liabilities held for trading: Other financial liabilities	-1,630	-1,630	0	0	0	0	0
Financial liabilities designated at fair value through profit or loss: Debt securities issued	-18,392	-18,392	0	0	0	0	0
Financial liabilities measured at amortised cost: Debt securities issued	-141,168	-141,168	0	0	0	0	-141,168
Financial liabilities measured at amortised cost: Deposits from banks	-317,208	-317,208	0	-99	0	0	-317,109
Financial liabilities measured at amortised cost: Deposits from customers	-2,683,241	-2,683,241	0	0	0	0	-2,683,241
Financial liabilities measured at amortised cost: Other financial liabilities	-6,640	-6,640	0	0	0	0	-6,640
Finance lease liabilities	-21,710	-21,710	0	0	0	0	-21,710
Provisions	-8,248	-8,248	0	0	0	0	-8,248
Current tax liabilities	-279	-279	0	0	0	0	-279
Deferred tax liabilities	-28	-28	0	0	0	0	-28
Other liabilities	-27,028	-27,028	0	0	0	0	-27,028
TOTAL LIABILITIES	**-3,273,750**	**-3,273,750**	**0**	**-48,279**	**0**	**-46,626**	**-3,205,450**
Total equity: Equity attributable to owners of the parent	**-423,862**	**-423,862**	**0**	**0**	**0**	**0**	**-423,862**

Table 4: Differences between accounting and regulatory scope of consolidation of assets and mapping with regulatory risk categories (EU LI1- (EU) 2021/637)

	Total	Items subject to			
		Credit risk framework	Counterparty credit risk framework	Securitisation framework	Market risk framework
Asset carrying value amount under scope of regulatory consolidation (as per template LI1)	**4,271,184**	**3,644,319**	**118,289**	**0**	**579,734**
Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)	**3,817,130**	**0**	**62,265**	**0**	**36,408**
Total net amount under regulatory scope of consolidation	**4,333,449**	**3,644,319**	**180,555**	**0**	**616,142**
Off-balance sheet amounts	**459,165**	**188,734**	**0**	**0**	
Effect of CCF to off-balance	-270,432	0	0	0	0
Differences in valuations	-66,664	-13,816	-52,848	0	0
differences due to derivatives	-27,321	0	-27,321	0	0
Differences due to consideration of provisions for on-balance exposure	67,222	61,316	0	0	0
Provisions for on-balance exposure in STA	-5,905	0	0	0	0
Other	-100,659	-75,132	-25,527	0	0
Exposure amounts considered for regulatory purposes	**4,455,519**	**3,819,236**	**127,706**	**0**	**616,142**

Table 5: Main sources of differences between regulatory exposure amount and carrying value amount in financial statements (EU LI2- (EU) 2021/637)

Name of entity	Method of accounting consolidation	Method of regulatory consolidation				Description of the entity
		Full consolidation	Proportional consolidation	Neither consolidated nor detucted	Deducted	
Erste Befektetési Zrt.	Full consolidation	X				Brokerage services
Random Capital Bróker Zrt.	Full consolidation	X				Brokerage services
RND Solutions Infromatikai Fejlesztő és Szolgáltató Zrt.	Full consolidation	X				IT services
Erste Ingatlan Kft.	Full consolidation	X				Real estate management
Erste Lakástakarék Zrt.	Full consolidation	X				Building society
Collat-reál Kft.	Full consolidation	X				Property management
Erste Jelzálogbank Zrt.	Full consolidation	X				Refinancing

Table 6: EU LI3 – Outline of the differences in the scopes of consolidation (entity by entity)

	2021.12.31
Available own funds (amounts)	
Common Equity Tier 1 (CET1) capital	380,079
Tier 1 capital	380,079
Total capital	450,669
Risk-weighted exposure amounts	
Total risk-weighted exposure amount	2,166,451
Capital ratios (as a percentage of risk-weighted exposure amount)	
Common Equity Tier 1 ratio (%)	17.54%
Tier 1 ratio (%)	17.54%
Total capital ratio (%)	20.80%
Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)	
Additional own funds requirements to address risks other than the risk of excessive leverage (%)	4.07%
of which: to be made up of CET1 capital (percentage points)	2.29%
of which: to be made up of Tier 1 capital (percentage points)	3.05%
Total SREP own funds requirements (%)	12.07%
Combined buffer requirement (as a percentage of risk-weighted exposure amount)	
Capital conservation buffer (%)	2.50%
Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	0.00%
Institution specific countercyclical capital buffer (%)	0.00%
Systemic risk buffer (%)	0.00%
Global Systemically Important Institution buffer (%)	0.00%
Other Systemically Important Institution buffer	0
Combined buffer requirement (%)	2.50%
Overall capital requirements (%)	14.57%
CET1 available after meeting the total SREP own funds requirements (%)	282,589
Leverage ratio	
Total exposure measure	4,462,167
Leverage ratio (%)	8.52%
Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)	
Additional own funds requirements to address the risk of excessive leverage (%)	0.00%
of which: to be made up of CET1 capital (percentage points)	0
Total SREP leverage ratio requirements (%)	8.52%
Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)	
Leverage ratio buffer requirement (%)	0.00%
Overall leverage ratio requirements (%)	8.52%
Liquidity Coverage Ratio	
Total high-quality liquid assets (HQLA) (Weighted value - average)	1,139,977
Cash outflows - Total weighted value	2,165,434
Cash inflows - Total weighted value	1,976,405
Total net cash outflows (adjusted value)	541,358
Liquidity coverage ratio (%)	210.58%
Net Stable Funding Ratio	
Total available stable funding	3,328,302
Total required stable funding	2,096,507
NSFR ratio (%)	158.75%

Table 7: Key metrics template (Art. 447 (a) to (g) and 438 (b) CRR Table EU KM1- (EU) 2021/637)

4. Covid-19

The Covid-19 pandemic has been causing high uncertainty in the global economy and on the global markets. Social distancing rules and lockdown restrictions imposed by governments led to economic slow-down and a significant drop of revenues across industries. Unprecedented state aid packages (e.g. state guarantees, bridge financing, the state temporarily paying workers' salaries to avoid redundancies, hardship funds for one-person and micro businesses) and moratoria programs were introduced to support citizens and companies. Especially in light of the vaccination progress, restricting measures were step by step reduced and economic development gained again momentum. The medium and long-term effect on the asset quality of the banking sector has still to be seen.

4.1. COVID-19 related government measures

The State of Emergency first announced by the Hungarian Government in March 2020 was extended several times during both 2020 and 2021.

Despite several legal act targeted to provide a financial ease to Hungarian citizens, the main measures affected the financial sector were the moratoria measures like the extension of Moratorium II (first till 30 September 2021, then till 31 October 2021) and the Moratorium III; the so called 'interest refund' caping retroactively certain revolving products' interest rate and requiring to refund the difference to customers and finally the so called 'interest stop' which is an interest rate freeze on certain floating rate / repricing loan products.

1) Loan repayment moratoria

A legal act launched 15 September 2021 included measures on both extension of Moratorium II and launching Moratorium III. As Moratorium III participation's main criteria is being under moratorium as of 30 September 2021 (Moratorium II), the accounting treatment of Moratorium III is the extension of Moratorium II.

a) Moratorium II extension

The moratorium originally launched as valid until 30 June 2021 was extended till 31 October, with unchanged conditions.

b) Moratorium III

Clients being under moratorium scheme as of 30 September 2021 were entitled to participate in the scheme, if fulfilled some additional criteria. This scheme, unlike the previous ones, was an opt-in type, meaning eligible clients were asked to make their statement on participation intention. After the statement deadline was over, clients had no more possibility to join the scheme (possible to leave, but not even to re-join, unlike in previous schemes).

Additional criteria were related the probable financial vulnerability of client, like unemployment, retirement, material, and long-term decrease in income; and the fact whether there is a child in household.

2) Interest refund

The Government launched a legal act in September presenting a retroactively applicable interest cap on revolving products such as individuals' credit cards and overdrafts. Eligible client were the ones in moratoria. The measre was officially argumented saying that clients in moratoria id not use the revolving feature of those products, so this should has been considered in pricing, during the moratoria. So difference between contractual pricing involving the revolving feature and non-revolving pricing (cap, or reference price) should be refund to clients.

The reference price defined by legal act was the February 2020 statistical average price (last pre-covid month) published by NBH for the forint based unsecured household loans.

The period in-scope is the period of the moratoria, 18 March 2021 – 30 June 2022.

The calculation logic is the following:

- (former) clients having no valid contract for products in scope at the time of the measures were refunded ‘immediately’, by the terms of the legal act;
- clients having valid contract for the products in scope at the time of the measures are divided into two groups by the legal act:
  1. had the possibility to make a statement that the unpaid amount accumulated during the moratoria is voluntarily paid lump sum upon the end of the moratorium;
  2. in lack of the above intention the Bank prescribes a repayment schedule of 12 instalments starting from the expiry of the moratorium, in the following ways
     a. clients left the moratorium before 16 September 2021: unpaid capital accumulated during the moratoria went back to revolving pool, the unpaid accumulated interest is to be repaid in 12 months, in interest free equal instalments;
     b. clients stayed in moratorium or left after 16 September 2021: both accumulated unpaid capital and interest is to be repaid in 12 months; interest repayment is interest free; capital repayment is charged with 11.99% simple interest.

4.2. Effect on customers

Immediately upon the crisis showing severe economic impacts in Hungary, initiatives were started aiming to, on the one hand support the Bank’s clients to the utmost extent, and on the other hand, manage the respective risks and bearing the responsibility of the Bank towards all stakeholders in mind.

Overall valid state-moratoria was introduced in 2020 that was first extended till October 2021 with the same condition and was further prolonged with a narrower scope till June 2022. This latest moratoria was available only to costumers that were the most exposed to the crisis including ones with financial difficulties. In addition to government programmes with standard parameters that were defined at a very early stage of the crisis and should support an efficient processing, also individual solutions were agreed with clients that did not meet all predefined requirements.

The new state-moratoria is not considered as EBA.compliant. The deals that remained under state moratoria are however, considered for-borne due to Covid from the aspect of EBA, amounted 9,947 million Ft.

The government supported the restart of the economy, therefore guarantee programs have been introduced. Loans and advances of non-financial corporations to which the measures applied in the response to Covid-19 were granted, amounted to HUF 41,994 million as of 31 December 2021. Wholesale and retail trade followed by manufacturing and construction accounted for the highest volumes.

Loans and advances of households to which the measures applied in the response to Covid-19 (i.e the loan repayment moratoria; the general description see in the first part of the chapter) were granted and are currently valid (have not been expired), amounted to HUF 54,464 million as of 31 December 2021.

4.3. Effect on business

In March 2020, risk management and business divisions started a joint initiative aiming to quickly provide a harmonised guidance for a focused industry approach within Erste Group, reflecting the changed economic environment. Industries and sub-industries were categorised into high, medium and low expected impacts due to Covid-19 based on a combination of research material, feedback collected from client meetings and single name analyses, both centrally as well as in the entities.

Main driver for assigning an industry classification was the assessment of impacts of the crisis on the specific (sub)industry. The classifications are regularly reviewed on a 12-month rolling forecast basis to take current developments into account. In 2021, the economic development and the ability of many industries to adapt to new conditions resulted in some upgrades into lower risk categories. However, Erste Group keeps cautious view on the several, mostly affected industries (mainly hotels and leisure, air transportation). In light of this, the respective business and risk strategies for the (sub)industries were also adapted accordingly. This approach was aligned with all affected entities and business lines and approved by the respective governance bodies of Erste Group.

In the course of the year 2021, challenges on top of Covid-19-impacts had to be addressed by corporate clients: a rally in energy prices on the one hand and disruptions in supply chains on the other hand. The first ones had implications on various industries, mainly those with energy intensive production processes, but also impacting segments with high fuel cost shares. Issues with supply chains are managed by affected clients with diverse measures aiming to safeguard the business activity and liquidity (amongst others: active working capital management, targeted stocking-up, output adaptation, renegotiations with off takers etc.), in some cases also by ensuring backup/liquidity financing. Developments as mentioned above are reflected in the regular updates of the industry heatmap and the industry strategies.

4.4. Effect on Expected Credit Loss

As described above, an increase of the ECL might result from a re-assessment of the credit risk parameters and a migration to worse stages either via significant increase in credit risk (SICR) or a default.

The Bank has reassessed credit risk parameters based on the latest macro-scenarios within FLI in December 2021. Specifics of the COVID pandemics (support measures) led us to lag the macroeconomic variables, due to delayed increase in default rates. Late materialization of the baseline forecast risks in the end of 2021 led us to keep probability of occurrence of baseline scenario on 40%. GDP scenarios and weights are shown in the table displayed within Incorporation of forward-looking information section above.

While macroeconomic FLI shift measures the change of the macro development it can not include the impact of missing default (due to the moratoria). In order to create the necessary impairment level on the performing portfolio an expert shift was applied to elevate 1Y PD to cover 2 years of default.

The effect of the FLI in the ECL calculation as of 31 December 2021 amounted to HUF 16,694 million (HUF 14,535 million in 2020)

Erste Hungary has additionally addressed expected SICR by introducing Covid-19 portfolio overlays. The portfolio was divided in private individuals (PIs) and non-private individuals (non-PIs) and assessed the customers by considering any Covid-19 related relief measure granted (even if expired) as well as the internal industry heat-map and corresponding customer-specific one-year IFRS PD levels. Erste Hungary also introduced overlays for loans classified as restructured based on MNB regulation issued in accordance with state moratoria.

Based on this assessment and individual reviews, customers were migrated to stage 2, i.e. lifetime ECL measure. The industry heat map and the portfolio overlays are subject to regular reviews. The effect of Covid-19 portfolio overlays in the ECL calculation as of 31 December 2021 amounted to HUF 90,627 million (2020: HUF 170,281 million). The effected portfolio decreased as client left the moratoria earlier of the year, while clients participating in the 3rd moratoria were classified as forborne. Decrease of the overlay can be additionally attributed to the moderate upgrades of the heatmap.

Ertse Hungary will assess releases of Covid-19 portfolio overlays for PI portfolios once the moratoria are lifted, after a six month cure period (when moratoria do no longer distort DPD information, behavioural scoring will allow proper SICR assessment). In case of non-PI portfolios, release of the overlays will be assessed after a consistent improvement of the macro indicators is observed.

	Number of obligors	Gross carrying amount							
			Of which: legislative moratoria	Of which: expired	Residual maturity of moratoria				
					<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year
Loans and advances for which moratorium was offered	83,146	459,334							
Loans and advances subject to moratorium (granted)	83,146	459,334	459,334	459,334	-	-	-	-	-
of which: Households		0	345,258	345,258	-	0	-	0	-
of which: Collateralised by residential immovable property		0	171,835	171,835	-	0	-	0	-
of which: Non-financial corporations		0	110,321	110,321	-	0	-	0	-
of which: Small and Medium-sized Enterprises		0	74,161	74,161	-	0	-	0	-
of which: Collateralised by commercial immovable property		0	73,506	73,506	-	0	-	0	-

Table 8: Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of moratoria (Template 2 EBA/GL/2020/07)

in EUR million	Gross carrying amount		Maximum amount of the guarantee that can be considered	Gross carrying amount
		of which: forborne	Public guarantees received	Inflows to non-performing exposures
Newly originated loans and advances subject to public guarantee schemes	42,714	0	34,799	38
of which: Households	720			2
of which: Collateralised by residential immovable property	0			0
of which: Non-financial corporations	41,994	0	34,153	36
of which: Small and Medium-sized Enterprises	40,432			36
of which: Collateralised by commercial immovable property	8,823			0

Table 9: Information on newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to COVID-19 crisis (Template 3 EBA/GL/2020/07)

5. Own funds (Art. 437.)

The Bank declares that there is no obstacle to the transfer of the regulatory capital and repayment of liabilities in all those credit institutions, financial enterprises, investment enterprises, investment fund management companies and secondary enterprises where it holds controlling influence or participation.

As of 31 December 2021, there was no capital shortfall at any of the companies included in Erste Bank Hungary's consolidation.

For the disclosure of own funds, Erste Bank Hungary Zrt. follows the requirements under Article 437 CRR as well as the requirements defined in the Implementing Technical Standards (EU) No 1423/2013.

The table designed by the EBA to show the capital structure of regulatory capital. Disclosing of this table that shows the details on the capital structure of Erste Bank Hungary Zrt. including the capital components as well as any regulatory deductions and prudential filters. Disclosures in this table cover the disclosure requirements as defined in Article 437 (1) (d) CRR, separate disclosure of the nature and amounts of each prudential filter applied pursuant to Articles 32 to 35 CRR, each deduction made pursuant to Articles 36, 56 and 66 CRR as well as items not deducted in accordance with Articles 47, 48, 56, 66 and 79 CRR.

Major changes in legal environment of financial institutions

A detailed breakdown of the regulatory changes affecting the Bank's risk assessment in 2021 are shown in the Annual Report on Erste Bank Hungary Zrt.'s website under the following link: https://www.erstebank.hu/hu/ebh-nyito/bankunkrol/erste-bank-hungary-zrt/vallalatiranyitas/hivatalalos-kozzetetelek

Transitional Provision

For the calculation of the transitional provisions, Erste Bank Hungary Zrt. follows the requirements under 10/2014 MNB decree as well as EBA Guidelines.

Own Funds increase

The Bank in 2021 did not carry out capital increase, given that tha Bank's capital position is stable and the leverage ratio is above both regulatory and internally acceptable levels.

Capital instruments main features

The table below sets out the capital instruments' main features.

Issuer	Erste Bank Hungary Zrt	Erste Bank Hungary Zrt	Erste Bank Hungary Zrt
Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	0	HU0000354493	MM00000041914
Governing law(s) of the instrument	Act. IV. of 2006.	Act CXX. Of 2001. on Capital market	Act CCXXXVII. of 2013. (Hpt)
Regulatory treatment			
Transitional (CRR) rules	Common Equity Tier 1	Common Equity Tier 1	Common Equity Tier 1
Post transitional (CRR) rules	Common Equity Tier 1	Common Equity Tier 1	Common Equity Tier 1
Eligible at solo (sub-)consolidated/solo&(sub)consolidated	Solo and (sub-)consolidated	Solo and (sub-)consolidated	Solo and (sub-)consolidated

Instrument type (types to be specified by each jurisdiction)	Act. 28. of CRR	Act. 62. of CRR	Act. 62. of CRR
Amount recognised in regulatory capital (currency in million, as of most racent reporting date)	263 491 958 255 HUF	749 493 079 HUF	62 730 000 000 HUF
Currency of issue	HUF	HUF	EUR
Nominal amount of instrument	146 000 000 000 HUF	3 351 510 000 HUF	170 000 000 EUR
Issue price	-	49.92	100
Redemption price (min. Redemption price)	-	100	100
Accounting classification	Equity	Liabilities at amortised cost	Subordinated liabilities
Original date of issuarance	-	2014.03.28	2021.06.30
Perpetual of dated	Prepetual	Prepetual	Prepetual
Original maturity date	No expiry date	2024.03.28	2030.06.22
Issuer call subject to prior supervisory approval	-	No	No
Fixed or floating divident coupon	-	Fixed	Floating
Coupon rate and any related index	-	0.009	EURIBOR (floored) + 1,85%
Existence of a divident stopper	-	No	No
Fully discrebonary, partialy discrebonary or mandatory (in terms of timing)	-	Mandatory	Mandatory
Fully discrebonary, partialy discrebonary or mandatory (in terms of amount)	-	Mandatory	Mandatory
Existence of step up or toher incentive of redeem	-	No	No
Noncumulative or cumulaticve	-	Non-cumulative	Non-cumulative
Convertible or non convertible	-	Non-convertible	Non-convertible
Description features	-	No	No
Inappropriate moving to features	-	No	No

Table 10: Capital instruments main features template

Own Funds Template

The following table presents the breakdown of own funds. The capital situation of the bank is stable. The capital structure exceeds the minimum requirements set out in the CRR. The consolidated solvency ratio was at 20.80% on 31st December 2021, which is significantly above the regulatory minimum.

The full amount of the capital requirement is calculated and put into relation with the regulatory capital. The eligible qualifying capital must be available at least in the amount of the sum of the minimum capital requirements.

The IFRS (consolidated and Bank only) balance sheet items provide a basis to CET1 items, AT1 items, T2 items. Regulatory deductions and prudential filters were applied by the Bank in accordance with CRR.

Own funds under Basel 3 consist of CET1, AT1 and T2. In order to determine the capital ratios, each respective capital component is compared to the total risk. The minimum capital requirement for Tier 1 capital (CET1 plus AT1) and for total own funds are 4.5%, 6% and 8%, respectively.

in HUF million as of 31st of December 2021	Bank only	Full Consolidated	Reference
Assets			
Cash and cash balances	131,256	131,299	
Financial assets held for trading	70,406	82,092	
Derivatives	55,134	55,534	
Other financial assets held for trading	15,272	26,558	
Non-trading financial assets at fair value through profit or loss	273,713	273,713	
Equity instruments	1,611	1,611	
Debt securities	1,206	1,206	
Loans and advances to customers	270,896	270,896	
Financial assets at fair value through other comprehensive income	118,748	139,467	
Pledged as collateral	-	10,820	
Debt securities	118,748	139,467	
Financial assets at amortised cost	3,388,937	3,475,139	
Pledged as collateral	417,181	424,134	
Debt securities	1,161,993	1,241,098	
Loans and advances to banks	702,575	688,703	
Loans and advances to customers	1,524,369	1,545,338	
Finance lease receivables	35,103	35,103	
Property and equipment	28,667	28,983	
Investment properties	203	16254	
Intangible assets	28,860	34,024	
Investments in subsidiaries	55,431	-	
Current tax assets	-	101	
Deferred tax assets	2,246	2,338	
Assets held for sale	-	-	
Trade and other receivables	16,453	19,883	
Other assets	28,177	32,788	
Total assets	**4,178,200**	**4,271,184**	
Liabilities and equity			
Financial liabilities held for trading	40,158	41,699	
Derivatives	40,158	41,699	
Other financial liabilities held for trading	-	-	
Financial liabilities at fair value through profit or loss	-	-	
Debt securities issued	-	-	
Financial liabilities at amortised cost	3,643,884	3,708,063	
Deposits from banks	600,118	364,781	
Deposits from customers	3,034,900	3,195,819	
Debt securities issued	4,270	142,237	
Other financial liabilities	4,596	5,226	
Lease liabilities	20,860	20,860	
Provisions	8,328	9,124	
Current tax liabilities	2047	2728	
Deferred tax liabilities	-	-	
Other liabilities	29,737	34,656	
Total equity	**433,186**	**454,054**	
Equity attributable to owners of the parent	433,186	454,054	
Subscribed capital	146,000	146,000	a)
Additional paid-in capital	117,492	117,492	b)
Retained earnings and other reserves	169,694	190,562	c)
Total liabilities and equity	**4,178,200**	**4,271,184**	

Table 11: Reconciliation of regulatory own funds to balance sheet in the audited financial statements (Art. 437 (a) CRR Table EU CC2- (EU) 2021/637)

	Own Funds as of 31st of December 2021	(A) AMOUNT AT DISCLOSURE DATE Bank only	 Full Consolidated	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
	Common equity Tier 1 (CET1) capital: instruments and reserves in mn HUF			
1	Capital instruments and the related share premium accounts	263,492	263,492	
	of which: 1. instrument type	146,000	146,000	a)
	of which: 2. instrument type	117,492	117,492	b)
	of which: 3. instrument type	0	0	
2	Retained earnings	93,051	111,498	c)
3	Accumulated other comprehensive income (and other reserves)	-4,018	-4,992	c)
3a	Funds for general banking risk	24,818	24,818	c)
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1.	0	0	
5	Minority interests (amount allowed in consolidated CET1)	0	0	
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	5,843	9,238	c)
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**383,186**	**404,054**	
Common Equity Tier 1 (CET1) capital: regulatory adjustments mn HUF				
7	Additional value adjustments (negative amount)	-1,318	-1,318	
8	Intangible assets (net of related tax liability) (negative amount)	-14,920	-20,085	
9	Empty set in the EU	0	0	
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)	-1,987	-2,024	
11	Fair value reserves related to gains or losses on cash flow hedges	0	0	
12	Negative amounts resulting from the calculation of expected loss amounts	0	0	
13	Any increase in equity that results from securitised assets (negative amount)	0	0	
14	Gain or losses on liabilities valued at fair value resulting from changes in own credit standing	0	0	
15	Defined-benefit pension fund assets (negative amount)	0	0	
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	0	0	
17	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where those entites have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	0	0	
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 postitions) (negative amount)	0	0	
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 postitions) (negative amount)	0	0	
20	Empty set in the EU	0	0	
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	0	0	
20b	of which: qualifying holdings outside the financial sector (negative amount)	0	0	
20c	of which: securitisation positions (negative amount)	0	0	
20d	of which: free deliveries (negative amount)	0	0	
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)	0	0	
22	Amount exceeding the 15% threshold (negative amount)	0	0	
23	of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	0	0	
24	Empty set in the EU	0	0	
25	of which: deferred tax assets arising from temporary differences	0	0	
25a	Losses for the current financial year (negative amount)	0	0	
25b	Foreseeable tax charges relating to CET1 items (negative amount)	0	0	
26	N.a.	0	0	
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)	0	0	
27a	Other regulatory adjusments	-548	-548	
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	**-18,773**	**-23,975**	
29	Common Equity Tier 1 (CET1) capital	**364,413**	**380,079**	

	Additional Tier 1 (AT1) capital: instruments in mn HUF		
30	Capital instruments and the related share premium accounts	0	0
31	of which: classified as equity under applicable accounting standards	0	0
32	of which: classified as liabilities under applicable accounting standards	0	0
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1	0	0
33a	Amount of qualifying items referred to in Article 494a(1) subject to phase out from AT1	0	0
33b	Amount of qualifying items referred to in Article 494b(1) subject to phase out from AT1	0	0
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	0	0
35	of which: instruments issued by subsidiaries subject to phase out	0	0
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**0**	**0**
	Additional Tier 1 (AT1) capital: regulatory adjustments in mn HUF		
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	0	0
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)	0	0
39	Direct, indirect and synthetic holdings by the institution 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)	0	0
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)	0	0
41	Regulatory adjustments applied to additional tier 1 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)	0	0
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)	0	0
42a	Other regulatory adjustments to AT1 capital	0	0
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital	0	0
44	**Additional Tier 1 (AT1) capital**	**0**	**0**
45	**Tier 1 capital (T1 = CET1 + AT1)**	**364,413**	**380,079**
	Tier 2 (T2) capital: instruments and provisions in mn HUF		
46	Capital instruments and the related share premium accounts	63,479	63,479
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2	0	0
47a	Amount of qualifying items referred to in Article 494a (2) subject to phase out from T2	0	0
47b	Amount of qualifying items referred to in Article 494b (2) subject to phase out from T2	0	0
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	0	0
49	of which: instruments issued by subsidiaries subject to phase out	0	0
50	Credit risk adjustments	8,764	8,765
51	**Tier 2 capital before regulatory adjustments**	**72,244**	**72,244**
	Tier 2 (T2) capital: regulatory adjustments in mn HUF		
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	0	0
53	Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	0	0
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)	0	0
54a	Not applicable	0	0
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)	0	0
56	Not applicable	0	0
56a	Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative amount)	0	0
56b	Other regulatory adjusments to T2 capital	-1653	-1654
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**-1,653**	**-1,654**
58	**Tier 2 (T2) capital**	**70,590**	**70,590**
59	**Total capital (TC = T1 + T2)**	**435,003**	**450,669**

60	**Total risk weighted assets**	**2,146,760**	**2,166,451**	
Capital ratios and buffers as percentage				
61	Common Equity Tier 1 (as a percentage ot total risk exposure amount)	16.98	17.54	
62	Tier 1 (as a percentage ot total risk exposure amount)	16.98	17.54	
63	Total capital (as a percentage ot total risk exposure amount)	20.26	20.80	
64	Institution CET1 overall capital requirements	7.00	9.29	
65	of which: capital conservation buffer requirement	0	0	
66	of which: countercyclical buffer requirement	0	0	
67	of which: systemic risk buffer requirement	0	0	
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	0	0	
67b	of which: additional own funds requirements to address the risks other than the risk of excessive leverage	0	0	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	0	0	
69	[non relevance in EU regulation]	0	0	
70	[non relevance in EU regulation]	0	0	
71	[non relevance in EU regulation]	0	0	
Amounts below the thresholds for deduction (before risk weighting) in mn HUF				
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	1,612	1,612	
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	0	0	
74	Empty set in the EU	0	0	
75	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	259	314	
Applicable caps on the inclusion of provison in Tier 2 in mn HUF				
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	0	0	
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	1,691	1,518	
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	10,988	10,988	
79	Cap on inclusion of credit risk adjustments in T2 under internal ratings-based approach	8,764	8,765	
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	0	0	
81	- Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	0	0	
82	- Current cap on AT1 instruments subject to phase out arrangements	0	0	
83	- Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	0	0	
84	- Current cap on T2 instruments subject to phase out arrangements	0	0	
85	- Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	0	0	

Table 12: Regulatory capital based on the Implementing Technical Standards (EU) No 2021/637 and Art. 437 para 1 (d), (e) CRR, (EU CC1)

6. Capital requirements (Art. 438.)

According to the Joint Decision from 1st April 2008, the Bank calculates its credit risk capital requirement using the IRB methodology for segments with material exposure. It annually performs validation of the credit risk models according to the applicable regulations. From 1st January 2014, the bank calculates the capital requirement according to the 'Basel III' provisions, i.e. the provisions of CRDIV/CRR and Hpt.

In order to safeguard a harmonized group-wide approach, Erste Bank Hungary does not apply the transitional rules according to articles 468 and 473a of the CRR.

The Capital requirements of Erste Bank Hungary for credit-, market and operational risk are the following:

In HUF Million	Risk weighted exposure amounts (RWEAs)		Total own funds requirements
	31.12.2021	31.12.2020	31.12.2021
Credit risk (excluding CCR)	**1,547,543**	**1,427,225**	**123,803**
Of which the standardised approach	176,033	170,953	14,083
Of which the foundation IRB (FIRB) approach	655,195	587,140	52,416
Of which: slotting approach	716,314	669,132	57,305
Of which: equities under the simple riskweighted approach	0	0	0
Of which the advanced IRB (AIRB) approach	46,400	44,973	3,712
Counterparty credit risk - CCR	34,710	44,944	2,777
Of which the standardised approach	0	0	0
Of which internal model method (IMM)	0	0	0
Of which exposures to a CCP	0	0	0
Of which credit valuation adjustment - CVA	19	29	2
Of which other CCR	11,670	7,632	934
Settlement risk	0	0	0
Securitisation exposures in the non-trading book (after the cap)	0	0	0
Of which SEC-IRBA approach	0	0	0
Of which SEC-ERBA (including IAA)	0	0	0
Of which SEC-SA approach	0	0	0
Of which 1250%/ deduction	0	0	0
Position, foreign exchange and commodities risks (Market risk)	6,626	32,030	530
Of which the standardised approach	6,626	32,030	530
Of which IMA	0	0	0
Large exposures	0	0	0
Operational risk	565,883	546,814	45,271
Of which basic indicator approach	30,986	26,837	2,479
Of which standardised approach	0	0	0
Of which advanced measurement approach	534,896	519,977	42,792
Amounts below the thresholds for deduction (subject	0	0	0
to 250% risk weight) (For information)	0	0	0
Total	2,166,451	2,051,041	173,316

Table 13: Overview of risk weighted exposure amounts (CRR Art. 438 (d) Template EU OV1- (EU) 2021/637)

Quantitative information on specialised lending and equities is provided in the table below:

Specialised lending : Project finance (Slotting approach)							
Regulatory categories	**Remaining maturity**	**On-balancesheet exposure**	**Off-balancesheet exposure**	**Risk weight**	**Exposure value**	**Risk weighted exposure amount**	**Expected loss amount**
Category 1	Less than 2.5 years	40,311	542	50%	40,854	17,475	0
	Equal to or more than 2.5 years	201,310	21,186	70%	222,496	138,087	890

Category 2	Less than 2.5 years	0	0	70%	0	0	0
	Equal to or more than 2.5 years	4,666	0	90%	4,666	3,378	37
Category 3	Less than 2.5 years	0	0	115%	0	0	0
	Equal to or more than 2.5 years	685	0	115%	685	600	19
Category 4	Less than 2.5 years	0	0	250%	0	0	0
	Equal to or more than 2.5 years	3,495	0	250%	3,495	7,204	280
Category 5	Less than 2.5 years	0	0 -		0	0	0
	Equal to or more than 2.5 years	7,649	0 -		7,649	0	3,824
Total	**Less than 2.5 years**	**40,311**	**542**		**40,854**	**17,475**	**0**
	Equal to or more than 2.5 years	**217,805**	**21,186**		**238,991**	**149,269**	**5,050**

Equity exposures under the simple risk-weighted approach

Categories	On-balancesheet exposure	Off-balancesheet exposure	Risk weight	Exposure value	Risk weighted exposure amount	Expected loss amount
Private equity exposures	0	0	190%	0	0	0
Exchange-traded equity exposures	0	0	290%	0	0	0
Other equity exposures	0	0	370%	0	0	0
Total	**0**	**0**		**0**	**0**	**0**

Table 14: Specialised lending and equity exposures under the simple riskweighted approach (CRR Ert. 438 (e) & EU CR10 (EU) 2021/637)

The Bank does not have non-deducted participations in insurance undertakings.

	Exposure value	Risk-weighted exposure amount
Own fund instruments held in insurance or re-insurance undertakings or insurance holding company not deducted from own funds	0	0

Table 15: Non-deducted participations in insurance undertakings (CRR Art. 438 (f) & EU INS1 (EU) 2021/637)

The changes in RWA of credit exposures under the IRB approach are detailed in the table below:

in HUF mn Exposure classes	Risk weighted exposure amount
Risk weighted exposure amount as at the end of the previous reporting period	**1,256,044.77**
Asset size (+/-)	355,756.90
Asset quality (+/-)	-245,430.19
Model updates (+/-)	0
Methodology and policy (+/-)	0
Acquisitions and disposals (+/-)	0
Foreign exchange movements (+/-)	5,138.21
Other (+/-)	0
Risk weighted exposure amount as at the end of the reporting period	**1,371,509.69**

Table 16: RWEA flow statements of credit risk exposures under the IRB approach (CRR Art. 438 (h) & EU CR8 (EU) 2021/637)

6.1. Internal Capital Adequacy

ICAAP is a procedure ensuring that the Bank can

- adequately identify, measure, sum up and monitor the risks;
- have appropriate capital coverage to secure the material risks as determined in line with its internal rules;

- have adequate internal capital to ensure the actual and future operation;
- operate an adequate system of risk management, and develop that system continuously with respect to the identified risk factors.

Given the Bank's business strategy, the key risks for Erste Bank Hungary Zrt. are credit risk, market risk and operational risk.

Based on the business activities of Erste Bank Hungary Zrt., beside the capital requirements for credit- market and operational risk calculate capital for high-risk portfolio and for business risk in internal capital calculation. Business and strategic risk is defined as the unexpected deviation from the expected operating result which can be driven by unexpected behaviour of competitors, customers, investors and other third parties. Profit changes stemming from macroeconomic downturn are assessed under Macroeconomic risk. Regular monitoring of the Bank's capital requirement and the capital available for covering risks gives sufficient time to the management to take the necessary measures and intervene in a timely manner towards the mitigation of risks, thereby ensuring the prudent operation of the Bank.

The Board of Directors, the Managing Board, the Risk Governance Committee and the Supervisory Board all receive quarterly reports regarding the ICAAP framework covered risks, and the previous as well as future developments of both the Pillar I and II capital situation.

7. Counterparty exposure (Art. 439.)

The counterparty risk is a specific type of credit risk of transacting with counterparties, it is defined as such that the counterparty to a transaction could default before the final settlement of the transaction's cash flows.

Counterparty default risks are monitored and controlled at transaction level as well as at portfolio level. Erste Group has a group-wide real-time limit monitoring system to which the companies of the Group are connected online, especially the units with trading activities. The availability of unused limits must be checked before a transaction is executed.

In managing counterparty risks, the Bank applies the relevant regulations and internal procedures. The Bank evaluates the exposure and the counterparty risk of a specific customer separately for each individual transaction.

Counterparty default risk is taken into consideration in the credit risk reporting.

Monitoring and revaluation are applicable for the existing portfolio.

Counterparty credit risk limits are established in order to ensure that the actual risk exposure to a client/client group should not exceed the approved risk appetite.

Counterparty limits are to be monitored and remedial actions have to be taken, should a limit be exceeded. *Internal capital allocation and definition of credit limits for counterparty credit exposures*

The Bank use different approach in its counterparty exposure and its capital requirement calculation based on transaction types. For securities financing transactions the Financial Collateral Comprehensive Method is being used, while for derivative contracts listed in the CRR Annex II the standardized approach is used. Regarding capital requirements for counterparty risks recorded in the trading book or in the banking book, if applicable, the Bank uses the internal rating approach (IRB) or – where there is an exemption or the portfolio is not rated – the standardized approach.

The limit monitoring system of Erste Group uses similar approach for exposure calculation described in the previous section.

Any collateral or other risk mitigation technique (e.g. netting) could be taken into consideration if that is allowed under the applied exposure calculation methodology, the contract with the counterparty and by the relevant business regulations.

The capital requirement calculation for counterparty risk is implemented in the risk systems used by the Bank. The calculation algorithm has been specified for the following cases:

- Free delivery;
- Settlement risks;
- Counterparty risks belonging to the trading book;
- Counterparty risks belonging to the banking book.

The Bank's capital requirement for counterparty risks are calculated both on consolidated and non-consolidated level.

The normal rules of approval govern the application and approval of limits, broken down to the level of individual customers. The limits are recorded in the holding company's central, dedicated limit management system.

Securing of collateral and establishing reserves

On the basis of regulatory requirements and bilateral agreements with counterparties the Bank has the option to mitigate risks by netting or by using eligible collateral. The Bank assumes risks only for positive net market values. As the volatility of the affected markets is high due to the fluctuation of the market risk parameters (foreign exchange prices, interest rates, etc.), the eligible collaterals need to be revaluated continuously. The Bank, however, considers only limited set of collaterals as eligible for risk mitigation: cash collateral or certain securities (overwhelmingly Hungarian government securities). The securities are revaluated on a weekly basis, whereas foreign exchange deposit collaterals undergo revaluation on a daily basis.

The Bank essentially has two types of counterparties:

- Banking counterparties where transactions are concluded on a limit basis;
- Corporate counterparties that are contracted for treasury limits or collateral deposits.

On the basis of bilateral contracts Erste Bank Hungary has the ability to apply risk mitigating measures (netting, taking securities into account as collateral).

Credit risk incurs only when the net market value is positive (replacement risk). As this risk depends mainly on fluctuations in the market risk parameters (exchange rates, interest rate movements, share prices, credit spreads), open transactions are regularly revalued, and collateral adjusted.

Acceptable collateral is usually cash denominated in certain defined currencies (HUF, EUR, USD) government bonds or securities with government guarantee or Erste mortgage bonds. In case of the securities used as collateral, an additional valuation discount (haircut) is applied.

The adjustment of the collateral to the current risk situation (mark-to market valuation of the transactions with the respective counterparty) and the review of the current collateral value (taking into account exchange rate fluctuations for collateral in foreign currency, market value of securities) are performed at contractually agreed intervals.

As Erste Bank Hungary accepts either cash deposits or securities issued or guaranteed by the government as collateral, no further reserves are being created for exposures secured in this manner. Credit value adjustments are made for unsecured exposures from derivatives dealings contingent on credit rating or PD of the counterparty and the maturity of the contract.

Limitation on wrong-way risk

The Bank is using various scenarios to identify wrong-way risk. Based on the results specific limits are set in order to avoid general and specific wrong way risk (e.g. limitations for acceptable collateral for OTC trades and repurchase agreements, limitations on trades where specific wrong-way risk could occur.)

Impact on collaterals of a rating downgrade

Based on the existing contracts, a rating downgrade of the Bank would not lead to additional collateral posting requirements.

Counterparty exposure

Disclosure requirements covered: Art. 439. CRR e), f) of CRR

Estimation of scaling factor (including treatment of correlation factor)

The Bank does not calculate α.

7.1. Quantitative disclosure for counterparty credit risk

Counterparty credit risk exposures are presented in the Annex.

in HUF mn	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
EU - Original Exposure Method (for derivatives)	-	-		1.4	-	-	-	-
EU - Simplified SA-CCR (for derivatives)	-	-		1.4	-	-	-	-
SA-CCR (for derivatives)	29,971	25,996		1.4	-	-	78,354	34,358
IMM (for derivatives and SFTs)			-	1.4	-	-	-	-
Of which securities financing transactions netting sets			-		-	-	-	-
Of which derivatives and long settlement transactions netting sets			-		-	-	-	-
Of which from contractual cross-product netting sets			-		-	-	-	-
Financial collateral simple method (for SFTs)					-	-	-	-
Financial collateral comprehensive method (for SFTs)					-	-	57,479	352
VaR for SFTs					-	-	-	-
Total					**-**	**-**	**135,833**	**34,710**

Table 17: Analysis of CCR exposure by approach (Art. 436 (f) (g) (k) CRR and EU CCR1 (EU) 2021/637)

in HUF mn	Exposure value	RWEA
Total transactions subject to the Advanced method	-	-
(i) VaR component (including the 3× multiplier)		-
(ii) stressed VaR component (including the 3× multiplier)		-
Transactions subject to the Standardised method	28,787	11,670
Transactions subject to the Alternative approach (Based on the Original Exposure Method)	-	-
Total transactions subject to own funds requirements for CVA risk	28,787	11,670

Table 18: Analysis of CCR CVA Capital Charge (Art. 439 (h) CRR and EU CCR2 (EU) 2021/637)

in HUF million	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	
	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated
Cash – domestic currency	0.00	446.44	0.00	0.00	0.00	0.00	0.00	0.00
Cash – other currencies	0.00	1,062.72	0.00	10,086.11	0.00	0.00	0.00	7,186.14
Domestic sovereign debt	0.00	4,312.52	0.00	0.00	0.00	0.00	0.00	0.00
Other sovereign debt	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Government agency debt	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Corporate bonds	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Equity securities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other collateral	0.00	0.00	0.00	0.00	0.00	49,413.42	0.00	0.00
Total	**0.00**	**5,821.68**	**0.00**	**10,086.11**	**0.00**	**49,413.42**	**0.00**	**7,186.14**

Table 19: Composition of collateral for exposures to CCR (Art. 439 (e) CRR and EU CCR5 (EU) 2021/637)

8. Capital buffers (Art. 440.)

The Bank creates counter-cyclical capital buffers. As of 31.12 2021 counter-cyclical capital buffer requirement was 0.0001027%.

The following table represents the geographical distribution of relevant credit exposures for the calculation of its countercyclical capital buffer:

	General credit exposures		Relevant credit exposures – Market risk		Securitisation exposures Exposure value for non-trading book	Total exposure value	Own fund requirements				Risk-weighted exposure amounts	Own fund req. weights	CCyB rate
In HUF million	Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures 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		(%)	(%)
Czech Republic	0.00	0.04	0.00	0.00	0.00	0.04	0.00	0.00	0.00	0.00	0.04	0.00000003	0.50%
Slovakia	0.00	127.26	0.00	0.00	0.00	127.26	12.43	0.00	0.00	12.43	155.33	0.00010273	1.00%

Table 20: Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer (CRR Art. 440 (a) CRR and EU CCyB1 (EU) 2021/637

Total risk exposure amount	2,166,451
Institution specific countercyclical capital buffer rate	0.000%
Institution specific countercyclical capital buffer requirement	**2.23**

Table 21: Amount of institution-specific countercyclical capital buffer (Art. 440 (b) CRR & EU CCyB2 (EU) 2021/637)

9. Indicators of global systemic importance (Art. 441.)

EBH is not identified as a global systemically important institution (G-SII) in accordance with Art. 131 CRR. Therefore, the disclosure referred to in Article 441 CRR does not relevant.

10. Credit risk adjustments (Art. 442.)

Past due:

'Day past due' (hereinafter DPD) count starts at the first overdue day of the account. The client level DPD is the maximum of the DPD's of the accounts for all segments (Retail, Non-retail) and products, and processes (early collection, default recognition etc.). In case of overdrafts, DPD counting starts when the client breaches the overdraft limit.

In case of credit payment moratorium DPD is frozen on contractual level.

Impaired:

Exposure of clients in R1-R5 non-performing status is categorized as impaired

Methods for impairment calculation:

According to the IFRS9 there are three main stages outlined for expected credit loss (ECL) determination:

- Financial instruments that are not credit-impaired on initial recognition belong to Stage 1. Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 month.
- If a significant increase in credit risk (SICR) since initial recognition is identified, but the financial instrument is moved to Stage 2 but is not yet deemed to be credit-impaired. Instruments in Stage 2 have their ECL measured based on expected credit losses on a lifetime (LT) basis.
- If the financial instrument is credit impaired, the financial instrument is then moved to Stage 3. Instruments in Stage 3 have their ECL measured based on expected credit losses on a LT basis.
- Purchased or originated credit-impaired (POCI) financial instruments are those financial instruments that are credit-impaired on initial recognition. Their ECL is always measured on LT basis.

To recognise credit risk deterioration the Bank uses both qualitative and quantitative informaition both on deal and client level.

The Bank may move a financial asset from Stage 1 to stage 2 based on information on segment of industrial activity and participation in credit payment moratorium using so called portfolio level management overlay. Such an overlay is registered on individual exposure level. COVID paragrafusra vissza

In case of financial instruments being POCI or in Stage 2 EBH calculates ECL based on lifetime probability of default. In case of non-performing clients, EBH estimates the loss given default.

Exposures are classified as individually significant if the total on- and off-balance exposure to the borrower exceeds a predefined materiality limit. Otherwise, the exposure to the customer is considered to be individually insignificant.

The individual calculation approach is applied in case of individually significant exposures to defaulted customers in Stage 3 or POCI. It consists in the individual assessment of the difference between the gross carrying amount and the present value of the expected cash flows, which are estimated by workout or risk managers. The discounting of the cash flows is based on the effective interest rate (POCI: credit-adjusted effective interest rate).

Under the rule-based approach, credit loss allowances are calculated based on the estimated exposure at default, probability of default (PD), loss given default (LGD), and in case of off-balance items, the credit conversion factor (CCF) taking into consideration the Bank's macroeconomic expectations.

Credit loss allowance – both in individual approach and rule based approach (through the parameters) – is calculated based on different exit strategies (auction, restructuring, cure), taking into consideration their probability of success and recovery ratios.

Forbearance:

Restructuring, renegotiation and forbearance

Restructuring means contractual modification of any of the customer's loan repayment conditions including tenor, interest rate, fees, principal amount due or a combination thereof. Restructuring can be business restructuring (in the retail segment), commercial renegotiation (in the corporate segment), or forbearance (e.g. concession due to financial difficulties) in line with EBA requirements in both segments.

Restructuring and renegotiation

Restructuring as business restructuring in the retail segment or as commercial renegotiation in the corporate segment is a potential and effective customer retention tool involving re-pricing or the offering of an additional loan or both in order to maintain the bank's valuable, good clientele.

Forbearance

The definition of "forbearance" is included in Regulation (EU) 2015/227 and MNB regulation 39/2016. A restructuring is considered "forbearance" if it entails a concession towards a customer facing or about to face financial difficulties in meeting their contractual financial commitments. A borrower is in financial difficulties if any of the following conditions are met:

- the customer was more than 30 days past due in the past 3 months;
- the customer would be 30 days past due or more without receiving forbearance;
- the customer is in default;
- the customer would default without receiving forbearance;
- the contract modification involves total or partial cancellation by write-off of the debt on any of the customer's credit obligations while at customer level open credit exposure still remains.

Additional criteria for non-retail segment:

- early warning signals for this customer identified;
- customer has deteriorated financial figures, which led to decline of the rating grade;
- customer has increased probability of default.

Forborne exposure is assessed at loan contract level and means only the exposure to which forbearance measures have been extended and excludes any other exposure the customer may have, as long as no forbearance was extended to these.

Concession means that any of the following conditions are met:

- modification/refinancing of the contract would not have been granted, had the customer not been in financial difficulty;
- there is a difference in favour of the customer between the modified/refinanced terms of the contract and the previous terms of the contract;

- the modified/refinanced contract includes more favourable terms than other customers with a similar risk profile would have obtained from the same institution.
- activation of embedded forbearance clause of the contract;
- any waiver of a material financial or non-financial covenant.

Forbearance can be initiated by the bank or by the customer (on account of loss of employment, illness etc.). Components of forbearance can be instalment reduction, tenor extension, interest reduction or forgiveness, principal reduction or forgiveness, revolving exposure change to instalment and/or others.

Forbearance measures are divided and reported as:

- performing forbearance (incl. performing forbearance under probation that was upgraded from non-performing forbearance);
- non-performing forbearance (incl. defaulted forbearance; since 10/2019 the definition of non-performing status is aligned with default) .

Forborne exposures are considered performing when:

- the exposure did not have non-performing status at the time the extension of or application for forbearance was approved;
- granting the forbearance has not led to classifying the exposure as non-performing/default.

Performing forborne exposures become non-performing when one of the following forbearance classifications is fulfilled during the monitoring period of a minimum two years:

- an additional forbearance measure is extended;
- the customer becomes more than 30 days past due on forborne exposure and in the past the customer was in the non-performing forbearance category;
- the customer meets any of the default event criteria defined in the default definition;
- for corporate customers, when a final restructuring agreement cannot be concluded within 18 months after the first forbearance measure.

The performing forbearance classification can be discontinued and the account can become a non-forborne account when all of the following conditions are met:

- a minimum of two years have passed from the date of classifying the exposure as performing forbearance (probation period);
- under the forborne payment plan, at least 50% of the original (pre-forbearance) instalment has been regularly repaid (significant repayment) at least during half of the probation period (in the case of retail customers);
- regular repayments in a significant amount during at least half of the probation period have been made (in the case of non-retail customers);
- significant repayment includes amount previously past-due (if any) or written-off (if no-past due amounts) for both segments retail and non-retail;
- none of the exposure of the customer is more than 30 days past due at the end of the probation period.

The non-performing forbearance classification can be discontinued and reclassified as performing under probation when all of the following conditions are met:

- one year has passed from the date of classifying the exposure as non-performing forbearance or from the latest of the following events:
    - the moment of extending the restructuring measure;
    - the end of the grace period included in the restructuring agreement;
    - the moment when the exposure has been classified as defaulted.
- the forbearance has not led the exposure to be classified as non-performing;
- the customer is not classified as defaulted according to the definition of default;

- retail customers: the customer has demonstrated the ability to comply with the post-forbearance conditions by either of the following:
    - the customer has never been more than 30 days past due during the 12 months prior to the reclassification and there is no delinquent amount;
    - the customer has repaid the full past due amount or the written-off amount (if there was any).
- corporate customers: significant amount has been paid in regular repayments, analysis of financial development that leaves no concern about future compliance with post-forbearance terms and conditions. Furthermore, the customer has never been more than 30 days past due during the 12 months prior to the reclassification and there is no delinquent amount.

In the corporate segment, recognition of forbearance measures typically leads to the involvement of the responsible local workout unit. The largest part of the forbearance measures are set and monitored within the responsibility of the local workout units according to the internal regulations and standards for the workout involvement. Forbearance measures are defined as qualitative trigger events in the SICR concept.

Default definition

Since October 2019 Erste Bank has implemented the new definition of default, to comply with the EBA Guidelines on the application of the definition of default under Art.178 of CRR and Commission Delegated Regulation (EU) 2018/171 of 19 October 2017 on supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards for the materiality threshold for credit obligations past due.

The definitions of non-performing and default are aligned within Erste Bank (and within Erste Group).

The materiality of 90 days past due credit obligation is applied for on-balance exposure at client level and assessed daily against the group-wide defined materiality threshold (except the local regulator has defined different thresholds) for the:

- retail exposure: as an absolute limit on client level of 100 EUR and relative 1% on client level;
- non-retail exposure: as an absolute limit on client level of 500 EUR and relative 1% on client level.

	Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accum ulated partial	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			
Cash balances at central banks and other demand deposits	**108,432**	**108,432**	**0**	**0**	**0**	**0**	**-25**	**-25**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Loans and Advances	**2,554,712**	**1,962,249**	**311,516**	**72,348**	**0**	**57,397**	**-28,583**	**-6,079**	**-22,458**	**-38,553**	**0**	**-31,519**	**0**	**1,346,320**	**24,501**
Central banks	512,807	512,807	0	0	0	0	-72	-72	0	0	0	0	0	0	0
General governments	31,225	19,880	11,290	8	0	0	-19	-1	-18	-3	0	0	0	5,296	0
Credit institutions	178,034	178,034	0	0	0	0	-127	-127	0	0	0	0	0	104,371	0
Other financial corporations	81,573	81,483	90	20	0	20	-329	-323	-6	-16	0	-16	0	49,947	4
Non-financial corporations	674,449	530,843	139,642	32,325	0	26,839	-8,104	-2,627	-5,477	-15,404	0	-13,670	0	393,223	13,478
of which SMEs	406,121	315,303	86,854	18,943	0	16,623	-4,669	-1,686	-2,983	-8,919	0	-8,461	0	308,187	8,028

Households	1,076,624	639,202	160,493	39,994	0	30,538	-19,932	-2,929	-16,957	-23,130	0	-17,833	0	793,483	11,019
Debt securities	**1,406,360**	**1,384,385**	**2,084**	**0**	**0**	**0**	**-910**	**-886**	**-25**	**0**	**0**	**0**	**0**	**356,536**	**0**
Central banks	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
General governments	987,476	979,871	0	0	0	0	-258	-258	0	0	0	0	0	8,010	0
Credit institutions	352,269	341,240	0	0	0	0	-455	-455	0	0	0	0	0	348,526	0
Other financial corporations	1,258	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Non-financial corporations	65,357	63,274	2,084	0	0	0	-197	-172	-25	0	0	0	0	0	0
Off-balance-sheet exposures	**513,320**	**433,371**	**28,880**	**2,134**	**0**	**1,186**	**-5,106**	**-1,737**	**-1,458**	**-721**	**0**	**-389**		**83,321**	**839**
Central banks	0	0	0	0	0	0	0	0	0	0	0	0		0	0
General governments	2,520	1,217	1,102	0	0	0	-54	0	-26	0	0	0		177	0
Credit institutions	1,858	0	0	0	0	0	-2	0	0	0	0	0		1,856	0
Other financial corporations	78,443	77,723	326	0	0	0	-153	-151	-2	0	0	0		321	0
Non-financial corporations	310,050	240,331	21,435	1,510	0	620	-3,792	-1,225	-705	-420	0	-125		78,572	837
Households	120,449	114,100	6,016	624	0	567	-1,105	-361	-724	-301	0	-264		2,396	2
Total	**4,474,393**	**3,780,004**	**342,479**	**74,482**	**0**	**58,583**	**-34,600**	**-8,701**	**-23,941**	**-39,274**	**0**	**-31,908**	**0**	**1,786,178**	**25,341**

Table 22: Credit Risk – Gross credit risk exposure/nominal value, credit risk adjustments, accumulated write-offs and collateral my balance sheet classes (Art. 442 (c) (f) CRR and in line with EU CR1 (EU) 2021/637)

in HUF mn	Gross carrying/Nominal amount				Accumulated impairment	Provisions on off-balance sheet commitments and financial guarantee given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
		of which: non-performing		of which: subject to impairment			
			of which: defaulted				
On balance sheet exposures	**4,141,861**	**72,348**	**72,348**	**3,850,260**	**-67,259**	**0**	**-812**
Core Market - Austria	67,171	1	1	67,159	-28	0	0
Core Market - Croatia	1	0	0	1	-1	0	0
Core Market - Czech Republic	51	0	0	51	-1	0	0
Core Market - Hungary	4,066,343	72,265	72,265	3,775,967	-67,029	0	-812
Core Market - Romania	333	3	3	333	-8	0	0
Core Market - Serbia	5	0	0	5	-3	0	0
Core Market - Slovakia	77	5	5	77	-5	0	0
Emerging Markets	103	5	5	103	-28	0	0
Other EU including Slovenia	4,717	46	46	4,716	-103	0	0
Other Industrialised Countries	3,060	23	23	1,849	-53	0	0
Off balance sheet exposures	**515,454**	**2,134**	**2,134**	**0**	**0**	**-5,827**	**0**
Core Market - Austria	158	0	0	0	0	-1	0
Core Market - Croatia	0	0	0	0	0	0	0
Core Market - Czech Republic	1,220	0	0	0	0	-7	0
Core Market - Hungary	513,093	2,126	2,126	0	0	-5,811	0
Core Market - Romania	18	2	2	0	0	-1	0
Core Market - Serbia	2	0	0	0	0	0	0
Core Market - Slovakia	22	0	0	0	0	0	0
Emerging Markets	114	4	4	0	0	-4	0
Other EU including Slovenia	404	0	0	0	0	-1	0

Other Industrialised Countries	423	3	3	0	0	-1	0
Total	**4,657,315**	**74,483**	**74,483**	**3,850,260**	**-67,259**	**-5,827**	**-812**

Table 23: Credit quality of exposures by geography (Art. 442 (c) and (e) CRR and EU CQ4 (EU) 2021/637)

in HUF mn	**Gross carrying amount**				**Accumulated impairment**	**Accumulated negative changes in fair value due to credit risk on non-performing exposures**
		of which: non-performing		**of which: loans and advances subject to impairment**		
			of which: defaulted			
Agriculture, forestry and fishing	52,740	730	730	52,738	-879	0
Mining and quarrying	470	0	0	470	-3	0
Manufacturing	176,812	7,868	7,868	176,811	-5,362	0
Electricity, gas, steam and air conditioning supply	19,416	8	8	19,416	-121	0
Water supply	2,802	95	95	2,802	-112	0
Construction	17,760	417	417	17,760	-460	0
Wholesale and retail trade	90,375	2,096	2,096	90,369	-2,074	0
Transport and storage	33,876	9,236	9,236	33,876	-5,404	0
Accommodation and food service activities	17,791	4,689	4,689	17,790	-3,043	0
Information and communication	2,688	122	122	2,688	-95	0
Real estate activities	43,149	647	647	43,149	-352	0
Financial and insurance actvities	198,685	4,303	4,303	198,625	-3,050	-45
Professional, scientific and technical activities	35,162	120	120	35,162	-973	0
Administrative and support service activities	10,829	1,709	1,709	10,829	-1,328	0
Public administration and defense, compulsory social security	47	0	0	47	-2	0
Education	373	2	2	373	-5	0
Human health services and social work activities	1,134	2	2	1,125	-11	0
Arts, entertainment and recreation	869	179	179	869	-79	0
Other services	1,798	105	105	1,798	-109	0
Total	**706,775**	**32,325**	**32,325**	**706,697**	**-23,462**	**-45**

Table 24: Credit quality of loans and advances to non-financial corporations by industries (Art. 442 (c) (d) CRR and EU CQ5 (EU) 2021/637)

	Gross carrying amount/ Nominal amount of exposures with forbearance measures				**Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions**		**Collaterals received and financial guarantees received on forborne exposures**	
	Performing forborne	**Non-performing forborne**			**On performing forborne exposures**	**On non-performing forborne exposures**		**Of which: Collateral and financial guarantees received on non-performing exposures with forbearance measures**
			Of which defaulted	**Of which impaired**				
Cash balances at central banks and other demand deposits	-	-	-	-	-	-	-	-
Loans and advances	**47,639**	**47,860**	**47,860**	**46,348**	**-2,762**	**-21,747**	**49,474**	**18,775**

Central banks	0	0	0	0	0	0	0	0
General governments	0	0	0	0	0	0	0	0
Credit institutions	0	0	0	0	0	0	0	0
Other financial corporations	0	0	0	0	0	0	0	0
Non-financial corporations	7,000	25,048	25,048	24,988	-173	-11,410	16,151	10,650
Households	40,639	22,794	22,794	21,342	-2,589	-10,322	33,319	8,121
Debt Securities	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Loan commitments given	**421**	**181**	**181**	**181**	**-14**	**-52**	**295**	**0**
Total	**48,060**	**48,041**	**48,041**	**46,528**	**-2,776**	**-21,799**	**49,769**	**18,838**

Table 25: Credit quality of forborne exposures (Art. 442 (c) CRR & EU CQ1 (EU) 2021/637)

	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 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 year <= 5 years	Past due > 5 year <= 7 years	Past due > 7 years	Of which defaulted
Cash balances at central banks and other demand deposits	**108,432**	**108,432**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Loans and advances	**2,554,712**	**2,542,431**	**12,281**	**72,348**	**58,150**	**2,703**	**1,613**	**877**	**4,284**	**1,208**	**3,512**	**72,348**
Central banks	512,807	512,807	0	0	0	0	0	0	0	0	0	0
General governments	31,225	31,225	0	8	0	0	0	0	8	0	0	8
Credit institutions	178,034	178,034	0	0	0	0	0	0	0	0	0	0
Other financial corporations	81,573	81,573	1	20	19	0	0	0	0	1	0	20
Non-financial corporations	674,449	673,388	1,062	32,325	30,781	325	236	154	730	12	87	32,325
Of which SMEs	406,121	405,083	1,038	18,943	17,441	318	219	151	725	9	81	18,943
Households	1,076,624	1,065,405	11,219	39,994	27,350	2,378	1,377	723	3,545	1,196	3,425	39,994
Debt Securities	**1,406,360**	**1,406,360**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Central banks	0	0	0	0	0	0	0	0	0	0	0	0
General governments	987,476	987,476	0	0	0	0	0	0	0	0	0	0
Credit institutions	352,269	352,269	0	0	0	0	0	0	0	0	0	0
Other financial corporations	1,258	1,258	0	0	0	0	0	0	0	0	0	0
Non-financial corporations	65,357	65,357	0	0	0	0	0	0	0	0	0	0
Off-balance sheet exposures	**513,320**			**2,134**								**0**
Central banks	0			0								0
General governments	2,520			0								0
Credit institutions	1,858			0								0
Other financial corporations	78,443			0								0
Non-financial corporations	310,050			1,510								0
Households	120,449			624								0
Total	**4,474,393**	**3,948,791**	**12,281**	**74,482**	**58,150**	**2,703**	**1,613**	**877**	**4,284**	**1,208**	**3,512**	**74,482**

Table 26: Credit quality of performing and non-performing exposures by past due days (Art. 442 (d) CRR & EU CQ3 (EU) 2021/637)

in HUF mn	Collateral obtained by taking possession accumulated	
	Value at initial recognition	Accumulated negative changes
Property Plant and Equipment (PP&E)	**0**	**0**
Other than Property Plant and Equipment	**15,286**	**-2,474**
Residential immovable property	0	0
Commercial Immovable property	15,286	-2,474
Movable property (auto, shipping, etc.)	0	0
Equity and debt instruments	0	0
Other	0	0
Total	**15,286**	**-2,474**

Table 27: Collateral obtained by taking possession and execution processes (Art 442 (d) and EU CQ7 (EU) 2021/637)

11. Encumbered and unencumbered assets (Art. 443.)

At the end of the year 10% of the bank's assets were used as collateral.

The majority of the encumbered assets are pledged loans (HUF 222 billion), out of that HUF 192 billion are loans pledged for refinancing loans from Mortgage Banks. This is needed in order to meet the Mortgage Financing Adequacy Ratio (MFAR).

Most of the pledged HUF 213 billion securities is used for the Loan for Growth program of the National Bank of Hungary.

In HUF million	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
Assets of the reporting institution	434,954	115,457			3,836,230	1,059,951		
Loans on demand	0	0			108,407			
Equity instruments	0	0	0	0	9,535	0	9,534	0
Debt securities	213,080	115,457	195,256	105,846	1,187,325	1,059,951	1,093,869	974,548
of which: covered bonds	0	0						
of which: asset-backed securities	0	0						
of which: issued by general governments	28,372	28,372	27,253	27,253	954,363	874,312	875,568	800,950
of which: issued by financial corporations	126,567	87,085	117,711	78,594	226,462	185,640	212,747	173,598
of which: issued by non-financial corporations	58,142	0	50,293	0	6,499	0	5,554	0
Loans and advances other than loans on demand	221,874	0			2,338,050			
of which: mortgage loans	191,719	0			803,403			
Other assets	0	0			192,913			

Table 28: Encumbered and unencumbered assets (Art. 443 CRR Template EU AE1 (EU) 2021/637)

In EUR million	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
Collateral received by the reporting institution	13,380	0	246,155	0
Loans on demand	0	0	0	0
Equity instruments	0	0	0	0
Debt securities	13,380	0	54,317	0
of which: covered bonds	0	0	0	0
of which: asset-backed securities	0	0	0	0
of which: issued by general governments	13,380	0	38,942	0
of which: issued by financial corporations	0	0	0	0

of which: issued by non-financial corporations	0	0	0	0
Loans and advances other than loans on demand	0	0	0	0
Other collateral received	0	0	191,838	0
Own debt securities issued other than own covered bonds or securitisations	0	0	0	0
Own covered bonds and asset-backed securities issued and not yet pledged			0	0
TOTAL ASSETS, COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED	**0**	**0**		

Table 29: Collateral received and own debt securities issued (Art. 443 CRR Template EU AE2 (EU) 2021/637)

	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and securitisations encumbered
Carrying amount of selected financial liabilities	335,878	446,935

Table 30: Sources of encumbrance (Art. 443 CRR Template EU AE3 (EU) 2021/637)

12. Use of ECAIs

According to Article 4 (98) CRR, external credit assessment institution (ECAI) means a credit rating agency that is registered or certified in accordance with Regulation (EC) No 1060/2009.

Ratings provided by external credit rating agencies are matched to the ratings provided by the internal rating system for each agency.

A rating system comprises all models, methods, processes, controls, data collection and data processing processes that serve the assessment of credit risks, the allocation of exposures to rating grades and the quantification of default probabilities for certain types of exposures.

The rating systems used by Erste Bank Hungary Zrt. meet the requirements for the application of the IRB Approach.

External rating are applied on sovereign customers as an input (Moody's rating is applied) to the local model. Other clients are rated internally.

The Bank used by external rating agencies and credit quality categories are as follows:

Moody's	OECD Country Risk Ratings	Credit Quality Step
Aaa to Aa3	0 to 1	1
A1 to A3	2	2
Baa1 to Baa3	3	3
Ba1 to Ba3	4 to 5	4
B1 to B3	6	5
Caa1 and below	7	6

Table 31: Allocation of the external ratings to credit quality steps

The RW allocation depending on the credit quality step and the exposure class is as follows:

Credit Quality Step	Central governments and central banks	Institutions (Option 1)	Institutions (Option 2) long-term	Institutions (Option 2) short-term	Corporates
1	0%	20%	20%	20%	20%
2	20%	50%	50%	20%	50%
3	50%	100%	50%	20%	100%
4	100%	100%	100%	50%	100%
5	100%	100%	100%	50%	150%
6	150%	150%	150%	150%	150%

Table 32: CRR - The RW allocation depending on the credit quality step and the exposure class is as follows

	Risk weight																
	0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Others	Total	Of which unrated
Central governments or central banks	1,710,102	0	0	0	61	0	0	0	0	0	0	0	0	0	0	1,710,163	0
Regional government or local authorities	0	0	0	0	1,205	0	0	0	0	0	0	0	0	0	0	1,205	0
Public sector entities	529	0	0	0	0	0	0	0	0	6	0	0	0	0	0	534	0

Multilateral development banks	7,161	0	0	0	0	0	0	0	0	0	0	0	0	0	0	7,161	0
International organisations	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Institutions	0	0	0	0	19,690	0	0	0	0	0	0	0	0	0	0	19,690	0
Corporates	0	0	0	0	0	0	0	0	0	65,185	0	0	0	0	0	65,185	0
Retail	0	0	0	0	0	0	0	0	24,527	0	0	0	0	0	0	24,527	0
Secured by mortgages on immovable property	0	0	0	0	0	8,992	1,311	0	0	0	0	0	0	0	0	10,303	0
Exposures in default	0	0	0	0	0	0	0	0	0	611	366	0	0	0	0	978	0
Exposures associated with particularly high risk	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Covered bonds	0	0	2,513	0	0	0	0	0	0	0	0	0	0	0	0	2,513	0
Institutions and corporates with a short-term credit assessment	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Unit or shares in collective investment undertakings	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Equity	0	0	0	0	0	0	0	0	0	2,816	0	0	0	0	0	2,816	1,206
Other items	301	0	0	0	0	0	0	0	0	20,627	0	0	0	0	0	20,928	0
TOTAL	**1,718,092**	**0**	**2,513**	**0**	**20,956**	**8,992**	**1,311**	**0**	**24,527**	**89,246**	**366**	**0**	**0**	**0**	**0**	**1,866,004**	

Table 33: Standardised approach – Regulatory exposure after CCF and CRM (Art. 444 (e) CRR and EUR CR5 (EU) 2021/637)

in HUF mn	**Risk weight**											
Exposure classes	**0%**	**2%**	**4%**	**10%**	**20%**	**50%**	**70%**	**75%**	**100%**	**150%**	**Others**	**Total exposure value**
Central governments or central banks	28,288	0	0	0	0	0	0	0	0	0	0	28,288
Regional government or local authorities	0	0	0	0	0	0	0	0	85	0	0	85
Public sector entities	0	0	0	0	0	0	0	0	0	0	0	0
Multilateral development banks	0	0	0	0	0	0	0	0	0	0	0	0
International organisations	0	0	0	0	0	0	0	0	0	0	0	0
Institutions	0	0	0	0	2,520	103	0	0	170	0	0	2,793
Corporates	0	0	0	0	0	0	0	0	10,238	0	0	10,238
Retail	0	0	0	0	0	0	0	7,331	0	0	0	7,331
Institutions and corporates with a short-term credit assessment	0	0	0	0	0	0	0	0	0	0	0	0
Other items	0	0	0	0	0	0	0	0	0	0	0	0
Total exposure value	**28,288**	**0**	**0**	**0**	**2,520**	**103**	**0**	**7,331**	**10,493**	**0**	**0**	**48,735**

Table 34: Standardised approach – CCR exposures by regulatory portfolio and risk weights (Art. 439 (l) referring to 444 (e) CRR and in line with EU CCR3 (EU) 2021/637)

13. Exposure to market risk (Art. 445.)

In EUR million	RWEAs
Outright products	
Interest rate risk (general and specific)	5,908
Equity risk (general and specific)	718
Foreign exchange risk	0
Commodity risk	0
Options	
Simplified approach	0
Delta-plus approach	0
Scenario approach	0
Securitisation (specific risk)	0
Total	**6,626**

Table 35: Market risk under the Standardised approach (Art. 445 CRR and in line with EU MR1 (EU) 2021/637)

14. Operational risk (Art. 446.)

Erste Bank Hungary Zrt. determined its operational risk capital with the methodologies below:

- On individual level used the AMA (Advanced Measurement Approach), which is calculated by Erste Group, and allocated to other entities uses AMA as well with an allocation key (calculated by a loss and an indicator key). Erste Group uses the Loss Distribution Approach (LDA) for modelling OpRisk. EG incorporates following input factors into the model: Internal loss data , External loss data, scenario analysis, Business Environment and Control Factors.
- For its Subsidiaries the BIA (Basic Indicator Approach) which calculates capital requirement on an accounting basis, 15% of the average gross income for the last three years of the Bank
- On a consolidated level the sum of the capital calculated with AMA and BIA methodologies to cover the operational risk exposure in the Bank

15. Non-trading book equity exposures (Art. 447.)

The Bank has a portfolio not registered in the trading book and regulated by the Art. 447. CRR c).

In the banking book registered equities are shown on FV (future value). Data for securities which are not shown in the trading book is in table 57.

15.1. Special rules for the management and registration of securities

Separate registration of shares for trading and investment purposes is required. Shares acquired for trading purposes are shown as shares for trading, while shares the Bank intend to keep are presented by the Company as shares for investment purposes. Asset-Liability Management determines whether a security was bought for trading or investment purposes and it should be booked based on that to the separate portfolio (trading, held to collect or held to collect and sale).

The nominal value of securities shall be recorded. Year-end inventory should be taken into account in both at nominal value and at amortized cost and should be performed at market value at the balance sheet date.

15.2. Registering securities related to special cases

If the fair value of the unregistered elements of the capital is permanently or substantially lower than the book value, it recognizes impairment being quantified. The Company considers a one-year duration as permanent and 10% difference as significant.

Impairment of the available-for-sale financial assets is accounted for by accumulating the accumulated loss in the hedge loss and the fair value reserve in the profit and loss account under the heading "Net worth of financial assets and liabilities not measured through profit or loss". If the amount of impairment exceeds the estimated valuation reserve, the excess loss is recognized directly against the profit or loss on the net impairment of financial assets and liabilities that are not recognized through profit or loss.

The Company reduces the amount of cumulative impairment in the event that objective evidence demonstrates that a positive change in the expected return on the financial asset has occurred. In the case of equity instruments, there is no possibility of reversing the impairment loss. For deferred available-for-sale financial assets, the write-down of impairment losses is recognized in the income statement under the heading "Net worth of financial assets and liabilities not measured through profit or loss".

16. Risk reporting from the Banking Book (Art. 448.)

Risk monitoring in the Banking Book

The economic value of equity is estimated as a difference between the net present value of all the contractual cash inflows (assets) and outflows (liabilities) derived from the current balance sheet. The simulated interest rate movements are based on the six predescribed shock scenarios defined in the paragraphs 114 and 115 of the EBA guideline (Guidelines on the management of interest rate risk arising from non-trading book activities" "EBA/GL/2018/02) and the parameters defined by MNB in the methodolgical handbook of "Internal Capital Adequacy Process (ICAAP), Internal Liquidity Adequacy Process (ILAAP) and Supervisory Review and Business Modell Analysis (BMA)". The set includes two parallel scenarios of upward and downward shift and in addition four non-parallel scenarios are identified for each currency representing steepening, flattening and upward and downwards movements on the short end of the yield curve respectively. Flooring logic is following the prescription in paragraph 115 (k) of the same guideline and starts with a floor of -100 bp at the overnight time bucket. The floor increases by 5 bp per year until it reaches a value of 0 bp at the 20Y bucket. The sensitivity of EVE is reported in relation to Tier 1 capital and is used for internal limit setting.

The net interest income is expressed as the absolute sum total of the variation of the 1-year net interest income by currency, occurring as a result of the above mentioned six scenarios compared to the net interest income calculated with an unchanged interest rate scenario. According to the current methodology, the maturing volumes are 100% renewed (unchanged balance sheet assumed during the year, the positive values – in line with the methodology – are weighted with a 50% weight so the total is not the sum of the individual currency values.

Currency	EVE change mn HUF (worst scenario in case of negative paralell shock)
HUF	-30,413
EUR	-4,842
USD	-137
CHF	-59
TOTAL	**-26,253**
Solvency equity	380,079
Basel II ratio	**6.91%**

Table 36: CRR Art. 448. CRR – Sensitivity of economic value (Banking Book)

17. Securitization process at the Bank

Published according to the Art 449. CRR that in 2021, there was no securitization process originated by Erste Bank Hungary Zrt.

18. Remuneration policy (Art. 450.)

The main body overseeing remuneration during the financial year in Erste Bank Hungary Zrt. is the Remuneration Committee. The Committee consisted of three external member of Board of Directors. The Committee held 2 meetings in the 2021 financial year.

Erste Bank Hungary Zrt. discloses its remuneration policy on the homepage of the Bank, which includes also the remuneration policy applicable for the identified staff defined based on the section (2) of 117. § of Hpt. The Bank also fulfils the disclosure obligation on the following topics defined by the section (1) of the Article 450 of Chapter 8 of the regulation (EU) No 575/2013 with the published remuneration policy through the website:
https://www.erstebank.hu/content/dam/hu/ebh/www_erstebank_hu/bankunkrol/javadalmazasi-politika/2020/Remuneration_policy_HUN_2020_kozzetetel.pdf

Information concerning the decision-making process used for determining the remuneration policy; the most important design characteristics of the remuneration system (including information on the criteria used for performance measurement and risk adjustment, deferral policy and vesting criteria); information on link between pay and performance, the ratios between fixed and variable remuneration, the main parameters and rationale for any variable component scheme and any other non-cash benefits and information on the performance criteria on which the entitlement to shares, options or variable components of remuneration is based are all included in the disclosed remuneration policy.

The aggregated quantitative information on remuneration data of the Bank and its subsidiaries under consolidated supervision is presented on the Bank's website.

19. Leverage (Art. 451.)

On the basis of Article 499 (2) of CRR, and in accordance with Article 499 (1) a) the bank reports the leverage ratio.

The bank discloses the value of consolidated leverage ratio according Art. 451 (1) b) of CRR. The Bank reports development of the consolidated leverage ratio to the top management on a quarterly basis.

Accordance to the Article 451 (1) e) of CRR the Bank disclose that its leverage ratio has not changed significantly in 2021, which exceeds both the regulatory and the internally accepted levels. The leverage ratio changed from 10,35% at the end of 2020 to 8,52% at the end of 2021.

Regulating processes used to manage excessive leverage are covered by EBH's internal regulations. The determination of capital targets are part of strategic planning process. However the mid- and long-term strategic plans comprise high-level guidelines in respect to the required capital level, the direct targets and limits are defined by Risk Appetite Statement (RAS) (e.g. CET1 ratio, Own funds ratio, leverage ratio). During the top-down analysis the first factor is the consideration of external stakeholders' opinion while the bottom up analysis validate the initial targets. The analyses includes also the sub-ratios (e.g. CET1 ratio). The Bank uses similar processes to manage the risk of leverage. Leverage ratio is regularly monitored. Leverage ratio limits and triggers are also defined in the RAS. If the ratio reaches the early warning signs, the Bank takes steps to manage the risks arising from the size of the leverage ratio and draws the management's attention. CRR 451. (1) d).

In HUF million	**Applicable amount**
Total assets as per published financial statements	4,271,184
Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	0
(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio total exposure measure in accordance with point (i) of Article 429a-1 CRR)	0
Adjustments for derivative financial instruments	50,099
Adjustment for securities financing transactions (SFTs)	-66,203
Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	116,255
(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with point (c) of Article 429a-1 CRR)	0
(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with point (j) of Article 429a-1 CRR)	0
Other adjustments	90,833
Leverage ratio total exposure measure	**4,462,167**

Table 37: Reconciliation of accounting assets and leverage ratio exposure (CRR Art. 451 (1) (b) & EU LR1-LRSum (EU) 2021/637)

	CRR leverage ratio exposures
On-balance sheet exposures (excluding derivatives and SFTs)	
On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	4,222,089
(Asset amounts deducted in determining Tier 1 capital)	-20,085
Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)	**4,202,005**
Derivative exposures	
Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	39,847
Add-on amounts for PFE associated with all derivatives transactions (markto-market method)	40,223
Exposure determined under Original Exposure Method	0
Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	0
(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	0
(Exempted CCP leg of client-cleared trade exposures)	0
Adjusted effective notional amount of written credit derivatives	0

(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	0
Total derivatives exposures (sum of lines 4 to 10)	80,069
SFT exposures	
Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	130,041
(Netted amounts of cash payables and cash receivables of gross SFT assets)	-72,830
Counterparty credit risk exposure for SFT assets	6,626
Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429b(4) and 222 of Regulation (EU) No 575/2013	0
Agent transaction exposures	0
(Exempted CCP leg of client-cleared SFT exposure)	0
Total securities financing transaction exposures (sum of lines 12 to 15a)	63,838
Other off-balance sheet exposures	
Off-balance sheet exposures at gross notional amount	116,255
(Adjustments for conversion to credit equivalent amounts)	0
Other off-balance sheet exposures (sum of lines 17 and 18)	116,255
Exempted exposures in accordance with Article 429(7) and (14) of Regulation (EU) No 575/2013 (on and off balance sheet)	
(Intragroup exposures (solo basis) exempted in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))	0
(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	0
Capital and total exposure mesure	
Tier 1 capital	380,079
Leverage ratio total exposure measure (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	4,462,167
Leverage ratio	
Leverage ratio	8.52%
Choice on transitional arrangements and amount of derecognised fiduciary items	
Choice on transitional arrangements for the definition of the capital measure	0
Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) No 575/2013	0

Table 38: Leverage ratio common disclosure (CRR Art. 451 (1) (b) (c) 451 (2) 451 (3) and EU LR2- LRCom (EU) 2021/637)

According to the Article 3 (2) of Commission Impementing Regulation (EU) 2016/200 „where institutions are required, by virtue of the second subparagraph of Article 13(1) of Regulation (EU) No 575/2013 to disclose information on a sub-consolidated basis, they shall not be required to complete and publish the template entitled ‘LRSpl’ of Annex I on a sub-consolidated basis.”

20. Use of the IRB Approach to credit risk (Art. 452.)

Approved approaches and transitional rules by the regulator

Erste Bank Hungary Zrt. was authorised by the supervisory authority FMA (for indefinite time) to calculate risk-weighted exposure amounts for credit risk using the IRB Approach from 1st April 2008. (IRB Official Notice 28 Mar 2008; IRB official notice for single banking entities and at consolidated level for institutions abroad.)

It annually performs validation of the credit risk models according to the applicable regulations.

The following segments fall under the Advanced IRB Approach:

- Retail

The following segment falls under the Foundation IRB Approach:

- Corporate
- Institutions
- Central government and central bank
- Institutions
- Corporate / Special Lending (Real Estate Financing)

Rating systems and use of ECAIs

A rating system comprises all models, methods, processes, controls, data collection and data processing processes that serve the assessment of credit risks, the allocation of exposures to rating grades and the quantification of default probabilities for certain types of exposures.

The rating systems used by Erste Bank Hungary Zrt. meet the requirements for the application of the IRB Approach.

External rating are applied on sovereign customers as an input (Moody’s rating is applied) to the local model. Other clients are rated internally.

Rating Models and Methods

The internal rating models and the estimates of the risk parameters play a key role in credit risk management, in the decision-making processes and in lending operations. Furthermore, they deliver the main determinants for the procedures to assess the capital requirement. Erste Bank Hungary Zrt. uses empirical-statistical and expert-based model types. A periodical validation assures the quality of the rating models and risk parameters.

The purpose of customer rating is the best possible estimation of customer related risks, i.e. to establish the probability of default of the customer within one year (Probability of Default, PD).

Risk assessment is primarily based on the customer rating, however decisions regarding the individual credit risks are not based solely on the customer rating, but they are made with the apprehensive consideration of risk factors.

Within this framework, in addition to the customer and the customer risks any potential third party in the transaction and, in certain cases, the collateral are also the subject of the review.

The rating method to be used is determined depending on customer classification:

- Retail
- Corporates
- Banks
- Sovereigns

Every customer is assigned a certain rating method, as follows:

Exposure Classes	STATISTICAL MODEL	EXPERT MODEL
Retail, commercial	✓	
Corporate	✓	✓
SME	✓	
Special Lending (IPRE)		✓
Banks		✓
Other financial institutions		✓
Central government and central banks		✓
Country		✓
Sovereign		✓
Equities	✓	✓

Table 39: Exposure classes of the IRB Approach and applied rating methods (Art. 452 (f) CRR)

The rating methods Bank rating and Sovereign rating are used as centralised methods throughout Erste Group without any regional modifications and are made available to the Group companies.

The other rating methods (rating private individuals, rating SME, rating corporates and rating specialised lending) follow uniform modelling guidelines. At Erste Bank Hungary model structures feature regional adaptations appropriate to the respective portfolios.

Procedures for checking the reliability of rating systems

Rating systems are reviewed at least once a year. The review is based on Group standards. In the course of back-testing the Bank examines, among others, the rating distribution, calibration and discriminatory power. If required based on the review, the models are adjusted or redeveloped.

Customer rating is used for corporate credit portfolios, the review of which is carried out similarly to that of the retail portfolio.

The structure of the internal rating system and the link between internal and external ratings

Depending on the customer type and the product the Bank uses systems that are using customer and product data to establish the rating. Where this is not available, the rating is established based on the procedure set forth in a separate policy.

The rating systems applied by the Bank have been established based on the standards valid for the Erste Holding subsidiaries and in accordance with the Hungarian regulations. The rating system of the Bank is validated by Erste Holding Validation Unit with annual frequency.

The management of the Bank is regularly notified about the validation results. If the validation process discovers deficiencies concerning rating system of the Bank, and the related processes, the Bank is required to define and implement risk mitigation measures in the relevant fields of the Risk Management of the Bank.

Ratings provided by external credit rating agencies are matched to the ratings provided by the internal rating system for each agency.

Description of the rating process

The Bank uses different rating systems for central governments and central banks, credit institutions, local governments, insurance companies, business entities, project companies, retail customers and other organizations.

When rating any customer, the Bank considers objective and quantifiable as well as subjective and non-quantifiable aspects. With reliance on the review of the portfolio, the information originating from the rating process is continuously measured against historic data.

The Bank’s IRB rating systems and its rating methods are back-tested and validated yearly, in line with regulatory requirements.

Rating of central governments or central banks

Central governments and central (or national) banks are rated on the level of Erste Holding with the use of a special rating system which is regularly reviewed. The rating has a special focus on the short-, medium- and long-term risk of foreign currency indebtedness.

The country risk is regarded to be equivalent to the risk carried by the central government, including the government itself, the central (national) bank and the institutions that are backed by the government’s joint and several suretyship. The rating is updated on a quarterly basis in order to moderate the distorting effects of the quickly changing environment. The risk model distinguishes two country types: industrial and developing (emerging) markets.

Rating of credit institutions and investment enterprises

To rate credit institutions and investment enterprises, Erste Holding uses its own, dedicatedly developed model. This rating system is an expert model based on the combination of quantitative, qualitative and country risk criteria, to the risk transfer be covered.

Rating of enterprises

When rating business companies, the Bank is required to examine capital endowment, capital structure, liquidity, profitability and debt service. In addition to the foregoing, the system for the analysis of the balance sheet calculates other indicators for assessment, as well. Beside historic figures, the Bank also considers future expectations in the course of rating. Subjective aspects reviewed on a mandatory basis: ownership structure, professional image of the management, market situation and its expected trends, composition of orders, sectoral information, evaluation of future outlooks, quality of planning.

The Bank uses a 13+R level borrower rating system for enterprises: 1 – Virtually risk-free; 2 – Minimum risk; 3 – Low risk; 4a, 4b, 4c – Risk under the average level; 5a,5b, 5c – Average risk level; 6a – 6b Risk over the average level; 7 – Exposure limit; 8 – Early warning; R1-5 – Default.

Rating of retail customers

To determine the rating of exposures within the Bank's retail portfolio, product-specific information is also used. The product-specific information, combined with the customer level scorecards, are integrated into a customer-level rating system.

The rating scale that is applied to private persons within the retail portfolio (and also presented in the capital calculation) has 8+R grades. Micro-entrepreneurial customers are rated on a scale of 13+R grades, identically to corporate customers.

Participations

The Bank rates its participations on a quarterly basis. The rating categories and provisioning rates belonging to participations are established with respect to their book values in the Bank's records and their fair (market) values. When rating a participation, it is to be considered what tendencies the business operations of the company show in comparison with the previous years, and what changes can be anticipated in the short and medium run.

The Bank is not involved in activities for the acquisition of participations for profit.

The process used to transfer the issuer and issue credit assessments onto items not included in the trading book

Issuers are rated the same way as other customers. External rating are applied on sovereign customers as an input (Moody's rating is applied) to the local model. Other clients are rated internally.

Other clients are rated internally.

Probability of default (PD)

PD estimates the probability of the customer falls in default.

For the quantitative validation of PD estimates, the Bank uses the standards determined for Erste Holding's subsidiaries.

The validation itself is executed annually by the Erste Holding Validation unit as an independent team of experts. Validation includes the backtesting of both the portfolio level PD as well as the long-term PD estimated for rating categories, and the comparison with empirical portfolio level default rates and the long term, rating-category based default rates. According to the methodology approved by the supervision authority, if the validation analysis detects an underestimation, a re-estimation is required.

Loss given default (LGD)

LGD is used to estimate the volume of a loss that is suffered by the Bank on average on a transaction having gone default, with respect to the costs associated with receivables collection and the time value of money. The absolute volume of the loss is projected to the total value of the receivables outstanding in relation to the given transaction (= exposure at default ~ EAD) at the time of the occurrence of the default event.

The Bank applies its own loss given default (LGD) estimates in the retail segment.

LGD is validated annually by the Erste Holding Validation Unit. It basically embraces the revision of pools, an overview of changes in the workout processes, the comparison of the newly available factual information with the earlier estimates and the review of the macro-correction of the estimates, and therefore it involves both quantitative and qualitative elements. If the validation backtesting proves on the basis of the actual empirical data that the estimated LGD parameters are not conservative enough, a management intervention and a re-estimation is required. The bank uses recovery data on product level in on order to estimate the LGD and this process is based on the internal database.

Credit conversion factor (CCF)

CCF shows what ratio of the offbalance limit still unutilized at the reference time is expected to be drawn down by the customer until the date of default. In the capital calculation, this amount is still to be added to the part of the offbalance limit that has already been drawn to establish the estimated value of the exposure at default (EAD).

The Bank estimates the credit conversion factor (CCF) for the revolving type products (current account overdrafts and credit cards) of the retail segment.

CCF is validated annually by Erste Holding Validation unit. It basically embraces the review of pools, an overview of changes in the relevant banking processes (e.g. current account monitoring), the comparison of the newly available factual information with the earlier estimates and the review of the necessity of the macro-correction, and therefore it involves both quantitative and qualitative elements.

Control Mechanism for Rating System

Every new IRB model developed must be reviewed prior to use by the Independent Group Validation department. Compliance with development standards and the quality of the results are assessed based on documented validation standards.

The validation procedures and methods are further detailed in Erste Group's Disclosure Report: https://www.erstegroup.com/en/investors/reports/regulatory-reports

Quantitative disclosure on credit risk

Table 46 shows the exposure, average EAD, average PDs, LGDs for the exposure classes of central governments and central banks, institutions, corporates, retail and equity by PD classes, similarly to table 48 where the EAD, average PD, average LGD and RWA is summarized for exposure classes private, corporate, double entry book keeping micros, private entrepreneurs and real estate projects by PD scale. In table 47 the weighted PDs can be seen together with the number of observations and the number of defaults.

Exposure class X =	**(A-IRB)**						
Exposure class	**PD scale**	**Exposure value**	**Exposure weighted average PD (%)**	**Number of obligors**	**Exposure weighted average LGD (%)**	**RWAE**	**Density of risk weighted exposure amount**
PRK	0.50 -< 0.75	318,793	0.59%	138,715	46.90%	125,142	39.26%
PRK	0.75 -< 2.50	362,916	1.75%	104,620	43.25%	250,905	69.14%
PRK	2.50 -< 10.00	190,583	5.99%	72,737	53.11%	221,176	116.05%
PRK	10.00 -< 100.00	50,801	33.47%	25,078	62.60%	96,659	190.27%
PRK	100.00 (non performing)	37,308	100.00%	10,781	47.07%	22,432	60.13%

Table 40: A-IRB Approach – Exposure class by PD classes (Art. 452 (g) CRR and EU CR6-B (EU) 2021/637)

Exposure class X =	(F-IRB)						
Exposure class	**PD scale**	**Exposure value**	**Exposure weighted average PD (%)**	**Number of obligors**	**Exposure weighted average LGD (%)**	**RWAE**	**Density of risk weighted exposure amount**
CORPALL	0.00 -< 0.15	109,112	0.12%	9	58.27%	48,904	44.82%
CORPALL	0.25 -< 0.50	83,305	0.35%	25	57.87%	64,880	77.88%
CORPALL	0.50 -< 0.75	68,192	0.66%	232	57.20%	53,833	78.94%
CORPALL	2.50 -< 10.00	174,310	5.27%	551	53.65%	252,438	144.82%
CORPALL	0.75 -< 2.50	195,567	1.40%	517	57.07%	219,604	112.29%
CORPALL	10.00 -< 100.00	14,144	16.60%	237	55.91%	30,950	218.82%
CORPALL	100.00 (non performing)	17,674	100.00%	52	45.00%	0	0.00%
SLIPRE	0.25 -< 0.50	20,468	0.47%	2	45.34%	12,545	61.29%
SLIPRE	0.75 -< 2.50	245,638	1.06%	40	50.31%	236,992	96.48%
SLIPRE	2.50 -< 10.00	3,073	6.29%	10	56.27%	5,203	169.30%
SLIPRE	10.00 -< 100.00	3,641	30.18%	11	58.95%	10,298	282.83%
SLIPRE	100.00 (non performing)	7,653	100.00%	18	45.00%	0	0.00%
BIL	0.75 -< 2.50	7,262	1.83%	733	50.35%	3,682	50.70%
BIL	2.50 -< 10.00	19,380	4.63%	1,471	51.55%	13,076	67.47%
BIL	10.00 -< 100.00	5,462	21.98%	361	50.34%	5,236	95.86%
BIL	100.00 (non performing)	1,904	100.00%	138	50.58%	0	0.00%
EAR	0.75 -< 2.50	1,578	1.83%	150	55.31%	1,111	70.36%
EAR	2.50 -< 10.00	4,136	4.67%	340	53.39%	4,385	106.03%
EAR	10.00 -< 100.00	4,288	17.82%	148	57.34%	8,679	202.41%
EAR	100.00 (non performing)	96	100.00%	45	52.50%	0	0.00%

Table 41: F-IRB Approach – Exposure class by PD classes (Art. 453 (g) CRR and EU CR7-A (EU) 2021/637)

Exposure class	PD	External rating equivalent	Weighted average PD	Average PD (client weigthed)	Number of obligors		Defaulted	Defaulted new obligors	Average past yearly default rate
					previous year	this year			
CORPALL	0.25 -< 0.50	NA	0.36%	0.36%	27	28	0	0	1.78%
CORPALL	0.50 -< 0.75	NA	0.66%	0.66%	253	231	0	0	0.83%
CORPALL	0.75 -< 2.50	NA	1.46%	1.50%	519	542	0	0	1.53%
CORPALL	2.50 -< 10.00	NA	5.38%	5.72%	525	567	0	0	3.60%
CORPALL	10.00 -< 100.00	NA	19.32%	18.71%	132	157	0	0	13.54%
CORPALL	100.00 (non performing)	NA	100.00%	100.00%	85	105	105	43	100.00%
EAR	0.75 -< 2.50	NA	1.83%	1.83%	159	150	0	0	1.39%
EAR	2.50 -< 10.00	NA	4.77%	4.68%	353	339	0	0	3.54%
EAR	10.00 -< 100.00	NA	16.59%	19.67%	146	145	0	0	16.52%
EAR	100.00 (non performing)	NA	100.00%	100.00%	19	46	46	32	100.00%
PRK	0.50 -< 0.75	NA	0.59%	0.59%	139,570	140,082	0	0	0.26%
PRK	0.75 -< 2.50	NA	1.71%	1.74%	110,171	110,395	0	0	0.55%
PRK	2.50 -< 10.00	NA	6.34%	6.62%	84,316	77,726	0	0	1.25%
PRK	10.00 -< 100.00	NA	30.47%	28.80%	29,999	25,062	0	0	8.64%

PRK	100.00 (non performing)	NA	100.00%	100.00%	9,515	11,134	11,134	4,757	100.00%
SLIPRE	0.25 -< 0.50	NA	0.47%	0.47%	5	2	0	0	0.00%
SLIPRE	0.75 -< 2.50	NA	1.52%	1.54%	33	33	0	0	1.44%
SLIPRE	2.50 -< 10.00	NA	7.00%	7.22%	10	9	0	0	8.24%
SLIPRE	10.00 -< 100.00	NA	25.49%	24.18%	7	5	0	0	17.92%
SLIPRE	100.00 (non performing)	NA	100.00%	100.00%	13	12	12	1	100.00%
BIL	0.75 -< 2.50	NA	1.83%	1.83%	697	731	0	0	1.01%
BIL	2.50 -< 10.00	NA	4.74%	4.80%	1,495	1,472	0	0	3.67%
BIL	10.00 -< 100.00	NA	21.21%	22.20%	289	343	0	0	29.11%
BIL	100.00 (non performing)	NA	100.00%	100.00%	201	280	280	146	100.00%

Table 42: Back-testing of PD per exposure class (Art. 452 (h) CRR and CR9 (EU) 2021/637)

Exposure class	PD	EAD post CRM	Average PD	Number of obligors	Average LGD	Average maturity	RWA	RWA density
PRK	0.50 -< 0.75	318,793	0.59%	138,715	46.90%	53	125,142	39.26%
PRK	0.75 -< 2.50	362,916	1.75%	104,620	43.25%	82	250,905	69.14%
PRK	2.50 -< 10.00	190,583	5.99%	72,737	53.11%	60	221,176	116.05%
PRK	10.00 -< 100.00	50,801	33.47%	25,078	62.60%	52	96,659	190.27%
PRK	100.00 (non performing)	37,308	100.00%	10,781	47.07%	79	22,432	60.13%
CORPALL	0.00 -< 0.15	109,112	0.12%	9	58.27%	33	48,904	44.82%
CORPALL	0.25 -< 0.50	83,305	0.35%	25	57.87%	46	64,880	77.88%
CORPALL	0.50 -< 0.75	68,192	0.66%	232	57.20%	38	53,833	78.94%
CORPALL	0.75 -< 2.50	195,567	1.40%	517	57.07%	38	219,604	112.29%
CORPALL	2.50 -< 10.00	174,310	5.27%	551	53.65%	24	252,438	144.82%
CORPALL	10.00 -< 100.00	14,144	16.60%	237	55.91%	21	30,950	218.82%
CORPALL	100.00 (non performing)	17,674	100.00%	52	45.00%	31	0	0.00%
SLIPRE	0.25 -< 0.50	20,468	0.47%	2	45.34%	83	12,545	61.29%
SLIPRE	0.75 -< 2.50	245,638	1.06%	40	50.31%	71	236,992	96.48%
SLIPRE	2.50 -< 10.00	3,073	6.29%	10	56.27%	50	5,203	169.30%
SLIPRE	10.00 -< 100.00	3,641	30.18%	11	58.95%	81	10,298	282.83%
SLIPRE	100.00 (non performing)	7,653	100.00%	18	45.00%	82	0	0.00%
BIL	0.75 -< 2.50	7,262	1.83%	733	50.35%	31	3,682	50.70%
BIL	2.50 -< 10.00	19,380	4.63%	1,471	51.55%	41	13,076	67.47%
BIL	10.00 -< 100.00	5,462	21.98%	361	50.34%	50	5,236	95.86%
BIL	100.00 (non performing)	1,904	100.00%	138	50.58%	43	0	0.00%
EAR	0.75 -< 2.50	1,578	1.83%	150	55.31%	31	1,111	70.36%
EAR	2.50 -< 10.00	4,136	4.67%	340	53.39%	59	4,385	106.03%
EAR	10.00 -< 100.00	4,288	17.82%	148	57.34%	52	8,679	202.41%
EAR	100.00 (non performing)	96	100.00%	45	52.50%	50	0	0.00%

Table 43: EU CCR4 – IRB approach – CCR exposures by portfolio and PD scale

21. Management and recognition of credit risk mitigation

Collateral management has been set up within the business area Corporate Risk, Restructuring and Workout Management in the Bank, and Group Collateral Management Policy has been implemented, it defines, among other things, group-wide uniform valuation standards for credit collateral. This policy ensures that the requirements of CRR are met as well as the standardization of the credit risk decision-making process with respect to the assets recognized as collateral.

All collateral eligible within the Group is specified in an exhaustive list in the ‘Group Collateral Catalogue’. Locally-permitted collateral is defined by Erste Bank Hungary Zrt. (in the EBH Collateral Catalogue) in accordance with the applicable national legal provisions. The valuation and revaluation of the collateral is done in accordance with the principles defined in the Group catalogue and internal work instructions grouped by class and based on local supervisory requirements.

21.1.Collateral valuation and netting

21.1.1. Valuation

The Bank aims at requesting liquid collaterals, i.e. those that can be exchanged for cash within the shortest possible time. The liquidity of the security is fundamentally influenced by its legal enforceability, as well as marketability, saleability.

The collateral value of the offered collateral can be established as the product of the so-called base value (equals the market value) and the so-called collateral multiplier (valuation rate) that is different for the various types of collaterals, and deduction with third-party encumbrances and adjustments.

To establish the value of collateral shall be determined in accordance with the principles and calculation methods set forth in the collateral management and valuation related policies.

Collateral Management establishes the applied valuation rates described in EBH Collateral Catalogue, which are based on historical recovery rates of collaterals (both in court as well as out of court realisation).

Collateral Management monitors the valuation rates at least annually and adapted to the actual collateral recovery rates calculated in line with requirements defined by Group Credit Risk Models. In doing so the results of the last years should be considered because extremely good results as well as extremely bad results of a single year have to be balanced (”through the cycle”).

The following steps are necessary for the calculation of a collateral value within the credit decision process (it has to be ensured that the results are shown in one currency; if values – e.g. base value and nominal value or prior claims – are in different currencies they have to be converted every time the calculation is performed; in COLMAN the exchange rate is at the MNB middle rate):

1) The base value (= market value) of a collateral asset has to be identified having in mind the future marketability and the lasting characteristics of the collateral asset. An appropriate timeframe for recovery also has to be taken into consideration. Therefore, the determination of the base value within the credit decision process is subject to more stringent conditions than an evaluation in general economic life. The exact regulations, on how the base value for the specific collateral types has to be determined, are part of EBH Collateral Catalogue and of the internal working instructions.

2) Application of the valuation rate: this represents the percentage of the market value at which the asset is taken into consideration.

3) Reduction of the base value (prior claims): claims that have prior ranking rights to the collateral in question, on the same collateral asset, are the prior claims. Prior claims have to be taken into consideration independent of the beneficiary of these rights (third parties or own bank). The amount of the prior claim(s) has to be deducted from the base value (multiplied by the valuation rate).

4) Nominal value ceiling: it limits the acceptable value of the collateral in case of a contractual ceiling of the title (e.g. mortgage amount). If the nominal value is not defined the whole exposure will be taken.

5) Acceptable value: represents an internal risk view on collateral, which serves to show the most probable recovery amount of the collateral in case of its liquidation. It is calculated by using the market value (base value) and multiplying it with the valuation rate and respecting reductions. The acceptable value is limited by the nominal value.

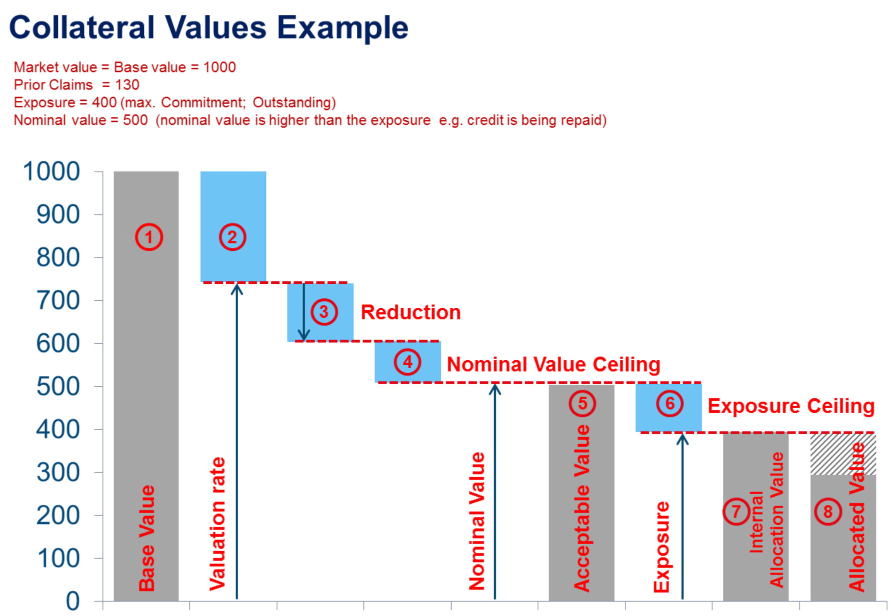
   In case of syndicated loans, the acceptable values of the collateral have to reflect the own syndication share of the participating bank.

6) Exposure ceiling: when calculating the allocated value of collateral it has to be considered that the acceptable value is capped by the “exposure”. Where by “exposure” is meant the sum of maximum of the current commitment respectively outstanding of all connected, secured loan.

7) Internal allocation value: allocation value amount equals to acceptable value capped by the exposure; it represents the maximum value of each collateral that might be allocated to the connected exposure.

8) Allocated value: this is the part of the allocation value which is assigned to a specific credit exposure and actually used for calculation of secured / unsecured exposure (the allocated value is also named “internal collateral value”.

Optional base value correction: In exceptional cases, the base value may be corrected downwards by risk management and/or collateral management. Such corrections have to be reasoned and documented in the IT system. Local collateral management has to define an exhaustive list of cases, where corrections may be applied. In such cases, the corrected base value has to be delivered for all purposes. This way of correction is optional. No other individual corrections of the values are allowed.



A collateral value in the credit process is only admissible:

- If the evaluation regulations have been met (especially the appraisal of the market value and the consideration of encumbrances).
- If all legal conditions that are necessary for the complete establishment of the collateral have been fulfilled.
- If no further activities of the borrower are necessary for the bank to assure full control of the collateral.
- If all credit and collateral agreements concluded with the borrower or with the collateral provider are legally effective and enforceable under the relevant legal regulations at the moment of the signing of the contracts.
- If the collateral is also legally effective and enforceable under the relevant legal regulations in case of an insolvency of the borrower or the collateral owner.

In case a new loan is granted these requirements have to be fulfilled before disbursement of the loan; in exceptional cases registrations of mortgages in the land register or pledges have to take place within reasonable period of time after disbursement - Collateral Management has to define the exceptional cases that are accepted locally as well as the maximum time periods. If an additional evaluation of the collateral is performed after disbursement the correct input of data into the IT system has to be ensured.

In order to determine the market value for the purposes of collateralization, all Real Estate has to be appraised according to the principles outlined within this document. These principles and valuation methods follow internationally accepted real estate valuation standards. The market value resulting from applying these principles is considered as the value which must be used for all internal purposes.

The appraised market value (= base value) serves to express prudent expectations as to value over the long term. The following steps are required in order to exclude short-term market volatility or temporary market trends:

- Assessment of the future marketability and saleability of the property – with respect to the possible necessity of a future sale at short notice – the valuator has to identify situations where current values reflect short-term demand due to market inefficiencies.
- Consideration of the normal and local market conditions: the valuator has to examine the potential impact of wider economic and social factors. It is the responsibility of the valuator to use authoritative relevant information as to local trends and sustainable values. The valuation has to be based on market data.
- Consideration of the long-term sustainable aspects of the property such as the quality of the location, construction and layout as well as construction defects. Prudent assessment of the capitalization rate specifically, taking into account long term market data and trends and excluding all short-term expectations regarding the return on investment is of great importance.
- Current use: the valuation has to be primarily based on the existing property use. A valuation based on an alternative use is only possible if there are special proven circumstances. Essentially speculative or transient uses are excluded.
- Elimination of speculative elements: current market phenomena, which are not sustainable, have to be identified explicitly.
- The income stream of the property used in the valuation should be no more than the sustainable net rental income that the type of property produces over the time in the specific local market, excluding any unusual or extraordinary cash flows. The sustainable yield has to be assessed based on a judgment of the past and current long-term market trends and not taking any uncertain elements of possible future growth into account.
- Clear and transparent documentation: the valuation methods should be adopted and expressed clearly either in the valuation principles or in the particular valuator's report. All parameters and assumptions relevant for the valuation must be documented in detail.

In general, the accepted methods for valuating RE can be broken down into three groups:

- Market methods which calculate the value of the property by comparing historical transaction prices of comparable properties (Comparative Method).

- Income methods are typically used for income producing properties. The Capitalization Method and the Discounted Cash Flow Method (DCF) are considered acceptable.
- Cost methods which take into consideration necessary costs related to the construction, renovation or modification of the property. These include the Depreciated Replacement Cost Method (DRC) and the Residual Value Method.

Depending on the nature of property, the following valuation methods have to be applied mandatorily:

Type/Nature of property	Valuation method*
Undeveloped land	Comparative method
	Residual Value method
Residential real estate	
Apartments (flats)/ terraced and detached houses	Comparative method
Houses with less than three units	Comparative method (preferred)
	Cost method
Commercial and industrial real estate	
Residential properties with three or more units (also owner-occupied)	Income method
Income producing rented properties with stable income (e.g. office, retail, logistics)	Capitalization method
Income producing properties with an expected fluctuating income (e.g. hotels, offices, garages, storages)	DCF method
Owner occupied properties	Income method (Capitalization Method, based on potential income)
Land owned by developers (qualified assets) with the plan to realize a project	Residual Value method
Special Properties	Income method (preferred)
	Cost method (to be avoided)
	Comparative method
Agricultural and forestry real estate	Cost method
	Comparative method
	Income method

** The application of the listed valuation methods is mandatory - valuator has to choose best fitting method if more than one method is applicable and justify the choice of the method.*
If the usage of the property is multiple the allocation to a collateral type has to follow the definitions of the EBH Collateral Catalogue. In such cases, land register and cadaster excerpts respectively operating permits and licenses shall be used as supporting documents.

In each case, the appraisal of properties and movables must be prepared with the company or external expert accepted by the Bank and holding professional license and references, or internal experts, at the cost of the borrower. The relevant order of procedure is included in the regulation on the use of appraisers. In the case of the appraisal of properties, EBH supervises the payment of the costs of the appraisal in line with the collateral management rules.

In these cases, the current value (it can be established during the decision-making and the review) of the property serving as the subject of the development, the current amount of actual development costs have to be recorded, checked and managed in accordance with the policies as collateral value has to be calculated from this.

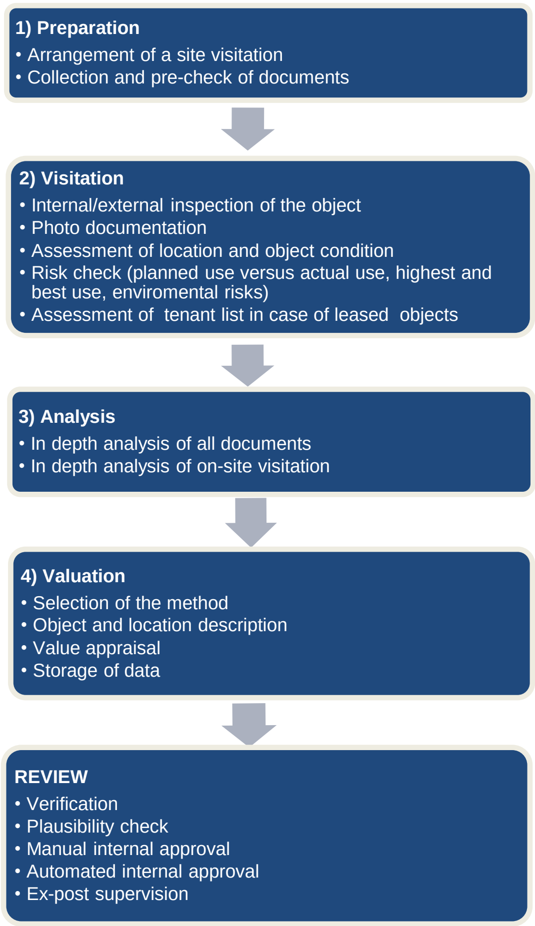
No person performing the valuation of collateral may be involved in the associated decision on risk assumption.

Changes in the value of the collaterals are continuously monitored by the Bank until the expiry of the transaction.

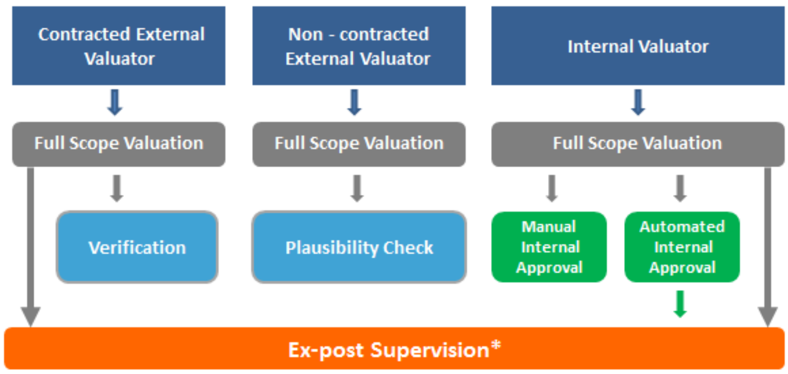
Only valuations that uphold the defined standards will be considered valid and their values accepted. A Full Scope Valuation takes all relevant factors for a comprehensive market value assessment of a property into account, including an on-site visitation, all relevant property related information, market data and a consistent appraisal. Certain minimum standards are required in order for the valuation to be accepted and local valuation units are responsible for compliance with this process.

The real estate evaluations need to be carried out by internal or external valuators who possess sufficient knowledge, experience, skills and qualifications.

The valuation process comprises of four main steps, additionally a review is to be performed after each valuation. It can be pictured as follows:



Depending on the type of valuator who carries out the valuation several kinds of checks may be done:



21.1.2. The acceptability and main types of recognized collaterals

Detailed rules are set forth in the prevailing collateral management policies; EBH guidelines are in line with the requirements of EU and Hungarian law

According to the relevant regulations on credit risk management and capital requirement for credit risk, collaterals can be regarded as items decreasing the capital requirement only if

- they are legally valid, and can be enforced on a reasonable time scale (the contracts are appropriate, e.g. the mortgage has been registered, the contract has been notarized, etc.);
- their valuation is appropriate, the collateral values are well maintained (their market values are properly supported – e.g. determined by independent value appraisers –, and regularly monitored);
- on the level of the transactions, the related record-keeping and associated processes ensure the provision of comprehensive and up-to-date information to capital calculation ("flagging");
- property collaterals are covered with valid property insurance.

In terms of the foregoing, the scope of recognized collaterals – that can be considered to act as capital-decreasing items – extend to

- financial securities (cash security deposits, deeds of deposit, governmental securities, certain other securities, etc.);
- properties (with the exception of social buildings of reduced marketability, special industrial properties and property projects);
- governmental, banking and certain other guarantee undertakings.

When the above conditions are met defined by internal regulations, and these specific types of collaterals are available, the Bank takes the accepted securities into account in the calculation of the capital requirements as means of mitigating credit risks.

21.1.3. Discussion of policies for securing collateral and establishing credit reserves

All the assets offered as collaterals shall be covered with proper property insurance if it is possible in the Hungarian insurance practices. (At the present, e.g. agricultural lands are not a form of properties that can be insured, and therefore are exceptions to this rule.) Directly before disbursement at the latest, the customer shall be in possession of an insurance quotation issued by a Hungarian insurance company (or insurance contracts or policy) wherein the Bank is defined as the beneficiary.

When an eligible collateral is established, the Bank shall be provided with such a document connected with the insurance contract of the collateral real-estate property or moveable property that authorizes the Bank to receive the amount of the insurance upon the occurrence of any damage incident. Pursuant to the provisions of the CRR, the Bank has a procedure to monitor whether the real-estate property or moveable property deemed to be eligible to serve as a credit risk collateral is properly insured against damage incidents.

If directly before disbursement only the quotation is submitted, the insurance-related contract, bond, as well as the deed relating to the assignment of the insurance amount to the Bank or the establishment of the mortgage right shall be presented to the Bank within 30 days following the conclusion of the loan agreement. For the event of any failure to conclude the insurance-related contract, the agreement made in relation to the commitment undertaken shall provide for the Bank's right of immediate cancellation. Of the presented documents, copies shall be made for the Bank. The insurance contract shall be concluded and assigned to the Bank even if the property is not owned by the borrower, but a third person (real debtor).

The usability of the insurance amount pledged to the Bank is limited, as the insurance amount would be used only on to restore the damage event.

The customer shall confirm the timely payment of the insurance fee to the Bank. Towards this end, the customer may be obliged to transfer the insurance fee from its account held with the Bank, or provide the Bank with the copy of the accounting record that confirms the payment within 5 days following each payment. The standard contract templates of EBH the customer grants authority to EBH collection rights on the accounts at EBH to the insurance fee.

The insurance contracts concluded in respect of the securities and the assignment of the same to the Bank or the establishment of a lien and the payment of the insurance premium must be continuously checked in each case. This is regulated in the monitoring regulations.

In the case of motor vehicle financing, an insurance (“Casco”) providing appropriate coverage against a loss event is necessary, if the insurance is prescribed in the product description.

For each transaction in the EBH loan portfolio where it was provided for as a conditions the existence and contractual maintenance of insurances must be verified during the entire term of the transaction. Depending on the outcome of the monitoring activity contractual performance must be sought, as well as the maintenance and restitution of the original state. The payment of insurance premiums must be verified, as well as the existence of the appropriate clause.

For corporate loan transactions, this activity must be carried out on the basis of the data received from the insurance partners with the involvement of the partners contracted with EBH for the completion of the task, in a separate framework agreement. The contracted partners request information on the status of the insurances from the insurance partners in accordance with the framework contract, on the basis of the authorization letters signed by customers. Insurance data must be kept in a register broken down by customer and collateral.

in HUF mn	Unsecured carrying amount	Secured carrying amount			
			Of which secured by collateral	Of which secured by financial guarantees	
					Of which secured by credit derivatives
Loans and advances	1,297,534	1,370,822	1,037,065	333,756	0
Debt securities	1,041,256	345,508	0	345,508	0
Total	**2,338,790**	**1,716,329**	**1,037,065**	**679,264**	**0**
Of which non-performing exposures	9,293	24,501	20,469	4,032	0
Of which defaulted	9,293	24,501	20,469	4,032	0

Table 44: Overview of CRM techniques (Art. 453 (f) CRR and EU CR3 (EU) 2021/637)

in HUF mn	Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWAs density	
Exposure classes	On-balance-sheet exposures	Off-balance-sheet exposures	On-balance-sheet exposures	Off-balance-sheet amount	RWEA	RWEA density (%)
Central governments or central banks	1,067,826	0	1,709,822	341	153	0.01%
Regional government or local authorities	6,155	2,246	1,205	0	241	20.00%
Public sector entities	547	39	534	0	6	1.08%
Multilateral development banks	0	0	7,123	38	0	0.00%
International organisations	0	0	0	0	0	
Institutions	19,690	0	19,690	0	3,938	20.00%
Corporates	54,894	74,034	49,825	15,361	57,099	87.59%
Retail	240,729	13,609	24,468	59	15,094	61.54%
Secured by mortgages on immovable property	10,281	150	10,281	22	3,715	36.06%
Exposures in default	2,796	5	978	0	1,160	118.70%
Exposures associated with particularly high risk	0	0	0	0	0	
Covered bonds	2,513	0	2,513	0	503	20.00%
Institutions and corporates with a short-term credit assessment	0	0	0	0	0	
Collective investment undertakings	0	0	0	0	0	
Equity	2,816	0	2,816	0	2,816	100.00%

Other items	20,928	0	20,928	0	20,635	98.60%
TOTAL	**1,429,175**	**90,083**	**1,850,184**	**15,821**	**105,360**	**5.65%**

Table 45: Standardised approach – Regulatory exposure by exposure classes and CRM effects (Art. 453 (g) (h) (i) and 444 (e) CRR and in line with the EU CR4 (EU) 2021/637)

As the bank does not have credit derivatives, template EU CR7 – Effect on the RWAs of credit derivatives used as CRM techniques is not applicable.

22. Use of the AMA to operational risk (Art. 454.)

The Banks capital requirement based on Advanced Measurement Approach is calculated by Erste Holding, and allocated to Erste Bank Hungary and other Erste Group subsidiaries with an allocation key. Erste Group uses the Loss Distribution Approach (LDA) for modelling OpRisk. The loss events and the results of the Scenario analysis are provided by Subsidiaries of Erste Group. For determining loss key two factors are taken into consideration, the size indicators of the Bank and the proportion of loss data the given Subsidiary has. From 2011 the Bank uses Insurance factor for calculating the capital as a risk mitigation tool and for capital requirement reduction.

Capital requirement of EBH calculated with AMA in Q4 2021 was 42 791 703 493 HUF.

23. Use of Internal Market Risk Models (Art. 455.)

Risks are calculated with the standard method (Art. 329 (3), 352 (6), 358 (4) CRR) at Erste Bank Hungary Zrt., no internal model is used at the Bank (Art. 455).

Annex – Bank solo view

In HUF million	Total unweighted value (average)				Total weighted value (average)			
Quarter ending on (DD Month YYY)	31.12.2021	30.09.2021	30.06.2021	31.03.2021	31.12.2021	30.09.2021	30.06.2021	31.03.2021
Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
HIGH-QUALITY LIQUID ASSETS								
Total high-quality liquid assets (HQLA), after application of haircuts in line with Article 9 of regulation (EU) 2015/61					1,062,522	872,641	979,746	1,043,948
CASH - OUTFLOWS								
Retail deposits and deposits from small business customers, of which:	1,641,140	1,460,130	1,417,359	1,364,928	121,651	108,501	103,690	99,537
Stable deposits	815,571	706,538	716,257	684,639	40,779	35,327	35,813	34,232
Less stable deposits	825,569	753,591	701,102	680,289	80,873	73,174	67,878	65,306
Unsecured wholesale funding	1,350,311	1,272,733	1,254,232	1,395,142	719,943	728,095	720,470	882,997
Operational deposits (all counterparties) and deposits in networks of cooperative banks	194,595	164,206	146,639	132,722	48,431	40,800	36,447	32,958
Non-operational deposits (all counterparties)	1,155,716	1,108,527	1,107,593	1,262,420	671,512	687,295	684,023	850,040
Unsecured debt	0	0	0	0	0	0	0	0
Secured wholesale funding					0	0	0	0
Additional requirements	1,250,828	311,256	674,946	325,434	1,250,828	311,256	674,946	325,434
Outflows related to derivative exposures and other collateral requirements	1,250,828	311,256	674,946	325,434	1,250,828	311,256	674,946	325,434
Outflows related to loss of funding on debt products	0	0	0	0	0	0	0	0
Credit and liquidity facilities	281,716	283,870	281,791	235,285	42,343	43,557	43,093	37,042
Other contractual funding obligations	289,523	226,404	262,756	202,526	36,208	29,623	39,542	18,396
Other contingent funding obligations	34,308	7,999	5,278	5,186	29,052	2,743	22	0
TOTAL CASH OUTFLOWS					2,200,025	1,223,776	1,581,763	1,363,407
CASH - INFLOWS								
Secured lending (e.g. reverse repos)	34,006	0	30,601	0	0	0	0	0
Inflows from fully performing exposures	578,235	690,017	561,269	518,347	563,586	683,442	557,438	508,708
Other cash inflows	1,211,502	252,535	611,796	243,515	1,211,502	252,535	611,796	243,515
(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					0	0	0	0
(Excess inflows from a related specialised credit institution)					0	0	0	0
TOTAL CASH INFLOWS	1,823,742	942,552	1,203,665	761,862	1,775,087	935,977	1,169,234	752,223
Fully exempt inflows	0	0	0	0	0	0	0	0
Inflows subject to 90% cap	0	0	0	0	0	0	0	0
Inflows subject to 75% cap	1,823,742	942,552	1,203,665	761,862	1,775,087	935,977	1,169,234	752,223
TOTAL ADJUSTED VALUE								
LIQUIDITY BUFFER					1,062,522	872,641	979,746	1,043,948

TOTAL NET CASH OUTFLOWS		**550,006**	**305,944**	**412,529**	**611,184**
LIQUIDITY COVERAGE RATIO		**193%**	**285%**	**237%**	**171%**

Table 46: Quantitative information on LCR (values are calculated as averages of month-end observations over the number of data points as outlined in the table) (Art. 451a (2) CRR Temlate EU LIQ1 (EU) 2021/637)

	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items				
			Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
Cash and cash balances	131,256	131,256	131,256	0	0	0	0
Financial assets held for trading: Derivatives	55,134	55,134	0	55,134	0	40,759	0
Financial assets held for trading:Other financial assets held for trading	15,272	15,272	0	0	0	15,272	0
Non-trading financial assets at fair value through profit or loss: Debt securities	1,206	1,206	1,206	0	0	0	0
Non-trading financial assets at fair value through profit or loss: Equity instruments	1,611	1,611	1,611	0	0	0	0
Non-trading financial assets at fair value through profit or loss: Loans and advances to customers	270,896	270,896	270,896	0	0	0	0
Financial assets at fair value through other comprehensive income: Debt securities	118,748	118,748	118,748	0	0	0	0
Financial assets at fair value through other comprehensive income: Equity instruments	0	0	0	0	0	0	0
Financial assets at amortised cost: Debt securities	1,161,993	1,161,993	1,161,993	0	0	0	0
Financial assets at amortised cost: Loans and advances to banks	702,575	702,575	142,451	49,375	0	510,749	0
Financial assets at amortised cost: Loans and advances to customers	1,524,369	1,524,369	1,524,369	0	0	0	0
Finance lease receivables	35,103	35,103	35,103	0	0	0	0
Property and equipment	28,667	28,667	28,667	0	0	0	0
Investment property	203	203	203	0	0	0	0
Intangible assets	28,860	28,860	0	0	0	0	28,860
Investments in joint ventures and associates	55,431	55,431	55,431	0	0	0	0
Current tax assets	0	0	0	0	0	0	0
Deferred tax assets	2,246	2,246	2,246	0	0	0	0
Assets held for sale	0	0	0	0	0	0	0
Trade and other receivables	16,453	16,453	16,453	0	0	0	0
Other assets	28,175	28,175	28,175	0	0	0	0
TOTAL ASSETS	**4,178,200**	**4,178,200**	**3,518,810**	**104,509**	**0**	**566,780**	**28,860**
Financial liabilities held for trading: Derivatives	-40,158	-40,158	0	-40,158	0	-34,868	0
Financial liabilities held for trading: Other financial liabilities	0	0	0	0	0	0	0
Financial liabilities designated at fair value through profit or loss: Debt securities issued	0	0	0	0	0	0	0
Financial liabilities measured at amortised cost: Debt securities issued	-4,270	-4,270	0	0	0	0	-4,270
Financial liabilities measured at amortised cost: Deposits from banks	-600,118	-600,118	0	-7,186	0	0	-592,932
Financial liabilities measured at amortised cost: Deposits from customers	-3,034,900	-3,034,900	0	0	0	0	-3,034,900
Financial liabilities measured at amortised cost: Other financial liabilities	-4,596	-4,596	0	0	0	0	-4,596
Finance lease liabilities	-20,860	-20,860	0	0	0	0	-20,860
Provisions	-8,328	-8,328	0	0	0	0	-8,328
Current tax liabilities	-2,047	-2,047	0	0	0	0	-2,047
Deferred tax liabilities	0	0	0	0	0	0	0
Other liabilities	-29,736	-29,736	0	0	0	0	-29,736
TOTAL LIABILITIES	**-3,745,014**	**-3,745,014**	**0**	**-47,344**	**0**	**-34,868**	**-3,697,670**
Total equity: Equity attributable to owners of the parent	**-433,186**	**-433,186**	**0**	**0**	**0**	**0**	**-433,186**

Table 47: Differences between accounting and regulatory scope of consolidation of assets and mapping with regulatory risk categories (EU LI1- (EU) 2021/637)

	Total	Items subject to			
		Credit risk framework	Counterparty credit risk framework	Securitisation framework	Market risk framework
Asset carrying value amount under scope of regulatory consolidation (as per template LI1)	**4,178,200**	**3,518,810**	**104,509**	**0**	**566,780**
Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)	**3,745,014**	**0**	**47,344**	**0**	**34,868**
Total net amount under regulatory scope of consolidation	**4,225,544**	**3,518,810**	**151,853**	**0**	**601,648**
Off-balance sheet amounts	**470,062**	**191,152**	**0**	**0**	
Effect of CCF to off-balance	-278,910	0	0	0	
Differences in valuations	30,193	50,268	-20,075	0	
differences due to derivatives	-20,356	0	-20,356	0	
Differences due to consideration of provisions for on-balance exposure	66,449	61,287	0	0	
Provisions for on-balance exposure in STA	-5,162	0	0	0	
Other	-10,738	-11,019	281	0	
Exposure amounts considered for regulatory purposes	**4,446,889**	**3,760,230**	**131,778**	**0**	**601,648**

Table 48: Main sources of differences between regulatory exposure amount and carrying value amount in financial statements (EU LI2- (EU) 2021/637)

in HUF million	Gross carrying amount		Maximum amount of the guarantee that can be considered	Gross carrying amount
		of which: forborne	Public guarantees received	Inflows to non-performing exposures
Newly originated loans and advances subject to public guarantee schemes	42,714	0	34,799	38
of which: Households	720			2
of which: Collateralised by residential immovable property	0			0
of which: Non-financial corporations	41,994	0	34,153	36
of which: Small and Medium-sized Enterprises	40,432			36
of which: Collateralised by commercial immovable property	8,823			0

Table 49: Information on newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to COVID-19 crisis (Template 3 EBA/GL/2020/07)

	Number of obligors	Gross carrying amount							
			Of which: legislative moratoria	Of which: expired	Residual maturity of moratoria				
					<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year
Loans and advances for which moratorium was offered	83,146	459,334							
Loans and advances subject to moratorium (granted)	83,146	459,334	459,334	459,334	-	-	-	-	-
of which: Households		0	345,258	345,258	-	0	-	0	-
of which: Collateralised by residential immovable property		0	171,835	171,835	-	0	-	0	-
of which: Non-financial corporations		0	110,321	110,321	-	0	-	0	-
of which: Small and Medium-sized Enterprises		0	74,161	74,161	-	0	-	0	-
of which: Collateralised by commercial immovable property		0	73,506	73,506	-	0	-	0	-

Table 50: Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of moratoria (Template 2 EBA/GL/2020/07)

In HUF Million	Risk weighted exposure amounts (RWEAs)		Total own funds requirements
	2021.12.31	2020.12.31	31.12.2021
Credit risk (excluding CCR)	**1,569,590**	**1,477,451**	**125,567**
Of which the standardised approach	198,217	206,915	15,857
Of which the foundation IRB (FIRB) approach	655,059	602,108	52,405
Of which: slotting approach	716,314	668,427	57,305
Of which: equities under the simple riskweighted approach	0	0	0
Of which the advanced IRB (AIRB) approach	37,374	9,374	2,990
Counterparty credit risk - CCR	26,361	9,374	2,109
Of which the standardised approach	0	0	0
Of which internal model method (IMM)	0	0	0
Of which exposures to a CCP	0	0	0
Of which credit valuation adjustment - CVA	0	0	0
Of which other CCR	11,012	6,783	881
Settlement risk	0	0	0
Securitisation exposures in the non-trading book (after the cap)	0	0	0
Of which SEC-IRBA approach	0	0	0
Of which SEC-ERBA (including IAA)	0	0	0
Of which SEC-SA approach	0	0	0
Of which 1250%/ deduction	0	0	0
Position, foreign exchange and commodities risks (Market risk)	4,900	28,602	392
Of which the standardised approach	4,900	28,602	392
Of which IMA	0	0	0
Large exposures	0	0	0
Operational risk	534,896	519,977	42,792
Of which basic indicator approach	0	0	0
Of which standardised approach	0	0	0
Of which advanced measurement approach	534,896	519,977	42,792
Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)	0	0	0
Total	2,146,760	2,035,404	171,741

Table 51: Overview of risk weighted exposure amounts (CRR Art. 438 (d) Template EU OV1- (EU) 2021/637)

Specialised lending : Project finance (Slotting approach)							
Regulatory categories	**Remaining maturity**	**On-balancesheet exposure**	**Off-balancesheet exposure**	**Risk weight**	**Exposure value**	**Risk weighted exposure amount**	**Expected loss amount**
Category 1	Less than 2.5 years	40,311	542	50%	40,854	17,475	0
	Equal to or more than 2.5 years	201,310	21,186	70%	222,496	138,087	890
Category 2	Less than 2.5 years	0	0	70%	0	0	0
	Equal to or more than 2.5 years	4,666	0	90%	4,666	3,378	37
Category 3	Less than 2.5 years	0	0	115%	0	0	0
	Equal to or more than 2.5 years	685	0	115%	685	600	19
Category 4	Less than 2.5 years	0	0	250%	0	0	0
	Equal to or more than 2.5 years	3,495	0	250%	3,495	7,204	280
Category 5	Less than 2.5 years	0	0	-	0	0	0
	Equal to or more than 2.5 years	7,649	0	-	7,649	0	3,824
Total	**Less than 2.5 years**	**40,311**	**542**		**40,854**	**17,475**	**0**
	Equal to or more than 2.5 years	**217,805**	**21,186**		**238,991**	**149,269**	**5,050**
Equity exposures under the simple risk-weighted approach							
Categories		**On-balancesheet exposure**	**Off-balancesheet exposure**	**Risk weight**	**Exposure value**	**Risk weighted exposure amount**	**Expected loss amount**
Private equity exposures		0	0	190%	0	0	0
Exchange-traded equity exposures		0	0	290%	0	0	0
Other equity exposures		0	0	370%	0	0	0
Total		**0**	**0**		**0**	**0**	**0**

Table 52: Specialised lending and equity exposures under the simple riskweighted approach (CRR Ert. 438 (e) & EU CR10 (EU) 2021/637)

in HUF mn Exposure classes	Risk weighted exposure amount
Risk weighted exposure amount as at the end of the previous reporting period	**1,255,991**
Asset size (+/-)	357,228
Asset quality (+/-)	-246,980
Model updates (+/-)	0
Methodology and policy (+/-)	0
Acquisitions and disposals (+/-)	0
Foreign exchange movements (+/-)	5,134
Other (+/-)	0
Risk weighted exposure amount as at the end of the reporting period	**1,371,373**

Table 53: RWEA flow statements of credit risk exposures under the IRB approach (CRR Art. 438 (h) & EU CR8 (EU) 2021/637)

in HUF mn	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
EU - Original Exposure Method (for derivatives)	-	-		1.4	-	-	-	-
EU - Simplified SA-CCR (for derivatives)	-	-		1.4	-	-	-	-
SA-CCR (for derivatives)	29,483	24,043		1.4	-	-	74,936	26,125
IMM (for derivatives and SFTs)			-	1.4	-	-	-	-
Of which securities financing transactions netting sets			-		-	-	-	-
Of which derivatives and long settlement transactions netting sets			-		-	-	-	-
Of which from contractual cross-product netting sets			-		-	-	-	-
Financial collateral simple method (for SFTs)					-	-	-	-
Financial collateral comprehensive method (for SFTs)					-	-	56,842	237
VaR for SFTs					-	-	-	-
Total					**-**	**-**	**131,778**	**26,361**

Table 54: Analysis of CCR exposure by approach (Art. 436 (f) (g) (k) CRR and EU CCR1 (EU) 2021/637)

in HUF mn	Exposure value	RWEA
Total transactions subject to the Advanced method	-	-
(i) VaR component (including the 3× multiplier)		-
(ii) stressed VaR component (including the 3× multiplier)		-
Transactions subject to the Standardised method	25,516	11,012
Transactions subject to the Alternative approach (Based on the Original Exposure Method)	-	-
Total transactions subject to own funds requirements for CVA risk	25,516	11,012

Table 55: Analysis of CCR CVA Capital Charge (Art. 439 (h) CRR and EU CCR2 (EU) 2021/637)

in HUF million	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	
	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated
Cash – domestic currency	-	446	-	-	-	-	-	-
Cash – other currencies	-	1,063	-	10,086	-	-	-	7,186
Domestic sovereign debt	-	4,313	-	-	-	-	-	-
Other sovereign debt	-	-	-	-	-	-	-	-
Government agency debt	-	-	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-	-	-

Equity securities	-	-	-	-	-	-	-	-
Other collateral	-	-	-	-	-	49,413	-	-
Total	**-**	**5,822**	**-**	**10,086**	**-**	**49,413**	**-**	**7,186**

Table 56: Composition of collateral for exposures to CCR (Art. 439 (e) CRR and EU CCR5 (EU) 2021/637)

	General credit exposures		Relevant credit exposures – Market risk		Securitisation exposures Exposure value for non-trading book	Total exposure value	Own fund requirements				Risk-weighted exposure amounts	Own fund req. weights	CCyB rate
In HUF million	Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures 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		(%)	(%)
Czech Republic	0	0	0	0	0	0	0	0	0	0	0	0.00000003	0.50%
Slovakia	0	127	0	0	0	127	12	0	0	12	155	0.00010057	1.00%

Table 57: Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer (CRR Art. 440 (a) CRR and EU CCyB1 (EU) 2021/637)

	Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collaterals 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
in HUF million		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			
Cash balances at central banks and other demand deposits	**108,389**	**108,389**	**0**	**0**	**0**	**0**	**-25**	**-25**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Loans and Advances	**2,544,127**	**1,952,051**	**311,128**	**71,694**	**0**	**56,742**	**-28,500**	**-6,086**	**-22,368**	**-37,923**	**0**	**-30,889**	**0**	**1,339,237**	**24,481**
Central banks	512,807	512,807	0	0	0	0	-72	-72	0	0	0	0	0	0	0
General governments	17,588	6,243	11,290	8	0	0	-19	-1	-18	-3	0	0	0	5,296	0
Credit institutions	189,983	189,983	0	0	0	0	-142	-142	0	0	0	0	0	104,371	0
Other financial corporations	80,025	79,935	90	19	0	19	-329	-323	-6	-15	0	-15	0	49,734	4
Non-financial corporations	673,662	530,056	139,642	32,238	0	26,752	-8,104	-2,627	-5,477	-15,317	0	-13,583	0	392,472	13,478
of which SMEs	406,121	315,303	86,854	18,943	0	16,623	-4,669	-1,686	-2,983	-8,919	0	-8,461	0	308,187	8,028
Households	1,070,062	633,028	160,105	39,428	0	29,971	-19,834	-2,921	-16,867	-22,588	0	-17,291	0	787,364	10,998
Debt securities	**1,302,118**	**1,283,556**	**2,084**	**0**	**0**	**0**	**-880**	**-855**	**-25**	**0**	**0**	**0**	**0**	**356,036**	**0**
Central banks	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
General governments	885,800	881,557	0	0	0	0	-228	-228	0	0	0	0	0	8,010	0
Credit institutions	349,755	338,726	0	0	0	0	-454	-454	0	0	0	0	0	348,026	0
Other financial corporations	1,206	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Non-financial corporations	65,357	63,274	2,084	0	0	0	-197	-172	-25	0	0	0	0	0	0
Off-balance-sheet exposures	**570,037**	**477,988**	**28,880**	**2,134**	**0**	**1,186**	**-5,136**	**-1,758**	**-1,458**	**-721**	**0**	**-389**		**83,321**	**839**
Central banks	0	0	0	0	0	0	0	0	0	0	0	0		0	0
General governments	2,520	1,217	1,102	0	0	0	-54	0	-26	0	0	0		177	0
Credit institutions	40,908	39,050	0	0	0	0	-18	-16	0	0	0	0		1,856	0

Other financial corporations	96,110	83,289	326	0	0	0	-166	-155	-2	0	0	0		321	0
Non-financial corporations	310,050	240,331	21,435	1,510	0	620	-3,792	-1,225	-705	-420	0	-125		78,572	837
Households	120,449	114,100	6,016	624	0	567	-1,105	-361	-724	-301	0	-264		2,396	2
Total	**4,416,281**	**3,713,595**	**342,091**	**73,828**	**0**	**57,928**	**-34,516**	**-8,698**	**-23,851**	**-38,644**	**0**	**-31,278**	**0**	**1,778,595**	**25,320**

Table 58: Credit Risk – Gross credit risk exposure/nominal value, credit risk adjustments, accumulated write-offs and collateral my balance sheet classes (Art. 442 (c) (f) CRR and in line with EU CR1 (EU) 2021/637)

in HUF mn	Gross carrying/Nominal amount	of which: non-performing	of which: defaulted	of which: subject to impairment	Accumulated impairment	Provisions on off-balance sheet commitments and financial guarantee given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
On balance sheet exposures	**4,026,326**	**71,694**	**71,694**	**3,738,140**	**-66,516**		**-812**
Core Market - Austria	58,253	1	1	58,242	-28		0
Core Market - Croatia	1	0	0	1	-1		0
Core Market - Czech Republic	31	0	0	31	-1		0
Core Market - Hungary	3,963,403	71,654	71,654	3,676,439	-66,329		-812
Core Market - Romania	310	2	2	309	-7		0
Core Market - Serbia	4	0	0	4	-2		0
Core Market - Slovakia	75	5	5	75	-5		0
Emerging Markets	101	4	4	101	-28		0
Other EU including Slovenia	1,243	9	9	1,243	-65		0
Other Industrialised Countries	2,906	20	20	1,695	-50		0
Off balance sheet exposures	**572,171**	**2,134**	**2,134**			**-5,856**	
Core Market - Austria	158	0	0			-1	
Core Market - Croatia	0	0	0			0	
Core Market - Czech Republic	1,220	0	0			-7	
Core Market - Hungary	569,809	2,126	2,126			-5,841	
Core Market - Romania	18	2	2			-1	
Core Market - Serbia	2	0	0			0	
Core Market - Slovakia	22	0	0			0	
Emerging Markets	114	4	4			-4	
Other EU including Slovenia	404	0	0			-1	
Other Industrialised Countries	423	3	3			-1	
Total	**4,598,497**	**73,828**	**73,828**	**3,738,140**	**-66,516**	**-5,856**	**-812**

Table 59: Credit quality of exposures by geography (Art. 442 (c) and (e) CRR and EU CQ4 (EU) 2021/637)

in HUF mn	Gross carrying amount	of which: non-performing	of which: defaulted	of which: loans and advances subject to impairment	Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
Agriculture, forestry and fishing	52,740	730	730	52,738	-879	0
Mining and quarrying	470	0	0	470	-3	0
Manufacturing	176,812	7,868	7,868	176,811	-5,362	0
Electricity, gas, steam and air conditioning supply	19,416	8	8	19,416	-121	0
Water supply	2,802	95	95	2,802	-112	0
Construction	17,760	417	417	17,760	-460	0
Wholesale and retail trade	90,375	2,096	2,096	90,369	-2,074	0
Transport and storage	33,876	9,236	9,236	33,876	-5,404	0
Accommodation and food service activities	17,791	4,689	4,689	17,790	-3,043	0
Information and communication	2,688	122	122	2,688	-95	0
Real estate activities	43,149	647	647	43,149	-352	0
Financial and insurance actvities	198,685	4,303	4,303	198,625	-3,050	-45
Professional, scientific and technical activities	35,162	120	120	35,162	-973	0

Administrative and support service activities	10,829	1,709	1,709	10,829	-1,328	0
Public administration and defense, compulsory social security	47	0	0	47	-2	0
Education	373	2	2	373	-5	0
Human health services and social work activities	1,134	2	2	1,125	-11	0
Arts, entertainment and recreation	869	179	179	869	-79	0
Other services	924	18	18	924	-22	0
Total	**705,900**	**32,238**	**32,238**	**705,822**	**-23,375**	**-45**

Table 60: Credit quality of loans and advances to non-financial corporations by industries (Art. 442 (c) (d) CRR and EU CQ5 (EU) 2021/637)

	Gross carrying amount/ Nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collaterals received and financial guarantees received on forborne exposures	
	Performing forborne	Non-performing forborne			On performing forborne exposures	On non-performing forborne exposures		Of which: Collateral and financial guarantees received on non-performing exposures with forbearance measures
			Of which defaulted	Of which impaired				
Cash balances at central banks and other demand deposits	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Loans and advances	**47,639**	**47,860**	**47,860**	**46,348**	**-2,762**	**-21,747**	**49,474**	**18,775**
Central banks	0	0	0	0	0	0	0	0
General governments	0	0	0	0	0	0	0	0
Credit institutions	0	0	0	0	0	0	0	0
Other financial corporations	0	18	18	18	0	-14	4	4
Non-financial corporations	7,000	25,048	25,048	24,988	-173	-11,410	16,151	10,650
Households	40,639	22,794	22,794	21,342	-2,589	-10,322	33,319	8,121
Debt Securities	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Loan commitments given	**421**	**181**	**181**	**181**	**-14**	**-52**	**295**	**63**
Total	**48,060**	**48,041**	**48,041**	**46,528**	**-2,776**	**-21,799**	**49,769**	**18,838**

Table 61: Credit quality of forborne exposures (Art. 442 (c) CRR & EU CQ1 (EU) 2021/637)

	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 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 year <= 5 years	Past due > 5 year <= 7 years	Past due > 7 years	Of which defaulted
Cash balances at central banks and other demand deposits	**108,389**	**108,389**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Loans and advances	**2,544,127**	**2,532,096**	**12,031**	**71,694**	**57,796**	**2,455**	**1,565**	**872**	**4,284**	**1,208**	**3,512**	**71,694**
Central banks	512,807	512,807	0	0	0	0	0	0	0	0	0	0
General governments	17,588	17,588	0	8	0	0	0	0	8	0	0	8
Credit institutions	189,983	189,983	0	0	0	0	0	0	0	0	0	0
Other financial corporations	80,025	80,024	1	19	18	0	0	0	0	1	0	19
Non-financial corporations	673,662	672,602	1,060	32,238	30,711	323	220	154	730	12	87	32,238
Of which SMEs	406,121	405,083	1,038	18,943	17,441	318	219	151	725	9	81	18,943
Households	1,070,062	1,059,092	10,970	39,428	27,066	2,132	1,345	718	3,545	1,196	3,425	39,428
Debt Securities	**1,302,118**	**1,302,118**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Central banks	0	0	0	0	0	0	0	0	0	0	0	0
General governments	885,800	885,800	0	0	0	0	0	0	0	0	0	0
Credit institutions	349,755	349,755	0	0	0	0	0	0	0	0	0	0

Other financial corporations	1,206	1,206	0	0	0	0	0	0	0	0	0	0
Non-financial corporations	65,357	65,357	0	0	0	0	0	0	0	0	0	0
Off-balance sheet exposures	**570,037**			**2,134**								
Central banks	0			0								
General governments	2,520			0								
Credit institutions	40,908			0								
Other financial corporations	96,110			0								
Non-financial corporations	310,050			1,510								
Households	120,449			624								
Total	**4,416,281**	**3,834,214**	**12,031**	**73,828**	**57,796**	**2,455**	**1,565**	**872**	**4,284**	**1,208**	**3,512**	**73,828**

Table 62: Credit quality of performing and non-performing exposures by past due days (Art. 442 (d) CRR & EU CQ3 (EU) 2021/637)

in HUF mn	Collateral obtained by taking possession accumulated	
	Value at initial recognition	Accumulated negative changes
Property Plant and Equipment (PP&E)	**0**	**0**
Other than Property Plant and Equipment	**0**	**0**
Residential immovable property	0	0
Commercial Immovable property	0	0
Movable property (auto, shipping, etc.)	0	0
Equity and debt instruments	0	0
Other	0	0
Total	**0**	**0**

Table 63: Collateral obtained by taking possession and execution processes (Art 442 (d) and EU CQ7 (EU) 2021/637)

In HUF million	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
Assets of the reporting institution	417,181	202,260			3,761,018	1,093,696		
Equity instruments	0	0	0	0	108,365	0	0	0
Debt securities	0	0	0	0	1,611	0	1,611	0
of which: covered bonds	202,260	202,260	184,436	184,436	1,094,959	1,093,696	1,016,908	1,016,908
of which: asset-backed securities	0	0	0	0	0	0	0	0
of which: issued by general governments	0	0	0	0	0	0	0	0
of which: issued by financial corporations	17,552	17,552	16,433	16,433	864,512	864,482	801,020	801,020
of which: issued by non-financial corporations	0	126,567	117,711	117,711	223,949	222,737	210,334	210,334
Other assets	0	58,142			6,499	6,477		

Table 64: Encumbered and unencumbered assets (Art. 443 CRR Template EU AE1 (EU) 2021/637)

In HUF million	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
Collateral received by the reporting institution	0	0	49,291	33,856
Loans on demand	0	0	0	0
Equity instruments	0	0	0	0
Debt securities	0	0	49,291	33,856
of which: covered bonds	0	0	0	0
of which: asset-backed securities	0	0	0	0
of which: issued by general governments	0	0	33,916	33,856
of which: issued by financial corporations	0	0	0	0
of which: issued by non-financial corporations	0	0	0	0

Loans and advances other than loans on demand	0	0	0	0
Other collateral received	0	0	0	0
Own debt securities issued other than own covered bonds or securitisations	0	0	0	0
Own covered bonds and asset-backed securities issued and not yet pledged			0	0
TOTAL ASSETS, COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED	**0**	**0**		

Table 65: Collateral received and own debt securities issued (Art. 443 CRR Template EU AE2 (EU) 2021/637)

	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and securitisations encumbered
Carrying amount of selected financial liabilities	370,851	415,783

Table 66: Sources of encumbrance (Art. 443 CRR Template EU AE3 (EU) 2021/637)

	Risk weight																
	0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Others	Total	Of which unrated
Central governments or central banks	1,612,622	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1,612,622	0
Regional government or local authorities	0	0	0	0	1,205	0	0	0	0	0	0	0	0	0	0	1,205	0
Public sector entities	0	0	0	0	0	0	0	0	0	6	0	0	0	0	0	6	0
Multilateral development banks	7,161	0	0	0	0	0	0	0	0	0	0	0	0	0	0	7,161	0
International organisations	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Institutions	41,286	0	0	0	0	0	0	0	0	0	0	0	0	0	0	41,286	0
Corporates	0	0	0	0	0	0	0	0	0	64,087	0	0	0	0	0	64,087	0
Retail	0	0	0	0	0	0	0	0	20,047	0	0	0	0	0	0	20,047	0
Secured by mortgages on immovable property	0	0	0	0	0	160	1,311	0	0	0	0	0	0	0	0	1,471	0
Exposures in default	0	0	0	0	0	0	0	0	0	611	346	0	0	0	0	957	0
Exposures associated with particularly high risk	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Covered bonds	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Institutions and corporates with a short-term credit assessment	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Unit or shares in collective investment undertakings	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Equity	0	0	0	0	0	0	0	0	0	58,247	0	0	0	0	0	58,247	1,206
Other items	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL	**1,661,069**	**0**	**0**	**0**	**1,205**	**160**	**1,311**	**0**	**20,047**	**122,951**	**346**	**0**	**0**	**0**	**0**	**1,807,090**	**1,206**

Table 67: Standardised approach – Regulatory exposure after CCF and CRM (Art. 444 (e) CRR and EUR CR5 (EU) 2021/637)

in HUF mn	Risk weight	Tot al ex po sur

Exposure classes	0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others	
Central governments or central banks	28,225	0	0	0	0	0	0	0	0	0	0	28,225
Regional government or local authorities	0	0	0	0	0	0	0	0	85	0	0	85
Public sector entities	0	0	0	0	0	0	0	0	0	0	0	0
Multilateral development banks	0	0	0	0	0	0	0	0	0	0	0	0
International organisations	0	0	0	0	0	0	0	0	0	0	0	0
Institutions	8,510	0	0	0	0	0	0	0	0	0	0	8,510
Corporates	0	0	0	0	0	0	0	0	7,837	0	0	7,837
Retail	0	0	0	0	0	0	0	23	0	0	0	23
Institutions and corporates with a short-term credit assessment	0	0	0	0	0	0	0	0	0	0	0	0
Other items	0	0	0	0	0	0	0	0	0	0	0	0
Total exposure value	**36,735**	**0**	**0**	**0**	**0**	**0**	**0**	**23**	**7,922**	**0**	**0**	**44,680**

Table 68: Standardised approach – CCR exposures by regulatory portfolio and risk weights (Art. 439 (l) referring to 444 (e) CRR and in line with EU CCR3 (EU) 2021/637)

In HUF million	RWEAs
Outright products	
Interest rate risk (general and specific)	4,900
Equity risk (general and specific)	0
Foreign exchange risk	0
Commodity risk	0
Options	
Simplified approach	0
Delta-plus approach	0
Scenario approach	0
Securitisation (specific risk)	0
Total	**4,900**

Table 69: Market risk under the Standardised approach (Art. 445 CRR and in line with EU MR1 (EU) 2021/637)

Currency	EVE change mn HUF (worst scenario in case of negative paralell shock)
HUF	-28,241
EUR	-4,842
USD	-137
CHF	-59
TOTAL	**-24,081**
Solvency equity	364,413
Basel II ratio	**-6.61%**

Table 70: CRR Art. 448. CRR – Sensitivity of economic value (Banking Book)

In HUF million	Applicable amount
Total assets as per published financial statements	4,178,200
Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	0
(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio total exposure measure in accordance with point (i) of Article 429a-1 CRR)	0
Adjustments for derivative financial instruments	47,509
Adjustment for securities financing transactions (SFTs)	-41,103
Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	123,132
(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with point (c) of Article 429a-1 CRR)	0
(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with point (j) of Article 429a-1 CRR)	0

Other adjustments	-105,245
Leverage ratio total exposure measure	4,202,493

Table 71: Reconciliation of accounting assets and leverage ratio exposure (CRR Art. 451 (1) (b) & EU LR1-LRSum (EU) 2021/637)

	CRR leverage ratio exposures
On-balance sheet exposures (excluding derivatives and SFTs)	
On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	4,069,328
(Asset amounts deducted in determining Tier 1 capital)	-14,920
Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)	**4,054,408**
Derivative exposures	
Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	39,163
Add-on amounts for PFE associated with all derivatives transactions (markto-market method)	37,828
Exposure determined under Original Exposure Method	0
Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	0
(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	0
(Exempted CCP leg of client-cleared trade exposures)	0
Adjusted effective notional amount of written credit derivatives	0
(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	0
Total derivatives exposures (sum of lines 4 to 10)	76,991
SFT exposures	
Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	98,750
(Netted amounts of cash payables and cash receivables of gross SFT assets)	-42,176
Counterparty credit risk exposure for SFT assets	-1,073
Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429b(4) and 222 of Regulation (EU) No 575/2013	0
Agent transaction exposures	0
(Exempted CCP leg of client-cleared SFT exposure)	0
Total securities financing transaction exposures (sum of lines 12 to 15a)	57,648
Other off-balance sheet exposures	
Off-balance sheet exposures at gross notional amount	572,171
(Adjustments for conversion to credit equivalent amounts)	-449,038
Other off-balance sheet exposures (sum of lines 17 and 18)	123,132
Exempted exposures in accordance with Article 429(7) and (14) of Regulation (EU) No 575/2013 (on and off balance sheet)	
(Intragroup exposures (solo basis) exempted in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))	-109,686
(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	0
Capital and total exposure mesure	
Tier 1 capital	364,413
Leverage ratio total exposure measure (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	4,202,493
Leverage ratio	
Leverage ratio	8.67%
Choice on transitional arrangements and amount of derecognised fiduciary items	
Choice on transitional arrangements for the definition of the capital measure	0
Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) No 575/2013	0

Table 72: Leverage ratio common disclosure (CRR Art. 451 (1) (b) (c) 451 (2) 451 (3) and EU LR2- LRCom (EU) 2021/637)

in HUF mn	Unsecured carrying amount	Secured carrying amount			
			Of which secured by collateral	Of which secured by financial guarantees	
					Of which secured by credit derivatives
Loans and advances	1,294,068	1,363,718	1,029,962	333,756	0
Debt securities	940,958	345,008	0	345,008	0
Total	**2,235,026**	**1,708,726**	**1,029,962**	**678,764**	**0**
Of which non-performing exposures	9,290	24,481	20,449	4,032	0

Of which defaulted	9,290	24,481	20,449	4,032	0

Table 73: Overview of CRM techniques (Art. 453 (f) CRR and EU CR3 (EU) 2021/637)

in HUF mn	Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWAs density	
Exposure classes	**On-balance-sheet exposures**	**Off-balance-sheet exposures**	**On-balance-sheet exposures**	**Off-balance-sheet amount**	**RWEA**	**RWEA density (%)**
Central governments or central banks	970,285	0	1,612,281	341	0	0.00%
Regional government or local authorities	6,155	2,246	1,205	0	241	20.00%
Public sector entities	19	39	6	0	6	100.00%
Multilateral development banks	0	0	7,123	38	0	0.00%
International organisations	0	0	0	0	0	
Institutions	38,868	56,687	38,868	2,418	0	0.00%
Corporates	53,795	74,034	48,726	15,361	56,000	87.38%
Retail	236,250	13,609	19,988	59	11,734	58.53%
Secured by mortgages on immovable property	1,449	150	1,449	22	624	42.42%
Exposures in default	2,775	5	957	0	1,130	118.03%
Exposures associated with particularly high risk	0	0	0	0	0	
Covered bonds	0	0	0	0	0	
Institutions and corporates with a short-term credit assessment	0	0	0	0	0	
Collective investment undertakings	0	0	0	0	0	
Equity	58,247	0	58,247	0	58,247	100.00%
Other items	0	0	0	0	0	
TOTAL	**1,367,843**	**146,771**	**1,788,851**	**18,239**	**127,982**	**7.08%**

Table 74: Standardised approach – Regulatory exposure by exposure classes and CRM effects (Art. 453 (g) (h) (i) and 444 (e) CRR and in line with the EU CR4 (EU) 2021/637)