BACB

year ended 31 December 2023

PILLAR 3 DISCLOSURES

LOYAL TRUSTED AGILE DRIVEN

A UK BANK DELIVERING TRADE FINANCE & INVESTMENT EXPERTISE

to enable clients, countries & communities to prosper.

OUR VISION

Be the preferred international banking partner across Africa and core markets.

OUR STRATEGY

Drive sustainable growth and stay relevant to our clients and markets by leveraging our people, knowledge and relationships.

BACB

contents

1. OVERVIEW

1.1. INTRODUCTION

This document comprises British Arab Commercial Bank plc's ("BACB" or "the Bank") Pillar 3 disclosures as at 31 December 2023. It has two principal purposes:

- To meet the regulatory disclosure requirements set out by Prudential Regulation Authority ("PRA") applicable from 1 January 2022 under the Disclosure Capital Requirements Regulation (CRR) part of the PRA Rulebook, and the Policy Statement (PS15/23), and
- To provide further useful information on the capital and risk profile of BACB.

Additional relevant information may be found in the *Annual Report and Financial Statements 2023*, published on the Bank's corporate website (https://www.bacb.co.uk/).

Financial KPIs[1]

COMMON EQUITY TIER 1 CAPITAL	TOTAL REGULATORY CAPITAL	COMMON EQUITY TIER 1 RATIO*	TOTAL CAPITAL RATIO*
£224m *2022: £198m*	£276m *2022: £268m*	18.0% *2022: 16.1%*	22.3% *2022: 21.9%*

TOTAL RWAs*	LEVERAGE RATIO	AVERAGE LIQUIDITY COVERAGE RATIO	AVERAGE NET STABLE FUNDING RATIO*
£1,241m *2022: £1,224m*	6.8% *2022: 5.7%*	271% *2022: 254%*	151% *2022: 129%*

1.2. BACKGROUND

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

PILLAR 1	Sets out the minimum capital requirements firms are required to meet for credit, market and operational risk.
PILLAR 2	The supervisory review process which requires firms and supervisors to consider whether a firm should hold additional capital against risks considered under Pillar 1 that are not fully captured under the Pillar 1 process (e.g. credit concentration risk); factors not covered under the Pillar 1 process (e.g. business and strategic risk); and matters external to the firm (e.g. business cycle effects).
PILLAR 3	Aims to promote market discipline by developing a set of disclosure requirements which will provide market participants with key information on a firm's capital, risk exposures, risk assessment processes and the capital adequacy of the firm.

[1] To ensure consistency of presentation December 2022 comparative numbers denoted with an asterisk have been amended.

The Disclosure (CRR) Part of the PRA Rulebook specifies disclosure requirements. Under these requirements, the Bank meets the definition of a non-listed "Other Institution" and complies with the requirements in accordance with **Article 433c of the Rulebook**. BACB applies the Standardised Approach to credit risk, the Basic Indicator Approach ("BIA") to operational risk and the Original Exposure Method ("OEM") rules for counterparty credit risk. Additionally, there were no specific methodologies granted by PRA.

1.3. DISCLOSURE POLICY: BASIS AND FREQUENCY OF DISCLOSURES

This document represents the Pillar 3 disclosures of BACB for the year ended December 2023 in accordance with the requirements of Pillar 3 as set out in the regulations outlined above. The aim of the disclosures document is to provide information based on Basel III capital requirements and the management of risks faced by the Bank. Unless otherwise stated, all figures are as at 31 December 2023, the Bank's financial year-end. These disclosures, which are based on the Bank's regulatory returns having applied the relevant regulatory rules, may differ from similar information in the Annual Report and Financial Statements which are prepared in accordance in accordance with UK-adopted international accounting standards and the requirements of Companies Act 2006. The following sets out the Bank's **Disclosure Policy** as applied to the Basel III Pillar 3 Disclosures including the information to be disclosed, frequency, media, location, and verification.

BACB Disclosure Policy for Basel III Pillar 3 Disclosures

a) **Information to be disclosed:** The Bank's policy is to meet all required Pillar 3 disclosure requirements as detailed in the PRA Rulebook. Also, tables provided in the disclosures below are based on the PRA's disclosures templates and instructions.
b) **Frequency:** The Bank's policy in line with Article 433c of the Disclosure (CRR) Part of the PRA Rulebook, is to publish the disclosures on an annual basis within a reasonable period of time of publication of the Annual Report and Financial Statements, which should be read jointly with this document. The frequency of disclosure will be reviewed should there be a material change in approach used for the calculation of capital, business structure or regulatory requirements.
c) **Verification**[2]: These disclosures have been subject to internal review and validation prior to being submitted to the Board for approval. The following levels of review took place prior to the granting of Board approval:
    a) At the Executive level by the Asset and Liability Committee (ALCO) and by the Executive Committee.
    b) At Board level by the Audit Committee.
d) **Basis of Preparation** : This document has been prepared to meet the Pillar 3 disclosure requirements set out as per Article 433c of Disclosure (CRR) part of the PRA Rulebook. The Bank does not seek any exemption from disclosure on the basis of materiality, but the Bank has availed itself of the transition provision (detail in Section 5) in the Rulebook allowing it not to include remuneration disclosures under paragraph 7.1 of the Remuneration part of the PRA Rulebook.
e) **Medium and location of publication:** The Bank's Pillar 3 disclosures are published on the Bank's corporate website http://www.bacb.co.uk.

1.4. SCOPE OF APPLICATION

BACB is a UK registered Bank that is authorised by the PRA and regulated by the Financial Conduct Authority ("FCA") and the PRA. BACB trades as a single entity; it has no subsidiaries or associates. As at 31 December 2023 BACB operated three representative offices, in Algiers, Tripoli and Abidjan, in order to conduct marketing and client relationship activity. All decision making takes place in London and all transactions are booked in the London entity. The Bank is a single entity, and no prudential consolidation is performed.

[2] The disclosures are not subject to external audit except where they are equivalent to those prepared for inclusion in the Bank's Annual Report and Financial Statements.

1.5. KEY METRICS[3]

UK KM1 - Key metrics template

		31/12/2023 £000s	31/12/2022 £000s
	Available own funds (amounts) [1]		
1	Common Equity Tier 1 (CET1) capital	223,772	197,516
2	Tier 1 capital	223,772	197,516
3	Total capital	276,133	267,579
	Risk-weighted exposure amounts [1]		
4	Total risk-weighted exposure amount*	1,240,666	1,224,488
	Capital ratios (as a percentage of risk-weighted exposure amount) [1]		
5	Common Equity Tier 1 ratio (%)*	18.0%	16.1%
6	Tier 1 ratio (%)*	18.0%	16.1%
7	Total capital ratio (%)*	22.3%	21.9%
	Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)		
UK 7a	Additional CET1 SREP requirements (%)	2.6%	1.9%
UK 7b	Additional AT1 SREP requirements (%)	0.9%	0.6%
UK 7c	Additional T2 SREP requirements (%)	1.1%	0.8%
UK 7d	Total SREP own funds requirements (%)	12.6%	11.4%
	Combined buffer requirement (as a percentage of risk-weighted exposure amount)		
8	Capital conservation buffer (%)	2.5%	2.5%
UK 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)		
9	Institution specific countercyclical capital buffer (%)	0.6%	0.3%
UK 9a	Systemic risk buffer (%)		
10	Global Systemically Important Institution buffer (%)		
UK 10a	Other Systemically Important Institution buffer		
11	Combined buffer requirement (%)	3.1%	2.8%
UK 11a	Overall capital requirements (%)	15.6%	14.2%
12	CET1 available after meeting the total SREP own funds requirements (%)*	11.0%	9.7%
	Leverage ratio		
13	Leverage ratio total exposure measure*	3,296,264	3,450,902
14	Leverage ratio	6.8%	5.7%
	Additional own funds requirements to address risks of excessive leverage (as a percentage of leverage ratio total exposure amount) [2]		
UK 14a	Additional CET1 leverage ratio requirements (%)	NA	NA
UK 14b	Additional AT1 leverage ratio requirements (%)	NA	NA
UK 14c	Additional T2 leverage ratio requirements (%)	NA	NA
UK 14d	Total SREP leverage ratio requirements (%)	NA	NA
UK 14e	Applicable leverage buffer	NA	NA
UK 14f	Overall leverage ratio requirements (%)	NA	NA
	Liquidity Coverage Ratio [3]		
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	1,423,835	1,301,435
UK 16a	Cash outflows - Total weighted value	999,496	918,619
UK 16b	Cash inflows - Total weighted value	463,575	379,546
16	Total net cash outflows (adjusted value)	535,921	539,073
17	Liquidity coverage ratio (%)	271%	254%
	Net Stable Funding Ratio [3]		
18	Total available stable funding*	967,179	944,798
19	Total required stable funding*	640,365	734,667
20	NSFR ratio (%)*	151%	129%

Notes:

1. The Bank has adopted the regulatory transitional arrangements for IFRS 9 as set out in Article 473a of the UK CRR. Capital and ratios presented above are under these arrangements.
2. Leverage ratio requirements are not applicable to BACB.
3. LCR and NSFR ratios presented in this table are based on average values. The LCR is the average value of the preceding 12 months and the NSFR is the average value of 4 preceding quarters.

[3] To ensure consistency of presentation 2022 comparative numbers for Key Metrics denoted with an asterisk have been amended.

2. GOVERNANCE

2.1 SHAREHOLDERS

The principal shareholder of the Bank is the Libyan Foreign Bank, which is wholly owned by the Central Bank of Libya. The Bank's shareholders as at 31 December 2023 are listed below:

Shareholding Company	% Ownership
Libyan Foreign Bank	86.9%
Banque Exterieure d'Algerie	6.55%
Banque Centrale Populaire	6.55%

The Bank takes a proportionate approach to governance following best practice as they apply given the size, scale and complexity of the Bank. This is in addition to the Bank's regulatory obligations as a UK regulated Firm and constitution which is made up by its Articles of Association and Shareholders' Agreement. These provide for the formation of certain committees to oversee the day-to-day running of the Bank. A Schedule of Reserved Matters specify matters to be decided by the Board or reserved for approval by the shareholders.

The Board has ultimate responsibility for establishing, approving and periodically reviewing the strategy of the Bank and its governance framework. The Board oversees the management team to ensure that they manage the Bank's activities in a manner which is consistent with the strategy and governance framework. The Board governance arrangements are complemented by an Executive governance structure which has been strengthened significantly in recent years. The Executive governance structure operates under clearly articulated governance principles and risk management objectives. The Executive considers and reports on the principal areas of risk for the Bank and the associated controls framework, including risk appetite parameters.

2.2 THE BOARD OF DIRECTORS ("THE BOARD")

At 31 December 2023, there were ten members of the Board, including nine Non-Executive Directors ("NEDs"). The Board had four Independent NEDs:

- Dr Yousef Al Awadi KBE – Chair of the Board of Directors
- Mr Paul Howard – Chair of the Audit Committee
- Mr Sundeep Bhandari – Chair of the Risk and Conduct Committee
- Mr Nigel Boothroyd – Chair of the Nominations and Remuneration Committee

The remaining five NEDs were nominated by shareholders pursuant to their shareholding and are not deemed "independent".

The Board has ultimate responsibility for the Bank in accordance with the delegated authority from shareholders. The Board is responsible for establishing, approving, and periodically reviewing the strategy of the Bank and its governance framework. It approves plans and performance targets for the Bank, the appointment of senior executives and the delegation of authorities. The Board satisfies itself that financial controls and systems of risk management are effective and robust; it approves the Bank's risk appetite statement and governance standards and receives reports from its sub-committees and from Executive Management on execution and compliance.

The Board met formally on eight occasions during 2023.

2.3 BOARD OVERVIEW (AS AT 31 DECEMBER 2023)

The table below summarises each Director:

Board Member	Board Committee Membership	Directorships held (incl. BACB plc)
Dr Yousef Al Awadi KBE[1]	● ●	2
Mr Paul Jennings[2]	-	4
Mr Sundeep Bhandari[1]	● ●	5
Mr Nigel Boothroyd[1]	● ●	3
Mr Paul Howard[1]	● ●	2
Mr Mohammed Ali Addarrat[3]	● ●	4
Dr Ahmed Mihoob[3]	● ●	2
Mr Faisal Othman[3]	● ● ● ●	1
Mr Mohamed Zine[3]	● ●	7
Mr Lazhar Latreche[3]	● ●	6

Director Status: 1 Independent Non-Executive Director, 2 Executive Director and 3 Non-Executive Director

Committee Membership: ● Audit, ● Risk & Conduct, ● Nomination & Remuneration and ● Credit

2.4 BOARD RECRUITMENT

Recruitment onto the Board combines an assessment of both technical capability and competency skills. Board recruitment is led by the Nominations and Remuneration Committee, with subsequent approval by the Board. All members of the Board are experienced in the international banking industry and collectively bring experience of the Bank's markets and products along with risk, compliance, and other specialist expertise.

The Chairman conducts an annual Board evaluation as part of each individual member's annual Fit and Proper assessment, supported by the Company Secretariat and Compliance Department and overseen by the Nominations and Remuneration Committee. The findings of the evaluation process are reported annually to the Board and any relevant matters addressed.

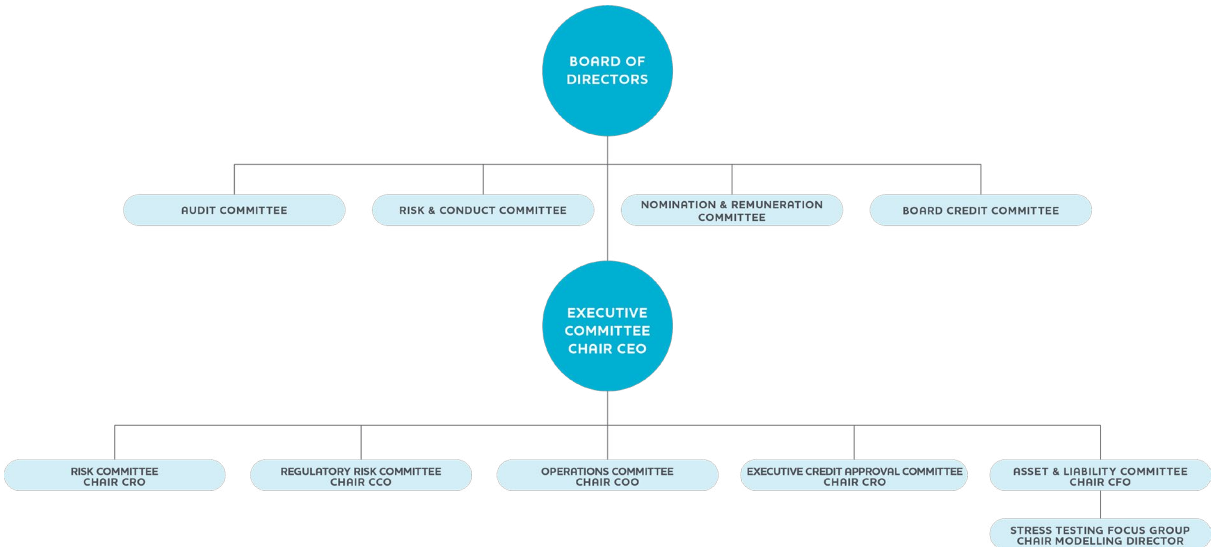
2.5 BOARD DIVERSITY

The Bank benefits from the skills and experience of its Board members. Shareholder representatives bring experience of BACB markets. Board diversity in terms of experience and background ensure the optimal composition of the Board and its sub-committees.

The Nominations and Remuneration Committee is responsible for assessing Board composition on behalf of the Board and reviews and recommends the appointment of new directors.

2.6 BOARD SUB-COMMITTEES

The Board has established several Sub-Committees to cover risk management, governance, regulatory compliance, anti-financial crime, operational resilience, and information security. The Bank's overall Committee structure including the Executive Committees as at 31 December 2023 is as follows:



Further information on Governance framework is set out in *Annual Report and Financial Statements 2023*.

3. RISK MANAGEMENT OBJECTIVES AND POLICIES

3.1. GOVERNANCE PRINCIPLES

The Bank defines a **risk** as the combination of the probability of an event and its consequence. Consequences can range from positive to negative.

- **Risk management** enables the Bank to capitalise on opportunities and achieve its strategy through serving customers and growing the business in line with risk appetite, maintaining the balance between risk and opportunity.
- The **Risk Management Framework** (RMF) is the umbrella document which sets out how the Bank manages its risks effectively and robustly. The RMF is composed of several integrated components which provide the foundations for how risks need to be managed throughout the Bank, and outlines risk management's importance in setting strategy, delivering against objectives, and making risk informed decisions.

3.2. RISK MANAGEMENT OBJECTIVES

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

- There is a clearly articulated risk appetite which is calibrated to the financial resources of the Bank and its Board approved business plan;
- There is a risk culture, which is embedded in daily operational activity;
- Risks are identified and accepted within risk appetite, or approved as exceptions through the appropriate governance forum where not;
- Risks are monitored to ensure they remain within, or come back within, risk appetite in agreed timescales and action is taken promptly and effectively if that is not the case; and
- There is timely, complete, accurate and relevant risk reporting within the Bank and to the Board, evidencing risk informed decision making.

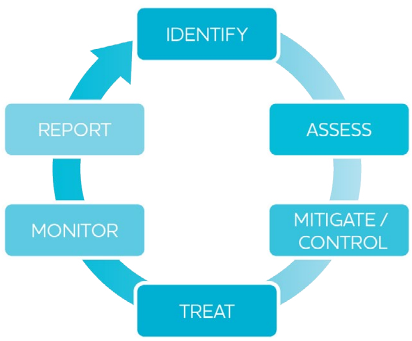
3.3. APPROACH TO RISK MANAGEMENT

The Bank operates a 'three lines of defence' and enterprise risk model providing strong foundations to ensure the range of risks the Bank is exposed to are well articulated and evidenced. This is supported by building a robust culture and through risk-informed decision making which guide Executive and Board focus.

The Bank's risk management function is led by the Chief Risk Officer (CRO), who reports into the Chief Executive Officer (CEO). The CRO is responsible for implementing and overseeing the Bank's Risk Management Framework.

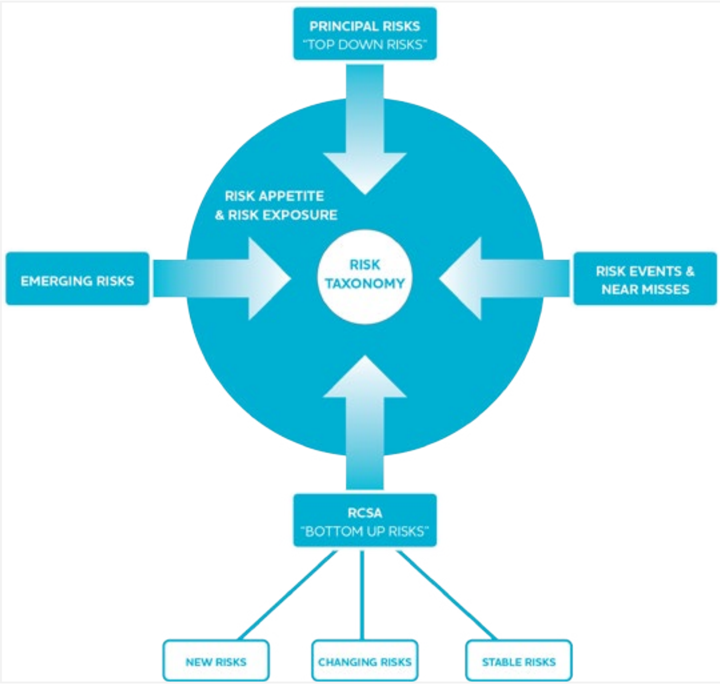
Individual areas of risk management are assigned to specialist areas and overseen by their respective heads. The Bank has a joint Chief Compliance and Money Laundering Reporting Officer who is responsible for Compliance and Regulatory Conduct Risk, and Financial Crime Risk. Certain EXCO members are also individually assigned prescribed responsibilities by either the FCA and/or PRA.

The processes for managing risks are aligned to industry standards as demonstrated below.



The Bank's **risk universe** comprises of the following:

- All risks and risk events are categorised and labelled according to the Risk Taxonomy.
- The Bank sets the level of risk it is willing to take, differentiated by the grouping of the risk: Risk Appetite and Risk Exposure.
- Risk Appetite Statements articulate what this looks like within a specific risk category.
- The Bank measures and talks about its risk environment and issues: Risk Scoring.



Principal risks are a risk, combination of risks, which can seriously affect the performance, prospects, or reputation of the Bank. If crystallised, would have the potential to cause significant disruption to the Bank. These are identified on a top-down basis and are subject to Board debate and scrutiny.

Risk and control self-assessments (RCSAs) are built from the bottom up through individual business units identifying the risks that they face. These risks are then collated and analysed for patterns.

Risk events are a risk that have crystalised. *Near misses* are risks that have nearly crystalised/been avoided but still contain lessons to be learned even though no financial loss/cost has been incurred.

3.4. RISK DECLARATION - ADEQUACY OF THE RISK MANAGEMENT ARRANGEMENTS

The Board is ultimately responsible for the Bank's risk management framework. The risk management framework is the totality of systems, structures, policies, processes, and people within the Bank that identify, assess, mitigate and monitor all internal and external sources of risk that could have a material impact on the Bank's operations.

A key component of this is the Risk Appetite Statement ("RAS") which has been developed by the Executive Management of the Bank and approved by the Board. It articulates on a top-down basis, the risk appetite for each of the Primary Risk Types that the Bank faces, as defined in the Bank's Risk Taxonomy ("TAX").

This reflects the amount of risk that the Bank is willing to accept in pursuit of its strategic objectives and management philosophy of Executive Management. It drives our risk culture, risk behaviours and risk decisions and informs the organisation, resources, processes, and systems, including limits and triggers and Key Risk Indicator ("KRI") reporting deployed to monitor and manage our risk profile and risk tendency.

Based on the level of impairments, recoveries, incidents, and other risk data monitored throughout 2023, the Bank is comfortable its risk management arrangements are adequate.

3.5 RISK TAXONOMY AND APPETITE STATEMENT

Risk taxonomy is a multi-level labelling system that becomes increasingly more granular in nature. The Primary Risks are aligned to the Bank's strategy and business plan, and they are sufficiently broad to enable mapping of business function detailed risks which will continue to evolve over time. Each level of the taxonomy is designed to be more adaptive to business requirements and support the early identification and management of trends.

Risk appetite is the amount and type of risk that the Bank is willing to take in order to meet its strategic objectives. The Bank categorises its Risk Appetite in the following way:

Measurement	Approach	Relation to Strategic Objectives	Residual Risk
Low Appetite	Avoidance of risk where possible	In exchange for safe delivery options that have a low degree of risk and may only have limited reward	Controls are in place with an aim to fully mitigate the level of residual risk
Medium Appetite	Willing to accept an expected level of risk to take advantage of an opportunity where appropriate controls can be put in place	In exchange for a steady stream of low volatility earnings	Controls are in place to limit the level of risk, balanced against legal and regulatory considerations, in addition to resources required to deliver the controls
High Appetite	Willingness to accept high levels of risk	In exchange for enhanced levels of reward	Controls are designed to balance the residual risk against the expected level of reward

Board Approved Risk Appetite, April 2023

Liquidity & Funding Risk	Financial Risk	Strategy & Planning Risk	Operational Risk	Operational Resilience Risk	Financial Crime Risk	Regulatory Compliance Risk	Transversal Risks
Medium Appetite	Medium Appetite	Medium Appetite	Low Appetite	Low Appetite	Medium Appetite	Low Appetite	Medium Appetite
Funding Risk	Credit Risk	Strategy Risk	Legal Risk	Technology (Systems) Risk	Money Laundering Risk	Regulatory Conduct Risk	Change Management Risk
Assets Risk	Country Risk	Stakeholder Risk	Health & Safety Risk	Cyber Security Risk	Sanctions Risk	Regulatory Compliance Risk	Reputational Risk
Liquidity Risk	Market Risk	ESG Risk	Reporting & Tax Risk	Third Party Risk	Bribery Risk		Data Risk
	Regulatory Capital Risk		People Risk	Business Continuity Risk	Fraud Risk		Conduct Risk
			Process Risk	Information Security Risk			Concentration Risk
			Model Risk	Building Unavailability & Security Risk			

The articulation of the Bank's Risk Appetite cascades into a Risk Appetite statement at the secondary risk level that comprises of several key metrics used to assess and quantify performance against appetite and establish an escalation level.

3.6 PRINCIPAL RISKS APPROACH TO FINANCIAL RISKS

3.6.1 Credit & Country Risk

The Bank's risk management of credit and country risk is aligned and largely managed jointly. The Bank's appetite for credit and country risks is set in response to its business plans and overall risk appetite. Risk Appetite for Financial Risk is medium and for Economic Risk is High, noting the markets in which we operate and the products we provide.

Credit risk is the possibility of a loss resulting from a borrower's failure to repay a loan or meet contractual obligations in a timely manner. This includes long term risks associated with Environmental or Climate Change factors. The Bank's principal sources of credit risk are:

- Exposures to banks, multilateral institutions and sovereigns in respect of foreign exchange and money market activities and the management of the Bank's liquidity portfolios;
- On and off-balance sheet exposures to bank and corporate counterparties in respect of obligations under trade finance transactions including letters of credit, guarantees and bonds; and
- Loans to corporates, partnerships and private individuals arising from the Bank's residential and commercial, real estate.

Country Risk refers to the uncertainty associated with investing in a particular country, and more specifically the degree to which that uncertainty could lead to economic losses. For the Bank, country risk largely arises as a result of the Bank taking credit risk on borrowers or counterparties outside the UK.

The CRO and their direct report, the Head of Credit are responsible for:

- Development and oversight of the credit and country risk management frameworks;
- Developing credit and country risk policies, tools and frameworks across the business, including credit grading systems;
- Managing effective credit and country risk assessment strategies and independent challenge of requests from the first line for new, increased or extended limits;
- Oversight of credit and country risk activities undertaken by the first line;
- Credit reporting and performance monitoring, including stress testing and portfolio modelling; and
- Monitoring and managing the Bank's impaired exposures and making recommendations jointly with the Chief Financial Officer (CFO) on required levels of individual and collective impairment provisions and write-offs.

Credit and country risk management is overseen at an Executive level by the Risk Committee (RiskCo), which reviews and makes recommendations via the Executive Committee, (ExCo), to the Risk and Conduct Committee (RCC) at least annually on the Bank's credit and country risk appetite and policies, or approves proposals within delegated authority, having regard to the Bank's business plans and Credit and Country Risk standards as approved by the RCC from time to time. Credit decisions are undertaken using delegated authorities agreed at and delegated from Board level. The Executive Credit Committee holds the full delegation with limits below this delegated based on skills and experience being subject to differentiation by quantum and credit quality. Any proposed facility requests which introduce a change to agreed Product Programmes or Strategy are escalated to the Board Credit Committee (BCC) for approval of the change.

The Bank's strategic focus means that a significant portion of its credit and country risks are towards the higher risk end of its grading systems. In order to mitigate its credit and country risks the Bank employs a number of risk mitigants:

- A framework of concentration limits and guidelines which diversify the risk of excessive exposure to individual countries, regions or sectors and to individual counterparties within those concentrations;
- Limits are established for individual countries and counterparties based on their grading;
- These limits govern quantum, nature and tenor of exposure. Typically, the Bank will no longer enter transactions in excess of one year other than in its real estate activity or for strategic customers or counterparties of appropriate credit quality;

- The Bank takes cash collateral for a significant portion of its exposures and employs other risk mitigants where appropriate. Other mitigants include distribution via sale of back-to-back commitments to financial institutions including banks or insurance companies of acceptable quality, or security;
- Liquidity buffers are only used to purchase fixed and floating securities issued by OECD governments and multilateral development banks which qualify as High-Quality Liquid Assets under the PRA's Liquidity Coverage Ratio regime; and
- Other surplus liquidity is primarily placed with or invested in the bonds of highly rated financial institutions.

Whilst risk appetite recovered gradually post-pandemic, low-rated emerging markets, which are predominantly the focus of our business strategy, have been disproportionately impacted by the very challenging backdrop of front-loaded tightening by the Fed, fallout from the Russia-Ukraine conflict, growth scarring from pandemic and more recently the impacts of the conflict in other regions. The Bank continuously re-assesses appetite in line with ongoing developments, including the high interest rate environment and has managed its risk exposures through the following actions:

- In its Trade Finance business by managing obligor and country limits and the tenor of transactions, focusing on trading in strategic goods; and
- In its Real Estate business by monitoring its risk appetite across all sectors including margins of advance and loan amount, with no new business written in some sectors.
- In its Real Estate business reviewing, stress testing and considering the implications of the increased interest costs.
- Enhancing the level of monitoring and reporting.

3.6.2 Market Risk

Market Risk is the risk of a decline in the Bank's capital or profitability due to a change in market prices.

Risk Management:

The Bank's appetite for market risk is set in response to its business plans and overall risk appetite.

The Chief Risk Officer and their direct report, the Market Risk Director, are responsible for:

- Development and oversight of the market risk management framework;
- Developing the market risk policy, tools and framework across the business;
- Managing effective market risk assessment strategies and independent challenge of requests from the first line for new, increased or extended limits;
- Oversight of market risk activities undertaken by the first line, including daily monitoring, and reporting of compliance with limits designed to ensure adherence with the Bank's risk appetite in respect of market and liquidity risks; and
- Market reporting and performance monitoring.

Market risk management is overseen at an Executive level by the ALCO which reviews and makes recommendations via the Executive Committee to the RCC at least annually on the Bank's market risk appetite and policy, or approves where within delegated authority, having regard to the Bank's business plans and market risk policy as approved by the RCC from time to time.

Risk Mitigation:

The Bank's Treasury function has day-to-day responsibility for managing its market and liquidity exposures. The Bank does not budget for more than 10% of its revenue to be earned from principal position trading exposures to bonds, interest rates or foreign exchange, and profits should be driven where feasible by customer flows. Derivative contracts may be used to modify market risk exposures. In the banking book, derivative contracts are used to hedge market risk exposure arising from banking book positions. The Bank does not deal in complex derivative transactions.

3.6.3 Liquidity Risk

Liquidity Risk is the risk that funding is unavailable or is available only on terms which are inconsistent with the strategic goals, regulatory requirements, or reporting obligations of the Bank.

The Bank's liquidity risk management framework is assessed annually through the Internal Liquidity Adequacy Assessment Process ("ILAAP") carried out under the rules of the Bank's regulator. The Bank manages its exposure to liquidity risk by ensuring that it holds a buffer of High-Quality Liquid Assets (HQLA) that will enable it to meet its obligations as they fall due under both normal and a range of stressed conditions. In addition, the Bank monitors the ratio of its longer dated assets to capital and longer-term funding to mitigate the funding risk deriving from maturity transformation.

The Bank's appetite for liquidity risk is low. This is evidenced by the Bank's LCR which shows that the surplus of HQLA[4] is greatly in excess of the minimum amount the PRA requires the Bank to hold.

The Bank monitors a range of liquidity and funding indicators including net cash flows over 14 days plus HQLA; the Liquidity Coverage Ratio (LCR); net cash flows over 91 days plus HQLA. The Bank's risk appetite is to be able to survive a 91-day period assuming no non-contractual rollover Group funding. The Board is of the opinion that it has taken appropriate steps to provide reasonable assurance that the liquidity risk of the Bank is and will continue to be managed in a prudent manner.

3.7 PRINCIPAL RISKS APPROACH TO NON- FINANCIAL RISKS

3.7.1 Operational Risk & Resilience

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events. The appetite for Operational Risk is set at low.

Risk Management:

The Bank's appetite for operational risk is set in response to its business plans and overall risk appetite. The Head of Operational Risk is responsible for:

- Development and oversight of the operational risk management framework and operational resilience framework;
- Developing operational risk policies, tools and frameworks across the business, including but not limited to incident management, root cause analysis and remedial action tracking;
- Managing effective Risk and Control Self-Assessment (RCSA) processes to identify and evaluate the Bank's exposures;
- Oversight of operational risk management activities undertaken by the first line; and
- Reporting and performance monitoring.

Operational risk management is overseen by the Risk Committee, which reviews and makes recommendations via the Executive Committee to the RCC. Reports to the RCC are submitted at least annually on the Bank's operational risk appetite and policies. The Risk Committee approves within delegated authority, having regard to the Bank's business plans and Operational Risk Standards as approved by the RCC.

Risk Mitigation:

The Bank seeks to mitigate its operational risks using accepted operational risk management concepts and strategies including but not limited to:

- Identification of important or critical processes and potential points of failure, and ensuring that adequate controls are in place;

[4] High Quality Liquid Assets as defined by the Prudential Liquidity Framework as published by the PRA.

- Identifying and testing of key controls;
- Identification, assessment and management of risk and controls under the RCSA;
- Information Security is a regular topic at the Board's RCC;
- Self-assessment of the Bank's Cyber risk management process against the NIST (National Institute of Standards and Technology) recommendation standards;
- Operational resilience / business continuity planning including Disaster Recovery failover testing;
- Escalation and reporting of operational incidents to ensure that timely actions are taken to resolve the incident, address the failure, and perform root cause analysis to mitigate the likelihood of recurrence including lessons learned follow ups; and
- Insurance policies are in place to cover relevant risk exposures. Insurance is viewed as complementary to and not a replacement for a robust control environment.

3.7.2 Reputational Risk

Reputational risk is the current and prospective impact on earnings and enterprise value arising from negative stakeholder opinion. Reputational risk is a threat or danger to the good name or standing of the Bank. It can occur through a number of ways: directly as the result of the actions of the company itself; indirectly due to the actions of an employee or employees; or tangentially through other parties, such as joint venture partners, shareholders, clients, suppliers or trade press.

In addition to having good governance practices and transparency, firms also need to be socially responsible and environmentally conscious to avoid reputational risk. The Bank recognises that reputational risk cannot be eradicated completely, and such risk is inherent within the banking environment and in particular in some of the higher risk countries with which the Bank does business. It is recognised that Reputational Risk can arise from a wide variety of sources, some controllable, some less so. Reputational Risk is contained within the Primary Risk Transversal Risk.

Risk Management:

The CEO has primary responsibility for managing reputational risk. The Bank recognises that some of the countries in which its counterparties operate results in an enhanced exposure to reputational risk. As a result, its principal defence against reputational risk is through adherence to its objectives of operating at all times in conformity with all applicable laws and regulations including sanctions and anti-money laundering requirements. Governance and risk management frameworks are intended to safeguard the Bank from reputational damage that might arise from trading related losses.

Risk Mitigation:

The Bank has implemented a range of initiatives to mitigate its exposure to reputational risks. These include:

- Strategic alignment including Board oversight and integration of risk management into strategy setting, effective communications and brand building;
- Cultural alignment built on corporate values, supported by appropriate performance management and a positive culture regarding compliance with laws and regulations;
- Positive, open and transparent stakeholder interactions and public reporting;
- Focusing on mainly non-complex products and a wholesale customer base, supported by a new product review and approval process;
- An operational focus on a strong control environment and appropriate organisational resilience;
- A proactive corporate communications strategy designed to safeguard the reputation of the Bank and media screening to identify issues and risks early; and
- An evolving approach to the environmental challenges faced by the financial services sector which recognises the needs of our shareholder and target markets.

3.7.3 Financial Crime Risk

Financial Crime Risk is the risk that the Bank may be used to further financial crime activity by breaching financial sanctions, laundering the proceeds of crime, terrorist financing, proliferation financing, fraud, tax evasion, offering or accepting bribes or being used to channel funds from corrupt practices. The appetite for financial crime risk is set at Medium.

Risk Management:

The Chief Compliance Officer and Money Laundering Reporting Officer (CCO and MLRO) reports to the Chief Executive Officer and is responsible for:

- Implementing an anti-financial crime risk management framework designed to mitigate the risk of the Bank being used as a vehicle to facilitate financial crime and breaches of sanctions applicable to the Bank.
- Ensuring that any occurrences which give reason to suspect money laundering or the financing of terrorism are identified and reported to the relevant authorities;
- Maintaining effective policies, systems and controls to combat and identify financial crime;
- Monitoring to ensure that those policies and controls are being adhered to;
- Providing regular and mandatory training on both a Bank-wide and targeted basis;
- Horizon scanning to identify and prepare for forthcoming regulatory change;
- Providing management information and reporting to management on the effectiveness of the Bank's anti-financial crime controls; and maintaining an independent second line function.

Financial crime risk is overseen by the RCC, to whom the MLRO provides periodic reports.

At an Executive level, the risk, including mitigation controls along with action and remediation plans for 2023 was overseen by the Regulatory Risk Committee (RRC), with appropriate escalations to the overall Executive Committee.

Risk Mitigation:

- The Bank has invested heavily in enhancing both the quantity and calibre of resources in the first line who are responsible for ensuring compliance, subject to oversight, and in the case of higher risk cases, additional due diligence by the second line compliance team;
- The Bank employs a range of tools and processes, including technology solutions, to monitor new and existing customers and to monitor transactions for risk indicators, which are investigated if triggered;
- The Bank has developed a Financial Crime Risk Appetite Statement to assist with decision making; and
- The Financial Crime Risk team operates a risk-based monitoring programme to ensure controls are effective.

3.7.4 Regulatory Compliance Risk

Compliance Risk is defined as the risk of regulatory enforcement, material financial loss, or loss to reputation that the Bank may suffer as a result of a failure to comply with applicable laws, regulations, internal policies, codes of conduct and standards, responsibility for which has been allocated to the Compliance Department. In the context of the Bank, this encompasses primarily regulatory requirements in respect of Regulatory Conduct Risk, Senior Managers and Certification Regime, Market Abuse and Fair Treatment of Customers. The appetite for regulatory compliance risk is set at low.

The Bank's principal sources of compliance risk are:

- Enterprise-wide compliance risks including supervision and oversight, regulatory reporting and notifications, material outsourcing and/or failure to adequately implement existing and new regulatory requirements; and

- Business related compliance risks including the risk that the Bank fails to conduct its activities appropriately, which may include consumer treatment, conflicts of interest, and/or complaints handling, as well as managing client money and assets.

Risk Management:

Day-to-day responsibility for the management of compliance risk rests with the Head of Compliance who reports into the CCO and MLRO.

The Bank's objective is to comply with the letter and spirit of all applicable regulations and laws, and to embed a robust risk and compliance culture throughout the organisation.

The Compliance Department is responsible for:

- Developing applicable principles, standards and guidelines for compliance, communicating them and verifying adherence;
- Providing advice to individual business units on applicable laws, directives, standards, and regulations as well as providing compliance support;
- Providing regular training and education for staff on applicable regulations, rules and internal standards;
- Regulatory scanning to ensure that any relevant developments or emerging risks are identified and appropriately addressed; and
- Communicating with regulators.

Compliance risk is overseen by the RCC, to which the Head of Compliance and Chief Compliance Officer provides regular reports. At an Executive level, compliance risk, including mitigation controls along with action and remediation plans for 2023 was overseen by the RRC, with appropriate escalations to the overall Executive Committee.

Risk Mitigation:

The Bank seeks to minimise the risk of compliance failure by seeking to:

- Ensure an up-to-date understanding of regulatory requirements which need to be complied with;
- Ensure that procedures and controls are in place and designed to minimise the risk of breaching those requirements;
- Provide training for staff throughout the organisation aimed at promoting a good understanding of compliance; and
- Undertaking a risk-based monitoring programme aimed at detecting shortcomings in, or failures of, compliance controls or processes.

3.7.5 Strategy and Planning Risk

Strategy and Planning Risk is the failure to align strategy and planning to achieve business objectives. The Strategy and Planning Risk has been set at medium.

The Bank has historically focussed on the banking and financial services needs of customers located in or trading with Africa, the Middle East and Asia, principally providing trade solutions, alongside treasury and banking services, in addition to UK real estate lending.

The Bank de-risked from higher risk activities in 2021 and is now able to focus also on revenue generation and the deployment of capital in the core business areas. As a result, the progress made in 2022 has continued in 2023 in our key Trade Finance business, reinforced by improved capital management modelling, and supported by strong FX revenues from Treasury. Within our Real Estate business, with the increased interest rate environment, we have been working with our clients to understand their strategies to meet the challenges created. During 2023 we have operated on a control and consolidate position supporting our clients within our risk appetite. Opportunities for new business being taken where they meet our appetite levels. This combination of our three streams will form the basis for controlled but safe levels of growth as the Bank moves forward into 2024.

The Bank's updated Strategic Plan which was approved by the Board in December 2023 continues to be formulated on the Bank's risk appetite and aims to deliver a safe level of growth in terms of revenue and quality assets, while extending the Bank's core network with controlled levels of expansion in areas outside of the Bank's four key markets, aimed at reducing concentration risk. This also includes initiatives to consider new product delivery subject to completion of the New Product Policy requirements. Management also acknowledges that the delivery of the Strategic Plan depends on ongoing successful embedding of changes in process, people and system improvements which commenced in 2022 and will continued into 2024, as well as efficient Risk Appetite management.

Management is also conscious of the economic uncertainty facing global markets in 2024. In these challenging conditions central banks are increasingly focused on controlling inflation with the higher interest rate environment expected to continue into 2024.

Geopolitical tensions will remain with the ongoing Russia-Ukraine conflict, the conflict in Gaza and issues in the Red Sea and Suez Canal areas at the heart of this causing volatility in markets and disrupting supply chains. As a niche provider, with both geographic and product expertise, the Bank remains focused on its core markets and continues to carefully monitor economic and political developments which have the potential to impact upon the Bank's strategy. It is the opinion of the management that these challenging market conditions will also create opportunities for those customers and financial institutions that have a long-term commitment to such markets.

Throughout 2023, the Bank has experienced stability in its core markets, including shareholder countries. Furthermore, the Bank's ability to structure transactions to mitigate risk in frontier markets gives additional comfort as well as the Bank's strong trade distribution channels which allows the Bank to be more relevant to its customers and markets.

Risk Management:

The Bank's principal sources of risk are transversal in nature and can be attributed to:

- Failure to manage change effectively within the Bank and
- The failure to identify and react to external changes.

Risk Mitigation:

Day-to-day the Bank seeks to mitigate its risks in the following way:

- Principal Risk identification, assessment, control, and reporting. The Bank's "Top Risks" as identified by the Executive and approved by Board. This process is managed by the operational risk team.
- Central Project Management Office ("PMO") assess business projects and where these could impact business strategy these are managed within the PMO Policy.
- Horizon scanning and the identification of emerging risks, which are shared and reported to provide a holistic view of risk across the Bank.

3.7.6 Governance Risk

Governance Risk is the failure to define an organisational structure that supports the taking and implementation of decisions. The Bank's principal sources of risk are transversal in nature and can be attributed to lack of adequate oversight. Day-to-day, the Bank seeks to mitigate its risks in the following way:

- Committee structure with clear terms of reference which outline the scope of the committee and the reporting required to support risk-informed decision making across the Bank, and
- Board training on key and technical areas to ensure that members have the knowledge and skills to provide adequate and independent oversight.

Further information in relation to Non-Financial Risks is set out in *Annual Report and Financial Statements 2023*.

4. CAPITAL ADEQUACY

4.1. CAPITAL MANAGEMENT

BACB has adopted the Standardised approach to credit, market and operational risk to calculate the Basel II Pillar 1 minimum capital requirement. The adequacy of BACB's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision and implemented by CRR and adopted by the PRA in supervising banks. BACB's capital management approach is to maintain a strong capital base to support the development of its business and to meet regulatory capital requirements at all times. The principal forms of capital are called up share capital, retained earnings and subordinated debt.

Under the SMF Regime prescribed responsibility for capital adequacy sits with the CFO. The PRA in its capacity as supervisor set targets for, and monitors, the capital adequacy of the Bank. Capital adequacy returns are submitted quarterly to the Regulator. As at 31 December 2023, and throughout the reporting period, the Bank's capital in place, "Own Funds", comfortably exceeded its minimum regulatory requirement.

Capital position is monitored daily against limits and capital MI is shared with the Banks Asset and Liability Committee (ALCO) and Executive Management Committee (EXCO) and the Board and its relevant subcommittee, Risk and Conduct Committee (RCC). Capital Planning is an important part of BACB's capital management. A three-year capital plan is approved annually at the Board and most recently was approved in February 2024.

BACB produces an annual ICAAP that is an assessment by the Bank, approved by the Board, of the level of capital that it believes is required in respect of the principal risks to which it is exposed in the execution of its business plan. The Bank uses a range of modelling, scenario analysis and stress testing techniques which it considers appropriate to the scale and nature of the Bank's activities in order to identify the capital levels required and compares these to the Pillar 1 minimum amounts plus the Bank's TCR. These techniques include an evaluation over the medium-term planning horizon of the adequacy of the Bank's capital position even under a range of relevant severe but plausible stressed conditions.

4.2. RISK WEIGHTED ASSETS[5]

UK OV1 – Overview of risk weighted exposure amounts

		Risk weighted exposure amounts (RWEAs) (£000s)		Total own funds requirements (£000s)
		a	b	c
		31/12/2023	**31/12/2022**	**31/12/2023**
1	Credit risk (excluding CCR)*	1,128,031	1,140,561	90,243
2	Of which the standardised approach*	1,128,031	1,140,561	90,243
6	Counterparty credit risk - CCR	318	2,127	25
UK 8b	Of which credit valuation adjustment - CVA	24	-	2
9	Of which other CCR	294	2,127	24
20	Position, foreign exchange and commodities risks (Market risk)	1,651	3,163	132
21	Of which the standardised approach	1,651	3,163	132
23	Operational risk	110,666	78,637	8,853
UK 23a	Of which basic indicator approach	110,666	78,637	8,853
24	Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)	-	2,681	-
29	**Total***	**1,240,666**	**1,224,488**	**99,253**

[5] To ensure consistency of presentation 2022 comparative numbers for Key Metrics denoted with an asterisk have been amended.

4.3 OWN FUNDS

Own funds (also referred to as capital resources) are the types and levels of regulatory capital which must be held to enable the Bank to absorb losses. The Bank is required to hold own funds in sufficient quantity and quality in accordance with the PRA's Rulebook which sets out the characteristics and conditions for own funds.

Under the regulations, three tiers of capital are recognised, Common Equity Tier 1, Additional Tier 1 and Tier 2 Capital with the sum of Tier 1 and Tier 2 Capital constituting "own funds". The current regulatory capital requirement of the Bank was set by the PRA, following the supervisory review of the Bank's 2022 ICAAP and came into force on 13 April 2023. The Total Capital Requirement ("TCR") and other add-ons/ buffers, require the Bank to maintain a level of capital no less than the sum of the components outlined below:

Components of Regulatory Capital Requirement	Industry/Specific	Amount
Total Capital Requirement ("TCR")	8% Industry Wide 4.5% Firm Specific	12.6% of RWAs
Pension Obligation Risk Add-on	Firm Specific	£4m
Capital Conservation Buffer	Country Specific	2.5% of RWAs
Countercyclical Buffer	Industry Wide	0.6% of RWAs

The Bank's minimum capital ratios as at 31 December were as follows:

Minimum Capital Ratios	Minimum % Required
Total Capital Ratio	15.6%
Tier 1 Capital Ratio	12.5%

UK CC1-Composition of regulatory own funds[6]

		31/12/2023 £000s	31/12/2022 £000s	Reference
	Common Equity Tier 1 (CET1) capital: instruments and reserves			
1	Capital instruments and the related share premium accounts	106,377	105,592	a
2	Retained earnings	120,650	100,793	b
3	Accumulated other comprehensive income (and other reserves)	5,551	881	b
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**232,578**	**207,266**	
	Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	-1,623	-1,697	
8	Intangible assets (net of related tax liability) (negative amount)	-4,566	-6,222	c
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)	0	-2,163	d
15	Defined-benefit pension fund assets (negative amount)	-2,617	-2,219	e
27a	Other regulatory adjustments to CET1 capital *(including IFRS 9 transitional adjustments when relevant)*	0	2,551	
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	-8,806	-9,750	
29	**Common Equity Tier 1 (CET1) capital**	**223,772**	**197,516**	
	Additional Tier 1 (AT1) capital: instruments			
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**0**	**0**	
	Additional Tier 1 (AT1) capital: regulatory adjustments			
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	0	0	
44	**Additional Tier 1 (AT1) capital**	0	0	
45	**Tier 1 capital (T1 = CET1 + AT1)**	**223,772**	**197,516**	
	Tier 2 (T2) capital: instruments			
46	Capital instruments and the related share premium accounts	52,361	70,063	f
51	**Tier 2 (T2) capital before regulatory adjustments**	**52,361**	**70,063**	
	Tier 2 (T2) capital: regulatory adjustments			
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**0**	**0**	
58	**Tier 2 (T2) capital**	**52,361**	**70,063**	
59	**Total capital (TC = T1 + T2)**	**276,133**	**267,579**	
60	**Total Risk exposure amount***	**1,240,666**	**1,224,488**	
	Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)*	18.0%	16.1%	
62	Tier 1 (as a percentage of total risk exposure amount)*	18.0%	16.1%	
63	Total capital (as a percentage of total risk exposure amount)*	22.3%	21.9%	
64	Institution CET1 overall capital requirement (CET1 requirement in accordance with Article 92 (1) CRR, plus additional CET1 requirement which the institution is required to hold in accordance with point (a) of Article 104(1) CRD, plus combined buffer requirement in accordance with Article 128(6) CRD) expressed as a percentage of risk exposure amount)	7.6%	7.3%	
65	of which: capital conservation buffer requirement	2.5%	2.5%	
66	of which: countercyclical buffer requirement	0.6%	0.3%	
68	**Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)***	13.5%	11.6%	
	Amounts below the thresholds for deduction (before risk weighting)			
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	1,293	2,067	
75	Deferred tax assets arising from temporary differences (amount below 17,65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met)	0	1,072	

Notes:

1. Subordinated debt included in Tier 2 capital excludes accrued interest. The figure quoted on the Statement of Financial Position in the 2023 Annual Report and Financial Statements includes accrued interest.
2. The subordinated debt is in its last 5 years prior to maturity and as a result the amount which is eligible for inclusion in tier 2 capital is subject to amortisation and therefore less than the balance sheet amount.
3. Retained Earnings above include retained profits for the year of 2023.
4. Common Equity Tier 1 capital comprises ordinary share capital plus reserves. Adjustments are made in respect of intangible assets and certain valuation and other adjustments in accordance with the PRA regulatory rules.
5. BACB does not have any form of additional Tier 1 capital.
6. Only the element of deferred tax assets relating to unused tax losses carried forward are deducted from capital.

[6] To ensure consistency of presentation 2022 comparative balances denoted with an asterisk have been amended.

4.4 RECONCILIATION TO AUDITED FINANCIAL STATEMENTS

UK CC2 - reconciliation of regulatory own funds to balance sheet in the audited financial statements

	Audited balance sheet (£000s)	Audited balance sheet (£000s)	Reference
	31/12/2023	31/12/2022	
Assets			
Assets			
Cash, notes and coins	1	-	
Derivatives	661	1,344	
Reverse Repurchase agreements	86,937	236,927	
Loans and advances to banks	855,620	755,184	
Loans and advances to customers	388,567	463,780	
Financial investments	1,621,748	1,695,000	
Corporation tax receivable	947	223	
Property, plant and equipment	29,839	27,271	
Intangible assets	4,566	6,222	c
Deferred tax assets	-	3,561	d
Prepayments, accrued income and other debtors	10,424	3,014	
Net pension asset	2,617	2,219	e
Total assets	**3,001,927**	**3,194,745**	
Liabilities			
Deposits from banks	1,960,559	2,144,470	
Other deposits	699,119	737,763	
Derivatives	46	507	
Other liabilities, accruals and deferred income	33,274	27,080	
Corporation tax payable	-	-	
Deferred tax liabilities	1,797	-	
Subordinated liabilities	74,554	77,659	f
Total liabilities	**2,769,349**	**2,987,479**	
Equity			
Called up share capital	106,377	105,592	a
Capital redemption reserve	4,104	4,104	b
Other reserves	122,097	97,570	b
Total equity shareholders' funds	**232,578**	**207,266**	
Total liabilities and equity	**3,001,927**	**3,194,745**	

Notes:

1. The regulatory balance sheet is the same as the balance sheet in the Annual Report and Financial Statements 2023.
2. Subordinated debt included in Tier 2 capital excludes accrued interest. The figure quoted in the Statement of Financial Position in the 2023 Annual Report and Financial Statements includes accrued interest.
3. The subordinated debt is in its last 5 years prior to maturity and as a result the amount which is eligible for inclusion in tier 2 capital is subject to amortisation and therefore less than the balance sheet amount.
4. Retained Earnings above include retained profits for the year of 2023.
5. Common Equity Tier 1 capital comprises ordinary share capital plus reserves. Adjustments are made in respect of intangible assets and certain valuation and other adjustments in accordance with the PRA regulatory rules.
6. Only the element of deferred tax assets relating to unused tax losses carried forward are deducted from capital.

5. REMUNERATION CODE DISCLOSURES

BACB has reviewed and acknowledges the requirements from the FCA guidance issued in 2015 on staff remuneration within the banking sector, in addition to the PRA Rulebook, the FCA code ("the Code") and the CRR (Article 433).

Article 433c Disclosures by other institutions

As the Bank meets the criteria for a small CRR firm it is not subject to Articles 433a and 433b. Paragraph 3 of Article 433c states 'for non-listed institutions, no disclosure is required', thereby rendering the previously applicable Article 450 Disclosure of Remuneration Policy not applicable to the Bank.

This is effective from 1 January 2024, however the PRA Rulebook has a transition provision relating to any disclosure made after 31 December 2023 but relating to a period on or before 31 December 2023 whereby an entity must apply this part in accordance with Article 433c as this article had effect on 31 December 2023.

Based on this transition provision (7.1) and Article 433c paragraph 3, the Bank does not need to make any remuneration disclosures for the year ending 31 December 2023.

PS15/23

PS15/23 aligns with this view stating that the PRA has also introduced an exception within the current disclosure requirements for 'other' institutions that are small CRR firms so that such firms are subject to the same remuneration requirements. This is reflected in PRA Rulebook 433 as noted above.

Due to these changes, the remuneration policy disclosures made previously are no longer required and the Bank has elected to avail itself of this exemption and no disclosures in respect of the remuneration code are included in this document.

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