



Pillar 3 Disclosures

31 December 2024



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Definitions, Acronyms and Abbreviations

| Abbreviations | Term |
|---------------|---|
| 1LoD | The First Line of Defence |
| 2LoD | The Second Line of Defence |
| 3LoD | The Third Line of Defence |
| ALCO | Asset & Liability Committee |
| ALM | Asset & Liability Management |
| AT1 | Additional Tier 1 |
| BAC | Board Audit Committee |
| BIA | Basic Indicator Approach |
| BoC Group | Bank of China Group |
| BoC UK | Bank of China (UK) Ltd |
| BoE | Bank of England |
| BRC | Board Risk Committee |
| BRNC | Board Remuneration and Nominations Committee |
| CCP | Central Counterparty |
| CCR | Counterparty Credit Risk |
| CCoB | Capital Conservation Buffer |
| CCyB | Countercyclical Capital Buffer |
| CDS | Credit Default Swaps |
| CEO | Chief Executive Officer |
| CET1 | Common Equity Tier 1 |
| CFO | Chief Financial Officer |
| CRD | Capital Requirements Directive |
| CRMDC | Credit Risk Management & Decision Committee |
| CRM | Credit Risk Mitigation |
| CRR | Capital Requirements Regulation propagated under CRD IV |
| CRO | Chief Risk Officer |
| CVA | Credit Valuation Adjustment |
| EAD | Exposure at Default |
| ECAI | External Credit Assessment Institution |
| ECL | Expected Credit Losses |
| EMC | Executive Management Committee |
| EMIR | European Market Infrastructure Regulation |
| FCA | Financial Conduct Authority |
| FPC | Financial Policy Committee |
| FX | Foreign Exchange |
| HQLA | High Quality Liquid Assets |
| IBS | Important Business Service |
| ICAAP | Internal Capital Adequacy Assessment Process |
| IFRS | International Financial Reporting Standards |
| ILAAP | Internal Liquidity Adequacy Assessment Process |
| ILG | Individual Liquidity Guidance |
| IR | Interest Rate |

| | |
|--------|--|
| KM1 | Key Metrics |
| KRI | Key Credit Risk Indicators |
| KRIs | Key Risk Indicators |
| LA | Late Action Scenario |
| LCR | Liquidity coverage ratio |
| LCH | London Clearing House |
| LGD | Loss Given Default |
| NAA | No Additional Action Scenario |
| NII | Net Interest Income |
| NPV | Net Present Value |
| NSFR | Net Stable funding Ratio |
| ORM | Operational Risk Management |
| ORRC | Operational Risk & Resilience Committee |
| OTC | Over-the-counter |
| PD | Probability of Default |
| PFE | Potential Future Exposure |
| PRA | Prudential Regulatory Authority |
| PS | Policy Statement - PSs contain final rules/regulations that form part of the PRA Rulebook. The PRA makes rules by producing rule-making instruments. |
| QCCP | Qualified Central Counterparty |
| RAS | Risk Appetite Statement |
| RC | Replacement Cost |
| RMD | Risk Management Department |
| RMICC | Risk Management and Internal Control Committee |
| RWAs | Risk Weighted Assets |
| SA | Standardised Approach |
| SA CCR | Standardised Approach for Counterparty Credit Risk |
| SDDT | Small Domestic Deposit Taker |
| SS | Supervisory Statement - SS are aimed at facilitating a firms' judgement in determining whether they meet the PRAs expectations |
| SREP | Supervisory Review and Evaluation Process |
| TCR | Total Capital Requirement |
| TSCR | Total SREP Capital Requirements |
| TRS | Total Return Swaps |
| UKCRR | UK On-shored Capital Requirements Regulation (UKCRR) |

1 INTRODUCTION

1.1 OVERVIEW

Bank of China (UK) Limited (the Bank or BoC UK) is a full-service credit institution offering retail and corporate banking services in the United Kingdom (UK).

The Bank operates from four branches in the UK and its head office at 1 Lothbury. The Bank is authorised by the Prudential Regulation Authority (PRA) and is regulated by the Financial Conduct Authority (FCA) and the PRA.

The Bank is a wholly owned subsidiary of Bank of China Limited (BOCL). The Group has been active in the UK since 1929 through its London Branch (BOC LB). Changes to the regulatory framework in the UK in 2005 necessitated the establishment of a UK-authorized bank in order to continue providing a full range of services to customers in the UK. In order to meet the regulatory requirements, the retail banking business of BOC LB was transferred to the newly established BOC UK.

1.2 ORGANISATIONAL CHART

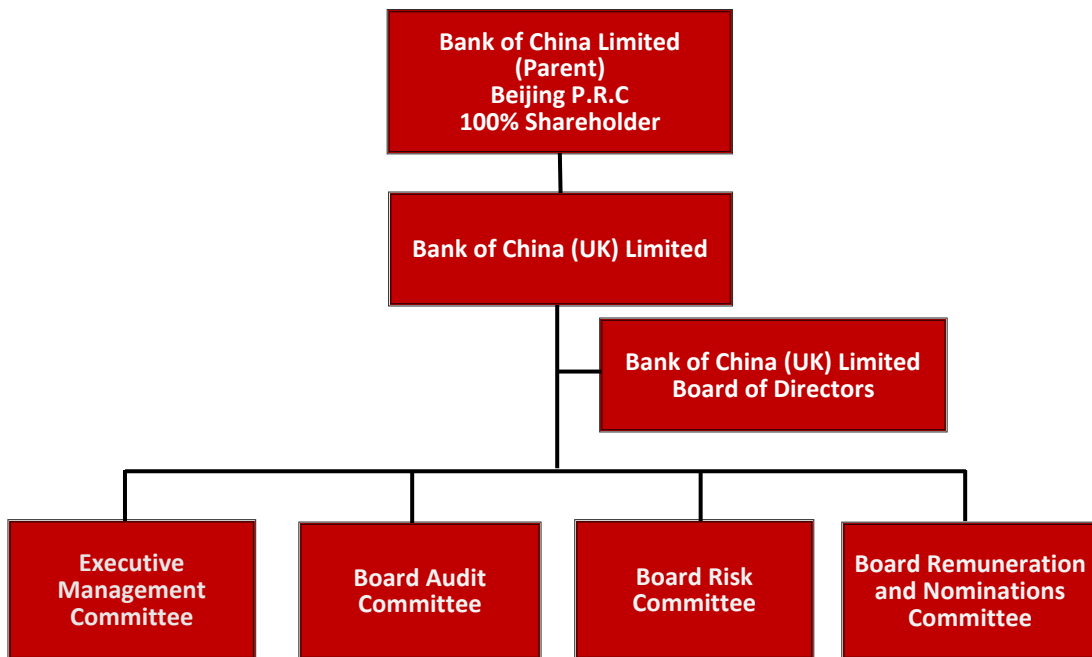


Figure 1: Organisation Chart

Executive Management Committee (EMC) is responsible for the overall monitoring of business development and operations, approval of expenditure budget and business budget, as well as dedicating sufficient resources and expertise to implement ERMF. It delegates its risk management responsibilities to the Risk Management and Internal Control Committee.

Board Audit Committee (BAC) complements the BRC in respect of risk management. Its main responsibilities include reviewing, monitoring, challenging and otherwise assisting the

Board in carrying out its responsibilities relating to internal control, accounting policies, financial reporting, and their relevant compliance with regulatory financial reporting and best practices, approving the scope of internal audit reviews, discussing with the external auditors' matters arising from the statutory audit.

Board Risk Committee (BRC) is mainly responsible for assisting the Board with established and ongoing review of risk strategies, rules and policies, defining risk appetite, oversight of overall risk profile and effectiveness in implementing the Enterprise Risk Management Framework and performing risk management activities.

Board Remuneration and Nominations Committee (BRNC) is responsible for the implementation of the Bank's effective remuneration governance and related risk management practices. It consists of two independent UK-based non-executive directors, one of whom chairs the Committee. The chair of the Committee shall be appointed by the Board on the recommendation of the Board Remuneration and Nominations Committee.

1.3 BASIS AND SCOPE OF DISCLOSURES

The purpose of this Pillar 3 document is to ensure that the Bank provides relevant and timely information to stakeholders, enabling them to assess the Bank's risk profile, capital adequacy, and risk management practices. This report is prepared in accordance with the UK On-shored Capital Requirements Regulation (UKCRR)¹ and the PRA Rulebook, specifically the requirements in the Disclosure (CRR) Part.

The Bank meets the criteria being "other institution" under the UK CRR, as incorporated into the PRA Rulebook. The Bank's policy is to comply with all derogation requirements for being a "non-listed institution" and a "small CRR firm" under Article 433c of the PRA Rulebook. These disclosures have therefore been prepared applying the derogation provisions in Article 433c(2) and 433c(3)(a).

It is recommended that these disclosures be read in conjunction with the Bank's Annual Report and Financial Statements for the year ending 31 December 2024. For accounting purposes, the Bank has elected to avail itself of the exemption under Section 401 of the Companies Act 2006, which allows for the preparation of separate financial statements (see Note 2: Basis of Preparation in the Annual Report and Financial Statements 2024).

These disclosures have been prepared in accordance with regulatory capital adequacy concepts and rules, rather than in accordance with IFRS accounting standards. As a result, some information in this report may not be directly comparable with the Bank's Annual Report and Financial Statements for the year ending 31 December 2024.

¹ Capital Requirements Regulation (CRR) and Capital Requirements Directive (CRD): The CRR and CRD are EU regulations that have been transposed into UK law. They incorporate the Basel III framework into the UK regulatory framework and set out the requirements for capital adequacy, risk management, and disclosures.

1.3.1 Regulatory Framework of Disclosures

Pillar 3 rules are applicable to banks, building societies, and investment banks. They are designed to enhance market discipline by facilitating the disclosure of essential information related to risk exposures and risk management processes.

Under the Basel III framework, prudential requirements are categorised into three pillars as described below:

- **Pillar 1 – Minimum capital requirements:** This pillar defines rules for calculating credit, market, and operational risk, ensuring that banks maintain a minimum level of capital to cover these risks.
- **Pillar 2 – Supervisory review process:** This pillar requires firms to conduct an Internal Capital Adequacy Assessment Process (ICAAP) and an Internal Liquidity Adequacy Assessment Process (ILAAP). Supervisors review and assess these to ensure that banks hold adequate capital and liquidity to cover various risks.
- **Pillar 3 – Market discipline:** This pillar requires enhanced disclosures to enable investors and market participants to understand firms' capital adequacy, risk exposures, and risk management practices. Under the Pillar 3 framework, the Bank must disclose all material risks.

1.3.2 Frequency

The Bank is required to publish Pillar 3 disclosures annually. However, the Bank continuously assesses the need to publish some or all of the disclosures more frequently than annually in order to effectively communicate the Bank's business and risk profile.

1.3.3 Verification

This Pillar 3 disclosure document was approved by the Board on 16 July 2025. The Board has confirmed that the document is consistent with the Bank's formal policies on production and validation. Although the disclosures in this document do not require external audit validation, they have undergone internal governance procedures, including review and approval by the Bank's Executive Committee and Board of Directors.

1.3.4 Immaterial disclosures

In line with Article 432 of the Disclosure (CRR) section of the PRA Rulebook, where the Bank considers the information required under a particular disclosure to be immaterial, such disclosures have been omitted. The determination of immateriality is based on guidance issued by the European Banking Authority (EBA).

1.3.5 Media and Location of Publication

The Bank’s Pillar 3 disclosures report is produced annually and published alongside the Annual Report and Financial Statements for the corresponding period on the Bank’s website: <http://www.bankofchina.com/uk/aboutus>

2 RISK DECLARATION CONCERNING RISK MANAGEMENT ARRANGEMENTS

In accordance with its commitment to maintaining robust risk management frameworks, the Bank declares that it has established comprehensive risk management arrangements designed to identify, assess, monitor, and mitigate risks across all facets of its operations. These arrangements encompass rigorous internal controls, ongoing risk assessment procedures, and compliance with regulatory standards to ensure the stability and integrity of the Bank’s financial activities. The Bank’s risk management policies are reviewed regularly to adapt to evolving market conditions and regulatory requirements, thereby safeguarding the interests of its stakeholders and upholding its financial health and reputation.

3 RISK MANAGEMENT AND GOVERNANCE FRAMEWORK

The Enterprise Risk Management Framework (ERMF) outlines the fundamental enterprise-level principles for managing risk in the Bank. Figure 2 below provides an overview of the key framework components, the details of which are elaborated in later sections.

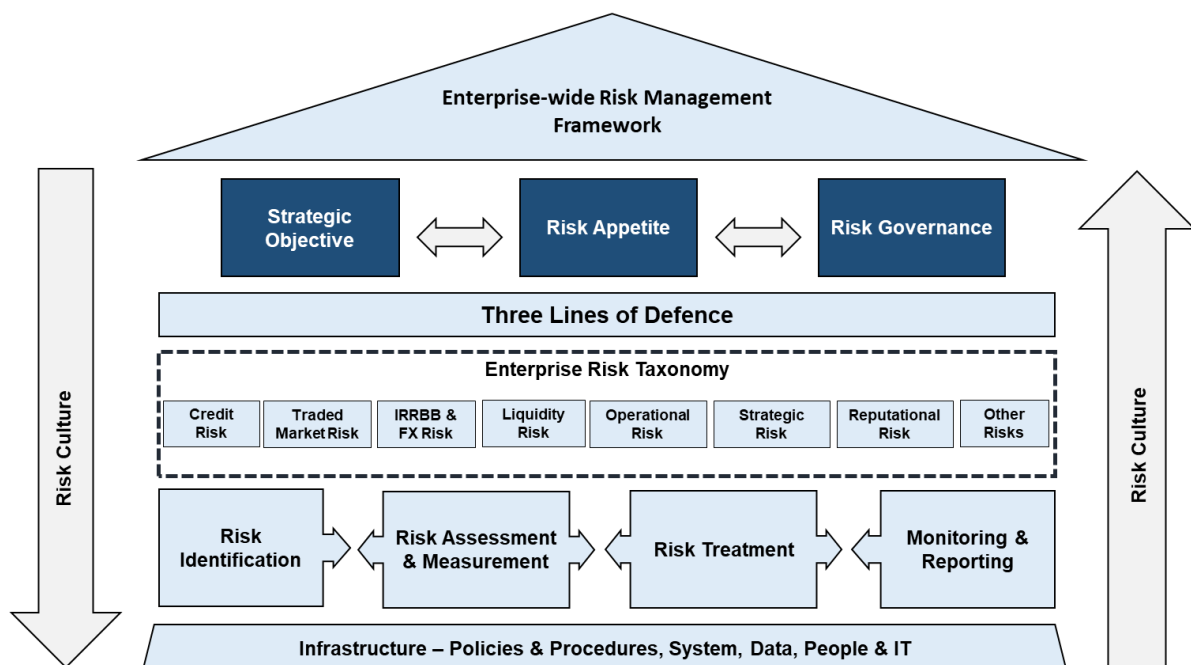


Figure 2: Enterprise Risk Management Framework

With the support of all senior management, Chief Executive Officer (CEO) of the Bank assumes ultimate executive accountability for maintaining a sound ERMF and for overseeing and challenging the effectiveness of risk management activities and practices across the Bank.

The Risk Management Department (RMD) supports senior management in designing, maintaining, and promoting the ERMF; disseminating EMC expectations; and overseeing implementation across the Bank, with support from all three lines of defence and across all risk types.

3.1 STRATEGIC OBJECTIVE AND RISK APPETITE

Risk appetite, described in qualitative and/or quantitative terms, refers to the aggregate level of exposure to various risks that the Bank is willing to accept in pursuit of its strategic objectives and daily operations.

The Bank’s respective risk appetites are documented in its Risk Appetite Statement (RAS).

3.2 RISK GOVERNANCE

The Board is accountable for establishing the Bank’s overall strategy and significant policies related to risk management, either for specific risk types or in general.

To support the Board in fulfilling its accountability, the Bank has established a committee governance structure (Figure 3) at both the Board and senior management levels to provide oversight and challenge in the implementation of the ERMF’s fundamental principles across all areas and risk types within the Bank.

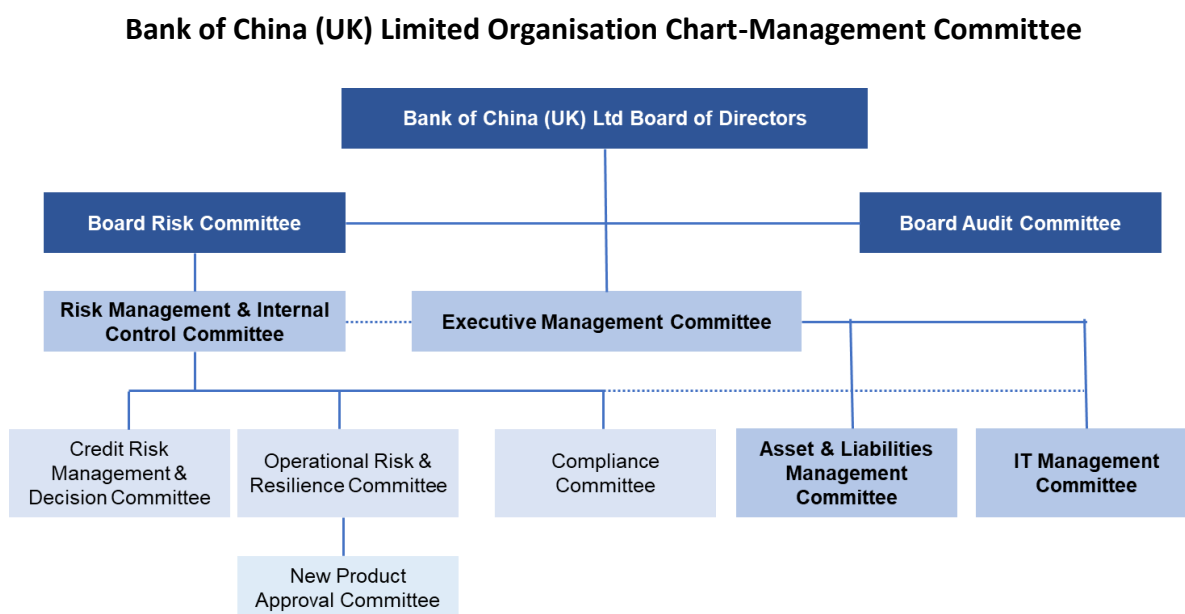


Figure 3 BoC UK Committee Structure

3.3 GOVERNANCE ARRANGEMENT

3.3.1 The number of directorships

| Name | Position | Directorship |
|---------------------|---|--------------|
| Wenjian Fang | Executive Director | 1 |
| Stewart Trussler | Executive Director (Resigned 01 May 2025) | 1 |
| Huabin Wang | Non-Executive Director | 1 |
| Gerard Lyons | Senior Independent Non-Executive Director | 2 |
| Simon Charles Hardy | Independent Non-Executive Director | 1 |
| Wei Shi | Executive Director (Resigned 14 May 2024) | 1 |
| David Price | Independent Non-Executive Director (Resigned 1 October 2024) | 3 |
| Jonathan Spence | Independent Non-Executive Director (Resigned 14 March 2025) | 1 |
| Jiuzhong Li | Executive Director (Resigned 9 October 2024) | 1 |
| Li Ren | Non-Executive Director (Appointed in 11 March 2025) | 1 |
| Peter Reid | Independent Non-Executive Director (Appointed 10 March 2025) | 1 |
| Richard Reid | Independent Non-Executive Director and Chairman (Appointed in 05 March 2025) | 4 |

3.3.2 Information regarding the recruitment and diversity policy for the selection of members of the management body

In line with the Bank's strategic priorities, the recruitment process for members of the management body is grounded in fairness, transparency, and a commitment to diversity and inclusion. The Bank ensures that appropriate knowledge, skills, and expertise are thoroughly considered during the selection process to support effective governance and leadership.

To reinforce these values, the Bank has established a comprehensive Diversity and Inclusion Framework, which clearly articulates the Bank's vision and sets out leadership accountability for driving an inclusive culture.

In 2024, the Bank conducted a Board Composition Review to assess the effectiveness, composition, skills, and experience. This review also examined recruitment practices and the Board's overall diversity, further supporting the Bank's commitment to building a capable and representative leadership team.

3.4 THREE LINES OF DEFENCE MODEL

It is a fundamental principle expectation that an adequate and Three Lines of Defence approach is used to manage risk.

The Bank has adopted an activity-based Three Lines of Defence approach. Therefore, the role of individual staff may differ from risk to risk, depending on the actual activities the staff member is undertaking or responsible for.

3.4.1 The First line of Defence (1LoD)

The 1LoD role in managing a given risk type is undertaken by all staff who do not have a specific 2LoD or 3LoD role for that risk type.

The 1LoD owns and manages the risk that the Bank generates from its activities, and ensures adequate understanding of, and full compliance with, legal, regulatory, ethical, and internal expectations.

The 1LoD role for a given risk type is responsible for:

- Identifying, assessing and treating the risk generated from its operation.
- Developing and maintaining a sound risk control environment within its area.
- Carrying out 1LoD risk monitoring and reporting, including escalating material issues or concerns to line management and the 2LoD for that risk.

As part of the 1LoD, dedicated Risk & Control teams (or equivalent) have been established within certain areas of the Bank to provide additional advisory and oversight capabilities within the 1LoD for risk management and control activities, and to facilitate risk initiatives. Although the Risk & Control teams form an important part of 1LoD functionality, they do not own or manage the risk generated by the 1LoD. Therefore, their activities are clearly differentiated from the 1LoD's day-to-day transactional and operational activities.

3.4.2 The Second line of Defence (2LoD)

The 2LoD role for a risk type listed in the Enterprise Risk Taxonomy (ERT) is performed by staff in the respective department. In cases of exposure to a material risk type not listed in the ERT, each relevant department establishes the capability to perform 2LoD functions. Heads of Department are required to document and distinguish the responsibilities of departmental staff between the 1LoD and 2LoD, emphasizing the reasonable independence of 2LoD activities.

The 2LoD reviews, challenges and guides the 1LoD risk management activities. The 2LoD role for a given risk type is responsible for:

- Providing supplementary and directional subject matter expertise and advice to the 1LoD on how the risk type should be managed. For ERT risks, this includes establishing the framework and/or policies for the risk type.
- Independently overseeing and challenging the risk profile and effectiveness of 1LoD risk and control management activities, both individually (e.g. a specific 1LoD area) and holistically (i.e. the Bank) against the Bank's risk appetite and 2LoD policy expectations for a given risk type.

- Conducting independent assurance of the effectiveness of 1LoD controls (on a sample basis), for a given risk type as appropriate.
- Independently escalating material issues or concerns to management and the appropriate oversight committee(s).

3.4.3 The Third line of Defence (3LoD)

As the 3LoD role in risk management, the Internal Audit Department is responsible for providing fully independent and objective assurance to the Board and management, as well as advice on the adequacy and effectiveness of the risk management frameworks and activities in both the 1LoD and 2LoD.

3.5 RISK MANAGEMENT PROCESS

It is a principal expectation that the standard risk management process described below (Figure 4) is adopted across all risks. This process forms a standard component of the risk management framework and/or policy for each ERT risk, in order to guide consistent Bank-wide day-to-day risk management activities within 1LoD teams for that risk type.

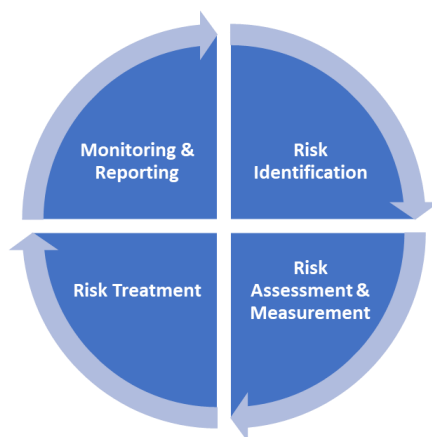


Figure 4: Risk Management Process

3.5.1 Risk Identification

All departments of the Bank identify which risks they are exposed to, or create exposure to, as part of their day-to-day activities and any planned changes (e.g., new products, etc.). This process is carried out on a regular basis to maintain an up-to-date view of the Bank's exposure to a given risk.

3.5.2 Risk Assessment & Measurement

Once a risk is identified, it is important to assess and measure the materiality of the exposure. This enables the 1LoD to make informed decisions on the necessary next steps required to address the risk. Risk measurement methodology is developed and clearly

documented for a given risk type by the respective 2LoD functions, taking into account the probability and impact.

In addition, stress testing is considered to assess potential changes in risk exposure under hypothetical or forward-looking stress conditions, and to determine an appropriate contingency plan.

3.5.3 Risk Treatment

Once exposure to a given risk is identified and assessed, the 1LoD must take appropriate risk treatment measures to keep such exposure within the Bank's risk appetite during the Bank's pursuit of its strategic objective:

- **Risk Avoidance:** Unwanted risk is eliminated or avoided by not engaging in, or by moving away from, activities in which the risk could occur (e.g. pausing or exiting the business activities).
- **Risk Transference:** Risk is fully transferred via a contract to an external party who assumes the risk on the Bank's behalf (e.g., buying insurance or entering into a full hedge trade). The 1LoD considers that this may change the nature of the risk it now owns and manages, rather than removing the risk from the Bank (e.g., converting it to insurer performance risk or counterparty credit risk).
- **Risk Reduction:** Risk becomes less severe through actions taken to prevent or reduce its impact (e.g. changes to business strategy, diversification, controls, issue remediation, etc.).
- **Risk Acceptance:** Risk is accepted by authorised staff with no further action.

In some cases, a combination of treatments is appropriate to bring risk within appetite. For example, a combination of risk controls and partial risk transfer.

It is important to understand that exposure to certain risks will always exist, due to the inherent nature of the business model and the risks. For instance, the Bank is always expected to take a reasonable degree of credit or market risk in order to generate income, and accept a reasonable degree of certain operational risks from its daily operations, because such risks, by nature, can never be fully prevented or "eliminated" by any means.

All members of the Bank maintain a reasonable understanding of the Bank's risk appetite and ensure appropriate risk treatment measures are in place and applied to keep the level of residual risk exposure within the risk appetite.

3.5.4 Monitoring & Reporting

Finally, the Bank maintains sound and effective monitoring of the output of its risk identification, assessment, and treatment activities, as well as the state of its internal and external operating environment. For example, this includes establishing and tracking Risk Appetite Indicators, Risk Limits, and Key Risk Indicators, and setting early-warning trigger levels for these metrics to enable timely identification of potential issues.

Sound monitoring allows stakeholders to maintain a current view of the Bank's risk profile, the effectiveness of its risk treatment activities, and adherence to risk limits/appetite; to identify any material issues or emerging concerns; and to take appropriate action.

Furthermore, an appropriate reporting mechanism (including escalation) is clearly defined within the respective risk management framework to ensure adequate information transparency among relevant stakeholders (e.g., across the three lines and management) and governance forums, and that material issues or concerns are escalated in a timely and effective manner.

At a minimum, the 1LoD must implement any risk identification, assessment, treatment, monitoring, and reporting requirements set out by the respective 2LoD.

3.6 RISK CULTURE

Risk culture refers to the unified consensus on the Bank's risk awareness, risk-taking and decision-making behaviour and risk management concept. The Bank is committed to building a bank-wide risk culture that focuses on bottom-line consensus, prudence and deliberation, initiative and pro-activeness, and value creation.

The Bank promotes its risk culture through:

- Strong support from Senior Management;
- Accountability and risk ownership;
- Transparent risk communication and training; and
- Strong integrated risk management framework.

The Bank should establish mechanisms for the cultivation, development, and retention of risk management talent, and continuously develop professional risk management teams—ensuring appropriate staffing, optimising team structure, and enhancing the professionalism of risk personnel.

4 CAPITAL

The Bank established its capital base through a capital injection from the BoC Group, with the option to increase capital internally through retained earnings. The Bank's capital resources consist solely of Tier 1 capital. The PRA uses risk asset ratios as one of the measures of capital adequacy for the UK banking sector. All of the Bank's risk asset ratios are compliant.

The Key Metrics (KM1) table below presents key regulatory metrics and ratios for both Pillar 1 and Pillar 2A requirements. The Bank applies the Standardised Approach for Pillar 1 requirements, while Pillar 2A requirements are based on the Supervisory Review and Evaluation Process (SREP).

UK KM1 - Key Metrics

| Available capital (£'000) | | 2024 | 2023 |
|---|---|-----------|-----------|
| 1 | Common equity tier 1 capital (CET1) | 274,294 | 275,056 |
| 2 | Tier 1 capital | 334,294 | 335,056 |
| 3 | Total regulatory capital | 334,294 | 335,056 |
| Risk-weighted assets ('RWAs') | | | |
| 4 | Total risk-weighted assets (RWA) | 1,106,898 | 1,024,452 |
| Risk-based capital ratios as a percentage of RWA (%) | | | |
| 5 | Common Equity Tier 1 ratio (%) | 24.8% | 26.8% |
| 6 | Tier 1 ratio (%) | 30.2% | 32.7% |
| 7 | Total capital ratio (%) | 30.2% | 32.7% |
| Additional CET1 buffer requirements as a percentage of RWA (%) | | | |
| 8 | Capital conservation buffer requirement (%) | 2.5% | 2.5% |
| 9 | Countercyclical buffer requirement (%) | 0.4% | 0.5% |
| 10 | Bank G-SIB and/or D-SIB additional requirements (%) | 0% | 0% |
| 11 | Total of bank CET1 specific buffer requirements (%) | 2.9% | 3.0% |
| 12 | CET1 available after meeting the Bank's minimum Cap Req (%) | 20.3% | 22.3% |
| Basel III leverage Ratio | | | |
| 13 | Total Basel III leverage ratio exposure measure (£'000) | 1,462,346 | 1,473,437 |
| 14 | Basel III leverage ratio (%) | 22.9% | 22.7% |
| Liquidity Coverage Ratio | | | |
| 15 | Total HQLA | 1,014,087 | 677,646 |
| 6 | Total net cash outflow | 272,240 | 174,967 |
| 17 | LCR ratio (%) | 372.5% | 387.3% |
| Net Stable Funding Ratio | | | |
| 18 | Total available stable funding | 1,630,136 | 1,289,845 |
| 19 | Total required stable funding | 752,941 | 959,234 |
| 20 | NSFR ratio (%) | 216.5% | 134.5% |

Most key ratios show no material changes year-on-year in the metrics above, with the exception of the NSFR. The change in the NSFR was mainly due to increased stable funding, driven by weighted increases in retail deposits and wholesale long-term funding, as well as an adjustment that reduced the required stable funding factor for mortgage exposures following a review of the NSFR treatment in 2024.

4.1 CAPITAL RESOURCES

4.1.1 CET1 Capital:

As of 31 December 2024, the CET1 capital consists of £250m in ordinary share capital and £25m in post-audited retained earnings. The retained earnings are eligible for inclusion as regulatory Tier 1 capital, after the deduction of declared dividends.

4.1.2 Additional Tier 1 (AT1) Capital:

The Bank held a £60m Additional Tier 1 contingent debt instrument on terms eligible for inclusion in the Bank's capital resources as of the end of 2023 and 2024. The AT1 instrument, issued in June 2022, is perpetual and therefore does not have a fixed maturity date.

4.2 DISCLOSURE OF OWN FUNDS

The table below shows the composition of the Bank's regulatory capital position as of the year-end 2024, in the disclosure format required by the PRA Rulebook:

Template UK CC1 - Composition of regulatory own funds

| | | Amounts (£'000) | Reference to UK CC2 |
|--|--|-----------------|--|
| Common Equity Tier 1 (CET1) capital: instruments and reserves | | | |
| 1 | Capital instruments and the related share premium accounts | 250,000 | |
| | of which: Call up share capital | 250,000 | “Authorised and called up share capital” |
| 2 | * Retained earnings | 24,964 | “Retained earnings” |
| 6 | Common Equity Tier 1 (CET1) capital before regulatory adjustments | 274,964 | |
| Common Equity Tier 1 (CET1) capital: regulatory adjustments | | | |
| 7 | Additional value adjustments (negative amount) | -35 | “Financial assets at fair value through profit and loss” |
| 8 | Intangible assets (net of related tax liability) (negative amount) | -635 | “Intangible assets” |
| 28 | Total regulatory adjustments to Common Equity Tier 1 (CET1) | -670 | |
| 29 | Common Equity Tier 1 (CET1) capital | 274,294 | |
| Additional Tier 1 (AT1) capital: instruments | | | |
| 30 | Capital instruments and the related share premium accounts | 60,000 | |
| 31 | of which: classified as equity under applicable accounting standards | 60,000 | “Other equity instruments” |
| 36 | Additional Tier 1 (AT1) capital before regulatory adjustments | 60,000 | |
| Additional Tier 1 (AT1) capital: regulatory adjustments | | | |
| 43 | Total regulatory adjustments to Additional Tier 1 (AT1) capital | 0 | |
| 44 | Additional Tier 1 (AT1) capital | 60,000 | |
| 45 | Tier 1 capital (T1 = CET1 + AT1) | 334,294 | |
| Tier 2 (T2) capital: instruments | | | |
| 51 | Tier 2 (T2) capital before regulatory adjustments | 0 | |

| Tier 2 (T2) capital: regulatory adjustments | | |
|---|---|--------------|
| 57 | Total regulatory adjustments to Tier 2 (T2) capital | 0 |
| 58 | Tier 2 (T2) capital | 0 |
| 59 | Total capital (TC = T1 + T2) | 334,294 |
| Total Risk exposure amount | | |
| 60 | Total Risk exposure amount | 1,106,898 |
| Capital ratios and buffers | | |
| 61 | Common Equity Tier 1 (as a percentage of total risk exposure amount) | 24.8% |
| 62 | Tier 1 (as a percentage of total risk exposure amount) | 30.2% |
| 63 | Total capital (as a percentage of total risk exposure amount) | 30.2% |
| 64 | Institution CET1 overall capital requirement (CET1 requirement in accordance with Article 92 (1) CRR, plus additional CET1 requirement which the institution is required to hold in accordance with point (a) of Article 104(1) CRD, plus combined buffer requirement in accordance with Article 128(6) CRD) expressed as a percentage of risk exposure amount) | 8.2% |
| 65 | of which: capital conservation buffer requirement | 2.5% |
| 66 | of which: countercyclical buffer requirement | 0.42% |
| 67 | of which: systemic risk buffer requirement | 0% |
| UK-67a | of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer | 0% |
| 68 | Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount) | 19.5% |

* The retain earnings contain foreseeable dividend planned

Template UK CC2 - reconciliation of regulatory own funds to balance sheet in the audited financial statements

| Balance sheet as in published financial statements as at period end 2024 (£'000) | | | Reference to UK CC1 |
|--|--|------------------|---|
| Assets - Breakdown by asset class according to the balance sheet in the published financial statements | | | |
| 1 | Cash and balances at central banks | 975,201 | |
| 2 | Government bonds | 144,495 | |
| 3 | Loans and advances to banks | 73,658 | |
| 4 | Loans and advances to customers | 941,507 | |
| 5 | Derivative financial instruments | 4,667 | |
| 6 | Prepayments, accrued income and other assets | 138,246 | |
| 7 | Financial assets at fair value through profit and loss | 30,150 | “7 Additional value adjustments (negative amount)” |
| 8 | Current tax assets | 2,934 | |
| 9 | Deferred tax assets | 406 | |
| 10 | Property, plant and equipment | 11,419 | |
| 11 | Intangible assets | 636 | “8 Intangible assets (net of related tax liability) (negative amount)” |
| 12 | Investment in subsidiary companies | 0 | |
| 13 | Total assets | 2,323,319 | |
| Liabilities - Breakdown by liability class according to the balance sheet in the published financial statements | | | |
| 1 | Deposits from banks | 493,256 | |
| 2 | Deposits from customers | 1,355,529 | |
| 3 | Derivative financial instruments | 2 | |
| 4 | Other liabilities | 37,473 | |
| 5 | Accruals and deferred income | 23,257 | |
| 6 | Impairment provision on off balance sheet products | 58 | |
| 7 | Total liabilities | 1,909,575 | |
| Shareholders' Equity | | | |
| 1 | Authorised and called up share capital | 250,000 | “1 of which: Call up share capital” |
| 2 | Other equity instruments | 60,000 | “31 of which: classified as equity under applicable accounting standards” |
| 3 | Retained earnings | 103,744 | “2 Retained earnings “ |
| 4 | Total shareholders' equity | 413,744 | |
| 5 | Total liabilities and equity | 2,323,319 | |

4.3 LEVERAGE RATIO

The Although the Bank is not subject to the minimum leverage ratio capital requirement and buffers, the PRA expects firms in this position to actively manage their leverage risk so that their leverage ratio does not ordinarily fall below 3.25%. These requirements are outlined in Supervisory Statement SS45/15 The UK Leverage Ratio Framework.

4.4 CAPITAL REQUIREMENTS

The Bank uses the Standardised Approach (SA), as defined under the Basel III capital management framework, to estimate credit, market, and operational risk capital requirements. Credit risk, as a major risk component, arises principally from credit lending, debt securities investments, and off-balance sheet financial instruments.

UK OV1 – Overview of risk weighted exposure amounts

| Risk Weighted Exposures & Own Fund Requirements (£'000) | | Risk weighted exposure amounts (RWEAs) | | Total own funds requirements |
|--|--|--|------------------|------------------------------|
| | | 2024 | 2023 | 2024 |
| 1 | Credit risk (excluding CCR) | 662,567 | 641,596 | 53,005 |
| 2 | Of which the standardised approach | 662,567 | 641,596 | 53,005 |
| 6 | Counterparty credit risk - CCR | 8,763 | 6,946 | 701 |
| 7 | Of which the standardised approach | 8,763 | 6,946 | 701 |
| UK 8b | Of which credit valuation adjustment - CVA | 94,533 | 74,760 | 7,563 |
| 20 | Position, foreign exchange and commodities risks (Market risk) | 1,143 | 766 | 91 |
| 23 | Operational risk | 339,893 | 300,383 | 27,191 |
| UK 23b | Of which standardised approach | 339,893 | 300,383 | 27,191 |
| 24 | Amounts below the thresholds for deduction (subject to 250% risk weight) (For information) | 359 | 359 | 29 |
| 29 | Total | 1,106,898 | 1,024,452 | 88,552 |

Note: The above table has been condensed, and the appropriate disclosures that are relevant to the Bank have been presented.

4.4.1 PILLAR 1

Minimum capital requirements are referred to as Pillar 1 requirements. These requirements apply to credit, market and operational risk generated by the Bank. Pillar 1 requirements also extend to other risk types, such as credit valuation adjustment (CVA) risk, and include requirements associated with large exposures and the leverage ratio. Regulatory capital adequacy is measured using three risk-based ratios: CET1, Tier 1 and Total Capital ratios.

The Bank uses the Standardised Approach for credit risk and the Basic Indicator Approach (BIA) for operational risk Under the CRR and the PRA Rulebook's Operational Risk (CRR) Section (3), the Bank must set aside capital equal to 8% of total risk-weighted assets to cover Pillar 1 capital requirements.

Minimum CET1, Tier 1 capital and Total Capital adequacy ratios are supplemented by a number of capital buffers. The capital buffers applicable to the Bank are the Capital Conservation Buffer (CCoB) and the Countercyclical Capital Buffer (CCyB). These are collectively referred to as the Combined Buffer Requirement.

4.4.2 PILLAR 2A

In addition to Pillar 1 and the Combined Buffer Requirement mentioned above, the PRA performs a periodic supervisory review of the Bank's Internal Capital Adequacy Assessment Process (ICAAP), which leads to a final determination by the PRA of the TCR amount under Pillar 2A. The Pillar 2A requirement is an additional capital requirement that a firm need to hold to cover risks that are not adequately captured in Pillar 1. This is a point-in-time assessment of the minimum amount of capital the PRA considers an entity should hold.

4.4.3 ICAAP information

The purpose of the Bank's ICAAP is to define the internal processes and methodologies applied to assess current and forecast capital requirements over the planning period as well as to present the results of this assessment.

The ICAAP represents the ongoing assessment of the risks faced by the Bank and the level of capital that needs to be allocated for these risks, to ensure that the Bank continues to meet its capital requirements. The document is designed to provide the Board with a comprehensive view of the sufficiency of current and projected capital resources, material risks and exposures, the risk management framework and risk quantification process, estimated capital requirements, and projections under stress scenarios.

The Bank submits the ICAAP document along with supporting information to the PRA's Supervisory Review and Evaluation Process (SREP), usually every three years. The last SREP exercise was conducted in 2024 and the Bank was set a total capital requirement of 9.46% of which a minimum of 5.32% must be met with CET1 capital. The overall CET1 capital requirement, including combined buffer requirements, is 8.2%.

4.5 CAPITAL BUFFERS

In addition to the minimum capital requirements, the Capital Buffers (CRR Firms) section of the PRA Rulebook requires institutions to hold capital buffers that can be utilised to absorb losses in stressed conditions. The following capital buffers apply to the Bank.

4.5.1 Capital Conservation Buffer (CCoB)

The CCoB, introduced under the Capital Buffers (CRR Firms) section of the PRA Rulebook, is designed to ensure that institutions build up capital buffers outside periods of stress, which can be drawn down as losses are incurred. As of 31 December 2024, the buffer was set at 2.50% of risk-weighted assets and remained unchanged during the year.

4.5.2 Countercyclical Capital Buffer (CCyB)

The CCyB requires financial institutions to hold additional capital to reduce the build-up of systemic risk during a credit boom by providing additional loss-absorbing capacity and acting as an incentive to limit further credit growth, thereby protecting the banking sector against losses that could be caused by cyclical systemic risks.

The Financial Policy Committee (FPC) in the UK is responsible for setting the level of the UK CCyB rate. The UK CCyB rate was 2% as of year-end 2024.

5 CREDIT RISK

Credit risk is the risk that a borrowing client or treasury counterparty fails to repay some or all of the capital or interest advanced to them, due to a lack of willingness and/or ability to pay. The principal source of credit risk relates to the Bank's loans and advances to customers.

5.1 CREDIT RISK MANAGEMENT FRAMEWORK

The Bank established its credit risk appetite in accordance with the Bank's risk capacity, which is reviewed on a regular basis, in line with the Bank's strategic planning cycle or more frequently in the event of significant changes in strategy, or internal or external conditions. Credit risk appetite is monitored and reported on a monthly basis through a suite of risk metrics derived from credit portfolio performance measures. Credit risk appetite limits and credit risk policies are reviewed regularly to ensure that the metrics continue to reflect the Bank's risk appetite appropriately.

The Bank manages credit risk through:

- A clear credit risk governance structure;
- Defining, implementing and re-evaluating its risk appetite;
- Maintaining a strong culture of responsible risk-taking and a robust risk policy and control framework;

- Identifying, assessing and measuring credit risk clearly and accurately across the Bank, from individual facilities up to the total portfolio;
- Monitoring credit risk relative to established limits;
- Tracking key credit risk indicators (KRIs) for timely intervention;
- Conducting regular credit inventory reviews;
- Producing regular credit portfolio MI reports

5.2 CREDIT RISK EXPOSURES

The standardised approach is applied for credit risk. The Bank's minimum capital requirement for credit risk is expressed as 8% of the Risk-Weighted Exposure Amounts under each of the applicable standardised credit risk exposure classes.

The pre-risk-weighted exposure breakdown as of 31 December 2024 is shown below:

| Exposure Types | (£'000) |
|--|------------------|
| Government & Central Banks | 1,023,136 |
| Corporate | 350,642 |
| Institution (<i>incl CCR</i>) | 239,562 |
| Secured by mortgages on immovable property | 696,815 |
| Retail | 1,468 |
| Exposures in default | 4,468 |
| Other | 22,489 |
| Total | 2,338,580 |

The Bank actively works to prevent undue concentration risk by maintaining a well-diversified credit portfolio. Exposures to single customers, industries, geographies and specific maturities are continuously assessed and managed against risk appetite limits to ensure a balanced risk profile.

Additionally, the Bank acknowledges that certain portfolio characteristics have historically demonstrated resilience, allowing for a more tolerant approach toward specific sectors. This strategic flexibility enables the Bank to support key industries while maintaining overall portfolio stability.

5.3 IMPAIRMENT PROVISIONS

The Bank assesses, on a forward-looking basis, the Expected Credit Losses (ECL) associated with all loans and other debt financial assets, in accordance with the IFRS 9 standard. The Bank calculates ECL using three main components: the probability of default (PD), the loss given default (LGD), and the exposure at default (EAD). ECL includes impairment allowances (or provisions in the case of commitments and guarantees) for the 12-month ECL and lifetime ECL.

As of 31 December 2024, the Bank's ECL decreased to £56,000, primarily driven by improved asset quality, reflecting strong long-term portfolio resilience and reduced credit risk. After the year-end, following the auditor's review and approval the Credit Risk Management and Decision Committee (CRMDC), an additional £848,000 ECL was recognised on certain mortgage accounts to reflect the potential short-term impact of property devaluation related to cladding issues. As a result, the total ECL as of December 2024 was adjusted to £1.42 million,

5.4 CREDIT QUALITY STEP (CQS)

In the assessment of credit risk under the Standardised Approach, the Bank uses ratings assigned by recognised External Credit Assessment Institutions (ECAIs) to calculate RWAs. The Bank applies the methodology prescribed in Title II, Section 3: Recognition and Mapping of Credit Risk Assessment under the UKCRR.

Counterparty exposures under the Standardised Approach must be assigned to one of the six credit quality steps if a rating is available. After assignment to a credit quality step, the exposure class and maturity are then used to determine the applicable risk weight. Where a credit rating is not available, a default treatment is applied as specified by regulatory guidance.

The Bank follows the provisions of UKCRR when external rating cannot be obtained. And the Bank considers the asset quality of its unrated counterparties to be good, based on their financial standing, credit profiles, and low probability of default—underpinned by well-structured credit and an identified source of repayment.

5.5 CREDIT RISK MITIGATION (CRM)

CRM is a key aspect of effective risk management. The Bank uses a range of approaches to mitigate credit risk. Credit risk mitigation and credit enhancements employed by the Bank are listed below:

- A first fixed charge over residential real estate is the main source of collateral for retail lending, and more than half of the Bank's lending portfolio is concentrated in mortgage lending. Mortgage properties are valued by an independent external specialist at the loan initiation stage. For the remainder of the loan life cycle, mortgage properties are regularly valued using the Nationwide House Price Index.
- In secured corporate lending, aircraft serve as a primary collateral type.

6 COUNTERPARTY CREDIT RISK (CCR)

Counterparty credit risk refers to the risk that a counterparty to a transaction may default prior to the satisfactory final settlement of the cash flows of one of the following types of transactions: over-the-counter (OTC) derivatives, exchange-traded derivatives, long settlement transactions and securities financing transactions.

The Bank does not hold any credit default swaps (CDS) or total return swaps (TRS), and therefore disclosures for credit derivative transactions is not applicable. The Bank measures the risk of counterparty default and a credit valuation adjustment (CVA) when calculate its total CCR capital charge.

The Bank is a clearing member of the LCH which is a qualified central counterparty (QCCP) under UK EMIR, and provides CCP clearing activities for members of Bank of China Limited. The Bank's CCR mainly arises from derivative transactions executed solely for economic hedging of underlying activities by Bank of China Limited and from a buffer of excess collateral held at the CCP for operational reasons.

6.1 CAPITAL CHARGES FOR DEFAULT RISK

The Bank applies the Standardised Approach for Counterparty Credit Risk (SA-CCR) to calculate CCR exposure (CCR EAD) for derivatives. It is the sum of the replacement cost (RC) and the potential future exposure (PFE). The total CCR EAD is derived from the sum of RC and PFE, then multiplied by an alpha factor of 1.4.

The Bank has only interest rate swaps on its books as of 31 December 2024. All PFE are generated from the interest rate (IR) derivatives.

6.2 CAPITAL CHARGES FOR CVA RISK

The Bank is exposed to the risk of loss on foreign exchange and derivative instruments caused by changes in a counterparty's credit spread due to changes in its credit quality. To address this risk, CVA is estimated as an adjustment to the mid-market valuation of a portfolio of transactions with a counterparty, reflecting the current market value of the risk of deterioration in the counterparty's credit quality during periods of market stress and cyclical changes.

The Bank adopts the Standardised Approach set out in the CRR and the PRA Rulebook's Credit Valuation Adjustment Risk (CRR) section to calculate the CVA capital requirement.

7 MARKET RISK

Market risk can be defined as the risk of losses in on- and off-balance sheet positions arising from adverse movements in market prices—including interest rates, foreign exchange rates, equity prices, commodity prices, and credit spreads—that could materially impact the Bank's income or the value of its asset portfolio.

7.1 TRADED MARKET RISK

Traded market risk is defined as the risk of losses from trading activities arising from adverse movements in market prices.

A risk management framework, processes, and measures are established to identify, measure, monitor, control and report traded market risk exposures that could arise from the Bank's trading book activities.

Under the current business model, the Bank does not operate proprietary trading activities, and existing trading activity is limited in volume and conducted to meet retail clients' needs for foreign exchange spot products. Traded market risk exposure from these activities is promptly squared daily; hence, the Bank's inherent exposure to traded market risk is limited.

7.2 FOREIGN EXCHANGE (FX) RISK

Foreign exchange (FX) risk refers to the potential losses that a business conducting international transactions may incur due to fluctuations in currency exchange rates.

To manage FX risk, market risk management processes are implemented to identify, assess, monitor, control, and report FX exposure across the Bank's banking book. FX risk arises from foreign currency profit and loss across various business lines, as well as the valuation of FX financial instruments.

To mitigate FX risk, the Bank regularly hedges its foreign currency profit and loss using FX financial instruments.

7.3 INTEREST RATE RISK IN THE BANKING BOOK (IRRBB)

Interest Rate Risk in the Banking Book (IRRBB) refers to the current or prospective risk to the Bank's capital and earnings arising from adverse movements in interest rates that affect its banking book positions. When interest rates change, the present value and timing of future cash flows change. This, in turn, changes the underlying value of a Bank's assets, liabilities and off-balance sheet items, and hence its economic value. Changes in interest rates also affect a Bank's earnings by altering interest rate-sensitive income and expenses, thereby impacting its net interest income (NII). The three main sub-types of IRRBB are gap risk, basis risk, and option risk.

7.3.1 Objective and Approach to IRRBB Management:

The objectives of managing IRRBB are to reduce the sensitivity of the Bank's earnings and economic value exposure to interest rate fluctuations through effective management, to avoid adverse impacts from interest rate changes on the Bank's earnings and economic value, and to maintain exposure within the Bank's risk appetite.

The Bank mainly utilises interest rate sensitivity gap analysis to assess repricing risk on a static basis, considering both near-term earnings and long-term economic value perspectives. Interest rate-sensitive assets, interest rate-sensitive liabilities, and off-balance sheet positions are categorised into distinct time buckets.

- Gap analysis is a process used to determine a bank's interest rate risk and evaluate the degree of its exposure to the risk.

- It focuses on the difference (or "gap") between the timing of asset and liability repricing, which can lead to mismatches in interest rate sensitivity.

7.3.2 Key Risk Indicators (KRIs) for IRRBB

To effectively monitor, report, and manage IRRBB, the Bank adopts two key risk indicators:

- Change in Net Interest Income (Δ NII) is an earnings metric that measures the potential impact of a specified interest rate shock on the net interest income for the banking book over a specific time horizon (one year); and
- Change in Economic Value of Equity (Δ EVE) is a cash flow calculation that measures the difference in the net present value (NPV) of a bank's assets, liabilities, and off-balance sheet items under different interest rate shocks—essentially measuring the impact of interest rate changes on the bank's economic value of equity.

8 OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems, or from external events. The scope includes legal risk, but excludes strategic and reputational risk.

Operational risk is inherent in the Bank's business activities, and its impact can be financial as well as non-financial, such as customer detriment, reputational damage, or regulatory censure. The Bank has established a comprehensive Operational Risk Framework in line with the PRA Rulebook, UKCRR and Basel guidelines, in order to manage operational risk within its risk appetite. The Bank uses the Basic Indicator Approach (BIA) to calculate the operational risk capital requirement (Pillar 1), which is 15% of the average annual gross income over the previous three years.

UK OR1 - Operational risk own funds requirements and risk-weighted exposure amounts

| Banking activities | | Total Income (£'000) | | | Own funds requirement (£'000) | Total operational risk-weighted exposure amount (£'000) |
|--------------------|--|----------------------|---------|---------|-------------------------------|---|
| | | Year-3 | Year-2 | Year-1 | | |
| 1 | Banking activities subject to basic indicator approach (BIA) | 150,380 | 206,185 | 187,263 | 27,191 | 339,893 |

8.1 OPERATIONAL RISK MANAGEMENT APPROACH

The Bank adopts an industry-standard 3LoD model for Operational Risk Management. The 1LoD acts as risk owners and is responsible for ensuring that the necessary controls are in

place to mitigate these risks and that they are designed and operated effectively. The 2LoD consists of a functionally independent Operational Risk Management (ORM) Team in the Risk Management Department, which is responsible for establishing and maintaining a sound Operational Risk Management Framework and for overseeing the Bank's overall operational risk profile, as well as the effectiveness of 1LoD operational risk management activities (e.g. implementation of operational risk management policy requirements). The 3LoD provides independent assurance on the effectiveness of the operational risk management framework and risk management activities in the Bank and reports directly to the Board Audit Committee.

The 1LoD operates a set of tools to enable them to identify, assess, monitor, report and mitigate operational risk, subject to oversight and challenge from the ORM team, as well as specialist control oversight functions that oversee specific risk types. The output from these risk management activities is reported to the Operational Risk & Resilience Committee (ORRC) and, where appropriate, to the relevant specialised risk committees (e.g., Compliance Committee), with escalation to the Risk Management and Internal Control Committee (RMICC) and Board committees. Any non-financial risks that exceed risk appetite are subject to a formal escalation and ongoing governance process to ensure that they are mitigated to within risk appetite.

9 LIQUIDITY & FUNDING RISK MANAGEMENT

Liquidity risk refers to the risk that the Bank is unable to fund its assets and/or meet its obligations as they fall due.

Funding risk refers to the risk that an institution is unable to secure funding or that the cost of funding is higher than expected. The Bank has adopted a 'cautious' approach to liquidity risk and aims to maintain sufficient and adequate liquidity resources, in terms of both quality and quantity, at all times—during both business-as-usual and periods of stress.

The Bank achieves these objectives through the establishment of policies, liquidity risk limits, ongoing monitoring, stress testing and by maintaining a sufficient stock of High-Quality Liquid Assets (HQLA).

9.1 GOVERNANCE

The Board takes ultimate responsibility for the liquidity and funding risk management of the Bank. It has delegated the responsibility for developing and implementing policies and procedures for managing liquidity and funding risk to the EMC, which in turn has delegated these responsibilities to the Assets and Liabilities Management Committee (ALCO).

The EMC and the ALCO ensure that the decisions of the Board, as the governing body, are integrated into the Bank's liquidity and funding risk management process. Liquidity and funding risk is managed by the Treasury Assets & Liabilities Management (ALM) team.

9.2 LIQUIDITY AND FUNDING RISK MANAGEMENT

Overall liquidity adequacy: The Bank produces an ILAAP document annually to assess how it achieves overall liquidity adequacy in both normal times and under potential stressed conditions. This involves an internal quantitative and qualitative assessment of its management systems and controls, as well as the adequacy of its liquidity and funding resources. The conclusion of the Board-approved ILAAP is that the Bank continues to maintain sufficient and adequate liquidity resources in terms of both quality and quantity, and that it has the appropriate governance and operational infrastructure to identify, measure, monitor, and manage compliance with both regulatory and internal liquidity risk appetite.

The ILAAP also aligns with the PRA guidelines and common procedures and methodologies for the Supervisory Review and Evaluation Process (SREP), which was last conducted in April 2024.

Liquidity Stress Testing: The Bank performs regular liquidity stress testing to ensure that it maintains adequate liquidity resources under various stressed scenarios

HQLA: The Bank holds HQLA to meet both its regulatory (i.e. Pillar 1 and Pillar 2) and internal requirements during both business-as-usual and stressed conditions.

Liquidity Coverage Ratio (LCR): The LCR assesses whether the Bank has an adequate stock of unencumbered HQLA that can be converted easily and immediately into cash to meet its liquidity needs in a 30-calendar-day liquidity stress scenario. The regulatory minimum LCR requirement is 100%, which the Bank met at all times during 2024.

10 OTHER RISK CONSIDERATIONS

10.1 OPERATIONAL RESILIENCE

Operational resilience is a key area of focus for both the PRA and the FCA. The Bank has undertaken a transformation project, led by a dedicated operational resilience team and the Bank's Chief Operating Officer, to design and implement an Operational Resilience Programme, along with an Outsourcing and Third-Party Risk Management Framework.

Operating as part of the ERMF and aligned with the Bank of England, FCA, and PRA supervisory statements ("SS2/21 Outsourcing and Third-Party Risk Management" and "PS2/22 Operational Resilience and Operational Continuity in Resolution"), the programme has supported the EMC and the Board in developing a sound understanding of operational resilience and the impact tolerances of their Important Business Services (IBS).

With respect to operational resilience, the Bank has undertaken and continues to maintain a Self-Assessment, starting in March 2022, against the outcomes expected in the supervisory statements. The Bank identified and highlighted relevant vulnerabilities within the Operational Resilience Self-Assessment and has followed through on a programme of work to meet the March 2025 deadline. The Self-Assessment is a Board-approved living document

that is continuously updated to reflect the framework, governance, operational resilience status and infrastructure, in order to meet UK regulatory requirements. Components include:

- BoC Operational Resilience Framework
- Important Business Services (IBS), including the rationale for determining the list of IBS Impact Tolerance, including the rationale for each IBS
- Mapping
- Scenario Testing
- Communications Strategy
- Outsourcing
- Vulnerabilities and Remediation Plans
- Metrics

The Bank has also established an inventory of third-party and outsourced service providers, organised by materiality. The Bank performs risk assessments for all new and renewed third-party providers and has updated agreements in line with regulatory expectations.

10.2 CLIMATE CHANGE

According to the Bank of England, climate-related financial risks may arise from two primary risk drivers: (a) Physical Risk and (b) Transition Risk. These risks could manifest, for example, as increased credit or market risk for firms.

In light of the UK regulatory requirement (“SS3/19 Enhancing banks’ and insurers’ approach to managing the financial risks from climate change”), the Bank—consistent with most industry peers and regulatory expectations—considers climate-related physical and transition risks as thematic drivers that cut across various existing risk types. Under this embedded approach, the financial impact of climate-related physical and/or transition risk factors on each relevant risk type will be managed through the respective Three Lines of Defence (3LoD) model, subject to oversight by the corresponding risk committee.

11 APPENDICES

Index of Annex's required for "Other non-listed" institution in accordance with Article 433c PRA Rulebook

| Relevant Articles In CRR | Disclosure Type | Annex Number | Name | Disclosure Tables/Templates | Disclosure Location in Pillar 3 |
|--|--|--------------|---|---|--|
| Points (d) of Article 447; | Key Metrics | Annex I | Disclosure of key metrics | Template UK KM1 - Key metrics template | Section 4 Capital |
| Points (a), (e) and (f) of Article 435(1); | Risk Management Objectives and Policies | Annex III | Disclosure of risk management policy and objectives | Table UK OVA - Institution risk management approach | Section 3 Risk Management and Governance Framework |
| | Risk Declaration | N.a | N.a | N.a | Section 2 Risk Declaration Concerning Risk Management Agreements |
| | Credit Risk, Dilution Risk and Credit Quality | Annex XV | Disclosure of credit risk quality | Table UK CRA - General qualitative information about credit risk | Section 5 CREDIT RISK |
| | Market Risk | Annex XXIX | Disclosure of standardised approach and internal model for market risk | Table UK MRA - Qualitative disclosure requirements related to market risk | Section 7 Market Risk |
| | Operational Risk | Annex XXXI | Disclosure of operational risk | Table UK ORA - Qualitative information on operational risk | Section 8 Operational Risk |
| Points (a), (b) and (c) of Article 435(2); | Number of directorships and recruitment policy for the selection of members of the management body | Annex III | Disclosure on governance arrangements | Table UK OVB - Disclosure on governance arrangements | Section 3 Risk Management and Governance Framework |
| points (a) of Article 437; | Reconciliation of regulatory own funds to balance sheet | Annex VII | reconciliation of regulatory own funds to balance sheet in the audited financial statements | Template UK CC2 - reconciliation of regulatory own funds to balance sheet in the audited financial statements | Section 4 Capital |
| Points (c) of Article 438; | ICAAP Information | Annex I | Disclosure of ICAAP Information | Table UK OVC - ICAAP information | Section 4 Capital |
| Points (d) of Article 438; | Risk Weighted Assets Overview | Annex I | Overview of Risk weighted assets amounts | Template UK OV1 – Overview of risk weighted exposure amounts | Section 4 Capital |
| | Operational Risk | Annex XXXI | Disclosure of operational risk | Template UK OR1 - Operational risk own funds requirements and risk-weighted exposure amounts | Section 8 Operational Risk |