

Bank of China (Europe) S.A.

Pillar III Disclosure Report of 2024

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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	Compliance and Regulatory Department
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
LRE	Leverage Ratio Exposure
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
ROA	Return on Assets
ROE	Return on Equity
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
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) (d)	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 (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) (e)	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. Authorized Management 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 approved by the Authorised Management. It was also reviewed by the Board Risk and Compliance Committee in June 2025. The BOD finally endorsed the report in June 2025.

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 background and main updates

The regulatory environment of the banking and financial industry continues to be shaped, driven by the implementation of the CRR III/CRD VI, applicable respectively in 2025 and 2026. The Commission Implementing Regulation (EU) 2021/637, repealed by Commission Implementing Regulation (EU) 2021/637 marks a step forward through the implementation of the new banking package. The Bank is assessing the consequences it will imply on its situation and make sure it will be ready once the implementation completed.

In 2023, the regulatory environment was also shaped by the 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 implemented 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 21/773¹, the Bank has developed a 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 continues to collect the ESG rating available for our credit facilities (our Clients). 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.

¹ Driven by updates on CRR II related to ESG disclosures

4.2 Key ratios as at 31st December 2024

In 2024, 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	31.12.2024	31.12.2023
CET1 Capital ratio	10,32%	9,71%
Tier 1 ratio	15,17%	14,95%
Total Capital ratio	16,40%	16,65%
Leverage ratio	7,91%	7,19%
Liquidity coverage ratio	283,72%	275,68%

Figure 1 Key Capital & Liquidity Ratio as of 31 December 2024

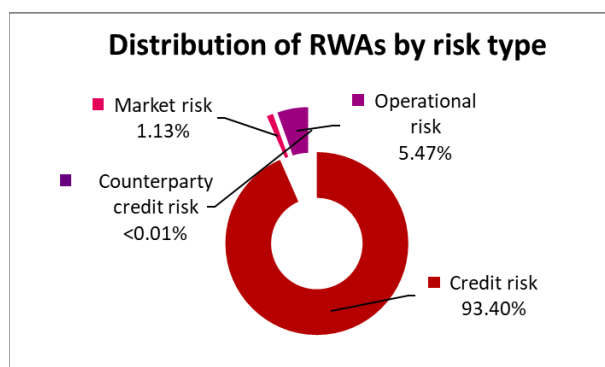


Figure 2 Distribution of RWAs by Risk Type

4.3 Financial result and material event

2024 marks the continuity 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 net profit of 32.5 mio EUR (2023:68.4 mio EUR) on Bank of China (Europe) S.A. alone.

Following the establishment of the IPU, comprehensive integration work continued in 2024. 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 2024, 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 will continue to target more key industries and Sino-European economic cooperation, continuously deploy marketing efforts towards Fortune 500 consumers, regional industry leaders and key going-global Chinese customers to further solidify its customer base.

The Bank aims at strengthening its position in European market by securing more active mandates and improving its rankings. To drive business growth, the Bank has set the following targets: coverage of over 40 issuers, a total underwriting volume exceeding 40 billion EUR and revenue surpassing 5 million EUR. The Bank has the largest market share among comparable Chinese peers, participated in 37 issuances and reached an underwriting volume and revenue close to the targets set above. 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.

The Bank will also continuously improve the quality and efficiency of services such as deposits, loans, transaction banking, RMB clearing, as well as innovating and strengthening its cross-border settlement services.

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 recent years. For these reasons, the Bank will continue to promote green finance services, support the green industries, facilitate the joint development of green initiatives between China and Europe, and strive to achieve an increase in the proportion of Green Finance loan year by year in the next three years.

The Bank is targeting an higher annual growth rate in the scale of green credit than the growth scale of corporate loans. In 2024, the total green credit balance reached 1.58 billion EUR.

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.

During the year, the Bank also finalized the integration of the CR&E risks, following the action plan it has developed last year.

Internal control and management

2024 was a year of continuity in transitioning 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 23rd October 2024, the Ordinary Board Meeting of the Bank approved the appointment of Mr. LIU Jiandong, a Non-Executive Director of the Bank, as the new Chairman. The previous Chairman, Mr. XU Chen 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 17th January 2024, the Ordinary Board Meeting of the Bank approved the appointment of Ms. LUO Ying as General Manager of the Bank, replacing Mr GUO Zhiayo who was Deputy General Manager and acting as General Manager until this date.

Mr. LI Zhe and Mr. DENG Lei both took their functions as Deputy General Manager, respectively as from 10th April 2024 and 9th October 2024.

Mr. Marco MAZZUCHELLI has been reappointed as an independent non-Executive Director of the Bank for 2024.

Regarding the general management of cross-border branches:

- On 23rd February 2024, Mr. GUO Zhiyao was appointed as a General Manager of the Lisbon Branch, replacing Ms. XIAO Liang
- On 28th February 2024, Ms ZHAO Caiyan was appointed as a General Manager of the Stockholm branch, replacing Ms. WANG Fang
- On 25th March 2024, Ms. WANG Yan was appointed as a General Manager of the Rotterdam branch, replacing Ms JLANG Li.
- On 18th November 2024, Ms ZHAO Nan was appointed as a General Manager of the Athens Branch, replacing MS LI Shuping

Member changes in BOD committees: On 23rd October 2024, along with his mandate of Chairman of the Board, Mr. LIU Jiandong took the office of the Chairman of the Remuneration Committee. On 17th January 2024, Ms. LUO Ying was appointed as an Executive Director within the Board of Directors.

During 2024, 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.

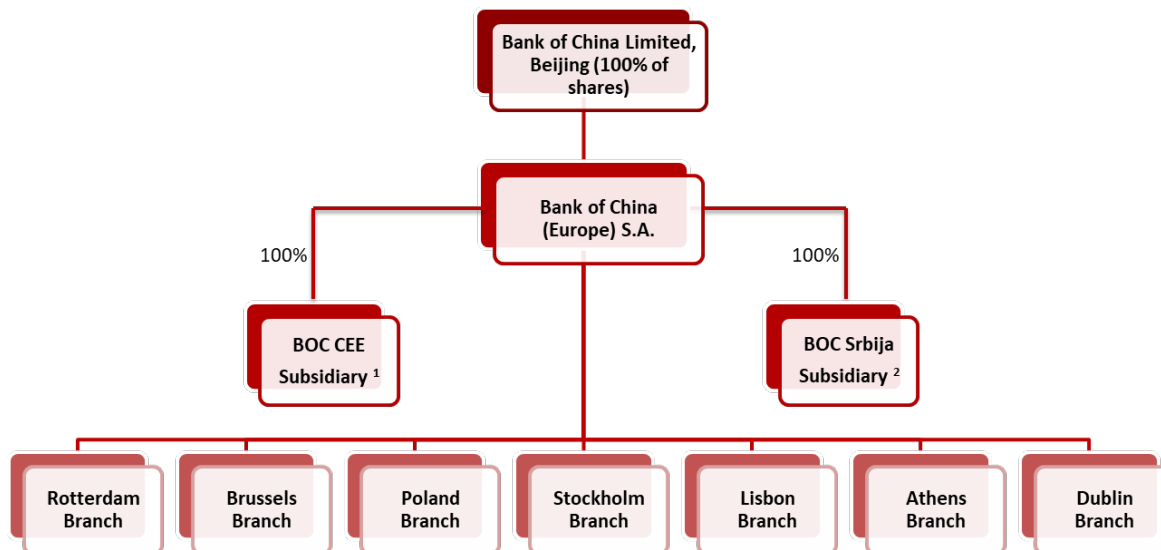
The Bank operates from 7 cross-border branches, its 2 subsidiaries located in continental Europe, and its head office at 55 Boulevard Royal, Luxembourg. The Bank is a Less Significant Institution, regulated by the Commission de Surveillance du Secteur Financier (CSSF).

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 2024 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 holders², 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.

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.

² As defined by the CSSF Circular 22/807

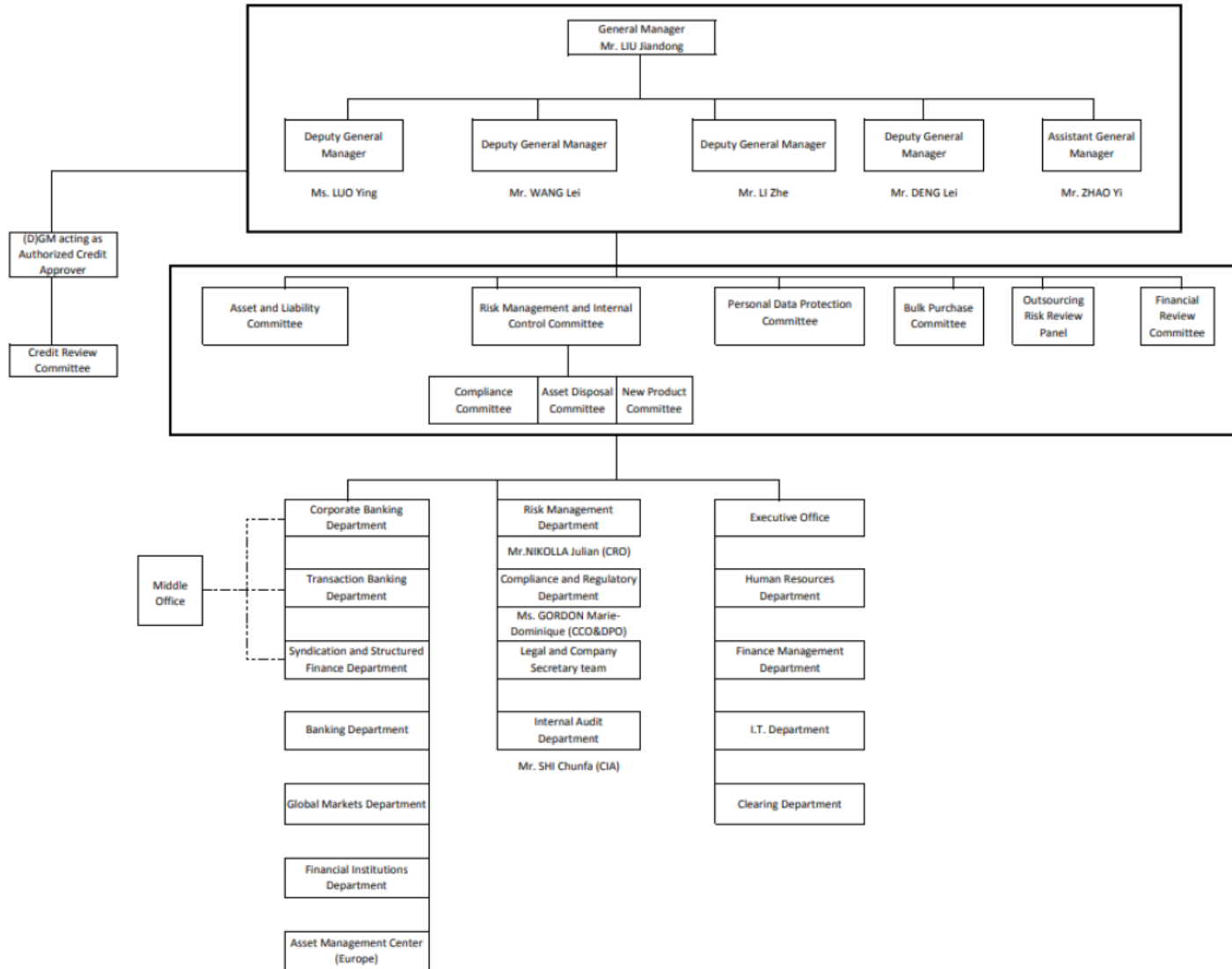


Figure 4 Committee Governance Structure

The Board Risk and Compliance Committee (BRCC) continued 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. During 2024, BRCC held 12 ordinary meetings.

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 2024, 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 3 ordinary meetings.

In addition, during 2024, the Board of Directors held 4 ordinary meetings and 5 Board extraordinary meetings.

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 the committee comprising all the Authorised Managers of the Bank. It is in charge of collectively determining the business direction and of deciding on the day to day management of the Bank. It is supported by Management Committees each chaired by member of the Authorised Management in compliance with art.52 of CSSF Circular 12/552. 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 2024, 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 (sub-committee of Risk Management and Internal Control Committee).
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 (sub-committee of Risk Management and Internal Control Committee).
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 (sub-committee of Risk Management and Internal Control Committee).
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, IRRBB risk, capital requirements risk, country 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 centralized controls, and monitors all measures taken to mitigate the compliance risks, reporting accordingly to the Authorized Management and the BOD, as appropriate, and acts as an adviser in compliance matters within the Bank. The Chief Compliance Office ("CCO") has direct access to the Chairman of the Board or the member of the BAC and BRCC as well as the CSSF when necessary. 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. CRD is responsible for AML and IT risks.

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,
- Counterparty credit risk (for derivative products),
- 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 2025, RMD organized an on-site seminar on risk management, with the participation of General Manager, all departments, cross-border branches and two subsidiaries. The training session lasted 2 days from 26 – 27th March 2025. The main topics of the training were:

- CRR III training session provides a comprehensive understanding of CRR3 (Capital Requirements Regulation III), its background and development, its practical implications for the Bank, and next work plan
- ESG risk assessment in credit process, including but not limited to ESG framework, ESG regulations, regulatory requirements, the Bank’s implementation, etc

Communication and discussion among cross-border branches and subsidiaries on the current outstanding problem of risk management.

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.

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 library³ 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 2 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.

³ <http://21.233.33.35/bocpolicy/rmd-policies-procedures/>

Table 3 Summary of the Bank's main risk appetite indicators applicable as of 31/12/2024

No	Categories	Indicator type	Monitoring Frequency	Role & Responsibility		Thresholds				KRI/MRI	Scope		New or Replaced
				1st LoD Owner	2nd LoD Owner	EWS	RAS Limit	Recovery Trigger	Regulatory Limit		Solo	Conso	
Capital													
CAS_1*	Common Equity Tier 1 ratio	Regulatory Limit	Quarterly	FMD	RMD	10.43 %	> 9.43	< 8.5 %	≥ 8.43 %	KRI	√	√	Existing
CAS_2	Tier 1 Capital Adequacy ratio	Regulatory Limit	Quarterly	FMD	RMD	12.17 %	> 11.17 %	NA	≥ 10.17%	KRI	√	√	Existing
CAS_3*	Total Capital ratio	Regulatory Limit	Quarterly	FMD	RMD	14.50 %	>13.50 %	< 13%	≥ 12.50%	KRI	√	√	Existing
CAS_4	MREL-TREA	Regulatory Limit	Quarterly	FMD	RMD	15.05 %	> 13.25%	NA	≥ 9%	KRI	√	√	Existing
CAS_5	MREL-Leverage Ratio Exposure (LRE)	Regulatory Limit	Quarterly	FMD	RMD	6%	> 5%	NA	≥ 3%	KRI	√	√	Existing
CAS_6*	Leverage ratio	Regulatory Limit	Quarterly	FMD	RMD	6%	> 5 %	< 3.5 %	≥ 3%	KRI	√	√	Existing
CAS_7	Large Exposures	Regulatory Limit	Quarterly	Credit risk taker departments	RMD	N.A.	< 20 %	NA	< 25%	KRI	√	√	Existing
Profitability													
PRO_1*	Return on Equity (ROE)	Internal Limit	Yearly	FMD	RMD	6%	> 4.5 %	< 3%	NA	KRI		√	Existing
PRO_2	Cost to Income	Internal Limit	Quarterly	FMD	RMD	55%	60%	NA	NA	KRI	√	√	New
PRO_3	Net profit realized vs. budget	Internal Limit	Annual	FMD	RMD	70%	80%	NA	NA	KRI		√	New

No	Categories	Indicator type	Monitoring Frequency	Role & Responsibility		Thresholds				KRI/MRI	Scope		New or Replaced
				1st LoD Owner	2nd LoD Owner	EWS	RAS Limit	Recovery Trigger	Regulatory Limit		Solo	Conso	
Credit Risk													
CR_1	NPL Ratio	Internal Limit	Quarterly (and Ad Hoc)	Credit risk taker departments	RMD	1.50%	< 2%	NA	5%	KRI		√	Existing
CR_2*	Net NPL/Equity	Internal Limit	Quarterly (and Ad Hoc)	Credit risk taker departments	RMD	6%	< 8%	> 16%	NA	KRI		√	New
CR_3*	NPL Coverage Ratio	Internal Limit	Quarterly (and Ad Hoc)	Credit risk taker departments	RMD	> 50%	> 45%	< 40%	NA	KRI		√	Replaced
CR_4	Cost of risk	Internal Limit	Quarterly (and Ad Hoc)	Credit risk taker departments	RMD	0.4%	0.5%	NA	NA	KRI		√	New
Concentration risk (current value as of Oct 2024)													
CTR_1	Credit Concentration - Investment grade	Internal Limit	Quarterly	Credit risk taker departments	RMD	70%	≥ 65%	NA	NA	KRI		√	Replaced
Market Risk													
IRR_1	Interest rate risk in the banking book (IRRBB) -> EVE/Tier 1 ratio: 6 Additional scenario's Worst Scenario	Regulatory Limit	Quarterly	MKD/FMD	RMD	10%	≤ 12 %	NA	≥ 15%	KRI	√	√	Updated
IRR_2	Interest rate risk in the banking book (NII)	Regulatory Limit	Quarterly	MKD/FMD	RMD	4.5%	≤ 4.8%	NA	5%	KRI	√	√	New
Liquidity Risk													

No	Categories	Indicator type	Monitoring Frequency	Role & Responsibility		Thresholds				KRI/MRI	Scope		New or Replaced
				1st LoD Owner	2nd LoD Owner	EWS	RAS Limit	Recovery Trigger	Regulatory Limit		Solo	Conso	
LR_1*	LCR	Regulatory Limit	Daily Calculation and Monthly Reporting	MKD	FMD/RMD	140%	> 130%**	<115%	100%	KRI	√	√	Existing
LR_2*	NSFR	Regulatory Limit	Daily Calculation and Quarterly Reporting	MKD	FMD/RMD	110%	> 107%**	< 103%	100%	KRI	√	√	Existing
LR_3	Liquidity stress test survival period	Internal Limit	Monthly monitoring or when LCR ratio goes in red zone/Quarterly reporting	BKD/CBD/FID/MKD/SSD/TBD	FMD	2 Months	≥ 45 days**	NA	NA	KRI	√	√	Existing
Operational Risk													
OPS_1*	The total Loss Data Collection ("LDC") of the year	Internal Limit	Ad Hoc and event based.	All departments	RMD	133,000 EUR	< 151,000 EUR	>5 mio EUR	NA	KRI		√	Existing
OPS_2	Number of Internal or External Fraud Cases	Internal Limit	Quarterly	All departments	RMD	1	2	NA	NA	KRI		√	New
OPS_3	Operational Loss Ratio	Internal Limit	Monthly	All departments	RMD	0.0803%	0.091%	NA	NA	KRI		√	New
People Risk													
PR_1	Human Resources - Key people turnover rate	Internal Limit	Annually	HRD	RMD	6%	< 8%	NA	NA	KRI		√	Existing
PR_2	Human Resources - Annual turnover rate	Internal Limit	Annually	HRD	RMD	9%	< 11%	NA	NA	KRI		√	Existing
Climate Risk and ESG													
CRE_1	Operational risk events linked to climate risks	Internal Limit	Quarterly	BKD/CBD/FID/MKD/SSD/TBD	RMD	>EUR 0	EUR 0	NA	NA	KRI		√	New

No	Categories	Indicator type	Monitoring Frequency	Role & Responsibility		Thresholds				KRI/MRI	Scope		New or Replaced
				1st LoD Owner	2nd LoD Owner	EWS	RAS Limit	Recovery Trigger	Regulatory Limit		Solo	Conso	
CRE_2	ESG impacts of reputational risks	Internal Limit	Quarterly	BKD/CBD /FID/MKD /SSD/TBD	RMD	1	2	NA	NA	KRI		√	New
Market-based indicators (for recovery plan)													
RP_1	Bank of China group rating	RP limit	Quarterly	NA	RMD	Chinese sovereign rating under negative review	NA	Downgrade by 2 notch	NA	NA	NA	NA	New
Macro-economic indicators (for recovery plan)													
RP_2	5 years CDS of sovereigns	RP limit	Quarterly	NA	RMD		NA	>250 bps	NA	NA	NA	NA	New
Compliance Risk													
CRD_1	The total number of high risk customers	Internal Limit	Monthly	Business	CRD	The number of high and medium-high risk customers exceeds 110 in any given month.				KRI	√		Updated
CRD_2	Number of post-transaction alerts pending resolution over 30 days and 90 days from the date that they were generated	Internal Limit	Monthly		CRD	(i) The number of pending alerts over 30 days exceeds 10 in any given month. (ii) No alerts aged 90 days or over and not closed				KRI	√		Updated
CRD_3	The number, change of the number SARs filed and any customer meeting the sanction criteria.	Internal Limit	Quarterly (SARS) Monthly (Sanction match)		CRD	(i) The volume of SARs filed in a given quarter is increased by more than 3 on the average of the previous 6 months (ii) Any Customers meeting the sanction criteria which may include freezing the account and filing to Ministry of Finance				KRI	√		(1) Update (2) New

No	Categories	Indicating type	Monitoring Frequency	Role & Responsibility		Thresholds				KRI/MRI	Scope		New or Replaced
				1st LoD Owner	2nd LoD Owner	EWS	RAS Limit	Recovery Trigger	Regulatory Limit		Solo	Conso	
CRD_4	The number of cross-border wire transfers which are frozen and/or reported to the local authorities e.g. OFAC by third party financial institutions.	Internal Limit	Monthly		CRD					KRI	√		New
CRD_5	Number of positive matches, court orders, FIU, judicial police requests (*).	Internal Limit	Monthly		CRD					KRI	√		Existing
CRD_6	Number of open AML/Sanctions related positions in CRD, and number of days each has been open	Internal Limit	Monthly		CRD					KRI	√		Existing
CRD_7	Number of PEP customers in the Bank	Internal Limit	Monthly		CRD					KRI	√		Updated
ICT Risk													
ITRM_1	Service availability of information systems with an availability rating of A3 and above	Internal Limit	Monthly	ITD	CRD	99.90 %	>99.5%	NA	NA	KRI	√		

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 sheet exposure of related parties as at end of year 2024.

Related parties on-balance sheet exposure

Table 4 Related parties' on-balance sheet exposure as of 31 December 2024

Related parties	Asset/Liability	Amount in mio EUR	Nature of the exposure
Bank of China Limited, Luxembourg Branch	L	2,220.75	Money Market deals (1,917 mio EUR)+ Subordinated loan (258 mio EUR) + Current on-demand deposit for liquidity management (45 mio EUR)
Bank of China Limited, Luxembourg Branch	A	743.03	Money Market deals for liquidity management (401 mio EUR) + nostro for liquidity management (342 mio EUR)
Bank Of China Limited, Singapore Branch	A	559.03	Money Market deals for liquidity management (559 mio EUR)
Bank of China Limited, Head Office	L	378.55	Current on-demand deposit for liquidity management (378 mio EUR)
Bank Of China Limited, London Branch	A	311.13	Money Market deals for liquidity management (308 mio EUR) + nostro for liquidity management (3 mio EUR)
Bank Of China Limited, Macau Branch	A	270.98	Money market deals for liquidity management (271 mio EUR)
Bank of China Limited, Frankfurt Branch	A	110.93	Nostro for liquidity management (111 mio EUR)
BOC Srbija a.d. Beograd	L	96.63	Money markets deals for liquidity management (97 mio EUR)
Bank Of China Limited, London Branch	L	88.36	Current on-demand deposit for liquidity management (88 mio EUR)
Bank of China (Hong Kong) Limited	L	81.00	BOC HK LTD is one of our agents for Debt Securities issuance, issued for liquidity management

Related parties off-balance sheet exposure

Table 5 Related parties' off-balance sheet exposure as of 31 December 2024

Related parties	Commitment guarantee given or received	Amount in mio EUR	Nature of the exposure
Bank Of China Limited, Luxembourg Branch	R	945.36	Financial guarantee to secure deposits
Bank Of China Limited, Head Office	R	481.86	USD liquidity facility granted by H.O.
Bank of China Aviation Corporation (USA)	R	144.56	New exposure
Bank Of China Limited, Head Office	G	32.42	Letters of guarantee issued
Bank Of China Limited, London Branch	G	17.50	Letters of guarantee issued
Bank of China Limited, Henan Branch	G	16.20	Letters of guarantee issued
Bank Of China Limited, Hebei Branch	G	8.88	Letters of guarantee issued
Bank Of China Limited, Guangdong Branch	G	5.33	Letters of guarantee issued
Bank of China Limited, Hunan Branch	G	0.99	Letters of guarantee issued
Bank of China Limited, Suzhou Branch	G	0.72	Letters of guarantee issued

Related parties P&L exposure

Table 6 Related parties' P&L exposure as of 31 December 2024

Related parties	Income/Expense/Commission	Amount in mio EUR	Nature of the income/expense
Bank Of China Limited, Luxembourg Branch	E	120.33	Interest expense of placements
Bank Of China Limited, Luxembourg Branch	I	52.12	Interest income of placements
Bank Of China Limited, Head Office	E	18.78	Interest expense of placements
Bank Of China Limited, Singapore Branch	I	18.41	Interest income of placements
Bank of China Limited, Macau Branch	I	16.95	Interest income of placements
Bank of China Limited, London Branch	I	5.36	Interest income of placements
Bank of China Limited, London Branch	E	3.80	Interest expense of placements
Bank of China Limited, Frankfurt Branch	I/C	4.92	Interest income of placements and fees and commissions
Bank of China (Europe) S.A.	I	7.14	Interest income of placements
Bank of China (Europe) S.A.	E	3.76	Interest expense of placements

Related parties service provide to/received from

Table 7 Related parties' service provided to/received from as of 31 December 2024

Related parties	Provided/Received	Amount in mio EUR	Nature of the service
Bank Of China Limited, Luxembourg Branch	R	5.84	Staff cost recharge
Bank Of China Limited, Luxembourg Branch	P	2.83	Staff cost recharge
Bank Of China Limited, Luxembourg Branch	R	1.70	Office space rent
Bank Of China Limited, Head Office	P	1.27	Internal Audit services
Bank Of China Limited, Luxembourg Branch	R	0.63	Office equipment
Bank Of China Limited, Head Office	R	0.22	IT fees
Bank Of China (Central and Eastern Europe) Limited	R	0.01	Cost reimbursement

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 8 Key metrics

Key metrics template in EUR Million (Template EU KMI-COMMISSION IMPLEMENTING REGULATION (EU) 2021/637)		a	b
		2024/12/31	2023/12/31
Available own funds (amounts)			
1	Common Equity Tier 1 (CET1) capital	645.72	562.38
2	Tier 1 capital	948.98	865.88
3	Total capital	1,025.75	964.49
Risk-weighted exposure amounts			
4	Total risk-weighted exposure amount	6,255.22	5,791.09
Capital ratios (as a percentage of risk-weighted exposure amount)			
5	Common Equity Tier 1 ratio (%)	10.32%	9.71%
6	Tier 1 ratio (%)	15.17%	14.95%
7	Total capital ratio (%)	16.40%	16.65%
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 (%)	1.00%	0.00%
EU 7b	of which: to be made up of CET1 capital (percentage points)	0.56%	0.00%
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	0.75%	0.00%
EU 7d	Total SREP own funds requirements (%)	9.00%	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 (%)	0.82%	0.60%
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 (%)	3.32%	3.10%
EU 11a	Overall capital requirements (%)	12.32%	11.10%
12	CET1 available after meeting the total SREP own funds requirements (%)	5.26%	5.21%
Leverage ratio			
13	Leverage ratio total exposure measure	11,992.11	12,049.36
14	Leverage ratio	7.91%	7.19%
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%	3.00%
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%	3.00%
Liquidity Coverage Ratio			
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	2,816.61	2,652.86

Key metrics template in EUR Million (Template EU KM1-COMMISSION IMPLEMENTING REGULATION (EU) 2021/637)		a	b
		2024/12/31	2023/12/31
EU 16a	Cash outflows - Total weighted value	2,825.03	2,052.08
EU 16b	Cash inflows - Total weighted value	2,868.09	2,505.63
16	Total net cash outflows (adjusted value)	732.76	513.02
17	Liquidity coverage ratio (%)	393.87%	275.68%
	Net Stable Funding Ratio		
18	Total available stable funding	5,326.71	4,734.54
19	Total required stable funding	4,347.10	4,020.78
20	NSFR ratio (%)	122.53%	117.75%

At the end of 2024, the total capital ratio stood at 16.40% (16.65% in 2023) and the Common Equity Tier 1 ratio (CET1) at 10.32% (9.71% in 2023).

The minimum requirement for the total capital ratio stood at 12.32% and that for the CET1 ratio stood at 8.4% as of 31 December 2024. An additional SREP capital requirement of 1% has been set for the financial year 2024.

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 2024 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).
 - o Additional Tier I capital, which consists of €303 million of perpetual loans, one at €150 million issued on 24th June 2020 in compliance with CRR art 52-54. Bank of China Limited, Luxembourg Branch subscribed this loan. The other at €153 million granted to BoC CEE and issued by Bank of China Limited, Hungarian Branch on January 15th 2020.
 - o The Bank has a Tier 1 capital of €48.98 million as of 31 December 2024. The increase in 2024 is mainly due to the 2023'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. From 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 €76.77 million as at 31 December 2024.

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

Table 9 Composition of regulatory own funds – EU CC1

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	222.41	
3	Accumulated other comprehensive income (and other reserves)	33.78	
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	656.19	
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	-0.00	
8	Intangible assets (net of related tax liability) (negative amount)	-0.83	(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)	0.00	
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	0.00	
12	Negative amounts resulting from the calculation of expected loss amounts	0.00	
13	Any increase in equity that results from securitised assets (negative amount)	0.00	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	0.00	
15	Defined-benefit pension fund assets (negative amount)	0.00	
16	Direct, indirect and synthetic holdings by an institution of own CET1 instruments (negative amount)	0.00	
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)	0.00	
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)	0.00	

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)	0.00	
20	Empty set in the EU	0.00	
EU-20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	0.00	
EU-20b	of which: qualifying holdings outside the financial sector (negative amount)	0.00	
EU-20c	of which: securitisation positions (negative amount)	0.00	
EU-20d	of which: free deliveries (negative amount)	0.00	
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)	-9.64	
22	Amount exceeding the 17,65% threshold (negative amount)	0.00	
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	0.00	
24	Empty set in the EU	0.00	
25	of which: deferred tax assets arising from temporary differences	0.00	
EU-25a	Losses for the current financial year (negative amount)	0.00	
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)	0.00	
26	Empty set in the EU	0.00	
27	Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount)	0.00	
27a	Other regulatory adjustments to CET1 capital	0.00	
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	-10.47	
29	Common Equity Tier 1 (CET1) capital	645.72	
Additional Tier 1 (AT1) capital: instruments			
30	Capital instruments and the related share premium accounts	303.26	(i)
31	of which: classified as equity under applicable accounting standards	303.26	
32	of which: classified as liabilities under applicable accounting standards	0.00	
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	0.00	
EU-33a	Amount of qualifying items referred to in Article 494a(1) CRR subject to phase out from AT1	0.00	

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	0.00	
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	0.00	
35	of which: instruments issued by subsidiaries subject to phase out	0.00	
36	Additional Tier 1 (AT1) capital before regulatory adjustments	303.26	
Additional Tier 1 (AT1) capital: regulatory adjustments			
37	Direct, indirect and synthetic holdings by an institution of own AT1 instruments (negative amount)	0.00	
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)	0.00	
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)	0.00	
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)	0.00	
41	Empty set in the EU	0.00	
42	Qualifying T2 deductions that exceed the T2 items of the institution (negative amount)	0.00	
42a	Other regulatory adjustments to AT1 capital	0.00	
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital	0.00	
44	Additional Tier 1 (AT1) capital	303.26	
45	Tier 1 capital (T1 = CET1 + AT1)	948.98	
Tier 2 (T2) capital: instruments			
46	Capital instruments and the related share premium accounts	76.77	
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	0.00	
EU-47a	Amount of qualifying items referred to in Article 494a (2) CRR subject to phase out from T2	0.00	
EU-47b	Amount of qualifying items referred to in Article 494b (2) CRR subject to phase out from T2	0.00	
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	0.00	
49	of which: instruments issued by subsidiaries subject to phase out	0.00	
50	Credit risk adjustments	0.00	
51	Tier 2 (T2) capital before regulatory adjustments	76.77	
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)	0.00	
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)	0.00	
54a	Empty set in the EU	0.00	
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)	0.00	
56	Empty set in the EU		
EU-56a	Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative amount)	0.00	
EU-56b	Other regulatory adjustments to T2 capital	0.00	
57	Total regulatory adjustments to Tier 2 (T2) capital	0.00	
58	Tier 2 (T2) capital	76.77	
59	Total capital (TC = T1 + T2)	1,025.75	
60	Total Risk exposure amount	6,255.22	
Capital ratios and requirements including buffers			
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	10.32%	
62	Tier 1 (as a percentage of total risk exposure amount)	15.17%	
63	Total capital (as a percentage of total risk exposure amount)	16.40%	
64	Institution CET1 overall capital requirement (CET1 requirement in accordance with Article 92 (1) CRR, plus additional CET1 requirement which the institution is required to hold in accordance with point (a) of Article 104(1) CRD, plus combined buffer requirement in accordance with Article 128(6) CRD) expressed as a percentage of risk exposure amount)	8.38%	
65	of which: capital conservation buffer requirement	2.50%	
66	of which: countercyclical buffer requirement	0.82%	
67	of which: systemic risk buffer requirement	0.00%	
EU-67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	0.00%	
EU-67b	of which: additional own funds requirements to address the risks other than the risk of excessive leverage	0.56%	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	5.26%	
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)	0.00	
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)	0.00	
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)	0.00	
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	73.03	
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	0.00	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	0.00	
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	0.00	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	0.00	g
82	Current cap on AT1 instruments subject to phase out arrangements	0.00	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	0.00	
84	Current cap on T2 instruments subject to phase out arrangements	0.00	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	0.00	

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 Regulation” (CRR Regulation (EU) No 2020/873 of the European Parliament and of the Council), amending Regulations (EU) No 575/2013 and (EU) 2019/876,
- “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),
- Delegated Act (EU) No 2022/786, amending 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 2024, the CSSF has set the TSCR of the Bank at 9% 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 10 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 00000716 83	HU 00000757 71	HU 00001190 60
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	Consolidated	Solo & consolidated	Consolidated subject to elimination	Consolidated subject to elimination	Consolidated subject to elimination	Consolidated subject to elimination
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 million	EUR 15.6 million	HUF 2,700 million	HUF 100,000	HUF 4,000 million

Capital Instruments main features template													
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
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+166bps	euribor 6m+100bps	euribor 6m+115bps	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
20a	Fully discretionary, partially discretionary or	N/A	N/A	N/A	N/A	N/A	Fully discretionary	Fully discretionary	Mandatory	Partially discretionary	N/A	N/A	N/A

Capital Instruments main features template													
	mandatory (in term of timing)												
20b	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 incentive to redeem	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
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

Capital Instruments main features template													
3 1	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
3 2	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
3 3	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
3 4	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
3 5	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
3 6	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
3 7	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 2024. The capital requirement amounts are obtained by applying 8% to the corresponding weighted risks.

Table 11 Overview of RWAs – EU OV1

Overview of RWAs amounts in EUR Million (Template EU OV1 – Commission Implementing Regulation (EU) 2021/637)		Risk weighted exposure amounts (RWEAs)		Total own funds requirements
		31/12/2024	31/12/2023	31/12/2024
1	Credit risk (excluding CCR)	5,837.95	5,405.59	467.04
2	Of which the standardised approach	5,837.95	5,405.59	467.04
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	4.50	10.78	0.36
7	Of which the standardised approach	-	-	-
8	Of which internal model method (IMM)	-	-	-
EU 8a	Of which exposures to a CCP	4.19	-	0.34
EU 8b	Of which credit valuation adjustment - CVA	0.31	1.21	0.02
9	Of which other CCR	-	9.57	-
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)	70.66	62.64	5.65
21	Of which the standardised approach	70.66	62.64	5.65
22	Of which IMA	-	-	-
EU 22a	Large exposures	-	-	-
23	Operational risk	342.11	310.86	27.37
EU 23a	Of which basic indicator approach	342.11	310.86	27.37
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	6,255.22	5,789.88	500.42

As of 31 December 2024, the total RWA for the Bank amounted to EUR 6.26 billion (2023: EUR 5.79 billion). The overall increase of EUR 0.47 billion mainly reflects increases in credit risk RWA and operational risk RWA.

The credit risk RWA amounts to EUR 5.84 billion (2023: EUR 5.41 billion), the increase of EUR 0.43 billion is mainly due to the institution's portfolio growth. The RWA for Operational Risk amounts to EUR 342.11 million (2023: EUR 310.86 million). The increase of EUR 0.31 billion is mainly driven by the revenue increase.

The RWA for market risk amounts to EUR 70.66 million (2023: EUR 62.64 million), which is mainly foreign currency risk, with an allocated capital of 8% of the overall net currency position⁴ if the net position exceeds 2% of the Bank's own funds.

The RWA for counterparty credit risk amounts to EUR 4.50 million (2023: EUR 10.78 million), of which EUR 0.31 million related to CVA (2023: EUR 1.21 million). The decrease in RWA is mainly due to the decrease Bank's derivatives transactions since last year.

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.

⁴ 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.

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 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 Bank conducts on-going risk assessments and regularly performs bank-wide stress testing as a life-cycle of ICAAP exercise. On December 31st 2024, the materiality of risks for the Bank is summarized as follows:

Level 1	Level 2	Material risk which shall be evaluated in the IC/LAAP ?
Credit Risk	Client default / Migration risk	Yes
	Mitigation Risk / Collateral Valuation risk	Yes
	Leverage risk	Yes
	Counterparty credit risk	No
	Settlement risk	No
Market Risk	Concentration risk	Yes
	IRRBB	Yes
	CSRBB	No
	CVA Risk	No
	Equity Risk	No
Operational Risk	FX Risk	No
	Compliance and Legal Risk	Yes
	Internal Fraud	Yes
	External Fraud	Yes
	Employment/people	Yes
	Clients, products & Business practices	Yes
	Damage to physical assets	Yes
	Business disruption and system failures	Yes
	Execution, delivery & process management	Yes
ICT Risk	Yes	
Liquidity Risk	Model risk	Yes
	Market liquidity risk	Yes
	Funding liquidity risk	Yes
Business Strategy Risk	Concentration liquidity risk	Yes
	Profitability risk	Yes
	Geopolitical / Country risk	Yes
Climate-related and Environmental Risk	Reputational risk	Yes
		Yes

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 Annex IX of Commission Implementing Regulation (EU) 2021/637.

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 0.8% as of 31 December 2024 (2023: 0.6%). The increase of the countercyclical buffer is mainly driven by several countries' decision to raise their buffer in 2024 (e.g. Belgium, France, Ireland) as well as the integration of new relevant credit exposures (e.g. Iceland) in the calculation.

Table 12 EU CCyB1 - Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer

2024	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	83.64	83.64	6.69	6.69	83.64	1.74%	0.00%
Belgium	459.36	459.36	33.94	33.94	424.26	8.83%	1.00%
Switzerland	25.07	25.07	2.01	2.01	25.07	0.52%	0.00%
China	0.28	0.28	0.01	0.01	0.11	0.00%	0.00%
Colombia	4.20	4.20	0.34	0.34	4.20	0.09%	0.00%
Czechia	24.03	24.03	1.76	1.76	22.04	0.46%	1.75%
Germany	142.02	142.02	10.03	10.03	125.35	2.61%	0.75%
Denmark	152.03	152.03	12.16	12.16	152.03	3.16%	2.50%
Spain	199.49	199.49	15.53	15.53	194.12	4.04%	0.00%
Finland	43.58	43.58	3.49	3.49	43.58	0.91%	0.00%
France	96.16	96.16	7.68	7.68	95.96	2.00%	1.00%
Ghana	23.13	23.13	1.85	1.85	23.13	0.48%	0.00%
Greece	0.67	0.67	0.05	0.05	0.67	0.01%	0.00%
Hong Kong	63.73	63.73	5.10	5.10	63.73	1.33%	1.00%
Hungary	39.68	39.68	2.39	2.39	29.88	0.62%	0.50%
Iceland	14.71	14.71	1.18	1.18	14.71	0.31%	2.50%
Ireland	238.10	238.10	18.65	18.65	233.09	4.85%	1.50%
Italy	152.21	152.21	12.18	12.18	152.21	3.17%	0.00%
Cayman Islands	11.08	11.08	0.89	0.89	11.08	0.23%	0.00%
Japan	7.48	7.48	0.59	0.59	7.48	0.16%	0.00%
Luxembourg	431.72	431.72	33.04	33.04	412.95	8.59%	0.50%
Mexico	65.81	65.81	5.26	5.26	65.81	1.37%	0.00%
Netherlands	596.91	596.91	47.01	47.01	587.59	12.23%	2.00%
Norway	103.28	103.28	8.26	8.26	103.28	2.15%	2.50%
Poland	791.36	791.36	46.41	46.41	580.18	12.07%	0.00%
Portugal	752.42	752.42	58.34	58.34	729.30	15.18%	0.00%
Romania	1.51	1.51	0.12	0.12	1.51	0.03%	1.00%
Serbia	6.59	6.59	0.53	0.53	6.59	0.14%	0.00%
Sweden	330.32	330.32	26.43	26.43	330.32	6.87%	2.00%
Slovakia	9.80	9.80	0.39	0.39	4.90	0.10%	1.50%
United Kingdom	59.72	59.72	4.78	4.78	59.72	1.24%	2.00%
United States	217.38	217.38	17.39	17.39	217.38	4.52%	0.00%
Total	5,147.47	5,147.47	384.47	384.47	4,805.88	100%	

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

Table 13 EU CCyB2 - Amount of institution-specific countercyclical capital buffer

Amount of institution-specific countercyclical capital buffer-Million EUR (Template EU CCyB2 – Commission Implementing Regulation (EU) 2021/637)		6,255.22
Institution specific countercyclical capital buffer rate		0.82%
Institution specific countercyclical capital buffer requirement		51.29

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 2024, the Leverage Ratio amounts to 7.91% (fully phased-in definition of Tier 1), showing an increase of 73 bps compared to end of 2023 of 7.19%.

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

- Increase of Tier 1 capital of 10% mainly related to retained earnings incorporated into capital
- Stabilisation of total leverage exposure, combining a 3% decrease of on-balance sheet exposure (excluding derivatives, SFT) and a 3% increase of off-balance sheet exposures

Table 14 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 - Commission Implementing Regulation (EU) 2021/637)		Applicable amount
1	Total assets as per accounting balance sheet value*	10,473.47
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	20.58
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)	1,509.17
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	(11.11)
13	Leverage ratio total exposure measure	11,992.11

Table 15 EU LR2 - LRCOM: Leverage ratio common disclosure

EU LR2 - LRCOM: Leverage ratio common disclosure In EUR Million (Template EU LR2 - Commission Implementing Regulation (EU) 2021/637)		CRR leverage ratio exposures	
		2024	2023
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	10,462.81	10,831.71
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)	-0.83	-0.97
7	Total on-balance sheet exposures (excluding derivatives and SFTs)	10,461.98	10,830.74
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	20.96	53.91
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	20.96	53.91
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	2,632.51	1,963.67
20	(Adjustments for conversion to credit equivalent amounts)	-1,123.34	-798.96
21	(General provisions associated with off-balance sheet exposures deducted in determining Tier 1 capital)	-	-
22	Off-balance sheet exposures	1,509.17	1,164.71
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 LR2 - LRCOM: Leverage ratio common disclosure In EUR Million (Template EU LR2 - Commission Implementing Regulation (EU) 2021/637)		CRR leverage ratio exposures	
		2024	2023
EU-22c	(Excluded exposures of public development banks - Public sector investments)	-	-
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	948.98	865.87
24	Leverage ratio total exposure measure	11,992.11	12,049.36
Leverage ratio			
25	Leverage ratio	7.91%	7.19%
EU-25	Leverage ratio (without the adjustment due to excluded exposures of public development banks - Public sector investments) (%)	7.91%	7.19%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	7.91%	7.19%
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)	11,992.11	0

EU LR2 - LRCom: Leverage ratio common disclosure In EUR Million (Template EU LR2 - Commission Implementing Regulation (EU) 2021/637)		CRR leverage ratio exposures	
		2024	2023
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)	11,992.11	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)	7.91%	0
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)	7.91%	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 16 EU LR3 - LRSpl: Split-up of on balance sheet exposures

LRSpl: Split-up of on balance sheet exposures In EUR Million (Template EU LR3 – Commission Implementing Regulation (EU) 2021/637)		CRR leverage ratio exposures
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	10,462.81
EU-2	Trading book exposures	-
EU-3	Banking book exposures, of which:	10,462.81
EU-4	Covered bonds	-
EU-5	Exposures treated as sovereigns	2,684.82
EU-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	-
EU-7	Institutions	3,728.78
EU-8	Secured by mortgages of immovable properties	688.28
EU-9	Retail exposures	1.37
EU-10	Corporate	3,294.57
EU-11	Exposures in default	7.50
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	57.50

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. The credit risk factors can be identified as follows:

- Client default / Migration risk: the risk that a client will fail to meet their financial obligations or migrate to a lower credit quality
- Mitigation / Collateral valuation risk: the risk associated with the valuation of collateral used to mitigate credit risk
- Counterparty credit risk: the risk that the counterparty to a financial transaction may default on their obligations
- Settlement risk: the risk that a transaction will not be settled as expected, leading to financial loss
- Concentration risk: the risk of loss due to a significant exposure to a single counterparty or group of related counterparties

10.1 Credit risk governance

The Bank's credit risk appetite is to maximize its risk-adjusted rate of return by considering the Bank strategy and the different applicable regulations. The Bank manages 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 in 2023 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 in order to adapt and strengthen the Bank's strategy suitability in the most reactive way.

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/2020/06 on loan origination and monitoring.
- d) EBA/GL/2022/13 on disclosure of non-performing and forborne exposures.

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 17 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 18 EU CR4 – Standardised approach – Credit risk exposure and CRM effects

Standardised approach – Credit risk exposure and CRM effects (Template EU CR4 – Commission Implementing Regulation (EU) 2021/637)	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	2,684.82	-	2,684.82	-	31.49	1.17%
Regional government or local authorities	-	-	-	-	-	-
Public sector entities	-	-	-	-	-	-
Multilateral development banks	-	-	-	-	-	-
International organisations	-	-	-	-	-	-
Institutions	3,728.78	322.41	3,792.12	346.74	1,000.59	24.18%
Corporates	3,294.57	2,310.11	3,231.62	1,162.44	4,397.28	100.07%
Retail	1.37	-	0.97	-	0.73	75.00%
Secured by mortgages on immovable property	688.28	-	688.28	-	343.96	49.97%
Exposures in default	7.50	-	7.50	-	7.50	100.00%
Exposures associated with particularly high risk	-	-	-	-	-	-
Covered bonds	-	-	-	-	-	-
Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
Collective investment undertakings	-	-	-	-	-	-
Equity	-	-	-	-	-	-
Other items	56.67	-	56.67	-	56.41	99.55%
TOTAL	10,461.98	2,632.51	10,461.98	1,509.17	5,837.95	48.77%

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 19 EU CR5 – Standardised approach

Standardised approach (Template EU CR5 – Commission Implementing Regulation (EU) 2021/637)	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	q
Central governments or central banks	2,652.85	-	-	-	-	-	0.97	-	-	31.00	-	-	-	-	-	2,684.82	-
Regional government or local authorities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public sector entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
International organizations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Institutions	37.23	-	-	-	3,500.76	-	600.87	-	-	-	-	-	-	-	-	4,138.86	-
Corporates	-	-	-	-	-	-	33.34	-	-	4,320.93	39.78	-	-	-	-	4,394.06	3,824.62
Retail exposures	-	-	-	-	-	-	-	-	0.97	-	-	-	-	-	-	0.97	-
Exposures secured by mortgages on immovable property	-	-	-	-	-	1.19	687.09	-	-	-	-	-	-	-	-	688.28	734.28
Exposures in default	-	-	-	-	-	-	-	-	-	7.50	-	-	-	-	-	7.50	-
Exposures associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Covered bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Standardised approach (Template EU CR5 – Commission Implementing Regulation (EU) 2021/637)	Risk weight															Total	Of which unrated	
	0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Other s			
	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o			p
Units or shares in collective investment undertakings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Equity exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Other items	0.26	-	-	-	-	-	-	-	-	56.41	-	-	-	-	-	-	56.67	
TOTAL	2,690.33	-	-	-	3,500.76	1.19	1,322.28	-	0.97	4,415.84	39.78	-	-	-	-	-	11,971.15	4,615.57

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 20 EU CRI: Performing and non-performing exposures and related provisions

Performing and non-performing exposures and related provisions In EUR Million (Template EU CRI – Commission Implementing Regulation (EU) 2021/637)	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	3,031.20	3,031.20	-	-	-	-	(7.30)	(7.30)	-	-	-	-	-	-	-
Loans and advances	6,360.54	6,275.10	85.43	52.63	-	52.63	(34.36)	(26.09)	(8.26)	(39.34)	-	(39.34)	-	760.62	-
Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
General governments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Credit institutions	2,350.04	2,350.04	-	-	-	-	(2.29)	(2.29)	-	-	-	-	-	-	-
Other financial corporations	725.50	725.50	-	-	-	-	(4.39)	(4.39)	-	-	-	-	-	82.19	-
Non-financial corporations	3,282.41	3,196.98	85.43	52.63	-	52.63	(27.65)	(19.39)	(8.26)	(39.34)	-	(39.34)	-	676.85	-
Of which SMEs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Households	2.58	2.58	-	-	-	-	(0.03)	(0.03)	-	-	-	-	-	1.58	-
Debt securities	1,041.94	1,041.94	-	-	-	-	(0.00)	(0.00)	-	-	-	-	-	-	-
Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Performing and non-performing exposures and related provisions In EUR Million (Template EU CR1 – Commission Implementing Regulation (EU) 2021/637)	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	1,041.94	1,041.94	-	-	-	-	(0.00)	(0.00)	-	-	-	-	-	-	-
Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Off-balance-sheet exposures	2,638.48	2,634.62	3.85	-	-	-	5.97	5.97	-	-	-	-	-	33.16	-
Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
General governments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Credit institutions	322.99	322.99	-	-	-	-	0.59	0.59	-	-	-	-	-	-	-
Other financial corporations	336.26	336.26	-	-	-	-	0.86	0.86	-	-	-	-	-	-	-
Non-financial corporations	1,979.23	1,975.37	3.85	-	-	-	4.52	4.52	-	-	-	-	-	33.16	-
Households	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	13,072.16	12,982.87	89.29	52.63	-	52.63	(40.33)	(32.06)	(8,26)	(39.34)	-	(39.34)	-	793.78	-

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 2024, the Bank had a non-performing exposure of €2.63 million with an ECL of €9.34 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 2024, the Bank’s forborne exposures amounted to €43.64 million compared to €3.80 million in 2023, which means a reduction of 18.89% of the Bank’s forborne exposures.

Table 21 EU CQ1: Credit quality of forborne exposures

Quality of forbearance in EUR million (Template EU CQ1 – Commission Implementing Regulation (EU) 2021/637)	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	43.64	9.99	9.99	-	(1.83)	(2.49)	41.81	-
Central banks	-	-	-	-	-	-	-	-
General governments	-	-	-	-	-	-	-	-
Credit institutions	-	-	-	-	-	-	-	-
Other financial corporations	-	-	-	-	-	-	-	-
Non-financial corporations	43.64	9.99	9.99	-	(1.83)	(2.49)	41.81	-
Households	-	-	-	-	-	-	-	-
Debt Securities	-	-	-	-	-	-	-	-
Loan commitments given	-	-	-	-	-	-	-	-
Total	43.64	9.99	9.99	-	(1.83)	(2.49)	41.81	-

Table 22 EU CQ2: Quality of forbearance

Quality of forbearance (Template EU CQ2 – COMMISSION IMPLEMENTING REGULATION (EU) 2021/637)	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 2024, the Bank maintains stable good quality of credit exposure, more than 99,5% of the loans are performing, and the minority that is non-performing is past due less than 2 years at maximum.

Table 23 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 – Commission Implementing Regulation (EU) 2021/637)	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	
Cash balances at central banks and other demand deposits	3,031.20	3,031.20	-	-	-	-	-	-	-	-	-	-
Loans and advances	6,360.54	6,360.54	-	52.63	15.17	-	9.99	27.47	-	-	-	52.63
Central banks	-	-	-	-	-	-	-	-	-	-	-	-
General governments	-	-	-	-	-	-	-	-	-	-	-	-
Credit institutions	2,350.04	2,350.04	-	-	-	-	-	-	-	-	-	-
Other financial corporations	725.50	725.50	-	-	-	-	-	-	-	-	-	-
Non-financial corporations	3,282.41	3,282.41	-	52.63	15.17	-	9.99	27.47	-	-	-	52.63
Of which SMEs	-	-	-	-	-	-	-	-	-	-	-	-
Households	2.58	2.58	-	-	-	-	-	-	-	-	-	-
Debt securities	1,041.94	1,041.94	-	-	-	-	-	-	-	-	-	-
Central banks	-	-	-	-	-	-	-	-	-	-	-	-
General governments	1,041.94	1,041.94	-	-	-	-	-	-	-	-	-	-
Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-
Other financial corporations	-	-	-	-	-	-	-	-	-	-	-	-
Non-financial corporations	-	-	-	-	-	-	-	-	-	-	-	-
Off-balance-sheet exposures	2,638.48	-	-	-	-	-	-	-	-	-	-	-
Central banks	-	-	-	-	-	-	-	-	-	-	-	-
General governments	-	-	-	-	-	-	-	-	-	-	-	-
Credit institutions	322.99	-	-	-	-	-	-	-	-	-	-	-

Credit quality of performing and non-performing exposures by past due days in EUR million (Template EU CQ3 – Commission Implementing Regulation (EU) 2021/637)	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	
Other financial corporations	336.26	-	-	-	-	-	-	-	-	-	-	-
Non-financial corporations	1,979.23	-	-	-	-	-	-	-	-	-	-	-
Households	-	-	-	-	-	-	-	-	-	-	-	-
Total	13,072.16	10,433.68	-	52.63	15.17	-	9.99	27.47	-	-	-	52.63

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 2024. The geographical distribution is based on the legal residence of the counterparty or issuer.

Table 24 EU CQ4: Quality of non-performing exposures by geography

Quality of non-performing exposures by geography in EUR million (Template EU CQ4 – Commission Implementing Regulation (EU) 2021/637)	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	7,778.95	52.63	52.63	7,778.95	(75.42)	-	
Luxembourg	877.81	-	-	877.81	(1.82)	-	
United States	781.00	-	-	781.00	(0.90)	-	
Portugal	736.55	-	-	736.55	(3.31)	-	
Poland	655.30	9.99	9.99	655.30	(7.13)	-	
Other countries ⁵	4,728.19	42.64	42.64	4,728.19	(62.26)	-	

⁵ “Other countries” exposures of the Bank mainly come from Hungary (8.2%), Singapore (7.2%), Germany (6.5%), Netherlands (6.2%) and Belgium (4.4%).

Quality of non-performing exposures by geography in EUR million (Template EU CQ4 – Commission Implementing Regulation (EU) 2021/637)	Gross carrying/nominal amount			Of which subject to impairment	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				
Off-balance-sheet exposures	2,792.26	-	-			6.06	
Belgium	296.53	-	-			0.50	
Poland	285.74	-	-			1.35	
Sweden	252.65	-	-			0.53	
China	242.48	-	-			0.52	
Netherlands	240.53	-	-			0.55	
Other countries ⁶	1,474.32	-	-			2.61	
Total	10,571.21	52.63	52.63	7,778.95	(75.42)	6.06	-

As at 31st December 2024, the majority of the on-balance risk exposure was concentrated in Europe (76.52% of total) with exposure for Luxembourg of 11.3%, Portugal of 9.5% and Poland of 8.4%. The Bank’s credit activities are less oriented towards European clients than they were last year (88.70%). While off-balance sheet exposures came mainly from Belgium (10.6%), Poland (10.2%), Sweden (9.0%), China (8.7%), and Netherlands (8.6%).

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 2024. 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).

⁶ “Other countries” exposures of the Bank mainly come from Denmark (7.2%), Ireland (6.7%), United States (5.2%), Luxembourg (5.0%) and Norway (4.9%).

Table 25 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-COMMISSION IMPLEMENTING REGULATION (EU) 2021/637)	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 loans and advances subject to impairment		
			Of which defaulted			
Agriculture, forestry and fishing	-	-	-	-	-	-
Mining and quarrying	26,11	-	-	26,11	(0,32)	-
Manufacturing	388,12	15,17	15,17	388,12	(12,71)	-
Electricity, gas, steam and air conditioning supply	466,16	-	-	466,16	(2,81)	-
Water supply	7,49	-	-	7,49	(0,05)	-
Construction	352,34	-	-	352,34	(1,62)	-
Wholesale and retail trade	222,79	-	-	222,79	(1,24)	-
Transport and storage	96,52	-	-	96,52	(0,90)	-
Accommodation and food service activities	-	-	-	-	-	-
Information and communication	300,00	-	-	300,00	(2,30)	-
Financial and insurance activities	787,35	37,46	37,46	787,35	(33,01)	-
Real estate activities	51,98	-	-	51,98	(4,72)	-
Professional, scientific and technical activities	500,35	-	-	500,35	(6,60)	-
Administrative and support service activities	77,38	-	-	77,38	(0,38)	-
Public administration and defense, compulsory social security	-	-	-	-	-	-
Education	-	-	-	-	-	-
Human health services and social work activities	58,45	-	-	58,45	(0,31)	-
Arts, entertainment and recreation	-	-	-	-	-	-
Other services	-	-	-	-	-	-
Total	3.335,04	52,63	52,63	3.335,04	(66,99)	-

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 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 26 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- Commission Implementing Regulation (EU) 2021/637)	Unsecured carrying amount	Secured carrying amount	Disclosure of the use of credit risk mitigation techniques		
			Of which secured by collateral	Of which secured by financial guarantees	
	a	b	c	d	e
Loans and advances	8.602,75	760,62	701,18	59,45	-
Debt securities	1.041,93	-	-	-	-
Total	9.644,68	760,62	701,18	59,45	-
Of which non-performing exposures	52,63	-	-	-	-
Of which defaulted	-	-	-	-	-

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 27 EU CCR1 – Analysis of CCR exposure by approach

Analysis of CCR exposure by approach in EUR million (Template EU CCR1 - Commission Implementing Regulation (EU) 2021/637)		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)	0,65	14,32		1.4	20,96	20,96	20,96	4,19
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			-		-	-	-	-
2c	Of which from contractual cross-product netting sets			-		-	-	-	-

Analysis of CCR exposure by approach in EUR million (Template EU CCR1 - Commission Implementing Regulation (EU) 2021/637)		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
3	Financial collateral simple method (for SFTs)					-	-	-	-
4	Financial collateral comprehensive method (for SFTs)					-	-	-	-
5	VaR for SFTs					-	-	-	-
6	Total					20,96	20,96	20,96	4,19

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 2024 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 RWA for counterparty credit risk amounts to EUR 4.50 million (2023: EUR 10.78 million), of which EUR 0.31 million related to CVA (2023: EUR 1.21 million). The decrease in RWA is mainly due to the decrease Bank's derivatives transactions since last year.

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 28 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 – Commission Implementing Regulation (EU) 2021/637)	Risk weight		I
	e	i	
	20%	100%	Total exposure value
Central governments or central banks	-	-	-
Regional government or local authorities	-	-	-
Public sector entities	-	-	-
Multilateral development banks	-	-	-
International organisations	-	-	-
Institutions	20.96	-	20.96
Corporates	-	-	-

CCR exposures by regulatory exposure class and risk weights (Template EU CCR3 – Commission Implementing Regulation (EU) 2021/637)	Risk weight		
	e	i	l
	20%	100%	Total exposure value
Retail	-	-	-
Institutions and corporates with a short-term credit assessment	-	-	-
Other items	-	-	-
Total exposure value	20.96	-	20.96

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 Commission Implementing Regulation (EU) 2021/637 and circular CSSF 23/830, the Bank has assessed its encumbered and unencumbered asset level.

The Bank had very limited amount of encumbered assets in December 2024; 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 €182.02 million for IPU as at 2024 year-end.

Table 29 EU AE1 - Encumbered and unencumbered assets

Encumbered and unencumbered assets in EUR Million (Template EU AE1 – Commission Implementing Regulation (EU) 2021/637)	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	182.02	-			10,836.14	2,658.52		
Equity instruments	-	-	-	-	-	-	-	-
Debt securities	-	-	-	-	1,043.77	975.33	-	-
of which: covered bonds	-	-	-	-	-	-	1,077.24	1,077.24
of which: securitisations	-	-	-	-	-	-	-	-
of which: issued by general governments	-	-	-	-	1,043.77	975.33	-	-
of which: issued by financial corporations	-	-	-	-	-	-	1,077.24	1,077.24
of which: issued by non-financial corporations	-	-	-	-	-	-	-	-
Other assets	182.02	-			9,781.13	1,683.19		

Table 30 EU AE2 - Collateral received and own debt securities issued

Collateral received and own debt securities issued in EUR Million (Template EU AE2 – Commission Implementing Regulation (EU) 2021/637)	Fair value of encumbered collateral received or own debt securities issued		Unencumbered	
	010	of which notionally eligible EHQLA and HQLA	040	Fair value of collateral received or own debt securities issued available for encumbrance
		030		of which EHQLA and HQLA
				060
Collateral received by the disclosing institution	-	-	-	-
Loans on demand	-	-	-	-
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	182.02	-		

Table 31 EU AE3 - Sources of encumbrance

Sources of encumbrance in EUR Million (Template EU AE3 – Commission Implementing Regulation (EU) 2021/637)	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	-	-

The assets' encumbrance ratio⁷ 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 July 2024, the asset encumbrance ratio continues its decreasing trend that had started at the end of 2021. At that time, it had reached 29.1% in December 2021, and settled somewhat below 25%. The Bank had a ratio of 1.68% at the end of 2024, which is a very low level of assets encumbrance, compared to other institutions.

⁷ 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 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 market risk exposure remains. In this context, the market risk in trading book is very limited. 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). It is also highlighted by the fact that the Bank disposes of a high quality bonds portfolio (notably on sovereign exposures) which constitutes its main source of HQLA. In addition, it uses FX swap in banking book to hedge its foreign currency position. To note that 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. It is to be highlighted that the good level of collaboration among Front, Middle and Back Office is not solely dedicated to the FX risk management but applies to all risks and activities managed within the Bank.

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 trading⁸ functions. Any breach of limits is reported to the Authorized Management and managed promptly by the related stakeholders (first and second line of defence).

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 VAR⁹ and PVBP¹⁰ 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.

⁸ The trading function refers to the trading activities on behalf of clients.

⁹ Value at risk

¹⁰ Price value of a Basis point

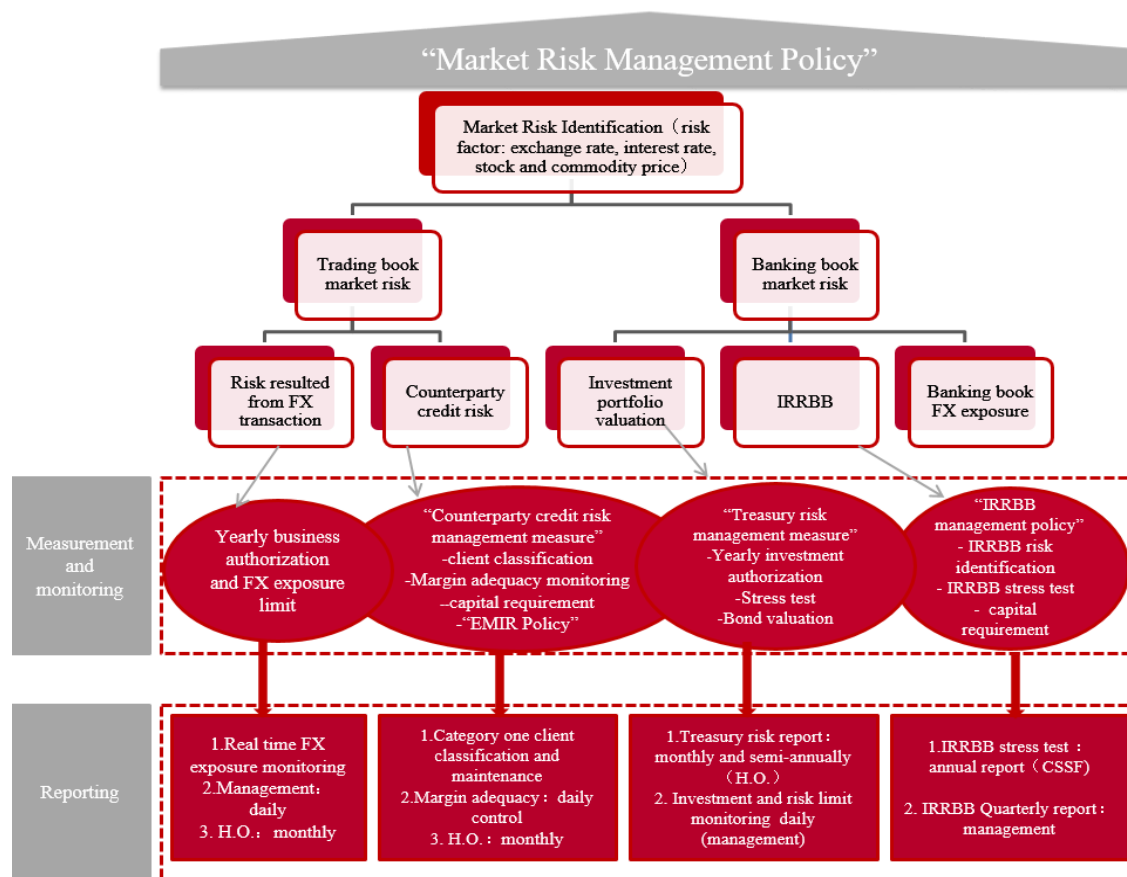


Figure 7 Market risk management framework

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 and expressed in EUR as it is the Bank's reporting currency.

Table 32 Net currency position as of 31st December 2024

Currency	Currency Code	Net Position (In EUR'000)
US Dollar	USD	23,332.00
Zloty	PLN	18,566.92
Serbian Dinar	RSD	13,901.08
Swedish Krona	SEK	6,582.35
Rumanian Leu	RON	3,776.57
Czech Koruna	CZK	1,932.14
Danish Krone	DKK	937.52
Norwegian Krone	NOK	670.64
Other		572.14
Total		70,271.37

As at of 31st December 2024, total net currency exposure amounted to EUR 70.21 million, of which USD represented the highest exposure of 33.20%, followed by PLN representing 26.42%. “Other” refers to a highly diversified bucket of currencies, not exceeding in total 0.81% 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 33 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 2024, the Bank’s RWEAs under foreign exchange risk amount to €70.66 Million.

Table 34 EU MR1 - Market risk under the standardised approach

Market risk under the standardised approach in EUR Million (Template EU MR1 – COMMISSION IMPLEMENTING REGULATION (EU) 2021/637)	RWEAs
Outright products	
Interest rate risk (general and specific)	-
Equity risk (general and specific)	-
Foreign exchange risk	70.66
Commodity risk	-
Options	-
Simplified approach	-
Delta-plus approach	-
Scenario approach	-
Securitization (specific risk)	-
Total	70.66

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.

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, composed of the Board of Directors and the Authorized Direction. 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, and option risk considering that NMD deposits represent around 10% of the total deposits. However, the basis risk is minor as the retails 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 by 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 repricing 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/2022/14 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 uses a detailed methodology to allocate cash flows. NMDs are categorizing into retail (transactional and non-transactional) and wholesale (financial and non-financial) deposits. The process starts by distinguishing stable and non-stable portions using a VaR approach at a 90% confidence level over a 1-year period, based on historical volume changes. Stable deposits are divided into core and non-core components by using a pass-through rate. Core deposits are compared to regulatory caps to ensure compliance, and time bucket allocations are applied with caps on longer maturities.

The stress test result is obtained by EVE/NII change, all material currencies aggregated under each scenario. The worst case of the stress test is taken into consideration of EVE and NII 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 €1.95 million under the parallel shock up scenario, which represents a decline of 4.42% of Tier 1 capital.

Table 35 IPU consolidated IRRBB stress test result as of 31 December 2024

Scenarios	Significant Currencies in EUR		Impact on EVE (in EUR)	% of Tier I capital
	EUR	USD		
Parallel shock up	-28 389 757.74	-13 564 659.72	-41 954 417.47	-4.42%
Parallel shock down	32 060 395.76	15 942 876.41	40 031 833.96	4.22%
Steeper shock	-1 337 602.16	-9 118 235.47	-10 455 837.63	-1.10%
Flattener shock	-3 315 441.67	6 066 941.34	- 281 971.00	-0.03%
Short rates shock up	-11 797 707.71	-403 956.36	-12 201 664.06	-1.29%
Short rates shock down	12 102 567.78	725 391.83	12 465 263.70	1.31%

As of 31st December 2024, the decline of NII for the IPU is €19.93 million, which represents 2.10% of Tier 1 capital.

Table 36 IPU's NII stress test result as of 31 December 2024

Scenarios	Significant Currencies in EUR		Impact on NII (in EUR)	% of Tier 1 capital
	EUR	USD		
Parallel shock up	-16 576 228.37	-3 354 403.46	-19 930 631.83	-2.10%
Parallel shock down	24 570 477.12	8 368 703.55	28 754 828.89	3.03%

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 2024, the risk-weighted exposure amount for the operational risk amounts to EUR 342.11 million.

Table 37 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 – COMMISSION IMPLEMENTING REGULATION (EU) 2021/637)		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)	146.70	236.04	164.65	27.87	342.11
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.

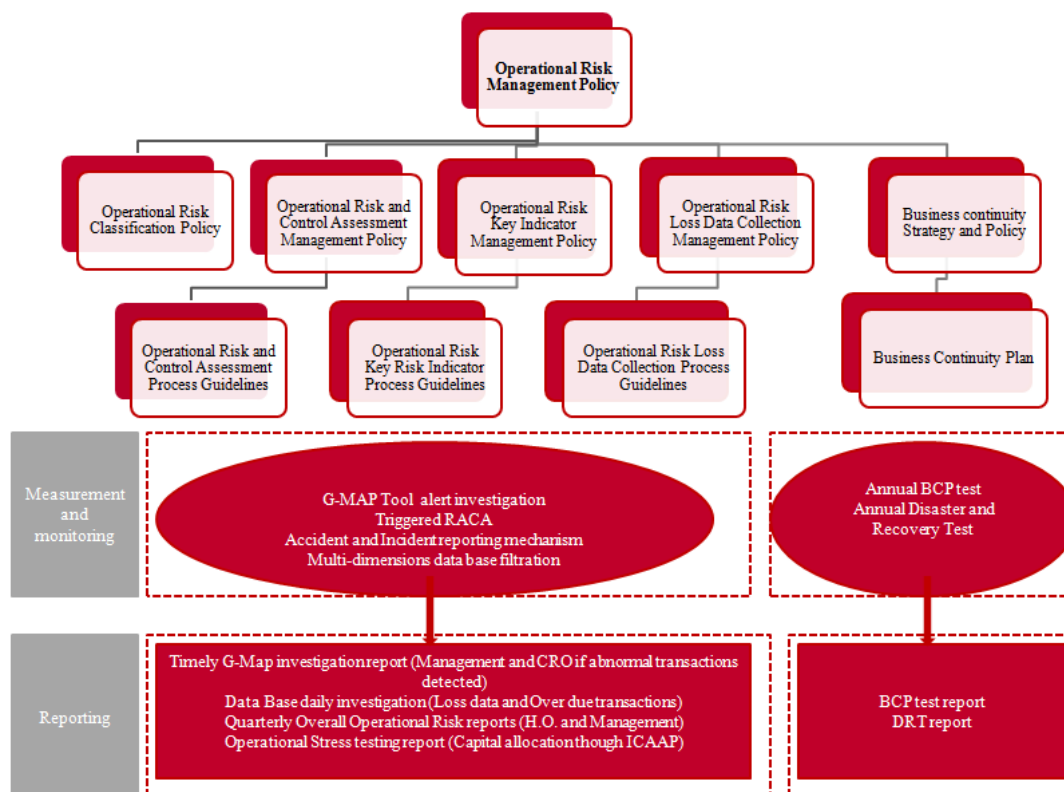


Figure 8 Operational risk management framework

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 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 exercise will be at new carried out in 2025 after a full year in 2024 of process deployment and production.

- 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 IPU level, 17 operational incidents were recorded in 2024, resulting in a total financial loss of approximately EUR 3,576. 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 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.

In 2024, the Bank has applied the initiatives started in 2022 and 2023 regarding the establishments of management measures and operational mechanisms but also 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.

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 MNB¹¹. 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, to improve the liquidity contingency funding plan implementation mechanism, and to ensure the Bank responds to the crisis quickly and takes effective measures to smoothly stand the crisis and restore normal operation.

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 Bank has improved the current Liquidity Contingency Funding Plan during the year, the main points addressed are:

- Added the measure "BCL Liquidity-providing operations" to pledge eligible government treasuries to the BCL in exchange of liquidity.
- Connected with Risk Appetite Statement, as reference for the risk limits.

The plan is run annually and the 2024'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.

¹¹ Magyar Nemzeti Bank

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.

15.2 Liquidity coverage ratio (LCR)

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

Table 38 EU LIQ1 - Quantitative information of LCR as of 31 December 2024

	Quantitative information of LCR in EUR Million (Template EU LIQ1 – COMMISSION IMPLEMENTING REGULATION (EU) 2021/637)	Total unweighted value (average)				Total weighted value (average)			
		31/12/2024	31/09/2024	31/06/2024	31/03/2024	31/12/2024	31/09/2024	31/06/2024	31/03/2024
EU 1a	Quarter ending on (DD MM YY)								
EU 1b	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid assets (HQLA)					2,816.61	2,722.11	2,380.02	2,015.37
CASH - OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	53.10	55.10	57.84	58.57	6.31	6.56	6.96	7.02
3	<i>Stable deposits</i>	-	-	-	-	-	-	-	-
4	<i>Less stable deposits</i>	53.08	55.09	57.84	58.57	6.31	6.56	6.96	7.02
5	Unsecured wholesale funding	3,360.62	3,106.31	3,012.09	3,067.77	2,184.63	2,070.56	2,055.45	2,067.19
6	<i>Operational deposits (all counterparties) and deposits in networks of cooperative banks</i>	-	-	-	-	-	-	-	-
7	<i>Non-operational deposits (all counterparties)</i>	3,332.53	3,106.31	3,012.09	3,067.77	2,156.54	2,070.56	2,055.45	2,067.19
8	<i>Unsecured debt</i>	28.09	-	-	-	28.09	-	-	-
9	<i>Secured wholesale funding</i>					-	-	-	-
10	Additional requirements	2,097.62	1,935.88	1,759.50	1,584.54	603.37	533.62	474.93	420.30
11	<i>Outflows related to derivative exposures and other collateral requirements</i>	29.35	29.69	29.50	29.35	29.35	29.69	29.50	29.35
12	<i>Outflows related to loss of funding on debt products</i>	-	-	-	-	-	-	-	-
13	<i>Credit and liquidity facilities</i>	2,068.27	1,906.19	1,730.00	1,555.19	574.03	503.94	445.43	390.96
14	Other contractual funding obligations	33.43	33.68	31.01	25.94	30.72	30.97	28.30	23.23



	Quantitative information of LCR in EUR Million (Template EU LIQ1 – COMMISSION IMPLEMENTING REGULATION (EU) 2021/637)	Total unweighted value (average)				Total weighted value (average)			
15	Other contingent funding obligations	362.50	360.32	360.08	369.01	-	-	-	-
16	TOTAL CASH OUTFLOWS					2,825.03	2,641.71	2,565.64	2,517.74
CASH - INFLOWS									
17	Secured lending (e.g. reverse repos)	-	-	-	-	-	-	-	-
18	Inflows from fully performing exposures	2,884.01	2,589.36	2,540.37	2,580.63	2,866.19	2,566.79	2,518.81	2,561.58
19	Other cash inflows	1.91	1.29	1.24	1.06	1.91	1.29	1.24	1.06
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	2,885.92	2,590.66	2,541.62	2,581.69	2,868.09	2,568.09	2,520.05	2,562.65
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>	2,885.92	2,590.66	2,541.62	2,581.69	2,868.09	2,568.09	2,520.05	2,562.65
TOTAL ADJUSTED VALUE									
EU-21	LIQUIDITY BUFFER					2,816.61	2,722.11	2,380.02	2,015.37
22	TOTAL NET CASH OUTFLOWS					732.76	701.58	682.56	644.09
23	LIQUIDITY COVERAGE RATIO					393,87%	397,70%	357,70%	320,78%

The above LCR computation is based on the average of month-end observations over the twelve months preceding the end of each quarter, from March 2024 to December 2024. The LCR as of 31 December 2024 stands at 393% 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 2024. The IPU LCR has been maintained well above the internal limit all year. The lowest IPU daily LCR recorded during 2024 was 220.14% (12/12/2024), always above the Bank's risk appetite.

Table 39 IPU Daily LCR monitoring result

Liquidity Risk Metrics	2024 daily average	2024 daily min	2024 daily max
LCR (%)	380,51%	220,14%	573,27%

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 currencies¹² of the Bank are EUR, USD and PLN (PLN was significant only from August to November 2024) 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.

¹² The significant currency definition is driven by LCR related regulations.

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. Additionally, the Bank is not subject to bidding currency-specific liquidity ratio requirement.

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 40 EU LIQ2: Net Stable Funding Ratio

Net Stable Funding Ratio in EUR Million (Template EU LIQ2 – COMMISSION IMPLEMENTING REGULATION (EU) 2021/637)		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	991.96	-	-	76.77	1,068.73
2	<i>Own funds</i>	991.96	-	-	76.77	1,068.73
3	<i>Other capital instruments</i>	-	-	-	-	-
4	Retail deposits	-	125.16	39.37	8.50	160.22
5	<i>Stable deposits</i>	-	64.05	8.90	0.36	69.66
6	<i>Less stable deposits</i>	-	61.11	30.47	8.14	90.56
7	Wholesale funding:	-	6,085.64	674.17	2,235.04	4,097.77
8	<i>Operational deposits</i>	-	-	-	-	-
9	<i>Other wholesale funding</i>	-	6,085.64	674.17	2,235.04	4,097.77
10	Interdependent liabilities	-	-	-	-	-
11	Other liabilities:	0.65	213.52	-	-	-
12	<i>NSFR derivative liabilities</i>	0.65	-	-	-	-
13	<i>All other liabilities and capital instruments not included in the above categories</i>	-	213.52	-	-	-
14	Total available stable funding (ASF)					5,326.71
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:		3,387.23	257.82	4,081.47	4,196.02
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>		3,176.67	69.81	1,208.73	1,561.31
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>		210.56	188.01	2,870.57	2,633.31

Net Stable Funding Ratio in EUR Million (Template EU LIQ2 – COMMISSION IMPLEMENTING REGULATION (EU) 2021/637)		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>		-	-	29.79	19.36
22	<i>Performing residential mortgages, of which:</i>		-	-	2.16	1.40
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	-	2.16	1.40
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:		277.01	-	-	39.60
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>		1.03			1.03
30	<i>NSFR derivative liabilities before deduction of variation margin posted</i>		-			-
31	<i>All other assets not included in the above categories</i>		275.98	-	-	38.58
32	Off-balance sheet items		267.00	-	1,962.50	111.47
33	Total RSF					4,347.10
34	Net Stable Funding Ratio (%)					122.53%

The Bank constantly met the minimum regulatory requirements for NSFR throughout 2024, with the lowest at 108.15% on 26 March 2024.

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 41 IPU's NSFR monitoring result 2024

Key Liquidity and Funding figures	2024 daily average	2024 daily min	2024 daily max
NSFR (%)	116.86%	108.15%	128.29%

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.

Background ESG at Bank of China

Bank of China ESG Global Strategy (HO) is articulated around several pillars of which:

- Become a leading bank in green and sustainable finance service.
- Achieve great strides in green and sustainable finance.
- Prudently manage environmental, social and governance risks with notably expressly set carbon-neutral target and plan of actions

This leads to a global implementation scheme covering several streams:

- Optimize top level design, strengthen organizational leadership.
- Drive industry green transformation (through commercial banking as main body)
- Expand green business with globalization advantage.
- Enhance green business with comprehensive product/service offering.

In this context, Bank of China Europe's Development in Green and Sustainable Finance has been in the heart of the Bank strategy relying on different aspects:

1. **Green Lending:** Develop an industry guide for Green Finance in European market supported by research in different regions and industries, innovate in Green Finance product offering and expand the ESG-compliance customer base
2. **China-EU Green Cooperation Platform:** The Green Action Initiative has the purpose to expand the influence of platform jointly with China Chamber of Commerce to the EU, by acting as a bridge in introducing advanced green industry enterprises to develop in China and advising Chinese companies in green investment in Europe

16.1 Materiality Identification Process

The Bank has carried out a risk identification and assessment process based on the sub-risk categories of its Risk Taxonomy in order to detect risk categories whose risk profile could be impacted by climate-related and environmental risks factors.

The Bank has followed the expectations highlighted in Circular 21/773, the EBA Consultation paper Draft Guidelines on the management of ESG risks (EBA/CP/2024/02) and the good practices identified in the "Outcomes of the self-assessment exercise 2022" by the CSSF. Subsequently, the Bank has assessed the materiality and relevance of Climate-Related and Environmental Risks in the short, medium and long term: < 1 year, between 1 year and 5 years and, more than 5 years.

This analysis has been performed taking into account the Bank's business specificities in terms of business model and risk appetite. In particular, the analysis has been built on the principles outlined by both the ECB in the "Guide on climate-related and environmental risks" (and the EBA in the report "on Management and Supervision of ESG Risks for Credit Institutions and Investment Firms" that illustrate how climate-related and environmental risk drivers can materialize given the existing transmission channels.

In this context, the Bank has established a several-step process to identify and assess the relevance and materiality (embedding a mix of qualitative and quantitative approaches) of the ESG risk drivers in the short, medium and long term, including both transition risks and physical risks.

The outcomes lead to an assessment highlighting mostly Credit risk impacted by transition drivers and more on medium to long-term horizon (moderate to high score):

Table 42 CR&E materiality assessment 2024 – key risks impacted by transition drivers

Type of climate-related risk	Risk category (level 1)	Sub risk category (Level 2)	Medium Term (1 to 5 years)	Long term (>5 years)
Transition risk	Credit risk	Mitigation risk Collateral valuation risk	Moderate to high	Moderate to high
Transition risk	Credit risk	Client default Mitigation risk	Moderate to high	Moderate to high
Transition risk	Credit risk	Country Risk	Moderate to high	Moderate to high
Transition risk	Credit risk	Credit concentration risk	Moderate to high	Moderate to high
Transition risk	Reputational risk	-	Moderate to high	Moderate to high

It should be raised that at this stage these assessments are designed to highlight some attention points and not to be a stop/exclusion process.

16.2 ESG questionnaire – loan activity

As highlighted by the ESG assessment, Credit Risk is considered to potentially bring specific ESG impacts and need specific attention. In this context, Bank of China Europe has designed an ESG risk assessment questionnaire regarding its loan book. First line of defense shall gather information and fill in the ESG risk assessment questionnaire in both new credit proposal and annual review.

This questionnaire is gathering diverse information's embedding transition drivers, physical drivers and also biodiversity impacts (available upon request). The questionnaire is embedding in a sound governance as described below:

- Step 1: First line fills in the ESG risk assessment questionnaire with the proposed score for each check point and supporting documents, for both new credit proposal and annual review
- Step 2: Second line (DD officer) review, validate and generate an initial ESG score of the client based on specific criteria's:
 - For the checkpoints, if over 1/3 is red score, or ESG external rating or NACE code is red score, or imminent litigation, the client shall be considered to have a higher ESG risk;
 - For other situations, the client shall be considered to have a medium or lower ESG risk

Remark: For client with ESG external rating or NACE code is green score, and no red score for other checkpoints, a favorable pricing could be negotiated for bilateral financing.

- Step 3: Second line (DD officer) requires first line to supplement information on client with higher ESG risk of which (i) Current and projected greenhouse gas emissions, (2) Supervisory ESG requirements for the companies under consideration and the likely impacts of ESG regulation on the borrower's financial position, etc.
- Step 4: Second line (DD officer) reviews the feedback, incorporates the additional information for client with higher ESG risk and proposes a final ESG score in DD report and presents in CRC
- Step 5: CRC decision and the secretary records rationale for approval of client with higher ESG risk

16.3 ESG Stress testing

To complete the different assessments linked to the ESG driver impacts, the Bank has also realized a scenario considered as an additional unexpected buffer (Pillar 2 framework). The stress test evaluates the impacts of Climate Risks - both transition and physical - on the credit portfolio of the Bank.

The methodology relies on the Expected Credit Loss (ECL) as of June 2024 as a baseline scenario and applies two shocks to simulate climate risk impacts. Transition Risk is addressed by shocking the Probability of Default (PD) using sector-specific changes based on ECB projections. These adjustments capture the heterogeneous impact of transitioning to a low-carbon economy, with industries like mining, manufacturing, and electricity facing significantly higher increases in credit risk. Physical Risk is incorporated by applying a 30% stress factor to the Loss Given Default (LGD) for the real estate sector, reflecting its vulnerability to climate-induced events such as extreme weather.

The combination of PD and LGD shocks results in a stressed ECL that requires an additional 38 million EUR in provisioning. This finding highlights a non-marginal but manageable impact of Climate Risks on credit portfolios (notably considering the global ECAP which is around 550 million).

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 ROE and cost-to-income to pilot the target achievement progress.
- **Compliance and regulatory risk** arise 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 Head of Risk Management Department (Chief Risk Officer) is indeed responsible for assessing whether the variable remuneration structure affects the risk profile of the Bank and assists on the definition of appropriate ex-post risk adjustments mechanisms, validates and assesses risk adjustment data. 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);
- These principles are promoted at all and every levels of staff and applied in all operations concerning recruitment, daily management and career development of staff as well as in the Bank's daily business.
- These principles constitute the explicit or underlying basis of the relevant Bank's policies, procedures, including code of business conduct.
- Comprehensiveness: The Policy aims at governing the remuneration of all members of the Bank's 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

For those Material Risk Takers, the following requirements can be dis-applied:

- Pay out of part the variable remuneration in financial instruments.
- Retention principles (see below limitations in variable remuneration).
- Deferral of part of the variable remuneration.
- Application of ex-post risk adjustments (Malus).

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.

The Bank's own KPIs are based on the three following dimensions:

- Financial results of the Bank
- Business development

- Risk management (including risk prevention and control) and compliance, culture, and human resources management.

Based on the 6-level ranking groups which spread from D to A+, the applicable coefficient of an individual's performance, 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

18.3 Sustainability risks

The Bank acknowledges that its financial performance could be influenced by sustainability factors, including environmental, social, and governance (“ESG”) issues, therefore impacting the remuneration process. These issues represent sustainability risks that could negatively impact the Bank's business and its reputation.

The Policy will be revised as necessary to align with the Bank's ESG preferences and risk appetite, to adapt to the changing ESG landscape, and to promote robust and effective risk management over the long term.

18.4 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 component¹³;
- 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 four¹⁴ 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 12months,

¹³ LFS art. 38-6 (1) (f)

¹⁴ Directive 2013/36/EU art 94 1. (m), LFS art 38-6 (1) m

- The potential ex-post risk adjustment of the variable remuneration (through Malus and Claw back).

18.4.1 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 who are part of the Collective Bargaining Agreement for Bank employees (2021-2023). There is no updated Collective bargaining Agreement for Bank employees yet.

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 under another pension scheme within the Group are affiliated to a defined contribution pension plan¹⁵.

The rights of Employees are acquired after the completion of a three-year seniority period.

The Bank does not grant pension benefits on a discretionary basis to Staff Members as part of that Staff Member's Variable Remuneration.

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 (once the probation period is successfully passed)

¹⁵ Including a Bank contribution of 150 EUR/month (net before investment); conditions may apply

Transferred Chinese staff members

Other fixed¹⁶ 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.

18.4.2. 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 assessment of performance depends on the Bank's performance, but also on the Staff Member's department performance, and the Staff Member's individual performance¹⁷ including but not limited to the Staff Member's commitment that positively contributes to the long-term benefits of the Bank. The total variable remuneration does not limit the ability of the Bank to strengthen its capital base¹⁸.

Staff Members engaged in control functions are remunerated in accordance with the achievement of qualitative, mainly non-financial objectives linked to their function, independently from the performance of the business areas they control, thereby avoiding any conflicts of interest and eliminating any incentives for excessive risk-taking. Their Fixed Remuneration must be predominant, with any elements of Variable Remuneration being granted only after careful consideration of, and in full compliance with, the principles set out in this Policy. In the S.A. the Remuneration of senior levels in the risk management and compliance functions is available for the oversight of the Remuneration Committee ; the respective Chairperson of the Board Audit Committee and the Board Risk and Compliance Committee shall participate to the annual appraisal of the Chief Risk Officer, Chief Compliance Officer and Chief Internal Audit. In the Branch, this is a remit of the General Management.

The MRT's maximum bonuses are capped (variable remuneration set at 100% of the total fixed remuneration¹⁹, with a maximum of 200%²⁰ upon shareholder consent and compliance with the procedure laid down in CSSF Circular 15/622). The Bank ensures, in any case, an appropriate ratio between the variable and the fixed remuneration.

Indicative settings of maximum variable remuneration

The following indicative settings may apply to the maximum variable remuneration in general. The Authorized management retains discretion to propose the settings which should be flagged to and decided by the Board of Directors upon recommendation of the Remuneration Committee²¹.

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

17 Directive 2013/36 as amended art 34 I. (a)

18 Idem art. 94 I. (c); LFS 38-6 (1) (c)

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

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

21 Directive 2013/36 as amended art. 94 (1) (g)

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) ²²
Control functions and Material Risk Takers	
Additional management personnel	
Staff	

The variable remuneration is in any case distributed on a discretionary basis and where applicable on a prorated basis.

For control functions, the variable remuneration shall never exceed the fixed components of the total remuneration²³.

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 would be awarded in financial instruments subject to a retention period of 12 months.

A Phantom Share plan (share-linked instrument) shall define the applicable terms and conditions to deferred entitlements consisting in 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)). This group of staff members has nevertheless been considered in the self-assessment of MRTs identification

A Malus or a Clawback²⁴ might be applied in the following, non-exhaustive, risk or performance (only) related cases²⁵:

- In case of evidence of misbehaviour or serious error by the Staff Member (e.g. breach of code of business conduct and/or other internal rules, especially concerning risks, including sustainability risks, failure to meet fit and proper appropriate standard);
- When the Bank/the Group suffers a significant downturn in its financial performance (e.g. the total variable remuneration shall generally be considerably contracted where subdued or negative financial performance of the Bank occurs, taking into both current remuneration and reductions in pay-outs of amounts previously earned, including through malus or clawback²⁶) or downward changes in the Bank's economic or regulatory capital base;
- When the Bank/the Group in which the Staff Member's work suffers a significant failure of risk management;
- In case of significant changes in the Bank's economic or regulatory capital base;

²² 200% capping; subject to inter alia authorization of the shareholder and notification to the CSSF

²³ Point 196 of EBA/GL/2021/04

²⁴ EU Directive 2013/36/EU 94 (1) (n); EBA/GL/2021/04 art.290 et seq

²⁵ As further detailed in the Implementation Measures of Bank of China Limited for clawing back performance bonus (2022) and in the Rules for handling misconduct (2021)

²⁶ LFS art. 38-6 (1) (n)

- In case of a regulatory sanction of the Bank/the Group where the conduct of the Staff Member contributed to the sanction.

Specific situations:

Severance pay

In principle, the Bank does not offer guaranteed exit packages. In case of the early termination of a contract, the Bank will only make 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 criteria²⁷:

- Severance payments 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 Bank²⁸.

Personal Hedging

Staff members are not allowed to use personal hedging strategies to mitigate the risk related to the variation in their remuneration²⁹.

18.5 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

²⁷ 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)

²⁸ See EBA/GL/2021/04 art 172 - 174 for details on applicable regime

²⁹ LFS 38-6 (1) (p)

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

The following information about individuals in the EUR 1 million pay brackets, if any, would be annually communicated to the CSSF: number of individuals, business area involved, and main elements of salary, bonus, long-term award and pension contribution⁵⁵.

18.6 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 Body³⁰:

- Educational and professional background
- Gender³¹
- Age

³⁰ EBA/GL/2017/12 art. 111

³¹ 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.

- 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 orientation³².

As far as appropriate, the Bank relies on the good practices provided by the EBA³³ for the “fit and proper” assessment of its management body . The matrix is a tool drafted by the EBA to help institutions to self-assess periodically the collective suitability of the members of the management body. It helps to assess the knowledge, skills and experience of the individual members against the major business areas of business/activity of the bank and their risks, strength and weaknesses in the management body can be identified and hence the collective knowledge, skills and experience can be assessed. The outcomes provide input for needs to training; they should be used to determine the required profile of new members and to situate during the supervisory fit and proper assessment process how their proposed appointment fits into the collective suitability. When assessing the Suitability of an individual member, the Bank will also (re)assess the collective Suitability of the Board according to the collective Suitability criteria as well as whether or not the composition of the specialized committees of the Board of Directors is still adequate.

18.7 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 43 BOD members' Directorships

Board of Directors (MBSF)	Positions with BOC (Europe) S.A.	Other positions with IPU	Other positions in third companies	TOTAL
Mr LIU Jiandong	1	BOC CEE (Chairman of the BOARD)	· General Manager at Bank of China Limited, Luxembourg Branch	3
LAM FAT KWONG Lam Thuon Mine	1	/	· Banque Internationale à Luxembourg · Lam & Partners SARL · International Consolidated Airlines Group (Madrid)	4
Mr. Laurent Mosar	1	/	· Trialys Law Firm (Luxembourg) · SNHBM	3
Mr. Marco Mazzucchelli	1	/	· Quintet Private Bank S.A. (Luxembourg) · Secofind SIM SpA (Milan)	3
Mr. Li Ruojie	1	/	· Banco da China (Brasil) S.A.	2

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Table 44 Authorized Management members' Directorship

General Management (MBMF)	Positions with BOC (Europe) S.A.	Other positions with IPU	Other positions in third companies	TOTAL
Ms. LUO Ying	General Manager	BOC CEE (BOS)	ABBL	5
			China-Luxembourg Chamber of Commerce ASBL	
			Deputy General Manager at Bank of China Limited, Luxembourg Branch	
Mr. WANG Lei	Deputy General Manager	BOC CEE (BOS)	Deputy General Manager at Bank of China Limited, Luxembourg Branch	4
		BOC Serbia (BOD)		
Mr. LI Zhe	Deputy General Manager	BOC CEE (BOD)	Deputy General Manager at Bank of China Limited, Luxembourg Branch	3
Mr. DENG Lei	Deputy General Manager	/	Deputy General Manager at Bank of China Limited, Luxembourg Branch	2
Mr. WU Hengyi	Deputy General Manager	/	Deputy General Manager at Bank of China Limited, Luxembourg Branch	2
Mr. ZHAO Yi	Assistant General Manager	/	Assistant General Manager at Bank of China Limited, Luxembourg Branch	2

18.8 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 45 EU REM1 - Remuneration awarded for the financial year of 2024 in mio EUR

(in EUR)		MB Supervisory function	MB Management function	Other senior management	Other identified staff
Fixed remuneration	Number of identified staff	4	10		5
	Total fixed remuneration	0.33	2.49		1.03
	Of which: cash-based	0.33	2.49		1.03
	(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	4	10		5
	Total variable remuneration	0	1.41		0.31
	Of which: cash-based		0.70		0.02
	Of which: deferred		0.28		0.06
	Of which: shares or equivalent ownership interests				
	Of which: deferred				
	Of which: share-linked instruments or equivalent non-cash instruments	0.06	0.70		0.14

(in EUR)		MB Supervisory function	MB Management function	Other senior management	Other identified staff
	Of which: deferred		0.28		0.06
	Of which: other instruments				
	Of which: deferred				
	Of which: other forms				
	Of which: deferred				
Total remuneration (2 + 10)		0.33	3.90		1.34

Table 46 EU REM2 - Special payments to staff whose professional activities have a material impact on institutions' risk profile

	MB Supervisory function	MB Management function	Other senior management	Other identified staff
Guaranteed variable remuneration awards				
Guaranteed variable remuneration awards - Number of identified staff				1
Guaranteed variable remuneration awards -Total amount				0.05
Of which guaranteed variable remuneration awards paid during the financial year, that are not taken into account in the bonus cap				0.05
Severance payments awarded in previous periods, that have been paid out during the financial year				
Severance payments awarded in previous periods, that have been paid out during the financial year - Number of identified staff				
Severance payments awarded in previous periods, that have been paid out during the financial year - Total amount				
Severance payments awarded during the financial year				
Severance payments awarded during the financial year - Number of identified staff				
Severance payments awarded during the financial year - Total amount				
Of which paid during the financial year				
Of which deferred				
Of which severance payments paid during the financial year, that are not taken into account in the bonus cap				
Of which highest payment that has been awarded to a single person				

Table 47 EU REM3 - Deferred remuneration for the financial year of 2024 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	1.28	0.45	0.83			0.00	0.38	0.23
Cash-based	0.64	0.23	0.41			-	0.23	-
Share-linked instruments or equivalent non-cash instruments	0.64	0.23	0.41			0.00	0.15	0.23
Other identified staff	0.36	0.08	0.18			-	0.07	0.04
Cash-based	0.13	0.04	0.09			-	0.04	-
Share-linked instruments or equivalent non-cash instruments	0.13	0.04	0.09			0.00	0.03	0.04
Total amount	1.54	0.54	1.01			0.00	0.45	0.27

Deferred remunerations were applicable for both MB management function and other identified staff. The amounts of total outstanding deferred remuneration was EUR 1.54 million and EUR 0.54 million was actually paid out during 2024.

Table 48 EU REM5 - Information on remuneration of MRT as of 31 December 2024 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	4	10	14							
Of which: other senior management										
Of which: other identified staff						1	2	2		
Total remuneration of identified staff	0.33	3.90	4.24			0.28	0.39	0.68		
Of which: variable remuneration		1.41	1.41			0.07	0.05	0.19		
Of which: fixed remuneration	0.33	2.49	2.83			0.21	0.34	0.49		