



Allica Bank Limited

Pillar 3 Report For The Year Ended 31 December 2021

Registered Number: 7706156

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Contents

1 Overview	4
1.1 Overview and Scope	4
1.2 Basis	4
1.3 Frequency of Disclosures	4
1.4 Verification	4
1.5 Location	5
2 Risk Management Framework	6
2.1 Overview	6
2.2 Components of the Risk Management Framework	6
First Line of Defence	6
Second Line of Defence	6
Third Line of Defence	6
2.3 Risk Appetite	7
2.4 Risk Taxonomy	7
Financial risk	7
Operational risk	7
Conduct risk	7
Principal risks & uncertainties	7
IBOR reform	11
2.5 Risk Appetite Metrics	12
2.6 Control Framework	12
2.7 Risk Oversight, Monitoring and Reporting Structure	13
2.8 Adequacy of Risk Management Arrangements	14
3 Capital Resources and Capital Adequacy	15
3.1 Capital Management	15
Supply of capital: own funds	15
Capital demand: requirements	15
3.2 Stress Testing	16
3.3 Capital Resources	16
3.4 Regulatory Capital	17
3.5 Capital Buffers	18
3.6 Leverage Ratio	18
3.7 Capital Requirements	19
4 Credit Risk	19
4.1 Composition of the Minimum Capital Requirements for Credit Risk	20
4.2 Geographical Distribution	21
4.3 Credit Risk: Loans and Advances to Customers	21

4.4 Credit Risk: Treasury Assets	21
5 Interest Rate Risk in the Banking Book	22
6 Liquidity Risk	23
7 Operational Risk	23
7.1 Operational Risk Management	23
7.2 Operational Risk Capital Charge Computation	23
8 Securitisation Exposures	24
9 Asset Encumbrance	24
10 Remuneration Disclosures	25
11 Own Funds Disclosures	26
Own funds disclosure template	26
Capital instruments' main features template	27
Glossary	30

1 Overview

1.1 Overview and Scope

Allica Bank (“Allica” or the “Bank”) is dedicated to Britain’s established small and medium businesses, a vital and underserved segment of the economy that represents over 30% of UK GDP. Allica combines modern, powerful technology with local relationships in the community to deliver expert banking for businesses in Britain. Allica received its full banking authorisation in September 2019, and now offers businesses market-leading lending products including commercial mortgages and asset finance, as well as current account and savings products. Allica Bank is authorised by the Prudential Regulation Authority (“PRA”), and regulated by the Financial Conduct Authority (“FCA”) and the PRA.

The disclosures for the year ended 31 December 2021 include the Bank’s subsidiary Allica Financial Services Limited (“AFSL”). The reserves of AFSL have been aggregated with the parent and reported on a solo-consolidated basis in line with permission received from the PRA under Article 9 (individual consolidation method) of the Capital Requirements Regulation (“CRR”).

1.2 Basis

This third Pillar of the original Basel Accord is designed to promote market discipline through the disclosure of key information relating to capital, risk exposures, risk management and remuneration. The requirements under Pillar 1 and Pillar 2 are also discussed and disclosed in this document.

Pillar 3 disclosure requirements are set out in Part VIII of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (“CRR”)¹, and under the fourth Capital Requirements Directive (“CRD”), together known as “CRD IV”.

The CRR allows the Bank to exclude certain disclosures if they contain proprietary information or if the information is not material. However, Allica has not excluded any information on the grounds of being proprietary.

Allica uses the Standardised Approach for credit risk and the Basic Indicator Approach for operational risk for computing capital requirements. Allica does not have any market risk. The disclosures in this document have been based on these approaches.

1.3 Frequency of Disclosures

The Bank’s policy is to publish the Pillar 3 disclosures on an annual basis and may be updated should there be a material change in any approach used for the calculation of capital or regulatory requirements.

1.4 Verification

The Bank’s Pillar 3 disclosures have been reviewed and approved by the Executive Committee and the Board Audit Committee on behalf of the Board. The disclosures although not subject to external audit have been verified through internal governance procedures.

¹ <https://www.legislation.gov.uk/eur/2013/575/contents#>

1.5 Location

The Bank's Pillar 3 disclosures are published on the Bank's website and should be read in conjunction with Allica's Annual Report and Accounts for the year ended 31 December 2021 which are available from Companies House.

Certain capital ratios as at 31 December 2021 have been updated subsequent to the publication of our 31 December 2021 Financial Statements, to reflect revised capital calculations. As a result, the updated unaudited CET1 and Total Capital ratios included herein supersede the unaudited figures included within the Financial Statements as at 31 December 2021.

2 Risk Management Framework

2.1 Overview

Allica's operations are underpinned by a comprehensive and Board-approved Risk Management Framework (RMF). This defines our approach to governance and risk management, including setting and monitoring our risk appetite. The RMF also complies with all legal and regulatory frameworks, and it is regularly updated to reflect changes to regulations and best practice in our industry.

Allica's overall business strategy is set within our Board-defined risk appetite, aiming to sustainably deliver positive outcomes for our customers and other stakeholders.

2.2 Components of the Risk Management Framework

The RMF sets out how the Bank manages and governs the risks it is exposed to, including, but not limited to, risks arising from financial, economic, operational and conduct factors.

The structure, processes, ownership, responsibilities, and the risk oversight required to support the effective implementation of the RMF across the Bank are all identified within the framework - the basis of which is the 'Three Lines of Defence' model.

First Line of Defence

The First Line of Defence ("FLOD") is the business functions of the Bank comprising all of all staff which do not form part of the Risk and Compliance Function and Internal Audit function. FLOD is responsible for identification, monitoring and ownership of its risks. This entails:

- Maintaining risks within the Risk Appetite detailed in the Risk Appetite Statement, including monitoring of Early Warning Indicators and Key Risk Indicators
- Identifying key risks and related controls in its business area by undertaking and regularly maintaining a Risk Controls Self-Assessment ("RCSA")
- Assessing each Risk within its RCSA on an inherent and residual post control basis; rating all Risks & Incidents using an Impact Rating Matrix
- Regular testing of key controls to confirm they are suitably effective, and then amending each control as necessary
- Utilising these controls and escalating any breaches to Management and the Second Line of Defence
- Escalating any Emerging Risks or Incidents via the Risk Team

Second Line of Defence

The Risk and Compliance Functions are Allica's Second Line of Defence ("SLOD") and is responsible for:

- The Independent oversight and challenging of risk management conducted by the FLOD;
- Developing and maintaining the Risk Management Framework and Risk Appetite Statement for approval by the Asset and Liability Committee ("ALCO"), Risk Management Committee ("RMC"), Operations Committee ("OpCo"), Executive Committee ("ExCo"), Board Risk Committee ("BRC") and ultimately the Board;
- Formulation and execution of the Allica's Assurance and Compliance Monitoring Plans complementing the activity of Internal Audit, to assess effectiveness and adequacy of FLOD testing and key controls;
- Maintenance of Allica's Risk Register, Incident Log, Causality and Controls Libraries.

Third Line of Defence

Internal Audit is Allica's Third Line of Defence ("TLOD"). This provides independent assurance on the effectiveness of risk management and the internal control framework, including testing of key controls. Internal Audit reports directly to the Chair of Board Audit Committee ("BAC").

2.3 Risk Appetite

Allica's Risk Appetite is set by the Board and is articulated through the Risk Appetite Statement. This outlines the level of risk the Bank is willing to accept across four enterprise-wide risks, subdivided into twenty Key Risks, in our Risk Taxonomy.

Risk Appetite is expressed in quantitative measures across all twenty Key Risks through Key Risk Indicators (KRIs). This allows us to monitor risk exposure, in conjunction with Early Warning Indicators (EWIs) which allow management actions prior to any breach of appetite.

KRIs and EWIs are monitored at RMC, OpCo, ALCO and BRC. Monitoring EWIs, alongside control assurance outcomes and any incidents raised, ensures awareness and management of the changing risk environment. The Chief Risk Officer is responsible for aggregating all Key Risks and reporting to ExCo, BRC and the Board.

The Board is ultimately responsible for Risk across the Bank, while being supported by the Board Risk Committee.

2.4 Risk Taxonomy

Our Risk Taxonomy details the risks that Allica is exposed to, and our principal risks are captured within four main enterprise-wide risk types:

Financial risk

The inability for us to meet our obligations as they fall due, including maintenance of regulatory standards. This also includes failure to meet our financial objectives due to changes in external factors or inadequate internal management; inability to maintain adequate levels of capital to meet regulatory requirements and/or enact our growth plans; and inability to maintain levels of liquidity leading to a failure to meet obligations as they fall due or only being able to do so at excessive cost.

Credit risk

The risk of a customer defaulting on their obligations under a Lending Facility or a reduction in the value of the security held in relation to any facility. In addition, the risk that a Counterparty with whom the Bank has lodged cash balances does not repay these at the due time. Either scenario may result in Allica suffering a financial loss.

Operational risk

The risk that Allica experiences financial loss as the result of a failure of internal people, processes, systems, or external events.

Conduct risk

The risk that our actions, or failure to act, are contrary to the fair treatment of customers; cause our customers harm; or adversely affect market integrity and competition.

Principal risks & uncertainties

We consider our principal risks and their related mitigating actions, to be as follows:

Principal Risk	Mitigation	Comments
Capital There is a risk that the Bank fails to maintain sufficient capital to meet its regulatory obligations and /or its business plan. This could occur due to economic stress, a failure to attract or retain funding (noting	- Annual ICAAP assessment of all material risks - Allica's capital life expectancy is monitored monthly - Capital related Key Risk Indicators monitored	Allica has a proven track record in obtaining necessary capital in a timely manner. No regulatory breaches evident including use of buffers

that Allica is reliant on raising capital until it achieves sufficient self-generation)	- monthly and calibrated to maintain appropriate buffer over Regulatory minima - Capital raises are planned well ahead of time	
Liquidity There is a risk that the Bank fails to maintain sufficient liquidity to meet its regulatory obligations, sustain the aims of the corporate plan or to meet its financial obligations when they fall due.	- Multiple sources of deposit liquidity - Annual ILAAP assessment of all liquidity risks - Allica's liquidity profile is monitored daily - Assets held in High Quality Liquid Assets (HQLA) and cash. - Liquidity related Key Risk Indicators monitored monthly (daily if appropriate) to maintain appropriate buffer over Regulatory minima	Allica has a proven track record of maintaining and raising liquidity as required including that for the recent AIB Loan Portfolio acquisition
Information Security – Cyber Attack There is a risk that Allica is subject to a cyber-attack that could compromise its information and transaction systems and processes.	- Allica has multi-layered system security in line with Government CSEG standards, including firewalls, end-point protection, anti-virus together with preventative and detective controls. - Penetration testing undertaken quarterly. Independent Orpheus risk monitoring and system monitoring to counter data loss. - Cyber Insurance is held	No issues have been encountered since Allica's inception. Cyber security is under constant review with improvements in defence being made regularly
Business Performance The Bank's Business Plan may not be achievable due to poor strategic decision making, adverse financial performance or stress factors from the competitive marketplace.	- Financial performance is monitored in detail across all elements including business pipeline, P/L, Balance Sheet and Cashflow on an actual and forecast basis. - Risks to the business plan and Strategic Risks, are included in Risk Register and are monitored at RMC Exco, BRC and Board. - KRI's are monitored monthly at Board	Business performance is monitored very closely with strategic and tactical changes made in response to business/market challenge as required
Credit Risk There is a risk of a customer or counterparty defaulting on its obligations, being unable repay, or that any security held will depreciate in value	- Clearly defined credit policies and lending guidelines with any exceptions noted and reported monthly to Risk Management Committee - All loans are individually approved by the	Each loan is individually assessed for the potential impact of Covid-19 including extended lockdown/business interruption

	Underwriting team in the Second Line of Defence reporting to the CRO. Loans provided on a forward flow basis are similarly segregated • KRI's relating to Credit quality are monitored monthly at Board • Separate Concentration limits established across Product, Business Sector, Geography and Single name – all monitored monthly at Board	
Operational Resilience There is a risk that the Bank's outsourced service providers fail to deliver the service that they have been engaged to provide In not maintaining a high level of resilience there is a risk that the Bank's critical service systems (internal and external) are insufficient to maintain an appropriate service level.	• All outsourcing arrangements undergo appropriate due diligence prior to entering a contractual agreement. • Critical suppliers will undergo enhanced due diligence and more intensive ongoing performance monitoring. • Resilience plans are in place to ensure provision of services in the event of a systems outage. • Business Continuity and Disaster Recovery Plans are in place and supported by Business Impact/Important Business Services Assessments.	The Bank has completed its Operational Resilience self assessment in March 2022 with identified improvements all either complete or underway.
Financial Crime There is a risk that the Bank is used for the facilitation of financial crime by criminals or is subject to external/internal fraud. This could be caused by inadequate on boarding procedures, customer negligence or complicity, poor systems and controls or staff collusion	This is mitigated through closed loop transactions, robust KYC/KYB and ID&V onboarding process, customer screening, payment screening, automated AML, fraud monitoring and a low risk product base.	Ahead of the provision of a payment account during the latter part of 2022, the additional controls and resource required to mitigate and control financial crime risks are being embedded. These include but are not limited to recruitment of suitably experienced staff, so that Allica's defences remain appropriate,
Operational Risk Operational Risk is the risk of loss resulting from failed or inadequate internal processes, people, systems or external events	• Risk Control Self assessments undertaken by all businesses and functions with challenge from Second Line of Defence • All risks and related controls recorded on the Bank's Risk Register	Allica is committed to increasing its operational risk controls in line with its business growth Operational risk losses in 2021 were less than £5,000 in total

	• Risk and incident escalation protocols firmly established • KRI' monitored monthly by Board	
Conduct Risk Conduct Risk is the risk that the Bank conducts its business improperly, in a manner that is contrary to the fair treatment of its customers and maintenance of market integrity, whether on occasion or systemically. This includes customer detriment or poor outcomes caused by unsuitable products, poor service or process failures	• Allica utilises its Conduct Risk Framework which identifies the areas of its business that carry conduct risk so that each of these have adequate controls including product design, culture and employee engagement. • A suite of Conduct Risk metrics is monitored monthly and reported to Exco and Board Risk Committee. • A quarterly Conduct Risk Forum is chaired by the Head of Compliance to provide a clear oversight of Conduct Risk across the Bank. • All new Products and Product amendments are subject to a full risk analysis including Conduct Risk and Treating Customers fairly	No Conduct related issues have arisen
Product Risk The risk that Allica fails to design products suitable to customers' needs and causes poor customer outcomes, fails to market/promote/sell a product in a manner which is of regulatory standard, fails to communicate with customers in a manner which is clear, fair and not misleading.	• All products are approved through the Bank's New Product Approval process with a focus on the key six Consumer outcomes to ensure fair treatment. • All products are subject to assessment via a comprehensive business plan and all product risks are assessed by each function with appropriate controls applied. • Each product is reviewed at least annually to check performance against expectations	All products reviews have been completed successfully with no issues outstanding New Products are subject to Board Risk approval and in turn advice to the PRA that all attendant risks have been considered with suitable mitigants in place

Emerging risks

Principal Risk	Mitigation
Covid 19	Allica has been able to manage the credit related risks from Covid -19 to date well, as the vast majority of its own loans have been written during this period. Any lockdown/business interruption/liquidity risks relating to any specific transaction have been individually assessed at loan underwriting stage The purchase of loans from AIB does not include any defaulted loans. However, as SME's adjust to the wider re-opening of society, coupled with the removal of Government support schemes and the commencement of payments under Government guaranteed loans, it is possible that the impact of these, together with continued stretched and displaced supply chains will see a rise in defaults and insolvencies across the UK. Allica is unlikely to be immune from these effects.
Geopolitical tensions	The crisis in Ukraine is having a material impact with the risk that higher energy, grain and fertiliser prices cause material global inflation leading to a global recession. Stagflation remains a clear possibility. The manifestation of these risks could lead to lower demand for Allica's products and increase in loan defaults
Inflation	Inflation has been increasing over H2 2021 as the economy rebounded and consumer confidence, and spending, increased. Increasing energy prices also pushed up the inflation rate which was 5% in Q1 2021. The last Bank of England forecast (February 2022) was for inflation to peak at around 6% and then gradually fall back down. That was before the events in Ukraine started to unfold. The British Chambers of Commerce (BCC) and Oxford Economics are forecasting inflation to hit 8% in Q2 2022. Should energy supplies from Russia be further disrupted this could be significantly higher. As a result, demand for Allica loan products could fall and/or loans defaults rise

IBOR reform

In response to initiatives from global regulators and central banks to replace Interbank Offered Rates (IBORs) with alternative Risk-free Rates (RFRs) and following the cessation of the publication of the London Inter-Bank Offered Rate (LIBOR) in December 2021, the Bank has continued to monitor the potential impact of these reforms across all areas of its business, including customer facing teams, Legal, Finance, Operations and Technology.

The Bank has not offered IBOR products since its inception, although it has acquired some IBOR loans as part of the Allied Irish Bank loan portfolio acquisition. A process is in place to migrate these loans to alternative RFRs and that the FCA has proposed a synthetic LIBOR rate for 'Tough Legacy' contracts. The carrying value of these loans at 31 December 2021 is £35m, which is 6% of the Bank's total loan book at the date. and therefore the Bank's products and business model are unlikely to be significantly affected. However, IBOR reform still exposes the Bank, and the wider financial market, to various risks, including:

- Conduct risk arising from discussions with clients and market counterparties, which may lead to customer complaints, regulatory sanctions or reputational impact if the Bank is viewed as operating unfairly;
- Financial risk to the Bank and its clients that markets are disrupted by changes in the valuation of financial assets and liabilities, resulting in financial losses;
- Pricing risk from the potential lack of market information if new RFRs are considered illiquid and unobservable;
- Operational risk arising from these reforms, which may result in changes to the Bank's IT systems, client account infrastructure, operational processes, and controls; and
- Accounting risk from unrepresentative income statement volatility as financial instruments transition to RFRs. As discussed in notes 25 and 26 of the Annual Report and Accounts, the Bank's hedging programme, which was implemented in 2021, mitigates the Bank against movements in the Sterling Overnight Index Average (administered by the Bank of England), which would potentially impact interest receivable from customer mortgages, or interest payable on customer deposits.

Management of these risks will remain a key area of focus for the Bank in 2022.

2.5 Risk Appetite Metrics

The Board's expression of Risk appetite is articulated through the Bank's Risk Appetite Statement which outlines the level of risk the Bank is willing to accept across the 20 Key Risks identified in the Bank's Risk Taxonomy. Risk Appetite is expressed, for all 20 risks, in quantitative measures through K R I allowing the Bank to monitor its risk exposure, in conjunction with EWIs which enable management action prior to any breach of appetite.

KRIs and EWIs are monitored at RMC, OpCo, ALCO and BRC. Monitoring of the EWIs, alongside control assurance outcomes and any Incidents raised, ensures awareness and management of the changing risk environment.

2.6 Control Framework

The Bank's risk profile is monitored and managed through, inter alia, monthly reporting through RMC, OpCO and ALCO, Exco, Board Risk Committee (quarterly) and Board reports which include:

- Assessment of the risk profile of the Bank
- Assessment of Risk Appetite KRIs and any breaches or adverse trends
- Emerging risk or issues;
- Control weaknesses and actions to address.

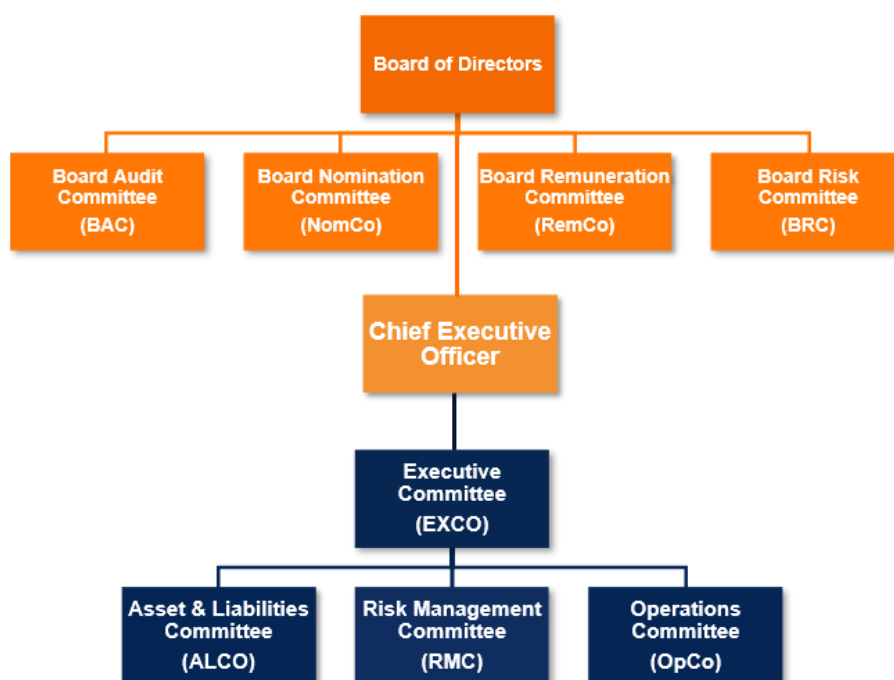
Each of the key risk is monitored at respective Committees, per below, and aggregated by the CRO into reports of Exco, BRC and Board:

Risk Family	Key Risk Reference	Key Risk Category	Monitoring committee
Financial	1	Business Performance	ALCO
	2	Capital	ALCO
	3	Liquidity Risk	ALCO
	4	Market Risk	ALCO
	5	Interest Rate Risk	ALCO
	6	Model Risk	ALCO
Credit	7	Counterparty Credit Risk	RMC
	8	Customer Credit Risk	RMC
	9	Concentration Risk	RMC
Operational	10	People Risk	OpCo
	11	Financial Crime	RMC
	12	Financial Reporting	ALCO
	13	Information Security	OpCo
	14	Data Integrity	OpCo
	15	Operational Resilience & Vendor Management	OpCo
	16	Physical Safety & Security	OpCo
Conduct	17	Product Risk	OpCo
	18	Governance & Culture	RMC
	19	Regulatory Reporting & Compliance	RMC
	20	Legal	OpCo

2.7 Risk Oversight, Monitoring and Reporting Structure

The Board, supported by the BRC, is ultimately responsible for the risks taken by the Bank. It establishes the Bank's risk appetite, approves the Risk Management Framework, sets the tone for risk management and internal control, and establishes appropriate systems to enable it to meet its responsibilities effectively. Each management committee has been provided with delegated authority from the Board via the CEO and/or CRO to manage and assess the level of risk appropriate to its function and the impact of these risks on the Bank's capital position.

The Board and management committee structure is as follows:



The Bank has a governance arrangement consistent with the Financial Reporting Council's UK Corporate Governance Code. The Board is the governing body of the Bank with ultimate responsibility for the performance and oversight of the business. The Board elects, from amongst its independent non-executive Directors, a Chairman and appoints a separate CEO and other Executive Management to support the CEO. The Board subsequently establishes various committees, as presented above, and appoints individuals to specific roles within the committees.

2.8 Adequacy of Risk Management Arrangements

The Board of Allica Bank retains responsibility for approving the RMF and the Business Strategy, for understanding the major risks faced by the Bank and that those risks are adequately measured, monitored and managed in accordance with limits which have been set by the Board.

The Board considers that, at 31 December 2021, it had in place an adequate framework of systems and controls with regard to Allica's risk profile and business strategy.

Additional information on governance arrangements: Directorships held by members of the Board

In accordance with Article 435(2)(a) of the CRR the number of external directorships held by the Executive and Non-Executive Directors who served on the Board at 31 December 2021, in addition to their roles within Allica are disclosed below.

Director	Position	Directorships ⁽¹⁾
J B Heath	Chief Financial Officer	0
R Kapoor	Non-Executive Director	3
J N Maltby	Non-Executive Director & Chairman	4
P M Marston	Non-Executive Director	1
P J McDonald Pryer	Non-Executive Director	2
R Davies	Chief Executive Officer	1

(1) In line with Article 91(4) of the CRD, and in respect of the above directorships, a directorship across multiple entities within a group is counted as one directorship and per the EBA guidelines EBA/GL/2016/11 published in December 2016, they include directorships in non-commercial organisations. These are in addition to any positions held outside of Allica Bank.

3 Capital Resources and Capital Adequacy

3.1 Capital Management

Allica has a robust and comprehensive Internal Capital Adequacy Assessment Process ("ICAAP") in place which is a formal capital planning exercise covering a multi-year time horizon. The purpose of the ICAAP is to enable the Board to assess the adequacy of the current and projected capital resources given its business strategy, risks exposures and risk management framework.

The baseline projections, key risks and stress scenarios are discussed and challenged by EXCO and the Board. The capital forecast forms an integral component of the annual budgeting process and is updated in line with changes to the business plan.

The Bank's capital is both monitored and reported against the regulatory capital framework which came into effect on 1 January 2014 under CRD IV, together with the relevant EU delegated acts, and supplemented by additional requirements from the PRA.

Under these, the supply of capital resources, referred to in the EU as 'own funds', are measured as ratios against risk sensitive (risk weighted assets) and non-sensitive measures (leverage).

Supply of capital: own funds

Allica's total capital resources consists of a combination of Common Equity Tier 1 ("CET1") capital, Additional Tier 1 ("AT1") capital and Tier 2 ("T2") capital.

CET1 capital consists of ordinary shares, associated share premium and allowable reserves. CET1 capital available to a bank is calculated after certain regulatory adjustments for prudential filters and deductions. For Allica, the most significant regulatory adjustments being the deduction of current year losses and the value of intangible assets and the derogation add back to CET1 capital of IFRS 9 transitional adjustment.

AT1 capital consists of £17.5m of perpetual convertible notes with no fixed redemption or maturity date but automatically convert to CET1 capital if a trigger event occurs, i.e. if the CET 1 ratio reaches or falls below 7%, resulting in conversion to ordinary shares at a price of £1 per share. The Group has an embedded option to redeem the notes at issue price after five years, subject to regulatory conditions being met. Since the AT1 Capital is not redeemable at the option of the holder, and interest is due and payable only at the sole and absolute discretion of the Group, these notes have been classified as equity in accordance with IAS 32, Financial instruments: Presentation.

T2 capital consists of a dated 8 year subordinated loan of £7.5m borrowed in July 2021 provided by Warwick European Liquid Credit Fund and Warwick European Opportunities Holding III LP. Interest is payable on 30 June and 31 December each year, at a rate of 12% per annum. The loan is repayable on the eighth anniversary of drawdown, in July 2029. Subordinated loans are treated as debt instruments, at amortised cost, using the effective interest rate method.

Tier 1 capital is the combination of CET1 capital and AT1 capital.

Total own funds is the combination of CET1 capital, AT1 capital and T2 capital.

Capital demand: requirements

The 'capital stack' comprises a Pillar 1 minimum capital requirement ("MCR") with additional Pillar 2 requirements to cover risks not captured by the MCR. These requirements are supplemented by CRD IV buffers.

The MCR under Pillar 1 is calculated by prescribed percentages of exposure values to calculate total risk weighted assets ("RWAs"). The Bank must hold an amount of CET1 capital of at least 4.5% of RWAs, Tier 1 capital of 6% of RWAs and at least 8% of RWAs must be met by total own funds.

For additional risks not covered or fully covered by the MCR a firm specific 'add-on' is required under Pillar 2A. This is currently a fixed percentage of RWAs, 56.25% of which must be met by CET1 capital, 75% of which must be met by Tier 1 capital and 100% to be met by total own funds. As at 31 December 2021, Allica met this requirement wholly with CET1 capital. The binding requirement of Pillar 1 and Pillar 2A is the firm's total capital requirement ("TCR") and must be met at all times.

The CRD IV buffers or 'combined buffer', applicable to Allica comprise an institution countercyclical buffer ("CCyB") and a capital conservation buffer ("CCB"). The CCyB is expressed as a fixed percentage of RWA and the institution specific buffer is derived from publicly declared percentages dependent on geographic location applied to certain 'relevant exposures' held by the Bank in that geographic jurisdictions. The CCB has been phased in under a transitional arrangement and now stands at 2.5% of RWA. Both the CCyB and CCB must be met with CET1 capital.

A firm specific Pillar 2B buffer which is not subject to disclosure, known as the PRA buffer, must also be met by CET1 capital and can be used for the stress factors against which it has been calibrated.

Where it is appropriate to do so, there may be certain elements of the TCR, MCR, CRD IV and PRA buffers which may be offset against each other where they are deemed duplicative.

Allica met its TCR, combined buffers and PRA buffer with CET1 capital throughout the year.

The Bank will be subject to a non-risk sensitive leverage ratio, calculated as the ratio of Tier 1 capital in relation to a non risk based asset measure. Allica currently monitors this measure, as set out in section 3.6 on a monthly basis.

The EU's implementation of the Financial Stability Board's ("FSB") requirements for Total Loss Absorbing Capacity ("TLAC"), is known in Europe as the Minimum Requirement for Own Funds and Eligible Liabilities ("MREL") and is applicable to firms from 1 January 2020 and is to be fully phased in by 1 January 2022. Allica is not currently required to hold any additional capital in respect of MREL.

3.2 Stress Testing

Stress testing is the process by which Allica's business plans are subjected to severe but plausible adverse scenarios to assess the impact on the Bank's capital and liquidity positions. The results of stress testing are incorporated in the Bank's ICAAP as well as in the Internal Liquidity Adequacy Assessment Process ("ILAAP") and the Recovery and Resolution Plan.

3.3 Capital Resources

The table below shows the composition of Allica's regulatory capital resources at 31 December as measured under CRDIV.

Regulatory Capital

	2021 £'000	2020 £'000
Share capital	162,125	121,324
Retained earnings	(89,770)	(64,814)
Other comprehensive income reserve	95	(22)
Shareholders' equity (CET1 before regulatory adjustments)	72,450	56,488
<i>Regulatory adjustments</i>		
Intangible assets ⁽¹⁾	(4,812)	(3,404)

Other deductions	(40)	-
IFRS 9 transitional adjustment ⁽²⁾	1,219	68
Total Common Equity Tier 1 (CET1) capital	68,817	53,152
Additional Tier 1 capital	17,500	
Tier 1 capital	86,317	53,512
Tier 2 capital	7,500	
Total Regulatory capital	93,817	53,152

(1) In December 2020 the PRA confirmed that the revised treatment of software assets had been on-shored into UK law but meantime recommended that firms not base their distribution or lending decisions on the revised treatment. This alternative treatment of software intangibles this has been reflected in the year which has reduced the amount which has been deducted from CET1 capital and the amount not deducted has been subject to risk weighting in the normal manner. In July 2021 the PRA issued PS 17/21 ('Implementation of Basel Standards') which will remove this treatment with effect from 1 January 2022. The impact had the revised EU treatment not been effected, would have resulted in a 0.6% reduction in the Bank's CET1 ratio to 13.6%.

(2) Regulatory transitional arrangements for IFRS 9 under CRR article 473a have been adopted in these disclosures. These transitional arrangements permit banks to add back to their CET1 capital a proportion of the impact that IFRS 9 has upon their loan loss allowances during their first five years of IFRS 9 applying. The EU's CRR 'Quick Fix' relief package enacted in June 2020 increased from 70% to 100% the relief that banks may take for loan loss allowances recognised since 1 January 2020 on the non-credit impaired book. This has resulted in a material increase in the Bank's capital position of £1.219 million.

3.4 Regulatory Capital

The total capital requirement ("TCR"), defined as the amount of capital the Bank needs to comply with to meet its Pillar 1 (8% of RWA) and Pillar 2A (3.64% of RWA), is 11.64% at 31 December 2021 (31 December 2020 13.6%).

The table below shows Allica's capital ratio at 31 December as measured under CRDIV.

Risk Weighted Assets ("RWA") ⁽¹⁾

	2021 £'000	2020 £'000
Credit Risk	459,576	53,703
Credit Valuation Adjustment	133	-
Market Risk	-	-
Operational Risk ⁽²⁾	26,849	23,586
Total RWA	486,558	77,289

Capital Ratios ⁽³⁾

Common Equity Tier 1 (CET1) capital ratio	14.1%	68.8%
Tier 1 capital ratio	17.7%	68.8%
Total capital ratio	19.3%	68.8%

(1) Article 92 of the CRR refers to 'risk weighted exposure amounts'. This document uses Risk weighted exposure amounts and 'risk weighted assets' interchangeably.

(2) Operational Risk RWAs are derived by multiplying the requirement generated in section 7.2 multiplied by 12.5 (the inverse of 8%).

(3) Capital ratios are derived from the proportion of RWA in relation to each key stage of capital.

3.5 Capital Buffers

In addition to the TCR, the Bank held capital in respect of both the combined buffer and the PRA buffer. The CCyB rate for UK exposures was 0% throughout 2021 and the CCB rate was 2.5% for the year ending 2021 in line with the CRD IV transitional arrangements.

3.6 Leverage Ratio

CRD IV requires firms to calculate and disclose a non risk-based leverage ratio ("LR") and the measures which would be adopted to address the risk of excessive leverage.

The Bank monitors its LR under the EBA leverage ratio regime and separately the PRA have proposed a separate UK leverage ratio regime from 1 January 2022 which requires the Bank to manage its UK LR to a 3.25% minimum which excludes assets constituting 'claims on central banks' from the calculation of the total exposure measure. Allica is not in scope to comply with the UK LR framework as its deposit levels are less than £50 billion and does not have non UK assets exceeding £10 billion.

The LR is reported each month to the ALCO and also to BRC.

This section contains certain EU mandated disclosures with regard to the leverage ratio for institutions under EU Regulation 2016/200 and the disclosures adjusted accordingly where there is no requirement.

Summary reconciliation of accounting assets and leverage ratio exposures

	2021 £'000	2020 £'000
Total assets per the financial statements	955,846	44,541
Adjustments for derivative financial instruments	490	90
Adjustments for off-balance sheet items ⁽¹⁾	32,635	5,290
Other adjustments ⁽²⁾	(4,853)	(3,404)
Total Leverage ratio exposure measure	984,118	166,719

Leverage ratio common disclosure

	£'000	£'000
On-balance sheet items	955,846	164,743
(Asset amounts deducted in determining Tier 1 capital)	(4,812)	(3,404)
Total on balance sheet exposures	951,034	161,339
Add-on amounts for PFE associated with all derivative transactions	490	90
Off-balance sheet exposures at gross notional amount	163,175	26,452
(Adjustments for conversion to credit equivalent amounts)	(130,540)	(21,162)
Other off-balance sheet exposures	32,635	5,290
Tier 1 capital	86,316	53,152
Leverage ratio total exposure measure	984,118	166,719

Leverage ratio	8.8%	31.9%
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Split of on-balance sheet exposures

	£'000	£'000
Total on balance sheet exposures, of which:	955,846	164,743
Banking book exposures, of which:	955,846	164,743
Exposures treated as sovereigns	355,697	92,925
Institutions	36,239	10,432
Secured by mortgages on immovable property	496,449	44,973
Corporate	64,050	67
Other exposures ⁽³⁾	23,410	16,436

(1) Off balance sheet items are stated after the application of conversion factors.

(2) Primarily related to intangible assets which have been removed from the leverage exposure since they have been deducted from CET1 capital.

(3) Non-credit obligation assets: primarily intangible assets, fixed assets and right-of-use assets in respect of the lease relating to the Bank's office premises.

3.7 Capital Requirements

Allica's Pillar 1 capital requirements are calculated by adding the requirements for credit risk, credit valuation adjustment and operational risk. Allica has no market risk requirement at the reporting date. Pillar 1 capital requirement is calculated as 8% of risk weighted assets and its total capital requirement is 11.64% of risk weighted assets.

Total capital requirements

	2021 £'000	2020 £'000
Credit risk	36,766	4,297
Credit valuation adjustment	11	-
Market risk	-	-
Operational risk	2,148	1,887
Capital resources requirement under Pillar 1	38,925	6,184
Capital resources	93,816	53,152
Capital resources surplus over Pillar 1 requirement	54,891	46,968
Less:		
Pillar 2A assessment	17,711	4,328
CCB & CCyB	12,164	1,932
Capital to meet PRA and management buffers	25,016	40,708

4 Credit Risk

Credit risk is defined as the risk of a customer defaulting on its obligations under a Lending Facility and/or the value of any collateral held falling in value resulting in Allica suffering a financial loss. This risk arises through Allica's lending activities and is the most significant risk faced by the Bank.

4.1 Composition of the Minimum Capital Requirements for Credit Risk

Exposures subject to the Standardised Approach to credit risk

31 December 2021

	Exposure value ⁽¹⁾	RWA	Minimum capital requirement
	£'000	£'000	£'000
Central governments and Central banks	325,656	-	-
Multilateral Development Banks	10,042	-	-
Institutions	36,787	7,823	626
Secured by mortgages on immovable property	529,084	383,520	30,682
Corporate	64,050	52,384	4,191
Retail	6,876	4,225	338
Exposures in default	10,304	10,304	824
Other items	1,319	1,319	106
Total	984,118	459,576	36,766

31 December 2020

	Exposure value ⁽¹⁾	RWA	Minimum capital requirement
	£'000	£'000	£'000
Central governments and Central banks	92,925	-	-
Institutions	10,432	2,325	186
Secured by mortgages on immovable property	50,263	38,295	3,064
Corporate	67	51	4
Other items	13,032	13,032	1,043
Total	166,719	53,703	4,297

(1) The exposure value includes all drawn and undrawn committed facilities. These are stated after the application of any applicable credit conversion factors and before the SME support factor under CRR article 501.

4.2 Geographical Distribution

Apart from an investment in European Investment Bank bonds issued in the Grand Duchy of Luxembourg and denominated in GBP all of Allica's business is in the UK and all of Allica's customers and associated collateral on all of the Bank's loans and Hire Purchase Agreements ("HPA") are located in the UK.

4.3 Credit Risk: Loans and Advances to Customers

Credit Control Processes

Allica has in place a detailed Credit Policy and Credit Appetite Guidelines which are designed to ensure that the Bank's lending is in line with the Board-approved strategy and risk appetite. The Credit Policy sets out the customer acceptance criteria for lending business and the roles and responsibilities of members of staff in each of the three lines of defence.

The Chief Risk Officer holds responsibility under the Senior Manager Regime for risk management and including the monitoring of the Bank's lending portfolio against Board-approved thresholds and limits.

Every loan/HPA request is reviewed and approved by an experienced Credit Underwriter with an appropriate level of discretion before an offer of funding is made. Each customer (or prospective customer) is allocated a credit grade based on externally-sourced information; the credit grade is translated to a Probability of Default and each facility is allocated a Loss Given Default to reflect the value of collateral held by the Bank – these are recorded on the Bank's systems and are updated when the view of the customer's risk profile changes.

All loans are subject to review in the event of a change in the risk associated with that customer.

Concentration risk is reported to the Risk Management Committee and Board each month and is monitored and managed against Board-agreed risk appetite.

Impairment: IFRS 9 - Financial Instruments ("IFRS 9")

Allica operates under an IFRS 9 framework which has been agreed by the Board Audit Committee ("BAC"). IFRS 9 Expected Credit Losses are reported across the Bank's Risk Committees, Exco and Board.

4.4 Credit Risk: Treasury Assets

Credit risk also occurs within Treasury Assets such as investment securities and deposits with other banks. The credit risk of Treasury Assets is considered by the Board to be low because Liquidity is maintained in investment grade quality assets, the concentration risk of assets is managed to strict policy limits and counterparty ratings which meet the minimum criteria set in wholesale credit risk policy.

At 31 December 2021, Treasury Assets primarily comprised of a reserve account with the Bank of England, UK Government issued Gilts and European Investment Bank bonds denominated in GBP. No assets are held for speculative gain nor are they actively traded. Allica had £307m of interest rate derivatives used to manage its interest rate risk in its banking book.

Allica has some limited exposure to other financial institutions which are primarily used for clearing purposes; to facilitate loan and deposit flows. For these exposures the Bank uses publicly available credit ratings from approved External Credit Assessment Institutions which are mapped to credit quality steps and risk weighted under the standardised approach to determine capital requirements in accordance with CRD IV.

5 Interest Rate Risk in the Banking Book

Allica's interest rate risk comes through lending and deposit-taking, treasury investments, and funding activities. Interest Rate Risk in the Banking Book ("IRRBB") refers to the current or prospective risk to the Bank's net economic value ("EV"), capital and earnings arising from adverse movements in interest rates that affect the banking book positions. The Bank measures the following sub-types of IRRBB:

- Gap risk which arises from the term structure of banking book instruments and describes the risk arising from the timing of instruments' rate changes. The risk to Allica arises when the rate of interest paid on liabilities increases before the rate of interest received on assets or reduces on assets before liabilities. The extent of gap risk depends on whether changes to term structure of interest rates occur consistently across the whole yield curve (parallel risk) or differently by period (non-parallel risk). The Bank measures and controls the gap risk through the re-pricing gap and the analysis of the net mismatch for every time band.
- Basis risk describes the impact of relative changes in interest rates for financial instruments that have similar tenors but are priced using different interest rate indices (bases). It arises from the imperfect correlation in the adjustment of the rates earned and paid on different instruments with otherwise similar rate change characteristics. In order to hedge its structural interest rate risk exposure Allica will enter into Overnight Index Swap ("OIS") receivers/payers. Thus, it will pay/receive Sterling Overnight Index Average ("SONIA") rate on the floating leg of the swap. The Bank has administered rate assets with interest rates highly correlated to the Bank of England Base Rate. Therefore, Allica will be exposed to the movement in the spread between the Bank of England Base Rate and SONIA. By default, the Bank's hedging strategy for basis risk is designed to match the risk factors on the asset and liability side to the extent possible. Additionally, it monitors the spread between Bank of England Base Rate SONIA.
- Option risk arises from option derivative positions explicitly embedded within the contractual term of the balance sheet or behavioural optionality reflected by the uncertainty introduced by the customer side (prepayment and early withdrawal). Allica's exposure to behavioural option risk is limited to a certain extent by the existence of the clause on a significant part of deposits which prohibit clients from the early withdrawal of funds before a certain period (known as notice period). However, the notice period is not intended as an IRRBB management tool, although it acts that way to a certain extent, but as a liquidity management tool. Allica has automatic options embedded in the Banking Book via contractual floor on its loans.
- Yield risk is the risk arising from unanticipated non – parallel shifts of the yield curve such as steepening, flattening, inverted curve and parallel shifts on the medium long part of the curve – herein this is understood as the exposure to structural interest rate risk in the banking book. Allica analyses and monitors its positions in terms of change in Economic Value of Equity ("EVE") under 6 interest rate shock scenarios.

The Bank manages the risk of banking book positions in accordance with the risk appetite framework and regulatory constraints. The Treasurer is responsible for management of IRRBB, reporting to ALCO at least monthly, and ultimately the Board.

6 Liquidity Risk

Liquidity risk is defined as the risk that the Bank will not be able to meet its financial obligations as they fall due, is not able to fund future lending growth opportunities or is able to do so only at significantly higher cost. Allica maintains liquidity resources within its risk appetite limits and above the regulatory minima at all times. The key metric used to monitor liquidity risk is the Liquidity Coverage Ratio ("LCR"). At year end and at all times throughout the year, Allica was in excess of all regulatory minima. The LCR is calculated according to EU Regulations 2015/61 and 575/2013, is used by the Bank as a stressed measure of 30-day liquidity and is reported and monitored at ALCO on a monthly basis.

The table below shows the LCR calculation.

	2021 £'000	2020 £'000
Liquidity Buffer in the form of HQLA	335,697	92,925
Net liquidity outflow	76,082	28,093
LCR	441%	331%

7 Operational Risk

Operational risk is the risk that Allica experiences unexpected levels of financial loss as result of People, Process, Systems failures or External events. Allica has put in place a detailed Operational Risk framework which is described below.

7.1 Operational Risk Management

The Operational Risk Framework has been approved by the Board and is regularly reviewed in the light of changes in regulation, business strategy and industry best practice.

The business are owners of the operational risks in their area as First Line of defence and have undertaken an assessment of the risks and associated controls in the Risk Control Self-Assessment process. Any Risks, Issues and near-misses are reported monthly through Risk Management Committee, EXCO and the Board. Risk, as Second Line of defence, undertake assurance testing on the First Line controls to provide confidence that they are being operated effectively.

Internal Audit, as Third Line of defence, carry out assurance testing in line with the Audit Plan to test the effectiveness of the first line controls and quality of the second line assurance as well as the overall operational risk framework.

7.2 Operational Risk Capital Charge Computation

The operational risk capital charge for the Bank under Pillar 1 is calculated using the Basic Indicator Approach. This normally involves a 15% multiplier to be applied to the 3-year historical average of audited net interest and fee income. The Bank does not yet have 3-years historical average, so the multiplier is applied to the aggregation of the firm's forward-looking revenue projections. Under this methodology a capital charge for the year ending 31 December 2021 of £2.1m has been derived. The RWA equivalent is £26.9m.

8 Securitisation Exposures

At 31 December 2021, Allica had no exposure to securitisation structures.

9 Asset Encumbrance

At 31 December 2021, Allica had £1.7m of encumbered assets, primarily held as margin requirements in respect of its derivative activity.

10 Remuneration Disclosures

Decision making and governance

Remuneration for Allica is overseen by the Remuneration Committee. The membership of the committee is made up of three independent Non-executive Directors who are appointed by the Board. The approach that Allica has taken in relation to remuneration reinforces its core values by ensuring that its employees are incentivised and rewarded for focusing on customer satisfaction and engaging in behaviours that are aligned with the long-term success of the business whilst delivering value for shareholders and avoiding unnecessary risk-taking. During the year, the committee met 4 times; although the committee may meet more frequently if the need arises.

Allica applies the proportionality principle to ensure its practices and processes are appropriate to our size, internal organisation and the nature, scope and the complexity of our activities.

Remuneration structure

The Bank's approach to remuneration is designed to:

- ensure that the ratios of fixed pay and variable pay are appropriately balanced, that fixed pay is of a sufficiently high proportion of total remuneration to allow for the possibility of paying no variable pay;
- attract, recruit and retain the right individuals at the right level;
- adhere to the regulatory framework for the financial services sector;
- link reward with appropriate risk-taking;
- ensure it is line with our business strategy, objectives, values and long-term interests
- strike an appropriate balance between short and long-term rewards;
- avoid conflicts of interest; and
- enable the bank to achieve its objectives and deliver value to its shareholders.

The bank uses performance-based remuneration to ensure that remuneration is sufficiently performance-linked and rewarded appropriately. In order to measure this, we review performance against objectives for the year for the individual, business unit concerned and overall results of the Bank.

Any remuneration incentives will also take risk into consideration and be appropriately balanced within the bank's risk appetite, whilst also accounting for the long-term interests of the Bank. Remuneration must not encourage risk-taking that exceeds our level of tolerated risk and must promote effective risk management.

Remuneration components

Remuneration is set to attract and retain the people needed for the bank to meets its strategic objectives. The remuneration for each employee consists of a package encompassing the following:

- Fixed pay to reflect relevant professional experience, organisational responsibility and market conditions. It includes a base salary, benefits and pension contributions.
- Variable pay which reflects risk adjusted performance. The Bank operates a discretionary annual bonus plan for all employees and a long-term incentive plan for senior management.
- Other benefits include a medical insurance policy.

Further information on remuneration can be found in notes 7 on staff costs and 9 on Directors' emoluments of Allica's Financial Statements for the year ending 31 December 2021.

11 Own Funds Disclosures

The following table shows the composition of own funds and the key features of Allica's capital instruments in the format prescribed under EU Regulation 1423/2013 and the disclosures adjusted accordingly where there is no requirement.

Own funds disclosure template

	2021	2020
Common Equity Tier 1 (CET1) capital: instruments and reserves	£'000	£'000
Capital instruments and the related share premium accounts	162,125	121,324
of which: Ordinary shares	162,125	121,324
Retained earnings	(89,770)	(64,814)
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	95	(22)
Common Equity Tier 1 (CET1) capital before regulatory adjustments	72,449	56,488
Common Equity Tier 1 (CET1) capital: regulatory adjustments		
IFRS9 transitional adjustments	1,219	68
Intangible assets	(4,812)	(3,404)
Prudential valuation adjustments	(40)	
Total regulatory adjustments to common equity tier 1 (CET1)	(3,634)	(3,336)
Common equity tier 1 (CET1) capital	68,816	53,152
Additional Tier 1 capital	17,500	
Tier 1 capital	86,316	53,152
Tier 2 capital	7,500	
Total capital	93,816	53,152
Total risk weighted assets	486,558	77,289
Capital ratios and buffers		
Common equity tier 1 (as a percentage of risk exposure amount)	14.1%	68.8%
Tier 1 (as a percentage of risk exposure amount)	17.7%	68.8%
Total capital (as a percentage of risk exposure amount)	19.3%	68.8%
Institution specific buffer requirement (CET1) requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII buffer), expressed as a percentage of risk exposure amount)	2.5%	2.5%
of which: capital conservation buffer requirement	2.5%	2.5%
of which: countercyclical buffer requirement	0%	0%
Common equity tier 1 available to meet buffers (as a percentage of risk exposure amount)	9.6%	55.2%

Capital instruments' main features template

Issuer	Allica Bank Ltd.	Allica Bank Ltd.	Allica Bank Ltd	Allica Bank Ltd.
Unique identifier	N/A	N/A	N/A	N/A
Governing law(s) of the instrument	English	English	English	English
Regulatory treatment				
Transitional CRR rules	CET1	Additional Tier 1	Additional Tier 1	Tier 2
Post-transitional CRR rules	CET1	Additional Tier 1	Additional Tier 1	Tier 2
Eligible at solo/(sub) consolidated/solo & (sub) consolidated	Solo	Solo	Solo	Solo
Instrument type (types to be specified by each jurisdiction)	Ordinary Shares	Perpetual Convertible Loan Note Instrument	Perpetual Convertible Loan Note Instrument	Subordinated Loan Agreement
Amount recognised in regulatory capital (currency in million, as of capital (currency in million, as of most recent reporting date)	£165.125m	£7.5m	£7m	£7.5m
Nominal amount of instrument	£165.125m	£7.5m	£10m	£7.5m
Issue price	Various	100%	100%	100%
Redemption price	N/A	£1	£1	£7.5m
Accounting classification	Equity	Equity	Equity	Debt
Original date of issuance	Various	20 July 2021	22 November 2021	1 July 2021
Perpetual or dated	Perpetual	Perpetual	Perpetual	Dated
Original maturity date	No maturity	No maturity	No maturity	18 November 2029
Issuer call subject to prior supervisory approval	No	Yes	Yes	Yes
Option call date, contingent call dates and redemption amount	No	20 July 2026 Subject to a tax or capital event call.	20 November 2026 Subject to a tax or capital event call. Redemption at par	18 November 2021 Subject to regulatory event. Redemption at par plus accrued but unpaid interest
Subsequent call dates if applicable	N/A	N/A	N/A	N/A
Coupons/Dividends				
Fixed or floating dividend/coupon	Floating dividend	N/A	Fixed coupon	Fixed coupon
Coupon rate and any related index	N/A	N/A	13%	12%

Existence of a dividend stopper	No	No	No	No
Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary
Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary
Existence of step up or incentive to redeem	No	No	No	No
Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Cumulative
Convertible or non-convertible	Non-cumulative	Convertible	Convertible	Non-Convertible
If convertible, conversion trigger(s)	N/A	Third anniversary of issue date. Three consecutive months of profit before tax of £350k certified by two directors. If the CET1 Capital ratio of the Company falls below 7%	If the CET1 Capital ratio of the Company falls below 7%	N/A
If convertible, fully or partially	N/A	Fully	Fully	N/A
If convertible, conversion rate	N/A	Convertible at par plus 5%	Convertible at par	N/A
If convertible, mandatory or optional conversion	N/A	Mandatory	Mandatory	N/A
If convertible, specify the instrument type convertible into	N/A	Ordinary Shares	Ordinary Shares	N/A
If convertible, specify the issuer of instrument it converts into	N/A	Allica Bank Limited	Allica Bank Limited	N/A
Write-down features	No	Yes	Yes	Yes
If write-down, write-down trigger(s)	N/A	N/A	N/A	N/A
If write-down, full or partial	N/A	N/A	N/A	N/A
If write-down, permanent or temporary	N/A	N/A	N/A	N/A
If temporary write-down description of write-up mechanism	N/A	N/A	N/A	N/A
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	N/A	Pari-passu with other AT1 instruments.	Pari-passu with other AT1 instruments.	Subordinate to rights and claims of Senior Creditors

		Senior to CET1	Senior to CET1	
Non-compliant transitioned features	No	No	No	No
If yes, specify non-compliant features	N/A	N/A	N/A	N/A

Glossary

ALCO	Asset & Liabilities Committee
BAC	Board Audit Committee
BRC	Board Risk Committee
CCB	Capital conservation buffer
CCyB	Countercyclical buffer
CEO	Chief Executive Officer
CET1	Common Equity Tier 1
CFO	Chief Financial Officer
COO	Chief Operating Office
CRD	Capital Requirements Directive
CRDIV	Fourth Capital Requirements Directive
CRO	Chief Risk Officer
CRR	Capital Requirements Regulation
EV	Economic value
EVE	Economic Value of Equity
EWIs	Early Warning Indicators
EXCO	Executive Committee
FCA	Financial Conduct Authority
FLOD	First Line of Defence
FSB	Financial Stability Board
GC	General Counsel
HQLA	High-Quality Liquid Assets
HR	Human Resources
H&S	Health and Safety
HSE	Health and Safety Executive
ICAAP	Internal Capital Adequacy Assessment Process
ILAAP	Internal Liquidity Adequacy Assessment Process
IRRBB	Interest Rate Risk in the Banking Book
ISO	International Organization for Standardization
KRIs	Key Risk Indicators
LCR	Liquidity Coverage Ratio
LR	Leverage ratio
MCR	Minimum capital requirement
MREL	Minimum Requirement for Own Funds and Eligible Liabilities
OIS	Overnight Index Swap
OpCo	Operations Committee

PRA	Prudential Regulation Authority
RCSA	Risk Controls Self-Assessment
RFR	Risk-free Rates
RMC	Risk Management Committee
RMF	Risk Management Framework
RWAs	Risk weighted assets
SLA	Service Level Agreement
SLOD	Second Line of Defence
SM&CR	Senior Managers and Certification Regime
SMEs	Small and medium-size enterprises
SONIA	Sterling Overnight Index Average
SYSC	Senior Management Arrangements, Systems and Controls
TCR	Total capital requirement
TLAC	Total Loss Absorbing Capacity
TLOD	Third Line of Defence



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