



Pillar 3 Disclosures

31 December 2023



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Definitions, Acronyms and Abbreviations

Abbreviations	Term
1LoD	The First Line of Defence
2LoD	The Second Line of Defence
3LoD	The Third Line of Defence
ALCO	Asset & Liability Committee
ALM	Asset & Liability Management
AT1	Additional Tier 1
BAC	Board Audit Committee
BDC	Business Development Committee
BIA	Basic Indicator Approach
BOC Group	Bank of China Group
BoC UK	Bank of China (UK) Ltd
BRC	Board Risk Committee
BRNC	Board Remuneration and Nominations Committee
CCB	Conservation Buffer
CCF	Credit Conversion Factor
CCP	Central Counterparty
CCR	Counterparty Credit Risk
CCyb	Countercyclical Capital Buffer
CDS	Credit Default Swaps
CET1	Common Equity Tier 1
CQS	Credit Quality Step
CRD	Capital Requirements Directive
CRDC	Credit Risk Management Decision Committee
CRD IV	Fourth Capital Requirements Directive
CRD V	Fifth Capital Requirements Directive
CRM	Credit Risk Mitigation
CRR	Capital Requirements Regulation propagated under CRD IV
CRR2	Capital Requirements Regulation propagated under CRD V
CVA	Credit Valuation Adjustment
EAD	Exposure at Default
EBA	European Banking Authority
ECAI	External Credit Assessment Institution
ECL	Expected Credit Losses
EMC	Executive Management Committee
EMIR	European Market Infrastructure Regulation
ERMF	Enterprise Risk Management Framework
FCA	Financial Conduct Authority
FPC	Financial Policy Committee
FX	Foreign Exchange
HQLA	High Quality Liquid Assets
IBS	Important Business Service
ICAAP	Internal Capital Adequacy Assessment Process

IFRS	International Financial Reporting Standards
ILAAP	Internal Liquidity Adequacy Assessment Process
IRRBB	Interest Rate Risk in Banking Book
ITMC	IT Management Committee
KRIs	Key Risk Indicators
LCR	Liquidity coverage ratio
LCH	London Clearing House
LGD	Loss Given Default
NII	Net Interest Income
NPAC	New Product Approval Committee
ORC	Operational Risk Committee
ORCC	Operational Resilience & Control Committee
ORM	Operational Risk Management
OTC	Over-the-counter
PFE	Potential Future Exposure
PRA	Prudential Regulatory Authority
PS	Policy Statement - PSs contain final rules/regulations that form part of the PRA Rulebook. The PRA makes rules by producing rule-making instruments.
QCCP	Qualified Central Counterparty
RAF	Risk Appetite Framework
RAS	Risk Appetite Statement
RC	Replacement Cost
RMD	Risk Management Department
RMICC	Risk Management and Internal Control Committee
RWA	Risk Weighted Assets
SA CCR	Standardised Approach for Counterparty Credit Risk
SS	Supervisory Statement - SS are aimed at facilitating a firms' judgement in determining whether they meet the PRAs expectations
SREP	Supervisory Review and Evaluation Process
TCR	Total Capital Requirement
TSCR	Total SREP Capital Requirements
TRS	Total Return Swaps

1 INTRODUCTION

1.1 OVERVIEW

Bank of China (UK) Limited (the Bank or BoC UK) is a credit institution that has been operating in the United Kingdom since 29 March 2007. It operates as a wholly owned subsidiary of Bank of China Limited (the Group). The Bank is subject to regulation by the Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA), ensuring compliance with regulatory standards and maintaining the highest level of integrity. It holds full authorisation from the PRA as a credit institution, providing a wide range of financial products and services. These offerings include corporate and commercial banking, personal banking, trade finance and treasury operations. The Bank maintains four branches strategically located throughout the UK as of the year-end on 31 December 2023.

1.2 ORGANISATIONAL CHART

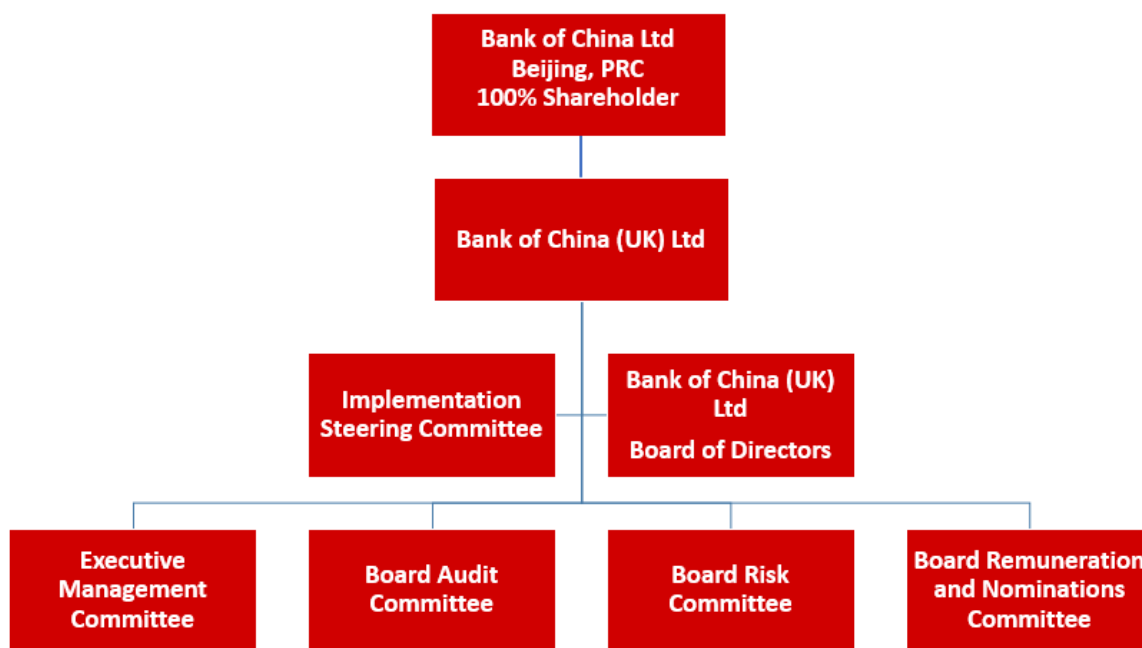


Figure 1: Organisation Chart

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

Board Audit Committee (BAC) complements the BRC in respect of risk management. Its main responsibilities include reviewing, monitoring, challenging and otherwise assisting the Board in carrying out its responsibilities relating to internal control, accounting policies,

financial reporting, and their relevant compliance with regulatory financial reporting and best practices, approving the scope of internal audit reviews, discussing with the external auditors' matters arising from the statutory audit.

Board Remuneration and Nominations Committee (BRNC) is responsible for the implementation of the Bank's effective remuneration governance and related risk management practices. It consists of two independent non-executive directors, one of whom chairs the Committee. The BRNC includes its chairman of the Board Audit and Board Risk Committees who bring their relevant experience to the process.

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

1.3 BASIS AND SCOPE OF DISCLOSURES

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

BOC UK is supervised by the PRA on an individual basis, leading to the preparation of these disclosures on an individual basis in compliance with Articles 6 of the UKCRR. Additionally, BoC UK meets the UKCRR Article 4 definition for "small and non-complex institutions" (Appendix I). 2023 disclosures are prepared in accordance with Article 433b and the derogation that is available in Article 433b (2) has been applied.

It is recommended that these disclosures be read in conjunction with the Bank's Annual Report and Financial Statements for the year- ending 31 December 2023. For accounting purposes, the Bank has elected to avail itself of the exemption under Section 401 of the Companies Act 2006, which allows for the preparation of separate financial statements. (Referring to Note 2: Basis of Preparation in the Annual Report and Financial Statement 2023).

These disclosures have been prepared in accordance with regulatory capital adequacy concepts and rules, rather than in accordance with IFRS accounting standards. As a result, some information in this report may not be directly comparable with the Bank's Annual Report and Financial Statements for the year-end 2023.

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

1.3.1 Regulatory Framework of Disclosures

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

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

- Pillar 1 – Minimum capital requirements: This pillar defines rules for calculating credit, market, and operational risk, ensuring that banks maintain a minimum level of capital to cover these risks.;
- Pillar 2 – Supervisory review process: This pillar includes a requirement for firms to undertake an Internal Capital Adequacy Assessment (ICAAP) and Internal Liquidity Adequacy Assessment (ILAAP). Supervisors review and assess these internal assessments to ensure that banks have adequate capital and liquidity against various risks.
- Pillar 3 – Market discipline: This pillar requires expanded disclosures to enable investors and other market participants to understand the capital adequacy, specific risk exposures, and risk management processes of individual firms. As part of the Pillar 3 framework, the Bank is required to disclose all material risks.

1.3.2 Implementation of Basel 3.1 Standards

After the financial crisis of 2008, it became evident that the Basel Accords which introduced capital requirements and risk measurements for global banks required reform. The Basel III reforms which began in 2010 have been introduced globally as standards since 2013 and are now in their final phase of rollout. Some jurisdiction including the UK refer to this final phase as Basel 3.1 and these remaining elements as Basel 3.1 standards. Since April 2021, the Financial Services Act 2021 has enabled the PRA to introduce reforms to update the UK's prudential regime in line with the outstanding elements of Basel 3 and Basel 3.1. These reforms are focused on the recalibration of risk-weighted assets (RWAs) and capital ratios and are tailored to accommodate the unique dynamics of the UK market.

Embracing a phased approach, the PRA released the first part of the Policy Statement (PS17/23-Implementation of Basel 3.1 Standards Near-final Part 1) in December 2023. This initial segment addresses key aspects such as Credit Value Adjustment (CVA), Counterparty Credit Risk (CCR), and Market Risk. The second part of the Policy Statement, slated for release in 2024, will comprehensively cover Credit Risk and the Output Floor, completing the regulatory response to the feedback received during the consultation process.

1.3.3 Frequency

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

1.3.4 Verification

This Pillar 3 disclosure document was approved by the Board on 9 July 2024. The Board has confirmed that it is consistent with the Bank's formal policies regarding production and validation. Although the disclosures presented in this document do not require validation through external audit, they have undergone internal governance procedures, including review and approval by the Bank's Executive Committee and Board of Directors

1.3.5 Immaterial disclosures

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

1.3.6 Media and Location of Publication

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

2 RISK DECLARATION CONCERNING RISK MANAGEMENT ARRANGEMENTS

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

3 RISK MANAGEMENT OVERVIEW

The Enterprise Risk Management Framework (ERMF) 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 in the Bank for consistent implementation across each individual risk management framework. Figure 1 below provides an overview of the key framework components, more details of which are given in the later sections.

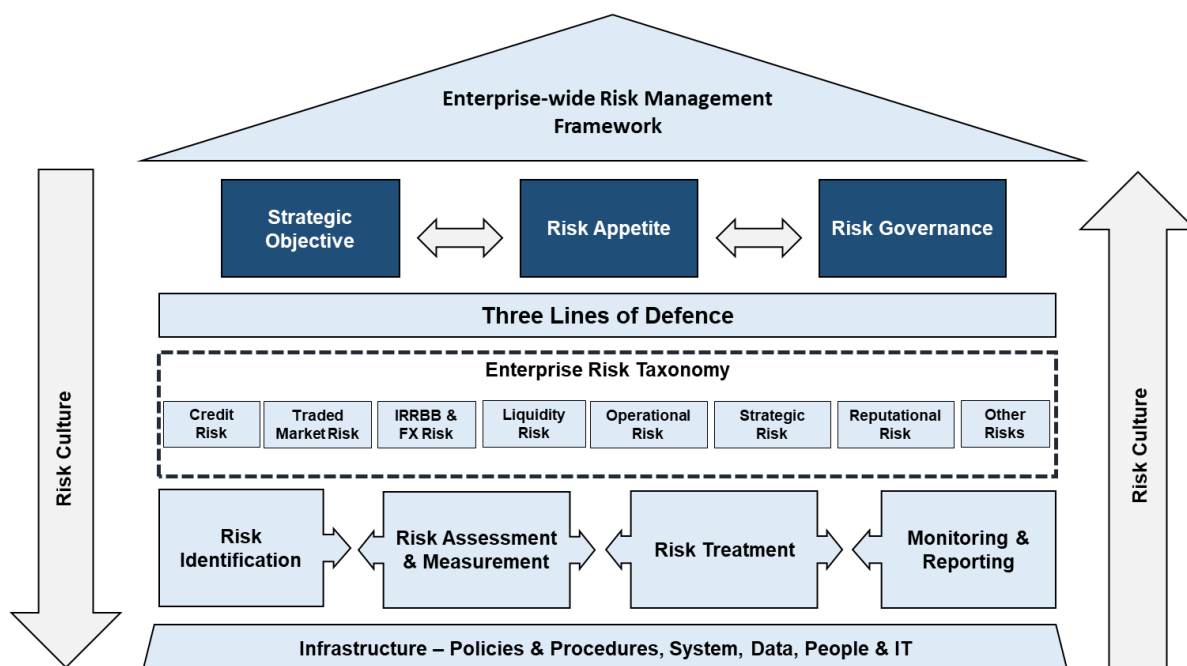


Figure 2: Enterprise Risk Management Framework

3.1 RISK GOVERNANCE

The Board is accountable for establishing the Bank’s overall strategy and significant policies relating to the risk management in relation to a specific risk type or in general. The responsibilities of the Board include:

- Approve the ERMF and ensure its integrity during implementation;
- Approve the Bank’s Risk Appetite Framework (RAF) and Risk Appetite Statement (RAS), and ensure it remains consistent with the Bank’s strategy, business and capital plans as well as compensation programs;
- Ensure that the Bank implements sound fundamental principles that facilitate the identification, measurement, treatment, monitoring and reporting of all risks;
- Ensure that appropriate strategies and measures for managing individual risk element are in place;
- Ensure that the EMC as well as individuals responsible for managing individual risks possesses sound expertise and knowledge to accomplish the risk management function; and
- Ensure that the Bank maintains various risks at prudent levels.

To support the Board to fulfil its accountability, the Bank has established a committee governance structure (Figure 2) at both the Board and executive management level to provide oversight and challenge on the implementation of ERMF fundamental principles across all areas and risk types in the Bank.

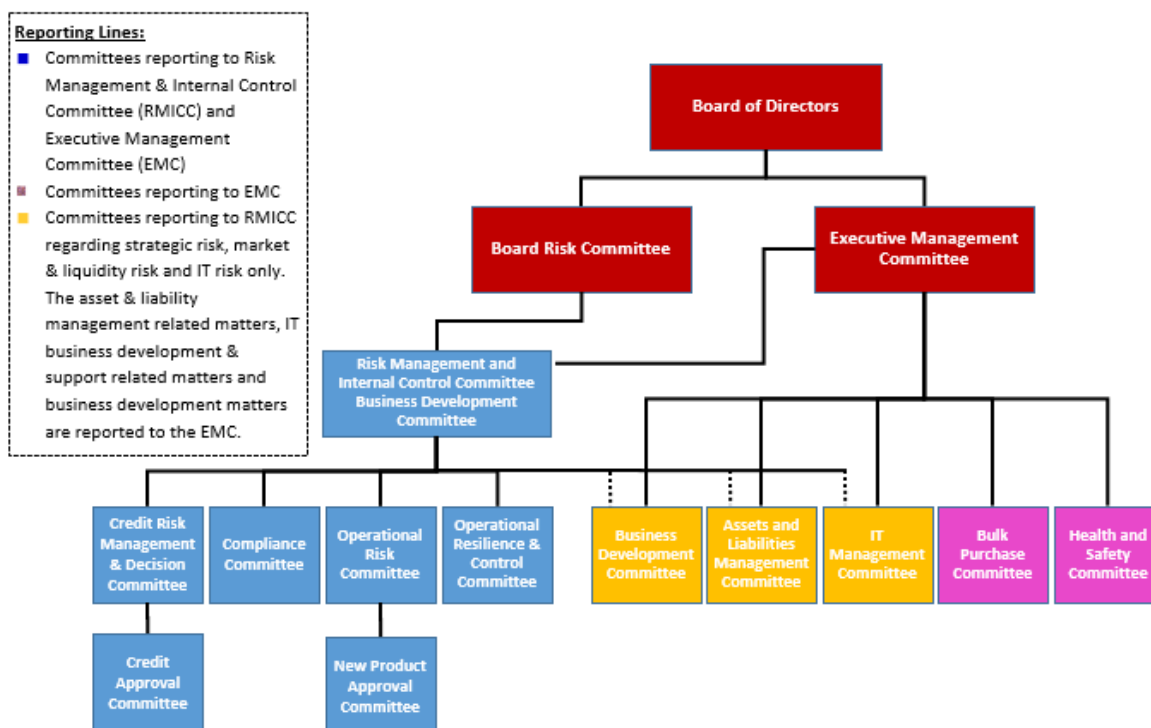


Figure 3: Committee Oversight Structure (as of 2023.12.31)

3.2 THREE LINES OF DEFENCE MODEL

The Bank has adopted an activity-based approach in defining each line of defence in managing a given risk type as follow. Further details on three lines of defence expectations can be found in the Bank’s “Three Lines of Defence Policy”.

3.2.1 The First line of Defence (1LoD)

A 1LoD role in managing a given financial and/or non-financial risk type is to deliver products and services externally to clients or corporate support services internally within the Bank as part of its day-to-day operations.

1LoD owns and manages financial and/or non-financial risks that the Bank generates from its activities and ensures adequate understanding of and full compliance with legal, regulatory, ethical and internal expectations. 1LoD’s responsibilities for given risk types are:

- Identifying, assessing and treating all risks generated from its operation;
- Developing and maintaining a sound risk control environment within its area; and
- Carrying out 1LoD risk monitoring and reporting, including escalating material issues or concerns to the EMC and 2LoD of the relevant risk type.

As a part of the 1LoD, dedicated Business Risk & Control teams or equivalent have been established within certain areas in the Bank in order to provide additional advisory and

oversight capabilities within the 1LoD on risk management and control activities and to facilitate risk initiatives.

3.2.2 The Second line of Defence (2LoD)

A 2LoD role for a given risk type is to provide supplementary and directional expertise advisory and carries out independent oversight and challenge on day-to-day 1LoD risk management activities. A 2LoD role is typically responsible for:

- Establishing the specific policies requirements and providing directional advice on how a given risk type should be managed;
- Independently overseeing and challenging the risk profile and effectiveness 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 and 2LoD policy expectations for a given risk type;
- Conducting independent validation of the effectiveness of 1LoD controls (on a sample basis) for a given risk type as appropriate; and
- Independently escalating material issues or concerns to the management and appropriate oversight committee(s).

3.2.3 The Third line of Defence (3LoD)

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

3.3 RISK MANAGEMENT PROCESS

As illustrated in Figure 4, risk management is an iterative process that involves Risk Identification, Risk Assessment, Risk Treatment (incl. Control) and then regular risk monitoring and reporting.

It is a fundamental principle expectation that such standard process is adopted across all risk types and forms a standard component in the risk management framework for a given risk in order to guide day-to-day risk management activities within 1LoD. Output and effectiveness of the risk management process within the 1LoD is subject to independent oversight from the 2LoD and 3LoD for a given risk, who independently escalate any material issue or concern to the relevant management and oversight committee(s) as appropriate.

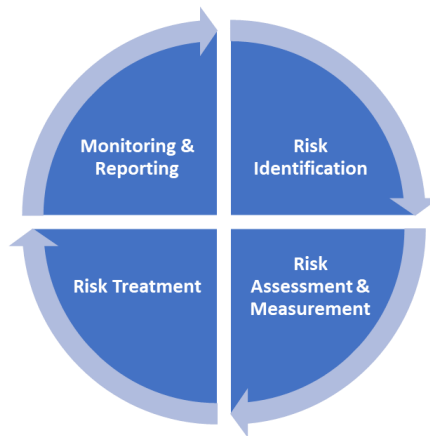


Figure 4: Risk Management Process

3.4 RISK CULTURE

Risk culture refers to the unified consensus on the Bank’s risk awareness, risk-taking behaviour and risk management. 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 EMC;
- Accountability and risk ownership;
- Risk transparency communication & training; and
- Strong integrated risk management framework.

The Bank makes continuous effort in enhancing the mechanism of cultivation, development and reserve of risk management talents, and in developing professional risk management teams, guaranteeing the staffing of risk management, optimizing staff structure, and enhancing the professionalism of risk management personnel.

4 CAPITAL

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

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

UK KM1 - Key Metrics

Available capital (£'000)		2023²	2022
1	Common equity tier 1 capital (CET1)	275,056	275,000
2	Tier 1 capital	335,056	335,000
3	Total regulatory capital	335,056	335,000
Risk-weighted assets ('RWAs')			
4	Total risk-weighted assets (RWA)	1,024,452	1,176,625
Risk-based capital ratios as a percentage of RWA (%)			
5	Common Equity Tier 1 ratio (%)	26.8%	23.4%
6	Tier 1 ratio (%)	32.7%	28.5%
7	Total capital ratio (%)	32.7%	28.5%
Additional CET1 buffer requirements as a percentage of RWA (%)			
8	Capital conservation buffer requirement (%)	2.5%	2.5%
9	Countercyclical buffer requirement (%)	0.5%	0.3%
10	Bank G-SIB and/or D-SIB additional requirements (%)	0%	0%
11	Total of bank CET1 specific buffer requirements (%)	3.0%	2.8%
12	CET1 available after meeting the bank's minimum Cap Req (%)	22.3%	18.9%
Basel III leverage Ratio			
13	Total Basel III leverage ratio exposure measure (£'000)	1,473,437	1,814,024
14	Basel III leverage ratio (%)	22.7%	18.5%
Liquidity Coverage Ratio			
15	Total HQLA	677,646	545,654
6	Total net cash outflow	174,967	299,877
17	LCR ratio (%)	387.3%	182.0%
Net Stable Funding Ratio			
18	Total available stable funding	1,289,845	1,463,448
19	Total required stable funding	959,234	1,209,361
20	NSFR ratio (%)	134.5%	121.0%

Most key ratios show no material changes year on year in the Metrics above with exception of the LCR. The LCR has improved considerably year on year mostly due to the increased government bonds and central bank deposit (HQLA) and increase in term deposits placed with BoC London Branch less than 30-day maturity. The additional cash boosting the LCR position can mostly be attributed to a reduction in the mortgage portfolio as a result of repayments and limited new business throughout the year.

² The 2023 disclosures column contains the signed and audited numbers.

4.1 CAPITAL RESOURCES

CET1 Capital:

As at 31 December 2023, the CET 1 capital consists of £250m ordinary share capital and post audited retained earnings. The retained earnings are eligible for inclusion as regulatory Tier 1 capital after the deduction of declared dividends.

Additional Tier 1 (AT1) Capital:

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

4.2 REQUIRED LEVELS OF OWN FUNDS

Article 92 of the UKCRR, referenced in PRA Rulebook, prescribes the methodology for calculating capital ratios for CET1, Tier 1 and Total Capital resources. The Bank has at all times complied with these requirements.

In addition to minimum Pillar 1 requirements, the PRA expects Pillar 2 requirements (as part of total SREP Capital Requirements (TSCR)³) to be met with at least 56.25% CET1 capital and 75% in Tier 1 as a minimum requirement. The Bank strictly follows these requirements and TSCR are fully met.

4.3 LEVERAGE RATIO

The PRA expects firms who are not required to meet leverage ratio minimum capital requirement and buffers, to manage their leverage risk so that their leverage ratio does not ordinarily fall below 3.25%. These requirements are outlined in Supervisory Statement SS45/15 The UK Leverage Ratio Framework (May 2023).

4.4 CAPITAL REQUIREMENTS

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

³ Total SREP Capital Requirement (TSCR) refers to the sum of Pillar 1 capital requirements plus Pillar 2A capital requirements.

UK OV1 – Overview of risk weighted exposure amounts

Risk Weighted Exposures & Own Fund Requirements (£'000)		Risk weighted exposure amounts (RWEAs)		Total own funds requirements
		2023	2022	2023
1	Credit risk (excluding CCR)	641,596	730,027	51,328
2	Of which the standardised approach	641,596	730,027	51,328
6	Counterparty credit risk - CCR	6,946	19,086	556
7	Of which the standardised approach	6,946	19,086	556
UK 8b	Of which credit valuation adjustment - CVA	74,760	198,501	5,981
20	Position, foreign exchange and commodities risks (Market risk)	766	4,394	61
23	Operational risk	300,383	224,618	24,031
UK 23b	Of which standardised approach	300,383	224,618	24,031
24	<i>Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)</i>	359	1,283	29
29	Total	1,024,452	1,176,625	81,956

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

4.4.1 PILLAR 1

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

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

Minimum CET1, Tier 1 capital and total capital adequacy ratios are supplemented by a number of capital buffers. The capital buffers which are applicable to the Bank are the capital conservation buffer (CCoB) and the countercyclical capital buffer (CCyB). These collectively are referred to as the Combined Buffer Requirement.

4.4.2 PILLAR 2A

The Pillar 2 capital framework is intended to ensure the Bank has adequate capital to support the relevant risks in its business. In addition to the Pillar 1 and the Combined Buffer Requirement mentioned above, the PRA performs a periodic supervisory review of the

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

The PRA may also require firms to hold an additional capital buffer (referred to as the PRA buffer) to enable firms to meet its minimum capital requirements under stress. Any PRA buffer requirement is set after taking into account the existing amount of CCoB and CCyB already held by the firm.

4.4.3 ICAAP

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

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

4.5 CAPITAL BUFFERS

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

4.5.1 Capital Conservation Buffer (CCoB)

The CCoB introduced under Capital Buffers (CRR firms) section of the PRA Rulebook is designed to ensure that institution build up capital buffers outside periods of stress which can be drawn down as losses are incurred. As at 31 December 2023, the buffer was set at 2.50% of risk-weighted assets, remains unchanged since previous year. This is the highest level required under the current rules.

4.5.2 Countercyclical Capital Buffer (CCyB)

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

The Financial Policy Committee (FPC) in the UK is responsible for setting level of UK CCyB rate. In July 2023, the UK CCyB rate was increased from 1% to 2%.

5 CREDIT RISK

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

5.1 CREDIT RISK MANAGEMENT FRAMEWORK

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

The Bank manages credit risk through:

- Clear credit risk governance structure;
- Defining, implementing and re-evaluating its risk appetite
- Maintaining a strong culture of responsible risk taking and a robust risk policy and control framework;
- Identifying, assessing and measuring credit risk clearly and accurately across the Bank, from the level of individual facilities up to the total portfolio;
- Monitoring credit risk relative to limits;
- Regular credit inventory review;
- Regular credit portfolio MI reporting

5.2 CREDIT RISK EXPOSURES

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

The prior risk-weighted exposure breakdown as at 31 December 2023 are shown below:

Exposure Types	(£'000)
Government & Central Banks	699,735
Corporate	276,708
Institution (<i>incl CCR</i>)	168,486
Secured by mortgages on immovable property	813,604
Retail	710
Exposures in default	8,196
Claims on institutions with a short-term credit assessment	75,180
Other	27,809
Total	2,070,428

The Bank actively aims to prevent undue concentration by ensuring a diversified credit portfolio. Single customer, industry, geography and maturity specific concentrations are actively assessed and managed against risk appetite limits.

5.3 IMPAIRMENT PROVISIONS

The Bank assess on a forward-looking basis the Expected Credit Losses (ECL) associated with all loans and other debt financial assets following IFRS9 standard. The Bank calculates ECL using three main components, a probability of default (PD), a loss given default (LGD), and the exposure at default (EAD). ECL include impairment allowances (or provision in the case of commitments and guarantees) for the 12-month ECL and lifetime ECL.

The Bank's ECL as at 31 December 2023 decreased to £5.4million, mainly due to significant reduce of stage 3 ECL in light of asset quality improvement.

5.4 CREDIT QUALITY STEP (CQS)

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

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

The Bank considers the asset quality of its unrated counterparties to be good on the basis of their financial standing, credit profiles and low probability of default underpinned by well-structured credit and an identified source of repayment. The Bank follows the provision of the CRD IV where external ratings cannot be obtained.

5.5 CREDIT RISK MITIGATION (CRM)

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

- A first fixed charge over residential real estate is the main source of collateral for retail lending and more than half of BoC UK's lending portfolio are concentrated in mortgage lending. Mortgage properties are valued by an independent external specialist at loan initiation stage. For the rest of the loan life cycle, mortgage properties are regularly valued based on Nationwide housing price indices.
- For corporate lending, the Bank has different types of collateral, i.e. commercial real estate, standby letter of credit, aircraft, etc.

6 COUNTERPARTY CREDIT RISK (CCR)

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

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

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

6.1 CAPITAL CHARGES FOR DEFAULT RISK

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

The Bank has only interest rate swaps on its books as at 31 December 2023. All PFE are generated from interest rate (IR) derivatives sub asset class.

6.2 CAPITAL CHARGES FOR CVA RISK

The Bank is exposed to the risk of loss on foreign exchange and derivatives instruments caused by changes in the credit spread of counterparty due to changes in its credit quality.

In order to address this risk, CVA is estimated as an adjustment to the mid-market valuation of the portfolio of transactions with a counterparty that reflects the current market value of the risk of the deterioration of counterparty credit quality at times of market stress and cyclical changes.

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

7 MARKET RISK

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

7.1 TRADED MARKET RISK

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

Risk management framework, process and measures are established to identify, measure, assess, monitor and control, and report traded market risk exposure that could arise from the Bank's trading books activities.

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

7.2 FOREIGN EXCHANGE (FX) RISK

Foreign exchange risk refers to the risk stemming from structural FX position denominated in various foreign currencies due to fluctuation in the FX rates between domestic currency (i.e. Sterling for the Bank) and foreign currencies.

Process and measures are put in place to identify, assess, monitor and control, and report FX exposure across the Bank's banking book, including using FX financial instruments to square foreign currency profit and loss on a regular basis.

7.3 INTEREST RATE RISK IN THE BANKING BOOK (IRRBB)

IRRBB refers to the current or prospective risk to the Bank's capital and earning arising from adverse movement in interest rates that affect the Bank's banking book positions. IRRBB

mainly stems from the re-pricing mismatch between assets and liabilities, and the sources of interest rate risk include gap risk, basis risk and option risk.

The objective for IRRBB risk management is to minimise the sensitivity of the Bank’s earnings and economic value to interest rate fluctuations. The Bank mainly utilizes the interest rate sensitivity gaps to analyse the re-pricing risk on a static basis from both the near-term earnings perspective and the long-term earnings perspective. Interest-generating assets, interest-bearing liabilities and the off-balance sheet position are classified into different time buckets; interest rate-sensitive liabilities in each time bucket are subtracted from the corresponding interest rate-sensitive assets to produce a re-pricing gap for that time bucket. There are no assumptions made on loan prepayments.

The Bank adopts two key risk indicators (KRIs) for the purpose of monitoring, reporting, and managing the IRRBB:

- Change in Net Interest Income (Δ NII) is an earnings metric that measures the potential impact of a specified interest rate change on the net interest income for banking book over specified reporting period; and
- Change in Economic Value of Equity (Δ EVE) is a valuation metric that measures the potential impact of a specified interest rate change on the economic value of equity (the net economic value of all on and off balance sheet assets and liabilities using present value calculations).

8 OPERATIONAL RISK

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

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

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

Banking activities		Total Income (£'000)			Own funds requirement	Total operational risk-weighted
		Year-3	Year-2	Year-1		
1	Banking activities subject to basic indicator approach (BIA)	124,048	150,380	206,185	24,031	300,383

8.1 OPERATIONAL RISK MANAGEMENT APPROACH

The Bank adopts an industry standard 3LoD model for Operational Risk Management. The 1LoD act as risk owners and is responsible for ensuring that there are effective controls in place to mitigate these risks. The 2LoD consist of a functionally independent Operational Risk Management (ORM) Team in the Risk Management Department, who is responsible for establishing and maintaining a sound Operational Risk Management Framework and for overseeing the Bank's overall operational risk profile as well as the effectiveness of 1LoD operational risk management activities (e.g. implementation of operational risk management policy requirements). The 3LoD provide independent assurance on the effectiveness of operational risk framework and risk management activities in the Bank and report directly to the Board Audit Committee.

The 1LoD operates a set of tools to enable them to identify, assess, monitor, report and mitigate operational risk, subject to oversight and challenge from the 2LoD and specialist support functions. The output from these risk management activities is reported to the Operational Risk Committee (ORC) and, where appropriate, the relevant specialised risk committees (e.g. Compliance Committee), with escalation to Risk Management and Internal Control Committee (RMICC) and Board committees. Any non-financial risks that exceed risk appetite are subject to a formal escalation and ongoing governance process to ensure that they are mitigated to within risk appetite.

9 LIQUIDITY & FUNDING RISK MANAGEMENT

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

The Bank has adopted a 'cautious' approach to liquidity risk and aims to maintain sufficient and adequate liquidity resources in terms of both quality and quantity at all times, during both businesses as usual and periods of stress.

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

9.1 GOVERNANCE

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

The EMC and the ALCO ensure that the decision of the Board as the governing body are integrated into the Bank's liquidity and funding risk management process. Liquidity risk is managed by the Treasury ALM.

The policies and procedures related to liquidity and funding risk are defined and formalised in the Liquidity Risk Management Policy, Funds Transfer Pricing Policy, the Liquidity Risk Pricing Policy, the Liquidity Stress Testing Policy and the Recovery Plan.

9.2 LIQUIDITY AND FUNDING RISK MANAGEMENT

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

The ILAAP also aligns with the PRA guidelines and common procedures and methodologies for the Supervisory Review and Evaluation Process (SREP).

Liquidity Stress Testing: The Bank performs regular liquidity stress testing, including a part of the quantitative assessment of the ILAAP, to ensure the Bank maintains adequate liquidity resources under various stressed scenarios

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

Liquidity Coverage Ratio (LCR): The LCR assesses whether the Bank has an adequate stock of unencumbered HQLA that can be converted easily and immediately into cash to meet its liquidity needs for a 30 calendar day liquidity stress scenario. The regulatory minimum LCR requirement is 100%, which the Bank has met at all time during 2023.

10 OTHER RISK CONSIDERATIONS

10.1 OPERATIONAL RESILIENCE

Operational Resilience is a key area of focus for both PRA and FCA and the Bank has undertaken a transformation project, led by the dedicated operational resilience team and the Bank's Chief Operating Officer to design and implement an Operational Resilience programme and framework and a Third Party risk management framework.

Operating as part of the ERMF, and aligned with the recent Bank of England, FCA and PRA supervisory statement ("SS2/21 Outsourcing and third party risk management", "PS2/22 Operational Resilience and Operational Continuity in Resolution") requirements, this programme has supported EMC and the Board in developing a sound understanding of Operational Resilience and the Impact Tolerance of their Important Business Services (IBS).

In respect to operational resilience, the Bank undertook and continues to maintain a Self-Assessment since March 2022, against the outcomes expected in the supervisory statements.

The Bank identified and highlighted relevant vulnerabilities within the operational resilience Self-Assessment and are following through on a programme of work that is designed to meet the March 2025 deadline. The Self-Assessment is a Board approved living document that will be continuously updated to reflect the framework, governance and operational resilience status and infrastructure in order to meet UK regulatory requirements.

Components include:

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

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

10.2 CLIMATE CHANGE

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

In light of UK regulatory requirement (“SS3/19 Enhancing banks’ and insurers’ approach to managing the financial risks from climate change”), the Bank, in line with most of our industry peers and regulatory expectation, considers climate-related physical and transition risk factors as thematic factors that cut across various the existing risk types (e.g. credit risk, market risk etc.). Management of climate related risks has been proportionately embedded into the Bank’s existing risk management framework of the impacted risk types respectively for sound management.

Under the embedding approach, financial impact of climate-related physical and/or transition risk factors on the relevant risk type will be managed through the respective 3LoD model, subject to oversight from respective risk-related committee (e.g. CRDC, ALCO, ORC, ORCC etc.).

The Bank considers that the climate-related risk factors are likely to have more incremental financial impact on the Bank’s credit risk profile amongst the main risk types, and hence it has been decided that CRDC will oversee the Bank’s credit risk profile and effectiveness in climate change related and report to RMICC.

Climate Change Impact Assessment

The Bank engaged with a big 4 professional services firm and conducted Climate Stress Testing based on June 2023's Credit Portfolio. Two climate scenarios from Bank of England's Climate Biennial Exploratory Scenario (CBES) scenarios were selected, which were Late Action Scenario (LA) and No Additional Action Scenario (NAA). The LA scenario primarily considers "transition risks" that may arise during the transition to net zero, while the NAA scenario focuses on "physical risks" arising from increased global carbon emissions and rising average global temperatures. Given the current composition, the overall BOC UK portfolio is considered to have low physical risk impact and medium transition risk impact.

11 REMUNERATION

In alignment with the Capital Requirements Regulation remuneration disclosure requirements, the FCA's General Guidance on Proportionality: The Remuneration Code (the Code) (SYSC 19) and the PRA's LSS8/13, "Remuneration Standards: The Application of Proportionality", the Bank has been classified as a proportionality Level Two firm.

The following constitutes the Bank's remuneration disclosure under Pillar 3 and sets out the details required under the Code and Pillar 3 Disclosures on Remuneration as they apply to the Bank for the year ended 31 December 2023.

11.1 REMUNERATION POLICY

The Board Remuneration and Nominations Committee (BRNC) is guided by the overarching principles of the Bank's Remuneration Policy. The objective of the policy is to clearly document the practices of the Bank in regards to the remuneration of its employees.

The policy recognises and supports the fact that appropriate levels of remuneration and compensation are necessary to attract, retain and motivate high calibre staff required to lead, manage and serve the Bank in a competitive financial services environment whilst complying with all relevant regulatory requirements.

The Bank has a robust framework in place to ensure that the level and composition of remuneration:

- Is reasonable and both clearly and measurably linked to performance;
- Is appropriate for results achieved; and
- Encourages behaviour consistent with the Bank's core competency model and core values which leads to excellence and the appropriate balance in financial performance, governance, controls, risk management, customer service, people management, brand and reputation management.

In addition, the policy operates in conjunction with the Bank's business goals and its other HR policies. It is compliant with the provisions of the Equality Act 2010 and ensures that remuneration practices are fair and consistent with the Bank's view on equality and diversity.

11.2 REMUNERATION FRAMEWORK

The composition of remuneration and benefits comprise:

- Basic salary; which is determined by reference to external market remuneration benchmarking data and reviewed, although not necessarily changed, annually. Increases are typically to ensure appropriate pay positioning relative to market range and relative pay of others doing the same or similar role;
- Benefits; which are also determined by having regard to external market benchmarking data and are designed to be market competitive, to meet the requirements of the Bank's employees and ensure they make appropriate health and lifestyle decisions as part of a wider flexible benefit scheme;
- Discretionary Bonus (both cash and deferred elements) which is performance based variable remuneration determined by the outcome and achievement of performance measures and competences applied to employees within a balance scorecard framework.

Discretionary awards as referred above qualify as "variable remuneration" as defined in the Code. These three elements are managed together to ensure that total reward is appropriate and aligned with the Bank business objectives, strategy and risk appetite.

The BRNC discuss and review Risk and Compliance/Senior Management employee's remuneration on an annual basis to ensure they are remunerated independently of the businesses they oversee. This process is completed in the first quarter annually to align to annual remuneration reviews. Independent Non-Executive Directors do not participate in variable pay arrangements.

11.3 LINK BETWEEN PAY AND PERFORMANCE

The Bank's remuneration policies are designed to allow the Bank to attract and retain talented individuals needed to deliver the business strategy. The Bank manages the risk implications of its remuneration arrangements in a number of ways, including:

- Striking the optimal balance between 'fixed' elements of pay (base salary, benefits and pension), and 'variable' pay (annual discretionary bonus) to ensure variable pay overall and on an individual-by-individual basis remains an appropriate proportion of total pay;
- Ensuring performance for all variable pay plans is measured by reference to a range of factors including non-financial objectives, which take into account risk, sustainability of performance and the Bank's core competences and values in order to take a rounded view of performance;
- Ensuring behaviours that benefit the Bank's long-term sustainability and performance are rewarded.
- Retaining the requirement to effect clawback and malus provisions of the Remuneration Code. Clawback and malus will be initiated and enforced in line with the Bank's Risk

Management adjustment and performance adjustment assessment and the Bank's disciplinary procedure; and

- Ensuring that any discretionary bonus scheme will not be applied unless the Bank achieves performance objectives as determined at the beginning of each financial year.

11.4 RISK AND PERFORMANCE ADJUSTMENTS

The Risk and Performance Adjustment considerations that are applied by the Bank are:

- Consideration of the ongoing performance of the Bank that could be impacted by an individual, including profitability, specific losses incurred or written off and any new provisions made during any variable award period;
- That during any variable award period investigations by auditors and regulators are without material qualification or disclose undue risk (taken by an individual);
- That future risks to be considered for Credit and Market Risk include the non-performing loans (NPLs) ratio and Value at Risk (VAR); and
- That any misstatement or misconduct or breach of policy or procedure by any individual be considered accordingly with Compliance, Operational Risk, Internal Audit or any other internal reports to be considered as appropriate.

11.5 APPLICATION OF MATERIAL RISK TAKERS

The Remuneration Code requires that banks identify relevant staff who could be determined as Material Risk Takers; the Bank currently considers the following categories of staff to be material risk takers

- Staff who perform significant influence functions for the Bank (as defined within the FCA Handbook);
- Staff with responsibility for management and supervision, and who report directly to the governing body, a member of the governing body, the CEO, or an Executive Management member responsible for significant business lines;
- Staff engaged in control functions;
- Staff whose total remuneration takes them into the same bracket as Senior Management; and
- Staff whose professional activities could have a material impact on the firm's risk profile including market, credit and interest rate risk, and funding, liquidity, reputational and operational risk, with particular focus on risk in relation to the Bank's capital.

It is recognised that in applying the EBA's extended scope of CRD IV in relation to remuneration that Regulatory Technical Standards (RTS) (qualitative and quantitative) have been established and define specific criteria to further identify categories of employees whose activities have a material impact on institutional risk (Material Risk Takers).

11.6 ANNUAL DISCRETIONARY BONUS AWARD FOR MATERIAL RISK TAKERS

Material Risk Takers participate in the annual discretionary bonus scheme that aims to recognise and reward an employee’s personal contribution to the success of the Bank. As referred to above, contribution and success is typically based on the measure of a mix of corporate and personal pre-agreed objectives for the year which results in a performance rating for the individual.

For the majority of Material Risk Takers, discretionary bonus awards will be paid from a discretionary bonus pool which is determined following the end of the financial year based on the Bank’s performance. This is paid as a cash award in March following the end of the financial year.

Individual discretionary bonus awards will be reduced where the Bank becomes aware of any action by an individual who has exposed the Bank to any form of unplanned risk (including, but not limited to, regulatory, legal or reputational risk).

The Bank’s Remuneration Policy enables deferral of discretionary bonus awards in alignment with regulatory requirements. The deferral of variable remuneration applies to defined material risk takers only who fall outside of the current “de Minimis” rules.

The Bank’s Remuneration Policy does not allow for vesting of variable remuneration deferral elements as all variable remuneration is paid in cash.

11.7 REMUNERATION AWARDED

The EBA requirements on remuneration state that variable pay shall not exceed 100% of fixed pay (can be increased to 200% subject to shareholder approval) and this requirement is included in the Bank’s Remuneration Policy.

Table: Remuneration Awarded

	31 December 2023 (£)
Total fixed pay	40,781,187
Total variable pay (including discretionary bonus award, allowances and overtime)	13,225,725
- <i>Of which: total deferred remuneration paid out</i>	718,880
- <i>Of which: total non-deferred variable remuneration paid out</i>	10,339,074
- <i>Of which: total outstanding deferred remuneration (to be paid 2024 -2031)</i>	848,318
Total severance payments made	216,370
Total Remuneration	54,223,282
Variable pay/Fixed pay ratio	32%

Table: Analysis of Remuneration Amount Between Fixed and Variable Pay for Code Staff

31 December 2023	Management Body	Senior Managers	Others	Total
Number of Code Staff	14	25	42	81
Fixed Pay (£)	2,380,439	3,868,583	4,357,963	10,606,985
Variable Pay (£)	672,135	1,280,269	1,349,016	3,301,420

All remuneration payments were made by cash. The Bank does not have any non-cash vehicles in place. All deferral elements are paid in cash. As at 31 December 2023, the deferred amounts payable in future years was £848,318. The Bank does not make any special payments. There are no staff at the Bank who were paid over £870K (equivalent to €1 million converted to Euros using the exchange rate at 31 December 2023. £1 = €1.1500). The highest paid Director was paid £379K (equivalent to €436k) in 2023.

12 APPENDICES

12.1 APPENDIX I - CRR ARTICLE 4(1)(145) 'SMALL AND NON-COMPLEX INSTITUTION'

CRR Article 4(1) para 145 conditions		Condition met?
(a)	it is not a large institution;	Yes
(b)	the total value of its assets on an individual basis or, where applicable, on a consolidated basis in accordance with this Regulation F101... is on average equal to or less than the threshold of EUR 5 billion over the four-year period immediately preceding the current annual reporting period;	Yes
(c)	it is not subject to any obligations, or is subject to simplified obligations, in relation to recovery and resolution planning in accordance with Articles 7 and 8 of the second BRRD Order	Yes
(d)	its trading book business is classified as small within the meaning of Article 94(1);	Yes
(e)	the total value of its derivative positions held with trading intent does not exceed 2 % of its total on- and off-balance sheet assets and the total value of its overall derivative positions does not exceed 5 %, both calculated in accordance with Article 273a(3);	Yes
(f)	more than 75 % of both the institution's consolidated total assets and liabilities, excluding in both cases the intragroup exposures, relate to activities with counterparties located in the United Kingdom	Yes
(g)	the institution does not use internal models to meet the prudential requirements in accordance with this Regulation except for subsidiaries using internal models developed at the group level, provided that the group is subject to the disclosure requirements laid down in Article 433a or 433c on a consolidated basis;	Yes
(h)	the institution has not communicated to the competent authority an objection to being classified as a small and non-complex institution;	Yes
(i)	the competent authority has not decided that the institution is not to be considered a small and non-complex institution on the basis of an analysis of its size, interconnectedness, complexity or risk profile;	Yes

12.2 APPENDIX II - INDEX OF ANNEX'S REQUIRED FOR "SMALL AND NON-COMPLEX INSTITUTION" IN ACCORDANCE WITH ARTICLE 433B PRA RULEBOOK

Relevant Articles In CRR	Disclosure Type	Annex Number	Name of Annex	Disclosure Tables/Templates	Disclosure Location in Pillar 3
Points (d) of Article 447;	Key Metrics	Annex I	Disclosure of key metrics and overview of Risk weighted Assets amounts	Template UK KM1 - Key metrics template	Section 4 Capital
Points (a), (e) and (f) of Article 435(1);	Risk Management Objectives and Policies (incl Liquidity Risk)	Annex III	Disclosure of risk management policy and objectives	Table UK OVA - Institution risk management approach	Section 3 Risk Management Overview
	Risk Declaration as per Article 435(1)e	N.a	N.a	N.a	Section 2 Risk Declaration Concerning Risk Management Agreements
	Credit Risk, Dilution Risk and Credit Quality	Annex XV	Disclosure of credit risk quality	Table UK CRA - General qualitative information about credit risk	Section 5 Credit Risk
	Market Risk	Annex XXIX	Disclosure of standardised approach and internal model for market risk	Table UK MRA - Qualitative disclosure requirements related to market risk	Section 7 Market Risk
	Operational Risk	Annex XXXI	Disclosure of operational risk	Table UK ORA - Qualitative information on operational risk	Section 8 Operational Risk
Points (d) of Article 438;	Risk Weighted Assets Overview	Annex I	Disclosure of key metrics and overview of Risk weighted Assets amounts	Template UK OV1 – Overview of risk weighted exposure amounts	Section 4 Capital
	Operational Risk	Annex XXXI	Disclosure of operational risk	Template UK OR1 - Operational risk own funds	Section 8 Operational Risk

				requirements and risk-weighted exposure amounts	
Points (a) to (d),(h),(i), (j) of Article 450(1);	Remuneration	Annex XXXIII	Disclosure of remuneration policy	Table EU REMA - Remuneration policy	Section 12 Remuneration
		Annex XXXIII	Disclosure of remuneration policy	Template UK REM1 - Remuneration awarded for the financial year	Section 12 Remuneration
		Annex XXXIII	Disclosure of remuneration policy	Template UK REM5 - Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile	Section 12 Remuneration