Connecting MENAT To Europe

ABC International Bank plc
Annual Report 2022
Registration No: 02564490

Bank ABC

\ About us

ABC International Bank plc

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

Today, as then, the core thrust of ABCIB's strategy is to enhance the international reach of the Bank ABC Group and capitalise on Bank ABC Group wide synergies with a view to increasing the flows of trade and services between Europe and the Middle East, North Africa and Turkey (MENAT). ABCIB's core business comprises Global Transactional Banking (GTB), Real Estate & Islamic Financial Services (RE), and Treasury & Financial Markets (TFM). At ABCIB we continuously aim to connect our clients with innovative and simplified trade, cash, supply chain and real estate investment solutions supported by operational excellence.

A team committed to your success.

\ Our Mission

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

Core Values

Client Centric

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

Consistent

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

Collaborative

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

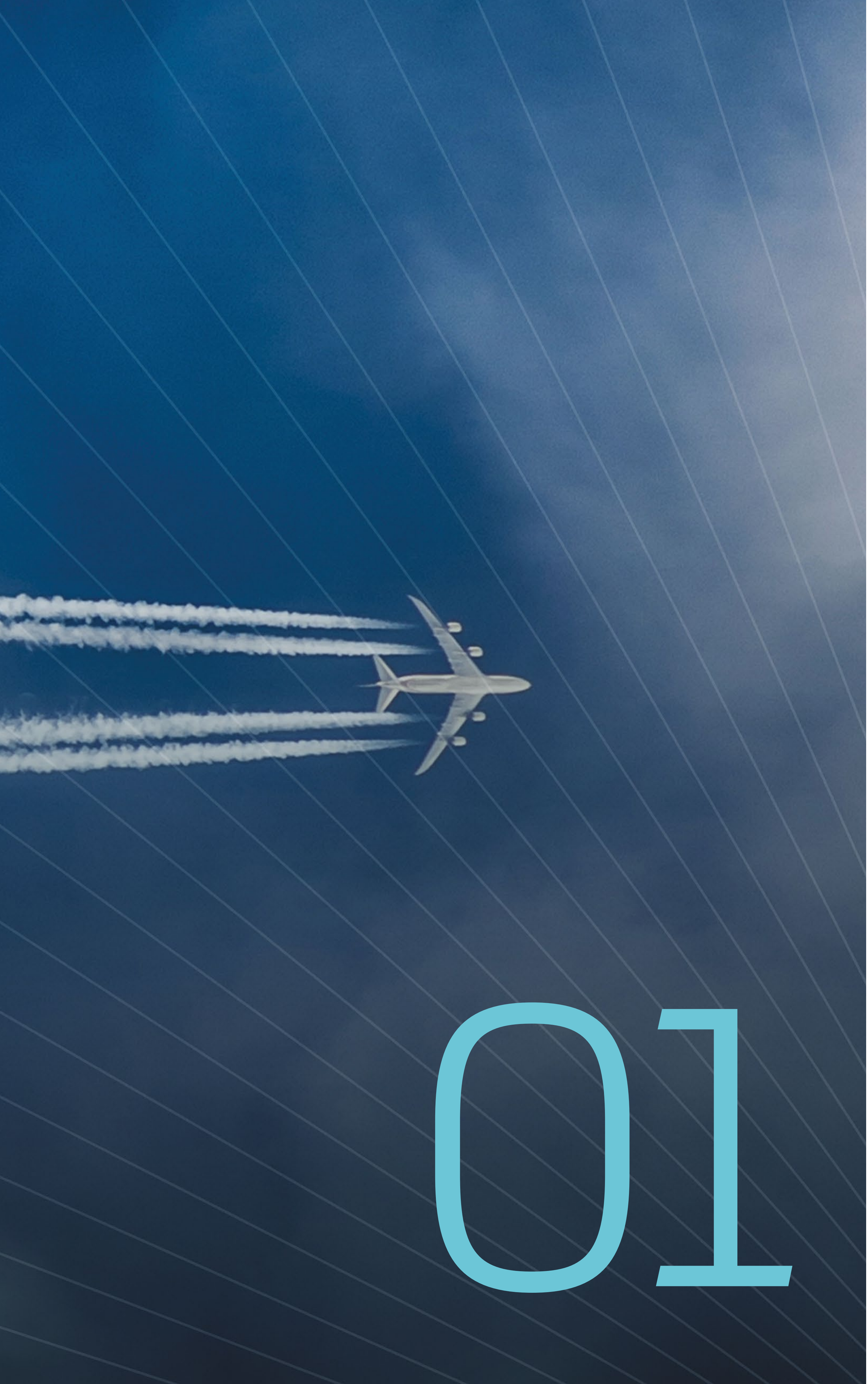
\ Table of Contents

2022 - Year in Focus

Corporate Governance

Financial Results

2022 - Year in Focus


01

Directors' Report

In my newly appointed capacity as Chairman of the Board of ABCIB, and on behalf of all members of the Board, it gives me great pleasure to present the Bank's Annual Report and Audited Financial Statements for the twelve months to 31st December 2022.

Dr. Khaled Kawan
Chairman

£69.5 million

Total income in 2022.

Overview

Not unexpectedly, 2022 proved to be challenging for the Bank and, indeed, many of its clients as it faced an unprecedentedly volatile, uncertain and generally higher risk operating environment.

Disturbing geopolitical trends, tightening monetary conditions and slowing growth in global GDP and international trade, not to mention legacy COVID issues, created a highly challenging environment. In navigating these challenges, ABCIB remained firmly focused on its strategic remit of supporting and facilitating trade and real estate investment flows between Europe and the MENAT region, whilst further energising its internal transformational journey in the digital wholesale and transaction banking spaces, in tandem with and fully supported by the Bank ABC Group.

In successfully balancing core business activities and transformative development, ABCIB was able to demonstrate a reassuring degree of stable financial performance, reporting total income of £69.5 million in 2022, only slightly below the £70.8 million outturn a year earlier. The underlying businesses performed well bearing in mind that prior year revenues benefitted from a one-off £10.8m foreign exchange gain as well as a strong business bounceback following the easing of COVID restrictions. Each of the Bank's three core business streams made positive contributions to overall earnings with Global Transaction Banking (GTB), Real Estate & Islamic Financial Services (RE), and Treasury & Financial Markets (TFM) generating income in the year of £36.3 million, £19.4 million and £10.2 million respectively. Pre-tax profits stood strong at £28.0 million in the twelve months to end-December 2022 broadly in line with the previous year's £28.4 million result which benefitted from the one-off £10.8m foreign exchange gain mentioned above. The Bank's cost base continued to be well controlled during the year, with 207 permanent staff members at year end compared with 219 at end of 2021, and asset quality remained generally high, with no major new impairment issues arising. The Bank also maintained its strong capital, funding and liquidity positions.

£3.2 billion

Value of total assets at end-2022.

The Board believes that, in a difficult year, the Bank has successfully managed to balance support for its core trade and real estate investment activities for which it has long-standing expertise, with transformation and innovation, in full collaboration with Bank ABC Group, in the digital wholesale and transaction banking spaces.

Client activity held up well overall, improving notably in the second half of the year, with the Bank experiencing significant new business volumes in some areas, supporting a 10.7% expansion in total assets to £3.2 billion at end-2022 (end-2021: £2.8 billion). This growth was in turn backed by increased bank and customer deposits which reached £2.1 billion by year end, up 10.5% compared with the £1.9 billion a year earlier, with confidence in the Bank remaining strong. Throughout 2022, the Bank's day-to-day business activities and ongoing transformational journey were underpinned by strong capital and liquidity metrics, always in full compliance with prudential and regulatory requirements, and strongly supported by effective risk management and compliance processes. The Bank further developed its approach to its responsibilities with respect to climate change, with the full engagement and backing of the Board. Progress also continued to be made with respect to the important topic of diversity, equity and inclusion (DE&I). In January 2022 the Bank engaged specialist external consultants to provide training, support, and a road map for delivery.

Embedding these changes and, indeed, intensifying their implementation and widening their relevance, continues to be a truly transformational journey for ABCIB, and the Board lends its full support to this aspirational dynamic.

Operating Environment

The Directors are acutely aware that the Bank is faced with a complex, multi-dimensional, and ever-changing operating environment which is often beyond its own control and yet which is a key influence on the success of its operations. At the global, regional and individual country levels, developments in the political, economic and financial spheres have significant and varied impacts on the Bank's client base and, by extension, directly on the Bank itself, not only in terms of its day-to-day business activities and potentially on its strategic plans, but also with respect to the interactions with its underlying risk, regulatory and compliance operating environments.

The Bank faced a particularly challenging year in 2022, in which risks remained unusually high, with its main geographical areas of operation, Europe and MENAT, more than usually buffeted by global events. The lingering legacy of COVID, together with adverse geopolitical developments and financial market pressures combined to dampen general economic prospects whilst at the same time stoking inflationary pressures and generating widespread uncertainty and instability, including with respect to interest and foreign exchange rates.

At the global level, the Bank faced a far less buoyant backdrop than in 2021. The IMF, for example, has estimated a near halving in global GDP growth to 3.2% in 2022, after 6% in the previous year, whilst expansion in the volume of international trade was put at 4.3%, sharply slower than the 10% experienced in 2021, with Russia's invasion of Ukraine in February proving the prime mover in the global downturn. Energy markets and subsequently essential grain and other commodity markets were thrown into disarray as Ukrainian commodity exports collapsed and ever tighter sanctions were imposed on Russia. The dislocation in commodity markets precipitated short-term price spikes accompanied by a fracturing of global supply chains and difficulties for international shipping and transportation, whilst already tightening financial markets were subject to further interest and foreign exchange rate uncertainties.

These global developments inevitably impacted countries in the MENAT region, our core operating area, although somewhat asymmetrically given the varied natures and structures of the region's diverse individual economies. Whilst surging energy prices benefited the region's main hydrocarbon producers, including key ABCIB markets such as Libya and Algeria, rising food, fertiliser and other commodity prices partially offset these benefits. For MENAT energy importers, rising commodity prices across the board stoked inflationary pressures, precipitating cost-of-living crises compounded, in the case of Turkey, for example, by a pressured currency. In Europe too the impact of commodity price hikes and global supply chain disruptions the latter also reflecting China's COVID lockdown policies have been keenly felt, putting added pressures on many manufacturing clients, in the short term at least, resulting in some (temporary) fall-off in business flows. In the UK, political instability and an unorthodox budget in September, rattled both currency and debt markets.

This changing global scenario and the shockwaves felt by our core geographical regions and countries, has also directly impacted the Bank's risk, regulatory and compliance operating environments. Financial sector instability, for example, including with respect to interest and foreign exchange rates and debt markets, had significant risk and regulatory implications for operational resilience and particularly capital and liquidity management, whilst increased Russian sanctions added further degrees of complexity to the financial crime and compliance operating environment. The Bank was able to adapt swiftly to these changing operating conditions and navigate assuredly through the complex interactions of global developments on risk, regulatory and compliance matters, remaining in full compliance with its regulatory thresholds.

In an over 30 year successful track record of undertaking business with the MENAT region, ABCIB has been no stranger to understanding, evaluating and mitigating higher perceived levels of risk in its core geographies. A strong and ongoing commitment to its niche, strategic remit continues to be fundamentally supported by the Bank's in-house product and country expertise - benefitting additionally from the wide MENAT region footprint of the Bank ABC Group - together with an approach to risk mitigation through asset distribution which remains integral to its business model and operational ethos. The Board believes that this continues to serve the Bank well, demonstrating both its relevance and resilience throughout the higher risk operating environment which the Bank faced in 2022. Simultaneously the Bank was able to continue to pursue its transformational journey into the digital banking world, mentored and supported by Bank ABC Group, positioning it well for the technological innovations and advances which will undoubtedly be a major element of the operating environment of the future.

Performance of the Bank

All of the Bank's three main business streams of GTB, RE and TFM contributed positively to overall earnings, with the Bank continuing to focus on its core strategic remit of facilitating trade and real

Bolstered by the Group's mentorship, **ABCIB has made significant strides in its transformational journey.**

estate investment flows between Europe and MENAT. The Bank was able to confidently navigate 2022's volatile market and geopolitical environment, making appropriate adjustments to its course both swiftly and flexibly in order to take advantage of new business opportunities as they arose and continued to be able to provide its growing client base with timely, innovative and bespoke solutions to their financing needs. With the full support of Bank ABC Group, 2022 also saw an intensification of ABCIB's own exciting transformational journey towards a digitally enhanced bank of the future, whilst the Group's strategic, client centric development of the wholesale banking business continued to be enthusiastically taken on board. The Bank remained in close, mutually beneficial, contact with its subsidiary headquartered in Paris, Arab Banking Corporation S.A. (ABCSA), whilst its Representative Office in Turkey continued to make valuable contributions both in extending and developing its client base and sourcing significant new transactions.

Our strategy is working

The growth in loans and advances, strong underlying performance of the core business units and overall resilience of the Bank's earnings provide evidence that the Bank's strategy of providing client centric, innovative financing solutions for a growing and diverse client base is working. Delivery of the strategy is underpinned by a clearly defined approach to risk management.

The broad and diverse mix of products, clients, and geographies within Global Transaction Banking (GTB), the largest contributor to overall ABCIB earnings, delivered an effective hedge against the systemic and idiosyncratic challenges faced in 2022, with earnings up almost 25% to £36.3 million. The decline in documentary letters of credit (LCs) from Libyan clients was offset by growth in LC income sourced from other MENAT clients and growth across a wider suite of trade finance offerings, including contract bonding, trade lending and forfaiting, from the unit's Supply Chain Finance (SCF) operations. Global Trade Debt and Distribution (GTDD) continued to provide transactional leverage for client activities whilst offering vital risk mitigation and internal capital and liquidity management opportunities. The ongoing digital transformation programme, focusing on innovative digital GTB client solutions, will support an improved client experience and deliver scalable platforms to continue to grow the Bank's corporate and financial institution client base.

Real Estate & Islamic Financial Services (RE) continued to leverage its in-house strengths and expertise in terms of sourcing and structuring prime central London real estate projects and have expanded to other real estate sectors and locations, including residential income producing property, particularly in the Build to Rent, Co-living, and student accommodation sectors. With a widening and diversification of the unit's client base to both Arab and non-Arab World institutional investors, the Bank is well placed to further grow the portfolio while, at the same time, diversifying its overall risk profile.

Against the background of a volatile operating environment, Treasury & Financial Markets (TFM) ably fulfilled its corporate treasury role with effective management of funding and placements and oversight of the Bank's deposit base in the wake of rapid rises in interest rates and exchange rate volatility.

The Bank's client centric approach and innovation-led approach to **delivering financing solutions has resulted** in the strong performance across our various units.

In his Report and Business Review on pages 34 to 40, the Chief Executive expands on the operations of each of the business units in 2022 and their prospects for the coming financial year.

Streamlined Energy and Carbon Reporting (SECR)

The UK government's Streamlined Energy and Carbon Reporting (SECR) policy was implemented on 1 April 2019, when the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 came into force.

ABCIB meets SECR qualification criteria in the UK. ABCIB has opted to use the Operational Control boundary definition to define its carbon footprint boundary. The reporting period for compliance is 1st January 2022 – 31st December 2022. Included within that boundary are Scope 1 & 2 emissions, as well as Scope 3 emissions from gas, electricity, company fleet and grey fleet in the UK. The Greenhouse Gas (GHG) Protocol Corporate Accounting & Reporting Standard and UK Government's GHG Conversion Factors for Company Reporting have been used as part of the Bank's carbon emissions calculation.

The results show that ABCIB's total energy use and total gross GHG emissions amounted to 1,638,844Wh and 322 tonnes of CO2e respectively in the 2022 financial year in the UK. During the first 9 months of 2022, the Bank purchased 100% green electricity backed by Renewable Energy Guarantee of Origin (REGO) certificates. As a result the Bank's Gross (Market-based*) Emissions dropped by 204 tonnes of CO2e. Bank ABC have adopted the PAS 2060 methodology to offset their residual Scope 1 & 2 (Market -based) emissions by purchasing 118 tonnes of carbon offsets to support wind power generation in India. Thus, making the organisation carbon neutral for the 2022 reporting period.

The Bank has chosen 'Tonnes of CO2e per million turnover (m£)' and as an intensity metric as this is an appropriate metric for the business. The intensity metric for the financial year 2022 was 4.6 tCO2e/m£ compared to 5.1 CO2e/m£ in 2021. Below is the energy consumption and GHG emissions summary table as well as the table outlining the year on year analysis.

Type of Emissions	Activity	kWh	tCO_2e	% of Total
	Natural Gas	173,437.3	35.1	10.9%
Direct (Scope 1)	Company Fleet	0.0	0.0	0.0%
	Subtotal	173,437.3	35.1	10.9%
Indirect (Scope 2)	Electricity	1,377,008.5	266.3	82.8%
	Subtotal	1,377,008.5	266.3	82.8%
Indirect Other (Scope 3)	Grey Fleet	88,398.1	20.1	6.3%
	Subtotal	88,398.1	20.1	6.3%
	Total Energy Use (kWh)			1,638,843.9
	Total (Location-based*) Gross Emissions (tCO_2e)			321.5
	Renewable Electricity (tCO_2e)			203.7
	Total (Market-based*) Gross Emissions (tCO_2e)			117.8
	Gross Turnover (m£)			£69.5
	Tonnes of Gross CO_2e per m£			4.6

*In SECR reporting there are two reporting approaches: 'location-based' and 'market-based'. Location based reporting is the mandatory method and uses grid average figures (a mix of renewable and non-renewable fuels). A market-based reporting approach can also be used when companies have entered into contractual agreements for renewable electricity (e.g. REGO's).

Reporting on renewable energy and associated emissions is not a mandatory requirement under the SECR legislation but it is possible for organisations to use dual reporting if they wish to reflect their consumption of renewable energy. In this SECR a dual reporting approach has been used to take account for both location based and market based reporting.

Furthermore, the Bank engaged with global energy and services group ENGIE to comply with Energy Savings Opportunity Scheme (ESOS) regulation in 2019. ENGIE identified a number of energy efficiency measures for Moorgate office which is expected to result in a 127,154kWh saving in energy. The Bank is due to comply again with ESOS in 2023 and has started work on this already. The Bank has upgraded outdated inefficient lighting with LED lighting on the first floor at the Moorgate office. Going forward, the Bank is planning further efficiency measures such as installing variable speed drives on fans & pumps and boiler optimisation on the central boiler.

Type of Emissions	Units	2022	2021	YOY% Change
Direct (Scope 1)	(kWh)	173.437.3	315,359.2	-45.0%
	(tCO_2e)	35.1	58.0	-39.5%
Indirect (Scope 2)	(kWh)	1,377,008.5	1,359,254.7	1.3%
	(tCO_2e)	266.3	288.6	-7.7%
Indirect Other (Scope 3)	(kWh)	88,398.1	61,040.2	44.8%
	(tCO_2e)	20.1	14.2	41.6%
	Total Energy Use (kWh)	1,638,844	1,735,654	-5.6%
	Total Gross Emissions (tCO_2e)	322	361	-10.9%
	Renewable Electricity (tCO_2e)	204	289	-29.4%
	Total Net Emissions (tCO_2e)	118	72	63.9%
	Tonnes of Gross CO_2e per m£	4.6	5.1	-9.8%

Board Operations

The Board met on six occasions during 2022, primarily in-person or using a combination of in-person and video-conferencing technology. Where appropriate, and in accordance with the provisions of the Bank's Articles of Association, the Board also considered certain matters by way of written resolution.

During the year a number of notable changes were made at Board level. In particular, and after almost 9 years in the role, H. E. Mr Saddek El Kaber stood down in April 2022 as Chairman of the Board of Directors of ABCIB, although he will continue to remain closely involved with the wider Bank ABC Group at the highest levels. His stewardship of, and unflinching support for, ABCIB during his time as Chairman has been much appreciated not just by his fellow Board members but, indeed, by all the management and staff of the Bank and on all their behalf I would like to offer our sincere thanks and gratitude. It has been a great honour to have been asked to assume the vacated role of Chairman of the Board of ABCIB, an institution with which I have long been associated, having served as a Board member since May 2013 and as Deputy Chairman since 2019. I now look forward to an even closer rapport with the senior management of the Bank and offer my full support for its ongoing and exciting transformational journey towards a MENAT bank for the future.

I can also advise that Dr. Yousef Al Awadi stood down from the Board in April, and I offer my thanks for all his support and assistance over the years. It gives me great pleasure to welcome two new members to the ABCIB Board, Ms Huda Al Mousa and Mr Abdullah Al Humaidhi, who were appointed in April.

Disclosure of Information to the Auditor

As in 2021, ABCIB's latest Financial Statements for the year ended 31st December 2022, continue to be audited by KPMG LLP. In the undertaking of this task, the Board confirms that there is no relevant information of which the Bank's auditors are unaware.

The Board confirm that they have taken the steps that they ought to have taken to make themselves aware of any relevant information and to establish that the auditors are aware of any such information.

Accounting Policies

The Bank prepares its financial statements under UK GAAP - incorporating Financial Reporting Standard 101 'Reduced Disclosure Framework' -

ABCIB welcomed two new Board Members in April, **Ms Huda Al Mousa and Mr Abdullah Al Humaidhi.**

and the Directors confirm that there have been no material changes to Accounting Policies during the current financial year.

Going Concern

The Board believes that it continues to be appropriate to adopt the going concern basis in the preparation and presentation of the Bank's 2022 annual financial statements, as it is satisfied that the Bank has the resources to continue in business and that there are no material uncertainties that could cast significant doubt over its ability to continue as a going concern for a period of at least 12 months from approval of these financial statements. In making this assessment, the Board has considered a wide range of information relating to present and future conditions and that the Bank has the resources in place that are required to meet its ongoing regulatory requirements.

Dividend Policy

During 2022, ABCIB paid a dividend relating to the year ended 31st December 2021 of £7.27 million (2021: nil). A final dividend relating to the year ended 31st December 2022 amounting to £6.62m was approved by the Board on 14th March 2023.

Directors' Interests

None of the Directors had any interest in the shares of the Bank during 2022 and no option to purchase shares was granted to any Director during the year. Details of the current composition of ABCIB's Board - which underwent some changes during the course of 2022 - are provided in full on pages 26 to 27.

Directors' Indemnities

As in previous years, the Bank maintains an appropriate Directors' and Officers' Liability Insurance Policy. In accordance with the Bank's Articles of Association, the Board may at its discretion also indemnify Directors, from the assets of the Bank, against any costs or liability incurred as a result of their office, to the extent permitted by law. Neither the insurance policy nor any indemnities that may be granted provide cover for fraudulent or dishonest actions by the Directors. However, costs may be advanced to Directors for their defence in investigations or legal actions.

Other Declarations

With respect to the payment of suppliers, it continues to be the policy of the Bank to make such payments within the agreed period from the date of the supplier (s) invoice (s).

ABCIB maintains a fully compliant stance with respect to the 2015 Modern Slavery Act and a statement in this regard may be found on the Bank's website (www.bank-abc.com).

ABCIB wholly embraces both the concept of and the need for the practical implementation of greater diversity within the workplace and is giving increased attention to this area of human resource management.

Outlook

Whilst the outlook for 2023 remains a rather uncertain one, and arguably still weighted towards the downside, the Directors are confident that the Bank has started the year from a position of fundamental strength and, moreover, with a buoyant pipeline of new business opportunities, is well placed to generate improved results and, ultimately, enhance shareholder returns. With the full backing and support of the Bank ABC Group for an intensification of its transformational journey into the digital and wholesale and transaction banking spaces, the Board is confident that ABCIB is increasingly well positioned not only to progress further towards its strategic aim of becoming the 'Bank of Choice' for European / MENAT business, but to do so assuredly within the context of the future digital banking world.

In addition to expressing my personal gratitude to our shareholders and my fellow Board members for their guidance and unwavering support throughout 2022, I would like to further acknowledge and recognise the strength of leadership that has been displayed by the Bank's senior management throughout this challenging year and the wholehearted dedication and ongoing commitment shown by staff at all levels and in all operational roles and locations.

Dr. Khaled Kawan
Chairman
17th March 2023

Strategic Report

In my capacity as Chairman, and on behalf of the Board, I am pleased to present ABC International Bank's Strategic Report for 2022.

Dr. Khaled Kawan
Chairman

ABCIB is a fully owned subsidiary of Arab Banking Corporation, **which is headquartered in Bahrain and has a network of 16 countries.**

This Report provides an overview of the Bank's current operational structure, strategy and objectives together with an outline of its business model and current activities within the context of its specific operational risk environment. The Report also provides a financial review of the business for 2022 and presents the Bank's formal Section 172 Statement. A brief outlook for 2023 concludes the Report.

Structure, Strategy and Objectives

Established in 1991, ABC International Bank plc (also known as ABCIB) is a public company limited by shares, incorporated and registered in England and Wales and with over 30 years' uninterrupted operational track record. The Bank is authorised, regulated and supervised by the UK's Financial Conduct Authority (FCA) and Prudential Regulation Authority (PRA) and undertakes its business through its Head Office in London and Turkish Representative Office in Istanbul. In a strategic response to the UK's BREXIT decision to leave the European Union, the Bank's former European branches in Paris, Frankfurt and Milan were reconstituted, in October 2020, as a 99.99% owned ABCIB subsidiary, Arab Banking Corporation S.A. (ABCSA), headquartered in Paris and with the Frankfurt and Milan offices now becoming direct branches of ABCSA. Whilst ABCSA is a distinct legal entity in its own right, with its own management team and independently appointed Board of Directors and presents audited financial statements separately from those of ABCIB, the two banks co-operate closely on a day-to-day basis, with ABCSA treasury operations being managed from London, and both share the same strategic aims and objectives.

Bank ABC is owned by key Arab shareholders, including the **Central Bank of Libya and the Kuwait Investment Authority.**

ABCIB itself is a 100% owned subsidiary of Bahrain-based Arab Banking Corporation (B.S.C.), known also as Bank ABC, an investment grade, pan-Arab banking institution licensed and regulated by the Central Bank of Bahrain and with total assets in excess of USD36 billion. Bank ABC is owned by key Arab shareholders, including the Central Bank of Libya and the Kuwait Investment Authority, with stakes of 59.37% and 29.69% respectively. The wider Bank ABC Group has a broad geographic footprint with, in particular, an extensive on-the-ground Arab World presence covering Bahrain, Algeria, Libya, Tunisia, Egypt, Jordan, the UAE (Dubai) and Turkey (the latter through ABCIB). This is complemented by its European reach through ABCIB and ABCSA in London, Paris, Frankfurt and Milan as well as its presence in other leading international financial centres in the USA, Singapore and Brazil. The original strategic remit of ABCIB, and one which remains fully relevant today, continues to be that of supporting and facilitating trade and real estate investments between Europe and the MENAT region. In so doing it supports and raises Bank ABC Group's international profile and business reach, acting as its primary European interface in bringing together the Bank ABC Group's European and Arab World clients, and ultimately adding value in terms of enhancing the Bank ABC Group's earnings potential. Whilst ABCIB's overall aims and objectives have remained largely stable over time, the precise manner in which these aims are supported in terms of business operations and modalities continues to evolve, reflecting the Bank's changing operating environment and strategic developments within its parent Group.

ABCIB's operations are currently structured around three key business streams - Global Transaction Banking (GTB), Real Estate & Islamic Financial Services (RE) and Treasury and Financial Markets (TFM). The Bank's role in financing international trade transactions between Europe and MENAT retains prime importance, benefitting from greater cooperation with and integration within a revitalised Group approach to wholesale and transaction banking. A key underpinning to ABCIB's strategy is a client centric approach which aims to provide bespoke, timely and innovative financing solutions to its customers' diverse financing needs whilst striving to maintain the highest levels of customer service. As part of this ongoing process the Bank is introducing, with the full support of the Bank ABC Group, new and innovative advances in its digital banking platforms. In terms of supporting investment flows between Europe and MENAT, the Bank remains focused on sourcing and structuring, on both Shari'a and conventional financing terms, commercial and residential real estate developments in the UK and particularly, albeit not exclusively, in prime central London locations. A centralised London Treasury operation provides ABCIB and ABCSA with corporate treasury functions in respect of liquidity management and it also has responsibility for ABCIB's bank and customer deposit base as well as operating as a standalone income generating unit through the sale of financial market products to the Bank's corporate clients.

In undertaking its business activities, the Bank remains strategically committed to operating in full compliance with all its prudential and regulatory financial thresholds, and to have in place a risk architecture and compliance culture fully fit for purpose and of the highest level of integrity, such that all stakeholders can have full confidence in the Bank's financial strength and operational resilience.

Business Model and Operations

The Bank's underlying business model is inextricably linked to its status as a niche, mid-sized financial institution which has a particular strategic orientation in terms of a focussed and specialised suite of product offerings deemed appropriate to its core European / MENAT region markets and associated client bases. The model gives full credence to the realities of operating within the higher perceived risk environments associated with the MENAT region, whilst explicitly recognising the value of the Bank's positioning within the wider Bank ABC Group.

At its most fundamental level ABCIB's business model is a clear and uncomplicated three tier structure based on an 'originate, structure and distribute' formula which optimises the innate strengths and depth of knowledge of both the Bank and the Bank ABC Group and places risk mitigation at its core. In terms of business origination, the model engages with the Bank's specific client bases in Europe and MENAT, which it has built up and worked closely with over the last 30 years, as well as opportunistically leveraging on the Bank ABC Group's wide, on-the-ground MENAT region footprint, to further deepen the ability to source and originate business transactions. The model ensures that the specialised product offerings are commensurate with the financing modalities typical of, and familiar to, its core markets. The Bank has developed particular expertise over the years in structuring transactions and is fully adept in offering financings on both Shari'a compliant and conventional interest-based terms. A key underpinning to structuring is the Bank's client centric approach which aims to provide innovative and uniquely bespoke financing solutions appropriate for the sometimes complex financing needs of its customers and, in so doing, heighten client experiences and raise service levels. Ongoing progress in offering digital banking platforms to enhance client satisfaction is increasingly central to the Bank's approach. An integral aspect of the Bank's business model is the distribution function whereby transactions, typically those originated by the Bank itself, are sold and distributed in the secondary debt and insurance markets. Not only does this permit further leverage of the Bank's and indeed the Bank ABC Group's Arab and non-Arab World client business but it crucially provides both risk mitigation opportunities in terms of overall risk asset portfolio management whilst offering increasingly valuable capital and liquidity management possibilities.

Global Transaction Banking

In line with the Bank's original strategic remit, the facilitating and financing of international trade flows between Europe and the MENAT region remains ABCIB's core business activity and is undertaken by the GTB product sales team together with the corporate coverage relationship management team. Typically, up to half of GTB's earnings are accounted for by documentary LC business, which continues to be one of the most important mechanisms for financing trade with respect to the Bank's key North African markets, in particular Libya and Algeria, as well as Turkey. Documentary credit trade is typically characterised by short-term, self-liquidating instruments and generally seen as a lower risk financing activity. Since Q3 2021, the processing of standard export LCs have been re-organised and centralised, offering improved levels of client service through economies of scale as well as efficiency and other benefits.

In addition to standard export and import LC activities, GTB over the years has expanded and diversified its suite of trade product offerings to include guarantees and contract bonding and pre-export financing as well as more structured and

> **Global Transaction Banking, which oversees facilitation of international trade flows between Europe and the MENAT region** is a core part of ABCIB's business activity.

bespoke trade lending products including forfaiting as well as supply chain financing. The unit's Supply Chain Financing (SCF) team, which typically specialises in structuring insurance-backed receivables financing facilities for European and Turkish corporate clients, is of growing importance to GTB's operations and income earning capacity. In line with Bank ABC Group's digitalisation strategy of enhancing client experience and service quality through the introduction of a wider range of cutting-edge digital solutions, SCF initiated its own pilot digital platform programme in Q4 2021 together with Group and progress continues to be made on this, whilst further development of digital solutions in other areas of trade finance are underway.

With asset distribution one of the cornerstones of the Bank' business model, a dedicated Global Trade Debt and Distribution (GTDD) team is an integral part of the GTB unit and is the Group hub and centre of excellence for such activities. GTDD sources and structures assets - typically, but not exclusively, trade finance assets from within ABCIB and the wider Bank ABC Group - which are then appropriately structured, distributed and sold to investors in the secondary markets. GTDD's operations are multi-functional, providing both an income stream in its own right, as well as leveraging wider, non-MENAT client business and providing important risk mitigation and capital and liquidity management opportunities.

More recently, and in line with overall Group strategy, ABCIB has transitioned into a wholesale banking business, adopting a more focussed and client centric approach, expanding its corporate client base. With emphasis on cross-sell, developing multi-product client relationships in a wider range of wholesale banking and transaction banking products, including those related to cash management, as well as continuing to progress with introducing digital banking solutions is expected to widen client appeal, including to larger corporate entities, and will ultimately diversify and enhance GTB's and the wider wholesale banking income streams.

In Q4 2021, in collaboration with the Group, **the Supply Chain Financing (SCF) team, initiated its own pilot digital platform.**

Real Estate & Islamic Financial Services

Real Estate & Islamic Financial Services (RE) sources, structures and arranges, often in partnership with other leading banks, facilities to fund UK real estate projects. The unit has leveraged its success on its specialist in-house knowledge of the UK real estate sector built up over many years, the Bank's own expertise in Shari'a and conventional financial structures and an in-depth understanding of the risk appetites and investment preferences of its clients, particularly those from the Arab World.

Originally the unit's focus was on offering Shari'a compliant facilities for prestigious UK commercial and residential investment property as well as development finance for projects in prime central London locations, catering particularly to the known risk appetite and preferences of the Arab World client base of ABCIB and, indeed, of the wider Bank ABC Group. Over the years the unit has successfully developed and evolved this strategy, diversifying into offering conventional interest-based financings, such that the portfolio is now broadly evenly split between Shari'a and conventional structures and broadening its Arab and non-Arab World client base. Whilst initially the unit gained a particular expertise in sourcing and structuring development funding for projects in prime central London locations, largely mirroring Arab World investor preferences, potential exists for a calibrated degree of geographical diversification outside of London (but within the UK). This reflects both current market trends and opportunities and also growing international investor interest in the UK regions as the British government seeks to implement its 'levelling-up' agenda. Although the unit continues to originate opportunities in both traditional commercial and residential real estate projects, there has been a recent trend to undertake more mixed usage and income generative projects, including the private rental sector which encapsulates the 'build to rent' and 'co-living' models The broadening of sectors and geographies financed aids the portfolio concentration risks by virtue of greater diversification.

Distinct from the purely real estate business, and albeit currently on a modest scale, the unit also continues to offer the Bank's clients a broad range of Shari'a compliant products to support other areas of business within the Bank, particularly relating to international trade and lending.

Treasury & Financial Markets

Treasury and Financial Markets (TFM) is a strategically key unit of the Bank. All corporate treasury functions within ABCIB are undertaken by TFM, which is also tasked with the secondary and dual role of generating income in its own right through sales of financial market products to the Bank's corporate client base. Additionally, and since its establishment in October 2020, TFM performs corporate treasury functions on behalf of ABCIB's Paris-based subsidiary, ABCSA. In its corporate treasury role, TFM has the core responsibility for continuously managing the Bank's funding and liquidity arrangements such that the Bank is always fully in compliance with its regulatory requirements, particularly with respect to Net Stable Funding Ratio (NSFR) and Liquidity Coverage Ratio (LCR) thresholds. TFM also oversees the Bank's High Quality Asset Portfolio (HQLA) and additionally manages a portfolio of investment grade marketable securities. As part of its overall remit, TFM continues to be responsible for ABCIB's bank and corporate deposit funding base, with an emphasis on stability, diversity and quality. As part of its day-to-day operations, excess liquidity is placed directly into the money markets in order to generate positive returns for the Bank.

Under its dual role structure, TFM is separately tasked with generating a stand-alone income stream from sales of financial market products to its corporate client base. This includes foreign exchange offerings through its digital dealing platform as well as other treasury-related financial market products. Ongoing expansion of this area of TFM activity is being facilitated by a Bank ABC Group-led strategic change within wholesale and transaction banking operations including a more client centric approach, allowing for enhanced cross-selling opportunities and the development of new digital platforms for client / Bank interfaces.

Started as a Shari'a-compliant financier for property investments, the Real Estate division has diversified and now also caters to conventional financing structures.

Review of the Business

Throughout 2022, the Bank continued to pursue its strategic remit of financing trade and real estate investments, focusing on its core European and MENAT markets, whilst implementing further its strategic development of digital banking platforms and wholesale and transaction banking operations. Notwithstanding an uncertain market and geopolitical environment which proved challenging on a number of levels - relating not just to day-to-day business operations but also impacting risk, regulatory and compliance areas - and which variously impacted the Bank's three core business streams of GTB, RE and TFM, the Bank delivered solid, positive results overall. As the year progressed, the Bank began to see improving business flows in important areas, positioning the Bank well for the coming financial year.

Total operating income of £69.5 million, just slightly below the previous year's £70.8 million, held up well in the face of heightened uncertainty and a slowdown in global growth and international trade volumes, noting also that the 2021 figures were uniquely buoyed by a one-off £10.8 million foreign exchange gain. Factoring into account this latter consideration would seem to suggest that there was in reality a reassuringly healthy underlying business and earnings trend in 2022. Among the three main business streams, GTB was once again the largest contributor to overall earnings, generating income of £36.3 million in the year, equivalent to 52.4% of total Bank operating income, and significantly above 2021's outturn of £29.2 million (some 41.2% of total 2021 Bank income). With a relatively stable LC business, this was supported by strong earnings in other areas including trade lending and SCF. RE maintained its position as the second largest contributor to overall Bank income, generating earnings of £19.4 million in 2022, equivalent to 28% of the total, after £24.7 million, a nearly 35% share, in the previous year. The unit's underlying performance however, was arguably rather better than this headline result might appear to suggest, given that 2021 RE income included a one-off item in relation to the reversal of a previously booked modification loss. TFM performed particularly strongly in 2022, with earnings of £10.2 million (14.7% of total Bank operating income), up over 67% on 2021's £6.1 million outturn (8.6% of total Bank earnings in the year), as the unit benefitted from highly successful management of a rising interest rate environment and successfully navigated the more turbulent and uncertain foreign exchange markets.

Whilst overall earnings displayed a broadly reassuring degree of solidity - with some areas in fact displaying exceptional performance - this was not, on the surface at least, translated into an improved profitability position, with reported 2022 pre-tax profits of £28.0 million and profit after tax of £22.1 million, compared with £28.4 million and £25.3 million in the previous year. However, with 2021 's profit figures benefitting from a one-off £10.8 million foreign exchange gain, the underlying trend in profitability is stronger than the headline figures might appear to suggest. Indeed, 2022 profitability was underpinned by good control over Bank operating costs which remained in line with 2021, and strong risk quality metrics, with no major new credit risk impairments emerging.

Despite the global slowdown in growth, ABCIB's total operating income of **£69.5 million was just slightly below last year's £70.8 million.**

The Bank's overall balance sheet expanded by some 10.7% in the year to £3.2 billion after £2.8 billion at end-2021, supported by a not dissimilar, 10.5% increase in ABCIB's bank and customer deposit base which reached £2.1 billion by year end (2021: £1.9 billion). The Bank's day-to-day business operations and progress with its strategic development were supported by a strong and stable capital position, with shareholders' funds of £544 million representing a modest increase from 2021's £534 million, whilst ABCIB's Capital and Tier 1 ratios remained strong at 18.2% and 17.0% respectively. Throughout the course of the year, the Bank was in full compliance with all its prudential regulatory threshold obligations.

The ongoing and successful financial performance of the Bank in its front-line business activities in 2022, continued to depend vitally on the support provided by both an extensive risk and compliance architecture and appropriate conduct culture, which remained fully embedded within all staff levels and operational areas. The risk and compliance framework remains under continuous review to ensure it remains both fully relevant and fit for purpose in the particular context of the Bank's niche product and geographical orientation and that it attains the highest order of integrity. Whilst the broad type of risks faced by the Bank in the year have remained broadly unchanged - and are elaborated in more detail in the Corporate Governance and Risk Management sections on pages 44 to 49 of the Annual Report - the Bank's specific operating environment in 2022 has proven unusually challenging, with raised levels of risk in a number of areas. However, the Bank has firmly embedded the concept and practice of risk mitigation within its fundamental business model, playing to the strengths of its own niche positioning and leveraging the MENAT knowledge base and expertise of both itself and the wider Bank ABC Group to good effect. Distribution of assets remains a crucial risk mitigation element of ABCIB's business structure and 2022 proved a record year in this respect with USD1.7 billion of asset distributions for the ABC Group. Overall the Bank has clearly demonstrated a robust level of operational resilience, maintained innate financial strength and fulfilled all its prudential regulatory requirements in the face of the year's troubled and uncertain operating environment.

Further progress during the year can also be reported with respect to the Bank's climate change responsibilities, with the Board having approved in July a medium-term strategic plan. With the assistance of external consultants the Bank is also in the process of developing a roadmap incorporating measurable objectives with regard to policies relating to diversity, equity and inclusion in the workplace and is in consultation with Bank ABC Group with regard to further coordinating internal approaches to issues relating to corporate culture and conduct.

Section 172 Statement

Throughout the course of the year the Directors believe that they have at all times acted in good faith, both as individuals and at the collective Board level, in a manner which is most likely to support and promote the overall success of the Bank for the ultimate benefit of its shareholders, having at the same time due regard to all the Bank's stakeholders and those matters as set out in s172 (a - f).

In particular, it can be confirmed that:

- the Board continues to periodically review the Bank's overall strategic plan and approves an annual budget for the year commensurate with that plan. Integral to the review process, the Directors give due consideration to the long-term consequences of the strategic plan

- the Directors fully understand that the Bank's employees are fundamental to its long-term success and support the Bank's aims to be a responsible employer in respect of overall staff welfare, including pay and benefits

- the Directors recognise the importance of maintaining positive relationships with not just its shareholders but with all of its stakeholders, including suppliers, clients, regulatory bodies and employees and are cognisant of the need to take into account their views

- the Directors are aware that the Bank's day-to-day operations and activities will always and inevitably have some degree of impact - albeit limited - on the environment and the wider social community and, in consequence, ABCIB continues to invest resources in developing and accelerating progress in respect of its approach to Environmental, Social and Governance (ESG) matters. The Directors are also mindful of the Bank's need to continue to strengthen its ongoing journey to minimise its carbon footprint and, in line with regulatory guidance, is further developing its approach to assessing potential climate change risks to its business and operations

- the Directors believe that the Bank's attitude and approach to issues of culture and conduct is established and fully manifest at Board level and is replicated throughout all of the Bank's management and staff and, as such, is apparent in the external presentation of the Bank as a whole. The Bank considers its reputation in these respects to be of paramount importance and has in place an appropriate staff Code of Conduct which all employees must attest to having read and to agreed to abide by on an annual basis

- the Bank is owned by a sole shareholder and the Board ensures that relevant matters are referred to this sole shareholder in accordance with each company's Articles of Association and any other relevant statutory requirements.

Outlook

During a period of lingering COVID pandemic concerns, heightened geopolitical uncertainty and growing economic pressures the Bank has continued to display both resourcefulness and agility, rising to the challenges of this difficult operating environment, seeking profitable new business opportunities and delivering a solid financial performance. Through internal change, not least in the digital domain, and a renewed strategic focus and collaboration with the wider Bank ABC Group, the Bank continues to be able to weather the turbulent operating environment with confidence, perform robustly and fully support its expanding client base while comfortably fulfilling all its regulatory obligations.

The Directors believe that this is strongly indicative that the Bank's current business model and strategic orientation remain fully fit for purpose. By continuing to leverage its unique, niche status as a specialist MENAT bank with particular expertise in trade and real estate finance on the one hand whilst at the same time fully embracing the Group's forward-looking strategic development of wholesale and transaction banking activities and digital innovation, ABCIB's aspirations to be the 'Bank of Choice' for European / MENAT business flows, and a bank fully attuned to the future digital world, are being strongly supported.

The Board is confident that, notwithstanding uncertainties with respect to the short term operating environment, ABCIB continues to have significant potential for improved earnings growth, adding further shareholder value over the medium to long term.

Dr. Khaled Kawan
Chairman
17th March 2023

Board of Directors

Dr. Khaled Kawan
Chairman
∞

Ph.D. (Doctorate D'Etat) in Banking Laws - University of Paris (Sorbonne)

Following the decision of H.E. Mr Saddek El Kaber to stand down as Chairman of ABC International Bank, Dr. Kawan was appointed as Chairman on 19 April 2022 (having previously been Deputy Chairman). Dr. Kawan was the Group Chief Executive Officer of the Bank ABC Group between February 2013 and July 2022. Previously, Dr. Kawan was Group Legal Counsel until December 2009, when he was appointed Deputy Chief Executive of ABC (B.S.C). Dr. Kawan joined the Board of ABC International Bank plc on 28th May 2013. He also represents the Bank ABC Group as Chairman on the boards of Arab Banking Corporation SA and Banco ABC Brasil.

Andrew Neden
Director
AC* BCC* BRC RC CGC # *i*

Master of Arts (MA), Mathematics – University of Cambridge

Mr Neden was appointed as an Independent Director of ABC International Bank Plc in 2016 and also serves as Chair of the Audit Committee and the Compliance Committee. Mr Neden is a Chartered Accountant with over 40 years' experience in financial services in the UK and overseas. Mr Neden spent a number of years running KPMG's UK financial sector transaction services team and was the global chief operating officer for KPMG's financial services business. Mr Neden is also a Chair of the Nottingham Building Society and AETNA Insurance Company Ltd and is an Independent Director of the Wesleyan Assurance Society and a number of other private and not-for-profit companies.

Vanessa Eastham Fisk
Director
AC BCC BRC* RC CGC # *i*

Bachelor of Arts (B.A.), Accountancy & Finance - University of Huddersfield; Masters in Leadership Studies – University of Exeter.

Mrs Eastham Fisk was appointed as an Independent Director of ABC International Bank Plc in April 2019 and since April 2022 serves as Chair of the Board Risk Committee. Mrs Eastham Fisk has 30 years' experience in international finance and banking in the UK and overseas, undertaking a wide variety of senior executive director positions including COO, CRO, Head of Strategy and Head of Leveraged Finance roles. Mrs Eastham Fisk is also a director of TPL REIT management company, special advisor to the AlOmran family office, an Independent Member of the Board Risk Committees of Banque Saudi Fransi and Almarai Company and serves as a Board Advisor to a number of Fintech and Regtech start-up companies.

Abdullah Al Humaidhi
Director
RC* CGC* #

MS - American University of Beirut

Mr Al Humadhi was re-appointed as an Independent Director of ABC International Bank Plc in April 2022 (he had previously served as a non-independent director between May 2008 and March 2019) and serves as the Chair of the Remuneration Committee and the Corporate Governance Committee. Mr Al Humaidhi has more than 40 years of experience in the banking and investment sectors and is the: Vice Chairman and Chief Executive Officer, Commercial Facilities Company, Kuwait; a director of the board of Arab Banking Corporation (B.S.C.); and a director of the board of First National Bank S.A.L., Lebanon. Mr. Al Humaidhi is also a Member of the Board and honourary Treasurer of the Kuwait Chamber of Commerce & Industry and Board Member and honorary Treasures of the Red Cross Society in Kuwait. He is also a Member of the Board of Directors of Investcorp and Chairman of Audit & Risk Committee. Previously he served as Member of the Board and the Executive Committee of Kuwait Investment Authority; and Vice Chairman of the Public Institution For Social Security and Chairman of the Investment Committee.

Huda
Al Mousa
Director
AC BCC BRC #

MBA in Business Management – Georgetown University

Ms Al Mousa was appointed as a Director of ABC International Bank Plc in April 2022. Ms. Al Mousa has more than 15 years of experience in banking, asset management, and finance. Ms Al Mousa is the Director of General Reserve Asset Department at the Kuwait Investment Authority (KIA), which she joined in 2018. Ms. Al Mousa also serves on the boards of Arab Banking Corporation (B.S.C) and Kuwait Credit Bank. She previously was on the Board of Directors at Kuwait Airways (2018-2020). She also serves as a Committee Member in the State of Kuwait Debt Management Committee and various other State level committees.

Rajeev
Adrian
Chief Executive Officer
$

Bachelor of Commerce – University of Western Australia; MBA – Cranfield School of Management; Fellow of the Australian Society of Certified Practising Accountants (FCPA)

Mr. Adrian joined ABC International Bank plc in October 2014 as Chief Financial Officer and was appointed Deputy CEO in February 2016. In December 2020 Mr Adrian was appointed Acting Chief Executive Officer & Managing Director and was confirmed in that position in June 2021. He also is a Non-Executive Director of Arab Banking Corporation SA. Previously he worked at the Royal Bank of Scotland (RBS) where he held various positions over a 13 year period, including senior strategist, Chief Administration Officer of Global Banking and Markets, and CFO of International Banking. Prior to RBS, Mr. Adrian served at Lehman Brothers London as a Strategist of the European Corporate Strategy Division, Product Controller of the Investment Banking Division and prior to Lehman he was in Australia working in audit and forensic investigations. He is also a Director of the Libyan British Business Council and the Arab Bankers Association.

Constantine
Korkodilos
Company Secretary &
Head of Legal

LLB & LLM - University College London; MSc in Shipping, Trade & Finance - CASS Business School

Mr. Korkodilos joined the Legal department of the Bank as a lawyer in 2008. Prior to this he had been a solicitor at Holman Fenwick Willan and Constant & Constant, specialising in trade finance, commodities and shipping (transactional and contentious). He became Head of Legal Services at ABCIB in 2018 and was appointed Company Secretary in 2020. He has had over 20 years' experience in the law relating to trade finance and banking.

AC	Member of the Audit Committee
BRC	Member of the Board Risk Committee
RC	Member of the Remuneration Committee
CGC	Member of the Corporate Governance Committee
BCC	Member of the Compliance Committee
*	Chair of Board Committee
#	Non-Executive
$	Executive
i	Independent Director
∞	Non-independent Director

Senior Management

Julian Davies
Chief Financial Officer

B.Com Accounting – University of the Witwatersrand; ACA – Institute of Chartered Accountants Zimbabwe

Mr Davies joined the Bank in October 2022 with over 20 years' experience in CFO, COO and Business roles with international banks in Europe, the Middle East, Asia and Latin America. He joined the Bank after 10 years with Standard Chartered Bank where most recently he held the position of Regional Chief Operating Officer, Private Banking. He has experience leading Finance, Operations and Relationship Management teams across Wholesale, Retail and Private Banking businesses.

James Boucher
Chief Operating Officer

MA Greats (Literature, History, Philosophy, Languages) – University of Oxford

Mr. Boucher joined the Bank in March 2020 as COO. Prior to joining the Bank, Mr Boucher held over 20 years of experience through leadership roles in HSBC across Asia, Middle East, Africa, Latin America and Europe in Operations, Corporate, Commercial and Institutional Banking. His three previous roles with HSBC were Global Head of Client Selection Commercial Banking in London, COO Commercial Banking (HSBC HK) and Managing Director HSBC Bank (Mauritius) Ltd executing core global strategies for international business and operations.

Paul Kennedy
Chief Risk Officer

Bachelor's Degree Astronomy & Physics; Master's Degree Applied Mathematics & Theoretical Physics – University of Cambridge; PhD Radio Astronomy – University of Cambridge

Dr Kennedy joined the Bank in April 2021 and has over 30 years' experience in financial services, including roles with major banks in Switzerland and Australia. Dr Kennedy has also served as a regulator and established the Research and Risk Department for the Australian Securities and Investments Commission (ASIC). He has served as a director on several boards, including two years on the board of the Global Legal Entity Identifier Foundation (GLEIF) established by the Financial Stability Board (FSB).

Charlotte Wiltshire
European Head of Wholesale Banking

MBA – Heriot-Watt University

Mrs Wiltshire joined the Bank in 1999 and has held several senior management roles within the bank's business origination and risk distribution areas, most recently as European Head of Corporate Coverage. Mrs Wiltshire leads the delivery of the Bank's European wholesale banking strategy, client development and drives performance through the European platform. A Swedish national with more than 25 years of international banking experience, starting her career at the specialist emerging market firm London Forfaiting Company, she has gained in depth knowledge in trade and export finance in some challenging markets.

Martin Westacott
European Head of Treasury & Financial Markets

MBA Finance, General – University of Strathclyde

Mr Westacott joined the Bank in 2017 and took over the role as Head of Treasury & Financial Markets in September 2019. He has extensive Treasury & Financial Markets experience and, prior to joining the bank, was Treasurer at Gatehouse Bank in London. Other senior Treasury roles held include 8 years at Ahli United Bank in Bahrain which included a brief secondment to Ahli Bank in Qatar as interim Treasurer. He started his Treasury career at the United Bank of Kuwait in London.

Cristina Wiseman
Head of Compliance

BSc (Hons) Nutritional Medicine – University of West London; Diploma International Capital Markets – University of Reading; ACoI Associateship/ Compliance Risk Management – Compliance Institute

Miss Wiseman joined the Bank as Head of Compliance, in January 2018. Prior to this she held the role of Head of Compliance and MLRO at Zenith Bank (UK) and had been instrumental in the setup of Banif Banco de Investimento S.A. as Branch Manager before moving to Banif Banco Internacional do Funchal S.A. as MLRO and senior manager responsible for Compliance and Operations. Previous to this she had served over 20 years at Banco Espirito Santo S.A. in various operational and control functions.

Kevin Jervis-Allan
Head of Internal Audit

Bachelor of Economics – University of Western Australia

Mr Jervis-Allan joined the Bank as Head of Internal Audit in April 2021. Mr Jervis-Allan has extensive internal audit experience garnered over 15 years joining the Bank from Itau BBA International plc where he did a similar role, and before that as Head of Global Corporate & Investment Banking (EMEA), Corporate Audit at Bank of America Merrill Lynch and Head of Audit at Lloyds Bank. Prior to internal audit, Mr Jervis-Allan held senior risk and relationship director roles at Barclays Bank and National Australia Bank over a 12 year period.

Leanard Phillip
European Head of Financial Crime & MLRO

MSc Financial Regulation & Compliance Management – London Metropolitan University; Diploma in Anti-Money Laundering – CASS Business School (City University)

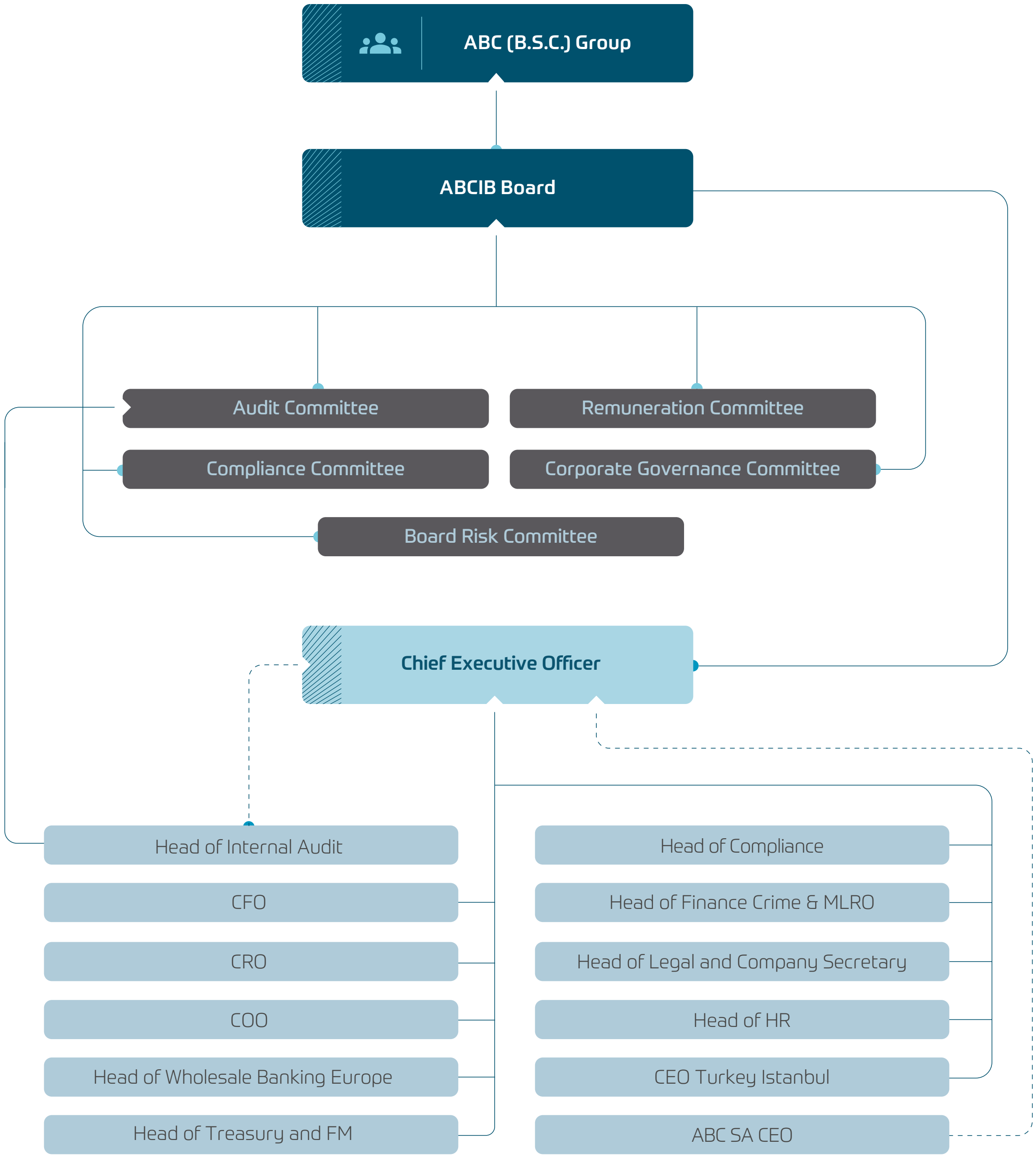
Mr. Phillip joined the Bank in August 2020 and is the European Head of Financial Crime and UK MLRO. His career in the City of London spans sixteen years with responsibility for financial crime risk management controls for several financial institutions in the City of London and Birmingham. Mr Phillip has represented several of the financial institutions he worked for on the UK Finance Sanctions Working Group, Bribery and Corruption Working Group and Money Laundering Advisory Panel for a number of years.

Andrew Singh
Head of Human Resources

BA Hons Business Studies – University of Central Lancashire

Mr Singh joined the Bank in May 2020 and has overall responsibility for the People agenda across ABCIB. Mr Singh is a seasoned HR Leader with over 20 years' experience in Financial Services and Oil and Gas. Under Mr Singh's leadership the HR team provides end to end HR support to colleagues covering speciality areas across the full employee lifecycle such as, Recruitment, Talent Development, Reward & Recognition, Employee Relations and Payroll and Benefits. Prior to joining the Bank, Mr Singh held senior roles at Shell, HSBC, Citigroup, and Jefferies.

ABC International Bank plc Organisational Chart



Financial Highlights

As at 31 December 2022

	2022	2021	2020	2019	2018
Earnings - £'000					
Net interest income	**48,918**	41,452	44,743	39,489	44,493
Net fees and commissions	**15,205**	15,486	23,983	38,300	37,098
Total operating income	**69,505**	70,789	68,205	86,658	83,781
Profit before provision and tax	**26,911**	28,020	15,240	25,189	29,893
Impairment gain / (loss)	**1,046**	410	(4,010)	(4,580)	(638)
Profit before tax	**27,957**	28,430	11,230	20,609	29,255
Net profit for the year	**22,069**	25,344	9,991	16,031	23,085
Financial Position £'million					
Total assets	**3,151**	2,806	2,733	3,028	3,696
Loans and advances to customers	**1,102**	1,094	1,105	1,435	1,415
Loans and advances to banks	**1,037**	1,003	975	1,186	1,855
Debt investments - FVOCI	**575**	466	334	278	265
Shareholders' funds	**544**	534	503	497	487
Ratios (%)					
Profitability					
Cost : Income ratio	**61%**	60%	78%	71%	64%
Net profit as % of average shareholders' funds	**4.1%**	4.9%	2.0%	3.3%	4.8%
Net profit as % of average assets	**0.7%**	0.9%	0.3%	0.5%	0.7%
Capital					
Risk weighted assets (£'million)	**2450**	2508	2398	2825	2,941
Capital base (£'million)	**447**	460	443	545	537
Risk asset ratio - Tier 1	**17.0%**	16.7%	16.4%	17.5%	16.6%
Risk asset ratio - Total	**18.2%**	18.3%	18.5%	19.3%	18.3%
Average shareholders' funds as % of average total assets	**18.1%**	18.7%	17.4%	14.6%	14.4%
Loans and advances to customers as a multiple of shareholders' funds (times)	**2.0**	2.0	2.2	2.9	2.9
Total debt as a multiple of shareholders' funds (times)	**3.9**	3.7	3.7	4.3	5.8
Term borrowing (including Subordinated debt) as a multiple of shareholders' funds (times)	**0.5**	0.4	0.6	0.7	0.7
Assets					
Loans and advances to customers as % of total assets	**35.0%**	39.0%	40.4%	47.4%	38.3%
Debt investments - FVOCI as % of total assets	**18.2%**	16.6%	12.2%	9.2%	7.2%
Impaired loans as % of gross loans	**1.20%**	0.07%	0.28%	0.12%	0.46%
Provision for impaired loans as % of impaired loans	**26.0%**	100.0%	73.1%	80.9%	95.3%
Loan loss provision as % of gross loans	**0.7%**	0.7%	0.8%	0.5%	0.7%
Liquidity					
Deposits to loan cover (times)	**1.9**	1.8	1.7	1.5	2.0
Capitalisation £'million					
Authorised	**300.0**	300.0	300.0	300.0	300.0
Issued, Subscribed and fully paid-up	**212.3**	212.3	212.3	212.3	212.3

Financial Highlights

Shareholders' Funds

544

(£'million)

Total Operating Income

69,505

(£'000)

Total Assets

3,151

(£'million)

Total Assets (£'million)

2022	3,151
2021	2,806
2020	2,733
2019	3,028
2018	3,696

Shareholders' Funds (£'million)

2022	544
2021	534
2020	503
2019	497
2018	487

Total Operating Income (£'000)

2022	69,505
2021	70,789
2020	68,205
2019	86,658
2018	83,781

Chief Executive Officer's report and business review

Overview

In the face of an extraordinarily uncertain and volatile operating environment I am pleased to be able to report that ABCIB made solid financial progress overall in 2022.

In 2022, ABCIB generated significant new business volumes in the lines of **Real Estate & Islamic Financial Services (RE) and Global Trade Debt and Distribution (GTDD).**

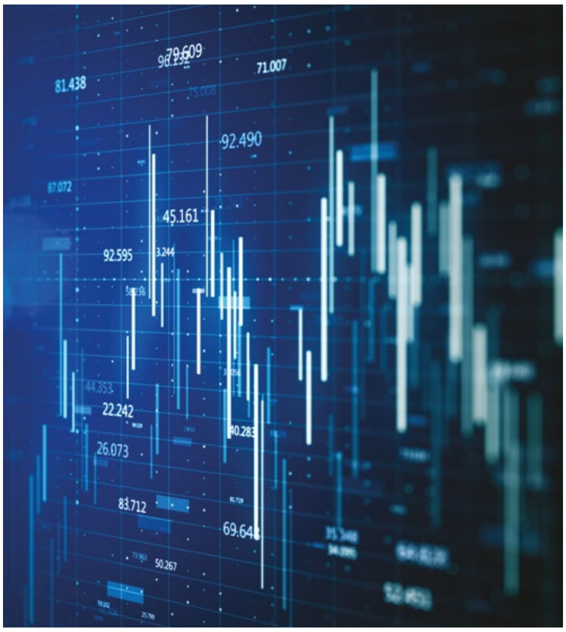
Once again, the ability to strategically balance a continuing focus on core products and key markets on the one hand with a deepening of transformational change in the digital and wholesale and transaction banking spaces, proved a crucial underpinning to success.

As a result ABCIB has been able to demonstrate to all its key stakeholders a reassuring degree of resilience, generating significant new business volumes in some areas - including Real Estate & Islamic Financial Services (RE) and Global Trade Debt and Distribution (GTDD) - whilst maintaining strong capital and liquidity positions, prudent levels of risk and fulfilling all regulatory requirements. Moreover, commensurate with the year's financial performance, the Bank continued to make real progress at a qualitative level, not just with respect to the transformational changes referred to above, but also in terms of client service levels and Environmental, Social and Governance (ESG) matters, including its responsibilities with regard to climate change, diversity equity and inclusion (DE&I) in the workplace, culture and conduct, ethics and staff welfare. At all times the Bank has received the full support and encouragement of its Directors and benefitted materially from its close links with the wider Bank ABC Group, at both a day-to-day, frontline business level as well as in terms of mentoring, supporting and progressing strategic change.

> The three main business streams of **GTB, RE and TFM contributed £36.3 million, £19.4 million and £10.2 million respectively to £69.5 million total income.**

The Bank's highly challenging and unsettling operating environment in 2022 has variously and significantly affected the Bank, its staff and many of its clients. It had generally been expected that the rapid economic growth and accompanying business surges experienced in 2021, that provided a material boost to the Bank's results in that year, were unlikely to be repeated in 2022 and, indeed, IMF estimates now indicate a sharp slowdown in global GDP growth and international trade volumes in the year. However, few could have anticipated the geopolitical fissure created by the Russian invasion of Ukraine in February 2022 let alone the extent and reach of the global shockwave which it precipitated. As the Chairman has already outlined in his Directors' Report, the geopolitical, economic and financial impacts, together with a lingering legacy of COVID issues, created downward pressures, leaving few, including ABCIB and its clients, untouched or unaffected.

Against this backdrop the Bank navigated the challenging conditions confidently, delivering a solid overall performance at the operational level in 2022, with total income of £69.5 million only marginally below the £70.8 million recorded in the previous year, and with the three main business streams of GTB, RE and TFM contributing £36.3 million, £19.4 million and £10.2 million respectively (equivalent, in turn, to 52%, 28% and 15% of total Bank income). Profit before tax of £28.0 million in 2022 was only 1.4% below 2021's £28.4 million outturn. However, these figures fail to accurately reflect underlying income and profitability trends, not least because 2021's pre-tax profits were sharply boosted by a one-off £10.8 million foreign exchange gain. When factoring this into account, I believe the results reported for 2022 strongly support the view that the trends in the Bank's underlying performance continued to be both robust and positive, a view further supported by a strong new pipeline of business in key areas.



Throughout 2022 the Bank continued successfully to embed recent operational changes as well as making further progress on its truly transformational journey into the digital and wholesale and transaction banking spaces. Following the establishment of Arab Banking Corporation S.A. (ABCSA) in Paris just over two years ago, major new operating modalities and collaborative pathways needed to be introduced - including TFM providing corporate treasury services on behalf of ABCSA and I am pleased that these processes have now had time to become fully embedded and are operating well, producing tangible, mutually beneficial business opportunities. The decision in Q3 2021, to move ABCIB's LC processing operations to a newly established hub and centre of excellence located within Bank ABC's head office in Bahrain, has also required adjustments within ABCIB, at operational and staff levels, and this project was successfully concluded during the year, generating real benefits for the Bank's clients in terms of speed and efficiency of LC processing. I am mindful also that the Bank's challenging operating environment in 2022 has impacted staff welfare, and we continue to offer our full support in adjusting to the relatively new post-COVID hybrid working patterns - with the option of working from home for up to 2 days a week if roles and responsibilities allow - and to helping cope with the added pressures of disruptive UK public sector transport and other strikes and heightened cost of living concerns.

No review of the Bank's business operations can be complete without recognition being given to the vital work undertaken by the Risk Management, Financial Crime and Compliance teams, whose work has been significantly impacted by the complex and volatile operating environment faced by the Bank in 2022. The Bank's internal risk, anti-financial crime and compliance architecture has been under continuous review during the year, undertaking extensive stress testing and scenario planning exercises in response to the heightened levels of risk faced by the Bank in its macro operating environment, responding appropriately to the Prudential Regulation Authority's SS1/21 guidelines with respect to operational resilience. Additional resources have also been invested in the Bank's financial crime and compliance functions, noting the added levels of complexity in dealing with heightened sanctions against Russia and compliance issues with respects to transactions involving potential secondary or tertiary counterparty links to Russia and Ukraine. At end-December 2022 I can advise that the Bank had no direct Russian risk exposure and, moreover, no appetite for such risk in the foreseeable future.

With the full support and engagement of the Board, the Bank continues on its journey towards good corporate citizenship, with particular attention given to climate change responsibilities. During the year the Board approved a medium-term strategic plan and deliverable climate change objectives. In collaboration with external specialists, the Bank is also preparing a roadmap for policies with respect to diversity, equity and inclusion (DE&I) in the workplace, including measurable objectives and outcomes, and initiated a staff awareness training programme during the year. It is my belief that the Bank continues to ensure that its internal risk and compliance architecture remains fully fit for purpose, appropriately evolving in response to the dynamics of our niche product and core country markets, and continues to be of the highest level of integrity, helping to ensure full compliance with all prudential regulatory thresholds and with those wider ESG issues of growing regulatory and societal concern.

Global Transactional Banking (GTB)

GTB performed strongly overall in 2022, confidently navigating a difficult operating environment and generating earnings of £36.3 million, almost 25% higher than the £29.2 million reported a year earlier, easily retaining its position as the largest contributor to overall Bank income with a share of just over 52%. Financing international trade flows between Europe and the MENAT region continued to be the key focus of the unit's activities, utilising a variety of standard and bespoke financial instruments, with trade lending and Supply Chain Finance (SCF) of growing significance. Further strategic progress was made in (non-trade) wholesale and transaction banking activities, including clients' broader financing and cash management needs, with ongoing advances in digitalisation gaining traction.

Whilst overall GTB performance was strong, there was a degree of variation with respect to some aspects of the unit's business activities. In particular, 2022 saw some hesitancy in documentary letters of credit (LC) activity, typically one of the unit's main income generators, with earnings from this source, at £14.4 million, broadly unchanged from the previous year. Business flows were tempered somewhat by a fall-off in Libyan LC activity during the year, particularly with respect to large scale electricity and energy sector infrastructure projects, which did come to market. However, during the course of the year, the unit was able to successfully source LC business from other MENAT markets including Egypt, Jordan and particularly Turkey, helping to significantly counterbalance the unexpected shortfall in LC business from Libya.

Other areas of trade finance performed more robustly, with SCF - involving the sourcing and structuring of insurance-backed receivables financing facilities - proving particularly buoyant, albeit after a slower start to the year. Some ongoing supply chain bottlenecks, in part reflecting the impact of China's COVID lockdown policies at the time, as well as international shipping issues and

GTB generated earnings of **£36.3 million, almost 25% higher than the £29.2 million** from 2021.

some slowing of demand in the wake of geopolitical turbulence, initially resulted in a reduction in some usage of facilities in the first half of the year. However, as clients began to adapt to, and better navigate, the changed global operating environment, utilisation of facilities began to rise. Not only was the SCF team able to successfully renew, and indeed, extend some of its major client facilities, but it successfully signed, in close collaboration with our Turkish Representative Office, significant new facilities. As part of the Bank's digitalisation journey, SCF had, in late 2021, introduced a pilot scheme involving a new digital SCF platform and this continued to be further developed during 2022.

GTDD performed strongly during the year with a record USD1.7 billion of distribution activity, providing not just an independent income stream, but permitting valuable risk mitigation opportunities whilst offering capital and liquidity management possibilities. The unit collaborated successfully with ABCSA during the year, offering valuable assistance in particular to some of the Paris unit's commodity clients, and continued to offer its expertise and services to the benefit of the wider Bank ABC Group.

As part of its broader non-trade related wholesale and transaction banking operations, GTB remained fully aligned to Group strategy in terms of both digital innovation and product development. Ongoing, targeted expansion of its corporate client base, including through its digital client onboarding platform, was accompanied by a deepening of product offerings, particularly in the corporate finance and cash management fields. GTB continued to be mentored and supported by Bank ABC Group in terms of developing and piloting new and innovative digital banking platforms.

GTB has approached the new financial year with strong business momentum underpinned by a healthy pipeline of new business, particularly with respect to SCF opportunities. Progress with the budgetary process in Libya is expected to lead to more large scale infrastructure project approvals in 2023, with GTB in a strong position to source associated LC business flows. The unit's ongoing digitalisation journey will continue to develop, embracing new areas of the trade finance and cash management spaces, and client usage of digital platforms is set to rise sharply. Whilst global operating conditions may continue to be challenging in 2023, GTB has a strong foundation for continued advancement and earnings growth.

GTDD performed strongly during the year with **a record USD1.7 billion of distribution activity.**

Real Estate & Islamic Financial Services (RE)

Against a rather volatile financial market backdrop, characterised by rising UK interest and mortgage rates and ongoing inflationary pressures, RE generated income of £19.4 million in 2022, retaining its position as the second largest contributor, with a 27.9% share, of overall Bank earnings. As in previous years, by far the largest part of RE income, almost 96% of the total, originated from its real estate operations, with the remainder, a little below £1 million, generated by client take-up of Shari'a compliant non-real estate product offerings in the trade finance, corporate and treasury fields. Whilst RE's total earnings in 2022 were some 21.5% below the £24.7 million outturn in the previous year, the latter figure included a one-off accounting adjustment in relation to the reversal of a previously booked modification loss. Taking this into account, the unit's real underlying trend in earnings was rather more positive than the headline figure might appear to suggest.

RE's existing portfolio of real estate assets was monitored closely and continuously throughout the year, showing no signs of increased credit risk impairment and with no new problem loans emerging. 2022 also saw significant loan repayments some of which were earlier than had been anticipated. This had the effect not only of reducing expected total income over the year as a whole but also raised the pressure to source replacement assets to ensure future earnings streams. I am pleased to be able to report that RE was highly successful in sourcing new business in the year, which reached significant levels in excess of £360 million of new financing, for both existing and new to Bank clients, as both the demand for and supply of new real estate investment opportunities regained buoyancy. Activity in the real estate market did show some easing towards the year-end, reflecting a continuing degree of uncertainty over interest rates rises. With respect to investor demand, this was partly a reflection of the diminishing legacy of COVID constraints and the ability of international investors to travel more easily, whilst sterling weakness proved opportunistic to dollar-based investors.

Playing to its long-standing strengths and expertise, 2022 saw RE continuing to source and structure, in partnership with other leading banks and financial institutions, commercial and residential real estate developments on the basis of both Shari'a compliant and conventional interest bearing facilities, with the Bank's real estate portfolio now broadly evenly divided between the two financing structures. Whilst traditionally RE has focussed on commercial and residential real estate projects within prime central London postcode locations, reflecting the investment preferences of many of its Arab World investors, the unit's strategy continued to evolve and develop, with greater diversification on a number of levels. In terms of the real estate sectors financed, a greater spread of asset classes was explored, with a greater emphasis being given to income-generating residential property including new opportunities in the 'living' sectors including Build-to-rent, Co-living and student accommodation. During 2022, RE agreed two new facilities for build to rent and co-living developments, which are seen as offering a useful degree of risk mitigation and protection from the economic and financial stresses which can affect the more traditional 'build to sell' residential market. Whilst the unit continued to conclude well secured and lowly leveraged new business in prime central London areas, including arranging and leading a £100 million + refinancing of a residential property development adjacent to Hyde Park, RE also successfully undertook a degree of geographical diversification, including in the Greater London / M25 corridor area. The unit is taking note of growing investor interest in the UK regions as, amongst other things, the government pursues its 'levelling-up' agenda, which is beginning to boost private investment in those areas and as the London market itself is showing some signs of cooling off. Finally, and whilst its existing Arab World investor base remains preeminent, RE successfully added new Arab World clients and has also begun to work with institutional investors from non-Arab regions, including Asia and the US. 2022 has seen RE successfully adapt and evolve its real estate strategy, leveraging its existing market expertise and in-depth knowledge to diversify into new asset classes and geographical locations whilst expanding its client base, serving to enhance its overall credit risk profile.

RE generated income of £19.4 million in 2022 and is the second largest contributor with a 27.9% share of the revenues.

Looking ahead, RE will continue to focus on sourcing new financing opportunities to ensure adequate flows of high quality replacement assets as the Bank's existing real estate portfolio matures. Whilst market conditions in 2023 may in some ways prove generally less supportive overall, with signs of some slowdown as a result of higher interest rates in particular, the unit is developing and implementing strategies to cautiously diversify the type of projects undertaken and to embrace opportunities outside of its historically favoured prime central London locations to include towns and cities in the UK regions and possibly even further afield in Europe. With new end-investors being brought on board from both the Arab and non-Arab World, I feel confident that the unit will continue to generate positive earnings and balance sheet growth whilst maintaining a sound, and improving, overall credit risk profile.

Treasury & Financial Markets (TFM)

Treasury and Financial Markets (TFM), which continued to be the third largest contributor to overall Bank operating income in 2022, with a 14.7% share (2021: 8.6%), performed exceptionally well in the year, generating earnings of some £10.2 million, after £6.1 million in the previous twelve months, an impressive 67% increase. TFM continued to undertake a dual role within the Bank, successfully balancing its vital corporate treasury function with that of an independent income generating financial markets role. TFM also continued to have the added responsibility for treasury operations at ABCIB's Paris based subsidiary, ABCSA, following the latter's establishment in October 2020. This role is now firmly embedded in TFM operations and is being undertaken seamlessly and successfully.

TFM, in its Corporate Treasury role, has the strategic remit of responsibly and prudently managing ABCIB's overall funding and liquidity positions, with oversight from the Bank's Prudential Regulatory Risk Department. In undertaking this remit, TFM is tasked with ensuring full compliance with relevant prudential and regulatory requirements, including relating to the Net Stable Funding Ratio (NSFR) and Liquidity Coverage Ratio (LCR) thresholds and the High Quality Liquid Assets portfolio (HQLA). Throughout 2022, TFM operated in such a manner as to successfully ensure the Bank's full adherence to these prudential norms. As an integral part of its Corporate Treasury role, TFM manages ABCIB's bank and customer deposit funding which stood at £2.1 billion at end-2022, some 10.5% above the £1.9 billion reported a year earlier. As part of its efforts to diversify the source, maturity and quality of deposit funding, TFM successfully completed a €50 million, 2 year facility with a highly rated European banking institution in 2022.

The third largest contributor to overall Bank operating income in 2022 was TFM, with a 14.7% share (2021: 8.6%).

TFM continues to reinvest excess liquidity in the money markets as a way to generate income for the Bank, and 2022's improved earnings was largely down to highly effective and pro-active management of a generally more volatile foreign exchange and rising interest rate environment, a situation worsened following the September mini-budget of the then Chancellor of the Exchequer, Kwasi Kwarteng and former Prime Minister Liz Truss. Prescient decisions to lock in fixed rate funding prior to rapid interest rate rises and agility in switching elements of the Bank's portfolio of liquid assets into higher earning short term assets all significantly benefitted earnings in 2022. TFM continued to successfully traverse the process of change from IBOR (Inter-Bank Offered Rate) to RFR (Risk Free Rate), with all statutory deadlines fully met.

Whilst there was a somewhat slower than anticipated take-up of TFM's financial market products during the year, including foreign exchange offerings on its digital platform, this perhaps undervalues the progress made at the strategic level, where close rapport with Bank ABC Group's wholesale and transaction banking initiatives, including the introduction of innovative digital platforms, are beginning to gain greater traction at the corporate client level and which TFM will increasingly be able to take advantage of for the cross-selling of its range of forex and other financial products.

Looking ahead, I am confident that TFM's highly successful track record of fulfilling its corporate treasury role in full compliance with regulatory requirements will continue. In line with an intensification of Group strategic initiatives in the wholesale banking space, including new and innovative digital platforms, TFM's financial market operations look set to gain real traction in the coming financial year, to the benefit of the unit's overall earnings potential.

The year ahead

The uncertainty and geopolitical volatility with its attendant widespread financial and economic fallout which characterised much of 2022 shows, as yet, no clear signs of imminent stabilisation and I must caution that the risks for the coming financial year seem firmly weighted to the downside. It would be unrealistic to expect anything other than another highly challenging operating environment in 2023, once again variously impacting the Bank's business units and internal operations as well as its client base.

It is therefore reassuring that the Bank faces the challenges of 2023 not only in a state of sturdy financial health and with a demonstrated track record of operational resilience - including having confidently and skilfully navigated 2022's difficult macro environment - but also with a buoyant pipeline of new business and enhanced aspirations. Indeed, in the coming year, I expect that the exciting and ongoing transformational journey of the Bank will not only continue but intensify further. Balancing our unique, niche MENAT market and product expertise with heightened, Group-led strategic wholesale banking change and further progress in introducing new and innovative digital platforms, will provide real traction in growing our business further and, ultimately, in our ability to deliver improving results to our shareholders.

Anticipated progress at the operational level will be mirrored by continued engagement with important issues surrounding ESG, including climate change, DE&I in the workplace and culture and conduct within the Bank. With the ongoing assistance of external advisers and experts, a clear roadmap for the Bank's response to its climate change responsibilities will be developed further and implemented with the full backing of our Board. I also anticipate progress in disseminating and embedding clear guidelines and policies with respect to DE&I in the workplace and, in close collaboration with Bank ABC Group, clearly define and heighten staff awareness, of our culture and conduct ethics, which I believe to be of vital reputational significance.

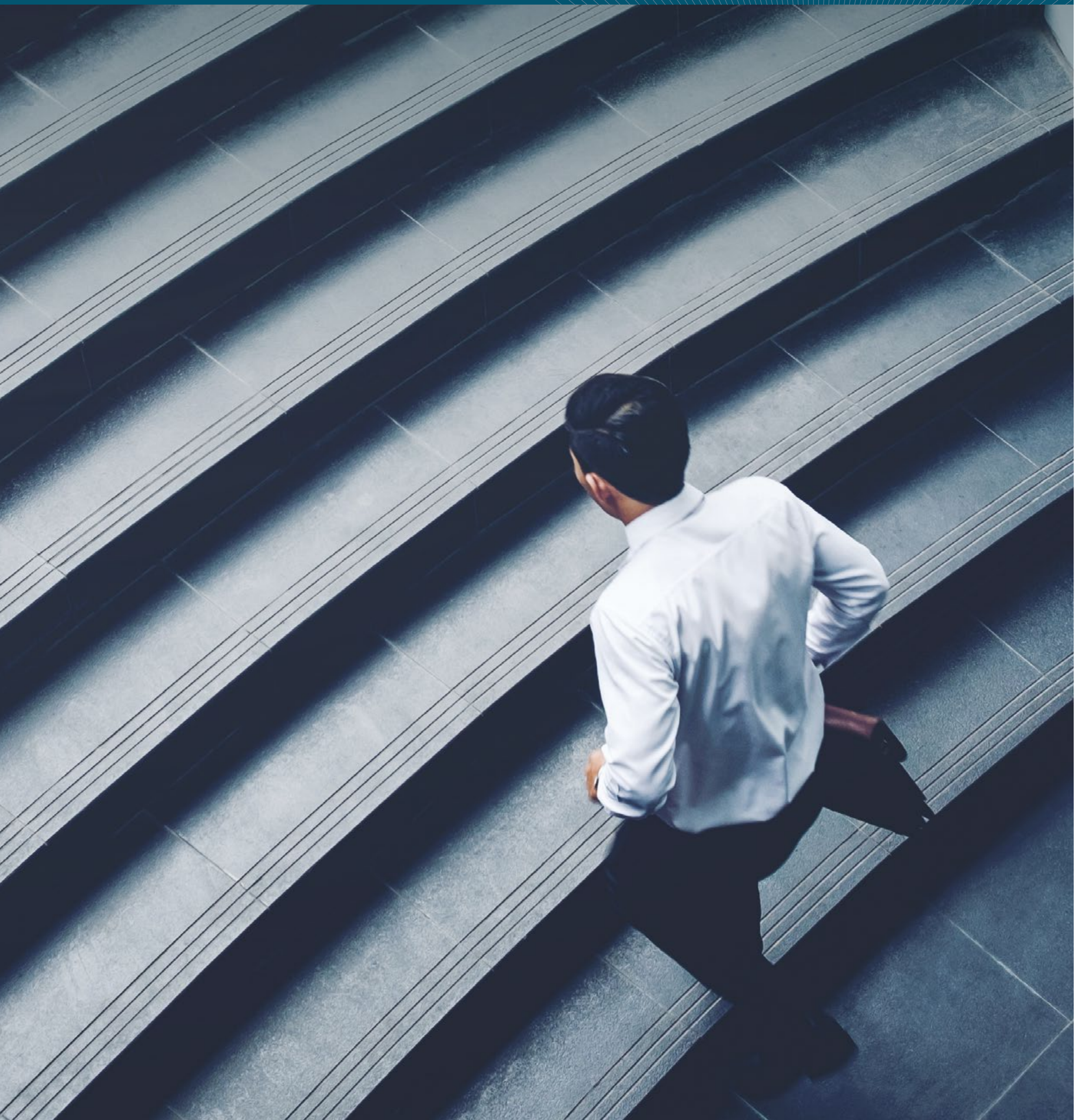
I have been both fortunate and highly appreciative, throughout 2022, to have received the full backing, and benefit from the insightful advice and extensive experience, of the Chairman and all members of the Board. I would particularly like to add my own personal thanks to our outgoing Chairman, H.E. Mr. Saddek Omar El Kaber, whose support and encouragement I have valued highly, and I look forward to engaging closely with our new Chairman, Dr Khaled Kawan, whose long standing involvement with both ABCIB and Bank ABC Group provides a wealth of experience. I would also like to extend my thanks to Dr. Yousef Al Awadi who stepped down from the Board during 2022, after 9 years of service an invaluable contribution to the Bank.

After 9 years of service,
Dr. Yousef Al Awadi stepped down from the Board in 2022.

My thanks also go to the management and all the staff within ABCIB with whom I work so closely on a day-to-day basis, and of course, to my colleagues throughout the Bank ABC Group. Their hard work, commitment and professionalism remain the linchpins of the Bank's continued success and I am proud to join them in the exciting transformational journey of our Bank and, indeed, that of Bank ABC Group as a whole. Not only is this strategic and digitalisation journey allowing us to further our ambitions to be the 'Bank of Choice' for trade and investment flows between Europe and the MENAT region but it also places us amongst the frontrunners in the creation of a European/MENAT bank that is truly fit for the future.

Rajeev Adrian
Chief Executive Officer

Balancing our unique, **niche MENAT market and product expertise with heightened, Group-led strategic wholesale banking change and further progress in introducing new and innovative digital platforms,** will provide real traction in growing our business further and, ultimately, in our ability to deliver improving results to our shareholders.



Corporate Governance


02

Corporate Governance and Risk Management

THE BOARD OF DIRECTORS

The Board is responsible for setting the Bank's objectives, including a sustainable business model and a clear, consistent and prudent strategy for the Bank, taking into account the Bank's long term financial interests and solvency, ensuring a proper balance between short-term objectives and the achievement of long-term value.

The Board also sets the values and standards of the Bank. Its Directors are tasked with taking decisions objectively and acting in a way which they consider, in good faith, will promote the success of ABCIB for the benefit of its stakeholders as a whole.

As well as carrying out its statutory duties and regulatory accountabilities, the Board ensures that ABCIB's management is capably and prudently executing its responsibilities, regularly monitoring and challenging the effectiveness of management policies and decisions including the execution of its strategies. The Board adheres to its statement of Corporate Governance Principles and Guidance, which is regularly reviewed and is informed by the prevailing Corporate Governance Code in the UK and the Corporate Governance Charter of the Central Bank of Bahrain. The Board conducts an annual performance assessment of itself, which is reviewed by the Corporate Governance Committee. The Board met on six occasions during 2022.

GOVERNANCE COMMITTEES

The Board has five committees, the Board Risk Committee, the Audit Committee, the Compliance Committee, the Remuneration Committee and the Corporate Governance Committee, which are described in more detail below.

The Management Committee ("MANCOM") is the highest-level management committee of ABCIB, reporting through the Chief Executive Officer to the Board of Directors. The Assets and Liabilities Committee ("ALCO"), Risk Management Committee ("RMC"), Compliance & Financial Crime Committee ("CFCC"), Operational Resilience Committee ("OReC"), IT Steering Committee ("ITSC"), Reputational Risk Committee ("RRC") and International Bank Business Committee ("IBBC"), are the committees reporting to MANCOM. There are additional sub-committees being International Bank Credit Committee ("IBCC") and Operational

Risk Committee ("ORCO") that report to RMC, along with the Liquidity Sub-Committee (LSC) that report to ALCO.

BOARD RISK COMMITTEE

The Board Risk Committee ("BRC") is a committee of the Board of ABCIB, from which it 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 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 the risk controls in ABCIB, review and monitoring of the Enterprise Risk Register, review, recommendation and monitoring of the Stress Testing framework and maintaining 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.

Effective external audit remains central to the Bank's financial reporting process. The Audit Committee continues to review and challenge the approach to the external audit to take account of learnings from KPMG's first audit in 2021 and, in light of continued improvements in the control environment, to increasingly deploy a strategy with higher reliance on controls. The Financial Reporting Council's Audit Quality Review team (AQR) reviewed KPMG's audit of the Bank's 2021 financial statements as part of its annual inspection of audit firms. The Audit Committee received and reviewed the final report from the AQR in January 2023. The Audit Committee was satisfied that the matters raised by the AQR were appropriately incorporated into the 2022 external audit plan.

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, both 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-assessments; 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.

RISK MANAGEMENT

The Bank strives to identify, assess, and understand fully the risks that it takes on, and to maintain those risks at a level that is prudent and aligned with its stated business strategy and objectives. To achieve that, the Bank has implemented the 3 lines of defence model for risk management, with clearly identified roles and responsibilities for risk management and for the design, testing, and operation of controls.

The Board is responsible for the overall risk appetite of the Bank. Day-to-day operation and maintenance of the risk management framework is the responsibility of Executive Management, overseen by the Board Risk Committee (BRC). In performing that oversight, BRC members maintain frequent, active, and open communication with the management of the Bank.

All areas of risk are overseen by the ABCIB Chief Risk Officer ("CRO"), who reports into the ABCIB CEO and also has a reporting line into the Chair of the ABCIB Board Risk Committee.

CREDIT RISK

Credit risk is managed by the ABCIB Credit Committee ("IBCC"), which has the following roles and responsibilities:

- Decline or approve credit proposals, or recommend them for approval at a Group level, in line with its delegated authorities.
- Review and challenge Internal Risk Ratings (IRR) and any overrides as applicable.
- Review and recommend for approval all credit policies and risk acceptance criteria
- 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
- Delegate its authorities to a sub-committee.

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 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.

LIQUIDITY RISK

Liquidity risks are monitored in the Assets and Liabilities Committee (ALCO) and the newly formed Liquidity Sub-Committee (LSC), established in 2022. The Bank has strategies, policies, processes and systems that are 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.

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

MARKET RISK

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 re-valued daily using historical market data. The Bank also 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.

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 small and are re-valued daily.

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.

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

OPERATIONAL RISK

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

The Bank has a number of tools which support the Operational Risk policy and framework, with the key tools being:

- The capture of Operational Risk Incidents / Events ("OREs")
- The monitoring of Key Risk Indicators ("KRIs")
- A Risk and Control Self-Assessment ("RCSA") process
- Group-wide control standards ("GWCS")
- Issues and Action plans
- Application to support the management of operational risk (GRC Tool)
- Scenario Analysis and Stress Testing
- Training

Front line use of these tools and processes are reviewed and challenged by the Operational Risk team, and their outputs 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 function.

ENTERPRISE RISK MANAGEMENT

ABCIB has a dedicated Enterprise Risk Management (ERM) unit in place. The focus of ERM is to put in place overarching governance and standards to ensure that the risk management framework functions in a coherent way across all the sub-classes of risk (credit, market, operational). ERM facilitates management and Board oversight over all key risks. ERM also coordinates the agenda and materials for Risk Management Committee (RMC) and Board Risk Committee (BRC).

ERM maintains overall responsibility for Management Information (MI) and Key Risk

Indicator (KRI) reporting to relevant risk committees, and supports the effective oversight and management of risk.

The ERM unit proposes changes to the Risk Appetite to keep it aligned to the Bank's business plan, strategic intent, and to regulatory thresholds. 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.

Directors' Responsibilities Statement

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and regulations.

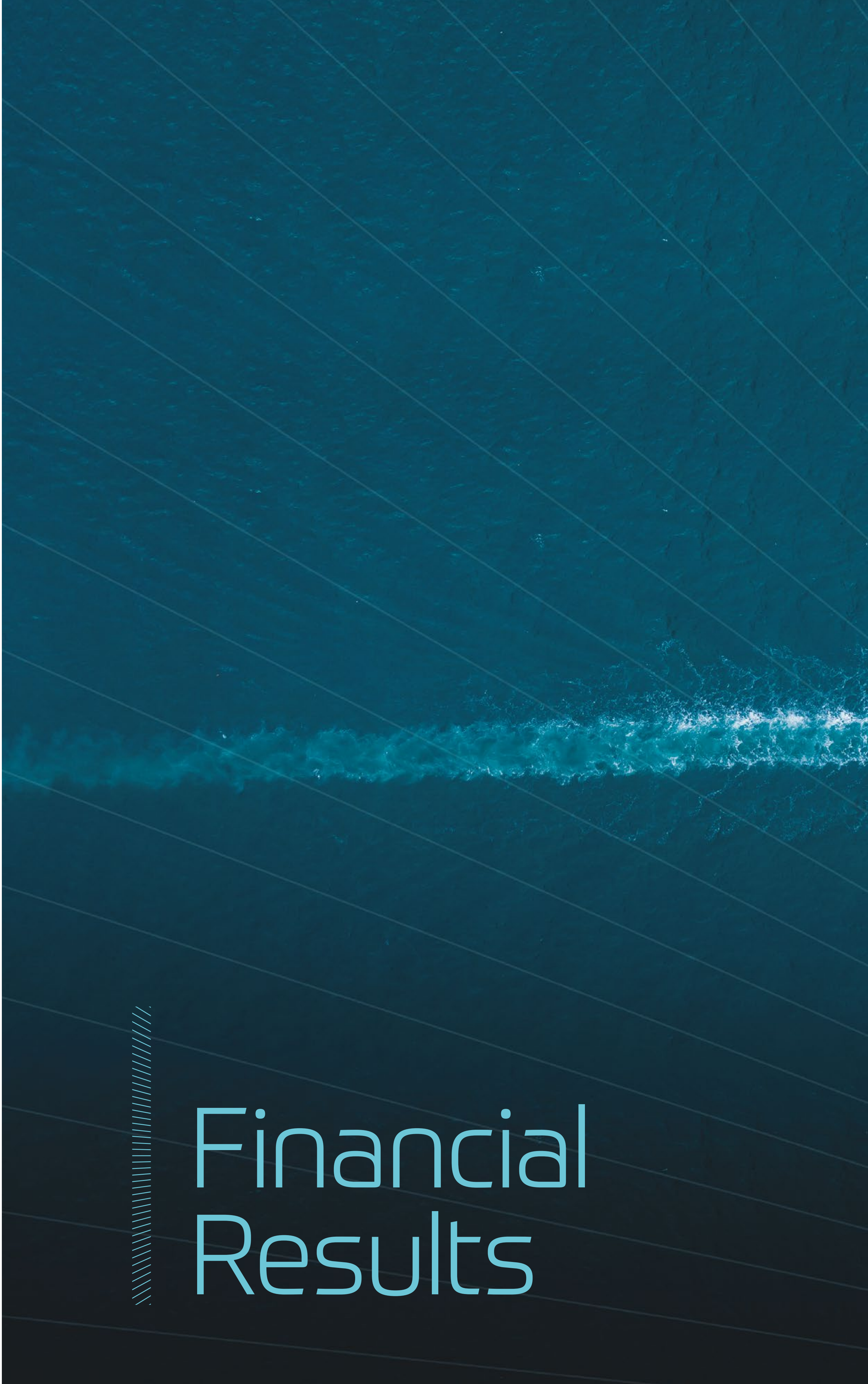
Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Bank's financial statements in accordance with the requirements of Companies Act 2006 and United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Bank and of the profit or loss of the Bank for that period.

In preparing these financial statements the directors are required to:

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- make judgements and accounting estimates that are reasonable, relevant and reliable;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in FRS 101 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Bank financial position and financial performance;
- in respect of the Bank's financial statements, state whether applicable UK Accounting Standards, including FRS 101 in conformity with the requirements of the Companies Act 2006, have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Bank, cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Bank's transactions and disclose with reasonable accuracy at any time the financial position of the Bank and enable them to ensure that the Bank's financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Bank and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a strategic report and Directors' report that comply with that law and those regulations. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Bank's website.



Financial Results


03

Independent Auditor's Report to the Members of ABC International Bank plc

1. Our opinion is unmodified

We have audited the financial statements of ABC International Bank PLC ("the Bank") for the year ended 31 December 2022 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes, including the accounting policies in Note **1.**

In our opinion the financial statements:

- give a true and fair view of the state of the Bank's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by the shareholders on 17 March 2021. The period of total uninterrupted engagement is for 2 financial years including the year ended 31 December 2022. We have fulfilled our ethical responsibilities under, and we remain independent of the Bank in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to public interest entities. No non-audit services prohibited by that standard were provided.

Overview	
Materiality: financial statements as a whole	**£1,100,000** 4% of Profit Before Tax

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters, in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

Independent Auditor's Report to the Members of ABC International Bank plc

Key audit matter	The risk	Our response
IFRS 9 expected credit loss ('ECL') £17.8 million; 2021: £18.5m Refer to page 72-75 (accounting policy) and page 86-90, 98-99, 111-121 (financial disclosures).	**Subjective estimate** **IFRS 9 ECL – Accuracy of the modelled ECL calculation:** • The calculation of expected credit losses uses complex and inherently judgmental modelling techniques. There is a risk that the ECL or staging assessments are inaccurate due to inappropriate or incorrect assumptions in the PD model. • We have therefore identified a significant risk due to error in the expected credit loss calculated by the model as a result of inappropriate or incorrect assumptions in the PD model. **IFRS 9 ECL – Judgemental post model adjustments (PMA's):** • Adjustments to the model-driven ECL results are raised by management to address uncertainty arising from idiosyncratic characteristic of certain exposures or emerging trends, including economic uncertainties. These adjustments are inherently uncertain and significant management judgment is involved in estimating the post model adjustments ("PMA's") and management overlays.	We performed the following audit procedures rather than seeking to rely on the controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described: **Our credit risk modelling and economics expertise – Modelled ECL** - Engaged our own modelling specialists to assist in challenging the judgments made by management in relation to modelled ECL by performing independent model monitoring. - Engaged our own macroeconomic specialist to assist in our assessment of key economic variables and the overall reasonableness of the economic forecasts. **Test of details – Modelled ECL** - Tested the completeness and accuracy of the key inputs and assumptions into the ECL model.

Independent Auditor's Report to the Members of ABC International Bank plc

Key audit matter	The risk	Our response
IFRS 9 expected credit loss ('ECL') (continued)	**IFRS 9 ECL – Judgemental post model adjustments (PMA's) (continued) :** • We have identified a significant risk of error and fraud associated with the valuation of material post model adjustments with the greatest degree of management judgement. **IFRS 9 ECL – Economic scenarios:** • The determination of economic scenarios and assigned probability weights requires a significant degree of judgement. • We have identified a significant risk of error associated with the appropriateness of the economic scenarios and assigned probability weights. The effect of these matters is that, as part of our risk assessment, we determined that determination of IFRS 9 expected credit loss has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. The credit risk section of the financial statements (Note **31**) disclose the sensitivity estimated by the Bank.	**Test of details – PMA's** - Challenged the reasonableness of the post model adjustment as well as the key assumptions underlying the adjustments by inspecting the calculation methodology and tracing a sample of data elements back to source data. - Assessed whether judgments made by management were indicative of fraud or management bias. **Test of details – Economics** - Challenged the key assumptions underlying the macroeconomics variables as well as the scenario weights applied. **Assessing transparency:** We assessed whether the disclosures appropriately disclose and address the uncertainty which exists when determining the ECL. **Our results** - We found the IFRS9 ECL allowance recognised to be acceptable.

Independent Auditor's Report to the Members of ABC International Bank plc

Key audit matter	The risk	Our response
Valuation of defined benefit obligation £29.1 million; 2021: £48.1 million Refer to page 66, 79 (accounting policy) and pages 126-132 (financial disclosures).	**Subjective estimate** • The basis for determining the defined benefit pension obligation requires a range of assumptions. • We have identified a significant risk of error associated with the valuation of defined benefit obligation. A small change in the assumptions used to value the Bank's defined benefit obligation, in particular those relating to discount rate, inflation and mortality can have a significant impact on the valuation of the defined benefit obligation. • The effect of these matters is that, as part of our risk assessment, we determined that the defined pension obligation has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. The financial statements (Note **36**) disclose the sensitivity estimated by the Bank.	We performed the following procedures rather than seeking to rely on any of the Bank's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. **Evaluation of management's expert:** We evaluated the objectivity and competence of management's actuarial expert involved in the valuation of the defined benefit obligation. **Our actuary specialist expertise:** - We involved our own actuarial professionals in the following: • Evaluating the appropriateness of methodologies used by management and management's actuarial expert in determining the key actuarial assumptions. • Comparing the discount rate, inflation and mortality assumptions used by the Bank to our independently compiled expected ranges based on market observable indices and our market experience. **Assessing transparency:** Considered the adequacy of the Bank's disclosures in respect of the sensitivity of the obligation to these assumptions. **Our results** - We found the valuation of defined benefit obligation to be acceptable.

Independent Auditor's Report to the Members of ABC International Bank plc

3. Our application of materiality and an overview of the scope of our audit

Materiality for the financial statements as a whole was set at £1,100,000, determined with reference to a benchmark of profit before tax for the year, of which it represents 4%.

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

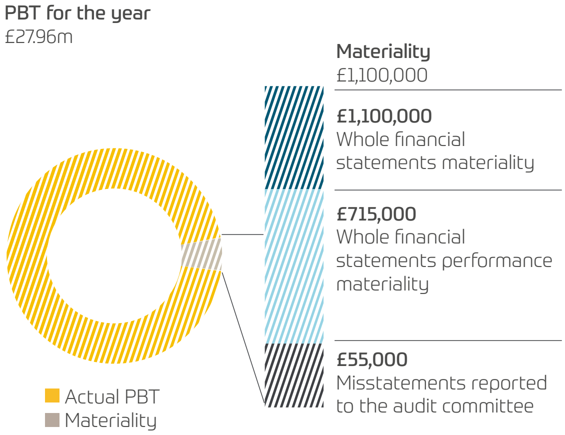
Performance materiality was set at 65% of materiality for the financial statements as a whole, which equates to £715,000. We applied this percentage in our determination of performance materiality based on the level of identified misstatements during the prior period.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £55,000, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the Bank was undertaken to the materiality and performance materiality levels specified above.

We were able to rely upon the Bank's internal control over financial reporting in certain areas of our audit, where our controls testing supported this approach, which enabled us to reduce the scope of our substantive audit work; in the other areas the scope of the audit work performed was fully substantive.

The Bank has certain processes centralised with the Parent entity in Bahrain, the outputs of which are relevant to the Bank's financial information. These services are subject to specified audit procedures. We instructed the group auditors of the Parent entity as to the areas to be covered and the information to be reported back. The areas tested by the group auditors include IT controls and certain aspects of IFRS 9 ECL modelling. We involved our IT auditors and credit risk modellers to evaluate the work which the group auditors performed in these areas. We also communicated with the participating audit team throughout the audit by holding regular meetings.



4. Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Bank or to cease its operations, and as they have concluded that the Bank's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We used our knowledge of the Bank, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Bank's financial resources or ability to continue operations over the going concern period.

The risks that we considered most likely to adversely affect the Bank's available financial resources over this period were:

- the availability of funding and liquidity in the event of a market wide stress scenario; and
- the impact on regulatory capital requirements in the event of further economic slowdown and a recession.

We considered whether these risks could plausibly affect the financial resources in the going concern period by assessing the directors' sensitivities over the level of available financial resources indicated by the Bank's financial forecasts taking account of severe, but plausible adverse effects that could arise from these risks individually and collectively.

Our procedures also included comparing budget to actual results to assess the director's track record of budgeting accurately and an assessment of whether the going concern disclosure in Note **1.2** to the financial statements gives a full and accurate description of the Directors' assessment of going concern.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Bank's ability to continue as a going concern for the going concern period; and
- we found the going concern disclosure in Note **1.2** to be acceptable.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Bank will continue in operation.

5. Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, the audit committee, internal audit and executive management and inspection of policy documentation as to the Bank's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Bank's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board and sub-committee meeting minutes.
- Considering remuneration incentive schemes and performance targets for management and directors.
- Using analytical procedures to identify any unusual or unexpected relationships.
- Consultation with our own forensic professionals regarding the identified compliance risks and the design of the audit procedures planned in response to these. This involved discussions with forensic professionals and their inspection of relevant documents and regulatory correspondences.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, which we isolate to the cut-off of fee and commission income, and the risk that Bank's management may be in a position to make inappropriate accounting entries, and the risk of bias in accounting estimates and judgements such as IFRS 9 expected credit losses.

We also identified a fraud risk related to judgmental post model adjustments in determining IFRS 9 expected credit losses.

Further detail in respect of IFRS 9 expected credit losses is set out in the key audit matter disclosures in section 2 of this report.

We also performed procedures including:

- Identifying journal entries to test based on high risk criteria and comparing the identified entries to supporting documentation. These included those journal entries posted without explanation, posted by users with only one entry for the year, posted to accounts that contained significant estimates and unbalanced journal entries.
- For a sample of fee and commission income recognised close to the year-end, assessing whether the income is recognised in the appropriate period by recalculating fees and commission income and agreeing back to the underlying contracts and external evidences.

Independent Auditor's Report to the Members of ABC International Bank plc

- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias including judgmental post model adjustment in determining IFRS 9 expected credit losses.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and other management (as required by auditing standards), and from inspection of the Bank's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Bank is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Bank is subject to laws and regulations that directly affect the financial statements including:

- financial reporting legislation (including related companies legislation);
- distributable profits legislation; and
- taxation legislation (direct and indirect).

We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Bank is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Bank's license to operate. We identified the following areas as those most likely to have such an effect:

- Specific aspects of regulatory capital and liquidity;
- Money laundering and financial crime; and
- Certain aspects of company legislation recognising the financial and regulated nature of the Bank's activities.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

We discussed with the audit committee matters related to actual or suspected breaches of laws or regulations, for which disclosure is not necessary, and considered any implications for our audit.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

6. We have nothing to report on the strategic report and the directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Independent Auditor's Report to the Members of ABC International Bank plc

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in those reports;
- in our opinion the information given in the strategic report and the directors' report for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

7. We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

8 Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 49, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

9. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Bank's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Bank's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Bank and the Bank's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Michael McGarry
(Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
15 Canada Square
London, E14 5GL
17th March 2023

\ For the year ended 31st December 2022
(All figures in £000 unless otherwise stated)

Income Statement

	Notes	2022	2021
Interest income calculated using the effective interest method	2	**84,331**	47,194
Other interest and similar income	2	**2,587**	2,995
Interest and similar expense	2	**(38,000)**	(8,737)
Net interest and similar income		**48,918**	41,452
Fees and commissions income	3	**30,755**	21,379
Fees and commissions expense	3	**(15,550)**	(5,893)
Net income / (expense) from other financial instruments at FVTPL	3	**(9,668)**	1,983
Other operating (expense) / income	4	**15,050**	11,868
		20,587	29,337
Total operating income		**69,505**	70,789
General and administrative expenses	5	**(42,594)**	(42,769)
Impairment gain / (loss)	6	**1,046**	410
		(41,548)	(42,359)
Profit before tax		**27,957**	28,430
Taxation	8	**(5,888)**	(3,086)
Profit for the year attributable to owners		**22,069**	25,344

Financial Results

The Notes on pages 64 to 132 are an integral part of the financial statements.

\ For the year ended 31st December 2022
(All figures in £000 unless otherwise stated)

Statement of Comprehensive Income

	Notes	2022	2021
Profit for the year attributable to owners		**22,069**	25,344
Items that cannot be reclassified to income statement			
Foreign exchange movement		**(10)**	-
Actuarial gain / (loss) recognised on defined benefit pension scheme	36	**(2,676)**	7,756
Deferred tax (charge) / credit relating to defined benefit pension scheme		**480**	(1,431)
Items that can be reclassified to income statement			
Deferred tax (charge) / credit relating to change in fair value of debt investments at FVOCI		**964**	205
Change in fair value of debt investments at FVOCI		**(6,637)**	(765)
Reclassification to income statement: debt investments at FVOCI		**(85)**	(282)
Change in ECL allowance for debt investments at FVOCI		**12**	2
Net gain due to fair value hedging		**2,723**	145
Total comprehensive income for the year attributable to owners		**16,840**	30,974

The Notes on pages 64 to 132 are an integral part of the financial statements.

\ As at 31st December 2022
(All figures in £000 unless otherwise stated)

Statement of Financial Position

	Notes	2022	2021
ASSETS			
Cash and cash equivalents		**133,298**	8,395
Debt investments - FVOCI	12	**574,839**	466,103
Loans and advances to banks	10	**1,036,596**	1,002,776
Loans and advances to customers	11	**1,101,772**	1,094,131
Derivative financial assets	14	**3,704**	3,606
Tangible fixed assets	15	**35,409**	36,270
Current tax asset		**-**	127
Prepayments, accrued income and other debtors	17	**88,821**	27,093
Deferred tax asset	16	**2,149**	1,574
Investment in subsidiary	13	**174,302**	165,804
Total assets		**3,150,890**	2,805,879
LIABILITIES			
Deposits from banks	18	**1,604,268**	1,711,980
Customer deposits	19	**517,193**	238,737
Derivative financial liabilities	20	**10,516**	635
Other liabilities, accruals and deferred income	21	**195,399**	102,982
Current tax liability		**2,286**	-
Term borrowing	22	**224,794**	164,793
Pension scheme liability	36	**2,733**	2,621
Subordinated liabilities	23	**50,000**	50,000
Total liabilities		**2,607,189**	2,271,748
Share capital	24	**212,296**	212,296
Retained earnings		**334,086**	321,493
Fair value reserve		**(2,681)**	342
Total equity		**543,701**	534,131
Total equity and liabilities		**3,150,890**	2,805,879

The directors approved and authorised the financial statements for issue on 17th March 2023.

Dr. Khaled Kawan
Chairman

The Notes on pages 64 to 132 are an integral part of the financial statements.

\ As at 31st December 2022
(All figures in £000 unless otherwise stated)

Statement of Changes in Equity

	Share Capital	Retained Earnings	Fair Value Reserve	Total equity
Balance at 1st January 2021	212,296	289,824	1,037	503,157
Comprehensive income				
Profit for the year	-	25,344	-	25,344
Other comprehensive (loss) / income	-	6,325	(695)	5,630
Balance at 31st December 2021	212,296	321,493	342	534,131

	Share Capital	**Retained Earnings**	**Fair Value Reserve**	**Total equity**
Balance at 1st January 2022	**212,296**	**321,493**	**342**	**534,131**
Dividend paid	**-**	**(7,270)**	**-**	**(7,270)**
Comprehensive income				
Profit for the year	**-**	**22,069**	**-**	**22,069**
Other comprehensive (loss) / income	**-**	**(2,206)**	**(3,023)**	**(5,229)**
Balance at 31st December 2022	**212,296**	**334,086**	**(2,681)**	**543,701**

The Notes on pages 64 to 132 are an integral part of the financial statements.

Notes to the Accounts

31 December 2022 (All figures in £000 unless otherwise stated)

1. Accounting policies

1.1 Reporting entity

ABC International Bank plc ("ABCIB") is a public company limited by shares which is incorporated and registered in England and Wales. The address of ABCIB's registered office is 1 - 5 Moorgate, London EC2R 6AB.

1.2 Basis of preparation

The financial statements of ABCIB are prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" (FRS101).

The financial statements of ABCIB are prepared under the historical cost convention, except for debt investments and derivative financial assets and liabilities, that have been measured at fair value.

ABCIB is not required to prepare group accounts since it qualifies for the exemptions available under Section 401 of the Companies Act 2006. In addition, there is no requirement to prepare a statement of cash flows in accordance with Financial Reporting Standard 101.

The financial statements have been prepared on a going concern basis, in accordance with the Companies Act 2006 as applicable to companies using FRS101. The financial statements are prepared on a going concern basis, as the Board is satisfied that the Bank has the resources to continue in business and that there are no material uncertainties that could cast significant doubt over its ability to continue as a going concern for a period of at least 12 months from the date of approval of the financial statements. In making this assessment, the Board has considered a wide range of information relating to present and future conditions and that the Bank has the resources in place that are required to meet its ongoing regulatory requirements. The assessment is based upon business plans which contain future forecasts of profitability as well as projections of regulatory capital requirements and business funding needs. The Going Concern assessment also includes an assessment of the impact of internally generated stress testing scenarios on the liquidity and capital requirement forecasts.

Given all of the above, these financial statements are prepared on the going concern basis. Refer to 'Directors' Responsibilities Statement'.

ABCIB has taken advantage of the following disclosure exemptions under FRS 101:

a) The requirement in paragraphs 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:

i) paragraph 79 (a)(iv) of IAS 1;

ii) paragraph 73(e) of IAS 16 Property, Plant and Equipment;

b) The requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 of IAS 1 Presentation of Financial Statements.

c) The requirements of IAS 7 Statement of Cash Flows.

d) The requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to disclose standards that have been issued but are not yet effective.

e) The requirements of Paragraph 17 of IAS 24 Related Party Disclosures.

f) The requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

g) The requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 Impairment of Assets, provided that equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated.

1.3 New and amended Standards and interpretations

1.3.1 Standards effective for the year

The accounting policies used in the preparation of these financial statements are consistent with those used in previous year, except for the adoption of new IFRS, applicable to the Bank, and which are effective from 1 January 2022:

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

An onerous contract is a contract under which the unavoidable of meeting the obligations under the contract costs (i.e. the costs that the Bank cannot avoid because it has the contract) exceed the economic benefits expected to be received under it.

The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services including both incremental costs (e.g. the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g. depreciation of equipment used to fulfil the contract and costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

These amendments had no impact on the financial statements of the Bank.

Property, Plant and Equipment (PPE): Proceeds before Intended Use – Amendments to IAS 16 Leases

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

In accordance with the transitional provisions, the Bank applies the amendments retrospectively only to items of PP&E made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment (the date of initial application).

These amendments had no impact on the financial statements of the Bank as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

IFRS 9 Financial Instruments (IFRS 9) – Fees in the '10 per cent' test for derecognition of financial liabilities

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39 Financial Instruments: Recognition and Measurement.

In accordance with the transitional provisions, the Bank applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment (the date of initial application). These amendments had no impact on the financial statements of the Bank as there were no modifications of the Bank's financial instruments during the period.

1.4 Significant accounting judgements, estimates and assumptions.

In the process of applying ABCIB's accounting policies, management has used its judgement and made estimates in determining the amounts recognised in the financial statements. The most significant uses of judgements and estimates are as follows:

1.4.1 Measurement of the expected credit loss allowance (ECL)

The measurement of the ECL for financial assets measured at amortised cost and FVOCI is an area that requires the use of models and significant assumptions about future economic conditions, credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses), estimation of the amount and timing of the future cash flows and collateral values. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Bank's ECL calculations are outputs of models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Internal credit rating model, which assigns probability of defaults (PDs) to the individual ratings;
- Determining criteria for significant increase in credit risk (SICR);
- Choosing appropriate models and assumptions for the measurement of ECL;
- Determination of associations between macroeconomic scenarios, economic inputs such as unemployment levels, collateral values and the effect on PD, exposure at default (EAD) and loss given default (LGD);
- Selection and relative weightings of forward-looking scenarios to derive the economic inputs into the ECL models; and
- Determining relevant period of exposure with respect to the revolving credit facilities and facilities undergoing restructuring at the time of the reporting date.

1.4.1.1 Collateral valuation

To mitigate its credit risks on financial assets, the Bank seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. Collateral, unless repossessed, is not recorded on the Bank's statement of financial position. However, the fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and re-assessed on a periodic basis.

To the greatest extent possible, the Bank uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on valuation reports received from professional valuation firms.

1.4.2 Pensions

The cost of the defined benefit pension plan is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, mortality rates and future pension increases. Due to the long term nature of these plans, such estimates are subject to uncertainty. See Note **36** for the assumptions used.

1.5 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

1.5.1. Foreign currency translation

ABCIB's financial statements are presented in GB Pounds which is its functional currency. Transactions in foreign currencies are initially recorded in the functional currency at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to 'other operating income' in the income statement. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

1.5.2 Financial instruments - initial recognition and subsequent measurement

1.5.2.1 Date of recognition

Financial assets and liabilities, with the exception of loans and advances to customers and deposits to customers and banks, are initially recognised on the trade date, i.e., the date that the Bank becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Loans and advances to customers are recognised when funds are transferred to the customers' accounts. The Bank recognises deposits from customers and banks when funds are transferred to the Bank. Derivatives are recognised on a trade date basis.

1.5.2.2 Initial recognition of financial instruments

The classification of financial instruments at initial recognition depends on the purpose for which the financial instruments were acquired and their characteristics. All financial instruments are measured initially at their fair value plus, in the case of financial assets not at fair value through income statement, any directly attributable incremental costs of acquisition or issue.

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments, as described in Notes **1.3.1** and **1.5.3**.

At initial recognition, the Bank measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at FVTPL, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in profit or loss. Immediately after initial recognition, an ECL is recognised for financial assets measured at amortised cost and investments in debt instruments measured at FVOCI, which results in an accounting loss being recognised in the statement of profit or loss when an asset is newly originated.

1.5.2.3 Measurement categories of financial assets and liabilities

The Bank classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortised cost, as explained in Note **1.5.3.1**
- FVOCI, as explained in Note **1.5.8**
- FVTPL

The Bank classifies and measures its derivative and trading portfolio at FVTPL as explained in Notes **1.5.5** and **1.5.6.** The Bank may designate financial instruments at FVTPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies.

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVTPL when they are held for trading and derivative instruments or the fair value designation is applied.

1.5.3 Financial assets and Liabilities

1.5.3.1 Loans and advances to banks, Loans and advances to customers, Financial investments at amortised cost

The Bank only measures Loans and advances to banks, Loans and advances to customers and other financial investments at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Whilst the Bank provides Commodity Murabaha loans as its main Shar'ia compliant facility, the classification criteria is in line with IFRS9 as stated above.

Notes to the Accounts

31 December 2022 (All figures in £000 unless otherwise stated)

1.5.3.2 Business model

The Bank determines its business model at the level that best reflects how it manages the Bank's financial assets to achieve its business objective. The business model reflects how the Bank manages the assets in order to generate cash flows. That is, whether the Bank's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes or originated with expectation that they will be sold in the near term), then the financial assets are classified as part of the 'held for trading' business model and measured at FVTPL. The business model assessment is not carried out on an instrument-by-instrument basis but at the aggregate portfolio level and is based on observable factors such as:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;

- How the asset's and business model performance is evaluated and reported to key management personnel and Asset and Liability Committee (ALCO);

- How risks are assessed and managed; and

- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Financial assets that are held for trading and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

1.5.3.3 SPPI test

The Bank assesses the contractual terms of financial assets to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

Interest is the consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank applies judgement and considers relevant factors such as currency in which the financial asset is denominated and the period for which the interest rate is set.

Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

The Bank reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the year.

1.5.4 Derecognition of financial assets and liabilities

1.5.4.1 Derecognition due to substantial modification of terms and conditions

The Bank sometimes makes concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collection of collateral. The Bank considers a loan forborne when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties typically evidenced by restructuring or rescheduling of the counterparty's credit facilities, directly or indirectly with other lenders or with the Bank.

If the terms are substantially different, the Bank derecognises the original financial asset and recognises a 'new' asset at fair value and recalculates a new EIR for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Bank also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the customer being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Bank recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original EIR (or credit-adjusted EIR for purchased or originated credit-impaired financial assets).

Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms. It is the Bank's policy to monitor forborne loans to help ensure that future payments continue to be likely to occur. Derecognition decisions and classification between Stage 2 and Stage 3 are determined on a case-by-case basis or based on SICR criteria. If these procedures identify a loss in relation to a loan, it is disclosed and managed as an impaired Stage 3 forborne asset until it is collected or written off or is transferred back to Stage 2.

1.5.4.2 Derecognition other than for substantial modification

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Bank transfers substantially all the risks and rewards of ownership, or (ii) the Bank neither transfers nor retains substantially all the risks and rewards of ownership and the Bank has not retained control.

The Bank enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards. These transactions are accounted for as 'pass through' transfers that result in derecognition if the Bank:

(i) Has no obligation to make payments unless it collects equivalent amounts from the assets;

(ii) Is prohibited from selling or pledging the assets; and

(iii) Has an obligation to remit any cash it collects from the assets without material delay.

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

The exchange between the Bank and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original EIR, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

1.5.5 Derivatives and Hedge accounting

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract (i.e., the 'underlying').

- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts expected to have a similar response to changes in market factors.

- It is settled at a future date.

The Bank enters into derivative transactions with various counterparties. These include interest rate swaps and forward foreign exchange contracts. Derivatives are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value.

All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of derivatives are included in 'Net income from other financial instruments at FVTPL'.

All derivatives are measured at FVTPL except for when the derivative is designated and qualifies as a hedging instrument, and if so, the nature of the item being hedged determines the method of recognising the resulting gain or loss.
The Bank documents, at the inception of the hedge, the relationship between hedged items and hedging instruments, as well as its risk management objective and strategy for undertaking various hedge transactions. The Bank also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values of hedged items.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the statement of profit or loss, together with changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest rate method is used is amortised to profit or loss over the period to maturity and recorded as net interest income.

If the hedging derivative expires or is sold, terminated, or exercised, or the hedge no longer meets the criteria for fair value hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. However, if the derivative is novated to a CCP by both parties, as a consequence of laws or regulations, without changes in its terms (except for those that are necessary for the novation) then the derivative is not considered expired or terminated.

Interest Rate Benchmarking Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) issued in September 2019 (the Phase 1 amendments)

ABCIB assumes that the interest rate benchmark, on which the hedged risk (contractually or non-contractually specified) is based, or the interest rate benchmark on which the cash flows of the hedging instrument are based, is not altered as a result of interest rate benchmark reform.

1.5.6 Financial assets or financial liabilities held for trading

The Bank classifies financial assets or financial liabilities as held for trading when they have been purchased or issued primarily for short-term profit making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking. Held-for-trading assets and liabilities are recorded and measured in the statement of financial position at fair value. Changes in fair value are recognised in net trading income. Interest and dividend income or expense is recorded in net trading income according to the terms of the contract, or when the right to payment has been established.

1.5.7 Repurchase agreements

Securities sold under agreements to repurchase at a specified future date are not derecognised from the statement of financial position as the Bank retains substantially all of the risks and rewards of ownership. The corresponding cash received is recognised in the statement of financial position as an asset with a corresponding obligation to return it, including accrued interest as a liability within cash collateral on securities lent and repurchase price agreements, reflecting the transaction's economic substance as a loan to the Bank. The difference between the sale and repurchase price is treated as interest expense and is accrued over the life of agreement using the EIR. When the counterparty has the right to sell or re-pledge the securities, the Bank reclassifies those securities in its statement of financial position to financial investments available-for-sale pledged as collateral.

1.5.8 Debt instruments at FVOCI

The Bank applies the new category under IFRS 9 of debt instruments measured at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets
- The contractual terms of the financial asset meet the SPPI test

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. The Fair Value Reserve in equity reflects the gains and losses recognised in OCI. Interest income and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets measured at amortised cost. Where the Bank holds more than one investment in the same security, they are deemed to be disposed of on a first–in first–out basis. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

1.5.9 Debt issued and other borrowed funds

Issued financial instruments or their components, which are not designated at fair value through profit or loss are classified as liabilities, where the substance of the contractual arrangement results in ABCIB having an obligation either to deliver cash or another financial asset to the holder. This includes mainly deposits from banks and other financial institutions, deposits from customers, term borrowing and subordinated liabilities.

After initial measurement, debt issued and other borrowings are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the effective interest rate.

1.5.10 Financial guarantees and loan commitments

The Bank issues financial guarantees, letters of credit and loan commitments.

Financial guarantees are initially recognised in the financial statements at fair value, being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the statement of profit or loss, and an ECL provision.

The premium received is recognised in the statement of profit or loss in other operating income on a straight line basis over the life of the guarantee.

Notes to the Accounts

31 December 2022 (All figures in £000 unless otherwise stated)

Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Bank is required to provide a loan with pre-specified terms to the customer. Similar to financial guarantee contracts, these contracts are in the scope of the ECL requirements.

The nominal contractual value of financial guarantees, letters of credit and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded in the statement of financial position.

1.5.11 Fair value Measurement

The Bank measures financial instruments at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Bank. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interests.

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 valuation: Directly observable quotes for the same instrument (market prices).
- Level 2 valuation: Directly observable proxies for the same instrument accessible at valuation date (mark-to-model with market data).
- Level 3 valuation: Derived proxies (interpolation of proxies) for similar instruments that have not been observed (mark-to-model with deduced proxies).

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Bank determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

1.5.12 Impairment 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.

1.5.12.1 Measurement of ECL

ECL is a probability-weighted estimate of credit losses. It is measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive);

- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;

- undrawn loan commitments: estimates the expected portion of the loan commitment that is drawn down over the expected life of the loan commitment; and calculates the present value of cash shortfalls between the contractual cash flows that are due to the entity if the holder of the loan commitment draws down that expected portion of the loan and the cash flows that the entity expects to receive if that expected portion of the loan is drawn down; and

- financial guarantee contracts: estimates the ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the guarantor expects to receive from the holder, the debtor or any other party. If a loan is fully guaranteed, the ECL estimate for the financial guarantee contract would be the same as the estimated cash shortfall estimate for the loan subject to the guarantee.

For the purposes of calculation of ECL, the Bank categorises its FVOCI debt securities, loans and advances and loan commitments and financial guarantee contracts into Stage 1, Stage 2 and Stage 3, based on the applied impairment methodology, as described below:

- Stage 1 – Performing: when loans are first recognised, the Bank recognises an allowance based up to 12- month ECL.

- Stage 2 – Underperforming: when a loan shows a significant increase in credit risk, the Bank records an allowance for the lifetime ECL.

- Stage 3 – Impaired: the Bank recognises the lifetime ECL for these loans.

For the purposes of categorisation into above stages, the Bank has established a policy to perform an assessment at the end of each reporting period of whether credit risk has increased significantly since initial recognition by considering the change in the risk of default occurring over the remaining life of the financial instrument.

The Bank records impairment for FVOCI debt securities, depending on whether they are classified as Stage 1, 2, or 3, as explained above. However, the ECL does not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the asset were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss.

Stage 1

The Bank measures loss allowances at an amount equal to 12-month ECL for Stage 1 customers. All financial assets are classified as Stage 1 on initial recognition date. Subsequently on each reporting date the Bank classifies the following as Stage 1:

- debt type assets that are determined to have low credit risk at the reporting date; and

- on which credit risk has not increased significantly since their initial recognition.

Stage 2

IFRS 9 requires financial assets to be classified in Stage 2 when their credit risk has increased significantly since their initial recognition. For these assets, a loss allowance needs to be recognised based on their lifetime ECLs.

Notes to the Accounts

31 December 2022 (All figures in £000 unless otherwise stated)

The Bank continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12 month ECL or lifetime ECL, the Bank assesses whether there has been a significant increase in credit risk since initial recognition. The Bank considers an exposure to have significantly increased in credit risk on various factors including number of notches change in internal risk rating, ARCM (accounts requiring close monitoring) customers, restructured /forbearance, historical delinquency, etc. Exceptions to Staging rules and movements can be rebutted on a case by case basis by IBCC or the CRO.

It is the Bank's policy to evaluate additional available reasonable and supportive forward-looking information as further additional drivers.

Stage 3

Financial assets are included in Stage 3 when there is objective evidence that the loan is credit impaired. At each reporting date, the Bank assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to deterioration in the borrower's condition is usually considered to be credit- impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a loan that is overdue for 90 days or more is considered impaired.

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Bank considers the following factors:

- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of creditworthiness.
- The country's ability to access the capital markets for new debt issuance.
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

Other than originated credit-impaired loans, loans are transferred from out of Stage 3 if they no longer meet the criteria of credit-impaired after a probation period of 12 months.

Forward looking information

The Bank incorporates forward-looking information in the measurement of ECLs.

The Bank considers forward-looking information such as macroeconomic factors (e.g., GDP growth, oil prices and country's equity indices) and economic forecasts. To evaluate a range of possible outcomes, the Bank uses three scenarios: a base case, an upward and a downward scenario. The base case scenario represents the more likely outcome resulting from the Bank's normal financial planning and budgeting process, while the upward and downward scenarios represent more optimistic or pessimistic outcomes. For each scenario, the Bank derives an ECL and applies a probability weighted approach to determine the impairment allowance.

The Bank uses internal information coming from internal economic experts, combined with published external information from government and private economic forecasting services. These forward looking assumptions undergo an internal governance process before they are applied for different scenarios.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: as a provision under other liabilities;
- where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision under other liabilities; and
- debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the cumulative changes in the fair value reserve.

Limitation of estimation techniques

The models applied by the Bank may not always capture all characteristics of the market at a point in time as they cannot be recalibrated at the same pace as changes in market conditions. Interim adjustments are expected to be made until the base models are updated. Although the Bank uses data that is as current as possible, models used to calculate ECLs are based on data that is up to date except for certain factors for which the data is updated once it is available and adjustments are made for significant events occurring prior to the reporting date.

Experienced credit adjustment

The Bank's ECL allowance methodology requires the Bank to use its experienced credit judgement to incorporate the estimated impact of factors not captured in the modelled ECL results, in all reporting periods.

Write-off

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cashflows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in 'impairment gain / (loss)' in the income statement.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

1.5.13 Provisions

Provisions are recognised when the Bank has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the income statement net of any reimbursement.

Notes to the Accounts

31 December 2022 (All figures in £000 unless otherwise stated)

1.5.14 Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the balance sheet.

1.5.15 Recognition of income and expense

The Bank recognises revenue when it satisfies a performance obligation by transferring a promised good or service. Whilst the Bank provides Commodity Murabaha loans as its main Shar'ia compliant facility, the recognition of revenue with respect to interest income and fee & commission income is in line with IFRS15 and IFRS9 as explained below.

1.5.15.1 Interest and similar income and expense

Under IFRS 9, interest income is recorded using the EIR (effective interest rate) method for all financial instruments measured at amortised cost and financial instruments designated at FVTPL. Interest income on interest bearing financial assets measured at FVOCI under IFRS 9, are also recorded by using the EIR method. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

The calculation takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if ABCIB revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded as interest income or expense.

Once the recorded value of a financial asset or a group of similar financial assets with Stage 3 impairment has been reduced due to an impairment loss, interest income is then recognised using the EIR applied to the new carrying amount (after provision).

Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the EIR on the loan. When it is unlikely that a loan will be drawn down, the loan commitment fees are recognised over the commitment period on a straight line basis.

1.5.15.2 Fee and commission

ABCIB earns fee and commission income from a diverse range of services it provides to its customers. Fee and commission income is recognised when ABCIB satisfies a performance obligation. These fees include commission income and other management and advisory fees. Fees earned for the provision of services over a period of time are accrued over that period. Fees received from Letters of credits and acceptances are recognised at a point in time on completion of the service provided.

A contract with a customer that results in a recognised financial instrument in the ABCIB's financial statements may be partially in the scope of IFRS9 and partially in the scope of IFRS15. If this is the case, then ABCIB first applies IFRS9 to separate and measure the part of the contract that is in scope of IFRS9 and then applies IFRS15 to the residual.

Other fee and commission expense relate mainly to transaction and service fees, which are expensed as the services are received.

1.5.15.3 Dividend income

Revenue is recognised when ABCIB's right to receive the payment is established.

1.6 Subsidiaries and associates

Investments in subsidiaries and associates are stated at cost less impairment losses. Reversals of impairment losses are recognised in the income statement if there has been a change in the estimates used to determine the recoverable amount of the investment.

1.7 Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation and impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all fixed assets at rates calculated to write off the cost less estimated residual value on prices prevailing at the date of acquisition of each asset evenly over its expected useful life as follows:

Freehold Building	35 years
Land	Land is not depreciated
Leasehold improvements	Lower of lease term or 10 years
Motor vehicles, office equipment including computer hardware and software	3 - 5 years
Office furniture	5 years

At each balance sheet date, the carrying values of fixed assets are reviewed for indications of impairment. If indications are present, these assets are subject to impairment review. The impairment review comprises comparison of the carrying amount of the asset with its recoverable amount; the higher of its net realisable value and its value in use. Net realisable value is the amount at which the asset can be sold at arm's length in an open market. The value in use is calculated by discounting the expected future cash flows from the asset's continued use at a market-based discount rate on a pre-tax basis.

The carrying amount of fixed assets are written down by the amount of any impairment and this loss is recognised in the income statement immediately. A previously recognised impairment loss may be reversed when a change in circumstances leads to a change in the estimates used to determine the fixed asset's recoverable amount.

The carrying amount can only be increased to the amount the asset would have been pre original impairment. The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

1.8 Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that the taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- Where the deferred tax relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Notes to the Accounts

31 December 2022 (All figures in £000 unless otherwise stated)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

1.9 Taxation

Current income tax assets and liabilities for the current year are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amounts are those that are enacted or substantively enacted, at the reporting date in the countries where ABCIB operates and generates taxable income.

1.10 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and balances with central banks of short-term nature.

1.11 Leases

At inception of a contract, the Bank assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Bank uses the definition of a lease in IFRS16.

1.11.1 Bank acting as a lessee:

Right-of-use assets

The Bank recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated amortisation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Bank is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are amortised on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment. The carrying value of right-of-use assets are recognised under other assets in the statement of financial position.

Lease liabilities

At the commencement date of the lease, the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Bank uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset and is recognised under 'Other liabilities' in the statement of financial position.

Short-term leases and leases of low-value assets

The Bank applies the short-term lease recognition exemption to its short-term leases (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

1.11.2 Bank acting as a lessor:

At inception or on modification of a contract that contains a lease component, the Bank allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Bank acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each of these, the Bank makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease, if not, then it is an operating lease. As part of this assessment, the Bank considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Bank recognises lease payments received under operating leases as income on a straight line basis over the lease term as part of 'Other operating income'.

1.12 Pension benefits

1.12.1 Defined benefit pension plan

ABCIB participates in a defined benefit pension scheme, which requires contributions to be made to a separately administered fund. The cost of providing benefits under the defined benefit scheme is determined separately using the projected unit credit actuarial valuation method.

The scheme was closed to new members in June 2004 from which time membership of a defined contribution pension scheme has been available to all employees. The Scheme was closed to the future accrual of benefits on 30th September 2010.

The cost of providing benefits under the defined benefit scheme is determined separately using the projected unit credit actuarial valuation method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligations) and is based on actuarial advice. Past service costs are recognised in profit or loss on a straight-line basis over the vesting period or immediately if the benefits have vested. When a settlement or a curtailment occurs the change in the present value of the scheme liabilities and the fair value of the scheme assets reflects the gain or loss which is recognised in the income statement.

Actuarial gains and losses are recognised in full in the statement of comprehensive income in the period in which they occur.

The defined benefit pension asset or liability in the balance sheet comprises the total of the present value of the defined benefit obligation (using a discount rate that reflects the full term structure of the Merrill Lynch nominal AA corporate spot yield curve), less any past service cost not yet recognised and less the fair-value of scheme assets out of which the obligations are to be settled directly. The fair value of assets is based on bid value with the exception of the assets invested in the targeted return fund, which have a single price.

1.12.2 Defined contribution pension scheme

ABCIB also operates a defined contribution pension scheme. The contribution payable to a defined contribution scheme is in proportion to the services rendered to ABCIB by the employees and is recorded as an expense under 'Staff costs' in the income statement. Unpaid contributions are recorded as a liability.

1.13 Short-term employee benefits

Short-term employee benefits such as salaries, paid absences and other benefits, are accounted for on an accrual basis over the period the employees have provided the services in the year. All expenses related to employee benefits are recognised in the income statement in staff costs which is part of 'general and administrative expenses'.

Notes to the Accounts

31 December 2022 (All figures in £000 unless otherwise stated)

2. Net interest and similar income / expense

	2022	2021
Interest income calculated using effective interest method		
Loans and advances to banks	28,143	9,109
Loans and advances to customers	46,850	32,009
Loans and advances to banks measured at FVOCI	2,418	1,287
Debt instruments at FVOCI	6,606	1,269
Others	314	3,520
	84,331	47,194
Other interest and similar income		
Loans and advances to banks measured at FVTPL	2,587	2,995
	2,587	2,995
Total interest and similar income	86,918	50,189
Interest and similar expense		
Deposits from banks	27,473	3,980
Customer deposits	2,052	642
Subordinated liabilities	2,421	1,660
Term borrowing	5,083	1,922
Others	971	533
	38,000	8,737
Net Interest Income	48,918	41,452

3. Analysis of the profit and loss account by classification:

	2022				
	FVTPL	Amortised Cost	FVOCI	Non-financial instruments	Total
Interest and similar income	2,587	75,307	9,024	-	86,918
Interest and similar expense	-	(38,000)	-	-	(38,000)
Net Interest and similar income	2,587	37,307	9,024	-	48,918
Fees and commissions income	-	30,755	-	-	30,755
Fees and commissions expense	-	(15,550)	-	-	(15,550)
Net income from other financial instruments at FVTPL	(9,668)	-	-	-	(9,668)
Other operating income/ (expense)	13,704	129	-	1,217	15,050
Total operating income	6,623	52,641	9,024	1,217	69,505

31 December 2022 (All figures in £000 unless otherwise stated)

	2021				
	FVTPL	Amortised Cost	FVOCI	Non-financial instruments	Total
Interest and similar income	2,995	44,638	2,556	-	50,189
Interest and similar expense	-	(8,737)	-	-	(8,737)
Net Interest and similar income	2,995	35,901	2,556	-	41,452
Fees and commissions income	-	21,379	-	-	21,379
Fees and commissions expense	-	(5,893)	-	-	(5,893)
Net income from other financial instruments at FVTPL	1,983	-	-	-	1,983
Other operating income/ (expense)	(132)	158	-	11,842	11,868
Total operating income	4,846	51,545	2,556	11,842	70,789

	2022			2021		
	Global Transaction Banking	**Real Estate & IFS**	**Treasury**	Global Transaction Banking	Real Estate & IFS	Treasury
Fees and commissions income	**27,072**	**3,120**	**563**	17,641	3,701	37
Fees and commissions expense	**(14,163)**	**-**	**(1,387)**	(5,392)	-	(501)
	12,909	**3,120**	**(824)**	12,249	3,701	(464)

4. Other operating income/ (expense)

	2022	2021
Rental income	**367**	345
Profit on sale of commercial assets	**129**	158
Net gain from foreign exchange	**13,704**	10,672
Other	**850**	693
	15,050	11,868

Notes to the Accounts

31 December 2022 (All figures in £000 unless otherwise stated)

5. General and administrative expenses

	2022	2021
a) Staff costs:		
Salaries	**25,191**	25,370
Social security costs	**2,626**	3,483
Pension costs (Note **36**)		
- Defined contribution schemes	**1,592**	1,576
Redundancy cost	**350**	1,290
	29,759	31,719
Depreciation	**1,292**	1,660
Other administrative expenses (including auditors' remuneration - see Note **7**)	**11,543**	9,390
	42,594	42,769

Other administrative expenses include premises rent and related utilities cost, professional fees, office system and supplies including maintenance contracts and others.

	2022 Number	2021 Number
The average monthly number of employees during the year:	**208**	219

b) Directors' remuneration:

The aggregate remuneration of the Directors of ABCIB for the year was:

	2022	2021
Aggregate remuneration in respect of qualifying services	**1,269**	859
In respect of the highest paid Director:		
- Aggregate remuneration in respect of qualifying services	**881**	475

31 December 2022 (All figures in £000 unless otherwise stated)

6. Impairment gain / (loss)

	2022	2021
The net (loss) / gain for the year in respect of provisions is made up as follows:		
Loans and advances to banks (Note **10**)	**(312)**	1,033
Loans and advances to customers (Note **11**)	**238**	(129)
Debt investments - FVOCI (Note **12**)	**(12)**	(2)
Credit commitments (Off-balance sheet) (Note **26**)	**1,041**	(560)
Foreign exchange	**91**	68
	1,046	410

7. Auditors' remuneration

		2022	2021
Auditors' remuneration:	audit of the company's financial statements	**(542)**	(445)
	audit of subsidiaries of the company	**(11)**	(10)
	audit related assurance services	**(85)**	(59)
	Other assurance services	**(16)**	(15)
		(654)	(529)

Notes to the Accounts

31 December 2022 (All figures in £000 unless otherwise stated)

8. Taxation

	2022	2021
Analysis of tax charge for the year		
Current tax:		
UK corporation tax - Current year	**(5,137)**	(2,800)
Adjustment in respect of prior years	**(481)**	(39)
Foreign tax relief/other relief	**107**	131
Foreign tax - Current year	**(107)**	(131)
Total current tax	**(5,618)**	(2,839)
Deferred tax:		
Current year	**(224)**	(576)
Adjustment in respect of previous periods	**25**	-
Effect of changes in tax rates	**(71)**	329
Total deferred tax	**(270)**	(247)
Total tax charge in the Income Statement	**(5,888)**	(3,086)
Amounts not charged to the income statement		
Amounts not charged to the income statement	**599**	112
Deferred tax (charge) / credit on defined benefit pension scheme actuarial (gain) / loss	**(119)**	(1,543)
Deferred tax (charge) / credit on AFS	**1,000**	141
Deferred tax - prior year	**(36)**	64
Amounts not charged to the income statement	**1,444**	(1,226)
Factors affecting tax charge for the year		
The differences are explained below:		
Profit on ordinary activities before tax	**27,957**	28,430
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19%	**(5,312)**	(5,402)
Effect of:		
Disregard Regulations - Foreign exchange gain/loss	**-**	2,053
Disallowed expenses and non-taxable income	**(49)**	(27)
Prior year adjustment	**(456)**	(39)
Deferred tax unrecognised, tax rate changes and exempt amounts	**(71)**	329
Total tax charge in Income Statement	**(5,888)**	(3,086)

31 December 2022 (All figures in £000 unless otherwise stated)

9. Analysis of assets and liabilities by classification

	2022				
	FVTPL	Amortised Cost	FVOCI	Non- financial instruments and others	Total
Cash and cash equivalents	-	133,298	-	-	133,298
Loans and advances to banks	77,222	934,660	24,714	-	1,036,596
Loans and advances to customers	-	1,101,772	-	-	1,101,772
Debt investments - FVOCI	-	-	574,839	-	574,839
Derivative financial assets	3,704	-	-	-	3,704
Tangible fixed assets	-	-	-	35,409	35,409
Deferred tax asset	-	-	-	2,149	2,149
Investment in subsidiary	-	-	-	174,302	174,302
Prepayments, accrued income and other debtors	-	82,603	-	6,218	88,821
Total assets	80,926	2,252,333	599,553	218,078	3,150,890
Deposits from banks	-	1,604,268	-	-	1,604,268
Customer deposits	-	517,193	-	-	517,193
Derivative financial liabilities	10,516	-	-	-	10,516
Other liabilities, accruals and deferred income	-	184,990	-	10,409	195,399
Current tax liability	-	-	-	2,286	2,286
Pension scheme liability	-	-	-	2,733	2,733
Term borrowing	-	224,794	-	-	224,794
Subordinated liabilities	-	50,000	-	-	50,000
Total liabilities	10,516	2,581,245	-	15,428	2,607,189

Notes to the Accounts

31 December 2022 (All figures in £000 unless otherwise stated)

9. Analysis of assets and liabilities by classification (continued)

	2021				
	FVTPL	Amortised Cost	FVOCI	Non-financial instruments and others	Total
Cash and cash equivalents	-	8,395	-	-	8,395
Loans and advances to banks	110,621	836,107	56,048	-	1,002,776
Loans and advances to customers	-	1,094,131	-	-	1,094,131
Debt investments - FVOCI	-	-	466,103	-	466,103
Derivative financial assets	3,606	-	-	-	3,606
Tangible fixed assets	-	-	-	36,270	36,270
Current tax asset	-	-	-	127	127
Deferred tax asset	-	-	-	1,574	1,574
Investment in subsidiary	-	-	-	165,804	165,804
Prepayments, accrued income and other debtors	-	21,682	-	5,411	27,093
Total assets	114,227	1,960,315	522,151	209,186	2,805,879
Deposits from banks	-	1,711,980	-	-	1,711,980
Customer deposits	-	238,737	-	-	238,737
Derivative financial liabilities	635	-	-	-	635
Other liabilities, accruals and deferred income	-	92,901	-	10,081	102,982
Pension scheme liability	-	-	-	2,621	2,621
Term borrowing	-	164,793	-	-	164,793
Subordinated liabilities	-	50,000	-	-	50,000
Total liabilities	635	2,258,411	-	12,702	2,271,748

10. Loans and advances to banks

	2022	2021
Repayable:		
on demand	**14,127**	9,548
within three months	**438,803**	395,780
between three months and one year	**486,118**	372,140
between one and five years	**101,585**	229,033
	1,040,633	1,006,501
ECL allowance	**(4,037)**	(3,725)
	1,036,596	1,002,776
Loans and advances to banks - amortised cost	**938,697**	839,832
Loans and advances to banks - measured at FVTPL	**77,222**	110,621
Loans and advances to banks - measured at FVOCI	**24,714**	56,048
	1,040,633	1,006,501

31 December 2022 (All figures in £000 unless otherwise stated)

Below is an analysis in the gross carrying amount and corresponding ECL allowances:

	2022			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount				
As at 1 January 2022	1,006,236	-	265	1,006,501
New assets originated / purchased	903,023	-	-	903,023
Assets fully repaid or derecognised (excluding write-offs)	(897,265)	-	-	(897,265)
Transfers to stage 1	-	-	-	-
Transfers to stage 2	-	-	-	-
Transfers to stage 3	-	-	-	-
Partial redemptions and other drawdowns	(89,320)	-	-	(89,320)
Recoveries	-	-	(63)	(63)
Amounts written-off	-	-	-	-
Foreign exchange & other adjustments	117,722	-	35	117,757
As at 31 December 2022	1,040,396	-	237	1,040,633
ECL allowance				
As at 1 January 2022	3,460	-	265	3,725
New assets originated / purchased	3,692		-	3,692
Assets fully repaid or derecognised (excluding write-offs)	(2,992)	-	-	(2,992)
Transfers to stage 1	-	-	-	-
Transfers to stage 2	-	-	-	-
Transfers to stage 3	-	-	-	-
Partial redemptions and other drawdowns		-	-	-
Recoveries	-	-	(63)	(63)
Amounts written-off	-	-	-	-
Foreign exchange & other adjustments	(360)	-	35	(325)
As at 31 December 2022	3,800	-	237	4,037
Net carrying amount	1,036,596	-	-	1,036,596

Notes to the Accounts

31 December 2022 (All figures in £000 unless otherwise stated)

10. Loans and advances to banks (continued)

	2021			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount				
As at 1 January 2021	976,253	-	3,598	979,851
New assets originated / purchased	945,785	-	-	945,785
Assets fully repaid or derecognised (excluding write-offs)	(921,882)	-	(3,297)	(925,179)
Transfers to stage 1	-	-	-	-
Transfers to stage 2	-	-	-	-
Transfers to stage 3	-	-	-	-
Partial redemptions and other drawdowns	(5,938)	-	-	(5,938)
Recoveries	-	-	(39)	(39)
Amounts written-off	-	-	-	-
Foreign exchange & other adjustments	12,018	-	3	12,021
As at 31 December 2021	1,006,236	-	265	1,006,501
ECL allowance				
As at 1 January 2021	2,682	-	2,115	4,797
New assets originated / purchased	2,804		-	2,804
Assets fully repaid or derecognised (excluding write-offs)	(1,822)	-	(1,836)	(3,658)
Transfers to stage 1	-	-	-	-
Transfers to stage 2	-	-	-	-
Transfers to stage 3	-	-	-	-
Partial redemptions and other drawdowns	(30)	-	-	(30)
Changes to models and inputs used for ECL calculations	579	-	-	579
Recoveries	-	-	(39)	(39)
Amounts written-off	-	-	-	-
Foreign exchange & other adjustments	(753)	-	25	(728)
As at 31 December 2021	3,460	-	265	3,725
Net carrying amount	1,002,776	-	-	1,002,776

11. Loans and advances to customers

	2022	2021
Repayable:		
on demand	**18,241**	43,596
within three months	**678,069**	733,650
between three months and one year	**208,479**	176,261
between one and five years	**205,271**	149,568
after five years	**3,386**	2,968
	1,113,446	1,106,043
ECL allowance	**(11,674)**	(11,912)
	1,101,772	1,094,131

31 December 2022 (All figures in £000 unless otherwise stated)

Below is an analysis in the gross carrying amount and corresponding ECL allowances:

	2022			
	Stage 1	Stage 2	Stage 3*	Total
Gross carrying amount				
As at 1 January 2022	944,168	160,564	1,311	1,106,043
New assets originated / purchased	911,552	-	-	911,552
Assets fully repaid or derecognised (excluding write-offs)	(1,000,841)	-	-	(1,000,841)
Transfers to stage 1	7,960	(7,960)	-	-
Transfers to stage 2	(7,528)	7,528	-	-
Transfers to stage 3	-	(24,132)	24,132	-
Partial redemptions and other drawdowns	(9,144)	(27,432)	-	(36,576)
Recoveries	-	-	(54)	(54)
Amounts written-off	-	-	-	-
Foreign exchange & other adjustments	133,511	(347)	158	133,322
As at 31 December 2022	979,678	108,221	25,547	1,113,446
ECL allowance				
As at 1 January 2022	464	10,137	1,311	11,912
New assets originated / purchased	(121)	-	-	(121)
Assets fully repaid or derecognised (excluding write-offs)	(307)	-	-	(307)
Transfers to stage 1	1,612	(1,612)	-	-
Transfers to stage 2	(6)	6	-	-
Transfers to stage 3	-	(5,055)	5,055	-
Partial redemptions and other drawdowns	(14)	(1,130)	-	(1,144)
Recoveries	-	-	(54)	(54)
Amounts written-off	-	-	-	-
Foreign exchange & other adjustments	(59)	1,290	157	1,388
As at 31 December 2022	1,569	3,636	6,469	11,674
Net carrying amount	978,109	104,585	19,078	1,101,772

*£3.9 million of credit enhancements via export credit agency guarantee.

Notes to the Accounts

31 December 2022 (All figures in £000 unless otherwise stated)

11. Loans and advances to customers (continued)

	2021			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount				
As at 1 January 2021	941,585	174,184	2,247	1,118,016
New assets originated / purchased	790,891	-	-	790,891
Assets fully repaid or derecognised (excluding write-offs)	(805,599)	(501)	-	(806,100)
Transfers to stage 1	-	-	-	-
Transfers to stage 2	(1,695)	1,695	-	-
Transfers to stage 3	-	-	-	-
Partial redemptions and other drawdowns	(1,380)	(20,226)	-	(21,606)
Recoveries	-	-	(53)	(53)
Amounts written-off	-	-	(757)	(757)
Foreign exchange & other adjustments	20,366	5,412	(126)	25,652
As at 31 December 2021	944,168	160,564	1,311	1,106,043
ECL allowance				
As at 1 January 2021	914	9,520	2,159	12,593
New assets originated / purchased	367	-	-	367
Assets fully repaid or derecognised (excluding write-offs)	(535)	(2)	-	(537)
Transfers to stage 1	-	-	-	-
Transfers to stage 2	(34)	34	-	-
Transfers to stage 3	-	-	-	-
Partial redemptions and other drawdowns	(108)	469	-	361
Changes to models and inputs used for ECL calculations	64	-	-	64
Recoveries	-	-	(53)	(53)
Amounts written-off	-	-	(757)	(757)
Foreign exchange & other adjustments	(204)	116	(38)	(126)
As at 31 December 2021	464	10,137	1,311	11,912
Net carrying amount	943,704	150,427	-	1,094,131

12. Debt investments - FVOCI

	2022	2021
Listed (Debt investments)	**574,839**	466,103
	574,839	466,103
Due within one year	**435,712**	261,612
Due between one and two years	**53,580**	127,340
Due between two and five years	**69,232**	77,151
Due after 5 years	**16,315**	-
	574,839	466,103

All debt instruments are issued by Governments and non-public corporate bodies.

31 December 2022 (All figures in £000 unless otherwise stated)

The movement on debt investments is as follows:

	2022	2021
At 1st January	**466,103**	333,872
Additions	**370,955**	556,393
Repayments and disposals	**(279,918)**	(419,232)
Fair value movement	**(6,722)**	(1,047)
Exchange movements	**24,421**	(3,883)
At 31st December	**574,839**	466,103

13. Shares in group undertakings

ABCIB owns the following investments in subsidiaries:

	Nature of business	Country of registration	Ownership %
Alphabet Nominees Limited	Nominee company	England	100%
Abcint Nominees Limited	Nominee company	England	100%
ABCIB Islamic Asset Management Limited	Advisory services	England	100%
ABCIB Leasing Limited	Asset trading company	England	100%
ABC Investment Holdings Limited	Property holding company	England	100%
Arab Banking Corporation SA*	Financial services	France	99.9%

The registered address for all of the above entities is the same as that of ABCIB, apart from Arab Banking Corporation SA (ABCSA), which has a registered address of 8 Rue Halévy, Paris, 75009, France.

* Arab Banking Corporation SA is the newly created French subsidiary which will be the hub of the European operations post Brexit transition. During 2019 and 2020 there were capital injections of €4.96 million and €177.15 million respectively by ABCIB.

14. Derivative financial assets

	2022	2021
Interest rate swaps	**3,447**	513
Foreign exchange contracts	**257**	3,093
	3,704	3,606

Notes to the Accounts

31 December 2022 (All figures in £000 unless otherwise stated)

15. Tangible fixed assets

	Freehold land and buildings	Leasehold improvements	Furniture and fittings	Office equipment	Total
Cost:					
At 1st January 2022	**37,406**	**2,205**	**2,419**	**8,778**	**50,808**
Additions	**-**	**-**	**1**	**349**	**350**
Disposals	**-**	**-**	**-**	**-**	**-**
At 31st December 2022	**37,406**	**2,205**	**2,420**	**9,127**	**51,158**
Depreciation:					
At 1st January 2022	**3,094**	**1,444**	**2,143**	**7,857**	**14,538**
Charge for the year	**563**	**200**	**29**	**419**	**1,211**
Disposals	**-**	**-**	**-**	**-**	**-**
At 31st December 2022	**3,657**	**1,644**	**2,172**	**8,276**	**15,749**
Net book value					
At 31st December 2022	**33,749**	**561**	**248**	**851**	**35,409**

	Freehold land and buildings	Leasehold improvements	Furniture and fittings	Office equipment	Total
Cost:					
At 1st January 2021	37,406	2,205	2,417	8,322	50,350
Additions	-	-	2	456	458
Disposals	-	-	-	-	-
At 31st December 2021	37,406	2,205	2,419	8,778	50,808
Depreciation:					
At 1st January 2021	2,532	1,243	2,029	7,160	12,964
Charge for the year	562	201	114	697	1,574
Disposals	-	-	-	-	-
At 31st December 2021	3,094	1,444	2,143	7,857	14,538
Net book value					
At 31st December 2021	34,312	761	276	921	36,270

Included within the 'Freehold land and buildings' is land of £18.0 million, which is not depreciated.

31 December 2022 (All figures in £000 unless otherwise stated)

16. Deferred tax asset

	2022	2021
At 1st January	**1,574**	3,159
Recognised deferred tax (charge) / credit to income statement for the period	**(269)**	(247)
Deferred tax (charge) / credit in OCI for the period	**856**	(1,401)
Adjustment in respect of prior years	**(12)**	63
At 31st December	**2,149**	1,574
The major components of the deferred tax asset are as follows:		
Deferred tax on IFRS9 Day 1 impact	**889**	1,067
Debt Investments at FVOCI	**964**	27
Liability in respect of temporary differences trading	**98**	98
Liability in respect of accelerated capital allowances	**(632)**	(567)
Deferred tax asset on pension	**830**	949
	2,149	1,574

Management has performed a review of recoverability of deferred tax assets considering forecast profits for the next three years. The assumptions used in preparing these forecasts have been subject to a series of stress tests to ensure the forecasts fall within a reasonable range of outcomes.

The Fiscal Event of 23 September 2022 reversed the planned increase in the headline rate of corporation tax from 19% to 25% that had been planned from 1 April 2023. However, that has now been overturned and the increase will go ahead as planned.

The corporation tax rate will increase to 25%. As the proposal to increase the rate to 25% has been enacted at the balance sheet date, its effects are now included in these financial statements and considered the Deferred tax closing to be at 25%. Each balance should be reviewed to understand which elements will unwind prior to 1 April 2023 and as such should be still recognised at 19% for those unwinding in the 2022 period or a marginal rate of 23.5% for the 31 December 2023. The impact of the post balance sheet date change in tax rate is not expected to be material.

17. Prepayments, accrued income and other debtors

	2022	2021
Interest receivable	**24,662**	8,952
Prepayments and accrued income	**6,822**	6,990
Right-of-use asset (Note **27**)	**64**	108
FX Contracts	**51,119**	7,499
Other	**6,154**	3,544
	88,821	27,093

Notes to the Accounts

31 December 2022 (All figures in £000 unless otherwise stated)

18. Deposits from banks

	2022	2021
Repayable:		
on demand	**351,610**	263,613
within three months	**369,593**	417,649
between three months and one year	**531,443**	606,853
between one and five years	**351,622**	423,865
	1,604,268	1,711,980

19. Customer deposits

	2022	2021
Repayable:		
on demand	**125,881**	63,578
within three months	**248,357**	140,524
between three months and one year	**142,482**	34,635
between one and five years	**473**	-
	517,193	238,737

20. Derivative financial liabilities

	2022	2021
Interest rate swaps	**579**	368
Foreign exchange contracts	**9,937**	267
	10,516	635

21. Other liabilities, accruals and deferred income

	2022	2021
Interest payable	**6,587**	1,844
Accruals and deferred income	**14,194**	11,032
Lease liability	**200**	195
FX Contracts	**51,119**	7,499
Cash collateral on securities lent and repo arrangements*	**113,090**	77,117
Other	**10,209**	5,295
	195,399	102,982

*During its normal course of business, the Bank may sell securities under agreement to repurchase (repos). The accounting policy pertaining to the treatment of these transactions is explained in Note **1.5.7**

31 December 2022 (All figures in £000 unless otherwise stated)

22. Term borrowing

	2022	2021
Repayable:		
Within one year	**35,000**	35,000
between one and two years	**44,355**	129,793
between two and five years	**145,439**	-
	224,794	164,793

Interest on all term borrowing is calculated by reference to SONIA plus margins.

23. Subordinated liabilities

The following loans are unsecured and are subordinated in right of payment to the ordinary creditors, including depositors:

	2022	2021
GBP 50.0 million Sub-Debt carrying interest at three months SONIA plus 3.36%	**50,000**	50,000
	50,000	50,000

On 2nd December 2015 ABCIB issued an FRN for £50 million repayable at par on 31st December 2025. The subordinated liabilities are due to the Immediate Parent Undertaking.

24. Share capital

	Authorised	Issued
Ordinary shares of £1 each		
At 1st January 2022	**300,000**	**212,296**
At 31st December 2022	**300,000**	**212,296**

Notes to the Accounts

31 December 2022 (All figures in £000 unless otherwise stated)

25. Regulatory capital

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 adopted by the Prudential Regulation Authority (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, equity shareholders' funds and subordinated debt.

The PRA supervises ABCIB and as such receives information on the capital adequacy of ABCIB. 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 transactions. ABCIB complied in full with the regulatory capital adequacy requirements during 2022 and 2021.

ABCIB's capital is divided into two tiers:

Tier 1 capital comprises equity shareholders' funds.

Tier 2 capital comprises the £50 million subordinated debt we have received from the Immediate Parent.

Subordinated Liabilities may not exceed 50% of Tier 1 capital.

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, taking into account any eligible collateral or guarantees.

Banking book off-balance sheet items giving rise to credit risk are assigned weights appropriate to the category of the counterparty, taking into account any eligible collateral or guarantees. Trading book risk-weighted assets are determined by taking into account market related risks such as foreign exchange and interest rate position risks, and counterparty risk.

Capital structure	**2022**	2021
Share capital	**212,296**	212,296
Retained earnings	**334,086**	321,493
IFRS 9 transitional arrangements*	**2,106**	5,886
Foreseeable dividend	**(6,621)**	(7,270)
Investment in subsidiary - capital deduction**	**(120,747)**	(112,467)
Other regulatory adjustments	**(4,206)**	(421)
Tier 1 Capital	**416,914**	419,517

Notes to the Accounts

31 December 2022 (All figures in £000 unless otherwise stated)

	2022	2021
Subordinated liability****	**30,027**	40,027
Tier 2 capital	**30,027**	40,027
Total regulatory capital	**446,941**	459,544
Risk-weighted assets (unaudited)		
Risk-weighted assets		
Credit and counterparty credit risk	**2,311,968**	2,362,339
Operational risk	**134,945**	144,216
Market risk	**3,197**	1,121
Total	**2,450,110**	2,507,676
Risk-weighted assets included in the totals above in respect of:		
-contingent liabilities	**124,031**	128,539
-commitments	**129,481**	162,831
Risk Asset Ratio	**%**	%
Total capital	**18.2%**	18.3%
Tier 1 Capital Ratio	**17.0%**	16.7%

Tier 1 Capital incorporates the profit for the respective years.

* Transitional arrangements as per EBA regulation 2017/2395 and article 473a of CRR

** Treatment permitted under CRR article 48(a)

***Tier 2 amortisation as per article 64 of CRR, as subordinated liability maturity is less than 5 years.

Notes to the Accounts

31 December 2022 (All figures in £000 unless otherwise stated)

26. Credit commitments and contingent items

Credit commitments and contingent items include commitments to extend credit, standby letters of credit, acceptances and guarantees, which are structured to meet the various requirements of customers.

At the balance sheet date, the principal outstanding was as follows:

	2022	2021
Contingent liabilities	603,997	562,835
Commitments	229,525	266,823
	833,522	829,658

Below is an analysis in the gross carrying amounts and corresponding ECL allowances is as follows:

	2022			
	Stage 1	Stage 2	Stage 3*	Total
Gross carrying amount				
As at 1 January 2022	764,248	64,840	570	829,658
New exposures	535,016	-	-	535,016
Matured exposures	(422,694)	(27,028)	-	(449,722)
Transfers to stage 1	44,822	(44,822)	-	-
Transfers to stage 2	(10,141)	10,141	-	-
Transfers to stage 3	-	(271)	271	-
Partial redemptions and other drawdowns	(181,509)	(205)	-	(181,714)
Amounts written off	-	-	-	-
Foreign exchange & other adjustments	92,128	8,087	69	100,284
As at 31 December 2022	821,870	10,742	910	833,522
ECL allowance				
As at 1 January 2022	1,256	995	570	2,821
New exposures	539	-	-	539
Matured exposures	(353)	(179)	-	(532)
Transfers to stage 1	895	(895)	-	-
Transfers to stage 2	(47)	47	-	-
Transfers to stage 3	-	-	-	-
Partial redemptions and other drawdowns	(1,301)	-	-	(1,301)
Amounts written off	-	-	-	-
Foreign exchange & other adjustments	105	79	69	253
As at 31 December 2022	1,094	47	639	1,780

*£271k of credit enhancements via export credit agency guarantee.

The Bank expects that not all of the contingent liabilities or commitments will be drawn before expiry of the commitments.

31 December 2022 (All figures in £000 unless otherwise stated)

	2021			
	Stage 1	*Stage 2*	*Stage 3**	*Total*
Gross carrying amount				
As at 1 January 2021	644,935	80,146	563	725,644
New exposures	500,348	-	-	500,348
Matured exposures	(280,360)	(10,827)	-	(291,187)
Transfers to stage 1	5,394	(5,394)	-	-
Transfers to stage 2	(2,203)	2,203	-	-
Transfers to stage 3	-	-	-	-
Partial redemptions and other drawdowns	(111,805)	(2,276)	-	(114,081)
Amounts written off	-	-	-	-
Foreign exchange & other adjustments	7,939	988	7	8,934
As at 31 December 2021	764,248	64,840	570	829,658
ECL allowance				
As at 1 January 2021	733	965	563	2,261
New exposures	200	-	-	200
Matured exposures	(146)	(97)	-	(243)
Transfers to stage 1	87	(87)	-	-
Transfers to stage 2	(15)	15	-	-
Transfers to stage 3	-	-	-	-
Partial redemptions and other drawdowns	388	188	-	576
Amounts written off	-	-	-	-
Impact on year end ECL of exposures transferred between stages	207	-	-	207
Foreign exchange & other adjustments	(198)	11	7	(180)
As at 31 December 2021	1,256	995	570	2,821

Notes to the Accounts

31 December 2022 (All figures in £000 unless otherwise stated)

27. Leases

i) Bank acting as a lessee (IFRS16)

The Bank has entered into a number of commercial leases for premises and other equipment.

	2022			
Right-of-use assets	**Land and buildings**	**IT equipment**	**Motor vehicles**	**Total**
Balance at 1 January	23	-	85	108
Depreciation charge for the year	(33)	-	(48)	(81)
Additions to right-of-use assets	37			37
Balance at 31 December	27	-	37	64

ii) Bank acting as a lessor

The Bank acts as a lessor for commercial leases for premises in respect of ABC House.

	2022	2021
Within one year	**375**	375
After one year but not more than five years	**1,238**	1,613
	1,613	1,988

28. Financial Instrument Contracts

a) Derivative financial instruments

In the ordinary course of business the Bank enters into various types of transactions that involve derivative financial instruments either as trading or hedging instruments. Derivative contracts are financial instruments that derive their value from an underlying rate or price. Trading transactions include all customer and proprietary transactions and related economic hedges of foreign exchange and interest rate exposures. ABCIB uses interest rate swap contracts to hedge against interest rate movements in relation to certain loans and advances to customers, deposits from customers and subordinated liabilities. Hedging transactions comprise derivatives used to hedge specific interest rate mismatches. The table below shows the fair values of derivative financial instruments.

The notional amount is that of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at year end and are not indicative of either market or credit risk.

Derivatives entered into by ABCIB which provide economic hedges are treated as 'Derivatives held for trading'. The Bank has Fair value hedge accounting arrangements in place to hedge the fair value changes arising from interest rate fluctuations on USD denominated fixed rate bonds (debt investments at FVOCI). The Bank manages this risk exposure by entering into pay fixed / receive floating interest rate swaps. Only the interest rate risk element is hedged and therefore other risks, such as credit risk, are managed but not hedged by the Bank. The interest rate risk component is determined as the change in fair value of the bonds arising mainly from changes in USD LIBOR (the benchmark rate of interest). Such changes are usually the largest overall component of the overall change in fair value. This strategy is designated as a fair value hedge and its effectiveness is assessed by critical terms matching and measured by comparing changes in the fair value of the bonds attributable to the changes in the benchmark rate of interest with changes in the fair value of the interest rate swaps. Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

31 December 2022 (All figures in £000 unless otherwise stated)

The Bank also has Fair value hedge accounting arrangements in place to hedge the foreign currency risk of its Investment in foreign subsidiary, ABCSA. The Bank manages this risk exposure by entering into foreign exchange swaps and maintaining EUR denominated deposits. Hedge effectiveness is determined at the inception of the hedge relationship and through periodic effectiveness assessment to ensure that an economic relationship exists between the hedged item and the hedging instrument.

Forward and future contracts are contractual agreements to buy and sell a specified financial instrument at a specific price and date in the future. Forwards are customised contracts transacted in the over-the-counter market. Foreign currency and interest rate futures contracts are transacted in standardised amounts on regulated exchanges and are subject to daily cash margin requirements.

Swaps are contractual agreements between two parties to exchange interest or foreign currency amounts based on a specific notional amount. For interest rate swaps, counterparties generally exchange fixed and floating rate of interest payments based on a notional value in a single currency.

The table below shows the fair value of derivative financial instruments. The notional amount is that of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at year-end and are not indicative of either market risk or credit risk.

	2022			2021		
	FV-Assets	**FV-Liabilities**	**Notional amount**	FV-Assets	FV-Liabilities	Notional amount
Derivatives held for trading						
Forward foreign exchange contracts & Interest rate swaps	**387**	**8,435**	**592,441**	3,232	406	268,071
Total at 31st December	**387**	**8,435**	**592,441**	3,232	406	268,071
Derivatives used for fair value hedging						
Interest rate swaps	**-**	**1,633**	**71,233**	-	-	-
Interest rate swaps	**3,317**	**448**	**40,723**	374	229	28,925
Total at 31st December	**3,317**	**2,081**	**111,956**	374	229	28,925
Total at 31st December	**3,704**	**10,516**	**704,397**	3,606	635	296,996

31 December 2022 (All figures in £000 unless otherwise stated)

28. Financial Instrument Contracts (continued)

Fair value hedges

ABCIB establishes a hedge ratio by aligning the nominal amount of the fixed-rate bond/ investment in subsidiary with the notional amount of the interest rate swap/forward foreign exchange contracts and deposits designated as hedging instruments.

The effective portion of fair value gains on derivatives held in qualifying fair value hedging relationships and the hedging gain or loss on the hedged items are included in net interest income.

The average fixed interest rate of the interest rate swaps in the fair value relationship was 1.17% (2021: 1.19%).

The average forward foreign exchange rate (EUR/GBP) used in hedging instruments for the investment in subsidiary fair value hedge relationship was 0.87 (2021: nil), with an average duration of less than 1 year (2021: n/a).

The amounts relating to items designated as hedging instruments and hedge ineffectiveness at 31 December 2022 and 31 December 2021 were as follows:

	2022						
		Carrying Amount					
	Nominal	Assets	Liabilities	Line item in the SOFP where the instrument is included	Change in FV used for calculating ineffectiveness	Line item in p/l that includes hedge ineffectiveness	Nominal amount directly impacted by IBOR reform
Foreign exchange risk							
Forward foreign exchange contracts	**71,233**	**-**	**1,633**	Derivative financial liabilities	**3,833**	Net income from other financial instruments at FVTPL	**-**
Deposits	**88,710**	**-**	**88,710**	Deposits from banks / Customer deposits	**4,666**	Net income from other financial instruments at FVTPL	**-**
Interest rate risks							
Interest rate swaps	**40,723**	**3,317**	**448**	Derivative financial assets / liabilities	**2,723**	Net income from other Financial instruments at FVYPL	**36,568**

31 December 2022 (All figures in £000 unless otherwise stated)

	2021						
		Carrying Amount					
	Nominal	Assets	Liabilities	Line item in the SOFP where the instrument is included	Change in FV used for calculating ineffectiveness	Line item in p/l that includes hedge ineffectiveness	Nominal amount directly impacted by IBOR reform
Foreign exchange risk							
Forward foreign exchange contracts	-	-	-	Derivative financial assets / liabilities	-	Net income from other financial instruments at FVTPL	-
Deposits	-	-	-	Deposits from banks / Customer deposits	-	Net income from other financial instruments at FVTPL	-
Interest rate risks							
Interest rate swaps	28,925	374	229	Derivative financial assets / liabilities	145	Net income from other Financial instruments at FVTPL	28,925

The amounts relating to hedging ineffectiveness for 2022 were Nil (2021: Nil)

31 December 2022 (All figures in £000 unless otherwise stated)

28. Financial Instrument Contracts (continued)

The amounts relating to items designated as hedged items at 31 December 2022 and 31 December 2021 were as follows:

	2022						
	Carrying Amount		Accumulated amount of FV hedge adjustment on the hedged item included in the carrying amount of the hedged item		Line item in SOFP in which hedged item is included	Change in value used for calculating ineffectiveness	Accumulated amount of FV hedge adjustments remaining in the SOFP for any hedged items that have ceased to be adjusted for hedging gains and losses
	Assets	Liabilities	Assets	Liabilities			
Foreign exchange risk							
Investment in subsidiary	**174,302**	**-**	**8,498**	**-**	**Investment in subsidiary**	**8,498**	**-**
Interest rate risks							
Fixed-rate bonds	**29,865**	**-**	**2,868**	**-**	**Debt investments - FVOCI***	**2,868**	**-**

*For items classified as fair value through other comprehensive income, the hedge accounting adjustment is not included in the carrying amount, but rather adjusts other comprehensive income.

31 December 2022 (All figures in £000 unless otherwise stated)

	2021						
	Carrying Amount		Accumulated amount of FV hedge adjustment on the hedged item included in the carrying amount of the hedged item		Line item in SOFP in which hedged item is included	Change in value used for calculating ineffectiveness	Accumulated amount of FV hedge adjustments remaining in the SOFP for any hedged items that have ceased to be adjusted for hedging gains and losses
	Assets	Liabilities	Assets	Liabilities			
Foreign exchange risk							
Investment in subsidiary	-	-	-	-	Investment in subsidiary	-	-
Interest rate risks							
Fixed-rate bonds	29,285	-	145	-	Debt investments - FVOCI*	145	-

*For items classified as fair value through other comprehensive income, the hedge accounting adjustment is not included in the carrying amount, but rather adjusts other comprehensive income.

Following the financial crisis, the reform and replacement of benchmark interest rates such as LIBOR has been a priority for global regulators. As a result, the UK's Financial Conduct Authority (FCA) and other global regulators instructed market participants to prepare for the cessation of LIBOR rates after the end of 2021, and to adopt "Alternative Reference Rates" (ARRs). Pursuant to FCA announcements during 2021, panel bank submissions for all GBP, EUR LIBOR tenors ceased after 31 December 2021. For USD, certain actively used tenors will continue to be provided until end June 2023 in their current form, however in line with regulatory guidance, ABCIB ceased issuing or entering into new contracts that use GBP or USD LIBOR as a reference rate from 31 December 2021.

ABCIB's exposure to rates subject to interest rate benchmark reform has been predominantly to GBP and USD LIBOR.

Notes to the Accounts

31 December 2022 (All figures in £000 unless otherwise stated)

28. Financial Instrument Contracts (continued)

b) Interest rate repricing

The table below summarises the non-trading book mismatches of the dates on which interest receivable on assets and interest payable on liabilities are next reset to market rates or, if earlier, the dates on which the instrument matures. Short-term debtors and creditors are included in the table below.

	2022						
	Not more than 3 months £m	More than 3 months but not more than 6 months £m	More than 6 months but not more than 1 year £m	More than 1 year but not more than 5 years £m	More than 5 years £m	Non interest bearing £m	Total £m
Assets							
Cash and cash equivalents	133.5	-	-	-	-	(0.2)	133.3
Investment in subsidiary	-	-	-	-	-	174.3	174.3
Loans and advances to banks	651.1	208.3	161.0	20.0	-	(3.8)	1,036.6
Loans and advances to customers	919.7	180.8	1.3	5.1	-	(5.1)	1,101.8
Debt investments - FVOCI	284.6	107.3	116.3	66.6	-	-	574.8
Derivative financial instruments, deferred tax asset, prepayments, accrued income and other assets	-	-	-	3.4	-	91.3	94.7
Fixed assets	-	-	-	-	-	35.4	35.4
Total assets	1,988.9	496.4	278.6	95.1	-	291.9	3,150.9
Liabilities and shareholders' funds							
Deposits from banks	1,462.1	62.2	52.5	27.5	-	-	1,604.3
Customer deposits	374.2	79.2	63.3	0.5	-	-	517.2
Derivative financial liabilities, other liabilities, accruals and deferred income, current tax liability and pension scheme liability	128.6	-	-	0.6	-	81.7	210.9
Term borrowing and subordinated liabilities	230.4	44.4	-	-	-	-	274.8
Shareholders' funds	-	-	-	-	-	543.7	543.7
Total liabilities and shareholders' funds	2,195.3	185.8	115.8	28.6	-	625.4	3,150.9
Net position	(206.4)	310.6	162.8	66.5	-	(333.5)	
Off balance sheet	-	-	-	-	-	-	
Interest rate sensitivity gap	(206.4)	310.6	162.8	66.5	-	(333.5)	
Cumulative gap	(206.4)	104.2	267.0	333.5	333.5	-	

	2021						
	Not more than 3 months £m	More than 3 months but not more than 6 months £m	More than 6 months but not more than 1 year £m	More than 1 year but not more than 5 years £m	More than 5 years £m	Non interest bearing £m	Total £m
Assets							
Cash and cash equivalents	8.4	-	-	-	-	-	8.4
Investment in subsidiary	-	-	-	-	-	165.8	165.8
Loans and advances to banks	603.5	148.5	253.5	0.8	-	(3.5)	1,002.8
Loans and advances to customers	1,016.7	79.2	1.3	7.5	-	(10.6)	1,094.1
Debt investments - FVOCI	186.6	68.2	106.3	105.0	-	-	466.1
Derivative financial instruments, deferred tax asset, prepayments, accrued income and other assets	-	-	-	-	-	32.4	32.4
Fixed assets	-	-	-	-	-	36.3	36.3
Total assets	1,815.2	295.9	361.1	113.3	-	220.4	2,805.9
Liabilities and shareholders' funds							
Deposits from banks	1,586.5	18.2	37.1	70.2	-	-	1,712.0
Customer deposits	204.1	33.0	1.7	-	-	-	238.8
Derivative financial liabilities, other liabilities, accruals and deferred income, current tax liability and pension scheme liability	77.1	-	-	-	-	29.1	106.2
Term borrowing and subordinated liabilities	214.8	-	-	-	-	-	214.8
Shareholders' funds	-	-	-	-	-	534.1	534.1
Total liabilities and shareholders' funds	2,082.5	51.2	38.8	70.2	-	563.2	2,805.9
Net position	(267.3)	244.7	322.3	43.1	-	(342.8)	
Off balance sheet	-	-	-	-	-	-	
Interest rate sensitivity gap	(267.3)	244.7	322.3	43.1	-	(342.8)	
Cumulative gap	(267.3)	(22.6)	299.7	342.8	342.8	-	

Notes to the Accounts

31 December 2022 (All figures in £000 unless otherwise stated)

29. Fair value of financial instruments

The table below provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

Level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

Level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

	Measurement level	**2022**	2021
Financial assets at fair value			
Debt investments - FVOCI	1	**407,490**	425,980
Debt investments - FVOCI	2	**167,349**	40,123
Derivative financial assets	2	**3,704**	3,606
Loans and advances to banks - FVTPL	2	**77,222**	110,621
Loans and advances to banks - FVOCI	2	**24,714**	56,048
Financial liabilities at fair value			
Derivative financial liabilities	2	**10,516**	635

There were no transfers between level 1 and level 2 during the year ended 31 December 2022 (31 December 2021: none).

For financial assets and liabilities carried at amortised cost, The Bank does not consider the fair value to be materially different from their carrying value considering the underlying nature of the portfolios being generally liquid or having a short term maturity (less than three months). This assumption is also applied to demand deposits without a specific maturity, and variable rate financial instruments of high credit quality.

30. Market and liquidity risk

Market Risk

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

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 re-valued daily using historical market data. The Bank also 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.

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 small and are re-valued daily.

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.

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

	2022 Average	2021 Average
ABCIB's VaR exposures:		
Trading	**7**	5
ABCIB's BPV Sensitivity of 1 bps movement:		
Trading and Investment book	**20**	17

Liquidity risk

Liquidity risk is the risk to the Bank's earnings, capital and solvency, arising from an 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 the Liquidity Sub-Committee (LSC). 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 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 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 (CRR) requirements for the Liquidity Cover Ratio.

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

Analysis of financial liabilities by remaining maturities

The table below summarises the maturity of ABCIB's financial liabilities at 31st December 2022 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.

Notes to the Accounts

31 December 2022 (All figures in £000 unless otherwise stated)

30. Market and liquidity risk (continued)

	2022				
	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	-	10,516
Commitments	19,356	63,239	146,931	-	229,526
Financial guarantees	95,167	63,559	35,272	-	193,998
Cash collateral on securities lent and repo arrangements	113,090	-	-	-	113,090
Other	51,399	-	-	-	51,399

	2021				
	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	920,364	641,488	603,658	-	2,165,510
Derivative financial liabilities	226	41	368	-	635
Commitments	9,044	40,655	217,124	-	266,823
Financial guarantees	31,830	77,750	-	-	109,580
Cash collateral on securities lent and repo arrangements	77,117	-	-	-	77,117
Other	7,408	-	-	-	7,408

31. Credit risk

Credit Risk is defined as risk of loss of principal or loss of a financial reward stemming from a borrower's failure to repay a loan or otherwise meet their contractual payment obligation on time and in full.

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:

- Approve or decline credit proposals, or recommend them for approval at a Group level, in line with its delegated authorities.
- Review and challenge Internal Risk Ratings (IRR) and any overrides as applicable.
- Review and recommend for approval all credit policies and risk acceptance criteria.
- 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.
- Delegate its authorities to a sub-committee.

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 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.

Credit risk impairment assessment and mitigation

Exposure at default (EAD)

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and also potential early repayments. EAD for unfunded facilities is calculated by multiplying the outstanding exposure with the appropriate credit conversion factor ("CCF"), ranging from 20% to 100%.

To calculate the EAD for a Stage 1 loan, the Bank assesses the possible default events within 12 months. For Stage 2 and Stage 3, the exposure at default is considered for events over the lifetime of the instruments.

The triggers for movements to Stage 2 and SICR are various factors including number of notches change in internal risk rating, ARCM (accounts requiring close monitoring) customers, restructured /forbearance, historical delinquency, etc.

The Bank determines EADs by modelling the range of possible exposure outcomes at various points in time, corresponding the multiple scenarios. The IFRS 9 probabilities of default ("PD"s) are then assigned to each economic scenario based on the outcome of Bank's models.

Loss given default (LGD)

The credit risk assessment is based on a standardised LGD assessment framework that results in a specified LGD rate. The Bank uses models to calculate the LGD values taking into account the collateral type, collateral value, economic scenarios, industry of the borrower, etc. LGD rates take into account the expected EAD in comparison to the amount expected to be recovered or realised from any collateral held. Under IFRS 9, LGD rates are estimated for each asset class. The inputs for these LGD rates

31. Credit risk (continued)

are estimated and, where possible, calibrated through back testing against recent recoveries. These are repeated for each economic scenario as appropriate.

Definition of default and cure

The Bank considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments.

As a part of a qualitative assessment of whether a customer is in default, the Bank also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Bank carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate. Such events include:

- Internal rating of the borrower indicating default or near-default
- The borrower requesting emergency funding from the Bank
- The borrower having past due liabilities to public creditors or employees
- The borrower is deceased
- A material decrease in the underlying collateral value where the recovery of the loan is expected from the sale of the collateral
- A material negative change in the borrower's financial performance or structure
- A covenant breach not waived by the Bank
- The debtor (or any legal entity within the debtor's group) filing for bankruptcy application/protection
- Debtor's listed debt or equity suspended at the primary exchange because of rumours or facts about financial difficulties

It is the Bank's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present for at least 12 consecutive months. The asset is then transferred to Stage 2 and after a cure period of further 6 months to Stage 1.

The Bank uses internal risk ratings that reflect its assessment of the probability of default of individual counterparties. The Bank uses a combination of external and internal rating models tailored to various categories. Borrower and loan specific information collected at the time of applications fed into this rating model. In addition expert judgement is factored in where appropriate to arrive at a final internal risk rating ("IRR") for each counterparty. This allows for considerations which may not be captured as part of the model output.

The credit grades are calibrated such that the risk of default increases exponentially at each higher risk grade. For example, this means that the absolute difference in the PD between a 01 and 02+ rating grade is lower than the difference in the PD between a 05- and 06+ rating grade.

The following are additional considerations for each type of portfolio held by the Bank:

Wholesale portfolio (includes exposures to banks & financial institutions, corporates, and real estate)

For Banks & Financial Institution exposures a substantial part are rated using external ratings provided by rating agencies i.e. (S&P, Moody's, Fitch & Capital Intelligence)

For Corporate exposures, the rating model uses a combination of qualitative and quantitative factors to determine Internal Risk Ratings.

For Real Estate exposures, the rating model uses a combination of qualitative and quantitative factors to determine Internal Risk Ratings.

Treasury portfolio

For debt investment securities in the non-trading portfolio, external rating agency credit grades are used. These published grades are continuously monitored and updated. The external ratings are mapped to the Bank's internal ratings scale an the PD's associated with each grade are used for the ECL computation.

Notes to the Accounts

31 December 2022 (All figures in £000 unless otherwise stated)

The Bank's rating method comprises 20 rating levels for instruments not in default (1 to 8) and three default classes (9 to 11). The master scale assigns each rating category a specified range of probabilities of default, which is stable over time. The rating methods are subject to an annual validation and recalibration so that they reflect the latest projections in the light of all actually observed defaults.

The Bank's internal credit rating grades along with the respective PDs are as below:

Internal rating grades	Internal rating grade description	PD range (%)
1+ to 4-	Superior	>=0.00% to <0.49%
5+ to 5-	Satisfactory	>=0.49% to <1.52%
6+ to 6-	Adequate	>=1.52% to <5.02%
7	Marginal	>=5.02% to <17.32%
8	Accounts requiring close monitoring	>=17.32%

The PDs obtained as above are then adjusted for IFRS 9 ECL calculations to incorporate forward looking information and the IFRS 9 stage classification of the exposure. This is repeated for each economic scenarios as appropriate.

Significant increase in credit risk (SICR)

The Bank continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12 month ECL or lifetime ECL, the Bank assesses whether there has been a significant increase in credit risk since initial recognition. The Bank considers an exposure to have significantly increased in credit risk on various factors including number of "notches" change in internal risk rating, ARCM customers, restructured /forbearance, historical delinquency, etc.

A backstop is applied and the financial instrument considered to have experienced SICR if the borrower is more than 30 days past due on its contractual payments.

ECL measurement

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Bank.
- If a SICR since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. Please refer above for a description of how the Bank determines when a significant increase in credit risk has occurred.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis. Stage 3 provision is estimated on a specific name by name basis.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis.

The following diagram summarises the impairment requirements under IFRS 9 (other than purchased or originated credit- impaired financial assets):

31 December 2022 (All figures in £000 unless otherwise stated)

31. Credit risk (continued)

Change in credit quality since initial recognition

Stage 1	Stage 2	Stage 3
(Initial recognition)	Significant increase in credit risk (since initial recognition)	(Credit-impaired assets)
12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

Definition of default and credit-impaired assets

The Bank defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria

The borrower is more than 90 days past due on its contractual payments.

Qualitative criteria

The borrower meets unlikeliness-to-pay criteria, which indicates the borrower is in significant financial difficulty.

These are instances where:

- The borrower is in long-term forbearance
- The borrower is deceased
- The borrower is insolvent
- The borrower is in breach of financial covenant(s)
- An active market for that financial asset has disappeared because of financial difficulties
- Concessions have been made by the lender relating to the borrower's financial difficulty
- It is becoming probable that the borrower will enter bankruptcy
- Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

The criteria above have been applied to all financial instruments held by the Bank and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the PD, EAD and LGD throughout the Bank's expected loss calculations.

Measuring ECL – Explanation of inputs, assumptions and estimation techniques

The ECL is measured on either a 12-month (12m) or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of PD, EAD and LGD, defined as follows:

The PD represents the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default" above), either over the next 12 months (12m PD), or over the remaining lifetime (Lifetime PD) of the obligation.

EAD is based on the amounts the Bank expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). For example, for a revolving commitment, the Bank includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.

LGD represents the Bank's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The Lifetime PD is developed by applying a maturity profile to the current 12m PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis.

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type.

For amortising products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12 month or lifetime basis.

For revolving products, the bank previously applied a default (behavioural) maturity of 4 years to account for distressed credits that stay on the balance sheet past their contractual maturity, but allowed challenge and override on a case by case basis if the specifics of the exposure supported it. In 2022, the Bank performed additional analysis of its internal history of distressed revolving credit exposures, and the Bank has now revised the effective maturity applied for revolving products to be the maximum of 2 years and the contractual maturity, and has removed the option to rebut on a case-by-case basis.

For revolving products, the exposure at default is predicted by taking current drawn balance and adding a "credit conversion factor" which allows for the expected drawdown of the remaining limit by the time of default. These assumptions vary by product type and current limit utilisation band, based on analysis of the Bank's recent default data.

The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. These vary by product type.

For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and recovery costs observed. Further, the Bank has applied LGD floors with respect to the secured portfolio depending on the collateral type.

For unsecured products, LGD's are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGD's are influenced by collection strategies, including contracted debt sales and price.

The assumptions underlying the ECL calculation – such as how the maturity profile of the PDs and how collateral values change etc. – are monitored and reviewed on a quarterly basis.

The ECL model was initially deployed in 2018, however given the Bank's business model and low default experience it will take some time to obtain robust benchmarking of model parameters against realised performance, particularly in light of the exceptional circumstances of COVID-19 during 2020 and 2021, and the rapid changes in economic conditions experienced in key markets in late 2022. Nevertheless the Bank continues to enhance its monitoring around ECL model performance. The current outputs of that performance monitoring give the Bank a high degree of confidence that its provision levels are adequate, and that any residual uncertainties in the model are being assessed and accounted for in the end-to-end process.

Post-Model Adjustments (PMA's) for Economic and Other Uncertainties

The Bank's ECL models are industry standard models supplied by Moody's who also supply economic data supporting a base case forecast, and upside and downside scenarios and weightings. Key medium-term macro-economic indicators such as GDP, oil prices, inflation and unemployment are used as appropriate for the countries to which the bank has material exposures.

For 2022, the bank has fully reversed the temporary ECL overlay it adopted in 2021 to account for COVID-19 impacts, and the Bank has

31. Credit risk (continued)

now reverted to its standard scenario weights of 30% upside, 40% base and 30% downside to calculate core ECL.

However noting the sharp rise in interest rates in Q4 2022 and that the Bank's longer-tenor exposures are dominated by commercial real estate (CRE), the Bank also performed additional stress tests on its existing CRE portfolio. Those tests simulated the impact of falling property valuations across the full portfolio, as well as reductions in debt servicing coverage for the income-producing real estate (IPRE) segment. That process yielded a range of potential impacts on ECL depending on the severity of the assumptions, and management agreed to apply a mid-range estimate of $2m as an inflation shock overlay / PMA. That represents the uplift to ECL that the Bank believes will result from the impact of the recent rapid rise in interest rates on existing CRE exposures, over and above that already captured in current ECL model outputs. The Bank intends to reduce this overlay during 2023 as the impacts of recent interest rate rises become realised.

Economic variable assumptions

An overview of the approach to estimating ECLs is set out above and in Note **1.4.1**. To ensure completeness and accuracy, the Bank relies on the data used from third party sources (e.g. Moody's). Whilst this data is owned by the Bank, the Bank takes comfort from a team of economists within the Group's Credit Risk Department to verify the accuracy of inputs to the Bank's ECL models including determining the weights attributable to the multiple scenarios. The following table sets out the impact on the base ECL provision arising from a +/-5% change in the following economic variables such as: GDP, Oil, Equity.

Long-run inflation trends are covered implicitly in the economic scenarios which are updated on a quarterly basis. Where there are short-term shocks to inflation or other parameters the Bank performs additional analysis and stress testing to determine if a post-model adjustment or overlay to ECL may be required, and that is then taken through a robust internal governance process.

	5.00%			-5.00%		
Category	GDP	Oil	Equity	GDP	Oil	Equity
% change in Provision from Base ECL (Q4-2022)	-14.18%	-0.40%	-6.68%	8.69%	0.49%	7.87%

The above macroeconomic variables are selected based on the regression analysis between the macroeconomic variables and the PD. These economic variables and their associated impact on the PD and LGD vary by country and industry. Forecasts of these economic variables (for all scenarios) are provided by Moody's on a quarterly basis and provide the best estimate view of the economy over future years.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may differ from those projected. The Bank considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linearities and asymmetries within the Bank's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

For the year end 2022, the Bank used scenario weights of 30% upside, 40% base and 30% downside to calculate a modelled ECL value. As an indication, the 100% weighted scenarios would yield an ECL output as follows:

Scenario	Upside	Base	Downside
ECL (£m)	3.175	3.950	8.568

Other forward-looking considerations not otherwise incorporated within the above scenarios, such as the impact of any regulatory, legislative or political changes, have also been considered, but are not deemed to have a material impact and therefore no adjustment has been made to the ECL for such factors. This is reviewed and monitored for appropriateness on a quarterly basis.

Post Model Adjustments / Tier 2 Overlays

Post model adjustments (Tier 2 overlays) were applied for year ended 2022. These related to three Stage 2 assets where, although debt servicing was not impaired, the model output did not reflect idiosyncratic characteristics. The Bank therefore applied expert judgement to increase the total ECL via post model adjustments to reflect heightened risk associated with those assets

- Two of these assets relate to Commercial Real Estate where there was significant uncertainty not adequately reflected in the model inputs (e.g. LGD, probability of default or forbearance)
- The third asset relates to Held-for-sale Residential Real Estate where there was significant uncertainty not adequately reflected in model inputs (e.g. LGD, expected maturity)

The Bank therefore applied adequate post model adjustments to reflect the actual risk however this is a 67% reduction in overall Tier 2 overlay from 2021 driven by improving loan to values for the above two commercial real estate transactions coupled with movement of other Tier 2 overlays into different staging buckets during 2022.

Year on year comparison on Stage 2, Tier 2 overlays:

Stage 2: Tier 2 Overlays	2022 Year End	2021 Year End
Total	£3.1m	£9.3m

Notes to the Accounts

31 December 2022 (All figures in £000 unless otherwise stated)

31. Credit risk (continued)

Industry exposure

The table below analyses the industrial spread of loans and advances to banks, loans and advances to customers and debt investments - FVOCI.

	2022				
	Stage 1	**Stage 2**	**Stage 3**	**Total**	2021
Financial	**1,421,016**	-	-	**1,421,016**	1,352,605
Central Banks and Governments	**301,488**	-	-	**301,488**	162,183
Other	**358,261**	-	**1,573**	**359,834**	364,954
Property Related	**312,811**	**104,586**	**17,504**	**434,901**	559,077
Motor Vehicle Related	**169,128**	-	-	**169,128**	88,787
Commodity Related	**26,840**	-	-	**26,840**	35,404
	2,589,544	**104,586**	**19,077**	**2,713,207**	2,563,010

The table below analyses the industrial spread of credit commitments and contingent items which include commitments to extend credit, standby letters of credit, acceptances and guarantees.

	2022				
	Stage 1	**Stage 2**	**Stage 3**	**Total**	2021
Financial	**380,831**	**10,575**	-	**391,406**	438,948
Central Banks and Governments	-	-	-	-	85,266
Other	**260,340**	**120**	-	**260,460**	46,939
Property Related	**100,249**	-	-	**100,249**	104,360
Motor Vehicle Related	**25,261**	-	-	**25,261**	132,820
Commodity Related	**54,095**	-	**271**	**54,366**	18,504
	820,776	**10,695**	**271**	**831,742**	826,837

Notes to the Accounts

31 December 2022 (All figures in £000 unless otherwise stated)

Country exposure

The table below analyses the geographical spread of loans and advances to banks, loans and advances to customers and debt investments - FVOCI, and is stated before collateral.

	2022				
	Stage 1	Stage 2	Stage 3	Total	2021
Europe	**1,058,885**	**104,586**	**17,504**	**1,180,975**	1,154,297
MENAT	**920,435**	**-**	**1,573**	**922,008**	837,236
Asia	**125,323**	**-**	**-**	**125,323**	65,195
North America	**193,545**	**-**	**-**	**193,545**	358,019
South America	**5,568**	**-**	**-**	**5,568**	87,347
Other	**285,788**	**-**	**-**	**285,788**	60,916
	2,589,544	**104,586**	**19,077**	**2,713,207**	2,563,010

The table below analyses the geographical spread of credit commitments and contingent items which include commitments to extend credit, standby letters of credit, acceptances and guarantees.

	2022				
	Stage 1	Stage 2	Stage 3	Total	2021
Europe	**333,237**	**-**	**-**	**333,237**	291,557
MENAT	**177,097**	**10,695**	**271**	**188,063**	525,809
Asia	**893**	**-**	**-**	**893**	2,308
North America	**53,648**	**-**	**-**	**53,648**	-
South America	**166**	**-**	**-**	**166**	4,890
Other	**255,735**	**-**	**-**	**255,735**	2,273
	820,776	**10,695**	**271**	**831,742**	826,837

Notes to the Accounts

31 December 2022 (All figures in £000 unless otherwise stated)

31. Credit risk (continued)

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 exposure is shown gross, before the effect of mitigation, for example, through the use of collateral agreements.

	2022	2021
Cash and cash equivalents	**133,298**	8,395
Loans and advances to banks	**1,036,596**	1,002,776
Loans and advances to customers	**1,101,772**	1,094,131
Debt investments - FVOCI	**574,839**	466,103
Derivative financial assets	**3,704**	3,606
	2,850,209	2,575,011
Contingent liabilities	**603,997**	562,835
Commitments	**229,525**	266,823
	833,522	829,658

	2022	2021
Cash collateralised		
Loans and advances to customers and banks	**94,967**	93,961
Contingent liabilities	**217,013**	258,007
Guaranteed by Banks and Credit Agencies		
Loans and advances to customers and banks	**213,195**	268,306
Contingent liabilities	**8,548**	10,244
Commitments	**10,194**	17,189
Risk concentration against individual counterparties		
Largest customer exposure before collateral	**74,075**	85,037
Largest customer exposure after collateral	**74,075**	85,037
Largest central bank exposure before collateral	**108,961**	85,284

31 December 2022 (All figures in £000 unless otherwise stated)

Credit quality per class of financial assets

	2022			
	Amortised cost	**FVTPL**	**FVOCI**	**Total**
Loans and advances to 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

	2021			
	Amortised cost	FVTPL	FVOCI	Total
Loans and advances to banks				
Investment grade	378,006	65,006	28,367	471,379
Sub investment grade	458,102	45,615	27,680	531,397
Total	836,108	110,621	56,047	1,002,776
Loans and advances to customers				
Investment grade	322,175	-	-	322,175
Sub investment grade	771,956	-	-	771,956
Total	1,094,131	-	-	1,094,131
Debt investments - FVOCI				
Investment grade	-	-	466,103	466,103
Total	-	-	466,103	466,103

31 December 2022 (All figures in £000 unless otherwise stated)

32. Effective average interest rate

The effective average interest rate (effective yield) of a monetary financial instrument is the rate that, when used in a present value calculation, results in the carrying amount of the instrument. This rate is the historical rate for a fixed rate instrument carried at amortised cost and the current market rate for a floating rate instrument or an instrument carried at fair value.

The effective average interest rates of ABCIB for various products denominated in Pound Sterling, US Dollar and Euro (major dealing currencies) are as follows:

	2022			2021		
	GBP	**USD**	**EUR**	GBP	USD	EUR
Loans and advances to banks & loans and advances to customers	**5.51%**	**5.86%**	**3.33%**	1.93%	2.60%	1.41%
Debt investments - FVOCI	**2.49%**	**2.40%**	**N/A**	0.15%	1.59%	N/A
Deposits from banks	**2.03%**	**4.13%**	**1.27%**	0.85%	0.12%	0.13%
Customer deposits	**2.56%**	**4.55%**	**1.62%**	0.37%	0.27%	0.06%
Term borrowing	**3.53%**	**5.87%**	**3.80%**	1.90%	1.41%	N/A

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.

31 December 2022 (All figures in £000 unless otherwise stated)

33. Assets, liabilities and equity in foreign currencies

	2022	2021
Denominated in sterling	**888,570**	951,486
Denominated in US dollars	**1,559,468**	1,577,670
Denominated in other currencies	**702,852**	276,723
Total assets	**3,150,890**	2,805,879
Denominated in sterling	**884,490**	960,446
Denominated in US dollars	**1,562,851**	1,542,334
Denominated in other currencies	**703,549**	303,099
Total liabilities and shareholders' funds	**3,150,890**	2,805,879

ABCIB's balance sheet consists entirely of monetary items, except for fixed assets totalling £35.4 million, leased assets which have been included as part of assets denominated in Sterling, Investment in Subsidiary and equity.

The above summary should not be considered as an indication of ABCIB's exposure to foreign exchange risk due to the existence of compensating forward contracts held for hedging purposes as disclosed in Note **28.**

34. Ultimate parent undertaking and parent undertakings

The directors consider the ultimate parent undertaking is Central Bank of Libya. Arab Banking Corporation (B.S.C) incorporated in the Kingdom of Bahrain is the immediate parent for which consolidated financial statements including ABCIB are prepared. The consolidated financial statements are available from the parent on request. Arab Banking Corporation (B.S.C) is jointly owned by Central Bank of Libya (59.37%) and Kuwait Investment Authority (29.69%).

Notes to the Accounts

31 December 2022 (All figures in £000 unless otherwise stated)

35. Related party transactions

Related parties represent the ultimate parent undertaking, immediate parent undertaking, major shareholders and entities controlled, subsidiaries, associates, directors and senior management and companies jointly controlled or significantly influenced by such parties in the ordinary course of business at arm's length.

The income, expense and year end balances in respect of related parties included in the financial statements are as follows:

	2022						
	Ultimate Parent undertaking	Immediate Parent undertaking	Direct Subsidiaries & Joint ventures	Fellow associates and subsidiaries	Directors & Senior management	Other related	Total
Cash and cash equivalents	-	2,423	-	-	-	1,342	3,765
Investment in subsidiary	-	-	-	-	-	-	-
Loans and advances to banks	-	1	17,415	27,722	-	21,340	66,478
Loans and advances to customers	-	-	-	-	-	35,000	35,000
Deposits from banks	957,249	183,904	2,852	11,282	-	182,971	1,338,258
Customer deposits	-	-	1,433	-		169,580	171,013
Term borrowing	145,439	35,000	-	-	-	-	180,439
Subordinated liabilities	-	50,000	-	-	-	-	50,000
Off Balance sheet	-	-	64,377	68	-	20,618	85,063
Other assets	-	-	-	-	6	-	6
Other liabilities	-	-	-	-	-	-	-
Derivative financial assets	-	139	-	-	-	-	139
Derivative financial liabilities	-	987	-	-	-	-	987
Interest income	-	-	181	1,018	-	1,574	2,773
Interest expense	18,681	6,789	-	135	-	6,431	32,036
Fee and commission income	3,409	2	1	1	-	7,292	10,705
Fee and commission expense	1,954	46	-	3	-	2,398	4,401
Net trading income	-	3	(210)	-	-	20	(187)
Other operating income	-	1	-	-	-	(7)	(6)
ECL charge	16	50	119	42	-	49	276

31 December 2022 (All figures in £000 unless otherwise stated)

The aggregate amounts outstanding at 31st December 2022 under transactions, arrangements and agreements made by ABCIB for Directors and for officers, within the meaning of Schedule 9 to the Companies Act 2006, of ABCIB were nil (2021 - nil). Directors remuneration details have been provided in Note **5b**.

	2021						
	Ultimate Parent undertaking	Immediate Parent undertaking	Direct Subsidiaries & Joint ventures	Fellow associates and subsidiaries	Directors & Senior management	Other related	Total
Cash and cash equivalents	-	142	-	-	-	1	143
Investment in subsidiary	-	-	165,804	-	-	-	165,804
Loans and advances to banks	-	215	29,603	36,689	-	22,391	88,898
Loans and advances to customers	-	-	-	-	-	35,391	35,391
Deposits from banks	994,346	137,224	8,925	5,960	-	329,156	1,475,611
Customer deposits	-	-	8	-	79	65,674	65,761
Term borrowing	129,793	35,000	-	-	-	-	164,793
Subordinated liabilities	-	50,000	-	-	-	-	50,000
Off Balance sheet	-	-	32,680	96	-	24,662	57,438
Other assets	-	-	3	-	3	-	6
Other liabilities	-	-	3	-	-	-	3
Derivative financial assets	-	139	-	-	-	-	139
Derivative financial liabilities	-	987	-	-	-	-	987
Interest income	-	4	26	1,283	-	1,272	2,585
Interest expense	3,664	3,240	-	1	-	479	7,384
Fee and commission income	2,261	1	-	28	-	7,998	10,288
Fee and commission expense	816	4	-	-	-	2,347	3,167
Net trading income	-	-	-	-	-	-	-
Other operating income	-	-	1	-	-	69	70
ECL charge	18	1	83	65	-	47	214

36. Pensions

ABCIB participates in a defined benefit pension scheme known as the ABC International Bank plc UK Retirement Benefits & Life Assurance Scheme ("the Scheme"). The Scheme provides benefits based on final pensionable salary and length of service on retirement, leaving service or death. The assets of the Scheme are held separately from those of ABCIB and are administered by the Trustees of the Scheme who include employees of ABCIB. The Scheme is now closed to new entrants and has no active members. The Scheme was closed to the future accrual of benefits on 30th September 2010. All active members at this date became deferred members. All current employees are offered membership of a separate defined contribution scheme. ABCIB expects to contribute £2,485,749 to the Scheme during the year to 31st December 2023.

The scheme is subject to the Statutory Funding Objective under the Pension Act 2004. A valuation of the scheme is carried out at least once every three years to determine whether the Statutory Funding Objective is met. As part of the process, ABCIB must agree with the Trustees of the Scheme the contributions to be paid to address any shortfall against the Statutory Funding Objective.

The Bank has prepared the disclosures on the basis that it has unconditional right to a refund of a future surplus. This is on the basis that the Bank could run the Scheme until all benefits have been paid out and no beneficiaries remain alive and that any surplus would be returned to the Bank if the Scheme was wound up at that point. Therefore there is no requirement (under IFRIC14) to restrict the amount of surplus that can be recognised or recognise additional liabilities from any recovery plan agreed for the purposes of the UK statutory funding objective.

The Scheme is managed by a board of Trustees appointed in part by the Bank and in part from elections by members of the Scheme. The Trustees have responsibility for obtaining valuations of the fund, administering benefit payments and investing the Scheme's assets. The Trustees delegate some of these functions to their professional advisers where appropriate.

The Scheme exposes the Bank to a number of risks:

- Credit risk – the risk where one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Scheme is directly exposed to credit risk arising from the pooled investment vehicles held. This risk is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled investment manager, the regulatory environments in which the pooled managers operate and the ongoing due diligence of the pooled managers. All of the Scheme's invested assets are held in pooled funds and are subject to direct credit risk.

The Scheme is indirectly exposed to credit risk from underlying investments held by the pooled investment vehicles. This risk is mitigated by appropriate levels of diversification.

- Interest rate and inflation risk – the risk that the fair value or future cashflows of assets will fluctuate due to changes in market interest rates and inflation rates.

The Scheme's investments held in cash, bonds and similar instruments through the pooled investment vehicles are exposed to interest rate risk. This risk is mitigated by a 40% allocation of total assets to liability-matching assets, through a Liability Driven Investments (LDI) strategy.

Within the LDI portfolio, the Scheme currently invests in an appropriate mix of four L&G profile funds: Matching Core Fixed Long, Matching Core Fixed Short, and Matching Core Real Long and Matching Core Real Short. The funds aim to reduce a pension scheme's risk exposure to changes in interest rate and inflation rates by investing in physical gilts, gilt repurchase agreements ("repo's") and various derivative instruments such as interest rate and inflation swaps.

Under this strategy, if interest rates fall, the value of the Scheme's liability-matching investments will rise to help match the increase in actuarial liabilities arising from a fall in the discount rate. Similarly, if interest rates rise, the liability-matching investments will fall in value, as will the actuarial liabilities because of an increase in the discount rate. If inflation expectations rise, the value of the LDI assets will rise to help match the increase in actuarial liabilities arising from higher inflation expectations. Similarly, if inflation expectations fall, the LDI assets will fall in value to help match the fall in the actuarial liabilities.

The operation of the LDI strategy includes the use of leverage, which includes requirements to post collateral against movements in interest rates. In circumstances where interest rates rise the Scheme may be required to sell assets at short notice meet collateral requirements. The Scheme has processes in place setting out how such collateral calls will be met.

- Currency risk - the risk that the fair value or future cashflows of a financial asset will fluctuate because of changes in foreign exchange rates.

The Scheme is exposed to currency risk because some of its investments are held in overseas markets through pooled investment vehicles. The Scheme's liabilities are denominated in sterling and some currency hedging is employed, at the discretion of L&G Diversified Fund and explicitly in the L&G Global Equity Market Weights (30:70) Index Fund - 75% GBP Currency Hedged, to manage the impact of exchange rate fluctuations on the Scheme's investments.

- Other price risk - the risk that the fair value or future cashflows of a financial asset will fluctuate because of changes in market prices (other than those due to interest rates, inflation and currency).

Other price risk arises in relation to the Scheme's investment in equities, LDI funds and the L&G Diversified Fund (which holds equities, bonds, commodities and other alternative asset classes).

- Longevity and demographic risk – the risk that, in the event that members live longer than assumed, a deficit will emerge in the Scheme.

The Scheme's assets are described as "growth" and "protection" assets under the Trustees' investment strategy. The Growth assets are invested in equities and a diversified growth fund, which aim to provide returns sufficient to meet the Scheme's funding objective and the Protection assets are intended to significantly reduce the Scheme's exposure to movements in real and nominal interest rates. In particular, the asset allocation has been set in order to manage interest rate and inflation risk, although it should be noted that interest rate risk is measured relative to the Scheme's Statutory Funding Objective benchmark, which may not move in the same way as the corporate bonds used for accounting purposes.

There has been no significant change in the investment strategy over the year, however, given the movement in the gilt and bond yields over the year, the relative weights of assets classes have changed. No additional support from the Bank was required in response to the market volatility experienced over the year.

The last formal triennial valuation was carried out as at 30th September 2020, using the projected unit credit actuarial valuation method. The market value of the assets as at 30th September 2020 was sufficient to cover 69% of the then current value of the benefits accrued to that date, representing a gross Scheme deficit of £17,127,000. A new Recovery Plan was agreed, under which the Bank pays contributions of £2,411,008 per annum (payable in equal monthly instalments of £200,917) from 1 January 2022, with the amount increasing on each 1 January by 3.1% and payable to 31 December 2025. For the avoidance of doubt, the first increase of 3.1% was applied on 1 January 2023.

The 30th September 2020 triennial valuation was updated by an independent actuary, to take account of the requirements of IAS19 (using the projected unit method) in order to assess the liabilities of the scheme at 31st December 2022. The IAS19 liability values are not directly comparable to the valuations used to assess the Scheme against the Statutory Funding Objective since the assumptions for this latter purpose are "prudent" (i.e. they provide sufficient margins for adverse deviation consistent with the Trustees' appetite for

36. Pensions (continued)

risk and the perceived strength of the Employer Covenant) and reflect the actual investment strategy of the Scheme rather than assuming that the Scheme invests in AA rated corporate bonds as required under IAS19. The IAS19 net pension liability as at 31 December 2022 was £2,733,000.

Scheme assets are stated at their market values at the respective balance sheet dates.

The pension assets and benefit obligation have reduced by £19.1m and £18.9m respectively over the year, primarily due to higher gilt and bond yields. This is as expected from the investment strategy which aims to invest in assets that move in value in line with changes in liability values.

The IAS19 assumptions are required to be "best estimate" assumptions i.e. they should be neither optimistic nor prudent. The main assumptions used by the actuary to assess the value of the liabilities were:

- RPI inflation is in line with implied inflation rate curve published by the Bank of England as at the relevant balance sheet dates, supplemented by data from the inflation swaps market at shorter terms. CPI inflation is assumed to be 1.0% pa less than the RPI assumption at each term until 2030 and equal to the RPI assumption at each term thereafter. The single equivalent rate of the RPI inflation assumption is 3.40% pa (2021: 3.70% pa).
- Some of the pensions in payment will increase at 5% pa fixed and the remainder of pension increases in line with RPI inflation at each term, subject to a maximum of 5% and minimum of 0% in each year. The single equivalent rate of the inflation linked increase assumption is 3.10% pa (2021: 3.30% pa).
- Deferred pensions, in excess of any Guaranteed Minimum Pension (GMP), will increase in line with CPI inflation. The single equivalent rate of increase for deferred revaluation is 2.75% pa (2021: 3.0% pa).
- Discount rates are in line with Merrill Lynch nominal AA corporate spot yield curve as at the relevant balance sheet dates. Since this curve is based on corporate bonds with durations of less than 20 years, we have used the Bank of England gilt spot curve plus an appropriate margin to reflect the spread of corporate bonds over gilts of durations of 20 years and above. The single equivalent discount rate is 4.8% pa (2021: 1.85% pa).
- The mortality rate used is 97.5% of the S3PA tables with allowance for future improvements in line with the CMI 2021 projection model with a long term improvement rate of 1.25% pa and an initial addition parameter of 0.25% pa (other parameters in line with those used in the core version of the CMI 2021 model). No adjustments have been made to the mortality assumptions to account for the impact of COVID-19 as the actual Plan experience from the period of the pandemic is not yet available and it is too soon to make a credible judgement on the impact of the pandemic on future mortality improvements.

The fair value of assets were:

	2022	2021
	£m	£m
LDI - fixed	6.5	5.3
LDI - real	3.1	7.8
Cash	2.9	0.7
UK equities	3.6	4.9
Overseas equities	8.5	11.5
Diversified growth fund	1.9	9.5
Absolute return bond fund	-	5.8
Total value of assets	26.5	45.5

Movement in scheme deficit	2022	2021	2020	2019
Deficit in the Scheme at 1st January	(2,621)	(12,573)	(11,718)	(11,550)
Contribution paid	2,589	2,339	4,768	2,200
Net interest on net defined benefit asset/liability	(25)	(143)	(217)	(293)
Past service cost and curtailment cost	-	-	(40)	-
Actuarial gains / (losses)	(2,676)	7,756	(5,366)	(2,075)
Deficit in the Scheme at 31st December	(2,733)	(2,621)	(12,573)	(11,718)

Changes in the fair value of pension scheme assets	2022	2021
Fair value of assets at 1st January	45,516	42,277
Interest on assets	849	534
Company contributions	2,589	2,339
Benefits paid	(1,828)	(1,464)
Return on assets less interest	(20,663)	1,830
Fair value of assets at 31st December	26,463	45,516

Notes to the Accounts

31 December 2022 (All figures in £000 unless otherwise stated)

36. Pensions (continued)

Changes in the Defined benefit obligation	2022	2021
Defined Benefit Obligation at 1st January	**48,137**	54,850
Past Service cost	**-**	-
Interest cost	**874**	677
Benefits paid	**(1,828)**	(1,464)
Experience loss / (gain) on defined benefit obligation	**1,605**	(963)
Loss / (gain) from changes to demographic assumptions	**(678)**	(984)
Loss / (gain) from changes in financial assumptions underlying present value of liabilities	**(18,914)**	(3,979)
Defined Benefit Obligation at 31st December	**29,196**	48,137

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Assumption	Change in Assumption	Impact on scheme liabilities
Discount Rate	Plus 0.50%	**(2,036)**
	Minus 0.50%	**2,289**
Inflation	Plus 0.50%	**657**
	Minus 0.50%	**(625)**
Age rating	Plus 1.0 year	**(1,010)**
	Minus 1.0 year	**1,015**

The above sensitivities show the possible effect a change in the main assumptions will have on the Scheme's liabilities. These figures are calculated by adjusting one assumption by the respective amounts above, while keeping all other assumptions the same. Note that this approach is approximate and only shows the likely effect of an assumption being adjusted whilst all other assumptions remain the same, which is unlikely to occur in practice.

Amount (debited) / credited to other financial charges	2022	2021
Interest on pension scheme assets	**(849)**	(534)
Interest on pension scheme liabilities	**874**	677
	25	143

31 December 2022 (All figures in £000 unless otherwise stated)

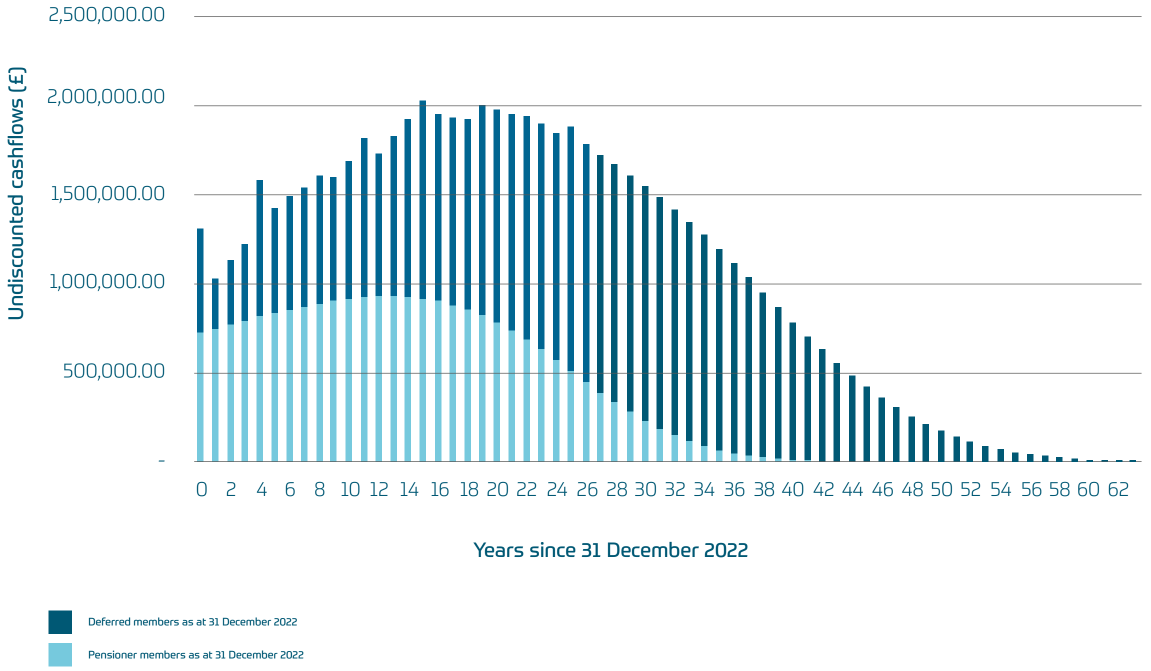
Future expected contributions to the defined benefit plan	2022	2021
The following payments are expected contributions to the defined benefit plan in future years:		
Within the next 12 months (next annual reporting date)	**2,486**	2,411
Between 2 and 5 years	**5,205**	7,691
Between 5 and 10 years	**-**	-
Total expected payments	**7,691**	10,102

The estimated duration of the scheme's liabilities as at 31 December 2022 on the accounting disclosure basis is approximately 15 years. (2021: 19 years)

Future expected undiscounted benefit payments

The below chart depicts the undiscounted benefit payments expected to be paid from the Scheme over its lifetime. These were derived using the same membership data, method and assumptions used to calculate the central liability figure of £29,196,000.

Projected future scheme cashflows from 31 December 2022



Notes to the Accounts

31 December 2022 (All figures in £000 unless otherwise stated)

36. Pensions (continued)

Amount recognised in the Statement of Comprehensive Income	2022	2021	2020	2019	2018
Return on assets less interest	**(20,663)**	1,830	4,606	4,260	(1,422)
Experience (loss)/ gain on liabilities	**(1,605)**	963	(1,116)	1,150	856
(Loss) / gain from changes to demographic assumptions	**678**	984	-	(817)	299
(Loss) / gain from changes in financial assumptions underlying present value of liabilities	**18,914**	3,979	(8,856)	(6,668)	2,794
Actuarial gain / (loss) recognised in the Statement of Comprehensive Income	**(2,676)**	7,756	(5,366)	(2,075)	2,527

% of Scheme asset value at balance sheet date represented by:	2022 %	2021 %	2020 %	2019 %	2018 %
Return on assets less interest	**(78.1)**	4.0	10.9	11.6	(4.6)

% of Scheme liability value at balance sheet date represented by:	2022 %	2021 %	2020 %	2019 %	2018 %
Experience gain / (loss) on liabilities	**(5.5)**	2.0	(2.0)	2.4	2.0
Changes in financial assumptions underlying present value of liabilities	**64.8**	8.3	(16.1)	(13.8)	6.5
Actuarial gain / (loss) recognised in the Statement of Comprehensive Income	**(9.2)**	16.1	(9.8)	(4.3)	5.9

37. Events after the balance sheet date

Dividend proposed

A final dividend relating to year ended 31 December 2022 amounting to £6.62m was agreed by the Board on 14th March 2023.

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