DISCLOSURE REPORT OF BANK OF CHINA LIMITED HUNGARIAN BRANCH

This report is meticulously crafted to ensure full compliance with the disclosure requirements stipulated in Regulation 575/2013/EU of the European Parliament and the Council on prudential requirements for credit institutions and investment firms (CRR or Regulation).

In respect of 31 December 2025

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I. Introduction

Bank of China Limited Hungarian Branch (hereinafter: the Branch) is a branch of Bank of China Limited, whose registered office is located at China 100818, Beijing, Fuxingmen Nei Dajie 1., a credit institution registered in the People's Republic of China as such, it is a part of the Bank of China Group (hereinafter: the Group), one of the world's largest banking groups and one of the banks with the longest continuous operation among Chinese banks.

The Branch was established in 2014.

In the present Disclosure Report (hereinafter: the Disclosure), Bank of China Limited, the Head Office, and the Founder have the same meaning; they refer to the financial institution Bank of China Limited, Beijing, of which the Branch is a part.

The Branch itself does not have a LEI code. The Branch Founder's LEI code is 54930053HGCFWVHYZX42.

The Branch's reporting currency is the Hungarian Forint. The monetary data disclosed in this document are precisely equivalent to millions of Hungarian Forints.

The Branch prepares its financial statements in accordance with International Financial Reporting Standards ("IFRS").

II. Scope, means, and frequency of the disclosure

As the Branch, on its individual basis, neither meets the definition of a large institution nor qualifies as a small and non-complex institution, it discloses the information outlined in Article 433c of the CRR (Disclosures by other institutions) annually.

In its resolution No. H-EN-I-90/2015, MNB exempted the Branch from compliance with the requirements contained in the Third, Fourth, Fifth, and Seventh Parts of CRR. Therefore, under said resolution, the Branch is exempted from the obligation to calculate its own funds and capital requirement. In cases where, under Article 433c of CRR, the Branch would be required to disclose information that it does not calculate on its own, the Branch will refer to the relevant part of the Head Office 2025[1] Annual Report.

It is essential to mention that the Branch does not carry out retail business. Its main target clients are local and regional wholesale corporations, enterprises with Chinese relations, and companies with significant investment projects in various sectors of the economy.

Under Article 432 (1) of CRR, institutions may omit one or more of the disclosures listed in CRR. The Branch publishes information relevant to its activity.

III. Risk Management objectives and policies (CRR Article 435 (1) points (a), (e), and (f))

3.1 The general risk profile of the Branch

The Branch, as a part of Bank of China Limited, is pursuing the risk management objectives of the Head Office, which is built upon the strategy of maintaining a steady and prudent operation based on a moderate risk appetite.

The Branch has, therefore, defined management policies, strategies, and objectives according to the prevailing regulatory rules and the guidelines and requirements of the Head Office. Accordingly, the Branch's primary goals are to establish a risk management framework and risk management systems that take into consideration the Branch's conservative risk-taking and, at the same time, maximize its risk-adjusted returns and the efficient use of funds. As the Branch's business model builds on lending to corporations in the real economy and thus promotes economic relations and investments between China and Central-Eastern Europe, the most prominent risk faced by the Branch is credit risk.

To ensure compliance with the Branch's risk strategy, the Branch takes into consideration the following principles to ensure effective risk management:

[1] https://www.boc.cn/en/investor/ir3/202603/t20260330_25657344.html

Compliance with regulatory requirements at all times: The Branch is strongly committed to ensuring that it and all of its employees conduct their activities in accordance with regulatory requirements.
Risk culture: The Branch's strategic goals regarding risk management are communicated clearly and concisely to all employees, and prudent risk-taking should be an integral part of every employee's mindset.
A holistic approach to risk management: The rules and practices of risk management are defined, taking into consideration the interconnections between different types of risks.
Clear rules: For every type of risk the Branch faces, clear rules regarding tasks, reporting rules, and responsibilities are defined for every level of employee.
Control functions: In line with the Service Level Agreement, signed by the Branch and Bank of China (CEE) Ltd. (formerly named as Bank of China (Hungary) Close Ltd.) (further on: the Bank), certain tasks of the Branch in the field of business activities and risk management are carried out by the Bank following its internal rules. Control functions are independent of the business areas they oversee and are incentivized to ensure the prudent risk-taking of the Branch.

Overview of Risk Management Processes

The Branch's risk management processes are designed in accordance with the relevant regulatory requirements and the Group guidelines.

These processes cover all aspects of effective risk management, namely:

- Risk-taking
- Risk identification and measurement
- Risk monitoring
- Risk reporting
- Stress testing

The risk-taking policy ensures that the Branch only undertakes risks that match its risk profile and business strategy by providing clear guidelines on what exposures are considered to be desirable based on the Branch’s business model and strategy.

Risk measurement methods include client rating and assessment of counterparties' creditworthiness, while risk monitoring methods include continuous observation of limits and collateral.

The overall business and risk management strategy, as well as the risk appetite of the Branch, is determined by the Head Office. The specific policies that constitute the risk management framework of the Branch are based on BOC Group standards and regulations and have been approved by Management.

The main objective of determining the overall risk appetite and setting the risk indicators is to prevent or significantly lower the impact of undesirable risk events. This target is reached by applying clear policies and adequate systems, performing appraisals, closely monitoring limits, and requiring setting and following clear, quantitative risk appetite from all business lines.

To support compliance with the Branch’s risk appetite, the departments of the Bank (acting in line with the Service Level Agreements concluded between the Branch and the Bank) being responsible for the different risk management functions (Risk Management Department in case of credit risk, market risk, country risk, and ESG risk; Financial Department in case of strategy risk, liquidity risk; Internal Control & Legal and Compliance Department in case of legal and compliance risk, operational risk; Administration Department in case of reputation risk) regularly measure and report the main risk indicators listed in the Risk Appetite to the Management of the Branch, the Head Office and to the operative levels to allow an efficient flow of information.

The Branch applies a comprehensive limit system for measuring and managing its exposures. The purpose of the limit system is to determine the maximum risk-taking. The limits can be set per client, industry, country, or product, or they can be based on regulatory or internal risk indicators. The departments responsible for the different risk management functions perform limit management that includes the up-to-date recording of approved limits, continuous monitoring of limit utilization, and reporting on limit overutilization to the Management, which is to be duly documented.

3.1.1 Transactions within the BOC Group

Due to being a branch of one of the largest banks in the world, the Branch concludes transactions with several other entities of the Bank of China Group. The Branch secures significant portions of its financing from the Head Office or the fund pools of the Bank of China Group.

The Branch's asset portfolio contains syndicated loans provided by the Branch together with other BOC Group members and participations in syndicated loans transferred to the Branch by other BOC Group members. These transactions help the Branch widen its current customer portfolio.

In certain cases, the Branch provides loans to clients, whereas another member of the Bank of China Group provides guarantee as collateral behind the transaction. In those cases, the credit risk is transferred from the Branch to another member of the Bank of China Group through the guarantee.

3.1.2 Statement

The Branch’s Management discussed the risk management strategy and the risk profile in May 2026. Pursuant to Article 435 (1) e) of the Regulation, the Management of Bank of China Limited Hungarian Branch states by approving the present Report that the applied risk management system is appropriate in terms of the Branch's profile and strategy and the risk profile of the Branch is within the framework approved by the Management and the Head Office.

In line with its business strategy, the Branch focuses on the commercial banking business and provides credit facilities for mainly larger companies. Due to this business strategy, the main risk is the credit risk within the Branch’s total risk exposure, although the level of the credit risk is considered moderate, because the clients are predominantly global corporations with stable and diversified operation. Based on this strategy, the Branch uses specific risk appetite indicators and key risk indicators determined partly based on the Head Office’s recommendations and also considering local aspects.

The Branch’s Management discussed the risk appetite of the Branch in May 2026. Pursuant to Article 435 (1) f) of the Regulation, the Management of Bank of China Limited Hungarian Branch states that the risk appetite presented in this document is in line with the Branch's and the Head Office’s business strategy and includes appropriate key risk indicators focusing on the prevention of losses.

3.2 **Governance arrangements (Article 435 (2) points (a), (b) and (c))**

3.2.1 Main Governing Bodies of the Branch

The governance structure within the Branch is built upon several levels to define the responsibilities of different functions and persons properly and to ensure that the Branch’s main objectives regarding risk-taking and risk management are met.

The Branch forms a legally dependent part of Bank of China Limited, a place of business that directly carries out the transactions inherent in the business of the Head Office. Accordingly, the Head Office determines the Branch's strategic goals and overall risk management framework and monitors the execution of that strategy.

Locally, the main governance body of the Branch is the Management. The primary tasks of the Management are the execution of the strategy and ensuring the proper daily operation of the Branch by making decisions within its own competence.

In 2025, the Management of the Branch consisted of 5 persons. Each member of the Management also has a senior manager position in Bank of China (CEE) Zrt. in the form of multiple employment established under Article 195 of the Labor Code. Two of them also served as members of the Board of Directors of Bank of China (CEE) Zrt.

The selection of members of the governing body is based on the recruitment policy of the Branch, which considers the skills, talents, and experiences of the members, i.e., at least a university degree, 15 years of relevant experience in the banking sector or at an appropriate financial institution are required, the candidate must be familiar with risk management at banks, understand and be capable of implementing the business strategy of the Branch, a good command of the English language and advanced user level computer skills are also required.

Although the Branch has not adopted a formal, dedicateddiversity policy, during the selection of Management members, diversity aspects (such as nationality, professional experience, and gender) are also taken into account. For that reason, during the selection of members to the governing body, apart from the professional aspects, the following circumstances are also important: the governing body should have both Chinese and non-Chinese members, and there should be diversity among members of the body. In the year 2025, the governing body had one Hungarian member besides the Chinese members, and four members were women.

The Branch regularly monitors compliance with paragraphs 143 and 145 of the Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises. New members of the Management must declare the relevant positions and holdings they have and if any reason for disqualification (as defined in Section 137 (4) and Section 137 (6) of the Banking Act) exists in respect of their person. MNB also checks the conditions when authorizing appointments. Moreover, the Branch regularly requires existing Management members to disclose any positions filled or holdings outside the Branch.

3.2.2 Standing Committees

Similarly, to the Bank, the Branch has also established an additional level of governance in the form of standing committees. These Committees support the decision-making of the Management and thus ensure the prudent and successful operation of the Branch.

The Branch has set up the following Committees:

- Risk and Control Committee;
- Anti-Money Laundering Committee (subordinated to the Risk and Control Committee);
- Asset Disposal/Distressed Asset Management Committee (subordinated to the Risk and Control Committee);
- Assets and Liabilities Committee;
- New Activities and Products Committee (subordinated to the Risk and Control Committee);
- Procurement Committee.

In the risk management framework of the Branch, the Risk and Control Committee (RCCO) takes the most prominent role as it is responsible for strategic risk management on risk strategy, reviews, and pre-approves proposals of the Risk Management Department and other departments involved in risk management before sending it to the Management for approval, if necessary. The RCCO also reviews the functioning of the Branch's risk management framework and internal control systems. It is chaired by the Deputy General Manager in charge of risk management, its members are the other Management members, the heads (deputy heads) of all departments. The Internal Auditor has a standing invitation.

The Assets and Liabilities Committee (ALCO) has also been established within the Branch's governance structure. The ALCO plays a vital function in the Branch's risk management processes, as it makes recommendations and decisions on the operative management of the Branch's exposures and positions, which are in line with the resolutions and decisions of the Head Office and Management.

3.2.3 Control Functions

The internal control functions within the Branch are organizationally independent of the business areas they supervise and have the necessary resources, authority, and access to information that is required to perform their tasks. Besides reporting to the Management, the control functions also report to different departments – varying by control function - of the Head Office, referred to as line supervisory departments.

"The three lines of defence"

The Branch uses the so-called "three lines of defence" model to identify the functions within the Branch that are responsible for addressing and managing risks.

The business lines, as the first line of defence, take risks and are responsible for their operational management directly and permanently. The risk management functions and the compliance function form the second line of defence. The risk management functions are responsible for the implementation of operative risk management, including its ongoing and proactive development. The compliance function monitors compliance with legal and regulatory requirements and internal policies, provides advice on compliance to the Management and other relevant staff, and establishes policies and processes to manage compliance risks and ensure compliance. Both functions may intervene to ensure the modification of internal control and risk management systems within the first line of defence where necessary.

The independent internal audit function, as the third line of defence, is in charge of the independent review of the first two lines of defence. It performs its tasks fully independently of the other lines of defence.

To ensure their proper functioning, all internal control functions are independent of the business they control and have appropriate financial and human resources to perform their tasks. The heads of internal control functions report to the Management, and functionally to the respective departments of the Head Office

The Branch's Management yearly evaluates the Branch's internal governance and internal control framework and assess the operation of the Branch's internal lines of defence, including the structure and operation of the various elements of the Branch's risk management framework. When needed, they take steps to ensure that necessary corrective actions are implemented. When evaluating the operation of the Branch's risk management framework, focus is placed on the implementation of the Branch's risk appetite.

The effective implementation of the three lines of defence model is shown in the table below.

<table>
<tr><th colspan="2">Risk category</th><th>1st line of defence</th><th>2nd line of defence</th><th>3rd line of defence</th></tr>
<tr><td rowspan="3">FINANCIAL RISKS</td><td>Credit Risk</td><td>Corporate Banking Department
Banking Department</td><td>Risk Management Department</td><td rowspan="9">Internal Auditor</td></tr>
<tr><td>Liquidity risk</td><td>Corporate Banking Department
Banking Department
Treasury Department</td><td>Financial Management Department
Risk Management Department</td></tr>
<tr><td>Market risk</td><td>Global Markets Department</td><td>Risk Management Department (trading book)
Financial Department (banking book)</td></tr>
<tr><td rowspan="6">NON-FINANCIAL RISKS</td><td>Compliance risk</td><td rowspan="6">All Departments</td><td>Internal Control and Legal & Compliance Department</td></tr>
<tr><td>ESG risk</td><td>Risk Management Department</td></tr>
<tr><td>Legal risk</td><td>Internal Control and Legal & Compliance Department</td></tr>
<tr><td>Operational risk</td><td>Internal Control and Legal & Compliance Department</td></tr>
<tr><td>Information security risk</td><td>Internal Control and Legal & Compliance Department</td></tr>
<tr><td>Reputation risk</td><td>Administration Department</td></tr>
</table>

a) Risk Management Department

The Risk Management Department is responsible for the implementation of a sound risk management framework throughout the Branch. It is responsible for further identifying, monitoring, analyzing, measuring, managing, and reporting on risks and forming a holistic view of risks being under its responsibility. It challenges and assists in the implementation of risk management measures by the business lines to ensure that the process and controls in place at the first line of defence are properly designed and effective.

The department coordinates the management of credit risk, credit approval, market risks (trading book), counterparty credit risk, credit concentration risk, environmental (climate), and social and governance risk, and country risk according to the related regulatory requirements and BOC Group standards. It also shares second line of defense responsibility with Financial Management Department in case of liquidity risk and interest rate risk in the banking book.

b) Internal Auditor

The Internal Auditor is strictly independent of the operational and other control functions. It reports to Head Office Internal Audit Department to ensure consistency between the Branch's methodology and risk control framework and the Head Office's.

The Internal Auditor conducts risk-based and general audits. It reviews the internal governance arrangements, processes, and mechanisms to ascertain that they are sound and effective, well implemented, and consistently applied.

c) Internal Control and Legal and Compliance Department

The Internal Control and Legal and Compliance Department is part of the Branch's second line of defence. Its primary task is to ensure the Branch's compliance with the regulatory provisions governing its activities and operations and that its internal regulations and policies are consistent with regulatory provisions. Another crucial task of the Internal Control and Legal and Compliance Department is to monitor the implementation of policies and regulations from the Head Office, and local regulatory authorities and to coordinate the monitoring and prevention of money laundering and terrorism financing, as well as market abuse and fraud events.

The Internal Control and Legal and Compliance Department is responsible for the second-level control of customer due diligence carried out by the business departments.

The Internal Control and Legal and Compliance Department reviews and validates all risk-taking contracts from a legal point of view and makes proposals to the legal stipulations to ensure compliance with applicable laws and regulations.

Other functions of the Internal Control and Legal and Compliance Department include maintaining the Bank's Conflicts of Interest Record, Confidentiality Lists, Insiders Lists, and maintaining the staff's Personal Transaction Record, which all play a crucial role in managing operational and reputational risks.

Furthermore, the Internal Control and Legal and Compliance Department reports quarterly to the Risk and Control Committee about the implementation of the compliance control plan and control results, as well as about the progress of corrective action plans. The Department also reports to the Management at least annually concerning the fulfillment of its tasks.

Currently, there are no plans to implement any major changes in the operation, size, and authority of the control functions outlined above.

3.2.4 Risk culture, risk awareness

The high level of risk awareness among all employees and the inherently conservative risk approach is an integral part of the business strategy. A full understanding of the economic environment in which the Branch operates and the risk profile of the clients is a central part of the business and risk strategy.

The primary goal of the risk management strategy is to maximize the value for the shareholders within the acceptable risk profile, meet the local requirements, and protect depositors and other stakeholders for the Branch's prudent and stable operation, which ensures the fulfillment of the Branch's business policy and strategy. The Branch is constantly working on improving the systems, policies, and procedures that enables timely identification, measurement, control, and monitoring of all risks that occur in the Branch.

The Branch has set up basic principles on which the risk management framework is built:

Compliance: The Branch aims to fully comply with all applicable local laws and regulations and the Group guidelines.
Appropriate balance between risk and return: The Branch aims to achieve an appropriate balance of risk and return through active control.

Segregation of duties, avoiding conflict of interest: Risk management units and personnel are independent of business units and should perform independent reviews and give professional opinions for the risks arising from business activities.

Clarify rights and responsibilities: Accountability shall be carried out through a strict internal control mechanism, specific division of responsibilities, and clearly defined rights.

Forward-looking and proactive approach: All employees cooperate, study, and manage risks in a forward-looking manner, actively identify and improve management and control measures, and ensure risks are under control.

Fully know your customers and businesses: The motto "know your customers" and "know your businesses" are the cornerstones of banking operations. The Branch performs due diligence on new products and businesses to ensure acceptable risks.

Consistency and coherence: The Branch has a coherent risk appetite and risk management strategy and carries out consolidated risk management in order to ensure consistency between risk management objectives and business activities.

Differentiated and controllable: Under the risk appetite and risk management strategy, the Branch has differentiated and controllable risk management in line with the external market environment and its own risk management capability to make risk management flexible and pragmatic.

Substance over the form should prevail: In all cases where risk strategy and any other relevant risk internal rules are not fully clear, substance over the form prevails, meaning all available information is considered.

The code of conduct, gift policy, conflicts of interest policy, and risk assumption policy are all in place to enforce and promote a risk culture and risk-taking that is in line with the Branch's strategic goals. The Branch pays special attention to communicating risk culture within the institution, including delivering trainings.

3.3 **Reporting systems, stress testing, and risk mitigation techniques**

3.3.1 Reporting Systems

The Branch has established several reporting systems ranging from the operational level up to the Head Office and Management to ensure the prompt transfer of information to all persons who need it in a way that enables them to recognize its importance. The main departments responsible for reporting are the Risk Management Department (concerning credit risk, credit concentration risk, trading book-related market risk, country risk and ESG risk), the Internal Control and Legal and Compliance Department (concerning operational, compliance, and AML risks), the Financial Management Department (in respect of liquidity risk and interest rate risk in the banking book) and the Internal Auditor.

The Risk and Control Committee is responsible for reviewing the reports of the Risk Management Department and the other internal control functions and for examining and proposing solutions for actual issues. In addition to the reporting systems outlined above, the Management also reports directly to the Head Office about the implementation of the Head Office's resolutions and the actions taken by the Management within its scope of competence.

Through periodic reports, the Management and the Head Office are continuously informed about the levels of risk appetite indicators, the overall risk situation across all types of risks, and the utilization of different limits.

All of the above is aimed at ensuring that the Head Office and Management can monitor the implementation of the Branch's risk strategy and make adjustments when and if necessary. The Head Office and the Management are responsible for periodic revision - and, if necessary, adjustment - of the strategies and policies for risk undertaking, managing, monitoring, and mitigating the risks the Branch is or might be exposed to.

3.3.2 Hedging, Risk Mitigation

3.3.2.1 Limits

. The Branch ensures that its risk profile is in line with its risk strategy. For this purpose, quantitative limits and qualitative principles are established in accordance with internal regulations and BOC Group guidelines either at local or at HO level.

The departments responsible for risk management perform limit management, which includes keeping an up-to-date record of approved limits, continuous monitoring of limit utilization, and reporting to the Management/Head Office.

3.3.2.2 Client rating

The goal of the rating is to assess the risk profile of the clients and to identify lending opportunities that match the risk strategy and overall business model of the Branch and the Head Office. The limit

establishement process takes into consideration the client's rating.

Client ratings are reviewed periodically, and if they deteriorate, the Branch takes appropriate countermeasures.

3.3.2.3 Collateral management

The Branch prefers exposures where the transaction is supported by strong collateral and accepts, among other bank guarantees (including guarantees received from another member of the Bank of China Group), cash collateral, mortgage, pledge, and suretyship.

The Branch has developed detailed policies related to evaluating collaterals, considering their characteristics, availability, and enforceability, and their monitoring.

Regular risk monitoring evaluates not only the financial and commercial position of the debtor but also the developments concerning the given transaction and the collaterals during the entire term of the assets.

The Branch adopted the Group procedures and uses a Group IT application developed specifically to record and update data concerning collaterals.

3.3.2.4 Transaction classification

As a general principle, the Branch classifies its assets and off-balance sheet items quarterly. When a credit asset's risk profile changes, a dynamic adjustment needs to be performed (in addition to the regular quarterly assessment).

3.3.2.5 Impairment recognition and provision calculation policy

Based on the classification of the transaction and the assets, by assigning them to the appropriate asset classification category, the impairment must be recognized in securities, investments, receivables, and other assets. Provisions must also be made regarding the contingent and future obligations listed in legal stipulations regulating the bookkeeping of credit institutions. Following Group methodology, the Branch calculates provisions in line with the requirements set out by IFRS 9.

3.4 **Risk management objectives and policies for separate risk types**

3.4.1 Credit Risk

Credit risk is the risk of loss arising from the failure of a borrower or counterparty to repay a loan or otherwise meet a contractual obligation.

3.4.2 Credit Risk strategy and business model

A conservative approach to credit risk has traditionally characterized the Group and therefore, the Branch's business model and the Branch credit risk management framework has been established accordingly.

The Branch's business model involves lending to large corporate customers and promoting economic relations between China and the Central-Eastern European region. In addition to such transactions, the Branch participates in syndicated lending - coordinated by the Head Office - with other members of the Bank of China Group.

To ensure safe and profitable operation and support its business strategy and business model, the Branch has developed its risk management framework, which is reviewed periodically and amended, if necessary. In parallel with the growth of the Branch, its risk management framework has been continuously developed to ensure effective risk management.

The objectives of credit risk management are to ensure that the Branch's lending activity is consistent with the related principles and requirements of the Head Office, i.e.:

- A lending transaction can be approved only if its interest and fee payment terms generate acceptable incomes for the Branch in light of the risks taken.
- Credit officers must comply with all applicable laws and internal regulations of the Branch and the Head Office.
- Lending business should be secure and profitable, and it should not endanger the Branch's liquidity position.
- When deciding upon exposures, the Branch must respect counterparty limits and strive to avoid over-concentration, taking into account the structure of the Branch's funding requirements as well as the requirements of prudent lending.
- All loans must be under continuous control and record keeping, and the Branch shall regularly monitor its credit portfolio and ensure the good quality of assets.

The risk undertaking and management follow the local and group regulations and requirements and are operated with respect of the following principles:

- Know your customer and your business procedures, which represent the starting point of customer relationships, and use them to avoid/minimize various types of risks.
- Transparency needs to be set for every transaction and needs to be documented.
- AML and compliance risks must be addressed properly.
- The Branch takes and manages risk with caution, and credit-granting shall be based on sound and well-defined criteria.
- Risk analysis should be forward-looking, and monitoring/controlling should be done throughout the lifetime of transactions.

The Branch does not calculate capital requirements as it has been exempted from the obligation to comply with the requirements contained in the Third, Fourth, Fifth, and Seventh Parts of CRR (for more details, please see Section Capital requirements, CRR Article 438). It does not have items that would be classified as particularly high risk under Article 128 of CRR.

3.4.2.1 Credit risk management policies and processes

To ensure a prudent and profitable operation based on its conservative approach to credit risk, the Branch has developed its client lending and risk undertaking conditions defined by internal regulations. These regulations are reviewed periodically and amended, if necessary, based on the applicable rules of law, the business concepts and requirements of BOC Group, and the recommendations of the MNB. These policies and guidelines aim to ensure that all legal requirements are met at all times and to enhance the risk culture within the Branch.

The top-level internal document for risk management is the Enterprise Risk Management Policy. Further main policies regarding credit risk are the Policy of Risk Undertaking and the General Lending Policy, which define the lending principles and the types of risk-taking, the general rules of credit application, and the credit approval process. The Branch's Business Rules on Credit and Documentary Operations contain general information on the Branch's credit products, which is available on the Branch's website.

The Branch ensures that its risk profile is in line with its risk strategy. For this purpose, quantitative limits and qualitative principles are established in accordance with internal regulations.

3.4.2.2 Client rating

The Branch performs client rating for every client with whom it concludes a contract that results in risk-taking or who secures risk assumption partially or fully, e.g., by guarantee. The rating is made in the internal rating system of the Branch; however, in certain cases, it is based on the rating already applied in BOC Group. The rating category of the client affects the client's eligibility for lending, the client's limit, the collateral requirements, and the price of risk assumption.

The rating is performed before the undertaking of risks (basic rating) and is reviewed at least annually when there is an ongoing relationship with the client.

3.4.2.3 Approval process

The approval process in 2025 also included risk due diligence performed by the Risk Management Department, deliberation by the Credit Review Committee, and approval by authorized approvers either at the Branch or Head Office level, depending on the size of the credit request.

The Branch has a separate process for low-risk/quasi-low-risk corporate transactions. In these cases, the loan approval process is simplified, and the credit request does not undergo committee review.

3.4.2.4 Client and Client Group Limits

The Branch applies client group limits to define the maximum risk acceptable concerning a given client or group of clients, however the overall client group limits are set at BOC Group/Head Office level. The limits are determined considering the client rating, the economic situation of the client's operating sector, and the availability of collaterals. The Branch will not assume any risk over the client limit defined with respect to the given client/client group, which ensures that concentration risk stays on or below the acceptable level.

3.4.2.5 Steps before signing the contract and loan disbursement

As an additional level of independent control, both the Internal Control and Legal and Compliance Department and Risk Management Department examine the risk-related contracts before signature to verify whether the legal terms/exposure to be taken by the Branch is compliant with the relevant laws/approval.

If the contract or any of the related contracts are not qualified impeccable, the Internal Control and Legal and Compliance Department and/or the Risk Management Department shall notify the business department on the remarks and initiate the necessary amendments.

3.4.2.6 Asset classification

Asset classification is managed at least quarterly. Business departments submit their proposal on asset classification, which is than verified by the Risk Management Department. Final approval right is either with the local authorized approver or at Head Office level depending on the size and classification of the risk taking. Provisioning and impairment calculations are performed in line with IFRS 9 requirements.

Qualitative and quantitative information on the Branch's loan portfolio is provided to the Management in the form of quarterly comprehensive risk reports/asset inventory reports. These reports contain information on the activities of the Branch based also on different segmentations, including client sector, country, product type and client group.

3.4.2.7 Collateral evaluation

In addition to assessing risks, the Branch regularly assesses, both in decision-making and monitoring, the effectiveness and value of credit risk mitigating tools (e.g., collaterals, guarantees) offered by the client or a third party or the covenants ensured in the contract.

3.4.2.8 Monitoring

The Branch monitors client-related exposures and their compliance with contractual payment conditions on a monthly basis and notifies the Branch's competent personnel accordingly. This evaluation covers the entire client portfolio and identifies the actual and expected risks in time. Before the maturity date, the Operations Department's Loan Administration function notifies the debtors, requesting that they secure the cover for interest payment and capital installment in time.

3.4.2.9 Credit Risk Management Departments

The Branch uses the so-called "three lines of defence" model to identify the functions within the Branch responsible for addressing and managing risks. Based on this principle, in the frame of credit risk management, the business lines are the first line of defence, taking risks and being directly and permanently responsible for their operational management.

The Risk Management Department is responsible as a second line of defense for credit risk and credit concentration risk, including drafting risk management rules and policies, developing risk management technology, and identifying, assessing, monitoring, reporting, and controlling risks being under its responsibility.

The Internal Control and Legal and Compliance Department supports the credit risk management process by monitoring the issuance of new legal and regulatory requirements.

The Internal Auditor, as the third line of defense, oversees the operational and control functions and reports directly to the Internal Audit Department of the Head Office on compliance with the internal policies and assessment of risk management effectiveness.

3.4.3 Counterparty Credit Risk

The Head Office established a global counterparty risk limit regime, and the Branch utilizes this system. However, the Branch is exempt from the requirements set by Part Three of the CRR and, as a result, is not required to calculate capital charges under the counterparty credit risk capital requirements of the CRR. Additionally, the Branch did not conclude any netting agreements in the year of the disclosure.

Although the Branch does not have to calculate capital requirements concerning counterparty credit risks, it has implemented a number of procedures of the Head Office to manage counterparty risks actively, all of which are detailed below.

3.4.3.1 Risk management objectives and policies related to counterparty risk

The Branch's general objective (in line with the global counterparty risk limit regime of the BOC Group) is to apply strict limits to minimize the counterparty credit risk. The Branch places its liquid sources for short periods with other banks, but mainly within the BoC Group. Due to the Branch's business model, including the limited derivative transactions (mostly short-term FX swaps), the counterparty risk exposures are low.

The method of setting limits to the counterparty exposures concerning the internal capital requirement calculation

As the Branch is exempted from capital requirement calculations, this point is not applicable in its case.

3.4.3.2 Policies relating to guarantees and other risk mitigation techniques with regard to the counterparty risk

The Branch minimizes its counterparty risks primarily through the limit system. Within the risk management framework, the Head Office/Branch has established client and client group limits, which indicate the maximum amount of risks acceptable to the customer/customer group with regard to any type of risk (including counterparty credit risk).

The limits are established based on the regulatory framework and BOC Group's internal guidelines. The limit calculation process takes into consideration the client's rating; limits are established for a year and reviewed annually.

These limits are meant to ensure that exposures related to individual entities or a connected group of entities do not exceed the approved risk appetite (including counterparty credit risk as well) of the Group/Branch. The monitoring of these limits is performed by the Risk Management Department, with regular reports to the Management, to the RCCO and to the Head Office in the form of quarterly comprehensive risk reports.

The Branch did not conclude any netting or margin agreements in the year of the Disclosure.

3.4.3.3 Policies regarding wrong-way risk exposures

The wrong-way risk is the risk where the exposure toward a counterparty is increasing, and the counterparty's credit rating is deteriorating. To manage wrong-way risk, the Branch has several measures, such as limits and the monitoring of collateral quality to minimize wrong-way risks. Furthermore, it does not conclude any credit derivative transactions that are most prone to wrong-way risk, thereby avoiding risks related to such instruments. Additionally, concerning treasury transactions, in most cases, the Branch uses the services of other members of the BoC Group, thereby minimizing any undesirable risks that may come with the wrong-way counterparty risk.

3.4.3.4 Impact of downgrading the Branch on the amount that the institution should provide as collateral

Due to the fact that the current contractual framework and most of the transactions are concluded within the Bank of China Group and that the Branch itself does not have a credit rating, the requirement to disclose the impact of downgrading of the disclosing entity is not applicable in case of the Branch, only on the level of the Head Office.

3.4.4 Market Risk

Market risk is the risk of loss arising from movements in market prices (interest rates, exchange rates, equity prices, and commodity prices). Market risk exists in the trading book and banking book.

3.4.4.1 Strategies and processes of market risk management

The Branch takes a conservative approach to market risks, and as a result, the risk management strategy and processes are aimed at minimizing risk-taking in this category. The Branch only provides investment services to a rather limited number of clients and, therefore, engages in a small number of derivative transactions.

The Head Office established various tools to manage and measure market risk within its risk management framework; it introduced limits for banking book and trading book transactions. These limits include, e.g., net foreign exchange exposure limits, VaR limit, PVBP (price value of a basis point) limit, and stop loss limits. In 2025, the Branch continuously monitored every limit applying to market risks, and the Management was kept up to date in terms of exposure and limit levels by periodic reports.

Specially developed sub-systems are available to monitor market risks. These systems provide sufficient information for every person and unit responsible for risk management within the framework of their scope of decision-making. The Branch introduced strict regulations on the Treasury counterparty and transaction limits, which are also set and monitored at the Group level.

3.4.4.2 Structure and organization of the market risk management functions

a) Management

The Management is responsible for preparing and supervising the implementation of market risk management policies and procedures, assuming and managing the market risk incurred in business operations within the risk appetite.

b) Risk and Control Committee

The Risk and Control Committee performs comprehensive risk management on behalf of the Management. It carries out and implements the overall risk strategy and risk appetite established by the Management to implement the market risk limits set by the Head Office. It supervises the implementation of the Branch's market risk management system.

c) Assets and Liabilities Committee

The Assets and Liabilities Committee reviews methods, quantitative standards, and risk limits relating to interest rate risk and exchange rate risk management across the Branch.

d) Risk Management Department

The Risk Management Department is responsible for preparing market risk management regulations; taking the lead in the identification, measurement, monitoring, and independent report of market risk; identifying, measuring, and monitoring the market risk conditions of the trading book; urging the related departments to implement the market risk limits set by the Head Office; proposing to Head Office on the market risk limit adjustment on the basis of the actual market risk conditions of the Branch; and participating in the risk assessment and approval of new products.

e) Financial Management Department

The Financial Department is responsible for measuring, monitoring, and reporting the interest rate and exchange rate risk in the banking book, urging the business departments to perform the measures for the interest rate and exchange rate risk control and proposing the assets and liabilities structure adjustment and business adjustment.

f) Global Markets Department

The Global Markets Department (formerly: Treasury Department) is responsible for classifying the trading book and the banking book as required by the Head Office; implementing the market risk limits of the trading book and banking book, other regulations and procedures on market risk management; carrying out daily risk management and making timely report on market risk information as required by Risk Management Department.

g) Other relevant departments

Other business departments are responsible for implementing the Branch's market risk management policies and procedures to ensure effective market risk monitoring in their respective business lines, compliance with limit implementation, and timely reports on market risk information as required by the Risk Management Department.

The Internal Auditor is independent of daily operations and is responsible for assisting the Management and the Founder in assessing the adequacy and effectiveness of market risk.

3.4.5 Operational Risk

3.4.5.1 Risk Management Principles

The Branch and the Group define operational risk as losses resulting from inappropriate internal processes and systems, external events, or inadequate performance of tasks by personnel. The Loss refers to the adverse impact on the Bank's financial position, reputation, customers or employees. In line with the regulatory requirements, the definition of operational risk includes legal risk but excludes strategic and reputational risk.

In the risk management framework, the Branch uses a common taxonomy for the categorization of operational risk events, related causes, and effects. The Branch distinguishes the following types of operational risk events:

- internal fraud,
- external fraud,
- employer's practice and work safety,
- client, business practice, marketing, and product policy,
- damages caused to property and equipment,
- disruption of business continuity or system error, and
- implementation, fulfillment, process management.

Furthermore, operational risk losses may occur independently of other risk types (events of a purely

operational risk nature) or related to other risk types, such as market and credit risks, increasing the losses suffered.

Operational risk is, therefore, a diverse risk that differs in many respects from other risk types, as low-frequency, high-severity loss events often characterize it. To reflect the diverse nature of operational risks, the Group implemented a comprehensive framework that ensures the timely identification, assessment, measurement, management and reporting of operational risk losses.

The operational risk management framework of the Branch follows the following main principles:

Comprehensive management: The operational risk management framework shall penetrate each business process and each operational link, cover all departments, branch offices, and posts, and be performed by all staff.
Timely adjustment: Operational risk management shall match the Branch's internal and external environments and make timely adjustments and improvements based on changes in business strategies and concepts, as well as changes in external economic, political, and regulatory environments.
Cost-effectiveness: The operational risk management measures should accommodate the specific business scale, complexity, and other characteristics and seek a reasonable balance between the cost and return of risk management outcomes.

3.4.5.2 Risk management policies and rules

As part of Bank of China Limited, the Branch follows the Operational Risk Management policies of the Head Office, which define the main elements of the operational risk management framework and related processes, as well as responsibilities. Other Head Office rules on the detailed operational risk management requirements, e.g., the management rules on KRI, RACA, and LDC, are also followed by the Branch.

3.4.5.3 Organizational structure, key responsibilities

The Head Office ensures that Management has the authority to effectively identify, assess, monitor, control, or mitigate operational risks. Management is responsible for implementing the operational risk management strategies and policies approved by the Head Office.

The Internal Control and Legal and Compliance Department is the leading department of operational risk management, which is responsible for establishing and implementing the bank-wide operational risk management framework and promoting operational risk management consistency and effectiveness bank-wide. The main responsibilities include the establishment and regular review of operational risk identification and measurement processes (loss data collection, risk, and control assessments, key risk indicator monitoring), reporting of key operational risks to the management, and proposing potential risk mitigation actions in line with risk appetite on a cost-benefit basis.

In addition, implementing the overall operational risk management framework requires the involvement and commitment of the entire organization. As a main principle, all organizational units are involved in managing operational risk and reducing risk levels to acceptable levels.

In terms of operational risk management, the Risk and Control Committee is responsible for providing oversight on the Branch's operational risk management framework, assessing its effectiveness, identifying any weaknesses, making decisions on relevant improvement measures, and supervising the implementation of these measures.

The Internal Auditor regularly examines and assesses the Branch's operational risk management.

3.4.5.4 Operational Risk Management Process

The first step of the operational risk management process is to identify operational risks that could jeopardize the achievement of the Branch's business objectives and may even cause significant losses. Proper risk identification is essential for quality risk management. Therefore, every organizational unit of the Branch monitors, evaluates, and manages any disturbances or operational risks occurring within its scope of activities.

To better identify, assess, monitor, control or mitigate, and report operational risk, the Branch gradually establishes and maintains the following relevant operational risk management processes:

- the operational risk and control assessment ("RACA") process;
- the process of reporting material operational risk events;
- the process of operational Loss Data Collection ("LDC");
- the process of monitoring Key Risk Indicators ("KRI");

- the process of internal control measure examination and identification;
- the process of tracking operational risk rectification;
- the approval process of new product risk;
- the process of the business emergency plan and business continuity plan;
- the process of service outsourcing management;
- the operational risk reporting process;
- the process of assessing major business environment and internal control elements; and
- other operational risk management processes.

Currently, there are no mandatory limits for operational risks; only certain risk limits have been set for the main risk indicators, which also incorporate operational risks.

3.4.5.5 Risk Mitigation

To ensure effective control over operational risk management activities, the Branch's operational risk management regularly assesses the adequacy of operational risk control measures or other mitigation measures and identifies the acceptability of operational risk after those measures are implemented.

If the level of operational risk is unacceptable, remedial measures are to be adopted and recorded formally. The person liable for rectification regularly monitors the implementation of the remedial measures and ensures that the operational failure can be resolved within the defined timeframe.

3.4.5.6 Reporting Lines

Through the prescribed process, regular reports are provided about the most important changes in the operational risk profile for the Head Office, Management, Risk and Control Committee, and relevant departments, taking into account the nature, impacts, frequency, and severity of operational risk.

The Branch has established the following operational risk management reporting routes:

- The Internal Control and Legal and Compliance Department reports to the Risk and Control Committee, Management, and the Head Office.
- The Internal Auditor reports to the Head Office.
- The Internal Control and Legal and Compliance Department reports to the Internal Control and Legal and Compliance Department of the Head Office.
- The special functional departments of operational risk management and other relevant departments of the Branch (or of the Bank where the control function is outsourced) report to the Internal Control and Legal and Compliance Department, Management, and the competent departments of the Head Office.

3.4.6 Residual Risk

Residual risk is the risk of reduced effectiveness of credit risk management and increased default loss arising from the flaws of the credit risk mitigation instruments. It includes the failure to take over the collaterals on a timely basis due to the counterparty's default, the difficulty in liquidating collaterals due to the lack of liquidity, rejected or delayed payment by the guarantor, and the expiry of the relevant documents.

One method the Branch uses to mitigate risks concerning client exposures is to apply a conservative definition of the scope and value of collaterals and securities when they are accepted.

The collaterals of risk-taking transactions are regularly reviewed as part of monitoring. In the case of real estate collaterals securing assets with a long-term maturity, the properties must be regularly reappraised in accordance with the legal requirements.

3.4.7 Concentration Risk

Credit risk concentration refers to disproportionally large risk exposure to specific credit risks. Concentration risk may derive from the following:

1. Large individual (or possibly related) exposures (the definition of "related" must be broad enough to include, for example, exposures related through joint ownership/management/guarantee providers); and
2. Significant exposures existing in respect of such groups of partners where the likelihood of a default is determined by common reasons, for example:

- economic sector;
- geographical location;
- currency;
- product;
- credit risk mitigating measures (including, among others, risks existing in respect of one single security

provider related to indirect credit exposure, including the possible occurrence of wrong-way risk).

The fundamental tools for concentration risk management are limit systems. The regulations on the limit systems are subject to Management approval. The Risk Management Department continuously monitors the concentration of its exposures, e.g., to client groups, sectors.

Possible exposures to foreign enterprises may be converted to risks related to financial institutions for the Branch through individual commitments of the Group or Chinese financial institutions.

3.4.8 Country Risk

Country risk refers to possible circumstances that might adversely impact the interests of the Branch and those of the Head Office, which could be caused by the economic, financial, political, or social situation of the given country. This would jeopardize the appropriate fulfillment of one or more transactions and/or the outlooks of a given activity.

The Head Office does not impose individual country limits on the Branch; the Head Office monitors utilization through system information.

The Risk Management Department is also involved in assessing the country risk of specific countries falling into the Branch's delegation. The Head Office takes such assessment into account when determining country risk limits.

3.4.9 Interest Rate Risk In The Banking Book

Interest rate risk in the banking book ("IRRBB") refers to the risk of losses to a Branch's economic value and its overall earnings of the banking book, arising from adverse movements in interest rate level or term structure. IRRBB mainly comes from repricing gaps between assets and liabilities in the banking book, as well as differences in changes in benchmarking interest rates for assets and liabilities.

The Group assesses IRRBB primarily through an interest rate repricing gap analysis. This analysis measures the difference between the amount of interest-earning assets and interest-bearing liabilities that must be repriced within certain periods. The Group employs the interest rate repricing gap analysis. It takes the impact of the off-balance sheet business into consideration when calculating the indications of earnings' sensitivity to changing interest rates.

The Group uses 25 basis point parallel shocks (with the overall shape of the yield curve remaining the same) to the yield curve to measure the sensitivity of its net interest income. Further information on the interest rate risk management in the banking book applied by the Group is contained in Part Risk Management of the Group's Annual Report, paragraph Management of Interest Rate Risk in the Banking Book.

3.4.10 Liquidity Risk

Liquidity risk is the risk that a solvent commercial bank fails to duly acquire adequate funds or fails to do so at a reasonable cost to manage the risk of asset increase or debt repayment at maturity.

3.4.10.1 Strategies and processes in the management of the Liquidity Risk

Liquidity management is the ability of the Branch to finance and meet the growth of its assets and the due payment obligations without incurring significant unforeseen losses. The risks related to liquidity are the following: the transformation of short-term liabilities into long-term assets to increase profitability by maturity conversion; large-scale withdrawal of funds before maturity; the possibility of renewal of funds; the changes of the pricing of the funds; the environmental effects and the uncertainty of the behavior of other market participants.

The liquidity risks of the Branch can be primarily assigned to two categories:

Maturity: a liquidity risk related to a mismatch in maturity dates;

Structural: a risk related to the opportunity to renew the funds or the change in funding costs.

The Branch takes a conservative approach to liquidity risk. The fundamental purpose of liquidity risk management is to observe the requirements and guidelines related to its liquidity management and ensure the ability to pay at all times (solvency and liquidity). Efficient liquidity management ensures that the Branch has sufficient liquid assets or appropriate access to such assets to fulfill its due payment obligations.

Liquidity risk management is divided into two functional areas: liquidity management and liquidity risk control. The Global Markets Department, Corporate Banking Department, performs liquidity management from an operational and strategic perspective, while the Financial Department performs liquidity risk control.

The Management exercises decision-making rights related to the Liquidity Policy and properly oversees the overall liquidity risk management process. The specific conditions of fundraising are defined by the branch's Assets and Liabilities Committee (ALCO) based on the development of market conditions.

The purpose of the liquidity reserve policy is to ensure that liquid assets of the appropriate level are available for the Branch at all times to cover any unexpected outflow of funds.

3.4.10.2 Structure and Organization of the Liquidity Risk Management Function (authority, statute, other arrangements)

The governance structure of liquidity risk management includes the Management and its Assets and Liabilities Committee (ALCO), and functional departments of the Bank.

The Management examines, accepts, and approves the bank's liquidity risk appetite and establishes the acceptable level of liquidity risk. The Management is responsible for supervising the implementation of its liquidity plan according to the liquidity risk level acceptable to and approved by the Management will also establish the organizational framework of liquidity risk management and define the responsibilities of the individual departments.

The Financial Department defines the indicators for the liquidity risk limits, defines, measures, and follows up on the liquidity risk of the Branch, carries out stress tests, and reports their results to the ALCO.

The Global Markets Department implements the Branch’s policy on liquidity risk management, manages the Branch's FX portfolio, participates in stress tests, and proposes developing the risk-management strategy and procedures for liquidity risk management.

3.4.10.3 Scope and nature of liquidity risk reporting and measurement systems

The Branch sets liquidity risk limits based on the nature, size, and complexity of its business and risk policy. These limits are linked to the Branch’s annual budget and business development plan and are reviewed at least once every year. The Financial Department is responsible for measuring, monitoring, and controlling various indicators of liquidity risk. In case of overstepping a limit, the Financial Department reports it to Management and takes measures to correct the situation.

To forecast the trend of liquidity risk changes, the Branch sets stricter internal early warning indicators than the ones set by the competent authority. When liquidity conditions trigger an early warning indicator, the Financial Department informs and assists the related department in taking effective measures to avoid the indicator's worsening and restore the liquidity position.

3.4.10.4 Policies for hedging and mitigating the liquidity risk and Strategies and processes for monitoring the continuing effectiveness of hedges and mitigants

If the Branch lends a substantial amount with long maturity, the Bank of China Head Office provides funds for the Branch with long maturity. This agreement significantly decreases the level of inherent liquidity risks.

The Head Office, in cooperation with other major members within the group, operates fund pools that can be used to conduct liquidity management transactions. Fund pools efficiently manage liquidity across borders, thus allowing cost-effective transactions such as lending and foreign exchange swaps between the subsidiaries and the fund pools.

The Branch uses three lines of defence for liquidity risk management in accordance with the relevant requirements of the MNB and its Enterprise Risk Management Policy. The first line of defence for liquidity risk management is constituted by all business departments. The responsibilities of departments of the first line of defence are implementing liquidity risk management regulations and procedures, carrying out scheduled self-inspection for internal control of liquidity risks, and working to identify, report and handle all kinds of liquidity risks in a timely manner. The second line of defence for liquidity risk management is the Financial Department and Risk Management Department. The Financial Department is responsible for monitoring, reporting, and controlling liquidity risks and providing guidance, training, supervision, and inspection to the first line of defence. The third line of defence for liquidity risk management is Internal Auditor. He/she is responsible for conducting independent audits of the performance of the first and second lines of defense, identifying problems in a timely manner, regularly reviewing and evaluating the sufficiency and effectiveness of liquidity risk management, and presenting suggestions for rectification.

3.4.11 Reputational Risk

Reputational risk is the threat of loss resulting from damage to a bank's reputation. It can materialize as lost revenue, increased costs, liquidity shortages, or a decrease in shareholder value.

As one of the largest international banking groups – the Bank of China Group – special attention is paid to avoid any damage to the well-earned reputation of the Group. Because reputational risk is interconnected with many other general risk types, the Branch takes an integrated approach to avoid reputational risk. Through the combination of conflicts of interest policies, anti-money laundering and "know your customer" (KYC) policies, code of conduct, anti-bribery and anti-corruption measures and IT security, and other measures, the Branch strives to minimize the risk of any reputational damages.

IV. INTERGRATION OF ESG RISKS INTO THE BRANCH'S BUSINESS STRATEGY AND PROCESSES

MATERIAL IMPACTS, RISKS AND OPPORTUNITIES

To successfully integrate relevant ESG risks into its operation, Bank of China Limited Hungarian Branch. identified its material ESG impacts, risks and opportunities (IROs) related to its own operation and portfolio through conducting a double materiality analysis (DMA) in accordance with the approach defined by the European Sustainability Reporting Standards (ESRS). The process of the DMA is presented in subchapter *0 The double materiality assessment process*. The following topics and related IROs were identified as material for the 2025 financial year:

Environmental topics

Topical ESRS	Topic	Sub-topic	Impact, risk or opportunity (IRO) name	Category (risk/opportunity/impact)	IRO coverage	IRO description
ESRS E1	Climate Change	**Climate change mitigation**	GHG emission	Negative impact	Portfolio	By financing carbon-intensive sectors and activities (like construction, transportation, manufacturing), the Branch has financed GHG emissions through its credit portfolio which contributes to negative impacts on climate change.
ESRS E1	Climate Change	**Climate change mitigation**	Climate-related transition risks	Financial risk	Portfolio	While managing environmental (climate), social, and governance risks, the Branch shall consider the transmission of such risks to major risks such as credit risk, market risk, liquidity risk, operational risk, reputational risk, country risk, and information technology (IT) risk. Carbon emission reduction policies affect the profitability of carbon-intensive companies, and related assets may be stranded. The carbon neutrality goal will trigger a shift in investor preferences and a decline in the expected return on carbon-intensive assets. In this case, the Branch might be exposed to the risk of lower valuations and increased investment volatility. Increased environmental awareness among depositors and investors will increase support for green finance business, while funding sources for other financial businesses may be adversely affected. In response to climate change, the Branch's current internal procedures, systems, etc. could fail to meet the needs, resulting in losses.

ESRS E1	Climate Change	**Climate change mitigation**	Financing climate change mitigation solutions	Financial opportunity	Portfolio	The Branch, through its credit portfolio (green lending), could contribute to finance mitigation solutions. It can enhance the Branch's presence on sustainable financial markets by seizing potential benefits offered by regulators or national banks. The expansion of green lending alternatives can facilitate climate change mitigation in corporate and retail mortgage lending, related especially to the real estate, transportation and electricity/gas supply sectors.
ESRS E1	Climate Change	**Energy**	Financing green energy solutions	Financial opportunity	Portfolio	By participating in the financing of hydroelectric plants and solar power plants, the Branch has the potential to facilitate the transition of the economy to green energy solutions.
ESRS E1	Climate Change	**Energy**	Financing green energy solutions	Positive impact	Portfolio	The Branch, through financing battery production, contributes to the transition to green mobility which can lead to lower direct emissions in transportation.
ESRS E1	Climate Change	**Energy**	Financing energy-intensive sectors	Financial risk	Portfolio	The volatility of the energy market, the risks related to the availability of fossil fuels and the transition to low carbon solutions increase the default risk of customers operating in energy-intensive sectors. This may affect the profitability of the Branch negatively.
E	Environmental impacts	**Environmental impacts of financial products**	Environmental impacts of financial products	Financial opportunity	Own operation	By engaging in sustainable finance, the Branch can contribute significantly to climate change mitigation. The Branch may also attract new client segments and capture new revenue streams through expanding its product set.
E	Environmental impacts	**Environmental impacts of financial products**	Environmental impacts of financial products	Financial risk	Own operation	In the case of banks, the vast majority of emissions fall into the financed scope 3 emissions category, which includes emissions from financed activities. If the Branch's financed emission is high, this may entail reputational risk and regulatory fines in the long term.

Social topics

Topical ESRS	Topic	Sub-topic	Impact, risk or opportunity (IRO) name	Category (risk/opportunity/impact)	IRO coverage	IRO description
ESRS S1	Own Workforce	Equal treatment and opportunities for all	Gender equality and equal pay for work of equal value	Positive impact	Own operation	The Branch could have an impact on employee satisfaction & retention through stimulating fair renumeration, social security and freedom of association. Increased employee satisfaction is expected to result in increased well being. Balanced pay is more often discussed in the business world. Moreover, it is a less transparent area.
ESRS S1	Own Workforce	Equal treatment and opportunities for all	Training and skills development	Financial opportunity	Own operation	Dedicated training and skills development is important to improve working processes, increase operational efficiency and implement new technologies, while personal development can create a better working environment and collaboration among employees. By offering proper training and development opportunities, the Branch can attract and retain talented employees.
ESRS S1	Own Workforce	Equal treatment and opportunities for all	Diversity	Financial opportunity	Own operation	Actively supporting diversity and inclusion can enhance employee satisfaction and overall effectiveness. With a diverse workforce, the Branch can have different views and ideas in decision making which can lead to more success financially.

Governance topics

Topical ESRS	Topic	Sub-topic	Impact, risk or opportunity (IRO) name	Category (risk/opportunity/impact)	IRO coverage	IRO description
ESRS G1	Business Conduct	**Corporate Culture**	Corporate Culture	Financial risk	Own operation	Potential unethical behaviour cases or non-compliance with laws and regulations can result in fines and reputational loss. If the corporate culture deteriorates, employees will look for new opportunities elsewhere which would lead to revenue decrease and increased HR costs.

ESRS G1	Business Conduct	**Corruption and bribery**	Prevention and detection of corruption and bribery	Financial opportunity	Own operation	Adequate measures (policies and procedures) for prevention and detection of corruption and bribery incidents, could increase trust in business relationships with customers and other partners. By acting in accordance with regulatory requirements, the Branch can enhance its compliant operation.
G	Business Conduct	**Environmental, social and climate change risk management**	Environmental, social and climate change risk management	Financial opportunity	Own operation	Implementation of the appropriate environmental, social and climate change risk management tools and processes could decrease the costs arising from these factors.
G	Business Conduct	**Anti-money laundering**	Anti-money laundering	Financial risk	Own operation	Inadequately addressing money laundering and counter-terrorism could result in regulatory sanctions and reputational damage to the Branch.

SHORT, MEDIUM, AND LONG-TERM CLIMATE AND ENVIRONMENTAL RISKS AND OPPORTUNITIES

In line with Recommendation No. 10/2022 (VIII.2.) of the Hungarian National Bank (MNB) on climate-related and environmental risks and the integration of environmental sustainability considerations into the activities of credit institutions, the Branch reviewed and evaluated the climate- and environmental-related data requirements of its business planning and risk management functions. As part of this process, the necessary data needs were identified and measures were defined in the Branch's Sustainable Finance Policy to address existing data gaps or inadequacies.

The Branch has assessed the climate- and environment-related data requirements supporting the strategic planning process and has established processes and tools to ensure the availability of relevant information for both strategic and business planning purposes. In this context, the Branch places particular emphasis on aligning data availability with decision-making needs.

When assessing short-, medium- and long-term climate- and environmental risks and opportunities, the Branch relied on inputs provided by the Head Office, while also evaluating the local relevance of Group-level material risks. This approach ensures consistency at Group level while allowing for local specificities to be appropriately addressed.

To ensure alignment between the DMA and the climate- and environmental risk assessment, as required by Recommendation No. 10/2022 (VIII.2.) of the MNB, the Branch evaluated which impacts, risks and opportunities identified during the DMA correspond to the climate-related and environmental risks and opportunities previously identified.

The climate-related and environmental **risks** identified by the Branch and the related processes to mitigate them are presented in the following table:

Risks	Timeframe	Action	Related material IRO identified in the DMA
Lack of sufficient ESG knowledge and expertise	short-term	Training staff and management in ESG	Training and skills development (Risk)
Reputational risk relating to the ESG conduct of customers	short-term	Data collection of ESG considerations of customers and additional screening of high-risk customers	Environmental impacts of financial products (Risk)
Physical and transitional risk in credit risk	short-term	Categorizing customers as per their ESG risk	Environmental impacts of financial products (Risk)
Transitional risk in credit risk	short-term	Estimating Scope 3 financed emissions using the PCAF methodology	Climate-related transition risks (Risk)
Climate and environmental risk in operational risk	short-term	Linking the climate and environmental factor to operational risk events	-
Credit risk linked to ESG performance of customers	medium-term	Collecting more granular data of the credit customers by industries to be able to assess the ESG rating of them	Environmental impacts of financial products (Risk)

The climate-related and environmental **opportunities** identified by the Branch and the related processes to capitalize on them are presented in the following table:

Opportunities	Timeframe	Action	Related material IRO identified in the DMA
Understand green lending frameworks and market practices	short-term	Participating in syndication loans and be the mandate leading agent	Environmental impacts of financial products (Opportunity)
Increase green interest income	medium-term	Participatating in syndicated and bilateral green loans	Environmental impacts of financial products (Opportunity)
Increase the volume of green assets	medium-term	Participatating in syndicated and bilateral green loans	Environmental impacts of financial products (Opportunity)
Contribute to local and international green initiatives by financing: *-renewable energy capacity* *-clean transport* *-energy efficiency*	medium-term	Participatating in syndicated and bilateral green loans	Financing green energy solutions (Opportunity)
Increase the volume of renewable energy capacity in portfolio	medium-term	Collecting data on renewable energy capacity in portfolio/ total asset	Financing green energy solutions (Opportunity)
Increase the proportion of EU Taxonomy aligned green loans in total green loans	medium-term	Assessing the EU Taxonomy alignment of green loans	Environmental impacts of financial products (Opportunity)

In 2026, the MNB issued Recommendation No. 2/2026 (III.6.) on the management of ESG risks, which requires the performance of a materiality assessment of ESG risks across all financial risk categories. The Branch has initiated the necessary preparatory steps to ensure compliance with this requirement and will align the outcomes of the ESG risk materiality assessment with the results of its DMA.

CLIMATE AND ENVIRONMENTAL RISK CONSIDERATIONS IN THE STRATEGIC PLANNING PROCESS

The Branch recognises the potential need to adapt its information and IT systems in order to ensure the effective collection and aggregation of data required for assessing exposure to climate- and environmental-related risks. As the Branch operates on an IT infrastructure provided by the Head Office, the implementation of certain indicators, particularly those requiring significant IT development, must be coordinated and agreed in consultation with the Head Office.

In line with Head Office expectations, the Branch contributes to the achievement of Group-level carbon neutrality objectives. Furthermore, in accordance with Head Office considerations, the Branch actively participates in the Group's initiatives aimed at enhancing the socio-economic impact of its activities.

V. INTEGRATION OF ESG RISKS INTO THE BRANCH'S GOVERNANCE

The Branch has established a local ESG Governance Framework in its Sustainable Finance Policy, clearly defining roles and responsibilities across local business units and personnel.

QUARTERLY CLIMATE AND ENVIRONMENTAL RISK REPORT

As part of its quarterly comprehensive risk reporting framework, the Branch prepares its Quarterly climate and environmental risk report to ensure effective management oversight of climate-related and environmental risks considered material by the Branch.

The Quarterly climate and environmental risk report includes key risk indicators employed by the Branch to effectively monitor its performance regarding material climate-related and environmental risks. The related indicators are presented in subchapter *0 Indicators related to climate-related and environmental risks*.

The Quarterly climate and environmental risk report is prepared by the Risk Management Department. In the course of its preparation, each relevant department provides the necessary input based on formal notifications issued by the Risk Management Department, ensuring that information is collected in a structured and comprehensive manner.

The report is presented to the members of the Risk and Control Committee/Management as part of the quarterly Comprehensive Risk Report. This reporting framework ensures that the Management has adequate knowledge and understanding of climate-related and environmental risks, enabling it to assess whether the level of risk assumed by the Branch remains consistent with the Branch's risk appetite.

This reporting framework established by the Branch grants the Management the ability to exercise effective strategic oversight over the Branch's climate and environmental risks and assess the impact of the Business Plan on climate change and environmental sustainability objectives.

KNOWLEDGE AND EXPERTISE

To ensure the availability of sufficient knowledge and expertise for the effective management of climate-related and environmental risks, the Branch is committed to providing adequate financial and human resources for the training of the Branch's management body and key personnel.

Annual training is provided for the Management to foster their understanding of the sustainability-related expectations and goals of the Group, sustainability-related regulatory updates and requirements, as well as the climate and environmental risk management framework and response to sustainability considerations of the Branch.

Newly appointed employees in management positions are granted immediate access to all relevant training materials, quarterly risk reports, and Group-wide documentation related to climate- and environmental risks and sustainability, with familiarisation forming an integral part of the standard onboarding process.

In addition, all employees are eligible to participate in ESG-related training programmes provided by the Group. The Branch also provides trainings locally for the relevant departments addressing climate- and environmental risks relevant to the Branch's activities, strategy and risk profile. The completion of these trainings and the average number of hours dedicated to ESG-related learning are reported to Management as part of the Quarterly climate and environmental risk report.

INTERNAL GOVERNANCE

While overall coordination of climate and environmental risk and sustainability related tasks carried out by the Branch is the responsibility of the Risk Management Department, a designated representative has been appointed within each organisational unit to support the implementation of the Sustainable Finance Policy and to ensure compliance with regulatory requirements and Head Office expectations. The representatives are required to respond to the Management regarding sustainability-related inquiries, provide sustainability-related data and documents to stakeholders and maintain up-to-date knowledge with relevant internal and external expectations.

The Branch's compliance function's annual workplan includes the assessment of processes and functions related to sustainability, including climate- and environmental-risk assessment. In addition, the annual self-assessment of the risk control and compliance function includes a review of sustainability-related processes and functions, as well as those related to climate and environmental risk assessment.

VI. INTEGRATION OF ESG RISKS INTO THE BRANCH'S RISK MANAGEMENT

ESG risk management at the Branch is anchored in the Sustainable Finance Policy, which provides the overarching framework for meeting the risk management expectations set out in Recommendation No. 10/2022 (VIII.2.) of the

MNB. This policy establishes the principles, processes and responsibilities through which ESG risks are identified, assessed and managed within the Branch's overall risk management framework.

In addition to the measures defined in the Sustainable Finance Policy, the Branch has performed a DMA in accordance with the requirements of the ESRS. The DMA enables a systematic identification and evaluation of ESG-related impacts, risks and opportunities that are relevant from the Branch's perspective. Through this process, the Branch gains a comprehensive understanding of ESG risks affecting its portfolio and operation, supports ongoing monitoring of these risks, and ensures that timely corrective actions can be taken where necessary.

THE DOUBLE MATERIALITY ASSESSMENT PROCESS

Long list

The first step in the DMA process was the creation of a comprehensive long list of potentially relevant sustainability topics. This was achieved through a benchmark analysis, the purpose of which is to ensure that the company begins with the broadest possible perspective and does not overlook significant issues. The benchmark analysis involved assessing the Head Office's and peers' most recent sustainability reports to create the benchmark analysis, as well as the material topics of the Sustainability Accounting Standards Board (SASB) standards relevant for the Branch. The material topics were indicated on a sub-topic level based on the ESRS sustainability topic classification.

By observing which topics peers report on most frequently and which issues attract regulatory or stakeholder attention, the Branch was able to identify prevailing sector-level expectations. This benchmarking approach supported an informed assessment framework while allowing the Branch to determine the relevance of these topics in light of its own risk profile and operational characteristics.

For the preparation of the long list the credit portfolio of the Branch was also examined. The objective of conducting a portfolio analysis was to analyse the Branch's corporate credit portfolio exposure from impact perspective and provide inputs on the most relevant financed sectors, for the comprehensive identification of potentially material sustainability topics and related IROs affected by the Branch's downstream value chain.

The Branch's exposures were categorised by sector based on NACE codes. Using this classification, the average environmental impact of the respective sectors was assessed in order to evaluate the potential effect the Branch's downstream value chain may have on the environment in a structured and consistent manner. The top 5 most relevant impacts identified in relation to the Branch's credit exposure were disturbances (e.g. noise, light), emissions of greenhouse gases (GHG), area of land use, emissions of pollutants to water and soil, volume of water use.

The list was prepared with consideration of all environmental, social and governance topics / sub-topics / sub-sub topics of ESRS as potential ESG matters. It was then compared and complemented with further sustainability topics based on the benchmark analysis of the selected industry peers, SASB recommendations of the relevant financial sector standards and the analysis of the Branch's credit portfolio.

Short list

The aim of preparing the short list is to summarize the most relevant sustainability matters from the Branch's perspective as the basis for IRO identification and assessment. This short list reflects the topics most likely to be material and therefore warranting detailed assessment. The Short list presents all sustainability topics that were identified and evaluated as 'potentially relevant' on the Long list. Sustainability topics of the Short list are resulted from the qualitative assessment and validation of the Branch's ESG core team.

Identification of Impacts, Risks, and Opportunities

Following the establishment of the short list, each topic was further broken down into specific impacts, risks and opportunities. Impacts describe the ways in which the Branch's activities affect people and the environment, whether positively or negatively. Risks describe sustainability related events or conditions that could harm the Branch's operations or financial performance. Opportunities describe circumstances in which sustainability considerations could create benefits for the Branch, such as efficiency gains, access to new markets, or enhanced reputation. In the IROs identification process, considerations were made in relation to own operation as well as to the effects in the value chain.

Assessment

For evaluating the identified IROs, an objective scoring criteria set was defined, following the requirements of ESRS 1 and the EFRAG's Implementation Guidance (IG1), to evaluate the identified IROs' materiality.

Impacts were categorized (positive/negative) and qualitatively assessed by potential and actual nature, by time horizon (short-, medium- long term) and by relevance in the value chain (own operations, upstream, downstream-portfolio). After the qualitative assessment, the negative impacts were assessed by the scale, scope and irremediable character on a 0-5 scale which covered the severity of the impact. The positive impacts were addressed by the scale and scope aspects on a 0-5 scale. In case of potential negative and positive impacts, likelihood was also taken into consideration. The materiality value was derived from the assessment (scale, scope, irremediable character and likelihood). The three categories of materiality (material; not material, but worth observing; not material) are the possible results derived from the matrix of severity score and likelihood.

Risks and opportunities were also qualitatively assessed by time horizon (short-, medium- long term), and by relevance in the value chain (own operations, upstream, downstream-portfolio). Risks and opportunities were considered potential by nature. Risks and opportunities were assessed based on whether they have financial implications on the continuation of use of resources, reliance on relationships, or other impacts on cash flow. Risks or opportunities were assessed by magnitude and likelihood of the occurrence on a 0-5 scale. The materiality value was derived from the assessment (magnitude and likelihood). The three categories of materiality (material; not material, but worth observing; not material) are the potential results derived from the matrix.

If the materiality threshold was exceeded, the ESG topic associated with the assessed IRO was considered material from the perspective of the Branch's operations or value chain. The DMA process was conducted with the participation of ESG representatives of the Branch's relevant departments. Their involvement was essential for providing input data and information from their field on the related ESG topics, which supported the identification and assessment of relevant ESG topics. The Branch's ESG Governance Framework is detailed in chapter V. Integration of ESG risks into the Branch's governance.

CREDIT RISK MANAGEMENT

The Branch has developed a customer assessment process and a customer categorization framework to assess the impact potential customers may have on the environment. The Branch has created an ESG Assessment Questionnaire designed to collect information on customers' climate- and environmental-related performance. The questionnaire is aligned with Head Office guidelines, local market practices and applicable regulatory expectations, including the forthcoming EU Taxonomy–related customer assessments and Recommendation No. 7/2025 (VI.23.) of the MNB. When a credit transaction is initiated by the business department, the completed questionnaire is attached to the credit initiation documentation.

The ESG risk screening forms part of the preliminary data collection phase of the decision-making process, in accordance with Recommendation No. 7/2024 (VI.21.) of the MNB. The MNB questionnaire is applied to customers based in Hungary, including Hungarian branches of foreign companies, provided that they are not regulated financial service providers according to the ESG Act[2], are required to prepare individual or consolidated sustainability reports under the Accounting Act[3] or individual or consolidated ESG reports under the ESG Act, and have already published at least one sustainability or ESG report themselves or through their parent company.

From 1 July 2025, completion of the questionnaire is mandatory for all new corporate lending transactions exceeding HUF 500 million. This threshold will be gradually reduced, applying from 1 July 2026 to transactions exceeding HUF 350 million, from 1 July 2027 to transactions exceeding HUF 200 million, and from 1 July 2028 to transactions exceeding HUF 100 million, in line with the requirements of Recommendation No. 7/2025 (VI.23.) of the MNB.

For all other customers not subject to the MNB questionnaire, a simplified ESG questionnaire is applied regardless of the loan amount. In the case of customers located outside Hungary and who have no presence in Hungary, or who are

[2] Act CVIII of 2023 laying down the rules of corporate social responsibility taking into account environmental, societal and social considerations to promote sustainable finance and unified corporate responsibility, and amending certain related Acts

[3] Act C of 2000 on Accounting

not lending customers, where the credit application exceeds EUR 1 million, ESG information is collected using the simplified questionnaire supplemented by an additional question form.

The Branch has structured its customer rating processes to support the identification and assessment of climate- and environmental-related risks through the application of appropriate risk ratings, drawing on information collected via the ESG Assessment Questionnaires. Based on guidance and inputs provided by the Head Office, customers are classified into categories A, B or C, reflecting the level of environmental, social and governance risks inherent in the economic activities financed by the Branch. In addition, the Branch regularly monitors the proportion of exposures within each risk category across its portfolio. The key outcomes of the ESG risk screening, together with any supporting documentation provided by the customer in connection with the questionnaire, are incorporated into the credit report.

The Branch places particular emphasis on exposures associated with elevated climate- and environmental-related risks. Accordingly, for customers classified under Category A, the Branch performs an additional assessment, which also takes into account the additional risk aspects related to the financing of such customers.

REPUTATIONAL RISK MANAGEMENT

The Branch systematically incorporates reputational considerations related to climate change into the assessment of its own operations as well as into decisions concerning the potential offering of investment products. In this context, the Branch evaluates the extent to which its business activities could amplify future reputational damage or give rise to legal risks stemming from losses associated with the physical and transition impacts of climate change.

The Branch quantifies and monitors its Scope 1, Scope 2 and Scope 3 greenhouse gas emissions and closely tracks the environmental footprint of its operations. Scope 3 emissions are calculated using an estimation methodology aligned with the standard developed by the Partnership for Carbon Accounting Financials (PCAF). The Branch regularly reviews and updates its PCAF-based financed emissions estimates to ensure their ongoing relevance and reliability.

OPERATIONAL RISK MANAGEMENT

Assessment of operational risks

The Branch has assessed the potential impacts of climate change and environment-related transition and physical risks on its own operations, taking into account the specific geographical context of its activities. All material operational sites are located in Budapest, Hungary, which was considered in the assessment of exposure and vulnerability.

In this context, the Branch has analysed a range of potential scenarios, identified specific operational risks, and defined corresponding mitigating measures. These risks and mitigation actions are incorporated into the Business Continuity Plans of all relevant organisational units and are also referenced in the Branch's Operational Risk Management Policy.

As part of the assessment, the Branch evaluated the effects of 15 chronic and 13 acute climate-related risks. Based on this analysis, one chronic risk and four acute risks were identified as material to the Branch's operations. The material risks include heat stress as a chronic risk, as well as heatwaves, storms, heavy precipitation and floods as acute risks.

When assessing third parties involved in outsourcing arrangements, the Branch incorporates physical and transition climate-related risks into the evaluation of potential service providers. These risks are assessed as part of the outsourcing due diligence process and are transparently presented throughout the decision-making framework.

Heat stress and heatwaves

The Branch has identified heat stress and heatwaves as potential operational risks that may affect business continuity, primarily through impacts on employee health and the reliable operation of IT systems. Extreme temperatures may lead to working conditions exceeding acceptable thresholds and to the overheating of server rooms or other critical IT equipment.

These risks are currently mitigated through the use of air-conditioning at Branch premises and the provision of flexible working arrangements during periods of extreme heat. The Branch closely monitors operational risk events related to heat stress and heatwaves within its loss data collection process, with particular attention to incidents affecting IT

systems or other critical functions. Where monitoring indicates that existing mitigation measures may no longer be sufficient, the Branch is positioned to take timely corrective action.

Storms, heavy precipitation, and riverine floods

The Branch has identified disaster-related events as potential threats to the continuity of its operations, either through physical damage to Branch premises requiring relocation to fallback locations, or through circumstances in which employees are unable to access Branch sites due to disrupted or severely limited transport conditions. Such risks are addressed within the relevant Business Continuity Plans, which include tested scenarios and predefined mitigation measures.

Transitional risks

The Branch has identified rising electricity prices as a potentially relevant transition risk, particularly in connection with the chronic physical climate risk of heat stress. This risk is mainly mitigated through the effective cooling of its operational sites.

Monitoring

The Branch monitors operational risk events in accordance with its Loss Data Collection Process and has flagged operational risk events linked to physical and transition climate risks since 1 July 2023. In the event of an operational risk incident, the responsible department is required to report the incident to the Internal Control & Legal and Compliance Department.

The proportion of operational risk events related to climate change is reported as part of the Quarterly climate and environmental risk report. This reporting framework ensures that the Branch's Management is adequately informed and able to assess in a timely manner whether additional mitigating measures are required.

MARKET AND LIQUIDITY RISK MANAGEMENT

The Branch reviewed and assessed the relevant regulatory requirements on market and liquidity risk management, in line with Recommendation No. 10/2022 (VIII.2.) of the MNB.

Climate-related and environmental risks may affect market conditions by influencing the supply, demand and valuation of financial instruments and services. However, based on the Branch's assessment, ESG-related market risk is not considered material for its operations, given the Branch's size, limited trading activities, lack of complex trading positions and the absence of a significant proprietary debt securities portfolio.

From a liquidity risk perspective, the Branch has determined that its diversified corporate client portfolio does not exhibit significant geographical or sectoral concentration. In line with the principle of proportionality, climate-related and environmental risks have therefore not been identified as material with respect to liquidity risk and are not specifically addressed in the Branch's internal policies.

INDICATORS RELATED TO CLIMATE-RELATED AND ENVIRONMENTAL RISKS

The Branch has implemented measures to quantify climate- and environmental-related risks. Risks identified as most material based on the Branch's assessment are included in the Quarterly climate and environmental risk report. The Branch tracks and regularly monitors progress against the following set of indicators:

- Number of extreme weather events that impaired the value of the Branch's physical assets and/or asset's value losses due to extreme weather events
- Gross Scope 1 emissions
- Gross Scope 2 emissions
- Gross Scope 3 emissions
- Total GHG emissions (Scope 1 + Scope 2 + Scope 3)
- ESG trainings

- Proportion (%) of A/B/C rated credits to total credits
- Exposures towards entities that are target of greenwashing allegations
- Proportion (%) of A/B/C credits by industry (NACE) codes

In relation to these indicators, the Branch has also documented, among other elements, the associated data requirements, the frequency of data collection, and the organisational unit responsible for each specific indicator. The Branch has also defined the indicators to be followed in case it integrates green lending into its credit portfolio.

CLIMATE SENSITIVITY ANALYSIS

The Branch has developed a climate sensitivity analysis in line with the requirements of Recommendation No. 10/2022 (VIII.2.) of the MNB. The climate sensitivity analysis methodology is based on the relationship between internal credit ratings and ESG ratings. Its objective is to assess the impact of a one-notch downgrade in ESG ratings on internal credit ratings. The analysis covers the corporate credit portfolio of Bank of China Limited Hungarian Branch.

Own funds (CRR Article 437 point (a)) The Head Office provided the Branch with an endowment capital of USD 20 million, which the Branch converted into HUF and kept in its books as an endowment capital of HUF 4,000 million and a capital reserve of HUF 433 million. The Branch does not calculate its own funds, so any disclosure concerning its own funds does not apply to it own.

The underlying capital behind the risks of the Branch are the own funds of Head Office. Information concerning the own funds of the Head Office are contained in the disclosure document of the Group.

Own funds requirements and risk-weighted exposure amounts (CRR Article 438 point (c) and (d))

As mentioned earlier, the Branch is exempt from compliance with the requirements contained in the Third, Fourth, Fifth, and Seventh Parts of CRR. The rules on calculating the capital requirements are contained in the Third Part of CRR; therefore, under the exemption, the Branch is released from the obligation to calculate the capital requirement.

The Group's Capital Adequacy Ratio Report of 2025 provides information on the risk-weighted exposures by risk type.

VII. Key metrics (CRR Article 447)

Institutions shall disclose the information referred to in Article 447, point (a) to (g) of CRR by using template EU KM1 of Annex I to Commission Implementing Regulation (EU) 2021/637 of 15 March 2021 laying down implementing technical standards with regard to public disclosures by institutions of the information referred to in Titles II and III of Part Eight of Regulation (EU) No 575/2013 of the European Parliament and of the Council and repealing Commission Implementing Regulation (EU) No 1423/2013, Commission Delegated Regulation (EU) 2015/1555, Commission Implementing Regulation (EU) 2016/200 and Commission Delegated Regulation (EU) 2017/2295, and by following the instructions set out in Annex II to the same regulation.

As described in the previous section, the Branch does not calculate its own funds or capital requirements on a single basis. In addition, it is noted that the Branch has been exempted from the obligation to comply with the liquidity coverage requirement set forth in Part Six, Article 412, and from complying with the requirement of net stable funding ratio set out in the same part, Article 428b of CRR. Therefore, the Branch has nothing to declare in template EU KM1.

For details on the Group's own funds and capital requirements, please refer to the Capital Adequacy Ratio Report of 2025. The Group provides information on the liquidity coverage ratio and net stable funding ratio in its 2025 Annual report, which is part of Supplementary information.

The ROA of the Branch is -0,26%.

VIII. Remuneration policy (CRR Article 450 (1) points (a) to (d), (h) to (k))

The Branch's Remuneration Policy is in line with the business strategy, risk tolerance, objectives, values, and long-term interests. It aims to discourage excessive risk-taking and incorporates measures to avoid conflicts of interest.

8.1 **Process of decision-making regarding the remuneration policy**

The Remuneration Policy of the Branch follows the remuneration policy of the Head Office.

Management assesses the remuneration policy at least once a year and decides on the policy for the given year. Because the Branch is part of the Head Office, no remuneration committee was established at the Branch.

8.2 **Remuneration Components**

In the Branch, remuneration consists of a fixed part, additional benefits/allowances, and a variable part (bonus), as detailed later in this section. The fixed and variable remuneration are regulated in the remuneration policy as mentioned above, while within the guidelines of the Founder, the Management approves the scope of allowances and the group of individuals who may receive them. The conditions of such allowances and their conditions are described in the Benefit Measures of the Branchthe branch has a separate measures for additional benefits.

In case of the Management both the annual amount and the ratio of fixed and performance-based remuneration is established by the Founder (Head Office HR Department), while in case of all other individuals belonging to the group of Specified Persons the Management is entitled to decide on such ratio.In the case of the Management, both the annual amount and the ratio of fixed and performance-based remuneration are established by the the Founder (Head Office HR Department).

8.2.1 Fixed Remuneration

Fixed remuneration is the fixed part of the salary—it is not linked to the performance of the Branch's entity, business unit, or individual-level targets. Fixed remuneration reflects the individual's relevant professional experience and organizational responsibility as set out in their job description.

Except of the case of the Management, the monthly base salary is agreed upon by the General Manager (as the person being entitled to exercise employer's rights) and the employee and fixed in the individual employment contracts

As a matter of principle, the amount of the fixed remuneration for the Specified Persons shall be high enough to provide adequate compensation for the professional work and shall be in line with the level of education, ranking, the required level of experience and skills, and the relevant business sector.

8.2.2 Allowances / Benefits

The scope of such allowances forms part of routine employment/executive packages and contain, among other things, the following benefits: a hot meal, mobile phone, SIM card, school-start support, company car for selected employees, gift vouchers for different occasions, dinner and taxi cost reimbursement in case of late overtime, key-position based special allowances, and different type of allowances and cost reimbursements for expats (posted employees) based on guidelines of the Head Office.

8.2.3 Performance-based (variable) remuneration.

Performance-based remuneration is based on both long-term profitability and the evaluation of the individual's contribution to the results of the Branch. Performance is measured at the Branch, department, and individual level. It is subject to the fulfillment of predefined requirements. It is payable only in cases when the Branch's financial situation is sustainable, and the performance of the Branch, the Branch's unit, and the individual enable such payment.

The Bank considers a performance-based remuneration to be significant, if the amount of the performance-based remuneration payable to one person exceeds 100 million HUF (gross) within a one-year term.

8.3 **Risk Adjustments**

The Branch uses ex-ante risk adjustment and to the deferred part of the performance-based remuneration ex-post risk adjustment.

Ex-ante risk adjustment is a method used by Administration Department during the annual performance evaluation and award process. It allows the full range of existing and potential risks related to the activity pursued by the Branch to be taken into account. The Financial Management Department carries out ex-post risk adjustment to ensure

consistency between the performance-based remuneration and the risks assumed by the Branch. This also enforces the impact of risks that may have been ignored by the ex-ante risk adjustment or that have arisen after the ex-ante risk adjustment.

The deferred installments may be paid after the ex-post risk adjustment, which is based on evaluating entity-level and individual performances.

8.3.1 Malus and Clawback

The Branch has also established malus and clawback provisions to enhance the ex-post risk adjustment process and to avoid any excessive risk-taking of the specified person. In case the profitability of the branch decreases primarily due to the fact that a specified person undertook excessive risk, then their performance-based remuneration will be decreased or even canceled. Furthermore, should the Branch suffer significant losses in its capital, the amount of the performance-based remuneration for the actual year may be decreased or canceled, and stricter rules for appraisal of performance may be applied.

Additionally, performance-based remuneration would be canceled, and the earlier paid bonus may be reclaimed if the Specified Person is involved in a criminal act, serious breach of code of conduct and other internal rules, fraud, or great negligence that significantly lowered the profitability or reputation of the Branch and, therefore, the Head Office.

8.3.2 Deferrals – vesting

As the Bank does not qualify as a large institution as defined in point (146) of Article 4(1) of Regulation (EU) No 575/2013, but the average total value of the Bank's assets on an individual basis calculated based on the year-end figures of the previous four years would exceed HUF 1.500 billion, the actual payment of 40% of the performance-based remuneration should be delayed for a deferral period of 5 years in case of the executive officers, and 4 years in case of all other Specified Persons, except when a Specified Person's performance-based remuneration does not exceed HUF 17,5 million, and one-third of his/her total yearly remuneration. In case of Specified Persons whose yearly performance-based remuneration exceeds HUF 100 million, 60 % of the performance-based remuneration should be deferred.

Before paying out the deferred part, the performance is reassessed, and, if necessary, an ex-post risk adjustment is performed.

During the entire deferral period, the impacts occurring meanwhile in connection with the activity of the Specified Persons during the performance period are considered, and depending on those, the amount of the remuneration subject to deferred payment should be reduced if it is deemed necessary. Such ex-post risk adjustment is performed by the Financial Management Department, which informs the Administration Department (HR function) of the results.

8.4 **Specified Persons**

The branch's Management consists of five persons, who, together with the Internal Auditor, the Head Global Markets Department, and the Head of the Administration Department, are the Specified Persons, since given the Branch's organizational and governance structure, the persons mentioned above are entitled to make decisions on risk-taking on behalf of the Bank (even if they delegate the related preparatory activities) or have significant influence on risk control.

All management members are employed by both Bank of China Limited Hungarian Branch and Bank of China (CEE) Ltd under multiple employment as permitted by Article 195 of the Hungarian Labor Code. In the related labor contracts, the parties referred to Section 2 of Article 195 of the Hungarian Labor Code and agreed that the Bank of China Limited Hungarian Branch would make the salary payments for the management members.

Changes in the number of identified Specified Persons in 2025:

- Employment of the GM was terminated in 2025 Q1 and a new GM started to be employed in 2025 Q1;

- Employment of a Deputy GM was terminated in 2025 Q2, and a new Assistant GM started to be employed in 2025 Q4;

- Employment of Head of Administration Department was terminated in 2025 Q1, and the new Head started to be employed in 2025 Q2.

No person received any remuneration at the Branch that would equal or exceed the amount of one million euros.

8.5 The amount of fixed and variable remuneration paid during 2025

8.5.1 Total remuneration of all employees

As of the end of 2025, the branch had 26 staff (including inactive staff and shared employees, whose designated Employer is Bank of China CEE Ltd.)). The branch spent HUF 1344 million on salaries and other staff-related expenditures, of which wages and bonuses totaling HUF 754 million and other personal-related payments totaling HUF 590 million.

For the year 2025, a HUF 145.8 million bonus was rewarded to the employees of the Branch as variable remuneration.

8.5.2 Remuneration of Specified Persons

Below, quantitative information is provided in respect of the actual remuneration awarded by the Bank for 2025.

EU REM1 - REMUNERATION AWARDED FOR THE FINANCIAL YEAR

		In millions of Hungarian Forint	a	b	d
			MB Supervisory function NOT RELEVANT	MB Management function	Other identified staff
1		**Number of identified staff**	**0**	**5**	**2**
2		**Total fixed remuneration**	**0**	**304***	**82,3**
3	Fixed remuneration	Of which: cash-based	0	**304***	82,3
4		(Not applicable in the EU)	0	0	0
EU-4a		Of which: shares or equivalent ownership interests	0	0	0
5		Of which: share-linked instruments or equivalent non-cash instruments	0	0	0
EU-5x		Of which: other instruments	0	0	0
6		(Not applicable in the EU)	0	0	0
7		Of which: other forms	0	0	0
8		(Not applicable in the EU)	0	0	0
9		**Number of identified staff**	**0**	**5**	**2**
10		**Total variable remuneration**	**0**	**36,6**	**10,1**
11	Variable remuneration	Of which: cash-based	0	**27,5**	10,1
12		Of which deferred	0	3,6	0
EU-13a		Of which: shares or equivalent ownership interests	0	0	0
EU-14a		Of which: deferred	0	0	0
EU-13b		Of which: share-linked instruments or equivalent non-cash instruments	0	9.1	0
EU-14b		Of which: deferred	0	3,6	0
EU-14x		Of which: other instruments	0	0	0
EU-14y		Of which: deferred	0	0	0
15		Of which: other forms	0	0	0
16		Of which: deferred	0	0	0
17		**Total remuneration (2 + 10)**	**0**	**340,6**	**92,3**

* MB Management function: all five members of the Management simultaneously constitute the Management of Bank of China (CEE) Ltd. and Bank of China Limited Hungarian Branch under multiple employment contracts as permitted by Article 195 of the Hungarian Labor Code. In the related labor contracts – based on Article 195 (2) of the Hungarian Labor Code - the parties agreed that Bank of China Limited Hungarian Branch will make the salary payments for the members of the Management. They did not receive fixed salary or variable remuneration from Bank of China (CEE) Ltd., in 2025, though based on a cost allocation agreement between Bank of China (CEE) Ltd. and Bank of China Limited Hungarian Branch (hereinafter "the Banks") the Banks share the remuneration related costs among themselves with a predefined ratio, how the members of the management share their attention among their employer banks.

Taking into consideration the above-mentioned cost allocation the five members of the management (2,61 FTE in case of Bank of China Limited Hungarian Branch) were rewarded with a total remuneration of HUF 340.6 million,

including HUF 304 million fixed remuneration and HUF 36.6 million variable remuneration in 2025 for their activities in Bank of China Limited Hungarian Branch. As seen in the table above, the total remuneration of specified persons equaled HUF 432.9 million of which HUF 386.2 million was fixed remuneration and HUF 46.7 million was variable.

In line with Section 119(5) lit. b) of the Banking Act, provisions of Section 118 (11) of the Banking Act are applicable (i.e. the performance-based remuneration need to consist of 50% of share-linked instruments) in case of a Specified Person whose yearly performance-based remuneration exceeds HUF 17,5 million, and one-third of his/her total yearly remuneration, so this Specified Person is entitled for HUF 9 million cash-based (HUF 5.4 million shall be paid in 2026, and 3.6 million is deferred for 4 years) and HUF 9 million phantom share based (HUF 5.4 million shall be paid in 2026, and 3.6 million is deferred for 4 years) variable remuneration.

No acquired entitlement was subsequently adjusted.

8.5.3 Deferred remuneration awarded during the financial year

A Specified Person's performance-based remuneration exceeded HUF 17,5 million and one-third of her total yearly remuneration in 2025, so variable remuneration was deferred for 4 years and 50% of the performance-based remuneration consists of phantom-shares (share-linked instrument), so the Specified Person is entitled to HUF 9 million cash-based (HUF 5.4 million shall be paid in 2026, and 3.6 million is deferred for 4 years) and HUF 9 million phantom share based (HUF 5.4 million shall be paid in 2026, and 3.6 million is deferred for 4 years) variable remuneration.

8.5.4 Outstanding Deferred Remuneration

A Specified Person became entitled to HUF 3.6 million cash-based, and HUF 3.6 million phantom-share based variable remuneration related to her performance in 2025, which are deferred for 4 years (2027-2030).

Furthermore, same Specified Person is entitled to HUF 2.6 million cash-based, and HUF 2.6 million phantom-share based variable remuneration related to her performance in 2024, which are still deferred for 3 years (2027-2029), since HUF 0.8 million cash-based and HUF 0.8 million phantom-share based variable remuneration – related to her performance in 2024 – are due to vest in 2026

8.5.5 Sign-on and Severance Payments

During the year 2025, no severance payments, sign-on payments, or guaranteed variable remuneration awards were made.

8.5.6 Remuneration of 1 million EUR or more per year

During the year 2025, no employee received remuneration of 1 million EUR or more.

IX. Temporary treatment of unrealized gains and losses measured at fair value through other comprehensive income in view of the COVID-19 pandemic (Article 468)

The Branch does not apply the transitional rules set out in Article 468 of the CRR Decree, so it has nothing to disclose in this Article.

X. Introduction of IFRS 9 (Article 473a)

The Branch does not apply the transitional measures set out in Article 473a of the CRR Regulation and thus has nothing to declare regarding this Article.

XI. Transitional provisions for disclosure of own funds (Article 492)

In the period from 1 January 2014 to 31 December 2021, institutions shall disclose the amount of instruments that qualify as Common Equity Tier 1 instruments, Additional Tier 1 instruments, and Tier 2 instruments by applying Article 484.

The Branch does not calculate its own funds on a single basis and, therefore, has nothing to declare in this Article.

The Management of the Branch approved this Report on 29 May 2026.

Template 1A: Simplified ESG information for SNCI and Other non-listed institutions covering both transition and physical risk (HUF millions)

		a	b	c	d	e	f	g	h	i
		On-balance sheet items								
		Gross carrying amount							Breakdown by residual maturity bucket	
			of which exposures sensitive to impact from climate change physical events							
			Total exposures subject to physical risk	**Geography 1**	**Geography 2**	**Geography 3**	**Geography 4**	**Other**	<= 5 years	> 5 year
1	**Exposures towards sectors that are climate change relevant**	678,163	-	-	-	-	-	-	298,313	379,849
2	Exposures towards sectors that highly contribute to climate change	567,768	-	-	-	-	-	-	236,652	331,116
3	A - Agriculture, forestry and fishing	-	-	-	-	-	-	-	-	-
4	B - Mining and quarrying	-	-	-	-	-	-	-	-	-
5	C - Manufacturing	196,274	-	-	-	-	-	-	109,663	86,611
6	D - Electricity, gas, steam and air conditioning supply	248,551	-	-	-	-	-	-	109,479	139,073
7	D 35.1 - Electric power generation, transmission and distribution	-	-	-	-	-	-	-	-	-
8	of which: D 35.11 - Production of electricity from non-renewable sources	-	-	-	-	-	-	-	-	-
9	D 35.2 - Manufacture of gas, and distribution of gaseous fuels through mains	-	-	-	-	-	-	-	-	-
10	D 35.3 - Steam and air conditioning supply	-	-	-	-	-	-	-	-	-
11	D 35.4 Activities of brokers and agents for electric power and natural gas	-	-	-	-	-	-	-	-	-
12	E - Water supply; sewerage, waste management and remediation activities	-	-	-	-	-	-	-	-	-
13	F - Construction	29,498	-	-	-	-	-	-	16,737	12,760
14	G - Wholesale and retail trade	56,472	-	-	-	-	-	-	774	55,698
15	H - Transportation and storage	36,974	-	-	-	-	-	-	-	36,974
16	M - Real estate activities	-	-	-	-	-	-	-	-	-
17	**Exposures towards sectors other than those that highly contribute to climate change**	110,394	-	-	-	-	-	-	61,661	48,733
18	I - Accommodation and Food Service Activities	-	-	-	-	-	-	-	-	-
19	K – Telecommunication, computer programming, consulting, computing infrastructure and other information service activities	110,394	-	-	-	-	-	-	61,661	48,733
20	K 63 - Computing infrastructure, data processing, hosting and other information service activities	-	-	-	-	-	-	-	-	-
21	Exposures to other sectors (NACE codes (J, L, N - V)	1,288,125	-	-	-	-	-	-	927,810	360,314
22	Loans collateralised by residential immovable property	-	-	-	-	-	-	-	-	-
23	Loans collateralised by commercial immovable property	-	-	-	-	-	-	-	-	-
24	Collateral obtained by taking possession: residential and commercial immovable properties	-	-	-	-	-	-	-	-	-