Pillar 3
Report 2023

ABC International Bank Plc

Bank ABC

A TEAM **COMMITTED TO YOUR SUCCESS.**

To be the MENAT Bank of choice for our European clients.

ABC International Bank plc (the Bank) was established in 1991 as a wholly owned UK subsidiary of Bahrain-based Arab Banking Corporation (B.S.C.) (Bank ABC or the Bank ABC Group).

The Bank's strategy is to be the digitally enabled specialist bank of reference for multinationals and mid cap corporates in Europe for cross-MENAT banking solutions, leveraging our strong Transaction Banking proposition and our unique presence, expertise, risk appetite and operational excellence.

The Bank's core business comprises Global Transactional Banking (GTB), Real Estate & Islamic Financial Services (RE), and Treasury & Financial Markets (TFM).

STRATEGIC INTENT

TO BE THE MENAT BANK OF CHOICE FOR OUR EUROPEAN CLIENTS.

OUR VALUES

Client centric

We are committed to knowing our customers and developing long-term relationships.

Collaborative

We work together as one team across our international network, providing a superior client experience.

Consistent

We are trusted to deliver every time in the right way, demonstrating integrity to all our stakeholders

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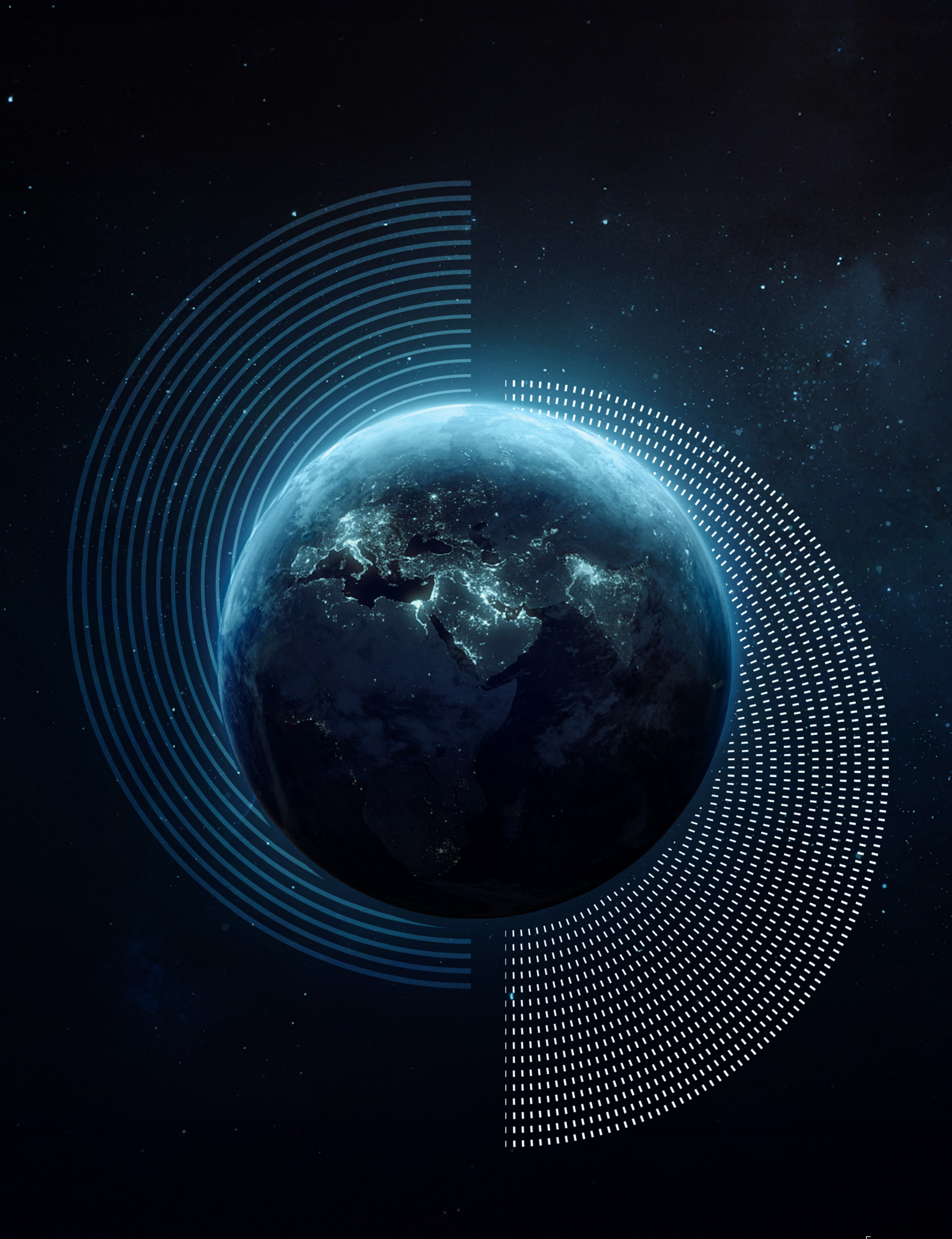


OVERVIEW

1.1. Background

The Basel 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 complement the disclosures contained in the ABC International Bank plc ("ABCIB" or "the Bank") annual report and provide additional disclosures with regards to the Bank's regulatory capital, risk weighted assets and approach to risk management.

The Pillar 3 report is prepared in accordance with the Capital Requirements Regulation ("CRR") and Capital Requirements Directive ("CRD V") which came into effect on 1 January 2022 and implemented by the Prudential Regulatory Authority ("PRA") via the PRA rulebook. Articles 431 to 455 of CRR set out the requirements of the Pillar 3 framework. References to CRR mean the capital regulatory requirements enforced under domestic law by virtue of the European Union (Withdrawal) Act 2018, as amended.

1.2 Basis and Frequency of Disclosures

This disclosure document has been prepared annually in accordance with the requirements of Pillar 3 and on the proportional basis as appropriate for the Bank.

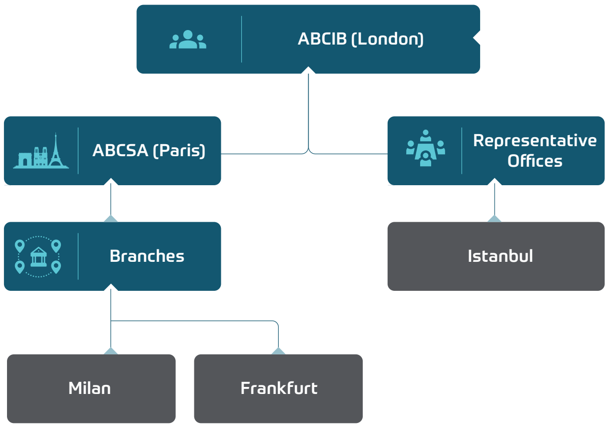
Unless otherwise stated, all figures are as at 31 December 2023, the Bank's financial year-end. This disclosure is for the period from 1st January 2023 to 31st December 2023.

1.3 Scope

ABCIB, registered office 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).

ABCIB 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 which includes the European subsidiary, Arab Banking Corporation S.A ("ABSA").

Both ABCIB Solo and Consolidated regulatory ratios are reported within this document. Other risk and exposure disclosures are reported on a solo basis, in line with the Bank's annual financial statements.



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). 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.

RISK MANAGEMENT & GOVERNANCE

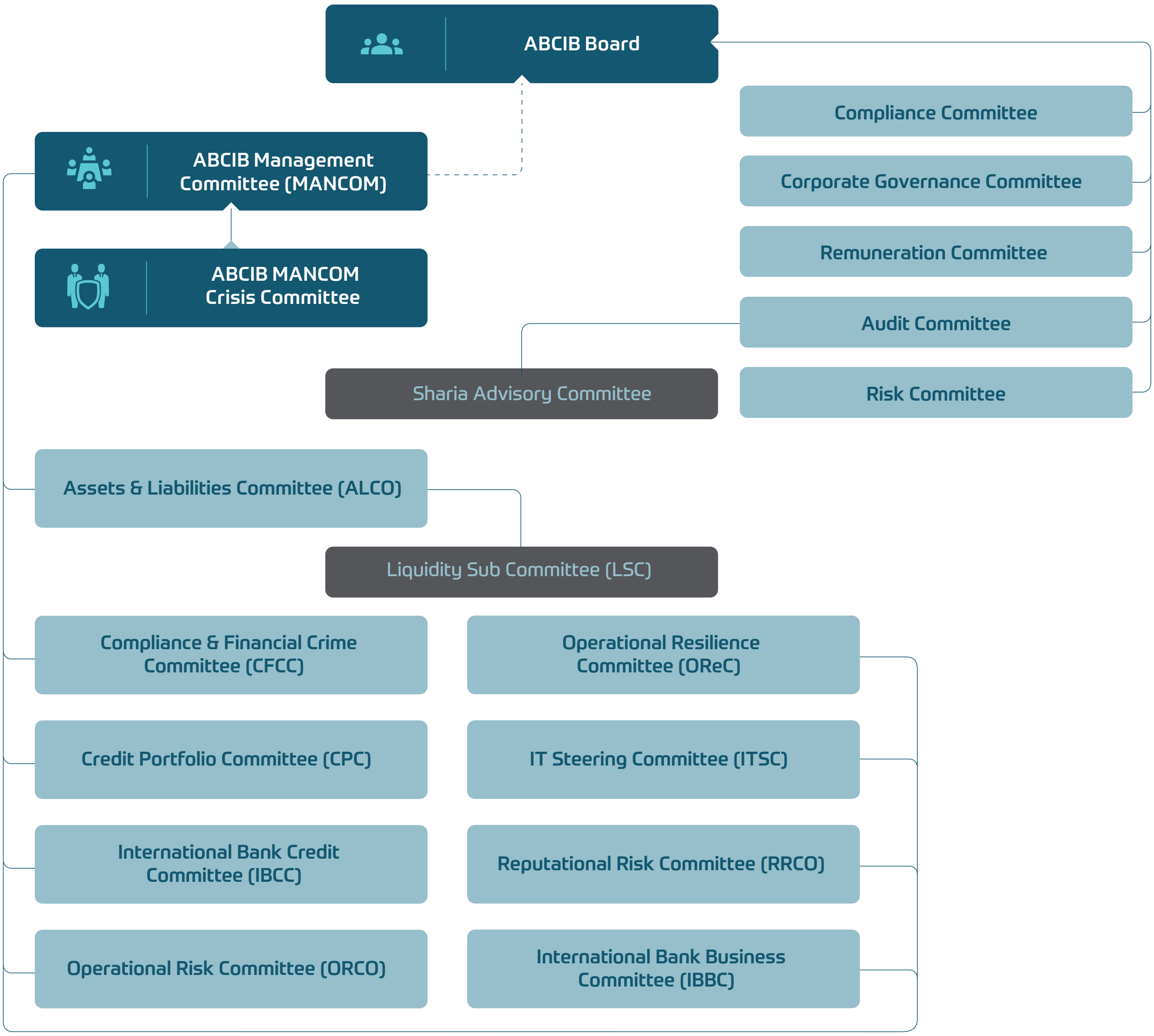
2.1 Governance

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

BOARD LEVEL 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.

Figure 1: Board Committees



BOARD RISK COMMITTEE

The Board Risk Committee ("BRC") is a committee of the Board of ABCIB, from which derives its authority and to which it regularly reports. The BRC is chaired by Mrs. Vanessa Eastham-Fisk and meets at least four times per year. The 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 risk management, approval of the overall 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 Controls in ABCIB, review and monitoring of Enterprise Risk Register, review, recommendation and monitoring of Stress Testing framework and oversight on current or emerging risk.

AUDIT COMMITTEE

The Audit Committee meets at least four times a year to give the Board an independent assessment of the adequacy of ABCIB's policies on internal and external financial reporting and controls. The Committee is chaired by Mr. Andrew Neden. ABCIB has an established internal audit function, with the Head of Internal Audit reporting jointly to the Chairman of the Audit Committee and to the ABC Group Chief Internal Auditor. A risk-based audit approach is adopted which ensures that key risk areas are reviewed and assessed regularly. They include lending activity and the credit process, IT systems and support functions. Where necessary, this work is carried out in coordination with Bank ABC Group Audit and external specialists.

COMPLIANCE COMMITTEE

The Compliance Committee meets at least four times a year to give the Board an independent assessment of the adequacy of ABCIB's compliance and financial crime related policies. The Committee is chaired by Mr. Andrew Neden. ABCIB has an established compliance team comprising of a Head of Compliance and a separate dedicated Head of Financial Crime and Money Laundering Reporting Officer, each of whom report directly to the Chief Executive Officer. A risk-based approach is taken to financial crime risks which seeks to accord to the industry standard position as a minimum. Key risk areas are reviewed and assessed regularly, and regular training is provided to all staff on key regulatory and financial crime related risks. Where necessary, this work is carried out in coordination with the Bank ABC Group Compliance team and external specialists.

REMUNERATION COMMITTEE

The Remuneration Committee is chaired by Mr. Abdullah AlHumaidhi. The Committee meets at least 3 times a year to review the Bank's remuneration policy and the overall remuneration of ABCIB's senior managers. The Committee exercises competent and independent judgement on the remuneration practices of the Bank, taking into account the implications for the risk management of the Bank, its capital and liquidity. The Committee is responsible for ensuring that ABCIB complies with all relevant regulatory remuneration codes and requirements.

CORPORATE GOVERNANCE COMMITTEE

The Corporate Governance Committee is chaired by Mr. Abdullah AlHumaidhi. The Committee meets at least 3 times a year and the primary purpose of the Committee is to assist the Board with monitoring and evaluating ABCIB's compliance with its corporate governance policies and requirements. Its responsibilities also include assessing the adequacy of its policies regarding corporate governance; reviewing the appropriateness of the size of the Board and determining criteria for the designation of its independent Directors as well as overseeing the implementation of regulatory projects; reviewing the process of Board performance self-assessment; and reviewing questions of Directors' conflict of interest. The Committee also assists the Board with nomination matters carrying into effect the requirements of the Bank's Board Succession Policy and reviewing all proposals for nominations to the Board and to the office of CEO and Company Secretary.

MANAGEMENT COMMITTEES

MANAGEMENT COMMITTEE ('MANCOM')

The Management Committee ("MANCOM") is the highest-level management committee of ABCIB, reporting through the Chief Executive Officer to the Board of Directors.

The purpose of MANCOM is to direct the management of the Bank and its business in accordance with the strategy, objectives and guidelines set by the Board.

The scope of oversight & responsibilities includes: (i) implementation of strategy set by the Board (to include customer, market and product strategy and the deployment of resources); (ii) Recommend business model improvements and development initiatives to the Board; (iii) Embed the culture and values set by the Board; (iv) Review and approve new product proposals; (v) Oversee the production of business plans, forecasts and budgets; (vi) Monitor performance against budgets/strategy; (vii) Review reports and discuss issues escalated by committees reporting to Mancom; (viii) Approve policy framework and key Bank policies and procedures; (ix) Oversee implementation of all key change projects; (x) Ensure compliance with regulations; (xi) Approve authorized signatory requests; (xii) Review and approve Terms of Reference of all ABCIB management committees, and; (xiii) Review and discuss all other management issues as the need arises.

ASSET AND LIABILITIES COMMITTEE ('ALCO'),

('ALCO'), chaired by the Chief Financial Officer, is a 2nd line of Defence Committee where the key purpose is to manage the assets and liabilities of the Bank in line with the strategy and Risk Appetite set by the Board, whilst managing other risks such as interest rate risk.

ALCO also considers forward looking indicators/market conditions and proposes actions where appropriate.

CREDIT PORTFOLIO COMMITTEE ('CPC')

ABCIB CPC, chaired by the Chief Risk Officer, is a 2nd Line of Defence Committee that assists ManCom and BRC with the Oversight of credit risk arising from primary business operations across the ABCIB.

The CPC operates on the request of and obtains its delegated authorities from ManCom.

The scope of oversight & responsibilities includes review and oversight of: Stress Testing Framework, Review and recommend for approval all credit policies; Review and approve the design and use of credit models, including IFRS9 models; Monitor risk metrics relating to the overall credit portfolio, and recommend action where required; Review and approve credit impairment provisions, both individually and at a portfolio level.

Figure 2 ABCIB Management Committees

2.2 Three lines of defence

The Bank employs the three lines of defence model:

Table 1: Three lines of defence

	1st Line of Defence	2nd Line of Defence	3rd Line of Defence
Role	**Ownership & Management**	**Oversight & Challenge**	**Assurance**
Areas	**Business Lines and Support Functions:** 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:

1st 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.

2nd 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.

3rd 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 to 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.

There are three risk functions reporting directly to the CRO: (i) Enterprise and Market Risk Management; (ii) Credit Risk Management, and; (iii) Operational Risk Management.

ABCIB has a dedicated Enterprise Risk Management (ERM) team 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 relevant risk sub-committees and on to MANCOM and Board Risk Committee (BRC). The ERM area also supports BRC by coordinating meeting agendas and materials.

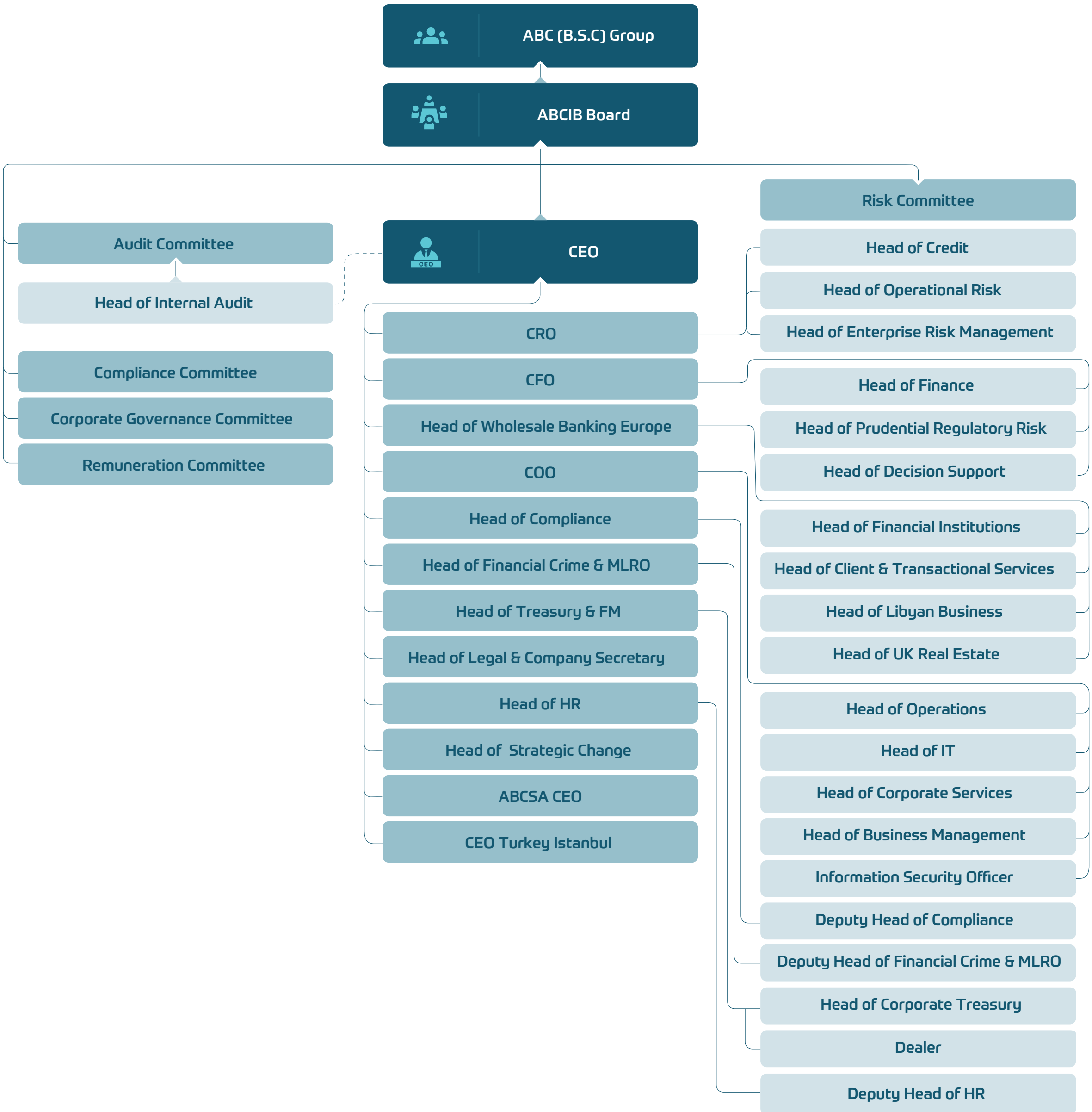
The Credit Risk Management function manages credit applications, monitors credit portfolios, performs credit risk assessment & analysis, credit modelling, remedial management and credit quality assurance.

The Operational Risk Function maintains the operational risk management framework and, in particular, ensuring that Operational risk events, risk and control self-assessments and key risk indicators are consistently applied.

Internal Audit (IA) also plays a vital 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 and governance processes. IA carries out an annual risk-based programme of oversight activities, approved by the Bank's Audit Committee and designed to evaluate the Bank's risk management and control environment. The result of IA'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 appropriate given 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



CAPITAL RESOURCES

3.1 Total available capital

At 31st December 2023 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 31st December 2023 was as follows:

Table 2: Regulatory Capital

	Solo £000	Consolidated £000
Tier 1 Capital	437,887	547,665
Tier 2 Capital	51,121	51,121
Total regulatory capital	**489,008**	**598,786**

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 subordinated debt. During 2023, the Bank repaid the £50 million sub debt that was maturing in 2025 and issued new $65 million sub debt maturing in 2033.

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

Appendix 2 provides details of the ABCIB own funds disclosure.

KEY METRICS & IFRS9

4.1 Key Metrics

The table below shows the key regulatory metrics as at 31st December 2023. These metrics have been calculated on both a solo and consolidated basis.

Table 3: Key Regulatory Metrics

Description	Dec-23	
Available Capital (£000)	**Solo**	**Consolidated**
Common Equity Tier 1 (CET 1)	437,887	547,665
Tier 1 Capital	437,887	547,665
Total Tier 1 capital	**437,887**	**547,665**
Tier 2 Capital	51,121	51,121
Total regulatory capital	**489,008**	**598,786**
Risk-Weighted Assets ('RWAS') (£000)	**2,395,348**	**3,104,763**
Capital Ratios (%)		
Tier 1 Capital Ratio	18.3%	17.6%
Total Capital	20.4%	19.3%
Leverage Ratio		
Total Leverage ratio exposure measure (£000)	**3,727,943**	**5,155,039**
Leverage Ratio (%)	**11.75%**	**10.62%**

4.2 IFRS 9

IFRS9 was implemented in January 2018. ABCIB has applied the IFRS9 transitional arrangements, as permitted by the PRA rulebook. The Bank has applied the CRR Quick Fix introduced in June 2020 in response to the Covid-19 pandemic, for relevant provisions raised from 01 Jan 2020. The add back percentage in this regard for the year ending 31st December 2023 is 50%.

CAPITAL ADEQUACY

5.1 Capital management

ABCIB has adopted the Standardised approach to credit, market and operational risk 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 Bank's capital adequacy position. The PRA requires banks to maintain an individually prescribed ratio of total capital to risk-weighted assets considering both on- and off-balance sheet transactions. ABCIB complied in full with the PRA's minimum capital adequacy requirements throughout 2023.

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 by means of a hierarchy of risk weightings, classified according to the nature of each asset and counterparty, considering 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, considering 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 considering market related risks such as foreign exchange.

Changes to capital requirement calculations are expected to be introduced in July 2025 as a result of Basel 3.1 recommendations.

5.2 Minimum capital requirements:

The purpose of the capital adequacy regime is to bring safety and soundness to the broader financial system. This is achieved through three pillars:

- Pillar 1: minimum capital requirement
- Pillar 2: supervisory review process
- Pillar 3: market discipline and transparency

ABCIB's Total Capital Requirement (TCR) is set by the PRA based on Pillar 1 requirements and Pillar 2A requirements following a review of the Bank's Internal Capital Adequacy Assessment Process (ICAAP) (see 5.4 below).

Table 4 shows ABCIB's minimum capital requirement under Pillar 1 and Pillar 2A.

Table 4 TCR composition

	Solo	Consolidated
Pillar1*	8.00%	8.00%
Pillar2A	3.05%	3.01%
Total Capital Requirement (TCR)	**11.05%**	**11.01%**

*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	178,074	231,854
Market Risk	466	454
Credit Valuation Adjustment	1,011	943
Operational Risk	12,077	15,130
Total Pillar I capital requirement	**191,628**	**248,381**
Capital in place	**489,008**	**598,786**
Excess of capital for Pillar 1 requirements	**297,380**	**350,405**

The following table shows ABCIB's Risk-weighted assets and Capital Ratios under Pillar 1 as at
31st December 2023:

Table 6: RWAs and Capital ratio

£000	Solo	Consolidated
Risk Weighted Assets	2,395,348	3,104,763
Total Capital	20.4%	19.3%
Tier 1 Capital Ratio	18.3%	17.6%

5.3 Credit risk component

Table 7 shows ABCIB's minimum capital requirement for credit risk under the standardised approach as at 31 December 2023:

Table 7 Credit Risk capital requirement

Exposure Types (Solo)	Capital Requirement (£000)	Exposure Value (£000)
Central government or central banks	333	900,483
Regional governments or local authorities	-	-
Multilateral Development Banks	283	55,053
Institutions	30,017	668,061
Corporates	89,799	1,606,291
Public sector entities	-	-
Retail	5	80
Other exposures	4,911	61,390
Secured by mortgages on immovable property	13,501	229,635
Items associated with particular high risk	38,593	321,611
Exposures in default	631	-
Total	**178,074**	**3,842,605**

Under the Standardised approach, ABCIB uses S&P, Moody's, Fitch and Capital Intelligence ratings across its portfolios to assign credit quality steps ("CQS") (refer table 9).

Table 8 shows exposure values per CQS bucket pre and post CRR eligible credit risk management ("CRM") for ABICB on a solo basis.

Table 8 Exposure breakdown, pre and post Credit Risk Management

Exposure Class (Solo)	CQS	Exposure Value (£000)	Exposure Value after eligible CRM (£000)
Central Government and Central Banks	1	830,313	824,961
	5	0	0
	7	70,170	0
		900,483	**824,961**
Regional governments or local authorities	-	-	-
Multilateral Development Banks	1	51,121	51,121
	3	3,932	3,932
		55,053	**55,053**
Institutions (as defined by the capital requirement regulation (CRR))	1	252,666	240,745
	2	171,866	171,847
	3	34,126	1,089
	4	2,045	2,045
	5	180,794	163,828
	7	26,566	0
		668,061	**579,553**
Corporates	1	195,027	30,123
	2	76,247	36,961
	3	26,873	26,873
	4	39,439	39,439
	5	30,717	30,717
	6	216	216
	7	1,237,771	914,927
		1,606,291	**1,079,257**
Public sector entities	-	-	-
Retail	7	80	80
Other items	7	61,390	61,390
Secured by mortgages on immovable property	7	229,635	148,119
High Risk (per Article 128 CRR)	7	321,611	321,611
Exposures in defaults	-	-	-
Total		**3,842,605**	**3,070,025**

Table 9 CQS mapping

CQS	Standard & Poors	Moody	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

5.4 Pillar 2

ABCIB assesses any additional capital requirements under Pillar 2 for those risks not covered by Pillar 1. These include:

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

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

Operational Risk: representing the estimation of operational risk losses arising from conduct and non-conduct related issues arising from inadequate or failed processes or systems.

Market Risk: representing the risk of loss due to factors that affect the overall performance of financial markets

Other risks, including interest rate risk, conduct and legal risk have been considered and, where relevant, included for Pillar 2.

The assessment of these risks is captured in the ICAAP and considered by the PRA in setting the Total Capital Requirements (TCR).

5.5 Regulatory capital buffers

Capital conservation buffer ("CCB")

The CCB was 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 set at 2.5% of risk weighted assets.

Countercyclical capital buffer ("CCyB)

Banks are also required to hold a countercyclical buffer aimed at achieving the broader macro prudential goal of protecting the banking sector from periods of excessive credit growth often associated with the build-up of system-wide risk. For the period ending 31st December 2023, the Bank had minimal capital requirements with respect to CcyB.

Table 10: Countercyclical buffer rates

Country	Current CCyB rate
United Kingdom	2.00%
Australia	1.00%
Belgium	0.00%
Bulgaria	2.00%
Croatia	1.00%
Cyprus	0.50%
Czech Republic	2.00%
Denmark	2.50%
France	0.50%
Germany	0.75%
Hong Kong	1.00%
Hungary	0.00%
Iceland	2.00%
Ireland	1.00%
Lithuania	1.00%
Luxembourg	0.50%
Netherlands	1.00%
Norway	2.50%
Slovakia	1.50%
Slovenia	0.50%
Sweden	2.00%
Estonia	1.50%
Romania	1.00%

SOURCES OF RISK

6.1 Credit Risk

Credit risk is managed by the International Bank Credit Committee ("IBCC") and Credit Portfolio Committee ("CPC").

IBCC has the following roles and responsibilities:

- Review and decision Credit Proposals in line with its delegated authorities.
- Approval of Annual review of counterparties/ transactions/limits.
- Approval of deferrals of Annual Reviews for a period up to 6 months from original review date.
- Approval of waivers regarding material modifications (deal conditions, CPs/CSs, risk level etc).
- Review and approve forbearance requests.
- Review and approve Internal Risk ratings (IRR) and any overrides as applicable.
- Delegate its authorities to a sub-committee.
- Review its Terms of reference annually.

CPC's objectives are as below:

- Review credit portfolio performance against the Bank's risk appetite and strategy.
- Provide guidance, advice, and recommendations to ManCom and BRC on risk matters relating to the Bank's credit exposures at a portfolio level, including (but not limited to) concentration risks, stress testing, and the impacts of climate change on the Bank's credit assets.
- Monitor the implementation of the Bank's credit risk policies and standards, and the performance of associated tools, models, and processes.
- Monitor the Bank's adherence to regulatory requirements relating to credit risk management.

Credit limits are set through the risk assessment of counterparty, country, industry and other relevant risks.

- Relationship managers in the first line of defence are responsible for day-to-day management of credit exposures, and for periodic review of the client and associated risks.
- The credit risk team in the second line of defence is responsible for:
  - Independent credit review of all clients.
  - Monitoring and maintaining oversight of the credit portfolio through client reviews, portfolio MI and KRIs.

Industry exposure

Table 11 analyses the industrial spread of loans and advances to banks and customers and debt investments (FVOCI). These exposures are shown net of credit provisions and excluding the impact of credit risk mitigation.

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

On Balance Sheet (Solo)	2023 (£000)				2022 (£000)
	Stage 1	Stage 2	Stage 3	Total	
Financial	897,016	-	463.00	897,479	1,421,016
Central Banks and Governments	311,306	-	-	311,306	301,488
Other	485,189	-	3,349	488,538	366,373
Property Related	399,127	41,693	20,181	461,001	428,362
Motor Vehicle Related	216,437	-	-	216,437	169,128
Commodity Related	14,437	-	-	14,437	26,840
TOTAL	**2,323,512**	**41,693**	23,993	**2,389,198**	**2,713,207**

Off Balance Sheet (Solo)	2023 (£000)				2022 (£000)
	Stage 1	Stage 2	Stage 3	Total	
Financial	483,251	51,872	-	535,123	391,406
Central Banks and Governments	35,167	-	-	35,167	-
Other	178,278	118	1,072	179,468	260,460
Property Related	208,963	-	-	208,963	100,249
Motor Vehicle Related	42,072	-	-	42,072	25,261
Commodity Related	5,695	-	-	5,695	54,366
TOTAL	953,426	51,990	1,072	1,006,488	831,742

Geographic Region exposure

Table 12 analyses the geographical spread of loans and advances to banks and customers and debt investments (FVOCI). These exposures are shown net of credit provisions and excluding the impact of credit risk mitigation.

Table 12 Exposure Breakdown by Geographic Region (On and Off Balance Sheet)

On Balance Sheet (Solo)	2023 (£000)				2022 (£000)
	Stage 1	Stage 2	Stage 3	Total	
Europe	1,060,796	41,693	23,993	1,126,482	1,180,975
MENAT	774,853	-	-	774,853	922,008
Asia	34,494	-	-	34,494	125,323
North America	335,055	-	-	335,055	193,545
South America	4,107	-	-	4,107	5,568
Other	114,207	-	-	114,207	285,788
TOTAL	**2,323,512**	**41,693**	**23,993**	**2,389,198**	**2,713,207**

Off Balance Sheet (Solo)	2023 (£000)				2022 (£000)
	Stage 1	Stage 2	Stage 3	Total	
Europe	484,988	-	-	484,988	333,237
MENAT	422,222	51,990	249	474,461	188,063
Asia	1,530	-	-	1,530	893
North America	31,893	-	-	31,893	53,648
South America	146	-	-	146	166
Other	12,647	-	823	13,470	255,735
TOTAL	**953,426**	**51,990**	**1,072**	**1,006,488**	**831,742**

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, guarantees and CRR compliant credit insurance, as well as mortgages over property.

The Credit Risk function 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.

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

Table 13 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 using master netting and collateral agreements

Table 13: Maximum Exposure to Credit Risk

Exposure Class (Solo)	2023 (£000)	2022 (£000)
Loans and advances to banks	604,546	1,036,596
Loans and advances to customers	1,290,334	1,101,772
Debt investments - FVOCI	494,318	574,839
	2,389,198	**2,713,207**
Contingent liabilities	608,707	603,997
Commitments	399,114	227,745
	1,007,821	**831,742**

Breakdown of Credit Risk Mitigation

Table below outlines the types of collateral used by the bank to reduce credit risks across the different exposure types listed.

Table 14: Credit Risk Mitigation

Solo	2023 (£000)	2022 (£000)
Cash Collateralised		
Loans and advances to customers and banks	156,352	94,967
Contingent liabilities	263,228	217,013
Guaranteed by Banks and Credit Agencies		
Loans and advances to customers and banks	257,482	213,195
Contingent liabilities	14,335	8,548
Commitments	19,183	10,194

Credit quality per class of financial assets

Table 15 Due from banks, loans and advances to customers, financial investments – available-for-sale and financial investments– held to maturity.

Solo	Amortised cost 2023 (£000)	FVTPL 2023 (£000)	FVOCI 2023 (£000)	Total 2023 (£000)
Due from banks				
Investment grade	145,196	18,812	393	164,401
Sub investment grade	423,219	3,225	13,701	440,145
Total	**568,415**	**22,037**	**14,094**	**604,546**
Loans and advances to customers				
Investment grade	313,437	-	-	313,437
Sub investment grade	976,897	-	-	976,897
Total	**1,290,334**	**-**	**-**	**1,290,334**
Financial investments – available-for-sale				
Investment grade	-	-	494,318	494,318
Total	**-**	**-**	**494,318**	**494,318**

Solo	Amortised cost 2022 (£000)	FVTPL 2022 (£000)	FVOCI 2022 (£000)	Total 2022 (£000)
Due from banks				
Investment grade	436,945	27,898	5,881	470,724
Sub investment grade	497,682	49,358	18,832	565,872
Total	**934,627**	**77,256**	**24,713**	**1,036,596**
Loans and advances to customers				
Investment grade	232,245	-	-	232,245
Sub investment grade	869,527	-	-	869,527
Total	**1,101,772**	**-**	**-**	**1,101,772**
Debt investments - FVOCI				
Investment grade	-	-	574,839	574,839
Total	**-**	**-**	**574,839**	**574,839**

6.2 Market and Liquidity risk

Market Risk

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. The Bank uses derivatives to reduce its exposure to market risks, as part of its asset and liability management. This is achieved by entering into derivative contracts that hedge against the risk of corporate 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 the financial instruments most used to achieve this hedging.

The Bank uses various market risk techniques and measurements to manage its investment and trading book by setting limits that are monitored daily by the Market Risk oversight team and the Head of Treasury & Financial Markets. The Bank uses Historical Value at Risk (VaR) with a 99% confidence level and a one day holding period as one measurement of market risk. VaR positions are calculated daily using historical market data.

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 re-valued on a regular basis.

The Bank has a small trading book for spot and forward foreign exchange instruments to support client activity. Any open positions are small and are re-valued daily.

Market Risk and other risks are reviewed by the Assets and Liabilities Committee (ALCO).

Table 16: VaR exposures and BPV sensitivity

ABCIB's VaR exposures: (Solo)	Average	Average
Solo	**2023 (£000)**	**2022 (£000)**
Trading	3	7
ABCIB's BPV Sensitivity of 1bps movement: (Solo)	**Average**	**Average**
Solo	**2023 (£000)**	**2022 (£000)**
Trading and Investment book	19	20

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 re-pricing of assets and liabilities. The Bank uses the Basis Point Value (BPV) technique to measure trading and investment book sensitivity to interest rates, which are monitored daily at a consolidated and per-currency level against prescribed limits. Although this risk is minimized as ABCIB's rate sensitive assets and liabilities are largely matched. Any residual interest rate risk is managed within Board approved risk appetite limits covering Economic value (EVE) and earnings at risk (EAR).

Liquidity risk

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).

Liquidity risks are monitored in the Assets and Liabilities Committee (ALCO) and Liquidity Sub-Committee (LSC), established in 2022. The Bank has strategies, policies, processes and systems that are comprehensive and proportionate to the nature, scale and complexity of the Bank's activities, and that enable the Bank to manage liquidity risk effectively. The Bank also maintains, and monitors on a daily basis, the liquidity resources that it considers adequate to cover

- The nature and level of the liquidity risk to which it is, or might become, exposed;
- The risk that the amount or form of its liquidity resources might fall below the levels considered appropriate and agreed with the Prudential Regulation Authority (PRA) and covered by

Individual Liquidity Adequacy Assessment Process (ILAAP); and

- The risk that the Bank's liquidity resources fall below the level detailed in the 'Capital Requirements Regulation (Amendment) 2021' (CRR) requirements for the Liquidity Cover Ratio and Net Stable funding Ratio.

The Bank has set risk appetite levels for the Liquidity Coverage Ratio (LCR), on both a normal and a stressed basis, and the 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.

Table 17: LCR components (Average)

LCR components - £000	Solo	Consolidated
Liquidity Buffer	567,273	699,862
Total Net cash outflows	159,634	193,654
Liquidity Coverage Ratio (Avg)	%	%
Liquidity Coverage Ratio	361%	363%

The Net Stable Funding Ratio (NSFR) is a regulatory standard that measures a bank's amount of stable funding relative to its required stable funding over a one-year period, promoting resilience over longer-term horizons.

Table 18: NSFR components (Average)

NSFR components - £000	Solo Avg 2022	Cons Avg 2022
Required Stable Funding	1,266,653	1,504,583
Available Stable Funding	1,735,017	2,053,004
Net STABLE FUNDING RATIO	%	%
Net STABLE FUNDING RATIO	136.98%	136.45%

Analysis of financial assets by remaining maturities

Table 18: Loans and advances split by maturity shown at a Solo level per the financial statements.

	2023 (£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	233,176	229,877	144,354	-	(2,861)	604,546
Loans and advances to customers	850,217	260,478	194,477	2,164	(17,002)	1,290,334
Debt investments - FVOCI	172,423	164,013	142,953	14,929	-	494,318
	1,255,816	**654,368**	**481,784**	**17,093**	**(19,863)**	**2,389,198**
	2022 (£000)					
Deposits from customers	**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	452,930	486,118	101,585	-	(4,037)	1,036,596
Loans and advances to customers	696, 310	208,479	205,271	3,386	(11,674)	1,101,772
Debt investments - FVOCI	146,313	289,399	122,812	16,315	-	574,839
	1,295,553	**983,996**	**429,668**	**19,701**	**(15,711)**	**2,713,207**

Table 19 summarises the maturity of ABCIB's financial liabilities as at 31st December 2023 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 19 Liabilities split by maturity shown at a Solo level per the financial statements.

	2023 (£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**
Financial liabilities					
Deposits from Banks, Customers, Term borrowing and Subordinated Liabilities	1,033,271	334,930	1,027,246	51,121	2,446,568
Derivative financial liabilities	13,036	76	536	-	13,648
Cash collateral on securities lent and repo arrangements	131,292	-	-	-	131,292
Other	9,885	-	-	-	9,885

	2022 (£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
Financial Liabilities					
Deposits from Banks, Customers, Term borrowing and Subordinated Liabilities	1,130,440	673,926	591,889	-	2,396,255
Derivative financial liabilities	7,886	2,051	579	-	10,515
Cash collateral on securities lent and repo arrangements	113,090	-	-	-	113,090
Other	51,399	-	-	-	51,399

6.3 Other risks

Operational risk

Operational risks are owned and managed by the first line of defence. The second line of defence challenge is provided by Risk Management, notably Operational Risk, overseen by the CRO. The primary Committee for the oversight of Operational Risk is the Operational Risk Committee (ORCO) which is the delegated authority of the Management Committee (ManCom).

Tools which support the Operational Risk policy and framework, and are used to identify, quantify, manage and monitor key risks including:

- Operational Risk Incidents/ Events (OREs)
- Key Risk Indicators (KRI's)
- Risk Control Self-Assessments (RCSA's)
- Issues and Action plans
- Application to support the management of operational risk (GRC Tool)
- Scenario Analysis and Stress Testing
- Management Information and Reporting
- Training

These tools/processes undergo a regular review and challenge process led by the Operational Risk team.

Financial Risks from Climate Change

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

ABCIB has continued to review and implement further monitoring on the financial risks from climate change to the Bank in accordance with the requirements in PRA's supervisory statement 3/19, this has included client climate classification and continued inclusion of climate change scenarios in its capital calculations for the ICAAP.

The Bank will continue to enhance its approach to climate change in line with regulatory guidance and industry best practice in 2024.

The Bank has also published their Streamlined Energy and Carbon Reporting (SECR) in the financial statements.

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.

EQUITY INVESTMENTS

7.1 Investments in subsidiaries and associated companies

ABCIB owns the following investments in subsidiaries and associated companies:

Table 20 Subsidiaries and Investments Structure

	Business	Ownership (%)
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 Banking Corporation SA	Financial services	99.9%

Certain elements of the investments above form part of effective fair value hedging relationship in relation to foreign currency risk.

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.

IMPAIRMENT PROVISIONS

8.1 Impairment losses of financial assets.

On a forward looking basis, the Bank assesses the Expected Credit Loss ("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 21: Provisions (ECL Allowance)

Solo	ECL under IFRS 9 as at 31 December 2022	2023			ECL under IFRS 9 as at 31 December 2023
		Stage 1	Stage 2	Stage 3	
	£000	£000	£000	£000	£000
Cash and cash equivalents	-	-	-	-	-
Loans and advances to banks	4,037	2,684	-	177	2,861
Loans and advances to customers	11,674	1,096	31	15,875	17,002
Collectively assessed customers	-	-	-	-	-
Debt Financials assets at FVOCI under IFRS9	-	-	-	-	-
Credit commitments and contingencies	1,780	607	122	605	1,334
	17,491	**4,387**	**153**	**16,657**	**21,197**

Table 22 Provisions (ECL allowance)

Solo	2023			
ECL allowance	**£000**	**£000**	**£000**	**£000**
	Stage 1	**Stage 2**	**Stage 3**	**Total**
As at 01 January 2023	6,463	3,683	7,345	17,491
New assets originated / purchased	3,454	64	-	3,518
Assets fully repaid or derecognised (exduding write-offs)	(4,012)	(2,260)	-	(6,272)
Net measurement of loss allowance	-	(448)	8,853	8,365
Transfers to stage 1	-	-	-	-
Transfers to stage 2	(36)	36	-	-
Transfers to stage 3	-	(670)	670	-
Partial redemptions and other drawdowns	(1,081)	(14)	-	(1,095)
Recoveries	-	-	(93)	(93)
Foreign exchange & other adjustments	(401)	(198)	(118)	(717)
As at 31 December 2023	**4,387**	**153**	**16,657**	**21,197**

ASSET ENCUMBRANCE

As at 31st December 2023, ABCIB's balance sheet stood at £3,894m and £3,197m on consolidated and solo basis respectively, of which £3,759m and £3,058m were unencumbered assets.

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 this metric allows regulators to limit the accumulation of excessive leverage, which is widely considered to have precipitated the banking crisis.

Table 23: Leverage ratio

Summary of reconciliation of accounting assets and Leverage Ratio exposures (£000)	Solo	Consolidated
Total assets as per Financial Statements	**3,197,291**	**3,893,508**
Adjustments for off-balance sheet items	585,448	1,207,535
Adjustments for derivative financial instruments	62,395	55,407
Investment in subsidiary deducted from capital base	(115,687)	-
Other adjustments (e.g. deductions from Tier 1)	(1,504)	(1,411)
Total Leverage Ratio exposures: total exposure method	**3,727,943**	**5,155,039**
Note: amounts after adjustments applied to nominal value for conversion factors	**-**	-
Off-balance sheet items with a 20% CCF in accordance with Article 429 (10) of the CRR	38,545	113,706
Off-balance sheet items with a 50% CCF in accordance with Article 429 (10) of the CRR	267,589	413,833
Off-balance sheet items with a 100% CCF in accordance with Article 429 (10) of the CRR	279,314	679,996
Total Off-balance sheet exposures for Leverage Ratio	**585,448**	**1,207,535**
Derivative exposures		
Total derivative exposures for Leverage Ratio	**62,395**	**55,407**
Tier 1 capital and final Leverage Ratio		
Tier 1 capital	437,887	547,665
Total Leverage Ratio exposures : total exposure method	3,727,943	5,155,039
Leverage Ratio	11.75%	10.62%

REMUNERATION POLICY

The Renumeration Committee ("REMCO") is responsible for ensuring that ABCIB complies with all relevant regulatory remuneration codes and requirements.

11.1 Fixed Remuneration

An annual review of remuneration for all ABCIB employees is carried out, benchmarking all positions primarily against market data for peer roles in peer group organisations, as well as from wider Financial Services and live salary scales to ensure a full picture, considering employment market conditions, demand for skills etc.

Individual remuneration is reviewed against an employee's performance against 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. The wider UK economic and performance are also considered as appropriate.

11.2 Variable remuneration

All incentive awards arrangements within Bank ABC are discretionary.

Individual objectives (both financial and non-financial) are set for all employees, including Code Staff, and relevant to their 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 may 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 a number of its employees as Code 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.

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 31st December 2023, Bank ABC IB had 35 code staff in IB (London and Turkey) and 8 code staff in ABCSA, 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 this population of code staff as of 31st December 2023.

Table 24: Remuneration summary (code staff)

Consolidated	Fixed Remunerations (inc fixed benefits)	Variable Remuneration	Total Number of Staff
Strategic Business Units	£2,674,572	£1,818,398	15
Support, Risk & Control Functions	£4,919,719	£2,242,877	28
Total	**£7,594,291**	**£4,061,275**	**43**

Solo	Fixed Remunerations (inc fixed benefits)	Variable Remuneration	Total Number of Staff
Strategic Business Units	£1,923,250	£1,220,736	12
Support, Risk & Control Functions	£4,202,552	£1,792,284	23
Total	**£6,125,802**	**£3,013,020**	**35**

APPENDIX 1

Appendix 1 Reconciliation between audited financial statements and regulatory own funds as at 31st December 2023 (balance sheet is produced only on solo basis per published accounts):

Solo	Amount as at 31st Dec 2023 (£ 000)
Called up share capital	212,296
Retained Earnings	359,174
Available for sale reserve	252
Audited Financial Statements	**571,722**
Regulatory Adjustments	
IFRS 9 transitional arrangements	-
Foreseeable Dividend	(15,806)
Investment in subsidiary – capital deduction*	(115,687)
Other regulatory adjustments	(2,343)
Tier 1 Capital	**437,887**
Subordinated Debt – Issued 12/2023	51,121
Tier 2 Capital	**51,121**
Total Capital Resources	**489,008**

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

APPENDIX 2

Appendix 2 Own Funds disclosure:

Solo	Amount as at 31st Dec 2023 (£000)
Common Equity Tier 1 (CET1) capital: Instruments and reserves	
Capital Instruments	212,296
Retained Earnings	359,174
Available for sale reserve	252
Common Equity Tier 1 (CET1) capital: Before regulatory adjustments	**571,722**
Regulatory Adjustments	
IFRS 9 transitional arrangements	
Foreseeable Dividend	(15,806)
Investment in subsidiary – capital deduction*	(115,687)
Other regulatory adjustments	(2,343)
Common Equity Tier 1 (CET1) capital: After regulatory adjustments	437,887
Additional Tier 1 Capital(AT1)	-
Tier 1 Capital (CET1+AT1)	**437,887**
Tier 2 Capital	**51,121**
Total Capital	**489,008**
Risk Weighted Assets	**2,395,348**
CET1 Ratio	**18.3%**
Tier 1 Ratio	**18.3%**
Total Capital Ratio	**20.4%**

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

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