



ICBC (London) plc

Pillar 3 Disclosures

31 December 2021

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1. Overview

1.1 Background

ICBC (London) plc ('the Bank'), was incorporated in 2002, is a UK-registered bank (4552753) authorised by the Prudential Regulation Authority ('PRA') and regulated by the Financial Conduct Authority ('FCA') and the PRA. The Bank is a wholly-owned subsidiary of Industrial and Commercial Bank of China Limited ('ICBC Ltd' or 'the Parent Bank'). The Bank is primarily a wholesale bank although it also offers a range of retail banking services to individuals and small businesses, particularly where there is a connection to China.

1.2 Regulatory requirements for Pillar 3 disclosures

The Basel framework is a comprehensive set of measures, developed by the Basel Committee, to strengthen the regulation, supervision and risk management of the banking sector. It comprises three complementary pillars:

- Pillar 1 – sets out the minimum capital requirements for credit, market and operational risk.
- Pillar 2 – requires firms and supervisors to take a view on whether a firm should hold additional capital against firm specific risks.
- Pillar 3 – aims to encourage market discipline by developing a set of disclosure requirements which will allow market participants to assess key pieces of information on a firm's capital, risk exposures, risk assessment process and hence the capital adequacy of the firm.

1.3 Scope of disclosure requirements

During 2021, the Bank has monitored developments surrounding the adoption of CRR II by the PRA with reference to "PS17/21 – Implementing Basel Standards" and "PS22/21 – Implementing Basel Standards: Final Rules". This document and the information within it are prepared under the basis of these Policy Statements and in line with the Disclosure (CRR) part of the PRA Rulebook. Furthermore, throughout this Pillar 3 document, the Bank has included additional information which it believes will inform end users of the document further.

The regulatory capital ratios are based solely on ICBC (London) plc's Balance Sheet and off-balance sheet items. Unless otherwise stated, all figures are presented in thousands ('000) of USD, which is the reporting currency of ICBC (London) plc. The reporting date is 31 December 2021, the Bank's financial year-end.

The disclosures included in this document refer to the Bank's overall risk management and its approach to assessing the adequacy of its capital.

1.3.1 Pillar 3 Disclosure Policy

The Bank has adopted a formal policy, the Pillar 3 Disclosure Policy, to comply with the disclosure requirements as contained in Article 431 (3) of the CRR and as relevant to the scale of the operations of ICBC (London) plc. This policy sets out the contents of the Pillar 3 Disclosure document and includes consideration of whether information is material, proprietary or confidential, the required frequency of disclosures and their verification.

The Bank annually reviews its policy and disclosures in conjunction with the preparation and publishing of its annual audited accounts. The latest version of this policy was approved by the Board of Directors on 25 April 2022.

1.4 Non-material, proprietary or confidential information

The Bank has not sought any exemption from the disclosure requirements on the basis of materiality or on the basis of proprietary or confidential information.

1.5 Scope of application

ICBC (London) plc has no subsidiaries. Industrial and Commercial Bank of China Limited was granted a banking licence to establish a branch in London in September 2014 ('ICBC London Branch' or 'the Branch'). The information disclosed in this document is solely related to ICBC (London) plc ('the Subsidiary'). The Branch is outside of the scope of this document. However, all transactions between the Branch and the Subsidiary are at 'arm's length'.

1.6 Basis and frequency of disclosure

This Pillar 3 disclosure document has been approved by the Board on 25 April 2022. The Board has verified that it is consistent with formal policies adopted regarding its production and validation. Information in this report has been prepared solely to meet the disclosure requirements under the CRR.

These disclosures do not constitute any form of financial statement nor do they constitute any form of contemporary or forward-looking record or opinion about the business. Unless indicated otherwise, information contained within this document has not been subject to external audit. However, there is no material difference between information disclosed in this report and the Annual Report and Financial Statements. This disclosure document should be read in conjunction with the ICBC (London) plc Annual Report and Financial Statements for the year ended 31 December 2021.

In line with the PRA Rulebook Disclosure (CRR) Part, the Bank meets the criteria in article 433c(2) in terms of classifying itself as an "other institution – non listed" and the tables within this document reflect that.

Disclosure will be made annually and published as soon as practicable after publication of the Annual Report and Financial Statements. ICBC (London) plc will reassess the frequency of disclosure in light of any material change in its business structure, the approach used for the calculation of capital, or regulatory requirements.

1.7 Means of disclosure and verification

The Bank's Pillar 3 Disclosures document has been reviewed by the Board of Directors and approved on 25 April 2022 and is published on the Bank's corporate website (www.icbclondon.com). These disclosures explain how the Bank has calculated its capital requirements and provide information relating to risk management.

1.8 COVID 19 - Operational, capital and liquidity assessments

At the start of the pandemic the Bank took a number of actions to ensure operational resilience with the safety of our staff being our number one priority. These included travel restrictions, self-isolation for a number of staff members, the provision of hand sanitizers, safe disposal bins, regular bank-wide communications and the provision of protective gear for customer facing staff amongst others. We continued these measures in 2021 with a number of refinements as we've learned more about the virus and government advice changed over time.

When the UK government announced the first national lock-down in 2020, the Bank invoked its Business Continuity Plan and moved to a remote working model for the majority of its staff. A BCP Committee was established to manage the daily arrangements under the plan and at the same time a special ALCO Working Group was put in place to ensure that liquidity and funding risk was actively managed at the highest decision-making levels of the Bank. We continued this arrangement until April 2021 when the Senior Management of the Bank concluded that the Bank should move back to BAU management structures.

The Bank has not made any staff redundancies or salary reductions during this time and we have not had the need to participate in any government-based staff support schemes. In addition, the Bank made allowances available to staff to assist them with home-working where necessary and amended our rules concerning annual leave in order to provide additional support to our staff.

From an operational risk perspective, the Bank had no material increase in operational risk incidents and we continue to invest in and strengthen our cyber risk management tools during this time.

We have not experienced any operational losses or incidents based on the remote working solution the Bank has in place.

Throughout the year the Bank regularly conducted full reviews of its credit portfolio on an individual counterparty basis with the aim to identify those counterparties that may be the most vulnerable to the adverse economic conditions caused by the Covid-19 pandemic. The conclusions of this assessment were added to the ICAAP as an appendix and summarised in the ICAAP section of this letter above.

This involved identifying exposures to the sectors we have judged to be most impacted and assuming a 100% default on all counterparties. Where the exposures are secured by commercial property, we assumed a 50% reduction in the values of the security in order to include the net exposure that was then included in this calculation. All amounts were net of impairment provisioning against the specific name as the impact of provisions are already captured in available capital.

The following sectors were identified as those being at the highest direct risk: Automotive, Entertainment and media, Non-food retail, Hospitality, Student accommodation, Office buildings and office parks and Transportation (including passenger air transportation). We acknowledge that identifying those specific sectors most impacted is a matter of judgement.

The total exposures to the sectors managed above (net of provisions and reduced value security) amounted to \$60.8m at the beginning of the year. Of this amount, \$42.5m represented commercial real estate (\$206.4m gross exposure with \$163.9m of security after the security values were reduced by 50% from current loan- to-value levels). Exposures that were repaid or cancelled between the ICAAP reference date and the ICAAP submission date were excluded from these numbers.

The base case showed a capital surplus of \$302m and \$320m in 2021 and 2022 respectively after taking into account our projected capital requirements for these years. Assuming a 100% default of the exposures above, the Bank forecasted a surplus of \$241m in 2021 above the projected regulatory requirement, equating to a CAR of 41.8% even before the reduction in RWAs due to default has been taken into consideration. Since this exercise was completed, all exposures that were included in this list were either repaid or sold, except for one with a value of \$5.5m.

Based on the calculation above, the Bank is comfortable that it will easily be able to absorb a worst case Covid-19 default scenario on higher risk sectors without breaching any capital limits. It should be noted that this is an extremely severe scenario and the Bank has not currently classified any of the exposures included in this exercise as stage 2 or 3 assets under IFRS 9.

At the end of December 2021 the Bank also conducted a long term liquidity forecast to determine the maximum cumulative outflow during the year assuming higher than normal drawdowns on committed liquidity facilities provided to clients whilst not being able to access any new funding. As part of this forecast the Bank mapped out all legal maturities and matched in- and outflows of cash to find the time bucket in which the largest cumulative outflow of cash will take place. Any on-demand deposits were treated as immediate outflows. We then assumed all undrawn committed facilities are 100% drawn at the same time within the same time bucket, representing the worst possible cash outflow position to the Bank (this is significantly more severe than the most severe stress scenario in the 2020 ILAAP).

Whilst both of these situations are unlikely in our view, the Bank's modelling shows that current liquidity resources are more than adequate to withstand this and still remain healthy from a liquidity point of view.

2. Governance and risk management framework

2.1 Governance – Board and Committees

At 31 December 2021, The Board comprised of three Executive and four Non-Executive Directors ('NEDs'), of whom two are independent. One of the NEDs was appointed in October 2021 as Chairman (prior to his appointment, one of the independent Non-Executive Directors was the Acting Chairman). Members hold one directorship outside of the ICBC Group (this activity does not conflict with the ICBC Group), excluding organisations that do not pursue predominantly commercial objectives. The Responsibilities of the Board include, amongst others:

- To agree the annual financial statements for the Bank and to decide on the distribution of surpluses between retention in the Bank's business and dividend payments to Industrial and Commercial Bank of China Limited, the Bank's sole shareholder.
- To approve the terms of reference for the Audit Committee, Risk & Compliance Committee, Remuneration Committee, Credit Committee, Executive Committee and Asset and Liability Committee and endorse policy or risk appetite changes recommended by these Committees.
- To approve the annual audit plan.
- To approve the Bank's one-year operating plan and three-year strategic plan.
- To provide oversight and challenge over the Branch and Subsidiary consolidated activities, risks and performance.
- To review and approve the key regulatory documents for the Bank including the ICAAP, ILAAP, the Recovery Plan, the Resolution Pack and the Pillar 3 disclosures.
- To approve the Bank's SLA between the Subsidiary and the Branch, the policy aspects of the Staff Handbook, the Remuneration Policy and the Authorisation Limits Policy. Other policies will be reviewed and approved in accordance with the Bank's Policy Schedule maintained by Compliance and Legal Department.
- To approve the Bank's Sectoral Policy (i.e. granular credit risk appetite) and Risk Appetite Policy.

- To ratify the organisation structure and reporting hierarchy of the Bank. To keep under review the organisation structure in the Bank to ensure that it has integrity and serves the overall purpose of the Bank well. Review the checks and balances in place over delegation of powers to ensure that the intentions of the Board are being properly served.
- To recommend to Annual General Meetings an approved firm of Auditors to audit the Bank's accounts.
- To set the 'tone from the top' in encouraging a culture in the Bank that supports: our business model and appropriate business practices that have at their core, the fair treatment of our customers and fellow employees, and behaviours that do not harm market integrity, and that ensures that staff understand the importance attached to compliance with all appropriate rules, regulations and Bank policies.
- To ensure that the Bank's recruitment and remuneration policies assist in ensuring that the Bank attracts and retains good staff and, in particular, that the performance management system serves to reward the right behaviours by staff and impose sanctions for poor behaviours.
- To review new applicants under the Senior Managers and Certification Regime, including Board directors, prior to regulatory submission.
- To ensure that appropriate succession planning for key roles in the Bank is in place; and development plans are in place to train and develop selected staff for management roles in the Bank including senior management roles.
- To provide ownership and oversight of the Bank's developing Climate Risk Management Framework and receive regular updates from Executive Management.
- To ensure that the Remuneration Committee discharges its responsibilities under the Remuneration Code including:
- To establish, implement and maintain appropriate remuneration policies (including pension policies) and procedures that are consistent with and promote effective risk management, avoid conflicts of interest and comply with the Remuneration Code and statutory duties.
- To review annually the general principles of the remuneration policy, and ensure that it receives a summary of the annual internal audit of remuneration which assesses compliance with the Remuneration Code.
- To ensure that remuneration decisions are carried out in compliance with the Remuneration Policy and to work closely with the risk function of the Bank to evaluate the incentives created by remuneration decisions.
- To oversee the remuneration of senior risk management and compliance officers and to annually agree and record the Remuneration Code Staff and ensure that they understand the implications of their status.

The Bank has a comprehensive recruitment policy in place for Board members. The policy requires all Board members to have a good understanding of their role and responsibilities in addition to a solid background in banking and the relevant discipline required for the particular role. Candidates must also fulfil the Bank's standards set out in the internal Fitness and Propriety Policy. The policy stipulates that local candidates should be recommended by a reliable source

(definition specified in the policy document) and that candidates appointed by the Parent Bank need to meet the local standards required of bank directors. Candidates must also be acceptable to the regulators. The policy outlines the interview process and the pre-screening measures used for Board members, including a review of the Financial Services Register, where applicable.

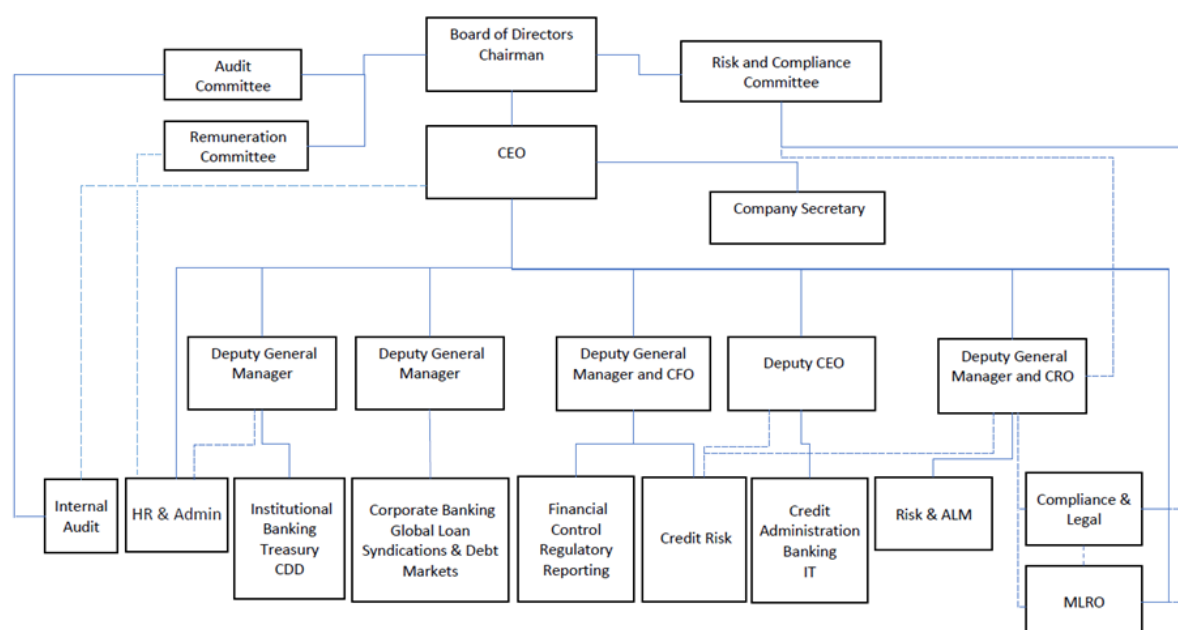
Executive Board members are appointed by the Parent Bank and approved by the Board. They are required to have a full understanding of their areas of responsibility and an adequate understanding of those areas of the business undertaken by the Bank for which they are not directly accountable.

The Board of Directors has established a number of Board-level committees including the Audit Committee, Risk and Compliance Committee and Remuneration Committee (established in July 2021).

The Board has ultimate responsibility for setting the Bank's strategy, risk appetite and control framework, and measures performance against targets. It normally meets a minimum of four times a year. The Board is also responsible for discharging the Bank's responsibilities under the Remuneration Code; approving the appointment of senior executives; and agreeing authority levels and the delegation of authority. To assist it in discharging their responsibility, the Board has instituted the high-level committees mentioned above, governed by clear terms of reference.

Controls are regularly tested by the Internal Audit, Risk & ALM ('Asset & Liability Management'), Compliance & Legal and Credit Risk Departments. These departments' reports are presented to the Board-level committees.

The Bank's governance policies are set by the Board and implemented by the management team. The chart below illustrates the organisation structure of the Bank at 31 December 2021.



Audit Committee: – Chaired by a UK-based Independent Non-Executive Director, all three members of this Committee are Non-Executive Directors. The Executive Directors, other Senior Management, the Head of Financial Control and the Head of Compliance & Legal are invited to attend as observers. The Bank's external auditors are also normally invited to attend Audit Committee meetings. The Head of Internal Audit is Secretary to the Committee. The duties / responsibilities of the Committee, which normally meets six times a year, include:

- 1) Informing the Board of the outcome of the statutory audit and explaining how the statutory audit contributed to the integrity of financial reporting and what the role of the Audit Committee was in that process.
- 2) Overseeing the financial reporting process and agreeing recommendations and proposals to ensure its integrity.
- 3) Reviewing the effectiveness of the firm's internal control and risk management processes and procedures and its Internal Audit function.
- 4) Monitoring the performance of the statutory auditor, taking into consideration the Financial Reporting Council's report on the audit firm (if applicable).
- 5) Reviewing and monitoring the independence of the statutory auditor and the scope and cost of the statutory auditor's work.
- 6) Primary responsibility for the procedure for the selection of the statutory auditor.
- 7) Oversight of the Bank's tax affairs.
- 8) Review and approval of the Bank's financial statements.
- 9) Review and approval of the ICAAP, Pillar 3 Disclosures and related Policy.
- 10) Keep under review the adequacy of the Bank's Whistleblowing arrangements (the Chairman of Audit Committee undertakes the role of Whistleblowing Champion).

Risk and Compliance Committee: – Chaired by an Independent Non-Executive Director, members of this Committee comprise of Non-Executive Directors, the CEO and the CRO. Other Senior Management and some Heads of Departments are invited to attend as observers. The Head of Risk & ALM is Secretary to the Committee. The Committee normally meets four times a year and is responsible for advising the Board on risk management and making recommendations where action or improvement is required. The Committee reviews the Bank's quarterly Enterprise-Wide Risk Report and makes recommendations on risk categories including credit, liquidity and funding, market, interest rate risk in the banking book, regulatory, operational, climate, legal, concentration, strategic, cyber, geopolitical / macroeconomic, and reputational. The Committee reviews the ILAAP, Recovery Plan and Resolution Pack, providing robust challenge which feeds into the production process of these regulatory documents, enhancing their quality. The Committee also examines all aspects of compliance, conduct risk and financial crime matters in the Bank. In 2021, the Risk and Compliance Committee met four times.

Remuneration Committee: – Chaired by an Independent Non-Executive Director, members of this Committee comprise of one non-executive director from the Head Office and two independent non-executive directors; the CEO and CFO are standing invitees. The overall purpose of the Committee is to be a representative body to enable the Board to discharge its responsibilities relating to the following: 1) Oversee the design of and recommend to the Board an overall remuneration policy that is aligned with the Bank's long term business strategy, objectives, risk appetite and values of the Bank and the ICBC group which recognises the interests of relevant stakeholders; and 2) Oversee the development of and implementation of remuneration policies and operation and in ensuring that remuneration is appropriate and consistent with good remuneration practice, supports healthy organisational culture, long-term business and risk appetite, performance and control environment, as well as driving the right behaviours and employee engagement. This Committee was established in July 2021 and met four times during the year.

At the Executive level, there are five committees concerned with risk management issues: Executive Committee, Asset and Liability Committee, Credit Committee, Financial Crime Risk Committee and the Finance Committee.

Executive Committee: – Chaired by the CEO, this Committee comprises all Senior Management and is responsible for the development and implementation of strategy, operational plans, procedures and day-to-day management of the Bank. The Committee also assumes overall responsibility for the functions of emergency planning and disaster recovery in the Bank. Department Heads are also invited to join discussions. The Committee meets monthly or more frequently if required.

Asset and Liability Committee ('ALCO'): – Chaired by the CFO, this Committee comprises all Senior Management, and the Head of Risk & ALM, the Head of Financial Control, the Heads of Corporate Banking, Institutional Banking, Global Loan Syndications Department, and Treasury Department. The Asset and Liability Committee is set at the senior management level to assist the senior management with the oversight and management of the Bank's assets and liabilities; to ensure that business lines are aligned to the Bank's overall objectives; and to ensure that all ALM-related risks remain within the risk appetite set by the Board. The Committee meets quarterly; a sub-committee meets monthly.

Credit Committee: – Chaired by the CFO, this Committee comprises Senior Management, and the Heads of Risk & ALM, Credit Risk, Institutional Banking and Corporate Banking. The Deputy Head of Credit Risk is also a member of the Credit Committee.

The CEO is not a member of the Credit Committee, but can, as an Authorised Approver, exercise a veto over Committee decisions. With effect from 1 October 2020 Senior Management also conferred the veto authority to the Chairman of the Credit Committee whereby he can decline a credit proposal or request. However, if a credit proposal is declined by the Committee, that decision cannot be overturned by a veto. The Committee is the principal forum below Board level for discussing lending proposals. Currently, all credit limits must be supported by the Credit Committee. The Committee also makes recommendations on credit policy issues, monitors loan quality, asset mix, possible concentration risk, and makes recommendations on provisions for doubtful and non-performing loans. The Committee meets weekly or more frequently as and when required.

Financial Crime Risk Committee: – Chaired by the CEO, this Committee comprises all Senior Management, the Head of Compliance & Legal and the Money Laundering Reporting Officer ('MLRO') and Head of Client Due Diligence Department. The Committee is responsible for reviewing financial crime risks including Anti-Money Laundering ('AML') risk, Counter Terrorist-Financing ('CTF') risk, fraud and sanctions risk. It also reviews business-critical CDD, AML and CTF issues and assesses the Bank's risk appetite in respect of AML, sanctions, fraud and bribery. The Committee meets quarterly or more frequently if required.

Finance Committee: – Chaired by the CFO, this Committee comprises all Senior Management, the Head of Financial Control and the Head and Co-Head of HR & Administration. The Committee is responsible for approval and reviewing all non-staff related financial expenditure and budgets. The Committee meets monthly.

2.2 Risk management

Since receiving its banking license in 2003, the Bank has developed and maintained a strong risk management culture. It has well-documented procedures; a range of committees to ensure that at least 'four eyes' are involved in all major policy and operating decisions; clear decision-making processes and criteria; an appropriate degree of segregation of duties in the Bank's operations; and produces accurate and timely management information. Risk reports are produced by independent risk management functions and presented to all relevant stakeholders including the regulators, Parent Bank, Risk and Compliance Committee, ALCO, Credit Committee and Senior Management.

The Bank has an independent Internal Audit function. The Head of Internal Audit has a primary (solid) reporting line to the Chairman of the Audit Committee and a secondary (dotted) reporting line to the CEO. The Internal Audit Department is responsible for carrying out a risk-based programme of work to ensure that appropriate controls are in place and working effectively in accordance with the Bank's policies, local regulations and risk management best practice. The Audit Committee approves an annual audit plan and receives regular internal audit reports. In

addition, the Parent Bank's Internal Audit function may undertake full and/or partial reviews periodically throughout the year.

2.2.1 Risk governance

The Bank has a fully embedded risk culture and has adopted the **Three Lines of Defence Model** to enhance its risk management and control practices, assigning specific risk management responsibilities across the organisation. The underlying premise is that, under the oversight and direction of the Board of Directors and Senior Management, the Three Lines of Defence support the *segregation of duties* across the Bank for effective risk management.

The First Line of Defence ('1LoD') applies to the business and process owners, whose activities generate risk exposure for the Bank. The 1LoD owns the risk management responsibilities as well as the design and execution of the organisation's controls required to respond to those risks. The 1LoD adopts the principle of four-eyes review, the principle being that all key reports, reconciliations and controls are reviewed by someone other than the originator and that for key controls a second person other than the originator reviews to check that the key control operates as designed.

The Second Line of Defence ('2LoD') supports Management in its risk oversight responsibilities, bringing expertise and ensuring that the risks are adequately managed by the business. For all key matters and in line with the Senior Manager's Regime, a Senior Manager is assigned the responsibility and accountability of a specific work or project.

The Third Line of Defence ('3LoD'), represented by the Internal Audit function, provides assurance to the Board and Senior Management on the effectiveness of the 1LoD and 2LoD in fulfilling their risk management responsibilities. In this sense, Internal Audit is responsible, *inter alia*, for providing independent assessment and assurance that key controls and governance processes are functioning effectively and are appropriate to identify, monitor, manage and mitigate the risks inherent in the business.

In order to strengthen its risk management, the Bank has created specialised 2LoD functions under the direct responsibility of Senior Management independent from the 1LoD; those functions include the Risk & ALM, Credit Risk Department and Compliance & Legal Departments. A number of other Departments and individual roles also have 2LoD responsibilities for specific policies, processes and controls. These departments help to build a risk awareness culture in the organisation by disseminating the most up-to-date risk management know-how, practice and regulatory developments. The 2LoD functions provide management information and general risk management updates to Risk and Compliance Committee on a regular basis.

Board and Senior Management's role in risk management

The Board is responsible for overseeing the Senior Management, establishing sound business practices and strategic plans, and setting the Bank's risk appetite and tolerance. The Board has ultimate responsibility for Enterprise-Wide Risk Management.

The Board, or a Board-level Committee, approves:

- Strategies, policies, processes and systems relating to the management of Enterprise-Wide Risk and the audited Statutory Reports.

The Board, or a Board-level Committee, reviews regularly (not less frequently than annually):

- Annual Report and Financial Statements, including Chairman's Statement and Strategic Report.

- Risk reports.
- Stress and scenario testing, including the underlying assumptions.
- Regulatory documents, including the ICAAP, ILAAP, Recovery Plan, Resolution Pack and Pillar 3 disclosures.
- Quarterly Management Information Pack.
- Policy Documents.

A number of committees have been established to oversee and control risk, as detailed in the previous section.

The Executive Directors have a full understanding of their areas of responsibility and an adequate understanding of those areas of business undertaken by the Bank for which they are not directly accountable.

Senior Management is responsible for:

- Developing and implementing the Enterprise-Wide Risk Management strategy in accordance with the Bank's risk tolerance.
- Determining the structure, responsibilities and controls for managing risk.
- Communicating the risk strategy and key policies for implementing the strategy and supporting the risk management structure throughout the Bank.
- Monitoring current trends and potential market developments that may present significant, unprecedented and complex challenges for managing the risks, so that they can take appropriate and timely management actions.
- Defining the specific procedures and approvals necessary for exceptions to policies, including the escalation procedures and follow-up actions to be taken in response to breaches of limits.

2.2.2 Risk policy and procedure

The Bank's risk policies are commensurate with its business strategy and are regularly reviewed to ensure that they remain adequate and current. The Enterprise-Wide Risk Management Framework sets the guidelines to assess the Bank's overall risk profile, identifying the inherent and residual risk exposures. The Risk Appetite Policy sets out the Bank's Risk Appetite Statement for each material risk category and defines quantitative risk limits and early warning indicators to help monitor the level of risk exposure. The risk policies are reviewed and approved by the Board's Risk and Compliance Committee on at least an annual basis.

The Bank adopts a cautious and prudent risk management approach, seeking to eliminate the unnecessary risks and to minimise losses from unavoidable risks. In adopting this risk management approach, the Bank takes into consideration the costs involved and assesses its risk strategy from the risk adjusted profitability perspective.

Key ratios can be seen below with regards to the Bank's risk management:

UK KM1 - Key metric template

USD 000's

		31/12/2021	30/09/2021	30/06/2021	31/03/2021	31/12/2020
		T	T-1	T-2	T-3	T-4
	Available own funds (amounts)					
1	Common Equity Tier 1 (CET1) capital	451,197.05	452,881.24	453,865.83	454,452.63	445,536.92
2	Tier 1 capital	451,197.05	452,881.24	453,865.83	454,452.63	445,536.92
3	Total capital	451,197.05	452,881.24	453,865.83	454,452.63	445,536.92
	Risk-weighted exposure amounts					
4	Total risk-weighted exposure amount	739,776.26	777,416.63	994,017.67	1,032,686.33	1,022,680.75
	Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common Equity Tier 1 ratio (%)	60.99%	58.25%	45.66%	44.01%	43.57%
6	Tier 1 ratio (%)	60.99%	58.25%	45.66%	44.01%	43.57%
7	Total capital ratio (%)	60.99%	58.25%	45.66%	44.01%	43.57%
	Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)					
UK 7d	Total SREP own funds requirements (%)	12.89%	12.89%	12.31%	12.31%	12.31%
	Combined buffer requirement (as a percentage of risk-weighted exposure amount)					
8	Capital conservation buffer (%)	2.50%	2.50%	2.50%	2.50%	2.50%
9	Institution specific countercyclical capital buffer (%)	0.03%	0.02%	0.05%	0.06%	0.08%
11	Combined buffer requirement (%)	2.53%	2.52%	2.55%	2.56%	2.58%
UK 11a	Overall capital requirements (%)	15.42%	15.41%	14.86%	14.87%	14.89%
12	CET1 available after meeting the total SREP own funds requirements (%)	45.58%	42.84%	30.80%	29.13%	28.67%
	Leverage ratio					
13	Leverage ratio total exposure measure	1,467,315.30	1,597,524.99	1,643,853.70	1,758,326.95	2,050,570.53
14	Leverage ratio	30.75%	28.35%	27.61%	25.85%	21.73%
	Liquidity Coverage Ratio					
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	351,221.56	433,176.07	341,801.00	358,834.34	512,053.01
UK 16a	Cash outflows - Total weighted value	285,016.39	443,849.87	525,334.38	629,472.89	549,788.74
UK 16b	Cash inflows - Total weighted value	458,374.15	454,711.18	456,697.43	465,019.18	604,214.50
16	Total net cash outflows (adjusted value)	71,254.10	110,962.47	131,333.60	164,453.71	137,447.19
17	Liquidity coverage ratio (%)	492.91%	390.38%	260.25%	218.20%	372.55%
	Net Stable Funding Ratio					
18	Total available stable funding	839,388.75	905,745.95	840,403.70	790,385.85	778,453.00
19	Total required stable funding	558,997.10	572,890.70	731,680.89	697,681.20	664,640.75
20	NSFR ratio (%)	150.16%	158.10%	114.86%	113.29%	117.12%

3. Capital resources

3.1 Total capital available

Throughout 2021, the Bank complied fully with the Regulatory Capital Requirements. The Bank's capital as of 31 December 2021 is as follows:¹

UK CC1 Composition of Regulatory Own Funds

USD in '000s

		(a)	(b)
		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation 2
Common Equity Tier 1 (CET1) capital: instruments and reserves			
1	Capital instruments and the related share premium accounts	200,000.00	(c1)
	of which: Instrument type 1	200,000.00	(c1)
	of which: Instrument type 2		
	of which: Instrument type 3		
2	Retained earnings	253,748.53	(d1)
3	Accumulated other comprehensive income (and other reserves)	-2,239.53	(e1)
UK-5a	Independently reviewed interim profits net of any foreseeable charge or dividend		
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	451,509.00	(c1) + (d1) + (e1)
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	350.40	[(a) + (b) + (c.) + (d) + (e.) + (f) + (g) + (h) + (i) + (j) + (k) + (x) + (y) + (z)]*0.1%
8	Intangible assets (net of related tax liability) (negative amount)	166.00	(t) + (u)
27a	Other regulatory adjustments to CET1 capital (including IFRS 9 transitional adjustments when relevant)	-204.45	(a1)
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	311.95	[(a) + (b) + (c.) + (d) + (e.) + (f) + (g) + (h) + (i) + (j) + (k) + (x) + (y) + (z)]*0.1% + (t) + (u) + (a1)
29	Common Equity Tier 1 (CET1) capital	451,197.05	(c1) + (d1) + (e1) - { [(a) + (b) + (c.) + (d) + (e.) + (f) + (g) + (h) + (i) + (j) + (k) + (x) + (y) + (z)]*0.1% + (t) + (u) + (a1) }
45	Tier 1 capital (T1 = CET1 + AT1)	451,197.05	(c1) + (d1) + (e1) - { [(a) + (b) + (c.) + (d) + (e.) + (f) + (g) + (h) + (i) + (j) + (k) + (x) + (y) + (z)]*0.1% + (t) + (u) + (a1) }
59	Total capital (TC = T1 + T2)	451,197.05	(c1) + (d1) + (e1) - { [(a) + (b) + (c.) + (d) + (e.) + (f) + (g) + (h) + (i) + (j) + (k) + (x) + (y) + (z)]*0.1% + (t) + (u) + (a1) }
60	Total Risk exposure amount	739,776.26	Original exposure before applying risk weight and capital charge: (a) + (b) + (c.) + (d) + (e.) + (f) + (g) + (h) + (i) + (j) + (k) + (l) +

¹ All capital positions are not inclusive of current year retained earnings.

² References given here can be found in Annex I – "UK CC2 – Reconciliation of own funds balance sheet in the audited financial statements"

			(m) + (n) + (o) + (p) + (q) + (r.) + (s) + (v) + (w) + (b1)
	Capital ratios and buffers		
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	60.99%	
62	Tier 1 (as a percentage of total risk exposure amount)	60.99%	
63	Total capital (as a percentage of total risk exposure amount)	60.99%	
64	Institution CET1 overall capital requirement (CET1 requirement in accordance with Article 92 (1) CRR, plus additional CET1 requirement which the institution is required to hold in accordance with point (a) of Article 104(1) CRD, plus combined buffer requirement in accordance with Article 128(6) CRD) expressed as a percentage of risk exposure amount)	11.92%	
65	of which: capital conservation buffer requirement	2.50%	
66	of which: countercyclical buffer requirement	0.03%	
67	of which: systemic risk buffer requirement	0.00%	
UK-67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	0.00%	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	60.99%	

4. Capital requirements

The Board of Directors has the ultimate responsibility for capital management. The Board has delegated responsibility for day-to-day capital management and risk management to the Chief Executive Officer, who has delegated it to the Asset and Liability Management Committee ('ALCO'). The Chief Executive Officer and Chief Finance Officer are responsible for the regular review and oversight on capital management of the Bank.

The Bank's capital is monitored on a daily basis through management information produced by the Financial Control Department and sent to the Senior Management and reported at Executive Committee when major decisions are taken.

The Bank has adopted the Standardised Approach to credit and market risk and the Basic Indicator Approach to operational risk in order to calculate the Pillar 1 capital requirements.

4.1 Internal Capital Adequacy Assessment Process (ICAAP)

The Bank produces an Internal Capital Adequacy Assessment process ('ICAAP') report annually, based upon the year-end financial statements. The ICAAP includes an assessment of the Bank's capital needs based upon the minimum regulatory requirements and additional capital charges that the Bank deems prudent to include. These additional capital charges take account of factors such as: the current quality of the credit book; the risks associated with any concentrations (in particular, geographical areas or industry sectors); risks identified from stress testing and scenario analysis, particularly in the area of treasury products; risks associated with the Bank's view of how potential economic changes might affect the banking industry or its customers; and capital charges for planned new business projects. The most stressed results can be seen below along with the Capital Adequacy Ratio (CAR) positions.

Scenario 1: Combined Market-Wide Stress Scenario: Reduction in CAR of 15.78% in 2021 compared to the Base Case. (Base case CAR of 48.08%, forecasted stressed CAR of 32.30%)

Scenario 2: Default of major loan counterparties: Reduction in CAR of 5.36% in 2021 compared to the Base Case. (Base case CAR of 48.08%, forecasted stressed CAR of 42.72%).

Scenario 3: Vulnerable Markets: Reduction in CAR of 3.87% in 2021 compared to the Base Case. (Base case CAR of 48.08%, forecasted stressed CAR of 44.21%)

The process also includes an analysis of the Pillar 2 capital that would be required under both stressed and unstressed conditions and includes appropriate “add-ons” to required capital to reflect Pillar 2 risks.

The PRA assess the Bank’s own capital assessment and sets the Total Capital Requirement.

The Total Capital Requirement was 12.89% at 31 December 2021.

The Bank has a policy to capital levels above the regulatory requirement.

UK OV1 – Overview of risk weighted exposure amounts

USD 000’s

		Risk weighted exposure amounts (RWEAs)		Total own funds requirements
		a	b	c
		31/12/2021	30/09/2021	31/12/2021
1	Credit risk (excluding CCR)	671,772.29	688,774.49	53,741.78
2	Of which the standardised approach	671,772.29	688,774.49	53,741.78
3	Of which the foundation IRB (FIRB) approach			
4	Of which slotting approach			
UK 4a	Of which equities under the simple risk weighted approach			
5	Of which the advanced IRB (AIRB) approach			
6	Counterparty credit risk - CCR	20.86	20,659.02	1.67
7	Of which the standardised approach	20.86	20,659.02	1.67
8	Of which internal model method (IMM)			
23	Operational risk	67,983.12	67,983.12	5,438.65
UK 23a	Of which basic indicator approach	67,983.12	67,983.12	5,438.65
29	Total	739,776.26	777,416.63	59,182.10

5. The Leverage Ratio

The Leverage ratio measures the relationship between the capital resources of the Bank and its total assets, as well as certain off-balance sheet exposures. The leverage ratio requirements applied to all UK banks and building societies from 1 January 2018 (for major UK banks and building societies from 1 January 2016). The minimum requirement of a leverage ratio requirement is 3.25%.

The Bank is committed to achieving full compliance with the leverage ratio requirements.

The Leverage ratio of the Bank at 31 December 2021 was 30.75%. The Bank has adopted fully phased-in Tier 1 Capital in order to calculate the Leverage ratio. The minimum requirement was met throughout the year.

5.1 Risk statement for leverage

The risk of excessive leverage is considered to be a low risk for the Bank. With regard to its risk profile and strategy, the Bank concludes that the leverage risk management systems put in place are adequate.

6. Credit risk

6.1 Credit risk management objectives and policies

Credit risk exposes the Bank to losses caused by financial or other problems experienced by its clients. Credit risk is defined as the risk arising from the failure of an obligor (typically a company, financial institution or issuer of a financial instrument) to meet the terms of any agreement and obligations. Credit risk arises when funds are extended, committed, invested or otherwise exposed through contractual agreements, whether reflected on- or off-balance sheet. The Bank places great emphasis on credit risk management and recognises it as a key risk, therefore the objective is to avoid and minimise losses.

The Bank has adopted the Three Lines of Defence Model to effectively manage credit risk.

- The First Line of Defence lies with the Front Office as the risk owner. The First Line of defence is responsible for analysing, monitoring and managing credit risk, as well as the design and execution of the organisation's controls to respond to credit risk.
- The Second Line lies with independent risk function, to effectively challenge the management of risks from First Line of Defence, by expressing views on the appropriateness of the level of risk being run and the adequacy and integrity of the associated governance and risk management, and ensure that the credit risk measurement, assessment and monitoring processes are appropriate, and material risk issues receive sufficient and timely attention from senior management and the Board. The independence of the Credit Risk Department (CRD) ensures that the quality, content, scope and consistency of the risk assessment provided by the department is not undermined or unduly influenced by Front Office considerations, e.g. remuneration, ancillary business possibilities.
- The Third Line of Defence lies with Internal Audit, whose responsibility is to provide an independent assessment and assurance that key controls and governance processes are functioning effectively and are appropriate to monitor, manage and mitigate the risks inherent in the credit business.

The functions listed above covers the entire credit process, which includes pre-approval, approval, post-lending management and eventual off-boarding.

The primary consideration for lending decision is always the obligor's repayment capability. A strong emphasis is placed on the historic and on-going stability of income and cash flow streams generated by the clients. The primary assessment method is therefore the ability of the client to meet their payment obligations. All lending decisions must be approved by the Credit Committee, its chairman and the Authorised Approver. Certain types of lending commitments, such as longer tenor exceeding the prescribed terms stipulated in our Risk Appetite Policy, and exposures in countries with high geo-political risks also require approval from the Risk and Compliance Committee.

6.2 Monitoring and reporting of credit risk

Risk monitoring is performed by the First Line of Defence, with independent oversight by the Second Line of Defence. The Bank closely monitors the credit migration of counterparties, identifies any warning signs that impact counterparties' repayment ability and takes early action to mitigate potential credit risk. The credit limits and risk profiles of existing counterparties are reviewed and updated at least on an annual basis.

The Bank closely monitors risk concentrations, governed by the Risk Appetite Policy. The largest exposure to corporate clients, financial institutions and the concentration of exposures by industry, country as well as asset quality are reported in the quarterly risk report to the Risk Committee. At 31 December 2021, all credit risk indicators complied with the Risk Appetite Policy.

In addition to external rating, each counterparty is internally rated by the Bank. The internal rating model integrates qualitative and quantitative assessment and corresponds to the ICBC Group's methodology. The internal rating is based on a similar concept of probability of default which underpins the external rating agencies' principles. The rating model of the Parent Bank is based on quantitative and qualitative assessment of a counterparty. The credit rating also assists in defining the asset quality of the loan portfolio of the Bank and detects any deterioration in the quality of assets and tracks migration of risks.

6.3 Risk statement for credit risk

The Bank has a relatively conservative credit risk appetite. The Bank does not extend credit to its clients without clearly understanding the risks. As well as due diligence on individual clients, the Bank diversifies its lending portfolio across different sectors, countries and product types, to avoid material credit concentrations. The Bank's credit risk policy and risk appetite policy involve establishing industry sector limits, country limits and regulatory limits in addition to counterparty limits. Credit risk indicators are well within the internal risk appetite.

7. Credit risk mitigation

The Bank considers credit risk mitigation techniques as part of the credit assessment of a potential client or business proposal and not as a primary consideration when granting credit facilities. Credit risk mitigants include collateral items over which the Bank has a pledge of security, first charge on property, netting agreements, cash, or terms and conditions imposed on a borrower with the aim of reducing the credit risk inherent in the credit proposal.

Forms of credit risk mitigation and credit enhancements employed by the Bank are listed below.

On-balance sheet netting agreement ("Netting Agreement"): – The Bank sets-off loans and deposits denominated in the same currencies with its Parent Bank. The Netting Agreement is an eligible form of credit risk mitigation in accordance with the CRR.

Credit insurance: – The Bank has taken collateral in the form of guarantees issued by insurance companies which are recognised as eligible credit risk mitigation in accordance with the CRR.

Registered mortgage and charge on property in Commercial Real Estate: – Commercial Real Estate lending activities in the UK are collateralised by first registered mortgages or charges over property being financed. Exposure to the property market is well-diversified with a strong bias towards prime locations and a focus on quality of tenants for commercial assets. Quality of collateral is important but the primary consideration in all commercial real estate lending is debt serviceability, which is stress-tested across various dimensions which include key parameters such as Loan-to-value (LTV) ratio, interest cover ratio (ICR) and debt service coverage ratio (DSCR).

Standby letter of credit (SBLC): – From time to time ICBC London plc will be offered standby letter of credit (SBLC) as collateral for lending. The beneficiary or lender will normally be entitled to make a drawing under the SBLC issued by a bank merely by presenting a certificate of non-payment by the debtor pursuant to the terms of the underlying credit facility that the borrower has agreed to. The SBLC must be irrevocable and unconditional and is subject to international practices of Uniform Customs & Practice of International Chamber of Commerce (ICC Publication UCP 600).

8. Use of external credit ratings under the Standardised Approach for credit risk

The Standardised Approach requires banks to use risk assessments prepared by external credit assessment institutions (“ECAIs”) and apply Credit Quality Step (“CQS”) mapping to derive the risk weightings to rated counterparties. Below are the assigned risk weightings prescribed in the PRA’s Supervisory Statement SS10/13.

Credit quality step	Fitch's s assessment	Moody's assessments	S&P's assessments	DBRS assessments	Corporate	Institution (includes banks)			
						Sovereign method	Credit assessment method		Sovereign
							Maturity > three months	Maturity three months or less	
1	AAA to AA-	Aaa to Aa3	AAA to AA-	AAA to AAL	20%	20%	20%	20%	0%
2	A+ to A-	A1 to A3	A+ to A-	AH to AL	50%	50%	50%	20%	20%
3	BBB+ to BBB-	Baa1 to Baa3	BBB+ to BBB-	BBBH to BBBL	100%	100%	50%	20%	50%
4	BB+ to BB-	Ba1 to Ba3	BB+ to BB-	BBH to BBL	100%	100%	100%	50%	100%
5	B+ to B-	B1 to B3	B+ to B-	BH to BL	150%	100%	100%	50%	100%
6	CCC+ and below	Caa1 and below	CCC+ and below	CCCH and below	150%	150%	150%	150%	150%

The Bank subscribes to two ECAI’s for this purpose - Standard & Poor’s (“S&P”) and Fitch Ratings (“Fitch”).

In line with article 443c(2), article 444 is out of scope for ICBC London plc., with the Bank being exempt from the disclosure of exposure classes regarding ECAI or export credit agencies.

9. Counterparty credit risk (‘CCR’)

9.1 Counterparty credit risk management

CCR arises for derivatives; it is the risk that a counterparty may default before settlement of the transaction. The Bank uses a mark-to-market approach to calculate exposure values for CCR. Limits for CCR exposures are assigned within the overall credit process, subject to the Bank’s Risk Appetite Policy and type of derivatives trading undertaken with the counterparty.

The Bank’s derivative position as at 31 December 2021 can be seen in table UK OV1 and is not deemed material.

10. Credit risk adjustments

10.1 Impairment of financial assets

The IFRS 9 impairment model applies to financial assets measured at amortised cost and fair value through other comprehensive income (“FVOCI”), certain loan commitments and financial guarantee contracts.

The Bank applies the following three stages approach to measure expected credit loss.

Stage 1: Impairment loss is calculated using 12 months Probability of Default “PD” for financial assets in stage 1 where there has not been a significant increase in credit risk since initial recognition and that are not credit impaired upon origination (12 month Expected Credit Loss “ECL”).

Stage 2: (Not credit impaired): For financial assets where there has been significant increase in credit risk since initial recognition but do not have objective evidence of impairment, a lifetime ECL associated with the probability of default events occurring over the maximum contractual period impairment loss is recognised under stage 2 (“life time ECL”).

Stage 3 (Credit Impaired): Financial assets are assessed as credit impaired when there is objective evidence of impairment at the reporting date. Overdue loans and non-payment of interest over 90 days are recognised under stage 3.

The approach for determining significant increase in credit risk is explained Note 29 page 59 of the *Report and Financial Statements 2021*.

The impairment of financial assets is assessed on a periodic basis as per the Bank’s impairment policy.

The total impairment loss (reversed)/charged was (6,532K) in 2021. (2020: \$3,907K). The breakdown of impairment loss is set out below

Impairment losses at 31 December 2021

USD ‘000

	IFRS 9			
	Stage 1	Stage 2	Stage 3	Total
	\$'000	\$'000	\$'000	\$'000
Balance at 1 January 2021	2,632	4,594	0	7,226
(Reversed)/charged during the year	(1,909)	(4,623)	0	(6,532)
FX translation gain	(21)	29	0	8
Balance at 31 December 2021	702	0	0	702

11. Market risk

11.1 Market risk management objectives and policies

Market risk is defined as the risk of losses in on- and off-balance sheet positions, arising from adverse movements in market prices. The risks subject to the market risk measurement frameworks are (in line with Basel II definition):

- The risks pertaining to interest rate-related instruments and equities in the trading book.
- Foreign exchange risk and commodities risk throughout the Bank.

The Bank does not currently undertake proprietary trading or engage in market making activities. Exposures result solely from client servicing in the following products: FX spot, FX forwards, FX swaps, and interest rate swaps. As general practice, client servicing positions are *back-to-back squared*³.

The FX risk in the banking book mainly originates from the adverse impact of the movement of exchange rates on the interest income, financial and tax expenses or impairment provisions arising in a currency different than the one used for the consolidation of the financial statements.

As a consequence, the Bank is only exposed to general interest rate risk and foreign exchange risk.

The market risk management objective is to maintain a low risk profile and, on that basis, the Bank has set its Market Risk Management Policy and strategy.

11.2 Measurement and reporting of market risk

11.2.1 Position risk

Position risk refers to the risk of holding and/or taking positions in debt securities or other interest rate-related instruments within the trading activity. Given its low exposure, the Bank uses the maturity-based Standardised Approach for measuring and monitoring its position risk.

As of 31 December 2021, the Bank maintained \$0 of position risk exposure with a capital requirement of \$0 both of which are considered immaterial for the business.

11.2.2 Foreign exchange risk

Foreign exchange risk refers to the risk of losses on the banking or trading books due to adverse fluctuation of foreign exchange rates. Throughout 2021, the foreign currency exposure was within the approved limits at all times. At the end of 2021, the overall FX exposure (*shorthand*⁴) was \$318,569 (long). The largest individual currency exposure was denominated in CNY.

As the sum of the Bank's overall net foreign exchange position, calculated in accordance with the procedure set out in CRR Article 352, does not exceed 2% of its total own funds, the Bank does not calculate an own funds requirement for foreign exchange risk. The foreign currency positions at 31 December 2021 were as follows:

Foreign exchange exposure at 31 December 2021

Currency	Exposure (USD)
CNY	113,353
SEK	73,521
JPY	49,171

FX Sensitivity Analysis at 31 December 2021

³*Back-to-back Squared* – back-to-back hedged, i.e. fully offsetting a position to reduce the risk of adverse price movements in an asset.

⁴*Shorthand method* is a way to measure the Bank's overall foreign exchange exposure, by using the greater of the sum of the short positions and the long positions.

USD

USD appreciates 200 basis points	-2,140
USD appreciates 400 basis points	-4,280
USD appreciates 800 basis points	-8,560
USD depreciates 200 basis points	2,162
USD depreciates 400 basis points	4,324
USD depreciates 800 basis points	8,648

11.2.3 Monitoring and reporting of market risk

The Bank sets the market risk limits according to its risk appetite and in alignment with the Parent Bank’s guidance. The exposure against the approved limits is monitored on a daily basis by the Risk & ALM Department, which as a 2LoD is independent from the Treasury Department. The Risk & ALM Department submits regular reports to the Asset and Liability Committee and Risk and Compliance Committee to support their oversight roles and management decisions. The Risk & ALM Department provides additional management information on foreign exchange and trading exposures to the Parent Bank, which in turn provides further market risk management guidance to the Bank.

11.3 Risk statement for market risk

The Bank’s market risk profile is considered to be low, and in line with its risk tolerance. Senior Management assessed the supporting management information and systems to be effective and adequate with regard to the Bank’s market risk profile, risk appetite and strategy.

The Bank has made significant progress on transitioning benchmark rates to risk-free alternatives (Libor transitioning). More information on this progress is set out in the 2021 Annual Financial Statements.

12. Operational risk**12.1 Operational risk management, objectives and policies**

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events, including legal risk, but excluding strategic and reputational risk. It is a pervasive risk that involves all aspects of the business as well as other agents who deal with the Bank. When operational risks materialise, they not only have immediate financial consequences for the Bank but also affect its business objectives, customer service and regulatory responsibilities.

Operational risk is one of the principal risks in the overall Enterprise-Wide Risk Management Framework. There are several major types of operational risks faced by the Bank, including internal fraud, external fraud, clients, products, business practice, execution, delivery and process management, employment system and workplace safety, damage to physical assets, and IT events. (NB cyber risk, a subset of operational risk, is assessed separately below in –“Other Risks”.) Given its inherent nature, the Bank’s objective is to manage and control operational risk in a cost-effective manner that is consistent with its risk appetite. In achieving this, the Bank seeks:

- To minimise the impact of losses suffered in the normal course of business (expected losses) and avoid or reduce the likelihood of suffering large extreme (unexpected) losses.
- To improve the effective management of operations and thus strengthen the Bank's reputation.

The Bank has established and maintained an Operational Risk Management Policy which defines the operational risk and its components, sets out the governance and responsibilities for controlling the operational risk exposure, articulates the operational risk appetite and limits, specifies the tools and processes of operational risk management, defines the capital allocation method for operational risk and provides the public disclosure requirements.

12.2 Measurement and reporting of operational risk

The Bank has adopted the Basic Indicator Approach ('BIA') for the calculation of its operational risk capital requirement ('ORCR'), which is equal to 15% of the three-year average of the Bank's Net Interest and Non-Interest Income. At 31 December 2021, the Pillar 1 operational risk capital charge was \$5.438m.

The Bank's operational risk management framework consists of the following key components:

- Risk identification
- Assessment (financial and non-financial)
- Control assessment to evaluate operational risk management effectiveness.
- Operational incidents and loss events management.
- Key risk indicators ('KRIs') for monitoring operational risk exposure.
- Scenario analysis for assessing the potential impact of stressed events.
- Risk acceptance process
- Mitigation tools such as insurance coverage for specific operational risk events.

The Bank has established an internal reporting procedure to support the operational risk oversight across the organisation and the timely implementation of remediation actions. On an annual basis, the Bank produces the Operational Risk Annual Report for the Risk and Compliance Committee. On a quarterly basis, the Operational Risk Incident and Loss Report is prepared for the Executive Committee to support Senior Management decisions and oversight, while the Major Incidents Report and the Legal Risk component of the Enterprise Wide Risk Management Report are produced to facilitate the Parent Bank's risk oversight. The Bank also has in place specific alert reports, such as the Major Incident of Corruption or Misconduct Report, to support the adequate and timely escalation of a significant operational risk event.

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

USD 000's

Banking activities		a	b	c	d	e
		Relevant indicator			Own funds requirements	Risk weighted exposure amount
		Year-3 (2018)	Year-2 (2019)	Last year (2020)		
1	Banking activities subject to basic indicator approach (BIA)	44,738.88	37,373.99	26,660.11	5,438.65	67,983.12
2	Banking activities subject to standardised (TSA) /					

	alternative standardised (ASA) approaches					
3	<u>Subject to TSA:</u>					
4	<u>Subject to ASA:</u>					
5	Banking activities subject to advanced measurement approaches AMA					

12.3 Risk statement for operational risk

Operational risk exposure is considered to be low and in line with the Bank's risk appetite. The total operational loss incurred in 2021 was \$0. The Senior Management assessed the supporting management information and systems to be effective and adequate with regard to the Bank's operational risk profile, risk appetite and strategy.

13. Exposure to interest rate risk in the banking book ('IRRBB')

13.1 Interest rate risk management objectives and policies

Interest rate risk in the banking book ('IRRBB') refers to the current or prospective risk to the Bank's capital and earnings arising from adverse movements in interest rates that affect its banking book positions. Interest rate movements can have a negative impact on the Bank's 'economic value' if the present value of the net assets (on-/off- balance sheet) decreases. Adverse changes in interest rates can also affect earnings and potentially threaten the capital base.

Re-pricing risk is the risk arising from the timing of instruments' rate changes (re-pricing). The magnitude of the impact depends on the changes to the yield curve term structure and/or the size of the maturity gap. Basis risk refers to the impact of relative changes in interest rates for financial instruments that have similar tenors but are priced using different interest rate indices. Option risk arises from option derivative positions or from optional elements embedded in a bank's assets, liabilities and/or off-balance sheet items, where the bank or its customer can alter the level and timing of their cash flows. At present, re-pricing risk is the main IRRBB exposure for ICBC (London) plc.

The Bank's objective is to maintain a medium-low IRRBB profile by decreasing the sensitivity of the Bank's earnings and economic value to interest rate fluctuations. The Bank has set its Interest Rate Risk Management Policy (i.e. risk management strategy, process and limits) to be aligned with its conservative IRRBB appetite.

13.2 Measurement and reporting of interest rate risk

The Bank assesses the IRRBB exposure from the earnings and economic value perspectives on a quarterly basis. The earnings risk analysis assesses the impact of interest rate movements on the Net Interest Income ('NII') over a time horizon of 1 year. The economic value risk analysis assesses the potential impact of interest rate movements on the market values of the Bank's assets, liabilities and off-balance sheet instruments over a longer term.

The Bank uses gap, duration and sensitivity analyses for identifying, measuring, monitoring and controlling the IRRBB. The interest rate gap is calculated based on the contractual re-pricing maturity of the assets and liabilities, without considering any cash flow optionality assumption (e.g. loan prepayments or deposit pre-withdrawal). The Bank's capital, together with other non-funding liabilities, is treated as resources with 'no-specific re-pricing' maturity, and is assumed not to be sensitive to the interest rate change.

The table below shows the impact of a 100/200 basis point increase/decrease in appropriate market interest rates on Net Interest Income at 31 December 2021.

Sensitivity analysis of 1-year Net Interest Income ('NII')

Parallel shift in interest rate	Net Interest Income sensitivity (USD)
+100/-100 basis points	359,000/ -359,000
+200/-200 basis points	719,000/ -719,000

Below shows the impact of a 200 basis points increase in the market rates on economic value at 31 December 2021.

Sensitivity analysis of economic value

USD	Amount/Ratio
Change in economic value	-17,722,000
Change in economic value / capital	-3.93%

13.2.1 Monitoring and reporting of interest rate risk

In order to control IRRBB, the Bank sets limits to the change in the economic value (change in economic value / capital) and the 1-year NII. Risk & ALM Department monitors and analyses the change on the IRRBB exposure on a quarterly basis, and submits the following management information to the ALCO and Risk and Compliance Committee:

- Cumulative re-pricing gap within 1 year / interest-bearing assets.
- Gap Sensitivity analysis in relation to interest income and capital.
- Scenario analysis: non-parallel movements of interest rates.

The Risk & ALM Department provides additional management information on the IRRBB exposure on a quarterly basis to the Parent Bank, which in turn provides further interest rate risk management guidance to the Bank.

13.3 Risk statement for interest rate risk

The Bank's interest rate risk profile is considered to be low, and in line with its risk tolerance. The Senior Management assessed the supporting management information and systems to be effective and adequate with regard to the Bank's IRRBB profile, risk appetite and strategy.

14. Other risks

14.1 Risk statement for other risks

The Bank is exposed to numerous ‘other risks’ but considers these to be in line with its risk tolerance. Senior Management assessed the supporting management information and systems to be effective and adequate with regard to the Bank’s risk profile, appetite and strategy.

14.2 Liquidity and Funding Risk

Liquidity risk is defined as the risk that the Bank may be unable to meet its obligations as they fall due, arising from the differing maturity profiles of its assets, liabilities and off-balance sheet items. The below information relates to items required in table “UK LIQA – Liquidity Risk Management”.

Strategy:

The key target markets for ICBC London plc are Chinese and UK corporates, financial institutions and non-bank financial institutions, in addition to companies with UK operations and connections with, or operations in, China, as well as large multinationals which may have operations or headquarters outside the UK but raise finance in the London market.

The Bank is expected to maintain its Balance Sheet, focusing on high-quality assets in line with its longer-term strategic plan with asset growth spread evenly across the various business lines of Corporate Banking, Institutional Banking and Treasury Departments. The Bank seeks opportunities to expand its ancillary business offerings for both new and existing clients and, where appropriate, will leverage its relationship with the Branch to do so.

As part of the Bank’s liquidity risk management framework, the Bank undertakes a quarterly assessment of the adequacy of its liquidity resources to cover its liabilities as they fall due in stressed conditions.

Its liquidity and funding is well-managed overall and complies with the expectations outlined in the regulatory guidance and those set internally by the Board in line with the Liquidity Risk Appetite Policy.

Liquidity Risk Management function:

The Bank has an appropriate organisational framework for liquidity and funding risks management, measurement and control functions. The risk management, measurement and control functions of the Bank cover liquidity and funding risks in all of the areas where liquidity and funding risks can be taken, mitigated or monitored. For this purpose, the Bank invests sufficient resources to develop and implement those functions and to carry out the required monitoring tasks.

Risk & ALM Department:

The Risk & ALM department recommends policy for liquidity and funding risks management and, in particular, the Bank’s liquidity risk appetite. The department monitors liquidity risk daily and reports to management daily liquidity position and the adequacy of the liquidity buffer.

Treasury Department:

The Treasury department executes treasury activities through various means to realise liquidity and funding risks management objectives, whilst proposing and maintaining funding strategies

All derivatives transactions are conducted for either hedging or client servicing purposes, which are back-to-back squared. As a consequence, there is immaterial liquidity risk exposure arising from the derivative transactions.

Liquidity Contingency Funding Plans:

The Bank has integrated its Liquidity Contingency Plan (LCP) into its Recovery Plan which specifies the policies, procedures and action plans for responding to severe potential disruptions to its ability to fund itself, and appropriately reflects the institution's liquidity-specific and wider risk profile, and is linked to the liquidity and funding risk limits.

Stress Testing:

The Bank performs sensitivity and scenario analyses for its liquidity stress testing. The sensitivity analysis assesses the impact of a specific liquidity and funding risk, uncovering the potential risk concentration on a risk factor. In addition, the scenario analysis tests the Bank's liquidity and funding resilience to severe but plausible adverse conditions that result as a consequence of the deterioration of a combination of risk factors.

The Bank identifies, measures, manages and monitors liquidity and funding risks across different time horizons; it conducts severe yet plausible stress scenarios approved by Senior Management and the Board and documented; and clearly allocates responsibilities and maintains sound systems to ensure that both the liquidity and funding profile are at all times consistent with the risk appetite established by the Board and cascaded throughout the Bank in the form of appropriate limits.

LCR Disclosure (12-month average)

The Liquidity Coverage Ratio ('LCR') is measured, monitored and reported daily. The Bank met the LCR regulatory and internal limits at all times during 2021. At 31 December 2021, the LCR closed at 492.91%.

The below shows the 12-month average of the liquidity buffer, net cash outflow and liquidity coverage ratio at the end of each quarterly period. The Bank has consistently maintained sufficient counterbalancing capacity for the running of its operations.

USD 000's	31 Mar 2021	30 Jun 2021	30 Sept 2021	31 Dec 2021
Liquidity Buffer	398,640	360,900	366,020	362,210
Total Net Cash Outflows	195,870	169,800	159,970	153,760
Liquidity Coverage Ratio	203%	212%	228%	236%

The relevant COREP reports (NSFR, ALMM and LCR) were submitted to the regulator within the applicable timeframes.

In line with article 451a(3), the Bank's average NSFR position for the proceeding four quarters can be seen below:

Net Stable Funding Ratio	Average USD 000's
Total available stable funding	843,981

Total required stable funding	640,312
NSFR ratio (%)	131.81%

14.3 Cyber Risk and Data Governance Risk

The Bank is exposed to the risk of financial loss, disruption or damage to its reputation, or the reputation of its Parent, from a failure of its information technology systems. Cyber risk threatens not only the technology supporting its daily operations but also its business and ability to comply with regulatory requirements such as the UK Data Protection Act 2018 and the General Data Protection Regulation (GDPR).

The Bank benefits from highly specialised and effective technical support from its Parent, which develops, maintains and monitors the core IT systems and which has robust procedures to manage and monitor cyber risk (providing monthly reports to the Bank). As well as Parent support, the Bank manages cyber and data governance within its Enterprise-Wide Risk Management framework with Senior Management oversight and regular reporting to the Board level Risk Committee through a dedicated second line of defence Data Governance Risk Officer (DGRO). A joint quarterly Cyber and Data Governance Risk Management report is presented to the Risk and Compliance Committee by the DGRO which includes first line of defence Head of IT and Data Security Officer input. The report contains detailed KRI/KPI metrics on cyber and data governance risks. The Bank has a Cyber Risk Management Policy and an annual training and awareness programme in place to raise staff awareness of cyber and data protection risks. In 2019 the Bank implemented a Cyber Security Framework, based on the internationally recognised National Institute of Standards and Technology, to manage cyber risks.

The Bank has established Operational Resilience Working Group (incorporating the former Data Governance Working Group) consisting of Heads of Departments responsible for overseeing cyber security and on-going improvements in data quality. The cyber and data governance management frameworks are fully aligned with the Enterprise-Wide Risk Management and the Risk Control Self-Assessment frameworks.”

During 2021, this working group focussed on delivering the Operational Resilience requirements set out by the UK regulators.

As at 31 December 2021 the Bank continued to operate its ‘skeleton’ operating model for office based staff in response to government guidance as COVID-19 cases continued to rise significantly. Most of its staff continued to work from home, with full access to the Bank’s key systems and full IT support allowing all key functions to continue to operate without disruption. Given the unpredictable nature of the pandemic the Bank has taken steps to implement a WFH technical solution for all non-critical staff to allow secure remote access to company resources (file shares and web applications).

14.4 Reputational Risk

The Bank places the utmost importance on the management of its regulatory and legal compliance to minimise the reputational risk arising. The Bank is mindful of the significant damage that could be done to its reputation, and to that of the wider group, by any public perception of an inadequate attitude to risk by the Bank. During 2021, the Bank had no reputational risk incidents.

14.5 Strategic Risk

The Bank is exposed to geopolitical, industry and regulatory risks that could impede the fulfilment of its desired strategic business plan. The Senior Management maintain close coordination with the Parent Bank with regard to the latest economic conditions and developments in China and their potential collateral effect on the Bank in the UK. Developments in the UK and other major

markets are also closely monitored. Close liaison with regulators ensures that the Bank complies with all regulatory requirements and requests.

14.6 Legal Risk

The Bank takes care to minimise disputes by ensuring as far as possible that all documentation comprehensively contemplates and addresses the risks involved. The Bank will always seek specialist legal advice when required.

14.7 Conduct Risk

The Bank is aware of the risks it faces from the improper professional conduct of its employees. The Bank has a robust Fitness and Propriety Policy and Conduct Risk Management Policy requiring high standards of behaviour expected from staff and which optimises good customer outcomes. Staff performance appraisals take account of appropriate regulatory conduct and behaviours.

14.8 Financial Crime Risk

The Bank is committed to combating financial crime and ensuring that products issued by the Bank are not misused for the purpose of money laundering, terrorism financing, tax evasion and fraudulent activity. The Bank is prohibited to provide any product or proceed with any transaction for the benefit of a sanctioned individual or entity. As such, adherence with applicable laws and regulations regarding Anti-Money Laundering, Sanctions and Anti-Bribery and Corruption is mandatory and the Bank has relevant policies and procedures in place to ensure compliance.

14.9 Group Risk

The Bank is exposed to group risk in its liquidity management activities and via the possible credit downgrading of the Parent Bank.

14.10 Climate Risk

Climate change poses particular risks to the stability of the financial system. This is an area of increasing regulatory focus from the Bank of England and the PRA. Banks are expected to establish robust risk management frameworks, systems and controls to manage their financial risks arising from climate change. The main risk areas to the Bank arising from climate change is the impact on credit risk. During 2019, the Board's Risk Committee approved an initial climate risk appetite statement within the Bank's Risk Appetite Policy setting out the Bank's high-level approach. The Bank rolled out a climate risk management scorecard and methodology for the business and credit risk teams to assess individual counterparties. This assessment has been included as part of new and existing credit reviews during 2021. In addition, applications to the Credit Committee during the year have included a climate risk assessment to inform decision making. 2021 also saw the Bank's first Climate Risk Heatmap, showing that the majority of exposures (c83%) are rated Low Risk, with zero High Risk exposures.

In November 2021 the Board approved a risk management strategy and a more granular risk appetite, which is being developed into a Climate Risk Management Policy. As the data from these assessments mature, the Bank will develop appropriate metrics, stress tests, policies and disclosures.

During 2019, the Bank appointed the Chief Risk Officer as the Senior Manager with responsibility for this area. The governance framework around climate risk will continue to be strengthened with on-going Board engagement, oversight and input into strategic plans.

15. Remuneration

15.1 Overview

Remuneration disclosures are prepared in accordance with the CRR remuneration disclosure requirements, as further elaborated in the FCA's General Guidance on Proportionality: The Remuneration Code (SYSC 19), PRA SS2/17 and Pillar 3 Disclosures on Remuneration (Article 450 of the CRR). According to the PRA's approach to proportionality set out in SS2/17, the Bank falls within Proportionality Level 3. From 1 January 2022 however, the Bank is classified as level 2.

As a Level 3 firm, the Bank is able to dis-apply the following rules: SYSC 19D.3.56R concerning the payment of variable remuneration in shares and capital instruments, SYSC 19D.3.59R concerning deferred remuneration and SYSC 19D.3.61R- SYSC 19D.3.65R concerning performance adjustments. SS2/17 further allows Level 3 firms to dis-apply disclosure requirements set out in Articles 450(1)(c), 450(1)(d), 450(1)(e), 450(1)(f), 450(1)(h)(i-vi) and 450(1)(i) of the CRR.

As a result of these exemptions, and in line with the Disclosure section of the PRA Rulebook, the Bank is only required to report on the following templates.

- Template UK REM2 - Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff)
- Template UK REM4 - Remuneration of 1 million EUR or more per year

The Bank can confirm that both of these are nil returns.

In accordance with the Pillar 3 Disclosures on Remuneration (Article 450 of the CRR), the Bank is required to provide disclosures regarding its Remuneration Policy and practices for those categories of staff whose professional activities have a material impact on its risk profile, i.e. Material Risk Takers ('MRTs').

The Remuneration Policy recognises the need to attract, motivate and retain high-calibre staff necessary to obtain business results and ensure that:

- The best people are recruited on merit and the recruitment process is fair and free from bias and discrimination.
- Steps are taken to achieving diversity in the employee profile of the Bank, including members of the Board, to represent a variety of views and experience. This will include, amongst others, such factors as age, gender, and educational and professional background. It will also include achieving an appropriate balance between locally hired employees and expatriates from the Parent Bank.

The Policy operates in the context of ICBC (London) plc's business goals and the Bank's other people policies. It aims to ensure that remuneration practices are fair and consistent with the Bank's view on equality and diversity.

The Bank implements and maintains remuneration policies, procedures and practices that are consistent with and promote sound and effective risk management.

15.2 Decision-making process for determining Remuneration Policy

Governance of all matters related to remuneration with the Bank lies with the Board, which includes two independent Non-Executive Directors. These Non-Executive Directors are

considered to be both independent of the Bank and in possession of the necessary skills to exercise appropriate judgment. Board meetings are held on a quarterly basis.

In 2021 the Bank established a Remuneration Committee. The Committee membership consists of two independent non-executive directors (one of which is also the Chair) and one non-executive director. The CEO and CFO are both standing invitees. The Committee met four times during 2021.

The Remuneration Committee oversees the design and implementation of a remuneration policy that is aligned with the Bank's long-term business strategy, objectives and values. It ensures that remuneration structures across the Bank are appropriate and consistent with good practice and supports healthy organisational culture in line with our risk appetite - driving the right behaviours and employee engagement.

In doing this, the committee takes into consideration input from the Risk & ALM, Human Resources & Administration, Compliance & Legal, Financial Control and Internal Audit Departments regarding risk-adjustment of remuneration for individual staff and in 2021 updated the Risk-Adjusted Remuneration Guidelines in line with the CRO's recommendation (see below). The purpose of risk adjustment to variable remuneration (bonuses) is to promote sound and effective risk management within the Bank. By aligning risk and individual reward, the Bank seeks to discourage excessive risk-taking and short-termism and also encourage more effective and forward-looking risk management, to support and incentivise positive behaviours, and promote a strong and healthy conduct culture. This approach is in line with both regulatory expectations and market practice.

In addition, in early 2021 the CRO submitted the Bank's first annual report on the efficacy of the risk-adjusted remuneration process for the calendar year 2020, with the overall assessment that the process was effective but the Guidelines for appraisers could have been clearer.

The Board is ultimately responsible for the implementation of the Remuneration Code and the annual review of the Bank's adherence to it, following recommendations from the Remuneration Committee. It is also the Bank's current policy that the implementation of the Remuneration Policy is subject to a periodic independent review by the Bank's Internal Audit Department.

15.3 Information on the link between pay and performance

The Bank ensures that the structure of an employee's remuneration is both consistent with the market and promotes effective risk management. The Bank sets the fixed component of remuneration to represent a sufficiently high proportion of the total remuneration to allow the operation of a fully-flexible policy on variable remuneration components. Fixed components of remuneration represent base salary as well as cash and non-cash benefits.

The variable component of remuneration is in the form of an annual discretionary bonus. The bonus is performance-related and based on a combination of the assessment of the performance of the individual, the business unit concerned and the overall results of the Bank.

The Bank would not consider any total variable remuneration that would limit its ability to strengthen its capital base.

Key performance indicators ('KPIs') are set on an annual basis for the Bank, departments and individuals. These indicators are financial and non-financial. This means that when assessing performance, both financial and non-financial criteria are taken into consideration. Assessments of the Bank's financial performance used to calculate variable remuneration are based principally on profits. Variable remuneration will be impacted where negative financial performance of the

Bank occurs. Non-financial performance metrics form a significant part of the performance assessment process and include:

- Effective adherence to risk management and compliance with the regulatory system.
- Individual role level and market value.
- Assessed individual performance.
- Behaviours that pose a risk to the Bank's values/goals, as expressed in the Compliance Policy, can override assessments of financial performance.

The Bank does not pay guaranteed variable remuneration. Payments are made to reflect performance achieved. The Bank did not have long-term incentive plans in place for the 2021 performance year. Furthermore, the Bank did not offer shares, options or other non-cash variable remuneration instruments.

As mentioned above, the Bank qualifies as a level 2 remuneration firm under the proportionality rules set out by the regulators for the 2022 performance year. This means that the Bank can no longer rely on the small firm exemption for deferral and clawback arrangements relating to variable pay. We will therefore implement a bonus deferral and clawback scheme in the coming year, which will be applicable to bonus payments made in 2023 but relating to the 2022 performance year.

Pension policy

The Bank operates a group personal pension, which is a defined contribution scheme with fixed monthly employer contributions and the facility for employee contributions. No discretionary pension benefits are paid to staff.

15.4 Quantitative information

At 31 December 2021, the Bank employed 186 staff, 169 of whom were eligible for variable remuneration awards in respect of their service during 2021. The Remuneration Code requires that banks identify relevant staff including senior management, risk takers, staff engaged in control functions and any employees receiving total remuneration that takes them into the same remuneration bracket as senior management and risk takers, whose professional activities have a material impact on the firm's risk profile, and designate them as MRTs.

A total of 37 MRTs were identified in 2021, including those serving on the Executive Committee. Of these, five MRTs left their position during the year, having performed 33 months' combined service in 2021. Four staff were appointed as new MRTs during the year. The tables below provide remuneration details for the MRTs.

The aggregate quantitative information for MRTs on remuneration, broken down by business area as of 31 December 2021 (Article 450 (1)(g) of CRR)

Business area	Remuneration £	Remuneration \$
Senior Management (Board and Executive Committee)	£2,681,168	\$3,631,106
Sales, Trading and Risk	£2,360,318	\$3,196,578
Central Support	£2,678,279	\$3,627,193
Total Material Risk Takers	£7,719,765	\$10,454,877

* GBP 1 = USD 1.3543 (average rate in 2021).

Aggregate quantitative information on remuneration, broken down by fixed and variable remuneration of Senior Management and other MRTs at 31 December 2021 (Article 450 (1)(h) of CRR)

USD*

	Fixed remuneration**	Variable remuneration (bonus)	Total	Ratio between fixed and variable
Senior Management (Board and Executive Committee)	\$2,846,641	\$784,465	\$3,631,106	4
Other Material Risk Takers	\$5,820,649	\$1,003,123	\$6,823,772	6
Total Material Risk Takers	\$8,667,290	\$1,787,587	\$10,454,877	5

	Fixed remuneration**	Variable remuneration (bonus)	Total	Ratio between fixed and variable
Senior Management (Board and Executive Committee)	\$2,846,641	\$784,465	\$3,631,106	4
Other Material Risk Takers	\$5,820,649	\$1,003,123	\$6,823,772	6
Total Material Risk Takers	\$8,667,290	\$1,787,587	\$10,454,877	5

* GBP 1 = USD 1.3543 (average rate in 2021). ** Includes cash allowances and non-cash allowances

Annex I – UK CC2 – Reconciliation of regulatory own funds to balance sheet in the audited financial statements

		a	b	c
		Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
		As at period end	As at period end	
Assets - Breakdown by asset class according to the balance sheet in the published financial statements				
1	FVOCI: Corporate Bonds Face Value	69,311.00	69,311.00	(a)
2	FVOCI: Local Corporate Bonds Premium Discount	2,944.01	2,944.01	(b)
3	FVOCI: Local Corporate Bonds Value Change	-604.51	-604.51	(c)
4	FVOCI: Corporate Bonds – Foreign – Face Value	128,000.00	128,000.00	(d)
5	FVOCI: Corporate Bonds – Foreign – Premium Discount	1,507.06	1,507.06	(e.)
6	FVOCI: Corporate Bonds – Foreign – Value Change	-370.71	-370.71	(f)
7	FVOCI: Government Bonds – Foreign – Face Value	146,211.85	146,211.85	(g)
8	FVOCI: Foreign Government Bonds Premium Discount	4,930.69	4,930.69	(h)
9	FVOCI: Foreign Government Bonds Value Change	-1,670.99	-1,670.99	(i)
10	Derivative Assets	20.86	20.86	(j)
11	Derivative Assets-Debt Valuation Adjustment	0.45	0.45	(k)
12	Total MM loan (Principal + Accrued Interest Received)	270,000.53	270,000.53	(l)
13	Total Amortised Cost Bond (Principal + Accrued Interest Received)	213,568.93	213,568.93	(m)
14	Total Loans (Principal + Accrued Interest Received)	239,598.27	239,598.27	(n)
15	Total Nostro balances	294,741.68	294,741.68	(o)
16	Other Items	53,450.81	53,450.81	(p)
17	HMRC	217.71	217.71	(q)
18	Provision	-614.92	-614.92	(r.)
19	Software Purchased	933.16	933.16	(s)
20	Amortization on Software Purchased	-767.16	-767.16	(t)
21	Operational Risk		67,983.12	(u)
22	FVOCI Impairment provision	-104.97	-104.97	(v)
xxx	Total assets	1,421,303.76	1,489,286.88	
Liabilities - Breakdown by liability class according to the balance sheet in the published financial statements				
1	Derivative Liabilities-Credit valuation	0.32867	0.33	(w)
2	Derivative Liabilities for IRS ICBC (Non Hedging)	18.03	18.03	(x)
3	Derivative Liabilities for IRS Non ICBC (Non Hedging)	98.78	98.78	(y)
4	IFRS9 transitional arrangement	204.45	204.45	(z)
5	Off Balance sheet	92,048.08	92,048.08	(a1)

xxx	Total liabilities	92,369.67	92,369.67	
	Shareholders' Equity			
1	Authorised and called up share capital	200,000.00	200,000.00	(b1)
2	Retained earnings	269,268.00	253,748.53	(c1)
3	Other reserve	-1,671.00	-2,239.53	(d1)
4	Regulatory adjustment	0	-311.95	(e1)
xxx	Total shareholders' equity	467,597.00	451,197.05	-311.95

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