



بنك بيروت

Bank of Beirut — (UK) Ltd

Banking Beyond Borders

Pillar III Disclosures

31st December 2024

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1. Introduction

1.1 Business Profile

Bank of Beirut (UK) Ltd (“BOBUK” or “the Bank”) is wholly owned by Bank of Beirut SAL, a publicly quoted Lebanese entity, was established in 2002 and is a UK bank authorised by the Prudential Regulation Authority (“PRA”) and regulated by the Financial Conduct Authority (“FCA”) and the PRA. Principal activities are trade finance, correspondent banking, retail and corporate banking, commercial lending and property development finance and FX & money-market activity. Business is conducted from a Head Office in London.

1.2 Basis of Disclosure

Other than where stated to be excerpts from financial statements, the Pillar 3 disclosures are unaudited. They have been prepared by the Bank to meet the requirements of Capital Requirements Directive (“CRD”) and to provide information in line with Articles 431 to 455 of Capital Requirements Regulations (“CRR”) to the extent that this is not disclosed in the Audited Annual Report and Accounts of the Bank.

The Bank complies with Basel III, as implemented through the Capital Requirements Directive IV and more specifically by Regulation (EU) 575/2013 as amended and the rules of the Prudential Regulation Authority (“PRA”) set out in the Public Disclosure section of the PRA Rulebook and as the PRA has otherwise directed.

1.2.1 Pillar 1: Minimum Capital Requirements

The amount calculated for credit risk weighted assets, operational risk and market risk is collectively termed the Total Risk Exposure Amount (“TREA”).

The Bank follows a simplified approach to Pillar 1 as follows:

- **Credit Risk** (Standardised Approach)
Regulatory capital requirements are calculated by multiplying the value of the Bank's exposure by a standardised risk weight. The risk weight is determined by the credit rating of the counterparty, the type of counterparty and exposure type.
- **Operational Risk** (Basic Indicator Approach)
Regulatory capital is calculated at 15% of the average gross operating income over the previous 3 years. To obtain the TREA, this figure is then multiplied by 12.5 times.
- **Market Risk** (Standardised Position Risk Requirement)
The Bank does not engage in proprietary trading such that market risk charges are insignificant.

1.2.2 Pillar 2: Supervisory Review and Basel 2 Buffers

- **C-SREP**
Under Pillar 2 of the Basel III requirements, BOBUK undertakes a self-assessment of its internal capital requirements under the Internal Capital Adequacy Assessment Process (“ICAAP”). As part of its supervisory review of capital (“C-SREP”), the PRA confirms or proposes adjustments to these add-ons and also applies an additional PRA Buffer to capture firm specific risks.
- **Basel 2 Buffers**
These are additional capital buffers introduced following the 2008 banking crisis that require all

internationally active banks to hold a Capital Conservation Buffer which has risen in stages to its current and final level of 2½ % of TREA and a Counter-Cyclical Buffer (CCyB) which is set by national regulators. The CCyB is built up in normal market conditions and released in times of stress. For example, the UK CCyB of 1% of TREA was released during the Covid pandemic and re-introduced at up to 1% in December 2022 building up to 2% in June 2023. The actual charge depends on the geographic distribution of the Bank's risk portfolio and at 31.12.2024 was approximately 0.8%. These buffers are available to be used for stress testing calculations.

The bank also carries an intra-day liquidity buffer.

1.2.3 Pillar III: Market Disclosure and Discipline

The third pillar of the Basel Capital accord (as amended) is designed to increase transparency by requiring banks to make additional disclosures and thereby allow market participants to assess key information on the Bank's capital, risk exposures and risk assessment processes.

This document represents BOBUK's adherence with this requirement.

1.3 Changes to the Capital Adequacy Framework

The UK is expected to complete its roll-out of the final stages of Basel during 2026 with the final implementation dates subject to national discretion.

This Pillar III Disclosures document begins to embed standard disclosure tables in the format designated by the UK Prudential Authority which is closely aligned with current EBA reporting templates. The Bank has adopted a proportionate approach linked to its relatively simple business model, a lack of proprietary trading books or use of hybrid capital instruments and the adoption of the Standardised Approaches under Basel II with ongoing transition to towards full implementation in the UK.

1.4 Firm Classification for Pillar III Reporting Purposes

The Bank is a non-listed firm with deposits below £50bn. The Bank's own gap analysis has determined that reporting Pillar III requirements should consist of the following:

- Governance [Section 2]
- Risk Management [Section 3]
- Overview of Risk Weighted Approach [3.5]
- Key Metrics [Section 3.6]
- Composition & Reconciliation of Own Funds [Section 3.7]
- Disclosure of remuneration Policy [Section 4]

2. Governance

2.1 Governance Structure

The Bank's corporate governance framework is driven by the Board which comprises two Executive Directors, three Non-Executive Directors representing the shareholder and three independent Non-Executive Directors (iNEDs). The Independent Non-Executive Directors have considerable commercial banking and regulatory experience gained at senior level from a cross section of internationally recognised financial institutions.

The Board has collective responsibility for promoting the long-term success of the Bank. While the Executive Directors have the direct responsibility for business operations, the Non-Executive Directors are responsible for bringing independent judgement and scrutiny to decisions taken by the Board.

The Board is responsible for ensuring the adequacy of the risk management systems of the Bank and for setting a clear statement of risk appetite. It is assisted in this by a framework of committees, functions and control function managers. Responsibility for overseeing the risk framework of the Bank is devolved to the following Committees:

Audit, Risk & Compliance Committee	The Board Audit, Risk & Compliance Committee ("ARCC") is responsible to the Board for the quality and effectiveness of the risk, compliance and audit functions of the Bank and ensures that the key risks to which the Bank is exposed and the adequacy and effectiveness of the controls to manage these risks are kept under review. It ensures that adequate resources are made available at all times in order to meet the Bank's regulatory and statutory obligations and that the executive management has established and maintains an effective system of internal controls on behalf of the Board.
Credit Committee	The Board Credit Committee ("BCC") reviews all requests for lending in excess of the designated authority of the Management Committee and ensures compliance with relevant lending policies. It is also responsible for approving the significant majority of credit risk assumed by the Bank, reviewing annually the Committee's Terms of Reference, the Bank's Credit Procedure Manual and Large Exposure Policies and any Country limits as recommended by Management Committee.
Remuneration and Nominations Committee	The Board Remuneration and Nominations Committee ("BRNC") combines two functions. For Remuneration it sets the over-arching principles and parameters of remuneration policy, determines the annual staff bonus pool and considers and approves the remuneration arrangements of the executive directors, and other senior managers. The role of the Nominations function is to support and advise the Board in ensuring it is comprised of individuals who are best able to discharge the duties and responsibilities of Directors ensuring that composition and succession are regularly assessed.

**Management
Committee**

The Management Committee (“ManCo”) and its two sub-committees (ALCO & Operational Resilience) is responsible for the efficient and controlled operation of the business. It is authorised to take all steps necessary to conduct the business of the Bank within the confines of the Board’s approved strategy, budgets and mandates. It is accountable to the Board for designing, implementing and monitoring the process of risk management and implementing it into the day-to-day business activities of the Bank.

ManCo is the managing body that reviews these disclosures and recommends them to the Board for approval.

3. Risk Management

3.1 Risk Appetite

Risk Appetite is the level of risk the shareholders and board of directors of the Bank choose to take in pursuit of its strategic objectives. As a wholly owned subsidiary of Bank of Beirut SAL, the parent company is the key stakeholder and the Board of Directors, as the representative of the key stakeholder, seeks to achieve its critical business objectives whilst ensuring that the interests of other stakeholders in the organisation are enhanced and respected. Such other stakeholders are the management and employees of the Bank, regulators and of course customers and creditors.

Business strategy is supported by a clearly articulated and measurable statement of risk appetite expressed in terms that can be readily understood by employees throughout the business. The Risk Appetite Statement (RAS) is owned by the Board, integral to the strategy being pursued and signed off and actively used by it to monitor and control actual and prospective risks and to inform key business decisions.

3.2 The Three Lines of Defence Model

The Bank follows the industry standard approach of “3 Lines of Defence” comprising:

3.2.1 The First Line (functions that own and manage risks)

This consists of managers and staff who are responsible for identifying and managing risk as part of their accountability for achieving objectives. Collectively, they should have the necessary knowledge, skills, information, and authority to operate the relevant policies and procedures of risk control. This requires an understanding of the company, its objectives, the environment in which it operates, and the risks it faces.

3.2.2 The Second Line (functions overseeing or specialising in compliance or risk management)

This provides the policies, frameworks, tools, techniques and support to enable risk and compliance to be managed in the first line, conducts monitoring to judge how effectively they are doing it and helps ensure consistency of definitions and measurement of risk.

3.2.3 The Third Line (functions providing independent assurance)

This is provided by internal audit which is outsourced to Forvis Mazars LLP. Reporting to the INED Chair of ARCC, it provides a risk-based evaluation of the effectiveness of governance, risk management, and internal controls based on an Annual Audit Plan.

3.3 Risk Universe

The following risks are included in the Bank’s Risk Management Framework Document (RMF) which is subject to annual renewal and approval by the Board. For these Pillar 3 disclosure purposes, the reference document is the RMF approved by the Board in December 2024.

3.3.1 AML/Financial Crime and Compliance with the Regime

Whether the Bank becomes a vehicle for furthering financial crime including money laundering and terrorism financing.

The Bank has embedded risk-based AML controls and procedures to monitor transactions.

Details of the Bank’s approach to AML and Financial Crime risks are contained in the AML Financial

Crime and Account Opening Policy. Separate Compliance Manual and Policy documents provide additional information and tools to staff for reporting suspicions whilst annual AML training is a prerequisite for all employees.

3.3.2 **Business (Strategic) Risk**

Whether the competitive environment in which the Bank operates could give rise to poor strategic planning and decisions and/or an inability to properly implement strategic plans.

The Bank has a Budget and Business Planning process with challenge at internal and Board level. BOBUK Executive Directors attend meetings and strategy sessions with the parent company and affiliated banks in Australia and the Middle East to ensure that its business is aligned with current and likely market developments.

3.3.3 **Capital Adequacy**

Whether the Bank has sufficient resources to continue to meet the threshold conditions for authorisation over a three year time horizon in normal and stressed conditions.

The Bank prepares an Individual Capital Adequacy Assessment Process (ICAAP) document annually to assess whether it continues to maintain sufficient capital to support planned business. The ICAAP is subject to annual review and approval by the Board or sooner if there is a significant change to the business model.

The Board plays an active role in scenario planning for stress testing and the PRA conducts a periodic firm-specific assessment of capital requirements under Pillar 2 (C-SREP) and cascades on decisions of the UK Financial Stability Board in relation to elements of the Combined Buffer where national discretion applies – e.g. temporary removal of the Counter-Cyclical Buffer requirement to manage the consequences of Covid-19.

The capital position is calculated formally each quarter by the Bank's Finance Department and considered monthly by ALCO as part of its review of the Risk Dashboard. The dashboard is reviewed by ARCC six times per annum.

Pillar III disclosures (this document) are made to enhance market understanding and transparency.

3.3.4 **Climate Change**

Whether physical or transition risks linked to climate change may adversely impact the Bank's franchise or viability over time and whether reputational risks arising from ESG could adversely impact the bank's reputation.

The Board has determined that the Bank should pay due regard to financial, reputational and environmental & social risks (ESR) to project-affected ecosystems, communities and the climate. Such risks are avoided where possible or minimised where not. A separate Climate Change Policy & Action Plan sets out the Bank's position and includes the output from resources supported by the UK regulators. The Bank undertakes to regularly review and update as appropriate the Climate Change Policy and Action Plan in order to quantify and mitigate climate change risk in a manner proportionate with its business model.

3.3.5 **Conduct Risk (including Regulatory Risk)**

Whether the Bank conducts its business in a manner that accords with UK Companies Act and regulatory expectations, with due regard for the fair treatment of customers.

BOBUK holds a full banking licence in the UK with conduct risks overseen by the Financial Conduct Authority. Separate Corporate Governance and Conflicts of Interest policies are in place (the latter forming part of the Compliance Manual).

The following performance indicators determine the Bank's customer service posture:

- Level of complaints recorded in accordance with UK statutory requirements
- Breach registers maintained by Compliance
- TCF and client vulnerability considered at each meeting of ManCo

The following performance indicators govern the Bank's regulatory risk appetite:

- Compliance with laws, rules and regulations
- Minimal exception reporting by auditors and regulatory bodies

3.3.6 Voluntary Codes

The Bank has adopted the following voluntary codes that underpin sound market principles:

- The FX Global Code
- The UK Money Markets Code
- The Lending Standards for Business Customers

3.3.7 Credit Risk

Whether the Bank has a sufficiently robust credit process to prevent unsecured on or off balance sheet obligations reaching Stage 3 under IFRS9.

The Bank's appetite for credit risk is limited in scope and duration. The markets in which BOBUK operates give rise to high capital charges under the Standardised Approach, with significant Pillar 2A adjustments for concentration risk that are common for firms with a wholesale risk asset orientation. Daily and monthly reporting is undertaken to monitor exposures. Excesses are monitored independently by Risk Management.

BOBUK's credit policies and procedures are designed to align the Bank's risk appetite with credit authorities and renewals. Authorities are delegated according to the risk characteristics and tenor of individual counterparties and transaction types whilst individual, geographic, sectoral and product-risk limits are in place. Collateral is taken where appropriate. Policy matters are dealt with in the Credit Policy while detailed procedures are set out in the Credit Procedures Manual.

In addition to regulatory capital charges, the Bank has adopted IFRS9 to calculate forward looking charges linked to the probability of default of counterparties and the expected credit losses that will arise. Product risk, economic scenarios and relevant available collateral have been taken into account.

3.3.8 Financial Viability

Whether the Bank ceases to generate sufficient financial returns to cover its operating costs and deliver a return to shareholders – for whatever reason.

The following performance indicators are used to measure the Bank's performance:

- Capital Adequacy Ratio
- Liquidity Coverage Ratio

- Leverage Ratio
- Net Stable Funding Ratio
- Net Interest Margin
- Cost to Income ratio
- Return on Equity

The Bank is subject to external audit and its status as a Public Interest Entity leads to more stringent scrutiny and reporting requirements. A Going Concern Statement is included in the accounts.

3.3.9 Human Resource Risk

Whether there is unwanted turnover of staff – the Bank’s most valuable resource – because of poor working conditions, inadequate pay and benefits or a lack of opportunity to develop and progress in the Bank.

The Bank aims to align its pay with comparable market data whilst providing a progressive range of core and flexible benefits to staff. Policies are also in place to protect individual rights and encourage integrity, co-operation, adaptability and commitment. A comprehensive Employee Handbook sets out the details.

Remuneration matters, including in relation to Code Staff, are dealt with by The Remuneration and Nominations Committee of the Board of Directors which is chaired by an INED.

3.3.10 Liquidity

Whether the Bank has sufficient liquid resources to meet its commitments as they fall due on a self-sufficiency basis and under stressed conditions.

The Bank prepares an Individual Liquidity Adequacy Assessment Process (ILAAP) designed to ensure that it can survive a series of idiosyncratic and market-wide stress events. The ILAAP is subject to annual review or sooner if there is a significant change to the business model.

Liquidity position and associated regulatory (LCR & NSFR) and own (LRP) stress testing is calculated daily by Finance and Risk Management respectively. Results are also included in a Risk Dashboard which is reviewed by ManCo and ARCC. The PRA conducts a periodic firm-specific assessment of liquidity adequacy (L-SREP). A Liquidity Risk Policy is in place. Liquidity contingency funding planning forms part of the Bank’s Recovery Plan.

3.3.11 Market Risk (FX and Interest Rates)

Whether the re-pricing of assets or liabilities in different currencies or the sudden movement in underlying funding costs could expose the Bank to financial loss.

Despite not undertaking any proprietary trading the Bank’s capital and earnings are in Sterling whilst the majority of its revenues are in US\$. Absolute limits are set on the amount of open market that the risk that the Bank can carry as set out in separate Credit, Treasury and Market Risk Policies.

The following performance indicators govern the Bank’s market risk appetite:

- Net open FX position limits
- Interest rate gap limits (reported quarterly; other than to hold short-dated UK, EU and US Government Securities for liquidity coverage purposes, the Bank does not have a fixed income portfolio)
- Capital requirements monitored in accordance with regulatory guidance / agreement under

the Voluntary Application for Imposition of Requirements (VREQ) process

Periodic stress testing in accordance with UK regulatory requirements (200bp shift) is undertaken.

3.3.12 **New Product / Service Risk**

Whether the introduction of a new product or significant variant of an existing product exposes the Bank to degradation of service, financial losses or heightened operational risk.

BOBUK has a New Product and Services Process including additional controls for material outsourcing arrangements and consideration of cyber security, modern slavery, TCF and ESR. All new products that are not simply a variant of an existing business line must be signed off by the Board.

3.3.13 **Operational Risk**

Whether losses or risks arise because of inadequate or failed internal processes, people and systems, or from external events.

In addition to making a specific capital charge for operational risk the Bank has a sound internal control structure including daily reconciliations, clear segregation of duties and the “four eyes” principle applied to the release of any payment and approval of any commitment by the Bank. Details can be found in an Operational Risk Policy and Departmental Procedure Manuals while the outsourced Internal Audit function reviews the control environment as part of its annual audit programme.

Risk Control Self-Assessments are undertaken on a proportionate basis covering the key areas of the Bank where operational and control risks are most likely to arise. These are:

- Trade Finance
- Operations
- Treasury

A risk treatment strategy for each risk will be considered as follows:

- Treat/mitigate the risk,
- Tolerate/accept the risk,
- Terminate/stop carrying out the activity that is creating the risk, or
- Transfer/pass on the risk to another party.

Any residual risks that are not able to be mitigated must be accepted by the Board via ARCC.

The Risk Management Department maintains Risk Monitoring Programme (RMP) that is updated each month for ManCo. Medium and higher rated risks are reported to ARCC six times per annum. The Bank’s Risk Register forms part of the RMP.

3.3.14 **Operational Resilience**

Whether the Bank has taken the necessary steps to enable it to withstand serious but plausible operational incidents

Operational Risk management is focussing more on resilience to events that are assumed will happen rather than prevention of incidents altogether.

In line with regulatory expectations, the Bank has developed its work in this area. An Impact Tolerance Framework (ITF) with associated Impact Tolerance Statements (ITS) designed to build and maintain operational resilience at BOBUK. The framework prioritises those business services which, if disrupted,

have the potential to:

- threaten BOBUK's ongoing viability
- cause harm to consumers and market participants
- undermine financial stability

The Board has determined that BOBUK will:

- focus on managing cyber risk in an increasingly inter-connected market
- be prepared to recover from as well as mitigate against disruptive events
- focus on communication as a key factor in managing the consequences of disruption
- quantify the amount of disruption that may be tolerated
- develop clear metrics
- link impact tolerance to investment decisions

In so doing it has noted that:

- BOBUK does not provide any critical functions i.e. those that play an important role in the real economy or in the financial system
- BOBUK has sizeable capital and liquidity surpluses and is considered easily resolvable
- conduct risk is heightened in relation to geography and product but many products rated high risk in the UK's National Risk Assessment are not offered
- the ITSs are deemed proportionate to the scale and complexity of the firm

The Resilience Framework includes asset mapping to ensure that all relevant systems and processes that support the provision of the services identified in the ITF are understood - including those outsourced to third parties and is described in a Key Risk Tolerance Indicator (KTRI) Mapping & Impact Tolerance Scenario Testing & Plan document.

A Stakeholder Communication Plan ensures that escalation is possible via the ready availability of contact information for key stakeholders and to minimise harm to consumers, vulnerable clients and the environment.

3.3.15 Outsourcing Risk

Whether the Bank could suffer degradation of service, financial losses or heightened operational risk because of the failure of a material outsourcing partner.

The Bank's Outsourcing Policy sets out the procedures to be followed including both internal and external questionnaires. Existing material providers are subject to periodic review using the internal assessment framework. Oversight of Outsourcing is a prescribed responsibility under SMCR, allocated to the Director Finance & Operations.

Outsourcing Risk Assessments include a Data Protection Impact Assessment for GDPR purposes and otherwise have a particular focus on cyber-security risks.

3.3.16 Recovery & Solvent Exit Planning and Resolution

Whether the Bank is unable to recover from severe events such that losses could accrue to the UK taxpayer.

The Bank prepares a Recovery Plan (RP) which includes triggers that will act as early warning signals to alert stakeholders to undertake pre-determined steps to recover the business and prevent the need for resolution. The RP is subject to annual review or sooner if there is a significant change to the business model. A Play Book is in place to ensure consistent and timely management actions ensue if

recovery action is indicated.

The PRA does not require the Bank to prepare a Resolution Pack and its approved resolution strategy is via the Banking Insolvency process. Regular testing is undertaken to ensure that eligible deposits would be paid out in a timely fashion under the UK Financial Services Compensation Scheme (FSCS) were resolution required. A Solvent Exit plan will be prepared by October 2025 to meet UK regulatory requirements.

The RP dovetails with the ICAAP and ILAAP.

3.3.17 Reputational Risk

Whether risk arises from negative public opinion as a result of the Bank (direct risk) or external parties (indirect risk), irrespective of whether these are based on facts or public perception.

The Bank values its reputation and is committed to maintaining the highest level of ethical standards. An Anti-Bribery and Corruption Policy, reinforced by periodic compulsory and assessed training for all staff, reinforces the need for all employees to be vigilant in ensuring that this goal is upheld.

The INED Chair of ARCC acts as the Bank's Whistleblowers' Champion and is responsible for preparing an annual Whistleblowing Report as set out in a separate Whistleblowing Policy.

3.3.18 Model Risk

Whether adverse consequences could arise from model errors or the inappropriate use of modelled outputs to inform business decisions. These adverse consequences could lead to a deterioration in the prudential position, non-compliance with applicable laws and/or regulations, damage to a firm's reputation and/or lead to financial loss.

BOBUK does not have in place or appetite for models currently subject to PRA Supervisory Statement 1/23 (essentially those approved by the PRA to calculate a capital requirement from credit or trading risk) but has implemented a framework to keep an inventory of models in use. An inventory of models identifies the purpose of each, the model developer, owner, validator and user(s). The inventory forms an appendix to a Model Risk Management (MRM) policy which is subject to annual review by the Board.

3.4 Financial Reporting Extracts

The current auditors are MHA LLP, UK which issued an unqualified opinion in relation to the financial report and accounts for the year ended 31st December 2024. The audited financial statements are filed at UK Companies House and may be accessed on the Bank's website via the following link: [Link to BOBUK Annual Report 2024](#). Excerpts in relation to Pillar 1 risks are given below.

3.4.1 Credit risk

The Bank's exposure to credit risk arises where there is a possibility of a counterparty defaulting on its obligations to the Bank. Credit risk exposure is controlled on a daily basis through close monitoring of client positions and is assessed with the aid of credit ratings. The credit department carries out day-to-day management of credit risk, while overall responsibility resides with the Bank's Board Credit Committee. The Bank will take collateral when required; this may be security over a customer's assets, or more commonly, cash.

Effective from 1 January 2018 the Bank adopted the International Financial Reporting Standard IFRS9 to calculate and measure expected credit losses (ECLs) that are over and above regulatory capital charges calculated in accordance with the Standardised approach to credit risk in accordance with the

Basel methodology.

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Bank's loans and advances to customers and other banks. For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, sector and country concentration risk).

The Board of Directors has delegated responsibility for the management of credit risk to its Board Credit Committee and Management Committee. Their main duties include the approval of credit applications and credit provisions, the approval of credit policy and subsequent amendments.

The Bank's maximum exposure to credit risk after taking account of any collateral and other credit risk mitigations, by class of financial instrument is shown in the table below:

	2024		2023	
	Carrying Value	Maximum Exposure	Carrying Value	Maximum Exposure
	£	£	£	£
Placement with banks:				
Loans and receivables	139,666,071	139,666,071	84,957,369	84,957,369
Loans and advances to customers:				
Loans and receivables	121,490,730	114,558,966	121,214,222	114,232,104
Net letters of credit and guarantees	55,469,707	26,067,502	54,642,271	47,348,090
Loan commitments (unutilised)	30,446,300	28,517,824	29,626,900	23,035,505
	<u>347,072,808</u>	<u>308,810,363</u>	<u>290,440,762</u>	<u>269,573,068</u>

The table below summarises the sector and location of concentration risk for the Bank at the year-end

	Loans and advances to customers	Loans and advances to customers
	2024	2023
	£	£
Concentration by risk location		
UK	46,960,032	33,223,149
Europe	380,000	901,274
Africa	60,072,030	77,672,459
Rest of the world	14,078,667	9,417,340
	<u>121,490,729</u>	<u>121,214,222</u>

The following section sets out information in accordance with the rules of the PRA set out in the Public Disclosure section of the PRA Rulebook and as the PRA has otherwise directed, as adjusted for the products and services offered by the firm.

The numerical gaps in the first column of each table relate to activities and reporting requirements that are not applicable to BOBUK.

3.5 Overview of Risk Weighted Exposures Amounts (RWEA)

Template UK OV1		Risk weighted exposure amounts (RWEAs) £		Total own funds requirements £	
Overview of risk weighted exposure amounts		2024	2023	2024	2023
1	Credit risk (excluding CCR)	208,563,266	220,068,637	16,685,061	17,605,491
2	Of which the standardised approach	208,563,266	220,068,637	16,685,061	17,605,491
6	Counterparty credit risk (CCR)	110,021	150,673	8,802	12,054
7	Of which the standardised approach	110,021	150,673	8,802	12,054
23	Operational risk	41,433,279	28,314,262	3,314,662	2,265,141
UK 23a	Of which basic indicator approach	41,433,279	28,314,262	3,314,662	2,265,141
29	TOTAL	250,106,567	248,533,572	20,008,525	19,882,686

Credit Risk weighted assets were stable in 2024 although the composition changed with lower credit risk weighted assets reflecting higher USD liquidity in several of the Bank's key markets.

The higher basic indicator charge for Operational Risk reflects a trend of growing operating earnings in part linked to higher global interest rates.

3.6 Key Metrics

The following template summarises the key prudential metrics for BOBUK which demonstrate strong capital, liquidity and leverage positions in relation to minimum regulatory requirements and significant loss absorbing and underwriting capacity.

Template UK KM1		2024	2023
Key metrics template		£	£
AVAILABLE OWN FUNDS (AMOUNTS)			
1	Common Equity Tier 1 (CET1) capital	108,973,693	105,763,661
2	Tier 1 capital	108,973,693	105,763,661
3	Total capital	124,916,300	121,468,412
RISK-WEIGHTED EXPOSURE AMOUNTS			
4	Total risk-weighted exposure amount	250,106,567	248,533,572
CAPITAL RATIOS (AS A PERCENTAGE OF RISK-WEIGHTED EXPOSURE AMOUNT)			
5	Common Equity Tier 1 ratio (%)	43.57%	42.56%
6	Tier 1 ratio (%)	43.57%	42.56%
7	Total capital ratio (%)	49.95%	48.87%
ADDITIONAL OWN FUNDS REQUIREMENTS BASED ON SREP (AS A PERCENTAGE OF RISK-WEIGHTED EXPOSURE AMOUNT)			
UK 7d	Total SREP own funds requirements (%)	14.09%	12.95%
COMBINED BUFFER REQUIREMENT (AS A PERCENTAGE OF RISK-WEIGHTED EXPOSURE AMOUNT)			
8	Capital conservation buffer (%)	2.50%	2.50%
9	Institution specific countercyclical capital buffer (%)	0.81%	0.55%
11	Combined buffer requirement (%)	3.31%	3.05%
UK 11a	Overall capital requirements (%)	17.40%	16.00%
12	CET1 available after meeting the total SREP own funds requirements (%)	82.60%	84.00%
LEVERAGE RATIO			
13	Total exposure measure excluding claims on central banks	446,181,573	345,983,188
14	Leverage ratio excluding claims on central banks (%)	21.19%	26.38%
LIQUIDITY COVERAGE RATIO			
15	Total high-quality liquid assets (HQLA) (Weighted value-average)	125,107,054	93,520,027
UK 16a	Cash outflows - Total weighted value	149,151,238	95,745,955
UK 16b	Cash inflows - Total weighted value	236,297,324	158,792,278
16	Total net cash outflows (adjusted value)	37,287,810	23,936,489
17	Liquidity coverage ratio (%)	335.52%	390.70%
NET STABLE FUNDING RATIO			
18	Total available stable funding	255,073,231	228,783,713
19	Total required stable funding	78,431,888	61,635,979
20	NSFR ratio (%)	325.22%	371.19%

Larger banks are expected to maintain a Leverage ratio at a minimum of 3.25% (BOBUK >20%) whilst the regulatory minimum requirement is 100% for both Liquidity Coverage Ratio and Net Stable Funding Ratio (BOBUK >300% on both measures at 31st December 2024).

3.7 Composition & Reconciliation of Own Funds

Template UK CC1		2024	2023
Composition of regulatory own funds		£	£
REGULATORY OWN FUNDS			
1	Paid Up Ordinary Share Capital	34,150,000	34,150,000
2	Previous Year's Retained Earnings	76,145,787	71,696,745
UK5a	Independently reviewed interim profits net of declared dividend	-	-
6	SUM OF ROWS 1- UK5a	110,295,787	105,846,745
8	Intangible Assets (net of related tax liability - nil in both years)	-1,322,094	-83,084
12	Negative amounts resulting from the calculation of expected loss amounts	-	-
UK27a	Other - IFRS 9 transitional adjustments	-	-
28	TOTAL REGULATORY ADJUSTMENTS TO CET1	-1,322,094	-83,084
29	COMMON EQUITY TIER 1 (CET1) CAPITAL	108,973,693	105,763,661
58	Subordinated loans eligible as Tier 2 (T2) Capital	15,942,607	15,704,751
59	TOTAL CAPITAL	124,916,300	121,468,412

A GBP 16 million Subordinated Loan was repaid effective 11 January 2023, whilst at the same time the maturity of the remaining USD 20 Million Subordinated Loan (GBP Equivalent 15.7m at 31.12.2023) was extended by a further 3 years to 29 May 2030.

4. Remuneration Policy

In accordance with the Capital Requirements Regulation remuneration disclosure requirements, as further elaborated in the FCA's General guidance on Proportionality: The Remuneration Code (SYSC 19A) & Pillar 3 disclosures on Remuneration (Article 450 of the CRR), the Firm falls within proportionality level 3 and is required to provide the following disclosures regarding its remuneration policy and practices for those categories of staff whose professional activities have a material impact on its risk profile.

The Bank has a Remuneration Policy which is reviewed and upheld by the Remuneration and Nominations Committee of the Board in accordance with the Remuneration Requirements of the UK regulatory sourcebooks. The Committee is responsible for establishing, implementing and maintaining remuneration policies, procedures and practices that are consistent with and promote sound and effective risk management.

4.1 Information on Pay & Performance

As per CRR Article 450(b) the BOBUK uses a combination of fixed and variable compensation where the fixed component is considered to be a sufficient proportion of the overall remuneration package as to allow the firm to operate a discretionary bonus policy. The Bank currently sets the variable component in a manner which takes into account the individual performance, performance of the individual's business unit and the overall results of the firm. Staff performance is formally evaluated and documented at least once annually. Such assessments also consider the staff's contributions in promoting sound and effective risk management where appropriate.

4.2 Remuneration of Key Management Personnel

The remuneration of the directors, who are the key management personnel of the Bank, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures.

	2024	2023
	£	£
Short-term employee benefits	1,317,437	1,077,683
Post-employment benefits	30,047	29,275
	<u>1,347,484</u>	<u>1,106,958</u>