HBL BANK UK

Pillar III Disclosures

31st December 2019

HBL BANK UK

Table of Contents

Page

1. **Introduction** 1
   1.1 Ownership Structure 1
   1.2 The Bank's Products/Services 1
   1.3 Basis and Frequency of Disclosures 2
   1.4 Location and Verification 2

2. **Risk Management Framework** 2
   2.1 Corporate Governance 2
   2.2 Risk Management – Risk Appetite & Risk Management Framework 7
   2.2.1 Credit Risk Management 8
   2.2.1.1 Commercial Loans 9
   2.2.1.2 Investment in debt securities and Placements 9
   2.2.1.3 Trade Finance (Funded and Unfunded) 10
   2.2.1.4 Past Due and Impaired Assets 10
   2.2.1.5 Leverage ratio 11
   2.2.2 Liquidity Risk 12
   2.2.3 Market Risk 13
   2.2.3.1 Interest Rate Risk 13
   2.2.3.2 Foreign Exchange Risk 14
   2.2.4 Operational Risk 14

3. **Supervisory Review** 14

4. **Capital Management** 15

5. **Remuneration Policies** 17

6. **Capital Adequacy Resources** 18
   6.1 Capital Requirement under CRR 19
   6.2 Credit Exposures subject to the Standardised Approach 20

7. **Concentration of Credit Risk** 21
   7.1 Sector Concentration 21
   7.2 Geographical Concentration 23

8. **Residual Maturity of Loans and Debt Securities** 25

9. **Impaired and Past Due Analysis** 26

10. **Reconciliation of Provision (Specific and General)** 28

1. Introduction

1.1 Ownership Structure

HBL Bank UK Limited (HBL UK/The Bank) is a wholly (100%) owned subsidiary of Habib Allied Holdings Limited (HAHL) – formerly known as Habib Allied International Bank Plc. The Bank is authorised by the Prudential Regulation Authority (PRA) and regulated by the Financial Conduct Authority (FCA) and the PRA.

HBL UK was incorporated as Habibsons Trust and Finance Limited in 1984 and later changed its name to Habibsons Bank Limited in 1987. The Bank was operating through five branches in the United Kingdom and one branch in Zurich before its acquisition by HAHL in April 2011.

Up to 14th December 2014, the Bank was operating under a Shared Governance and Shared Services model (SGSS) with its parent HAHL. However, as of 15th December 2014 the entire banking business of HAHL was transferred to HBL UK under a FSMA 2000 Part VII Transfer of Business (TOB/Part VII Transfer). Prior to this date both HBL UK and HAHL formed the Habib Bank UK Group.

Once the entire banking business of HAHL was on course to be transferred to HBL UK with regulatory approval there was no need for HAHL to continue to maintain its Part IVa FSMA 2000 authorisation and permissions to carry on its banking division. Accordingly, an application for cancellation of permissions was submitted to the regulators on 6th November 2014 and subsequently approved on 26th August 2015 with a view to HAHL continuing to exist as a non-banking financial holding company for HBL UK, which is the sole operational entity.

As at the date of this disclosure the Bank is operating with nine branches in the United Kingdom and one overseas branch, in Zurich, Switzerland.

The shareholding of HAHL as at 31st December 2018 is as under:

- 90.50% owned by Habib Bank Limited, Pakistan ("HBL"); and
- 9.50% is owned by Allied Bank Limited, Pakistan.

HBL, which is the principal shareholder, is in turn 51% owned by The Aga Khan Fund for Economic Development S.A. (AKFED), registered in Switzerland, the ultimate parent.

1.2 The Bank's Products/Services

The Bank's products and services includes trade finance, short term finance through bills discounting, investment in marketable debt securities, working capital finance, term loans, fiduciary and traditional deposit products (i.e. accepting deposits through current, saving and fixed account products), debit cards, fund transfers, FX & MM dealings and wealth management services for high net worth customers within the scope of legal/financial frameworks regulated by the FCA and PRA in the UK and the Swiss Financial Markets Supervisory Authority (FINMA) in Switzerland. The Bank operates on a basic banking model and targets its niche market of South Asian Diaspora between developed economies and South Asia and Africa.

The Bank is a member of the Financial Services Compensation Scheme (FSCS) and its equivalent in Switzerland where eligible deposits are protected as per the terms of the scheme in each jurisdiction. Full details of those deposits protected in the UK and Switzerland can be viewed on the FSCS website www.fscs.org.uk and www.einlagensicherung.ch/en/ respectively.

The key long-term objectives of the Bank are:

- To provide efficient and effective service to customers and thus be the preferred provider of banking services to its chosen target market segments;
- Be an employer of choice for its staff;
- To maintain the highest standards of corporate governance; and
- To provide a suitable return on equity to the shareholders.

1.3 Basis and Frequency of Disclosures

These Pillar III disclosures have been prepared for the Bank in accordance with the rules under CRD IV Regulations.

Unless stated otherwise, all figures are as at 31st December 2019, which is the Bank's financial year end. The comparative figures in these disclosures follow the same principle as per the annual accounts of the Bank for 2019.

The Bank has not taken any exemptions from these disclosures with regards to confidential or proprietary information.

Future disclosures will be issued on an annual basis and published as soon as practicable after the publication of the Annual Report & Accounts. It is displayed on the Bank's website.

1.4 Location and Verification

These disclosures have been reviewed internally by the Bank's relevant senior management On the recommendation of senior management, the Chief Executive Officer (CEO) has approved the publication of these disclosures on the Bank's website www.hblbankuk.com

These disclosures have not been subjected to external audit except where they are equivalent to those prepared under accounting requirements for inclusion in the Bank's Annual Report & Accounts as of 31st December 2019.

2. Risk Management Framework

2.1 Corporate Governance

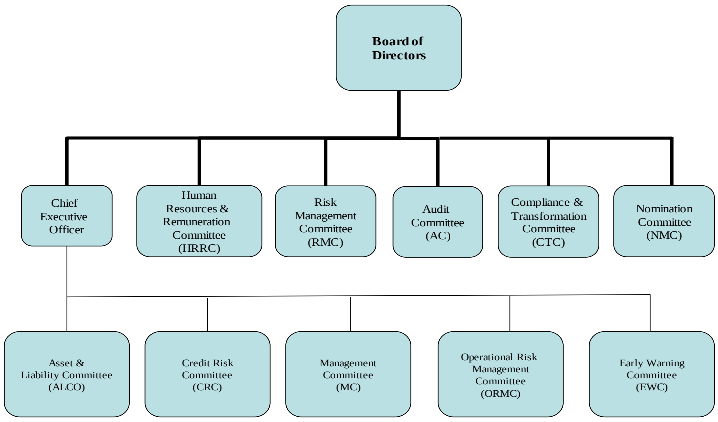
One of the key corporate objectives of the Bank is 'to maintain the highest standards of corporate governance'. The Board of Directors ("the Board") oversees the Bank's business, strategic direction, policy formulation, organisational structure and its activities. The Bank's senior management seeks to realise the Bank's strategic goals which are to maintain the highest standards of integrity and transparency and to maximise long term shareholder value.

The positions of the Chairman of the Board and the Chief Executive are held by separate individuals. The Board has an appropriate combination of senior independent directors and notified directors.

Governance of the business by the Board and senior management and the ability to manage the business during the period of economic slowdown has validated the appropriateness of the Bank's business model. The Bank is operating under a single management structure. The Bank's Board has also approved a revised Business Strategy (2020 to 2023) which is under implementation.

The following Board and Bank's Management Committees ("the Committees") have been established to conduct detailed analysis and reviews of the Bank's established policies and critical issues. The Committees have been constituted to assist the Board and CEO in monitoring the effective implementation of the policies, processes and procedures. All the significant matters discussed and decided at each meeting of the Board Committees are reported to the Board by the Chairmen of the respective Committees.

Board and CEO's Committees



Board Committees

Risk Management Committee (RMC)

The RMC comprises of three Notified Directors including the Chairman and the CEO for a total of four members. The Chief Risk Officer (CRO) is the secretary.

The RMC has the responsibility of ensuring that the Bank has adequate risk management policies and a framework to support its overall business strategy including certain key risks faced by the Bank such as Credit, Market, Liquidity, Operational and Reputational risks. Further it ensures quality, integrity and reliability in the Bank's overall risk management reporting, which enables the Board to discharge its duties through review and challenge.

The RMC establishes the role, responsibility and authority of the Bank's risk management function, ensures independence and monitors its performance. Further it also recommends various risk related policies to the Board including the Risk Appetite.

Where required, the RMC can address issues or breaches elevated by the Credit Risk Committee (CRC) or CRO. These are then communicated to the next Board meeting or Chairman, depending on the urgency. A description of the roles and responsibilities of this committee is covered in detail in Section 2.2.1 Credit Risk Management.

Audit Committees (AC)

The AC comprises of two Notified Directors, the Chairman of the Committee who is also a Senior Independent Director and the Head of Audit is the Secretary. The Bank's external auditors are permanent invitees while the Chief Executive Officer (CEO) and other members of the management can attend on invitation basis.

The Bank has an independent Audit function with the Head of Audit reporting directly to the Chairman of the AC. The AC monitors their independence and performance. Further it also reviews the Bank's internal controls and risk management systems. The Committee apprises the Board of Directors of any significant issues including those observed by internal and external auditors and related corrective measures/ implementation plan.

AC reviews activities of the Audit function and the Internal Control Unit, on a regular basis.

Compliance & Transformation Committees (CTC)

The CTC comprises of two Notified Directors, Chairman and CEO for a total of four members. The Head of Compliance is the secretary. The Bank's directors and the CEO are permanent invitees whilst other members of the management can attend on invitation basis.

The CTC monitors and reviews the Bank's compliance requirements and progress on the Business Transformation programme to enhance the compliance controls, oversight and governance. The Committee apprises the Board of Directors of any significant issues identified by internal and external reviews and related corrective measures/ implementation plan.

The Compliance team ensures that activities of the bank are undertaken in line with professional ethics and in accordance with relevant laws and regulations.

CTC reviews activities of the Compliance function, Money Laundering Reporting Officer, CASS rules and the Business Transformation programme on a regular basis.

Human Resources & Remuneration Committee (HRRC)

The HR&RC comprises of two Notified Directors, the Chairman and the CEO, total of four members. The Chairman of the committee is a Senior Independent Director and the Head of the HR department is the secretary.

HR&RC's role is to ensure that the Bank has relevant people for performing the various roles related policies and procedures such as remuneration, professional development, recruitment and performance appraisal process in place that supports the strategy and objective of the Bank. Further it ensures that policies and practices are in accordance with the FCA/PRA Remuneration Code. It also approves employee benefits, redundancy packages and rewards scheme and ensures that the Bank is following the policy to ensure diversity including non-discrimination based on race, colour, gender, marital status, religion or beliefs, age.

The Committee meets prior to Board of Directors' meetings and updates the Board on material issues, emerging legislation, code of conduct and best practices. The Chairman will report on the proceeding of the HR&RC to the Board and will also share its minutes. Additional meetings can be called at the request of CEO to Chairman of HR&RC, if required.

Nomination Committee (NMC)

The NC comprises of three Notified Directors including the Chairman, total of three members. The secretary of the committee is the Head of the HR department.

The NMC has the responsibility of leading the process for appointments of members of the Board.

The NMC primarily reviews the structure, size and composition of the Board as a whole to make recommendations to the Board giving full consideration to succession planning in view of challenges and opportunities faced by the Bank. The Committee also reviews strategic priorities and trends for long term success and future viability in this respect.
For all members of the Board and new candidates, the Committee evaluates the balance of skills, knowledge experience, diversity and length of service on the Board, and the range of critical skills of value to the Board relevant to the challenges and opportunities facing the Bank.

The Committee meets at once a year prior to a Board of Directors' meeting and updates the Board on any recommendations. The Chairman will report any recommendations and share the minutes with the Board unless exceptionally appropriate to do so.

Chief Executive Officer's Committees

Asset & Liability Committee (ALCO)

This is a monthly management committee and is chaired by the CEO. Members of the ALCO are the Chief Financial Officer (CFO), CRO, Manager of Regulatory & Market Risk, Head of Retail Banking, Business Head – Corporate & Retail, Head of Wealth Management, Head of Financial Institutions, with the Head of Treasury as Secretary to the Committee. Head of Audit may attend the meetings at his/her discretion as observers on an invitation basis. ALCO is primarily responsible for management of the Bank's Liquidity, Capital and Market Risks and has responsibility for implementing Liquidity and Interest Rate Policies including changes in the Bank's base rate and deposit interest rates, monitoring liquidity and market exposure limits, management of thresholds and compliance with the liquidity policy and Individual Liquidity Guidance.

In the event of a potential or actual breach, ALCO reviews the PRA/FCA guidelines on the Bank's liquidity position and decides on the action to correct the position within the mismatch guidelines agreed with PRA/FCA.

Refer to Section 2.2.2 Liquidity Risk which incorporates within it the components of market risk.

Credit Risk Committee (CRC)

The CRC is primarily responsible for managing the Bank's credit risk and is chaired by CEO. The CRC's role and responsibilities include the administration and monitoring of the various investment portfolios (credit risk) and exposures reported by Heads of Credit Administration Department (CAD) and Remedial Asset Management (RAM). CRC identifies and manages problem credits and recommends adequate value adjustments and provisions. It also reviews the portfolio and acts on any exceptions, ensuring compliance with the approved credit and risk appetite policies. Further it takes reasonable steps to ensure adequate systems are available for safeguarding and improving the quality of the portfolio. The CRC meets quarterly, however, additional meetings may be called in case of need.

The CRC also escalates any potential or actual breaches in key risk indicators to the RMC as defined in Credit Risk Appetite Statement and Credit Policy Manual.

Management Committee (MC)

MC is a monthly meeting, chaired by the CEO. It is responsible for the implementation of the approved strategy and establishing robust control environment, systems to mitigate risks to the Bank's strategic goals and objectives.

The MC monitors the progress of the strategic plan and has the responsibility for embedding the right culture across the business through effective performance management, training and development. The Committee is responsible for addressing People related issues, including Treating Customers Fairly, as well as handling of complaints.

MC reviews and monitors compliance with prudential requirements and is also responsible for initiating and monitoring approved projects and initiatives, e.g. regulatory and compliance reviews, audit plans, operational and IT, Disaster Recovery /Business Continuity Plans, External Audits, Recovery and Resolution Plans (including CASS RP).

This meeting is attended by all the members of the Bank's senior management team.

Operational Risk Management Committee

This Committee is primarily responsible for monitoring, measuring and overseeing the reduction of operational risk exposures in the Bank. The ORMC's role is to ensure compliance of the operational risk objectives of the RMC. These objectives are achieved by reviewing, proposing operational risk management strategies and appetite to the RMC, monitoring those strategies through effective KRI's and MIS. The committee is also expected to monitor the development and implementation of the operational risk methodologies, tools, systems and techniques.

Further the committee reviews all operational risk policies and procedures in relation to exposures in specific business units and support functions within the Bank.

The Committee meets quarterly and is chaired by the CEO. Its members include the CRO, Head of Compliance, Head of Operations, Head of IT, Head of Retail, Head of Internal Control Unit and Manager of Regulatory Risk. The Business Head – Corporate & Retail also attends by invitation. The Operational Risk Manager is Secretary of the Committee.

Early Warning Committee

This Committee is primarily responsible for monitoring the Bank's asset portfolio with a view to the future outlook in reducing any negative risks or impact to the Bank. The purpose of the committee is to discuss potential customer deterioration across the lending, trade and investment portfolios in order that any problems are identified, and remedial actions taken in a timely manner.

The core objective is to enhance the credit risk management process and to ensure timely identification of problem credits for appropriate remediation actions.

The committee meets every month and is chaired by the CEO. Its members include the CRO, CFO, Head of Retail Banking, Head of Corporate Banking, Business Head – Corporate & Retail, Head of Wealth Management, Head of Financial Institutions, Head of Treasury, Head of RAM. The Head of Credit Approval Unit (CAU) is the secretary.

Chief Executive Officer

The executive team of the Bank is headed by the Chief Executive Officer, who is responsible for formulating and implementing business strategy, improving financial performance and profitability, and identifying, developing and marketing new products to enhance the business. The CEO is responsible for providing leadership, establishing the right culture and ensuring compliance with regulatory and legal requirements.

The direct reports of the Chief Executive Officer are:
• Chief Financial Officer;
• Chief Risk Officer;
• Head of Wealth Management;
• Head of Operations;
• Head of Financial Institutions;
• Head of Business;
• Head of HR;
• Head of Compliance;
• In-house Legal Counsel;
• General Manager for Zurich and
• Head of Audit (for administrative matters).

2.2 Risk Management – Risk Appetite & Risk Management Framework

The RMC is responsible for managing and controlling risks. However, compliance and financial crime risks are managed by CTC. The Bank's RMC addresses the risks present in the Bank's businesses to ensure that the controls and mitigation techniques are available to oversee enterprise-wide risks including; credit, market, operational and reputational risks.

RMC ensures quality, integrity and reliability of the Bank's overall risk management structure and assists the Board in the discharge of their duties relating to corporate accountability and associated risks in terms of management, assurance and reporting.

The Senior Managers Regime (SMR), which came into force on 7th March 2016 for approving individuals and holding them to account has been embedded into the Bank's framework. The SMR contains a number of concepts designed to promote a clear allocation of responsibilities to Senior Managers and, significantly, to enhance their individual accountability.

Under the SMR, the Bank is required to produce and keep an updated Management Responsibility Map containing an organisational structure which illustrates the Bank's management and governance arrangements and shows how the responsibilities have been allocated to Senior Managers under the Regime. Details of the reporting lines and lines of responsibilities enable the Regulators to identify who they need to speak to in case of need about a particular issue.

One of the key intentions of the SMR is to ensure that Senior Managers are individually accountable for those areas over which they have been designated responsibility. However, the Board still retains ultimate decision-making power and authority over key aspects of the Bank's affairs and the SMR is not intended to undermine the fiduciary, legal and regulatory responsibilities of the Board.

The regime ensures that the Board of Directors have established clear and coherent policies for identifying and mitigating the various types of risk in the business, that there are suitable forums for discussing, monitoring and managing risks, suitable internal processes and procedures are established to mitigate risks and resources including MIS are deployed adequately to manage the Bank's overall operations.

The Board continues to maintain policies where all the risks are closely managed. The risks identified in the Bank's risk profiles are all at a level commensurate with the current business operations and Business Plan. Risk management is supported by the Risk Appetite Statement (RAS), Credit Authorities Matrix and the various risk management policies embodied in the Credit Policy Manual (CPM). The Management can clearly demonstrate through the policies and procedures that it is managing its associated risks through the guidance of the policies and the strategies.

The Bank's Senior Managers Regime has been well embedded. As previously mentioned, one of the four key corporate objectives are 'to maintain the highest standards of corporate governance'. The Board of Directors oversees the Bank's business, strategic direction, policy formulation, organisational structure and its activities. The Senior Management at the Bank seek to realise the Bank's strategic goals, which are to maximise long term shareholder value and to maintain the highest standards of integrity and transparency. The chart below depicts the risk management culture, overall risk management strategy and how it interacts with the Bank's Risk Appetite Statement:

FRAMEWORK ELEMENT	LINKAGE TO RISK APPETITE
Risk governance	Clear Risk Appetite Statement, updated as needed, approved by the Board and embodied in risk policy articulated in the Credit Policy Manual and Credit Authority Matrix which defines delegated authority. This sets the 'tone from the top' and a foundation for managing the risk culture.
Risk assessment	Frequent risk assessment process to identify new and changing risk landscape in the context of risk appetite.
Risk quantification and aggregation	Regular quantification and aggregation of risk to prioritise focus of risk management and control.
Monitoring and reporting	Monitoring and reporting as per risk-based limits based on risk appetite.
Risk and control optimisation	Framework of controls and escalation procedures, calibrated in line with risk appetite to optimise cost / benefit.

The key material risks affecting the Bank are; credit, operations, liquidity, interest, market, reputational and exchange rate risk. The Bank's strategies in managing these risks are set out below:

2.2.1 Credit Risk Management

Credit risk is the risk of loss due to the failure of a counterparty to meet its credit obligations in accordance with agreed contract terms.

Credit risk makes up the largest part of the Bank's risk exposures. The RMC is responsible for ensuring appropriate governance and oversight functions are in place, relating to all risks faced by the Bank i.e. credit risk, market risk, operational risk, and reputational risk. In terms of credit risk, the RMC's responsibilities include:

- To determine the policies and processes for credit approval, large exposures, country risk exposures and provisioning;
- To establish overall lending policies, credit risk appetite and guidelines;
- To monitor effective implementation of policies and consider any desirable amendments in the light of market conditions;
- To ensure credit exposures of the Bank are in compliance with any legal or regulatory requirements or restrictions;

- To ensure portfolio performance is in line with the set benchmarks and determine whether overall provisions are adequate; and
- To review the portfolio of large exposures.

The Bank’s strategy to manage its different type of credit risks are set out below:

2.2.1.1 Commercial Loans

Commercial loans are considered based on the following underlying criteria:
- Borrowers and/or counterparties must be established UK or overseas entities with a good financial track record and the key directors or principals must be competent, knowledgeable and experienced in their line of business;
- Property collateral should preferably be UK based; and
- Borrowers must demonstrate the ability to generate sufficient cash flow to service obligations.

Salient features of the risk approval process are delineated below:
- Every extension of credit to any counterparty requires approval as per the Credit Authority Matrix approved by the Banks’ RMC and BOD;
- All business managers apply consistent standards in recommending their credit proposals and subsequent renewals; and
- Every material change to a credit facility requires approval from the Risk / Credit Approval Unit (CAU).

The Bank uses a risk rating system to supplement the credit risk measurement procedure. The risk rating of counterparties is an essential requirement of the credit approval process. All credit takers comprising of individuals, corporates, financial institutions and sovereigns are risk rated. The risk rating decision can be explained to the customer if requested.

Mitigation Techniques

The Bank’s loan and advances product is a secured programme and, in most cases, collateralised by first charge on property assets, cash, marketable securities and debentures on company assets and guarantees to secure obligations. The cash flow is also analysed to ensure that the borrower has the debt servicing ability. With a concentration in property as collateral, market volatility is measured by reference to a standard quarterly index published by HBOS and Nationwide Building Society. The index tracks residential house prices on both a regional and consolidated basis for the UK. Volatility is the percentage increase or decrease in the index. There is no index for commercial property. However, residential property price movements generally have an effect on commercial property values. Commercial and retail property prices are monitored quarterly through specialist property websites.

To ensure continued enforceability of the Bank’s security, all legal charge forms and supporting documentation have been produced with the guidance of the Bank’s legal counsel.

In addition, any new or revised security requirements are handled by the Credit Administration Department in conjunction with the Bank’s approved panel of solicitors, who are responsible for ensuring the perfection of the security required for the advance.

2.2.1.2 Investment in debt securities and Placements

The Bank in its normal course of activity deploys its liquidity in a diversified mix of debt securities with the intent to hold the instrument as available for sale. These generally include:

- Floating rate notes and Bonds purchased from the primary market and selected secondary market offerings through approved brokers;
- Investment grade, marketable paper only as categorised by the international ratings agencies – Moody's, Standard & Poor's and Fitch;
- High quality debt securities issued by a government or central bank; with a credit rating of CQS 4 or better (see below).; and
- Prime bank or corporate paper.
- Selected sovereign debt as per Risk Appetite.

Investment decisions are taken considering efficient use of capital, risk weighting, market price and yield to maturity.

Formal credit assessment includes review of the financial status of the issuer, proposed or traded paper rating, underlying collateral, if any, the offering document and legal agreement or trust deed document.

For managing short term liquidity and surplus cash, the Treasury makes money market placements and purchases short term certificate of deposits (CD). The criteria established for these investments are set out below:

- Placements generally to be for overnight and up to three months only and as an exception allowed for more than three months;
- CD's up to 1-year tenor; and
- Placement with or purchase of CDs of top 50 global banks by tier 1 capital.

The Bank complies with the Credit Quality assessment scale (CQS) and primarily uses ratings by Moody's for all type of exposures and where a rating from Moody's is not available ratings by Standard and Poor's and Fitch are used. The Bank uses CQS for all rated exposures.

2.2.1.3 Trade Finance (Funded and Unfunded)

The Bank has established a sound business which allows it to conduct trade finance business undertakings such as Letters of Credit confirmation, negotiation and discounting. Trade finance transactions are considered to carry "lower credit risk" due to the preferential treatment received in the event of default by sovereign or financial institutions under UCP 600 (The Uniform Customs and Practice for Documentary Credits) rules. The broad parameters for conducting this business include:

- Limits on banks and countries established through allocation from the global lines of the Parent Bank;
- Country limits set by a risk rating model based upon economic factors and political stability with modifiers to downgrade or upgrade the rating;
- When setting limits, due consideration is given to country, bank and trade sector concentrations;
- The Bank's risk appetite and limits established through a local credit appraisal process;
- Country and bank trade exposures are monitored regularly; and
- Banks on continued watch with on-line links to ratings agencies to capture rating actions.

For the different types of credit risks that have been mentioned above, the Bank has a documented policy and procedures as stated in the Credit Policy Manual and Risk Appetite Statement.

2.2.1.4 Past Due and Impaired Assets

Impaired assets are those assets for which the Bank determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms. The policy for specific and collective impairment is available in the Annual Financial Statements.

The Bank monitors its credit portfolio on a continuing basis through Risk Reporting / MIS and trigger events as set out in the Credit Policy Manual where any early signs of weakness in the accounts is immediately acted upon. The impaired portfolio is also discussed in the Credit Risk Committee, Early Warning Committee and the Risk Management Committee. These committees have been introduced in the Bank to closely monitor and strategize its impaired portfolio as well as to review potential problem accounts to bring greater focus on prevention rather than cure. Procedures are in place to identify, at an early stage, credit exposures for which there may be a risk of loss. The objective of an early warning system is to address potential problems while various options may still be available. Early detection of problem loans is a tenet of our risk culture and is intended to ensure that greater attention is paid to such exposure. Based on a review of the portfolio at regular committee meetings with the monitoring reports on advances, each and every individual advance would remain under constant watch by the CRO, CAD and the Business team. The moment any account starts defaulting in repayment or deviating from the loan agreement, the Business team and RAM would start monitoring the performance of that advance on a more regular basis.

Impairment losses and Specific and General Provisions

The Bank has adopted IAS39 for the accounting of its loan portfolio and related impairments thereof.

For the purpose of classification and categorisation, evaluation and risk assessment of each Advance and Trade Bill will be conducted on the basis of determinant factors. The evaluation will be carried out by RAM on the basis of counterparty's financial conditions, liquidity, earnings, adequacy of security inclusive of its realisable value, cash flow of the borrower, transactions in the account, documentation covering the advances and credit worthiness of the borrower and other factors that may require such evaluation to be carried out. The Bank has adopted the concept of impairment in the determination of impairment losses.

The concept of impairment has been segregated into two areas whereby the first area addresses a portfolio of advances where there has been an incurrence of an impairment event and will require close monitoring including active discussions in the relevant forums. This portfolio is subject to quarterly impairment tests that will determine any specific provisioning required. The second area consists of a portfolio of advances that are performing regularly and adequately secured and thus there are no signs of impairment. If any signs of an impairment event occur in this portfolio then the respective advances will move into the first area and will automatically be subject to the impairment tests and any potential need to make a specific provision. A collective provision is applicable on the second portfolio to earmark a general provision on the regular portfolio based on the probability of historical losses.

The Bank also assigns a general provision on all applicable advances that are not covered for testing under the impairment tests. These tests are carried on a quarterly basis to determine the additional provisioning amounts from one period to another.

2.2.1.5 Leverage ratio

This ratio is disclosed in compliance with article 451 of CRR under CRDIV and measures proportion of Tier 1(T-1) capital to total exposure.

T-1 capital is the numerator and is as in Paragraph 6 (Capital Adequacy Resources) and exposure is the denominator and consists of the sum of balance sheet assets, plus off-balance sheet items.

The Bank has a leverage ratio of 10.68% as of December 2019.

This is a conservative ratio taking into account that a major part of the assets consists of short-term placements, debt securities and marketable trade exposures. All exposures are governed by the Bank's Risk Appetite Statement which is monitored through regular MIS by the management and various risk management forums.

2.2.2 Liquidity Risk

This is the risk arising from the maturity profile, and type and nature of the Bank's assets and liability mix. If not satisfactorily controlled the Bank could be faced with being unable to meet customer demands for repayment of deposits, which can lead to a run on the Bank's deposits.

The Bank has documented its liquidity management to be in compliance with the rule set out in CRD IV. The requirements include the overall liquidity adequacy rule, risk tolerances, thresholds, systems and controls, stress testing scenarios, liquidity contingency plan, quantitative reporting and the documentation of the internal liquidity adequacy assessment process (ILAAP). The Bank has further strengthened the intra-day management of liquidity in compliance with PRA 2015/49 (5).

The Bank's liquidity policy is to ensure the Bank "at all times maintains adequate liquidity through a prudent funding profile and appropriate mix of assets to ensure compliance with the overall liquidity adequacy rule as defined in PRA 2015/49 (Internal Liquidity Adequacy Assessment) chapter 2. The Bank's liquidity adequacy has to be achieved on a self-sufficient basis, i.e. without recourse to liquidity support from other members of the Group including the principal shareholder or any Central Bank (Bank of England, State Bank of Pakistan, and/or the Swiss Financial Market Supervisory Authority 'FINMA'). The policy document sets out the Bank's liquidity management framework and sets out the overall liquidity policy, liquidity risk appetite, thresholds and tolerance levels, and system and controls. Senior management is responsible for regularly reviewing this policy document and recommending changes, if any required, to the Board in a timely manner.

The Bank will continue to evolve liquidity risk management arrangements based on feedback from the FCA and PRA and from developments in the market and industry best practices. Based on the previous ILAAP submitted to the PRA and reviewed by the FCA and PRA under the Liquidity Supervisory Review and Evaluation Process (L-SREP) and the Individual Liquidity Guidance (ILG), the Bank has been prescribed to monitor and control its liquidity risk and prescribed thresholds on a daily basis. The Bank has been following the prescribed ILG from the previous ILAAP.

The Assets and Liabilities Committee ("ALCO") has the responsibility for the formulation of the overall strategy and oversight of the asset liability management function. Roles and responsibilities of "ALCO" include but are not limited to:

- Establishing the Liquidity and Interest Rate policies including changes in the Bank's Base Rate and deposit interest rates;
- Review the Bank's ILAAP/ICAAP/ALCO documents or updated documents prior to submission to the Risk Management Committee;
- Monitoring liquidity and market exposure limits;
- Review of the Treasury market trends and forecasts on interest rates and FX rates and to decide on the Bank's strategy;
- Developing the sterling and currency interest rate forecasts to be used for planning and budgeting purposes;
- Review of the breaches, if any, of the FCA and PRA guidelines on the liquidity position of the Bank and deciding on the action to restore/bring the position within the mismatch guidelines agreed with the FCA and PRA;
- To review market valuations of the Bank's debt instruments portfolio of Floating Rate Notes and Fixed Income Securities and to approve further courses of action if any investment individually falls in value or is downgraded in its external rating to below the investment grade;
- Review of exchange profits and FX income trends of the Bank;
- Review of the Bank's liquidity risk positions and ratios and Capital Adequacy Ratio;
- Management of Liquidity during stringent conditions and abnormal circumstances;

- Review and monitor warning indicators and funding sources;
- Providing a forum for the exchange of views on deployment of liquidity related matters;
- Management of thresholds and compliance with the liquidity policy;
- Review of stress testing results and to consider the impact of stress results on the appropriateness of assumptions relating to the;
  a. Effectiveness of diversification across the Bank's chosen sources of funding;
  b. Estimates to future balance sheet growth;
  c. Ability to access unsecured funding; and
  d. Ability to convert currencies through use of foreign exchange swap markets;
- Regular review of the Bank's liquidity contingency plan (LCP) and to incorporate changes if any required based on experience; and
- Review of reports as defined in the ILAAP.

2.2.3 Market Risk

It is the risk of loss due to adverse movements in market rates or prices, such as foreign exchange rates, interest rates and equity prices. The Bank does not maintain an active trading book and hence carries limited market risk which emanates from mismatches in structural assets' and liabilities' positions.

2.2.3.1 Interest Rate Risk

Interest rate risk arises when there is a mismatch between positions which are subject to interest rate adjustments within a specific period. A substantial part of the Bank's assets and liabilities are subject to floating rates and hence are re-priced simultaneously. However, the Bank is exposed to interest rate risk as a result of mismatches on a relatively small portion of its assets and liabilities and assets funded through equity. The major portion related to this risk is reflected in the banking book.

As required by Article 84 of the CRD IV the Bank has carried out an evaluation of its exposure to interest rate risk arising from its non-trading activities.

The IRR has been assessed as per the table below. The information captures all material interest rate positions of the Bank and considers all relevant re-pricing and maturity data. As per the interest rate gaps an impact of 2% positive and negative shift in interest rate is calculated with reference to the central rate, in line with the Basel Committee's recommendation.

The impact as at 31 December 2019 for the Bank is as below:

Interest Rate Position Risk Requirement (PRR)	December 31, 2019	December 31, 2018
GBP	**762**	447
USD	**280**	580
EUR	**11**	62
All Other Currencies	**525**	480
Total Interest Rate PRR	**1,578**	**1,570**

NOTE: A negative number represents a decline in earnings due to a reduction in interest rates by 2%

2.2.3.2 Foreign Exchange Risk

The Bank's assets are typically funded in the same currency as that of the business transacted to eliminate foreign exchange exposure. Foreign currency transactions are undertaken only on behalf of customers who are covered from the market on the same day.

The Foreign exchange risk appetite is defined by ALCO and monitored on a daily basis. The Foreign exchange position risk is calculated as 8% higher of the net overbought or oversold position in foreign currencies.

Counterparty Credit Risk (CCR) is the risk to the Bank that a counterparty to a transaction could default before the final settlement of the transaction's cash flows. In the normal course of business, the Bank enters into foreign exchange contracts on behalf of its customers which are generally covered by entering into reciprocal transactions with other banks in the market on a daily basis to avoid position risk. Counterparty credit risk emanating from these transactions is managed by maintaining sufficient collateral from customers to mitigate customer default exposure at the time of settlement. Further, all customers are required to sign a FX trading agreement with the Bank before executing any transactions with the Bank. Exposures on Banks which are other counterparties to these transactions are managed within overall limit allocations determined as part of the Bank's credit assessment of such institutions.

2.2.4 Operational Risk

Operational risk is the risk of loss resulting from weaknesses in systems, procedures and people or from external events. The Bank has adopted the 'Basic Indicator Approach', as given in CRR under CRD IV, which is equal to 15% of the three-year average of the sum of (a) A firm's net interest income; and (b) A firm's net non-interest income. In addition, the Bank has considered Legal and regulatory risk, Conduct risk, Control risk, Human Resource risk, Outsourcing dependency risk and System integration risk as additional internal and external factors in quantifying Operational Risk.

The Bank has established a robust Risk Management Framework with the objective to ensure that a strong control environment is maintained and evidenced in every area of the business. This will minimise any inherent operational risk. In addition to the view that there are a number of unknown external factors, the framework is periodically reviewed and approved by the RMC, and overall risk management is kept at a high profile within the business to ensure any unmitigated operational risk is identified at an early stage.

To supplement the updated risk profiles, a micro review of operational risks, which includes all operational areas, products and processes is undertaken at the Operational Risk Management Committee and documented in the 'Operational Risk Framework' and ICAAP when deemed necessary.

3. Supervisory Review

The Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA) are risk-based regulators who conduct their supervision under a "Twin Peaks" approach.

Both the PRA and the FCA address different areas of the regulations to ensure that all banks that are authorised and regulated in the UK are compliant with the overall principles, rules and guidance. An overview of both regulators is summarised below:

Prudential Regulatory Authority (PRA)

- Responsible for the Prudential Regulations and Supervision of Banks, Building Societies, Credit Unions, Insurers and major Investment firms in the UK;
- PRA has two statutory objectives: to promote the safety and soundness of these firms;
- PRA focuses primarily on the harm that firms can cause to the stability of the UK Financial System;
- A stable financial system is one in which firms continue to provide critical financial services – a precondition for a healthy and successful economy;
- PRA makes forward-looking judgments on the risks posed by firms to its statutory objectives. Those Institutions and issues which pose the greatest risk to the stability of the financial system are the focus of its work; and
- PRA responsibilities also include facilitation of competition, which is subordinate to its general objective to promote the safety and soundness of the firms.

Financial Conduct Authority (FCA)

- Main aim to protect consumers, ensure the UK Financial Services industry remains stable and promotes healthy competition;
- FCA has the rulemaking, investigative and enforcement powers required to protect and regulate the financial services industry;
- FCA has a fair and principled approach to regulations; and
- Endeavors to reduce financial crime and implement whatever action is required to censure firms which act unethically or disregard consumer interests.

The PRA has adopted a proactive supervisory approach whereby the Supervisory Assessment Framework will be a continuous assessment model focusing on the key risks the Bank poses to the PRA's objectives. The areas of focus that the PRA will be concentrating on amongst other objectives will be the Governance within the appropriate systems and controls in place, the viability of the Business Model along with Capital and Liquidity requirements and the Recovery and Resolution Plan.

As part of the continuous assessment that the PRA expects to carry out, the Bank will be engaged with them to ensure that the Bank meets its regulatory requirements.

4. Capital Management

The Bank is managing and monitoring its capital resources as per the Total Capital Requirement (TCR) in addition to the Pillar 2B Buffers as set out by the FCA and PRA. The Bank's capital resources consist of paid-up capital, retained earnings and general provision and subordinated debt classed as Tier II capital. There are no terms and conditions attached to the Banks's capital resources except capital gearing rules prescribed by the FCA and PRA.

The firm's own assessment of the capital required to hold against its risks is included through the ICAAP (Internal Capital Adequacy Assessment Process), and SREP (Supervisory Review and Evaluation Process). The assessment conducted alongside the Supervisory review to assess the overall risks of the firm, are the two main parts of the Supervisory Review Process. The SREP also includes a qualitative and a quantitative assessment of the ICAAP.

The Bank continues to monitor and follow the TCR as prescribed previously in the last ICAAP submitted to the PRA. The approach adopted by the Bank in its ICAAP is summarized below:

An Internal Capital Adequacy Assessment Process (ICAAP) is produced and designed to assess the level of capital required to cover all relevant current and future risks to the Bank's strategic business objectives and demonstrates that the Bank has appropriate risk management policies and processes in place.
The principal purposes of this document are to:

- Inform the Board of the Bank's ongoing assessment of the risks faced by the Bank;
- Explain how the Bank addresses the mitigation of those risks;
- Indicate how much current and future capital is necessary to cover those risks; and
- Seek the approval of the Board.

The Senior Management of the Bank will be responsible for regularly reviewing this document and for recommending changes to the Board of Directors in a timely manner. The Bank will continue to evolve risk management arrangements based on experiences, developments in market and industry best practices, feedback from the auditors and the PRA.

The Management has carried out a detailed exercise to holistically review its underlying exposures for determining the adequacy of its capital. de After considering the above d mentioned and other operational improvements especially in the credit administration area, the Management has concluded that the Bank has sufficient capital to support its 3-year business plan. This process involved the review of credit, market and operational risk.

In determining the adequacy of its capital, the Bank has reviewed its credit portfolio by distributing its exposure across three types of counterparties, i.e. sovereign, financial institutions (FI) and others (includes SME, individuals and corporate debt instruments). Operational risk has been evaluated by assessing the Bank's capital requirement under plausible operational stress scenarios including home country / parent risk. In consideration of these factors the Management has performed the detailed assessment of its capital adequacy to determine its total capital requirement. The Bank has no subsidiaries and the bulk of T-1 capital is provided by the parent. Additionally, the T-2 capital of the Bank has no specified maturity and its repayment is a decision which the Bank will take at an appropriate time.

The Management's assessment of the Pillar 2A risks has been determined under severe stress scenarios to assess the requirement of additional capital. The view adopted is that the internal capital threshold arrived at sufficiently covers the Bank for residual exposures relating to credit, market, concentration and operational risks. As a part of implementing the new Pillar 2 capital framework under guidance from PRA, the Bank holds both the Capital Conservation Buffer (CCB) and PRA Buffer. The CCB was phased in between 1st Jan 2016 and 1st Jan 2019 and the PRA buffer was updated annually until the CCB was fully implemented. As at the 31st December 2019, the CCB that is maintained by the Bank is 2.5% of the RWA.

The Management has designed scenarios to test the resilience of the Bank's model in terms of viability and capital adequacy under different stress events. While designing stress scenarios, consideration has been given to relating the PRA anchor scenario or rates down scenario to the Bank's business model and include firm specific defined stresses, market driven systemic stresses and reverse stress testing.

The stress scenarios have been designed, keeping in view the strategic plan for the Bank, with the objective to uncover weak points primarily to anticipate any emerging risks and take any such preventive measures. It has been helpful to identify potential vulnerabilities of the Bank while at the same time; results of the stress testing have necessitated a review of a few areas in the strategy to ensure that all such risks/weak points are mitigated.

5. Remuneration Policies

The Board of Directors is responsible for the oversight of remuneration policies for the Bank and is assisted by the Board's Human Resource & Remuneration Committee which has its defined terms of reference, scope of the work and roles and responsibilities described before under the heading of Board Committees. The Human Resource & Remuneration Committee is responsible for deciding all remuneration policies.

As described earlier, the Bank operates a discretionary performance driven bonus that is related to the Bank's and individual's performance. Performance of the Bank is judged against fiscal and non-fiscal targets agreed with the Board at the start of the year. An individual's performance is assessed through an annual appraisal and is dependent on achievement of Goals and Objectives agreed with the line Managers.

The performance incentive payments to Remuneration Code Staff is in accordance with the FCA and PRA's Remuneration Code principle 12 proportionality rule and all the Remuneration Code staff fall within the de minimis concession.

The Bank does not operate any long-term incentive plan for the staff and there are no other non-cash benefits to staff except a pension scheme, insurance scheme and a health insurance scheme.

The table below shows the remuneration for the Bank charged during 2019:

Category	**No. of Staff**	**Fixed Remuneration**	**Variable Remuneration**	**Total Remuneration**
				GBP '000
Business Approved persons, senior management and risk takers	31	4,259	556	**4,815**
Support Staff Staff whose activities have material impact on the Bank's risk profile and other staff members	133	6,243	529	**6,772**
Total	**164**	**10,502**	**1,085**	**11,587**

6. Capital Adequacy Resources

	As at Dec 31, 2019 £ '000	As at Dec 31, 2018 £ '000 *(Restated)*
Tier I Capital		
Permanent share capital (including share premium) - refer Note 6a	**65,917**	65,917
Retained earnings	**(1,936)**	5,650
Deferred Taxation	**2,379**	1,026
(Deficit)/ Surplus on revaluation of investments	**(236)**	(3,352)
Prudent Valuation Adjustment	**(98)**	(229)
Total Tier I Capital	**66,124**	69,012
Tier II Capital		
Subordinated Debt	**19,118**	19,118
General provision	**650**	1,200
Total Tier II Capital	**19,768**	20,318
Total Tier I and Tier II capital after deductions	**85,892**	90,504

6.1 Capital Requirement under CRR

	(As at Dec 31, 2019)			(As at Dec 31, 2018)		
	RWA £ '000	Capital charge @ 8% £ '000	Average balances £ '000	RWA £ '000	Capital charge at 8% £ '000	Average balances £ '000
Credit Risk						
Central Governments or Central Bank	**20,252**	**1,620**	**19,804**	30,408	2,433	29,151
Institutions	**32,163**	**2,573**	**39,917**	52,999	4,240	50,154
Corporates	**139,248**	**11,140**	**171,523**	150,654	12,052	150,707
Retail	**12,039**	**963**	**13,153**	15,418	1,233	14,869
Secured on real estate property	**108,050**	**8,644**	**87,906**	65,116	5,209	55,385
Overdue and impaired accounts	**15,366**	**1,229**	**18,398**	21,409	1,713	20,465
Other items	**6,339**	**507**	**6,836**	8,202	656	7,864
Total credit risk requirement	**333,458**	**26,677**	**357,538**	344,206	27,536	328,594
Operational risk		**2,594**			2,766	
Market risk						
Foreign exchange PRR		**20**			20	
Credit value adjustment		**12**			13	
Total capital requirement under CRD IV		**29,303**			30,335	

CAPITAL RATIOS

CET1/T1 CAPITAL RATIO	16.73%	16.74%
TOTAL CAPITAL RATIO	22.12%	23.20%

6.2 Credit Exposures subject to the Standardised Approach

AS AT DEC 31, 2019

	CQS	EXPOSURE £ '000	FINANCIAL COLLATERAL GUARANTEE £ '000	CASH £ '000	TOTAL £ '000	NET EXPOSURE £ '000
Sovereign	1	169,746	-	-	-	169,746
Sovereign	2 to 6 / non-rated	20,330	-	-	-	20,330
Institutions	1	40,575	-	-	-	40,575
Institutions	2 & 3	26,589	-	-	-	26,589
Institutions	4 to 6 / non-rated	19,026	-	-	-	19,026
Corporates	1	9,085	-	-	-	9,085
Corporates	2 to 6 / non-rated	132,470	-	8,353	8,353	124,117
		417,821	-	8,353	8,353	409,468

AS AT DEC 31, 2018

	CQS	EXPOSURE £ '000	FINANCIAL COLLATERAL GUARANTEE £ '000	CASH £ '000	TOTAL £ '000	NET EXPOSURE £ '000
Sovereign	1	85,417	-	-	-	85,417
Sovereign	2 to 6 / non-rated	33,205	-	-	-	33,205
Institutions	1	53,775	-	-	-	53,775
Institutions	2 & 3	107,441	-	-	-	107,441
Institutions	4 to 6 / non-rated	4,976	-	-	-	4,976
Corporates	1	25,124	-	-	-	25,124
Corporates	2 to 6 / non-rated	172,961	-	8,767	8,767	164,194
		482,899	-	8,767	8,767	474,132

Note: The bank follows Moody's ratings as its primary ratings agency. Where's Moody's ratings are not available the bank uses ratings provided by Standard & Poors or Fitch

7. Concentration of Credit Risk

7.1 Sector Concentration

AS AT DEC 31 2019

Sector concentration (2019)	Loans to customers £ '000	Loans to banks £ '000	Debt securities £ '000	Contingencies £ '000	Total £ '000
Automobile and transportation equipment	5	-	13,024	-	**13,029**
Chemicals and Pharmaceuticals	-	-	-	-	-
Financial	-	152,868	39,120	14,930	**206,918**
Foods, Tobacco and Beverages	9,024	-	-	-	**9,024**
General traders	1,635	-	-	683	**2,318**
Government	15,141	-	45,169	-	**60,310**
Shipping	6,549	-	-	-	**6,549**
Hotel and Hospitality	7,876	-	-	-	**7,876**
Retail and wholesale trade	8,614	-	1,117	-	**9,731**
Metal and Allied	454	-	-	379	**833**
Printing and Packaging	476	-	-	-	**476**
Textile	7,160	-	-	2,674	**9,834**
Property Investments	109,172	-	-	-	**109,172**
Individual	18,443	-	-	-	**18,443**
Others	7,789	-	2,841	6,789	**17,419**
	192,338	**152,868**	**101,271**	**25,455**	**471,932**

AS AT DEC 31 2018

Sector concentration (2018)	Loans to customers £ '000	Loans to banks £ '000	Debt securities £ '000	Contingencies £ '000	Total £ '000
Automobile and transportation equipment	326	-	26,448	116	26,890
Chemicals and Pharmaceuticals	212	-	2,338	-	2,550
Financial	42	153,475	118,824	16,073	288,414
Foods, Tobacco and Beverages	9,641	-	-	-	9,641
General traders	2,181	-	-	135	2,316
Government	7,828	-	58,497	-	66,325
Shipping	4,932	-	-	-	4,932
Hotel and Hospitality	6,128	-	-	-	6,128
Retail and wholesale trade	630	-	9,646	-	10,276
Metal and Allied	224	-	5,361	-	5,585
Printing and Packaging	478	-	-	-	478
Textile	6,730	-	-	2,538	9,268
Property Investments	80,118	-	-	140	80,258
Individual	24,798	-	-	-	24,798
Others	11,257	-	19,319	5,915	36,491
	155,525	153,475	240,433	24,917	574,350

7.2 Geographical Concentration

Geographical concentration (2019)	AS AT DEC 31 2019 Loans to Customers £ '000	Loans to Banks £ '000	Debt Securities £ '000	Contingencies £ '000	Total £ '000
Europe	134,973	45,270	51,899	21,017	**253,159**
North America	1,329	25,048	27,406	-	**53,783**
South America	-	-	-	-	-
Asia Pacific (including South Asia)	27,740	46,633	7,124	4,331	**85,828**
Africa	9,825	26,590	1,141	107	**37,663**
Middle East	18,471	9,327	13,701	-	**41,499**
Australia and New Zealand	-	-	-	-	-
	192,338	**152,868**	**101,271**	**25,455**	**471,932**

Analysis of debt securities by Asset Class	Banks £ '000	Governments £ '000	Corporates £ '000	Total £ '000
Europe	28,026	7,661	16,212	**51,899**
North America	-	27,406	-	**27,406**
South America	-	-	-	-
Asia Pacific (including South Asia)	2,331	4,793	-	**7,124**
Africa	1,141	-	-	**1,141**
Middle East	7,622	5,309	770	**13,701**
Australia and New Zealand	-	-	-	-
	39,120	**45,169**	**16,982**	**101,271**

Geographical concentration (2018)	Loans to Customers £ '000	Loans to Banks £ '000	Debt Securities £ '000	Contingencies £ '000	Total £ '000
	AS AT DEC 31 2018				
Europe	100,964	48,117	129,316	18,289	296,686
North America	3,366	19,167	28,557	-	51,090
South America	-	-	-	-	-
Asia Pacific (including South Asia)	17,130	54,582	34,343	6,386	112,441
Africa	16,925	11,157	7,894	242	36,218
Middle East	17,140	20,452	24,669	-	62,261
Australia	-	-	15,654	-	15,654
	155,525	153,475	240,433	24,917	574,350

Analysis of debt securities by Asset Class	Banks £ '000	Governments £ '000	Corporates £ '000	Total £ '000
Europe	58,723	16,803	53,790	129,316
North America	11,458	8,595	8,503	28,556
South America	-	-	-	-
Asia Pacific (including South Asia)	13,222	17,188	3,934	34,344
Africa	1,173	6,721	-	7,894
Middle East	18,634	5,257	778	24,669
Australia	15,654	-	-	15,654
	118,864	54,564	67,005	240,433

8. Residual Maturity of Loans and Debt Securities

	AS AT DEC 31 2019					
	On Demand	3 months or less but not on demand	Over 3 months but less than 1 year	Over 1year but less than 5 years	Greater than 5 years	Total
	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000
Loans and advances to:						
Banks	22,379	42,317	75,732	12,440	-	152,868
Customers (net)	5,638	7,768	35,613	62,510	80,809	192,338
						-
Debt securities	-	13,407	25,223	62,641	-	101,271
TOTAL	28,017	63,492	136,568	137,591	80,809	446,477

	AS AT DEC 31 2018					
	On Demand	3 months or less but not on demand	Over 3 months but less than 1 year	Over 1year but less than 5 years	Greater than 5 years	Total
	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000
Loans and advances to:						
Banks	29,659	45,814	69,839	8,163	-	153,475
Customers (net)	3,024	23,748	29,603	45,614	53,536	155,525
						-
Debt securities	-	19,592	51,634	169,207	-	240,433
TOTAL	32,683	89,154	151,076	222,984	53,536	549,433

9. Impaired and Past Due Analysis

	AS AT DEC 31, 2019								
	Loans to Customers (Gross)				Investments				
Impaired and Past Due (2019)	Impaired Exposure £ '000	Past Due £ '000	Charges / Reversals £ '000	Specific Provision £ '000	Impaired Exposure £ '000	Past Due £ '000	Charges / Reversals £ '000	Capital Cont. £ '000	Specific Provision £ '000
Automobile & Transportation Equipment	-	5	-	-	-	-	-	-	-
Chemical & Pharmaceutical	-	-	-	-	-	-	-	-	-
Financial	-	-	-	-	-	-	-	-	-
Food, Tobacco and Beverages	7,505	-	-	1,344	-	-	-	-	-
General Traders	-	-	-	-	-	-	-	-	-
Government	-	-	-	-	-	-	-	-	-
Hotel & Hospitality	7,332	-	43	7,859	-	-	-	-	-
Retail and Wholesale Trade	-	-	-	-	4,062	-	811	-	2,945
Metal & Allied	-	-	-	-	-	-	-	-	-
Printing & Packaging	-	-	-	-	-	-	-	-	-
Textiles	-	-	-	-	-	-	-	-	-
Property Investment	6,405	2,322	(2)	4,869	-	-	-	-	-
Individuals	8,617	-	(622)	5,797	-	-	-	-	-
Others	401	-	-	-	-	-	-	-	-
Total	**30,260**	**2,326**	**(581)**	**19,869**	**4,062**	**-**	**811**	**-**	**2,945**
Europe	30,260	5	(581)	19,869	4,062	-	811	-	2,945
North America	-	-	-	-	-	-	-	-	-
Asia Pacific (including South Asia)	-	-	-	-	-	-	-	-	-
Africa and Middle East	-	2,322	-	-	-	-	-	-	-
Total	**30,260**	**2,326**	**(581)**	**19,869**	**4,062**	**-**	**811**	**-**	**2,945**

Impaired and Past Due (2018)	AS AT DEC 31, 2018								
	Loans to Customers (Gross)				Investments				
	Impaired Exposure	Past Due	Charges / Reversals	Specific Provision	Impaired Exposure	Past Due	Charges / Reversals	Capital Cont.	Specific Provision
	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000
Automobile & Transportation Equipment	-	-	-	-	-	-	-	-	-
Chemical & Pharmaceutical	-	212	-	-	-	-	-	-	-
Financial	-	-	-	-	-	-	-	-	-
Food, Tobacco and Beverages	7,983	922	(95)	1,344	-	-	-	-	-
General Traders	-	-	-	-	-	-	-	-	-
Government	-	-	-	-	-	-	-	-	-
Hotel & Hospitality	8,564	-	(45)	7,816	-	-	-	-	-
Retail and Wholesale Trade	-	-	-	-	4,098	-	2,134	-	2,134
Metal & Allied	-	-	-	-	-	-	-	-	-
Printing & Packaging	-	-	-	-	-	-	-	-	-
Textiles	217	1,280	(1)	-	-	-	-	-	-
Property Investment	7,496	3,104	(213)	4,871	-	-	-	-	-
Individuals	12,169	-	(567)	6,414	-	-	-	-	-
Others	14	-	(380)	4	-	-	-	-	-
Total	**36,443**	**5,520**	**(1,300)**	**20,450**	**4,098**	**-**	**2,134**	**-**	**2,134**
Europe	36,443	2,415	(1,300)	20,450	4,098	-	2,134	-	2,134
North America	-	-	-	-	-	-	-	-	-
Asia Pacific (including South Asia)	-	-	-	-	-	-	-	-	-
Africa and Middle East	-	3,104	-	-	-	-	-	-	-
Total	**36,443**	**5,520**	**(1,300)**	**20,450**	**4,098**	**-**	**2,134**	**-**	**2,134**

10.Reconciliation of Provision (Specific and General)

	As at Dec 31, 2019		
	Specific £ '000	General £ '000	TOTAL £ '000
January 1, 2019	20,450	1,200	**21,650**
Provision reversals during the year	(581)	(550)	**(1,131)**
Written off during the year	-	-	-
Effect of movements in exchange rates	-	-	-
December 31, 2019	**19,869**	**650**	**20,519**

	£ '000	£ '000	£ '000
January 1, 2018	28,736	1,305	**30,041**
Provisions for the year	(1,300)	(105)	**(1,405)**
Written off during the year	(7,009)	-	**(7,009)**
Effect of movements in exchange rates	23	-	**23**
December 31, 2018	**20,450**	**1,200**	**21,650**

HBL Bank UK Limited
Registered Office:
9 Portman Street
London W1H 6DZ
United Kingdom

www.hblbankuk.com