BANK OF CEYLON (UK) LIMITED

Pillar 3 Disclosures

Year Ended 31 December 2025

Published in accordance with Article 433c of the Disclosure (CRR) Part of the PRA Rulebook

www.bankofceylon.co.uk

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Board Approval Date: *[PENDING]*

1 INTRODUCTION

This document comprises Bank of Ceylon (UK) Limited ("BOCUK") Pillar 3 disclosures on capital and risk management as of 31 December 2025. It has two principal purposes:

- To provide useful information on the capital and risk profile of the Bank.
- To meet the regulatory disclosure requirements set out by the Prudential Regulation Authority in the Disclosure section of the PRA Rulebook.

With effect from 1 January 2022, the PRA introduced a single source of disclosure requirements under the PRA Capital Requirements Regulation. The Bank meets the definition of a non-listed "Other Institution" and complies with the requirements in accordance with Article 433c of the Disclosure (CRR) Part of the PRA Rulebook.

In October 2021, the PRA published its Policy Statement on the UK leverage ratio framework confirming that the CRR leverage ratio will not apply to UK banks. The Bank does not meet the criteria set out in the PRA Rulebook for a binding minimum leverage ratio; however, the Bank has disclosed the ratio in accordance with the PRA's requirements.

Additional relevant information may be found in the 2025 BOCUK Annual Report and Accounts (hereafter the "ARA"), which includes a description of the Bank's strategy and business model. These disclosures should be read in conjunction with the ARA. Both documents are published on the Bank's website: www.bankofceylon.co.uk

1.1 Key Metrics

	31 December 2025	31 December 2024
Available Capital (£'000)		
Common Equity Tier 1 (CET1) Capital	14,217	13,940
Total Capital	15,353	15,076
Risk-Weighted Exposure Amount (£'000)		
Total Risk-Weighted Exposure Amount	**70,733**	**61,344**
Capital Ratios (as a percentage of RWA)		
Common Equity Tier 1 ratio	20.1%	22.7%
Total Capital ratio	21.7%	24.6%
Leverage (£'000 unless stated)		
CET1 Available	14,217	13,940
Total Leverage Exposure	99,213	76,247
Leverage Ratio	**14.3%**	**18.3%**
Liquidity Coverage Ratio (£'000 unless stated)		
Total High Quality Liquid Assets (HQLA)	101,212	99,206
Cash Outflows	85,428	74,760
Cash Inflows	8,347	8,411
Total Net Cash Outflows	77,081	66,349
Liquidity Coverage Ratio	**131%**	**149%**
Net Stable Funding Ratio (£'000 unless stated)		
Total Required Stable Funds	65,823	64,648
Total Available Stable Funds	121,764	91,457
NSFR Ratio	**185%**	**141%**

1.2 Background

The Basel framework comprises three pillars which are designed to promote market discipline, of which Pillar 3 requires the disclosure of key information about risk exposures and risk management processes.

Pillar 1. Sets out the minimum capital requirements firms are required to meet for credit, market and operational risk.

Pillar 2. The supervisory review process which requires firms and supervisors to consider whether a firm should hold additional capital against risks not fully captured under the Pillar 1 process.

Pillar 3. Aims to promote market discipline by developing a set of disclosure requirements which provide market participants with key information on a firm's capital, risk exposures, risk assessment processes and capital adequacy.

The CRR and CRDIV, as amended by CRR II, are enforced in the UK by the Prudential Regulation Authority ("PRA"). The Pillar 3 disclosure requirements are contained in Articles 431–455 of the CRR.

1.3 Basis and Frequency of Disclosures

Basis of preparation

This document has been prepared to comply with the Disclosure (CRR) Part of the PRA Rulebook, incorporated from 1 January 2022. No material disclosures have been omitted. The disclosures provide information as of 31 December 2025, with comparative information as of 31 December 2024, unless otherwise stated. BOCUK follows proportional disclosure requirements as outlined in Article 433c of the Disclosure (CRR) Part of the PRA Rulebook.

Frequency, media and location

The Bank's policy is to publish Pillar 3 disclosures on an annual basis in conjunction with the Annual Report and Accounts. The disclosures are published on the Bank's website: www.bankofceylon.co.uk.

Verification

The Bank's Pillar 3 disclosures have been reviewed and approved by the Board. The disclosures are not subject to external audit.

1.4 Scope of Application

BOCUK is a UK registered Bank authorised by the PRA and regulated by the PRA and the FCA. BOCUK is a wholly owned subsidiary of Bank of Ceylon ("BOC"), a state-owned bank incorporated in Sri Lanka but is managed and governed independently of its parent.

1.5 Board Responsibility for Disclosures

The responsibility for identifying and managing the principal risks rests with the BOCUK Board of Directors, who are independently responsible for setting the Bank's strategy, risk appetite and control framework.

The BOCUK Board considers that, as at 31 December 2025, it had in place adequate systems and controls regarding its risk profile and strategy. The Board can confirm that the Bank remained within defined limits for risk exposure throughout the year for all principal risks and operated in line with its internal capital targets.

The Directors have considered the adequacy of the Pillar 3 disclosures and are satisfied that they convey the risk profile of the Bank.

2 GOVERNANCE

2.1 The BOCUK Board

The composition of the Board as at 31 December 2025 is set out below. The Board comprises Executive Directors, Independent Non-Executive Directors and Non-Independent Non-Executive Directors nominated by the shareholder.

Name	Role
Mr. Kavinda de Zoysa	Chairman (Non-Independent Non-Executive Director)
Mr. Madhawa Dissanayake	Chief Executive Officer (Executive Director)
Mr. Sanjeewa Samarakoon	Chief Operating Officer (Executive Director)
Mr. Christopher Fitzgibbon	Independent Non-Executive Director
Mr. Y. A. Jayathilaka	Non-Independent Non-Executive Director (nominated by Bank of Ceylon)

Following the year end, Dr Nashwa Saleh was appointed to the Board as an Independent Non-Executive Director and as Chair of the Board Risk Committee.

The Board has responsibility for establishing and approving the Bank's strategy, governance and control framework. It monitors and reviews overall performance and ensures that all activities are in line with the Bank's objectives, risk-return philosophy and regulatory rules.

The Board and Board Sub-Committees meet on a quarterly basis and receive reports from the Bank's Senior Management (SMF functions) highlighting any changes to the Bank's risk profile. SMF representation is present on all Sub-Committees.

2.2 Board Sub-Committees

Board Audit and Compliance Committee

The Board Audit and Compliance Committee (BACC) supports the Board to ensure effective governance of the Bank's financial reporting, including monitoring the integrity, clarity and completeness of financial disclosures. The BACC reviews and approves changes to accounting policies and supports the Board in reviewing the adequacy of the Bank's whistleblowing arrangements. The Chair of the BACC is the Whistleblowing Champion for the Bank. The BACC oversees the implementation and effectiveness of the internal and external audit functions through an independent assurance lens. Further information is disclosed in the Bank's 2025 Annual Report.

Board Risk Committee

The Board Risk Committee (BRC) has delegated authority from the Board to ensure the effective operation of risk management and internal control systems. The BRC ensures that the Bank operates within the overall Risk Appetite Statement and oversees the implementation of the Enterprise Risk Management Framework. It is the primary Board-level committee to review risk-related information, stress testing, the ICAAP and the ILAAP. During 2025, the BRC was chaired by Christopher Fitzgibbon, Independent Non-Executive Director. The Committee met four times during the year. Further information is disclosed in the Bank's 2025 Annual Report.

Asset and Liability Committee

The Asset and Liability Committee (ALCO) oversees the strategies, controls and systems for the effective management of the Bank's assets and liabilities. It reviews the Bank's liquidity and funding profiles, sets limits for liquidity, funding, interest rate, foreign exchange and market risk within the Bank's overall risk appetite, and recommends the Bank's ILAAP and ICAAP to the Board.

Credit Committee

The Credit Committee is responsible for the effective management of all credit-related risks. It reviews advances, approves loans within delegated authority, and assesses the impact of credit events on the portfolio. It is responsible for maintaining strong internal credit risk controls and managing credit concentration risk.

Executive Committee

The Executive Committee (EXCO) manages the day-to-day running of the business and has delegated authority from the Board to conduct the business of the Bank within the confines of the Board-approved strategy, risk appetite, policies and budgets. EXCO monitors compliance issues including anti-money laundering activities and metrics demonstrating the Bank is achieving desired outcomes for treating customers fairly.

IT Steering Committee

The IT Steering Committee (ITSCO) reports to EXCO and is responsible for managing strategic IT matters including business alignment, technology strategy, sourcing strategy and operational resilience. It oversees the implementation of the Bank's IT strategy and reports on penetration testing, IT security audits and disaster recovery tests.

Consumer Duty Steering Committee

The Consumer Duty Steering Committee (CDSC) reports management information to the BACC and oversees Consumer Duty activities. Meeting the requirements of the Consumer Duty influences all aspects of the Bank's strategy, operations and training. The CDSC ensures BOCUK acts in good faith towards retail customers, avoids causing foreseeable harm, and enables customers to pursue their financial objectives, whilst ensuring that products and services are of good quality, represent fair price and value, are properly understood, and that consumers receive appropriate support throughout the product lifecycle.

3 RISK MANAGEMENT OBJECTIVES & POLICIES

3.1 Introduction

The major risks BOCUK faces comprise credit risk, market risk and operational risk, but the Bank recognises that the range of risks is broader and ever-changing, and ensures that appropriate processes are in place for risks to be properly identified, assessed, treated, monitored and communicated.

The Board is responsible for risk, with oversight from the Board Risk Committee and supported by the Head of Risk and Compliance. The Bank's Risk Appetite Statement sets out the level of risk the Bank is willing to accept in pursuit of its business objectives and is formally reviewed annually by the Board as part of the rolling review of BOCUK's medium-term strategy.

The Board approves the Bank's ICAAP and ILAAP, which provide the framework to hold sufficient capital, liquidity and funding to support business activities and risk exposures. The Bank's management formulates a business plan within the agreed risk tolerances, which is approved by the Board.

3.2 Risk Management Objectives

The Bank's overarching risk management objectives are to ensure that:

- There is a clearly articulated risk appetite calculated to the financial resources of the Bank and its risk capacity.
- There is a risk culture which is embedded in daily operational activity.
- Risks are identified and accepted within the risk appetite.
- Risks are monitored to ensure they remain within, or come back within, risk appetite in agreed timescales, and that action is taken promptly and effectively if that is not the case.
- There is timely, complete, accurate and relevant risk reporting to the Board Risk Committee and to the Board.
- The Bank complies with the letter and spirit of the laws and regulations that govern it.
- High standards are set for control and compliance activities.
- There are adequate processes and controls in the first and second lines of defence to ensure controls are working effectively.

3.3 Risk Management Framework

BOCUK uses the three lines of defence model as its risk framework. Primary responsibility for the identification, control, monitoring and mitigation of risk lies with the operational areas (first line). The second line is provided through risk and compliance functions. Further assurance is provided by Internal Audit (third line).

Figure 1: BOCUK Risk Management Framework

First line of defence - organisation

Front office staff are primarily responsible for identifying and managing the risks that arise during their daily tasks. The Head of Finance and Treasury monitors the Bank's liquidity and market risk position and produces regular reports for senior management.

Second line of defence - management

The Head of Risk and Compliance acts on behalf of the Board Risk Committee to implement and embed the risk management framework and provides risk and compliance advice to senior management and the Board. The Head of Risk and Compliance also develops, implements and promotes high compliance standards, policies and procedures on behalf of the BACC.

Third line of defence - assurance

The Board Audit and Compliance Committee is responsible for oversight of the Internal Audit function, which provides independent, objective assurance by evaluating and improving the effectiveness of risk management, control and governance. External auditors provide comfort to the shareholder, regulators and other third parties in respect of the statutory financial statements.

Accountability and SMCR

The responsibilities of each Board member and senior manager, including specific obligations in relation to risk management, are formally documented in accordance with the Senior Managers and Certification Regime (SMCR). Documented responsibilities reinforce the three lines of defence approach and ensure clear accountability for risk ownership across the organisation.

Risk culture

Risk culture is the set of norms and behaviours that determine the way in which individuals and groups identify, understand, discuss and act on the risks the Bank faces. A sound risk culture encourages responsible risk-taking and ensures that current or emerging risks are recognised and addressed in a timely manner. Following the Financial Stability Board guidelines, the Bank's approach to embedding risk culture focuses on seven key elements: tone from the top, accountability, risk awareness training, communications, effective challenge, incentives and stress testing. The Board and senior management are responsible for setting and promoting the desired risk culture, ensuring it is embedded throughout the organisation and reflected in day-to-day behaviours and decision-making.

3.4 Risk Management Principles

- The Bank seeks to create good customer outcomes and will plan and deliver on commitments to all stakeholders.
- The Bank seeks to excel in regulatory compliance and to adopt future regulatory requirements as they become effective.
- Risk management capabilities are proactive and support the Bank's strategy, ensuring it operates within Board-approved boundaries.
- Segregation of duties, oversight and assurance responsibilities are organised in line with the three lines of defence approach.
- BOCUK businesses are client-based and focused on establishing long-term relationships based on trust, rather than making short-term opportunistic profits.

3.5 Principal Risks

The table below summarises the principal risks faced by the Bank, together with the strategies and processes applied to manage them.

Risk	Nature and Management Approach
Credit Risk	Risk of loss from a borrower or counterparty failing to meet its obligations. Managed through Board-approved credit policies, individual credit approval authorities, concentration limits and regular portfolio review by the Credit Committee. The Bank uses the standardised

	approach for regulatory capital. Exposures are monitored monthly against limits, with arrears and watch-list positions reported to ALCO and the BRC.
Liquidity and Funding Risk	Risk of being unable to meet financial obligations as they fall due. Managed through daily liquidity monitoring, Board-approved LCR and NSFR appetite thresholds (internal minimum 120% LCR), and diversified deposit funding across retail and institutional channels. The ILAAP sets out stress scenarios and contingency funding plans, reviewed annually by the BRC.
Interest Rate Risk (Banking Book)	Risk of loss from adverse movements in interest rates. Monitored through monthly EVE and NII sensitivity analysis reported to ALCO, with repricing gap analysis prepared in accordance with the Bank's IRRBB framework. The Bank does not use derivatives to hedge interest rate risk; structural positioning is managed through loan and deposit pricing.
Market and Foreign Exchange Risk	Risk of loss from adverse movements in foreign exchange rates. Arises primarily through trade finance and remittance activities. FX positions are monitored daily and maintained within Board-approved limits. The Bank does not hold a trading book.
Operational Risk	Risk of loss from inadequate processes, human error, system failures or external events, including technology, information security, data protection and financial crime. Managed through the three lines of defence model, the RCSA framework, incident reporting and business continuity arrangements. Operational risk capital is calculated using the Basic Indicator Approach.
Regulatory and Conduct Risk	Risk of non-compliance with applicable laws, regulations and PRA/FCA requirements, including Consumer Duty obligations. Managed by the Head of Risk and Compliance through a compliance monitoring programme, horizon scanning and reporting to the BACC and BRC. Conduct risk is assessed through complaint monitoring, Consumer Duty outcome testing and staff training.
Strategic Risk	Risk from an inadequate business strategy, poor execution or failure to adapt to changes in the external environment. Assessed through the annual planning cycle, stress testing and ICAAP scenario analysis. The Board reviews strategic objectives and financial performance at each quarterly meeting.
ESG and Climate Risk	Risk from environmental harm, social failures or weak governance, including physical and transition risks arising from climate change. The Bank monitors EPC ratings across its mortgage portfolio and incorporates climate scenarios into ICAAP stress testing. ESG considerations are embedded in credit underwriting and governance processes.

4 OWN FUNDS

Own funds are the type and level of regulatory capital held to enable the Bank to absorb losses. The Bank is required to hold own funds in sufficient quantity and quality in accordance with CRD IV. Three tiers of capital are recognised: Common Equity Tier 1, Additional Tier 1 and Tier 2 Capital. As of 31 December 2025, BOCUK had a CET1 Capital Ratio of 20.1% and a Total Capital Ratio of 21.7%. BOCUK does not have any form of Additional Tier 1 capital.

4.1 Total Available Capital

	2025 £'000	2024 £'000
Common Equity Tier 1 Capital		
Ordinary share capital	15,000	15,000
Cumulative revenue losses	(643)	(966)
Adjustments to CET1	**14,357**	**14,034**
Less: Intangible assets (software)	(140)	(94)
Total Common Equity Tier 1 Capital	**14,217**	**13,940**
Tier 2 Capital		
Revaluation reserve (freehold property)	1,136	1,136
Total Tier 2 Capital	**1,136**	**1,136**
Own Funds		
Total Own Funds	**15,353**	**15,076**
Total Risk-Weighted Assets	**70,733**	**61,344**
Common Equity Tier 1 Ratio	**20.1%**	**22.7%**
Total Capital Ratio	**21.7%**	**24.6%**

Intangible assets deducted from CET1 relate to capitalised software. The Tier 2 revaluation reserve relates to the Bank's freehold head office building.

4.2 Common Equity Tier 1 Capital - Reconciliation

Common Equity Tier 1 capital comprises ordinary share capital plus retained earnings. Adjustments are made for intangible assets and other items in accordance with PRA regulatory rules.

	2025 £'000	2024 £'000
Equity as per Annual Financial Statements	15,493	15,170
Regulatory adjustments		
Less: Intangible assets (software)	(140)	(94)
Less: Revaluation reserve (Tier 2 capital)	(1,136)	(1,136)
Common Equity Tier 1 Capital	**14,217**	**13,940**

5 CAPITAL MANAGEMENT & CAPITAL ADEQUACY ASSESSMENT

5.1 Overview

BOCUK manages its capital structure to ensure it continues to exceed minimum regulatory requirements, as well as meeting the expectations of key stakeholders. Capital ratios relative to regulatory requirements are targeted as part of the risk appetite framework and are developed as part of the annual three-year business plan.

The key controls in achieving this objective are:

- Monitoring the level of regulatory capital against overall capital requirements monthly, included in the monthly management report.
- Submitting regulatory capital reports to the PRA.
- Assessing the appropriateness of overall capital as part of the ICAAP.

5.2 Internal Capital Adequacy Assessment Process

BOCUK has documented a forward-looking business plan and financial projections as part of the rolling three-year planning process approved by the Board. BOCUK uses these projections, together with historic results, in the development and periodic review of the ICAAP, to consider the level of capital required and to identify sources of additional capital if necessary. This internal assessment makes use of the regulatory capital calculator and an evaluation of all other material risks that do not require the provision of regulatory capital. The ICAAP is performed annually or more frequently should the need arise.

BOCUK calculates the capital it believes necessary to hold in respect of the risks it faces. This comprises:

- Capital held in respect of Pillar 1 risks.
- Capital held in respect of Pillar 2A and Pillar 2B risks.
- Where required, additional capital held in respect of potential risks highlighted by stress tests.

The ICAAP is presented to EXCO, the Board Risk Committee and then to the Board for challenge and approval. The PRA periodically undertakes a supervisory review and sets Individual Capital Guidance (ICG) for the Bank. An assessment of the impact on capital adequacy is made before launching any new products or undertaking new activities.

Stress testing

Stress testing is an important risk management tool overseen by the Board Risk Committee. Specific approaches are documented in the Bank's key annual assessments, including the Internal Capital Adequacy Assessment Process (ICAAP), the Internal Liquidity Adequacy Assessment Process (ILAAP), the Recovery Plan and Reverse Stress Testing. The Board Risk Committee reviews and challenges the ICAAP, ILAAP and Recovery Plan annually, ensuring the processes are in accordance with regulatory rules, before making a recommendation to the Board for approval.

5.3 Pillar 1 Capital Requirement

BOCUK's overall minimum capital requirement under Pillar 1 is calculated by adding the credit risk capital requirement (standardised approach) to those required for market risk and operational risk (basic indicator approach).

Own Funds Requirement	Approach	31 Dec 2025 £'000
Credit Risk	Standardised	65,343
Market Risk	Standardised	37
Operational Risk	Basic Indicator	5,353
Total Risk-Weighted Assets		**70,733**

Credit risk

Credit risk is the risk of loss arising from an obligor's failure to meet the terms of a contract with BOCUK. The Bank is exposed to credit risk through its trade finance activities, money market activities and lending businesses, and uses the standardised approach to calculate its credit risk regulatory capital. Risk weights vary according to asset class and, where applicable, the external credit rating of the counterparty.

The Bank's trade finance activities include bills discounting with counterparty banks in South Asia, for which applicable regulatory risk weights reflect the relevant jurisdictions' sovereign and institutional credit assessments.

5.4 Own Funds Requirement

The total Pillar 1 capital requirements shown below are the amounts reported in the regulatory returns as of 31 December 2025. The Countercyclical Buffer for the UK was set at 2% by the Financial Policy Committee; the Bank's blended CCyB rate of 1.8% reflects the geographical distribution of relevant credit exposures.

Exposure Class	Gross Assets £'000	RWA £'000	Cap. Req. 2025 £'000	Cap. Req. 2024 £'000	Eff. Risk Weight	
Credit and Counterparty Credit Risk						
Central Governments & Central Banks	101,480	104	8	64	0%	BoE reserves
Institutions	8,935	3,550	284	223	40%	
Corporates - SME	2,398	2,048	164	682	85%	
Financial Corporates (Trade Finance)	4,097	6,146	492	856	150%	Bills discounting - South Asian banks
Mortgages	76,218	45,891	3,671	2,237	60%	BTL portfolio growth
Retail	3,204	3,204	256	68	100%	
Other	4,430	4,400	352	351	99%	
Total Credit Risk	**200,762**	**65,343**	**5,227**	**4,482**		
Market Risk		37	3	45		
Operational Risk — Basic Indicator		5,353	428	381		
Total Pillar 1 Requirement		**70,733**	**5,659**	**4,908**		
Own Funds (Tier 1)			**14,217**	**13,940**		
Excess of Capital over Minimum Requirements			**8,558**	**9,032**		

The 150% risk weight on the Financial Corporates exposure class reflects the standardised approach treatment for bills discounting with financial institution counterparties in South Asian jurisdictions. The Bank manages this exposure within its Credit Policy.

The growth in the mortgage portfolio reflects the Bank's strategic focus on buy-to-let (BTL) and mixed-use mortgage lending to professional landlords. Demand for BTL mortgages increased during 2025 as affordability conditions improved following Bank Rate reductions, and the expiry of fixed-rate deals created substantial refinancing pipeline activity.

Geographical distribution of credit exposures by counterparty

Exposure Class (RWA £'000)	United Kingdom	Other EU	Asia	USA	Total
Central Govts & Central Banks	—	—	104	—	104
Institutions	344	2,993	1	212	3,550
Corporates - SME	2,048	—	—	—	2,048
Financial Corporates	—	—	6,146	—	6,146
Mortgages	45,891	—	—	—	45,891
Retail	3,204	—	—	—	3,204
Other	4,400	—	—	—	4,400
Total	**55,887**	**2,993**	**6,251**	**212**	**65,343**

6 IMPAIRMENT PROVISIONS

6.1 Summary of Accounting Policy

The Bank's accounting policy for the determination of impairment and expected credit losses (ECL) is set out in Note 11 of the 2025 Annual Report and Financial Statements. A summary of the main provisions is set out below.

The Bank recognises impairment allowances for ECL on the following financial instruments not measured at FVTPL:

- All lending, including trade finance exposures.
- Debt instruments held as part of the Bank's investment and liquidity portfolio.
- Money market deposits and placements classified at amortised cost.

The 12-month ECL is the proportion of ECL that results from default events possible within 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as Stage 1. Lifetime ECL is recognised where there has been a significant increase in credit risk since initial recognition (Stage 2), or where the instrument is credit-impaired (Stage 3).

The Bank uses the following criteria to determine whether there has been a significant increase in credit risk:

- Movement in the probability of default.
- Qualitative indicators.
- 30 days past due backstop.

All assets are assessed for impairment using a range of risk criteria. Each exposure is assigned a probability of default (PD), loss given default (LGD) and exposure at default (EAD) based on its individual credit grading, using externally sourced probabilities and expected loss rates where available.

6.2 Summary of Impairment Provisions as of 31 December 2025

ECL Provision (£'000)	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2025	(65)	(2)	—	(67)
Transfers between stages	—	—	—	—
Net re-measurement of loss allowance	23	1	(39)	(15)
Balance at 31 December 2025	**(42)**	**(1)**	**(39)**	**(82)**

The Stage 3 provision of £39k relates to a specific lending exposure with an underlying gross value of approximately £350k, which has been assessed as credit-impaired. There were no write-offs during the year ended 31 December 2025. The overall increase in the total ECL provision from £67k to £82k reflects the new Stage 3 provision, partially offset by a reduction in Stage 1 provisions following a re-assessment of portfolio credit quality.

7 LEVERAGE

The leverage ratio is calculated as Tier 1 Capital divided by total on and off-balance sheet exposures (the leverage ratio exposure measure). The ratio is monitored on an ongoing basis and forms part of the monthly management information pack.

The leverage ratio declined from 18.5% to 15.2% in 2025. This reflects growth in the leverage ratio exposure measure from £75.2m to £93.7m, driven primarily by the growth in the Bank's mortgage loan balances during the year. Tier 1 capital increased from £13,940k to £14,217k over the same period.

Reconciliation of Accounting Assets to Leverage Ratio Exposure	2025 £'000	2024 £'000
Total assets per Financial Statements	195,113	172,860
Off-balance sheet items	5,510	1,000
Deduction: funds placed with the Bank of England	(101,410)	(97,613)
Total Leverage Ratio Exposure Measure	**99,213**	**76,247**
Leverage Ratio Calculation		
Tier 1 Capital	14,217	13,940
Total Leverage Ratio Exposure Measure	99,213	76,247
Leverage Ratio	**14.3%**	**18.3%**

8 REMUNERATION

8.1 Remuneration Policy

The Board has overall responsibility for BOCUK's remuneration strategy. The Executive Committee is responsible for the implementation of the remuneration policy and will recommend to the Board any changes. These disclosures are made in accordance with Article 450 of the Capital Requirements Regulation (CRR) and should be read in conjunction with the 2025 Annual Report and Financial Statements.

The approach taken by BOCUK in respect of remuneration reflects a combination of regulatory guidance, the Remuneration Code for dual-regulated firms (as appropriate for Level 3 firms), the rules published by the PRA and FCA, and the Bank's own judgement regarding the design of attractive and effective award and incentive packages, whilst meeting the Bank's long-term interests and risk appetite.

BOCUK applies the proportionality principle to ensure that practices and processes are appropriate for the size, internal organisation and the nature, scope and complexity of its activities.

8.2 Bonus Scheme

BOCUK operates a discretionary bonus scheme, subject to business and staff performance, designed to link reward with the long-term success of the Bank. The bonus pool is accrued annually at a level proposed by the CEO, after consultation with EXCO, and subsequently approved by the Board. The Bank does not operate an employee shareholder or share option plan.

8.3 Remuneration 2025

	Number of Staff	Aggregate Remuneration
Directors	3	£310,000
Other members of staff	23	£1,202,000
Total	**26**	**£1,512,000**