



Pillar 3 Disclosures



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1. INTRODUCTION

1.1.1. Overview

Bank of Africa United Kingdom plc (“BOA UK” or “the Bank”) is a bank incorporated in England and authorized by the PRA and regulated by the FCA and the PRA. BOA UK was established in 2007 and is a wholly owned subsidiary of BMCE International Holdings plc which in turn is a wholly owned subsidiary of the ultimate parent group, Bank of Africa-BMCE Group (Morocco) otherwise referred to as ‘Bank of Africa Group’ or ‘Bank of Africa’ in this document. BOA UK has one branch in Paris, France.

The Bank’s principal activity is commercial banking, focusing on trade, loan solutions and syndications for target customers based in Africa or with an interest in the region and treasury and capital Markets (“TCM”), focusing on currency trading and money market activities.

BOA UK operates and acts as an interface between African corporates, financial institutions (“FI”), public and semi-public entities and the international financial markets.

1.1.2. Purpose

This document comprises BOA UK’s Pillar 3 disclosures on capital and risk management as of 31 December 2024. The principal purposes being:

- a) to meet the regulatory disclosure requirements under Capital Requirement Regulations (“CRR”) & Directive, Part 8 – Disclosure by Institutions.
- b) to meet the rules the PRA set out in the PRA Rulebook
- c) to provide further useful information on the capital and risk profile of BOA UK.

1.1.3. Background

The European Union (EU) Capital Requirements Directive (“the Directive” or “CRD”) came into effect on 1 January 2007. It introduced consistent capital adequacy standards and an associated supervisory framework in the EU based on the Basel II Accord. On 1 January 2014, the regulatory disclosure requirements of the CRR and the CRD Basel III regulations, commonly known as CRD IV, revised the definition of capital resources and included additional capital and disclosure requirements.

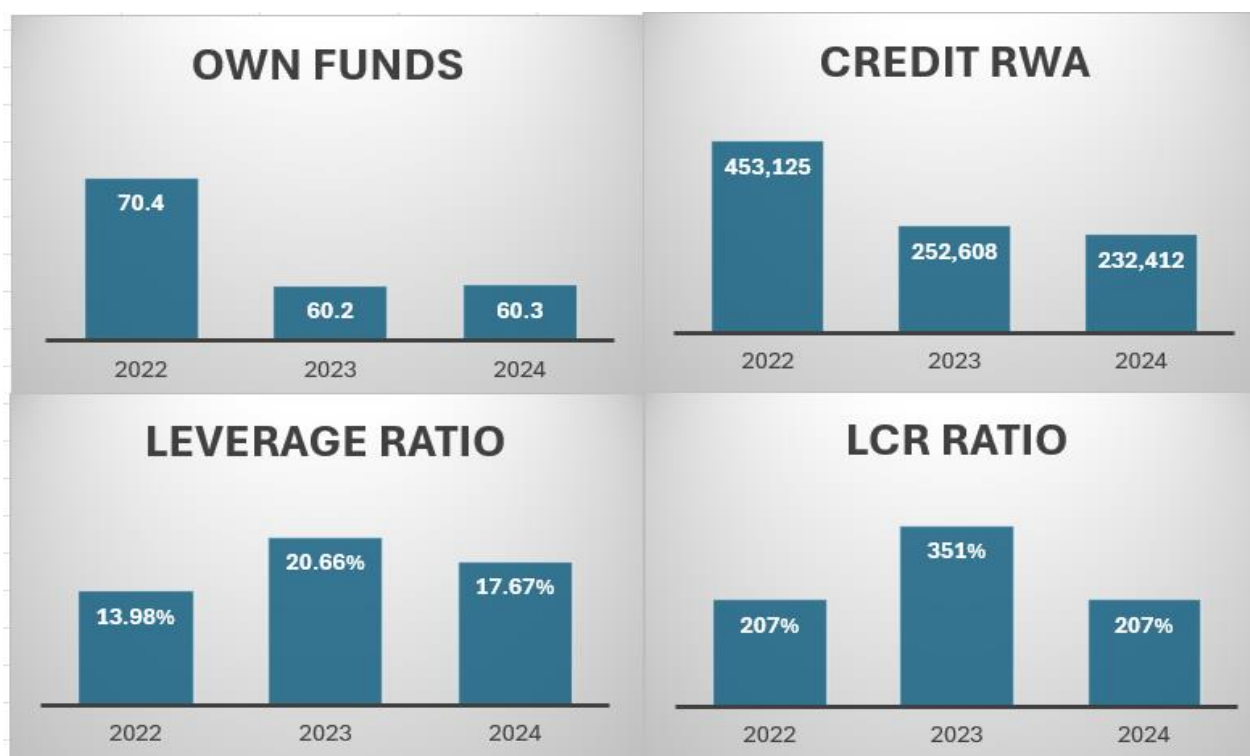
The aim of the capital adequacy regime is to promote safety and soundness in the financial system, structured around three ‘pillars’. The ‘Capital Requirement Framework’ which firms are required to apply is described below.

The Basel framework comprises of three “pillars” which are designed to promote market discipline through the disclosure of key information about risk exposures and risk management processes.

- **Pillar 1** on minimum capital requirements: Pillar 1 sets out the minimum capital requirements that firms are required to meet for credit, market and operational risk.
- **Pillar 2** on the supervisory review process: The supervisory review process requires firms and supervisors to take a view on whether a firm should hold additional capital against those factors not considered by the Pillar 1 process (e.g., interest rate risk in the banking book, concentration, business and strategic risk); and factors external to the firm (e.g., business cycle effects). To comply, institutions are required to develop adequate arrangements, strategies, processes and mechanisms, to maintain sound management and coverage of their risks, including maintenance of the prescribed capital requirements.
- **Pillar 3** on market discipline: Pillar 3 aims to promote market discipline by requiring firms to publish a set of disclosures which provide market participants with key information to assess the firm's capital, risk exposures, risk assessment process and the capital adequacy of the firm.

The disclosures contained in this document cover both the qualitative and quantitative disclosure requirements of Pillar 3, as set out in the CRR, and based on data as of 31 December 2024 with comparative figures for 31 December 2023 where relevant.

1.1.4. KEY METRICS



1.1.5. DISCLOSURE POLICY

This document represents the Pillar 3 disclosures of BOA UK on 31 December 2024. These disclosures have been prepared purely for the purpose of explaining the basis on which the Bank has prepared and disclosed the capital requirements, providing information about the management of risks relating to those requirements.

This report has not been prepared for any other purpose. Therefore, it does not constitute any form of financial statement of the Bank, nor does it constitute a forward-looking projection of the Bank. The Bank does not seek any exemption from disclosure based on materiality or based on proprietary or confidential information. In accordance with the requirements of the CRR, the disclosures contained in this document cover both the qualitative (e.g., processes and procedures) and quantitative (e.g., actual numbers) requirements. In addition, the disclosures should be read in conjunction with BOA UK's most recent Annual Report.

1.5.1 Disclosure Policy: Location, Verification, Frequency & the Banks Principal Activities.

- i. **Location:** This report is published on the BOA UK corporate website at (www.bankofafricauk.co.uk/contact/).
- ii. **Verification:** The Bank's Pillar 3 disclosures have been primarily prepared to explain the capital requirements as well as the management's strategies on risks. This is not a financial statement and hence has not been audited. In accordance with the requirements of the CRR, the disclosures are both qualitative and quantitative. These disclosures have been subject to internal review and validation prior to being published.
- iii. **Frequency:** These disclosures are updated annually and in line with the publication of the financial statements unless there are significant changes in the risk profile or governance structure of the Bank that need to be disclosed.

- iv. **Principal Activities:** The principal activities of BOA UK are to provide conventional commercial banking services (namely loan solutions and syndication, trade finance, treasury & capital markets) to customers.

1.1.6. Scope of Application

As of 31 December 2024, BOA UK operates a branch in Paris. All decision-making for the branch takes place in London, but transactions are booked in both the London and Paris offices. BOA UK has not applied for any internal ratings based (“IRB”) waivers and consequently, no Pillar 3 IRB disclosures are included in this document.

1.1.7. Prudential Consolidation

The Bank is a single entity, so no consolidation is performed.

2. RISK MANAGEMENT OBJECTIVES AND POLICIES

2.1.1. Strategies and Processes

The ultimate governing body of BOA UK is its board of directors (the “Board”), who have responsibility for strategic direction and overall control of the bank including its overall governance and risk management. BOA UK is a wholly owned subsidiary; hence the strategy of the bank is agreed together with its parent, Bank of Africa Group.

The Board has overall responsibility for the establishment and oversight of BOA UK’s risk management framework and approves the risk management policies and procedures of the Bank.

The Board has established several committees comprising of the Board Risk Committee (“BRC”), Remuneration & Governance Committee (“RemCo”) and Board Audit Committee (“BAC”) for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank and to monitor compliance with the Bank’s risk management policies and procedures. The BAC is assisted by Internal Audit, which undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the BAC.

BOA UK’s risk management policies have been established to identify and analyze the risks faced by the Bank, to set appropriate risk limits and controls and to monitor risks and adherence to those limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. BOA UK, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which its employees understand their roles and obligations. The Bank ensures that BOA UK’s business is conducted with integrity, due skill, care and diligence at all times.

2.1.2. Board of Directors

As of 31 December 2024, the Board consisted of 7 Non-Executive Directors (“NEDs”) of which 4 were Independent NEDs and the CEO. Directors are appointed by the board and selected according to their knowledge and experience and the needs of the Bank.

The principal functions of the Board are to:

- (a) have oversight of the governance framework in which the Bank is responsibly managed, including the nomination, appointment, removal, remuneration, succession planning and evaluation of its executive and non-executive Directors, CEO, and senior managers.
- (b) review the performance of the Bank, in line with its financial, regulatory and cultural expectations.

- (c) maintain a compliant and ethical culture throughout the Bank.
- (d) ensure the integrity of the Bank's accounting and financial reporting systems, including its financial and operational controls.
- (e) assess and periodically review the effectiveness of the Bank's policies, arrangements and procedures to comply with the Bank's regulatory obligations and take appropriate measures to address any deficiencies.
- (f) determine the nature and extent of significant risks faced by the Bank.
- (g) ensure that the Bank has sufficient resources including capital, key and experienced staff for the business to meet its objectives and effectively manage risk.
- (h) ensure that judgements and decisions are made with due regard to the creation or increase in conduct risk and to take proactive steps to avoid or present those where possible.
- (i) review and approve new products, services and other business proposals relevant to the Bank and its business.
- (j) be consulted on any changes to the operating model of the Bank which may impact on its financial and risk exposure, including but not limited to technology, IT, and outsourcing.
- (k) consider the adequacy of all management information (and where necessary requiring its enhancement) and review, monitor and approve standard reporting on the financial performance, market and credit exposures, capital, liquidity, and funding.
- (l) constitute board committees and determine and periodically review their terms of reference, assign Board members and other officers or employees engaged in the business of the Bank to such committees and review the reports and recommendations of any board committee so constituted.
- (m) implement an appropriate process for assessing the effectiveness of the Board, the Chairperson of the Board, board committees and directors in fulfilling their responsibilities. The Board will review the reporting following completion of the evaluations and approve and oversee any improvement actions arising.
- (n) ensure that Bank of Africa Group is informed of regulatory violations, any pending capital needs and any other issues that may affect Bank of Africa Group.
- (o) manage conflicts and deal with matters regarding disputes, significant events or capital, financial or management issues and avoid or manage conflicts of interest in accordance with the applicable law and regulation. This includes annual attestations on conflicts with directors, and as required by a change in circumstances.
- (p) set the parameters of any delegations and any authorities, granting signing authorities (appointment of authorized signatories on behalf of the Bank) and powers of attorney; and
- (q) approve and ratify agreements, instruments and contracts for the Bank (including granting signing authorities or powers of attorney for such approvals and executions) where any such agreement, contract, arrangement or instrument does not come within the remit of the Executive Management or an existing board committee and is significant or material to the Bank by reason of value, structure, commitment, duration or risk.

2.1.3. The Board Risk Committee

The BRC reports to the Board. All its members are NEDs. The BRC meets quarterly but may meet more frequently in order to properly carry out its functions. The BRC was established by the Board to deal with all BOA UK's risk management related issues.

The purpose of the BRC is to assist the Board in monitoring the adequacy and the effectiveness of the Bank's risk management policies and processes and its responsibility is one of oversight and review. It does not provide expert advice nor exercise any executive role.

The duties and responsibilities of BRC are summarized below:

- (a) provide advice to the Board on the Bank's overall current and future risk appetite and assist the Board in overseeing the implementation of that strategy by senior management.
- (b) review whether prices of liabilities and assets offered to clients take fully into account the Bank's business model and risk strategy. Where they do not fully reflect the requisite risk, the BRC should present a remediation plan to the Board.
- (c) provide advice on risk strategies, including the oversight of current risk exposures of the Bank with an emphasis on prudential risks (credit, market, liquidity, operational, insurance, conduct and group risk).
- (d) review annually, based on reports from management, the policies and processes put in place by management to control and manage the risks identified in the risk matrix, assess their adequacy and effectiveness, and report any material deficiencies to the Board.
- (e) review reports from management of material breaches of risk controls and events of non-compliance and consider the implication of such incidents for the integrity of the Bank's risk management controls.
- (f) consider complaints management information and assess for any patterns of complaints which may indicate the potential risk of breaches of regulatory obligations.
- (g) approve new products and/or activities.
- (h) review and approve any changes to the operating model of the Bank which may impact on its risk exposure, including but not limited to technology and IT risk, resourcing and outsourcing risk; and
- (i) review IT risks around cyber security, data protection and related policies.

2.1.4. Board Audit Committee

The BAC is appointed by the Board to assist the Board in fulfilling its obligations relating to the integrity and operation of the internal control systems, compliance with regulatory and financial reporting of the Bank. It oversees the relationship with the Bank's external auditors and provides assurance to the Board that executive management's control assurance processes are implemented, complete and effective. The BAC safeguards the independence of, and oversees the performance of, the compliance and internal audit functions.

The BAC is made up of at least three members, each of whom is an independent non-executive director. A non-executive director may be a member of the BAC if they are deemed to have competency and skills of value to the BAC, provided the chairperson of the BAC and most of the BAC members are independent non-executive directors.

All members of the BAC must have recent and relevant financial experience and should have sufficient competence relevant to wholesale banking to understand, analyze and when necessary, challenge the management accounts and draft public financial statements.

At least one member of the BAC must have competence in accounting and/or auditing.

Members of the BAC shall be appointed by the Board on the recommendation of the governance and nomination committee, in consultation with the BAC chairperson.

Appointments to the BAC shall be for a period of up to three years, which may be extended for a further three-year period (or in exceptional circumstances one additional such period) provided the independent non-executive director members continue to remain independent, and each member still meets the criteria for membership of the Committee.

The Board shall appoint the BAC chairperson, on the recommendation of the governance and nomination committee, from among the independent non-executive directors that are members of the Audit Committee. The Board chairperson may be appointed as a member of the Audit Committee but may not be appointed as BAC Chairperson. In the absence of the BAC chairperson and/or an appointed deputy, the remaining members present shall elect one of them to chair the meeting.

The BAC chairperson should review succession plans of its members at least annually to ensure continuity and smooth succession planning, including the rotation of the chair where appropriate, in consultation with the chair of the governance and nomination committee

Only members of the BAC have the right to attend BAC meetings. However, other individuals such as the Board chairperson, directors, Chief Executive Officer, and other representatives from Bank of Africa, including a representative from their group audit department may be invited. It is expected that the Chief Finance Officer, the Head of Compliance & MLRO and the Chief Risk Officer attend all meetings. Other representatives may be invited to attend all or part of any meeting as and when appropriate and necessary for the Committee to fulfil their responsibilities.

The BAC chairperson's nomination is subject to approval by the PRA.

Duties and Responsibilities

The BAC should monitor the integrity of the financial statements of the Bank, including its annual audited accounts and quarterly management accounts, interim management statements, and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgements which they contain. The BAC should also review summary financial statements, significant financial returns to regulators and any financial information contained in certain other documents.

In particular, the BAC must review and challenge where necessary, in conjunction with the Bank's external auditor's views:

- (a) the consistency of, and any changes to, accounting policies both on a year-on-year basis and across the Bank.
- (b) the methods used to account for significant or unusual transactions where different approaches are possible.
- (c) whether the Bank has followed appropriate accounting standards and made appropriate estimates and judgements.
- (d) the clarity of disclosure in the Bank's financial reports and the context in which statements are made; and
- (e) all material information presented with the financial statements, such as the business review/operating and financial review and the corporate governance statement (insofar as it relates to audit and risk management).

The Committee shall:

- (a) keep under review the adequacy and effectiveness of the Bank's internal financial controls and risk management systems and monitor the proper implementation of such controls.
- (b) review and approve the statements to be included in the annual report concerning internal controls and risk management.
- (c) have oversight of the content and timely provision of regulatory reporting and filing of annual financial statements.
- (d) review the Bank's compliance with all existing and new regulations, including relating to regulatory reporting.
- (e) prior to submission to the Board, review the annual report on whistleblowing matters, including any instances of disclosure and reports to the FCA about each case the Bank contested but lost before an employment tribunal where the claimant successfully based all or part of their claim on detriment suffered because of making a protected disclosure; and
- (f) review the adequacy and security of the Bank's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The BAC shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow-up action.

2.1.5. Remuneration & Governance Committee

The RemCo is appointed by the Board to assist it in overseeing the Bank's remuneration & governance policies. This includes setting senior executive and director remuneration and developing and submitting recommendations to the Board in respect of employee benefits. Some of its functions relating to governance include:

- a) exercising general oversight in respect of the governance of the Board.
- b) having responsibility for the corporate governance policies and procedures in place at the Bank and making recommendations to the Board on any necessary improvements.
- c) assisting, and making recommendations to the Board in relation to proposed nominees for election and re-election to the Board and the Board committees.
- d) designing and having oversight of the framework for the annual assessment of the Board's performance and the Board's self-evaluation of itself and its committees.
- e) overseeing the Bank's diversity and inclusion strategy and objectives.
- f) determining and agreeing with the Board the framework or broad policy for the identification and remuneration of Material Risk Takers.
- g) reviewing the ongoing appropriateness and relevance of the remuneration policy and making recommendations on any required changes to the Board.
- h) agreeing with Bank of Africa on the annual performance appraisal format for the CEO which will include scorecard goals which will be used by the Committee to assess the CEO's performance and remuneration.
- i) recommending and monitoring the level and structure of remuneration for Material Risk Takers (as determined by the Board);
- j) in determining such policy, considering all factors which it deems necessary, including applicable legal and regulatory requirements, the PRA and FCA's Remuneration Codes and other relevant guidance.
- k) within the terms of the agreed policy and in consultation with the Board Chairperson and/or the Chief Executive Officer, as appropriate, annually reviewing and determining the total individual remuneration package of the Board chairperson, each executive director, the company secretary, and other employees determined to be Material Risk Takers, including bonuses, incentive payments and (if any) share options or other share awards;
- l) when making any performance-related remuneration decisions, the RemCo shall ensure that consideration is given to drive behaviors consistent with the Bank's purpose, values, and strategy and that the input from the chairpersons of the BRC and BAC is sought as to the performance and conduct of staff in the areas of risk management, compliance and internal audit recommendation follow up;
- m) determine the policy for, and scope of, pension arrangements for Material Risk Takers.
- n) approve the design of, and determine targets for, any performance related pay schemes operated by the Bank and approve the total annual payments made under such schemes, in designing any such scheme, the Committee must ensure that consideration is given to drive behaviors consistent with the Bank's purpose, values and strategy.

- o) When setting the remuneration policy (in respect of annual salary increases review), we have regard to the remuneration trends across the Bank and Ultimate Parent Bank.
- p) obtain reliable, up-to-date information about remuneration in other companies of comparable scale and complexity. To help it fulfil its obligations the Committee shall have full authority to appoint remuneration consultants and to commission or purchase any reports, surveys, or information which it deems necessary, within any budgetary restraints imposed by the Board.
- q) be exclusively responsible for establishing the selection criteria, selecting, appointing, and setting the terms of reference for any remuneration consultants who advise the Committee.
- r) Review and make a recommendation to the Board with respect to, any share ownership guidelines applicable to senior executives and Directors and review the shareholdings of the senior executives and Directors based on such guidelines established from time to time.
- s) review the design of all share incentive plans for approval by the Board and shareholders. For any such plans, determine each year whether awards will be made, and if so, the overall amount of such awards, the individual awards to executive Directors, the company secretary and other senior executives, and the performance targets to be used.
- t) oversee any major changes in employee benefits structures throughout the Bank.
- u) review and make a recommendation to the Board with respect to any disclosure related to executive remuneration included in any public disclosure document.
- v) agree with the policy for authorizing claims for expenses from all Directors and the Chief Executive Officer.
- w) the Committee Chairperson should regularly consult with the Audit Committee and/or whistleblowing champion as to the sufficiency of the Bank's arrangements for its employees to raise concerns, in confidence, about possible wrongdoings in financial reporting or other matters, including the proportionate and independent investigation of such matters and appropriate follow-up action.
- x) consider whether the Bank's remuneration policies have any unintended consequences which may impact on the Bank's diversity and inclusion policies; and consider such other matters as may be requested by the Board and work and liaise as necessary with all other Board committees.

2.1.6. Risk Management

The management of risk is a key element of the overall management of the Bank's operations. The Bank's policy is that all risks should be identified, evaluated, and managed appropriately. This forms the basis for better decision making and enables management to focus on its activities appropriately and ensures a prudent risk management culture is embedded in all business operations.

Specific risk appetite thresholds must be approved by the Board in relation to each business activity and in aggregate for the whole of BOA UK. Each business unit is responsible for managing the risks arising from its activities, and for ensuring that these risks are within the risk appetite parameters approved by the Board.

BOA UK's Credit Risk Policy set forth the roles and responsibilities of those supervisory bodies (e.g., Credit Committee, Board Risk Committee, etc.) and designated individuals (e.g., Chief Risk Officer, Business Heads, etc.) who participate in the risk management process of the Bank.

2.1.7. Credit Risk Management and Operating Structure

BOA UK is committed to having a strong credit function under which the Bank's exposures are controlled within a well-defined credit risk appetite. The credit systems and controls ensure that the exposures that the bank enters are prudent and are in line with its strategy.

General framework

Responsibility for ensuring that credit risk remains in line with the Bank's risk appetite falls within several different areas, which can be summarized as follows:

Approval

- **The Board** retains the ultimate responsibility for approving the Bank's risk appetite (see above), including the credit risk appetite, and for ensuring the establishment and adherence by management to sound principles for risk identification, measurement, monitoring, and control. It is also responsible for approving credits which fall within its authority – e.g., credits above the delegated authority of the Board Risk Committee.
- **BRC** has delegated authority from the Board for reviewing the firm's risk appetite, including the credit risk appetite, and for ensuring the establishment and adherence to sound principles for risk identification, measurement, monitoring, and control. It is also responsible for approving credits which fall within its authority – e.g., credits above the delegated authority of the Credit Committee.
- **The Credit Committee** is the main credit risk authority after the BRC. More specifically, it oversees the management of the credit risk structure, reviews, and approves credit applications within its authority and takes decisions on credit issues that are beyond the authorities granted to management.
- **The business units / front offices** undertake credit origination and relationship management in London and Paris and are primarily responsible for ensuring that credit risks are thoroughly assessed and present their requests to the relevant decision-making authority.
- **The Risk Management Department (“RMD”)** provides a second independent check prior to the submission of the application to Credit Committee. The business units are responsible for monitoring credit risks on a day-to-day basis.

They are responsible and accountable for the risks associated with the running of their operations and are responsible for the selection of clients in accordance with know your customer principles and for managing such clients within approved limits.

All new clients / counterparties must receive prior credit approval from the RMD, as well as clearance from the Compliance Department, before they may be approved and set up for trading on any BOA UK system.

Clients recommended transactions/exposure approval by the front office (staff in CIB and TCM) are independently vetted by RMD for relevant financial soundness checks and by Compliance for anti-money laundering checks. Upon completion of the relevant checks and approval of credit limits, accounts will be opened in line with the account opening procedures, after which credit transactions can be executed.

2.1.8. Market Risk Management and Operating Structure

BOA UK has a robust market risk framework to ensure the Bank undertakes acceptable business, manages its trading book effectively, and can respond appropriately to market events as they arise.

General framework

Responsibilities associated with the market risk department fall within various areas:

- **The Board** retains ultimate responsibility for approving the Bank's risk appetite (including market and liquidity risks) and consequently the allocation of capital. As with credit risk, there is a three-tier system for market risk approval and limit setting, and under no circumstances is the front office able to approve a proposal. The three levels of market risk/limit approval comprise the Board, BRC, ALCO, and the Chief Risk Officer with the Head of Global Business and Development or the CEO.
- **The Market Risk Team** is responsible for identifying, measuring, monitoring, and controlling market risk on an ongoing basis. The portfolio and individual transactions are also analyzed by market value, and duration. Instruments traded include:
 - a) bonds.
 - b) currency (spot & forward); and
 - c) money market.

- **Treasury Back office** is responsible for confirmation matching of executed trades with the bank’s counterparties, the maintenance of the ongoing transactions through their lifecycle (e.g., reconciliations, custodians, reporting, etc.) and ensuring that settlement is in line with correct payment instructions.
- Several other departments such as finance, operations, and information technology and compliance are also fundamentally involved with the Bank’s market risk monitoring activities.

2.1.9. The Scope and Nature of Risk Reporting and Measurement Systems

BOA UK uses several systems to manage, aggregate and process information. The data transitions from the source booking systems and several subsequent aggregation processes. This enables a consistent and aligned set of data from the different business units as well as the London office and Paris branch to be collated. All systems are bespoke and provided by third party vendors.

2.1.10. Policies for Risk Mitigating

BOA UK faces credit risk on its exposure to sovereigns and corporates from its capital markets, corporate banking and project finance businesses, and from its exposure to financial institutions and corporates from its trade finance and treasury activities. The Bank has a detailed credit risk policy providing further details on operating model, and information on how credit risk management processes are embedded in the business and overseen at the highest level within the Bank. BOA UK purchases insurance from firms rated at least single A- to mitigate credit and political risk.

The Bank does not have significant open positions on derivative products and uses these only to hedge its own FX or interest rate risk.

2.1.11. Risk Appetite Statement

The Board approves an overall risk appetite, which guides the strategy and business plan, in terms of the type of businesses which the Bank will enter, the type of customers which they will target and the type of products and services that BOA UK will use and provide. The risk appetite defines, at a detailed level, the limits, and targets that the bank will implement and at a higher level the aspirations of BOA UK’s strategic aims along with the general risk culture of the business.

The risk appetite also helps to define the internal management, systems and controls arrangements that are in place at BOA UK.

As a Bank, the acceptance of risk is fundamental to the business of BOA UK. The Bank’s consideration of risk appetite is governed by the strategic direction that the Bank has decided to take over the forthcoming period and its associated capital plan.

In order that this can be done, the Bank has distinguished between three types of risk for which it has risk appetite:

- business risks (credit risk and to a lesser degree market risk);
- consequential risks (mainly operational and legal risks); and
- liquidity risks.

These risks attract capital allocation which is calculated according to their classification into either pillar 1 or pillar II. The pillar 1 risks are:

- credit risk.
- market risk; and
- operational risk.

Pillar II risks include:

- concentration risk.
- interest rate risk in the banking book (“IRRBB”); and
- additional operational risk.

For 2024, the Bank identified and considered the following risk as additional operational risks: conduct risk, systems and controls, location risk, reputational risk, fraud risk and business continuity risk.

BOA UK's overall risk appetite is approved by the Board on at least an annual basis or more frequently as and when circumstances change such as new business is being considered. The appetite is discussed by the Board on an integrated and bank-wide basis, in addition to any individual discussions about specific risk limits or processes. The Board agree not only the specific ways in which risks can be mitigated (e.g., through holding capital, implementing controls or by defining management actions or behaviors) but the appetite for the overall risk of the Bank. In other words, the Board has defined the amount of risk exposure, or potential adverse impact from external or internal events, that BOA UK is willing to accept.

2.1.12. Risk Appetite for Credit Risk

- Country limits are set providing the maximum overall net exposure the Bank is happy to take on in any specific country.
- maximum counterparty limits are set at 22.5% of Tier 1 Capital (regulatory limit is 25% of Tier 1). New clients are assessed by the relevant relationship manager; and
- a credit application is completed and submitted to RMD for review and challenge. If supported by RMD, this then goes to the Credit Committee for approval.

2.1.13. Risk Appetite for Market Risk

BOA UK has a low appetite for market risk as its key risk is credit. The Bank's business units use various triggers and limits for plain-vanilla products both to measure and monitor market risk. The limits are set out in the market risk policy and approved by the Board. The key specific types of market risk relevant to BOA UK are:

- currency exchange risk: Position limits are used to control the total amount of transactions, e.g., foreign currency held (short or long positions) and therefore risk relating to movements in FX rates.
- price fluctuation risk; and
- interest rate risk.

Stop loss limits are used to control business.

2.1.14. Risk Appetite for Consequential Risk

There are other risks that are consequential to managing BOA UK's business such as legal, cybersecurity risk, regulatory risk, fraud, IT and people/processing/external and reputational risk.

The intention is to manage these risks until they are as low as possible as unlike business risk, BOA UK does not have risk appetite for operational risk. Operational risk is closely monitored using operational risk incident reporting, risk register, risk control self-assessments and escalation mechanisms for potentially high risk or/and impact incidents. The Bank has in place separate operational resilience policy and business continuity plan which sets out the Bank's strategy for managing disruptions to operations and minimize the adverse impact of these. The operational resilience policy includes tolerance limits and thresholds for the disruption of Important Business Services.

2.1.15. Risk appetite for liquidity risk

The bank always monitors the regulatory requirement of the liquidity coverage ratio ("LCR"). The LCR is monitored daily, and the results are discussed monthly in ALCO.

3. OVERVIEW OF THE RISK MANAGEMENT FRAMEWORK

BOA UK adopts the risk management model known as the 'three lines of defense' governance model. This is the model of risk management that sits below the Board to implement and control the decisions on strategy, risk and capital that are taken by the Board. This model allows BOA UK to implement effective risk management and a risk culture. A summary is provided below for each line of defense.

The Board, together with various committees within BOA UK and risk policies, are an integral part of BOA UK's Risk management framework. The Bank is committed to ensuring that its risk management framework is robust, up to date and in line with best practice. The Bank periodically reviews its risk appetite and ensures that it is in line with the current environment, the strategy, and budgets under both business as usual and stressed conditions.



3.1.1. First Line of Defense: Business

Business units operate as the first line of defense (“LoD”) by conducting its business in a way that meets the firm’s strategic objectives whilst being consistent with the Bank’s approved risk appetite. The business, as the first LoD, is responsible for identifying and managing risks directly and executes its business in line with implemented limits, policies and procedures as determined by Risk, the second LoD.

The first LoD responsibilities are predominantly to:

- prevent the firm, through forward looking risk identification, from taking risks which are inconsistent with its risk appetite.
- performing proactive risk management and reporting new and emerging risks as they arise to mitigate identified risks; and own the risks and be responsible for the primary monitoring of controls.

3.1.2. Second Line of Defense: Risk Functions

The second LoD is independent from the first LoD. The second LoD provides oversight, monitoring, approval, challenge, and advice to the first LoD in their risk management activities.

The second LoD comprises all risk management departments covering credit, market, operational and liquidity risks along with compliance and legal departments.

The second LoD provides full oversight of the first LoD’s risk management activities. The second LoD also acts as guardian of the risk profile by ensuring the first LoD’s acceptance of risk is consistent with all applicable laws, regulations, and internal policy requirements.

The second LoD responsibilities are mainly to:

- design and implement an appropriate and effective risk management framework, supported by policies and procedures.
- ensure the first LoD has implemented the Bank’s risk management framework.
- implement effective controls to ensure compliance with the Bank’s risk appetite.
- report and escalate key risk information and breaches or exceptions in a timely manner; and
- monitor compliance with all applicable laws and regulations.

The management of limit utilization, both in terms of amount and tenor, is essential to the prevention of limit excesses. As a matter of policy, transactions will only occur with prior formal approval. BOA UK's monitoring procedures in this regard differentiate between two levels:

I. Intraday Monitoring

Whenever a deal creates a potential excess, the front office unit originating the transaction must apply for approval of the excess in accordance with temporary excess procedures before the transaction is confirmed to the counterparty. All intraday temporary approvals must be approved by at least 3 members of the Credit Committee.

II. End of Day Monitoring

The following reports will be used for End of Day Monitoring:

- Exposure report - The exposure report consolidates all the bank exposure, by country, sector, group, counterparty, and rating; and
- Bond Portfolio report – Bank Bond Portfolio report and limits monitoring.

III. Compliance Function Operating Model

The compliance function is responsible for the development, maintenance, and implementation of the compliance function operating model. In accordance with this model, the compliance function monitors regulatory developments, updates compliance policies and procedures as well as providing advice and monitoring compliance with legal requirements, regulatory rules, regulatory guidance, and codes of practice. The compliance department promotes a robust and healthy challenge to management through the strict enforcement of legal obligations and compliance monitoring activities.

The Compliance Officer reports to the Chief Executive Officer and compliance reports are prepared for the BAC highlighting potential issues and recommended actions.

IV. Reporting lines for Risk Management

BRC, which is a sub-committee of the Board, has oversight and ownership of the Credit Committee, Large Exposures Committee, Operational Risk Committee and Provisioning Committee.

3.1.3. Third Line of Defense: Internal Audit

The third LoD provides an independent and objective assurance of the effectiveness of internal controls established by the first and second lines of defense. This is provided by the internal audit function, reporting to the BAC.

The team conducts unsolicited, periodic audits and spot checks to examine, evaluate and report on the adequacy of systems of internal controls and the effectiveness of risk management and governance processes. Audit regularly reviews the implementation status of any weaknesses identified, and recommendations issued.

Internal Audit is granted full, free and unrestricted access to any and all the organization's records, personnel and physical properties of BOA UK deemed necessary to accomplish its audit activities. All records and information given to Internal Audit during review will be handled prudently, according to the appropriate professional codes of conduct.

Internal Audit promotes a robust and healthy challenge to management through its independent reviews and monitoring of compliance & other recommendations. Internal Audit reports independently to the Audit Committee, with a dotted reporting line to the CEO for day-to-day matters, particularly status updates as to whether the appropriate remedial measures have been taken in respect of any deficiencies identified. Audit reports are prepared for Management, Audit Committee & the Board, highlighting potential issues and recommended actions.

4. OWN FUNDS

On 31 December 2024 and throughout the financial year, the Bank has complied with the capital requirements that were set out by regulators. The Bank continues to use the standardized approach to credit and market risk and the Basic Indicator approach for operational risk to calculate its Pillar 1 capital requirements. This will continue until the changeover to Basel 3.1 which is scheduled for January 2027.

Tier 1 Capital

This is comprised entirely of CET1 which is made up of permanent paid-up capital instruments (ordinary share capital), retained earnings, reserves, and other comprehensive income after adjustments for deductions for goodwill and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.

This is the core capital of the Bank and acts as a buffer to absorb losses to protect depositors and other creditors of the Bank.

Tier 2 Capital

This comprises of a subordinated loan amortized over the life of the loan. The subordinated debt represents loans of €17.700k granted by the parent company on 31st May 2010 with original redemption date of 2020, which was extended (in 2015) to 31st May 2023, and then extended (in 2021) to 31st May 2032.

£'000	2023	2024
Principal	15,371	14,649
Accrued Interest	185	175
Subordinated debt	15,556	14,824

SHARE CAPITAL & RESERVES

Share capital £'000	2022	2023	2024
Issued, called up and fully paid 102,173,000 shares ordinary shares of £1	102,173	102,173	102,173
Share capital as of 31 December All shares rank equally with one vote per share. There is no entitlement to fixed income	102,173	102,173	102,173
Reserves			
FVOCI investment reserve	-6128	-1691	-556
Foreign currency translation	-717	-663	-932
Accumulated losses	-20,294	-34,293	-32,514
Reserves as of 31 December	-27,139	-36,647	-34,002
Share capital and reserves	75,034	65,526	68,171

Reconciliation between Audited and Regulatory Reporting of Capital Resources

The following two tables evaluate the reconciliation between Audited and Regulatory Reporting Capital Resources in 2024 and 2023.

As of Dec. 2024 £'000	Audited Financial Statements	Adjustments	Regulatory Own Funds
Share capital	102,173	0	102,173
Other reserves	-1,488	-567	-921
Accumulated losses	-32,514	1,779	-34,293
Goodwill	-8,304	-4	-8,300
Other intangibles	-4,941	-842	-4,099
Deferred tax assets	-13,428	-4,606	-8,822
Value adjustments due to the requirements for prudent valuation		58	-58
Other transitional adjustments to CET1 Capital			
Total equity	41,498	-4,183	45,680
Tier 1 Capital	41,498	-4,183	45,680
Subordinated liabilities	14,649	6	14,643
Tier 2 Capital	14,649	6	14,643
Total Capital Resources	56,147	-4,176	60,323

As at Dec. 2023 £'000	Audited Financial Statements	Adjustments	Regulatory Own Funds
Share capital	102,173	0	102,173
Other reserves	-2354	744	-3098
Accumulated losses	-34,293	-4,957	-29,336
Goodwill	-8727	0	-8,727
Other intangibles	-4060	-933	-3,127
Deferred tax assets	-8822	-31	-8791
Value adjustments due to the requirements for prudent valuation	909	948	-39
Other transitional adjustments to CET1 Capital		0	0
Total equity	44,826	-4,229	49,055
Tier 1 Capital	44,826	-4,229	49,055
Subordinated liabilities	15,371	-1	15,372
Tier 2 Capital	15,371	-1	15,372
Total Capital Resources	60,197	-4,230	64,427

The table below represents BOA UK's composition of capital resources.

£'000	2023	2024
Tier 1 Capital	44,826	45680
Tier 2 capital	15,371	14643
Own funds	60,197	60323
Risk Weighted Assets	252,608	232412
Tier 1 Capital Ratio	17.75%	19.65%
Solvency Ratio	23.83%	25.95%

4.1. Capital Adequacy and Management

The primary objective of capital management is to ensure that BOA UK complies with its regulatory capital requirements and maintains healthy capital ratios to support its current and future activities and maximize shareholder's value.

The Bank maintains an actively managed capital base to cover risks inherent in the business. The Bank manages its capital structure and adjusts it considering changes in economic conditions, regulatory requirements and the risk characteristics of its activities.

4.1.1. Capital Requirements

The capital framework which firms are required to apply is described below:

- **Pillar 1** sets out the minimum capital requirements that firms are required to meet for credit, market and operational risk.
- **Pillar 2A** Individual Capital Guidance ("ICG") sets out the requirements on firms regarding their ICAAP, internal

procedures and control mechanisms. The PRA expects that banks should meet Pillar 2A with at least 56% of CET1 capital.

- **The Institution Specific Countercyclical Buffer** requires the firm to build up capital when aggregate growth in credit is judged to be associated with the buildup of system wide risk and can be drawn down to absorb losses during periods of stress; and
- **Capital conservation buffer** is designed to enable firms to absorb losses in stressed periods.

4.1.2. Capital Management

An internal capital adequacy assessment process (“ICAAP”) of capital needs is undertaken at least annually and is presented to the various BOA UK governance committees for review, challenge and approval. The ICAAP governance process ensures the Board is engaged in the process, i.e., reviews and approves the ICAAP. The ICAAP describes how risks are assessed, controlled, monitored, mitigated, and reported and helps the management determine what might be required to maintain BOA UK’s solvency assuming severe and plausible events which might impact the Bank’s operating model.

The minimum amount of regulatory capital required is determined in accordance with the relevant rules and the ICG received from the PRA. On 31 December 2024 and throughout the year, the Bank’s capital in place exceeded the minimum ICG requirement.

In addition to the capital required in respect of Pillar 1 risks, the Bank allocates additional capital in respect of other risks not addressed under the Pillar 1 minimum capital requirements in its ICAAP.

The Bank has identified the following as additional risks under Pillar 2:

- **Concentration Risk:** this represents the capital that the Bank estimates is necessary to adequately reflect the particular risk attaching to concentrations of credit risk in industries and/or regions;
- **Interest rate risk in the banking book:** this represents the capital that the Bank estimates is necessary to adequately reflect the interest rate risk attaching to positions held in the non-trading book i.e., the banking book;
- **Operational Risk:** is the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events; and
- **Other Pillar 2 risks:** this includes all other amounts that the Bank considers appropriate to adequately reflect its exposure to Pillar 2 risks not set out above. For 2024 the Bank identified other pillar 2 risks as: Operational Resilience risk, Financial Risk from climate change, Outsourcing Risk.

BOA UK engages in thorough stress testing, scenario analysis and contingency planning to better understand and prepare for low economic cycles, high impact events (such as the 2007/2008 financial crisis). The stress testing in BOA UK includes multi-risk scenarios based on both macroeconomic scenarios (market-wide scenarios) and Bank specific scenarios (idiosyncratic scenarios) as well as combinations of both. The Bank Stress tests are set out in the ICAAP, recovery plan and ILAAP.

The Bank’s assessment during 2024 is that it had more than adequate capital resources to withstand the effects of a severe economic downturn. Separately, as of 31 December 2024, and throughout the year, BOA UK’s capital in place (see own capital section) exceeded the minimum ICG requirement. The table below provides a breakdown of BOA UK’s Pillar 1 capital requirements at 8% under the standardized approach.

Overview of the Bank's 2024 Risk Weighed Assets and Minimum Capital Required under Pillar 1

	RWA £'000		Min. Cap. Req. £'000
	2023	2024	2024
Credit risk (excluding counterparty credit risk) (CCR)	167,168	194,090	15,527
Of which standardized approach (SA)	167,168	194,090	15,527
Of which internal rating-based (IRB) approach			
Counterparty credit risk	447	1442	115
Of which standardized approach for counterparty credit risk			
Of which internal model method (IMM)			
Of which CVA	447	1442	115
Equity in banking book under market-based approach			
Equity investments in funds – look-through approach			
Equity investments in funds – mandate-based approach			
Equity investments in funds – fallback approach			
Settlement risk			
Securitisation exposures in banking book			
Of which IRB ratings-based approach (RBA)			
Of which IRB Supervisory Formula Approach (SFA)			
Of which SA/simplified supervisory formula approach			
Market risk	45,736	7,152	572
Of which standardized approach (SA)	45,736	7,152	572
Of which internal model approaches (IMM)			
Operational risk	39,255	29,727	2,378
Of which Basic Indicator Approach	39,255	29,727	2,378
Of which Standardised Approach			
Of which Advanced Measurement Approach			
Amounts below the thresholds for deduction (subject to 250% risk weight)			
Floor adjustment			
Total	252,606	232,412	18,593

5. CREDIT RISK

This is the potential risk that arises from customers failing to meet their obligations as they fall due. Credit risk includes counterparty risk, settlement risk and concentration risk. BOA UK faces credit risk on its exposure to sovereigns and corporates from its capital markets, corporate banking and project finance businesses, and from its exposure to financial institutions and corporates from its trade finance and treasury activities.

The Bank has a detailed credit policy providing operating model and information on how the credit risk management processes are embedded in the business and overseen at the highest level within the Bank.

The Bank undertakes business (providing solutions, products, and services accordingly) within the defined risk appetite and within the governance in place for approving any credit risk.

The Board is the highest authority for approving credit risk. On a business-as-usual basis the Board delegates the credit risk responsibility to BRC who in turn delegates day-to-day activities to the Credit Committee. More specifically the Credit Committee, oversees the management of the credit risk structure, reviews, and approves credit applications within its delegated authority and takes decisions on credit issues that are beyond the authorities granted to management. Exposures are monitored daily, and appropriate action taken should a credit limit be breached.

The tables below provide a breakdown of the Bank exposure and RWA on 31 December 2024 and December 2023. The Bank uses Moody's, S&P and Fitch credit ratings to arrive at the risk weights necessary to calculate the risk-weighted values for its exposures to rated entities. Where an entity is not externally rated, the Bank uses its internal assessment to rate the obligor (see ECAIS section).

Credit Risk Exposures and RWA per asset class on 31 December 2024

2024	Exposures before-CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density*	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
Asset classes £'000						
Sovereigns and their central banks	111,796	0	92,834	0	61,314	66%
Non-central government public sector entities						
Multilateral development banks	25,886	0	25,886	0	10,845	42%
Banks	7,885	0	7,885	0	1,870	24%
Corporates	57,885	4,892	76,847	2,486	75,701	108%
Regulatory retail portfolios						
Claims on institutions and corporate with a short-term credit assessment	46,037	458	46,037	273	9,843	21%
Exposures in default	6,852	0	6,852	0	10,116	148%
Other assets	19,783	0	19,783	0	19,783	100%
Total	276,125	5,350	276,125	2,759	194,090	71%

Credit Risk Exposures and RWA per asset class as of 31 December 2023

2023	Exposures before-CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density*	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
Asset classes £'000						
Sovereigns and their central banks	56,485	0	52,004		30,583	59%
Non-central government public sector entities				0		
Multilateral development banks	17,625	-	17,623	0	10,659	60%
Banks	879		879		927	105%
Corporates	70,133	20,145	74,257	15,284	79,423	89%
Regulatory retail portfolios	0	-	0	-	0	
Claims on institutions and corporate with a short-term credit assessment	21,120	2,238	24,893	1,590	5,846	22%
Exposures in default	26,780	-	11,997		16,947	141%
Other assets	22,783	-	22,783	0	22,783	100%
Total	215,805	22,383	204,436	16,874	167,168	76%

*RWA density is the ratio of risk weighted assets to total assets (net of CRM).

Exposure on 31 December 2024 by asset classes and risk weights post CCF and CRM

Exposure Classes	Risk Weighting %	RWA (£ '000)	Pillar 1 (£ '000)
Corporate (including insurance)	20%	1,133	91
	50%	11,546	924
	100%	22,844	1,828
	150%	44,796	3,584
Central Governments	0%		
	50%		
	100%	24,248	1,940
	150%	37,065	2,965
Public Sector Entities	150%		
Institutions	20%	1,504	120
	100%	367	29
	150%		
Multilateral development banks	0%		
	50%	2,881	230
	100%	7,964	637
Retail	75%		
Exposures in Default	100%	323	26
	150%	9,794	783
Claims on Institutions with a short-term credit assessment	20%	9,269	741
	50%		
	100%		
Other Items	150%	574	46
	20%		
	50%		
Other Items	100%	19,783	1,583
	150%		
	250%		
	Total	194,090	15,527

5.1.1. Counterparty credit risk

This is the risk that a counterparty in a foreign exchange, interest rate, commodity, equity or credit derivative contract defaults prior to maturity date or before the final settlement of the contract/transaction cashflows. The Bank trades vanilla products and only uses derivatives to hedge FX and interest rate risk. The capital requirement related to counterparty exposure for these products is calculated based on the mark- to- market method and is not material.

i. *Internal capital and credit limits*

TCM is authorized only to execute trades with approved counterparties. The counterparties, their credit ratings and counterparty limits are proposed by TCM, reviewed by Risk Management and approved by the Credit Committee, BRC and the Board. This approval is updated at least once a year.

Any adverse event affecting the credit standing of any names in the approved counterparty list is advised immediately to Risk Management, ALCO, and the CC for appropriate action. TCM will act accordingly upon any notice received.

ii. *Collateral management*

The Bank also seeks to negotiate with counterparties on a case-by-case basis, where collateral is deemed a necessary or desirable mitigant to the exposure. The terms of a credit support annex are specific to each legal document and determined by the Credit Committee approval for the counterparty. The nature of the collateral is specified in the legal document and is typically cash, credit insurance or highly liquid securities.

5.1.2. Use of Credit Risk Mitigation Techniques

The Bank only uses either cash or credit risk insurance from insurance providers rated A- or higher as collateral. BOA UK does not assign any value or take any risk mitigation benefits from other forms of security obtained/held and therefore does not make use of balance sheet netting.

2024 £'000	Exposures unsecured: carrying amount	Exposures secure by collateral		of which secured by financial guarantees	of which secured by credit derivatives
Loans	139,807	19,809		19,809	
Debt securities	136,317	8,947		8,947	
Total	276,124	28,756		28,756	
Of which defaulted	6,852				

Defaulted loans reported on 31 December 2024

	2024 £'000
Defaulted loans and debt securities at end of the previous reporting period	26,780
Loans and debt securities that have defaulted since the last reporting period	6,331
Returned to non-defaulted status	-18,545
Amounts written off	-326
Other changes	-2,020
Defaulted loans and debt securities at end of the reporting period (Gross of provisions)	12,220

6. IMPAIRMENT PROVISIONS (IFRS 9)

Every exposure in the portfolio is allocated into each of the IFRS 9 stages (1, 2&3), which in turn determines how its ECL is calculated. Most exposures will be classified as stage one at origination and will be moved to stage two if there is significant increase in credit risk (SICR). The Bank uses both qualitative and quantitative criterion to decide if there has been significant increase in credit risk since date of origination of the asset. The Bank's process to assess changes in credit risk is multifactor and comprise three main metrics:

- a) Primary indicators (Quantitative) i.e.(i) change in lifetime PDs and (ii) movement along the rating band;
- b) Secondary indicators (Qualitative); the bank considers several qualitative factors to determine the level of credit risk; and
- c) ‘Backstop’ Indicators – there is a rebuttable presumption that the credit risk has increased significantly if contractual payments are more than 30 days past due; this presumption is applied unless the Bank has reasonable and supportable information demonstrating that credit risk has not increased significantly since initial recognition.

Each counterparty is monitored for SICR on an ongoing basis.

The determination of whether there has been a significant increase in credit risk is taken by the Provisions Committee which receives recommendations from both the Risk Department and the Relationship Managers. The quantitative element is the primary indicator of significant increases in credit risk, with the qualitative element playing a secondary role.

The computation of the ECL is based on the combination of the three factors: PD, LGD and EAD.

The Bank uses an externally acquired model to generate PDs and LGDs used in the calculation of ECLs. As the reflection of multiple scenarios is a requirement under the IFRS9 standard, the model uses three scenarios in the estimation of both PD and LGD. The data is sourced from multiple sources (i.e., IMF, S&P, and World Bank) and input under different scenarios (Base, Upside and Downside). Each scenario is assigned a weight. The Model incorporates the following forward-looking information projected out 5 years: GDP growth, change in Unemployment, change in Equity Index, change in Energy Index, change in Non-Energy Index, and change in the Proportion of rating Downgrades.

As the calculation of the PD and LGD are affected by future economic conditions, the final model output (ECL) is influenced by economic expectations. As a result of this relationship during periods of positive economic outlook the model output (ECL) will go down due to lower PiT PDs and LGDs. While in times of economic downturns the ECL estimates will increase.

BOA UK has established a robust credit risk framework to ensure that the Bank undertakes acceptable credit business; manages its credit portfolio effectively and is able to deal with negative events as they may arise from time to time. To this end, BOA UK has produced an internal Credit Risk Provisioning Policy. This policy aims to clearly set out the procedure that BOA UK will follow when making provisions in line with IFRS 9 requirements.

NOTE: BOA UK takes a provision on a specific client/transaction basis and not a general or collective provision on a portfolio basis. The aggregate amount of specific provisions (including interest in suspense and expenses) would be adequate to absorb the estimated credit losses for individually identified credit exposures.

Impairment of Goodwill - Goodwill is tested at each reporting date for impairment and the evaluation requires significant management judgement in estimating the present value of future estimated cash flows expected to be derived from the cash generating units (CGU) to which goodwill has been allocated. Goodwill arising from business combination is allocated to CGU or group of CGUs that are expected to benefit from the synergies of the combination. Assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets or CGUs.

Credit Quality of Assets on 31 December 2024

2024	Gross carrying values of		Allowances/Impairments	Net values
£000	Defaulted exposures (a)	Non-defaulted exposures (b)	(c)	(a + b - c)
Loans	12,221	135,772	5,638	142,355
Debt/Securities		140,368	4,051	136,317
OBS exposures		5,360	10	5,350
Total	12,221	281,500	9,699	284,022

Credit Quality of Assets on 31 December 2023

2023	Gross carrying values of		Allowances/Impairments	Net values
£000	Defaulted exposures (a)	Non-defaulted exposures (b)	(c)	(a + b - c)
Loans	10,650	119,031	6,892	122,789
Debt/Securities	16,130	72,149	4,478	83,801
OBS exposures		22,383	13	22,370
Total	26,780	213,563	11,383	228,960

7. UNENCUMBERED ASSETS

An asset is treated as encumbered if it has been pledged or is subject to any form of arrangement to secure, collateralize or credit-enhance any on-balance sheet or off-balance sheet transaction from which it cannot be freely withdrawn. Assets pledged that are subject to any restrictions in withdrawal, such as assets that require prior approval before withdrawal or replacement by other assets, are considered encumbered. As of 31 December 2024, the Bank had no encumbered assets.

8. USE OF ECAIS

The Bank makes use of external credit assessments provided by Fitch and S&P which is recognized by the regulator as an eligible external credit assessment institution (ECAI) for the purpose of calculating credit risk requirements under the standardized approach. External credit assessments are used in relation to the following asset classes:

- Central governments and central banks.
- FIs.
- Corporates; and
- Insurance companies and insurance Syndicates.

Credit Quality Steps as of 31 December 2024

ECAIs rating 2024	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to BB-	B+ to B-	CCC+ and below		
Credit Quality Step	1	2	3	4	5	6	Unrated	Total
£'000								
Central Gov./Central Banks	43,876			37,293		33,990		115,159
Public Sector Entities								
Multi-lateral Development banks	12,160		5,762	7,983				25,905
Institutions		7,518		367				7,885
Corporates				35,134	30,724			65,858
Exposures in default						12,221		12,221
Claims on Institutions and corporate with a short-term credit assessment		46,344			567			46,911
Other items							19783	19,783
Grand Total	56,036	53,862	5,762	80,776	31,291	46,210	19,783	293,721

*Corporates include all non-3rd country equivalent FI's

**BB+ to BB- include counterparties that are not externally rated which entails a weighting of 100%

9. MARKET AND LIQUIDITY RISK

9.1.1. Market Risk

Market Risk is the risk that the Bank's earnings or capital, or its ability to meet business objectives, will be adversely affected by changes in the level or volatility of market rates or prices such as interest rates, credit spreads, commodity prices and foreign exchange rates. This incorporates a range of risks, however for BOA UK the principal elements are interest rate and currency exchange rate risk. The Bank has some appetite for trading securities and other debt instruments, mainly in relation to the management of overall liquidity requirements, which expose it to financial risk of changes in bond prices. Risks are managed individually using limits and restricting product exposures.

The management and measurement of market risk is continuous and undertaken by both the TCM department and the Risk Management Unit. Daily reports are prepared and assessed. All market risks are monitored and regularly considered by the ALCO, BRC and the Board.

Market risk in the banking book may arise from corporate banking activities; all market risk arising from this business will be passed to the trading book for active management and will therefore attract the additional capital requirements for the interest rate and foreign exchange risk set out above. Only minimal currency risk arises from the Bank's fixed income activity as the purchase of most securities denominated in foreign currency would be funded on a matched basis. Currency risk will arise, however, from the Bank's trading in foreign exchange, mainly spot and forwards (not options).

Market risks are included under Pillar 1 following the requirements of the standardized approach for specific risk capital charge and the interest rate maturity method for general market risk. The market risk RWAs are given below:

	2023 RWA	2024 RWA
Outright products £'000		
Interest rate risk (general and specific)	38,131	0
Equity risk (general and specific)		
Foreign exchange risk	7,605	7,152
Commodity risk		
Options		
Simplified approach		
Delta-plus method		
Scenario approach		
Securitization		
Total	45,736	7,152

**General Risk / Specific Risk: Shows as zero in 2024 following re-allocation of the FVOCI bonds to the credit risk calculation.*

9.1.2. Liquidity Risk

Liquidity risk is the risk of the Bank, although solvent, being unable to meet its payment obligations as they fall due. This may be caused by the Bank's inability to liquidate assets or to obtain funding to meet its liquidity needs, or by contractual mismatches between the contractual timings on cash inflows and outflows.

Liquidity risk is assessed annually through the ILAAP carried out under the rules of the PRA. The Bank manages its exposure to liquidity risk by ensuring that it holds a buffer of High-Quality Liquid Assets that will enable it to meet its obligations as they fall due under normal and a range of stressed conditions. In addition, the Bank monitors net stable funding ratio to mitigate the risks deriving from maturity transformation.

The Bank monitors its LCR to always ensure that it is operating within this requirement. The Bank's LCR has consistently remained above the regulatory requirement of 100%. The Bank's LCR risk appetite is 120%, which is higher than the current minimum regulatory requirement.

Funding Risk is a subset of Liquidity Risk relating to its longer-term funding requirements and is the risk that the Bank does not have stable sources of funding in the medium and long term to meet its financial obligations as they fall due.

The LCR composition as of 31 December 2024 is detailed in the table below:

		Total unweighted value Dec 2024	Total weighted value Dec 2024
		£'000	£'000
High-quality liquid assets			
1	Total HQLA	54,641	54,641
Cash outflows			
2	Retail deposits and deposits from small business customers, of which:	108	11
3	Stable deposits		
4	Less stable deposits	108	11
5	Unsecured wholesale funding, of which:		
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks		
7	Non-operational deposits (all counterparties)	98,991	72,400
8	Unsecured debt		
9	Secured wholesale funding		
10	Additional requirements, of which:	3,339	3,339
11	Outflows related to derivative exposures and other collateral requirements	3,339	3,339
12	Outflows related to loss of funding on debt products		
13	Credit and liquidity facilities		
14	Other contractual funding obligations		
15	Other contingent funding obligation	5.36	268
16	TOTAL CASH OUTFLOWS		76,018
Cash inflows			
17	Secured lending (i.e., reverse repos)		
18	Inflows from fully performing exposures	51,907	49,591
19	Other cash inflows		
20	TOTAL CASH INFLOWS	51,907	49,591

		Total unweighted value Dec 2024	Total weighted value Dec 2024
		£'000	£'000
High-quality liquid assets			
1	Total HQLA	54,641	54,641
Cash outflows			
2	Retail deposits and deposits from small business customers, of which:	108	11
3	Stable deposits		
4	Less stable deposits	108	11
5	Unsecured wholesale funding, of which:		
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks		
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19	Other cash inflows		
20	TOTAL CASH INFLOWS	51,907	49,591

9.1.3. Exposure to Interest Rate Risk not in Trading Book

IRRBB is defined as the risk on BOA UK's capital and earnings arising from adverse movements in interest rates that might affect the banking book positions. The Bank's main interest rate risk ("IRR") is the risk arising from the funding of loans and the bond portfolios. Noting the relatively simple vanilla products offered by the Bank there is very limited potential for impact from typical "optionality risk" (as would be embedded in more complex products offered by other banks).

IRRBB is calculated using six interest rate scenarios as prescribed by the International Bank of Settlement in "Interest rate risk in the banking book guidance published in 2016 and PRA guidance. The Bank establishes the potential IRR based on the maximum movement between the base case and the following interest rate shock scenarios (200bp - Parallel Up/Down, Steepener, Flattener, Short rate up, short rate down).

If there is any change in the Bank's strategy to incorporate fixed rate lending in the banking book, it will hedge by transferring the risk to the trading book.

10. OPERATIONAL RISK

Operation Risk is the risk of loss arising from failed or inadequate internal processes or systems, human error or other external factors. This risk is managed by individual business areas that have responsibility for putting in place appropriate controls for their business. The Head of Operational Risk reports to the CRO to ensure close co-ordination in control and risk assessments on a regular basis.

The Bank adopts the standardized approach (Basic Indicator Approach) for calculating the Pillar 1 charge relating to Operational Risk and consequently embarks on rigorous risk identification exercises to establish any Pillar 2 requirement for Operational Risk.

The Bank's Operational Risk framework aims to:

- Control (potential) losses generated by operational risk.
- Improve control of operations where necessary.
- Put in place adequate performance measurement and early warning signals; and
- Enhance operational risk awareness and culture.

To ensure the Bank has sufficient capital to cover these operational risks the Bank also maintains a range of insurance policies to cover eventualities such as business interruption, loss of computer systems and damage to property.

11. LEVERAGE RATIO

The Leverage Ratio was introduced under the Basel III reforms as a simple, transparent, non-risk-based ratio intended to restrict the build-up of leverage in the banking sector to avoid a distressed deleveraging process that could damage the broader financial system. It is defined as the ratio of Tier 1 Capital to Total Exposures (pre-Credit Risk Mitigation and Risk Weighting of exposures).

Monitoring and requiring firms to manage this metric allows regulators to limit the accumulation of excessive leverage, which is widely considered to have precipitated the banking crisis. The PRA has set a minimum leverage ratio requirement of 3% for all banks in the UK.

As of 31 December 2024, BOA UK had a leverage ratio of 17.67% (20.66% at 31/12/2023), very comfortably in excess of the PRA minimum (see table below for details). Given the Bank's overall balance sheet size, relatively limited range of banking products and clients, it is considered that the risk of a material unexpected movement in the leverage ratio is very limited. Therefore, the risk of excessive leverage is minimal. However, the decrease in 2024 was purely due to balance sheet appreciation. BOA UK regularly monitors its capital adequacy ratio; this provides an effective early indication of potential changes in the leverage ratio.

The risk of excessive leverage is also managed through the risk appetite defined thresholds. If the leverage ratio were to fall below a defined level, the Bank will take actions to restore its capital position, which may include actions to increase capital resources or to reduce the size of the balance sheet based on a time scale deemed appropriate to the situation.

The following table provides the computation of the Leverage Ratio:

On-balance sheet exposures		2022	2023	2024
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	433,928	242,651	276,125
2	Intangibles Asset amounts deducted in determining Basel III Tier 1 capital	-26,770	-23,781	-22,199
3	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 and 2)	407,158	218,870	253,926
Derivative exposures				
4	Replacement cost associated with <i>all</i> derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	427	949	1,068
5	Add-on amounts for PFE associated with <i>all</i> derivatives transactions	498	743	752
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework			
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)			
8	(Exempted CCP leg of client-cleared trade exposures)			
9	Adjusted effective notional amount of written credit derivatives			
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)			
11	Total derivative exposures (sum of rows 4 to 10)	925	1,692	1,820
Securities financing transaction exposures				
12	Gross SFT <i>assets</i> (with no recognition of netting), after adjusting for sale accounting transactions			
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)			
14	CCR exposure for SFT assets			
15	Agent transaction exposures			
16	Total securities financing transaction exposures (sum of rows 12 to 15)			
Other off-balance sheet exposures				
17	Off-balance sheet exposure at gross notional amount	30,975	16,874	2,759
18	(Adjustments for conversion to credit equivalent amounts)			
19	Off-balance sheet items (sum of rows 17 and 18)	30,975	16,874	2,759
Capital and total exposures				
20	Tier 1 capital	55,466	49,055	45,680
21	Total exposures (sum of rows 3, 11, 16 and 19)	439,059	237,436	258,504
Leverage ratio				
22	Basel III leverage ratio	13.98%	20.66%	17.67%

12. SECURITISATION

BOA UK does not undertake securitization, hence no disclosure is provided or required.

13. FINANCIAL RISK FROM CLIMATE CHANGE

The Bank recognizes that it has regulatory and stakeholder obligations resulting from the financial risks which arise, or may arise in the future, from climate change.

The Bank has a Financial Risk from Climate Change (FRCC) policy that constitutes its documented response to such obligations. The scope of the policy covers the following topics which were considered the most relevant for climate risk management:

- Risk governance
- Risk Management frameworks
- Risk identification (types of risks)
- Risk appetite
- Scenario analysis
- Stress testing

Physical Risks

Physical risks from climate change arise from several factors, and relate to specific weather events, such as heatwaves, floods, wildfires and storms, and the effects of longer-term shifts in the climate, such as changes in precipitation, extreme weather variability, sea level rise, and rising mean temperatures.

Transition Risks

Transition risks arise from the process of adjustment towards a low-carbon economy, including climate-related developments in policy and regulation, the emergence of disruptive technology or business models, and shifting sentiment and societal preferences.

FRCC Considerations

Both physical and transition risks may affect the livelihoods of individuals, and the viability and value, respectively, of businesses and countries, and their assets. Such effects can obviously increase financial risks, such as credit risk. Shifting sentiment and societal preferences may increase other risks, such as reputation risk.

Additionally, FRCC have distinctive elements, including the following:

- they may be exceptionally far-reaching in breadth and magnitude: their full impact on the financial system may therefore be larger than for other types of risks, and is potentially non-linear, correlated, and irreversible - past data may not be a good predictor;
- they present under uncertain and extended time horizons, and their full impact may crystallize outside of usual business planning horizons;
- while the exact outcome of climate change is uncertain, there is a high degree of certainty that financial risks from some combination of physical and transition risk factors will occur; and
- the magnitude of future impact will, at least in part, be determined by the actions taken today; significant action taken, but too late to achieve climate goals, could result in the most severe financial risks crystallizing.

These distinctive elements demand a strategic approach to FRCC and the Bank is committed to play its part.

14. GLOSSARY

Average Risk Weight (RW)	Risk weighted assets divided by capital exposure.
Basic Indicator Approach	The basic indicator approach, calculated using proxy percentages of 15% of the average of the previous 3-year bank's positive net interest income and net non -interest income to calculate a charge for operational risk.
Basis risk	Basis risk is the financial risk that offsetting investments in a hedging strategy will not experience price changes in entirely opposite directions from each other.
Cap-Floor Risk	Agreement between two parties providing the purchaser an interest rate ceiling or 'cap' on interest payments on floating rate debts.
Capital Conservation Buffer	To ensure that banks build up capital buffers outside periods of stress which can be drawn down as losses are incurred.
Common Equity Tier 1 (CET1)	The highest quality of regulatory capital resources, comprising common equity, retained earnings less regulatory adjustments, as defined under CRD IV. This is Equivalent to Core Tier1 as defined under previous CRD legislation.
Common Equity Tier 1 capital ratio	The ratio of Common Equity Tier 1 Capital to Risk Weighted Assets
Countercyclical Capital Buffer	This buffer is intended to protect the banking sector against losses that could be caused by cyclical systemic risks.
Counterparty Credit Risk	Counterparty credit risk is the risk that the counterparty to a transaction could default before the final settlement of the transaction's cash flows.
Credit Quality Steps (CQS)	A credit quality assessment scale as set out in CRD IV
CRD IV	A package of legislation incorporating a Regulation (CRR) and a Directive (CRD) that implements the Basel III framework in Europe.
Credit risk	Risk of financial loss arising from a failure of a customer or counterparty to settle their financial and contractual obligations as they fall due.
Credit Risk Mitigation (CRM)	Strategies, techniques and practices used to reduce exposure to credit risk e.g. Collateral, Guarantees and netting agreements
Credit Conversion factor (CCF)	This quantifies the potential future exposure of off-balance-sheet items, such as guarantees, undrawn credit lines/commitments and letters of credit by converting them into on-balance-sheet credit - equivalent amounts.
External Credit Assessment	An ECAI (e.g., Moody's, Standard and Poor's, Fitch) is an institution that assigns credit ratings to issuers of certain types of debt obligations as well as the debt instruments themselves.
FCA	the Financial Conduct Authority, the UK conduct regulator which is responsible for regulation of conduct in retail, as well as wholesale, financial markets and the infrastructure that supports those markets. The FCA's objective is to protect consumers, promote competition and enhance market integrity.
Gap risk	Gap risk refers to the risk that the price of a particular investment security can change significantly without any market trading taking place.
Guarantee	An agreement by a third party to cover the potential loss to a credit institution should a specified counterparty default on their obligations.

ICAAP	The Bank's internal assessment of the levels of capital that need to be held by the Bank to meet its regulatory capital requirements.
Individual Capital Guidance	The minimum amount of capital the Bank should hold as set by PRA under Pillar 2
Individual Liquidity Adequacy Assessment (ILAAP)	The Bank's internal assessment of the levels of liquidity that need to be held, by the Bank to meet its regulatory liquidity requirements.
Interest rate risk	Interest rate risk is the exposure of a firm's financial condition to adverse movements in interest rates
Maturity	The remaining time in years that a borrower is permitted to take to fully discharge their contractual obligation (principal, interest, and fees) under the terms of a loan agreement.
Minimum Capital Requirement	The minimum amount of regulatory capital that a financial institution must hold to meet the Pillar 1 requirements for credit, operational and market risk.
Operational Risk	Risk of direct or indirect loss resulting from inadequate or failed internal processes, people, and systems or from external events.
Pillar 1	The part of the Basel III Framework which sets out the regulatory minimum capital requirements for credit, market, and operational risk.
Pillar 2	The part of the Basel III Framework which sets out the process by which financial institutions review their overall capital adequacy. Supervisors then evaluate how well financial institutions are assessing their risks and take appropriate actions in response to the assessments. This includes all risks (including Pillar 1 risks)
Pillar 3	The part of the Basel III Framework which sets out the disclosure requirements for firms to publish details of their risks, capital, and risk management. The aims are greater transparency and strengthening market discipline.
Pipeline risk	The lender's risk that, between the time a lock commitment is given to the borrower and the time the loan is closed interest rates will rise and the lender will take a loss on selling the loan.
Prepayment risk	Prepayment risk is the risk involved with the premature return of principal on a fixed-income security.
Provisions/ECL	Amounts set aside to cover expected losses associated with credit risk.
PRA	The Prudential Regulatory Authority, the UK prudential regulator, which is a part of the Bank of England and alongside the FCA has responsibility for the oversight of building societies, banks, and insurers. The PRA's objective is to promote the safety and soundness of regulated firms.
Risk Weighted Assets (RWA)	A regulatory measure that adjusts the value of assets to reflect their level of risk when calculating capital requirements.
Stress testing	Various techniques that are used to gauge the potential vulnerability to exceptional but plausible events.
Subordinated debt	Tier 2 capital that is subordinated to the claims of all depositors, creditors and members holding shares in the Bank.
The Standardized Approach	The standardized approach to credit risk, calculated by applying varying RWA percentages to credit exposures, depending on the underlying risk.
Tier 1 (T1) capital	The sum of Common Equity Tier 1 and Additional Tier 1
Tier 1 (T1) capital ratio	The ratio of Tier 1 capital to Risk Weighted Assets

Tier 2 (T2) capital	A measure of regulatory capital that includes subordinated liabilities and provisions for collective impairment, less regulatory adjustments.
TCR	Total Capital Requirements
Total capital ratio	The Ratio of Total Capital to Risk Weighted Assets
Total Capital Requirement	The Total Pillar 1 requirements and Pillar 2A requirements (TCR)
Yield Curve risk	The yield curve risk is the risk of experiencing an adverse shift in market interest rates associated with investing in a fixed income instrument.