

Bank of China (Europe) S.A.

Pillar III Disclosure Report of 2023

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1. List of Acronyms

ALCO	Assets & Liabilities Committee
AM	Authorized Management and or General Management
AML	Anti-Money Laundering
ASF	Available Stable Funding
BAC	Board Audit Committee
BCBS	Basel Committee on Banking Supervision
BCL	Banque Centrale de Luxembourg
BCM	Business Continuity Management
BCP	Business Continuity plan
BIA	Basic Indicator Approach
BOC CEE	Bank of China (Central and Eastern Europe) Limited
BOD	Board of Directors
BOS	Board of Supervisors (BOC – CEE)
Branch	Bank of China Limited – Luxembourg Branch
BRCC	Board Risk & Compliance Committee
CAR	Capital Adequacy Ratio
CBD	Corporate Banking Department
CCF	Credit Conversion Factor
CCR	Counterparty Credit Risk
CCP	Central Counterparty
CCO	Chief Compliance Officer
CCSS	Centre commun de la sécurité sociale
CR&E	Climate Related and Environmental
CET 1	Common Equity Tier 1
COREP	Common solvency ratio reporting
CPRS	Climate Policy Relevant Sectors
CRD IV	Capital Requirements Directive IV
CRM	Credit Risk Mitigate
CRO	Chief Risk Officer
CRR	Capital Requirements Regulation
CSSF	Commission de Surveillance du Secteur Financier
DRP	Disaster Recovery plan
EAD	Exposure at Default
EBA	European Banking Authority

ECAI	External Credit Assessment Institution
ECL	Expected Credit Loss
EMC	Executive Management Committee
EMIR	European Market Infrastructure Regulation
ESG	Environment, Social and Governance
EU	European union
EUR	EURO
EVA	Economic Value Added
EVE	Economic Value of Equity
FBEs	Forborne Exposures
FMD	Financial Management Department
FINREP	Financial Reporting
FMD	Financial Market Department
GDPR	General Data Protection Regulation
H.O.	Head Office: Bank of China limited in Beijing (PRC)
HQLA	High Quality Liquid Asset
HR	Human Resource
IAD	Internal Audit Department
IASB	International Accounting Standards Board
IBOR	Inter-Bank Offered Rate
ICAAP	Internal Capital Adequacy Assessment Process
IC/LAAP	Common denomination for ICAAP and ILAAP
ICT	Information and Communication Technology
IFRS	International Financial Reporting Standards
ILAAP	Internal Liquidity Adequacy Assessment Process
IMM	Internal Model Method
IPU	Intermediate Parent Undertaking
IRRBB	Interest Rate Risk on the Banking Book
ITS	Implementing Technical Standards
KPI	Key Performance Indicator
KRI	Key Risk Indicator
LCFP	Liquidity Contingency Funding Plan
LCR	Liquidity Coverage Ratio
LDC	Loss Data Collection
LFS	Law of 5 April 1993 on the financial sector
LGD	Loss Given Default

Lux GAAP	Luxembourg Generally Accepted Accounting Principles
L/G	Letter of Guarantee
L/C	Letter of Credit
LTV	Loan to Value
MiFID II	Markets in Financial Instruments Directive 2014/65
MRT	Material risk takers
MtM	Mark to Market
NACE	Nomenclature des Activités Économiques dans la Communauté Européenne
NII	Net Interest Income
NSFR	Net Stable Funding Ratio
NPLs	Non-Performing Loans
OCR	Overall Capital Requirement
OPRC	Operational Risk Concentration
OTC	Over the Counter
PLN	Polish zloty
PSD II	Payment Services Directive 2015/2366
PVBP	Price Value of a Basis Point
RACA	Risk and Control Assessment
RAF	Risk appetite framework
RCSSF	CSSF Regulations
RMD	Risk Management Department
RMF	Risk Management Framework
RMICC	Risk Management and Internal Control Committee
RAS	Risk Appetite Statement
RWA	Risk Weighted Asset
RWEA	Risk Weighted Exposure Amount
RP	Risk profile
SA	Standardised Approach
Sek	Swedish krona
SFR	Short Form Report
SFT	Security Financing Transaction
SREP	Supervisory Review and Evaluation Process
TREA	Total Risk Exposure Amount
TSCR	Total SREP Capital Requirement
VAR	Value at Risk
VAT	Value-added Tax



中國銀行 (欧洲) 有限公司
BANK OF CHINA (EUROPE) S.A.

VPN

Virtual Private Network

USD

US dollar

UTP

Unlikely to Pay

2. EBA tables and templates

Key Metrics and Overview of Risk-weighted Exposure Amount		CRR articles	Reference
EU KM1	Overview of risk weighted exposure amounts	Article 447 (a) to (g) Article 438 (b)	Table 10
EU OV1	Overview of risk weighted exposure amounts	Article 438 (d)	Table 13
EU OVC	ICAAP information	Article 438 (a) (c)	Section 7.5
EU INS1	Insurance participations	Article 438 (f)	N/A
EU INS2	Financial conglomerates information on own funds and capital adequacy ratio	Article 438 (g)	N/A
Disclosure of risk management policies and objectives		CRR articles	Reference
EU OVA	Institution risk management approach	Article 435 (1)	Section 3, 4.3, 6
EU OVB	Disclosure on governance arrangements	Article 435 (2)	Section 5, 18.5, 18.6
Disclosure of the scope of application		CRR articles	Reference
EU LI1	Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories	Article 436 (c)	N/A
EU LI3	Outline of the differences in the scopes of consolidation (entity by entity)	Article 436 (b)	N/A
EU LI2	Main sources of differences between regulatory exposure amounts and carrying values in financial statements	Article 436 (d)	N/A
EU LIA	Explanations of differences between accounting and regulatory exposure amounts	Article 436 (b)	N/A
EU PV1	Prudent valuation adjustments (PVA)	Article 436 (e)	N/A
EU LIB	Other qualitative information on the scope of application	Article 436 (f) (g) (h)	Section 4.5
Disclosure of own funds		CRR articles	Reference
EU CC1	Composition of regulatory own funds	Article 437 (a) (d) (e) (f)	Section 7 and table 11
EU CC2	Reconciliation of regulatory own funds to balance sheet in the audited financial statements	Article 437 (a)	Section 7.3
EU CCA	Main features of regulatory own funds instruments and eligible liabilities instruments	Article 437 (b) (c)	Section 7.4 and table 12
Disclosure of countercyclical capital buffers		CRR articles	Reference
EU CCyB1	Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer	Article 440 (a)	Table 14
EU CCyB2	Amount of institution-specific countercyclical capital buffer	Article 440 (b)	Table 15
Disclosure of the leverage ratio		CRR articles	Reference
EU LR1 - LRSum	Summary reconciliation of accounting assets and leverage ratio exposures	Article 451(1) (b)	Table 16
EU LR2 - LRCom	LRCom: Leverage ratio common disclosure	Article 451(1) (2) (3)	Table 17
EU LR3 - LRSpl	Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)	Article 451(1) (b)	Table 18
EU LRA	Free format text boxes for disclosure on qualitative items	Article 451(1) (d) (e)	Section 9
Disclosure of liquidity requirements		CRR articles	Reference
EU LIQA	Liquidity risk management	Article 435(1) Article 451a(4)	Section 15

EU LIQ1	Quantitative information of LCR	Article 451a(2)	Table 40
EU LIQB	On qualitative information on LCR, which complements template EU LIQ1	Article 451a(2)	Section 15.2
EU LIQ2	Net Stable Funding Ratio	Article 451a(3)	Table 42 and section 15.3
Disclosure of credit risk quality		CRR articles	Reference
EU CRA	General qualitative information about credit risk	Article 435(1) (a) (b) (d) (f)	Section 10.1
EU CRB	Additional disclosure related to the credit quality of assets	Article 442 (a) (b)	Section 10.2
EU CQ3	Credit quality of performing and non-performing exposures by past due days	Article 442 (c) (d)	Table 25
EU CR1-A	Maturity of exposures	Article 442 (g)	N/A
EU CR2	Changes in the stock of non-performing loans and advances	Article 442 (f)	N/A
EU CR1	Performing and non-performing exposures and related provisions	Article 442 (c) (f)	Table 22
EU CQ1	Credit quality of forborne exposures	Article 442 (c)	Table 23
EU CQ4	Quality of non-performing exposures by geography	Article 442 (c) (e)	Table 26
EU CQ5	Credit quality of loans and advances by industry	Article 442 (c) (e)	Table 27
EU CQ7	Collateral obtained by taking possession and execution processes	Article 442 (c)	N/A
EU CR2a	Changes in the stock of non-performing loans and advances and related net accumulated recoveries	Article 442 (c) (f)	N/A
EU CQ2	Quality of forbearance	Article 442 (c)	Table 24
EU CQ6	Collateral valuation - loans and advances	Article 442 (c)	N/A
EU CQ8	Collateral obtained by taking possession and execution processes – vintage breakdown	Article 442 (c)	N/A
Disclosure of the use of credit risk mitigation techniques		CRR articles	Reference
EU CRC	Qualitative disclosure requirements related to CRM techniques	Article 453 (a) to (e)	Section 10.3
EU CR3	CRM techniques overview: Disclosure of the use of credit risk mitigation techniques	Article 453 (f)	Table 28
EU CRD	Qualitative disclosure requirements related to standardised model	Article 444 (a) to (d)	Section 10
EU CR4	Standardised approach – Credit risk exposure and CRM effects	Article 453 (g) (h) (i) Article 444 (e)	Table 20
EU CR5	Standardised approach	Article 444 (e)	Table 21
Disclosure of the use of the IRB approach to credit risk		CRR articles	Reference
EU CRE	Qualitative disclosure requirements related to IRB approach	Article 452 (a) to (f)	N/A. The Bank uses the standardised approach
EU CR6-A	Scope of the use of IRB and SA approaches	Article 452 (b)	N/A. The Bank uses the standardised approach
EU CR6	IRB approach – Credit risk exposures by exposure class and PD range	Article 452 (g)	N/A. The Bank uses the standardised approach
EU CR7	IRB approach – Effect on the RWEAs of credit derivatives used as CRM techniques	Article 453 (j)	N/A. The Bank uses the standardised approach
EU CR7-A	IRB approach – Disclosure of the extent of the use of CRM techniques	Article 453 (g)	N/A. The Bank uses the standardised approach
EU CR8	RWEA flow statements of credit risk exposures under the IRB approach	Article 438 (h)	N/A. The Bank uses the standardised approach
EU CR9	IRB approach – Back-testing of PD per exposure class (fixed PD scale)	Article 452 (h)	N/A. The Bank uses the standardised approach

EU CR9.1	IRB approach – Back-testing of PD per exposure class (only for PD estimates according to point (f) of Article 180(1) CRR)	Article 452 (h) Article 180(1) (f)	N/A. The Bank uses the standardised approach
Disclosure of specialised lending		CRR articles	Reference
EU CR10	Specialised lending and equity exposures under the simple risk weighted approach	Article 438 (e)	N/A
Disclosure of exposures to counterparty credit risk		CRR articles	Reference
EU CCRA	Qualitative disclosure related to CCR	Article 439 (a) to (d)	N/A
EU CCR1	Analysis of CCR exposure by approach	Article 439 (f) (g) (k) (m)	Table 29
EU CCR2	Transactions subject to own funds requirements for CVA risk	Article 439 (h)	N/A
EU CCR3	Standardised approach – CCR exposures by regulatory exposure class and risk weights	Article 439 (l) Article 444 (e)	Table 30
EU CCR4	IRB approach – CCR exposures by exposure class and PD scale	Article 439 (l) Article 452 (g)	N/A. The Bank uses the standardised approach
EU CCR5	Composition of collateral for CCR exposures	Article 439 (e)	N/A
EU CCR6	Credit derivatives exposures	Article 439 (j)	N/A
EU CCR7	RWEA flow statements of CCR exposures under the IMM	Article 438 (h)	N/A
EU CCR8	Exposures to CCPs	Article 439 (i)	N/A
Disclosure of the use of standardised approach and internal model for market risk		CRR articles	Reference
EU MR1	Market risk under the standardised approach	Article 445	Table 36
EU MRA	Qualitative disclosure requirements related to market risk	Article 435 (1) (a) to (d)	Section 13.1
EU MRB	Qualitative disclosure requirements for institutions using the internal Market Risk Models	Article 455 (a) (b) (c) (f)	N/A. The Bank uses the standardised approach
EU MR2-A	Market risk under the internal Model Approach (IMA)	Article 455 (e)	N/A. The Bank uses the standardised approach
EU MR2-B	RWA flow statements of market risk exposures under the IMA	Article 438 (h)	N/A. The Bank uses the standardised approach
EU MR3	IMA values for trading portfolios	Article 455 (d)	N/A. The Bank uses the standardised approach
EU MR4 -	Comparison of VaR estimates with gains/losses	Article 455 (g)	N/A
Disclosure of operational risk		CRR articles	Reference
EU ORA	Qualitative information on operational risk	Articles 435(1) Article 446 and 454	Section 14.2
EU OR1	Operational risk own funds requirements and risk-weighted exposure amounts	Articles 446 and 454	Table 39
Disclosure of exposures to securitisation positions		CRR articles	Reference
EU SEC1	Securitisation exposures in the non-trading book	Point (j) of Article 449	N/A
EU SEC2	Securitisation exposures in the trading book	Point (j) of Article 449	N/A
EU SEC3	Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as originator or as sponsor	Point (k)(i) of Article 449	N/A
EU SEC4	Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as investor	Point (k)(ii) of Article 449	N/A
EU SEC5	Exposures securitised by the institution - Exposures in default and specific credit risk adjustments	Point (l) of Article 449	N/A
Disclosure of remuneration policy		CRR articles	Reference

EU REMA	Remuneration policy	Article 450(1) (a) (b) (c) (d) (e) (f) (j) and (k) Article 450(2)	Section 18
EU REM1	Remuneration awarded for the financial year	Article 450(1) (h)(i)-(ii)	Table 48
EU REM2	Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff)	Article 450(1) (h)(v) to (vii)	N/A
EU REM3	Deferred remuneration	Article 450(1) (h)(iii) and (iv)	Table 49
EU REM4	Remuneration of 1 million EUR or more per year	Article 450(1) (i)	N/A
EU REM5	Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff)	Article 450(1) (g)	Table 50
Encumbered and unencumbered assets		CRR articles	Reference
EU AE1	Encumbered and unencumbered assets	Article 443	Table 31
EU AE2	Collateral received and own debt securities issued	Article 443	Table 32
EU AE3	Sources of encumbrance	Article 443	Table 33
EU AE4	Accompanying narrative information	Article 443	Section 12

3. Management Body Statement

The Bank's Authorized Management attests that the current Pillar III disclosure report is prepared in accordance with Part Eight of CRR and CRR II.

The Bank's Risk Management function coordinated the reporting workflow with contribution from the Compliance & Regulatory function, the Legal & Company Secretary Team and the Human Resources Department.

Following validation by the Risk Management function, the Pillar III report was reviewed by the Bank's Internal Audit function and approved by the Authorised Management. It was also reviewed by the Board Risk and Compliance Committee in May 2024. The BOD finally endorsed the report in June 2024.

The Bank's management declares that the risk management framework is adequate for the Bank's risk profile and is in line with the Bank's business strategy.

4. Introduction

4.1 Regulatory framework

This Pillar III Report complements the capital adequacy assessment and the supervisory review process of Bank of China (Europe) S.A. (hereinafter "the Bank"). Its aim is to encourage market discipline by developing a set of disclosure requirements which allow market participants to assess certain specified information on the scope of application of Basel III capital, particular risk exposures and risk assessment processes, and hence the capital adequacy of the institution. Disclosures consist of both quantitative and qualitative information and are provided at the consolidated level as per CSSF Regulation 15-02 Article 3.

The Pillar III report follows the requirements stipulated in Part Eight of CRR/CRR II and in the subsequent EBA disclosures guidelines and CSSF circulars.

Regulatory update

In 2023, the regulatory environment of the financial industry was shaped by the new geopolitical framework caused by the war between Russia and Ukraine, which led to a range of economic sanctions being imposed on the former. Specific to the Pillar III report, the following updates were noted and have been captured in this report.

- Circular CSSF 20/751 as amended by Circular CSSF 23/830 adopting Guidelines EBA/GL/2018/10 on the disclosure of nonperforming and forborne exposures

The purpose of this Circular is to adopt the following two guidelines of the European Banking Authority (EBA), namely EBA/GL/2018/06 on the management of non-performing and forborne exposures and EBA/GL/2018/10 (amended by the EBA/GL/2022/13) on the disclosure of non-performing and forborne exposures.

These guidelines complement the provisions of Article 9(3) of CSSF Regulation 15-02 that requires credit institutions to use effective systems for identifying and managing problematic credits and for making adequate value adjustments and provisions.

The Bank has sound and robust credit risk management and consumer protection standards in place, as laid down in the aforementioned EBA guidelines in a manner proportionate with their exposure towards non-performing and forborne exposures.

- EBA published final standards and guidelines on interest rate risk arising from non-trading book activities.

On 20 October 2022, the EBA published a final set of guidelines and two final draft Regulatory Technical Standards (RTS) specifying technical aspects of the revised framework capturing interest rate risks for banking book (IRRBB) positions. These regulations complete the on boarding into EU law of the Basel standards on IRRBB and are of crucial importance given the current interest rate environment.

The guidelines and RTS were transposed into Luxembourg national law through CSSF circulars 24/848 and 24/849. The Bank has accomplished a range of preparatory work such as gap analysis and materiality assessments on client behaviour cash flow. A complete data modal review is ongoing with a view to prepare the implementation of the standardized approach on EVE and NII computations. The ALCO and BRCC are regularly informed of the work in progress.

- Circulars CSSF 23/836, CSSF 23/837 and CSSF 23/838 adopting the guidelines of the EBA on remuneration data collection exercises for banks and investment firms

On 26 May 2023, the CSSF published the following three Circulars, adopting the guidelines of the EBA on remuneration data collection exercises:

- Circular CSSF 23/836 adopting the EBA Guidelines on the benchmarking exercises on remuneration practices, the gender pay gap and approved higher ratios under Directive 2013/36/EU (“EBA/GL/2022/06”),
- Circular CSSF 23/838 adopting the EBA Guidelines on the benchmarking exercises on remuneration practices and the gender pay gap under Directive (EU) 2019/2034 (“EBA/GL/2022/07”), and
- Circular CSSF 23/837 adopting the EBA Guidelines on the data collection exercises regarding high earners under Directive 2013/36/EU and under Directive (EU) 2019/2034 (“EBA/GL/2022/08”),

These Guidelines organise the remuneration data collection exercises, as mandated by requirements in the CRD and IFD frameworks.

Climate and Environmental related risks / ESG

Environmental, Social and Governance (ESG) matters are playing an increasing role in the banking world. In order to structure the organisation to address CR&E and ESG challenges and to support the Bank’s long-term stability and growth, the Bank has established an action plan to address the partial / non-compliance of these requirements:

- (I) Risk identification & materiality assessment,
- (II) Business strategy and risk appetite,
- (III) Risk management framework,
- (IV) Internal governance.

In line with CSSF circular 21/773, the Bank has developed a first materiality assessment methodology by performing a transversal risk assessment between CR&E and other transitional banking risks. Both physical risk and transition risk are judged by taking the BASEL committee’s recommendations on “transmission channel identification” into consideration.

The Bank also aims at promoting companies with high ESG standards. In keeping with the ESG action plan, the Bank started to collect the ESG rating available for our credit facilities (our Clients) in 2023. Based on the external portfolio ESG rating, the Bank is expecting to have a quantitative approach reflected in the business strategy and risk appetite.

Simultaneously, the BOC Group's green finance principles are embedded into the Bank's lending and market financing strategy and policy. A regular monitoring report is distributed to the management.

Going forward, the Bank is considering the design of additional risk metrics related to CR&E such as financed emission and weighted average carbon intensity by leverage the latest dataset published by ECB.

4.2 Key ratios as at 31st December 2023

In 2023, the Bank kept an adequate capital and liquidity position with regard to its business activities and risk profile. Its high-level capital, liquidity and distribution of RWA (Risk Weighted Asset) are as follows:

Solvency ratio	31.12.2023	31.12.2022
CET1 Capital ratio	9.71%	9.58%
Tier 1 ratio	14.95%	14.97%
Total Capital ratio	16.65%	16.88%
Leverage ratio	7.19%	7.73%
Liquidity coverage ratio	517.11%	172.31%

Figure 1 Key Capital & Liquidity Ratio as of 31 December 2023

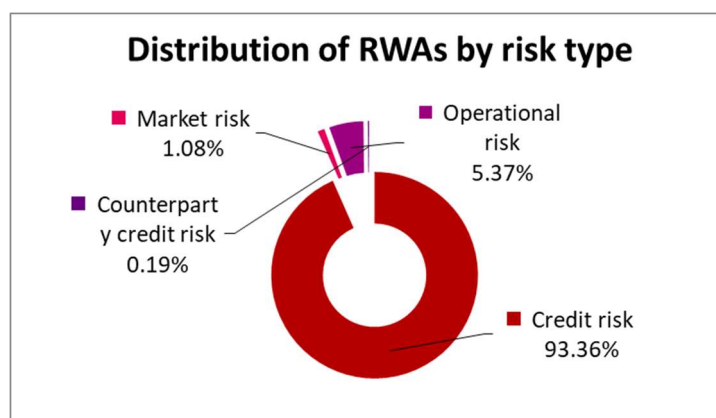


Figure 2 Distribution of RWAs by Risk Type

4.3 Financial result and material event

2023 marks the first year of the Formal Intermediate Parent Undertaking (hereinafter referred to as “the IPU”) in operation in the Bank. Aligned with the principle of “risk-based and compliance priority, regional synergy and integration, research-led development, data quality and technological empowerment, as well as conscientious fulfilment of corporate social responsibilities,” to achieve high-quality and sustainable growth.

During the reporting period, the Bank implemented its annual plan in line with overall strategic objectives and achieved positive results. The Bank recorded a historical high net profit of 68.4 mio EUR (2022:14.4 mio EUR) on Bank of China (Europe) S.A. alone.

Following the establishment of the IPU, comprehensive integration work continued in 2023. The Bank strengthened its cross-border collaborations and improved synergy amongst its 13 institutions across Europe. While reinforcing Luxembourg’s leading role as a regional headquarter, the Bank provided business development guidance and pushed forward various collaboration projects.

Business development

Despite a challenging external environment amid geo-political tensions and financial market turbulences during the year, the Bank leveraged the IPU synergy to pursue progress in its business performance while

ensuring stability. In 2023, the Bank continued to strengthen all efforts to enhance the quality and quantity of its client base, actively promoted key businesses, and accelerated capital-light transformation.

In terms of the corporate banking business, the Bank strengthened marketing efforts to high-quality corporate clients from the Global Fortune 500, the regional leading enterprises and the Chinese companies. Through cross-departmental and cross-institutional business referral and collaboration, the Bank supported various key M&A projects and award-nominated deals.

Bond underwriting business grew significantly in 2023. The Bank participated in 42 issuances representing an increase of 52% from the underwriting volume in 2022. The related income increased by 50% from the previous year. The Bank played an active role in the successful issuance of green bonds. In terms of bond sales, the Bank was active in the primary market and is actively preparing its secondary market services, which will be launched towards the end of the first quarter in 2024.

Positive breakthroughs in the financial institutions business were also achieved in the past year in two key areas. Firstly, the Bank significantly increased the proportion of financial corporate clients. Secondly, the Bank actively supported the internationalization of Renminbi (“RMB”) by attracting RMB funding from the peers market.

In terms of the transaction banking business, the Bank’s involvement in various RMB businesses has driven growth in cross-border RMB settlements, including a dividend distribution project for a strategic client. The Bank also successfully launched cross border settlements, and Chinese clients’ registration of RMB loans with the National Bank of Serbia.

Green finance

Green finance has become one of the main themes of global economic development in recent years. The Bank is located in Europe, which is leading the world's "green" transformation. Faced with the EU's firm determination to promote the green transformation and the realities of competition in the new economic landscape, BOC Europe plays an important role as a green channel for facilitating green financing demands from both European and Chinese clients. In order to implement the Group's green finance strategic deployment and meet the EU ESG regulatory requirements, the Bank has attached great importance to ESG development and seizes market opportunities. In particular, the Bank has been dedicated to green finance through corporate loans, the investment banking business, and in the promotion of green finance-related activities in 2023.

The Bank’s corporate green loans include sustainability-related loans (SLLs) and green loans (GLs), covering mainstream industries such as renewable energy, telecommunications, real estate, manufacturing, food and beverages, etc.,. In fund projects with leading private equity institutions, there are also ESG-related considerations. Moreover, the Bank, as the joint lead underwriter, assisted other peers’ institutions to issue the green bonds. In the future, the Bank will continually promote the implementation of green projects and strive to build the green brand image of Bank of China in Europe.

Risk management and compliance

As part of the IPU integration, the Bank has ensured that its risk management and compliance approaches be adopted across its two subsidiaries. Relentless efforts for consistency and alignment in policies and controls have allowed the Bank to strengthen its overall second line of defense.

More particularly, besides regular monitoring of credit facilities, provisions were increased in 2023 following the adjustments made on the credit model, reflecting the market conditions. During the year, the

Bank also initiated the integration of the CR&E risks, finalized the materiality risk assessment, and determined a clear action plan for 2024.

Internal control and management

2023 was the year of transition in many aspects of the Bank's operation, from a 7-branch Luxembourg-based credit institution to a more complexly structured intermediate EU parent undertaking. While greater IPU synergy boosted business development progress, significant resources were equally needed to meet the requirements of this transition in terms of overall management and internal control.

Senior Management Changes

On 21st December 2022, the Ordinary Board Meeting of the Bank approved the appointment of Mr. XU Chen, a Non-Executive Director of the Bank, as the new Chairman until the General Meeting of 2023. The CSSF approved the nomination on the 16th January 2023. The previous Chairman, Mr. XU Haifeng consequently ceased to act as a Non-Executive Director and the Chairman of the Board of Directors, and as the Chairman of the Remuneration Committee of the Bank.

On 14th September 2022, the Ordinary Board Meeting of the Bank approved the appointment of Mr. Yi ZHAO as an Assistant General Manager of the Bank. The CSSF approved the nomination on the 7th November 2022.

Mr. XU Chen and Mr. ZHAO Yi both took office on 2nd March 2023.

The General Meeting of 2023 renewed the mandate of Mr. XU Chen until the General Meeting of 2024.

Mr. Pierre RECKINGER resigned on 13th September 2023 from his position as an independent non-Executive Director of the Bank and was replaced by Mr. Marco MAZZUCHELLI until the General Meeting of 2024.

On 18th January 2023, the appointment of Mr. LI Haoyong as a Deputy General Manager of the Dublin branch, replacing Mr. DING Bing, and the appointment of Mr. SUN Ye as a Deputy General Manager of the Brussels branch, replacing Mr. HE Jinming, were both acknowledged by the CSSF.

Member changes in BOD committees: On 2nd March 2023, along with his mandate of Chairman of the Board, Mr. XU Chen took the office of the Chairman of the Remuneration Committee. On 17th October 2023, Mr. Marco MAZZUCHELLI was appointed as the Chairman of the Board Risk and Compliance Committee to fill the vacancy following the resignation of Mr. Pierre RECKINGER from the Board on 13th September 2023. On 17th October 2023, Mr. Laurent MOSAR was also appointed as a new member of the Board Risk and Compliance Committee, and on 31st December 2023, the external expert of the Board Risk and Compliance Committee, Mr. Christian SCHAACK left his position with the Bank.

Member changes in the EMC's sub-committees: On 21st June 2023, the Chairman of the Asset and Liability Committee was changed from Mr. GUO Zhiyao to Ms. LUO Ying; the Chairman of Risk Management and Internal Control Committee was changed from Mr. GUO Zhiyao to Mr. WANG Lei. On 13th September 2023, the Chairman of the Bulk Purchase Committee was changed from Ms. LUO Ying to Mr. GUO Zhiyao.

There were no changes to the heads of internal control, risk management, compliance and internal audit.

During 2023, the Board of Directors had 4 ordinary meetings and 3 decisions in writing; the Board Audit Committee had 4 meetings and one decision in writing; the Board Risk and Compliance Committee had 4

meetings and 2 decisions in writing; the Board Remuneration Committee had one ordinary meeting and one decision in writing. The directors deliberated and took decisions on various topics.

4.4 Shareholder structure

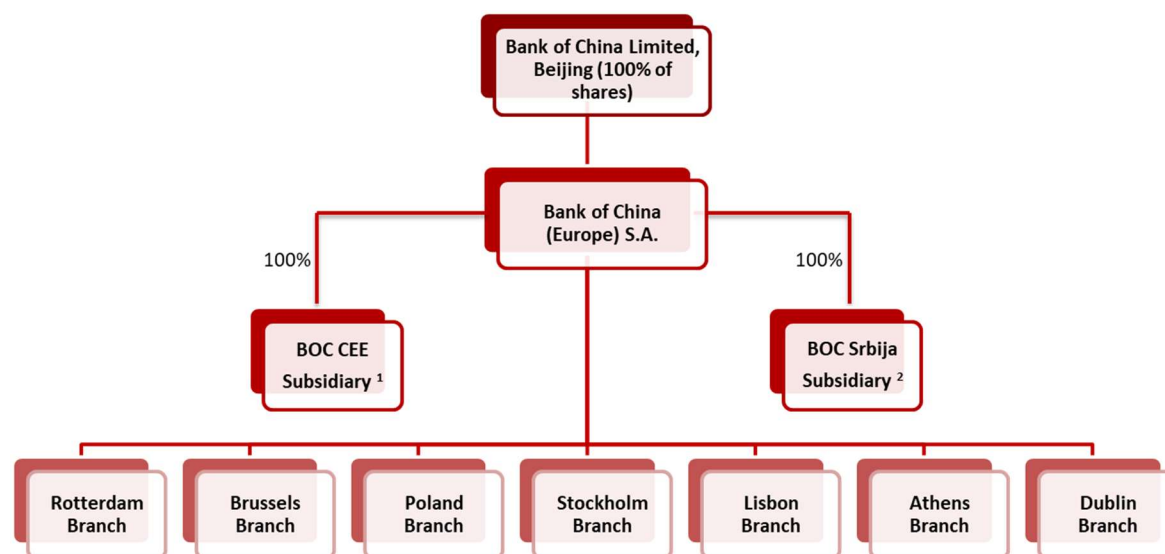
The Bank is a full-service credit institution incorporated under Luxembourg Law, offering retail and corporate banking services in continental Europe.

The Bank operates from 7 cross-border branches, its 2 subsidiaries located in continental Europe, and its head office at 55 Boulevard Royal, Luxembourg. The Bank is a Less Significant Institution, regulated by the Commission de Surveillance du Secteur Financier (CSSF).

The Bank is a wholly owned subsidiary of Bank of China Limited, Beijing, P.R. of China (Group or Head Office), who owns 100% voting shares of the Bank since 24th March, 2022, after having purchased 0.01% of shares which were indirectly held by Bank of China Group Investment Limited, Hong Kong (BOCGI).

The Head Office has a long-term credit rating of A (S&P), A1 (Moody's) and A (Fitch) all with stable outlooks. The Head Office is a Globally Systemically Important Institution (G-SII) incorporated in the People's Republic of China. It is a joint stock company, with the majority shareholder being the Chinese government through China Investment Corporation Limited

The capital of the Bank is fully paid.



Note:
¹ BOC CEE: Bank of China (Central and Eastern Europe) Limited
² BOC Srbija: Bank of China Srbija, akcionarsko društvo, Beograd

Figure 3 Shareholder Structure IPU

The Bank of China (Central and Eastern Europe) Ltd. (BOC CEE) is a wholly owned banking subsidiary since May 2022. BOC CEE has its main office in Budapest and established 3 cross-border branches in Prague, Vienna, and Bucharest, covering business development in the Central and Eastern Europe. BOC CEE is operated independently, generates income and manages its own cash flow.

The Bank of China Srbija, akcionarsko društvo, Beograd (BOC Serbia) is a wholly owned banking

subsidiary since June 2022. BOC Serbia is operated independently, generates income and manages its own cash flow.

4.5 Scope of application, consolidation perimeter and reporting frequency

In accordance with Art.436 of the CRR, the Bank, as an affiliated entity of a parent institution located in a third country, provides regulatory reporting to the CSSF on a consolidated basis as a credit institution established under Luxembourg Law and complied with all requirements of Regulation (EU) No. 575/2013 and Directive 2013/36/EU.

The report is prepared on an IPU consolidated basis, unless specified. The comparison data of financial year 2022 is provided for this year's report.

The Bank publishes the Pillar III Report in accordance with Art. 433 of the CRR on annual basis. The Bank will assess the need to disclose information more often in accordance with the EBA Guidelines 2014/14.

5. Internal Governance

5.1 Board of Directors

The Bank is managed by an effective **Board of Directors (BOD)**, which meets at least quarterly, leading and controlling the Bank. The BOD has the overall responsibility of the Bank. It ensures the deployment of the Bank's business strategy according to the risk appetite and preserves business continuity by implementation of a sound central administration and internal governance arrangements. The main responsibilities of the BOD include:

- To approve the Bank's business strategy and its long-term financial interests, solvency, liquidity situation and risk appetite. The development and maintenance of a sustainable business model requires all material risks being taken into account, including environmental, social and governance risks,
- To approve the Bank's risk strategy, including the risk appetite and the overall framework for risk-taking and risk management of the institution,
- To approve the Bank's strategy with respect to regulatory and internal capital and liquidity reserves,
- To approve the appointment of the EMC (CEO and his deputies), the appointment of key function holders¹, the delegation of authorities for credit and other risks and the establishment of effective control procedures,
- To approve the Bank's guiding principles related to the remuneration policy,
- To approve the Bank's guiding principles related to business continuity and crisis management.

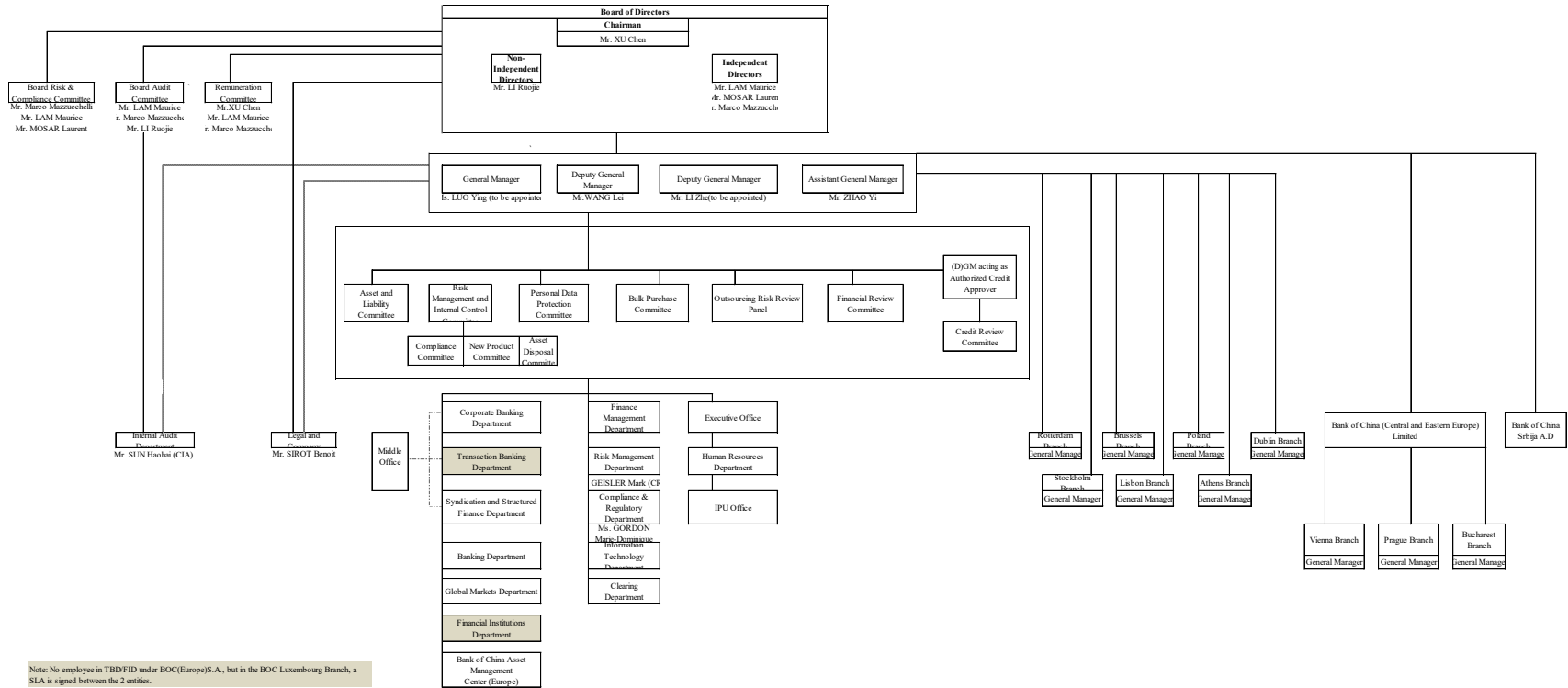
For this purpose, the BOD is involved in and bears the final responsibility of the elaboration of the Bank's strategy, and the validation of the various risk management related internal policies validation. It also ensures the compliance of the above documents with the local regulator's requirements.

¹ As defined by the CSSF Circular 22/807

Furthermore, the BOD receives on a quarterly basis, the overall risk assessment of the Bank based on the previous quarter's activities. These quarterly risk reports (produced by RMD in collaboration with FMD) include a systematic dashboard where all the Key Performance Indicators and limits are put in evidence, as well as the stress-testing results on credit, market, liquidity and operational risk. All the risks are taken as a whole taking their interactions into consideration (market risk analysis for interest rate risk and foreign exchange risk, liquidity risk based on the inflow and outflows activity of the Bank). All the material matters, which would affect the Bank's overall risk profile, and any breaches on the internal limits are promptly reported to the BRCC and BOD respectively.

To support the BOD to fulfill its accountability, the Bank has established a committee governance structure at both the BOD and EMC level to provide oversight and challenge on the implementation of RMF fundamental principles across all areas and risk types in the Bank.

Organization Chart of Bank of China (Europe) S.A.
 Updated as of 2024/3/31



Note: No employee in TDF/FID under BOC(Europe)S.A., but in the BOC Luxembourg Branch, a SLA is signed between the 2 entities.

Figure 4 Committee Governance Structure

The Board Risk and Compliance Committee (BRCC) continued on its mission to supervise risk (including compliance risk) associated with the Bank's activities and its duty to report and issue recommendations to the BOD. Until 17th October 2023, the BRCC composition remained unchanged compared to previous years; it was comprised of two non-executive and independent directors and was also supported by one permanent independent external adviser. As from that date, the BOD decided to appoint a third member to the BRCC; one of the two directors has been replaced by a newly appointed non-executive and independent director, and another non-executive and independent BOD member joined the BRCC. Hence as from 17th October, the BRCC was composed of three non-executive and independent directors. At year end the permanent advisor having resigned from his position to retire, it was agreed that the BRCC would in the future appoint ad-hoc external advisors according to its needs. The advisory agreement of the external advisor formally terminated on 31st of December. During 2023, BRCC held 4 ordinary meetings, and took 2 written resolutions.

The Board Audit Committee (BAC) is a specialized committee of the Board of Directors of Bank of China (Europe) S.A. established in accordance with the CSSF Circular 12/552 as amended. The purpose of the Board Audit Committee is to assist the Board of Directors in the areas at financial information, internal control including internal audit as well as the audit by the statutory auditor. During 2023, BAC held 4 ordinary meetings.

The Board Remuneration Committee (RemCo) continued its mission to provide support and advice to the Board of Directors in overseeing and in the design of the Bank's remuneration policy, practices and processes and the compliance with the remuneration policy. During 2023, RemCo held 1 ordinary meeting, and took 1 written resolution; it reviewed the update of the Remuneration Policy, the annual self-assessment of the identification of the Material Risk Takers, the update of the Individual Phantom Share Plan, and the remuneration of the senior officers in the independent control functions.

The Bank and its subsidiaries ensure the governance arrangements, processes and mechanisms are consistent and well-integrated on a consolidated and sub-consolidated basis. Relevant functions within the IPU and its subsidiaries should interact and exchange data and information as appropriate.

The subsidiary boards should adopt and implement at an individual level the group-wide governance policies established at the consolidated level in a manner that complies with all specific requirements under EU and national law. The Bank should ensure adherence to the group-wide governance policies by all entities within the scope of the prudential consolidation. When implementing governance policies, the organization should ensure robust governance arrangements are in place for each subsidiary and consider specific arrangements, processes and mechanisms where business activities are organized not in separate legal entities but within a matrix of business lines that encompass multiple legal entities.

Subsidiaries Board of directors

The Bank as the IPU holds two subsidiaries, namely BOC CEE and BOC Serbia. Both subsidiaries have their own governance framework and related documentation. These shall comply with all applicable laws and regulations and to the extent possible with those applying to the Bank.

Members of the Management of the Bank are also members of the supervisory bodies of the subsidiaries (Board of Directors and/or Board of Supervisors). Nominations are pre-approved by the Bank's Head Office. The subsidiaries' Chairperson will ensure together with the representatives of the Bank, the information flow to and alignment with the IPU Board.

5.2 Executive Management Committee

The Executive Management Committee (EMC) is composed of the General Manager and Deputy General Managers. The EMC is responsible for the effective, sound and prudent day-to-day management of activities (and inherent risks). The EMC exercises in compliance with the strategies and guiding principles approved by the Bank and the applicable regulations, by considering and safeguarding the Bank's long-term financial interests, solvency and liquidity situation. EMC critically assesses all the proposals, explanations and information submitted to its decisions, which include following main responsibilities:

- To ensure the activities of the Bank are compliant with the existing law and regulations,
- To ensure the implementation of strategies and guiding principles laid down by BOD through internal written policies and procedures,
- To implement promptly and effectively the corrective measures to address the weaknesses identified by second/third lines of defense as well as regulators,
- To oversee and manage the Bank's risks, including the compliance with requirements for internal and regulatory own funds and for liquidity.

Different committees are set up at EMC level for the management of various risks, to which the Bank is exposed. In 2023, the Bank had the following committees:

Committee	Responsibilities
Assets & Liabilities Committee	Responsible for the review of the Bank's current assets and liabilities situation, the reporting to the General Management on issues raised regarding assets/liabilities mismatch, shortfall of funding, etc. It aims at harmonizing asset/liability match on currency, term and interest rate. It bears also the responsibility of the liquidity risk management, including liquidity stress test and contingency funding plan.
Risk Management and Internal Control Committee	Responsible for deliberating and evaluating the various operational risk-controlling objectives and managing means of the Bank, including but not limited to the credit risk, market risk, interest rate risk on banking book, liquidity risk, and operational risk exposures. RMICC also bears the responsibility for the subsequent appraisal of risks control and implementation.
Credit Review Committee	Responsible for appraising the credit risk on the Bank's loan project.
New Product Committee	Takes the responsibilities to ensure that new product development adhere to the local regulatory requirements, including approval by the General Management, prior risk assessment and analysis carried out by relevant departments, pricing and risk control etc. The new product management policy is reviewed in 2019 so as to enhance the preliminary risk assessment and post appraisal of the product launched.
Compliance Committee	Is responsible to strengthen the overall compliance risk management, a Compliance Committee was formed in 2014 which replaced the Anti-Money Laundering Group (AML Group), and the scope of the Compliance Committee encompasses that of the AML Group and includes all Compliance matters. The objective of the Committee is to ensure that there is an effective Compliance framework within the Bank and compliance risks are adequately managed.
Bulk Purchase Committee	Is responsible for appraising and approving on the Bank's bulk acquisition of products or services above € 30,000 (excluding VAT) through purchase, lease and / or other methods of assignment.
Outsourcing Risk Review Panel (ORRP)	Is responsible for conducting risk review and putting forward review opinions on outsourcing applications and outsourcing catalogues

Personal Data Protection Committee	PDPC had been formed in the scope of implementation of GDPR, the roles of PDPC are to support Data Protection Officer in carrying his tasks and providing oversight and guidance on data protection matters of the Bank. PDPC is chaired by the Data Protection Officer and its members are from representatives of Compliance, Legal, Banking, IT, Risk management & HR functions. PDPC meets at least quarterly and keeps an oversight on the adherence to requirements of GDPR.
Asset Disposal Committee	ADC is established committee in 2019 for the purpose to assure an appropriate level of discipline and compliance of asset disposal is established and write-off work is carried out across the Bank. The committee discusses the asset disposal related matters in order to achieve the best possible return of problem credit asset.
Financial Review Committee	is responsible of reviewing financial expenditures within the scope of its responsibilities and supervising the implementation of its resolutions and requirements.

Figure 5 Committees responsibilities

6. Risk management framework

The Risk Management Framework (RMF) is part of the Banks’ Risk Management Policy which is ultimately approved and endorsed by the Bank’s Board of Directors in order to outline enterprise-level fundamental principles on how risks should be managed for consistent implementation across each individual risk management framework. The Figure 6 below provides an overview of the key framework components, more details of which are given in the later sections.



Figure 6 Risk Management Framework Structure

6.1 Three lines of defence

It is a fundamental expectation that an adequate and proportionate three lines of defense model should be established to manage each of the risk types under the risk taxonomy, taking into account the unique nature and the characteristic of a given risk type.

The Bank has adopted an activity-based approach in defining each line of defense in managing a given risk type as follows. Further details on the three lines of defense expectations can be found in the Bank’s Risk Management Policy.

The First Line of Defense (1LoD)

1LoD owns and manages the financial and/or non-financial risks generated from its day-to-day operations and should ensure adequate understanding of and full compliance with legal, regulatory, ethical and internal expectations. It is responsible for identifying, assessing and managing all risks generated from its operations, undertaking full control of management lifecycle activities, identifying and remediating issues, establishing and performing 1LoD risk reporting and monitoring, and escalating risk events or material concerns to management and 2LoD of the relevant risk types.

The Bank has established Middle Office teams (1.5LoD) or equivalent within certain 1LoD. These teams provide additional risk and control advisory and oversight capabilities as well as support on risk initiatives within 1LoD under its coverage.

The Second Line of Defense (2LoD)

A 2LoD is typically responsible for establishing the specific policies and/or principal requirements on the management of a given risk type, for independently overseeing and challenging the risk profile and performance of 1LoD risk and control management activities individually (e.g. a specific 1LoD area) and holistically (i.e. the Bank) against the Bank's risk appetite.

The Third Line of Defense (3LoD)

A 3LoD role in risk management, assumed by Audit, provides fully independent and objective assurance to the Board and , management. It advises on the adequacy and effectiveness of the Risk Management Frameworks and activities in both 1LoD and 2LoD.

Under IPU governance structure, the Bank's control functions liaise with the subsidiaries corresponding functions to consolidate the risk assessment and control as well as the reporting.

6.2 Risk and compliance functions

The RMD oversees the Bank's credit risk (including counterparty credit risk), market risk, liquidity risk (together with FMD), concentration risk, operational risk (including the business continuity plan), and the CR&E risk of the Bank. It is responsible for formulating the Bank's risk appetite statement (RAS) in line with the business strategy. The RAS is translated into sub-limits business authorization. It performs materiality risk assessment and ensures the regular control of the risk indicators. It reports the Bank's evolving risk profile to the management body (both BRCC and EMC) in a timely manner. It maintains a range of risk management policies and procedures that pertain to the latest regulatory standards. It leads the bank-wide enterprise risk management projects such as consolidated IC/LAAP, stress testing programs and the Group recovery plan. It also ensures the risk assessment of new products.

The CRD is an independent function with the objectives to anticipate, identify and evaluate the compliance risks, and proposes and implements measures to manage the Compliance risks of the Bank. It organizes, coordinates and structures compliance-related controls, as well as monitors measures taken to manage the compliance risks. Compliance reports to the Authorized Management and the BOD, and acts as an adviser in compliance matters within the Bank. Compliance of the Bank also exercises oversight on the entities of the Bank of China (Europe) S.A. group to ensure that the entities align to the policies and requirements of the parent bank, adopting the "highest standards" principle.

6.3 Risk identification

The Bank has identified, through various risk assessment and its IC/LAAP cycle, a range of risks the Bank is exposed to.

The main risks of the Bank, driven by its business model and strategy are:

- Credit risk (including concentration credit risk and residual credit risk),
- Market risk,
- Operational risk,
- Liquidity risk,
- IRRBB (Interest Rate Risk in the Banking Book),
- Legal and Compliance (including money laundering & terrorist financing and sanctions) risks,
- Leverage risk,
- Reputational risk,
- Strategic risk,
- Capital requirements risk,
- Exchange rate risk,
- Country risk,
- Model risk,
- Information technology risk, and
- Climate and Environmental-related Risks (C&E).

The Bank's risk management framework is constituted of various risk policies and procedures formulated for the anticipation, identification, measurement, assessment, monitoring and reporting of the risks.

6.4 Risk strategic objective and risk culture

The risk appetite statement refers to the aggregate level and types of risks that the Bank is willing to accept, or to avoid, to achieve its strategic business objective. It includes qualitative and quantitative statements expressed related to earnings, capital, risk measures and other relevant measures as appropriate.

6.4.1 Risk management process

It is a fundamental expectation that an iterative risk management lifecycle processes (e.g. Identify, Assess & Measure, Treat, Monitor and Report) should be developed and maintained in managing all risk types under the Enterprise Risk Categories.

Table 1 Risk Management Process Lifecycle



6.4.2 Risk culture

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

The Bank promotes its risk culture concepts through:

- Strong support from the Board and Senior Management
- Accountability and risk ownership
- Risk transparency communication and training
- Strong integrated risk management framework

The Bank should establish the mechanism of cultivation, development and reservation of risk management talents and continuously develop professional risk management teams, guaranteeing the staffing of risk management, optimizing staff structure, and enhancing the professionalism of risk management personnel.

In 2023, RMD organized an on-site seminar on risk management, with the participation of all cross-border branches and two subsidiaries. The training session lasted 3 days from 15 – 17th March 2023. The main topics of the training were:

- Training on risk management priorities for 2023, including but not limited to interpretation of the 2023 risk management assessment program, due diligence, ESG, ERM, RWA and CCMS systems, etc. (This section was introduced by colleagues from a branch);
- Operational risk management related priorities, including but not limited to cyber security, anti-fraud, etc. (This section was introduced by EY);
- Communication and discussion among cross-border branches and subsidiaries on the current outstanding problem of risk management.

In early 2024, a steering project team has been established between BOC Europe S.A., BOC CEE and BOC Serbia's risk professionals to coordinate processes such as IC/LAAP and the Group Recovery Plan.

6.5 Risk appetite

As a wholly owned subsidiary, the Bank seeks to respect the Group strategy for risk management. Accordingly, it is a strategic requirement for a risk management framework to be in place to ensure that risks are appropriately defined as well as communicated throughout the Bank.

6.5.1 Risk objective

The risk appetite defines the aggregate level and type of risk that the Bank is willing to accept, or to avoid, in order to achieve its business objectives. One of the main risk objectives is to maintain sustainability and viability through capital and liquidity strengths. The Bank has adopted and maintained an overall cautious approach in risk taking, suggesting a preference for safe business options that have a low degree of inherent risk. Inherent risks cannot be completely avoided and are therefore managed by balancing risk and return.

The RAS along with strategic objectives and BOD oversight are at the top level of the Bank's Risk Management Framework established to implement its the development strategy. Risk limits and indicators are tools for embedding the risk appetite into daily operations. The RAS considers the most important risks to which the Bank is exposed and provides an outline of risk management approaches. All strategic business plans for functional areas must be consistent with the RAS.

6.5.2 Risk governance

The Bank's risk appetite is informed by the ICAAP, ILAAP and Risk Profile as well the requirements and guidelines imposed or expected by the regulator, the Group and senior management. The RAS should be a key constraint on the Bank's strategic plan and a cornerstone of the Risk Management Framework. It is therefore considered as binding for day-to-day risk taking and risk generating activities. The RAS is reviewed by the BRCC and approved by the BOD on an annual basis at least. The responsibilities of relevant bodies in the Bank are illustrated in Table 2.

Table 2 Responsibilities of relevant bodies

BOD	<ul style="list-style-type: none"> • Formal owner of the RAS • Annual review and approval of the RAS as well as changes recommended by the BRCC
BRCC	<ul style="list-style-type: none"> • Annual review (at least) of the RAS and recommendation of changes to the Board • Regular monitoring of adherence to the RAS based on the respective set of risk indicators and other lower level breaches escalated by the GMs • Escalate to the Board of Directors in the event of new indicator breaches • Provide oversight of breach mitigation efforts/measures
EMC	<ul style="list-style-type: none"> • Ensure that the business is compliant with the RAS indicators and levels • Regularly monitors the adherence to the RAS based on a more granular set of risk indicators • Escalate lower-level breaches of RAS to the BRCC • In the event of breaches at RAS, ensures that mitigating actions are defined and taken, monitors implementation and success of mitigation plans
Head of Departments in 1LoD	<ul style="list-style-type: none"> • If relevant, the Heads of Departments (HODs) of business lines are appointed for each RA indicator, who will align the management of the concerned activity (decision making, planning) with the risk appetite. • Be responsible for the definition, implementation and monitoring of mitigating actions in case of breach.
2LoD and 3LoD	<ul style="list-style-type: none"> • Monitor Bank wide (i.e. including subsidiaries) adherence to the RAS • Provide monthly reporting of the current risk profile against the RA triggers and limits to the GM and quarterly to the BRCC • Ensure embedding of RA throughout the Bank and subsidiaries • Facilitate annual review and potential review of the RAS • In the event of RA breaches, track and report on implantation and success of mitigation plans

6.5.3 Risk appetite development

The risk appetite as documented within the Bank’s RAF includes risk appetite indicators and risk limits. Risk appetite indicators are Board level quantitative measures which form part of the Bank’s Board approved overall RAS. For capital, liquidity and certain other risks, the indicators have been assigned ‘Regulatory Limits’ and ‘Internal Limits’. Regulatory Limits primarily relate to those limits prescribed by the regulator and which must not be breached under any circumstance, such as for the LCR. Internal Limits incorporate a buffer to the regulatory minima which the Bank needs to manage.

The regulatory limits are devised, in the first instance, considering the Bank’s Pillar 1 and Pillar 2 obligations as set by CSSF and in the second instance considering any specific risks requiring Board oversight. Corresponding internal thresholds and early warning thresholds are then set to ensure sufficient buffers are in place to enable the Bank to have sufficient time to outlast any potential stress event and to take any mitigating actions to address and minimize any potential impacts. All limits are directly aligned with the Bank's RP and escalation process where relevant.

Risk limits are quantitative measures based on forward looking assumptions that allocate the Bank’s aggregate RAS to business lines, specific risk categories, concentrations, and as appropriate, other levels. Risk limits are approved by the relevant committees and RMICC and noted by the BRCC and Board. The risk limits are devised considering the requirements set by the Group, such as the Parent Dependency Ratio as required by the Chinese regulator, and the requirements of the Bank’s strategy and principles. The corresponding early warning thresholds are established based on the Bank’s historic experience with these measures and/or managements risk tolerance.

6.5.4 Risk Appetite Monitoring and Reporting

Relevant teams in the 2LoD are mandated to monitor and report on specific risk indicators and limits on a periodic basis including daily in some instances. In addition, there is reporting to, and monitoring, by relevant committees and EMC on regular and ad-hoc basis, together with quarterly reporting to the RMICC and the BRCC and as required to the Board.

6.5.5 Communication

The Bank wide RMF, RAS and risk limits are communicated to all staff throughout the Bank on behalf of the RMD and are also made available in the internal policy and documents library² to all staff.

As a part of the RMF, the Bank's business and risk management functions implemented communications plans to provide updates on key risk management events and initiatives in order to enhance awareness and management of risks across the Bank. The communications plans reconfirm the communications channels in place that ensure that risk appetites are communicated to all relevant staff as set out below.

Table 3 Risk Communication channels

Communication Channels	
Risk Appetite Statement (RAS)	<p>The Bank's risk appetite is contained within the Bank's overall RAS</p> <ul style="list-style-type: none"> The RAS is drafted via a working group mechanism with cross departmental representation before submission for relevant approvals The RAS is cascaded throughout the Bank by RMD and relevant HODs
Relevant committees	<ul style="list-style-type: none"> It is delegated that the primary role of the relevant committees is to ensure that the activities of the individual business departments are aligned to ensure that the Business Strategy can be delivered with regard to the RAS which includes indicators and limits for key risks. The relevant committees are the primary forum for risk management discussions and approvals. Key committee membership includes members of EMC as well as HODs of business lines and key risk management teams. Decisions and requirements taken at committees are cascaded by the relevant EMC member and HODs to which they apply to.
Working groups	<ul style="list-style-type: none"> Working groups are the main mechanism employed to initially discuss and brainstorm solutions related to any new or existing challenges, issues, proposals, policies and so forth before escalation to the relevant committee. Working groups are established on an as needed basis.
Education and awareness sessions and workshops	<ul style="list-style-type: none"> Education and awareness forums are hosted on an ongoing basis according to the needs and requirements of the business or where there are changes to policies or regulatory requirements This includes stay connected sessions organized by HR and the trainings organized by RMD

6.5.6 Risk appetite indicator

The approved risk appetite comprises risk indicators and risk limits, covering 11 risks of the Bank. Tables 4 and 5 show the risk indicators and limits above low level. For further details on low risk indicators and limits, and others, please refer to the Bank's latest RAS.

² <http://21.233.33.35/bocpolicy/rmd-policies-procedures/>

Table 4 Summary of the Bank's risk appetite indicators

No	Categories	Appetite	Monitoring Frequency	External/regulatory breach	Internal Limit	Early Warning Threshold		
						RED	AMBER	GREEN
Capital								
1	Common Equity Tier 1 ratio	Regulatory Limit	Quarterly	< 8.2125 %	≥ 8.2125 %	< 8.5 % and ≥ 8.2125 %	< 9% and ≥ 8.5%	≥ 9 %
2	Tier 1 Capital Adequacy ratio	Regulatory Limit	Quarterly	< 9.90 %	≥ 9.90%	< 10.5 % and ≥ 9.90%	< 11 % and ≥ 10.5%	≥ 11 %
3	Total Capital ratio	Regulatory Limit	Quarterly	< 12.15 %	≥ 12.15%	< 13 % and ≥ 12.15 %	< 14 % and ≥ 13%	≥ 14 %
4	TREA	Regulatory Limit	Quarterly	< 9%	≥ 9 %	< 10 % and ≥ 9 %	< 12% and ≥ 10 %	≥ 12%
5	Leverage Ratio Exposure (LRE)	Regulatory Limit	Quarterly	< 3 %	≥ 3 %	< 3.5 % and ≥ 3 %	< 4% and ≥ 3.5 %	≥ 4%
6	Leverage ratio	Regulatory Limit	Quarterly	< 3 %	≥ 3.5%	< 3.5 % and ≥ 3 %	< 5% and ≥ 3.5 %	≥ 5%
7	Large Exposures	Regulatory Limit	Quarterly	≥ 25 %	< 25 %	≥ 23 % and < 25%	≥ 20 % and < 23%	< 20 %
Profitability								
8	Return on Assets (ROA)	Internal Limit	Quarterly	n/a	≥ 0.4%	< 0.2 %	≥ 0.2 % and < 0.4%	≥ 0.4 %
9	Return on Equity (ROE)	Internal Limit	Quarterly	n/a	≥ 7 %	< 4 %	< 7% and ≥ 4 %	≥ 7%
Credit Risk								
10	NPL Ratio	Internal Limit	Quarterly (and Ad Hoc)	n/a	> 1 %	> 1 %	≥ 0.5 % and < 1 %	< 0.5 %
11	NPL Coverage Ratio	Internal Limit	Quarterly (and Ad Hoc)	n/a	≤ 80 %	≤ 80 %	≤ 100 % and > 80 %	> 100 %
12	Leverage Transactions	Internal Limit	Annually	n/a	(see more in RAS)			
13	Credit Concentration	Internal Limit	Quarterly	n/a	(see more in RAS)			
Market Risk								
14	Interest rate risk in the banking book (IRRBB) -> Standard Shock	Regulatory Limit	Quarterly	≥ +/- 20 %	< +/- 20 %	≥ +/- 15% and < +/- 20 %	≥ +/- 10 % and < +/- 15%	≤ +/- 10 %
15	Interest rate risk in the banking book (IRRBB) -> 2.6 Additional scenario's Worst Scenario	Regulatory Limit	Quarterly	≥ +/- 15 %	< +/- 15 %	≥ +/- 12% and < +/- 15 %	≥ +/- 10 % and < +/- 12%	≤ +/- 10 %

No	Categories	Appetite	Monitoring Frequency	External/regulatory breach	Internal Limit	Early Warning Threshold		
						RED	AMBER	GREEN
16	Market risk indicators	Internal Limit	Daily Calculation and Quarterly Reporting	n/a	(see more in RAS)			
Operational Risk								
17	The total Loss Data Collection (“LDC”) of the year	Internal Limit	Ad Hoc and event based.	n/a	< 1,000,000€	≥ 1,000,000€	≥ 100.00€ and < 1,000,000€	< 100.00€
Liquidity Risk								
18	LCR	Regulatory Limit	Daily Calculation and Quarterly Reporting	< 100 %	≥ 100 %	< 115% and ≥ 100 %	< 130 % and ≥ 115 %	≥ 130 %
19	NSFR	Regulatory Limit	Daily Calculation and Quarterly Reporting	< 100 %	≥ 100 %	< 103% and ≥ 100 %	< 107 % and ≥ 103 %	≥ 107 %
20	Group Liability Dependency	Internal Limit	Monthly	n/a	≥70 %	> 48 % and ≤ 70%	> 46 % and ≤ 48 % (indicative)	≤ 46 % (indicative)
21	Liquidity stress test survival period	Internal Limit	Monthly monitoring or when LCR ratio goes in red zone/Quarterly reporting	n/a	< 7 days	< 7 days	≥ 7 and < 30 days	≥ 30 days
22	Liquidity concentration risk	Internal Limit	Monthly	(See more in RAS)				
23	Liquidity corporate deposit run-off risk	Internal Limit	Internal Limit	(See more in RAS)				

Table 5 Summary of the Bank's Risk Limits

No	Categories	Appetite	Monitoring Frequency	External/regulatory breach	Internal Limit	Early Warning Threshold		
						RED	AMBER	GREEN
Operational Risk								
1	Human Resources - Key people	Internal Limit	Annually	n/a	≥ 5 %	≥ 5 %	≥ 2% and < 5 %	< 2%
2	Human Resources - Annual turnover rate	Internal Limit	Annually	n/a	≥ 10 %	≥ 10 %	≥ 5% and < 10 %	< 5%
Liquidity Risk								
3	Corporate deposits concentration indicator 1 (i.e. Concentration of 10	Internal Limit	Monthly / Quarterly	n/a	≥ 75 %	≥ 75 %	≥ 50 % and < 75 %	< 50%

No	Categories	Appetite	Monitoring Frequency	External/regulatory breach	Internal Limit	Early Warning Threshold		
						RED	AMBER	GREEN
	largest depositors over total liabilities)		reporting					
4	Corporate deposits concentration indicator 2 (i.e. Concentration of 1 largest depositor over total liabilities)	Internal Limit	Monthly / Quarterly reporting	n/a	≥ 25 %	≥ 25 %	≥ 20 % and < 25 %	< 20 %
5	Corporate deposits outflow ratio	Internal Limit	Monthly / Quarterly reporting	n/a	≥ 30%	≥ 30%	≥ 20 % and < 30% (indicative)	< 20 % (indicative)
Climate Risk and ESG								
6	Credit exposure to Brown Sectors	Internal Limit	Quarterly	n/a	≤ 50%	≥ 50 %	≥ 45 % and < 50 %	< 45 %
7	Credit exposure to Brown Sectors - Additional "sub-sectors" KPI's"	Internal Limit	Quarterly	n/a	(see more in RAS)			
8	ESG Ratings	Internal Limit	Annually	n/a	≤ 30%	> 30 points	≥ 28 points and ≤ 30 points	< 28 points
Compliance Risk								
9	The total number of customers and the distribution of those customers by customer risk rating.	Internal Limit	Ad hoc/ Report of the situation on quarterly basis.	n/a	Outer Limit: The number of high and medium-high risk customers increases by more than 10% in any given month compared to the rolling average of the previous 6 months.			
10	Number, change and percentage change of customers in high-risk industry of operation.	Internal Limit	Ad hoc/ Report of the situation on quarterly basis.	n/a	Inner Limit: number of customers in high-risk industry of occupation (per CDD Measures Article 22) increases by more than 20% of the total number of customers in high-risk industries from the rolling average of the previous 6 months.			
11	Number of transaction monitoring alerts (SironAML) per month.	Internal Limit	Ad hoc/ Report of the situation on quarterly basis.	n/a	Inner Limit: The total number of alerts per month increases by more than 15% in any given month compared to the rolling average of the previous 6 months.			
12	Number of alerts pending resolution over 30 days from the date that they were generated.	Internal Limit	Ad hoc/ Report of the situation on quarterly basis.	n/a	Inner Limit: The number of pending alerts over 30 days exceeds 2% of the total monthly population of alerts Outer Limit: No alerts aged 3 months or over not closed.			
13	The number, change and percentage change of SARs filed.	Internal Limit	Ad hoc/ Report of the situation on quarterly basis.	n/a	Outer Limit: The volume of SARs filed in a given quarter is increased by more than 3 on the rolling average of the previous 6 months			

No	Categories	Appetite	Monitoring Frequency	External/regulatory breach	Internal Limit	Early Warning Threshold		
						RED	AMBER	GREEN
14	For wire transfers, the number of queries received from correspondent banks relating to AML/Sanctions queries for the Bank's customer.	Internal Limit	Ad hoc/ Report of the situation on quarterly basis.	n/a	Inner Limit: number queries (Excluding queries which are results of the correspondent bank carrying out their internal process of selecting some samples for their routine checks at a pre-determined frequency. Presently this is carried out by BOC New York Branch semi-annually) exceeds 5 per quarter for parties related to a Bank's customer or customer directly			
15	Number of positive matches, court orders, FIU, judicial police requests.	Internal Limit	Ad hoc/ Report of the situation on quarterly basis.	n/a	Outer Limit: Number of matches exceeding to 13 to court orders, FIU, judicial police requests			
16	Number of open AML/Sanctions related positions in CRD, and number of days each has been open	Internal Limit	Ad hoc/ Report of the situation on quarterly basis.	n/a	Inner Limit: An AML compliance position has been unfilled for longer than 90 days.			
17	Number of open regulatory corrective action items from internal audits (including the Bank's and that of Head Office) or regulatory examinations which have not been closed as per agreed deadline	Internal Limit	Ad hoc/ Report of the situation on quarterly basis.	n/a	Inner Limit: Any open regulatory corrective action items from internal audits or regulatory examinations which is passed the due date set by the head office/auditors/regulators or agreed due date			
18	Change of number of non-state (China and EEA) owned financial institutions with PEPs as beneficial owners or representatives/signatories	Internal Limit	Ad hoc/ Report of the situation on quarterly basis.	n/a	Inner Limit: The number of clients with PEPs as beneficial owners or representatives/signatories in non-state owned FCB customers increases by 6 based on the rolling average of the previous 6 months. Outer Limit: The number of clients with PEPs as beneficial owners or representatives/signatories in non-state owned FCB customers increases by 10 based on the rolling average of the previous 6 months.			
19	Distribution of transfers being processed by country risk rating	Internal Limit	Ad hoc/ Report of the situation on quarterly basis.	n/a	Inner Limit: The proportion of transfers being processed that involve high-risk countries will not increase by more than 5% of the average number of transfers being processed that involve high-risk countries as calculated from the rolling average of the previous 6 months.			
20	For wires transfer, the number of queries received from correspondent banks relating to AML/Sanctions queries for the Bank's TBD customer	Internal Limit	Ad hoc/ Report of the situation on quarterly basis.	n/a	Number queries exceeds 2 per quarter for parties related to a Bank's TBD customer or customer directly.			
21	Number of customers with AML/sanctions related negative news (not older than 5 years)	Internal Limit	Ad hoc/ Report of the situation on quarterly	n/a	Inner Limit: The number of customers with negative news exceeds 5 at any time.			

No	Categories	Appetite	Monitoring Frequency	External/regulatory breach	Internal Limit	Early Warning Threshold		
						RED	AMBER	GREEN
			basis.					
22	Number change of transactions involving high-risk countries	Internal Limit	Ad hoc/ Report of the situation on quarterly basis.	n/a		Outer Limit: the number of transactions involving high-risk countries increases by more than 3 per month over the rolling average of the previous 6 months		
23	CBD and SSD's Number of high and medium-high risk customers	Internal Limit	Ad hoc/ Report of the situation on quarterly basis.	n/a		Inner Limit: The number of high and medium-high risk customers increases by more than 10% over the monthly rolling average of the previous 6 months.		
24	Number of PEPs associated with CBD and SSD customers	Internal Limit	Ad hoc/ Report of the situation on quarterly basis.	n/a		Inner Limit: The number of PEPs increases by more than 10% over the monthly rolling average of the previous 6 months		
25	BKD's Number of high-risk customers, excluding Chinese embassy customers	Internal Limit	Ad hoc/ Report of the situation on quarterly basis.	n/a		Inner Limit: The number of high-risk customers, excluding Chinese embassy customers, increases by more than 10% over the monthly rolling average of the previous 6 months.		
26	Number of dormant clients per quarter	Internal Limit	Ad hoc/ Report of the situation on quarterly basis.	n/a		The number of dormant clients of BKD has increased 2% at the end of the quarter compared to previous quarter.		
IT Risk								
27	Availability of systems and number of incidents recorded	Internal Limit	Quarterly and Ad hoc	n/a	> 99.5 %	< 99.5 %	≥ 99.5 % and < 99.9 %	≥ 99.9 %
28	Number of IT incidents at level 4	Internal Limit	Quarterly and Ad hoc	n/a	< 5 instances	> 5 instances	= 4 instances	< 3 instances

6.6 Intragroup and related party transactions

The Bank has established a decision-making framework dedicated to Related Party Transactions taking account of the relevant requirements in CSSF circular 22/807.

The Related Party shall conduct its transactions in the Bank in compliance with the Bank's Conflict of Interest Policy. All Related Party transactions shall be subject to the same internal control measures as that of the clients of the Bank, such as the AML processes and procedures. The transactions of the Authorised Management of the Bank shall also be subject to the Bank's Staff Transaction Policy

6.6.1 Identification of intragroup entity and related party

Within this scope, the related party can be defined as:

1. Legal entities/structure belonging to the same group as the Bank;
2. The shareholder of the Bank,
3. Members of the management body: a spouse, a registered partner, a child or parent, a business entity in which the member of the management body or the related party has a stake representing at least 10% of the capital or voting rights, in which these persons can exercise significant influence or in which these persons hold positions within the authorized management or are members of the management body of the entity.

At the Bank's level, the related parties are:

1. Its subsidiaries, currently BOC CEE and BOC Serbia,
2. Bank of China (Limited) Beijing and its Group entities,
3. Management body members.

6.6.2 Material transactions

The Bank has adopted a series of qualitative and quantitative measures to evaluate related party transaction which could have a material impact on the risk profile of the Bank.

- i. Transactions are carried out on a significant less advantageous terms for the Bank than it would apply with a third party based on "arm's length" principle i.e. transactions are carried out on market conditions (except those special terms which have been duly approved for all staff of the Bank)
- ii. Transactions will affect negatively the solvency, liquidity situation and the risk management capacity of the Bank from a regulatory or internal point of view;
- iii. Transactions which exceed the risk management control capacity or out of the standard business activity scope of the Bank.
- iv. Transactions which are contrary to the sound and prudential management of the interest of the Bank;
- v. Transaction with a member of the Board which exceeds 10% of Common Equity Tier I capital.

6.6.3 Disclosure of the material transactions for S.A.

Related Party transactions include, among others, on-balance sheet and off-balance sheet credit exposures and claims (and their impact on P&L), as well as, dealings such as service contracts, asset purchases and sales, construction contracts, lease agreements, derivative transactions, borrowings, and write-offs. The term transaction should be interpreted broadly to incorporate not only transactions that are entered into with related parties but also situations in which an unrelated party (with whom an institution has an existing exposure) subsequently becomes a related party.

This section discloses the on balance, off-balance

Related parties on-balance sheet exposure

Table 6 Related parties' on-balance sheet exposure as of 31 December 2023

Related parties	Asset/Liability	Amount in mio EUR	Nature of the exposure
Bank of China Limited, Luxembourg Branch	L	3,270.07	Money Market borrowings (2,937 mio EUR)+ Subordinated loan (259 mio EUR) + Vostro (39 mio EUR)+ Unrealized derivatives (22k)
Bank of China Limited, Luxembourg Branch	A	1,737.20	Money Market borrowings (1,109 mio EUR)+ Current deposit (628 m EUR) + Unrealized derivatives (1.5k)
Bank Of China Limited, Head Office	L	546.81	Money Market borrowings (546 mio EUR) + 745k EUR derivatives (unrealized loss)
Bank of China Limited, Macau Branch	A	515.87	Money Market borrowings
Bank Of China Limited, Head Office	A	236.37	Money Market borrowings (233 mio EUR)+ Current deposit (1.6 mio EUR) + Unrealized derivatives (1.8 mio EUR)
BOC (Hong Kong) Limited	L	170.43	Commercial Paper for liquidity management
Bank of China Limited, Frankfurt Branch	A	101.34	Current deposits
Bank Of China Limited, London Branch	L	92.94	Money Market borrowings (89 mio EUR) + 4 mio EUR derivatives (unrealized loss)
BOC Srbija a.d. Beograd	L	86.32	Current deposits
Bank of China Limited, Singapore Branch	A	76.29	FMD Murex money market deals (76 mio EUR) + Current Deposits (5.5 mio EUR)

Related parties off-balance sheet exposure

Table 7 Related parties' off-balance sheet exposure as of 31 December 2023

Related parties	Commitment guarantee given or received	Amount in mio EUR	Nature of the exposure
Bank Of China Limited, Head Office	R	452.98	USD liquidity facility granted by H.O.
Bank of China Limited, Luxembourg Branch	R	238.43	Financial guarantees to secure Bond/CD/CP issuance
Bank Of China Limited, Head Office	R	121.16	Financial guarantee to secure deposits
Bank Of China Limited, Head Office	G	26.98	Letters of guarantee issued
Bank Of China Limited, Henan Branch	G	22.15	Letters of guarantee issued
Bank Of China Limited, London Branch	G	17.40	Letters of guarantee issued

Bank of China Limited, Hebei Branch	G	8.82	Letters of guarantee issued
Bank Of China Limited, Guangdong Branch	G	5.49	Letters of guarantee issued
Bank Of China Limited, Suzhou Branch	G	1.5	Letters of guarantee issued
Bank of China Limited, Shenzhen Branch	G	1.08	Letters of guarantee issued

Related parties P&L exposure

Table 8 Related parties' P&L exposure as of 31 December 2023

Related parties	Income/Expense	Amount in mio EUR	Nature of the income/expense
Bank Of China Limited, Luxembourg Branch	E	86.96	Interest expense of placements
Bank Of China Limited, Luxembourg Branch	I	66.02	Interest income of placements
Bank Of China Limited, Head Office	I	16.80	Interest income of placements
Bank Of China Limited, Head Office	E	15.08	Interest expense of placements
Bank of China Limited, Frankfurt Branch	I	10.06	Fee and commission on corporate loans
Bank of China (Europe) S.A.	I	8.42	Fee and commission on corporate loans
Bank of China Limited, Singapore Branch	I	4.96	Interest income of placements
Bank of China (Europe) S.A.	E	4.07	Interest expense of placements
Bank of China Limited, London Branch	I	3.23	Interest income of placements
Bank of China Limited, London Branch	E	1.10	Interest expense of placements

Related parties service provide to/received from

Table 9 Related parties' service provided to/received from as of 31 December 2023

Related parties	Provided/Received	Amount in mio EUR	Nature of the service
Bank Of China Limited, Luxembourg Branch	R	6.54	Staff cost recharge
Bank Of China Limited, Luxembourg Branch	P	2.56	Staff cost recharge
Bank Of China Limited, Luxembourg Branch	R	1.67	Office space rent
Bank Of China Limited, Luxembourg Branch	R	0.54	Office equipment
Bank Of China Limited, Head Office	R	0.19	IT service

7. Own fund strategy and IC/LAAP

In order to maintain compliance with the regulatory capital requirements, the Bank continues to work diligently and proactively within a challenging environment. Therefore, the own funds strategy is designed to enhance the capital base, and to help the Bank in keeping its profitability in the complex internal and

external environment, by improving the efficiency of capital utilization while developing light capital business.

7.1 Regulatory Capital & Liquidity adequacy

The Bank monitors its solvency using rules and ratios issued by the Basel Committee on Banking Supervision and the European Union Capital Requirements Regulation. Prudential ratios are computed as the quotients between the appropriate measure of own funds and the risk-weighted assets equivalent of Minimum Capital Requirements.

The table below provides an annual view of key prudential metrics covering the Bank's available capital (including buffer requirements and ratios), its risk weighted assets (RWA), leverage ratio (LR), liquidity coverage ratio (LCR) and net stable funding ratio (NSFR).

Table 10 Key metrics

	Key metrics template in EUR Million (Template EU KMI-EBA/ITS/2020/04)	a	b
		2023/12/31	2022/12/31
	Available own funds (amounts)		
1	Common Equity Tier 1 (CET1) capital	562.38	536.13
2	Tier 1 capital	865.88	837.19
3	Total capital	964.49	943.97
	Risk-weighted exposure amounts		
4	Total risk-weighted exposure amount	5,791.09	5,593.65
	Capital ratios (as a percentage of risk-weighted exposure amount)		
5	Common Equity Tier 1 ratio (%)	9.71%	9.58%
6	Tier 1 ratio (%)	14.95%	14.97%
7	Total capital ratio (%)	16.65%	16.88%
	Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)		
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	0.00%	0.00%
EU 7b	of which: to be made up of CET1 capital (percentage points)	0.00%	0.00%
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	0.00%	0.00%
EU 7d	Total SREP own funds requirements (%)	8.00%	8.00%
	Combined buffer requirement (as a percentage of risk-weighted exposure amount)		
8	Capital conservation buffer (%)	2.50%	2.50%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	0.00%	0.00%
9	Institution specific countercyclical capital buffer (%)	0.60%	0.30%
EU 9a	Systemic risk buffer (%)	0.00%	0.00%
10	Global Systemically Important Institution buffer (%)	0.00%	0.00%
EU 10a	Other Systemically Important Institution buffer	0.00%	0.00%
11	Combined buffer requirement (%)	3.10%	2.80%
EU 11a	Overall capital requirements (%)	11.10%	10.80%
12	CET1 available after meeting the total SREP own funds requirements (%)	5.21%	5.08%
	Leverage ratio		
13	Leverage ratio total exposure measure	12,049.36	10,835.48
14	Leverage ratio	7.19%	7.73%
	Additional own funds requirements to address risks of excessive leverage (as a percentage total exposure measure)		
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	0.00%	0.00%
EU 14b	of which: to be made up of CET1 capital (percentage points)	0.00%	0.00%
EU 14c	Total SREP leverage ratio requirements (%)	3.00%	0.00%
	Leverage ratio buffer and overall leverage ratio requirement (as a percentage total exposure measure)		
EU 14d	Leverage ratio buffer requirement (%)	0.00%	0.00%
EU 14e	Overall leverage ratio requirements (%)	3.00%	0.00%
	Liquidity Coverage Ratio		
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	2,652.86	1,390.86

	Key metrics template in EUR Million (Template EU KM1-EBA/ITS/2020/04)	a	b
		2023/12/31	2022/12/31
EU 16a	Cash outflows - Total weighted value	2,052.08	3,228.66
EU 16b	Cash inflows - Total weighted value	2,505.63	3,222.08
16	Total net cash outflows (adjusted value)	513.02	807.16
17	Liquidity coverage ratio (%)	275.68%	181.62%
	Net Stable Funding Ratio		
18	Total available stable funding	4,734.54	4,921.14
19	Total required stable funding	4,020.78	4,151.22
20	NSFR ratio (%)	117.75%	118.55%

At the end of 2023, the total capital ratio stood at 16.65% (16.88% in 2022) and the Common Equity Tier 1 ratio (CET1) at 9.71% (9.58% in 2022).

The minimum requirement for the total capital ratio stood at 11.10% and that for the CET1 ratio stood at 7.6% as of 31 December 2022. There was no additional SREP capital requirement set for the financial year 2023.

7.2 Structure of own fund

The Bank's own funds are calculated in compliance with Art. 72 of the CRR: Own funds consist of the sum of Tier 1 capital (Common Equity Tier 1 (CET1), additional Tier 1 capital instrument and Tier 2 Capital).

The Bank's own regulatory funds as of 31 December 2023 are composed of:

- Tier 1 capital consists of paid-up capital and eligible reserves (including reported profit/loss and valuation spread, subject to a prudential filter), the subscribed capital of the Bank is fixed at €400 million, represented by fifty thousand shares without any par value since 28th November 2016.
 - o Additional Tier I capital, which consists of €150 million of perpetual loan, issued on 24 June 2020 in compliance with CRR art 52-54. Bank of China Limited, Luxembourg Branch subscribed this loan.
 - o The Bank has a Tier 1 capital of €701.56 million as of 31 December 2023. The increase in 2023 is mainly due to the 2022's profit brought forward.
- Tier 2 capital consists of a 10-year subordinated loan amounting to €106 million granted by Bank of China limited Luxembourg Branch in 2018 in compliance with CRR Art. 63. In 2023, this subordinated loan moves to its final 5 years of maturity, applying an amortization of nominal value in compliance with CRR Art. 64. Therefore, the Bank disposes a total Tier 2 capital of €98.60 million as at 31 December 2023.

The following table details own fund disclosures in accordance with the Annex I of the Regulation (EU) No 1423/2013:

Table 11 Composition of regulatory own funds

Composition of regulatory own funds		Amounts in EUR Million	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
Common Equity Tier 1 (CET1) capital: instruments and reserves			
1	Capital instruments and the related share premium accounts	400.00	(h)
	of which: Instrument type 1	0.00	
	of which: Instrument type 2	0.00	
	of which: Instrument type 3	0.00	
2	Retained earnings	129.52	
3	Accumulated other comprehensive income (and other reserves)	35.47	
EU-3a	Funds for general banking risk	0.00	
4	Amount of qualifying items referred to in Article 484 (3) CRR and the related share premium accounts subject to phase out from CET1	0.00	
5	Minority interests (amount allowed in consolidated CET1)	0.00	
EU-5a	Independently reviewed interim profits net of any foreseeable charge or dividend	0.00	
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	564.99	
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	-0.01	
8	Intangible assets (net of related tax liability) (negative amount)	-0.97	(a)minus (d)
9	Empty set in the EU		
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)	0	
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	0	
12	Negative amounts resulting from the calculation of expected loss amounts	0	
13	Any increase in equity that results from securitised assets (negative amount)	0	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	0	
15	Defined-benefit pension fund assets (negative amount)	0	
16	Direct, indirect and synthetic holdings by an institution of own CET1 instruments (negative amount)	0	
17	Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	0	
18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0	

Composition of regulatory own funds		Amounts in EUR Million	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0	
20	Empty set in the EU	0	
EU-20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	0	
EU-20b	of which: qualifying holdings outside the financial sector (negative amount)	0	
EU-20c	of which: securitisation positions (negative amount)	0	
EU-20d	of which: free deliveries (negative amount)	0	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)	-1.65	
22	Amount exceeding the 17,65% threshold (negative amount)	0	
23	of which: direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	0	
24	Empty set in the EU		
25	of which: deferred tax assets arising from temporary differences	0	
EU-25a	Losses for the current financial year (negative amount)	0	
EU-25b	Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (negative amount)	0	
26	Empty set in the EU		
27	Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount)	0	
27a	Other regulatory adjustments to CET1 capital	0	
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	-2.63	
29	Common Equity Tier 1 (CET1) capital	562.36	
Additional Tier 1 (AT1) capital: instruments			
30	Capital instruments and the related share premium accounts	303.51	(i)
31	of which: classified as equity under applicable accounting standards	303.51	
32	of which: classified as liabilities under applicable accounting standards	0	
33	Amount of qualifying items referred to in Article 484 (4) CRR and the related share premium accounts subject to phase out from AT1 as described in Article 486(3) CRR	0	
EU-33a	Amount of qualifying items referred to in Article 494a(1) CRR subject to phase out from AT1	0	

Composition of regulatory own funds		Amounts in EUR Million	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
EU-33b	Amount of qualifying items referred to in Article 494b(1) CRR subject to phase out from AT1	0	
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	0	
35	of which: instruments issued by subsidiaries subject to phase out	0	
36	Additional Tier 1 (AT1) capital before regulatory adjustments	303.51	
Additional Tier 1 (AT1) capital: regulatory adjustments			
37	Direct, indirect and synthetic holdings by an institution of own AT1 instruments (negative amount)	0	
38	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	0	
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0	
40	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	0	
41	Empty set in the EU		
42	Qualifying T2 deductions that exceed the T2 items of the institution (negative amount)	0	
42a	Other regulatory adjustments to AT1 capital	0	
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital	0	
44	Additional Tier 1 (AT1) capital	303.51	
45	Tier 1 capital (T1 = CET1 + AT1)	865.87	
Tier 2 (T2) capital: instruments			
46	Capital instruments and the related share premium accounts	98.60	
47	Amount of qualifying items referred to in Article 484 (5) CRR and the related share premium accounts subject to phase out from T2 as described in Article 486(4) CRR	0	
EU-47a	Amount of qualifying items referred to in Article 494a (2) CRR subject to phase out from T2	0	
EU-47b	Amount of qualifying items referred to in Article 494b (2) CRR subject to phase out from T2	0	
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	0	
49	of which: instruments issued by subsidiaries subject to phase out	0	
50	Credit risk adjustments	0	
51	Tier 2 (T2) capital before regulatory adjustments	98.60	
Tier 2 (T2) capital: regulatory adjustments			
52	Direct, indirect and synthetic holdings by an institution of own T2 instruments and subordinated loans (negative amount)	0	

Composition of regulatory own funds		Amounts in EUR Million	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
53	Direct, indirect and synthetic goldings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	0	
54	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0	
54a	Empty set in the EU		
55	Direct, indirect and synthetic holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	0	
56	Empty set in the EU		
EU-56a	Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative amount)	0	
EU-56b	Other regulatory adjustments to T2 capital	0	
57	Total regulatory adjustments to Tier 2 (T2) capital	0	
58	Tier 2 (T2) capital	98.60	
59	Total capital (TC = T1 + T2)	964.47	
60	Total Risk exposure amount	5,791.09	
Capital ratios and requirements including buffers			
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	9.71%	
62	Tier 1 (as a percentage of total risk exposure amount)	14.95%	
63	Total capital (as a percentage of total risk exposure amount)	16.65%	
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)	7.60%	
65	of which: capital conservation buffer requirement	2.50%	
66	of which: countercyclical buffer requirement	0.60%	
67	of which: systemic risk buffer requirement	0	
EU-67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	0	
EU-67b	of which: additional own funds requirements to address the risks other than the risk of excessive leverage	0.00%	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	2.11%	
69	[non relevant in EU regulation]		
70	[non relevant in EU regulation]		
71	[non relevant in EU regulation]		

Composition of regulatory own funds		Amounts in EUR Million	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
Amounts below the thresholds for deduction (before risk weighting)			
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	0.00	
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions)	0	
74	Empty set in the EU		
75	Deferred tax assets arising from temporary differences (amount below 17,65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met)	0	
Applicable caps on the inclusion of provisions in Tier 2			
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	0	
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	67.70	
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	0	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	0	
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)			
80	Current cap on CET1 instruments subject to phase out arrangements	0	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	0	g
82	Current cap on AT1 instruments subject to phase out arrangements	0	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	0	
84	Current cap on T2 instruments subject to phase out arrangements	0	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	0	

7.3 Reconciliation of accounting and regulatory equity

The Bank has decided to change its accounting framework from Luxembourg Generally Accepted Accounting Principles (Lux GAAP) to the International Financial Reporting Standards as adopted by European Union (IFRS) and is preparing financial statements under these accounting principles for the first time as of 31st December 2022. Therefore, there is no difference of carrying amounts presented in the financial statements and the regulatory exposure of the Bank in accordance with the requirement of Art. 437 1(a) of the CRR.

7.4 Regulatory Capital requirement

The Bank is subject to the capital regulation under CRD-IV, including the following regulation:

- “Capital Requirements Regulation” (CRR Regulation (EU) No 575/2013 of the European Parliament and of the Council),
- “Capital Requirements Regulation” (CRR Regulation (EU) No 2019/876 of the European Parliament and of the Council), amending Regulation (EU) No 575/2013,
- “Capital Requirements Directive” (CRD Regulation (EU) No 36/2013 of the European Parliament and of the Council) which set up the capital buffers,
- “Liquidity Coverage Requirement” (Delegated Act EU No 2015/61),
- CSSF Regulation No 18-03 regarding the implementation of some national discretions included in the CRR Regulation (EU) No 575/2013,
- Regulatory technical standards as defined by the European Banking Authority,

As of 31 December 2023, the CSSF has set the TSCR of the Bank at 8% of the Bank’s Total Risk Exposure Amount as defined in article 92(3) of CRR, representing own funds requirements as specified in Article 92(1) of CRR. The ratio must be met at all times.

The combined buffer requirement is the CET1 capital corresponding to the sum of the following:

- 2.5% of TREA corresponding to the capital conservation buffer as defined in Article 59-5 LFS,
- The amount of CET1 resulting from the application of CSSF Regulation 15-01(counter-cyclical capital buffer), if applicable,
- The higher of the amount of CET1 resulting from the application of Article 59-9 LFS (buffer for the other systemically important institutions – OSII-buffer) and Article 59-10 and 59-11 LFS (systemic risk buffer), if applicable.

Table 12 Main features of regulatory own funds instruments and eligible liabilities instruments

Capital Instruments main features template													
1	Issuer	Bank of China (Europe) S.A.	Bank of China (Europe) S.A.	Bank of China (Europe) S.A.	Bank of China (Europe) S.A.	Bank of China (Europe) S.A.	Bank of China (Europe) S.A.	Bank of China (CEE) Ltd.	Bank of China (Europe) S.A.	Bank of China Serbia CEE	Bank of China (CEE) Ltd.	Bank of China (CEE) Ltd.	Bank of China (CEE) Ltd.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	RSBOCSE 88722	HU 0000071 683	HU 0000075 771	HU 0000119 060
3	Governing law(s) of the instrument	Luxembourg Law	Luxembourg Law	Luxembourg Law	Luxembourg Law	Luxembourg Law	Luxembourg Law	Hungarian Law	Luxembourg Law	Serbia Law	Hungary Law	Hungary Law	Hungary Law
Regulatory treatment													
4	Transitional CRR rules	CET1	CET1	CET1	CET1	CET1	AT1	AT1	Tier 2	CET1	CET1	CET1	CET1
5	Post-transitional CRR rules	CET1	CET1	CET1	CET1	CET1	AT1	AT1	Tier 2	CET1	CET1	CET1	CET1
6	Eligible at solo/(sub-)consolidation/ solo & (sub-)consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated	Individual	Solo & consolidated	Solo & consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Registered shares	Registered shares	Registered shares	Registered shares	Registered shares	Perpetual loan	Perpetual loan	Subordinated debt	Registered shares (ordinary)	Registered shares	Registered shares	Registered shares
8	Amount recognised in regulatory capital (currency in EUR, as of most recent reporting date)	500,000,000 LUF (corresponding to 12,394,676.24 EUR)	EUR 5,323.76	EUR 67.6 million	EUR 120 million	EUR 200 million	EUR 150 million	EUR 150 million	EUR 106.40 million	EUR 15.6 million	HUF 2,700 million	HUF 100,000	HUF 4,000 million
9	Nominal amount of instrument	EUR 12,394,676.24	EUR 5,323,76	EUR 67.6 million	EUR 120 million	EUR 200 million	EUR 150 million	EUR 150 million	EUR 106 million	RSD 18,438,870	HUF 2,700 million	HUF 100,000	HUF 4,000 million
9a	Issue price	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
9b	Redemption price	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Capital Instruments main features template													
10	Accounting classification	Shareholder's equity	Shareholder's equity	Shareholder's equity	Shareholder's equity	Shareholder's equity	Subordinated Liability	Subordinated Liability	Subordinated Liability	Shareholder's equity	Shareholder's equity	Shareholder's equity	Shareholder's equity
11	Original date of issuance	07/05/1991	21/05/2002	02/07/2008	14/08/2012	28/11/2016	29/06/2020	15/01/2020	16/07/2018	28/12/2016	08/01/2003	20/10/2004	15/06/2012
12	Perpetual or dated	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Dated	Perpetual	Perpetual	Perpetual	Perpetual
13	Original maturity date	N/A	N/A	N/A	N/A	N/A	N/A	N/A	17/07/2028	N/A	N/A	N/A	N/A
14	Issuer call subject to prior supervisory approval	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
15	Optional call date, contingent call dates and redemption amount	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
16	Subsequent call dates, if applicable	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Coupons / dividends													
17	Fixed or floating dividend/coupon	N/A	N/A	N/A	N/A	N/A	Floating	Floating	Floating	Floating	N/A	N/A	N/A
18	Coupon rate and any related index	N/A	N/A	N/A	N/A	N/A	euribor 6m+166 bps	euribor 6m+100 bps	euribor 6m+115 bps	N/A	N/A	N/A	N/A
19	Existence of a dividend stopper	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
20 a	Fully discretionary, partially discretionary or mandatory (in term of timing)	N/A	N/A	N/A	N/A	N/A	Fully discretionary	Fully discretionary	Mandatory	Partially discretionary	N/A	N/A	N/A
20 b	Fully discretionary, partially discretionary or mandatory (in term of amount)	N/A	N/A	N/A	N/A	N/A	Fully discretionary	Fully discretionary	Mandatory	Partially discretionary	N/A	N/A	N/A
21	Existence of step up or other	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Capital Instruments main features template													
	incentive to redeem												
22	Noncumulative or cumulative	N/A	N/A	N/A	N/A	N/A	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	N/A	N/A	N/A
23	Convertible or non-convertible	N/A	N/A	N/A	N/A	N/A	Non-convertible	Non-convertible	Non-convertible	Non-convertible	N/A	N/A	N/A
24	If convertible, conversion trigger(s)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
30	Write-down features	N/A	N/A	N/A	N/A	N/A	Yes	Yes	N/A	N/A	N/A	N/A	N/A
31	If write-down, write-down trigger(s)	N/A	N/A	N/A	N/A	N/A	Write down trigger is 7% of CET 1 Ratio of the issuer.	Write down trigger is 6% of CET 1 Ratio of the issuer.	N/A	N/A	N/A	N/A	N/A
32	If write-down, full or partial	N/A	N/A	N/A	N/A	N/A	Permanent and irrevocable.	Full or partial	N/A	N/A	N/A	N/A	N/A

Capital Instruments main features template													
33	If write-down, permanent or temporary	N/A	N/A	N/A	N/A	N/A	N/A	Permanent and irrevocable	N/A	N/A	N/A	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
35	Position in subordination, hierarchy in liquidation (specify instrument type immediately senior to instrument)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
36	Non-compliant transitioned features	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
37	If yes, specify non-compliant features	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

7.5 Overview of RWAs

In accordance with Article 138 (c) to (f) in the CRR, the following table shows RWA and regulatory capital requirements broken down by risk types and model approaches as of year-end in 2023. The capital requirement amounts are obtained by applying 8% to the corresponding weighted risks.

Table 13 Overview of RWAs – EU OVI

Overview of RWAs amounts in EUR Million (Template EU OV1 – EBA/ITS/2020/04)		Risk weighted exposure amounts (RWEAs)		Total own funds requirements
		31/12/2023	31/12/2022	31/12/2023
1	Credit risk (excluding CCR)	5,405.59	5,323.93	432.45
2	Of which the standardised approach	5,405.59	5,323.93	432.45
3	Of which the foundation IRB (FIRB) approach	-	-	-
4	Of which slotting approach	-	-	-
EU 4a	Of which equities under the simple riskweighted approach	-	-	-
5	Of which the advanced IRB (AIRB) approach	-	-	-
6	Counterparty credit risk - CCR	10.78	12.44	0.86
7	Of which the standardised approach	-	-	-
8	Of which internal model method (IMM)	-	-	-
EU 8a	Of which exposures to a CCP	-	-	-
EU 8b	Of which credit valuation adjustment - CVA	-	-	-
9	Of which other CCR	10.78	12.44	0.86
15	Settlement risk	-	-	-
16	Securitisation exposures in the non-trading book (after the cap)	-	-	-
17	Of which SEC-IRBA approach	-	-	-
18	Of which SEC-ERBA (including IAA)	-	-	-
19	Of which SEC-SA approach	-	-	-
EU 19a	Of which 1250%	-	-	-
20	Position, foreign exchange and commodities risks (Market risk)	62.64	51.40	5.01
21	Of which the standardised approach	62.64	51.40	5.01
22	Of which IMA	-	-	-
EU 22a	Large exposures	-	-	-
23	Operational risk	310.86	205.88	24.87
EU 23a	Of which basic indicator approach	310.86	205.88	24.87
EU 23b	Of which standardised approach	-	-	-
EU 23c	Of which advanced measurement approach	-	-	-
24	Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)	-	-	-
29	Total	5,789.88	5,593.65	463.19

As of 31 December 2023, the total RWA for the Bank amounted to EUR 5.78 billion (2022: EUR 5.59 billion). The overall increase of EUR 0.19 billion mainly reflects increases in credit risk RWA and operational risk RWA.

The credit risk RWA amounts to EUR 5.41 billion (2022: EUR 5.32 billion), the increase of EUR 0.08 billion is mainly due to the institution's portfolio growth. The RWA for Operational Risk amounts to EUR 310.86 million (2022: EUR 205.88 million). The increase of EUR 0.11 billion is mainly driven by the revenue increase.

The RWA for market risk amounts to EUR 62.64 million (2022: EUR 51.40 million), which is mainly foreign currency risk, with an allocated capital of 8% of the overall net currency position³, if the net position exceeds 2% of the Bank's own funds.

The Bank is required, since its application of the Basel III framework, to calculate its capital requirements with respect to credit, market, operational and counterparty risk, and to publish its solvency ratios.

The Bank uses the Standardised Approach (SA) for credit risk to determine its minimum capital requirement, in accordance with the CRR, to estimate credit risk capital requirements, that arise principally from credit lending and debt securities investment, as well as from off-balance sheet financial instruments. Under the Standardised Approach, RWA is calculated by allocating the Bank's exposures to one of the defined categories and then applying the specified Risk Weights to each of the categories. Finally, capital is charged by applying the minimum capital adequacy ratio which is 8% to the RWA.

For Market Risk, the Bank has adopted the Standardised Method; this choice is based on the Bank's very limited trading activity, whose sole purpose is to assist Bank's customers by providing the best service for the purchase or sale of foreign currencies and equities. The Standardised Method, which is a basic indicator method, is also used for the calculation of the weighted operational risks of the Bank.

7.6 Internal capital adequacy

As per CSSF circular 20/753 on the implementation of Internal Capital and Liquidity Adequacy (ICLAAP), the ICAAP and ILAAP are internal processes of the institutions, adapted to their organization and to their specific operational needs so as to ensure the adequacy of capital and liquidity as a risk mitigation in normal (through the cycle) and stressed times. The scope and capacity of the ICAAP and ILAAP increase with the nature, scale and complexity of the institution's activities (including their inherent risks) and organization. The Bank has established a robust governance framework to ensure that all aspects of the planning and production of this ICAAP receive appropriate senior level oversight and approval. The preparation of the ICAAP was coordinated and managed by the RMD. The ICAAP process was directly supervised by the Authorized Management.

The Bank conducted a self-review of its internal capital adequacy taking into account its business model, its risk appetite as well as its business strategy, bearing in mind principles of proportionality. The Bank believes its overall risk management framework, risk mitigation measures and limits, monitoring, and scenario analysis are fitting for managing all significant risks it encounters.

The ICAAP is subject to regular reviews to ensure risk coverage remains complete and adapted to the Bank's scale and complexity and that the internal liquidity amount is suitable for the risks taken. These reviews happen at least once a year. However, the review frequency may deviate from this minimum period

³ Net short and long positions in each currency other than the capital currency shall be translated at spot rates into the capital currency. The higher of these two totals, regardless of its sign, shall constitute the credit institution's overall net currency position.

if there are changes in the activities that might drive new risks. The ICAAP is reviewed and scrutinized annually, as part of the business planning and risk identification process, or when significant changes to the business strategy and risk profile occur.

The 2023 ICAAP has undergone several levels of review and challenges prior to the BOD's validation and regulatory submission.

The Bank conducts on-going risk assessments and regularly performs bank-wide stress testing as a life-cycle of ICAAP exercise.

The outcome of the annual ICAAP as well as the stress test outcomes are considered in the Bank's strategic planning and RAS limit calibrations.

8. Countercyclical buffer

In accordance with Article 440 (a) and (b) of the CRR, the following table discloses the Bank's specific countercyclical buffers, as well as the geographical distribution of credit exposures relevant for their calculation as set out in Commission Delegated Regulation (EU) 2015/1555.

Countercyclical capital buffer rates are determined by Basel Committee member jurisdictions. The final bank-specific buffer add-on rate applies the weighted average of countercyclical capital buffer rates in jurisdictions to which the bank has credit exposures.

The Bank's countercyclical capital buffer rate stands at 0.6% as of 31 December 2023 (2022: 0.3%). The increase of the countercyclical buffer is mainly driven by several countries' decision to raise their buffer in 2023 (e.g. Sweden, Norway, Czechia)

Table 14 EU CCyB1 - Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer

2023	General credit exposures	Total exposure value	Own fund requirements		Risk-weighted exposure amounts	Own fund requirements weights (%)	Countercyclical buffer rate (%)
In EUR Million	Exposure value under the standardised approach		Relevant credit risk exposures - Credit risk	Total			
Breakdown by country:							
Austria	137.35	137.35	10.99	10.99	137.35	3.33%	0.00%
Australia	6.12	6.12	0.49	0.49	6.12	0.15%	0.00%
Belgium	262.42	262.42	20.99	20.99	262.42	6.36%	0.00%
Switzerland	25.21	25.21	2.02	2.02	25.21	0.61%	0.00%
China	0.54	0.54	0.02	0.02	0.19	0.00%	0.00%
Colombia	5.19	5.19	0.42	0.42	5.19	0.13%	0.00%
Curacao	6.69	6.69	0.54	0.54	6.69	0.16%	0.00%
Czechia	6.39	6.39	0.35	0.35	4.39	0.11%	2.50%
Germany	145.57	145.57	10.31	10.31	128.93	3.13%	0.75%
Denmark	153.28	153.28	12.26	12.26	153.28	3.72%	2.50%
Spain	162.29	162.29	12.53	12.53	156.61	3.80%	0.00%
Finland	70.41	70.41	5.63	5.63	70.41	1.71%	0.00%
France	72.37	72.37	5.77	5.77	72.16	1.75%	0.50%
Germany	38.49	38.49	10.314	3.21	40.11	0.97%	0.75%
Ghana	25.63	25.63	2.05	2.05	25.63	0.62%	0.00%
Greece	0.73	0.73	0.06	0.06	0.73	0.02%	0.00%
Hong Kong	20.49	20.49	1.64	1.64	20.49	0.50%	1.00%
Hungary	41.13	41.13	2.47	2.47	30.86	0.75%	0.50%
Ireland	230.58	230.58	18.02	18.02	225.25	5.46%	1.00%
Italy	54.40	54.40	4.35	4.35	54.40	1.32%	0.00%
Cayman Islands	23.26	23.26	1.86	1.86	23.26	0.56%	0.00%
Luxembourg	449.84	449.84	34.49	34.49	431.14	10.46%	0.50%
Malta	0.03	0.03	0.00	0.00	0.03	0.00%	0.00%
Mexico	63.17	63.17	5.05	5.05	63.17	1.53%	0.00%
Netherlands	484.87	484.87	38.52	38.52	481.52	11.68%	1.00%
Norway	119.66	119.66	9.57	9.57	119.66	2.90%	2.50%
Poland	811.64	811.64	47.72	47.72	596.47	14.47%	0.00%
Portugal	537.96	537.96	41.19	41.19	514.87	12.49%	0.00%
Romania	1.81	1.81	0.14	0.14	1.81	0.04%	1.00%
Serbia	0.25	0.25	0.02	0.02	0.25	0.01%	0.00%
Sweden	297.22	297.22	23.78	23.78	297.22	7.21%	2.00%
Singapore	20.10	20.10	1.61	1.61	20.10	0.49%	0.00%

2023	General credit exposures	Total exposure value	Own fund requirements		Risk-weighted exposure amounts	Own fund requirements weights (%)	Countercyclical buffer rate (%)
	Exposure value under the standardised approach		Relevant credit risk exposures - Credit risk	Total			
In EUR Million							
Slovakia	9.91	9.91	0.40	0.40	4.95	0.12%	1.50%
United States	223.77	223.77	11.87	11.87	148.34	3.60%	0.00%
United Kingdom	38.49	38.49	3.21	3.21	40.11	0.97%	2.00%
Total	4,547.26	5,442.34	333.55	333.55	4,762.68	100%	

The following table shows an overview of the Bank's countercyclical exposure and buffer requirements:

Table 15 EU CCyB2 - Amount of institution-specific countercyclical capital buffer

Amount of institution-specific countercyclical capital buffer-Million EUR (Template EU CCyB2 -EBA/ITS/2020/04)		5,791.09
Institution specific countercyclical capital buffer rate		0.60%
Institution specific countercyclical capital buffer requirement		34.75

9. Leverage ratio

The leverage ratio (LR) is introduced by the Basel Committee to serve as a simple, transparent and non-risk-based ratio to complete the existing risk-based capital requirements.

The Basel III leverage ratio is defined as the capital measure (the numerator) divided by the exposure measure (the denominator), with this ratio expressed as a percentage and having to exceed a minimum of 3%.

As of 31 December 2023, the Leverage Ratio amounts to 7.19% (fully phased-in definition of Tier 1), showing a decrease of 54 bps compared to end of 2022 of 7.73%.

The evolution of this ratio compared to last year can be explained by the combination of the following factors:

- Increase of total leverage exposure of about 12% which is mainly driven by on-balance sheet exposure (excluding derivatives, SFT) ,
- Increase of Tier 1 capital of 3% mainly related to retained earnings incorporated into capital.

Table 16 EU LR1 - LRSum: Summary reconciliation of accounting assets and leverage ratio exposures

Summary reconciliation of accounting assets and leverage ratio exposures In EUR Million (Template EU LR1 -EBA/ITS/2020/04)		Applicable amount
1	Total assets as per accounting balance sheet value*	10,835.13
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	-
3	(Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)	-
4	(Adjustment for temporary exemption of exposures to central bank (if applicable))	-
5	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio total exposure measure in accordance with point (i) of point (i) of Article 429a(1) CRR)	-
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	-
7	Adjustment for eligible cash pooling transactions	-
8	Adjustments for derivative financial instruments	52.14
9	Adjustment for securities financing transactions (SFTs)	-
10	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	1,164.71
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)	-
EU-11a	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with point (c) of Article 429a(1) CRR)	-
EU-11b	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with point (j) of Article 429a(1) CRR)	-
12	Other adjustments	(2.62)

13	Leverage ratio total exposure measure	12,049.36
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Table 17 EU LR2 - LRCom: Leverage ratio common disclosure

EU LR2 - LRCom: Leverage ratio common disclosure In EUR Million (Template EU LR2 -EBA/ITS/2020/04)		CRR leverage ratio exposures	
		2023	2022
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	10,831.71	9,671.69
2	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	-	-
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-	-
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	-	-
5	(General credit risk adjustments to on-balance sheet items)	-	-
6	(Asset amounts deducted in determining Tier 1 capital)	-0.97	-0.60
7	Total on-balance sheet exposures (excluding derivatives and SFTs)	10,830.74	9,671.09
Derivative exposures			
8	Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin)	-	-
EU-8a	Derogation for derivatives: replacement costs contribution under the simplified standardised approach	-	-
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	-	-
EU-9a	Derogation for derivatives: Potential future exposure contribution under the simplified standardised approach	-	-
EU-9b	Exposure determined under Original Exposure Method	53.91	44.94
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	-	-
EU-10a	(Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach)	-	-
EU-10b	(Exempted CCP leg of client-cleared trade exposures) (Original exposure method)	-	-
11	Adjusted effective notional amount of written credit derivatives	-	-
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-
13	Total derivatives exposures	53.91	44.94
Securities financing transaction (SFT) exposures			
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	-	-
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
16	Counterparty credit risk exposure for SFT assets	-	-
EU-16a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429e(5) and 222 CRR	-	-
17	Agent transaction exposures	-	-
EU-17a	(Exempted CCP leg of client-cleared SFT exposure)	-	-
18	Total securities financing transaction exposures	-	-
Other off-balance sheet exposures			
19	Off-balance sheet exposures at gross notional amount	1,963.67	2,039.97
20	(Adjustments for conversion to credit equivalent amounts)	-798.96	-920.52
21	(General provisions associated with off-balance sheet exposures deducted in determining Tier 1 capital)	-	-
22	Off-balance sheet exposures	1,164.71	1,119.44
Excluded exposures			
EU-22a	(Exposures excluded from the leverage ratio total exposure measure in accordance with point (c) of Article 429a(1) CRR)	-	-
EU-22b	(Exposures exempted in accordance with point (j) of Article 429a (1) CRR (on and off balance sheet))	-	-
EU-22c	(Excluded exposures of public development banks - Public sector investments)	-	-

EU LR2 - LRCom: Leverage ratio common disclosure In EUR Million (Template EU LR2 -EBA/ITS/2020/04)		CRR leverage ratio exposures	
		2023	2022
EU-22d	(Excluded promotional loans of public development banks: - Promotional loans granted by a public development credit institution - Promotional loans granted by an entity directly set up by the central government, regional governments or local authorities of a Member State - Promotional loans granted by an entity set up by the central government, regional governments or local authorities of a Member State through an intermediate credit institution)	-	-
EU-22e	(Excluded passing-through promotional loan exposures by non-public development banks (or units):- Promotional loans granted by a public development credit institution- Promotional loans granted by an entity directly set up by the central government, regional governments or local authorities of a Member State - Promotional loans granted by an entity set up by the central government, regional governments or local authorities of a Member State through an intermediate credit institution)	-	-
EU-22f	(Excluded guaranteed parts of exposures arising from export credits)	-	-
EU-22g	(Excluded excess collateral deposited at triparty agents)	-	-
EU-22h	(Excluded CSD related services of CSD/institutions in accordance with point (o) of Article 429a(1) CRR)	-	-
EU-22i	(Excluded CSD related services of designated institutions in accordance with point (p) of Article 429a(1) CRR)	-	-
EU-22j	(Reduction of the exposure value of pre-financing or intermediate loans)	-	-
EU-22k	(Total exempted exposures)	-	-
Capital and total exposure measure			
23	Tier 1 capital	865.87	837.19
24	Leverage ratio total exposure measure	12,049.36	10,835.48
Leverage ratio			
25	Leverage ratio	7.19%	7.73%
EU-25	Leverage ratio (without the adjustment due to excluded exposures of public development banks - Public sector investments) (%)	7.19%	7.73%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	7.19%	7.73%
26	Regulatory minimum leverage ratio requirement (%)	3.00%	3.00%
EU-26a	Additional leverage ratio requirements (%)	0.00%	0.00%
EU-26b	of which: to be made up of CET1 capital (percentage points)	0.00%	0.00%
27	Required leverage buffer (%)	0.00%	0.00%
EU-27a	Overall leverage ratio requirement (%)	3.00%	3.00%
Choice on transitional arrangements and relevant exposures			
EU-27b	Choice on transitional arrangements for the definition of the capital measure	0	0
Disclosure of mean values			
28	Mean of daily values of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivable	0	0
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	0	0
30	Total exposures (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	0	0
30a	Total exposures (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	0	0
31	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	0	0

EU LR2 - LRCom: Leverage ratio common disclosure In EUR Million (Template EU LR2 -EBA/ITS/2020/04)		CRR leverage ratio exposures	
		2023	2022
31a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	0	0

The capital measure for the leverage ratio is the Tier 1 capital taking into fully phased-in definition in accordance with Article 499(1)(a) of Regulation (EU) No 575/2013, The exposure measure corresponds to the sum of the following exposures: (a) on-balance sheet exposures; (b) derivatives; (c) off-balance sheet items.

Table 18 EU LR3 - LRSpl: Split-up of on balance sheet exposures

LRSpl: Split-up of on balance sheet exposures In EUR Million (Template EU LR3 – EBA/ITS/2020/04)		CRR leverage ratio exposures
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	10,831.71
EU-2	Trading book exposures	-
EU-3	Banking book exposures, of which:	10,831.71
EU-4	Covered bonds	-
EU-5	Exposures treated as sovereigns	2,901.45
EU-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	-
EU-7	Institutions	4,132.45
EU-8	Secured by mortgages of immovable properties	771.80
EU-9	Retail exposures	0.40
EU-10	Corporate	2,954.58
EU-11	Exposures in default	13.37
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	57.67

10. Credit risk

Credit risk is defined as the potential risk that a borrower or counterparty will fail to meet its obligations in accordance with agreed terms. The Bank's credit risk is by far the predominant risk category driven by its core activities. It derives from its corporate bilateral lending, syndication lending and trade finance activities.

10.1 Credit risk governance

The Bank's credit risk appetite is to maximize its risk-adjusted rate of return by maintaining credit risk exposure within acceptable parameters. The CRO and each team need to manage the credit risk inherent in the entire portfolio as well as the risk in individual credits or transactions.

At the credit approval stage, the suitability of the collateral for a specific credit project is evaluated and haircut is applied in a conservative way. The wrong way risk is also taken into consideration when the borrower's repayment risk is positively correlated with the risk of deterioration in the collateral value.

In addition, a set of credit risk limits is established in terms of country, client's rating, industry and duration with a view to mitigate the concentration credit risk.

Regarding credit risk identification, NPL and FBE policies have been reviewed to adhere to the latest standards from EBA. In line with regulatory requirements, these policies aim to ensure that significant

increases in credit risk are identified in a timely manner and that the past-due loans, forborne loans and non-performing loans are adequately reported and incorporated in a timely manner into Bank's FinRep report.

The Bank's internal rating model is expected to provide reliable signals on the credit quality of its loan portfolio and thus identify problem credits at an early stage.

The Bank has issued the "Guidance of Eligible Credit Risk Mitigation technique" based on the CRR/CRR II and Chinese regulatory requirements. The goal is to standardize the treatment (recognition) and utilization of different types of risk mitigation tools in the risk pricing model and internal rating model.

The Bank measures, monitors and reports credit risk by using the following mechanism and tools:

Credit Approval Stage:

- An independent RMD due diligence team performs credit analysis,
- Credit limits are in place, respectively for corporate loans and retail loans, and taking into consideration client's rating; The limits are also put in place in order to remain compliant with the large exposure regulation,
- A tailored credit approval process is assigned to each project with low or quasi low risk in order to improve business efficiency,
- Large exposure limits and internal portfolio diversification limits are systematically checked,
- Assets valuations are assessed with the support of internal and external experts.

Credit risk monitoring/reporting:

- Any extension or material change of credit contract is subject to an approval process similar to that of a new credit,
- A credit quality assessment is performed regularly (at least quarterly and upon any significant event occurring to a debtor),
- Forborne and non-performing loan recognition and the management and disposal mechanism is established following relevant EBA guidelines in line with the HO procedures,
- A credit risk reporting mechanism is established to define the trigger threshold, events and reporting line.

10.1.1 Credit risk policy

The Bank's risk control function has established general and specific procedural policies which are in line with the Bank's risk appetite. These policies guide the analysis, monitoring and reporting through the whole credit life in the Bank. The Risk Management function takes responsibility for the credit issuance and drawdown operation of the Bank to strengthen the prevention and control of credit risk. As part of the loan-monitoring task, the Information and Data Source Management function supervises changes in the credit risks with regards to the bank's credit portfolio by analysing loan indicators and reviewing counterparties' ratings. The Risk Management department also draws up the policies, covers corporate credit portfolio management and loan provision, NPL management etc.

The credit risk policies and procedures cover all the bilateral interaction between the Bank and the counterparties during the credit lending activities cycle. It encompasses the following dimensions:

- Single client default risk. This risk is actively managed by the procedures/guidelines on client internal rating management, the credit review procedures on different counterparty types/risk natures, and problem loan management (NPL, forbearance loan etc.),
- Concentration risk. This risk is mitigated by the internal credit portfolio management scheme and regulations related to the large exposure limits and connected group client identification and monitoring,
- Country risk. This type of risk refers to the risk arising out of economic, social and political changes, as well as events in a certain country or region that result in the inability or refusal of the debtor in the country or region to repay debts to the Bank. The BOC group has specific guidelines on managing this risk and conduct annual countries risk reviews,
- Credit risk mitigation monitoring. This category of procedures regulates collateral management and the risk transfer appreciation as well as substantiate the rules of ECL provision.

Additionally, the Bank has put in place a material credit risk events reporting mechanism. The risk control function reports any event belonging to a non-exhaustive list of material risk events to the Bank's management and H.O.

The policies and procedures are reviewed regularly or whenever an internal/external material event occurs or RACA triggered. They are endorsed by the appropriate management level following the principles in CSSF circular 12/552 as amended.

10.2 Exposure to Credit Risk, Dilution Risk and Credit Quality

The Bank's credit risk exposure is analysed at this section, including the information that reflects the quality of credit risk exposures in terms of classification and composition: performing/non-performing exposures, default/non-defaulted exposures and related impairments/credit risk adjustments. It is fully integrated with supervisory reporting and fully based on existing disclosure templates implemented in the EU through the following guidelines:

- a) EBA/GL/2016/11 on disclosure requirements under Part Eight of Regulation (EU) no.575/2013,
- b) EBA/GL/2018/06 on management of NPL and forborne exposures,
- c) EBA/GL/2018/10 on disclosure of non-performing and forborne exposures,
- d) EBA/GL/2020/06 on loan origination and monitoring.

10.2.1 Standardized approach

The Bank uses the standardised approach for credit risk to determine its minimum capital requirement in accordance with the CRR. The standardised approach provides weighted risk figures based on external ratings given by External Credit Assessment Institutions (ECAI's) as indicated in the CRR. In order to apply the standardised approach for risk weighted exposure, the Bank uses external ratings assigned by the following rating agencies: Standard & Poor, Moody and Fitch.

The rating used for regulatory capital calculation is the lowest amongst the three ratings. If no external rating is available, the standardised approach provides specific risk weights defined by the regulator.

Table 19 Credit rating agencies and credit quality step under the standardised approach

Standard & Poor's / Fitch	Moody's	Regulatory credit quality step
AAA to AA-	Aaa to Aa3	1
A+ to A-	A1 to A3	2
BBB+ to BBB-	Baa1 to Baa3	3
BB+ to BB-	Ba1 to ba3	4
B+ to B-	B1 to B3	5
CCC+ and below	Caa and below	6

Risk weights are mainly determined in relation to the credit quality step and the exposure class.

The following table shows credit risk exposure before the credit conversion factor (CCF) and credit risk mitigation (CRM), as well as the exposure-at-default (EAD) broken down by exposure classes and split into on- and off-balance sheet exposures under the standardised approach.

Table 20 EU CR4 – Standardised approach – Credit risk exposure and CRM effects

Standardised approach – Credit risk exposure and CRM effects (Template EU CR4 – EBA/ITS/2020/04)	Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWAs density	
	On-balance-sheet exposures	Off-balance-sheet exposures	On-balance-sheet exposures	Off-balance-sheet amount	RWAs	RWAs density (%)
	a	b	c	d	e	f
Central governments or central banks	2,901.45	-	2,901.45	-	44.06	1.52%
Regional government or local authorities	-	-	-	-	-	-
Public sector entities	-	-	-	-	-	-
Multilateral development banks	-	-	-	-	-	-
International organisations	-	-	-	-	-	-
Institutions	4,132.45	280.21	4,247.35	343.99	1,238.44	26.97%
Corporates	2,954.58	1,668.87	2,840.07	818.83	3,667.22	100.23%
Retail	0.40	-	-	-	-	-
Secured by mortgages on immovable property	771.80	3.77	771.80	1.88	386.39	49.94%
Exposures in default	13.37	-	13.37	-	13.37	-
Exposures associated with particularly high risk	-	-	-	-	-	-
Covered bonds	-	-	-	-	-	-
Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
Collective investment undertakings	-	-	-	-	-	-
Equity	-	-	-	-	-	-
Other items	56.69	-	56.69	-	56.12	98.98%
TOTAL	10,830.74	1,952.85	10,830.74	1,164.71	5,405.59	45.06%

In the application of Article 444(e) of the CRR, the following table shows the exposure-at-default post conversion factor and risk mitigation broken down by exposure classes and risk weights, under the standardised approach.

Table 21 EU CR5 – Standardised approach

Standardised approach (Template EU CR5 – EBA/ITS/2020/04)	Risk weight															Total	Of which unrated
	0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Others		
	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o		
Central governments or central banks	2,788.14	-	-	-	86.15	-	0.67	-	-	26.50	-	0	0	0	0	2,901.45	-
Regional government or local authorities	0	-	-	-	-	-	-	-	-	-	-	0	0	0	0	-	-
Public sector entities	-	-	-	-	-	-	-	-	-	-	-	0	0	0	0	-	-
Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	0	0	0	0	-	-
International organisations	-	-	-	-	-	-	-	-	-	-	-	0	0	0	0	-	-
Institutions	67.50	-	-	-	3,411.62	-	1,112.23	-	-	-	-	0	0	0	0	4,591.35	-
Corporates	-	-	-	-	-	-	33.29	-	-	3,575.69	49.92	0	0	0	0	3,658.91	3,184.06
Retail exposures	-	-	-	-	-	-	-	-	-	-	-	0	0	0	0	-	-
Exposures secured by mortgages on immovable property	-	-	-	-	-	3.04	770.65	-	-	-	-	0	0	0	0	773.68	825.08
Exposures in default	-	-	-	-	-	-	-	-	-	13.37	-	0	0	0	0	13.37	-
Exposures associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	-	0	0	0	0	-	-
Covered bonds	-	-	-	-	-	-	-	-	-	-	-	0	0	0	0	-	-
Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	0	0	0	0	-	-
Units or shares in collective	-	-	-	-	-	-	-	-	-	-	-	0	0	0	0	-	-

Standardised approach (Template EU CR5 – EBA/ITS/2020/04)	Risk weight															Total	Of which unrated	
	0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Others			
	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o			p
investment undertakings																		
Equity exposures	-	-	-	-	-	-	-	-	-	-	-	0	0	0	0	-	-	
Other items	0.58	-	-	-	-	-	-	-	-	56.12	-	0	0	0	0	56.69	56.69	
TOTAL	2,856.21	-	-	-	3,497.76	3.04	1,916.84	-	-	3,671.68	49.92	0	0	0	0	11,995.45	4,065.83	

10.2.2 Credit quality of exposures

According to Article 442 (g) of the CRR, the tables below provide asset quality information of the Bank. The amounts shown are based on IFRS accounting values according to the regulatory scope of consolidation. An exposure is classified as default if the default criteria are met according to Article 178 of the CRR. Credit risk adjustment refers to only the specific credit risk adjustment and it consists of all types of allowance for credit losses held against financial instruments subject to impairment according to IFRS 9 for the current year.

Table 22 EU CR1: Performing and non-performing exposures and related provisions

Performing and non-performing exposures and related provisions In EUR Million (Template EU CR1 – EBA/ITS/2020/04)	Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received	
	Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
	Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3				
Cash balances at central banks and other demand deposits	3,571.34	3,571.34	-	-	-	-	(0.06)	(0.06)	-	-	-	-	-	-	-
Loans and advances	6,395.71	6,263.86	131.85	26.41	-	26.41	(44.26)	(29.79)	(14.47)	(13.04)	-	(13.04)	-	887.85	-
Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
General governments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Credit institutions	2,625.14	2,625.14	-	-	-	-	(0.47)	(0.47)	-	-	-	-	-	-	-
Other financial corporations	826.99	826.99	-	-	-	-	(7.44)	(7.44)	-	-	-	-	-	212.72	-
Non-financial corporations	2,940.11	2,808.26	131.85	-	-	26.41	(36.33)	(21.86)	(14.47)	-	-	(13.04)	-	671.69	-
Of which SMEs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Households	3.46	3.46	-	-	-	-	(0.03)	(0.03)	-	-	-	-	-	3.43	-
Debt securities	837.96	837.96	-	-	-	-	(0.01)	(0.01)	-	-	-	-	-	-	-
Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Performing and non-performing exposures and related provisions In EUR Million (Template EU CR1 – EBA/ITS/2020/04)	Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received	
	Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
	Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3				
General governments	837.96	837.96	-	-	-	-	(0.01)	(0.01)	-	-	-	-	-	-	-
Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Off-balance-sheet exposures	1,959.35	1,959.35	-	-	-	-	(6.50)	(6.50)	-	-	-	-	-	106.20	57.17
Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
General governments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Credit institutions	281.26	281.26	-	-	-	-	(1.05)	(1.05)	-	-	-	-	-	-	-
Other financial corporations	303.17	303.17	-	-	-	-	(1.30)	(1.30)	-	-	-	-	-	3.77	-
Non-financial corporations	1,374.91	1,374.91	-	-	-	-	(4.15)	(4.15)	-	-	-	-	-	102.43	-
Households	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	12,764.35	12,632.50	131.85	26.41	-	26.41	(50.83)	(36.36)	(14.47)	(13.04)	-	(13.04)	-	994.05	57.17

10.2.3 Non-performing exposure

A default shall be considered to have occurred with regard to a particular obligor when either one or both of the following have taken place:

- a) the Bank considers that the obligor is unlikely to pay (hereinafter referred to as the “UTP”) its credit obligations to the Bank, including the parent undertakings and all cross border branches, in full, without recourse by the Bank to actions such as realizing security (if held);
- b) The obligor is past due more than 90 days on any material credit obligation to the Bank, including the parent undertakings and all cross border branches.

The Bank assesses the materiality of an overdue credit obligation against the following threshold, which comprises two components:

- a. Absolute component

The absolute component is expressed as a maximum amount of the sum of all overdue amounts owed by a non-retail obligor to the Bank, including the parent undertakings and all cross-border branches (hereinafter the ‘credit obligation past due’).

- b. Relative component

The relative component is expressed as a percentage reflecting the amount of the credit obligation overdue in relation to the total amount of all on-balance sheet exposures to such a non-retail obligor of the Bank, including the parent undertaking and all cross-border branches, excluding equity exposures.

As at end of 2023, the Bank had a non-performing exposure of €26.41 million with an ECL of €13.04 million.

10.2.4 Forborne exposure

Forborne exposures are debt contracts in respect of which forbearance measures have been extended. Forbearance measures consist of concessions towards a debtor facing or about to face difficulties in meeting their financial commitments. The measures include in particular the granting of extensions, postponements, renewals or changes in credit terms and conditions, including the repayment plan.

Once certain forbearance criteria are met, the credit files are re-classified as restructured loans and are added to a forbearance list closely followed by RMD. In order to comply with the regulatory standard, the Bank has set up a special committee called the Asset Disposal Committee which

- (i) identifies the criteria leading to the forborne classification including updating client’s rating,
- (ii) deploys a strategy for changing loan terms and conditions, such as determine the new repayment interest rate and extension period,
- (iii) promotes the regulation and compliance of asset disposal and write-offs.

As at end of 2023, the Bank’s forborne exposures amounted to €54.14 million (including interest and € 53.80 million excluding accrued interest on 31st December 2023) compared to €54.84 million in 2022, which means a reduction of 1.27% of the Bank’s forborne exposures.

Table 23 EU CQ1: Credit quality of forborne exposures

Quality of forbearance in EUR million (Template EU CQ1 – EBA/ITS/2020/04)	Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
	Performing forborne	Non-performing forborne			On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
			Of which defaulted	Of which impaired				
Cash balances at central banks and other demand deposits	-	-	-	-	-	-	-	-
Loans and advances	53.80	-	-	-	(5.51)	-	-	-
Central banks	-	-	-	-	-	-	-	-
General governments	-	-	-	-	-	-	-	-
Credit institutions	-	-	-	-	-	-	-	-
Other financial corporations	-	-	-	-	-	-	-	-
Non-financial corporations	53.80	-	-	-	(5.51)	-	-	-
Households	-	-	-	-	-	-	-	-
Debt Securities	-	-	-	-	-	-	-	-
Loan commitments given	-	-	-	-	-	-	-	-
Total	53.80	-	-	-	(5.51)	-	-	-

Table 24 EU CQ2: Quality of forbearance

Quality of forbearance (Template EU CQ2 – EBA/ITS/2020/04)	Gross carrying amount of forborne exposures
Loans and advances that have been forborne more than twice	0
Non-performing forborne loans and advances that failed to meet the non-performing exit criteria	0

The following table shows the credit quality of performing and non-performing exposures by days overdue. At the end of 2023, the Bank maintains stable good quality of credit exposure, all loans are performing, and none are overdue.

Table 25 EU CQ3: Credit quality of performing and non-performing exposures by past due days

Credit quality of performing and non-performing exposures by past due days in EUR million (Template EU CQ3 – EBA/ITS/2020/04)	Gross carrying amount/nominal amount												
	Performing exposures			Non-performing exposures									Of which defaulted
	Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years			
Cash balances at central banks and other demand deposits	3,571.34	3,571.34	-	-	-	-	-	-	-	-	-	-	
Loans and advances	6,395.71	6,395.71	-	-	-	-	-	-	-	-	-	-	
Central banks	-	-	-	-	-	-	-	-	-	-	-	-	
General governments	-	-	-	-	-	-	-	-	-	-	-	-	
Credit institutions	2,625.14	2,625.14	-	-	-	-	-	-	-	-	-	-	
Other financial corporations	826.99	826.99	-	-	-	-	-	-	-	-	-	-	
Non-financial corporations	2,940.11	2,940.11	-	-	-	-	-	-	-	-	-	-	
Of which SMEs	-	-	-	-	-	-	-	-	-	-	-	-	
Households	3.46	3.46	-	-	-	-	-	-	-	-	-	-	
Debt securities	837.96	837.96	-	-	-	-	-	-	-	-	-	-	
Central banks	-	-	-	-	-	-	-	-	-	-	-	-	
General governments	837.96	837.96	-	-	-	-	-	-	-	-	-	-	
Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-	
Other financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	
Non-financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	
Off-balance-sheet exposures	1,959.35	-	-	-	-	-	-	-	-	-	-	-	
Central banks	-	-	-	-	-	-	-	-	-	-	-	-	
General governments	-	-	-	-	-	-	-	-	-	-	-	-	
Credit institutions	281.26	-	-	-	-	-	-	-	-	-	-	-	
Other financial corporations	303.17	-	-	-	-	-	-	-	-	-	-	-	

Credit quality of performing and non-performing exposures by past due days in EUR million (Template EU CQ3 – EBA/ITS/2020/04)	Gross carrying amount/nominal amount											
	Performing exposures			Non-performing exposures								
	Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted	
Non-financial corporations	1,374.91	-	-	-	-	-	-	-	-	-	-	-
Households	-	-	-	-	-	-	-	-	-	-	-	-
Total	12,764.35	10,805.01	-	-	-	-	-	-	-	-	-	-

In accordance with Article 442 (d) of the CRR, the table below shows the total exposure expressed in terms of net value broken down by exposure classes and geographic areas at year end 2022. The geographical distribution is based on the legal residence of the counterparty or issuer.

Table 26 EU CQ4: Quality of non-performing exposures by geography

Quality of non-performing exposures by geography in EUR million (Template EU CQ4 – EBA/ITS/2020/04)	Gross carrying/nominal amount				Accumulated impairment	Provisions on off-balance-sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
		Of which non-performing		Of which subject to impairment			
			Of which defaulted				
On-balance-sheet exposures	8,767.92	26.41	26.41	8,767.92	(57.37)		(26.41)
Luxembourg	2,050.99	-	-	2,050.99	(3.45)		
United States	1,121.58	-	-	1,121.58	(2.20)		-
German	831.46	-	-	831.46	(0.58)		-
Poland	725.95	-	-	725.95	(10.94)		-
Other countries	4,037.95	26.41	26.41	4,037.95	(40.20)		(26.41)
Off-balance-sheet exposures	1,959.35	-	-			(12.97)	
Netherlands	224.19	-	-			(0.79)	
German	208.02	-	-			(0.81)	
China	197.70	-	-			(0.86)	
Poland	193.35	-	-			(0.64)	
Denmark	188.79	-	-			(0.70)	

Quality of non-performing exposures by geography in EUR million (Template EU CQ4 – EBA/ITS/2020/04)	Gross carrying/nominal amount			Accumulated impairment	Provisions on off-balance-sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
		Of which non-performing				
		Of which defaulted	Of which subject to impairment			
Other countries	947.30	-	-		(9.17)	
Total	10,727.27	26.41	26.41	8,767.92	(57.37)	(12.97)

As at 31st December 2023, majority of the on-balance risk exposure was concentrated in Europe (88.70% of total) with exposure for Luxembourg of 23.3%, Poland of 8.3% and Germany of 9.5%. The Bank's credit activities are more and more oriented towards European clients. While off-balance risk exposures came mainly from Netherlands (11.4%), Germany (10.6%), China (10%), Poland (9.9%), and Denmark (9.6%).

Exposure breakdown by industry

According to Article 442 (c) (e) of the CRR, the table below shows the gross carrying subject to impairment and broken down by exposure class and industry at the end of 2022. The industry classification is based on NACE codes (NACE = Nomenclature des Activités Économiques dans la Communauté Européenne), which is a European industry standard classification system for classifying business activities).

Table 27 EU CQ5: Credit quality of loans and advances to non-financial corporations by industry

Credit quality of loans and advances to non-financial corporations by industry (Template EU CQ5-EBA/ITS/2020/04)	Gross carrying amount			Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
		Of which non-performing			
		Of which defaulted	Of which loans and advances subject to impairment		
Agriculture, forestry and fishing	-			-	-
Mining and quarrying	30.45			30.45	(0.07)
Manufacturing	424.95			424.95	(3.12)
Electricity, gas, steam and air conditioning supply	406.17			406.17	(3.28)
Water supply	-			-	-
Construction	338.21			338.21	(2.23)
Wholesale and retail trade	190.72			190.72	(1.12)

Credit quality of loans and advances to non-financial corporations by industry(Template EU CQ5-EBA/ITS/2020/04)	Gross carrying amount			Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
		Of which non-performing			
		Of which defaulted	Of which loans and advances subject to impairment		
Transport and storage	119.80			119.80	(1.08)
Accommodation and food service activities	-			-	-
Information and communication	174.58			174.58	(1.37)
Financial and insurance activities	44.04			44.04	(1.23)
Real estate activities	704.50			704.50	(25.48)
Professional, scientific and technical activities	375.86			375.86	(9.30)
Administrative and support service activities	60.73			60.73	(0.36)
Public administration and defense, compulsory social security	-			-	-
Education	-	-	-	-	-
Human health services and social work activities	54.13			54.13	(0.30)
Arts, entertainment and recreation	42.38			42.38	(0.44)
Other services	-			-	-
Total	2,966.52	-	-	2,966.52	(49.37)

10.3 Credit risk mitigation

When granting credit facilities to a customer the Bank's approach is based on the borrower's capacity to repay rather than placing primary reliance on credit risk mitigation. Depending on a customer's risk portfolio and type of product, unsecured facilities may be provided. Mitigation of credit risk is a key aspect of effective risk management and takes many forms.

The most common method of mitigating credit risk is to obtain collateral. The Bank divides collateral into Tier I and Tier II. Tier I collateral refers to cash, cash equivalents and others that can be evaluated through external professional institutions with easy realization or liquidation such as cash, bonds, time deposits etc. Tier II collateral refers to collateral that is difficult to evaluate, liquidate or register, including inventory, trade receivables and equipment etc. The Bank's collateral policies cover the acceptability, structuring and terms with regards to the availability of credit risk mitigation, together with the setting of suitable valuation parameters.

The collateral forms that the Bank uses most frequently are:

- Third party guarantees (granted by the parent company of borrowers, a BOC domestic branch or other financial institutions etc.),
- Assets pledge,
- Residential and commercial mortgage.

The Bank has issued the internal policies based on the CRR/CRR II and CBIRC's requirements. The goal is to standardize the treatment (recognition) and utilization of different types of risk mitigation tools in the risk pricing model and internal rating models. Internal policies are subject to regular review to ensure that they are supported by solid evidence and continue to fulfil the intended purpose.

Main type of guarantor and their creditworthiness

Guarantee refers to personal guarantee, first demand guarantees which complements the borrower's ability to fulfil its obligation under the legal contract and as such is provided by third parties, such as letter of credit, letter of guarantee and insurance contract.

The main type of guarantor are other entities within BOC's group, other financial institutions and corporate institutions. The Creditworthiness of the guarantor for is incorporated with the credit assessment process for borrowers.

Collateral valuation

Valuation of collaterals refers to the conduct and process where the external specialized valuation agency recognised by the Bank appraises and delivers opinion on the value of the collateral. Valuation management is a dynamic and continual process ranging from pre-lending and valuation when a transaction is initiated and approved to collateral revaluation in the existence of credit and in the disposal of assets. Valuation should be conducted in an objective, independent, scientific and prudent manner, following generally applied valuation standards.

Additional haircuts may then be applied to the valuation of the collateral if there is a currency mismatch between the currency of the loan exposure and the currency of the pledged securities after the initial LTV ratio is considered. It should be noted that as a common BOC practice, whenever there is a mortgage covering the credit exposure, LTV is always among the list of hard covenants, ensuring that there can be no deterioration of the pledged material asset without immediate detection by first and second line of defence, ensuring the proactivity required for protecting BOC and stakeholders' interests.

Information about market or credit risk concentrations

Concentration risk within credit risk mitigation taken may occur if collateral is related to one issuer, country, industry or market. The Bank proactively monitors the collateral concentration risk by using a number of tools and setting thresholds during the credit assessment process.

Recognition of credit risk mitigation in capital calculation

Credit risk mitigation is used to reduce credit risk associated with an exposure, which may reduce potential losses in the event of debtor default or other specified credit events.

Credit risk mitigation that meets certain regulatory criteria may be used to improve risk parameters and reduce RWA charge against a given debtor. Collateral that meets the regulatory condition is referred as eligible collateral. Eligibility criteria are specified in Article 195 to 204 of the CRR. The Bank recognises of collateral as eligible credit risk mitigation is fully consistent with all applicable local regulations and regulatory permission.

Overview of credit risk mitigation techniques

In accordance with Articles 453(f) and (g) of the CRR, the table below provides an overview of the loan and advance exposure value covered by regulatory eligible CRM and includes all collateral and financial guarantees used as credit risk mitigations for all secured exposures based on the standardised approach is used for RWA calculations.

Table 28 EU CR3 – CRM techniques overview: Disclosure of the use of credit risk mitigation techniques

CRM techniques overview: Disclosure of the use of credit risk mitigation techniques in EUR million(Template EU CR3-EBA/ITS/2020/04)	Unsecured carrying amount	Secured carrying amount	Of which secured by financial guarantees		
			Of which secured by collateral	Of which secured by financial guarantees	
					Of which secured by credit derivatives
a	b	c	d	e	
Loans and advances	9,048.24	887.85	804.62	83.23	-
Debt securities	837.95	-	-	-	-
Total	9,886.20	887.85	804.62	83.23	-
Of which non-performing exposures	13,369,811.05	-	-	-	-
Of which defaulted					

The Bank does not deploy any credit derivatives as credit risk mitigation.

11. Counterparty credit risk

Counterparty credit risk (“CCR”) means the risk that the counterparty defaults before the last cash flow under contract is paid and fails to make payment in accordance with the contract.

All OTC transactions are monitored within the credit limits that are set for each individual counterparty. The customer relationship manager initiates the credit application, with the support of the financial market and institutions departments and manages the overall credit limit. The CCR limit shall be included in the

overall credit granted by the Bank to the customer, subject to approval in accordance with the total credit approval authority and procedures and should follow global post-lending management. The limit is reviewed annually.

Counterparty credit risk is managed under the “Counterparty Credit Risk Management Measure Framework, whose scope is detailed below:

- Over-the-Counter (“OTC”) transactions,
- Security financing transactions, including repurchase/reverse repurchase, security lending and margin lending transaction,
- Transactions with central counterparty.

The CCR limit approval process is similar to the corporate credit project process. Once the project is validated, a special limit is granted to the client, after taking the counterparty category classification and margin calculation into consideration. The limit is reviewed on an annual (at least) or on demand basis.

The market value of the derivatives and the margin level are controlled daily and reported via EMIR.

A CCR report including the information mentioned in the table below is prepared and reported to the management body on a monthly basis.

11.1 Analysis of CCR exposures by model approach

In the application of Article 439(f) in CRR, the following table shows the methods used for calculating the regulatory requirements for CCR exposure including the main parameters for each method. The bank uses the Original exposure method to measure the exposure value of instruments subject to capital requirements for CCR.

Table 29 EU CCR1 – Analysis of CCR exposure by approach

Analysis of CCR exposure by approach in EUR million (Template EU CCR1 - EBA/ITS/2020/04)		Replacement cost (RC)	Potential future exposure (PFE)	EEPE	Alpha used for computing regulatory exposure value	Exposure value pre-CRM	Exposure value post-CRM	Exposure value	RWEA
EU1	EU - Original Exposure Method (for derivatives)	4.86	33.64		1.4	53.91	53.91	53.91	10.78
EU2	EU - Simplified SA-CCR (for derivatives)	-	-		1.4	-	-	-	-
1	SA-CCR (for derivatives)	-	-		1.4	-	-	-	-
2	IMM (for derivatives and SFTs)			-	-	-	-	-	-
2a	Of which securities financing transactions netting sets			-		-	-	-	-
2b	Of which derivatives and long settlement transactions netting sets			-		-	-	-	-

Analysis of CCR exposure by approach in EUR million (Template EU CCR1 - EBA/ITS/2020/04)		Replacement cost (RC)	Potential future exposure (PFE)	EEPE	Alpha used for computing regulatory exposure value	Exposure value pre-CRM	Exposure value post-CRM	Exposure value	RWEA
2c	Of which from contractual cross-product netting sets			-		-	-	-	-
3	Financial collateral simple method (for SFTs)					-	-	-	-
4	Financial collateral comprehensive method (for SFTs)					-	-	-	-
5	VaR for SFTs					-	-	-	-
6	Total					53.91	53.91	53.91	10.78

11.2 Transaction subject to own funds requirements for CVA risk

As per Article 382 of the CRR, the Bank has to calculate own funds requirements for CVA risk for all OTC derivative instruments in respect of all of its business activities in order to account, from a prudential point of view, for the Counterparty Credit Risk. To determine the CVA charge under CRR requirement, the Exposure at Default (EAD) of the derivatives must be computed.

At of 31st of December 2023, the Bank uses the Original Exposure Method (OEM) for this purpose. In line with article 273a, the size of the Bank's on- and off-balance-sheet derivative business is less than both of the following thresholds based on an assessment carried out on a monthly basis using the data as of the last day of the month:

- 10 % of the Bank's total assets;
- EUR 300 million.

The derivatives EAD is then used as input to compute the CVA own funds requirements as per the standardized method. At the end of December 2023, the own funds requirements amounted €95,728.53 for the SA and €96,830.43 for the IPU. Considering the modest scale of the OTC transaction business by the Bank and the low materiality of the CVA own funds requirements, no allocation of additional capital under Pillar 2 to further address this risk is considered necessary.

11.3 Standardized approach- CCR exposures by exposures class and risk weight

Pursuant to Article 444 (e) in the CRR, the following table provides the counterparty credit risk exposures under the standardised approach, broken down by risk weights and regulatory exposure classes. "Unrated" includes all exposures for which a credit assessment by a nominated ECAI is not available, and therefore the standard risk weights are used according to their exposure classes as described in CRR.

Table 30 EU CCR3 – Standardised approach – CCR exposures by regulatory exposure class and risk weights

CCR exposures by regulatory exposure class and risk weights (Template EU CCR3 – EBA/ITS/2020/04)	Risk weight		
	e	i	l
	20%	100%	Total exposure value
Central governments or central banks	-	-	-

CCR exposures by regulatory exposure class and risk weights (Template EU CCR3 – EBA/ITS/2020/04)	Risk weight		I
	e	i	
	20%	100%	Total exposure value
Regional government or local authorities	-	-	-
Public sector entities	-	-	-
Multilateral development banks	-	-	-
International organisations	-	-	-
Institutions	53.91	-	53.91
Corporates	-	-	-
Retail	-	-	-
Institutions and corporates with a short-term credit assessment	-	-	-
Other items	-	-	-
Total exposure value	53.91	-	53.91

12. Asset encumbrance

An asset is considered as encumbered if it has been pledged or if it is subject to any form of arrangement to secure, collateralize or credit enhance any transaction from which it cannot be freely withdrawn and used for funding purposes. The Bank fully recognizes the risks associated with increased levels of asset encumbrance; these risks are summarized into four categories:

- Limited reserves to pledge in case of emergency: potentially encumbered balance sheets have fewer assets available due to encumbrance. I.e. as assets that act as an available liquidity buffer and that can be used for unexpected future liquidity needs, such as liquidity outflows from committed credit lines, margin calls on derivative positions, significant deposits outflows etc.
- Strong connection between liquidity and market valuation and/or haircuts: whenever the cash value of encumbered assets decreases for any reason, the Bank has to provide additional collateral (additional encumbrance occurs) to offset the above decrease of the value.
- Increased structural subordination of unsecured depositors/“crowding out” of unsecured funding: the shift towards secured funding and the resulting asset encumbrance may imply lower recovery rates for unsecured creditors and hence increased costs of unsecured wholesale funding, potentially leading to “crowding out” of unsecured wholesale funding. Bank funding that is excessively skewed towards secured funding and increasing encumbrance of high quality assets can negatively affect the rating received by institutions and hence generate further increases in encumbrance and additional downgrades.
- In conjunction with the previous point, high levels of encumbrance can precipitate depositors’ loss of confidence in time of crisis.

As per the EBA Guidelines on the disclosure of encumbered and unencumbered assets (the EBA Guidelines 2014/03) transposed in Luxembourg through CSSF circular 15/605, the Bank has assessed its encumbered and unencumbered asset level.

The Bank had very limited encumbered assets in December 2023; encumbrance stems primarily from non-withdrawable central bank reserves constituted which are part of the Bank’s liquidity capacity and cannot be withdrawn in time of stress.

The total amount of encumbered assets reached €170.35 million for IPU as at 2023 year-end.

Table 31 EU AE1 - Encumbered and unencumbered assets

Encumbered and unencumbered assets in EUR Million (Template EU AE1 – EBA/ITS/2020/04)	Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
	010	of which notionally eligible EHQLA and HQLA	040	of which notionally eligible EHQLA and HQLA	060	of which EHQLA and HQLA	090	of which EHQLA and HQLA
		030		050		080		100
Assets of the reporting institution	170.35	163.03			10,664.78	2,652.86		
Equity instruments	170.35	163.03	-	-	3,400.93	1,900.47	-	-
Debt securities	-	-	-	-	-	-	-	-
of which: covered bonds	-	-	-	-	837.95	751.81	844.24	760.98
of which: securitisations	-	-	-	-	-	-	-	-
of which: issued by general governments	-	-	-	-	-	-	-	-
of which: issued by financial corporations	-	-	-	-	837.95	751.81	844.24	760.98
of which: issued by non-financial corporations	-	-	-	-	-	-	-	-
Other assets	-	-			771.80	-		

Table 32 EU AE2 - Collateral received and own debt securities issued

Collateral received and own debt securities issued in EUR Million (Template EU AE2 – EBA/ITS/2020/04)	Fair value of encumbered collateral received or own debt securities issued		Unencumbered	
	010	of which notionally eligible EHQLA and HQLA	Fair value of collateral received or own debt securities issued available for encumbrance	
		030	040	060
Collateral received by the disclosing institution	170.35	-	-	-
Loans on demand	170.35	-	-	-
Equity instruments	-	-	-	-
Debt securities	-	-	-	-
of which: covered bonds	-	-	-	-
of which: securitisations	-	-	-	-
of which: issued by general governments	-	-	-	-
of which: issued by financial corporations	-	-	-	-
of which: issued by non-financial corporations	-	-	-	-

Loans and advances other than loans on demand	-	-	-	-
Other collateral received	-	-	-	-
Own debt securities issued other than own covered bonds or securitisations	-	-	-	-
Own covered bonds and securitisation issued and not yet pledged			-	-
TOTAL COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED	170.35	-		

Table 33 EU AE3 - Sources of encumbrance

Sources of encumbrance in EUR Million (Template EU AE3 – EBA/ITS/2020/04)	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and securitisations encumbered
	010	030
Carrying amount of selected financial liabilities	0.02	7.32

The assets' encumbrance ratio⁴ measures the asset encumbrance of credit institutions in Europe in a harmonised way. According to the overall weighted average encumbrance ratio calculated and published by the EBA in June 2022, the asset encumbrance ratio continued the upward trend initiated in 2020 and reached 29.1% in December 2021. The Bank had a ratio of 1.57% at the end of 2023, which is a very low level of assets encumbrance, compared to other institutions. It is to be noted that compared to 2022 (1.74%) the asset encumbrance reported even further improvement in 2023.

⁴ Asset encumbrance ratio = (Encumbered assets + Collateral received re-used) / (Total assets + Total collateral received).

13. Market risk

Market risk is the risk of adverse changes in market price (interest rate, exchange rate, stock price and commodity price) that cause loss to a bank's on and off-balance-sheet businesses. As per the updated Basel Capital Accord, market risk is divided into different categories under two main pillars.

- The first pillar encompasses both interest rate risk and stock price risk within the trading book, in addition to the exchange rate risk and commodity price risk that a bank could potentially confront. Notably, this type of market risk has a direct bearing on a bank's regulatory capital dedicated for market risks.
- The second pillar of market risk includes the Interest Rate Risk in the Banking Book, signifying the adverse effects of changes in the interest rate on a bank's Economic Value of Equity (EVE) or its Net Interest Income (NII). Therefore, maintaining vigilance towards these market risks is critical for a bank's financial health and stability.

13.1 Market risk governance and market risk profile

The Bank does not take an active trading position in its own book as per its risk appetite. When it executes the client deals, a residual FX exposure remains. Moreover, the client deals are systematically squared to another internal/external counterparty. The market risk in trading book is very limited.

However, the Interest Rate Risk in the Banking Book (hereafter “IRRBB”) is predominantly material taking into consideration of the Bank’s business model and core activities (large corporate lending and deposit taking).

The Bank disposes of a high quality sovereign bonds portfolio which constitutes its main source of HQLA. In addition, it uses FX swap in banking book to hedge its foreign currency position. These banking book activities are regulated internally by the “Bond Investment Risk Management Measure” and “Banking Book Derivatives Risk Management Measure”. The overall policy of the treasury activities is to maintain the risk level of the bond portfolio under an acceptable threshold and to ensure the hedge efficiency of the banking book derivatives.

As a consequence, the market risk exists mainly in the area of the IRRBB and FX risk.

However, the equity, fixed income and commodity price fluctuation and liquidity shortfall may also have an impact on the Bank’s market risk.

Regarding the FX risk management, a clear coordination and division of responsibilities among Front Office, Middle Office and Back Office is setup. An overall FX risk limit on Banking Book and on Trading Book is set up.

In the aspect of interest rate risk management on Banking Book, the Bank has established a new stress test framework with the incorporation of six additional scenarios since 2020.

The overall limits and tolerance are set out and validated by BOD. Specific risk limits are set up separately for banking and trading⁵ functions. Any breach of limits is reported to the Authorized Management and managed promptly by the related stakeholders (first and second line of defence).

⁵ The trading function refers to the trading activities on behalf of clients.

Furthermore, a set of market risk management tools are in place to effectively measure and mitigate market risk. The IRRBB is measured by the ratio of Economic Value of Equity versus Own Fund as well as the NII ratio. The FX risk is calibrated by the foreign exposure limit monitored on a daily basis.

Additionally, some market risk measurement tools such as VAR⁶ and PVBP⁷ are implemented and monitored daily within the internal limits.

As a conclusion, the market risk management framework in place allows the Bank to prepare and anticipate remedial actions in case of adverse market movements. The market risk is therefore well mitigated.

Middle Office, as the 1st line of defence is split into two teams based in Hungary and in Luxembourg.

- 1LoD in Luxembourg is assigned to treasury and trading business monitoring.
- The 1LoD Middle Office is responsible for validation of trade tickets by checking: dealer's limits, accuracy of the transaction information, counterparty's' limits, and for valuation for investment portfolio. Back value, fair value and cancelled deals are also checked and investigated promptly. Daily reporting for trading book and banking book activities (including the investment portfolio) are done and sent to the 2LoD the end of the day. OTC derivatives transactions are monitored;

The 2LoD is managed by the Bank's risk control function with an effective back-up mechanism to ensure the daily business continuity. It is responsible for market risk monitoring and, independently controls the work performed by 1LoD.

⁶ Value at risk

⁷ Price value of a Basis point

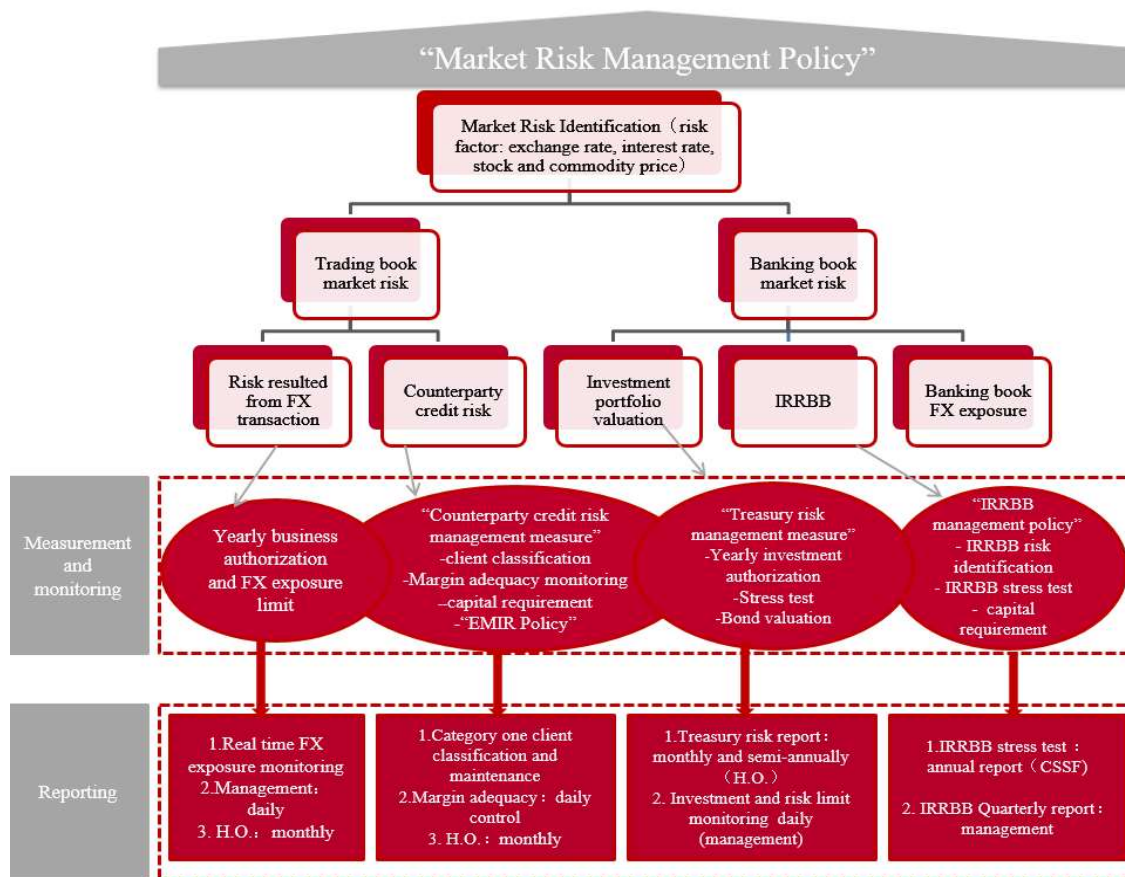


Figure 7 Market risk management framework

13.1.1 Market risk exposure

The Bank’s market risk exposures mainly come from foreign exchange risk and interest rate risk. According to the Market Risk Standardised approach, total exposure to be considered for foreign exchange risk is the maximum between the total of long and short positions in the foreign currency, net short and long positions in each currency other than the capital currency shall be converted at spot rates into the capital currency. The higher of these two totals, regardless of its sign, shall constitute the credit institution’s overall net currency position, if the net position exceeds 2% of the Bank’s own funds.

The following table provides the breakdown of the net currency position of the foreign exchange exposure.

Table 34 Net currency position as of 31st December 2023

Currency	Currency Code	Net Position (In EUR'000)
Czech Koruna	CZK	6,106.21
Swedish Krona	SEK	12,175.49
Zloty	PLN	13,647.70
US Dollar	USD	10,366.49
Serbian Dinar	RSD	11,383.59
Rumanian Leu	RON	3,812.77
Yuan Renminbi	RMB	1,216.43
Forint	HUF	7,905.11
Danish Krone	DKK	689.11
Other		771.64
Total		68,074.54

As at of 31st December 2023, total net currency exposure amounted to EUR 68.07 million, of which PLN represented the highest exposure of 20.05%, followed by SEK representing 17.89%. “Other” refers to a highly diversified bucket of currencies, not exceeding in total 1.13% of the total currency position.

13.1.2 Market risk reporting

The Bank’s 1LoD and 2LoD have a clear reporting line with defined reporting frequency and target.

Table 35 Market risk reporting mechanism

Reporting entity	Reporting target	Reporting frequency	Reporting content
Risk Management Department and Executive Management Committee	Board of Directors and Board Risk and Compliance Committee	Quarterly	Market risk status at Bank’s level
Risk Management Department	Executive Management Committee	Daily report	Utilization of market risk limit of trading and investment business
		Monthly/Quarterly report	Market risk status
Global Market Department	Risk Management Department	Daily report	Market risk status to the extent of authorization
		Monthly report	Execution of market risk limit, business status and market risk status in current month, and implementation of new business in current month
Financial Management Department	Risk Management Department	Monthly report	Non-trading foreign exchange exposure data at group level
Risk Management Department	Risk Management Department of the Head Office	Monthly or quarterly report	Execution of market risk limit to the extent of authorization, business status and market risk status in current month, and implementation of new business in current month

13.2 Capital requirement for market risk (FX risk)

Market risks of the Bank are treated under the Basel III standardised approach. The table below presents the Bank’s regulatory capital required broken down by risk type. As at 31st December 2022, the Bank’s RWEAs under foreign exchange risk amount to €62.24 Million.

Table 36 EU MR1 - Market risk under the standardised approach

Market risk under the standardised approach in EUR Million (Template EU MR1 – EBA/ITS/2020/04)	RWEAs
Outright products	
Interest rate risk (general and specific)	-
Equity risk (general and specific)	-
Foreign exchange risk	62.64
Commodity risk	-
Options	-
Simplified approach	-
Delta-plus approach	-
Scenario approach	-
Securitization (specific risk)	-
Total	-

13.3 Interest Rate Risk in the Banking Book

IRRBB is the risk that the banking book of the Bank experiences a material impact on its Net Interest Income (hereafter “NII”) and / or a material impact on the Economic Value of Equity (hereafter “EVE”) due to adverse changes of level or term structure of interest rates.

IRRBB management

IRRBB management is aimed at, controlling the adverse impact on the overall earnings and economic value of the Bank due to the movement of interest rates within the acceptable level under the overall business strategy and risk appetite, and promoting the sustainable growth of the Bank’s earnings.

The Bank’s main activity consists exclusively of the banking book, meaning client lending/deposit and market funding. Therefore, IRRBB is a material risk for the Bank. Defined in IRRBB Policy, the sources of Interest Rate Risk include the repricing gap risk, basis risk and option risk.

It is managed under the framework of the “IRRBB Risk Management Policy”. This policy sets out a framework of guidelines, internal governance, computation methodology with modal assumption as well as the risk metrics affecting the day-to-day asset and liability management. The EVE and NII metrics are calculated on a quarterly basis and an analytical report, as well as the risk mitigation plan wherever necessary is communicated to the RMICC, ALCO and BRCC.

The Bank’s risk control function is responsible for the oversight IRRBB management under the risk appetite and tolerance defined and approved by the management body and BOD. IRRBB mitigation tools are in place such as banking book interest rate derivatives as well as management measures to change the asset/liability structure.

Risk assessment

Closely linked with liquidity risk management, the Bank’s IRRBB focuses on the repricing gap risk arising from the term structure of banking book positions. The basis risk and option risks are minor for the following reasons:

- The majority of the loans are priced at floating rate,
- The retail mortgage loan portfolio is insignificant (less than 5% of portfolio size).

The Bank has conducted a materiality assessment on the early withdrawal risk and prepayment risk related to the clients’ behaviour and it revealed that these categories of risk are under materiality thresholds established the EBA/RTS/2022/09.

IRRBB stress scenario

Stress testing on IRRBB is mainly used for assessing the potential loss of earning and economic value of the Bank’s equity under extremely adverse market conditions.

The Bank has implemented the six stress test scenarios documented in the EBA guidelines.

As a starting point, the Bank identifies currencies eligible for IRRBB calculation. The selected currencies must form at least 90% of total exposure and the selected currency should be at least 5% of Bank’s total

assets and/or liabilities.

The Bank categorizes its interest-sensitive assets, liabilities and off-balance sheet positions into a series of re-pricing time bands (buckets) resulting in a maturity/repricing schedule gap forming the basis of the calculation. The repricing time bands (repricing tenors or time buckets) that are taken into account are in full compliance with guidelines at EBA/GL/2018/02 as transposed by the CSSF circular. The repricing time bands shall be applicable to each material currency separately.

For non-maturity deposits (NMDs), the Bank has analysed customers' behaviour based on relevant historical data. The resulting model is reviewed and back tested at least once per year by RMD. Under this regulatory waiver, the RMD applies average repricing tenor of up to 3 years for corporate deposits on demand. Regarding retail deposits on demand, no modifications are applied, hence in that case all retail deposits on demand are presented in the nearest re-pricing tenor possible (overnight), until further notice. The rationale behind this approach relies on the deposits profile of the Bank, based on which retail deposits do not represent material risk. This modal is under deep-dive data review within the upcoming requirements set out in EBA/RTS/2022/09.

The stress test result is obtained by the EVE/NII change between the base case and the stressed ones, all material currencies are aggregated under each scenario. The worst case of the six prescribed stress test and additional scenarios are also taken into consideration for the EVE ratio as well as internal capital allocation.

The Bank has set up an alert threshold to EVE from IRRBB calculation results. Where the decline in EVE is greater than 15% of the Bank's Tier I capital under any of the six scenarios, or the decline in EVE of a sudden +/-200 bps shift in yield curve is greater than 20% of the Bank's own funds, the Bank should inform the BOD, AM and CSSF immediately, together with detailed explanations on the scale, nature and cause of the breach. Early warning levels are setup at 12% for the six additional scenarios and at 15% for the standard shock. The NII fluctuation ratio threshold is set up as 20% of the interest income forecast.

At the year end, the overall liability duration is slightly shorter than the overall asset duration, which lead to the parallel down scenario as the worst-case scenario both on consolidated and individual basis. As an exemplary disclosure, the worst result for the IPU consolidated basis is an EVE decline of €47.79 million under the parallel down scenario, which represents a decline of 5.52% of Tier 1 capital, and an EVE decline of €48.17 million under the standard parallel down scenario of 200bps, which represents a decline of 4.99% of the own funds.

Table 37 IPU consolidated IRRBB stress test result as of 31 December 2023

Scenarios	Significant Currencies in EUR			Impact on EVE (in EUR)	% of Tier I capital
	EUR	USD	CNY		
Parallel up	50,802,053.20	(4,584,326.08)	(3,488,516.26)	17,328,184.26	2.00%
Parallel down	(52,241,657.95)	5,207,134.91	3,697,120.58	(47,789,530.20)	-5.52%
Short rate positive	45,516,902.25	207,896.16	(3,027,885.60)	19,834,513.60	2.29%
Short rate negative	(46,389,311.97)	(40,824.71)	3,115,711.95	(44,872,280.70)	-5.18%
Flatten	32,139,673.12	2,330,578.37	(1,939,980.96)	15,295,144.78	1.77%
Steepen	(23,315,492.85)	(3,452,405.16)	1,249,414.43	(26,143,190.79)	-3.02%

Scenarios	Significant Currencies in EUR			Impact on EVE (in EUR)	% of Own Fund
	EUR	USD	CNY		
Parallel up + 200 bps	50,802,053.20	(4,584,326.08)	(2,806,615.70)	18,010,084.82	1.87%
Parallel down -200bps	(52,241,657.95)	5,207,134.91	2,940,084.83	(48,168,048.08)	-4.99%

As of 31st December 2023, the decline of NII for the IPU is €25.33 million, which represents 2.93% of Tier 1 capital.

Table 38 IPU's NII stress test result as of 31 December 2023

Scenarios	Significant Currencies in EUR			Impact on NII (in EUR)	% of Tier1
	EUR	USD	CNY		
Parallel up +200 bps	49,421,353.71	-4,303,486.27	3,491,077.91	56,839,771.57	6.56%
Parallel down -200 bps	-25,216,623.66	9,051,870.79	-2,658,396.15	-25,334,893.64	-2.93%

14. Operational risk

14.1 Standardised capital requirement for operational risk

The Bank uses the Basic Indicator Approach for operational risk to determine its minimum capital requirements, in accordance with the CRR.

This capital requirement is equal to 15% of the basic indicator defined in Art 315 of the CRR. The calculation of the basic indicator is based on the simple arithmetic average over three years of the Bank's income (net interest income and net non-interest income of the Bank). At the end of 2023, the risk-weighted exposure amount for the operational risk amounts to EUR 310.86 million.

Table 39 EU OR1 - Operational risk own funds requirements and risk-weighted exposure amounts

Operational risk own funds requirements and risk-weighted exposure amounts in EUR Million (Template EU OR1 – EBA/ITS/2020/04)		a	b	c	d	e
		Relevant indicator				
		Year-3	Year-2	Last year	Own funds requirements	Risk weighted exposure amount
1	Banking activities subject to basic indicator approach (BIA)	112.75	147.90	236.73	24.87	310.86

Operational risk own funds requirements and risk-weighted exposure amounts in EUR Million (Template EU OR1 – EBA/ITS/2020/04)		a	b	c	d	e
		Relevant indicator			Own funds requirements	Risk weighted exposure amount
		Year-3	Year-2	Last year		
2	Banking activities subject to standardised (TSA) / alternative standardised (ASA) approaches	-	-	-	-	-
3	<i>Subject to TSA:</i>	-	-	-		
4	<i>Subject to ASA:</i>	-	-	-		
5	Banking activities subject to advanced measurement approaches AMA	-	-	-	-	-

14.2 Operational risk governance

Operational risk is the risk of a change in value caused by the fact that actual losses, incurred for inadequate or failed internal processes, people and systems, or from external event (including legal risk). It is relevant to every aspect of the Bank’s business and covers a wide spectrum of issues.

Losses arising through fraud, unauthorized activities, errors, omission, inefficiency, systems failure or from external events all fall within the definition of operational risk.

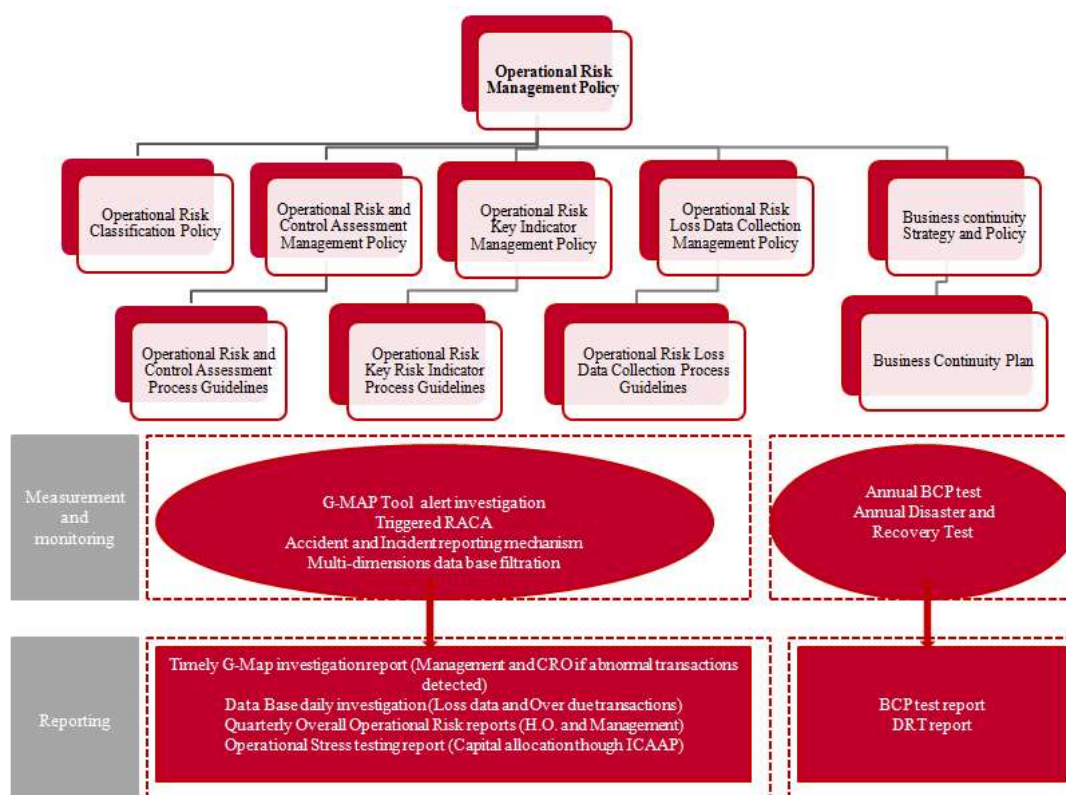


Figure 8 Operational risk management framework

14.3 Operational risk management

The operational risk management activities are established primarily using three tools: RACA, LDC and KRIs.

- In 2023, a thorough evaluation was carried out on 59 processes/products at the the Bank level, and 80 processes/products at the IPU level during the annual RACA. This extensive review covered major risk areas, including IT outsourcing management, IT system management, corporate online banking, recruitment management, settlement for money market deal, budget management, AML controls on client transactions involved in financial crimes, among others.
- The LDC tool has undergone significant enhancements, incorporating a timely and detailed assessment of each operational risk event that meets the loss data collection threshold. At the Bank level, 10 operational incidents were observed with no financial loss caused. The incident nature and loss data magnitude information are maintained in the Bank’s operation risk monitoring system to ensure a proper follow up and remediation results. This information feed is also the Bank’s Pillar II stress testing scenario during the ICAAP.
- Regarding KRI, a comprehensive risk indicator dashboard has been elaborated and is presented regularly to the BOD and AM. The relevance of the indicators is reviewed at least quarterly. In 2023, the Bank conducted a comprehensive review of the KRIs, which are based on requirements from local regulation and H.O., covering operational, IT and legal and compliance risks. The risk indicator dashboard reflects a more dynamic monitoring of various risk areas and offers an efficient overview to the management body the level of the risks.

The 2023 KRIs cover regulatory and administrative penalties, application availability, safety incidents, internal or external fraud, theft, robbery and gun-related count, cross-border remittances that violate sanctions, number of business interruptions occurring more than three times, customer complaints etc. At the same time, the Bank monitors the operational risk alerts generated by the in-house operational risk system called G-map. The key risk models related to the main business lines are maintained in the system.

Additionally, starting from the end of 2022 and continued in 2023, the Bank initiated a special initiative entitled "The Year on Enhancing Internal Control". This bank-wide campaign involved establishing management measures and operational mechanisms, optimizing the three lines of defence for internal control, and promoting fraud case prevention, and implementing effective collaboration and resource sharing among stakeholders of all three lines of defence. Various workshops are carried out under this initiative.

The Bank has proactively taken several strategic measures against fraud. A critical part of this strategy includes an update to its “Fraud Risk Management Policy”, ensuring its alignment with the prevailing threats and industry best practices. The Bank has also increased its focus on digital initiatives, promoting higher rates of online banking registration.

To enhance the security of all transactions, the Bank has incorporated advanced anti-fraud features into both the corporate and personal online banking systems. Furthermore, it has reinforced control mechanisms over operations with high risks across all departments. This process involves the comprehensive identification and categorization of business operations that pose a higher risk of fraud.

In its commitment to ensure a proactive, risk-aware culture, the Bank has undertaken a number of educational initiatives. These include awareness campaigns and employee training programs focused specifically on areas such as operational risk management and information security. Facilitated by the risk management and IT departments, these comprehensive training programs are designed to not only increase employee knowledge and awareness of specific risks, but also to further develop their practical skills in identifying, preventing, and managing such risks. In addition, the Bank has introduced specialized risk management workshops that cover a broad range of operational risks. These workshops are tailored to equip

employees with a deep understanding of various operational risks and how best to tackle them.

The Bank also emphasized fraud and phishing email awareness and arranged phishing email simulations to test the anti-fraud awareness of employees across the whole Bank and its cross-border entities.

15. Liquidity risk

Liquidity risk is a bank's capacity to increase funding in assets and meet both expected and unexpected cash and collateral obligations at a reasonable cost and without incurring a certain level of losses.

Regarding the nature of liquidity risk, it can be divided into inherent liquidity risk despite of the Bank's business model and specific liquidity risk linked to the bank's operations. The inherent liquidity risk can exist in two situations: Market Risk and Funding Liquidity Risk. The Bank's liquidity risk could be a result of credit risk, market risk, concentration risk, operational risk and reputational risk. Therefore, liquidity risk is a second order risk and cannot be managed on a standalone basis efficiently.

15.1 Liquidity Risk Management Governance

The Bank's liquidity needs are raised from its credit lending activities. As a full subsidiary of Bank of China Limited, a Global Systemic Important Bank, the Bank benefits from a wide access to the market funding tools. The Bank stabilizes its core deposits stability through the cross-selling service/product. Moreover, the Bank has the strategy to maintain a HQLA level at a sufficient level according to its liquidity risk appetite. It monitors its liquidity risk profile on an on-going basis and specific risk metrics are designed to follow up its funding concentration risk.

Responsibility for the risk management of the Bank lies with its BOD. It determines and approves the liquidity risk appetite, funding strategy/planning and "Liquidity Risk Management Policy".

Daily liquidity risk management involves:

- Treasury function (MKD) acts as 1LoD and is in charge of daily position management, executes the banking book hedging strategy and manages the bond portfolio,
- Risk control function (RMD) and FMD jointly play the 2LoD. RMD is responsible for defining the risk appetite thresholds, setting out internal governance arrangements and leading the Bank's ILAAP process. FMD ensures the daily liquidity risk management and reporting, conducts liquidity stress testing and coordinates the annual liquidity contingency funding test.

The liquidity risk analytical report and stress test results are communicated at least quarterly to the Bank's ALCO, BRCC, who will use the report and stress outcomes to formulate, revise the Bank's liquidity/funding strategy and risk appetite.

The liquidity risk analytical report and stress test result are communicated at least quarterly to the Bank's ALCO, BRCC, who will base on the report and stress outcome to formulate, revise the Bank's liquidity/funding strategy and risk appetite.

15.1.1 Liquidity risk management at cross-border entities level

The Bank's two subsidiaries have set up local liquidity risk management frameworks and ALCO to be compliant with the specific requirements set out by the local regulators.

The Bank's cross-border branches liquidity management is centralized at IPU's level.

The Bank's cross-border branches and subsidiaries operate mostly in the European Union, except BOC Serbia. From a monetary policy perspective, the countries in which the Bank has a presence do not impose any currency exchange restrictions. Thus, the Bank does not expect any money transfer impediments. Looking backward, during the Covid period, even at the beginning of acute crisis time, there were no funding transfer difficulties observed.

Currently, the Bank's treasury function disposes three cash pools which operate on a relatively independent basis. The cash pools are located at Luxembourg S.A.'s level, BOC CEE's level and BOC Serbia's level. The Bank's individual cash pool also manages the banking book positions of all the seven cross-border branches within the IPU structure. Moreover, the cash flows between BOC CEE and Bank of China limited Hungarian branch are exempted from capital consumption by the MNB⁸. Hence, there is less incentive for BOC CEE to initiate intra-group money market transaction with the IPU. In addition, BOC Serbia is not authorized to conduct Money Market transactions with non-BOC Group entities. The main counterparties of BOC Serbia to operate treasury function are the Bank of China Limited, Luxembourg Branch and other BOC overseas branches.

This arrangement is judged efficient under current business needs and also allows each legal entity to have enough independence to monitor the local liquidity ratios.

15.1.2 Liquidity contingency funding plan

The Liquidity Contingency Funding Plan (LCFP) standardizes the workflow in a liquidity crisis in order to regulate the liquidity crisis response process of the Bank, and to ensure the Bank responds to the crisis on a swift manner and takes effective measures to smoothly with stand the crisis and restore normal operations.

It applies to the Bank at two levels:

- Standalone level (legal entity level): the Bank and all its cross-border branches, that is, Rotterdam Branch, Brussels Branch, Poland Branch, Stockholm Branch Lisbon Branch, Athens Branch and Dublin Branch.
- Consolidated level (consolidation of 3 legal entities): the Bank at a standalone level consolidated with its two subsidiaries Bank of China (Central and Eastern Europe) Limited and Bank of China Srbija a.d. Beograd.

The plan is run annually and the 2023's test demonstrated that the Bank's LCFP was effective.

15.1.3 Liquidity stress tests

The Bank's liquidity stress testing model takes into account the material risk drivers alongside reasonable and robust assumptions to test its survival period under a range of scenarios with different severities. The assumptions and model are subject to regular review and back testing. The reverse stress testing allows the Bank to identify any potential risk factor which may cause the Bank's failure.

Taking consideration of the relatively independent cash pool management, the two subsidiaries dispose the local liquidity stress testing program, subject to the appreciation of risk control function(s) and local BOD.

The Bank has set a risk appetite of 30 days survival period under the stress scenario. The stress test is run on a monthly basis and the result is communicated to the ALCO and BRCC. 2023's overall stress test result demonstrated a satisfactory survival period.

⁸ Magyar Nemzeti Bank

15.2 Liquidity coverage ratio (LCR)

This section discloses the LCR related information following Art 435 of regulation (EU) No 575/2013.

Table 40 EU LIQ1 - Quantitative information of LCR as of 31 December 2023

EU 1a	Quantitative information of LCR in EUR Million (Template EU LIQ1 – EBA/ITS/2020/04)	Total unweighted value (average)				Total weighted value (average)			
		31/12/2023	31/09/2023	31/06/2023	31/03/2023	31/12/2023	31/09/2023	31/06/2023	31/03/2023
EU 1a	Quarter ending on (DD MM YY)								
EU 1b	Number of data points used in the calculation of averages	12	12	12	11	12	12	12	11
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid assets (HQLA)					1798.98	1456.55	1239.74	1135.39
CASH - OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	59.45	62.73	65.61	67.32	7.13	7.49	7.75	7.90
3	<i>Stable deposits</i>	-	-	-	-	-	-	-	-
4	<i>Less stable deposits</i>	59.44	62.73	65.61	67.32	7.13	7.49	7.75	7.90
5	Unsecured wholesale funding	3135.96	3263.18	3212.33	3113.12	2038.62	2115.20	1970.22	1834.58
6	<i>Operational deposits (all counterparties) and deposits in networks of cooperative banks</i>	-	-	-	-	-	-	-	-
7	<i>Non-operational deposits (all counterparties)</i>	3135.96	3263.18	3212.33	3,113.12	2038.62	2115.20	1970.22	1834.58
8	<i>Unsecured debt</i>	-	-	-	-	-	-	-	-
9	<i>Secured wholesale funding</i>					-	-	-	-
10	Additional requirements	1,546.01	1,512.14	1,512.15	1,522.88	396.41	369.35	363.43	353.03
11	<i>Outflows related to derivative exposures and other collateral requirements</i>	13.13	27.36	24.61	22.21	29.35	27.36	24.61	22.21
12	<i>Outflows related to loss of funding on debt products</i>	-	-	-	-	-	-	-	-
13	<i>Credit and liquidity facilities</i>	1,532.88	1,484.78	1,487.54	1,500.67	367.06	341.99	338.82	330.82
14	Other contractual funding obligations	25.15	23.67	23.87	19.09	22.43	20.95	18.82	16.09
15	Other contingent funding obligations	364.18	382.77	380.91	367.95	-	-	-	-

	Quantitative information of LCR in EUR Million (Template EU LIQ1 – EBA/ITS/2020/04)	Total unweighted value (average)				Total weighted value (average)			
16	TOTAL CASH OUTFLOWS					2,464.59	2,579.74	2,426.96	2284.41
CASH - INFLOWS									
17	Secured lending (e.g. reverse repos)	-	-	-		-	-	-	
18	Inflows from fully performing exposures	2,542.68	2,837.66	3,226.79	2,785.55	2,760.30	2,689.28	2,934.90	2,757.01
19	Other cash inflows	0.50	0.19	0.48	2.09	0.50	0.19	0.48	2.09
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					-	-	-	
EU-19b	(Excess inflows from a related specialised credit institution)					-	-	-	
20	TOTAL CASH INFLOWS	2,543.18	2,837.85	3,227.27	2,787.64	2,760.80	2,689.46	2,935.37	2759.10
EU-20a	<i>Fully exempt inflows</i>	-	-	-		-	-	-	
EU-20b	<i>Inflows subject to 90% cap</i>	-	-	-		-	-	-	
EU-20c	<i>Inflows subject to 75% cap</i>	2,543.18	2,837.85	3,227.27	2,787.64	2,760.80	2,689.46	2,935.37	2,759.10
TOTAL ADJUSTED VALUE									
EU-21	LIQUIDITY BUFFER					1798.98	1456.55	1239.74	1135.39
22	TOTAL NET CASH OUTFLOWS					630.80	659.59	606.74	571.10
23	LIQUIDITY COVERAGE RATIO					294%	221.21%	203.84%	198.87%

The above LCR computation provides 12 - month rolling averages based on the periods ranging from March 2023 to December 2023. The LCR as of 31 December 2023 stands at 543% on an IPU consolidated basis, leaving significant buffer related to the minimum prudential requirement.

Apart from the regulatory monthly calculation and monitoring of the LCR, the Bank also monitors its LCR performance on a daily basis. The Bank was compliant with the regulatory requirements of LCR throughout 2023. The IPU LCR has been maintained well above the internal limit all year. The lowest IPU daily LCR recorded during 2023 was 142.79% (15/06/2023), always above the Bank's risk appetite.

Table 41 IPU Daily LCR monitoring result

Liquidity Risk Metrics	2023 daily average	2023 daily min	2023 daily max
LCR (%)	277.94%	142.79%	543.48%

15.2.1 High –level description of the Bank's HQLA and counterbalancing capacity

The Bank's approach towards its holdings of HQLAs or liquidity buffers and its counterbalancing capacity is based on the Bank's simple business model and nature. The liquidity risk appetite defines the size of HQLA portfolio that should be maintained in order to meet LCR requirements. The internal limit for the LCR incorporates buffers to the regulatory minimum and are also assigned early warning thresholds which together enable management sufficient foresight to address any potential deterioration.

The Bank's HQLA is composed exclusively by the level 1 assets to ensure the LCR compliance both in an individual and consolidated base.

15.2.2 Concentration of funding source

The Bank's wholesale funding constitutes the Bank's core funding source. The Bank may face the risk of a higher price on renegotiation, however, this is an inherent risk that it Bank is willing to take as part of its funding strategy. A sampling based on an in-depth liquidity risk assessment is conducted to further appreciate the risk of these deposits. The assessment considers the relevant factors such as deposits concentration, secured or unsecured, the depositors' financial health and the level of HQLA to cover the potential withdraw.

The result of the analysis demonstrates that the clients have long-term business relationships with the Bank and the deposits account is open to manage the world-wide group's operational cash flow. The stickiness of the deposits is strong.

The Bank has several funding concentration ratios in the risk appetite to monitor their evolution so as to detect any deviation and take swift measures to restore its liquidity.

15.2.3 Foreign exchange convertibility and access to foreign exchange markets

The Bank mainly uses the FX swaps of the banking book to hedge its currency liquidity mismatch. The significant currencies of the Bank are EUR, USD and PLN and the counterparties of such transactions are either H.O. in Beijing or BOC London, which means exclusively intragroup counterparties. The counterparty risk is not material. The Bank internally monitors its FX Swap hedge efficiency on a monthly basis. A FX swap deal can be traced to a specific asset or liability transaction. Hence, the residual foreign exchange convertibility risk is non-material. Currency mismatches are met via the execution of FX swaps between the Bank and other BOC counterparties. The collateral is calculated on a daily basis and posted

between the Bank and Bank of China Limited Luxembourg Branch which represents BOC group under EMIR regulation. The Bank is thus not subject to the risk of market access deterioration.

No perceived deterioration in market access or in execution during stress is assumed as the Group is among the top ten banking groups in the world. Any scenario in which the Group is locked out of and unable to access the FX markets is considered to be very rare and extreme.

Additionally, as over 90% of the balance sheet is denominated in EUR and USD which are the two main currencies of the world, freely exchanged in the worldwide market 24h/day. On this basis the Bank does not perceive there to be any significant potential risk for the inability to access FX markets. The convertibility needs of the Bank are therefore considered low.

15.3 Net stable funding ratio (NSFR)

This is the Liquidity standard requiring banks to hold enough long-term stable funding to cover the duration of their long-term assets.

Table 42 EU LIQ2: Net Stable Funding Ratio

Net Stable Funding Ratio in EUR Million (Template EU LIQ2 – EBA/ITS/2020/04)		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
Available stable funding (ASF) Items						
1	Capital items and instruments	956.13		-	98.60	1,054.73
2	<i>Own funds</i>	956.13	-	-	98.60	1,054.73
3	<i>Other capital instruments</i>		-	-	-	-
4	Retail deposits		110.33	20.25	11.72	132.53
5	<i>Stable deposits</i>		57.10	8.59	0.95	63.35
6	<i>Less stable deposits</i>		53.23	11.67	10.77	69.18
7	Wholesale funding:		5,551.51	3,351.23	608.33	3,547.28
8	<i>Operational deposits</i>		-	-	-	-
9	<i>Other wholesale funding</i>		5,551.51	3,351.23	608.33	3,547.28
10	Interdependent liabilities		-	-	-	-
11	Other liabilities:	4.87	112.23	-	-	-
12	<i>NSFR derivative liabilities</i>	4.87				
13	<i>All other liabilities and capital instruments not included in the above categories</i>		112.23	-	-	-
14	Total available stable funding (ASF)					4,734.54
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)					-
EU-15a	Assets encumbered for more than 12m in cover pool		-	-	-	-
16	Deposits held at other financial institutions for operational purposes		-	-	-	-
17	Performing loans and securities:		3,968.74	279.30	3,624.55	3,868.06
18	<i>Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut</i>		-	-	-	-
19	<i>Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions</i>		3,723.92	151.36	1,076.72	1,524.80
20	<i>Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:</i>		244.82	127.94	2,544.79	2,341.28

Net Stable Funding Ratio in EUR Million (Template EU LIQ2 – EBA/ITS/2020/04)		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
21	<i>With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk</i>		23,950,728.68	13,105,632.95	40,832,258.72	45,069,148.99
22	<i>Performing residential mortgages, of which:</i>		70.99	-	3.04	1.97
23	<i>With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk</i>		70.99	-	3.04	1.97
24	<i>Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products</i>		-	-	-	-
25	Interdependent assets		-	-	-	-
26	Other assets:		223.53	86,145,609.88	-	74.21
27	<i>Physical traded commodities</i>				-	-
28	<i>Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs</i>		-	-	-	-
29	<i>NSFR derivative assets</i>		1.77			1.77
30	<i>NSFR derivative liabilities before deduction of variation margin posted</i>		-			-
31	<i>All other assets not included in the above categories</i>		221.76	86,145,609.88	-	72.44
32	Off-balance sheet items		9.99	42,182,820.22	1,518.11	78.51
33	Total RSF					4,020.78
34	Net Stable Funding Ratio (%)					117.75%

The Bank constantly met the minimum regulatory requirements for NSFR throughout 2023. The proxy NSFR ratio is calculated and monitored daily, and is communicated to AM, the treasury function, the risk control function and business lines.

Table 43 IPU's NSFR monitoring result 2023

Key Liquidity and Funding figures	2023 daily average	2023 daily min	2023 daily max
NSFR (%)	115.31%	106.15%	127.07%

16. Environmental, social and governance risk

Climate change and environmental degradation (and risks) are sources of structural change that affect economic activity and, in turn, the financial system. Climate-related and environmental risks are commonly understood to comprise two main risk drivers:

Physical risk refers to the financial impact of a changing climate, including more frequent extreme weather events and gradual changes in climate, as well as of environmental degradation, such as air, water and land pollution, water stress, biodiversity loss and deforestation. Physical risk is categorized as “acute” when it arises from extreme events, such as droughts, floods and storms, or “chronic” when it arises from progressive shifts, such as increasing temperatures, sea-level rises, water stress, biodiversity loss and resource scarcity. It may directly result in, for example, damage to property or reduced productivity, or indirectly lead to subsequent events, such as the disruption of supply chains.

Transition risk refers to an Institution’s financial loss that may result, directly or indirectly, from the process of adjustment towards a lower-carbon and more environmentally sustainable economy. It could be triggered, for example, by a relatively abrupt adoption of stricter climate and environmental policies, technological progress or changes in market sentiment and preferences.

C&E risk may translate into physical and transition risks that could materially impair the financial situation and the operational capacity of the Bank. The process to assess and manage climate risk and its associated tolerance describe the expectation of our Bank to consider and integrate into its operations climate-related and environmental risks. These expectations are most relevant when the Bank formulates and implements its business strategy, as well as governance and risk management frameworks. They are part of the wider regulatory developments regarding sustainability considerations.

Internal limits for Climate and Environmental Risk were set as follows:

Credit exposure to Brown Sectors stays within 50% of total credit exposures.

Green : < 45 %

Amber : $\geq 45\%$ and < 50 %

Red : $\geq 50\%$

As of 31st December 2023, asset in CPRS⁹ (Climate-policy-relevant Sectors) were 44.46% of the total credit outstanding, with the remaining 55.54% outstanding allocated in non-CPRS sectors.

⁹ Battiston et al.2017 ;

Table 44 CPRS (Climate-policy-relevant Sectors) scores in 2023

	Q1 2023	Q2 2023	Q3 2023	Q4 2023
CPRS	39.47%	41.90%	39.28%	44.46%
Non-CPRS	60.53%	58.10%	60.72%	55.54%
Limit	50%	50%	50%	50%

- *ESG*

The Bank aims at promoting companies with high ESG standards.

Following the ESG action plan, the Bank has started to collect the ESG ratings available for our credit facilities (our clients). Based on this portfolio of external ESG ratings, the Bank is expecting to have a quantitative approach reflected in the business strategy and risk appetite.

16.1 Climate risk materiality assessment

In accordance with CSSF circular 21/773, the Bank conducted a proper assessment of materiality in 2023 in which it developed a well-informed understanding of all relevant C&E risks drivers and assessed the ways in which – i.e. through which transmission channels – these could affect the prudential risks they are exposed to.

The risk identification procedure relies on internal and external sources of knowledge. Externally, the Bank relies on scientific literature. These inputs are used to generate an overview of relevant risk drivers related to climate change and environmental degradation. The table below summarizes assessment results of the Bank.

Table 45 CR&E materiality assessment 2023

Risk Type	Transmission Channel	Materiality Outcome						Materiality Impact
		Transition Risk			Physical Risk			
		Short-term <1Y	Medium-term 1Y-3Y	Long-term <10Y	Short-term <1Y	Medium-term 1Y-3Y	Long-term <10Y	
Capital Risk		√	√	√	√	√	√	Yes / Financial
	HQLA	-	-	-	-	-	-	Not Material
Liquidity Risk	Short Term Deposit	-	-	-	-	-	-	Yes / Financial and Regulatory
	Available stable funding	-	-	-	-	-	-	Not Material
Profitability Risk	Climate-friendly products/strategy	-	-	√	-	-	√	Yes / Financial
	Credit Portfolio	√	√	√	√	√	√	Yes / Financial
	Green bubble	-	-	-	-	-	-	Not Material
Credit Risk	Counterparty default	-	√	√	-	√	√	Yes / Financial
	Counterparty downgrade	-	√	√	-	√	√	Yes / Financial
	Collateral Valuation	√	√	√	-	√	√	Yes / Financial
Market Risk	Repricing of securities and derivatives in the trading and banking book	-	-	-	-	-	-	Not material Subject of regular re-assessment
	FX positions	-	-	-	-	-	-	Yes / Financial
	Translation risk	-	-	-	-	-	-	Not material
Operational Risk	Work force management risk	-	-	-	-	-	-	Not material
	IT and Cyber risk	-	-	-	-	-	-	Not material
	Business continuity	-	-	-	-	-	-	Not material
Legal/Compliance Risk	Litigation	-	-	-	-	-	-	Not material
	Regulatory Fines	-	√	√	-	-	-	Yes / Regulatory and reputation
Reputational Risk	Greenwashing	-	-	√	-	-	-	Yes / Reputational impact
Other non-financial Risks		-	-	-	-	-	-	

17. Other risks

Besides the above mentioned risk categories, the Bank has assessed other risk types in its risk taxonomy. These risks are monitored under the comprehensive risk management framework set out in the Bank's "Risk Management Policy".

- **Profitability risk** (or strategic risk) is mainly driven by the Bank's business model and its long-term action plan. The Bank's revenue is mainly derived from its lending activities, despite the increasing proportion of other types of revenue such as fees income related to trade financing and capital market activities. Under the current macro-economic environment, the Bank's financial result outperforms its historic record. Nevertheless, the Bank remains prudent in its provision management, and closely monitors the indicator such as RAROC (Risk Adjusted Return on Capital), ROE and ROA to pilot the target achievement progress.
- **Compliance and regulatory risk** arises when the laws, regulations and market best practices are not adopted and implemented in the Bank's business activities and practices. Compliance risks could arise in the areas such as AML, sanction compliance, consumer protection, GDPR, MiFID etc. The Bank has established a sound Compliance risk management framework to effectively manage these risks to ensure that they are within the Banks Compliance risk appetite framework. Compliance carries out Compliance risk assessment at least annually, the assessment results are

taken account in establishing a risk-based Compliance Monitoring Program on a yearly basis.. Compliance of the Bank exercises oversight on Compliance matters in the entities of the Bank to ensure the Bank’s requirements and policies are implemented by the entities, adopting a “highest standards” principle when there is a discrepancy between the local and the parent bank’s requirements. Compliance function of the Bank conducts on-site inspections of the relevant entities on about 18-month cycle. Compliance also performs the regulatory watch on the EU-wide regulations to ensure that the new laws and regulations are informed timely to the Bank. Compliance assesses primary impact to the Bank and promote the effective implementation in the Bank and its entities.

- **Reputational risk** has a predominant importance for all the commercial banks. Moreover, as an integrated part of a G-Sifis group, the H.O.’s reputational issues could quickly spread to the overseas entities and the negative impact could be significant. The Bank has zero tolerance on this risk. To tackle this type of risk the Bank has a well-established management workflow under the BOC Group framework. It includes regular and ad-hoc assessments and reports on reputational risk and develops a crisis communication plan. This risk factor is incorporated into the Bank’s various stress testing (e.g. liquidity stress testing, ICAAP stress testing) to ensure the Bank has sufficient resilience to face the shock and restore the situation in a timely manner. Finally, it is also embedded into the Bank’s contingency plan (e.g. liquidity contingency funding plan and group recovery plan) with specific indicators alerts, an escalation process and a range of ready-to-use options.

18. Remuneration policy

18.1 Internal Governance

The BOD has ultimate responsibility for the Bank’s Remuneration Policy. This policy is reviewed annually, or whenever there is a material upgrade needed, by the HR department and validated by the Remuneration Committee and finally by the BOD.

The Policy applies to all the IPU entities (branches and subsidiaries) and to all staff. Cross-border entities and subsidiaries are responsible for adapting this policy to comply with local laws and regulations and formulating relevant local rules. In the event of any conflict between this Policy and the local laws or regulations, the latter shall prevail. In the event of discrepancy between standards, the most stringent shall apply.

To support the BOD in its remuneration-related duties, the BOD has established a Remuneration Committee. The Remuneration Committee reviews all revision proposals, assessments and reports mentioned in the Remuneration Policy and as far as appropriate shall make recommendations to the BOD.

Upon request, the Bank shall disclose and make available relevant information regarding the remuneration of Material Risk Takers (MRTs) to the Remuneration Committee.

The Bank’s Authorized Management is responsible for implementing the provisions of the Remuneration Policy and ensuring the remuneration practices in the Bank comply with the relevant laws and regulations, the Bank’s internal principles in this matter, and other related guidelines. Authorized Management reports regularly (at least annually) to the Remuneration Committee about the implementation of the present Remuneration Policy.

The Bank’s control functions (risk, compliance and internal audit) are involved in the design and ongoing oversight of the Bank’s remuneration policy. The remuneration scheme of the Bank is deemed to be in line with the Bank’s risk profile and is subject to ex-post adjustment if needed. Finally, the internal audit

department assesses the effective implementation of the remuneration policy, the assessment and analysis required by the EBA guidelines on sounds of remuneration, and reviews the MRT’s identification.

The Bank’s Remuneration Policy states the following principles:

- The Bank applies equal opportunities principles as regards employment and career development for men and women and non-discrimination principle based on gender, sexual orientation, gender identity, skin colour, social origin, ethnicity, language, ways and beliefs including those of religious and/or political nature, wealth, marital or family status, health, disability, age, respectively racial and/or ethnic, nationality, race, minority or religious affiliation (supposed or actual);
- Comprehensiveness: The Policy aims at governing the remuneration of all members of the Bank’ staff, including the ones whose activity has a material impact on the risk profile of the Bank and its activities.
- Risk management of Material Risk Takers (MRTs): MRTs are determined based on the qualitative criteria (i.e. job function, level of responsibilities) and/or quantitative criteria (i.e. based on the level of remuneration), as defined in the aforementioned Commission Delegated Regulation. Staff Members qualifying as MRTs are assessed (e.g. at the time of recruitment and, in the case of change of functions, as well as at least once a year. Irrespective of the potential application of the proportionality principle, the BOD has the responsibility to identify MRTs while the staff identification exercise is carried out through the involvement of the human resources function and the control functions (risk and compliance).
- Proportionality: All principles in the Remuneration Policy apply to Material Risk Takers of the Bank, unless the proportionality principle can be invoked by the Bank pursuant to applicable laws and/or regulations, in which case the remuneration requirements could be dis-applied. Where the proportionality principle cannot be invoked, the remuneration requirements may still be applied in a proportionate manner to Material Risk Takers who have a less material impact on the Bank’s risk profile. The application of the proportionality principle will be assessed at the moment the Bank performs the annual self-assessment to identify Material Risk Takers

18.2 Performance management

On a yearly basis, the HR department organizes the individual performance assessment process. The result of an individual’s assessment is partly based on peers and colleagues’ feedback (so called “360”), quantitative and qualitative criteria which are mainly key performance indicators (KPI) and partly on assessment from department heads and general management. The bonus award and, promotions, are linked to the evaluation results.

Based on the 6-level ranking groups which spread from D to A+, the applicable coefficient of an individual’s performance, and the department and the Bank’s performances vary from 0 up to 1.2 as per table below:

Evaluation Rating		Coefficient
A+	Outstanding	1.20
A	Excellent	1.10
B+	Very Satisfactory	1.05
B	Satisfactory	1.00
C	Acceptable	0.6

D	Poor	0
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18.3 Remuneration structure

The remuneration structure is designed in compliance with relevant laws and regulations as well as the strategic objectives of the Bank. This includes, in particular:

- Fixed and variable components of total remuneration are appropriately balanced. The fixed component represents a sufficiently high proportion of the total remuneration to allow the operation of a fully flexible policy on variable remuneration components, including the possibility to pay a non-variable remuneration component¹⁰;
- The measurement of performance impacts the variable remuneration.
- The structure of the variable remuneration for MRTs falling within the scope to ensure the Bank takes the appropriate action to align the Policy with its long-term interests, including:
 - the deferral over four¹¹ years of at least 40.1% of the variable remuneration;
 - the variable remuneration composed of at least 50% in financial instruments is subject to a retention period of 12 months,
 - The potential ex-post risk adjustment of the variable remuneration (through Malus and Claw back).

18.3.1 Fixed remuneration components

Fixed remuneration is composed of the Base Salary and the benefits listed below.

Base Salary

The Base Salary set by the Bank is strictly in compliance with applicable regulations and conservative market practices. The employee's Base Salary is defined in consideration with the role, responsibility, competency, job complexity, and local market conditions. The Base Salary refers to a 12-month salary plus any extra base amount as currently applicable by local law or collective bargaining agreement.

Overtime compensation

Subject to applicable laws and regulation and Bank's related procedure and policies (esp. regarding approval), overtime, is only payable to staff members part of the Collective Bargaining Agreement for Bank employees.

Other benefits

Other benefits are provided on the basis of individual employment contracts and local market practice, as detailed below.

Pension Plan

All employees who have their permanent work place in Luxembourg, who have an unlimited or fixed term contract in Luxembourg and who are not affiliated with another pension scheme within the Group are affiliated to a pension plan.

¹⁰ LFS art. 38-6 (1) (f)

¹¹ Directive 2013/36/EU art 94 1. (m), LFS art 38-6 (1) m

Other Fixed Benefits (all staff members)

The Bank offers staff members a variety of fringe and other benefits.

This includes:

- Luncheon vouchers,
- Birthday allowance,
- Marriage allowance,
- Birth allowance,
- Festivals allowance,
- Complementary Health insurance.

Transferred Chinese staff members

Other fixed¹² benefits for transferred Chinese staff members (based on Head Office Circular ZhongYinFa [2011]658). Staff members who have been expatriated to Luxembourg may receive the following benefits in connection with the social constraints and challenges associated to their expatriation:

- Family allowances (spouse allowance and children education allowance),
- A local health insurance for the staff member and his/her family (accompanying) including one health check-up per year,
- Round-trip travel (family visit) expenses to China,
- Settling-in and leaving allowance.

18.3.2. Variable remuneration components

The Bank's staff members may be eligible for an annual variable remuneration upon satisfaction of applicable performance criteria and completion of a performance assessment process. The performance assessment takes into account, not only the Bank's overall performance, but also the performance of the staff member's, as well as their individual performance¹³.

Staff members engaged in control functions are remunerated in accordance with the achievement of the objectives linked to their functions, independently from the performance of the business areas they control. The remuneration of the heads of departments in the risk management, compliance and internal audit functions is available for the oversight by the Board of Directors. The respective Chairpersons of the Board Audit Committee and the Board Risk and Compliance Committee shall contribute to the annual appraisal of the Chief Risk Officer, Chief Compliance Officer and Chief Internal Audit.

The MRT's maximum bonuses are capped (variable remuneration set at 100% of the total fixed remuneration¹⁴, with a maximum of 200%¹⁵ upon shareholder consent and compliance with the procedure laid down in CSSF Circular 15/622).

¹² EBA/GL/2021/04 art. 134 – elements part of fixed remuneration

¹³ Directive 2013/36 as amended art 34 1. (a)

¹⁴ Directive 2013/36 as amended art. 94 (1) (g) (i); LFS 38-6 (1) (g) (i)

¹⁵ Directive 2013/36 as amended art. 94 (1) (g) (i); LFS 38-6 (1) (g) (ii)

Indicative settings of maximum variable remuneration

The following indicative settings may apply to the maximum variable remuneration in general.

Position	Maximum Variable Remuneration
Executive members	In compliance with art. 38-5 (Remuneration policies) and 38-6 (Variable elements of remuneration) LFS, esp. 38-6 (1)(g) (i) the variable component shall not exceed 100% of the fixed component of the total remuneration for each individual; except to comply with art. 38-6 (1) (g) (ii) ¹⁶
Control functions and Material Risk Takers	

Pay out process of variable remuneration for MRTs

The non-deferred part of variable remuneration related to a given performance year (i.e. maximum 59.9%) is paid during the next year. The deferred part of variable remuneration (i.e. minimum 40.1%) has to be deferred over a period of at least 4 years.

At least 50% of the variable remuneration is under the form of financial instruments which are subject to a retention period of 12 months.

A Phantom Share plan (share-linked instrument) defines the applicable terms and conditions to deferred entitlements consisting of financial instruments. The deferred portion of variable remuneration is only paid out if it falls under the rules defining the good leavers.

The provisions of Directive 2013/36 art 94 (1) (l)/(m) and LFS art. 38-6 (1) (l)/(m) concerning deferral of variable remuneration does not apply to staff members whose annual variable remuneration does not exceed EUR 50,000 and does not represent more than one third of the staff members' total annual remuneration (Directive 2013/36 art. 94 (3) (b) and LFS art. 38-6 (2) b)).

Specific situations:

Severance pay

In principle, the Bank does not offer guaranteed exit packages. In cases of the early termination of a contract, the Bank will only makes severance payments in accordance with the provisions of the applicable employment law. In addition, any severance payment should reflect the performance achieved over time and should not reward failure or misconduct.

Any severance pay shall comply with the following criteria¹⁷:

- Severance pay should not provide for a disproportionate reward, but for an appropriate compensation of the staff member concerned,
- Severance pay shall not be awarded where there is an obvious failure which allows for the immediate cancellation of the contract of dismissal,
- Severance pay shall not be awarded where a staff member resigns voluntarily,
- When determining the amount of severance pay, the Bank shall take into account the performance achieved over time and assess where relevant the severity of any failure including the Bank's own failures and those of the staff concerned.

Severance pay shall be considered as variable remuneration especially for MRTs and henceforth taken into account for the ratio, deferral and pay out in instruments except otherwise justified by the Bank¹⁸.

Personal Hedging

Staff members are not allowed to use personal hedging strategies to mitigate the risk related to the variation in their remuneration.

¹⁶ 200% capping; subject to inter alia authorization of the shareholder and notification to the CSSF

¹⁷ EBA/GL/2021/04 art 162 et seq. esp on the impact of mutual failures on the Bank and/or staff on severance pay (art. 169 – 171)

¹⁸ See EBA/GL/2021/04 art 172 - 174 for details on applicable regime

18.4 Disclosure

The HR Department is responsible for the internal and external disclosure of the remuneration strategy and procedure, ensuring that:

- The remuneration policy shall be internally disclosed to all staff and accessible for all staff at all times,
- The member of staff concerned should know in advance the criteria that will be used to determine their Remuneration,
- The information regarding the policy which is disclosed internally reveals at least the details which are disclosed externally,
- Confidential quantitative aspects of the Remuneration of Staff Members shall not be subject to internal disclosure.

Disclosure of the remuneration strategy and procedure is included in the Bank's financial statements. The following information is disclosed for the Bank:

- Information concerning the decision-making process used for determining the Remuneration Policy, as well as the number of meetings held by the main body overseeing remuneration during the financial year, including, if applicable, information about the composition and the mandate of the remuneration committee, the external consultant whose services have been used for the determination of the remuneration policy and the role of the relevant stakeholders,
- Information on link between the remuneration and performance,
- The most important design characteristics of the remuneration system, including information on the criteria used for performance measurement and risk adjustment, deferral policy and vesting criteria,
- The ratios between fixed and variable remuneration,
- Information on the performance criteria on which the entitlement to variable remuneration is based,
- The main parameters and rationale for any variable component scheme and any other non-cash benefits,
- Aggregate quantitative information on remuneration broken down by business area,
- Aggregate quantitative information on remuneration, broken down by senior management and members of staff whose actions have a material impact on the risk profile of the institution, indicating the following:
 - (i) The amounts of remuneration for the financial year split into fixed and variable remuneration, and the number of beneficiaries,
 - (ii) The amounts and forms of variable remuneration,
 - (iii) The amounts of outstanding deferred remuneration split into vested and unvested portions;
 - (iv) The amounts of deferred remuneration awarded during the financial year, paid out and reduced through performance adjustments,
 - (v) New sign-on and severance payments made during the financial year, if any and the number of beneficiaries,
 - (vi) The amounts of severance payments awarded during the financial year, number of beneficiaries and highest such award to a single person.

Upon demand from the CSSF, the total remuneration for each member of the management body or senior management.

18.5 Diversity within the management body

The Bank aims at promoting diversity among its management bodies²⁰. The objective is for the Bank to dispose from a broad set of qualities and competences among the members of the management body. This policy applies at both recruitment and promotion levels.

To this end, the Bank will strive to take into consideration the following diversity criteria to ensure a balanced composition of the management Body¹⁹:

- Educational and professional background
- Gender²⁰
- Age
- Geographical provenance (considering the nature of the Bank's business).

In order to facilitate an appropriately diverse pool of members for management body positions, the Bank implements this diversity policy for staff including career planning aspects and measures to ensure equal treatment and opportunities for staff of different gender. Such measures should include that the aspect of appropriate gender representation is also taken into account when selecting staff for management positions or when providing management training.

In order to support a diverse composition of the management body, the Bank should have policies that ensure that there is no discrimination based on gender, race, colour, ethnic or social origin, genetic features, religion or belief, membership of a national minority, property, birth, disability, age, or sexual orientation²¹.

18.6 Information on the management bodies' directorship

This section provides the detailed information about the directorships held by the members of the management body as per CRR2 art 435(2).

Table 46 BOD members' Directorships

Board of Directors (MBSF)	Positions with BOC (Europe) S.A.	Other positions with IPU	Other positions in third companies	TOTAL
Mr XU Chen	1	BOC CEE (BOD)	<ul style="list-style-type: none"> • Bank of China Limited, Luxembourg Branch • ABBL (Luxembourg) • CCCEU (Brussels) 	5
LAM FAT KWONG Lam Thuon Mine	1	/	<ul style="list-style-type: none"> • Banque Internationale à Luxembourg • International Consolidated Airlines Group (Madrid) 	3
Mr. Laurent Mosar	1	/	<ul style="list-style-type: none"> • Trialys Law Firm (Luxembourg) • Member of Parliament (Luxembourg) • Alderman City of Luxembourg 	4
Mr. Marco Mazzucchelli	1	/	<ul style="list-style-type: none"> • Quintet Private Bank S.A. (Luxembourg) • Secofind SIM SpA (Milan) 	3

19 EBA/GL/2017/12 art. 111

20 EBA/GL/2021/05: "Institutions should... aim to improve the representation of the underrepresented gender in positions within the management body..."; EBA/GL/2021/06 art. 102 Institutions should aim at an appropriate representation of all genders within the management body to ensure that the principle of equal opportunities is respected when selecting members of the management body.

21 EBA/GL/2021/06 ART. 108

Mr. LI Ruojie	1	/	· Bank of China Limited Head Office	3
			· Banco da China (Brasil) S.A.	

Table 47 Authorized Management members' Directorship

General Management (MBMF)	Positions with BOC (Europe) S.A.	Other positions with IPU	Other positions in third companies	TOTAL
Mr. GUO Zhiyao	Acting General Manager	BOC CEE (BOS)	Deputy General Manager at Bank of China Limited, Luxembourg Branch	4
			Member of the Advisory Board of ChinaLux Chamber of Commerce (Luxembourg)	
Ms. LUO Ying	Deputy General Manager	BOC CEE (BOD)	Deputy General Manager at Bank of China Limited, Luxembourg Branch	3
Mr. WANG Lei	Deputy General Manager	BOC CEE (BOS)	Deputy General Manager at Bank of China Limited, Luxembourg Branch	4
		BOC Serbia (BOD)		
Mr. ZHAO Yi	Assistant General Manager	/	Assistant General Manager at Bank of China Limited, Luxembourg Branch	2

18.7 Quantitative Disclosure on Remuneration

Aggregate quantitative information on remuneration, broken down into four categories of people has a material impact on the risk profile of the Bank. The amounts of remuneration are further split into fixed and variable remuneration and the number of beneficiaries. Detailed information is shown in the following tables (these estimates are the best available at the time of publication of this Pillar III disclosure, no significant difference is expected with the final numbers):

The data includes BOC (Europe) SA and its entities except BOC (CEE) Ltd, BOC (CEE) Prague Branch, BOC (CEE) Ltd, Vienna Branch and BOC (CEE) Ltd, Budapesta Succursala Bucuresti.

Table 48 EU REM1 - Remuneration awarded for the financial year of 2023 in mio EUR

(in EUR)		MB Supervisory function	MB Management function	Other senior management	Other identified staff
Fixed remuneration	Number of identified staff	3	12	4	
	Total fixed remuneration	0.31	2.73	0.92	
	Of which: cash-based	0.31	2.73	0.92	
	(Not applicable in the EU)				
	Of which: shares or equivalent ownership interests				
	Of which: share-linked instruments or equivalent non-cash instruments				
	Of which: other instruments				
	(Not applicable in the EU)				
	Of which: other forms				
	(Not applicable in the EU)				
Variable remuneration	Number of identified staff	3	12	4	
	Total variable remuneration	0	1.88	0.33	
	Of which: cash-based		0.94	0.17	
	Of which: deferred		0.38	0.07	

(in EUR)		MB Supervisory function	MB Management function	Other senior management	Other identified staff
	Of which: shares or equivalent ownership interests				
	Of which: deferred				
	Of which: share-linked instruments or equivalent non-cash instruments		0.94	0.17	
	Of which: deferred		0.38	0.07	
	Of which: other instruments				
	Of which: deferred				
	Of which: other forms				
	Of which: deferred				
Total remuneration (2 + 10)		0.31	4.61	1.26	

Table 49 EU REM3 - Deferred remuneration for the financial year of 2023 in mio EUR

Deferred and retained remuneration	Total amount of deferred remuneration awarded for previous performance periods	Of which due to vest in the financial year	Of which vesting in subsequent financial years	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years	Total amount of adjustment during the financial year due to ex post implicit adjustments (i.e. changes of value of deferred remuneration due to the changes of prices of instruments)	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year	Total of amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods
MB Management function	1.26	0.44	0.82			0.00	0.36	0.08
Cash-based	0.60	0.19	0.41			-	0.19	-
Share-linked instruments or equivalent non-cash instruments	0.65	0.24	0.41			0.00	0.17	0.08
Other senior management	0.23	0.06	0.17			-	0.04	0.02
Cash-based	0.12	0.03	0.09			-	0.03	-
Share-linked instruments or equivalent non-cash instruments	0.12	0.03	0.09			0.00	0.01	0.02
Total amount	1.49	0.50	0.99			0.00	0.40	0.10

Deferred remunerations were applicable for both MB management function and other senior management. The amounts of total outstanding deferred remuneration for MB Management function was EUR1.49 million and EUR 0.50 million was actually paid out during 2023.

Table 50 EU REM5 - Information on remuneration of MRT as of 31 December in mio EUR

(in EUR mio)	Management body remuneration			Business areas						Total
	MB Supervisory function	MB Management function	Total MB	Investment banking	Retail banking	Asset management	Corporate functions	Independent internal control functions	All other	
Total number of identified staff										19
Of which: members of the MB	3	12	15							
Of which: other senior management				0	0	1	1	2		
Of which: other identified staff										
Total remuneration of identified staff	0.31	4.61	4.92			0.32	0.31	0.63		
Of which: variable remuneration		1.88	1.88			0.10	0.06	0.18		
Of which: fixed remuneration	0.31	2.73	3.04			0.23	0.25	0.45		