

Bank of China (UK) Limited

Annual Report and Financial Statements

For the year ended 31 December 2024

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Chairman's Statement

As the incoming Chairman of Bank of China (UK) Limited I would firstly like to thank the outgoing Chairman, Mr. Jiuzhong Li for his leadership over many years and his attention to strengthening the Bank's core operations, including ensuring that we deliver good outcomes for our customers.

I am pleased to present the annual report for 2024, my first as Chairman of Bank of China (UK) Limited, a year which has presented a complex macroeconomic environment marked by a delicate balance of opportunities and challenges. While interest rates have shown signs of declining, the pace and magnitude of these changes remain uncertain, and economic growth continues at a moderate pace. The persistence of geopolitical tensions, including the ongoing conflicts in Ukraine and the Middle East and significant political changes brought by numerous global elections, have underscored the need for continued vigilance and adaptability.

Despite the external challenges, our unwavering focus on sustainable growth, customer commitment, and operational resilience has been a beacon of reassurance. We have effectively navigated market fluctuations and upheld our promise to treat customers fairly, all while ensuring compliance with regulatory frameworks. Our support for vulnerable customers has been a key priority, reinforcing our commitment to financial inclusivity.

The year concluded on a high note in UK-China relations, with the UK Chancellor's visit to China and a successful 11th China-UK Economic and Financial Dialogue in January 2025. Both nations have reaffirmed their commitment to strengthening economic and financial cooperation, which presents promising opportunities for our businesses and stakeholders.

Our ESG efforts have seen significant progress, with continued integration of environmental, social, and governance principles into our business model. We have expanded our green initiatives and enhanced our reporting transparency, aligning with our long-term sustainability goals.

I want to extend my sincere thanks to our Executive Management team and employees for their continued dedication and professionalism. Their contributions have been instrumental in ensuring our resilience and success in a rapidly evolving business environment.

Looking ahead, despite the recent significant uncertainties affecting global trading, we are optimistic about our strategic direction, supported by our strong foundations and commitment to delivering value to our stakeholders. We are ready to embrace the opportunities and challenges that 2025 may bring and will continue to drive sustainable growth and operational excellence, instilling hope for a successful future.

Richard Reid

Chairman of the Board of Directors

Chief Executive Officer's Statement

Reflecting on the global economic challenges and uncertainties during 2024, I am proud to share the achievements of Bank of China (UK) Limited amid a dynamic global landscape. The Bank's total assets increased from £2.1 billion as of the year-end 2023 to £2.3 billion as of year-end 2024. Total income has decreased from £206.2 million to £187.3 million in 2024. The Bank's total profit after tax has decreased from £103.2 million in 2023 to £83.9 million, mainly as a result of the challenges presented in the macroeconomic environment in which the Bank operates.

This year has seen political shifts globally, with numerous elections leading to significant changes in government policies. While these developments naturally bring adjustments to business models, we remain well-positioned to adapt and thrive. The evolving interest rate environment, with general downward trends but uncertainties surrounding its pace and magnitude and relative stabilisation in price levels, has contributed to a relatively stable economic backdrop compared to recent years, although uncertainties remain regarding future interest rate movements.

Notwithstanding the foregoing, the developing trade wars have created significant uncertainty in the global economy. We will continue to assess the impacts as they unfold and take any necessary action to navigate safely through these turbulent times.

We continue to prioritize our customers' needs by enhancing our service offerings and reaffirming our commitment to treating customers fairly. Our Consumer Duty responsibilities remain a core focus, ensuring we provide appropriate support, particularly to our vulnerable customers.

Our engagement with the local community remains strong, with our continued participation in initiatives such as City Giving Day and the London Chinese New Year celebrations. These efforts underscore our dedication to fostering positive societal impact and strengthening our ties within the local community.

On the sustainability front, our commitment to achieving net zero remains steadfast. Bank of China Limited's appointment to the Taskforce on Nature-related Financial Disclosures (TNFD) reinforces our leadership in sustainability, contributing to integrating nature-related considerations into financial decisions. We continue to invest in green finance and renewable initiatives, reflecting our commitment to a sustainable future.

I want to express my heartfelt appreciation to our employees, whose hard work and resilience have been pivotal in our accomplishments. Their adaptability in the face of change, particularly in response to evolving workplace policies and operational challenges, is commendable.

We will focus on operational efficiency, regulatory compliance, and strengthening China-UK trade relations as we move forward. The outcomes of the 11th China-UK Economic and Financial Dialogue further reinforce the importance of our role in facilitating economic cooperation between the two nations.

In conclusion, our achievements in 2024 reflect our resilience, strategic foresight, and unwavering commitment to delivering value to our stakeholders. We are poised to continue this journey, confidently navigating the complexities of an evolving global landscape and ensuring that our stakeholders feel valued and appreciated.

Wenjian Fang

Chief Executive Officer

Board Director

Bank of China (UK) Limited

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Directors' report

Principal Activities

Bank of China (UK) Limited ("BOC UK" or the "Bank") is a full service bank offering retail, corporate and trade finance services in the United Kingdom (the "UK"). The Bank is registered in England and Wales and is a private company limited by shares which is a wholly owned subsidiary of Bank of China Limited, Beijing ("BOC"). The Bank is regulated by the Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA) and authorised by the PRA.

BOC UK was incorporated in England and Wales as a private company with limited liability on 29 March 2007, the Bank's registration number at Companies House is 06193060.

Our retail activities focus on branch banking. The Bank offers standard high street retail banking services including current accounts, savings accounts, debit and credit cards, mortgage products and business loans. Our corporate and trade finance business encompasses funding for Chinese companies seeking to expand in the UK.

Future Developments

The directors intend to maintain the strategy and policies that have generated growth and preserved the value of the business in recent years by continuing to provide banking services to the Chinese community based in the UK.

The Bank is subject to a number of factors that could cause its future results to differ materially from current expectations. These factors are uncertainties concerning the current and future business/economic climate and risks which are naturally inherent in a banking environment. The current business climate is subject to uncertainties in 2025 and beyond, most notably:

- the rate, extent and timing of interest rate changes;
- the rate and sustainability of growth in relevant economies, particularly in UK and Eurozone;
- the effect of tariffs on relevant economies, particularly in UK and Eurozone;
- the geopolitical and macroeconomic risks of the Russian-Ukraine and the Israel-Gaza conflict; and
- US – China relations.

Dividends

The directors intend to declare a dividend of £78,700,000 for the period (2023: £98,100,000) to be paid in 2025.

Directors' Interest

The directors of the Bank who were in office during the year and up to the date of approval of the Directors' report were:

Mr. Wenjian Fang	Chief Executive Officer & Executive Director
Mr. Stewart Trussler	Chief Financial Officer & Executive Director
Mr. Charles Hardy	Independent Non-Executive Director
Mr. Jiuzhong Li	Chairman & Non-Executive Director (Resigned 09/10/2024)
Mr. Richard Reid	Chairman (Appointed 05/03/2025)
Dr. Gerard Lyons	Independent Non-Executive Director
Mr David Price	Independent Non-Executive Director (Resigned 01/10/2024)
Mrs Wei Shi	Non Executive Director (Resigned 14/05/2024)
Mr. Peter Reid	Independent Non-Executive Director (Appointed 10/03/2025)
Mr. Jonathan Spence	Independent Non-Executive Director (Resigned 14/03/2025)
Mr Huabin Wang	Non-Executive Director
Mrs Li Ren	Non-Executive Director (Appointed 11/03/2025)

Bank of China (UK) Limited
Annual Report and Financial Statements for the year ended 31 December 2024

Directors' report (continued)

None of the directors who held office at the end of the financial period had any disclosable interest in the shares of the Bank at that date.

During the year, the Board determined that Mr. Jonathan Spence, Mr. Charles Hardy, Dr. Gerard Lyons and Mr David Price performed their roles as Independent Non-Executive Directors.

Dr Gerard Lyons assumed the interim role of Chairman until the appointment of Mr Richard Reid in March 2025.

Board and Committee Meetings 2024

	Board	Remuneration Committee	Audit Committee	Risk Committee
Meetings	8	6	5	5
Attended Meetings:				
Mr. Wenjian Fang	8	5*	-	3*
Mr. Jiuzhong Li	2	-	-	-
Mr. Stewart Trussler	8	-	4*	4*
Mr David Price	3	1	-	4
Mrs. Wei Shi	1	-	-	-
Mr. Jonathan Spence	7	-	5	4
Mr. Huabin Wang	5	-	-	-
Mr. Charles Hardy	8	6	5	5*
Dr. Gerard Lyons	7	6	-	5

*By invitation.

Directors' attendance at these meetings are either as members or observers.

Directors' Remuneration

Information on the remuneration of the directors of BOC UK, in accordance with the Companies Act 2006, is disclosed in Note 14 to the financial statements.

Directors' Indemnities

The BOC UK Board believes that it is in the best interests of the Bank to attract and retain the services of the most able and experienced directors by offering competitive terms of engagement, including the granting of indemnities on terms consistent with the applicable statutory provisions. Qualifying third party indemnity provisions (as defined by Section 234 of the Companies Act 2006) were accordingly in force during the course of the financial period ended 31 December 2024 for the benefit of the directors and, at the date of this report, are in force for the benefit of the directors in relation to certain losses and liabilities which they may incur (or have incurred) in connection with their duties, powers or office.

Going concern assessment

The Board has given its consideration to the going concern status of the Bank as at the reporting date. The Board has considered financial forecasts running out to December 2026 which included the latest business assumptions. The Board has taken into consideration the current economic environment, the Bank's business model, the financial forecast and capital requirements and is satisfied that it has the resources to continue in business for a period of at least 12 months from the date of this report. As part of the going concern assessment, the Board have also acknowledged the increase in global uncertainty and considered what effects the Bank may face in the future. 2024 was the biggest election year in human history, half the world's population held national elections in 2024. The leadership changes in some of these countries have meant significant changes in national and foreign policies. We have seen an increase in tariffs imposed by the United States on a number of countries and we have also seen changes in the approach by some governments to resolving the conflicts which occurred in Gaza and the Ukraine.

Directors' report (continued)

Going concern assessment (continued)

These changes have and will effect markets and the broader economy in many countries. The outcomes of this are very uncertain and the Board will remain diligent in navigating the changing economic environment as it evolves.

The Board considered various additional stress scenarios. Those that were identified as the most likely challenging scenarios the Bank would face, were those relating to the wider economic effects of the geo-political instability and potential movements in interest rates. The Board have considered these stressed scenarios on the Bank's mortgage portfolio and have made significant downward revisions to the financial forecast over the assessment period. The Board also considered the effect of these stresses on the Bank's capital and liquidity resources, which remain strong.

After due consideration the Board is of the opinion that the Bank will continue as a going concern for a period of at least 12 months from the date of this report, generating cash flows from its continuing operations.

The Board takes comfort from its two year financial forecast and an assessment of its exposure to liquidity risk over the forecast period. This together with a committed short-term loan facility granted by the Bank's parent company, Bank of China Limited and its strong capital position supports this assumption.

Furthermore, the Board is not aware of any material uncertainties that may cast significant doubt on the Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Financial Instruments

The Bank's principal financial risk management objectives and policies including its exposure to credit risk, liquidity risk and market risk are set out in Note 6 of the financial statements.

Employees

Diversity

The Bank is committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of sex, race, colour, disabilities, sexual orientation or marital status. The Bank gives full and fair consideration to applications for employment from disabled persons, having regard to their particular aptitudes and abilities. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the Bank. If members of staff become disabled the Bank continues employment either in the same or an alternative position, with appropriate retraining being given if necessary.

Employee involvement

The Bank systematically provides employees with information on matters of concern to them, consulting them or their representatives regularly, so that their views can be taken into account when making decisions that are likely to affect their interests. Employee involvement in the Bank is encouraged, as achieving a common awareness on the part of the employees of the financial and economic factors affecting the Bank. This plays a major role in maintaining Bank's performance.

Engagement with suppliers, customers and others

The directors are aware of the importance of building good business relationships with customers, suppliers and others. The Bank publishes its payment practices report biannually and is committed to treating our customers fairly. The directors are also aware of the role the Bank plays within the community and are committed to playing an important role within the local economy. The directors make business decisions whilst considering the effects on all these relationships.

Directors' report (continued)

Streamlined Energy and Carbon Reporting

UK energy use and associated greenhouse gas emissions

Current UK based annual energy usage and associated annual greenhouse gas ("GHG") emissions are reported pursuant to the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 ("the 2018 Regulations") that came into force 1 April 2019.

Organisational boundary

In accordance with the 2018 Regulations, the energy use and associated GHG emissions are for those assets owned or controlled within the UK only as defined by the operational control boundary for Bank of China (UK) Limited. This includes all assets with the mandatory inclusion of scope 3 business travel in grey fleet. This includes all office spaces, Bank branches and transport operations controlled during the reporting period. Other entities do not meet the criteria of the 2018 Regulations.

Reporting period

The annual reporting period is 1st January to 31st December each year and the energy and carbon emissions are aligned to this period.

Quantification and reporting methodology

The 2019 UK Government Environmental Reporting Guidelines and the GHG Protocol Corporate Accounting and Reporting Standard (revised edition) were followed. The 2024 UK Government GHG Conversion Factors for Company Reporting were used in emission calculations as these relate to the majority of the reporting period. The report has been reviewed independently by Zenergi Limited (trading as Briar Consulting Engineers Limited).

Electricity and gas consumption were based on invoice records where available, and where areas of buildings are leased, data has been apportioned based on floor area. The direct comparison estimation technique was used wherever data was unavailable. Fuel usage and mileage figures were used to calculate energy and emissions from fleet vehicles and grey fleet respectively. Gross calorific values were used except for mileage energy calculations as per Government GHG Conversion Factors.

The emissions are divided into mandatory and voluntary emissions according to the 2018 Regulations, then further divided into the direct combustion of fuels and the operation of facilities (scope 1), indirect emissions from purchased electricity (scope 2) and further indirect emissions that occur as a consequence of company activities but occur from sources not owned or controlled by the organisation (scope 3).

Directors' report (continued)

Streamlined Energy and Carbon Reporting (continued)

Breakdown of energy consumption used to calculate emissions (kWh):

Energy type	2024	2023
Mandatory requirements:		
Natural Gas	1,022,716	877,581
Purchased Electricity	3,368,894	2,986,675
Transport Fuel	44,101	40,388
Total energy (mandatory)	4,435,712	3,904,644

Breakdown of emissions associated with the reported energy use (tCO₂e)

Emission source	2024	2023
Mandatory:		
<u>Scope 1</u>		
Gas	187.1	160.5
Company owned vehicles	9.6	8.9
<u>Scope 2</u>		
Purchased electricity (location-based)	697.5	618.5
<u>Scope 3</u>		
Category 6: Business travel (grey fleet)	0.8	1.1
Total gross emissions (mandatory)	895.0	789.0
Voluntary:		
<u>Scope 2</u>		
Purchased Electricity (market-based)	0.4	0.4
<u>Scope 3</u>		
Category 5: Waste generated during operations	3.6	5.1
Total gross emissions (location based)	898.5	794.1
Total gross emissions (Market based)	201.5	176.1

Intensity Ratio

The intensity ratio is total gross emissions in metric tonnes CO₂e per 1,000 m² of occupied floor area. This relates to UK operations only to align with the energy and emission reporting boundary. This metric is considered the most relevant to the Bank's energy consuming activities and provides a good comparison of performance over time and across different organisations and sectors.

The intensity ratio is calculated based on the total mandatory & voluntary emissions reported for the Bank, with a further breakdown provided for site level analysis.

Directors' report (continued)

Streamlined Energy and Carbon Reporting (continued)

Intensity ratio's (Location- based)	2024	2023
Mandatory emissions only:		
Tonnes of CO ₂ e per 1,000 square meters occupied	61.0	53.7
Mandatory and voluntary emissions only:		
Tonnes of CO ₂ e per 1,000 square meters occupied	61.2	54.1
Intensity ratios (Market based)	2024	2023
Mandatory & Voluntary emissions:		
Tonnes of CO ₂ e per 1,000 square meters occupied	13.7	12.0
Tonnes CO₂e per 1,000 m² occupied floor area (mandatory requirements only)		
Site	2024	2023
Lothbury HQ	63.9	57.0
Cannon Street - 6th floor	71.0	6.8
Cannon Street - 4th floor	71.0	70.2
Gresham Street - 3rd floor	20.4	23.3
Gresham Street – 5th floor (occupied in early 2022)	20.4	19.8
Gresham Street - 6th floor	20.4	35.2
Manchester Branch	24.8	22.7
London Chinatown Branch	91.2	57.0
Glasgow Branch	22.8	24.1
Birmingham Branch	34.0	36.1
All Sites and Transport	61.0	53.7

Energy efficiency action during current financial year

In the reporting period, January 2024 – December 2024, the Bank has taken the following energy efficiency actions:

- Monthly awareness training sessions are organised for new starts to the organisation to promote energy-saving awareness to impact behavioural changes to reduce energy consumption
- There has been progress made during the reporting period on the chiller replacement and LED lighting upgrade projects at Lothbury HQ which will lead to lower energy usage and therefore overall reductions in emissions
- Activities have been arranged such as on Tree Planting Day to support sustainability efforts, raising awareness and affecting behaviours within the organisation.

Political Donations

The Bank made no political donations during the year (£nil for the year ended 31 December 2023).

Directors' report (continued)

Disclosure of Information to the Auditors

The directors who held office at the date of approval of this Directors' Report confirm that:

- so far as they are each aware, there is no relevant audit information of which the Bank's auditors are unaware.
- each director has taken all steps that he/she ought to take as a director to make himself/herself aware of any relevant audit information and to establish that the Bank's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

1 Lothbury
London
EC2R 7DB

On behalf of the Board



Wenjian Fang
Chief Executive Officer
Board Director

16 April 2025

Bank of China (UK) Limited

Annual Report and Financial Statements for the year ended 31 December 2024

Strategic report

Business Review

As at 31 December 2024, Bank of China (UK) Limited (“BOC UK” or the “Bank”) had total assets of £2,323 million (2023: £2,079 million).

The Bank’s assets are primarily financed by retail and corporate deposits. The Bank continues to focus its attention on developing its customer deposits base and this reflects its determination to develop corporate banking services to help in meeting the Bank’s funding requirements.

The Bank generated a post-tax profit of £83.9 million during 2024 (2023: £103.2 million). The main decrease in post tax profits is driven by an increase in interest expense and a decrease in related party recharges.

Ukraine and the Gaza Conflicts

The conflict between Ukraine and Russia has been going on since February 2022. Many countries have imposed sanctions against Russia through this period.

The result of the sanctions that are currently in place have no direct material effect on the activities, revenues or expenses of BOC UK or the London Branch.

The sanctions in place have had an influence on the wider economy, with many countries enforcing these sanctions experiencing a period of inflation. This did slow down throughout 2024.

The Israel – Gaza conflict has had no direct material effect on the activities, revenues or expenses of BOC UK or the London Branch.

The Bank continues to monitor the effect this has on our mortgage portfolio and on our corporate customers, particularly those involved in the aircraft and travel industry during recovery from the pandemic period. The Bank has also considered the potential future impact as part of the going concern assessment. The Bank will continue to monitor and mitigate risks as they evolve.

Retail Banking

The Personal Banking business line continues its ongoing support of the Bank of China Group’s (BOC Group) global strategy, whilst reinforcing the Bank’s proposition and maintaining its singular position amongst local Chinese banks in offering a local retail proposition. At this time the Bank remains well positioned to support its clients’ interests in the region and add value to the retail customer experience in the UK.

Throughout 2024 the business has focused primarily on enhancing its local oversight capability, in line with the ongoing expectations from the Financial Conduct Authority around embedding of the Consumer Duty principle to deliver good outcomes, including new Board reporting, alongside initiatives around improved fraud prevention from the Payment Services Regulator to check beneficiary details. The local development of the Bank’s business has been focused on five key pillars of digital transformation, risk and compliance management, customer service improvement, branch management and culture development, with the business being active in engagement with local compliance and risk management feedback.

The reinforcement of the Bank’s Business Risk and Controls Management functionality continues to add to the Bank’s controls and quality assurance approach, in line with the Management / Board expectations, with local robustness added to areas such as dormant account management, mortgage debt recovery, vulnerability support and remediation efforts in our quarterly root cause assessments of both complaints handling and vulnerable customers. The Bank has not sought specific new product innovation, in itself, but rather further refine the Bank’s established product suite.

New innovations in the Bank’s digital capabilities include the industry implementation of the Confirmation of Payee project, to assist in fraud reduction, integration of the Alipay A+ system, increased telephony features within the Bank’s Customer Service Centre to capture client sentiment and launching a new mobile banking upgrade. Additionally, the Bank has submitted new business requirements to our Parent / Group in areas such as online account opening, fraud monitoring capability and automated notifications to deliver MI enhancements. Commercially, the Bank’s deposit levels have grown to support our self-funding stance for mortgage lending activities, in line with plan, and the Bank is seeking to stabilise our mortgage book whilst expanding the Bank’s local third party relationships to meet the Bank’s growing UK client needs.

Strategic report (continued)

Business Review (continued)

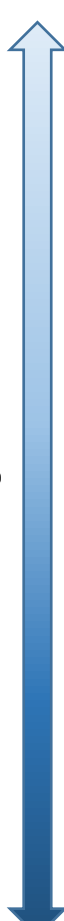
Corporate Banking

As a Chinese bank in the UK, the Bank continued to leverage its network and resources to support Chinese customers in the UK and local customers with business links in China. Diversified products and services including corporate accounts, deposits, trade finance and services, online banking, cash management, foreign exchange and RMB related products are provided to corporate customers, facilitating their day to day business and further boost Sino-UK bilateral trade. The 2024 strategy will continue into 2025.

Principal Risks and Uncertainties

The effect of one or a combination of factors, referred to on page 5 under future developments, could make the business environment a challenging one with regard to possible credit impairments and present difficulties in identifying new assets/business opportunities that meet the Bank’s risk appetite.

The Bank has identified 22 key risk categories and has established specific risk appetite respectively as detailed below.

Scale	Risk Appetite	Description	Key Risk Categories
 Willingness to take Risk	Low		
	Averse	Zero-appetite of underlying risk and uncertainty.	Data & Information Management Risk, People Risk, Financial Reporting, Regulatory Reporting & Tax Risk, Financial Crime Risk (Sanctions, and Proliferation Financing Risk, Bribery & Corruption Risk, Internal Fraud Risk)
	Minimal	Prefer ultra-safe business opportunities or options that have a low degree of inherent risk	Traded Market Risk, Regulatory Compliance Risk (incl. Conduct Risk), Reputational Risk, Financial Crime Risk (Money Laundering and Terrorist Financing Risk, Tax Evasion Risk, External Fraud Risk)
	Cautious	Prefer safe business opportunities or options that have a low degree of inherent risk	Credit Risk, Counterparty Credit Risk, IRRBB & FX Risk, Liquidity Risk, Operational Risk, Technology Risk, Information Security Risk (including Cyber Risk), Business Continuity Risk, Outsourcing & Third Party Risk, Strategic Risk, Physical Security & Safety Risk, Model Risk, Legal Risk
	Moderate	Willingness to consider potential business opportunities or options with moderate degree of inherent risk	-
	Open	Willing to consider all potential business opportunities or options and choose the one that is most likely to result in successfully business delivery and an acceptable level of reward and value for money	-
High	Seeking	Eager to be innovative and to choose business options offering potentially higher reward, despite greater degree of inherent risk	-

Strategic report (continued)

Business Review (continued)

The Bank has established an overall risk appetite under the Risk Appetite Framework which defines the amount and type of risk the Bank is willing to accept in pursuit of its strategic plans and to support the business with long term financial soundness.

The Risk Appetite bandings (i.e. Averse to Seeking) identified in the above table indicate the Bank's willingness to take risk across the Key Risk Categories. Further information on the management of

- Credit Risks are disclosed below in the Principal Risk section and in Note 6 (a) of the notes to the financial statements.
- Liquidity Risks are disclosed below in the Principal Risk section and in Note 6 (b) of the notes to the financial statements.
- Market Risks (foreign exchange risk and exposure to interest rate risk) are disclosed in Note 6 (c) of the notes to the financial statements.

Principal Risks

The Bank is exposed to the above financial and non-financial risks and of these risks, credit risk and liquidity risk are deemed to be the principal risks which the Bank is exposed to.

The Board, Board level Committees and other senior key staff carry out a continual assessment of the principal risks facing the Bank and are of the opinion that systems and controls are sufficiently robust to identify threats to its business model, future performance, solvency or liquidity.

The Bank adopts a cautious approach in relation to these two principal risks.

Credit Risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations and is considered a principal risk due to the composition of the Bank's balance sheet and lending being its primary business.

The Bank has established a set of credit risk management policies and procedures, and appropriate credit risk limits to manage and control credit risk that arises through its normal business activities. These policies, procedures and limits are regularly reviewed in light of changes in markets and business strategies.

Liquidity Risk

Liquidity risk is the risk that the Bank is unable to meet its obligations as they fall due resulting in an inability to support normal business activities and/or failing to meet liquidity regulatory requirements. The Bank is exposed to the risk that it will be unable to meet its obligations as they fall due arising from the differing maturity profiles of its assets and liabilities.

To mitigate its exposure, the Bank monitors the mismatch of maturity dates and holds a stock of liquid assets which could be sold at short notice if the need arises. In addition to meeting Pillar 1 and Pillar 2 liquidity regulatory requirements, the Bank assesses its compliance with the overall liquidity adequacy rule ("OLAR") on an ongoing basis and under a number of severe and plausible stress scenarios. Of the Bank's £1,356 million deposits from customers, £437 million is covered by the Financial Services Compensation Scheme ("FSCS"). In addition the Bank is required under its Internal Liquidity Adequacy Assessment Process ("ILAAP") to consider all material liquidity risks in detail, document an analysis of each liquidity risk driver and set a liquidity risk appetite against each of those drivers.

Emerging Risks:

Climate-related Financial Risks

According to Bank of England, climate-related financial risks could arise from two primary risk factors - Physical and Transition, and these could manifest, for example, as increasing credit or market risk for firms.

In light of UK regulatory requirements Supervisory Statement (SS3/19) and expectations and in common with most of our industry peers, the Bank considers climate-related physical and transition risk factors as thematic factors that cut across existing risk types (e.g. credit risk, market risk etc) and should be proportionately embedded into the Bank's existing risk management framework.

Strategic report (continued)

Business Review (continued)

Under the embedding approach, financial impact of climate-related physical and/or transition risk factors on the relevant risk type will be managed through the respective three lines of defence model (3LoD), subject to oversight from respective risk-related committee.

In addition, Business Development Committee (BDC), as the Bank's 1LoD risk governance forum, will also oversee the overall impact from climate-related risk factors and effectiveness in managing such from the 1LoD perspective.

During the year the Bank carried out the climate related risk and scenario analysis as set out below in Non Financial Sustainability Information.

Risk Management Framework

Further information on the Bank's risk management framework is disclosed in Note 6.

Business culture

The Bank acts on its responsibility to protect customers, communities and stakeholders.

Anti-bribery and corruption

The Bank is committed to high standards of ethical behaviour and operates a zero tolerance approach to bribery and corruption. The Bank considers such activity to be unethical and contrary to good corporate governance.

Human rights

The Bank is committed to respecting human rights principally as they apply to the employees, customers, suppliers and other stakeholders through business activities.

Non Financial Sustainability Information

Recognising that climate change presents both opportunities and risks to its business and operations, the Bank initiated its ESG strategy and climate risk management approach in 2020 to meet Group expectations and comply with PRA SS3/19. Effective from the financial year beginning 1 January 2023, the Bank has been required to report its climate disclosures in accordance with statutory requirements and the Task Force on Climate-related Financial Disclosures (TCFD) framework. The Bank published its first TCFD-aligned climate disclosure in the prior year financial statement - 31 December 2023.

During 2024, the Bank continued to refine its climate management approach and focussed on ongoing of the implementation of PRA SS3/19, as outlined in this statement.

Governance

Oversight Committees and Senior Management Functions (SMFs)

The Board has ultimate responsibility for the Bank's strategy and for ensuring relevant environment and social considerations are incorporated into the Bank's governance and decision making. The Board ultimately oversees climate risk management in the Bank and decides on matters to reduce exposure to potential liability, litigation and reputational damage from climate change.

The Board Risk Committee (BRC) assists the Board by providing oversight over the Bank's climate risk profile and effectiveness of the risk management practices.

Strategic report (continued)

Business Review (continued)

Non Financial Sustainability Information (continued)

The Risk Management and Internal Control Committee (RMICC) assists the Board in overseeing the Bank's climate risk profile and effectiveness of the risk management practices. The BRC and RMICC are responsible for escalating climate risk matters to the Board when appropriate to enable the Board to address and govern these risks within the Bank's overall business strategy and risk appetite.

The RMICC is chaired by the Chief Executive Officer (CEO) with the Chief Risk Officer (CRO) as deputy chair. The RMICC members are drawn from the executive management team and have delegated authority from the BRC to monitor and review risk exposures under the Bank's Enterprise Risk Management Framework and against the Board-approved risk appetite. The RMICC reports this information to the BRC and the Board quarterly in the form of Risk Management Information (MI).

The Chief Corporate Banking Officer (SMF 18) is accountable for identifying, steering and overseeing the climate risk arising from the activities of the Bank's business units.

The CRO (SMF 4) is accountable for the overall risk control approach applied to climate risk, and for providing approval for the climate risk management framework, policy and risk appetite statement and recommending these documents for subsequent approval up to the Board level.

The Climate Risk Working Group (CWG) supports the CRO in managing and overseeing the Bank's overall climate risk management. Led by the Risk Management Department, the CWG includes members from both the first and second lines of defence and is mandated to discuss and execute the Bank's climate risk work plan. It reports climate risk matters to the CRO monthly and to the RMICC quarterly as part of the climate risk MI. The CWG is responsible to escalate material issues to the CRO in a timely manner.

Key Governance Activities in 2024

In 2024, the Board and executive management team reviewed and approved the Bank's 5-year Strategy including ESG initiatives and received semi-annual formal updates on the strategy implementation progress. The Board also received climate risk-related updates on a quarterly basis from the RMICC and approved the inclusion of climate risk within the enterprise risk taxonomy which led to the formulation of the Climate Risk Appetite Statement and the Climate Risk Management Framework, both of which were subsequently approved by the Board. These developments form a solid foundation for the Bank to further advance its climate risk management.

To maintain regulatory alignment, the Board received internal training provided by the second line of defence (2LOD) climate risk team to deepen its understanding of UK climate regulatory expectations, potential future regulatory developments, and the Bank's approach to enhancing climate risk management in alignment with evolving regulatory requirements.

Next Steps

Key actions to enhance governance during 2025 include:

- The current documentation on defining and recording the Board's oversight of climate risk lacks of specificity, particularly regarding the processes, mechanisms and the frequency of oversight. This will be reviewed and enhanced in 2025.
- The current climate risk MI will be updated to align with the approved Climate Risk Framework and risk appetite metrics. This update aims to ensure that the Board and executive management team remain informed of climate risk progress, enabling more accurate monitoring and providing insights for effective decision-making.

Strategic report (continued)

Business Review (continued)

Non Financial Sustainability Information (continued)

- The current Senior Management Function (SMF)18 is limited to the wholesale banking business. A review and update will be conducted in 2025 to assign SMF18 responsibility for climate risk to additional executive management members overseeing business areas exposed to climate risks.

Strategy

Climate change impacts the Bank's customers, suppliers, and operations, presenting both opportunities and financial risks. As a UK bank, the Bank evaluates climate-related opportunities and risks through a UK-centric lens.

Scenario analysis is a key tool for supporting banks to assess the potential strategic and financial opportunities and risks they face from climate change and the transition to net zero. The future evolution of climate change and global climate policy is subject to significant uncertainty and therefore it is important for the Bank to consider the potential impacts from a range of alternative future net-zero transition paths.

In 2023 the Bank completed a quantitative scenario analysis to assess the climate impact on its expected credit loss (ECL), resilience of the strategy and business model; to help understand the potential impacts of climate change on its lending portfolios and balance sheet. In the exercise, two scenarios were considered over short and longer-term time horizons, which are 'the late policy action' and 'no additional policy action'. The 2023 analysis indicates the climate-related ECL is minimal on the Bank in the near term under both scenarios:

- A slight increase in losses in the static balance sheet projection for 2030 compared to the baseline under the late policy action scenario.
- A limited impact on the Bank under the no additional action scenario.

In 2024, the Bank integrated the 2023 scenario analysis results into its capital adequacy assessments. Given the collateral held for wholesale, predominately in aviation portfolio, and the low loan-to-value ratios and high average energy performance certificates for retail - factors that help mitigate potential credit losses, the Bank's primary climate opportunity lies in achieving net-zero operations. Meanwhile, the Bank will continue monitoring climate risk exposure and consider new lending only appropriate to the climate-related credit risk management capability.

The Bank also acknowledges that different climate scenarios and time horizons could lead to varying ECL results. It will consider researching a broad range of scenarios with varied time horizons while continuously monitoring the climate-related credit risk in the portfolio.

Climate- Related Opportunities

Operational Net Zero – key actions in 2024

The Bank's climate-related opportunities focus on achieving net-zero operations, aiming to achieve net-zero operational emissions (Scope 1 and 2) by 2030. To date, it has developed a carbon inventory for all UK premises and a roadmap for reducing emissions. Actions include:

Strategic report (continued)

Business Review (continued)

Non Financial Sustainability Information (continued)

- Quantifying annual Scope 1 & 2 emissions following Green House Gas (GHG) Protocol standards.
- Promoting energy-saving behaviours through building management specialists and efficient use of Building Management Systems.
- Purchasing 100% renewable electricity and green gas contracts where possible.
- Upgrading to energy-efficient building equipment (lighting, heating/cooling systems).
- Reducing paper, water, and waste by promoting green initiatives and automated processes.
- Incorporating green procurement practices to create a more sustainable supply chain.
- Neutralizing residual emissions by purchasing carbon removal credits by 2030.

Next steps

The Bank will focus its green office strategies over the next five years on:

- Reducing carbon emissions using internationally recognised, scientific approaches.
- Promoting a sustainability culture and encouraging environmentally friendly practices.
- Ensuring full compliance with environmental regulations and staying updated on regulatory changes.

Risk Management

The Bank defines climate risk as ‘The risk of adverse consequences arising from the physical risks and transition risks associated with climate change’.

- Physical Risk refers to risks arising from extreme weather events (for example, hurricanes, floods) or chronic changes (for example, rising sea levels). More frequent and severe climate events such as flooding poses the greatest threat for the Bank by potentially disrupting customers, suppliers, and operations.
- Transition risk refers to risks associated with the shift to a net-zero economy, driven by policy changes, technology, and evolving market demands. These risks may increase the Bank’s costs in meeting regulatory requirements, including reducing greenhouse gas emissions and improving waste management. Additionally, it could limit the Bank’s lending opportunities for sectors such as coal and fossil fuels and disrupt the repayment ability of the Bank’s customers and suppliers due to their own climate-related transition risk exposures.

Identifying, assessing, and managing climate-related risks is an important part of the Bank’s risk management processes. Climate risk is identified at the Bank level, taking a predominantly qualitative approach to identifying and assessing climate-related impacts. The high-level assessment consists of a forward-looking view of the likelihood of an event occurring and the impact should the event occur, considering both the potential transition risks and physical risks. The output of this is then used to inform further analysis, including quantitative scenario analysis.

Strategic report (continued)

Business Review (continued)

Non Financial Sustainability Information (continued)

In addition, the Bank’s identification of climate-related risks is supported by horizon scanning of climate-related regulatory, legal, and other developments. The Bank’s approach will evolve as it develops capabilities and gains a deeper understanding of climate related risks.

Key Actions in 2024

Climate risk was first included in the Bank’s enterprise risk framework in 2021 as climate-related credit risk. In 2024, the Bank elevated climate risk to become a standalone risk type in the Enterprise Risk Taxonomy and started the integration of climate risk into the Bank’s enterprise risk management process. The Bank:

- Analysed the channels through which physical and transition risk could materially impact the Bank and identified seven risk types (including credit risk) which would be negatively impacted. For climate risk management purposes, the seven risk types are referred to as the Climate Risk Taxonomy.
- Clarified and allocated the roles and responsibilities of three lines of defence for climate risk management.
- Published high level risk management requirements for the seven risk types in the Climate Risk Taxonomy in order to guide 1LOD ownership and management of climate risk as part of those risk types.
- Established a Climate Risk Appetite Statement, establishing qualitative and quantitative metrics and thresholds for the identified risk types.
- Conducted workshops at both governance and operational levels to communicate and implement the Bank’s climate risk management approach.

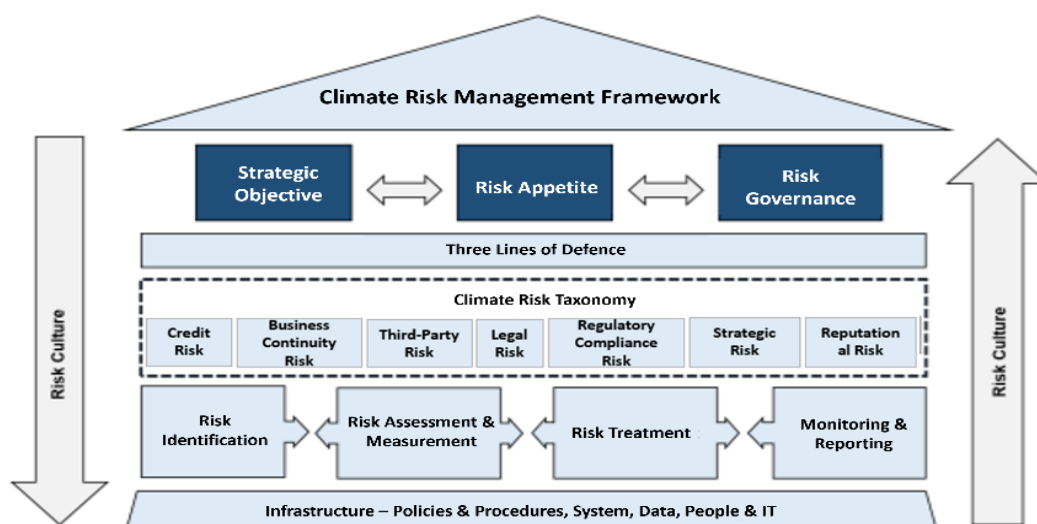


Figure 1: The Bank’s Climate Risk Management Framework

Strategic report (continued)

Business Review (continued)

Non Financial Sustainability Information (continued)

1) Climate Risk Identification and Assessment

Beginning in 2023 and continuing during 2024, the Bank reviewed the climate impacts through a predominantly qualitative approach to assessing how and to what extent that physical and transition risks may impact the Bank’s customers, suppliers, and operations, and the time horizons over which the Bank might expect such impacts: short-term (<5 years), medium-term (5–10 years), and long-term (>10 years).

This assessment identified seven risk types through which climate risk would impact the Bank, as shown in the table below:

Physical Risk and/or Transition Risk Impact on:	Primarily impacts the Bank through increase in:
Customers	Credit Risk
Suppliers	Third-Party Risk
Operations	Business Continuity Risk, Legal Risk, Regulatory Compliance Risk, Strategic Risk and Reputational Risk

During 2024 the Bank formalised these seven risk types as the Climate Risk Taxonomy in the Climate Risk Management Framework. Given the evolving nature of the climate change, these assessments will be periodically re-evaluated and enhanced, including quantitative assessments, in alignment with the Bank’s resources, experience and capabilities.

Details underlying the seven risk types are set out below:

Credit Risk

Physical risk impacts:

- From customers: Risk of reduced ability to operate and generate business revenues or obtain additional funding to cover debt servicing costs, make principal repayments and pay other bank-related costs. (Short-term)
- As a lender: Risk of reducing collateral values in the Bank’s mortgage and corporate real estate portfolios, due to more frequent and severe climate events such as flooding. (Long-term)

Transition risk impacts:

- Risk of creditworthiness of customers, credit losses or stranded assets in the Bank’s corporate portfolio, such as transportation, due to the government policy/regulation for pricing of GHG emissions, carbon taxes, and other net-zero transition related costs, i.e. UK ban on sustainable aviation fuel. (Medium- to Long-term)
- Risk of higher customer defaults, increased impairments, or reduction in (buy-to-let) mortgage demand for the Bank, due to the introduction of the energy efficiency standards and letting regulations. (Short- to Medium-term).

Business Continuity Risk

Physical risk impacts:

Risk of declining value of the Bank owned office premises, increasing capital and operational costs on damaged properties and core equipment such as IT servers, system and data. (Long-term)

Strategic report (continued)

Business Review (continued)

Non Financial Sustainability Information (continued)

Business Continuity Risk

Physical risk impacts:

Risk of declining value of the Bank owned office premises, increasing capital and operational costs on damaged properties and core equipment such as IT servers, system and data. (Long-term)

Third-Party Risk

Physical risk impacts:

Risk of reduced ability to operate and provide the Bank with existing level of goods and services. (Short-term)

Transition risk impacts:

Risk of additional costs from a third party's services and products, or from their actions and behaviours breaching the related net-zero transition-related policies and legislations. (Short- to Medium- to Long-term).

Legal Risk

Transition risk impacts:

Risks of exposure to legal penalties, financial forfeiture and material loss that may arise from failing to comply with climate-related legislation, regulations, and internal policies. This includes the Bank's exposure to claims and lawsuits brought by third parties, including those of a speculative and vexatious nature and regulatory intervention. (Short- to Medium- to Long-term).

Regulatory Compliance Risk

Transition risk impacts:

Risks of regulatory penalty arising from failing to comply with climate- and anti-greenwashing-related legislation, regulations, and internal policies. (Short- to Medium- to Long-term).

Strategic Risk

Transition risk impacts:

- Risks of losing its competitiveness, market shares and customers caused by failing to develop climate-related lending strategy and finance products, while green and sustainable financial products become the market standard for sustainable finance in the transition to a low-carbon economy. (Medium- to Long-term)
- Risk of increased cost of compliance with building regulations such as measuring and reducing Bank generated GHGs and waste management. (Short-term)

Reputational Risk

Physical and transition risk impacts

Risks of potential damages to a Bank's reputation arising from negative perceptions due to:

- The Bank's finance and operational activities in certain customer sectors. (Short- to Medium- to Long-term)
- Failure to set up net-zero targets that are backed by a credible transition strategy, or committed to anti-greenwashing, which could result in potential negative publicity, loss of customer trust and regulatory fines. (Short- to Medium- to Long-term)

Strategic report (continued)

Business Review (continued)

Non Financial Sustainability Information (continued)

2) Climate Risk Three Lines of Defence

The First Line of Defence for climate risk (CR 1LOD) owns and manages climate risk. CR 1LOD includes staff in business units and associated support functions (for example, Credit, Operations, Compliance, Legal, Executive Office) responsible for managing climate risk through day-to-day activities. Within the CR 1LOD, staff with second line of defence responsibilities for the seven climate risk types are accountable for setting out minimum climate risk control requirements within their own risk management frameworks, for enforcing and monitoring the implementation of these control requirements, and for producing data used for climate risk appetite and other climate risk management information.

The second line of defence for climate risk (CR 2LOD) role is undertaken by the Risk Management Department. CR 2LOD reviews, challenges and guides the policy owners for seven climate risk types in their climate-related activities. Key responsibilities include developing, owning, monitoring and reviewing the climate risk framework, risk appetite and management information (MI) and guiding and monitoring 1LOD implementation.

Third Line of Defence for climate risk (CR 3LOD) role is undertaken by Internal Audit (IA). CR 3LOD carries out independent observation of CR 1LOD and CR 2LOD climate risk management activities and provides independent feedback to the Board, BRC and RMICC.

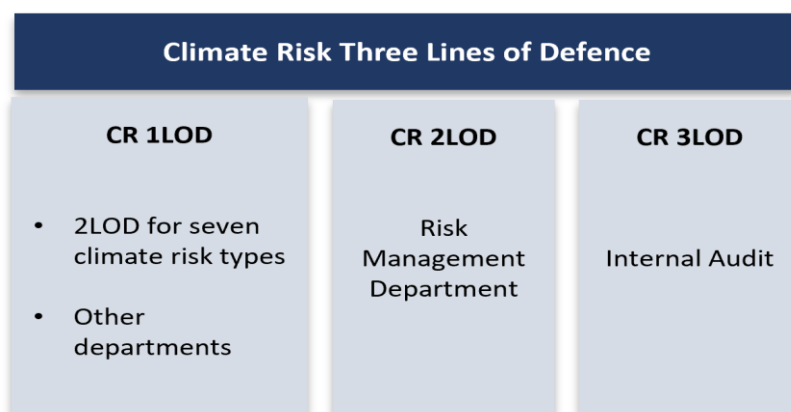


Figure 2: The Bank's Climate Risk 3 Lines of Defence

3) Climate Risk Management

The risk types in the Climate Risk Taxonomy are already subject to risk management as required under the Enterprise Risk Management Framework. This includes publishing risk type policies.

The Climate Risk Management Framework (CRMF) was approved during 2024. The CRMF mandates that the risk types policies for the seven risks in the Climate Risk Taxonomy are updated to specifically mitigate the incremental risks arising from climate change. This includes the following high level requirements.

Credit Risk

- Mitigate climate-related risks by integrating precautionary measures into the loan approval process, including updated lending criteria and climate-risk scores in credit approvals, supported by enhanced tools and data.

Strategic report (continued)

Business Review (continued)

Non Financial Sustainability Information (continued)

- The Bank acknowledges that the current climate-related credit risk data are insufficient for formulating effective credit risk thresholds and limits, as well as for supporting credit decision making. It will explore both internal and external tools to collect data, develop and maintain a robust climate-related database, enabling the development of quantitative risk thresholds and limits, credit decision-making, and reporting. This will include leveraging data from customer onboarding process and scenario analysis outputs.
- The Bank's climate-related credit risk exposures are focused on the retail mortgage and aviation portfolio:

Retail Mortgage

Key actions in 2024

The retail mortgage portfolio makes up 55.30% of the Bank's overall loan book and is mainly concentrated in new builds in the London area. The mortgage portfolio is estimated to have an average Energy Performance Certificate (EPC) rating of B which exceeds the national average. The Bank has adopted a cautious approach to new business development and focuses on the risk management and meeting Consumer Duty obligations, to ensure the mortgage products provide fair value in the target market (outgoing Chinese customers who invest in the UK) and continue to refine the Debt Recovery Team's approach to help customers struggling with mortgage payments.

Next steps

Recognising gaps in the assessment, management, and monitoring of climate risk exposures within the retail mortgage portfolio, the Bank aims to further enhance its effort in 2025 monitor and manage the portfolio's climate risk exposure by:

- Implementing quantitative monitoring metrics to assess and monitor flood risks and EPC rating at a sub-portfolio level.
- Analysing market gaps, document obstacles and develop tools for ESG improvements in retail mortgage portfolios and on-boarding.
- Reviewing policies and procedures to improve efficiency, reduce paper-based processes and offer better pricing to meet Consumer Duty obligations.

Strategic report (continued)

Business Review (continued)

Non Financial Sustainability Information (continued)

Business Continuity Risk

- Ensure the Bank has sufficient business continuity plans in place, including backup sites and conducts a broad range of system/infrastructure recovery testing, including extreme weather event scenarios.

Third Party Risk

- Incorporate physical and transition risk assessments in the on-boarding and periodic review process of material suppliers.

Legal Risk

- Provide relevant case-study workshops to the Bank.

Regulatory Compliance Risk

- Conduct timely regulatory horizon scanning and take responsive actions.
- Set key risk indicators to closely monitor the number of material breaches of climate and anti-greenwashing and the number of incidents of misleading information regarding the Bank's sustainability profile or commitment.

-

Strategic Risk

- Monitor and identify evolving UK market requirements and shifts in consumer preferences driven by government strategies and policies on climate mitigation and adaptation. This includes areas such as carbon emissions reduction, clean energy, clean transportation and green building initiatives.
- Ensure the Bank's operations are powered entirely by renewable energy, with a gradual transition to energy-efficient office facilities and equipment.

Reputational Risk

Conduct daily media monitoring to identify potential negative public messages concerning climate change. This includes assessing the potential reputational risk and developing appropriate responses to mitigate any negative impact.

Next steps

The main objective for 2025 is to implement and embed climate risk management requirements within business and operational activities and procedures, starting by incorporating and detailing the high-level climate risk control requirements into the relevant policies for the seven risk types. The policy requirements will be linked into the Bank's operational risk framework to ensure the design and operating effectiveness of climate risk management controls, as required under the Bank's operational risk management policy.

The Bank will also continue to build out its scenarios analysis to better understand the impact of climate risk on the Bank's business model and strategy. To enhance climate-related credit management, the Bank will improve its scenario analysis approach and utilize the outputs for risk management and decision-making. It will also develop and utilise in-house tools, such as climate risk scorecards and leverage external ESG data providers to assess customer climate risk exposure.

Strategic report (continued)

Business Review (continued)

Non Financial Sustainability Information (continued)

Furthermore, the Bank acknowledges the importance of climate data in developing effective risk thresholds and limits. Recognising the existing gap in this area, the Bank will begin building a dedicated climate risk database in 2025. This will involve collecting and managing transaction-related data through a set of quantitative risk monitoring metrics, which will facilitate the eventual development of more refined risk indicators supported by quantitative thresholds and limits.

The Bank will also organise and deliver training programs to support the implementation of climate risk control requirements. Additionally, it will conduct workshops to inform the Board, the executive management team and staff about climate risk regulatory developments and market best practices.

Metrics and targets

During 2024 the Bank increased direct operation emissions by 11% against its 2019 baseline year.

Own operations

Target	KPI(s)	Target year	Baseline year	2024	2023	2022	2021
Reduce Scope 1 & 2 total GHG emissions by Net Zero by 2030	Absolute Scope 1 & 2 GHG emissions (tCO2e), calculated in accordance with SECR compliant methodologies	2030	2019	895	789	650	687

The table above shows an increase in scope 1 & 2 GHG emissions in 2024, this is as a result of an increase in employees returning to work in the office shifting emissions from their homes to the offices. The Bank has been identifying opportunities to reduce emissions based upon the results of the energy usage audit.

The Bank understands this is only one element of its emission profile and will be exploring the feasibility of measuring the scope 3 portfolio emission in 2025.

Another action for the Bank in 2025 is to develop measurable targets and metrics for more principal climate-related impacts that will enable the Bank to better assess and monitor the Net Zero transition progress.

Climate Risk

In 2024, the Bank developed a set of quantitative and qualitative risk metrics and thresholds, building on existing policies and capabilities, as the foundation for managing and monitoring holistic climate risk. The Bank acknowledges current limitations and gaps and plans to further mature these metrics and thresholds over time.

Strategic report (continued)

Business Review (continued)

Non Financial Sustainability Information (continued)

Climate Risk	Target	Metric	2024 Summary
Retail Mortgage: Physical - acute	To prevent the asset value decline for properties in high flood-risk areas.	Buildings insurance cover flooding peril.	The Bank updated its policy to require solicitors to ensure flood coverage in building insurance for new loans on properties in high-risk areas.
Retail Mortgage: Transition – policy, legal, regulation	To prevent the asset value decline. Maintain the energy efficiency level of the Buy-to-Let (BTL) mortgage book.	EPC rating C and the above.	The Bank updated its policy to require the EPC rating C and above for new BTL mortgage application in 2024, where the EPC rating is available before completion.
Corporate Portfolio: Transition – policy, legal, regulation	To prevent the asset value decline.	Average physical risk internal rating ¹ Average transition risk internal rating ²	There has been no policy updates and the average rating at the portfolio level is low, with a score of 2.06. At the individual sector level, all sectors are also categorized as low, with scores ranging from 1 to 3. The average rating at the portfolio level is medium, with a score of 3.7. At the individual sector level, approximately 78% of the total portfolio is rated as medium, with scores ranging from 4 to 6, while 22% of the portfolio is rated as low, with a score of 1.

^{1&2} The rating score will be assigned by the sector teams using the expert judgment ratings methodology approved by the Bank's SS3/19 Project Steering Committee in November 2021. The scores range from 0 to 10 and are categorised as follows: low (0-3), medium (4-7), and high (8-10).

Strategic report (continued)

Business Review (continued)

Non Financial Sustainability Information (continued)

Business Continuity Risk	Target	Metric	2024 Summary
Physical - acute	Set regulation-aligned impact tolerance for key business service areas that are under climate-related risk exposures.	Number and frequency of climate-related business continuity incidents/interruptions.	There were no climate-related business interruptions in 2024.
Third Party Risk	Target	Metric	2024 Summary
Transition – policy, legal, regulation	Set regulation-aligned impact tolerance for key business service areas that are under climate-related risk exposures.	Cost of climate-related business continuity incidents/interruptions.	There were no cost arising from climate-related business interruptions in 2024.
Legal Risk	Target	Metric	2024 Summary
Transition – policy, legal, regulation	To reduce and manage the Bank’s exposure to legal penalties, financial forfeiture, and material loss that may arise from failing to comply with climate- and greenwashing-related legislation, regulations, and internal policies. This includes the Bank’s exposure to claims and lawsuits brought by third parties, including those of a speculative and vexatious nature.	Minimal	There were no climate and greenwashing-related claims and lawsuits brought by third parties in 2024.
Regulatory and Compliance Risk	Target	Metric	2024 Summary
Transition – policy, legal, regulation	To comply with all climate and anti-greenwashing relevant laws and regulations in the UK and relevant authorities abroad, and to implement and enforce effective systems and controls.	Number of inappropriate market conduct by staff members. Number of climate/greenwashing regulatory breach.	There were no climate and greenwashing-related inappropriate market conduct by staff members in 2024. There were no climate and greenwashing-related regulatory breach in 2024

Strategic report (continued)

Business Review (continued)

Non Financial Sustainability Information (continued)

Strategic Risk	Target	Metric	2024 Summary
Transition – Market	To phase out funding high-emission projects.	Number of lending to the new coal mining and coal-pant projects.	There was no lending to new coal mining and coal-pant projects in 2024.
Reputational Risk	Target	Metric	2024 Summary
Physical & Transition	To minimise and mitigate any potential reputational risk arising from ESG-climate-, and greenwashing-related activities/events.	Minimal. The daily conduct of media monitoring to any potential climate-, and greenwashing-related reputational risk over the Bank.	The Bank conducted daily media monitoring in 2024 and found no negative climate- or greenwashing-related media coverage during the year.

Acknowledging the gaps in quantitative targets and metrics in both business development and risk management, the Bank will review its business strategy and enhance climate risk management control requirements in 2025. The risk-related focus will be on formulating and implementing climate risk control requirements that align with the updated PRA SS3/19 expectations and Group requirements. Actions will include identifying and analysing the gaps between current practices and requirements, designing measures, exploring tools, and build a database to ensure these measures are applicable.

Pillar III Disclosures

Further information regarding the Bank’s approach to risk management and its capital adequacy are contained in the unaudited disclosures made under the requirements of Basel II Pillar 3 (the Pillar 3 disclosures). These disclosures will be published on the bank’s website shortly after the approval of these financial statements at www.bankofchina.com/uk.

Modern Slavery Act

Further information regarding the Bank’s approach to modern slavery is contained in the Slavery and Human Trafficking Statement made under the requirements of the Modern Slavery Act 2015. This statement will be published on the Bank’s website shortly after the approval of these financial statements at www.bankofchina.com/uk.

Gender Pay

Further information relating to the Bank’s Gender Pay Gap was published on its website www.bankofchina.com/uk and the designated government website www.gov.uk/genderpaygap in April 2024 in compliance with the Equality Act 2010 (Gender Pay Gap Information) Regulations 2017.

Strategic report (continued)

Section 172 Companies Act 2006 statement

The Board of Directors (“Board”) gives regard to the Wates Corporate Governance Principles for Large Private Companies (“Wates Principles”), published by the Financial Reporting Council in December 2018. Under the UK Company Law, directors must act in a way they consider, in good faith, would be most likely to promote the success of the Bank for the benefit of its shareholder, and in doing so, to have regard (amongst other matters) to the following (“S172(1) matters”):

- the likely consequences of any decision in the long term;
- the interests of the Bank’s employees;
- the need to foster the Bank’s business relationships with suppliers, customers and others;
- the impact of the Bank’s operations on the community and the environment;
- the desirability of the Bank maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the Bank.

Engaging with stakeholders to deliver long-term success is a key area of focus for the Board, thus the Board takes into account the impact on a wide range of stakeholders when making decisions by relying on information which reflected stakeholders’ views.

Long-term Strategy and Vision

The Board operates an agenda of standing items appropriate to the Bank’s operating and reporting cycles as influenced by legal, regulatory and other imperatives. Items for Board approval or information only are defined clearly.

The Board annually approves a reviewed version of a five-year Strategic plan (“Plan”), which contains a long-term vision to 2035. During 2024, the Board members actively engaged with the Business Development Committee by attending workshops to discuss the Bank’s strategic direction. The Board monitors the Plan’s implementation through detailed management information (“MI”) on operating and financial performance. Before approving the Plan, the Board considers factors as wide as the UK and China macro-economic conditions, the competition and geo-political and market conditions.

In setting the Plan, the Board considers the following key stakeholders:

Employees

An enhanced menu of flexible benefits, people development and cultural initiatives have been delivered to employees in 2024. Key areas included:

People Strategy - Implemented HR annual plan to ensure alignment with the People Strategy and overall business strategy.

Learning and Development – The Bank continued implementation of talent development initiatives including the launch of the pilot Mentoring ME Program, the introduction of the People Manager Development Program for Heads of Departments, and the preparation of interventions and people development plans for successors.

Talent Development - The Bank continued to work with business departments to improve its Competency Development Framework with the aim to provide clear career paths to employees. Conducted succession planning and review its resourcing strategies across various stages.

Culture - The Bank continued its culture program with a focus on further establishing its Diversity and Inclusion culture. The Bank implemented at least 10 initiatives from its Employee Engagement Calendar in 2024 which covered various areas such as mental health, employee wellbeing and different culture initiatives. The Bank continued to run 4 Employee Resources Groups which are Culture Connect Network, Social Club, Young Professional Network and BOC Women’s Network. Promoted speak up culture via online BOC Idea Platform and the Bank’s Employee Representative Forum. The Bank has also developed its Recognition Policy to enhance rewards for long-term service and foster peer-to-peer recognition.

Strategic report (continued)

Section 172 statement (continued)

Customers

In supporting its customers during 2024, the Bank has made the following efforts to ensure good outcomes, in alignment of its strategic vision of remaining the first choice for China-related business in the local market:

- **Enhancing customer experience** - efforts have been focused on further embedding and developing solutions in support of the FCA regulatory ambitions for the new Consumer Duty obligations under Principle 12, where a firm must act to deliver good outcomes for retail customers. This has been most notable in the areas of root cause analysis which is undertaken quarterly in respect of complaints handling and the Bank's vulnerable customer records, outcomes testing across the product suite, new Board reporting and the delivery of evidential MI. The Client facing staff have had additional training in support of service delivery and approaches to support vulnerable customers in those endeavours;
- **Easing financial difficulty** - the Bank has delivered new solutions in the areas of mortgage arrears management and forbearance options, as well as investing in specific staff training areas such as customer vulnerability. The Bank has also improved our fraud awareness notifications via our mobile banking capability, and reduced refund process times for victims of fraud in line with the new PSR initiative for the industry;
- **Providing financial education** - the Bank continued to organise UK financial training sessions for students, embassy and cross-border customers, via hosted webinars and local events, to enhance their understanding of the UK financial system. Fraud awareness and risk reduction being of key focus given the PSR and FCA requirements, with the Confirmation of Payee solution locally delivered;
- **Enabling Chinese market access** – the Bank continued to develop RMB business locally, and supporting both the Bank's international students and embassy clients in general. The Bank has also supported visiting business delegations, our Learning Institute training programmes to share UK best practice knowledge in addition to using third party expertise in a specific education consultancy campaign;
- **Improving processing capability** - the Bank's Business Risk and Controls function has expanded and undertaken quality assurance activities across our branch network. New control arrangements have been implemented to seek efficiencies, with reviews of each product undertaken internally to identify technology solutions with Head Office, and in collaboration with independent second line reviews of the business with actions undertaken or substantially planned for the future. In line with wider Bank technology efforts, we are progressing some new digitalisation requirements in areas such as online account opening and transaction monitoring to reduce local manual processing.

Suppliers

The Bank engages with its suppliers through its contractual arrangements and requirements to ensure prompt payment, adhering to the Small Business, Enterprise and Employment Act 2015 (Section 3) to report on the Bank's payment performance biannually.

Regulators

The Board recognises the importance of continuous engagement, fortifying strong and trusting relationship by sustaining constructive and open dialogue with its UK regulators. During 2024 the Bank alongside the Regulatory Liaison team has worked together with the UK regulators to strengthen communications, through ongoing and regular dialogue, taking proactive approaches to assessing, enhancing and reporting on risks.

Strategic report (continued)

Section 172 statement (continued)

Shareholder

The direction of the BOC UK's sole shareholder continued to cascade down into the strategy planning of the Bank. Following the establishment of the Bank's ESG Working Group in November 2020, the CEO continued to chair the meetings of this Working Group, echoing the shareholder's strong commitment to this area.

Thanks to the global easing of the Pandemic, the Board held its meeting at the Head Office in Beijing on 9th October 2024. Three Directors, including two iNEDs, along with two senior managers, attended the meeting. During the trip, the delegation also visited the Research, Internal Audit, and Operations teams in Head Office. The visit was considered a success, offering a valuable opportunity to engage with Head Office colleagues in person, deepen mutual cultural understanding, and foster new working relationships and friendships. With the continued support of the Head Office, this initiative is poised to grow in the future. Furthermore, the iNEDs continued to be provided with relevant information about the shareholder on an ongoing basis.

Communities and Environment

The Bank continued its strong commitment to ESG matters.

The Board and the Executive Management Committee ("EMC") are responsible for overseeing and approval of the Bank's ESG transition in areas of strategy, target setting, internal policies and procedures, risk management, portfolio and operation net zero, green finance business development and ESG/ climate related projects. The following key progress was made in 2024:

- **Non Financial Sustainability Information** - Please refer to the Non Financial Sustainability Information disclosure from pages 15 - 28 within the Strategic Report.
- **Emission Reduction** - The Bank achieved significant sustainability milestones, including switching to 100% REGO (Renewable Energy Guarantees of Origin) backed electricity and saving approximately 625.9 tons of natural gas through renewable energy use at three London offices. Comprehensive environmental initiatives were also undertaken, such as completing inventory checks and energy surveys for all Bank buildings. Additionally, food waste recycling measures were continued in 2024, maintaining a recycling rate of 56% from 2023 and offsetting 7,346 kg of CO₂ emissions this year;
- **Community and culture exchange** - As one of the founding companies of the City Giving Day, together with the London Branch, the Bank saw another record-breaking year of fund-raising. The Bank also participated in events such as the Lord Mayor's Show, the Standard Chartered Great City Race and the Bloomberg Square Mile Relay;
- **Green Participation** - the Bank supported a series of sustainability events in 2024, including the Transition Finance in Action Forum during the City of London's Net Zero Delivery Summit, the China-UK Clean Energy Forum and the City of London Think-tank Z/Yen's 'From Emissions To Profits' event.

The Bank continued to engage with the 'Trees for Cities' charity with 15 volunteers from the Bank planting around 300 trees at Forest Road London.

Furthermore, the Board takes the Bank's corporate citizenship seriously and ensures the required level of transparency through the approval and the publication of the following:

Country by Country Reporting

Further information regarding the Bank's approach to the requirements of increased financial and tax transparency of the Capital Requirements Directive ("CRD IV"), as enacted by the Financial Services and Markets Act 2000, will be published on the Bank's website shortly after the approval of these financial statements www.bankofchina.com/uk.

Bank of China (UK) Limited
Annual Report and Financial Statements for the year ended 31 December 2024

Strategic report (continued)

Section 172 statement (continued)

1 Lothbury
London
EC2R 7DB

16 April 2025

On behalf of the Board,



Wenjian Fang
Chief Executive Officer
Board Director

Corporate Governance Report

For the year ended 31 December 2024, the Bank has applied the Wates Principles. The following summarises how the Bank has applied these principles over the past year:

Principle 1 – Purpose and Leadership

The Bank was incorporated in 2007 and together with Bank of China Limited London Branch (“London Branch”), has been one of the preferred choices for both Chinese “Going-out” customers and local customers seeking to establish relationships with Chinese banks.

The Board Terms of Reference (“ToR”) has stated that the purpose of the Board is to provide entrepreneurial leadership of the Bank within a framework of prudent and effective controls. The Board sets the strategic objectives and risk appetite for the Bank and during 2024 for its subsidiary, China Bridge Group (UK) Limited, and is responsible for approving capital and operating plans presented by the EMC. China Bridge Group (UK) Limited’s licence to process visa applications has since transferred to a third party (Note 35). The Board is also the decision-making body for all other matters of such importance as to be of significance to the Bank as a whole because of their strategic, financial or reputational implications or consequences.

The Bank shares its Parent’s (Bank of China Limited) mission and aligns its general core targets with its Parent’s, i.e. taking serving the real economy as its mission, risk prevention and control as its eternal theme, consolidating and expanding globalised advantages and improving global layout ability as its primary task, and improving market competitiveness and serving national strategies as the core key. In October 2024, the Board visited the Parent’s Office in Beijing, China and held the Board and London Branch Advisory and Oversight Committee (“AOC”) meetings. This visit underscored the Bank’s commitment to aligning its governance practices and strategic objectives with the broader strategic vision of the Parent.

The Board ensures that the Bank’s obligations to its shareholder and other key stakeholders are understood and met. To achieve that outcome, the Board considers the views and interests of all other key stakeholders during Board discussions and decision-making.

Principle 2 – Board Composition

The Board comprises a Chairman, during the period following the Chairman’s resignation this was covered by the Senior Independent Director (“SID”) ¹, CEO, CFO, one Group Non-Executive Director, and three Independent Non-Executives (“iNEDs”), one of them being the SID, as of 31 December 2024. Please refer to page 5 to 6 for the Board composition changes in 2024. The Board is expected to have an additional Group Non-Executive Director, as well as an iNED to be appointed as the Chairman, in the coming year. The size and composition of the Board is appropriate to the Bank’s size and nature of business. The Board is also committed to making the Bank an increasingly inclusive environment.

The iNEDs are appointed for three-year renewable terms. The independence of any iNED who had served on the Board beyond nine years from the date of his appointment was subject to particularly rigorous review.

The roles of the Chairman and the Chief Executive Officer are separate. The Chairman’s main responsibility is to lead and manage the work of the Board to ensure that it operates effectively and fully discharges its legal and regulatory responsibilities. The Board has delegated the responsibility for the day-to-day management of the Bank to the Executive Management Committee led by the CEO. The CEO is responsible for recommending strategy to the Board, leading the Executive Directors and for making and implementing operational decisions.

¹ Mr. Jiuzhong Li was Chairman of the Board till 9th October 2024, when Dr. Gerard Lyons assumed the interim role awaiting the appointment of a future Chairman.

Corporate Governance Report (continued)

The Board has collective responsibility for the success of the Bank, however, the Executive Directors have direct responsibility for business operations, whereas the Non-Executive Directors are responsible for bringing independent judgement and scrutiny being asked of the Board, by providing objective challenge to EMC. The Board can draw on the wide range of skills, knowledge and experience they have built up as directors of other companies and as business leaders.

The independence of a Non-Executive Director is determined by assessing against the following essential criteria:

- Provides objective challenge to management;
- Is prepared to challenge others' assumptions, beliefs or viewpoints as necessary for the good of the Bank;
- Questions intelligently, debates constructively, challenges rigorously and makes decisions dispassionately;
- Is willing to stand up and defend their beliefs and viewpoints in order to support the ultimate good of the Bank;
- Understands the Bank's business and affairs to enable them to properly evaluate the information and responses provided by management.

The Board conducted a comprehensive review of the independence of the iNEDs, guided by the criteria outlined above. During the discussion, the Chairman addressed the tenure of Mr. Jonathan Spence, iNED and Chairman of the Board Risk Committee ("BRC"), who has served on the Board for more than nine years. The Board noted that, despite his extended tenure, Mr. Spence continues to demonstrate the ability to provide robust independent challenge, reflecting the spirit of independence that is critical to effective governance.

All directors must report any changes in their circumstances to the Board and the Bank's sole shareholder reserves the right to terminate the appointment of a director if there are any material changes in their circumstances that may conflict with their commitments as a director of the Bank, or that may impact on their independence.

The iNEDs attend and act as respective chairs to relevant Board committees (as noted on pages 36 to 39) so that they are able to effectively challenge and influence diverse areas of the Bank.

Directors update their skills, knowledge and familiarity with the Bank by engaging with EMC, Heads of Department, and by attending appropriate external seminars and training courses during 2024.

All Directors have access to the advice and services of the Company Secretary and may, if they wish, take professional advice at the company's expense. During 2024, the Board was provided with updates on corporate governance and regulatory responsibilities. The main collective training sessions covered the following topics:

- Conduct rules
- Non-financial misconduct
- Anti-money laundering and financial crime
- Directors responsibility on cyber security
- Directors duties and regulatory horizon 2025
- Climate risk management framework

The Remuneration and Nomination Committee ("RNC") oversees the Bank's succession planning, ensuring the Board is equipped with the skills and expertise necessary to support its strategic objectives. In 2024, the Board undertook a comprehensive Board evaluation process that provided a detailed analysis of existing competencies and identified key skill gaps critical to the Bank's evolving priorities. These findings will inform future recruitment, ensuring that new appointments address these gaps and strengthen the Board's ability to oversee the Bank's long-term strategic priorities.

Principle 3 – Directors Responsibilities

Clear lines of Accountability and Responsibility supports effective decision-making Management Responsibilities Maps and Statements of Responsibilities introduced by the Senior Managers Regime ensure that the Board members have a clear understanding of their respective accountabilities and responsibilities.

Corporate Governance Report (continued)

The Board has a programme of four regular Board meetings every year, plus ad hoc meetings and potentially additional time for strategic planning. During 2024, the Directors took part in a number of strategic workshops organised by the Bank's Business Development Committee and provided constructive comments and recommendations in relation to the Bank's strategic direction.

The Board operates three standing committees: Board Audit Committee ("BAC"), Board Remuneration and Nomination Committee ("RNC") and Board Risk Committee ("BRC"), details of which can be found on pages 36 to 39.

Board and Committee meetings are arranged in advance to ensure, as far as possible, that directors can manage their time commitments. All directors are provided with supporting papers and relevant information for each meeting and are expected to attend, unless there are exceptional circumstances that prevent them from doing so.

In the event that directors are unable to attend a meeting, he/she will still receive the papers for the meeting and will normally discuss any matters they wish to raise with the Chairman of the meeting, to ensure their views are taken into account. In addition, all directors are able to discuss any issues with the Chairman of the Board, the SID and/or the CEO at any time. Details of Board and committee meeting attendance are provided in full on page 6 of this report.

During the year ended 31 December 2024, it was considered that all directors contributed the time necessary to discharge their responsibilities to the Board. Potential conflicts of interest were declared and managed. During 2024, all Board meetings were available via a hybrid format although the majority of the directors attended physically in the Board room at the Bank's London office.

The Board pays close attention to the Integrity of Information as it relies on good management information ("MI") to monitor and challenge the performance of the Bank and make informed decisions. Following the introduction of the internal MI Guidance in 2021, the Bank continued to embed the good practice and enhance respective committees' MI via discussion and review at each meeting.

The Implementation Steering Committee chaired by Mr Jonathan Spence continued to provide an oversight of implementation of recommendations arising from internal and external reviews including the Enterprise Risk Management and Control Effectiveness Review ("ERM Review") and the Culture Programme.

Principle 4 – Opportunity and Risk

The Board promotes a prudent approach to risk whilst seeking out opportunity. Long term strategic opportunities are highlighted in the rolling Five-Year Strategic Plan, which is presented to the Board for approval every year. Short term opportunities are discussed at management committee levels at a more regular interval.

The Bank's key risks, uncertainties and mitigations are outlined in the Strategic Report on page 12. The Bank's systems and controls are designed to manage, rather than to entirely eliminate, the risk of failure to achieve business objectives and can only provide reasonable and not an absolute assurance against a risk materialising.

The Board is responsible for the Bank's system of internal control. The Board receives regular reports and updates from the EMC and the BAC on the effectiveness of the Bank's internal control system. The system of internal control is also subject to regulatory oversight.

The Bank seeks opportunities that align with its strategic objectives whilst maintaining a balanced and prudent approach to risk. This approach ensures that the pursuit of growth and innovation is underpinned by robust risk management frameworks, safeguarding the Bank's long-term success.

Corporate Governance Report (continued)

Principle 5 – Remuneration

The Board established a RNC to discharge its responsibilities for ensuring the Board and EMC retain appropriate structure, size and balance of skills, and designing remuneration structures and policies, to support the strategic objectives and values of the Bank. It benefits from the Chairmanship of an iNED to ensure that executive remuneration structures are aligned to the long-term health of the company, taking into account pay and conditions elsewhere in the industry, the local market and shareholder influence.

The RNC's work in detail is set out on pages 37 to 38. The Directors' remuneration is disclosed in Note 14.

Principle 6 – Stakeholder Relationships and Engagement

The Board recognises the importance of stakeholder engagement, which means good relationships with all the Bank's stakeholder community including the Bank's sole shareholder, employees, regulators, customers, suppliers and the local communities. More details are contained in the S172(1) Statement within the Strategic Report on pages 29 to 32.

Board Committee Reports

Board Audit Committee Report

The Board Audit Committee comprises two iNEDs: Mr. Charles Hardy, Chairman and Mr. Peter Reid. Standing invitations are extended to the CRO, CFO, COO, Chief Credit Officer, Chief Compliance Officer ("CCO"), the Head of Internal Audit Department and the heads of the second line risk departments. During 2024, five meetings were held (four regular meetings on a quarterly basis and one ad hoc meeting). The external auditors attended all meetings except the Q3 2024 meeting.

During the course of the year, the BAC considered the effectiveness of the Bank's internal control systems, risk management, and compliance with financial services legislation and regulations, via the following key activities:

- The BAC received and reviewed all Internal Audit reports issued and monitored progress on the closure of issues arising from those reports. The Internal Audit Improvement Plan, Audit Universe and updates on the Internal Audit Methodology and activity related to the Skilled Person Review were also presented to the BAC. In addition, the BAC monitored progress of delivery of the 2024 Audit Plan.
- Updates were received from the Financial Management, Credit Management, Risk Management, Legal and Company Secretariat and Financial Crime and Compliance departments.
- Reports issued by the Compliance Assurance Team were reviewed and the Draft 2025 Regulatory Compliance and Financial Crime Assurance Plan, the Compliance Assurance Methodology and progress on resourcing were discussed.
- Updates were received from the CCO on Whistleblowing investigations.

In addition, the BAC:

- Reviewed the Internal Audit Annual Audit Plan for 2025, and the resourcing plan to support its delivery. The Annual Audit Plan was thereafter recommended for approval by the Board.
- Reviewed the draft annual financial statements and going concern assessment including quality and acceptability of the related accounting policies, practices and financial reporting disclosures.
-
- Approved the External Audit Plan and Draft Engagement Letter for the FYE 2024 audit.
- Monitored adequacy of resourcing in the Internal Audit Department.

In addition, the BAC considered and reviewed its ToR.

After each BAC meeting, a report to the Board was presented on the principal matters discussed to ensure all Directors were informed of the BAC's work.

Corporate Governance Report (continued)

Remuneration and Nominations Committee Report

The Remuneration and Nominations Committee comprises two directors²: Dr. Gerard Lyons and Mr. Charles Hardy. Dr. Lyons is a Senior Independent Director, who is also the Chairman of the Committee. Mr. Hardy is an independent non-executive director. Both directors are voting members.

Mr. Wenjian Fang, Executive Director and CEO and Ms. Wen Liu, Head of Human Resources and Training Department (“HR”) have standing invitations to attend the committee meetings but will not have authority to vote.

The RNC is responsible for supporting and overseeing the implementation of an effective remuneration programme within the Bank and ensuring that the Bank operates an effective HR function that meets all applicable statutory and regulatory requirements. The RNC is not involved in setting the remuneration of its members. In 2024, the RNC met 6 times in total, 4 quarterly meetings and 2 ad-hoc meetings. The RNC continued to focus on areas consistent with what is needed for a HR function to support the Bank’s strategic plan in year 2024.

In 2024, key activities included the continued establishment of a culture focused on diversity and inclusion, further enhancement of people management and talent development, a comprehensive review and update of the Bank’s policies, and ongoing monitoring and refinement of Business as Usual (BAU) deliverables, including:

- Review the HR annual plan to ensure alignment with the People Strategy and overall business strategy.
- Review people management information and practices to ensure alignment with organisational goals and identify opportunities for improvement.
- Review resourcing strategies across various stages, such as strategic workforce planning, recruitment processing and employer branding.
- Review and approve succession planning.
- Review the reward and benefits framework, including but not limited to: remuneration policy review, pay transparency analysis, benefits benchmarking, and a review of family-friendly policies.
- Assess the senior management nominations, approve and submit them to the Board for final approval.
- Review and approve key HR policies, including the remuneration policy, performance management policy, recruitment policy, and learning and development policy.
- Review and approve remuneration packages to ensure compliance with relevant policies and regulations.
- Review the Bank’s culture program with a focus on further establishing its Diversity and Inclusion culture.
- Support the development of the BOC Recognition Policy to enhance rewards for long-term service and foster peer-to-peer recognition, including the launch of the Recognition and Engagement Platform.
- Support the development a well-being strategy to enhance employee health, satisfaction, and overall physical and psychological health.
- Support the continued implementation of Learning and Development initiatives, including the launch of the pilot Mentoring ME Program, the introduction of the People Manager Development Program for Heads of Departments, and the preparation of interventions and people development plans for successors.
- Continued review of the implementation of the FCA Remuneration Code and the impact on the Bank and employees as well as the Remuneration Policy and application and impact of Capital Requirements V Directive.

In addition, the RNC considered and reviewed its ToR.

² There were two iNEDS, i.e. Dr. Lyons and Mr. Hardy as at 31 December 2024. Mr. David Price, iNED, was the Chairman of the RNC, who resigned on 1 October 2024.

Corporate Governance Report (continued)

After each meeting, a report to the Board was presented on the principal matters discussed to ensure all Directors were informed of the RNC's work.

There are a number of priority areas that the Committee plans to continue to focus on in forthcoming meetings, including:

- Implementation of the wellbeing strategy to continue supporting employees with relevant tools and resources.
- Continue to work on the Bank's talent development through succession planning, resourcing strategy and people development program for senior management and people manager.
- Continue to advance the Bank's culture program to ensure alignment with the business strategy and its integration into people management practices.

Board Risk Committee Report

The Board Risk Committee comprises two iNEDs, Mr. Jonathan Spence (Chairman) and Dr. Gerard Lyons³. Both members above are voting members.

The Chairman of Board Audit Committee, the Chief Executive Officer, the Chief Risk Officer, the Chief Credit Officer, the Chief Financial Officer, the Chief Compliance Officer, the Chief Operating Officer, the General Manager of IT Centre Europe, Head of Risk Management Department, and Head of Legal and Company Secretariat Department were standing attendees.

During 2024, four quarterly meetings and one ad hoc meeting were held. The role of BRC is to review, monitor and report to the Board on Bank's risk management strategy and risk appetite; oversee the compliance of applicable statutory and regulatory requirements for effective risk management within the Bank; and oversee and support the implementation and maintenance of effective risk management within the Bank and be the primary board committee for risk identification and management. It exercises its responsibilities via the following key activities:

- Consider any matters within the operation of the London Branch that could have a material impact on the Bank, which fall within the purview of the BRC, as and when they are raised to the Committee, and determine whether such matters need to be raised with the Board for recommendation or observation to the General Manager of the London Branch;
- Review, approve and recommend to the Board for approval of the ERM Framework of the Bank on the recommendation of the Risk Management & Internal Control Committee ("RMICC");
- Review, approve and recommend to the Board for approval of the Risk Appetite Framework of the Bank on the recommendation of the RMICC;
- Review, approve and recommend to the Board for approval qualitative statements of risk appetite for all key risks and quantitative risk appetite measures for those key risks, all in accordance with the Risk Appetite Framework, on the recommendation of the RMICC;
- Review and approve the ICAAP and ILAAP stress testing framework on the recommendation of the Asset & Liability Management Committee ("ALCO");
- Review, approve and recommend to the Board for approval the ICAAP, ILAAP and Recovery Plan on the recommendation of the ALCO;
- Assist the Board in its Consumer Duty obligations including assisting the Board in the mitigation and oversight of risk associated with Consumer Duty compliance, including assessing any matters identified in the Consumer Duty annual report and the risks associated with Consumer Duty compliance;

³ There were two iNEDS, i.e. Dr Lyons and Mr Hardy as at 31 December 2024. Mr. David Price, iNED, was a BRC member who resigned on 1 October 2024.

Corporate Governance Report (continued)

- Review, approve and recommend to the Board for approval the Bank's important business services, impact tolerances and written self- assessment document, on the recommendation of Operational Risk and Resilience Committee ("ORRC");
- Review and recommend to the Board for approval the annual Slavery and Human Trafficking Statement, on the recommendation of the Compliance Committee ("CC");
- Review and recommend to the Board for approval an annual statement confirming that the Bank's Single Customer View (the "SCV") arrangements are effective and satisfy all relevant SCV requirements, on the recommendation of the CC;
- Review and approve delegated discretionary powers to the CRO;
- Oversee management performance across the Bank for all the identified risk types.
- Provide direct oversight to the RMICC and review its updates on a quarterly basis, integrated from the risk related committees under RMICC (to which the Committee shall provide indirect oversight);

Where there is a perceived overlap of responsibilities between the BRC and the BAC, the Chair of the BRC will discuss with the Chair of the BAC to agree the most appropriate committee to fulfil the obligation.

In addition, the BRC Committee considered and reviewed its ToR.

After each meeting, a report to the Board was presented on the principal matters discussed to ensure all directors were informed of the Committee's work.

Statement of Directors' Responsibilities in Respect of the Financial Statements

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with UK-adopted international accounting standards.

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Bank and of the profit or loss of the Bank for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Bank will continue in business.

The directors are responsible for safeguarding the assets of the Bank and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Bank's transactions and disclose with reasonable accuracy at any time the financial position of the Bank and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are responsible for the maintenance and integrity of the Bank's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



Wenjian Fang
Chief Executive Officer
Board Director
16 April 2025

Independent auditors' report to the members of Bank of China (UK) Limited

Opinion

In our opinion, Bank of China (UK) Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2024 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 December 2024; the Income Statement; the Statement of Comprehensive Income; the Statement of Changes in Equity; and the Statement of Cash Flows for the year then ended; and the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Our opinion is consistent with our reporting to the Board Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in Note 13, we have provided no non-audit services to the company or its controlled undertakings in the period under audit.

Our audit approach

Context

In designing our audit, we understood the company's key processes and business activities, including obtaining an understanding of the company's control environment. The company is based wholly in the United Kingdom, and does not prepare consolidated financial statements. We therefore audited the company as a standalone entity.

Overview

Audit scope

- As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. The scope of our audit and the nature, timing and extent of audit procedures performed were determined by our risk assessment and other qualitative factors.

Key audit matters

- Valuation of level 3 financial instruments recorded at fair value
- Expected Credit Losses (ECL) in relation to loans and advances to customers

Materiality

- Overall materiality: £4,137,000 (2023: £4,341,500) based on 1% of net assets.
- Performance materiality: £3,102,000 (2023: £3,256,000).

Independent auditors' report to the members of Bank of China (UK) Limited (continued)

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

The key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
<p>Valuation of level 3 financial instruments recorded at fair value</p> <p>The company has a portfolio of loans which are recorded at a fair value of £30.1m as at 31 December 2024 (2023: £47.4m). The loans are classified as level 3 per IFRS 13 in the fair value hierarchy because the fair value estimation contains unobservable inputs. The estimation of the fair value of the loans requires models which utilise both observable and unobservable inputs. The most significant assumption used in estimating the fair value of the loans relates to the determination of an appropriate discount rate, and this was an area of focus of our audit work.</p>	<p>We performed the following audit procedures:</p> <p>We assessed the overall reasonableness of the methodology used to estimate the fair value of the loans. We engaged our experts to assess the appropriateness of the discount rate used within the valuation model. We derived our own independent estimate of the discount rates and compared this to that used by management.</p> <p>On a sample basis we agreed other key inputs in the valuation, such as estimated future cash flows and related due dates, to the underlying contractual agreements and tested the mathematical accuracy of the fair value calculations.</p> <p>We also assessed the disclosures in note 4, regarding the critical accounting estimates involved in determining fair value and found them to be appropriate.</p>

Key audit matter	How our audit addressed the key audit matter
<p>Expected Credit Losses (ECL) in relation to loans and advances to customers</p> <p>As at 31 December 2024 the Gross carrying value of loans and advances to customers was £943 million (2023: £996 million) and the associated allowance for expected credit losses (ECL) was £1.3 million (2023: £5.3 million).</p> <p>Refer to Note 3 (h) 'material accounting policies', Note 6(a) 'Financial Risk Management – credit risk' and Note 20 'Loans and advances to customers' in the financial statements.</p> <p>The determination of the allowance for ECL is subjective and judgemental. Management uses complex models and makes various assumptions when estimating the allowance for ECL. Key inputs and assumptions include significant increase in credit risk criteria (SICR), probability of default (PD), loss given default (LGD), and multiple probability weighted forward looking macroeconomic scenarios.</p> <p>We have focused our work on the areas that we consider to be the most judgemental to address the risk of material understatement of ECL, being:</p> <ul style="list-style-type: none"> • the assessment of significant increase in credit risk for corporate borrowers; and • the valuation of collateral for corporate borrowers. 	<p>We have performed the following audit procedures:</p> <p>Together with our credit risk modelling specialists, we assessed and tested:</p> <p>the appropriateness of the Company's policy for default definition and significant increase in credit risk;</p> <p>the stage allocation against the SICR criteria for a sample of corporate borrowers; and</p> <p>the valuation of the collateral held for a sample of corporate customers. Where applicable, we assessed the appropriateness of the collateral valuation methodology by reference to standard industry practice.</p> <p>Assessed the disclosures in Note 6(a) and Note 20, regarding the critical estimates and judgements involved in determining ECL and found them to be appropriate.</p>

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

All of the company's activities are based in the UK. The scope of our audit and the nature, timing and extent of audit procedures performed were determined by our risk assessment. The scope of the audit work performed was predominantly substantive as we placed limited reliance upon the Company's internal control over financial reporting. We performed audit procedures over all material account balances and financial information of the company, with reference to the materiality level set out below.

The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the extent of the potential impact of climate risk on the company's financial statements, and we remained alert when performing our audit procedures for any indicators of the impact of climate risk. Our procedures did not identify any material impact as a result of climate risk on the company's financial statements.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and

Bank of China (UK) Limited
Annual Report and Financial Statements for the year ended 31 December 2024

Independent auditors' report to the members of Bank of China (UK) Limited (continued)

disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

<i>Overall company materiality</i>	£4,137,000 (2023: £4,341,500)
<i>How we determined it</i>	1% of net assets
<i>Rationale for benchmark applied</i>	We considered net assets to be the most appropriate benchmark. The company is a wholly owned subsidiary of Bank of China Limited. The principal stakeholders include the shareholders and directors of the parent company who have their equity invested, and regulators who would be focussed on the adequacy of capital resources. Also, net assets, although a financial accounting measure, is closely aligned with regulatory capital resources. Accordingly, we concluded that net assets is the more relevant measure considering the principal stakeholders of the company, and is an accepted auditing benchmark.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2023: 75%) of overall materiality, amounting to £3,102,000 (2023: £3,256,000) for the company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Board Audit Committee that we would report to them misstatements identified during our audit above £206,000 (2023: £217,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- A detailed risk assessment to identify factors that could impact the going concern basis of accounting including macroeconomic conditions and the effects of the movement in inflation and interest rates;
- Consideration of the company's regulatory capital, liquidity position and forecasts and review of regulatory correspondence;
- Evaluation of the results of stress testing performed by management;
- Evaluation of the liquidity facilities available to the company, for example from the immediate parent company; and
- Reviewing the appropriateness of the disclosures in the Annual Report.

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 at least twelve months from when the financial statements are authorised for issue.

Independent auditors' report to the members of Bank of China (UK) Limited (continued)

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2024 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related 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 have no realistic alternative but to do so.

Independent auditors' report to the members of Bank of China (UK) Limited (continued)

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the relevant rules of the Prudential Regulatory Authority ('PRA') and Financial Conduct Authority ('FCA'), and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries and management bias in accounting estimates and judgements. Audit procedures performed by the engagement team included:

- Discussions with management and those charged with governance including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Reading PRA and FCA correspondence;
- Reading minutes of the Board and Board Audit Committee meetings to identify any matters of audit relevance;
- Identifying and testing selected journal entries, in particular journal entries posted by senior management and journals posted with descriptions indicating a higher level of risk;
- Incorporating unpredictability into the nature, timing and/or extent of our testing; and
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to valuation of level 3 financial instruments recorded at fair value and expected credit losses for loans and advances to customers.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, 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.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Independent auditors' report to the members of Bank of China (UK) Limited (continued)

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Board Audit Committee, we were appointed by the members on 21 October 2021 to audit the financial statements for the year ended 31 December 2021 and subsequent financial periods. The period of total uninterrupted engagement is 4 years, covering the years ended 31 December 2021 to 31 December 2024.



Ajay Kabra (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

16 April 2025

Bank of China (UK) Limited
Annual Report and Financial Statements for the year ended 31 December 2024

Income Statement

£000	Note	2024	2023
Interest income		128,817	121,217
Interest expense		(57,415)	(40,422)
Net interest income	8	71,402	80,795
Fee and commission income		3,228	3,378
Fee and commission expense		(1,481)	(1,692)
Net fee and commission income	9	1,747	1,686
Net fair value gain on financial Instruments	10	4,711	9,119
Foreign exchange gain		2,295	386
Net other operating income	11	107,108	114,199
Non-interest income		114,114	123,704
Total income		187,263	206,185
Staff costs	12	(72,194)	(68,058)
Other expenses	13	(9,735)	(9,543)
Depreciation of plant and equipment	23	(1,540)	(1,572)
Amortisation of intangible assets	24	(104)	(52)
Credit for expected credit losses	21	3,953	11,235
Profit before income tax		107,643	138,195
Income tax expense	15	(23,726)	(34,982)
Profit for the year		83,917	103,213

Statement of Comprehensive Income

£000	Note	2024	2023
Profit for the year		83,917	103,213
Other comprehensive (expense) / income			
Amounts that will be reclassified to the income statement			
Income and deferred tax credit relating to components of other comprehensive income	15	-	-
Foreign currency translation		-	(2)
Other comprehensive (expense) / income for the year, net of income and deferred tax credit or expense		-	(2)
Total comprehensive income for the year		83,917	103,211

Bank of China (UK) Limited
Annual Report and Financial Statements for the year ended 31 December 2024

Statement of Financial Position

£000	Note	31 December 2024	31 December 2023
Assets			
Cash and balances at central banks	16	975,201	687,070
Government bonds	17	144,495	118,328
Loans and advances to banks	19	73,658	86,477
Loans and advances to customers	20	941,507	990,763
Derivative financial instruments	18	4,667	5,506
Prepayments, accrued income and other assets	26	138,246	130,581
Financial assets at fair value through profit and loss	22	30,150	47,445
Current tax asset		2,934	637
Deferred tax assets	25	406	359
Property, plant and equipment	23	11,419	11,902
Intangible assets	24	636	305
Investment in subsidiary companies	33(b)	-	-
Total assets		2,323,319	2,079,373
Liabilities			
Deposits from banks	27	493,256	369,590
Deposits from customers	28	1,355,529	1,223,068
Derivative financial instruments	18	2	3
Other liabilities	29	37,473	38,352
Accruals and deferred income	31	23,257	15,017
Impairment provision on off balance sheet products		58	54
Total liabilities		1,909,575	1,646,084
Equity			
Authorised and called up share capital	32	250,000	250,000
Other equity instruments		60,000	60,000
Retained earnings		103,744	123,289
Total shareholders' equity		413,744	433,289
Total shareholders' equity and liabilities		2,323,319	2,079,373

The financial statements on pages 48 to 122 were approved by the Board of Directors of Bank of China (UK) Limited and authorised for issue on 16 April 2025. They were signed on its behalf by:



Wenjian Fang
Chief Executive Officer
Board Director
16 April 2025

Bank of China (UK) Limited
Annual Report and Financial Statements for the year ended 31 December 2024

Statement of Changes in Equity

£000	Issued share capital	Other equity instruments	Retained earnings	Foreign Currency translation reserve	Total
As of 1 January 2024	250,000	60,000	123,209	80	433,289
Additional tier 1 capital	-	-	-	-	-
Profit for the financial year	-	-	83,917	-	83,917
Foreign exchange and other	-	-	-	-	-
Total comprehensive income	-	-	83,917	-	83,917
Dividend paid	-	-	(103,462)	-	(103,462)
As at 31 December 2024	250,000	60,000	103,664	80	413,744
As of 1 January 2023	250,000	60,000	91,811	82	401,893
Additional tier 1 capital	-	-	-	-	60,000
Profit for the financial year	-	-	103,213	-	103,213
Foreign exchange and other	-	-	-	(2)	(2)
Total comprehensive income	-	-	103,213	(2)	103,211
Dividend paid	-	-	(71,815)	-	(71,815)
As at 31 December 2023	250,000	60,000	123,209	80	433,289

The dividends to the parent company includes dividend on ordinary share capital of £98.1m (2023: £66.8m) and interest payments on additional tier 1 instrument of £5.4m (2023: £5.0m).

Bank of China (UK) Limited
Annual Report and Financial Statements for the year ended 31 December 2024

Statement of Cash Flows

£000	2024	2023
Cash flows from operating activities		
Profit on ordinary activities before taxation	107,644	138,195
Adjustments for non cash items		
Depreciation and amortisation of plant and equipment and intangible assets	1,644	1,624
Net credit for expected credit losses	(3,958)	(11,237)
Exchange rate movements on equity	-	(1)
Net fair value (gain) on financial instruments	(1,310)	(7,446)
Changes in operating assets and liabilities		
Change in derivative financial instruments assets	839	2,196
Change in loans and advances to customers	53,197	142,977
Change in financial assets at amortised cost/fair value	16,787	20,515
Change in other assets	(7,665)	221,384
Change in derivative financial instruments liabilities	1	(10)
Change in deposits from banks	123,666	(169,797)
Change in deposits from customers	132,461	(68,081)
Change in other liabilities and provisions	7,855	(4,681)
Income taxes paid	(26,070)	(32,346)
Net cash generated from operating activities	405,091	233,292
Cash flows from investing activities		
Acquisition of government bonds	(36,107)	(74,108)
Proceeds from government bonds	11,775	-
Acquisition of property, plant and equipment	(1,086)	(745)
Acquisition of intangible assets	(435)	(83)
Proceeds from disposal of property, plant and equipment	27	40
Net cash used in investing activities	(25,826)	(74,896)
Cash flows from financing activities		
Dividend paid	(98,100)	(66,800)
Interest paid on Additional Tier 1 instrument	(5,362)	(5,015)
Repayment of principal portion of lease liabilities	(491)	(47)
Net cash used in financing activities	(103,953)	(71,862)
Net increase in cash and cash equivalents	275,312	86,534
Cash and cash equivalents at beginning of period	773,547	687,013
Cash and cash equivalents at year end	1,048,859	773,547

Bank of China (UK) Limited
Annual Report and Financial Statements for the year ended 31 December 2024

Statement of Cash Flows (continued)

£000	2024	2023
Cash and cash equivalents comprise:		
Cash and balances at central banks	975,201	687,070
Loans and advances to banks of three months or less	73,658	86,477
Cash and cash equivalents at year end	1,048,859	773,547

The statement of cash flows has been prepared under the indirect method.

Interest received was £126.5 million (2023: £120.2 million), interest paid was £48.7 million (2023: £31.8 million).

Notes to the Financial Statements

Note	Note
1. Reporting entity	28. Deposits from customers
2. Basis of preparation	29. Other liabilities
3. Material accounting policies	30. Lease liabilities
4. Critical estimates and judgements	31. Accruals and deferred income
5. Changes in accounting policies and disclosures	32. Called up share capital and other equity instruments
6. Financial risk management	33. Related parties
7. Financial assets and financial liabilities	34. Provisions and commitments
8. Net interest income	35. Subsequent events
9. Net fee and commission income	36. Company as Lessor
10. Net fair value gain on financial instruments	
11. Net other operating income	
12. Staff costs	
13. Other expenses	
14. Directors' remuneration	
15. Income tax expense	
16. Cash and balances at central banks	
17. Government bonds	
18. Derivative financial instruments	
19. Loans and advances to banks	
20. Loans and advances to customers	
21. Allowances for expected credit losses	
22. Financial assets at fair value through profit and loss	
23. Property, plant and equipment	
24. Intangible assets	
25. Deferred tax assets	
26. Prepayments, accrued income and other assets	
27. Deposits from banks	

Notes to the Financial Statements (continued)

1. Reporting entity

Bank of China (UK) Limited (the “Bank”) is a company domiciled and incorporated in the United Kingdom (the “UK”) with its registered office at 1 Lothbury, London EC2R 7DB. The Bank is primarily involved in retail, corporate and trade finance services. These financial statements present information for the Bank and not its subsidiary.

Accounting policies for the year ended 31 December 2024

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to the years presented, unless otherwise stated.

2. Basis of preparation

(a) Statement of compliance

These financial statements have been prepared in accordance with UK-adopted international accounting standards; and have been prepared in accordance with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

The Bank has availed itself of the exemption election from Section 401 of the Companies Act 2006 that permits an entity to prepare separate financial statements. The Bank is a wholly-owned subsidiary of Bank of China Limited (“BOC”), which produces consolidated financial statements available for public use that comply with IFRSs. BOC is domiciled in the People’s Republic of China (the “PRC”), with its head office located at 1 Fuxingmen Nei Dajie, Beijing 100818 PRC. The consolidated financial statements of the BOC Group are publicly available from this address and on-line.

The financial statements were authorised for issue by the Board of Directors (the “Board”) on 16 April 2025.

(b) Basis of measurement

The financial statements have been prepared on a going concern basis under the historical cost convention modified to include the fair valuation of certain financial instruments.

The following items are measured at fair value:

- Fixed rate loans designated at fair value;
- Convertible preference shares;
- Derivative financial instruments.

(c) Functional and presentational currency

These financial statements are presented in Sterling (£), which is the Bank’s functional currency. Except as indicated, financial information presented in Sterling has been rounded to the nearest thousand.

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in Note 4.

Notes to the Financial Statements (continued)

2. Basis of preparation (continued)

(e) Going concern

The Board has given its consideration to the going concern status of the Bank as at the reporting date. The Board has considered financial forecasts running out to December 2026 which included the latest business assumptions. The Board has taken into consideration the current economic environment, the Bank's business model, the financial forecast and capital requirements and is satisfied that it has the resources to continue in business for a period of at least 12 months from the date of this report. As part of the going concern assessment, the Board have also acknowledged the increase in global uncertainty and considered what effects the Bank may face in the future. 2024 was the biggest election year in human history, half the world's population held national elections in 2024. The leadership changes in some of these countries have meant significant changes in national and foreign policies. We have seen an increase in tariffs imposed by the United States on a number of countries and we have also seen changes in the approach by some governments to resolving the conflicts which occurred in Gaza and Ukraine. These changes have and will effect markets and the broader economy in many countries. The outcomes of this are very uncertain and the Board will remain diligent in navigating the changing economic environment as it evolves.

The Board considered various additional stress scenarios. Those that were identified as the most likely challenging scenarios the Bank would face, were those relating to the wider economic effects of the geo-political instability and potential movements in interest rates, should these have a higher economic impact than currently anticipated within the forecast. The Board have considered these stressed scenarios on the Bank's mortgage portfolio and have made significant downward revisions to the financial forecast over the assessment period. The Board also considered the effect of these stresses on the Bank's capital and liquidity resources, which remain strong.

After due consideration the Board is of the opinion that the Bank will continue as a going concern for a period of at least 12 months from the date of this report, generating cash flows from its continuing operations.

The Board takes comfort from its two year financial forecast and an assessment of its exposure to liquidity risk over the forecast period. This together with a committed short-term loan facility granted by the Bank's parent company, Bank of China Limited and its strong capital position supports this assumption.

Furthermore, the Board is not aware of any material uncertainties that may cast significant doubt on the Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

3. Material accounting policies

(a) Revenue recognition

The Bank calculates interest income by applying the effective interest rate ("EIR") to the gross carrying amount of financial assets other than credit-impaired assets. The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or interest expense. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts over the contractual life of the instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. The effective interest rate is calculated on initial recognition of the financial asset or liability, estimating the future cash flows after considering all the contractual terms of the instrument but not future credit losses. The calculation includes all amounts paid or received by the Bank including fees, expected early redemptions and related penalties and premiums and discounts that are an integral part of the overall return as well as direct incremental transaction costs related to the acquisition, issue or disposal of a financial instrument. When a financial asset becomes credit-impaired (as set out in Note 6 (a)) and is, therefore, regarded as stage 3, the Bank calculates interest income by applying the effective interest rate to the net amortised cost of the financial asset. If financial assets cure (as outlined in Note 6 (a)) and are no longer credit-impaired, the Bank reverts to calculating interest income on a gross basis.

Fees and commissions which are not an integral part of the effective interest rate are recognised when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan.

Dividend income is recognised when the right to receive payment is established.

Notes to the Financial Statements (continued)

3. Material accounting policies (continued)

(a) Revenue recognition (continued)

Other operating income is settled monthly.

IFRS 15 Revenue from Contracts with Customers outlines a five step model an entity must apply to measure and recognise revenue.

The Bank earns fee and commission income from a diverse range of financial services it provides to its customers. Fee and commission income is recognised at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for providing the services.

The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract. The Bank's revenue contracts do not include multiple performance obligations.

Fee and commission income that falls outside the scope of IFRS 15, consists of contractual performance obligations with retail and corporate lending fee income recognized using the effective interest rate method (see above). Fee and commission income in scope of IFRS 15 is assessed using a product driven approach and depicted in the table contained in Note 9. Income is recorded at the point in time when the service is performed or amortised over the service period.

Revenue streams categorised under other, interest income, foreign exchange gain and interest income from financial investments have been assessed as outside the scope of IFRS 15 as they are governed by alternative accounting standards, predominantly IFRS 9 Financial Instruments and IAS 21 The Effects of Changes in Foreign Exchange Rates.

The Bank's EIR method recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected behavioural life of loans and deposits and recognises the effect of potentially different interest rates charged at various stages and other characteristics of the product life cycle (including prepayments and penalty interest and charges). This estimation, by nature, requires an element of judgement regarding the expected behaviour and life-cycle of the instruments, as well expected changes to the UK's base rate and other fee income/expense that are integral parts of the instrument.

(b) Derivative financial instruments

Derivative instruments are held for risk management purposes and do not qualify for hedge accounting according to IFRS 9. All derivatives are recognised at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and using valuation techniques, including discounted cash flow, as appropriate. Derivatives are carried in the statement of financial position as assets when their fair value is positive and as liabilities when their fair value is negative. All changes in the fair value of the derivative are recognised immediately in the income statement as a component of net fair value gain (loss) on financial instruments.

(c) Foreign currencies

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in the income statement. Non-monetary assets that are measured at fair value are translated using the exchange rate at the date that the fair value was determined. Translation differences arising on monetary items at year-end are recognised in the income statement.

(d) Loans and advances to banks and customers

Loans and advances to banks and customers are initially recognised at fair value and subsequently accounted for at amortised cost using the effective interest method less provision for expected credit losses. Loans and advances are initially recognised when cash is advanced to the customers at fair value inclusive of transaction costs. Loans and advances are derecognised when the rights to receive cash flows from them have expired or where the Bank has transferred substantially all risks and rewards of ownership. Loans and advances to banks on the balance sheet includes short-term money market placement with related parties typically for duration of three months or less.

Notes to the Financial Statements (continued)

3. Material accounting policies (continued)

(d) Loans and advances to banks and customers (continued)

The Bank only measures amounts due from banks, loans and advances to customers and other financial investments at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (“SPPI”) on the principal amount outstanding.

The details of these conditions are outlined below.

Business model assessment

The Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Bank's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected);

The expected frequency, value and timing of sales are also important aspects of the Bank's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The SPPI test

As a second step of its classification process, the Bank assesses the contractual terms of financial assets to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Bank applies judgement and considers relevant factors such as the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

Loans and advances to banks and customers include residential and commercial mortgages, originated and syndicated loans.

(e) Loans designated at fair value through profit and loss (“FVTPL”)

Loans classified in this category are those that have been designated by management upon initial recognition. Management may only designate an instrument at FVTPL upon initial recognition when the designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis.

Notes to the Financial Statements (continued)

3. Material accounting policies (continued)

Loans at FVTPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in net fair value gain or (loss) on financial instruments in the income statement.

(f) Financial assets measured at amortised cost

Financial assets that are held to collect the contractual cash flows and which contain contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest are measured at amortised cost. Such financial assets include most loans and advances to banks and customers and some debt securities such as Government bonds. In addition, most financial liabilities are measured at amortised cost. The Bank accounts for amortised cost financial assets using trade date accounting. The carrying value of these financial assets at initial recognition includes any directly attributable transaction costs.

(g) Loan commitments, guarantees and other financial facilities

Provision is made for undrawn loan commitments, guarantees and other financial facilities if it is probable that the facility will be drawn and result in the recognition of an asset at an amount less than the total facility.

Issued financial guarantees are initially recognised at fair value and adjusted for transaction costs that are directly attributable to the issuance of the guarantee. The Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the income statement, and the ECL provision. Subsequent to initial measurement, changes in the amount of the guarantee are recognised in the income statement.

(h) Impairment of financial assets

Overview of the ECL principles

The Bank records an allowance for ECLs for all loans and other debt financial assets not held at FVTPL, together with undrawn loan commitments and financial guarantee contracts, in this section all referred to as 'financial instruments'. Equity instruments are not subject to impairment under IFRS 9.

The impairment of financial assets under IFRS 9 is based on an ECL model. IFRS 9 requires a 12 month (Stage 1) ECL calculation where financial assets have not experienced a significant increase in credit risk since origination; and a lifetime ECL calculation where it has been demonstrated that there has been a significant increase in credit risk (Stage 2). The lifetime ECL calculation is further refined into separate stages depending on whether the financial asset is credit impaired or not. The area of IFRS 9's impairment criteria where the greatest judgement is required relates to when the financial assets display an increase in credit risk since initial recognition and subsequently move from a 12 month ECL ("12mECL") calculation (Stage 1) to a non-credit-impaired lifetime ECL calculation (Stage 2).

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss ("LTECL")), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12mECL as outlined in Note 6(a). The Bank's policies for determining if there has been a significant increase in credit risk are set out in Note 6(a).

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Based on the above process, the Bank groups its loans into Stage 1, Stage 2 and Stage 3 as described below:

- Stage 1: When loans are first recognised, the Bank recognises an allowance based on 12mECLs. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2;
- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. Stage 2 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 3;
- Stage 3: Loans considered credit-impaired. The Bank records an allowance for the LTECLs.

Notes to the Financial Statements (continued)

3. Material accounting policies (continued)

(h) Impairment of financial assets (continued)

For financial assets for which the Bank has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a partial derecognition of the financial asset.

The calculation of ECLs – General Policy

The Bank calculates ECLs based on three probability-weighted scenarios to measure the expected cash shortfalls, discounted at the effective interest rate (“EIR”). A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

PD (Probability of Default) is an estimate of the likelihood of default over a given time horizon.

A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio;

EAD (Exposure at Default) is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments;

LGD (Loss Given Default) is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

The Bank has created PD and LGD models that are able to take into account forward looking information using multiple macro-economic variables.

When estimating the ECLs, the Bank considers three scenarios (a base case, an upside, a downside). Each of these is associated with different PDs, EADs and LGDs. When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset.

With the exception of credit cards and other revolving facilities, for which the treatment is separately set out on page 62, the maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Bank has the legal right to call it earlier.

Provisions for ECLs for undrawn loan commitments are assessed as set out on page 60. The calculation of ECLs (including the ECLs related to the undrawn element) of revolving facilities such as credit cards is explained further on page 61.

The calculation of ECLs

The mechanics of the ECL method are summarised below:

Stage 1: When loans are first recognised, the Bank recognises an allowance based on 12mECLs. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2. The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Bank calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the three scenarios, as explained above;

Notes to the Financial Statements (continued)

3. Material accounting policies (continued)

(h) Impairment of financial assets (continued)

Stage 2: When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR;

Stage 3: The Bank recognises the LTECLs for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100% and is detailed in Note 6.

Undrawn loan commitments and letters of credit

When estimating ECLs for undrawn loan commitments, the Bank estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down, based on a probability-weighting of the three scenarios. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan.

For credit cards and revolving facilities that include both a loan and an undrawn commitment, ECLs are calculated and presented together with the loan. For undrawn loan commitments and letters of credit, the ECL is recognised within provisions as separately disclosed on the liabilities side of the financial position.

Financial guarantee contracts

The Bank's liability under each guarantee is measured at the higher of the amount initially recognised less the cumulative amortisation recognised in the income statement and the ECL provision. For this purpose, the Bank estimates ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls are discounted by the risk-adjusted interest rate relevant to the exposure. The calculation is made using a probability-weighting of the three scenarios. The ECLs related to financial guarantee contracts are recognised within provisions.

The calculation of ECLs - Credit cards and other revolving facilities

The Bank's product offering includes a variety of corporate and retail overdraft and credit card facilities, in which the Bank has the right to cancel and/or reduce the facilities with one day's notice. The Bank does not limit its exposure to credit losses to the contractual notice period, but, instead calculates ECL over a four year period which reflects the Bank's expectations of the customer behaviour, its likelihood of default and the Bank's future risk mitigation procedures, which could include reducing or cancelling the facilities.

The ongoing assessment of whether a significant increase in credit risk has occurred for revolving facilities is similar to other lending products. This is based on shifts in the customer's internal credit grade, as explained in Note 6(a), but greater emphasis is also given to qualitative factors such as changes in usage.

The interest rate used to discount the ECLs for credit cards is based on the average effective interest rate that is expected to be charged over the expected period of exposure to the facilities. This estimation takes into account that many facilities are repaid in full each month and are consequently charged no interest.

The calculation of ECLs, including the estimation of the expected period of exposure and discount rate is made, as explained above, on credit cards and account overdrafts.

Forward looking information

In its ECL models, the Bank relies on a broad range of forward looking information as economic inputs, such as:

GDP growth;

Unemployment rates;

Central Bank base rates;

House price indices.

Notes to the Financial Statements (continued)

3. Material accounting policies (continued)

(h) Impairment of financial assets (continued)

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material. Detailed information about these inputs and sensitivity analysis are provided in Note 6(a).

Collateral valuation

To mitigate its credit risks on financial assets, the Bank seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. Collateral, unless repossessed, is not recorded on the Bank's statement of financial position. However, the fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and re-indexed using publicly available data on a quarterly basis. However, some collateral, for example, cash or securities relating to margining requirements, is valued daily. Details of the impact of the Bank's various credit enhancements are disclosed in Note 6(a).

To the greatest extent possible, the Bank uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on housing price indices.

Collateral repossessed

The Bank's accounting policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets for which selling is determined to be a better option are transferred to assets held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date in line with the Bank's policy.

In its normal course of business, the Bank does not physically repossess properties or other assets in its retail portfolio, but engages external agents to recover funds, generally at auction, to settle outstanding debt. Any surplus funds are returned to the customers/obligors. As a result of this practice, the residential properties under legal repossession processes are not recorded on the balance sheet.

Write-offs

Financial assets are written off either partially or in their entirety only when the Bank has stopped pursuing recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

Forborne and modified loans

Loans are identified as forborne and classified as either performing or non performing when the Bank modifies the contractual terms due to financial difficulty of the borrower. Non performing forborne loans are stage 3 and classified as non performing until they meet the curing criteria, as specified by applicable credit risk policy. Any amount written off as a result of any modification of contractual terms upon entering forbearance would not be reversed.

Performing forborne loans are initially stage 2 and remain classified as forborne until they meet applicable curing criteria. At this point the loan is either stage 1 or stage 2 as determined by comparing the risk of a default occurring at the reporting date (based on the modified contractual terms) and the risk of a default occurring at initial recognition (based on the modified contractual terms).

A forborne loan is derecognised if the existing agreement is cancelled and a new agreement is made on substantially different terms, or if the terms of an existing agreement are modified such the forborne loan is a substantially different financial instrument.

Notes to the Financial Statements (continued)

3. Material accounting policies (continued)

(h) Impairment of financial assets (continued)

Corporate - staging

The Bank determines a Watch List which includes all high (and medium high risk) customers. In 2024, there were three corporate clients on the Watch List resulting in an ECL of £0.2 million.

Monthly meetings are held to discuss the latest developments and strategies to Watch List names, with the involvements of the first line and second line and respective EMC members. This approach ensures higher risk customers are closely monitored and appropriate solutions are planned in a timely manner.

Risk Classification level affects customer's stage allocation. The Bank follows "Corporate Customer Risk Classification General Policy and Procedure" on assessing customer risk levels.

The factors that the Bank considers for a customer to enter the Watch List would include a clear deterioration of its credit profile, obvious risk warning signals being displayed, no determinable sign of improvement and more likely to become a Non Performing Loan ("NPL") in the short term.

Determining a significant increase in credit risk since initial recognition

The Bank records an allowance for ECLs for all loans and other debt financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts.

IFRS 9 requires the recognition of 12mECLs (the portion of LTECLs from default events that are expected within 12 months of the reporting date) if credit risk has not significantly increased since initial recognition (stage 1), and LTECLs for financial instruments for which the credit risk has increased significantly since initial recognition (stage 2) or which are credit impaired (stage 3). The Bank assesses when a significant increase in credit risk has occurred based on quantitative and qualitative assessments. Exposures are considered to have resulted in a significant increase in credit risk and are moved to stage 2 when:

- Quantitative Test

The annualised cumulative weighted average lifetime PD has increased by more than the agreed threshold relative to the equivalent at origination. The relative thresholds are defined as percentage increases and set at an origination score band and segment level have been quantified and are set out in Note 6(a).

- Qualitative Test

Accounts that meet the portfolio's 'high risk' criteria and are subject to closer credit monitoring.

- Backstop Criteria

(i) Accounts that are 30 days past due. The past due criteria is a backstop rather than a primary driver of moving exposures into stage 2.

(ii) When the score, derived from internal rating at the calculation date for the asset has worsened by more than the table at Note 6 (a) (vi) at the time of contract origination.

Exposures move back to stage 1 once they no longer meet the criteria for a significant increase in credit risk and when any cure criteria used for credit risk management are met. This is subject to all payments being up to date and the customer evidencing ability and willingness to maintain future payments. Staging for accounting purposes is aligned with the management of credit risk.

Management overlays and other exceptions to model outputs are applied only if consistent with the objective of identifying significant increases in credit risk.

For the IFRS 9 impairment assessment, the Bank's impairment models are used to determine the PD, LGD and EAD. For stage 2 and 3, the Bank applies lifetime PDs but uses 12 month PDs for stage 1. The ECL drivers of PD, EAD and LGD are modelled at an account level which considers vintage, among other credit factors. For stage 3 corporate exposures, the impairment charges are assessed individually and incorporated with the factors of collateral value, discount factor, cash recovery, hair cut (i.e. extra cost for selling the collateral). Multi-scenarios are also considered, i.e. the time needed to sell the collateral, with assigned weighting applied. Also, the assessment of significant increase in credit risk is based on the initial lifetime PD curve, which accounts for the different credit risk underwritten over time.

Notes to the Financial Statements (continued)

3. Material accounting policies (continued)

(h) Impairment of financial assets (continued)

According to the IFRS 9 guideline, a facility is generally considered in default when the facility is 90 days past due. The Bank uses this 90 day backstop for all its products (see Note 6 (a) (ii)).

Definition of default

Expected life

LTECLs must be measured over their expected life. This is restricted to the maximum contractual life and takes into account expected prepayment, extension, call and similar options. The exceptions are certain revolver financial instruments, such as credit cards and bank overdrafts, that include both a drawn and an undrawn component where the entity's contractual ability to demand repayment and cancel the undrawn commitment does not limit the entity's exposure to credit losses to the contractual notice period. The expected life for these revolver facilities is their behavioural life. Where data is insufficient or analysis inconclusive, an additional 'maturity factor' may be incorporated to reflect the full estimated life of the exposures, based upon experienced judgement and/or peer analysis. Potential future modifications of contracts are not taken into account when determining the expected life or exposure at default until they occur.

(i) Derecognition of financial liabilities

The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

(j) Subsidiaries

Subsidiaries are entities controlled by the Bank. Control exists when the Bank has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

The investment in subsidiaries is accounted for at cost less impairment.

A subsidiary is derecognised when the Bank loses control over the subsidiary. The carrying value of the subsidiary is measured against the fair value of the consideration received with any resulting gain or loss being recognised through the income statement. The Bank has availed itself of the exemption election under Section 401 of the Companies Act 2006 and thus does not have to prepare consolidated financial statements.

(k) Property, plant and equipment

Tangible fixed assets are included at cost less accumulated depreciation and accumulated impairment losses. The value of land (included in premises) is not depreciated. Depreciation on other assets is calculated using a straight-line method to allocate the difference between cost and residual value over their estimated useful lives, as follows:

Property (excluding land):

- Freehold/long and short leasehold premises: shorter of 50 years or the remaining period of the lease;
- Leasehold improvements: shorter of 10 years or the remaining period of the lease equipment;
- Furniture and equipment: 4- 5 years;
- Computer equipment: 4 years;
- Motor vehicles: 4 years.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. In the event that an asset's carrying amount is determined to be greater than its recoverable amount it is written down immediately. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use.

Notes to the Financial Statements (continued)

3. Material accounting policies (continued)

(l) Intangible assets

Software acquired by the Bank is stated at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is recognised in the income statement on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. The estimated useful life of software is three to five years.

Intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. In the event that an asset's carrying amount is determined to be greater than its recoverable amount it is written down immediately. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use.

(m) Cash and cash equivalents

For the purposes of these financial statements, cash and cash equivalents comprise; cash, non-mandatory balances with central banks and amounts due from banks with an original maturity of three month or less.

(n) Leases

The Bank assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Bank as a lessee

The Bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Bank recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Bank recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

The right-of-use assets are presented within Note 23 (b).

Lease liabilities

At the commencement date of the lease, the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate.

The Bank's lease liabilities are included in other liabilities and lease liabilities (see Note 29 and 30).

Notes to the Financial Statements (continued)

3. Material accounting policies (continued)

(n) Leases (continued)

Determination of the lease term for contracts with renewal and termination options (bank as a lessee)

The Bank determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Bank has several lease contracts that include extension and termination options. The Bank applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Bank reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation of the leased asset).

Estimating the incremental borrowing rate

The Bank cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ('IBR') to measure lease liabilities. The IBR is the rate of interest that the Bank would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Bank 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Bank estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific adjustments (such as the subsidiary's stand-alone credit rating, or to reflect the terms and conditions of the lease).

Short-term leases and leases of low-value assets

The Bank applies the short-term lease recognition exemption to its short-term leases of property and equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of equipment that are considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Bank as a lessor

IFRS 16 does not change substantially how a lessor accounts for leases. Under IFRS 16 leases for which the Bank is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an asset to the lessee, the contract is classified as a finance lease. Amounts due from lessees under finance leases are recognised as receivables at the amount of the Bank's net investment in the leases.

The Bank as an intermediate lessor derecognises the right-of-use asset relating to the head lease that it transfers to the sublessee and recognises the net investment in the sublease. At recognition any differences between the right-of-use asset and the net investment in the sublease is recognised in the profit or loss, and retains the lease liability relating to the head lease which represents the lease payments owed to the head lessor. During the term of the sublease, the Bank recognises both finance income on the sublease and interest expense on the head lease.

All other leases are classified as operating. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Notes to the Financial Statements (continued)

3. Material accounting policies (continued)

(o) Offset

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right of set-off and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(p) Borrowings

Borrowings (which include deposits from banks, customer accounts and subordinated liabilities) are recognised initially at fair value, being their issue proceeds net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest method.

(q) Employee benefits

Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement when they are due.

(r) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(s) Taxation

Income tax on the profit for the year comprises current tax and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in other comprehensive income or directly in equity, in which case it is recognised in other comprehensive income or equity.

Current tax is the tax expected to be paid on the taxable profit for the year, calculated using tax rates enacted or substantially enacted at the reporting date.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

(t) Provisions

The Bank operates in a regulatory and legal environment that, by nature, has a heightened element of litigation risk inherent to its operations. As a result, it is involved in various litigation, arbitration and regulatory investigations and proceedings both in the UK and in other jurisdictions, arising in the ordinary course of the Bank's business.

When the Bank can reliably measure the outflow of economic benefits in relation to a specific case and considers such outflows to be probable, the Bank records a provision against the case. Where the probability of outflow is considered to be remote, or probable, but a reliable estimate cannot be made, a contingent liability is disclosed. However, when the Bank is of the opinion that disclosing these estimates on a case-by-case basis would prejudice their outcome, then the Bank does not include detailed, case-specific disclosures in its financial statements.

Given the subjectivity and uncertainty of determining the probability and amount of losses, the Bank takes into account a number of factors including legal advice, the stage of the matter and historical evidence from similar incidents. Significant judgement is required to conclude on these estimates.

Notes to the Financial Statements (continued)

3. Material accounting policies (continued)

(t) Provisions (continued)

For further details on provisions and other contingencies see Note 34.

(u) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instrument.

Included in equity is Additional Tier 1 capital ("AT1"). This is classified as an equity instrument as it is perpetual and the Bank has the unconditional contractual right to defer any principal and interest repayments for an unlimited period. The instrument is measured at the transaction price.

4. Critical estimates and judgements

The Bank makes estimates and assumptions concerning the future. The estimates and assumptions that could have significant risk of causing material adjustment to the carrying amounts of assets within the next financial year are highlighted below and within Note 6.

Fair value of financial instruments

At 31 December 2024, the carrying value of the Bank's loans to customers designated at fair value was £30.1m (31 December 2023: £47.4m). In accordance with IFRS 13 Fair Value Measurement, the Bank categorises financial instruments carried on the statement of financial position at fair value using a three-level hierarchy. Financial instruments categorised as level 1 are valued using quoted market prices and therefore there is minimal estimation applied in determining fair value. However, the fair value of financial instruments categorised as level 3 is determined using valuation estimation techniques including discounted cash flow analysis and valuation model. The most significant estimation is with respect to discount rates.

Further details, including sensitivities, can be found within Note 7 to the financial statements.

5. Changes in accounting policies and disclosures

New and amended standards adopted by the Bank

Certain amendments to accounting standards have been published that are not mandatory for 31 December 2024 reporting periods and have not been adopted by the Bank. These amendments are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Notes to the Financial Statements (continued)

6. Financial risk management

Introduction and overview

The Bank has exposure to the following risks from financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Bank's exposure to each of the above risks, the Bank's objectives, policies and procedures for measuring and managing risk, and the Bank's management of capital.

Risk management framework

The Board has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board has established the Bank's Board Risk Committee ("BRC") which is responsible for the oversight and implementation of risk strategy and risk appetite within the Bank, oversight of risk management performance and the executive committees including Risk Management & Internal Control Committee, Credit Risk Management & Decision Committee, Operational Risk and Resilience Committee, Compliance Committee, Assets and Liabilities Management Committee, and IT Management Committee. These committees are responsible for developing and monitoring the Bank's risk management policies in their specified areas. The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. Internal Audit department undertakes both regular and ad-hoc reviews of effectiveness in the risk management controls and procedures, the results of which are reported to the Audit Committee.

The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and responsibilities.

(a) Credit risk

Financial risk management

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Bank's loans and advances to customers, loans designated at fair value through profit and loss and debt securities.

Credit risk management framework

The Bank has established a set of credit risk management policies and procedures, and appropriate credit risk limits to manage and control credit risk that arises through the Bank's normal business activities. These policies, procedures and limits are regularly reviewed in light of changes in markets and business strategies.

The Bank's organisation structure establishes clear authority and responsibilities for monitoring compliance with policies, procedures and limits, based on the principle of 'Three Lines of Defence'.

The business units are responsible for the day-to-day management of credit risk with the Credit Management Department ("CMD") being responsible for risk oversight and ensuring procedural compliance as well as the drafting, reviewing and updating of credit risk management policies and procedures. The Internal Audit function represents the third line of defence.

The Board has the highest credit approval authority for the Bank. The Board has delegated its authority to the Board Risk Committee and the Bank's executive management. The executive management has delegated credit approval authority to Branch Managers, subject to Board approval.

Credit risk measurement and control

Loans and advances

The approval of an individual credit risk proposition requires assessment of the customer, any existing credit exposure to the customer and the credit risks associated with the transaction, at the same time taking into account the reward being offered for the risk and the extent of risk mitigation available to offset the potential

Notes to the Financial Statements (continued)

6. Financial risk management (continued)

(a) Credit risk (continued)

loss in the event of default. The CMD is responsible for making an independent assessment of all wholesale banking and sampling retail credit facilities.

There are three main areas of concentration risk that are monitored, reported and managed by the Bank; single customer (and group), industrial sector and country risk. The Bank monitors changes to counterparties' credit risk, quality of the credit portfolio and risk concentrations, and reports regularly to the Bank's Executive Management Committee and the Board Risk Committee. Consideration must be taken and compliance must be adhered to these three concentration risk management areas either during initiating a transaction or maintaining and managing the portfolio quality.

Debt securities and derivatives

For investment in debt securities and collateralised assets, an external credit rating and assessment on the credit quality of the underlying asset are used for managing the credit risk involved. Credit limits are established on a counterparty and security issuer basis. For derivatives, the Bank sets customer limits to manage the credit risk involved and follows the same approval process as loans and advances.

Collateral held as security

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are in place covering the acceptability and valuation of each type of collateral. The main types of collateral obtained are, as follows:

For corporate and small business lending, charges over real estate properties, inventory, trade receivable and aircrafts.

For retail lending, mortgages over residential properties with the use of a publicly available index on a portfolio basis.

The Bank also obtains guarantees from third party guarantor, the Bank assesses the guarantor's financial condition, credit history and ability to meet their obligations if called to do so. Collateral held as security cannot be sold or repledged in the absence of a default.

Management monitors the market value of collateral and will request additional collateral in accordance with the underlying agreement.

At end of 2024, information on collateral as mentioned above can be found in table (x). The Bank also held aircrafts as collateral for the fair value loans, and variation margin deposits for cleared interest rate swap deals.

(i) Impairment assessment

The references below show where the Bank's impairment assessment and measurement approach is set out in these financial statements. It should be read in conjunction with the summary of material accounting policies.

- The Bank's definition and assessment of default and cure;
- An explanation of the Bank's internal grading system;
- How the Bank defines, calculates and monitors the probability of default, exposure at default and loss given default) (Note 3(h));
- When the Bank considers there has been a significant increase in credit risk of an exposure;
- Credit card ECL is assessed on a collective basis;
- The details of the ECL calculations for stage 1, stage 2 and stage 3 assets.

(ii) Definition of default and cure

The Bank considers a financial instrument defaulted and therefore stage 3 (credit-impaired) for ECL calculations in all cases when the customer becomes 90 days past due on its contractual payments.

As a part of a qualitative assessment of whether a customer is in default, the Bank also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Bank carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as stage 3 for ECL calculations or whether stage 2 is appropriate. Such events include but not limited to:

Notes to the Financial Statements (continued)

6. Financial risk management (continued)

(a) Credit risk (continued)

- Internal rating of the customer indicating default or near-default;
- The customer requesting emergency funding from the Bank;
- The customer is deceased;
- A material decrease in the customer's turnover or the loss of a major customer;
- A covenant breach not waived by the Bank;
- The debtor (or any legal entity within the debtor's group) filing for bankruptcy application/protection.

IFRS 9 does not specify or require any cure period and therefore the Bank has opted not to have one. Loans are assessed for creditworthiness on a monthly basis and when a loan moves from unrecoverable to recoverable, the Bank moves the loans from stage 3 back into stage 2 and if the loan no longer shows any significant increase in credit risk, the Bank moves the loans from stage 2 back into stage 1. Whether to move a facility back from stage 3 to stage 2 or from stage 2 to stage 1 is subject to its risk classification.

IFRS 9 contains a rebuttable presumption that default occurs no later than when a payment is 90 days past due. The Bank uses this 90 day backstop for all its products.

(iii) The Bank's internal rating and PD estimation process

The Bank applies internal rating models for corporate lending. The model incorporates both qualitative and quantitative information and, in addition to information specific to the customer, utilise supplemental external information that could affect the customer's behaviour.

Where practical, they also build on information from Standard and Poor's Rating Agency. These information sources are first used to determine the PDs within the Bank's Basel III framework. The internal credit grades are assigned based on these Basel III grades. PDs are then adjusted for IFRS 9 ECL calculations to incorporate forward looking information and the IFRS 9 stage classification of the exposure. This is repeated for each economic scenario as appropriate. Retail lending, which includes mortgages, does not have internal ratings and data is based on historical past due data and payment history.

Treasury, trading and interbank relationships

The Bank's treasury, trading and interbank relationships and counterparties comprise financial services institutions and banks. For these relationships, the Bank analyses publicly available information such as financial information and other external data, e.g. the rating of Standard and Poor's Rating Agency, and assigns the internal rating, as shown in the table on page 73.

Corporate lending

For corporate lending, the credit risk assessment is based on both qualitative and quantitative analysis that takes into account various historical, current and forward-looking information such as:

- Historical financial information together with forecasts and projection prepared by the client or in-house analysts. This financial information includes realised and expected results, solvency ratios, liquidity ratios and any other relevant ratios to measure the client's financial performance. Some of these indicators are captured in covenants with the clients and are, therefore, measured with greater attention;
- Any publicly available information on the clients from external parties. This includes external rating grades issued by rating agencies, independent analyst reports, publicly traded bond or CDS prices or press releases and articles;
- Any macro-economic or geopolitical information, e.g. GDP growth relevant for the specific industry and geographical segments where the client operates;
- Any other objectively supportable information on the quality and abilities of the client's management relevant for the company's performance and debt repayment ability.

The complexity and granularity of the risk assessment varies based on the exposure of the Bank and the complexity and size of the customer.

Notes to the Financial Statements (continued)

6. Financial risk management (continued)

(a) Credit risk (continued)

(iii) The Bank's internal rating and PD estimation process (continued)

Retail lending

Retail lending comprises, credit cards and overdrafts. These products along with retail mortgages and some of the less complex small business lending are rated primarily by days past due and payment history. Other key inputs into the models are:

- Consumer lending products: use of limits and volatility thereof, GDP growth, unemployment rates;
- Retail mortgages: GDP growth, Unemployment rate, Consumer Price Index, House Price Index, Short Term Interest rates.

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Notes to the Financial Statements (continued)

6. Financial risk management (continued)

(a) Credit risk (continued)

(iii) The Bank's internal credit rating grades

Internal Rating Grade	Equivalent S&P	Avg TTC PD	Internal Rating Description	Internal Rating Indication	Risk Classification
Performing					
aaa1	aaa	0.0060%	Very low default risk : Very strong repaying ability	Above Investment Grade - Lowest Default Risk Group - Strongest	Performing
aaa2	aa+	0.0101%		Above Investment Grade - Extremely Low Default Risk Group - Strong	
aaa3	aa	0.0157%		Above Investment Grade - Extremely Low Default Risk Group - Medium	
aaa4	aa-	0.0244%		Above Investment Grade - Extremely Low Default Risk Group - Low	
aaa5	a+	0.0378%	Low default risk: May be affected by adverse market environment and economic conditions to some extent, but the repaying ability is still strong	Above Investment Grade - Low Default Risk Group - Strong	
aaa6	a	0.0586%		Above Investment Grade - Low Default Risk Group - Medium	
aaa7	a-	0.0909%		Above Investment Grade - Low Default Risk Group - Low	
aa1	bbb+	0.1410%	Moderately low default risk: May be affected by adverse market conditions and economic conditions, but solvency is under sufficient protection	Above Investment Grade - Relatively low Default Risk Group - Strong	
aa2	bbb	0.2186%		Above Investment Grade - Relatively low Default Risk Group - Medium	
aa3	bbb-	0.3390%		Above Investment Grade - Relatively low Default Risk Group - Low	
a1	bb+	0.5257%	Moderate default risk: Solvency is acceptable, slightly better than the other speculative level, but in the face of great uncertainty, persistent or adverse effects of business, financial and economic conditions, may lead to be unable to repay the debt	Below Investment Grade - Medium Default Risk Group - Strongest	
a2	bb+	0.5257%		Below Investment Grade - Medium Default Risk Group - Strong	
a3	bb	0.8152%		Below Investment Grade - Medium Default Risk Group - Relatively Strong	
a4	bb	0.8152%		Below Investment Grade - Medium Default Risk Group - Medium	
bbb1	bb-	1.2642%		Below Investment Grade - Medium Default Risk Group - Medium Low	
bbb2	bb-	1.2642%		Below Investment Grade - Medium Default Risk Group - Low	
bbb3	b+	1.9606%		Below Investment Grade - Medium High Default Risk Group - Strong	
bb1	b+	1.9606%	Significant default risk: Solvency is lower than the above levels. Able to perform debt obligations currently, but adverse changes in business, financial or economic conditions may result in inability or unwillingness to perform the liabilities	Below Investment Grade - Medium High Default Risk Group - Low	
bb2	b	3.0406%	High default risk: Solvency is relatively fragile. In short term, it is still possible to perform debt obligations, but adverse business, financial or economic conditions may result in inability or unwillingness to perform the liabilities with higher probability	Below Investment Grade - High Default Risk Group - Strong	
b1	b	3.0406%		Below Investment Grade - High Default Risk Group - Low	
b2	b-	4.7157%	Very high default risk: Solvency is fragile. Difficult to fulfill debt obligations in short term. Adverse business, financial or economic conditions can result in inability or unwillingness to perform the liabilities	Below Investment Grade - Relatively High Default Risk Group – Strong	
ccc1	b-	4.7157%		Below Investment Grade - Relatively High Default Risk Group – Medium	
ccc2	b-	4.7157%		Below Investment Grade - Relatively High Default Risk Group – Low	
cc1	ccc+	7.3136%	Extremely high default risk: Solvency is extremely fragile. Whether the performance of debt obligations depends on whether there are favourable business, financial or economic conditions. The adverse changes of the conditions will lead failure of performance of liabilities	Below Investment Grade - Extremely High Default Risk Group – Strong	
cc2	ccc	11.3430%		Below Investment Grade - Extremely High Default Risk Group – Medium	
c	ccc-	17.5925%		Below Investment Grade - Extremely High Default Risk Group – Low	
Non-Performing					
d		100.000%	Default	Overdue over 90 days or not able to fully repay	Non-performing individually impaired

Notes to the Financial Statements (continued)

6. Financial risk management (continued)

(a) Credit risk (continued)

(iv) Exposure at default

Exposure at default (EAD) represents the gross carrying amount of financial instruments subject to impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too. To calculate the EAD for a Stage 1 loan, the Bank assesses the possible default events within 12 months for the calculation of the 12mECL. For Stage 2, Stage 3 and purchased or originated credit-impaired (POCI) financial assets, EAD is considered for events over the lifetime of the instruments.

The Bank determines EADs by modelling the range of possible exposure outcomes at various points in time, corresponding to the multiple scenarios. The IFRS 9 PDs are then assigned to each economic scenario based on the outcome of the Bank's models.

(v) Loss given default

Under IFRS 9, LGD rates are estimated for the Stage 1, Stage 2, Stage 3 IFRS 9 segment of each asset class.

For corporate loans, LGD values are assessed by an externally developed model. The credit risk assessment is based on a standardised LGD assessment framework that results in a certain LGD rate. These LGD rates take into account the expected EAD in comparison to the amount expected to be recovered or realised from any collateral held.

The Bank segments its retail lending products into smaller homogeneous portfolios, based on key characteristics that are relevant to the estimation of future cash flows. The applied data is based on historically collected loss data and involves a wider set of transaction characteristics such as product and collateral types as well as customer characteristics.

Further recent data and forward-looking economic scenarios are used in order to determine the IFRS 9 LGD rate for each group of financial instruments. When assessing forward-looking information, the expectation is based on multiple scenarios. Examples of key inputs involve changes in collateral values, including property prices for mortgages, payment status or other factors that are indicative of losses in the group.

(vi) Significant increase in credit risk

The Bank continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Bank assesses whether there has been a significant increase in credit risk since initial recognition. The Bank considers an exposure to have significantly increased in credit following the criteria below:

- The increase of the annualised lifetime PD at reference date since the origination date increased more than 150% and the absolute PD exceeds 40.1bps.
- The borrower's internal rating move from investment grade to non-investment grade since the origination.
- More than 30 days past due on the payment (but no greater than 89 days past due).
- The borrower is on the watch list, meaning that the borrower was overdue or has a risk classification of Special-Mention1.

Notes to the Financial Statements (continued)

6. Financial risk management (continued)

(a) Credit risk (continued)

(vi) Significant increase in credit risk (continued)

When estimating ECLs on a collective basis for a group of similar assets, the Bank applies the same principles for assessing whether there has been a significant increase in credit risk since initial recognition.

(vii) Risk concentration to industries

Concentrations indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry or geographical location. The Bank's concentrations of risk are managed by client/counterparty, geographical region (see table 6(a) (ix) and industry sector. The maximum credit exposure for corporate business is £171m to transport, storage and communication (2023: £140m).

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Notes to the Financial Statements (continued)

6. Financial risk management (continued)

(a) Credit risk (continued)

(viii) Credit exposure loan to value ratios of the mortgage portfolio

The tables below summaries the Bank's retail portfolio (gross values of exposures) loan to value (LTV) ratios.

Financial Position Category	Business Model Portfolio	Lending Type	0-30%	30-60%	60-90%	90-100%	100-120%	120+%	Total
			£000	£000	£000	£000	£000	£000	£000
Loans and advances to customers	Housing loans	Buy-to-Let Mortgages	599	518	-	-	-	-	1,117
Loans and advances to customers	Mortgage loans	Owner Occupied Mortgages	34,837	31,228	399	-	-	-	66,464
Loans and advances to customers	Mortgage loans	Buy-to-Let Mortgages	68,997	383,956	177,429	-	-	-	630,382
Loans and advances to customers	Mortgage loans	Commercial	773	-	-	-	-	-	773
At 31 December 2024			105,206	415,702	177,828	-	-	-	698,736

Financial Position Category	Business Model Portfolio	Lending Type	0-30%	30-60%	60-90%	90-100%	100-120%	120+%	Total
			£000	£000	£000	£000	£000	£000	£000
Loans and advances to customers	Housing loans	Buy-to-Let Mortgages	732	1,547	-	-	-	-	2,279
Loans and advances to customers	Mortgage loans	Owner Occupied Mortgages	36,529	46,301	1,990	-	-	-	84,820
Loans and advances to customers	Mortgage loans	Buy-to-Let Mortgages	60,052	397,315	269,238	-	-	-	726,605
Loans and advances to customers	Mortgage loans	Commercial	924	-	-	-	-	-	924
At 31 December 2023			98,237	445,163	271,228	-	-	-	814,628

Notes to the Financial Statements (continued)

6. Financial risk management (continued)

(a) Credit risk (continued)

(ix) Analysis of risk concentration in the financial position

Disclosures within Note 6 (a) Credit Risk, are presented excluding balances relating to demand deposits, placements and other receivables with other Bank of China group entities. The amounts excluded are £79.1m of demand deposits (2023: £65.1m), £73.7m of loans and advances to banks (2023: £86.5m) and £0.4m of other receivables (2023: £0.5m). These balances are all allocated to Stage 1 (2023: Stage 1). The ECL allowance related to these balances is immaterial (2023: immaterial).

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Notes to the Financial Statements (continued)

6. Financial risk management (continued)

(a) Credit risk (continued)

(ix) Analysis of risk concentration in the financial position

Business Model Portfolio	Global Stage			Europe Stage			US Stage			UK Stage			UK Retail Stage			UK Collateral	Total
	1 £000	2 £000	3 £000	1 £000	2 £000	3 £000	1 £000	2 £000	3 £000	1 £000	2 £000	3 £000	1 £000	2 £000	3 £000	£000	£000
Cash and cash equivalents																	
Cash balances with bank	-	-	-	-	-	-	-	-	-	876,128	-	-	-	-	-	-	876,128
Other demand deposits	335	-	-	1	-	-	564	-	-	17,708	-	-	-	-	-	-	18,608
Loans and advances to banks																	
Syndicated loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans and advances to customers																	
Wholesale loans	-	-	-	-	-	-	-	-	-	2,242	-	-	-	-	-	-	2,242
Housing loans	-	-	-	-	-	-	-	-	-	1,061	-	56	-	-	-	4,996	1,117
Syndicated loans	35,763	35,162	-	10,661	8,632	-	60,289	-	-	71,164	17,312	-	-	-	-	-	238,983
Factoring financing	736	-	-	-	-	-	-	111	-	1,338	-	-	-	-	-	-	2,185
Overdraft corporate accounts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Overdraft personal accounts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Credit Cards	-	-	-	-	-	-	-	-	-	-	-	-	373	9	-	-	382
Mortgage loans	-	-	-	-	-	-	-	-	-	-	-	-	655,223	37,973	4,423	1,779,369	697,619
Financing Order	-	-	-	-	-	-	-	319	-	-	-	-	-	-	-	-	319
Debt instruments at amortised cost																	
Government bonds	-	-	-	8,255	-	-	36,392	-	-	99,875	-	-	-	-	-	-	144,522
Margin Deposits	68,716	-	-	-	-	-	2,777	-	-	133,460	-	-	-	-	-	-	204,953
	105,550	35,162	-	18,917	8,632	-	100,022	430	-	1,202,976	17,312	56	655,596	37,982	4,423	1,784,365	2,187,058
Off Balance Sheet																	
OBS - Letter of credit	-	-	-	-	-	-	-	273	-	-	-	-	-	-	-	-	273
OBS - Guarantee	352	-	-	-	-	-	-	-	-	2,702	-	-	-	-	-	-	3,054
OBS – Undrawn loan commitments	26,830	-	-	-	-	-	727	-	-	125,434	-	-	6,729	-	-	-	159,720
	27,182	-	-	-	-	-	727	273	-	128,136	-	-	6,729	-	-	-	163,047
At 31 December 2024	132,732	35,162	-	18,917	8,632	-	100,749	703	-	1,331,112	17,312	56	662,325	37,982	4,423	1,784,365	2,350,105

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Notes to the Financial Statements (continued)

6. Financial risk management (continued)

(a) Credit risk (continued)

(ix) Analysis of risk concentration in the financial position (continued)

Business Model Portfolio	Global			Europe			US			UK			UK Retail			UK Collateral	Total
	Stage			Stage			Stage			Stage			Stage				
	1	2	3	1	2	3	1	2	3	1	2	3	1	2	3	£000	£000
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cash and cash equivalents																	
Cash balances with bank	-	-	-	-	-	-	-	-	-	580,584	-	-	-	-	-	-	580,584
Other demand deposits	346	-	-	17,240	-	-	16,136	-	-	6,061	-	-	-	-	-	-	39,783
Loans and advances to banks																	
Syndicated loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans and advances to customers																	
Wholesale loans	-	-	-	-	-	-	-	-	-	2,352	-	-	-	-	-	-	2,352
Housing loans	-	-	-	-	-	-	-	-	-	2,221	58	-	-	-	-	7,367	2,279
Syndicated loans	44,655	22,229	-	13,763	11,228	-	4,376	-	-	56,099	21,234	-	-	-	-	-	173,584
Factoring financing	2,514	-	-	-	-	-	-	-	-	1,550	-	776	-	-	-	-	4,840
Overdraft corporate accounts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Overdraft personal accounts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Credit Cards	-	-	-	-	-	-	-	-	-	-	-	-	483	16	2	-	501
Mortgage loans	-	-	-	-	-	-	-	-	-	-	-	-	746,991	62,600	2,757	1,922,840	812,348
Financing Order	-	-	-	-	-	-	140	-	-	-	-	-	-	-	-	-	140
Debt instruments at amortised cost																	
Government bonds	-	-	-	8,463	-	-	11,467	-	-	98,442	-	-	-	-	-	-	118,372
Margin Deposits	-	-	-	-	-	-	-	-	-	111,490	-	-	-	-	-	-	111,490
	47,515	22,229	-	39,466	11,228	-	32,119	-	-	858,799	21,292	776	747,474	62,616	2,759	1,930,207	1,846,273
Off Balance Sheet																	
OBS - Letter of credit	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
OBS - Guarantee	-	-	-	-	-	-	-	-	-	5,485	130	-	-	-	-	-	5,615
OBS – Undrawn loan commitments	34,566	-	-	-	-	-	990	-	-	72,462	-	-	5,711	-	-	-	113,729
	34,566	-	-	-	-	-	990	-	-	77,947	130	-	5,711	-	-	-	119,344
At 31 December 2023	82,081	22,229	-	39,466	11,228	-	33,109	-	-	936,746	21,422	776	753,185	62,616	2,759	1,930,207	1,965,617

Notes to the Financial Statements (continued)

6. Financial risk management (continued)

(a) Credit risk (continued)

(ix) Analysis of risk concentration in the financial position (continued)

The Bank's concentrations of risk are managed by client/counterparty and geographical region. The maximum on balance sheet credit exposure to any client or counterparty as of 31 December 2024 was £31 million (2023: £30 million), before taking into account the fair value of collateral held of £1,784 million (2023: £1,930 million), or other credit enhancements and the maximum off balance sheet credit exposure to any client or counterparty as of 31 December 2024 was £48 million (2023: £45 million). The table above shows the risk concentration by geography for the business model portfolios in the statement of financial position when classified as amortised cost measurement has been made. Additional disclosures for credit quality and the maximum exposure for credit risk per categories based on the Bank's internal credit rating system and year-end stage classification are further disclosed below.

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Notes to the Financial Statements (continued)

6. Financial risk management (continued)

(a) Credit risk (continued)

(x) Credit loss charges

The table below shows the ECL provisions on financial instruments for the year recorded in the financial position.

Financial Position Category Business Model Portfolio	Global Stage			Europe Stage			US Stage			UK Stage			UK Retail Stage			Total £000
	1 £000	2 £000	3 £000	1 £000	2 £000	3 £000	1 £000	2 £000	3 £000	1 £000	2 £000	3 £000	1 £000	2 £000	3 £000	
Cash and cash equivalents																
On demand deposits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans and advances to banks																
Syndicated loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans and advances to customers																
Wholesale loans	-	-	-	-	-	-	-	-	10	-	-	-	-	-	-	10
Housing loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Syndicated loans	6	-	-	1	-	-	51	-	-	60	158	-	-	-	-	276
Factoring financing	-	-	-	-	-	-	-	-	1	-	-	-	-	-	-	1
Overdraft on corporate accounts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Overdraft on personal accounts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Credit Cards	-	-	-	-	-	-	-	-	-	-	-	-	3	3	-	6
Mortgage loans	-	-	-	-	-	-	-	-	-	-	-	-	31	710	305	1,046
Financing Order	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt instruments at amortised cost																
Other bonds held to maturity	-	-	-	1	-	-	5	-	-	21	-	-	-	-	-	27
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Margin Deposits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	6	-	-	2	-	-	56	-	-	92	158	-	34	713	305	1,366
Off Balance Sheet																
OBS - Letter of credit	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
OBS – Guarantee	-	-	-	-	-	-	-	-	2	-	-	-	-	-	-	2
OBS – Undrawn loan commitments	3	-	-	-	-	-	-	-	-	27	-	-	26	-	-	56
	3	-	-	-	-	-	-	-	-	29	-	-	26	-	-	58
At 31 December 2024	9	-	-	2	-	-	56	-	-	121	158	-	60	713	305	1,424

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Notes to the Financial Statements (continued)

6. Financial risk management (continued)

(a) Credit risk (continued)

(x) Credit loss charges (continued)

Financial Position Category Business Model Portfolio	Global Stage			Europe Stage			US Stage			UK Stage			UK Retail Stage			Total £000
	1 £000	2 £000	3 £000	1 £000	2 £000	3 £000	1 £000	2 £000	3 £000	1 £000	2 £000	3 £000	1 £000	2 £000	3 £000	
Cash and cash equivalents																
On demand deposits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans and advances to banks																
Syndicated loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans and advances to customers																
Wholesale loans	-	-	-	-	-	-	-	-	18	-	-	-	-	-	-	18
Housing loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Syndicated loans	4	1,805	-	6	-	-	3	-	239	1,003	-	-	-	-	-	3,060
Factoring financing	-	-	-	-	-	-	-	-	1	-	776	-	-	-	-	777
Overdraft on corporate accounts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Overdraft on personal accounts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Credit Cards	-	-	-	-	-	-	-	-	-	-	-	-	5	6	2	13
Mortgage loans	-	-	-	-	-	-	-	-	-	-	-	-	267	986	159	1,412
Financing Order	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt instruments at amortised cost																
Other bonds held to maturity	-	-	-	2	-	-	1	-	41	-	-	-	-	-	-	44
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Margin Deposits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	4	1,805	-	8	-	-	4	-	299	1,003	776	272	992	161	5,324	
Off Balance Sheet																
OBS - Letter of credit	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
OBS - Guarantee	-	-	-	-	-	-	-	-	9	1	-	-	-	-	-	10
OBS – Undrawn loan commitments	3	-	-	-	-	-	-	-	15	-	-	26	-	-	-	44
	3	-	-	-	-	-	-	-	24	1	-	26	-	-	-	54
At 31 December 2023	7	1,805	-	8	-	-	4	-	323	1,004	776	298	992	161	5,378	

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Notes to the Financial Statements (continued)

6. Financial risk management (continued)

(a) Credit risk (continued)

(xi) Impairment allowance analysis

The following provides an analysis of how significant changes in gross balances over the year have contributed to changes in ECLs.

On Balance Sheet	Stage 1 £000	Stage 2 £000	Stage 3 £000	Total £000
Gross carrying amount as at 1 January 2024	1,725,374	117,364	3,535	1,846,273
New assets originated or purchased	589,189	2	-	589,191
Assets derecognised or repaid (excluding write offs)	(229,903)	(19,734)	(1,261)	(250,898)
Transfers to Stage 1	41,594	(41,594)	-	-
Transfers to Stage 2	(44,514)	44,839	(325)	-
Transfers to Stage 3	-	(2,530)	2,530	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	1,321	1,171	-	2,492
Gross carrying amount as at 31 December 2024	2,083,061	99,518	4,479	2,187,058

On Balance Sheet	Stage 1 £000	Stage 2 £000	Stage 3 £000	Total £000
Gross carrying amount as at 1 January 2023	1,917,862	133,805	72,833	2,124,500
New assets originated or purchased	341,522	2	-	341,524
Assets derecognised or repaid (excluding write offs)	(576,123)	(16,136)	(21,463)	(613,722)
Transfers to Stage 1	66,167	(66,167)	-	-
Transfers to Stage 2	(21,291)	71,744	(50,453)	-
Transfers to Stage 3	-	(2,681)	2,681	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	(2,763)	(3,203)	(63)	(6,029)
Gross carrying amount as at 31 December 2023	1,725,374	117,364	3,535	1,846,273

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Notes to the Financial Statements (continued)

6. Financial risk management (continued)

(a) Credit risk (continued)

(xii) Credit loss expense

On Balance Sheet	Stage 1	Stage 2	Stage 3	Total
	£000	£000	£000	£000
ECL allowance as at 1 January 2024	587	3,800	937	5,324
New assets originated or purchased	73	-	-	73
Assets derecognised or repaid (excluding write offs)	(42)	(88)	(862)	(992)
Transfers to Stage 1	504	(504)	-	-
Transfers to Stage 2	(13)	24	(11)	-
Transfers to Stage 3	-	(59)	59	-
Impact on year end ECL of exposures transferred between stages during the year	(504)	-	170	(334)
Unwind of discount	-	-	-	-
Changes to inputs used for ECL calculations	(419)	(2,348)	12	(2,755)
Recoveries	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	4	46	-	50
ECL allowance as at 31 December 2024	190	871	305	1,366

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Notes to the Financial Statements (continued)

6. Financial risk management (continued)

(a) Credit risk (continued)

(xii) Credit loss expense (continued)

On Balance Sheet	Stage 1	Stage 2	Stage 3	Total
	£000	£000	£000	£000
ECL allowance as at 1 January 2023	144	3,226	13,191	16,561
New assets originated or purchased	296	-	-	296
Assets derecognised or repaid (excluding write offs)	(23)	(65)	(3,397)	(3,485)
Transfers to Stage 1	1,823	(1,823)	-	-
Transfers to Stage 2	(11)	8,965	(8,954)	-
Transfers to Stage 3	-	(20)	20	-
Impact on year end ECL of exposures transferred between stages during the year	(1,739)	(4,482)	124	(6,097)
Unwind of discount	-	-	-	-
Changes to inputs used for ECL calculations	146	(1,494)	18	(1,330)
Recoveries	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	(49)	(507)	(65)	(621)
ECL allowance as at 31 December 2023	587	3,800	937	5,324

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Notes to the Financial Statements (continued)

6. Financial risk management (continued)

(a) Credit risk (continued)

(xii) Credit loss expense (continued)

Off Balance Sheet	Stage 1 £000	Stage2 £000	Stage 3 £000	Total £000
Gross carrying amount as at 1 January 2024	119,214	130	-	119,344
New assets originated or purchased	78,330	-	-	78,330
Assets derecognised or repaid (excluding write offs)	(35,187)	(74)	-	(35,261)
Transfers to Stage 1	56	(56)	-	-
Transfers to Stage 2	(273)	273	-	-
Transfers to Stage 3	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	634	-	-	634
Gross carrying amount as at 31 December 2024	162,774	273	-	163,047

Off Balance Sheet	Stage 1 £000	Stage2 £000	Stage 3 £000	Total £000
Gross carrying amount as at 1 January 2023	156,787	2,038	-	158,825
New assets originated or purchased	7,606	-	-	7,606
Assets derecognised or repaid (excluding write offs)	(42,080)	(221)	-	(42,301)
Transfers to Stage 1	1,760	(1,760)	-	-
Transfers to Stage 2	(74)	74	-	-
Transfers to Stage 3	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	(4,785)	(1)	-	(4,786)
Gross carrying amount as at 31 December 2023	119,214	130	-	119,344

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Notes to the Financial Statements (continued)

6. Financial risk management (continued)

(a) Credit risk (continued)

(xii) Credit loss expense (continued)

Off Balance Sheet	Stage 1 £000	Stage 2 £000	Stage 3 £000	Total £000
ECL allowance as at 1 January 2024	53	1	-	54
New assets originated or purchased	11	-	-	11
Assets derecognised or repaid (excluding write offs)	(8)	-	-	(8)
Transfers to Stage 1	1	(1)	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Impact on year end ECL of exposures transferred between stages during the year	(1)	-	-	(1)
Unwind of discount	-	-	-	-
Changes to inputs used for ECL calculations	2	-	-	2
Recoveries	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	-	-	-	-
ECL allowance as at 31 December 2024	58	-	-	58

Bank of China (UK) Limited
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Notes to the Financial Statements (continued)

6. Financial risk management (continued)

(a) Credit risk (continued)

(xii) Credit loss expense (continued)

Off Balance Sheet	Stage 1 £000	Stage 2 £000	Stage 3 £000	Total £000
ECL allowance as at 1 January 2023	47	4	-	51
New assets originated or purchased	36	1	-	37
Assets derecognised or repaid (excluding write offs)	(32)	-	-	(32)
Transfers to Stage 1	4	(4)	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Impact on year end ECL of exposures transferred between stages during the year	(2)	-	-	(2)
Unwind of discount	-	-	-	-
Changes to inputs used for ECL calculations	1	-	-	1
Recoveries	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	(1)	-	-	(1)
ECL allowance as at 31 December 2023	53	1	-	54

Notes to the Financial Statements (continued)

6. Financial risk management (continued)

(a) Credit risk (continued)

(xiii) Impairment allowance analysis – internal rating grading

The following provides an analysis of the gross carrying amounts split by the internal rating grade.

On Balance Sheet	Stage 1	Stage 2	Stage 3	Total
	£000	£000	£000	£000
Internal rating grade				
Performing	2,083,061	44,223	56	2,127,340
Special Mention	-	55,295	-	55,295
Non-performing individually impaired	-	-	4,423	4,423
Gross carrying amounts as at 31 December 2024	2,083,061	99,518	4,479	2,187,058
Off Balance Sheet	Stage 1	Stage 2	Stage 3	Total
	£000	£000	£000	£000
Internal rating grade				
Performing	162,774	273	-	163,047
Special Mention	-	-	-	-
Non-performing individually impaired	-	-	-	-
Gross carrying amounts as at 31 December 2024	162,774	273	-	163,047

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Notes to the Financial Statements (continued)

6. Financial risk management (continued)

(a) Credit risk (continued)

(xiii) Impairment allowance analysis – internal rating grading (continued)

On Balance Sheet	Stage 1	Stage 2	Stage 3	Total
	£000	£000	£000	£000
Internal rating grade				
Performing	1,725,374	11,286	-	1,736,660
Special Mention	-	106,078	-	106,078
Non-performing individually impaired	-	-	3,535	3,535
Gross carrying amounts as at 31 December 2023	1,725,374	117,364	3,535	1,846,273
Off Balance Sheet				
	£000	£000	£000	£000
Internal rating grade				
Performing	119,214	130	-	119,344
Special Mention	-	-	-	-
Non-performing individually impaired	-	-	-	-
Gross carrying amounts as at 31 December 2023	119,214	130	-	119,344

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Notes to the Financial Statements (continued)

6. Financial risk management (continued)

(a) Credit risk (continued)

(xiii) Impairment allowance analysis – internal rating grading (continued)

The following provides an analysis of the ECL split by the internal rating grade.

On Balance Sheet	Stage 1	Stage 2	Stage 3	Total
	£000	£000	£000	£000
Internal rating grade				
Performing	190	-	-	190
Special Mention	-	871	-	871
Non-performing individually impaired	-	-	305	305
ECL allowance as at 31 December 2024	190	871	305	1,366
Off Balance Sheet				
	£000	£000	£000	£000
Internal rating grade				
Performing	58	-	-	58
Special Mention	-	-	-	-
Non-performing individually impaired	-	-	-	-
ECL allowance as at 31 December 2024	58	-	-	58

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Notes to the Financial Statements (continued)

6. Financial risk management (continued)

(a) Credit risk (continued)

(xiii) Impairment allowance analysis – internal rating grading (continued)

On Balance Sheet	Stage 1	Stage 2	Stage 3	Total
	£000	£000	£000	£000
Internal rating grade				
Performing	587	-	-	587
Special Mention	-	3,800	-	3,800
Non-performing individually impaired	-	-	937	937
ECL allowance as at 31 December 2023	587	3,800	937	5,324
Off Balance Sheet				
	£000	£000	£000	£000
Internal rating grade				
Performing	53	1	-	54
Special Mention	-	-	-	-
Non-performing individually impaired	-	-	-	-
ECL allowance as at 31 December 2023	53	1	-	54

Notes to the Financial Statements (continued)

6. Financial risk management (continued)

(a) Credit risk (continued)

(xiv) Impairment allowance analysis – base case vs. probability weighted

When estimating the ECLs, the Bank considers three scenarios (a base case, an upside, and a downside). Each of these is associated with different PDs, EADs and LGDs. When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will restructure and the value of collateral or the amount that might be received for selling the asset.

The following provides an analysis of the ECL if just a base case or downside scenario was used.

On Balance Sheet	Probability weighted £000	Upside £000	Difference £000	Base case £000	Difference £000	Downside £000	Difference £000
ECL allowance as at 31 December 2024	1,366	272	1,094	435	931	630	736
ECL allowance as at 31 December 2023	5,324	3,637	1,687	4,666	658	6,393	(1,069)

Off Balance Sheet	Probability weighted £000	Upside £000	Difference £000	Base case £000	Difference £000	Downside £000	Difference £000
ECL allowance as at 31 December 2024	58	35	23	57	1	67	(9)
ECL allowance as at 31 December 2023	54	32	22	53	1	64	(10)

Notes to the Financial Statements (continued)

6. Financial risk management (continued)

(a) Credit risk (continued)

(xv) Analysis of inputs to the ECL model under multiple economic scenarios per geographic regions

An overview of the approach to estimating ECLs is set out in Note 3. The Bank obtains data for the multiple economic from third party sources (Moody's) and the CMD verifies the accuracy of inputs to the Bank's ECL models including determining the weights attributable to the multiple scenarios. The purpose of using multiple scenarios is to model the non-linear impact of assumptions about macroeconomic factors on ECL and that any presented ECL outcomes for different economic scenarios do not represent ECL forecasts.

The following tables set out the key drivers of expected loss and multiple economic scenarios and their assigned probabilities, as at 31 December 2024. The probabilities assigned are based on the midpoint probability weights approach recommended in the Scenario Severity and Probability Weights methodology issued by Moody's Analytics dated October 2017. This approach is used as it is more conservative than other approaches available, consistent with the Bank's risk profile. Estimating ECL involves forecasting future economic conditions over a number of years. These longer term forecasts are subject to management judgement and those judgements may be sources of measurement uncertainty that have a significant risk of resulting in a material adjustment to a carrying amount within the next financial year.

Key Drivers	ECL Scenario	Assigned Probabilities % 2024	Assigned Probabilities % 2023
CPI GDP Growth House Price Index Interest Rates Unemployment rates	Upside	20	20
	Base case	30	30
	Downside	50	50

31 December 2024*								
Key Drivers	ECL Scenario	Probabilities Occurrence %	2024 %	2025 %	2026 %	2027 %	2028 %	2029 %
UK CPI Increase	Upside	20	2.71%	2.78%	2.19%	2.12%	1.98%	1.99%
	Base case	30	2.60%	2.65%	2.17%	2.12%	1.98%	1.99%
	Downside	50	0.29%	-0.59%	1.00%	1.79%	1.88%	1.99%
UK GDP Growth	Upside	20	3.72%	5.43%	1.86%	1.55%	1.69%	1.92%
	Base case	30	0.62%	1.96%	1.62%	1.60%	1.67%	1.71%
	Downside	50	-4.39%	-3.65%	1.93%	2.79%	1.67%	1.63%
UK House Price Index Increase	Upside	20	8.72%	16.03%	6.86%	0.06%	-2.59%	-0.26%
	Base case	30	-1.80%	2.54%	3.83%	2.59%	1.46%	2.06%
	Downside	50	-10.12%	-9.01%	-5.73%	1.86%	4.15%	4.15%
UK Interest Rates	Upside	20	5.20%	4.49%	3.32%	2.83%	2.63%	2.64%
	Base case	30	5.11%	4.34%	3.15%	2.62%	2.62%	2.64%
	Downside	50	4.94%	4.00%	1.67%	1.20%	1.51%	2.01%
UK Unemployment Rates	Upside	20	4.24%	3.71%	3.64%	3.72%	3.97%	4.25%
	Base case	30	4.50%	4.17%	4.45%	4.57%	4.65%	4.73%
	Downside	50	5.16%	5.30%	7.07%	7.30%	7.08%	6.51%

*For conciseness only UK data has been shown since it makes up the majority of the Bank's corporate retail lending book.

Notes to the Financial Statements (continued)

6. Financial risk management (continued)

(b) Liquidity risk

Liquidity risk is the risk that the Bank will not be able to meet its financial obligations as they fall due.

The Bank is exposed to the risk that it will be unable to meet its obligations as they fall due, arising from the differing maturity profiles of its assets and liabilities. To mitigate its exposure, the Bank places limits on the mismatch of maturity dates and by holding a stock of liquid assets which could be sold at short notice if the need arose.

The Board is the ultimate decision-making body and is responsible for compliance with the regulatory requirements. Formulation of the risk management procedures, implementation mechanism and monitoring of compliance is the main responsibility of the ALCO. Daily management of liquidity is carried out by the Treasury department. Financial Management Department monitor the liquidity risk and provide regular reports to management and the Prudential Regulation Authority (the "PRA").

The following are the contractual (undiscounted) maturities of financial liabilities, including the next expected interest payments and excluding the effect of any netting agreements if they were in place:

£000	Carrying amount	Contractual cash flows	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years
31 December 2024							
Non-derivative financial liabilities:							
Deposits from banks	493,256	(496,704)	(268,278)	-	-	(228,426)	-
Deposits from customers	1,355,529	(1,387,711)	(741,251)	(254,733)	(326,245)	(65,482)	-
Subordinated liabilities	-	-	-	-	-	-	-
Lease liabilities	10,631	(12,952)	(242)	(242)	(725)	(3,943)	(7,800)
Derivative financial instruments:	-	-	-	-	-	-	-
Cash outflows	-	-	-	-	-	-	-
Cash inflows	-	-	-	-	-	-	-
	1,859,416	(1,897,367)	(1,009,771)	(254,975)	(326,970)	(297,851)	(7,800)
Undrawn loan commitments	159,720	(159,720)	(159,720)	-	-	-	-
	2,019,136	(2,057,087)	(1,169,491)	(254,975)	(326,970)	(297,851)	(7,800)
31 December 2023							
Non-derivative financial liabilities:							
Deposits from banks	369,590	(372,127)	(179,551)	(192,576)	-	-	-
Deposits from customers	1,223,068	(1,246,293)	(769,429)	(180,911)	(239,137)	(56,816)	-
Subordinated liabilities	-	-	-	-	-	-	-
Lease liabilities	11,071	(13,696)	(1)	(225)	(722)	(3,896)	(8,852)
Derivative financial instruments:	3	-	-	-	-	-	-
Cash outflows	-	(2,513)	(2,513)	-	-	-	-
Cash inflows	-	2,510	2,510	-	-	-	-
	1,603,732	(1,632,119)	(948,984)	(373,712)	(239,859)	(60,712)	(8,852)
Undrawn loan commitments	113,729	(113,729)	(113,729)	-	-	-	-
	1,717,461	(1,745,848)	(1,062,713)	(373,712)	(239,859)	(60,712)	(8,852)

The previous table shows the undiscounted cash flows on the Bank's financial liabilities and unrecognised loan commitments on the basis of their earliest possible contractual maturity. The Bank's expected cash flows on these instruments vary significantly from this analysis and hence this table shows a worst case scenario. For example, current accounts and demand deposits from customers are expected to maintain a stable or increasing balance and unrecognised loan commitments are not all expected to be drawn down immediately but to be drawn over a period of time.

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Notes to the Financial Statements (continued)

6. Financial risk management (continued)

(b) Liquidity risk (continued)

The contractual cash flows disclosed in the previous table represent the contractual undiscounted cash flows relating to the principal and interest on the financial liability or commitment. The disclosure for derivatives shows a net amount for derivatives that are settled on a net basis, (e.g. interest rate swaps) but on a gross outflow and inflow basis for derivatives that have simultaneous gross settlement (e.g. forward foreign exchange contracts and currency swaps).

The Bank has the benefit of a committed short-term loan facility granted by its parent company. The facility is repayable at call and £nil drawn at 31 December 2024 (31 December 2023: £nil).

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled based on the contractual terms:

£000	Within 12 months	After 12 months	Total
31 December 2024			
Assets			
Cash on hand	1,316	-	1,316
Cash and balances at central banks	876,128	-	876,128
Other demand deposits	97,757	-	97,757
Government bonds	77,854	66,641	144,495
Loans and advances to banks	73,658	-	73,658
Loans and advances to customers	106,041	835,466	941,507
Derivatives and other financial instruments	4,667	-	4,667
Prepayments, accrued income and other assets	136,633	-	136,633
Financial assets at fair value through profit and loss	701	29,449	30,150
Total assets	1,374,755	931,556	2,306,311
Liabilities			
Deposits from banks	267,955	225,301	493,256
Deposits from customers	1,295,833	59,696	1,355,529
Derivatives and other financial instruments	2	-	2
Other liabilities	37,473	-	37,473
Accruals and deferred income	21,150	-	21,150
Total liabilities	1,622,413	284,997	1,907,410
Net	(247,658)	649,559	398,901

Notes to the Financial Statements (continued)

6. Financial risk management (continued)

(b) Liquidity risk (continued)

£000	Within 12 months	After 12 months	Total
31 December 2023			
Assets			
Cash on hand	1,545	-	1,545
Cash and balances at central banks	578,345	2,239	580,584
Other demand deposits	104,941	-	104,941
Government bonds	11,466	106,862	118,328
Loans and advances to banks	86,477	-	86,477
Loans and advances to customers	44,320	946,443	990,763
Derivatives and other financial instruments	5,506	-	5,506
Prepayments, accrued income and other assets	114,707	14,000	128,707
Financial assets at fair value through profit and loss	18,042	49,919	67,961
Total assets	965,349	1,119,463	2,084,812
Liabilities			
Deposits from banks	369,590	-	369,590
Deposits from customers	1,170,710	52,358	1,223,068
Derivatives and other financial instruments	3	-	3
Other liabilities	38,351	-	38,351
Accruals and deferred income	12,393	-	12,393
Total liabilities	1,591,047	52,358	1,643,405
Net	(625,698)	1,067,105	441,407

(c) Market risk

Foreign exchange risk

Foreign exchange risk is the risk that movements in the various currencies could materially impact the Financial Statements. To manage its exposure to foreign exchange risk the Bank enters into derivative transactions.

The following table shows the foreign exchange positions as at 31 December 2024 and 31 December 2023.

Notes to the Financial Statements (continued)

6. Financial risk management (continued)

(c) Market risk (continued)

Foreign exchange risk (continued)

£000

31 December 2024	Sterling	US Dollar	Euro	Other	Total
Cash and balances at central banks	920,070	32,042	16,903	6,186	975,201
Government bonds	99,848	36,392	8,255	-	144,495
Loans and advances to banks	-	58,286	8,281	7,091	73,658
Loans and advances to customers	725,099	209,402	7,006	-	941,507
Derivatives financial instruments (asset)	4,667	-	-	-	4,667
Financial assets at fair value through profit and loss	8,763	21,387	-	-	30,150
Other assets	53,190	94,583	5,947	(79)	153,641
Deposits from banks	(329,409)	(151,961)	(11,836)	(50)	(493,256)
Deposits from customers	(1,008,995)	(300,263)	(33,314)	(12,957)	(1,355,529)
Derivatives financial instruments (liability)	(2)	-	-	-	(2)
Other liabilities	(50,067)	(10,107)	(551)	(63)	(60,788)
Subordinated liabilities	-	-	-	-	-
Total shareholder equity	(413,733)	-	(11)	-	(413,744)
Net financial assets/(liabilities)	9,431	(10,239)	680	128	-
Net forward foreign exchange positions	-	-	-	-	-
Undrawn loan commitments	(51,729)	(107,991)	-	-	(159,720)

£000

31 December 2023	Sterling	US Dollar	Euro	Other	Total
Cash and balances at central banks	624,076	29,202	9,623	24,169	687,070
Government bonds	98,399	11,466	8,463	-	118,328
Loans and advances to banks	-	45,558	18,206	22,713	86,477
Loans and advances to customers	840,622	141,857	8,013	271	990,763
Derivatives financial instruments (asset)	5,506	-	-	-	5,506
Financial assets at fair value through profit and loss	7,446	39,999	-	-	47,445
Other assets	55,890	75,922	11,959	13	143,784
Deposits from banks	(268,405)	(73,310)	(12,303)	(15,572)	(369,590)
Deposits from customers	(874,892)	(273,665)	(43,366)	(31,145)	(1,223,068)
Derivatives financial instruments (liability)	(3)	-	-	-	(3)
Other liabilities	(43,525)	(9,238)	(492)	(168)	(53,423)
Subordinated liabilities	-	-	-	-	-
Total shareholder equity	(433,279)	2	(12)	-	(433,289)
Net financial assets/(liabilities)	11,835	(12,207)	91	281	-
Net forward foreign exchange positions	(623)	181	321	121	-
Undrawn loan commitments	(50,711)	(63,018)	-	-	(113,729)

Notes to the Financial Statements (continued)

6. Financial risk management (continued)

(c) Market risk (continued)

Foreign exchange risk (continued)

Sensitivity analysis

A 1% percent weakening of the following currencies against Sterling at 31 December 2024 and 31 December 2023 would have increased (decreased) equity and the income statement by the amounts shown below. This calculation assumes that the change occurred at the reporting date and had been applied to risk exposures existing at that date.

This analysis assumes that all other variables, in particular other exchange rates and interest rates, remain constant.

£000	Other Comprehensive Income		Income statement	
	31 December 2024	31 December 2023	31 December 2024	31 December 2023
US Dollars	-	-	(16)	3
Euro	-	-	-	-
Other	-	-	(1)	(3)

A 1% percent strengthening of the above currencies against Sterling at 31 December 2024 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Applying the offsetting forward currency positions, unsettled spot and forward trades, with the same 1% percent weakening the resulting impact would be as follows:

£000	Other Comprehensive Income		Income statement	
	31 December 2024	31 December 2023	31 December 2024	31 December 2023
US Dollars	-	-	(5)	1
Euro	-	-	-	-
Other	-	-	(2)	(4)

Notes to the Financial Statements (continued)

6. Financial risk management (continued)

(c) Market risk (continued)

Exposure to interest rate risk

The Bank does not operate a trading book.

The principal exposure is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. Interest rate risk is managed principally through monitoring the cumulative interest rate gap position and by having pre-approved limits for the time bands. The ALCO is the monitoring body for compliance with these limits and is assisted by the Financial Management Department in its day-to-day monitoring activities. A summary of the Bank's interest rate gap position is as follows:

£000	Carrying Amount	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	Over 5 years	Non Interest Bearing
31 December 2024							
Assets							
Cash and balances at central banks	975,201	882,386	-	-	-	-	92,815
Government bonds	144,495	33,240	8,255	36,360	66,640	-	-
Loans and advances to banks	73,658	68,212	5,446	-	-	-	-
Loans and advances to customers	941,507	719,230	36,253	61,897	115,590	8,537	-
Derivative financial instruments	4,667	-	-	-	-	-	4,667
Financial assets at fair value through profit and loss	30,150	165	-	505	27,703	1,777	-
Other assets	153,641	125,804	-	-	-	-	27,837
Total assets	2,323,319	1,829,037	49,954	98,762	209,933	10,314	125,319
Equity and liabilities							
Liabilities	1,909,575	563,407	421,567	312,192	59,696	-	552,713
Deposits from banks	493,256	178,301	175,000	-	-	-	139,955
Deposits from customers	1,355,529	385,106	246,567	312,192	59,696	-	351,968
Derivative financial instruments	2	-	-	-	-	-	2
Other liabilities	60,788	-	-	-	-	-	60,788
Subordinated liabilities	-	-	-	-	-	-	-
Equity							
Shareholders' equity	413,744	-	60,000	-	-	-	353,744
Total equity and liabilities	2,323,319	563,407	481,567	312,192	59,696	-	906,457
Interest rate sensitivity gap		1,265,630	(431,613)	(213,430)	150,237	10,314	(781,138)
Cumulative gap		1,265,630	834,017	620,587	770,824	781,138	-

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Notes to the Financial Statements (continued)

6. Financial risk management (continued)

(c) Market risk (continued)

Exposure to interest rate risk (continued)

£000	Carrying Amount	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	Over 5 years	Non Interest Bearing
31 December 2023							
Assets							
Cash and balances at central banks	687,070	585,636	-	-	-	-	101,434
Government bonds	118,328	-	-	11,466	106,862	-	-
Loans and advances to banks	86,477	79,197	7,280	-	-	-	-
Loans and advances to customers	990,763	896,546	39,898	30,438	-	22,229	1,652
Derivative financial instruments	5,506	-	-	-	-	-	5,506
Financial assets at fair value through profit and loss	47,445	-	-	-	41,323	6,097	25
Other assets	143,784	111,490	-	-	-	-	32,294
Total assets	2,079,373	1,672,869	47,178	41,904	148,185	28,326	140,911
Equity and liabilities							
Liabilities	1,646,084	446,634	364,095	228,823	52,358	-	554,174
Deposits from banks	369,590	75,434	190,138	-	-	-	104,018
Deposits from customers	1,223,068	371,200	173,957	228,823	52,358	-	396,730
Derivative financial instruments	3	-	-	-	-	-	3
Other liabilities	53,423	-	-	-	-	-	53,423
Equity	433,289	-	60,000	-	-	-	373,289
Total equity and liabilities	2,079,373	446,634	424,095	228,823	52,358	-	927,463
Interest rate sensitivity gap		1,226,235	(376,917)	(186,919)	95,827	28,326	(786,552)
Cumulative gap		1,226,235	849,318	662,399	758,226	786,552	-

The table below indicates the impact on the income statement for possible change in interest rates, with all other variables held constant.

At the reporting date the sensitivity to interest rate risk was projected to be:

£000	100bps parallel Increase	100bps parallel Decrease
Sensitivity of projected net interest income at		
31 December 2024	8,259	(8,259)
31 December 2023	8,420	(8,420)
Sensitivity of reported equity to interest rate movements at		
31 December 2024	8,259	(8,259)
31 December 2023	8,420	(8,420)

Interest rate movements affect reported equity in the following ways: retained earnings; arising from increases or decreases in net interest income and the fair value changes reported in profit or loss.

Notes to the Financial Statements (continued)

6. Financial risk management (continued)

(d) Capital management

Regulatory capital

Reference is made below to the Prudential Regulation Authority (“PRA”) which along with the Financial Conduct Authority (“FCA”) are the Bank’s regulators.

The PRA sets capital requirements for the Bank in line with international supervisory standards and guidelines known as Basel III which are contained within legislation passed by the EU, i.e. CRD IV Regulation and Directives. The parent company is directly supervised by their local regulators.

In calculating capital requirements, the Bank has adopted the standardised approach for credit risk and the basic indicator approach for operational risk. As the Bank does not have a trading book, the capital requirement for the foreign exchange risk inherent in the banking book has been captured as market risk, which is also calculated on the standardised approach.

The Bank’s regulatory capital resources comprise tier 1 and tier 2 capital as set out in the table below.

Banking operations are categorised as banking book and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures.

The Bank’s policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders’ return is also recognised and the Bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The Bank has complied with all externally imposed capital requirements throughout the period.

The Bank’s regulatory capital position at 31 December 2024 and 31 December 2023 was as follows:

£000	2024 Actual	2023 Actual
Tier 1 capital		
Ordinary share capital	250,000	250,000
Retained earnings *	25,109	25,011
Regulatory deduction	(669)	(53)
Additional Tier 1 capital	60,000	60,000
Total regulatory capital	334,440	334,958

* Retained earnings are eligible for inclusion as regulatory Tier 1 capital once audited. Similarly, dividends are deducted from regulatory capital once declared. Therefore, as both events occur after the balance sheet date regulatory capital at the reporting dates will differ to the amounts disclosed in the above table.

The Bank maintains a buffer to regulatory minimum capital ratios.

The PRA also sets total capital requirements (“TCR”) for the Bank as part of its Supervisory Review and Evaluation Process. The agreed TCR was in force and respected as at the reporting date. The component parts of Pillar 2A and the PRA Buffer remain confidential between each bank and the PRA in accordance with PRA requirements.

Notes to the Financial Statements (continued)

7. Financial assets and financial liabilities

Fair values of financial instruments

The Bank's valuation methodology is detailed in Note 3.

Fair values

The interest rates on these financial assets and liabilities re-price on a regular and short-term basis resulting in the fair value calculation being not materially different from the carrying value.

The table below analyses financial assets and liabilities measured at fair value, by valuation method:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The carrying value of short-term receivables and payables are assumed to approximate to their fair values where discounting is not material.

Loans to customers designated at fair value are valued by calculating the net present value of their discounted cash flows.

For derivative financial instruments not traded in an active market for which no quoted market price is available, the fair value is determined using valuation techniques. Forward currency exchange contracts fair value was determined using quoted forward exchange rates matching the maturities of the contracts. While for interest rate swaps, fair value was determined using discounted cash flow analysis at quoted interest rates.

The fair value of other financial assets and borrowings has been calculated by discounting the expected future cash flows at prevailing market interest rates for instruments with substantially the same terms and characteristics.

The difference between the carrying amounts and fair values of those financial instruments not presented at their fair value in the statement of financial position as at 31 December 2024 and 2023 was insignificant.

Notes to the Financial Statements (continued)

7. Financial assets and financial liabilities (continued)

Fair value hierarchy

As at 31 December 2024, financial assets at fair value were assessed under IFRS 13 criteria for Level 1, Level 2 or Level 3.

£000 31 December 2024	Level 1	Level 2	Level 3	Total
Financial assets				
Designated fair value loans	-	-	30,119	30,119
Derivative financial instruments:				
Interest rate swaps	-	4,664	-	4,664
Foreign exchange swaps	-	3	-	3
	-	4,667	-	4,667
Financial investments:				
Convertible preference shares	-	-	31	31
	-	-	31	31
Total assets	-	4,667	30,150	34,817
Financial liabilities				
Derivative financial instruments:				
Interest rate swaps	-	-	-	-
Foreign exchange swaps	-	2	-	2
Total liabilities	-	2	-	2

In accordance with IFRS 13, Level 3 assets includes convertible preference shares in Visa Inc, based on a proxy of Visa Inc.'s quoted share price, and the fair value gain or loss on loans designated at fair value during the year (refer to Note 10).

Notes to the Financial Statements (continued)

7. Financial assets and financial liabilities (continued)

Fair value hierarchy (continued)

£000				
31 December 2023	Level 1	Level 2	Level 3	Total
Financial assets				
Designated fair value loans	-	-	47,420	47,420
Derivative financial instruments:				
Interest rate swaps	-	5,503	-	5,503
Foreign exchange swaps	-	3	-	3
	-	5,506	-	5,506
Financial investments:				
Convertible preference shares	-	-	25	25
	-	-	25	25
Total assets	-	5,506	47,445	52,951
Financial liabilities				
Derivative financial instruments:				
Interest rate swaps	-	-	-	-
Foreign exchange swaps	-	3	-	3
Total liabilities	-	3	-	3

Reconciliation of Level 3 financial assets

£000	2024	2023
Balance at 1 January	47,445	60,514
Issues of loans to new counterparties	-	-
Repayment of loans	(19,468)	(16,905)
Total gains for the period net of exchange differences recognised in the profit and loss	1,310	7,442
Exchange gain/ (losses) recognised in the profit and loss	863	(3,606)
Balance at 31 December	30,150	47,445

Designated fair value loans are valued using discounted cash flows. At the end of 2024 unrealised losses of Level 3 Assets is £3,157,752. (2023: loss £4,467,701).

Sensitivity test of Level 3 financial assets

The sensitivity analysis of the fair value loans made on aircraft shows that an increase of 1% in discount rate would decrease the fair value by £961,127.

Notes to the Financial Statements (continued)

8. Net interest income

£000	2024	2023
Interest income from financial investments	5,214	3,950
Interest income from:		
Cash and balances at central banks	48,056	29,509
Loans and advances to banks - at amortised cost	11,150	13,603
Loans and advances to customers – at amortised cost	64,397	74,155
Total interest from loans and advances	123,603	117,267
Total interest income	128,817	121,217
Interest expense:		
Deposits from banks	(23,128)	(19,923)
Customers accounts	(34,287)	(20,499)
Total interest expense	(57,415)	(40,422)
Net interest income	71,402	80,795

Interest income presented above represents interest income calculated using the effective interest rate method.

9. Net fee and commission income

(a) Analysis by business area

£000	2024	2023
Retail banking customer fees	1,207	1,322
Corporate banking credit-related fees	1,701	1,580
Other	320	476
Gross fee and commission income	3,228	3,378
Interbank transaction fees	(363)	(363)
Other	(1,118)	(1,329)
Gross fee and commission expense	(1,481)	(1,692)
Net fee and commission income	1,747	1,686

Notes to the Financial Statements (continued)

9. Net fee and commission income (continued)

(b) Analysis of gross fee and commission income by product

£000	2024	2023
Letter of guarantee	35	38
Remittance	239	266
Account and service fees	249	327
Letter of credit	47	40
Settlement & commitment	286	288
Credit and debit cards	361	336
Other	359	465
Fee and commission income in scope of IFRS 15	1,576	1,760
Syndicated loans	853	682
Structural financing	98	136
Retail loans	701	800
Fee and commission income in scope of IFRS 9	1,652	1,618
Gross fee and commission income	3,228	3,378

10. Net fair value gain on financial instruments

£000	2024	2023
Net fair value gain/(loss) on financial instruments:		
Designated fair value loans	1,310	7,442
Interest income	1,512	1,983
Interest rate swaps	1,889	(306)
	4,711	9,119

11. Net other operating income

£000	2024	2023
Related party service charges	106,336	113,841
Other	772	358
	107,108	114,199

The related party service charges represent the net amount receivable by the Bank for the following services provided and received under service level agreements with related parties as disclosed in Note 33:

- Income earned by Bank of China Limited, London Branch (the "London Branch") on assets originated by Bank employees and therefore re-allocated to the Bank.
- Expenses incurred directly by the Bank that are recharged to the London Branch for services provided.

Notes to the Financial Statements (continued)

12. Staff costs

£000	2024	2023
Wages and salaries	53,671	51,837
Contributions to defined contribution pension plans	4,029	3,582
Social security costs	8,850	7,093
Other	5,644	5,546
	72,194	68,058
Monthly average number of employees	2024	2023
Retail banking	144	136
Corporate banking	118	117
Support Functions	440	387
Total average number of employees	702	640

Other staff costs include staff training expenditure and staff benefits costs.

13. Other expenses

£000	2024	2023
Administrative	7,529	7,819
Software licensing and other IT costs	602	478
Other	1,604	1,246
	9,735	9,543

Administrative expenses in the current and prior year contain significant expenses in respect of professional, advisory fees and system costs.

Administrative expenses include expenses relating to short-term and low-value asset leases of £121,322 (2023: £48,000).

Auditors' remuneration:

£000	2024	2023
Fees payable to the Bank's auditors for the audit of the company's financial statements:		
Current year	600	293
Fees payable to the Bank's auditor and its associates for other services:		
The audits of the company's subsidiaries, pursuant to legislation	35	25
Other assurance services	40	31

The above fees do not include VAT.

Notes to the Financial Statements (continued)

14. Directors' remuneration

£000	2024	2023
Remuneration of directors in respect of services rendered:		
Remuneration	947	924
Pension contributions	7	3
Highest paid director:		
Remuneration	334	379

15. Income tax expense

£000	2024	2023
Current tax expense		
Current period	25,675	36,139
Adjustments for prior years	(1,902)	(2,078)
Total current tax	23,773	34,061
Deferred tax expense		
Origination and reversal of temporary differences	179	271
Adjustments for prior years	(226)	650
Total deferred tax	(47)	921
Total income tax expense in income statement	23,726	34,982

The tax on the Bank's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the Bank as follows:

Reconciliation of effective tax rate

£000	2024	2023
Profit before income tax	107,643	138,195
Income tax using the standard rate of corporation tax in the UK 25% (2023: 25.00%) plus Banking surcharge 3%	30,140	38,695
Non-deductible expenses	75	78
Permanent difference – AT1 hybrid debt interest	(1,502)	(1,404)
Allowance against Banking tax surcharge	(3,000)	(2,753)
(Over) provided in prior years	(2,128)	(1,428)
Other inc. tax rate adjustment	-	(289)
Overseas withholding tax	11	5
Timing difference / other prior period provision	130	2,078
Total income tax expense in the income statement	23,726	34,982

Notes to the Financial Statements (continued)

15. Income tax expense (continued)

Income tax recognised in other comprehensive income

£000	2024	2023
Current tax		
UK current tax expense	-	-
Total current tax	-	-
Deferred tax		
Current year deferred tax charge/ (credit)	-	-
Total deferred tax	-	-
Total income and deferred tax credit in other comprehensive income	-	-

Since 1 April 2023 the main rate of corporation tax has been 25%. The company is also subject to the 3% corporation tax surcharge that applies to banking companies. Deferred tax has been calculated at the full rate of 28%.

Finance (No.2) Act 2023 was enacted on 11 July 2023. The Act contains the UK's provisions addressing the implementation of BEPS Pillar Two introducing a global minimum effective tax rate of 15% and a domestic top-up tax and a multinational top-up tax, effective for accounting periods starting on or after 31 December 2023 ("Pillar Two").

The Company is applying the Transitional Safe Harbour provisions. The Country-by-Country Reporting has been reviewed and determined to be qualifying. Based on the Simplified Effective Tax rate calculation Bank of China as a group exceeds the minimum effective tax rate of 15% in the UK and as such the Company is not required to calculate or provide for any top-up tax. The Company expects to continue to be able to apply the Safe Harbour relief for the remainder of the permitted transitional period.

16. Cash and balances at central banks

£000	31 December 2024	31 December 2023
Cash on hand	1,316	1,545
Cash balances at central banks	876,128	580,584
Other demand deposits	97,757	104,941
	975,201	687,070

17. Government bonds

£000	31 December 2024	31 December 2023
Government bonds	144,522	118,372
Allowance for expected credit losses - collective	(27)	(44)
	144,495	118,328

The Bank holds Government bonds primarily for liquidity management purposes.

Notes to the Financial Statements (continued)

18. Derivative financial instruments

The Bank holds derivative instruments for risk management and cross currency funding purposes.

2024 Offsetting of financial instruments

	Gross amounts	Amounts offset	Net amounts in balance sheet	Cash collateral	Total
Financial assets £000					
Foreign exchange swaps	3	-	3	-	3
Interest rate swaps	78,023	(73,359)	4,664	-	4,664
Net assets	78,026	(73,359)	4,667	-	4,667
Financial liabilities £000					
Foreign exchange swaps	2	-	2	-	2
Interest rate swaps	401,197	(73,359)	327,839	(327,839)	-
Net liabilities	401,199	(73,359)	327,841	(327,839)	2

2023 Offsetting of financial instruments

	Gross amounts	Amounts offset	Net amounts in balance sheet	Cash collateral	Total
Financial assets £000					
Foreign exchange swaps	3	-	3	-	3
Interest rate swaps	54,682	(49,179)	5,503	-	5,503
Net assets	54,685	(49,179)	5,506	-	5,506
Financial liabilities £000					
Foreign exchange swaps	3	-	3	-	3
Interest rate swaps	269,596	(49,179)	220,417	(220,417)	-
Net liabilities	269,599	(49,179)	220,420	(220,417)	3

The Bank did not designate any derivative financial instruments for hedging purposes during either period presented. From January 2023 we operate under Settle To Market (“STM”) for London Clearing House (“LCH”) transactions. London Branch and Head Office remain Collateralised to Market (“CTM”).

19. Loans and advances to banks

£000	31 December 2024	31 December 2023
Loans and advances to banks	73,658	86,477
	73,658	86,477

These balances represent short-term money market placement with related parties typically for duration of three months or less. Refer to note 33 for related parties disclosures. These balances have been included in cash and cash equivalents as presented in the statement of cash flows.

Notes to the Financial Statements (continued)

20. Loans and advances to customers

£000	31 December 2024	31 December 2023
Corporate loans and advances	245,044	183,473
Retail loans and advances	697,802	812,570
Gross loans and advances	942,846	996,043
Less allowance for expected credit losses		
12 months	(163)	(543)
Lifetime	(1,176)	(4,737)
Total allowance for expected credit losses	(1,339)	(5,280)
Loans and advances to customer net	941,507	990,763

Loans and advances to customers at amortised cost

£000	31 December 2024			31 December 2023		
	Gross amount	Allowance for ECL	Carrying amount	Gross amount	Allowance for ECL	Carrying amount
Corporate loans and advances	245,044	(287)	244,757	183,473	(3,855)	179,618
Retail loans and advances	697,802	(1,052)	696,750	812,570	(1,425)	811,145
	942,846	(1,339)	941,507	996,043	(5,280)	990,763

21. Allowances for expected credit losses

Allowance credit / (charge)

£000	2024	2023
Loans and advances to customers and Government bonds	3,957	11,238
Off balance sheet	(4)	(3)
Total credit allowance for expected credit losses in income statement	3,953	11,235

Refer to Note 6 for the movement in the allowance for expected credit losses for the year ended 31 December 2024 and 2023 for on and off balance sheet products.

22. Financial assets at fair value through profit and loss

£000	31 December 2024	31 December 2023
Loans designated at fair value	30,119	47,420
Convertible preference shares	31	25
	30,150	47,445

Included in financial assets at fair value through profit and loss is a portfolio of fixed rate corporate loans. The hedges do not meet the criteria for hedge accounting and the loans are recorded at fair value to avoid an accounting mismatch.

The Bank holds £31,000 preference shares in Visa Inc. (31 December 2023: £25,000) which are expected to be recovered more than twelve months after the reporting date.

Notes to the Financial Statements (continued)

23. Property, plant and equipment

(a) Fixed assets

£000	Property, plant and fixtures	Furniture and equipment	Computer equipment	Motor vehicles	Total
Cost					
Balance at 1 January 2024	7,677	2,773	4,734	260	15,444
Additions	-	115	919	-	1,034
Transfers	-	-	-	-	-
Disposals	-	(126)	(109)	-	(235)
Foreign exchange movement	-	-	-	-	-
Balance at 31 December 2024	7,677	2,762	5,544	260	16,243
Balance at 1 January 2023	7,653	2,604	4,243	260	14,760
Additions	24	184	537	-	745
Transfers	-	-	-	-	-
Disposals	-	(15)	(46)	-	(61)
Foreign exchange movement	-	-	-	-	-
Balance at 31 December 2023	7,677	2,773	4,734	260	15,444
Accumulated Depreciation					
Balance at 1 January 2024	5,336	2,384	3,291	249	11,260
Charge for the year	349	164	507	8	1,028
Transfers	-	-	-	-	-
Disposals	-	(125)	(83)	-	(208)
Foreign exchange movement	-	-	-	-	-
Balance at 31 December 2024	5,685	2,423	3,715	257	12,080
Balance at 1 January 2023	4,986	2,210	2,782	241	10,219
Charge for the year	350	174	530	8	1,062
Transfers	-	-	-	-	-
Disposals	-	-	(21)	-	(21)
Foreign exchange movement	-	-	-	-	-
Balance at 31 December 2023	5,336	2,384	3,291	249	11,260
Net carrying value at					
31 December 2024	1,992	339	1,829	3	4,163
31 December 2023	2,341	389	1,443	11	4,184

As at 31 December 2024 and 31 December 2023 the Bank identified no events or circumstances that would indicate that the Bank's tangible fixed assets might be impaired.

Notes to the Financial Statements (continued)

23. Property, plant and equipment (continued)

(b) Right-of-use assets

£000	Property, plant and fixtures	Motor vehicles	Total
Cost			
Balance at 1 January 2024	9,292	33	9,325
Additions	50	-	50
Disposal	-	-	-
Foreign exchange movement	-	-	-
Balance at 31 December 2024	9,342	33	9,375
Balance at 1 January 2023	10,629	33	10,662
Additions	-	-	-
Disposal	(1,337)	-	(1,337)
Foreign exchange movement	-	-	-
Balance at 31 December 2023	9,292	33	9,325
Accumulated Depreciation			
Balance at 1 January 2024	1,584	23	1,607
Charge for the year	504	8	512
Disposal	-	-	-
Foreign exchange movement	-	-	-
Balance at 31 December 2024	2,088	31	2,119
Balance at 1 January 2023	2,419	15	2,434
Charge for the year	502	8	510
Disposal	(1,337)	-	(1,337)
Foreign exchange movement	-	-	-
Balance at 31 December 2023	1,584	23	1,607
Net carrying value at			
31 December 2024	7,254	2	7,256
31 December 2023	7,708	10	7,718

Notes to the Financial Statements (continued)

24. Intangible assets

£000	IT Software	Total
Cost		
Balance at 1 January 2024	3,100	3,100
Additions	435	435
Disposals	-	-
Balance at 31 December 2024	3,535	3,535
Balance at 1 January 2023	3,017	3,017
Additions	83	83
Disposals	-	-
Balance at 31 December 2023	3,100	3,100
Accumulated Amortisation		
Balance at 1 January 2024	2,795	2,795
Amortisation for the year	104	104
Disposal	-	-
Balance at 31 December 2024	2,899	2,899
Balance at 1 January 2023	2,743	2,743
Amortisation for the year	52	52
Disposal	-	-
Balance at 31 December 2023	2,795	2,795
Net carrying value at		
31 December 2024	636	636
31 December 2023	305	305

As at 31 December 2024 and 31 December 2023 the Bank identified no events or circumstances that would indicate that the Bank's intangible assets might be impaired.

Notes to the Financial Statements (continued)

25. Deferred tax assets

Recognised deferred tax assets

Deferred tax assets are attributable to the following:

£000	31 December 2024	31 December 2023
Property and equipment, and software	(607)	(518)
Deferred employees' benefits	974	825
Other	39	52
	406	359

Deferred tax has been calculated at 28%.

There were no unrecognised deferred tax assets as at 31 December 2024 and 31 December 2023.

Movements in temporary differences during the year

£000	Opening balance 1 January 2024	Recognised in income	Recognised in equity	Closing balance 31 December 2024
Property and equipment, and software	(518)	(89)	-	(607)
Deferred employees' benefits	825	149	-	974
Other	52	(13)	-	39
	359	47	-	406

£000	Opening balance 1 January 2023	Recognised in income	Recognised in equity	Closing balance 31 December 2023
Property and equipment, and software	(174)	(344)	-	(518)
Deferred employees' benefits	1,390	(565)	-	825
Other	64	(12)	-	52
	1,280	(921)	-	359

Notes to the Financial Statements (continued)

26. Prepayments, accrued income and other assets

£000	31 December 2024	31 December 2023
Accrued income	7,729	5,299
Prepaid expenses	1,196	1,503
Tax receivable	401	356
Receivable from related party	1,919	13,394
Other	127,001	110,029
	138,246	130,581

Transfer pricing receivable from related party of £1,919,000 (31 December 2023: £13,394,000) was outstanding at 31 December 2024. Other assets of £125,804,000 (31 December 2023: £111,490,000) deposited with London Clearing House.

27. Deposits from banks

£000	31 December 2024	31 December 2023
From fellow group companies	267,416	216,588
Other deposits from banks	225,840	153,002
	493,256	369,590

28. Deposits from customers

£000	31 December 2024	31 December 2023
Retail customers:		
Term deposits	662,594	499,933
Notice deposits	67,434	75,001
Current deposits	206,332	225,494
Other	45	46
	936,405	800,474
Corporate customers:		
Notice deposits	134,636	100,911
Current deposits	276,719	312,417
Other	7,769	9,266
	419,124	422,594
	1,355,529	1,223,068

Notes to the Financial Statements (continued)

29. Other liabilities

£000	31 December 2024	31 December 2023
Creditors and accruals	26,472	27,258
Lease liabilities	10,631	11,071
Other	370	23
	37,473	38,352

30. Lease liabilities

£000	2024	2023
As at 1 January	11,071	11,118
Additions	51	-
Disposal	-	-
Interest	309	316
Rental payments	(800)	(363)
As at 31 December	10,631	11,071

Discounted lease liability maturity analysis:

£000	Within 1 year 2024	1 - 5 years	Over 5 years	Total 2024
Lease payments	968	3,948	8,037	12,953
Finance charges	(292)	(956)	(1,074)	(2,322)
Net present value	676	2,992	6,963	10,631
£000	Within 1 year 2023	1 – 5 years	Over 5 years	Total 2023
Lease payments	798	3,890	9,008	13,696
Finance charges	(309)	(1,036)	(1,280)	(2,625)
Net present value	489	2,854	7,728	11,071

31. Accruals and deferred income

£000	31 December 2024	31 December 2023
Deferred income	2,459	2,967
Accrued interest	20,798	12,050
	23,257	15,017

Notes to the Financial Statements (continued)

32. Called up share capital and other equity instruments

(a) Called up share capital

At 31 December 2024 the authorised share capital comprised 250,000,000 ordinary shares (31 December 2023: 250,000,000). These instruments have a par value of £1 and are all issued shares and fully paid.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Bank.

(b) Other equity instruments

This instrument is held by Bank of China Limited via its London Branch. The Bank has issued this capital instrument which is included in the Bank's capital base is fully in accordance with the PRA Rulebook as it relates to additional tier 1 capital.

Interest on this instrument will be due and payable only at the sole discretion of the Bank, and the Bank has sole and absolute discretion at all times and for any reason to cancel (in whole or in part) any interest payment that would otherwise be payable on any date, for an unlimited period and on a non-cumulative basis. There are limitations on the payment of principal, interest or other amounts if such payments are prohibited under UK banking regulations, or other requirements, if the Bank has insufficient distributable reserves or if the Bank fails to satisfy the solvency conditions as defined in the instrument terms.

The instrument is undated and is repayable, at the option of the Bank, in whole or in part on the interest payment date falling in or nearest to June 2027 and each interest payment date thereafter, in addition, the instrument is repayable at the option of the Bank in whole, but not in part, for certain regulatory or tax reasons. Any repayments require consent of the Prudential Regulation Authority. This instrument will be written down in whole, together with any accrued but unpaid interest if the Bank's Common Equity Tier 1 Ratio falls below 7.00%.

(c) Dividends

The directors recommend the payment of a dividend of £78,700,000 for 2024 (2023: £98,100,000).

33. Related parties

(a) Parent and ultimate controlling party

The immediate parent company of the Bank is Bank of China Limited (a company incorporated in the People's Republic of China). The ultimate holding company is China Investment Corporation Limited.

The largest and smallest group which includes the Bank and which prepares publicly available consolidated financial statements is the Bank of China Limited. Copies of its consolidated financial statements are publicly available from the Head Office of the Bank of China Limited, 1 Fuxingmen Nei Dajie, Beijing 100818, People's Republic of China.

During the year ended 31 December 2024 there were no transactions which resulted in there being a change in the ultimate controlling party of the Bank.

The Bank regards the following as being related parties that exercise significant control:

- Bank of China Limited (parent);
- China Investment Corporation Limited (ultimate parent).

Significant companies of the Bank are subsidiaries of the Bank, subsidiaries and associated companies of the immediate parent company.

Notes to the Financial Statements (continued)

33. Related parties (continued)

(a) Parent and ultimate controlling party

£000	Nature of related party	
	Significant control	Significant company
Balance at 31 December 2024		
Cash balances with banks and other demand deposits	76,138	-
Loans and advances to banks	73,658	-
Loans and advances to customers	-	4
Derivative financial instrument assets	4,667	-
Prepayments, accrued income and other assets	273	1,646
Deposits from banks	267,416	-
Deposits from customers	-	2,085
Derivative financial instrument liabilities	2	-
Other liabilities	4,014	-
Included in the income statement for the period		
Interest receivable	8,318	-
Interest payable	(5,881)	-
Other operating income	107,039	69
Net gain on derivative financial instruments	118,864	-
Balance at 31 December 2023		
Cash balances with banks and other demand deposits	65,149	-
Loans and advances to banks	86,477	-
Loans and advances to customers	-	3
Derivative financial instrument assets	5,506	-
Prepayments, accrued income and other assets	11,379	2,015
Deposits from banks	216,588	-
Deposits from customers	-	3,171
Derivative financial instrument liabilities	3	-
Other liabilities	3,373	-
Included in the income statement for the period		
Interest receivable	3,082	-
Interest payable	(8,016)	-
Other operating income	114,041	158
Net gain on derivative financial instruments	12,131	-

Other assets include related party leases with details disclosed in Note 36.

(b) Investment in non-consolidated subsidiaries

	Shareholding	Country of incorporation	Ownership interest	
			31 December 2024	31 December 2023
China Bridge Group (UK) Limited	100 ordinary shares	United Kingdom	100%	100%

Notes to the Financial Statements (continued)

33. Related parties (continued)

(b) Investment in non-consolidated subsidiaries (continued)

At 31 December 2024, the Bank held an investment of £1 (100 shares at £0.01 each) in China Bridge Group (UK) Limited (31 December 2023: £1). This entity is wholly-owned, with registered office at 1 Lothbury, London, EC2R 7DB. The Bank has availed itself of the consolidation exemption (refer to Note 2) and therefore does not prepare consolidated financial statements.

(c) Key management compensation

Key management is comprised of directors and the members of the Executive Management Committee of the Bank. The Bank does not provide non-cash benefits to any of the key management personnel.

£000	2024	2023
Compensation of Key Management Personnel:		
Short-term employee benefits	1,874	1,749
Post-employment benefits	52	22
Total	1,926	1,771

(d) Transactions with key management

Transactions with key management for the period ended 31 December 2024 comprised deposits transacted on an arms' length basis to the value of £3,986,310 (2023: £3,815,096).

34. Provisions and commitments

(a) Undrawn loan commitments, guarantees and other financial facilities

£000	31 December 2024	31 December 2023
Undrawn loan commitments	159,720	113,729
Guarantees	3,054	5,615
Letter of credit	273	-
Total	163,047	119,344

(b) Operating lease commitments

Where the Bank is the lessee, the future aggregate minimum lease payments on buildings are as follows:

£000	31 December 2024	31 December 2023
Less than one year	841	984
Total	841	984

Notes to the Financial Statements (continued)

35. Subsequent events

On 31 December 2024 the Bank's subsidiary, China Bridge Group (UK) Limited's licence to process visa applications expired and the business of processing visa applications was transferred to a third party.

As part of the transfer arrangement the Bank has engaged in an Authorised Guarantee Agreement (AGA) with the London property landlord whereby the Bank sub leases the London property to the third party and at the same time issues a guarantee for value £1,650,000 as security to the landlord. In addition a cash collateral agreement also came into effect between the Bank and the third party whereby the third party provided cash collateral to the Bank of £650,000 in relation to both the London and Manchester leases. The Manchester lease has been sublet to the third party by the Bank's subsidiary China Bridge Group (UK) Limited.

A dividend for 2024 of £78,700,000 is due to be declared by the directors after 31 December 2024 (2023: £98,100,000).

36. Company as Lessor

The Bank has entered into sub-leasing arrangements on one of its leased office property. This lease has terms of between twelve and nineteen years with provision for upward revision of rental charges. Rental income recognised by the Bank during the year is £246,000 (2023: £246,000).

Future minimum rentals receivable under operating leases as at 31 December 2024 are:

£000	2024	2023
Within one year	246	246
After one year but not more than five years	984	984
More than five years	513	759
Total	1,743	1,989

The lease was assigned to a third party on 2 January 2025.