Bank of China (UK) Limited

The Capital Requirements (Country-by-Country-Reporting) Regulations 2013

31 December 2020

This report has been prepared for Bank of China (UK) Limited (“the Bank”) to comply with the Capital Requirements (Country by Country Reporting) Regulations 2013 which implement Article 89 of the Capital Requirements Directive IV.

This report shows the income, profit/(loss) before tax, tax paid/(received), average employee numbers on a full-time equivalent basis for the entities located in the countries in which we operate.

Basis of preparation

(a) Country

Each subsidiary or branch is allocated to the country in which it is resident for tax purposes. The data is consolidated for all the subsidiaries and branches allocated to each country.

(b) Income and profit/(loss) before tax

Income and profit/(loss) before tax are compiled from the financial statements for the year ended 31 December 2020, which are prepared in accordance with the International Accounting Standards in conformity with the requirements of the Companies Act 2006. The financial statements issued on 7th June 2021 contained a contingent liability disclosure relating to an ongoing review of possible non-compliance with foreign payment regulations and which stated that the outcome of the review was uncertain and not quantifiable. Subsequent to the signing of the financial statements this matter has been concluded resulting in a financial outflow of $2,330,000 recorded in the year 2021.

(c) Tax paid/(received)

Tax paid/(received) disclosed under CRD IV relates to corporate tax.

Corporate tax paid represents net cash taxes paid to/(received) from the tax authorities in each jurisdiction.

Corporate tax paid is reported on a cash basis as opposed to an accounting basis and therefore does not necessarily have a direct correlation to the reported profits or losses arising in the year.

(d) Full-time equivalent employees (“FTEs”)

FTEs are allocated to the country in which they are primarily based for the performance of their employment duties. The figures disclosed represent the average number of FTEs, including temporary staff, in each country during the period.

(e) Public subsidies received

There were no public subsidies received during the period.

Bank of China (UK) Limited
Company Registration Number 06193060

Country by Country Reporting at 31 December 2020
Disclosure in accordance with the Capital Requirements Directive as enacted in the UK by the Financial Services and Markets Act 2000

	Business	Income £000	Profit (loss) before tax £000	Tax paid/ (received) £000	Public subsidies received £000	Average employees
United Kingdom:						
Bank of China (UK) Limited	Banking	120,122	49,614	8,430	0	522
China Bridge Group (UK) Limited	Travel visa services	1,391	(2,843)	30	0	51
Ireland:						
Bank of China (UK) Limited, Dublin Branch	Banking	(19)	(1,704)	0	0	9
Italy:						
China Bridge Group (Italy) S.R.L.	Travel visa services *	0	654	0	0	0
Total	**	121,494	45,721	8,460	0	582

*China Bridge Group (Italy) S.R.L. is in liquidation pending agreement with Italian tax authorities, having ceased trading from October 2018

**Figures in the above table have been audited

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INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS OF BANK OF CHINA (UK) LIMITED

Opinion

We have audited the country-by-country report ('the Schedule') of Bank of China (UK) Limited ('the Company') for the year ended 31 December 2020.

In our opinion the accompanying country-by-country information, labelled as audited in the Schedule, of the Company as at 31 December 2020 is prepared, in all material respects, in accordance with the requirements of The Capital Requirements (Country-by-Country Reporting) Regulations 2013 ('the Regulations').

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Schedule* section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the Schedule in the UK, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Basis of Accounting and Restriction on Use

We draw attention to Basis of Preparation of the Schedule, which describes the basis of accounting. The Schedule is prepared to assist the Company in meeting the requirements of the Regulations. As a result the Schedule may not be suitable for another purpose. This report is made solely to the Company's directors, as a body, in accordance with our engagement letter dated 19 December 2019. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's directors as a body, for our audit work, for this report, or for the opinions we have formed. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

In auditing the Schedule, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the Schedule is appropriate. Our evaluation of the directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included the following procedures:

- We read minutes of meetings of the Board and its committees to assess whether there were any other matters discussed that may have an impact on the Company's ability to continue as a going concern, and held discussions with the management to understand the business performance and future outlook;
- We performed enquiries of management and those charged with governance to identify risks or events that may impact the Company's ability to continue as a going concern;
- We obtained and assessed the director's going concern assessment, including the cashflow forecast, ascertaining if the relevant risks had been appropriately considered;
- We assessed and challenged the reasonableness of the key assumptions applied by the directors in their going concern assessment, including those applied in stress tests;

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- We understood the Company's liquidity and capital position in stressed scenarios prepared by the directors, and validated that the scenarios appropriately considered the impact of COVID – 19;
- We obtained the year to date actual 2021 financial results to identify if there were any indicators of material uncertainty around going concern which had not been considered by the directors in their forecasts;
- We assessed, with the support of the auditors of the Company's parent company, the viability of the Company's parent company, should it be required to strategically or financially support of the Company;
- We performed independent sensitivity analysis on the Company's assessment; and
- We reviewed the Company's disclosures in order to assess the appropriateness of the going concern assessment and its conformity with the reporting standards.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of not less than 12 months from when the Schedule is authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

Other information

The other information comprises the information included in the report, other than the Schedule and our auditor's report thereon. The directors are responsible for the other information contained within the report.

Our opinion on the Schedule does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Schedule or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Schedule itself. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Schedule

Management is responsible for the preparation of the Schedule in accordance with the Regulations, for the appropriateness of the basis of preparation and the interpretation of the Regulations as they affect the preparation of the Schedule, and for such internal control as management determines is necessary to enable the preparation of the Schedule that is free from material misstatement, whether due to fraud or error.

In preparing the Schedule, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Schedule

Our objectives are to obtain reasonable assurance about whether the Schedule is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Schedule.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company with both direct and indirect effect on the financial statements. We determined that the most significant are Companies Act 2006, Financial Services and Markets Act 2000, Financial Services Act 2012, Capital Requirements Regulation, relevant Prudential Regulation Authority and Financial Conduct Authority regulations, and tax legislation (governed by HM Revenue and Customs).

- We understood how the Company is complying with those frameworks by making enquiries of management and those charged with governance. We reviewed correspondence between the Company and UK regulatory bodies, reviewed minutes of the Board, the Audit Committee and the Board Risk Committee; and gained an understanding of the Company's approach to governance demonstrated by the Board's approval of the Risk Management Framework and the internal controls process.

- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur, by considering the risk of management override and incentives for management to manage earnings. We considered the controls that the Company has established to address risks identified by the directors, or that otherwise seek to prevent, deter, or detect fraud, including in a remote-working environment. We also considered how management monitors these controls. Our audit procedures also included sampling of manual journal entries to verify the transactions were appropriate and supported by source documentation.

- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved making inquiries of management and those charged with governance as to their awareness of any non-compliance with laws or regulations, inquiring about the policies that have been established to prevent non-compliance with laws and regulations, inquiring about the Company's methods of enforcing and monitoring

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compliance with such policies, reviewing the complaints log, and inspecting correspondence with the FCA. We performed specific procedures relating to provisions/contingent liabilities in respect of potential non-compliance with foreign payments regulations.

- The Company is a regulated by and under the supervision of the PRA and FCA. As such, the Senior Statutory Auditor reviewed the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities. We involved specialists in the execution of the audit where appropriate.

A further description of our responsibilities for the audit of the Schedule is located on the F R C's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Ernst & Young L.L.P.

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8 September 2021

Notes:

1. The maintenance and integrity of the Bank of China (UK) Limited web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the Schedule since they were initially presented on the web site.

2. Legislation in the United Kingdom governing the preparation and dissemination of the Schedule may differ from legislation in other jurisdictions.