Performance with purpose

ABC INTERNATIONAL BANK PLC
ANNUAL REPORT 2024

Registration No: 2564490

OUR MISSION

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

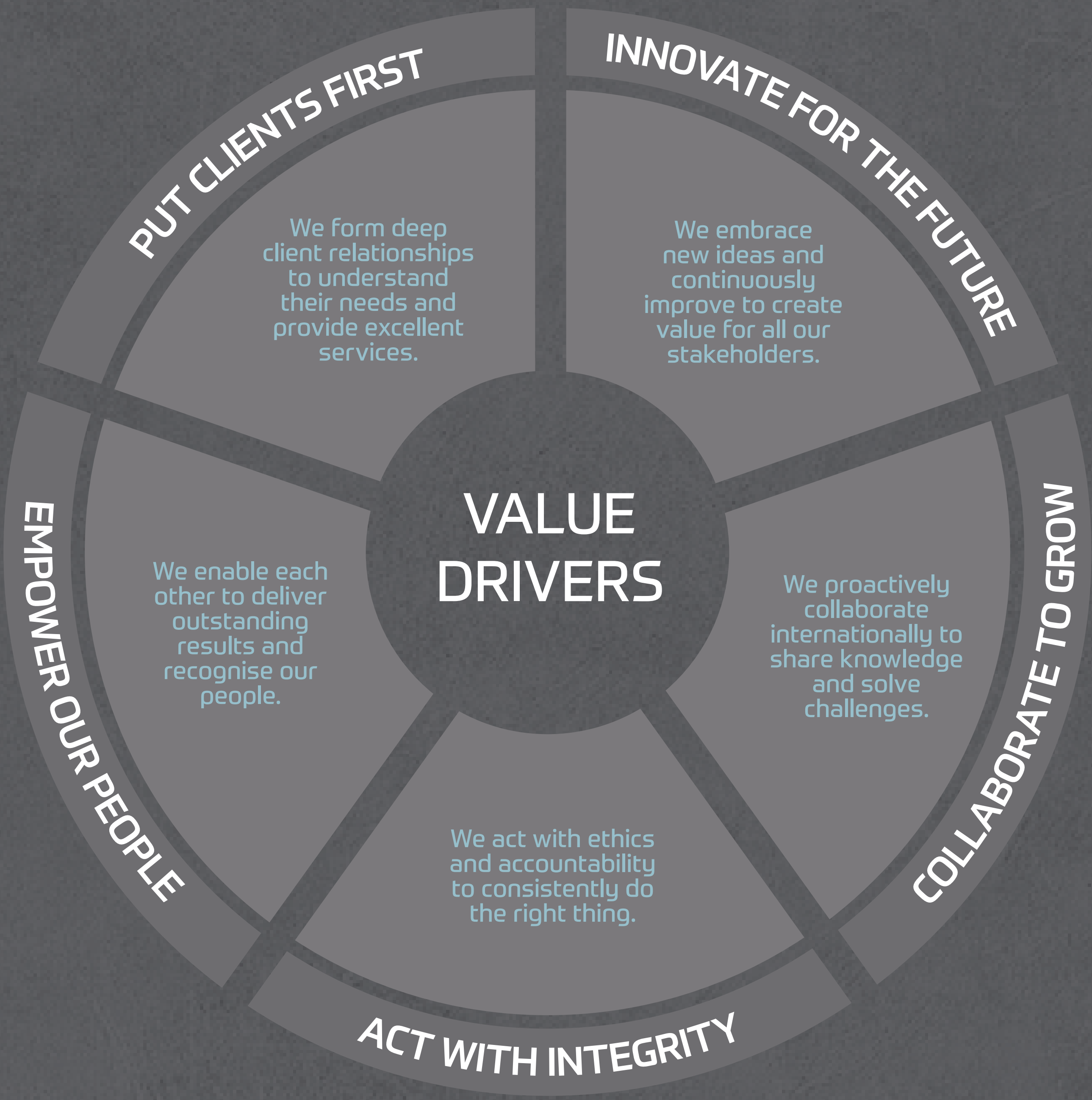
ABC International Bank plc ("ABCIB" or "the Bank") was established in 1991 as a wholly owned UK subsidiary of Bahrain-based Arab Banking Corporation (B.S.C.) ("Bank ABC" or "the Bank ABC Group").

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

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

OUR VALUES

CLIENT-CENTRICITY
COLLABORATION
CONSISTENCY



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CHAIRMAN'S STATEMENT

Dr. Khaled Kawan
Chairman

On behalf of the Board of Directors ("the Board") of ABC International Bank PLC ("ABCIB" or "the Bank") and in my capacity as Chairman, it is my privilege to present the Bank's Annual Report and Accounts for the financial year ending 31st December 2024.

Our business and strategy

Established in London in 1991, ABC International Bank PLC is a specialist financial institution with a charter to support and finance international trade and investment flows between Europe and the MENAT region. Over three decades, it has established itself as a respected member of the Arab banking community in the UK, playing an essential niche role within the wider UK financial sector. The Bank is authorised by the Prudential Regulation Authority (PRA) and regulated by the PRA and Financial Conduct Authority (FCA). ABCIB is a wholly owned subsidiary of Bahrain-based Arab Banking Corporation BSC ("Bank ABC" or "the Bank ABC Group"), a pan-Arab, investment grade banking institution with presence in 15 countries and total assets of more than USD 45 billion.

Strategy

The Bank's mission is to be the MENAT Bank of choice for its European clients, focussing on financing international trade between Europe and MENAT as well as supporting and financing other associated business and investment flows, the latter largely related to UK Real Estate sector developments. By concentrating on its niche geographic and specialised product markets, the Bank capitalises on its intrinsic competitive advantages and prospers within the wider and highly competitive UK and European banking sectors, selectively expanding the Bank's European and Turkish client base to encompass multinational as well as mid-sized corporate entities. Its client centric approach allows the Bank to provide innovative, individually tailored, and timely solutions to its customers' increasingly complex, diverse and demanding requirements.

In recent years, ABCIB has embraced the transformative power of digitisation within the wholesale and transaction banking sectors with the goal of establishing itself as the digitally enabled specialist bank of reference for multinationals and mid-sized corporates in Europe for cross-MENAT banking solutions. This strategic evolution aligns clearly with the strategic goals and ambitions of the Bank ABC Group and is creating opportunities for significant operational efficiencies and enhancements to our clients' overall business experience through innovative digital operating platforms and access to a broader range of banking products.

£95.6mn
Total operating income in 2024

Business Model and Operations

Together with its Paris-based subsidiary, Arab Banking Corporation S.A. ("ABCSA"), and Istanbul Representative Office, ABCIB acts as the primary interface between corporate clients in Europe and Turkey and the Arab World clients of the wider Bank ABC Group. The Bank's business model, at both the macro and individual business unit levels, is appropriately aligned to the wider Bank ABC Group and closely reflects its operational capabilities as a mid-sized financial institution with a specialist and niche role in terms of core geographies and key products.

At a macro level, ABCIB's model is to originate, structure and distribute risk.

Origination, the key driver of business momentum and growth and, ultimately, earnings potential, is underpinned by ABCIB's client centric orientation. Transactions are sourced directly from the Bank's European and Turkish customer base of multinational and mid-sized corporate entities or through the Bank's extensive, correspondent banking network.

An important component of the Bank's business model, complementary to its client centric ethos, is expertise in ***structuring*** or, where appropriate, restructuring business transactions - typically which it has originated - to ensure the best fit for its customers' needs. Providing bespoke and innovative financial solutions is key to the Bank's approach to structuring, including the ability to encompass both conventional interest and Shari'a compliant financing modalities.

As the business continues to grow, ***distribution*** of assets, those which the Bank has itself originated and/or restructured, is vital to energising portfolio dynamics and improving capital efficiency, with asset sales helping to provide additional headroom for new business opportunities.

Global Transaction Banking (GTB)

The Global Transaction Banking (GTB) business model has traditionally focused on supporting and financing international trade flows between corporate clients in Europe and their counterparts in the MENAT region, particularly with respect to key North African markets. The Bank's trade finance offering ranges from documentary letters of credit, contract bonding, guarantees, and pre-export financing to more structured and tailored products, including forfaiting, supply chain financing (which largely comprises insurance-backed receivables discounting facilities), and bespoke trade lending offerings. The introduction of new digital platforms, such as ABC SCF and ABC Trade, has resulted in material benefits, especially in Supply Chain Financing (SCF), where these new digital modalities now allow efficient and profitable handling of high volumes of discounting operations.

More recently, there has been a renewed emphasis on non-trade-related wholesale and transaction banking offerings, including cash management and specialized lending. This focus has been driven by targeted expansion of the Bank's corporate client base and the incorporation of innovative digital operating platforms.

Distribution remains a key pillar of the Bank's business model, and the Global Trade Debt and Distribution (GTDD) team has seen considerable success in secondary market asset sales. These activities, aid in capital and liquidity management, balance and mitigate portfolio risk, and support the ability to manage existing clients' non-MENAT business flows.

GTB's day-to-day operations manage credit risk, including aspects of sovereign risk. Credit risk in trade finance is deemed relatively low due to the short term, self-liquidating nature of most documentary credit business, while SCF exposures are typically structured as insurance-backed facilities. The Bank's in depth understanding of MENAT markets and operating conditions, supported by Bank ABC Group's extensive regional presence, provides strong reassurance in assessing sovereign risk. GTDD operations add another layer of risk mitigation through asset sales.

Real Estate & Islamic Financial Services (RE)

The Real Estate (RE) business stream supports and finances business and investment flows between Europe and MENAT. Its business model focuses on sourcing, arranging, and structuring funding for UK residential and commercial real estate developments, in partnership with other leading financial institutions. RE offers investment opportunities, using both conventional interest-bearing and Shari'a compliant financing, to appeal to a broad range of investors. Approximately three quarters of RE transactions are conventional interest-bearing structures.

RE traditionally has concentrated on high-quality commercial and residential real estate developments in Prime Central London, attracting Middle Eastern investors. The business model has since evolved to diversify into the "Living Sector" developments, such as build-to-rent, co-living, and student accommodation, and to expand geographically to Greater London and other UK cities, bolstered by governmental "levelling-up" initiatives. The strategy now includes broadening partnerships to non-bank financial institutions and sovereign wealth funds and expanding the investor base to include non-Arab World investors.

RE also provides its clients with a broad range of Shari'a compliant trade and treasury financial products, although as yet, this remains a modest proportion of RE's overall earnings.

RE manage transaction-specific credit risk which is impacted by external factors like changes in government policy, regulation, interest rates, and exchange rates. These are mitigated through strict credit risk assessments and continuous oversight. The diversification of the portfolio by asset type and location and the broadening of the investor base are positive developments.

£34.1mn

Profit after tax in 2024, marking a 22% year-on-year rise.

Treasury & Financial Markets (TFM)

TFM's acts as the corporate treasury for the Bank, including for ABCSA, and operates as an independent income-generating unit by promoting sales of financial market products to the Bank's European and Turkish client base.

TFM manages the Bank's overall funding and liquidity to support both current and planned levels of business activity, ensuring timely repayment of Bank obligations, and maintaining compliance with statutory and regulatory requirements. It oversees the Bank's required High Quality Liquid Asset Portfolio (HQLA) and manages ABCIB's portfolio of investment-grade marketable securities. As part of its remit, TFM aims to achieve a stable and diverse base of high-quality bank, broker and other deposits. When excess liquidity arises from daily business activities, TFM manages these funds to achieve positive returns for the Bank.

TFM cross-sells financial market products, including foreign exchange services and treasury-related instruments, to the Bank's clients. It leverages strategic initiatives to expand and deepen the European client base and introduces new digital operating platforms in line with Bank ABC Group initiatives.

TFM faces financial market risk due to potentially volatile interest and exchange rate movements and regulatory risk in terms of compliance and regulatory change. These risks are mitigated through in-house expertise and continuous oversight of strictly managed dealing thresholds and limits.

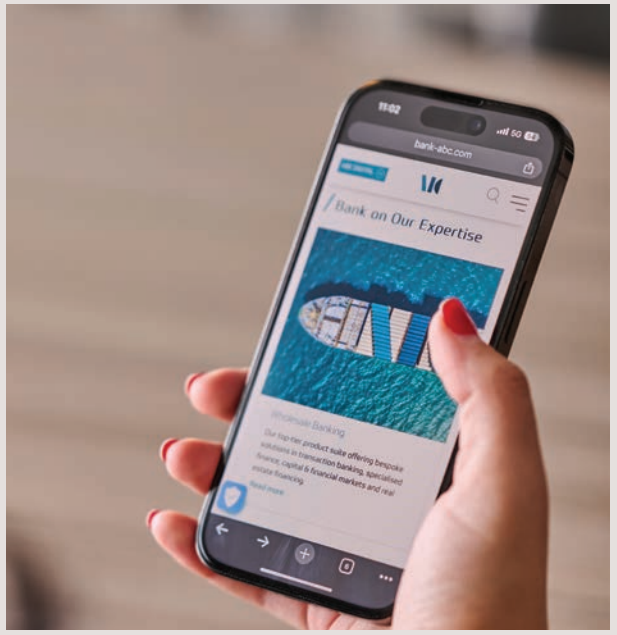
Macro environment

The year was characterised by unsettled external geopolitical events, such as ongoing conflicts in Ukraine, Gaza, and Syria, and uncertain economic policies following elections in the UK, US and around the world. Equity markets have been two paced. Inflation in our home markets, whilst significantly reduced year on year, has proved persistent. Whilst dislocation in monetary policy in the major economies has created foreign exchange volatility, the impact on the Bank's operations is limited.

Financial Performance

Notwithstanding the more challenging external landscape, the Bank has achieved new financial highs for the second consecutive year, bearing testament to our clear strategic direction and the disciplined execution of our staff. **Total operating income** for 2024 reached a new high of £95.6 million, representing an increase of approximately 9% over the previous year's £87.5 million (re-stated) with strong broad-based contributions from all business units. **Profit after tax** of £34.1 million surpassed the previous year's £28m (re-stated) by 22%, reflecting the strong income growth and disciplined management of costs and asset credit quality. The prior year results have been restated, details of which can be found in Note 1.4 and Note 37 of the 'Notes to the Accounts.'

The achievement of these strong financial metrics was, at all times, underpinned by sound management of the Bank's capital and liquidity to support business growth whilst ensuring compliance with all operational, statutory, and regulatory obligations. The 'Financial Highlights' section on page 27 provides further details on the Bank's performance.



Strategic progress

The Bank remained focused on its core MENAT markets and specialist trade finance and real estate products whilst embracing transformational change through the launch and ongoing development of innovative digital platforms such as ABC SCF (Supply Chain Finance), ABC Trade, and ABC Cash. These initiatives are already paying dividends, providing significant uplift in operational capacity and a better experience for our clients. The Chief Executive's Report and Business Review highlight the transformative, innovative, and client-centric ethos that fortified ABCIB's status as the MENAT bank of choice for European clients.

Digital and Sustainability are two of the trends transforming our banking industry experience. ABCIB is actively capitalising on the many opportunities that digital is offering and shall continue to do so. Likewise, global climate change is being taken very seriously by the Bank. We see it as an opportunity to work with our clients to help address climate change, as set out in more detail in the Sustainability Report where it will be seen that ABCIB, in alignment with the Bank ABC Group, has made considerable progress, with the firm intention to see our approach evolving going forwards.

Outlook

The Bank will continue undergoing strategic transformation in line with Bank ABC Group's global strategy. Building on the successes of 2024, the Bank will continue developing and adopting innovative digital platforms in 2025 to improve operational efficiencies, create capacity and enhance client experience with a wider range of product offerings.

The Bank is likely to experience another unsettled geopolitical, and possibly less favourable, external financial backdrop in 2025 whilst continuing to face testing internal conditions related to rapid business growth, transformational change and high demand on capital and liquidity. The Board remains confident, however, that supported by a highly professional and skilled workforce, a soundly calibrated risk appetite and an innovative digital roadmap, the Bank will be able to continue to deliver what has proven to be a powerful balance of continuity and change, materially benefiting its overall financial performance, and contributing positively to its strategic aims and objectives. The Bank's strategic transformation is not yet over, but the Board remains confident that the journey is proving a demonstrably worthwhile one, and one which is to the long-term benefit of all our key stakeholders.

To the dedicated management and staff of the Bank, I offer my deepest gratitude for their unwavering commitment and contributions, which have been instrumental in a strong set of results and in advancing our vision of becoming the MENAT bank of choice for our European clients.

I am also grateful to all my Board colleagues for their ongoing commitment and contributions this last year. Their relentless focus on our shared objectives of serving our customers, driving strong performance, whilst living up to the core values is reflected in the constant improvement of our institution, securing the foundations of its future success. I welcome Mr Ken Eglinton to the Board. He will be drawing on his significant experience as a banking (and Islamic Banking) audit partner as he succeeds Andrew Neden who retired from the Board in February 2025. Andrew made invaluable contributions over 9 years, particularly as Chairman of both the Audit and Compliance Committees and as a very active and inspiring INED.

As we look ahead, we remain focused on our strategic priorities, confident in our ability to deliver sustainable value and drive innovation. With a clear vision, robust strategies, and the collective effort of our talented team, we are well-positioned to achieve our ambitions and continue enhancing the value for all our stakeholders.

On behalf of the Board, I thank you for your continued support and trust in our journey.

Dr. Khaled Kawan
Chairman
10th March 2025

CEO'S REPORT & BUSINESS REVIEW

Rajeev Adrian
Chief Executive Officer

2024 marked another milestone for the Bank, delivering a second consecutive year of financial highs, while making notable strides in its non-financial objectives. The Bank adeptly balanced serving the needs of its clients with accelerating transformative change, whilst leveraging its intrinsic advantages in the MENAT region and specialised product offerings.

Key to the Bank's transformation journey is an innovative digitisation strategy, guided and supported by our parent, Bank ABC Group. These changes positively impacted business generation, client onboarding, internal connectivity, and operational efficiency. The balanced growth trajectory in 2024, facilitated by strategic change and expanding corporate client base, unlocked valuable new origination and leverage opportunities across all business streams, with particularly strong performances from our Real Estate & Islamic Financial Services (RE) team and Istanbul Representative Office.

The Bank continued to make progress with respect to its important non-financial agenda including supporting and investing in new internal operating systems as well as heightening corporate responsibility through further development of its environment, social and governance (ESG) roadmap, particularly with respect to sustainability and DEI (Diversity, Equity and Inclusion) issues. As part of our effort to foster innovation and future strategy, the Bank sponsored 'Innovation Focus Days' in London and Paris, facilitating collaboration between Head Office and European staff. Additionally, in November, we co-sponsored the Libyan Business Fair in London, in partnership with the Libyan British Business Council, which saw attendance from over 80 Libyan businesspeople.

Total operating income for the twelve months ending December 2024 reached a new record high of £95.6 million. This figure represents a 9% increase from the previous record of £87.5 million (restated) set in the previous year and was driven by broad-based strong performance across most business units. Increased origination and cross-selling efforts were made by all business streams, particularly from an expanded multinational and mid-sized corporate European and Turkish client base. These efforts were crucial in offsetting margin compression in key markets like Turkey and balancing the impacts of unsettled geopolitics, declining interest rates, and volatile foreign exchange markets.

The increase in profit after tax of 22% to £34.1m reflected the strong business origination referred to above, a disciplined approach to cost control and net release of credit provisions as a result of sovereign rating upgrades in a key market, release of post model adjustments and the successful workout of a non-performing real estate exposure during the year.

From a balance sheet perspective, total assets increased 9% to £3.5bn, driven by growth in loans and advances and increased client FX activity. Once again, the Bank demonstrated its ability to distribute assets to assist with capital and liquidity planning, with total asset distribution during the year of $1.6bn (2023: $1.4bn). To support business expansion, total deposits increased 9% to £2.4bn during the year.

Shareholder's funds increased by £18m from £568m (restated) to £586m during the year.

Throughout 2024, the Bank has demonstrably proven to be financially robust, operationally resilient and strategically well-positioned, to the clear and long-term benefit of all our key stakeholders.

£3.5bn
In Total Assets. An increase of 9% in 2024

£49.6mn
Record earnings for GTB in 2024, contributing to 52% of the Bank's total operating income

Global Transaction Banking (GTB)

In 2024, Global Transaction Banking (GTB) remained the leading business stream within ABCIB, contributing 52% of the Bank's total operating income. GTB achieved record earnings of £49.6 million for the twelve months ending December 2024, a 4.4% increase from £47.5 million in 2023, reflecting a sustainable and normalized growth trajectory.

GTB successfully managed to balance continuity with innovation, maintaining focus on its key MENAT markets and traditional trade products while advancing a transformative digitization strategy. The unit expanded its penetration in the European and Turkish corporate markets, enhanced business origination, and broadened its offerings of wholesale and transaction banking products. These achievements were particularly notable amid declining margins in key markets such as Turkey.

Trade Finance remained the cornerstone of GTB activity, with double-digit growth in income from documentary credit operations and trade guarantees, contributing almost £19 million, over one-third of the unit's total earnings. Despite some challenges in the Libyan market in the fourth quarter, GTB expanded its MENAT coverage and selectively increased its risk appetite in certain markets. The digital documentary trade platform, ABC Trade, went live in Q3 2024 in order to transform how clients interact with the Bank, providing transaction transparency through the trade finance lifecycle.

Supply Chain Finance (SCF) was the second-largest income contributor for GTB and, although income decreased slightly from the previous year due to margin compression and lower utilization, strong origination and greater operational capacity, enabled by the Bank's digital platform ABC SCF, was evident.

Reflecting group-led initiatives, GTB diversified its product suite, increasing earnings in trade lending, specialized finance, and cash management. In 2024, the Bank entered a high-profile UKEF-guaranteed transaction supporting Turkish investment in the UK. Additionally, the new ABC Cash digital platform for cash management was successfully trialled in late 2024, with wider implementation planned for 2025.

The Global Trade Debt Distribution (GTDD) team increased asset distribution sales to USD 1.6 billion in 2024, up from USD 1.4 billion in 2023. This activity proved valuable for portfolio and capital management, offering risk mitigation opportunities and generating standalone income.

Real Estate & Islamic Financial Services (RE)

Real Estate (RE) achieved double-digit growth, with earnings reaching £22.1 million, marking a 14% increase from the previous year's £19.4 million. RE's contribution to the Bank's total income continued at 23%, the second-largest income contributor. Improvements in some legacy transactions allowed for the release of previously held precautionary provisions. Throughout 2024, RE intensified efforts to expand its investor base. RE sought new investors in Europe, the US, and Asia from both institutional and private high net worth backgrounds. RE also continued to successfully cross-sell TFM financial products to its clients, including interest rate hedges and caps, while remaining alert to opportunities to attract deposits from its partners.

While prime central London residential and commercial property developments remained RE's traditional focus, competition for a limited supply of suitable projects stimulated greater diversification. This included expanding both geographically and in the types of real estate projects undertaken. RE extended its transactional reach beyond central London to Greater London and other major UK regions, ensuring all developments had strong ESG credentials. RE also increased participation in income-generating transactions within the build-to-rent, co-living, and student accommodation sub-sectors.

In Staines-upon-Thames, west London, RE partnered with another leading bank to participate in a new £97 million facility to fund a residential rental development. This project stood out for its high ESG standards in terms of energy efficiency and environmental sustainability.

In Acton, North London, RE engaged in a £70 million facility to fund a residential rental development comprising 462 units. This project, undertaken in partnership with one of the world's largest asset managers and an experienced co-living developer, was notable for its significant ESG benefits resulting from its modular construction methodology.

Reflecting an acute structural shortage of purpose-built accommodation in Bristol, RE took part in a £52 million term loan development facility to finance the construction of a 447-bed student accommodation scheme in the University of Bristol's prime Temple Mead campus area. This development is part of a wider regeneration project in the city's Temple Quarter and once again meets high ESG standards.

RE's strategy of geographical and real estate sector diversification will continue to drive origination efforts in 2025. Government policies concerning 'levelling-up' and accelerated house-building schemes, benefiting from fast-track planning procedures, should stimulate opportunities and attract investor interest in UK regional residential developments. Further diversification in the 'Living Sectors' will continue, with new opportunities in areas such as logistics actively explored. With a maturing portfolio and heightened competition as more non-bank financial institutions enter the real estate market, RE will need to intensify origination and diversification efforts to grow its asset portfolio and income streams. Despite uncertainty over the precise trajectory of expected interest rate cuts and short-term exchange rate volatility, RE anticipates benefiting from a generally more positive financial environment in 2025.

Treasury & Financial Markets (TFM)

Notwithstanding a prior year accounting adjustment (details of which can be found in note 1.4 and note 37 to the financial statements), TFM continued to excel in its dual role as Corporate Treasury for the Bank and ABCSA in Paris, and as an independent income unit generating revenue through the sale of financial market products to the Bank's corporate clients. Headline earnings were negatively impacted by increased funding costs, particularly EUR denominated funding.

TFM's sales of financial market products continued to grow in 2024, driven by enhanced cross-selling opportunities within the client franchise.

TFM managed the Bank's funding and liquidity, ensuring full compliance with statutory and regulatory requirements for both capital and liquidity. By the end of 2024, bank and customer deposits increased to £2.4 billion, marking a 9% rise from £2.2 billion at the end of 2023. The enlarged deposit base reflected improved diversification and a more balanced maturity structure. During the year, a new middleware platform was launched bringing operational efficiency and associated capacity increases.

Looking forward, several factors are expected to shape TFM's future performance. Continued confidence in TFM's ongoing Corporate Treasury role and ability to manage regulatory changes, including the forthcoming Basel 3.1 standards implementation, now deferred to 1 January 2027. Sales of financial market products are expected to increase with the intensified implementation of new and enhanced digital platforms in 2025, supporting an expanded client base comprising multinational and mid-sized corporates. The financial market backdrop for early 2025 may present challenges, including exchange rate volatility and uncertainties around the timing and magnitude of expected interest rate cuts. Nonetheless, TFM's strategic initiatives and strong foundations position it well for future growth and success.

Looking ahead

The Bank has started the year in a strong position, underpinned by strong financial metrics and a promising pipeline of new business opportunities. Our commitment to digitisation and strategic change, in alignment with Bank ABC Group, remains unwavering. Key digital platforms such as ABC Cash and ABC SCF will undergo further development in the coming year. As these technologies gain traction, we expect improvements in operational efficiency, enhanced client onboarding, and ultimately, stronger financial performance. Our strategic transformation agenda ensures we can continually adapt, remain fit for the future digital age and service the evolving needs of our clients.

As in 2024, a key challenge will be balancing dynamic business growth and effective management of capital resources and liquidity to ensure acceptable returns are achieved whilst managing an extensive strategic change agenda and managing and mitigating against the Bank's principal risks (which are outlined on pages 38 to 40). At the macro level, we remain watchful of escalation in existing and potential areas of armed conflict, the impact of policy changes from newly elected governments and monetary policy developments more broadly.

Our operations will continue to focus on our niche European and MENAT markets, alongside our well-established international trade and real estate product offerings. Although we expect competition to increase and asset pricing to come under pressure our balanced business model, experienced and dedicated workforce and our appetite to evolve positions us well to turn challenges into opportunities.

As Chief Executive Officer, I am fortunate to work alongside a supportive Board of Directors whose experience and insights have been invaluable. I extend my sincere thanks to our Chairman, Dr. Kawan, for his enthusiasm and professionalism, which have been a source of inspiration. Moreover, I appreciate the comradeship of my colleagues throughout the wider Bank ABC Group.

Finally, I offer my profound thanks to all our staff in London and across our European network for their hard work and commitment throughout the year, without their hard work and dedication 2024 would not have been the success it was.

Rajeev Adrian
Chief Executive Officer
10th March 2025

STRATEGIC REPORT - S172 STATEMENT

During the course of the twelve months to end-December 2024, the Directors believe they have acted at all times in good faith, both individually and as a collective Board, and in a manner which is most likely to support and promote the Bank's overall success, for the ultimate benefit of its shareholders, whilst having due regard to the Bank's broader stakeholder community and to those matters as set out in s172 (a - f).

- the Bank's current three-year strategic plan, which is commensurate with the overall global strategic direction and aspirations of the Bank ABC Group, continues to be subject to periodic review by the Board,to ensure its ongoing feasibility and that it remains appropriate to the Bank's operating environment
- the Directors believe the Bank's workforce is one of its most valuable assets and vital to successful long-term performance. The Board is strongly supportive of the Bank's aim to be a responsible employer in respect of pay, benefits and welfare in line with best industry practice. Ongoing initiatives to improve staff physical and mental well-being is just part of an enhanced approach to DEI issues with programmes related to gender and cultural awareness being implemented

- the Directors recognise the importance of maintaining positive relationships with not just its shareholders but with all its stakeholders, including suppliers, clients, regulatory bodies and employees and are cognisant of the need to take into account their views. The Bank prides itself on its client centric approach with strategic initiatives in the field of digitisation, for example, aiming, amongst other things, to improve clients' overall business experience.
- the Directors are aware that the Bank's day-to-day operations and financing activities will necessarily have an impact on the environment and wider social community. The Bank is also aware of the need to minimise its overall carbon footprint. Consequently, ABCIB is working with ABC's Group Sustainability to measure its impact, including Scope 1, 2 and 3 emissions across all categories, to mitigate the risks and capture opportunities across its business and operations.
- the Directors firmly believe that the Bank's attitude and approach to issues of culture and conduct is primarily established and fully manifest at Board level and is subsequently embedded and replicated throughout the Bank and, moreover, is clearly apparent in all external representations 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
- the Bank is owned by a sole shareholder, Bank ABC BSC based in Bahrain, and the Board ensures that the parent undertaking is kept informed of any relevant matters in accordance with each company's Articles of Association and any other relevant statutory requirements.

The Strategic report from pages 8 to 18 has been reviewed and approved by the Board.

Rajeev Adrian
Chief Executive Officer
10th March 2025

SUSTAINABILITY REPORT

ABCIB's sustainability plan is aligned with Bank ABC Group's wider strategy which is designed to improve the Group's performance and address its current and future regulatory requirements. The strategy covers sustainability initiatives across five strategic pillars of: (1) Governance, (2) Operations, (3) Risk Management, (4) Financing the Transition/Business and (5) Our People and Communities, (see Figure 1). ABCIB plays a key role in the implementation of the strategy and strives to enhance the Bank's sustainability whilst meeting relevant regulations, including PRA SS3/19 for climate risk, FCA Anti-greenwashing, and impending IFRS S1 sustainability-related and S2 climate-related disclosures. Because of its size, many of the sustainability regulations and reporting requirements are not yet mandatory for ABCIB; however, the Bank is working to meet and exceed the future requirements and ensure it plays a key role in financing the transition to a more sustainable economy.

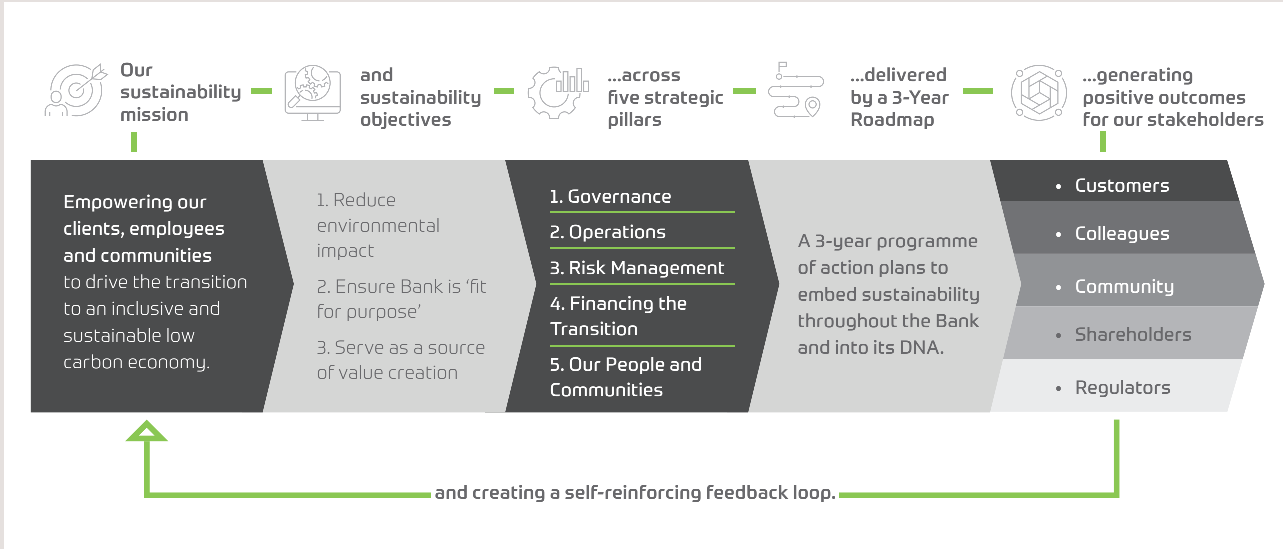


Figure 1. Bank ABC Group's Sustainability Strategy.

Sustainability Objectives

Working with Bank ABC Group, ABCIB will integrate sustainability across the value chain to improve the sustainability performance of the firm itself and its clients. Specifically, the Bank looks to deliver on three main objectives which can be readily measured, thereby allowing progress to be evaluated, managed, and reported to key stakeholders. The initiatives, which are set out below, are designed to integrate sustainability into the Bank's strategy, and to mitigate risks and capture growth opportunities. Achievement of the objectives will enable ABCIB and Bank ABC Group to accomplish their overall sustainability mission of 'Empowering our clients, employees, and communities to drive the transition to an inclusive and sustainable low carbon economy'.

1. *Reduce our environmental impact*
   Reduce the environmental footprint of our operations, suppliers, and financing, to benefit stakeholders, communities and the planet. ABCIB and Bank ABC Group are working to deliver reductions through investment in operations and close collaboration with suppliers and customers.
2. *Ensure the products and services ABCIB supplies to its client are 'fit for purpose'*
   Ensuring ABCIB's products and services support its clients' sustainability financing needs. ABCIB will continue to respond to sustainability-related shifts in the economy by strengthening the Bank's capabilities, product innovation, and client collaboration.

3. *Source of value creation*
In supporting its clients, the Bank seeks to capture the benefits of sustainable financing. This includes those arising from greater efficiency, innovation, and revenues which will ultimately promote sustainable growth.

Our progress reflects our commitment to the ESG agenda:

In 2024 ABCIB made progress on its sustainability initiatives spanning the five pillars through locally driven initiatives and increased collaboration with Bank ABC Group and collectively ran multiple sustainability education sessions at Management Committee and Board levels to enhance the understanding of regulatory requirements and the impact of Group's sustainability programme.

On the Environment

ABCIB elevated Climate Risk to a Principal Risk type and joined the Paris Agreement Capital Transmission Agreement (PACTA) pilot through Bank ABC Group. Also through the Bank ABC Group, ABCIB became a member of the Partnership for Carbon Accounting Financials (PCAF) which sets the industry best practice benchmark for measuring scope 3 financed emissions. The Bank continued to improve its climate risk analyses, developed a full scope balance sheet financed emissions tool based on a methodology developed using PACTA standards, contributed to the development of a new Bank ABC Group sectoral environmental/ESG risk rating whilst increasing collaboration to improve scenario analyses and future stress testing. Sustainability training, led by Bank ABC Group, was delivered to ABCIB's client facing staff and a new client ESG assessment pilot was introduced. The Bank continued to finance sustainability-certified projects and purchased certain green and sustainable bonds (as classified by Bloomberg) from supranational development banks. From an operational perspective, ABCIB made energy efficiency improvements to its Moorgate premises and purchased carbon offsetting Renewable Energy Guarantees of Origin (REGOs) sourced from Bank ABC Brasil carbon offset programme. Planning work is underway with Bank ABC Group to reduce supply chain emissions.

On Social

ABCIB, working with Bank ABC Group, strengthened its approach to Diversity, Equity and Inclusion and introduced social KPI tracking. A highly rewarding charity event was held over 2 days in July to renovate a children's playground in London and the Bank launched Empower, the Bank's Women's Network focused on supporting and empowering women in the workplace, and a Cultural Awareness Network.

On Governance

Bank ABC Group has included sustainability within the Group's values and ABCIB is represented on the Group Sustainability Committee, which is chaired by the Group Chief Executive. A Sustainability Steering Committee has been set up to drive the ESG agenda and monitor progress locally.

Looking ahead, ABCIB will build on the year's achievements through a combination of increased collaboration with Bank ABC Group and strengthening local initiatives enabling the Bank to improve performance across the five strategic pillars, address regulatory requirements, and ultimately enable the bank to finance the transition to a more sustainable economy.

The detailed sustainability 2024 achievements and plans and objectives are set out in Table 1, while key sustainability case studies are spotlighted below.

Table 1. Bank ABC IB sustainability achievements and objectives.

Strategic Pillars	2024 Achievements	Plans & Objectives
1. Governance	• Delivered further Management and Board sustainability education sessions to strengthen governance. • Formed Sustainability Steering Committee ("SSC") and Sustainability Forum ("SF") to monitor progress.	• Continued strengthening of governance model to ensure readiness for new regulations and voluntary initiatives. • Align governance to new Group environmental risk standard.
2. Operations	• Implemented energy efficiency improvements at the Moorgate Head Office. • Electricity consumption for Moorgate House backed by Renewable Energy Guarantees of Origin (REGOs). • Purchased carbon credits to offset net CO2 emissions (refer SECR). • Increased Group collaboration to review operational footprint.	• Investigate and implement further energy efficiency improvements at the Moorgate Head Office. • Align and execute Group environmental reduction plan for suppliers (scope 3 upstream).
3. Risk Management	• Improved risk assessment and scenario analyses. • Contributed to development of Group sectoral environmental/ESG risk rating scheme. • Created portfolio-specific S&P ESG client rating tool. • Assisted Business with new Group client ESG assessment. • Defined material ESG metrics. • Implemented ESG regulation tracker.	• Further develop climate risk assessments, stress testing and scenario analyses. • Integrate client and sectoral ESG assessments to better assess portfolio ESG risks/opportunities. • Determine environmental and ESG impact of financing activities against defined metrics. • Establish comprehensive client level ESG ratings to improve overall risk assessment and mitigating efforts.
4. Financing the Transition / Business	• Piloted client ESG assessment. • Delivered ESG training sessions and monthly business ESG update sessions. • Real estate continued finance of sustainability-certified projects. • Treasury issued green and sustainability bonds to supranational development banks (as classified by Bloomberg). • Preparation work for embedding the Group Sustainability Finance Framework (SFF).	• Embed client and sectoral ESG assessments into Business plans. • Consider the impact of ESG risks and opportunities on strategy. • Expand training programmes. • Include sustainability considerations in engagements with clients. • Review and embed the Group SFF. • Begin development of ESG targets with full stakeholder engagement. • Develop an ESG product strategy and ensure anti-greenwashing compliance. • Review the provision of sustainable and transition finance.
5. Our People & Communities	• Participated in charity event resulting in the renovation of a children's playground in Islington (Splash). • Launched Empower Women's Network • Hosted cultural awareness days. • International women's & men's days. • Measured social KPIs and strengthened D, E&I approach. • Increased collaboration with Bank ABC Group to further improve social initiatives.	• Further strengthen social and charitable initiatives to empower employees, clients and communities.

SPOTLIGHT 1

Shotton Mill Ltd

ABCIB was appointed as a key project finance lender for the development of the Shotton Paper Mill in Deeside, North Wales. The mill is owned by a subsidiary of Eren Holding, Modern Karton, Turkey's largest containerboard and paper manufacturer who are converting the existing mill into one of the largest and most technologically advanced containerboard and tissue paper mills in Europe.

ABCIB's project finance will play a major role in transforming the mill into a highly efficient, sustainable facility processing 100% recycled materials for containerboard and tissue paper production. When operational, it will have the capacity to manufacture 750,000 tonnes of containerboard and 67,000 tonnes of tissue paper per year, with scope for future expansion.

Shotton Mill will utilise a Combined Heat and Power (CHP) facility, allowing the plant to be more fuel efficient and limit waste. As a result, the CHP facility can reach efficiency ratings exceeding 90%, compared to 52% for UK gas-fired power stations. The plant will also harvest recycled waste wood and biomass, thereby using green energy and reducing dependency on gas. In addition, the CHP is hydrogen-enabled, allowing for the use of a 20% hydrogen fuel blend in the future to supply green energy to both Shotton Mill and the Deeside area.

SPOTLIGHT 2

Victoria Propco Limited: Enclave Acton

ABCIB are providing senior residential development finance to a joint venture between one of the world's largest asset managers and a market leading BTR/co-living developer and operator. Finance is being provided conventionally for the construction of a 450+ unit, purpose-built, tower in West London. The completed asset will be targeted at the undersupplied rental market and is being built using modular construction techniques.

The asset benefits from strong sustainability credentials. Specifically, the developers are aiming to achieve a Building Research Establishment Environmental Assessment Methodology (BREEAM) Excellent certification rating. BREEAM is an internationally recognised standard, and an Excellent rating is the second highest (out of six) classification. This signifies that the property has been developed with excellent consideration of a range of sustainability factors, including energy efficiency, carbon emissions reduction, health and wellbeing, and biodiversity protection.

SPOTLIGHT 3

Social Initiative - Empower Women's Network

ABCIB celebrated the successful launch of Empower, the Bank's Women's Network. The Network is focused on supporting and empowering women in the workplace. It will provide a platform for women to engage, share experiences, develop skills, and discuss issues related to their personal and professional growth and advancement. Men will also play a vital role in the Women's Network by participating in events that support gender equality.

The Women's Network looks to build further on its 2024 success in 2025 and achieve the following objectives:

- Empower women to reach their full potential through confidence, presence, and connection.
- Create opportunities for women to network, share experiences and skills, and advance their careers.
- Engage all colleagues, including men, in initiatives that support and promote gender equality.

The objectives are designed to enable the Network to fulfil its mission of helping women realise their full potential by enhancing colleague collaboration. CEO Rajeev Adrian shared his views: "At Bank ABC, we are committed to fostering a diverse and inclusive environment. As we continue to focus on driving positive change, I am confident that Empower will support this growth. Together, we can create an environment where everyone feels empowered to succeed."

SPOTLIGHT 4

Charity Initiative - Toffee Park Adventure Playground

As part of ABCIB's commitment and continued efforts to give back to our communities, 55 members of ABCIB helped revamp Toffee Park Adventure Playground in Old Street, London, in June 2024. The team transformed the playground over two days and created a new structure that offers accessibility for all children, complete with a zip-line, slide, and food preparation area with a safe fire pit.

ABCIB's efforts were widely appreciated by the local parents and children and will help to ensure children in the local area stay active in a safe play environment. The project was undertaken in partnership with Splash Community Projects and built on the success of the 2023 redevelopment of the Manchester Estate communal gardens in Tower Hamlets.

ABCIB CEO Rajeev Adrian remarked that through cooperation and teamwork ABCIB employees were able to effectively employ their diverse skillsets for the betterment of the community.

SECR REPORTING

The Bank is required to report its operational emissions annually in line with UK Streamlined Energy and Carbon Reporting (SECR) guidance. The Bank's location-based emissions for Scope 1[1] , 2 and 3[2] respectively total 242.6 tonnes (2023: 232.6 tonnes). The 4.3% increase in location-based emissions was primarily attributed to elevated electricity consumption involved in building renovations. The Bank also had greater Scope 1 emissions owing to its gas boiler being non-operational for much of 2023, resulting in an untypically low figure during 2023. On an intensity basis, the Bank's Scope 1 and 2 location-based emissions were equivalent to 2.55 tCO2e/£m revenue (2023: 2.60 tCO2e/£m revenue). Figures have been calculated in line with the Greenhouse Gas Protocol methodology, using UK DEFRA emission factors.

The Bank purchases Renewable Energy Guarantees of Origin (REGO) certificates equivalent to its operational electricity consumption, recognizing these are a key market-based instrument which have helped to develop renewable energy at scale in the UK. This results in 0 Scope 2 market-based emissions.

To improve energy efficiency, ABCIB engaged with a 3rd party consultant to devise an Energy Savings Opportunity Scheme (ESOS) action plan in 2023 and 2024. Measures identified could result in an estimated 108,103kWh saved annually, through a combination of PV installation, heat pumps, and variable speed drives on extractor fans & air handling units. In 2024, the Bank took planning further, working with an additional 3rd party to identify a 3-year plan to reduce its environmental footprint, most notably energy, water and GHG emissions. This plan is now being actioned. ABCIB continues to work with Group Sustainability to develop its Scope 3 data capture, reporting, and operational emissions reduction strategy.

	Units	FY2024	FY2023	Change
Scope 1 emissions (location-based, absolute)	kWh	10,064.00	6,960.00	**44.9%**
	tCO_2e	1.84	1.27	
Scope 2 emissions (location-based, absolute)	kWh	1,162,531.70	1,090,699.50	**6.6%**
	tCO_2e	240.70	225.86	
Scope 2 emissions (market-based, absolute)	kWh	1,162,531.70	1,090,699.50	**6.6%**
	tCO_2e	0	0	**0%**
Scope 1 & 2 intensity (Scope 1&2 location-based/ £m revenue)	tCO_2e/ £m revenue	2.55	2.60	**(1.9%)**
Scope 3 emissions[2]	kWh	251.08	23,588.51	**(98.9%)**
	tCO_2e	0.06	5.43	
Total Scope 1-3 emissions[1,2] (location-based, absolute)	tCO_2e	242.6	232.6	**4.3%**
Total Scope 1-3 emissions[1,2] (market-based, absolute)	tCO_2e	1.9	6.7	**(72%)**
Scope 1-3 location-based intensity[1,2]	tCO_2e/£m	2.55	2.66	**(4.1%)**
Scope 1-3 market-based intensity[1,2]	tCO_2e/£m	0.02	0.03	**(30.7%)**

[1] Scope 1 emission sources included for the calculation are as follows: natural gas consumption only
[2] Scope 3 emission sources included for the calculation are as follows: grey fleet emissions only

DIRECTORS' REPORT

The Directors present the Bank's annual report and audited financial statements for the year ended 31st December 2024.

Results	**PBT: £45m (2023: £36.8m - restated)** **PAT: £34.1m (2023: £28m - restated)** **More details are provided in the financial highlights section on page 27.**
Board Composition and Directors' Interests	Details of the full membership of the Board of Directors in 2024 are provided on pages 28 to 29. None of the Directors had any interest in the shares of the Bank or its subsidiaries during 2024 and no option to purchase shares was granted to any Director during the year.
Board Operations	Throughout the course of 2024, the Board of Directors met on seven occasions, either in person or utilising video conferencing technology. If considered appropriate - and to the extent permitted by the Bank's Articles of Association - the Board also considered certain matters by way of written resolution.
Accounting Policies	The Bank's financial statements are prepared under UK GAAP - incorporating Financial Reporting Standard 101 'Reduced Disclosure Framework' - and the Directors confirm there have been no material changes to Accounting Policies during the current financial year.
Going Concern	The Bank's 2024 financial statements have been prepared and presented on the going concern basis. The Board continues to believe that this is appropriate, being satisfied that the Bank has the resources to continue in business and that there are no material uncertainties of a nature 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 reaching this view, the Board has considered a wide range of information relating to present and future operating conditions and believes that appropriate resources are in place such that ongoing regulatory requirements can be met.
Dividend Policy	During 2024, the Bank paid a dividend relating to the year ended 31st December 2023 of £15.8m (2023: £6.62m). A final dividend relating to the year-ended 31st December 2024 amounting to £17.1m was approved by the Board on 27th February 2025.
Directors' Indemnities	The Bank continues to maintain 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.
Disclosure of Information to the Auditor	The Board confirms that there is no relevant information of which the Bank's auditors are unaware and further confirms that the Board has 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.
Reappointment of Auditor	The Board is pleased to announce that Ernst & Young LLP has been appointed as our new auditor effective for the 2025 financial year. This change aims to maintain the robustness and transparency of our financial reporting processes whilst delivering efficiencies by aligning audit firms with the Bank ABC Group. The current auditor KPMG LLP will formally resign once their 2024 statutory audit is concluded.

FINANCIAL HIGHLIGHTS

As at 31 December 2024

Total Assets

3,487

(£'million)

Shareholders' Funds

586

(£'million)

Risk Asset Ratio

17.2

(%)

FINANCIAL HIGHLIGHTS

As at 31 December 2024

	2024	2023*
Earnings (£'000)		
Net interest income	**58,965**	60,810
Net fees and commissions	**25,357**	16,381
Total operating income	**95,633**	87,526
Profit before provision and tax	**44,762**	40,562
impairment gain / (loss)	**262**	(3,785)
Profit before tax	**45,024**	36,777
Net profit for the year	**34,113**	28,022
Financial Position (£'million)		
Total assets	**3,487**	3,197
Loans and advances to customers	**1,369**	1,290
Loans and advances to banks	**897**	605
Debt investments - FVOCI	**550**	494
Shareholders' funds	**586**	568
Ratios (%)		
Profitability		
Cost: Income ratio	**53%**	54%
Net profit as % of average shareholders' funds	**5.9%**	5.0%
Net profit as % of average assets	**1.0%**	0.9%
Capital		
Risk weighted assets (£'million)	**2,677**	2,392
Capital base (£'million)	**512**	489
Risk asset ratio - Tier 1	**19.1%**	18.1%
Risk asset ratio – Total	**17.2%**	20.3%
Average shareholders' funds as % of average total assets	**17.3%**	17.5%
Loans and advances to customers as a multiple of shareholders' funds (times)	**2.3**	2.3
Total debt as a multiple of shareholders' funds (times)	**4.1**	3.8
Term borrowings (including subordinated debt) as multiple of shareholders' funds (times)	**0.7**	0.5
Assets		
Loans and advances to customers as % of total assets	**39.2%**	40.4%
Debt investments - FVOCI as % of total assets	**15.8%**	15.5%
Impaired loans as % of gross loans	**2.05%**	2.09%
Provisions for impaired loans as % of impaired loans	**32.4%**	40.1%
Loans loss provisions as % of gross loans	**0.8%**	1.0%
Liquidity		
Deposits to loans cover (times)	**1.7**	1.7
Capitalisation (£'million)		
Authorised	**300**	300
Issued, Subscribed and fully paid-up	**212.3**	212.3

*The comparative information is restated. See note 37

BOARD OF DIRECTORS

Dr. Khaled Kawan
Chair

∞

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

Dr. Kawan was appointed as Chair on 19 April 2022 (having previously been Deputy Chair). 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 Officer of the Bank ABC Group. Dr. Kawan joined the Board of ABC International Bank plc on 28th May 2013. He also represents the Bank ABC Group as Chair on the boards of Arab Banking Corporation SA and Banco ABC do Brasil and was in July 2023 appointed as an Independent Non-Executive Director of Arab Banking Corporation (B.S.C.).

Andrew Neden
Director

AC * BCC BRC RC CGC # i

Master of Arts (MA), Mathematics – University of Cambridge; Fellow of the Institute of Chartered Accountants in England and Wales

Mr. Neden was appointed as an Independent Non-Executive 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 Chair of Kingdom Bank Limited and an Independent Director of ClearBank UK Limited and a number of other private and not-for-profit companies.

Ken Eglinton
Director

AC BCC BRC RC CGC # i

Bachelor of Arts (BA), Economics – University of Manchester; Fellow of the Institute of Chartered Accountants in England and Wales

Mr Eglinton joined the Board of ABC International Bank plc at the end of December 2024 as an Independent Non-Executive Director. Mr Eglinton graduated from the University of Manchester with a BA (Hons) in economics before embarking on a successful 46-year career with Ernst & Young during which time, amongst other things, he was Head of Islamic Finance (1995 – 2024), acted as lead engagement partner for the audits of numerous financial and other institutions, and led multi-disciplinary audit teams through a variety of environments including the global financial crisis and the covid pandemic. Since 2016 Mr Eglinton has been a visiting fellow for the University of Greater Manchester and in was awarded an honorary doctorate in 2020.

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 Non-Executive 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.

Mr. Abdallah Al Humaidhi
Director

RC* CGC* # i

MS, American University of Beirut

Mr. Al Humadhi was appointed as an Independent Non-Executive Director of ABC International Bank Plc in April 2022 (he had previously served as a non-independent director between May 2001 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 Chair 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 Board Member and honorary Treasures of the Red Crescent Society in Kuwait. He is also a Member of the Board of Directors of Investcorp. Previously he served as Member of the Board and the Executive Committee of Kuwait Investment Authority; and Vice Chair of the Public Institution For Social Security and Chair of the Investment Committee, also Member of the Board and honorary Treasurer of the Kuwait Chamber of Commerce.

Ms. 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 over 15 years of finance experience spanning the Middle East, Asia Pacific and the United States. Her career includes senior roles at the Kuwait Investment Authority and other global financial institutions. Ms Al Mousa is currently the Director of General Reserve Asset Department at the Kuwait Investment Authority and also serves on the boards of Arab Banking Corporation (B.S.C.) and is a member of the State of Kuwait Debt Management Committee in addition to other roles.

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 Chief Executive Officer 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. Previously he was the President of CPA Australia's European Divisional Council.

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 the Bank 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 Board Audit Committee
BRC	Member of the Board Risk Committee
RC	Member of the Remuneration Committee
CGC	Member of the Corporate Governance 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.

Simon Atkins
European Head of Treasury & Financial Markets

MBA – Open University

Mr Atkins joined the Bank in October 2023 to take over as European Head of Treasury and Financial Markets. He has over 30 years' experience running Treasury and Financial Markets businesses in the UK, Europe, and Asia. Most recently he led Financial Markets Trading and Treasury for Lloyds Bank Corporate Markets in Singapore. Other senior roles include Head of Capital Markets at HSH Nordbank London and Singapore from 2003 to 2015. Previous to HSH Nordbank Simon had spells at BZW, Banque Paribas and CIBC World Markets.

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 started his career with National Australia Bank (NAB) in Australia principally working in the Corporate Banking sector before becoming Head of Strategic Business Services. In 2005, Mr Jervis-Allan relocated to London, joining Barclays as Head of Risk Control Unit. In 2007 Mr Jervis-Allan moved into Internal Audit as Head of Audit with Lloyds Banking Group, then Head of Global Corporate & Investment Banking (EMEA), Corporate Audit at Bank of America Merrill Lynch, before joining Itau BBA International plc as Head of Internal Audit.

Andrew Singh
Head of Human Resources

BA Hons Business Studies – University of Central Lancashire

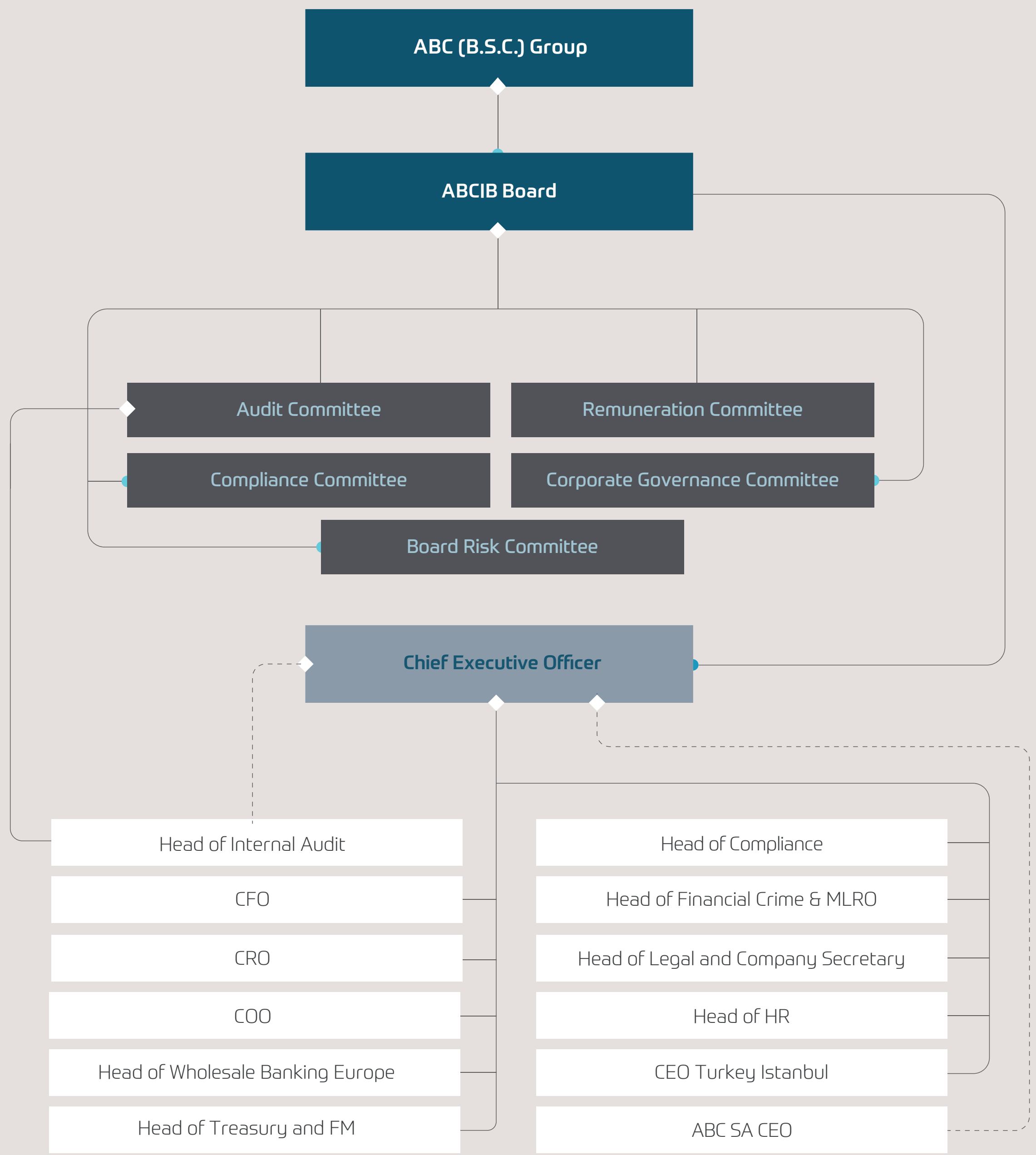
Mr. Singh joined the Bank in May 2020 has overall responsibility for the People agenda across the Bank. Mr Singh is a seasoned HR Leader with over 20 years' experience in Financial Services and Oil and Gas. Under Mr Singh's leadership the HR team provides end to end HR support to colleagues covering 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.

Kaswar Hameed
European Head of Financial Crime & UK MLRO

Law LLB (Hons) – De Montfort University; Diploma Anti Money Laundering, Diploma Financial Crime Prevention

Mr. Hameed joined the Bank in August 2024 as the European Head of Financial Crime and UK MLRO. Prior to this he was employed at Sumitomo Mitsui Banking Corporation (SMBC) as EMEA Head of Financial Crime Compliance and Delegated MLRO. He previously worked in the Middle East as the MLRO for SMBC and was authorised by the DFSA and QFCRA, as well as working at Visa Europe managing the anti-bribery and corruption framework, and prior to that spent 15 years in national and international law enforcement investigations, including money laundering, bribery, corruption, and fraud.

ABC INTERNATIONAL BANK PLC ORGANISATIONAL CHART



CORPORATE GOVERNANCE

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 the Bank for the benefit of its stakeholders as a whole. As well as carrying out its statutory duties and regulatory accountabilities, the Board ensures that the Bank'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 seven occasions during 2024.

Governance Committees

The Board has five committees, the Board Risk Committee, the Board Audit Committee, the Board 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 the Bank, reporting through the Chief Executive Officer to the Board of Directors. The Assets and Liabilities Committee ("ALCO"), Credit Portfolio Committee ("CPC"), Compliance & Financial Crime Committee ("CFCC"), Operational Resilience Committee ("OReC"), IT Steering Committee ("ITSC"), Reputational Risk Committee ("RRC") and European Business Acceptance Committee ("EBAC"), are the committees reporting to MANCOM. An additional sub-committee, the Liquidity Sub-Committee (LSC), reports to ALCO.

Board Risk Committee

The Board Risk Committee ("BRC") is a committee of the Bank's Board, 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 the Bank. The BRC supports Executive Management in embedding and ensuring that there is maintained throughout the Bank an effective risk management and internal control framework and a supportive culture in relation to the management of risk. The BRC advises the Board on the Bank's overall current and future risk appetite and reporting on the state of risk culture in the Bank. It is responsible for review, challenge and recommendation to the Board for approval of the overall risk management framework strategy and key regulatory documents and risk policies. The BRC's responsibilities also include review, recommendation and monitoring of the Bank's Risk Appetite Framework and Statement, strategic assessments (Internal Capital Adequacy Assessment Process (ICAAP); Internal Liquidity Adequacy Assessment Process (ILAAP), and; Resolution and Recovery Plan (RRP)), monitoring of the Stress Testing framework and oversight on current or emerging risks.

Board Audit Committee

The Board Audit Committee ("BAC") meets at least four times a year to give the Board an independent assessment of the adequacy of the Bank's policies on internal and external financial reporting and controls. The Committee is chaired by Mr. Andrew Neden. The Bank has an established internal audit function, with the Head of Internal Audit reporting jointly to the Chair of the BAC 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.

Board Compliance Committee

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

Remuneration Committee

The Remuneration Committee is chaired by Mr. Abdullah AlHumaidhi. The Committee meets at least 2 times a year to review the Bank's remuneration policy and the overall remuneration of the Bank'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 the Bank complies with all relevant regulatory remuneration codes and requirements.

Corporate Governance Committee

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

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. 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 Bank's Chief Risk Officer ("CRO"), who reports into the CEO and also has a reporting line into the Chair of the Board Risk Committee.

Credit Risk

Credit risk is managed by two management committees; transactional credit risk by the ABCIB Committee ("IBCC"), and; the credit portfolio as a whole by the Credit Portfolio Committee ("CPC").

IBCC 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 risk acceptance criteria.
- Delegate its authorities to a sub-committee.

CPC has the following roles and responsibilities:

- Review and recommend for approval all credit policies.
- Review and approve the design and use of credit models, including IFRS9 models.
- Monitor risk metrics relating to the overall credit portfolio, and recommend action where required.
- Review and approve credit impairment provisions, both individually and at a portfolio level.

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 assessments 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 its sub-committee, the Liquidity Sub-Committee (LSC). 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
- 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 Bank's Operational Risk Committee (ORCO) attended by the senior managers of each core business and support function.

Enterprise Risk Management

The Bank 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 subclasses of risk (credit, market, operational).

ERM facilitates management and Board oversight over all key risks. ERM also coordinates the agenda and relevant materials for Credit Portfolio Committee (CPC) and Board Risk Committee (BRC).

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

Financial Crime Risk

The Compliance and Financial Crime Committee ("CFCC") has the oversight responsibilities relating to maintaining and enforcing a strong and sustainable compliance culture. The responsibilities of the CFCC include the following:

- promoting a strong and sustainable ethical culture across the Bank;
- ensuring appropriate remedial or disciplinary action is taken if breaches are identified;
- establishing an appropriate compliance risk appetite;
- assessing that appropriate measures are in place to ensure financial crime risks are taken into account in day-to-day operation;
- ensuring that the Bank has an independent compliance function that is adequately resourced; and
- ensuring employees are educated on compliance related matters.

The Bank complies with the law in all its dealings and has zero tolerance for activities relating to intentional regulatory non-compliance or to financial crime. The Bank has a robust financial crime control framework which, given the ever-changing financial crime environment, the Bank is committed to developing and enhancing to ensure that it all times remains effective.

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 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

1. **Our opinion is unmodified**

We have audited the financial statements of ABC International Bank ("the Bank") for the year ended 31 December 2024 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 other than the disclosures labelled as unaudited in note 25.

In our opinion the financial statements:

- give a true and fair view of the state of the Bank's affairs as at 31 December 2024 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 the 4 financial years ended 31 December 2024.

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 UK public interest entities. We have not performed any non-audit services which are prohibited by the FRC Ethical Standard. Apart from the matter noted below, no non-audit services prohibited by that standard were provided.

A non-KPMG auditor whose work we use in our audit provided information in relation to the local pensions law to a representative office of the Bank during 2024. This service, for which the fee was negligible in relation to the audit fee, did not involve any management decision-making or bookkeeping and was not in relation to any work used in our audit. The subject matter has no direct effect on the Bank's financial statements.

In our professional judgment, we confirm that based on our assessment of this matter, our integrity and objectivity as auditor has not been compromised and we believe that an objective, reasonable and informed third party would conclude that the provision of this service would not impair our integrity or objectivity. The audit committee concurred with this view.

Overview	
Materiality:	**£2,000,000 (2023: £2,000,000)**
Financial statements as a whole	4.4% of Profit Before Tax (2023: 4.8% of Profit Before Tax)

Independent auditor's report to the members of
ABC International Bank PLC

2. **Key audit matter: our assessment of risk of material misstatement**

Key audit matter is a matter that, in our professional judgement, was of most significance in the audit of the financial statements and includes the most significant assessed risk of material misstatement (whether or not due to fraud) identified by us, including that 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. In the prior year, we reported a key audit matter in respect of the valuation of gross defined benefit obligation. As a result of the changes in economic conditions observed over the past two years, there has been a decrease in the valuation of the gross post-retirement benefit obligation at the Bank and this has reduced the degree of estimation uncertainty within the obligation. Based on this, we no longer consider this a key audit matter. We summarise below the key audit matter in arriving at our audit opinion above, together with our key audit procedures to address that matter and, as required for public interest entities, our results from those procedures. This matter was 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 this matter.

Key audit matter	The risk	Our response
IFRS 9 Expected Credit Loss ('ECL') £21 million; (2023: £21 million) *Refer to page 7-8 (Audit Committee Report), page 61-64 (accounting policy) and page 74-78, 86-87, 100-108 (financial disclosures).*	**Subjective estimate** **IFRS9 IFRS 9 ECL - Accuracy of the modelled ECL calculation :** • The calculation of expected credit losses uses complex and inherently judgemental modelling techniques. There is a risk that the ECL are inaccurate due to inappropriate or incorrect assumptions and calculations 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 ('PMAs'):** • We have identified a significant risk of error and fraud associated with the completeness of material post model adjustments due to high managerial judgment involved on whether a PMA is required or not.	We performed the following 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** • We involved our own modelling specialists to assist in challenging the judgments made by management in relation to modelled ECL by performing independent model monitoring. • We independently sourced PDs and LGDs and calculated an ECL that we then compared with the Bank's modelled ECL output. • We involved our own macroeconomic specialist to assist in our assessment of the key economic variables and the overall reasonableness of the economic forecasts.

Key audit matter	The risk	Our response
IFRS 9 Expected Credit Loss ('ECL') (continued)	**IFRS 9 - Economic scenarios** • The determination of economic scenarios and 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. **IFRS 9 - Individually assessed provisions** • The measurement of stage 3 assets is an inherently judgemental area. The lifetime ECL on customer exposures in stage 3 are individually determined based on certain assumptions about the recovery of the asset using various key inputs such as expected future cash flows and discount rates. • We have identified a significant risk of error associated with the appropriateness of the assumptions and methodology used for calculating the stage 3 provisions. 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 - Modelled ECL** • Tested the completeness and accuracy of the key inputs and assumptions into the ECL model. **Test of details - PMAs** • Challenged the completeness of post model adjustments. • Assessed whether judgements made by management were indicative of fraud or management bias. **Test of details - Economics** • Challenged the key assumptions underlying the macroeconomic variables as well as the scenario weights applied. **Test of details - Stage 3** • We challenged and recalculated the stage 3 provision for certain stage 3 names, by challenging the underlying management assumptions and scenarios. **Assessing transparency** • We assessed whether the disclosures appropriately disclose and address the uncertainty which exists when determining the ECL. **Our results** • We found the IFRS 9 ECL allowance recognised 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 £2,000,000 (2023: £2,000,000), determined with reference to a benchmark of profit before tax for the year, of which it represents 4.4% (2023 4.8%).

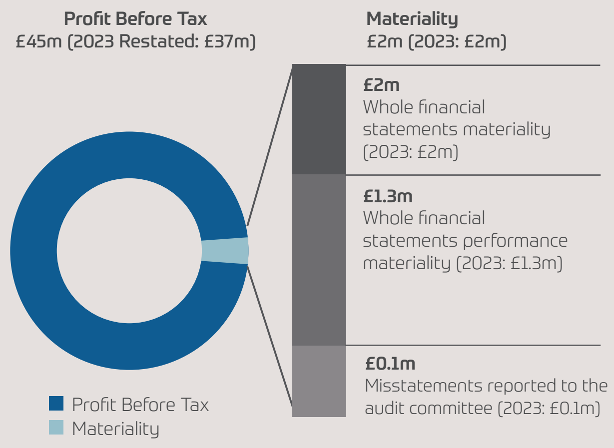
In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole. Performance materiality was set at 65% (2023 : 65%) of materiality for the financial statements as a whole, which equates to £1,300,000 (2023 : £1,300,000). We applied this percentage in our determination of performance materiality because we identified a number of deficiencies and misstatements indicating an elevated level of risk.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £100,000 (2023: £100,000), 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 and was performed by a single audit team.

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 communicated with the participating audit team throughout the audit by holding regular meetings. We also visited the Parent entity in Bahrain to assess the audit risk and strategy.



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").

The risk that we considered most likely to adversely affect the Bank's available financial resources over this period was the withdrawal of funding from Bank's parent entity.

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 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 period to the 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, and the risk that Bank's management may be involved, 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 judgemental 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.

On this audit we do not believe there is a fraud risk related to revenue recognition because the revenue is non-complex, there is no estimation or judgement involved, and the settlement side of the transaction can be traced to cash. We considered prior period results and the opportunity, incentive and attitude to assess fraud risk on this area where no issues were noted.

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.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias including judgemental 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

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.

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:

Independent auditor's report to the members of ABC International Bank PLC

- 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 41, 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 FCA
(Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
15 Canada Square
London, E14 5GL
10 March 2025

Year ended 31 December 2024 (All figures in £000)

INCOME **STATEMENT**

	Notes	2024	2023
			*Restated
Interest income calculated using the effective interest method	2	**193,757**	182,937
Other interest and similar income	2	**1,331**	2,204
Interest and similar expense	2	**(136,123)**	(124,331)
Net interest and similar income		**58,965**	60,810
Fees and commissions income	3	**41,193**	30,639
Fees and commissions expense	3	**(15,836)**	(14,258)
Net income from other financial instruments at FVTPL	3	**21,204**	5,828
Other operating income / (expense)	4	**(9,893)**	4,507
		36,668	26,716
Total operating income		**95,633**	87,526
General and administrative expenses	5	**(50,871)**	(46,964)
Impairment gain / (loss)	6	**262**	(3,785)
		(50,609)	(50,749)
Profit before tax		**45,024**	36,777
Taxation	8	**(10,911)**	(8,755)
Profit for the year attributable to owners		**34,113**	28,022

The notes on pages 55 to 118 are an integral part of the financial statements.
* The comparative information is restated. See note 37

Year ended 31 December 2024 (All figures in £000)

STATEMENT OF COMPREHENSIVE INCOME

	Notes	2024	2023
			*Restated
Profit for the year attributable to owners		**34,113**	28,022
Items that cannot be reclassified to income statement			
Foreign exchange movement		**155**	22
Actuarial gain / (loss) recognised on defined benefit pension scheme	36	**(1,055)**	111
Current and Deferred tax (charge) / credit relating to defined benefit pension scheme		**(69)**	(37)
Items that can be reclassified to income statement			
Deferred tax (charge) / credit relating to change in fair value of debt investments at FVOCI		**(333)**	(988)
Change in fair value of debt investments at FVOCI		**(1,044)**	2,406
Reclassification to income statement: debt investments at FVOCI		**1,954**	3,421
Change in ECL allowance for debt investments at FVOCI		**4**	(33)
Net gain / (loss) due to fair value hedging		**423**	(1,873)
Total comprehensive income for the year attributable to owners		**34,148**	31,051

The notes on pages 55 to 118 are an integral part of the financial statements.
* The comparative information is restated. See note 37

Year ended 31 December 2024 (All figures in £000)

STATEMENT OF FINANCIAL POSITION

REGISTRATION NO: 2564490

	Notes	2024	2023
			*Restated
Assets			
Cash and cash equivalents		**373,606**	535,241
Debt investments - FVOCI	12	**550,345**	494,318
Loans and advances to banks	10	**896,970**	604,546
Loans and advances to customers	11	**1,368,632**	1,290,334
Derivative financial assets	14	**20,825**	4,038
Tangible fixed assets	15	**35,131**	35,215
Current tax asset		**889**	-
Prepayments, accrued income and other debtors	17	**75,609**	62,556
Pension scheme asset	23	**1,347**	-
Investment in subsidiary	13	**163,776**	171,043
Total assets		**3,487,130**	3,197,291
Liabilities			
Deposits from banks	18	**1,793,118**	1,719,290
Customer deposits	19	**588,657**	460,063
Derivative financial liabilities	20	**1,190**	13,647
Other liabilities, accruals and deferred income	21	**208,793**	168,234
Current tax liability		**-**	491
Term borrowing	22	**256,013**	216,093
Pension scheme liability	36	**-**	209
Subordinated liabilities	23	**51,869**	51,121
Deferred tax liability	16	**1,016**	11
Total liabilities		**2,900,656**	2,629,159
Share capital	24	**212,296**	212,296
Retained earnings		**372,922**	355,584
Fair value reserve		**1,256**	252
Total equity		**586,474**	568,132
Total equity and liabilities		**3,487,130**	3,197,291

The directors approved and authorised the financial statements for issue on 10th March 2025

Dr. Khaled Kawan
Chairman

The notes on pages 55 to 118 are an integral part of the financial statements.
* The comparative information is restated. See note 37

Year ended 31 December 2024 (All figures in £000)

STATEMENT OF CHANGES IN EQUITY

	Share Capital	Retained Earnings	Fair Value Reserve	Total equity
		*Restated		*Restated
Balance at 1st January 2023**	212,296	334,086	(2,681)	543,701
Dividend paid	-	(6,620)	-	(6,620)
Comprehensive income				
Profit for the year	-	28,022	-	28,022
Other comprehensive (loss) / income	-	96	2,933	3,029
Balance at 31st December 2023	212,296	355,584	252	568,132

	Share Capital	Retained Earnings	Fair value reserve	Total equity
Balance at 1st January 2024*	212,296	355,584	252	568,132
Dividend paid	-	(15,806)	-	(15,806)
Comprehensive income				
Profit for the year	-	34,113	-	34,113
Other comprehensive (loss) / income	-	(969)	1,004	35
Balance at 31st December 2024	212,296	372,922	1,256	586,474

* The comparative information is restated. See note 37
** Opening balances as at 1st January 2023 are not materially impacted by the restatement as explained in Note 37.
The notes on pages 55 to 118 are an integral part of the financial statements.

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NOTES TO THE ACCOUNTS

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, which comprise the information on pages 51 to 118, except Note 25, 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 incorporating relevant geo-political scenarios whilst also considering idiosyncratic stress such as concentration risk 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

Amendments to IFRS 16 - Lease Liability in a Sale and Leaseback

The amendments in IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

The amendments had no impact on the Bank's financial statements.

Amendments to IAS 1 - Classification of Liabilities as Current or Non-current

The amendments to IAS 1 specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right; and
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

In addition, an entity is required to disclose when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

The amendments had no impact on the Bank's financial statements.

1.4 Summary of material accounting policies

The Bank has consistently applied the following material accounting policies to all periods presented in these financial statements except if mentioned otherwise.

Certain comparative amounts in the income statement, statement of financial position, and statement of changes in equity have been restated as a result of a correction of a prior-period error relating to the accrual of interest expense (as explained in Note 37).

1.4.1. Foreign currency translation

ABCIB's financial statements are presented in GBP 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.

1.4.2 Financial instruments - initial recognition and subsequent measurement

1.4.2.1 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 on settlement date when funds are transferred to the customers' accounts. The Bank recognises deposits from customers and banks on settlement date when funds are transferred to the Bank. Derivatives are recognised on a trade date basis.

1.4.2.2 Initial recognition of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments as described in 1.4.3. 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.

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.

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1.4.2.3 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 **1.4.3.1**
- FVOCI, as explained in Note **1.4.8**
- FVTPL

The Bank classifies and measures its derivative and trading portfolio at FVTPL as explained in Notes **1.4.5** and **1.4.6**. 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.

1.4.3 Financial assets and Liabilities

1.4.3.1 Loans and advances to banks & Loans and advances to customers

The Bank only measures Loans and advances to banks & Loans and advances to customers 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.

1.4.3.2 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.

1.4.3.3 SPPI test

The Bank assesses the contractual terms of financial asset 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.

1.4.4 Derecognition of financial assets and liabilities

1.4.4.1 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.

1.4.4.2 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.

1.4.5 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 same financial statement caption 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.

1.4.6 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 'Other operating income'. Interest and dividend income or expense is recorded in 'Other operating income' according to the terms of the contract, or when the right to payment has been established.

1.4.7 Sale and Repurchase agreements

Sale and Repurchase agreements are transactions in which the Bank sells a security and simultaneously agrees to repurchase it (or an asset that is substantially the same) at a fixed price on a future date. The Bank continues to recognise the securities in their entirety in the statement of financial position because it retains substantially all of the risk and rewards of ownership. The cash consideration received is recognised as a financial asset and a financial liability is recognised for the future obligation to pay the repurchase price. As the Bank sells the contractual rights to the cash flows of the securities, it does not have the ability to use the transferred assets during the term of the arrangement.

1.4.8 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.

1.4.9 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.

1.4.10 Letters of credit and undrawn loan commitments

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. These contracts are in the scope of the ECL requirements.

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The nominal contractual value of 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.

1.4.11 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.

1.4.12 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.

1.4.12.1 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 financial assets are first recognised, the Bank recognises an allowance based up to 12- month ECL.
- Stage 2 – Significant increase in credit risk: when a financial asset 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 financial assets.

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.

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 the IBCC.

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 amortized 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.

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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 fulfill 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 apply 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 amortized 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 validated. 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.

1.4.13 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.

1.4.14 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.

1.4.15 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.

1.4.15.1 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).

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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.

1.4.15.2 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.

1.4.15.3 Dividend income

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

1.4.16 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.

1.4.17 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.

1.4.18 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.

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.

1.4.19 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.

1.4.20 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank & in hand and balances at central banks. Cash and cash equivalents are carried at amortised cost in the statement of financial position. All highly liquid financial assets with original maturities of three months or less, are disclosed separately in Note 12 (Debt Investments – FVOCI).

1.4.21 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.

1.4.21.1 Bank acting as a lessee:

<u>Right-of-use assets</u>

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.

<u>Lease liabilities</u>

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.

<u>Short-term leases and leases of low-value assets</u>

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.

1.4.21.2 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'.

1.4.22 Pension benefits

1.4.22.1 Defined benefit pension plan

ABCIB participates in a defined benefit pension scheme, which requires contributions to be made to a separately administered fund. The scheme was closed to new members on 1st July 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.

1.4.22.2 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.

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1.4.23 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'.

1.4.24 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.

2. Net interest and similar income / expense

	2024	2023
		*Restated
Interest income calculated using effective interest method		
Loans and advances to banks	**55,190**	59,788
Loans and advances to customers	**94,969**	87,613
Loans and advances to banks measured at FVOCI	**1,849**	2,237
Debt instruments at FVOCI	**22,929**	21,424
Cash and cash equivalents	**16,779**	10,844
Others	**2,041**	1,031
	193,757	182,937
Other interest and similar income		
Loans and advances to banks measured at FVTPL	**1,331**	2,204
	1,331	2,204
Total interest and similar income	**195,088**	185,141
Interest and similar expense		
Deposits from banks	**87,608**	89,117
Customer deposits	**30,156**	17,604
Subordinated liabilities	**4,520**	3,993
Term borrowing	**13,010**	12,666
Others	**829**	951
	136,123	124,331
Net Interest Income	**58,965**	60,810

* See note 37

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

	2024				
	FVTPL	Amortised Cost	FVOCI	Non financial instruments	Total
Interest and similar income	**1,331**	**168,979**	**24,778**	**-**	**195,088**
Interest and similar expense	**-**	**(136,123)**	**-**	**-**	**(136,123)**
Net Interest and similar income	**1,331**	**32,856**	**24,778**	**-**	**58,965**
Fees and commissions income	**-**	**41,193**	**-**	**-**	**41,193**
Fees and commissions expense	**-**	**(15,836)**	**-**	**-**	**(15,836)**
Net income from other financial instruments at FVTPL	**21,204**	**-**	**-**	**-**	**21,204**
Other operating income / (expense)	**(13,712)**	**592**	**-**	**3,227**	**(9,893)**
Total operating income	**8,823**	**58,805**	**24,778**	**3,227**	**95,633**

	2023 * Restated				
	FVTPL	Amortised Cost	FVOCI	Non financial instruments	Total
		* Restated			* Restated
Interest and similar income	2,204	159,276	23,661	-	185,141
Interest and similar expense	-	(124,331)	-	-	(124,331)
Net Interest and similar income	2,204	34,945	23,661	-	60,810
Fees and commissions income	-	30,639	-	-	30,639
Fees and commissions expense	-	(14,258)	-	-	(14,258)
Net income from other financial instruments at FVTPL	5,828	-	-	-	5,828
Other operating income / (expense)	3,181	978	-	348	4,507
Total operating income	11,213	52,304	23,661	348	87,526

* See note 37

	2024			2023		
	Global Transaction Banking	Real Estate & IFS	Treasury	Global Transaction Banking	Real Estate & IFS	Treasury
Fees and commissions income	**35,855**	**5,290**	**47**	27,095	2,966	578
Fees and commissions expense	**(14,132)**	**(866)**	**(837)**	(13,136)	-	(1,122)
	21,723	**4,424**	**(790)**	13,959	2,966	(544)

4. Other operating income / (expense)

	2024	2023
Rental income	**375**	375
Profit on sale of commercial assets	**592**	978
Net gain from foreign exchange	**(12,903)**	3,181
Dividend income	**1,790**	-
Other	**253**	(27)
	(9,893)	4,507

5. General and administrative expenses

	2024	2023
a) Staff costs:		
Salaries	**31,208**	28,710
Social security costs	**2,973**	2,735
Pension costs (note 36)		
- Defined contribution schemes	**2,181**	1,885
	36,362	33,330
Depreciation	**1,661**	1,487
Other administrative expenses (including auditors' remuneration - see Note 7)	**12,848**	12,147
	50,871	46,964

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

	2024 Number	2023 Number
The average monthly number of employees during the year:	**231**	215

b) Directors' remuneration:

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

	2024	2023
Aggregate remuneration in respect of qualifying services	**1,447**	1,280
In respect of the highest paid Director:		
- Aggregate remuneration in respect of qualifying services	**1,082**	912

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6. Impairment gain / (loss)

	2024	2023
The net gain / (loss) for the year in respect of provisions is made up as follows:		
Loans and advances to banks (Note 10)	**1,650**	1,176
Loans and advances to customers (Note 11)	**297**	(5,328)
Debt investments - FVOCI (Note 12)	**(4)**	33
Credit commitments (Off-balance sheet) (Note 26)	**(1,774)**	446
Foreign exchange	**93**	(112)
	262	(3,785)

7. Auditors' remuneration

		2024	2023
Auditors' remuneration:	audit of the company's financial statements	**(1,134)**	(832)
	audit of subsidiaries of the company	**-**	(11)
	audit related assurance services	**(82)**	(82)
	Other assurance services	**(16)**	(16)
		(1,232)	(941)

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8. Taxation

	2024	2023
		*Restated
Analysis of tax charge for the year		
Current tax:		
UK corporation tax - Current year	(10,239)	(7,960)
Adjustment in respect of prior years	-	203
Foreign tax relief / other relief	68	75
Foreign tax - Current year	(68)	(75)
Total current tax	(10,239)	(7,757)
Deferred tax:		
Current year	(763)	(959)
Adjustment in respect of previous periods	91	21
Effect of changes in tax rates	-	(60)
Total deferred tax	(672)	(998)
Total tax charge in the Income Statement	(10,911)	(8,755)
Amounts not charged to the income statement		
Current tax	264	138
Deferred tax (charge) / credit on defined benefit pension scheme actuarial (gain) / loss	-	(175)
Deferred tax (charge) / credit on AFS	(333)	(988)
Total amount not charged to the income statement	(69)	(1,025)
Factors affecting tax charge for the year		
The differences are explained below:		
Profit on ordinary activities before tax	45,024	36,777
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 25% (2023: 23.52%)	(11,256)	(8,650)
Effect of:		
Disallowed expenses and non-taxable income	(186)	(25)
Prior year adjustment	91	224
Deferred tax unrecognised, tax rate changes and exempt amounts	448	(296)
Amounts not recognised	(8)	(8)
Total tax charge in Income Statement	(10,911)	(8,755)

* See note 37

Year ended 31 December 2024 (All figures in £000)

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9. Analysis of assets and liabilities by classification:

	2024				
	FVTPL	Amortised Cost	FVOCI	Non financial instruments and others	Total
Cash and cash equivalents	-	373,606	-	-	373,606
Loans and advances to banks	34,940	841,686	20,344	-	896,970
Loans and advances to customers	-	1,368,632	-	-	1,368,632
Debt investments - FVOCI	-	-	550,345	-	550,345
Derivative financial assets	20,825	-	-	-	20,825
Tangible fixed assets	-	-	-	35,131	35,131
Current tax asset	-	-	-	889	889
Pension scheme asset	-	-	-	1,347	1,347
Investment in subsidiary	-	-	-	163,776	163,776
Prepayments, accrued income and other debtors	-	69,349	-	6,260	75,609
Total assets	55,765	2,653,273	570,689	207,403	3,487,130
Deposits from banks	-	1,793,118	-	-	1,793,118
Customer deposits	-	588,657	-	-	588,657
Derivative financial liabilities	1,190	-	-	-	1,190
Other liabilities, accruals and deferred income	-	203,508	-	5,285	208,793
Current tax liability	-	-	-	-	-
Pension scheme liability	-	-	-	-	-
Term borrowing	-	256,013	-	-	256,013
Subordinated liabilities	-	51,869	-	-	51,869
Deferred tax liability	-	-	-	1,016	1,016
Total liabilities	1,190	2,893,165	-	6,301	2,900,656

Year ended 31 December 2024 (All figures in £000)

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

	2023 * Restated				
	FVTPL	Amortised Cost	FVOCI	Non financial instruments and others	Total
		* Restated		* Restated	* Restated
Cash and cash equivalents	-	535,241	-	-	535,241
Loans and advances to banks	22,041	568,411	14,094	-	604,546
Loans and advances to customers	-	1,290,334	-	-	1,290,334
Debt investments - FVOCI	-	-	494,318	-	494,318
Derivative financial assets	4,038	-	-	-	4,038
Tangible fixed assets	-	-	-	35,215	35,215
Current tax asset	-	-	-	-	-
Deferred tax asset	-	-	-	-	-
Investment in subsidiary	-	-	-	171,043	171,043
Prepayments, accrued income and other debtors	-	39,141	-	23,415	62,556
Total assets	26,079	2,433,127	508,412	229,673	3,197,291
Deposits from banks	-	1,719,290	-	-	1,719,290
Customer deposits	-	460,063	-	-	460,063
Derivative financial liabilities	13,647	-	-	-	13,647
Other liabilities, accruals and deferred income	-	163,903	-	4,331	168,234
Current tax liability	-	-	-	491	491
Pension scheme liability	-	-	-	209	209
Term borrowing	-	216,093	-	-	216,093
Subordinated liabilities	-	51,121	-	-	51,121
Deferred tax liability	-	-	-	11	11
Total liabilities	13,647	2,610,470	-	5,042	2,629,159

10. Loans and advances to banks

	2024	2023
Gross carrying amount repayable:		
on demand	**10,832**	18,810
within three months	**276,683**	214,366
between three months and one year	**376,396**	229,877
between one and five years	**218,310**	144,354
after five years	**15,960**	-
	898,181	607,407
(less) ECL allowance	**(1,211)**	(2,861)
Net carrying Amount	**896,970**	604,546
Loans and advances to banks - amortised cost	**842,897**	571,272
Loans and advances to banks - measured at FVTPL	**34,940**	22,041
Loans and advances to banks - measured at FVOCI	**20,344**	14,094
	898,181	607,407

10. Loans and advances to banks (continued):

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

	2024			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount				
As at 1 January 2024	607,230	-	177	607,407
New assets originated / purchased	815,268	-	-	815,268
Assets fully repaid or derecognised (excluding write-offs)	(511,762)	-	(170)	(511,932)
Transfers to stage 1	-	-	-	-
Transfers to stage 2	-	-	-	-
Transfers to stage 3	-	-	-	-
Partial redemptions and other drawdowns	(21,443)	-	-	(21,443)
Recoveries	-	-	-	-
Amounts written-off	-	-	(10)	(10)
Foreign exchange & other adjustments	8,888	-	3	8,891
As at 31 December 2024	898,181	-	-	898,181
ECL allowance				
As at 1 January 2024	2,684	-	177	2,861
New assets originated / purchased	1,180	-	-	1,180
Assets fully repaid or derecognised (excluding write-offs)	(2,601)	-	(170)	(2,771)
Net remeasurement of loss allowance	-	-	-	-
Transfers to stage 1	-	-	-	-
Transfers to stage 2	-	-	-	-
Transfers to stage 3	-	-	-	-
Partial redemptions and other drawdowns	(53)	-	-	(53)
Recoveries	-	-	-	-
Amounts written-off	-	-	(10)	(10)
Foreign exchange & other adjustments	1	-	3	4
As at 31 December 2024	1,211	-	-	1,211
Net carrying amount	896,970	-	-	896,970

10. Loans and advances to banks (continued):

	2023			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount				
As at 1 January 2023	1,040,396	-	237	1,040,633
New assets originated / purchased	572,222	-	-	572,222
Assets fully repaid or derecognised (excluding write-offs)	(939,611)	-	-	(939,611)
Transfers to stage 1	-	-	-	-
Transfers to stage 2	-	-	-	-
Transfers to stage 3	-	-	-	-
Partial redemptions and other drawdowns	(9,936)	-	-	(9,936)
Recoveries	-	-	(50)	(50)
Amounts written-off	-	-	-	-
Foreign exchange & other adjustments	(55,841)	-	(10)	(55,851)
As at 31 December 2023	607,230	-	177	607,407
ECL allowance				
As at 1 January 2023	3,800	-	237	4,037
New assets originated / purchased	2,598	-	-	2,598
Assets fully repaid or derecognised (excluding write-offs)	(3,527)	-	-	(3,527)
Net remeasurement of loss allowance	-	-	-	-
Transfers to stage 1	-	-	-	-
Transfers to stage 2	-	-	-	-
Transfers to stage 3	-	-	-	-
Partial redemptions and other drawdowns	(4)	-	-	(4)
Changes to models and inputs used for ECL calculations	-	-	-	-
Recoveries	-	-	(50)	(50)
Amounts written-off	-	-	-	-
Foreign exchange & other adjustments	(183)	-	(10)	(193)
As at 31 December 2023	2,684	-	177	2,861
Net carrying amount	604,546	-	-	604,546

11. Loans and advances to customers

	2024	2023
Gross carrying amount repayable:		
on demand	**442**	4,222
within three months	**678,919**	845,995
between three months and one year	**324,732**	260,478
between one and five years	**346,507**	194,477
after five years	**34,737**	2,164
	1,385,337	1,307,336
(less) ECL allowance	**(16,705)**	(17,002)
Net carrying Amount	**1,368,632**	1,290,334

Year ended 31 December 2024 (All figures in £000)

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11. Loans and advances to customers (continued):

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

	2024			
	Stage 1*	Stage 2	Stage 3**	Total
Gross carrying amount				
As at 1 January 2024	1,225,745	41,723	39,868	1,307,336
New assets originated / purchased	1,207,460	-	-	1,207,460
Assets fully repaid or derecognised (excluding write-offs)	(1,073,532)	(14,127)	(14,306)	(1,101,965)
Transfers to stage 1	-	-	-	-
Transfers to stage 2	-	-	-	-
Transfers to stage 3	-	(21,725)	21,725	-
Partial redemptions and other drawdowns	(33,096)	-	(2,149)	(35,245)
Recoveries	-	-	(44)	(44)
Amounts written-off	-	-	-	-
Foreign exchange & other adjustments	5,803	204	1,788	7,795
As at 31 December 2024	1,332,380	6,075	46,882	1,385,337
ECL allowance				
As at 1 January 2024	1,096	31	15,875	17,002
New assets originated / purchased	695	-	-	695
Assets fully repaid or derecognised (excluding write-offs)	(121)	(21)	(2,301)	(2,443)
Net remeasurement of loss allowance	312	-	1,788	2,100
Transfers to stage 1	-	-	-	-
Transfers to stage 2	-	-	-	-
Transfers to stage 3	-	(1)	1	-
Partial redemptions and other drawdowns	(474)	-	-	(474)
Recoveries	-	-	(44)	(44)
Amounts written-off	-	-	-	-
Foreign exchange & other adjustments	16	-	(147)	(131)
As at 31 December 2024	1,524	9	15,172	16,705
Net carrying amount	1,330,856	6,066	31,710	1,368,632

*£62 million of credit enhancements via export credit agency guarantee.

**£2.3 million of credit enhancements via export credit agency guarantee.

11. Loans and advances to customers (continued):

	2023			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount				
As at 1 January 2023	979,678	108,221	25,547	1,113,446
New assets originated / purchased	1,104,115	30,451	-	1,134,566
Assets fully repaid or derecognised (excluding write-offs)	(743,513)	(101,159)	(2,110)	(846,782)
Transfers to stage 1	-	-	-	-
Transfers to stage 2	(6,573)	6,573	-	-
Transfers to stage 3	(2,536)	(14,100)	16,636	-
Partial redemptions and other drawdowns	(32,682)	(1,404)	-	(34,086)
Recoveries	-	-	(43)	(43)
Amounts written-off	-	-	-	-
Foreign exchange & other adjustments	(72,744)	13,141	(162)	(59,765)
As at 31 December 2023	1,225,745	41,723	39,868	1,307,336
ECL allowance				
As at 1 January 2023	1,569	3,636	6,469	11,674
New assets originated / purchased	604	17	-	621
Assets fully repaid or derecognised (excluding write-offs)	(275)	(2,260)	-	(2,535)
Net remeasurement of loss allowance	-	(488)	8,853	8,365
Transfers to stage 1	-	-	-	-
Transfers to stage 2	(5)	5	-	-
Transfers to stage 3	-	(670)	670	-
Partial redemptions and other drawdowns	(633)	(14)	-	(647)
Changes to models and inputs used for ECL calculations	-	-	-	-
Recoveries	-	-	(43)	(43)
Amounts written-off	-	-	-	-
Foreign exchange & other adjustments	(164)	(195)	(74)	(433)
As at 31 December 2023	1,096	31	15,875	17,002
Net carrying amount	1,224,649	41,692	23,993	1,290,334

12. Debt investments - FVOCI

	2024	2023
Listed (Debt investments)	**550,345**	494,318
	550,345	494,318
Due within one year *	**209,933**	336,436
Due between one and two years	**98,732**	15,026
Due between two and five years	**172,848**	127,927
Due after 5 years	**68,832**	14,929
	550,345	494,318

*The balance comprises of £32m of highly liquid financial assets with original maturities of three months or less.

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

Year ended 31 December 2024 (All figures in £000)

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12. Debt investments - FVOCI (continued):

The movement on debt investments is as follows:

	2024	2023
At 1st January	**494,318**	574,839
Additions	**412,840**	371,706
Repayments and disposals	**(338,111)**	(442,732)
Fair value movement	**1,202**	4,332
Exchange movements	**(19,904)**	(13,827)
At 31st December	**550,345**	494,318

13. Shares in group undertakings

ABCIB owns the following investments in subsidiaries:

	Nature of business	Country of registration	Ownership %
Abcint Nominees Limited	Nominee company	England	100%
ABCIB Islamic Asset Management Limited	Advisory services	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 French subsidiary which is the hub of the Bank's European operations. During 2019 and 2020 there were capital injections of €4.96 million and €177.15 million respectively by ABCIB.

14. Derivative financial assets

	2024	2023
Interest rate swaps	**2,813**	3,026
Foreign exchange contracts	**18,012**	1,012
	20,825	4,038

NOTES TO THE ACCOUNTS

15. Tangible fixed assets

	Freehold land and buildings	Leasehold improvements	Furniture and fittings	Office equipment	Total
Cost:					
At 1st January 2024	**37,406**	**2,271**	**2,446**	**10,231**	**52,354**
Additions	**-**	**809**	**342**	**243**	**1,394**
Disposals	**-**	**-**	**-**	**-**	**-**
At 31st December 2024	**37,406**	**3,080**	**2,788**	**10,474**	**53,748**
Depreciation:					
At 1st January 2024	**4,220**	**1,846**	**2,193**	**8,880**	**17,139**
Charge for the year	**563**	**242**	**48**	**625**	**1,478**
Disposals	**-**	**-**	**-**	**-**	**-**
At 31st December 2024	**4,783**	**2,088**	**2,241**	**9,505**	**18,617**
Net book value					
At 31st December 2024	**32,623**	**992**	**547**	**969**	**35,131**

	Freehold land and buildings	Leasehold improvements	Furniture and fittings	Office equipment	Total
Cost:					
At 1st January 2023	37,406	2,205	2,420	9,127	51,158
Additions	-	66	26	1,104	1,196
Disposals	-	-	-	-	-
At 31st December 2023	37,406	2,271	2,446	10,231	52,354
Depreciation:					
At 1st January 2023	3,657	1,644	2,172	8,276	15,749
Charge for the year	563	202	21	604	1,390
Disposals	-	-	-	-	-
At 31st December 2023	4,220	1,846	2,193	8,880	17,139
Net book value					
At 31st December 2023	33,186	425	253	1,351	35,215

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

Year ended 31 December 2024 (All figures in £000)

NOTES TO THE ACCOUNTS

16. Deferred tax asset / (liability)

	2024	2023
At 1st January	**(11)**	2,149
Recognised deferred tax (charge) / credit to income statement for the period	**(763)**	(1,019)
Deferred tax (charge) / credit in OCI for the period	**(333)**	(1,162)
Adjustment in respect of prior years	**91**	21
At 31st December	**(1,016)**	(11)
The major components of the deferred tax asset are as follows:		
Deferred tax on IFRS9 Day 1 impact	**533**	712
Debt Investments at FVOCI	**(331)**	2
Liability in respect of temporary differences trading	**31**	70
Liability in respect of accelerated capital allowances	**(912)**	(847)
Deferred tax asset on pension	**(337)**	52
	(1,016)	(11)

Management has performed a review of recoverability of deferred tax assets considering forecast profits for the next three years. There are unrecognised deferred tax assets in relation to foreign exchange gain on shares in subsidiaries of £12,717,394 (2023: £12,717,394).

A fiscal announcement on 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 went ahead as planned. The corporation tax rate increased 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 the Deferred tax closing to be at 25%.

17. Prepayments, accrued income and other debtors

	2024	2023
Interest receivable	**32,787**	26,463
Prepayments and accrued income	**4,215**	2,793
Right-of-use asset (Note 27)	**378**	122
FX Contracts	**32,347**	9,885
Other	**5,882**	23,293
	75,609	62,556

Year ended 31 December 2024 (All figures in £000)

18. Deposits from banks

	2024	2023
Repayable:		
on demand	**431,056**	272,876
within three months	**512,210**	391,271
between three months and one year	**79,194**	165,530
between one and five years	**770,658**	889,613
	1,793,118	1,719,290

19. Customer deposits

	2024	2023
Repayable:		
on demand	**65,264**	57,725
within three months	**290,618**	276,398
between three months and one year	**232,775**	125,940
	588,657	460,063

20. Derivative financial liabilities

	2024	2023
Interest rate swaps	**662**	536
Foreign exchange contracts	**528**	13,111
	1,190	13,647

21. Other liabilities, accruals and deferred income

	2024	2023
		* Restated
Interest payable	**13,662**	10,971
Accruals and deferred income	**13,861**	11,755
Lease liability	**383**	170
FX Contracts	**32,366**	9,885
Cash collateral on securities lent and repo arrangements**	**143,619**	131,292
Other	**4,902**	4,161
	208,793	168,234

**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 1.4.7

The Bank has been involved in a legal dispute regarding a Trade Financing arrangement in which the Bank acted as the confirming bank. During 2023, a court ruled that the Bank should make a payment to the beneficiary amounting to c.EUR1.3m, however the Bank, under Article 7(c) of UCP600 (Uniform Customs and Practice for Documentary Credits), has automatic right of reimbursement from the issuing Bank, for which it currently holds cash collateral from the issuing Bank. In addition, the original court ruling is being appealed for which the Bank, informed by external counsel, deem the prospects of success to be probable. Hence the Bank discloses this contingent liability and reimbursement right, however no asset or liability has been recognized in these financial statements. Overall, no economic outflow is expected in relation to this matter.

In respect of a historical client legal dispute, for which the Bank has received reimbursement under an insurance policy in a prior period, a settlement agreement was signed with the client in 2023 whereby the client will re-imburse the Bank in equal periodic instalments until January 2026. On the basis that these re-imbursements by the client are due and payable to the insurance company when received and the significant uncertainty that exists as to whether the payments will be received, a contingent asset and corresponding liability of c.£2.78m is assessed by the Bank. No asset or liability has been recognized in these financial statements in relation to this dispute as their existence will only be confirmed by uncertain future events not wholly within the control of the Bank. Overall, no economic outflow is expected in relation to this matter.

* See note 37

22. Term borrowing

	2024	2023
Repayable:		
within one year	**174,648**	78,460
between one and two years	**81,365**	137,633
	256,013	216,093

Interest on all term borrowing is calculated by reference to SONIA, SOFRA or EURIBOR plus margins

23. Subordinated liabilities

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

	2024	2023
USD 65 million Subordinated Debt carrying interest at three months SONIA plus 3.36%	**51,869**	51,121
	51,869	51,121

On 7th December 2023 ABCIB issued an FRN for USD 65 million repayable at par on 31st December 2033. The subordinated liabilities are due to the Immediate Parent Undertaking.

NOTES TO THE ACCOUNTS

24. Share capital

	Authorised	Issued
Ordinary shares of £1 each		
At 1st January 2024	300,000	212,296
At 31st December 2024	300,000	212,296

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 2024 and 2023.

ABCIB's capital is divided into two tiers:

- Tier 1 capital comprises equity shareholders' funds.
- Tier 2 capital comprises the USD 65 million subordinated debt 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	2024	2023
		* Restated
Share capital	212,296	212,296
Retained earnings	372,922	355,584
Foreseeable dividend	(17,056)	(15,806)
Net regulatory adjustment from investment in subsidiary**	(107,043)	(116,045)
Other regulatory adjustments	(830)	(2,090)
Tier 1 Capital	460,289	433,939

Year ended 31 December 2024 (All figures in £000)

NOTES TO THE ACCOUNTS

25. Regulatory capital (continued):

	2024	2023
Subordinated liability	51,869	51,121
Tier 2 capital	51,869	51,121
Total regulatory capital	512,158	485,060
Risk-weighted assets (unaudited)		
Risk-weighted assets		
Credit and counterparty credit risk	2,498,321	2,238,567
Operational risk	163,455	147,437
Market risk	15,285	5,823
Total	2,677,061	2,391,827
Risk-weighted assets included in the totals above in respect of:		
-contingent liabilities	138,664	136,700
-commitments	245,272	225,607
Risk Asset Ratio		
Total capital	17.2%	20.3%
Tier 1 Capital Ratio	19.1%	18.1%

Tier 1 Capital incorporates the profit for the respective years.

* See note 37

** Treatment permitted under CRR article 48(a)

Year ended 31 December 2024 (All figures in £000)

NOTES TO THE ACCOUNTS

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:

	2024	2023
Contingent items	696,786	608,707
Credit commitments	472,976	399,114
	1,169,762	1,007,821

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

	2024			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount				
As at 1 January 2024	954,032	52,112	1,677	1,007,821
New exposures	619,443	22,668	33	642,144
Matured exposures	(466,867)	-	(222)	(467,089)
Transfers to stage 1	47,963	(47,963)	-	-
Transfers to stage 2	(3,744)	3,744	-	-
Transfers to stage 3	(13,925)	-	13,925	-
Partial redemptions and other drawdowns	(24,555)	(91)	(3,226)	(27,872)
Amounts written off	-	-	-	-
Foreign exchange & other adjustments	13,970	764	24	14,758
As at 31 December 2024	1,126,317	31,234	12,211	1,169,762
ECL allowance				
As at 1 January 2024	607	122	605	1,334
New exposures	100	38	-	138
Matured exposures	(42)	(125)	-	(167)
Net remeasurement of loss allowance	520	-	1,508	2,028
Transfers to stage 1	-	-	-	-
Transfers to stage 2	(2)	2	-	-
Transfers to stage 3	(28)	-	28	-
Partial redemptions and other drawdowns	(243)	-	-	(243)
Amounts written off	-	-	-	-
Foreign exchange & other adjustments	9	1	8	18
As at 31 December 2024	921	38	2,149	3,108

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

NOTES TO THE ACCOUNTS

26. Credit commitments and contingent items (continued):

	2023			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount				
As at 1 January 2023	821,870	10,742	910	833,522
New exposures	732,134	33,878	-	766,012
Matured exposures	(492,283)	-	-	(492,283)
Transfers to stage 1	-	-	-	-
Transfers to stage 2	(8,069)	8,069	-	-
Transfers to stage 3	(823)	-	823	-
Partial redemptions and other drawdowns	(54,682)	-	(7)	(54,689)
Amounts written off	-	-	-	-
Foreign exchange & other adjustments	(44,115)	(577)	(49)	(44,741)
As at 31 December 2023	954,032	52,112	1,677	1,007,821
ECL allowance				
As at 1 January 2023	1,094	47	639	1,780
New exposures	252	47	-	299
Matured exposures	(210)	-	-	(210)
Net remeasurement of loss allowance	-	-	-	-
Transfers to stage 1	-	-	-	-
Transfers to stage 2	(31)	31	-	-
Transfers to stage 3	-	-	-	-
Partial redemptions and other drawdowns	(444)	-	-	(444)
Amounts written off	-	-	-	-
Impact on year end ECL of exposures transferred between stages	-	-	-	-
Foreign exchange & other adjustments	(54)	(3)	(34)	(91)
As at 31 December 2023	607	122	605	1,334

Year ended 31 December 2024 (All figures in £000)

27. Leases

i) Bank acting as a lessee (IFRS16)

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

	2024			
Right-of-use assets	Land and buildings	IT equipment	Motor vehicles	Total
Balance at 1 January	26	69	27	122
Depreciation charge for the year	(49)	(17)	(115)	(181)
Additions to right-of-use assets	30	-	407	437
Balance at 31 December	**7**	**52**	**319**	**378**

ii) Amounts recognised in profit or loss

	2024	2023
Interest on lease liabilities	**96**	35

iii) Bank acting as a lessor

The Bank acts as a lessor for commercial leases for premises in respect of ABC House. The following table sets out the maturity analysis of lease receivables, showing the lease payments to be received after the reporting date:

	2024	2023
Within one year	**375**	375
After one year but not more than five years	**488**	863
	863	1,238

28. Financial Instrument Contracts

i) 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 the benchmark rate of interest. Such changes are usually the largest overall component of the overall change in fair value. The Bank primarily designates the benchmark rate as the hedged risk and, accordingly, enters into interest swaps whereby the fixed legs represent the economic risks of the hedged items. 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.

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.

	2024			2023		
	FV - Assets	FV - Liabilities	Notional amount	FV - Assets	FV - Liabilities	Notional amount
Derivatives held for trading						
Forward foreign exchange contracts	**15,616**	**528**	**603,540**	325	13,111	841,668
Total at 31st December	**15,616**	**528**	**603,540**	325	13,111	841,668
Derivatives used for fair value hedging						
Forward foreign exchange contracts	**2,396**	**-**	**133,484**	687	-	133,029
Interest rate swaps	**2,813**	**662**	**87,380**	3,026	536	62,131
Total at 31st December	**5,209**	**662**	**220,864**	3,713	536	195,160
Total at 31st December	**20,825**	**1,190**	**824,404**	4,038	13,647	1,036,828

28. Financial Instrument Contracts (continued):

i) Derivative financial instruments (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 4.16% (2023: 3.64%).

The average forward foreign exchange rate (EUR/GBP) used in hedging instruments for the investment in subsidiary fair value hedge relationship was 0.84 (2023: 0.87), with an average duration of less than 1 year (2023: less than 1 year).

The amounts relating to items designated as hedging instruments and hedge ineffectiveness at 31 December 2024 and 31 December 2023 were as follows:

	2024						
		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	133,484	2,396	-	Derivative financial assets	5,144	Net income from other financial instruments at FVTPL	-
Deposits	41,466	-	41,466	Deposits from banks / Customer deposits	2,123	Other operating income / (expense)	-
Interest rate risks							
Interest rate swaps	87,380	2,813	662	Derivative financial assets / liabilities	(303)	Net income from other financial instruments at FVTPL	-

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	2023						
		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	133,029	687	-	Derivative financial assets	660	Net income from other financial instruments at FVTPL	-
Deposits	50,545	-	50,545	Deposits from banks / Customer deposits	2,598	Other operating income / (expense)	-
Interest rate risks							
Interest rate swaps	62,131	3,026	536	Derivative financial assets / liabilities	(378)	Net income from other financial instruments at FVTPL	-

The amounts relating to hedging ineffectiveness for 2024 were Nil (2023: Nil)

Year ended 31 December 2024 (All figures in £000)

28. Financial Instrument Contracts (continued):

i) Derivative financial instruments (continued):

Fair value hedges (continued):

The amounts relating to items designated as hedged items at 31 December 2024 and 31 December 2023 were as follows:

	2024						
	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	163,776	-	-	(7,267)	Investment in subsidiary	(7,267)	-
Interest rate risks							
Fixed-rate bonds	94,193	-	2,151	-	Debt investments - FVOCI*	2,151	-

**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.*

	2023						
	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	171,043	-	-	(3,259)	Investment in subsidiary	(3,259)	-
Interest rate risks							
Fixed-rate bonds	59,991	-	2,490	-	Debt investments - FVOCI*	2,490	-

**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.*

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28. Financial Instrument Contracts (continued):

i) Derivative financial instruments (continued):

Maturity analysis of derivatives by nominal amount

	2024						
	Not more than 1 month	More than 1 month but not more than 3 months	More than 3 months but not more than 6 months	More than 6 months but not more than 1 year	More than 1 year but not more than 5 years	More than 5 years	Total
Foreign exchange risk							
Forward foreign exchange contracts	21,882	67,775	43,827	-	-	-	133,484
Interest rate risks							
Interest rate swaps	-	3,990	3,990	3,990	51,470	23,940	87,380

	2023						
	Not more than 1 month	More than 1 month but not more than 3 months	More than 3 months but not more than 6 months	More than 6 months but not more than 1 year	More than 1 year but not more than 5 years	More than 5 years	Total
Foreign exchange risk							
Forward foreign exchange contracts	88,264	17,684	27,081	-	-	-	133,029
Interest rate risks							
Interest rate swaps	-	-	3,932	-	50,334	7,865	62,131

ii) 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.

	2024					
	Not more than 3 months	More than 3 months but not more than 6 months	More than 6 months but not more than 1 year	More than 1 year but not more than 5 years	More than 5 years	Carrying Amount
Assets						
Cash and cash equivalents	373.7	-	-	-	-	373.7
Loans and advances to banks	594.5	157.7	81.8	64.2	-	898.2
Loans and advances to customers	1,180.7	171.5	13.2	0.9	-	1,366.3
Debt investments - FVOCI	288.4	64.5	3.9	144.5	49.0	550.3
	2,437.3	393.7	98.9	209.6	49.0	3,188.5
Liabilities and shareholders' funds						
Deposits from banks	1,713.9	79.2	-	-	-	1,793.1
Customer deposits	355.9	170.8	62.0	-	-	588.7
Term borrowing and subordinated liabilities	174.7	81.3	-	-	-	256.0
	2,244.5	331.3	62.0	-	-	2,637.8
Effect of derivatives held for risk management	83.4	(4.0)	(4.0)	(51.5)	(23.9)	-
Interest rate repricing gap	276.2	58.4	32.9	158.1	25.1	550.7

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Year ended 31 December 2024 (All figures in £000)

28. Financial Instrument Contracts (continued):

ii) Interest rate repricing (continued):

	2023					
	Not more than 3 months	More than 3 months but not more than 6 months	More than 6 months but not more than 1 year	More than 1 year but not more than 5 years	More than 5 years	Carrying Amount
Assets						
Cash and cash equivalents	535.2	-	-	-	-	535.2
Loans and advances to banks	390.9	124.2	83.3	6.1	-	604.5
Loans and advances to customers	1,066.0	220.5	1.1	2.7	-	1,290.3
Debt investments - FVOCI	241.9	133.9	7.1	95.7	15.7	494.3
	2,234.0	478.6	91.5	104.5	15.7	2,924.3
Liabilities and shareholders' funds						
Deposits from banks	1,569.7	131.5	18.1	-	-	1,719.3
Customer deposits	334.1	94.4	31.5	-	-	460.0
Term borrowing and subordinated liabilities	223.8	43.5	-	-	-	267.3
	2,127.6	269.4	49.6	-	-	2,446.6
Effect of derivatives held for risk management	62.1	(3.9)	-	(50.4)	(7.8)	-
Interest rate repricing gap	168.5	205.3	41.9	54.1	7.9	477.7

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 ABCIB 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	2024	2023
Financial assets at fair value			
Debt investments - FVOCI	1	**537,053**	465,828
Debt investments - FVOCI	2	**13,292**	28,490
Derivative financial assets	2	**20,825**	4,038
Loans and advances to banks - FVTPL	2	**34,940**	22,041
Loans and advances to banks - FVOCI	2	**20,344**	14,094
Financial liabilities at fair value			
Derivative financial liabilities	2	**1,190**	13,647

There were no transfers between level 1 and level 2 during the year ended 31 December 2024 (31 December 2023: 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).

	2024 Average	2023 Average
ABCIB's VaR exposures:		
Trading	**10**	3
ABCIB's BPV Sensitivity of 1 bps movement:		
Trading and Investment book	**32**	19

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30. Market and liquidity risk (continued):

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 2024 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.

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	2024				
	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	**1,299,147**	**486,617**	**852,023**	**51,869**	**2,689,656**
Derivative financial liabilities	**389**	**139**	**241**	**421**	**1,190**
Cash collateral on securities lent and repo arrangements	**143,619**	**-**	**-**	**-**	**143,619**
Other	**32,366**	**-**	**-**	**-**	**32,366**

	2023				
	Not more than 3 months	More than 3 months but not more than 1 year	More than 1 year but not more than 5 years	More than 5 years	Total
Financial Liabilities					
Deposits from Banks, Customers, Term borrowing and Subordinated Liabilities	1,033,271	334,930	1,027,246	51,121	2,446,568
Derivative financial liabilities	13,036	76	536	-	13,648
Cash collateral on securities lent and repo arrangements	131,292	-	-	-	131,292
Other	9,885	-	-	-	9,885

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.

Transactional credit risk is managed by the ABCIB Credit Committee (IBCC), which 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 risk acceptance criteria.

The credit portfolio is managed as a whole by the Credit Portfolio Committee ("CPC"), which has the following roles and responsibilities:

- 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.

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.

<u>Credit risk impairment assessment and mitigation</u>

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 default events over the remaining lifetime of the instruments.

The triggers for movements to Stage 2 and SICR are various factors including the size of the change to 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, and under multiple scenarios. The IFRS 9 probabilities of default ("PD"s) are then assigned to each economic scenario based on the outcome of the Bank's models.

Loss given default (LGD)

The credit risk assessment is based on a standardised LGD assessment framework that results in a defined 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 consider 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 are estimated and, where possible, calibrated through back testing against recent recoveries. These are repeated for each economic scenario as appropriate.

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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 are fed into this rating model. Expert judgement is applied 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:

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

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

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

<u>Treasury portfolio</u>

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 and the PD's associated with each grade are used for the ECL computation.

The Bank's rating method comprises 20 rating levels for instruments not in default (1 to 8 with associated sub-levels) 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 quarterly monitoring and periodic independent validation and recalibration so that they reflect the latest projections in the light of all 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 potential 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 and 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):

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 Bank monitors ECL model performance on an ongoing basis. 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 scenario 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.

The deterioration in some assets seen in 2023, particularly in the CRE sector, has stabilized in 2024 with several positions curing or being closed without loss. Also, each legacy asset has now typically gone through two annual reviews since the start of interest rate tightening in Q4 2022. Therefore, the Bank is confident that the risk ratings assigned reflect current economic condition and has now released the last remaining part of the ECL overlay it took in Q4 2022 ($1m).

Whilst core UK inflation has eased from a peak of 11% in late 2022, market sentiment suggests rates are now expected to remain high until the second half of 2024.

As a result, the Bank has now seen deterioration in the position of some CRE assets and a corresponding increase in modelled ECL. During 2023, Management therefore released $1m of the initial overlay as the CRE stresses manifested but has decided to retain the remaining $1m pending further monitoring and analysis of trends in credit quality indicators in 2024.

The deterioration in some assets seen in 2023, particularly in the CRE sector, has stabilized in 2024 with several positions curing or being closed without loss. Also, each legacy asset has now typically gone through two annual reviews since the start of interest rate tightening in Q4 2022. Therefore, the Bank is confident that the risk ratings assigned reflect current economic condition and has now released the last remaining part of the ECL overlay it took in Q4 2022 ($1m).

Economic variable assumptions

An overview of the approach to estimating ECLs is set out above. 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 an internal governance process.

	5.00%			-5.00%		
Category	GDP	Oil	Equity	GDP	Oil	Equity
% Change in Provision from Modelled ECL (Q4-2024)	-14.06%	-0.48%	-8.51%	12.01%	0.50%	9.80%

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 2024, the Bank used scenario weights of 30% upside, 40% base and 30% downside to calculate a modelled ECL value. These weighting are derived from the confidence levels at which the upside and downside scenarios are constructed, and assumes a normal distribution of outcomes around the base scenario. As an indication, the 100% weighted scenarios would yield an ECL output as follows:

Scenario	Upside	Base	Downside	Probability Weighted
ECL (£m)	2.41	3.14	6.38	3.89

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.

Industry exposure

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

	2024				
	Stage 1	Stage 2	Stage 3	Total	2023
Financial	**1,373,904**	-	-	**1,373,904**	897,479
Central Banks and Governments	**209,843**	-	-	**209,843**	311,306
Other	**547,810**	-	**2,448**	**550,258**	488,538
Property Related	**437,086**	**6,066**	**29,262**	**472,414**	461,001
Motor Vehicle Related	**189,773**	-	-	**189,773**	216,437
Commodity Related	**19,755**	-	-	**19,755**	14,437
	2,778,171	**6,066**	**31,710**	**2,815,947**	2,389,198

NOTES TO THE ACCOUNTS

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.

	2024				
	Stage 1	Stage 2	Stage 3	Total	2023
Financial	388,147	31,196	-	419,343	535,123
Central Banks and Governments	233,081	-	-	233,081	35,167
Other	164,162	-	10,062	174,224	179,468
Property Related	195,172	-	-	195,172	208,963
Motor Vehicle Related	113,769	-	-	113,769	42,072
Commodity Related	31,065	-	-	31,065	5,695
	1,125,396	31,196	10,062	1,166,654	1,006,488

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.

	2024				
	Stage 1	Stage 2	Stage 3	Total	2023
Europe	1,346,166	6,066	29,263	1,381,495	1,126,482
MENAT	868,840	-	562	869,402	774,853
Asia	63,076	-	-	63,076	34,494
North America	196,512	-	-	196,512	335,055
South America	24,695	-	-	24,695	4,107
Other	278,882	-	1,885	280,767	114,207
	2,778,171	6,066	31,710	2,815,947	2,389,198

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.

	2024				
	Stage 1	Stage 2	Stage 3	Total	2023
Europe	410,065	31,196	9,193	450,454	484,988
MENAT	658,798	-	223	659,021	474,461
Asia	3,038	-	-	3,038	1,530
North America	32,286	-	-	32,286	31,893
South America	734	-	-	734	146
Other	20,475	-	646	21,121	13,470
	1,125,396	31,196	10,062	1,166,654	1,006,488

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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.

	2024	2023
Cash and cash equivalents	373,606	535,241
Loans and advances to banks	896,970	604,546
Loans and advances to customers	1,368,632	1,290,334
Debt investments - FVOCI	550,345	494,318
Derivative financial assets	20,825	4,038
	3,210,378	2,928,477
Contingent liabilities	696,786	608,707
Commitments	472,976	399,114
	1,169,762	1,007,821

	2024	2023
Cash collateralised		
Loans and advances to customers and banks	89,580	156,352
Contingent liabilities	390,233	263,228
Guaranteed by Banks and Credit Agencies		
Loans and advances to customers and banks	414,761	257,482
Contingent liabilities	52,549	14,335
Commitments	35,287	19,183
Risk concentration against individual counterparties		
Largest customer exposure before collateral	75,277	75,000
Largest customer exposure after collateral	75,277	75,000
Largest central bank exposure before collateral	351,477	511,658

Credit quality per class of financial assets

	2024			
	Amortised cost	FVTPL	FVOCI	Total
Loans and advances to banks				
Investment grade	325,011	34,940	2,394	362,345
Sub investment grade	516,675	-	17,950	534,625
Total	841,686	34,940	20,344	896,970
Loans and advances to customers				
Investment grade	302,336	-	-	302,336
Sub investment grade	1,066,296	-	-	1,066,296
Total	1,368,632	-	-	1,368,632
Debt investments - FVOCI				
Investment grade	-	-	550,345	550,345
Total	-	-	550,345	550,345

	2023			
	Amortised cost	FVTPL	FVOCI	Total
Loans and advances to banks				
Investment grade	145,196	18,812	393	164,401
Sub investment grade	423,219	3,225	13,701	440,145
Total	568,415	22,037	14,094	604,546
Loans and advances to customers				
Investment grade	313,437	-	-	313,437
Sub investment grade	976,897	-	-	976,897
Total	1,290,334	-	-	1,290,334
Debt investments - FVOCI				
Investment grade	-	-	494,318	494,318
Total	-	-	494,318	494,318

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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:

	2024			2023		
	GBP	USD	EUR	GBP	USD	EUR
Loans and advances to banks & loans and advances to customers	6.49%	6.05%	5.31%	7.09%	8.01%	5.31%
Debt investments - FVOCI	3.96%	4.06%	N/A	0.33%	4.55%	N/A
Deposits from banks	4.42%	4.29%	2.64%	4.92%	5.14%	2.98%
Customer deposits	4.78%	4.40%	2.89%	5.04%	5.51%	3.49%
Term borrowing	4.80%	5.56%	3.75%	5.35%	6.72%	5.05%

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.

33. Assets, liabilities and equity in foreign currencies

	2024	2023
		* Restated
Denominated in sterling	1,151,627	1,245,311
Denominated in US dollars	1,536,140	1,181,764
Denominated in other currencies	799,363	770,216
Total assets	3,487,130	3,197,291
Denominated in sterling	1,125,026	1,212,396
Denominated in US dollars	1,547,815	1,206,841
Denominated in other currencies	814,289	778,054
Total liabilities and shareholders' funds	3,487,130	3,197,291

ABCIB's balance sheet consists entirely of monetary items, except for fixed assets totalling £35.1 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.

* See note 37

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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%).

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:

	2024						
	Ultimate Parent undertaking	Immediate Parent undertaking	Direct Subsidiaries & Joint ventures	Fellow associates and subsidiaries	Directors & Senior management	Other related	Total
Cash and cash equivalents	-	1,878	243	-	-	78	2,199
Investment in subsidiary	-	-	163,776	-	-	-	163,776
Loans and advances to banks	-	-	42,418	29,844	-	34,638	106,900
Loans and advances to customers	-	-	-	-	-	34,997	34,997
Deposits from banks	885,187	103,466	1,424	10,381	-	448,456	1,448,914
Customer deposits	-	-	554	-	-	91,682	92,236
Term borrowing	139,648	35,000	-	-	-	-	174,648
Subordinated liabilities	-	51,869	-	-	-	-	51,869
Other liabilities	-	-	218	-	-	-	218
Derivative financial assets	-	2,813	-	-	-	-	2,813
Derivative financial liabilities	-	662	17	-	-	-	679
Interest income	23	2	1,270	681	-	3,528	5,504
Interest expense	58,521	10,231	-	374	-	21,738	90,864
Fee and commission income	3,021	32	-	16	-	5,478	8,547
Fee and commission expense	1,106	19	-	5	-	1,523	2,653
Other operating income	112	4,381	1,499	(10)	-	101	6,083
ECL charge	31	-	3	77	-	18	129

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The aggregate amounts outstanding at 31st December 2024 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 (2023 - nil). Directors remuneration details have been provided in Note 5b.

	2023						
							* Restated
	Ultimate Parent undertaking	Immediate Parent undertaking	Direct Subsidiaries & Joint ventures	Fellow associates and subsidiaries	Directors & Senior management	Other related	Total
Cash and cash equivalents	-	154	1,754	-	-	7	1,915
Investment in subsidiary	-	-	171,043	-	-	-	171,043
Loans and advances to banks	-	5	11,067	16,298	-	25,408	52,778
Loans and advances to customers	-	-	-	-	-	35,000	35,000
Deposits from banks	974,685	181,531	89	7,087	-	300,423	1,463,815
Customer deposits	-	-	959	-	-	85,827	86,786
Term borrowing	137,633	35,000	-	-	-	-	172,633
Subordinated liabilities	-	51,121	-	-	-	-	51,121
Off Balance sheet	-	23	30,792	117	-	28,204	59,136
Other assets	-	-	928	170	-	-	1,098
Other liabilities	-	-	928	170	-	-	1,098
Derivative financial assets	-	3,026	-	-	-	-	3,026
Derivative financial liabilities	-	536	-	-	-	-	536
Interest income	1	-	1,014	775	-	3,161	4,951
Interest expense (* Restated)	57,612	13,618	-	368	-	21,665	93,263
Fee and commission income	2,690	19	1	16	-	5,042	7,768
Fee and commission expense	1,541	1	-	-	-	1,083	2,625
Other operating income	(62)	57	152	1	-	422	570
ECL charge	4	4	33	46	-	38	125

* See note 37

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.

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's investments are directly exposed to credit risk in respect of the units held via LGIM's Investment Only Platform. This platform is offered by Legal & General Assurance (Pensions Management) Limited ("L&G's PMC"), which is a life insurance company and a subsidiary of the Legal & General Group. The Plan is indirectly exposed to credit risks from the underlying assets held within the pooled funds.

The direct credit risk is mitigated by actions taken by the Legal & General Group. For example, assets held by L&G's PMC are legally and financially separated from the rest of the Legal & General Group. L&G's PMC must also adhere to strict solvency requirements and a floating charge is also in place which, in broad terms, means all policyholders have priority over the pooled assets for the value of their units. Legal & General also carry out due diligence checks on third party investment management firms when considering non-LGIM funds for use on the platform. LGIM is regulated by the Financial Conduct Authority and maintains separate funds for its policy holders. The Trustees monitor the credit worthiness of LGIM from time to time. LGIM invests all the Scheme's funds in its own investment unit linked funds. In the event of default by LGIM, the Scheme may be protected by the Financial Services Compensation Scheme.

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

The Scheme is subject to indirect credit risk because the Scheme holds units in investment vehicles which contain instruments subject to credit risk.

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The credit risk arising on bonds is mitigated by investing in government bonds and corporate bonds which are at least investment grade credit rated. Credit risk arising on other investments is mitigated by investment mandates requiring all counterparties to be at least investment grade rated. Cash is held within financial institutions which are at least investment grade rated.

- 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 an allocation to liability-matching assets, through a Liability Driven Investments (LDI) strategy.

Under the current investment strategy, the Trustees have set an allocation benchmark for liability-matching assets of 75%. 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.

The Sterling Liquidity Fund also has some exposure to interest rate risk through holding cash, bonds and similar assets.

The Scheme is subject to inflation risk because some of the Scheme's assets are held in inflation-linked gilt funds. Under the current strategy, if inflation expectations rise, the value of the bonds will also rise to help match the increase in actuarial liabilities. Similarly, if inflation expectations fall, the bonds will fall in value, matching the fall in the actuarial liabilities.

- 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 investments are split between a LDI portfolio, Synthetic Credit and Sterling Liquidity Fund. A cash balance has been held in the Legal & General Sterling Liquidity Fund to cover any shortfall in Scheme cashflow and expense requirements, over and above the Employer contributions.

The Scheme de-risked its investment strategy over the year. The Scheme's assets had a previous allocation of 60% to the Growth Portfolio and 40% to the Protection portfolio. The Scheme has a target allocation of 75% in the LDI Portfolio, 9% in the Synthetic Leveraged Credit Fund and 16% in the Sterling Liquidity Fund.

The last formal triennial valuation was carried out as at 30th September 2023, using the projected unit credit actuarial valuation method. The market value of the assets as at 30th September 2023 was sufficient to cover 91% of the then current value of the benefits accrued to that date, representing a gross Scheme deficit of £2,688,000. A new Recovery Plan was agreed, but with no further contributions to the Scheme due from the Bank as at 6 December 2024.

As part of the 2023 actuarial valuation negotiations, ABCIB has agreed to enter an escrow agreement with the Scheme. ABCIB has agreed pay a lump sum of £1,321,126 in to the escrow account by 30th June 2025, with further monthly contributions of £220,188 payable in to the account, due from 1st July 2025 to 31st December 2025. Details of the terms and triggers for releasing funds from the escrow, and the associated documentation, is not yet agreed. If the terms of the escrow agreement are not finalised with the Trustees of the Scheme before 30 June 2025, then these payments will instead be made to the Scheme. As this is a separate arrangement, these payments have not been included in the projected P&L figures.

The 30th September 2023 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 2024. The IAS19 liability values are not directly comparable to the valuations used to assess the Scheme against the Statutory Funding Objective since

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the assumptions for this latter purpose are "prudent" (i.e. they provide sufficient margins for adverse deviation consistent with the Trustees' appetite for 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 asset as at 31st December 2024 was £1,347,000.

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

The pension assets and benefit obligation have fallen by £1.8m and £3.4m respectively over the year. The fall in benefit obligation was primarily due to an increase in bond yields, which, all else being equal, results in a decrease in the value of the Scheme's liabilities. This effect was partially offset by a fall in the value of the Scheme's LDI assets, which is expected as gilt yields rose over the period. 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 fall in liability values over the year was greater than the fall in the total asset value, due to the contributions paid by the Bank. This had led to a surplus position as at 31st December 2024.

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 less 0.2% p.a. thereafter.

  The single equivalent rate of the RPI inflation assumption is 3.5% pa (2023: 3.35% 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 3.3% pa (2023: 3.05% 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 2.8% pa (2023: 2.75% 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 5.45% pa (2023: 4.6% pa).
- The mortality rate used is 97.5% of the S3PA tables with allowance for future improvements in line with the CMI 2023 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 2023 model). The core parameters used in the CMI 2023 model make some allowance for the impact of COVID19 to have a lasting effect on mortality rates, and assumed life expectancies under this model are generally lower than last year.

The fair value of assets were:

	2024 Fair value	2023 Fair value
LDI - fixed	**15.2**	8.1
LDI - real	**4.2**	3.6
Cash	**3.9**	0.9
UK equities	**-**	4.2
Overseas equities	**-**	9.8
Diversified growth fund	**-**	3.3
Synthetic credit	**4.7**	-
Total value of assets	**28.0**	29.9

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The assets held by the ABC International Bank plc UK Retirement Benefits and Life Assurance Scheme plan are held in unitised funds which are not traded in an active market.

Movement in scheme (deficit) / surplus	2024	2023	2022	2021
(Deficit) / Surplus in the Scheme at 1st January	**(209)**	(2,733)	(2,621)	(12,573)
Contribution paid	**2,563**	2,486	2,589	2,339
Net interest on net defined benefit asset / liability	**48**	(73)	(25)	(143)
Actuarial gains / (losses)	**(1,055)**	111	(2,676)	7,756
(Deficit) / Surplus in the Scheme at 31st December	**1,347**	(209)	(2,733)	(2,621)

Changes in the fair value of pension scheme assets	2024	2023
Fair value of assets at 1st January	**29,869**	26,463
Interest on assets	**1,396**	1,306
Company contributions	**2,563**	2,486
Benefits paid	**(1,572)**	(951)
Return on assets less interest	**(4,220)**	565
Fair value of assets at 31st December	**28,036**	29,869

Changes in the Defined benefit obligation	2024	2023
Defined Benefit Obligation at 1st January	**30,078**	29,196
Interest cost	**1,348**	1,379
Benefits paid	**(1,572)**	(951)
Experience loss / (gain) on defined benefit obligation	**(50)**	176
Loss / (gain) from changes to demographic assumptions	**(49)**	(624)
Loss / (gain) from changes in financial assumptions underlying present value of liabilities	**(3,066)**	902
Defined Benefit Obligation at 31st December	**26,689**	30,078

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%	(1,591)
	Minus 0.50%	1,764
Inflation	Plus 0.50%	475
	Minus 0.50%	(459)
Age rating	Plus 1.0 year	907
	Minus 1.0 year	(909)

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	2024	2023
Interest on pension scheme assets	**(1,396)**	(1,306)
Interest on pension scheme liabilities	**1,348**	1,379
	(48)	73

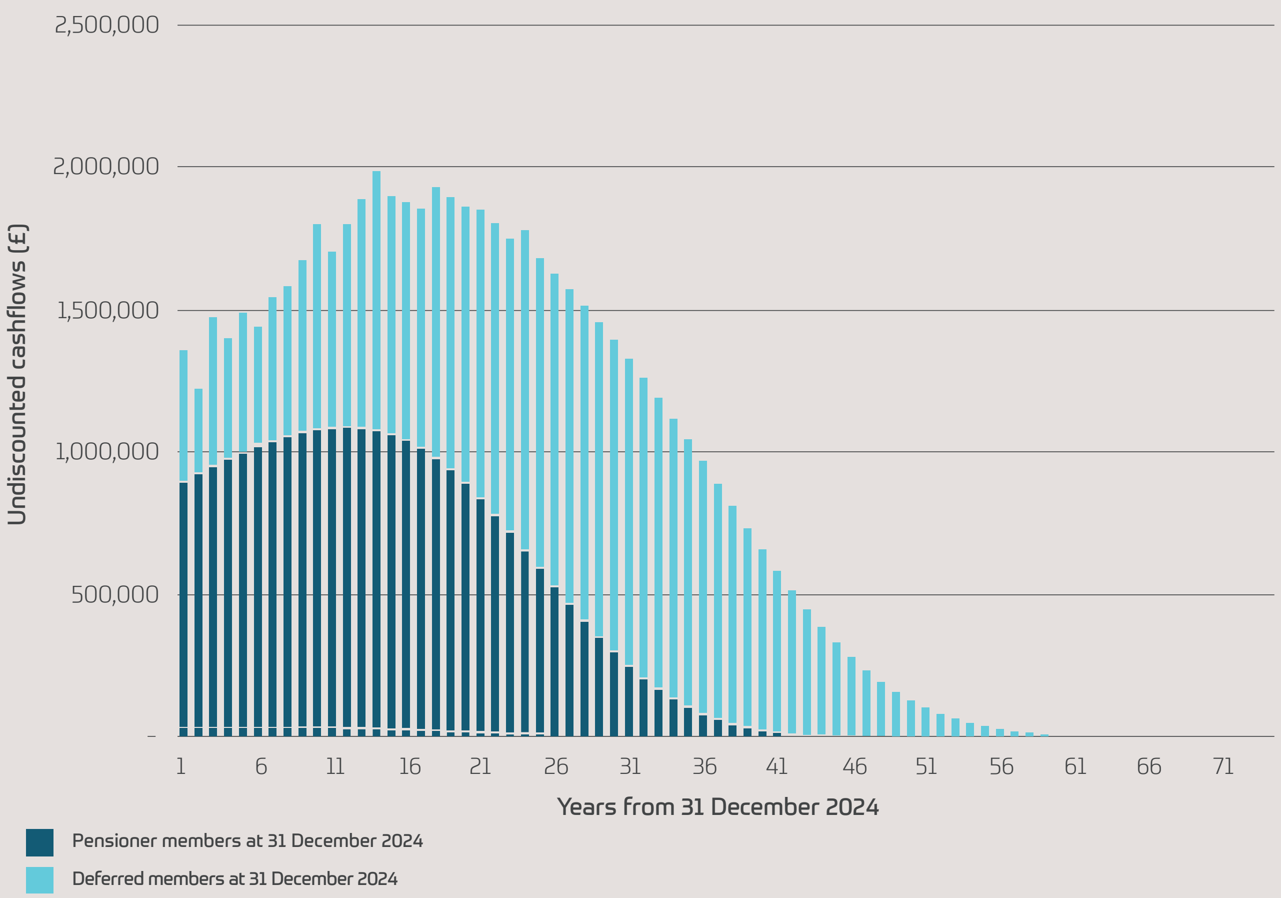
Future expected contributions to the defined benefit plan	2024	2023
The following payments are expected contributions to the defined benefit plan in future years:		
Within the next 12 months (next annual reporting date)	**-**	2,563
Between 2 and 5 years	**-**	2,642
Between 5 and 10 years	**-**	-
Total expected payments	**-**	5,205

The estimated duration of the scheme's liabilities as at 31 December 2024 on the accounting disclosure basis is approximately 13 years. (2023: 14.5 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 £26,689,000.

Projected future scheme cashflows from 31 December 2024



Year ended 31 December 2024 (All figures in £000)

NOTES TO THE ACCOUNTS

Amount recognised in the Statement of Comprehensive Income	2024	2023	2022	2021	2020
Return on assets less interest	**(4,220)**	565	(20,663)	1,830	4,606
Experience (loss) / gain on liabilities	**50**	(176)	(1,605)	963	(1,116)
(Loss) / gain from changes to demographic assumptions	**49**	624	678	984	-
(Loss) / gain from changes in financial assumptions underlying present value of liabilities	**3,066**	(902)	18,914	3,979	(8,856)
Actuarial gain / (loss) recognised in the Statement of Comprehensive Income	**(1,055)**	111	(2,676)	7,756	(5,366)

% of Scheme asset value at balance sheet date represented by:	2024	2023	2022	2021	2020
	%	%	%	%	%
Return on assets less interest	**(15.1)**	1.7	(78.1)	4.0	10.9

% of Scheme liability value at balance sheet date represented by:	2024	2023	2022	2021	2020
	%	%	%	%	%
Experience gain / (loss) on liabilities	**0.2**	(0.6)	(5.5)	2.0	(2.0)
Changes in financial assumptions underlying present value of liabilities	**11.5**	(2.9)	64.8	8.3	(16.1)
Actuarial gain / (loss) recognised in the Statement of Comprehensive Income	**(4.0)**	0.4	(9.2)	16.1	(9.8)

On 16 June 2023, the High Court handed down a judgement on the Virgin Media Ltd v NTL Pension Trustees II Ltd reaffirming the requirement for pension funds to have an actuarial assessment following a scheme amendment or alteration (under section 37 of the Pension Schemes Act 1993) ("section 37"). In a judgment delivered on 25 July 2024, the Court of Appeal unanimously upheld the decision of the High Court. The ruling could have potential implications for the ABCIB Defined Benefit Pension Scheme ("the Scheme") if the assessments carried out at the time of various scheme amendments do not meet the required criteria set out in section 37, the implication being that certain member benefits could potentially be undervalued and require rectification if it is deemed that no valid actuarial confirmation was provided at the time certain deeds were put in place.

Legal investigations into the potential impact on the Scheme have commenced. There is currently legal uncertainty about whether section 37 certificates would have been required regarding Scheme closures. The initial legal investigations have located the relevant section 37 certificate in relation to the closure of the Scheme in 2010. This was issued one year after the closure, albeit there is written evidence that the required assessment had been performed at the date of the Deed of closure. As such, even if it is deemed that section 37 certificates were required in relation to Scheme closures, any impact in relation to the historical Scheme closure would not be expected to be significant. The remainder of the potential impact is in relation to changes to pension indexation; however, based on initial estimates this is expected to be immaterial on the IAS19 basis as at 31 December 2024.

Formal work to establish whether all relevant Section 37 confirmations were obtained at the time of historical amendments has not yet begun. However as far as the Bank and the Scheme Trustees are aware at the Balance sheet date, correct protocols have been followed with respect to putting all historical deeds in place and hence no updates have been made to the DBO as at 31 December 2024, which continues to reflect the benefits being administered.

Year ended 31 December 2024 (All figures in £000)

NOTES TO THE ACCOUNTS

37. Prior period restatement

During 2024, the Bank identified a system related issue with respect to the accrual of interest expense on certain multi-currency current accounts. As a consequence, accrued interest payable and interest expense have been understated, however no clients have suffered loss of payment. The adjustment has required restating each of the affected financial statement line items for the prior period. The following tables summarise the impacts on the Bank's financial statements. Opening balances as at 1 January 2023 are not materially impacted by the restatement.

Statement of Financial Position	As previously reported	Adjustment	As restated
31 December 2023			
Total Assets	**3,197,291**	**-**	**3,197,291**
Others	2,460,434	-	2,460,434
Other liabilities, accruals and deferred income	163,540	4,694	168,234
Current tax liability	1,595	(1,104)	491
Total Liabilities	**2,625,569**	**3,590**	**2,629,159**
Share Capital	212,296	-	212,296
Retained Earnings	359,174	(3,590)	355,584
Fair Value Reserve	252	-	252
Total equity	**571,722**	**(3,590)**	**568,132**
Total equity and liabilities	**3,197,291**	**-**	**3,197,291**

Income Statement	As previously reported	Adjustment	As restated
For the year ended 31 December 2023			
Interest and similar expense	(119,637)	(4,694)	(124,331)
Profit before tax	41,471	(4,694)	36,777
Taxation	(9,859)	1,104	(8,755)
Profit for the year attributable to owners	**31,612**	**(3,590)**	**28,022**

Statement of Comprehensive Income	As previously reported	Adjustment	As restated
For the year ended 31 December 2023			
Profit for the year attributable to owners	31,612	(3,590)	28,022
Total comprehensive income for the year attributable to owners	**34,641**	**(3,590)**	**31,051**

38. Events after the balance sheet date

Dividend proposed

A final dividend relating to year ended 31 December 2024 amounting to £17.1m was agreed by the Board on 27th February 2025.

APPENDICES

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