



**ABC International Bank Plc  
Pillar 3 Report 2020**

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# 1 OVERVIEW

## 1.1 Background

The European Union Capital Requirements Directive (“the Directive”) came into effect on 1 January 2007. It introduced consistent capital adequacy standards and an associated supervisory framework in the EU based on the Basel II rules agreed by the G-10.

Implementation of the Directive in the UK was by way of rules introduced by the then Financial Services Authority (“the FSA”). The Basel II Framework is structured around three pillars: Pillar 1 (minimum capital requirements), Pillar 2 (supervisory review) and Pillar 3 (market discipline). The disclosure requirements of Pillar 3 are designed to promote market discipline by providing market participants with key information on a Firm’s risk exposures and risk management processes. Pillar 3 disclosures aim to complement the minimum capital requirements described under Pillar 1 and the supervisory review process of Pillar 2.

ABC International Bank plc (“ABCIB” or “the Bank”) adopted the Standardised Approach to credit risk from 1 January 2008. ABCIB also became subject to Pillar 2 and 3 from that date.

The EU’s Capital Requirements Regulation (“CRR”) introduced further enhancements for the Pillar 3 disclosures from 2015, these have now been included where appropriate.

## 1.2 Basis and Frequency of Disclosures

This disclosure document has been prepared by ABCIB in accordance with the requirements of Pillar 3.

Unless otherwise stated, all figures are as at 31 December 2020, the Bank’s financial year-end. This disclosure is for the period from 1<sup>st</sup> January 2020 to 31<sup>st</sup> December 2020.

## 1.3 Scope

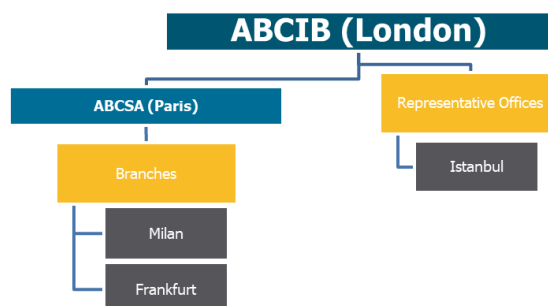
ABCIB whose registered office is 1-5 Moorgate, London, EC2R 6AB is authorised by the

Prudential Regulation Authority (PRA) and regulated by the Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA).

During 2020, as part of the operating model required post Brexit, ABCIB opened a new 99.99% owned Paris based subsidiary, Arab Banking Corporation S.A (ABSA) to continue servicing European clients.

As a result of this change ABCIB now calculates and maintains regulatory capital ratios based on an individual (solo) basis that aligns to the legal status in the UK and on a consolidated basis including the new European subsidiary ABSA.

The audited financial statements of ABCIB are produced on a solo basis therefore any numbers that are disclosed on this basis within this document are on a solo basis.



## 1.4 Location and Verification

These disclosures have been reviewed by the Bank’s Board Risk Committee and the Board and are published on the Group’s corporate website ([www.bank-ABC.com](http://www.bank-ABC.com)). The disclosures have not been subjected to external audit except where they are equivalent to those prepared under accounting requirements for inclusion in the ABCIB’s Annual Report and Accounts. In line with CRR, the disclosures within this document fulfil the quantitative and qualitative requirements and should be reviewed with ABCIB’s most recent annual report.

## 2 RISK MANAGEMENT & GOVERNANCE

### 2.1 Governance

The Governance framework within the Bank is driven by the Board with clearly defined roles and responsibilities for Board level committees, Management committees and Executive Management within the Bank.

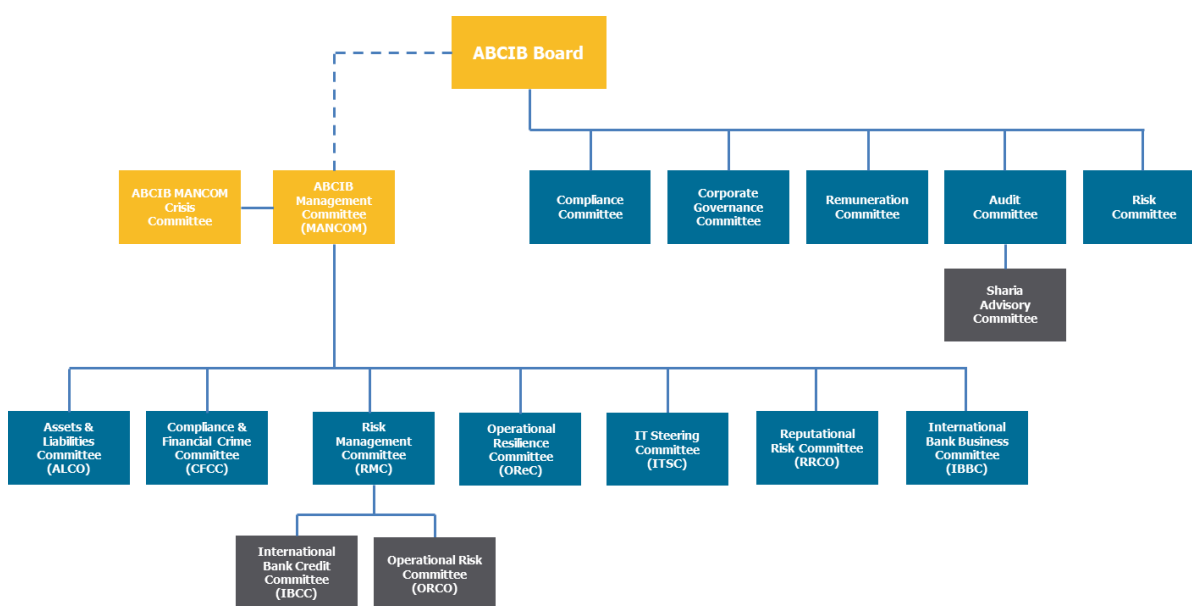
#### Board Level

The Board has five committees, amongst which the Board Risk Committee (BRC) is tasked with oversight of all key risk matters in ABCIB. The BRC sets the tone for the risk culture within ABCIB. It is responsible for review, challenge and recommendation to the Board for approval of the overall risk management, risk strategy,

key regulatory documents and key risk policies. The BRC's responsibilities also include review, recommendation and monitoring of ABCIB's Risk Appetite Statement, oversight of Risk and Controls in ABCIB, review and monitoring of Enterprise Risk Register, review, recommendation and monitoring of Stress Testing framework and maintain oversight on current or emerging risks.

The Risk Appetite where relevant has been set on a consolidated and solo level demonstrating that the Bank is managing risks on these separate levels where appropriate .

Figure 1 Board Committees



The Board is responsible for overall risk appetite for the Bank. The risk assessment and management oversight performed by the Board considers evolving best practices and is intended to conform to statutory requirements. The Board is supported by the Board Risk Committee, which monitors and oversees the risks of the Bank.

The BRC is chaired by Dr Yousef Al Awadi (Independent Non-Executive Director) and is comprised of three independent directors and one non-independent (Group CEO) director.

In addition to the BRC, the Audit/Compliance Committee (AC) oversees the performance of the Internal Audit and Compliance function. A risk based audit approach is adopted which

ensures that key risk areas are reviewed and assessed regularly. The AC is chaired by Andrew Neden (Independent Non-Executive Director) and is comprised of four independent directors and one non-independent (Group CEO) director.

The Corporate Governance Committee supports the Board in fulfilling its duty to safeguard and advance the Bank's reputation for responsible corporate conduct. It reviews and assesses stakeholders concerns and expectations for responsible corporate conduct and their possible consequences for ABCIB, and recommends appropriate actions to the Board.

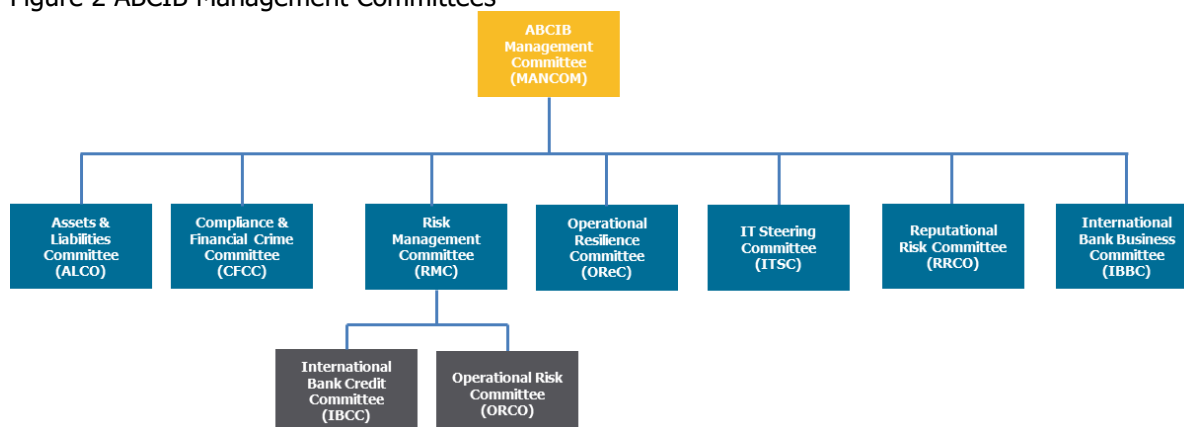


## Management Committees

The highest level committee of ABCIB is the Management Committee (ManCom), reporting

through the Chief Executive Officer to the Board of Directors. Overview of all management committees are as below.

Figure 2 ABCIB Management Committees



The Management Committee (ManCom) implements the risk framework, controls the Bank's risk profile and approves key policies in ABCIB. The Risk Management Committee (RMC) is responsible for oversight of all Risk categories in ABCIB. The RMC is also responsible for review, recommendation and oversight of ABCIB risk appetite statement & framework,

review and monitoring of enterprise risk register, maintaining oversight of risk controls in ABCIB and review of stress tests and key external factors, etc. The RMC also reviews audit findings and maintains oversight on the status of audit issues. Reporting to RMC are the International Bank Credit Committee (IBCC) and the Operational Risk Committee (ORCO).

## 2.2 Three lines of defence

The Bank employs the three lines of defence model:

Table 1 Three lines of defence

	1 <sup>st</sup> Line of Defence	2 <sup>nd</sup> Line of Defence	3 <sup>rd</sup> Line of Defence
<b>Role</b>	<b>Ownership &amp; Management</b>	<b>Oversight &amp; Challenge</b>	<b>Assurance</b>
<b>Areas</b>	<b>Business Lines and Support Functions:</b> Wholesale Banking Operations Human Resources Information Technology Information Security	Risk Management Department Compliance Financial Crime Finance	Internal Audit

Some of the key responsibilities split by each line of defence are presented below:

### 1<sup>st</sup> Line of Defence

- Day to day management and control of relevant risk related to their area of responsibility;

- Designing and implementing controls to respond to any changes in the risk profile;
- Identification, evaluation and reporting their key risk exposure;
- Root cause analysis of risk events and action planning to prevent recurrence;

- Tracking of action plans and performance assurance/testing to ensure that completed actions are proved effective; and
- Maintaining appropriate and adequate documentation to evidence compliance with their risk accountabilities and responsibilities.

- 

### 2<sup>nd</sup> Line of Defence

- Development and maintenance of the Risk Policy and Framework;
- Review and challenge of actions being undertaken by the 1st Line in respect of relevant risks; and
- Reporting to relevant committees on significant risks and control weaknesses and progress undertaken by the 1st Line in mitigating risks outside of the risk appetite.

### 3<sup>rd</sup> Line of Defence

- Independent assurance of the effectiveness of Controls;
- Risk based programme of audit activity; and
- Reporting to the Audit Committee.

All areas of risk are overseen by the ABCIB Chief Risk Officer ("CRO"), who reports into the CEO and also has a reporting line into The Chair of the Board Risk Committee. There is a functional reporting line to the Bank ABC Group Chief Credit and Risk Officer.

ABCIB has a dedicated Enterprise Risk Management (ERM) unit in place. The primary focus of ERM is to enhance and integrate the Enterprise Risk Management Framework for the Bank. ERM facilitates management and Board review and oversight over all key Risks within ABCIB through the Risk Management Committee (RMC) and Board Risk Committee (BRC) respectively, where ERM is responsible for the agenda items and packs for both the committees.

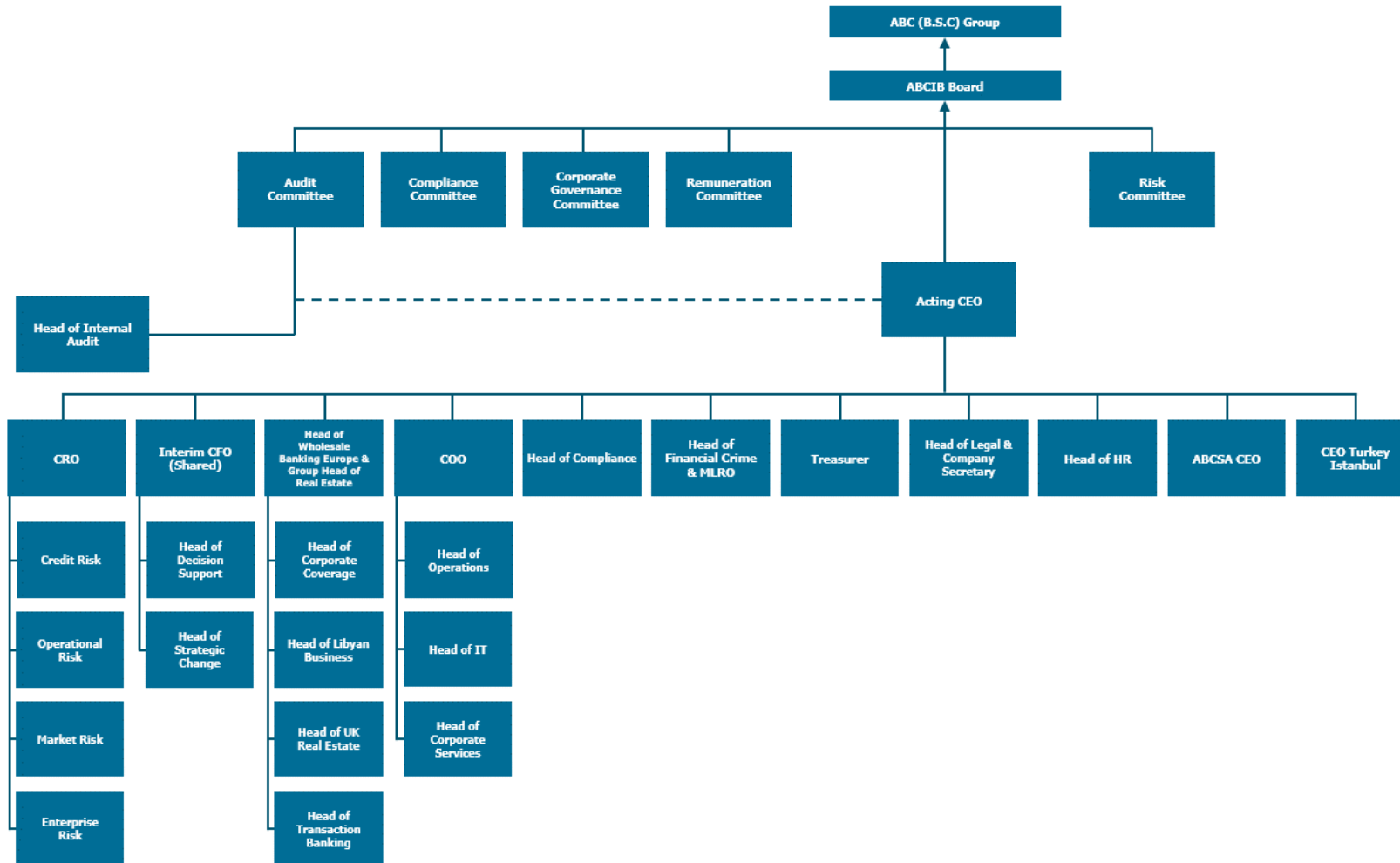
ERM maintains overall responsibility of committee Management Information (MI) and Key Risk Indicators (KRIs) reporting, which are reported to relevant Risk committees. The unit also provides appropriate support to the CRO for effective Risk oversight and management including oversight on risk culture and governance via reporting of Audit, Risk and Compliance (ARC) objectives and oversight on current or emerging risks.

The ERM unit facilitates review and recommendation of the Risk Appetite in line with the Bank's business plan, strategic intent and regulatory thresholds and maintains oversight over Risk Appetite compliance. ERM also maintains and updates the Enterprise Risk Register to capture all key Risks applicable to ABCIB to allow management to prioritise and mitigate Risks as appropriate.

Internal Audit also plays a significant role in the Bank's risk management process by providing independent and objective assurance on the adequacy and effectiveness of the Bank's risk management, control and governance processes. It carries out an annual risk-based programme of work, which has been approved by the Bank's Audit Committee, designed to evaluate the Bank's risk management and control environment. The result of Internal Audit's work, including management's progress in addressing identified issues, is reported to the Audit Committee on a quarterly basis.

Within the framework detailed the Board of ABCIB has assessed the adequacy of the risk management arrangements of the Bank and concluded that the risk management system put in place is adequate with regard to the profile and strategy of ABCIB. This statement is given and should be interpreted in accordance with the provisions of Article 435(1e) of Regulation (EU) No. 575/2013.

Figure 3 Organisational Chart



## 3 CAPITAL RESOURCES

### 3.1 Total available capital

At 31<sup>st</sup> December 2020 and throughout the year ABCIB complied with the capital requirements that were in force as set out by the PRA.

ABCIB's regulatory capital base at 31<sup>st</sup> December 2020 was as follows:

Table 2 Regulatory Capital

	Solo	Consolidated
	£000	£000
Tier 1 Capital	393,198	508,486
Tier 2 Capital	50,000	50,000
<b>Total regulatory capital</b>	<b>443,198</b>	<b>558,486</b>

The solo capital base reflect the new investment in ABSA.

**Appendix 1** provides more detail on the reconciliation between the audited financial statements and regulatory own funds.

### 3.2 Common Equity Tier 1 Capital

ABCIB has no Additional Tier 1 Capital 'AT1' so all Tier 1 capital is Common Equity Tier.

### 3.3 Tier 1 Capital

Tier 1 capital comprises total equity less the prudential valuation adjustment.

### 3.4 Tier 2 Capital

Tier 2 capital comprises an allowance for subordinated debt.

**Appendix 2** provides details of the ABCIB own funds disclosure.



## 4 KEY METRICS & IFRS9

### 4.1 Key Metrics

The table below shows the key regulatory metrics as at the 31<sup>st</sup> December 2020. These metrics have also been calculated as solo and consolidated basis.

Table 3 Key Regulatory Metrics

Description	Dec-20	
	Solo	Consolidated
<b>Available Capital (£ 000)</b>		
Common Equity Tier 1 (CET1)	393,198	508,486
Tier 1 capital	393,198	508,486
<b>Total Teir 1 capital</b>	<b>393,198</b>	<b>508,486</b>
Tier 2 Capital	50,000	50,000
<b>Total regulatory capital</b>	<b>443,198</b>	<b>558,486</b>
<b>Risk-Weighted Assets ('RWAS') (£000)</b>	<b>2,397,973</b>	<b>2,765,254</b>
<b>Capital Ratios (%)</b>		
Tier 1	16.4%	18.4%
Total Capital	18.5%	20.2%
<b>Leverage Ratio</b>		
Total Leverage ratio exposure measure (£000)	2,937,195	3,676,268
Leverage Ratio (%)	13.39%	13.83%

### 4.2 IFRS 9

IFRS9 was implemented in January 2018 and ABCIB is adhering to this and factoring in the impact of IFRS 9 into the calculations. ABCIB have applied IFRS9 transitional arrangements, as permitted by EU Regulation (2017/2395), add back percentage for year ending 31<sup>st</sup> Dec 2020 is 70%. The Bank had also applied CRR Quick Fix introduced in June 2020 in response to Covid-19 pandemic, for relevant provisions raised from 01 Jan 2020, add back percentage in this regard for year ending 31<sup>st</sup> December 2020 is 100%.

## 5 CAPITAL ADEQUACY

### 5.1 Capital management

ABCIB has adopted the Standardised approach to credit risk, market risk and operational risk in order to calculate the Basel II Pillar 1 minimum capital requirement.

The adequacy of ABCIB's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision and implemented by CRR and adopted by the PRA in supervising banks.

ABCIB's policy is to maintain a strong capital base to support the development of its business and to meet regulatory capital requirements at all times. The principal forms of capital are called up share capital, retained earnings and subordinated debt.

The PRA is the lead regulator for ABCIB and receives information on the capital adequacy. The PRA requires each bank to maintain an individually prescribed ratio of total capital to risk-weighted assets taking into account both balance sheet assets and off-balance sheet transactions. ABCIB complied in full with the PRA's minimum capital adequacy requirements during 2020.

Banking operations are categorised as either trading book or banking book and risk-weighted assets are determined accordingly. Banking book risk-weighted assets are measured as per the regulation by means of a hierarchy of risk weightings classified according to the nature of each asset and counterparty taking into account any eligible credit mitigation.

Banking book off-balance sheet items giving rise to credit, foreign exchange or interest rate risk are assigned weights appropriate to the category of the counterparty, taking into account any eligible credit risk mitigation. Credit conversion factors (CCF) are applied to off-balance sheet items as prescribed in CRR.

Trading book risk-weighted assets are determined by taking into account market related risks such as foreign exchange, interest rate position risks, and counterparty risk.

### 5.2 Internal Capital Adequacy assessment Process (ICAAP)

ABCIB capital management aims to maintain an optimum level of capital to enable it to pursue strategies that build long-term shareholder value, whilst always meeting minimum regulatory ratio requirements.

### 5.3 Minimum capital requirements:

The purpose of capital adequacy regime is to bring safety and soundness in financial system. This is achieved through three pillars, Pillar 1 requires minimal capital requirement, Pillar 2 based on supervisory review process and Pillar 3 is on market discipline and transparency.

The following table 5 shows ABCIB's minimum capital requirement under Pillar 1. For Pillar 2 the PRA reviews the self-assessment of risks commonly referred as the Internal Capital Adequacy Assessment (ICAAP). After supervisory review the PRA sets a Total Capital Requirement (TCR) which an institution need to hold at all times. For ABCIB the composition of TCR as 31<sup>st</sup> December 2020 is shown in below table 4.

Table 4 TCR composition

	Solo	Consolidated
Pillar1*	8.00%	8.00%
Pillar 2A	3.02%	3.05%
<b>Total Capital Requirement (TCR)</b>	<b>11.02%</b>	<b>11.05%</b>

\* of which 56.25% need to be met with common equity tier 1 (CET1) capital.

Table 5 Pillar 1 Capital Requirements

£000	Solo	Consolidated
Credit Risk	179,664	208,838
Market Risk	168	220
Credit Valuation Adjustment	49	45
Operational Risk	11,957	12,117
<b>Total Pillar I capital requirement</b>	<b>191,838</b>	<b>221,220</b>
<b>Capital in place</b>	<b>443,198</b>	<b>558,486</b>
<b>Excess of capital for Pillar 1 requirements</b>	<b>251,360</b>	<b>337,266</b>

The following table shows both the ABCIB's Risk-weighted assets and Risk Ratio under Pillar 1 at 31<sup>st</sup> December 2020:

Table 6 RWAs and Capital ratio

£000	Solo	Consolidated
Risk Weighted Assets	2,397,973	2,765,254
Risk Asset Ratio	18.5%	20.2%
Tier 1 Capital Ratio	16.4%	18.4%

#### 5.4 Credit risk component

The following table shows ABCIB's minimum capital requirement for credit risk under the standardised approach as at 31 December 2020:

Table 7 Credit Risk capital requirement

Exposure Types (Solo)	Capital Requirement (£000)	Exposure Value (£000)
Central governments or central banks	336	118,621
Regional governments or local authorities	-	-
Multilateral Development Banks	-	201,243
Institutions	37,006	667,826
Corporates	70,438	1,318,090
Public sector entities	-	-
Retail	16	263
Other exposures	4,743	54,527
Secured by mortgages on immovable property	13,175	166,603
Items associated with particular high risk	53,950	449,581
Exposures in default	0	0
<b>Total</b>	<b>179,664</b>	<b>2,976,753</b>

Exposure Types (Consolidated)	Capital Requirement (£000)	Exposure Value (£000)
Central governments or central banks	775	356,371
Regional governments or local authorities	199	4,977
Multilateral Development Banks	-	201,243
Institutions	33,093	675,851
Corporates	101,726	1,743,555
Public sector entities	643	8,043
Retail	16	263
Other exposures	5,236	60,689
Secured by mortgages on immovable property	13,175	166,603
Items associated with particular high risk	53,950	449,581
Exposures in default	24	304
<b>Total</b>	<b>208,838</b>	<b>3,667,481</b>

Under the Standardised approach, ABCIB uses S&P, Moody's, Fitch and Capital Intelligence ratings across its portfolios. Credit ratings are mapped to credit quality steps using the standard tables below:

Table 8 Exposure breakdown

Exposure Class (Solo)	CQS	Exposure Value (£000)	Exposure Value after eligible CRM (£000)
<b>Central Governments and Central Banks</b>	1	44,967	44,967
	5	0	0
	7	73,654	332
		<b>118,621</b>	<b>45,299</b>
<b>Regional governments or local authorities</b>	5	-	<b>0</b>
<b>Multilateral Development Banks</b>	1	<b>201,243</b>	<b>201,243</b>
<b>Institutions (as defined by the capital requirement regulation (CRR))</b>	1	177,150	176,962
	2	132,659	132,659
	3	80,127	50,085
	4	83,657	83,657
	5	194,233	176,725
		<b>667,826</b>	<b>620,088</b>
<b>Corporates</b>	1	64,034	21,994
	2	212,484	130,995
	3	84,059	84,059
	4	9,681	9,681
	5	37,662	37,662
	7	910,170	588,298
		<b>1,318,090</b>	<b>872,688</b>
<b>Public sector entities</b>	0	<b>0</b>	<b>0</b>
<b>Retail</b>	7	<b>263</b>	<b>263</b>
<b>Other items</b>	7	<b>54,527</b>	<b>54,527</b>
<b>Secured by mortgages on immovable property</b>	7	<b>166,603</b>	<b>163,657</b>
<b>High Risk (per Article 128 CRR)</b>	7	<b>449,581</b>	<b>449,581</b>
<b>Exposures in default</b>		<b>0</b>	<b>0</b>
<b>Total</b>		<b>2,976,753</b>	<b>2,407,344</b>

Exposure Class (Consolidated)	CQS	Exposure Value (£000)	Exposure Value after eligible CRM (£000)
<b>Central Governments and Central Banks</b>	1 3 5 7	251,889 510 80 103,892 <b>356,371</b>	251,889 1 80 1,716 <b>253,685</b>
<b>Regional governments or local authorities</b>	3	<b>4,977</b>	<b>4,977</b>
<b>Multilateral Development Banks</b>	1	<b>201,243</b>	<b>201,243</b>
<b>Institutions (as defined by the capital requirement regulation (CRR))</b>	1 2 3 4 5 7	101,557 134,097 82,137 105,727 252,201 131 <b>675,851</b>	101,369 133,760 50,673 105,657 234,692 0 <b>626,150</b>
<b>Corporates</b>	1 2 3 4 5 6 7	67,727 214,850 121,076 31,487 65,122 526 1,242,767 <b>1,743,555</b>	22,516 133,361 117,708 31,487 65,122 526 874,412 <b>1,245,132</b>
<b>Public sector entities</b>	7	<b>8,043</b>	<b>8,043</b>
<b>Retail</b>	7	<b>263</b>	<b>263</b>
<b>Other items</b>	7	<b>60,689</b>	<b>60,689</b>
<b>Secured by mortgages on immovable property</b>	7	<b>166,603</b>	<b>163,657</b>
<b>High Risk (per Article 128 CRR)</b>	7	<b>449,581</b>	<b>449,581</b>
<b>Exposures in default</b>		<b>304</b>	<b>304</b>
<b>Total</b>		<b>3,667,481</b>	<b>3,013,725</b>

Table 9 CQS mapping

CQS	Standard & Poors	Moody's	Fitch	Capital Intelligence
1	AAA to AA-	Aaa to Aa3	AAA to AA-	AAA to AA-
2	A+ to A-	A1 to A3	A+ to A-	A+ to A-
3	BBB+ to BBB-	Baa1 to Baa3	BBB+ to BBB-	BBB+ to BBB-
4	BB+ to BB-	Ba1 to Ba3	BB+ to BB-	BB+ to BB-
5	B+ to B-	B1 to B3	B+ to B-	B+ to B-
6	CCC+ and below	Caa1 and below	CCC+ and below	C and below
7	Unrated	Unrated	Unrated	Unrated



## 5.5 Pillar 2

ABCIB also allocates additional capital under Pillar 2 for those risks not covered by Pillar 1, these include:

**Interest Rate Risk:** This represents the estimation by the Bank of the potential loss incurred due to a change in interest rates.

**Credit Concentration Risk:** This represents the capital that the Bank holds against potential losses for any single or group of exposures representing a concentration.

**Pension Risk:** This represents the capital the Bank holds to reflect the risk of adequately funding the pension fund for the Bank.

**Operational Risk:** This risk the additional risk not covered by Pillar 1 that arises from inadequate

or failed processes, people and systems. **Market Risk:** The risk of loss resulting from adverse changes in the value of positions.

**Other Risks:** These others risks such as Conduct and legal risk have been considered and where relevant are included for Pillar 2 in the Operational Risk model undertaken by the Bank.

The assessment of these risks are captured in the Internal Capital Adequacy Assessment (ICAAP) as described in the minimum capital requirement section, resulting in a Total Capital Requirements (TCR) being set.

## 5.6 Regulatory capital buffers

### Capital conservation buffer ("CCB")

The CCB has been created to allow banks to build up buffers outside periods of stress. These can be used to absorb losses while avoiding breaching minimum capital requirements.

The buffer is at 2.5% of risk weighted assets.

### Countercyclical capital buffer ("CCyB")

Capital buffer financial institutions are required to hold in addition to other minimum capital requirements. This aims to achieve the broader macro prudential goal of protecting the banking sector from periods of excess aggregate credit growth that have often been associated with the build up of system-wide risk. For the period ending 31<sup>st</sup> December 2020, the Bank had minimal capital requirement due to the exposures being limited in the countries where the CCyB requirement has been put in place as per Table 10.

(Table 10)

Country	Current CCyB rate
United Kingdom	0.00%
Belgium	0.00%
Bulgaria	0.50%
Czech Republic	0.50%
Denmark	0.00%
France	0.00%
Germany	0.00%
Hong Kong	1.00%
Iceland	0.00%
Ireland	0.00%
Lithuania	0.00%
Luxembourg	0.25%
Norway	1.00%
Slovakia	1.00%
Sweden	0.00%

## 6 SOURCES OF RISK

### 6.1 Credit Risk

Credit risk is managed by the ABCIB Credit Committee ("IBCC"), which is the main credit risk decision-making forum of ABCIB. IBCC has the following roles and responsibilities:

Review and decision Credit Proposals in line with its delegated authorities.

Review and approve Internal Risk ratings (IRR) and any overrides as applicable.

Review and recommend ABCIB Credit Policy.

Review and approve Country Risk Policy, Credit Risk Mitigation Policy, Large Exposure Policy & Provisions Policy.

Review and approve other policies, Risk Acceptance Criteria & Guidance notes.

Review and approve relevant Credit Models & IFRS9 models.

Review and approve Credit Impairment Provisions.

Conduct credit Portfolio Reviews.

Review of Credit Resources and Infrastructure.

Delegate its authorities to a sub-committee.

Review its Terms of reference annually.

Credit risk is managed through risk assessment of counterparty, country, industry and other relevant risks. Credit limits are set in line with the aforementioned risk assessment and also considers standard mitigation and credit control practices.

Relationship managers in the first line of defence are responsible for day-to-day management of existing credit exposures, and for periodic review of the client and associated risks.

The centralised credit unit in the second line of defence is responsible for:

- Independent credit review of the clients.
- Monitoring and maintaining oversight of the credit portfolio through client reviews, portfolio Management Information (MI) and Key Risk Indicators (KRIs).
- Supporting the IBCC with reference to its roles and responsibilities.

The quality of the credit portfolio on a Solo basis is good with the non-performing book (Stage 3) constituting 0.28% of the total exposure. The specific provisions against the Exposure at Default (EAD) for Stage 3 is 73%.

#### Industry exposure

The table below analyses the industrial spread of due from banks, loans and advances to customers, financial investments – available-for-sale and financial investments– held to maturity.

Table 11 Credit risk exposures (On & Off Balance Sheet)

On Balance Sheet (Solo)	2020 (£000)				2019 (£000)
	Stage 1	Stage 2	Stage 3	Total	
Financial	1,386,396	-	1,484	1,387,880	1,509,908
Central Banks and Governments	44,948	-	-	44,948	225,544
Other	227,397	492	88	227,977	351,265
Property Related	400,176	155,926	-	556,102	459,708
Motor Vehicle Related	112,310	-	-	112,310	215,873
Commodity Related	76,886	8,246	-	85,132	136,878
<b>TOTAL</b>	<b>2,248,113</b>	<b>164,664</b>	<b>1,572</b>	<b>2,414,349</b>	<b>2,899,176</b>

Off Balance Sheet (Solo)	2020 (£000)				2019 (£000)
	Stage 1	Stage 2	Stage 3	Total	
Financial	272,397	1,583	-	273,980	505,920
Central Banks and Governments	63,098	-	-	63,098	224,806
Other	86,877	11,063	-	97,940	167,408
Property Related	70,910	7,383	-	78,293	91,200
Motor Vehicle Related	84,919	59,152	-	144,071	110,225
Commodity Related	66,001	-	-	66,001	206,052
<b>TOTAL</b>	<b>644,202</b>	<b>79,181</b>	<b>-</b>	<b>723,383</b>	<b>1,305,611</b>

The values in above table 11 are On and Off Balance sheet exposures net of provisions.

Moreover the values are shown before the impact of credit risk mitigation.

## Geographic Region exposure

Table 11 Exposure Breakdown by Geographic Region (On and Off Balance Sheet)

On Balance Sheet (Solo)	2020 (£000)				2019 (£000)
	Stage 1	Stage 2	Stage 3	Total	
Europe	910,923	155,926	-	1,066,849	1,388,570
MENAT	889,184	8,738	1,572	899,494	1,018,357
Asia	29,207	-	-	29,207	88,625
North America	95,979	-	-	95,979	64,304
South America	57,388	-	-	57,388	79,608
Other	265,432	-	-	265,432	259,713
<b>TOTAL</b>	<b>2,248,113</b>	<b>164,664</b>	<b>1,572</b>	<b>2,414,349</b>	<b>2,899,177</b>

Off Balance Sheet (Solo)	2020 (£000)				2019 (£000)
	Stage 1	Stage 2	Stage 3	Total	
Europe	277,397	75,920	-	353,317	511,935
MENAT	355,761	3,261	-	359,022	777,929
Asia	1,968	-	-	1,968	2,181
North America	-	-	-	-	2,706
South America	1,247	-	-	1,247	3,298
Other	7,829	-	-	7,829	7,562
<b>TOTAL</b>	<b>644,202</b>	<b>79,181</b>	<b>-</b>	<b>723,383</b>	<b>1,305,611</b>

The values in the above table 11 are On Balance sheet exposures net of provisions. Moreover the values are shown before the impact of credit risk mitigation.

### Credit risk mitigation

The amount and type of collateral depends on an assessment of the credit risk of the counterparty. The types of collateral mainly include cash and guarantees from banks, as well as mortgages over property. Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses.

Also, ABCIB uses derivatives and other instruments to manage exposures resulting from changes in interest rates, foreign currencies and credit risks.

### Maximum exposure to credit risk without taking into account collateral and other credit enhancements

The table below shows the maximum exposure to credit risk for the components of the balance sheet, including derivatives. The maximum is shown gross, before the effect of mitigation through the use of master netting and collateral agreements:

Table 4 Maximum Exposure to Credit Risk

Exposure Class (Solo)	2020 (£000)	2019 (£000)
Cash and cash equivalents	47,646	32,683
Loans and advances to banks	975,054	1,186,006
Loans and advances to customers	1,105,423	1,435,262
Debt investments - FVOCI	333,872	277,909
Derivative financial assets	490	336
	<b>2,462,485</b>	<b>2,932,196</b>
Contingent liabilities	460,963	960,495
Commitments	264,681	352,924
	<b>725,644</b>	<b>1,313,419</b>

## Breakdown of Credit Risk Mitigation

Table 5 Credit Risk Mitigation

Solo	2020 (£000)	2019 (£000)
<b>Cash collateralised</b>		
Loans and advances to customers and banks	271,905	56,740
Contingent liabilities	187,307	434,438
<b>Guaranteed by Banks and Credit Agencies</b>		
Loans and advances to customers and banks	180,192	289,875
Contingent liabilities	7,127	21,950
Commitments	14,341	35,753
<b>Risk concentration against individual counterparties</b>		
Largest customer exposure before collateral	83,038	84,064
Largest customer exposure after collateral	83,038	84,064
Largest central bank exposure before collateral	63,107	225,627
Largest central bank exposure after collateral	-	-

## Credit quality per class of financial assets

Table 6 2020/2019 Loans, Receivables and AFS breakdown

Solo	Amortised cost 2020 (£000)	FVTPL	Debt investments - FVOCI 2020 (£000)
<b>Due from banks</b>			
Investment grade	287,630	17,372	115,428
Sub investment grade	513,057	25,042	165,255
<b>Total</b>	<b>800,687</b>	<b>42,414</b>	<b>131,953</b>
<b>Loans and advances to customers</b>			
Investment grade	276,700		
Sub investment grade	828,723		
<b>Total</b>	<b>1,105,423</b>		
<b>Financial investments - available-for-sale</b>			
Investment grade			333,872
<b>Total</b>			<b>333,872</b>

Solo	Amortised cost 2019 (£000)	FVTPL	Debt investments - FVOCI 2019 (£000)
<b>Due from banks</b>			
Investment grade	627,010		
Sub investment grade	558,996		
<b>Total</b>	<b>1,186,006</b>		
<b>Loans and advances to customers</b>			
Investment grade	422,598		
Sub investment grade	1,012,664		
<b>Total</b>	<b>1,435,262</b>		
<b>Debt investments - FVOCI</b>			
Investment grade			277,909
<b>Total</b>			<b>277,909</b>

## 6.2 Market and Liquidity risk

Market risk and liquidity risk are defined as follows:

Market risk refers to the risk to the Bank resulting from movements in market prices, in particular, changes in interest rates, foreign exchange rates, and equity and commodity price.

Liquidity risk is the risk to the Bank's earnings, capital and solvency, arising from inability to meet contractual payment and other financial obligations on their due date, or inability to fund (at a reasonable cost) the asset book and

business needs of the Bank (and, by extension, the needs of its customers).

### Market Risk

The Bank uses various market risk techniques and measurements to manage its investment and trading book by setting limits that are monitored on a daily basis by the Head of Market Risk & Head of Treasury. The Bank uses the Historical Value at Risk "VaR" as one of the measurements with 99% confidence level and one day holding period where positions are re-valued on a daily basis using historical market data. The Bank uses the Basis Point Value "BPV" technique to measure and monitor the banking

book sensitivity to interest rates, which are monitored daily at the bank level as well as by currencies against a set of limits.

The Bank has a small Trading book for spot and forward foreign exchange instruments, the trading for which is within a modest VaR limit and other market risk parameters. Any open positions are relatively small and are re-valued on a daily basis.

The Bank uses derivatives in order to reduce its exposure to market risks as part of its asset and Table 7 VaR exposures

<b>ABCIB's VaR exposures: (Solo)</b>				
	<b>Maximum</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Minimum</b>
<b>Solo</b>	<b>2020 (£000)</b>	<b>2020 (£000)</b>	<b>2019 (£000)</b>	<b>2019 (£000)</b>
<b>Trading</b>	7	4	37	0
<b>Banking</b>	2,651	1,162	10,871	47

<b>ABCIB's VaR exposures: (Consolidated)</b>				
	<b>Maximum</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Minimum</b>
<b>Solo</b>	<b>2020 (£000)</b>	<b>2020 (£000)</b>	<b>2019 (£000)</b>	<b>2019 (£000)</b>
<b>Trading</b>	11	1	37	0
<b>Banking</b>	4,095	606	10,871	47

## Liquidity risk

Liquidity risks are reviewed and monitored in the Assets and Liabilities Committee (ALCO). The Bank has robust strategies, policies, processes and systems that are comprehensive and proportionate to the nature, scale and complexity of the Bank's activities and enable the Bank to identify, measure, manage and monitor liquidity risk ensuring continuous liquidity. The Bank also assesses, monitors and maintains on a daily basis the amounts, types and distribution of liquidity resources that it considers adequate to cover:

The nature and level of the liquidity risk to which it is or might be exposed;

The risk that the Bank cannot meet its liabilities as they fall due;

The risk that its liquidity resources might in the future fall below the level, or differ from the quality and funding profile, of those resources considered appropriate and agreed with the Prudential Regulation Authority (PRA) and covered by Internal Liquidity Adequacy Assessment Process (ILAAP)); and

The risk that the Bank's liquidity resources fall below the level detailed in the Capital Requirements Regulation (CRR) requirements for the Liquidity Cover Ratio.

liability management. This is achieved by entering into derivatives that hedge against the risk of treasury losses from mismatches in maturities, interest rates and currencies in relation to the asset and liability base. Interest rate and currency swap agreements are most commonly used to this effect.

Market Risk and other risks are reviewed in the ALCO.

The Bank has set risk appetite levels for Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). The Bank also manages liquidity risk through various Early Warning Indicators (EWIs).

The Liquidity Coverage Ratio (LCR) is to promote the short-term resilience of the liquidity risk profile of banks. It does this by ensuring that banks have an adequate stock of unencumbered high-quality liquid assets (HQLA) or Liquidity buffer that can be converted easily and immediately in private markets into cash to meet their liquidity needs for a 30 calendar day liquidity stress scenario.

Based on the EBA guidelines published in EBA/GL/2016/11 under part Eight of the CRR, the table below shows LCR components based on the average of the twelve monthly reported data items.

Table 8 LCR components (Average)

<b>LCR components - £000</b>	<b>Solo</b>	<b>Consolidated</b>
Liquidity Buffer	362,315	405,166
Total Net cash outflows	127,560	132,165
<b>Liquidity Coverage Ratio (Avg)</b>	<b>%</b>	<b>%</b>
Liquidity Coverage Ratio	281%	307%



## Analysis of financial assets by remaining maturities

Table 9 Loans and advances split by maturity shown at a Solo level per the financial statements.

2020 (£000)						
	Not more than 3 months	More than 3 months but not more than 1 year	More than 1 year but not more than 5 years	More than 5 years	ECL allowance (IFRS 9)	Total
Loans and advances to banks	503,127	402,514	74,210	-	(4,797)	975,054
Loans and advances to customers	481,600	381,127	251,906	3,383	(12,593)	1,105,423
Debt investments - FVOCI	-	176,899	156,973	-	-	333,872
	<b>984,727</b>	<b>960,540</b>	<b>483,089</b>	<b>3,383</b>	<b>(17,390)</b>	<b>2,414,349</b>
2019 (£000)						
	Not more than 3 months	More than 3 months but not more than 1 year	More than 1 year but not more than 5 years	More than 5 years	IAS 39 impairment losses	Total
Loans and advances to banks	580,367	574,107	35,917	-	(4,385)	1,186,006
Loans and advances to customers	770,120	409,378	257,147	7,464	(8,847)	1,435,262
Debt investments - FVOCI	58,578	81,698	137,633	-	-	277,909
	<b>1,409,065</b>	<b>1,065,183</b>	<b>430,697</b>	<b>7,464</b>	<b>(13,233)</b>	<b>2,899,177</b>

The table below summarises the maturity of ABCIB's financial liabilities at 31st December 2020 based on contractual undiscounted repayment obligations. Repayments which are subject to notice are treated as if notice were to be given immediately. However, ABCIB expects

that many customers will not request repayment on the earliest date ABCIB could be required to pay and the table does not reflect the expected cash flows indicated by ABCIB's deposit retention history.

Table 10 Liabilities split by maturity shown at a Solo level per the financial statements.

2020 (£000)					
	Not more than 3 months	More than 3 months but not more than 1 year	More than 1 year but not more than 5 years	More than 5 years	Total
<b>Financial Liabilities</b>					
Deposits from Banks, Customers, Term borrowing and Subordinated Liabilities	990,455	688,795	476,166	-	2,155,416
Derivative financial liabilities	4,718	38	745	-	5,501
Commitments	58,321	66,759	139,601	-	264,681
Financial guarantees	70,564	97,493	8,456	-	176,513
Other	41,939	-	-	-	41,939
2019 (£000)					
	Not more than 3 months	More than 3 months but not more than 1 year	More than 1 year but not more than 5 years	More than 5 years	Total
<b>Financial Liabilities</b>					
Deposits from Banks, Customers, Term borrowing and Subordinated Liabilities	854,645	1,117,992	434,505	50,077	2,457,218
Derivative financial liabilities	3,975	-	-	-	3,975
Commitments	44,290	113,459	193,362	1,813	352,924
Financial guarantees	160,843	137,448	32,097	4,218	334,606
Other	21,156	-	-	-	21,156

## Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. ABCIB is exposed to interest rate risk as a result of mismatches of interest rate repricing of assets and liabilities. The most prominent market risk factor for ABCIB is interest rates. Although this risk is minimized as ABCIB's rate sensitive assets and liabilities are

largely matched. Any residual interest rate risk is managed within approved limits.

## Currency risk

Derivative instruments are used by ABCIB to hedge the risk of treasury losses arising out of mismatches in currencies of its asset and liability base. Any open positions are relatively small and are re-valued on a regular basis. Trading on the spot and forward foreign exchange markets is primarily client driven.

### 6.3 Other risks

#### Operational risk

Operational risks are owned and managed by the first line, with the support of and challenged by the second line of defence, headed by the CRO. Operational risks are managed under the supervision of the Operational Risk Committee (ORCO).

There are a number of tools which support the Operational Risk policy and framework, and these are used to manage and monitor the risks, with the key tools being:

Operational Risk Incidents/ Events (OREs)

Key Risk Indicators (KRI's)

Risk Control Self-Assessments (RCSA's)

Group-wide control standards ("GWCS")

Issues and Action plans

Application to support the management of operational risk (GRC Tool)

Scenario Analysis and Stress Testing

Management Information and Reporting

Training

All of these tools/processes undergo a rigorous review and challenge process led by the Operational Risk team and are used to assist in managing both conduct and non-conduct risks.

Governance is achieved via a formal committee structure with the ABCIB Operational Risk Committee (ORCO) attended by the senior managers of each core business and support functions.

#### Financial Risks from Climate Change

Banks sit at the heart of the global economy allocating capital and risk. Climate change presents financial risks to the banking sector.

In relation to climate change ABCIB has completed its governance requirements and impact arising from climate change scenarios in its capital calculations for ICAAP.

The Board Risk Committee oversees ABCIB's plan on climate change to ensure an appropriate strategic response to this initiative.

The Bank is committed to further enhancing its approach to climate change in line with regulatory guidance and industry best practice with further enhancements to the climate change risk framework expected in 2021.

Other Risks such as conduct, legal, fraud, Technology, Information Security (including Cyber), etc. are considered within the Bank's Risk Appetite Statement and risk register and are also captured within the Pillar 2a operational loss calculation.

## 7 EQUITY INVESTMENTS

### 7.1 Investments in subsidiaries and associated companies

ABCIB owns the following investments in subsidiaries and associated companies:

Table 11 Subsidiaries and Investments Structure

	<b>Business</b>	<b>Ownership (%)</b>
Alphabet Nominees Limited	Nominee company	100%
Abcint Nominees Limited	Nominee company	100%
ABCIB Islamic Asset Management Limited	Advisory services	100%
ABCIB Leasing Limited	Asset trading company	100%
ABC Investment Holdings Limited	Property holding company	100%
Arab Holding SA	Financial services	99.9%

Part of the investments above form part of effective fair value hedging relationship in relation to foreign currency risk, with certain foreign currency denominated borrowings.

Equity investments are stated in the financial statements of ABCIB at cost less impairment

losses. Reversal of impairment losses are recognised in the profit and loss account if there has been a change in the estimates used to determine the recoverable amount of the investment.

## 8 IMPAIRMENT PROVISIONS

### 8.1 Impairment losses of financial assets.

The Bank assesses on a forward-looking basis, the ECL associated with its debt instruments assets carried at amortised cost and FVOCI and against the exposure arising from loan commitments and financial guarantee contracts. The Bank recognises an ECL for such losses on origination and reassess the expected losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or

effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

To calculate ECL, the Bank estimates the risk of a default occurring on the financial instrument during its expected life. ECLs are estimated based on the present value of all cash shortfalls over the remaining expected life of the financial asset, i.e., the difference between: the contractual cash flows that are due to the Bank under the contract, and the cash flows that the Bank expects to receive, discounted at the effective interest rate of the loan.

### Movements in allowance for impairment losses

Table 12 Provisions (ECL Allowance)

Solo	ECL under IFRS 9 at 31 December 2019	2020			ECL under IFRS 9 at 31 December 2020
		Stage 1	Stage 2	Stage 3	
	£000	£000	£000	£000	£000
Cash and cash equivalents	-	-	-	-	-
Loans and advances to banks	4,386	2,682	-	2,115	4,797
Loans and advances to customers	8,847	914	9,520	2,159	12,593
Collectively assessed Customers	-	-	-	-	-
debt financial assets at FVOCI under IFRS 9	-	-	-	-	-
Credit commitments and contingencies	7,807	733	965	563	2,261
	<b>21,040</b>	<b>4,329</b>	<b>10,485</b>	<b>4,837</b>	<b>19,651</b>

Table 13 Provisions (ECL allowance)

Solo	2020			
	£000	£000	£000	£000
ECL allowance	Stage 1	Stage 2	Stage 3	Total
As at 31 December 2019	6,931	7,794	6,315	21,040
New assets originated / purchased	14,216	-	-	14,216
Assets fully repaid or derecognised (excluding write-offs)	(4,050)	(2,363)	-	(6,413)
Transfers to stage 1	4	(4)	-	-
Transfers to stage 2	(7,024)	7,024	-	-
Transfers to stage 3	-	(1,813)	1,813	-
Partial redemptions and other drawdowns	(4,861)	307	-	(4,554)
Changes to models and inputs used for ECL calculations	1,195	-	-	1,195
Recoveries	-	-	(68)	(68)
Amounts written-off	-	-	-	-
Foreign exchange & other adjustments	(113)	(244)	197	(160)
Transfer to ABCSA	(1,969)	(216)	(3,420)	(5,605)
<b>As at 31 December 2020</b>	<b>4,329</b>	<b>10,485</b>	<b>4,837</b>	<b>19,651</b>

## 9 ASSET ENCUMBRANCE

As at 31<sup>st</sup> December 2020, ABCIB did not undertake any activities that resulted in any assets being encumbered. ABCIB's balance

sheet stood at £3,145m and £2,731m on consolidated and solo basis respectively, all of which were unencumbered assets.



## 10 LEVERAGE

Under CRD IV, firms are required to calculate a leverage ratio, which is not risk sensitive, to complement risk-based capital requirements. The leverage ratio measures the relationship between a firm's Tier 1 capital resources and its leverage exposure (total assets, plus certain off

balance sheet exposures). Monitoring and requiring firms to manage this metric allows regulators to limit the accumulation of excessive leverage, which is widely considered to have precipitated the banking crisis.

Table 14 Leverage ratio

Summary of reconciliation of accounting assets and Leverage Ratio exposures (£000)	Solo	Consolidated
<b>Total assets as per Financial Statements</b>	<b>2,731,397</b>	<b>3,145,491</b>
Adjustments for off balance sheet items	367,181	528,721
Adjustments for derivative financial instruments	3,061	2,686
Investment in subsidiary	(163,814)	-
Other adjustments (e.g. deductions from Tier 1)	(630)	(630)
<b>Total Leverage Ratio exposures: total exposure method</b>	<b>2,937,195</b>	<b>3,676,268</b>
<b>Note: amounts after adjustments applied to nominal value for conversion factors</b>		
Off-balance sheet items with a 20% CCF in accordance with Article 429 (10) of the CRR	24,733	52,453
Off-balance sheet items with a 50% CCF in accordance with Article 429 (10) of the CRR	258,969	374,982
Off-balance sheet items with a 100% CCF in accordance with Article 429 (10) of the CRR	83,479	101,286
<b>Total Off Balance sheet exposures for Leverage Ratio</b>	<b>367,181</b>	<b>528,721</b>
<b>Derivative exposures</b>		
Replacement cost associated with derivative transactions	294	294
Add-on amounts under the mark-to-market method	2,767	2,392
<b>Total Derivative exposures for Leverage Ratio</b>	<b>3,061</b>	<b>2,686</b>
<b>Tier 1 capital and final Leverage Ratio</b>		
Tier 1 capital	393,198	508,486
Total Leverage Ratio exposures: total exposure method	2,937,195	3,676,268
<b>Leverage ratio</b>	<b>13.39%</b>	<b>13.83%</b>

# 11 REMUNERATION POLICY

## 11.1 Fixed Remuneration

An annual review of remuneration for all ABCIB employees is carried out, benchmarking all positions against market data for peer roles in peer group organisations, considering employment market conditions, demand for skills etc.

Individual remuneration is reviewed against an employee's job description and grade, any significant change within their responsibilities, material move in the market value of a role, their value to the organisation and in line with the Bank's budget for remuneration.

## 11.2 Variable remuneration

All incentive awards arrangements within Bank ABC are completely discretionary.

Individual objectives (both financial and non-financial) are set for all employees, including Code Staff, and will be relevant to their particular role, also being designed to encourage appropriate behaviours and adherence to the Bank's Risk Management and Compliance policies and procedures. Reviews of performance are carried out semi-annually for all employees. Performance measures change each year to reflect the business strategy, group, unit, team and individual objectives. The Chief Executive Officer, in conjunction with the Head of Human Resources, carry out a calibration exercise to ensure that performance ratings for all staff have been applied fairly and consistently by managers.

Awards will be determined based upon individual performance and contribution, considering "what" a person achieves and "how" they achieve it as well as department performance and overall ABCIB performance (Control functions excluded).

## 11.3 Code Staff

In line with the PRA Remuneration Code, ABCIB designates certain of its employees as Code Staff, selecting them from staff, including

directors, senior management, significant risk takers, staff engaged in significant control functions and other employees receiving total remuneration that takes them into the same remuneration bracket as senior management.

Code Staff will be identified by the Chief Executive Officer and the Head of Human Resources, and approved by the Remuneration Committee, having regard for those employees with significant influence over the conduct of the Bank's business, or a significant function in the generation of risk assets or control over risk assets. Designation of Code Staff (and potential addition of new Code Staff) will be reviewed annually, in conjunction with the Chief Risk Officer and the Head of Compliance.

In line with the PRA Remuneration Code, ABCIB designates certain employees as Code Staff having regard for those employees with significant influence over the conduct of the Bank's business, or a significant function in the generation of risk assets or control over risk assets. Designation of Code Staff (and potential addition of new Code Staff) will be reviewed annually, in conjunction with the Chief Risk Officer and Head of Compliance and approved by the Remuneration Committee in line with the Bank's Remuneration Policy.

## 11.4 Deferral of bonuses

As ABCIB is classified as a Proportionality Level 3 firm under the terms of the PRA Remuneration Code, the Bank is not required to apply the rules on deferral of bonuses. This approach has been approved by Remuneration Committee.

## 11.5 Code staff Remuneration

As of 31<sup>st</sup> December 2020 the Bank had 72 code staff (61 at ABCIB London and 11 in ABSA), excluding the Chairman, Deputy Chairman and the non-executive directors, whose professional activities had a material impact on the firm's risk profile.

The figures below provide analysis of both the fixed and variable remuneration of code staff.

Table 15 Remuneration summary

Consolidated	Fixed Remuneration (inc fixed benefits)	Variable Remuneration
<b>Strategic Business Units</b>	£4,070,480	£1,927,680
<b>Support, Risk &amp; Control Functions</b>	£5,941,852	£2,044,402

<b>Solo</b>	<b>Fixed Remuneration (inc fixed benefits)</b>	<b>Variable Remuneration</b>
<b>Strategic Business Units</b>	£4,070,480	£1,927,680
<b>Support, Risk &amp; Control Functions</b>	£4,363,127	£1,312,794

**Appendix 1 Reconciliation between audited financial statements and regulatory own funds as at 31st December 2020 (balance sheet is produced only on solo basis per published accounts):**

Solo	Amount as at 31 <sup>st</sup> Dec 2020 (£000)
Called up share capital	212,296
Retained Earnings	287,834
Available for sale reserve	1,037
<b>Audited Financial Statements</b>	<b>501,167</b>
<b>Regulatory Adjustments</b>	
IFRS9 transitional arrangements	6,148
Foreseeable Dividend	
Investment in subsidiary- capital deduction*	(113,487)
Other regulatory adjustments	(630)
<b>Tier 1 Capital</b>	<b>393,198</b>
Subordinated Debt - Issued 12/2016	50,000
<b>Tier 2 Capital</b>	<b>50,000</b>
<b>Total Capital Resources</b>	<b>443,198</b>

\*post application of CRR article 48(a) add back.

**Appendix 2 Own Funds disclosure:**

Solo	Amount as at 31 <sup>st</sup> Dec 2020 (£000)
<b>Common Equity Tier 1 (CET1) capital: Instruments and reserves</b>	
Capital Instruments	212,296
Retained Earnings	287,834
Available for sale reserve	1,037
<b>Common Equity Tier 1 (CET1) capital: Before regulatory adjustments</b>	<b>501,167</b>
<b>Regulatory Adjustments:</b>	
IFRS9 transitional arrangements	6,148
Foreseeable Dividend	
Investment in subsidiary- capital deduction*	(113,487)
Other regulatory adjustments	(630)
<b>Common Equity Tier 1 (CET1) capital: After regulatory adjustments</b>	<b>393,198</b>
Additional Tier 1 Capital (AT1)	-
<b>Tier 1 capital (CET1 + AT1)</b>	<b>393,198</b>
<b>Tier 2 capital</b>	<b>50,000</b>
<b>Total capital</b>	<b>443,198</b>
<b>Risk Weighted Assets</b>	<b>2,397,973</b>
<b>CET1 Ratio</b>	<b>16.4%</b>
<b>Tier 1 Ratio</b>	<b>16.4%</b>
<b>Total Capital Ratio</b>	<b>18.5%</b>

\*post application of CRR article 48(a) add back.