PERSIA INTERNATIONAL BANK PLC
Authorised by the PRA and Regulated by FCA & PRA

PILLAR 3 DISCLOSURE
(INCLUSIVE OF LCR DISCLOSURE)

31 MARCH 2020

(Note – the Pillar 3 Disclosure Document for 2021 is being prepared and will be available shortly)

Acronyms

Acronym	Definition
ALCO	Assets and Liabilities Committee
AML	Anti-Money-Laundering
BIA	Basic Indicator Approach
CBI	Central Bank of Iran
CC	Credit Committee
CCB	Capital Conservation Buffer
CEO	Chief Executive Officer
CET1	Common Equity Tier 1
CFO	Chief Financial Officer
COO	Chief Operating Officer
CCyB	Countercyclical Capital Buffer
CPB	Capital Planning Buffer
CRD IV	Capital Requirements Directive IV
CRO	Chief Risk Officer
CRR	Capital Requirements Regulation
DBS	Disclosure and Barring Service
EBA	European Banking Authority
ECAIs	External Credit Assessment Institutions
EDs	Executive Directors (CEO, CFO, COO)
EU	European Union
EWI	Early Warning Indicator
G-SII	Global Systemically Important Institution
FCA	Financial Conduct Authority
HQLAs	High Quality Liquid Assets
LCR	Liquidity Coverage Ratio
L/C	Letter of Credit
ICAAP	Individual Capital Adequacy Assessment Process
ICG	Individual Capital Guidance
ILAAP	Internal Liquidity Adequacy Assessment Process
INED	Independent Non-Executive Directors
JCPOA	Joint Comprehensive Plan of Action
LCC	Liquidity Crisis Committee
MC	Management Committee
MI	Management Information
NED	Non-Executive Directors
OFAC	Office of the Foreign Assets Control
O-SII	Other Systemically Important Institution
PIB	Persia International Bank
P&L	Profit and Loss
PRA	Prudential Regulation Authority
RAS	Risk Appetite Statement
RC	Risk Committee
RMF	Risk Management Framework
RRP	Recovery and Resolution Plan
RWAs	Risk Weighted Assets
SA	Standardized Approach
SREP	Supervisory Review and Evaluation Process

Acronym	Definition
TCR	Total Capital Requirement
TRO	Tehran Representative Office
UN	United Nations

TABLE OF CONTENTS

1. INTRODUCTION

This document sets out the Pillar 3 disclosure (the 'document') for Persia International Bank plc ('PIB' / 'the Bank') as at 31 March 2018. PIB is a UK registered Bank, authorised by the Prudential Regulation Authority ('PRA') and regulated by the Financial Conduct Authority ('FCA') and PRA. Following the lifting of the European Union ('EU') / United Nations ('UN') and Office of the Foreign Assets Control ('OFAC') Sanctions on 16 January 2016, the Bank was authorised by the PRA to resume normal business on 7 November 2016.

This disclosure has been prepared to give information on the basis of calculating capital requirements and on the management of risks faced by the Bank. This document has been developed in accordance with the rules laid out in Part 8 of Capital Requirements Regulation ('CRR') and the related European Banking Authority ('EBA') guidelines. The Bank has also considered the UK regulation and the guidelines and papers published by the Basel Committee on Banking Supervision's Standards.

The provision of meaningful information about common key risk metrics to market participants is an important aspect of a sound banking system. It helps promote comparability of banks' risk profiles within and across jurisdictions. Pillar 3 of the Basel III framework aims to promote market discipline through regulatory disclosure requirements. These requirements enable market participants to access key information relating to a bank's regulatory capital and risk exposures in order to increase transparency and confidence about a bank's exposure to risk and the overall adequacy of its regulatory capital.

The Basel III Framework is structured around three pillars:

- Pillar 1: sets the minimum capital requirements for credit, market and operational risk
- Pillar 2: requires that each bank undertakes an Internal Capital Adequacy Assessment Process ('ICAAP') to assess its own risk profile and to determine the level of additional capital required over and above the Pillar 1 requirements, to cover risks either not covered, or not fully covered, by the Pillar 1 requirements (e.g. credit concentration risk), and factors external to the firm (e.g. external stresses and impact of the business cycle). The amount of any additional capital requirement is assessed by the PRA during its Supervisory Review and Evaluation Process ('SREP'), which is used to determine the overall capital resources required by a bank
- Pillar 3: aims to promote market discipline by enhancing the level of disclosure made by banks to their stakeholders, allowing them to assess a bank's key risk exposures and the adequacy of a bank's risk management process to mitigate these risks.

Pillar 3 complements Pillar 1 and Pillar 2.

Having taken into account the size and complexity of its operations, it is the Bank's policy to disclose the information as required by the Capital Requirements Directive IV ('CRD IV') on an annual basis.

The Bank did not include in the document the sections related to information disclosure not applicable to it (i.e, use of internal models to assess credit and market risks, exposures to securitisation positions etc.). The Bank may omit information it considers immaterial. PIB regards information as material if its omission or misstatement could change or influence the decision of a user relying on the information for the purpose of making economic decisions. In addition, if the required information is judged to be proprietary or confidential, then the Bank may take the decision to exclude it from the disclosure. The Bank defines proprietary information as that which, if shared, would undermine its competitive position. The Bank defines information as confidential where there are obligations binding it to confidentiality with customers, suppliers or counterparties. In preparing this document the Bank has not excluded any information on the grounds of confidentiality.

This disclosure document forms part of the "Annual Report and Financial Statements" as at 31/03/2020 and should be read in conjunction with it. The Bank's Pillar 3 disclosure is published on the Bank's website. This Pillar 3 disclosure is not subject to external audit. The document has been approved by the Bank's Risk Committee and by the Bank's Board of Directors ('the Board').

1.1. Background

PIB was established in 2002 from a merger of the London branches of Bank Mellat and Bank Tejarat. The two shareholders of the Bank are Bank Mellat and Bank Tejarat ('the shareholder Banks') with equity holdings of 60% and 40% respectively. Since inception, PIB's business development was through a mixture of trade finance, syndicated and commercial loans, funded by a mixture of capital and deposits from its two shareholder Banks, the Central Bank of Iran ('CBI' / 'Bank Markazi'), correspondent banks, corporates (mainly Iranian) and a small proportion of retail customers. As a wholesale Bank, PIB aims to expand its presence in London and international markets with a focus on the above-mentioned activities.

Bank Mellat and Bank Tejarat are well established banks in Iran sharing between them a major portion of the foreign trade business. These two Banks are well rated in Iran in terms of customer base and domestic business volumes. They also have a strong network of branches in Iran. The overseas network of Bank Mellat includes 4 branches and 3 subsidiaries, while Bank Tejarat has 2 branches and one subsidiary. All these overseas branches/subsidiaries are located in Europe, the Middle East and the Asia Pacific area. PIB provides banking services in London to these two Banks, enabling them to access the UK and international markets in the development of their global business and customer base.

PIB previously had both a branch in the Dubai International Financial Centre and a representative office in Tehran, Iran. Both of these offices are now closed.

At the time of writing the Bank intends to open a branch in Milan Italy under the Freedom of Establishment passporting provisions contained within the EU Banking Consolidated Directive.

The Bank's business model is liability driven. The loan book growth is balanced against the requirement to maintain a prudent liquidity profile. The funding of the Bank's resumed business derives mainly from its Own Funds and on deposits from the shareholders Banks. More reliance is expected to be placed on other banks, corporates and retail deposits in forthcoming years to provide a pool of funding to support credit exposure operations. However, the United States of America's withdrawal from the Joint Comprehensive Plan of Action ('JCPOA') is undermining the development planned by PIB.

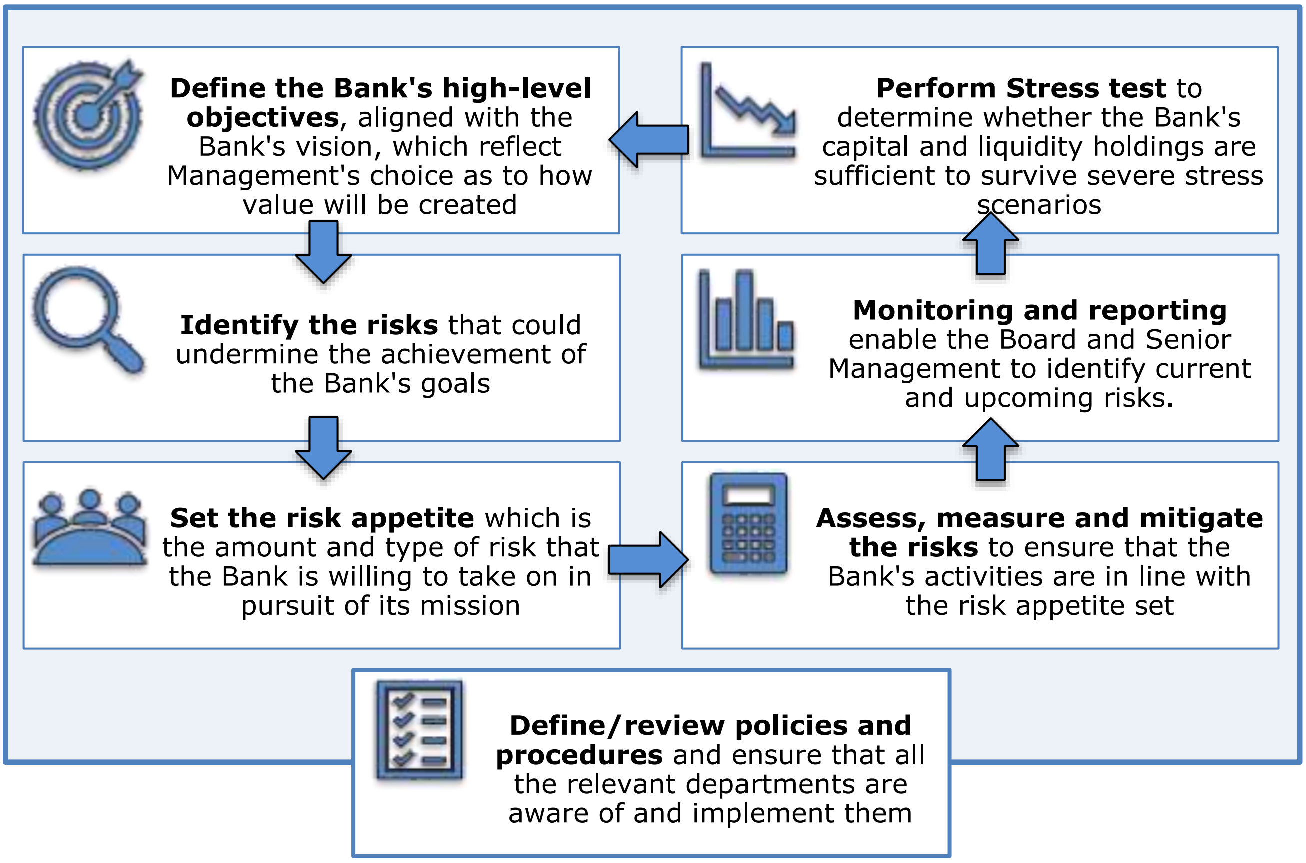
PIB is classified as a 'Category 5' firm by the PRA, with practically no capacity to cause any disruption to the UK financial system. The PRA has assessed that PIB satisfies its statutory 'Threshold Conditions'. As a former 'C4' firm under FCA categorisation, PIB is classified as a 'flexible portfolio' firm and will be supervised through a sector-based approach, complemented by firm-specific engagement.

2. Risk Management Objectives and Policies

2.1. Risk Management Framework

The Bank has developed a Risk Management Framework ('RMF') in order to ensure sustainable business growth with stability and to promote a pro-active approach in managing risks associated with the business. The RMF is the overall approach, including policies, processes, controls and systems through which risk management is established, communicated and monitored. The RMF aligns with the Bank's strategy. The RMF is formalised in the RMF policy which establishes a structured and disciplined approach to risk management. The Bank's RMF is composed of the following:

- Risk identification
- Risk appetite definition
- Risk assessment, measurement and mitigation
- Risk monitoring and reporting



All the information collected in the above-mentioned phases is considered in defining the business objectives of the Bank. The RMF principles are integrated in PIB's everyday activities by the Bank.

PIB has also developed a Risk Appetite Statement ('RAS') which describes the process and the responsibilities in determining the risk appetite and defines the type and amount of risk that the Bank is prepared to accept in pursuit of its strategic objectives. The Bank has split its levels of risk appetite in four categories: Averse, Cautious, Ambitious and Aggressive. Additionally, the Bank has put in place policies and procedures to manage its activities ensuring they are run in a prudent manner in line with its risk appetite and its RMF.

The Board has primary responsibility for identifying the most relevant risks PIB is, or could be, exposed to and approving the Bank's RMF policy and RAS.

The Bank has developed Early Warning Indicators ('EWIs') to monitor its activity as well as its adherence to the risk appetite set by the Board. The EWIs are integrated within the RMF and are consistent with the Recovery Plan ('RP') indicators.

PIB has developed a Risk Register which assesses the risks based on their potential severity of impact and their likelihood of occurring. The risk items in the Bank's Risk Register are classified as per Pillar 1 and Pillar 2A risks, and further information is provided about the functions/products they are related to and the controls in place to manage them.

The Bank has put in place robust Management Information ('MI') to support the Board and Senior Management in assessing how PIB is performing and if its activities are in line with the set objectives and risk appetites. This helps the decision-making process of the Bank's management. Monitoring is a powerful management tool; it enables the Board and Senior Management to identify as early as possible current and upcoming risks that could undermine the achievement of the Bank's objectives. The output of the Bank's monitoring activity is summarised in the MI that PIB produces on a daily, weekly, monthly, quarterly, and annual basis.

Through the above-mentioned reports, the Bank monitors and reviews the various internal and regulatory limits set in order to ensure its adherence to the business objectives and risk appetite.

In case of any breaches in the limits, the escalation process to be followed is clearly defined in the specific policies covering the risk for which the breach is observed.

Responsibility for risk management resides at all levels of the Bank from the Board and the Risk Committee to each employee. In line with this approach the Bank adopts the three lines of defence governance model which is outlined below:

- 1st line of defence: this comprises the controls the Bank has in place to deal with the day-to-day business. Controls are built into systems and processes to appropriately mitigate risk. This is the responsibility of the relevant operating departments. The Bank's compliance with the above-mentioned processes is ensured by adequate managerial and supervisory controls in place
- 2nd line of defence: this comprises the committees and functions that are in place to provide an oversight of the effective operation of the internal control framework. These committees review the management of risk in relation to the particular risk appetite of the Bank, as determined by the Board. The effectiveness of the 2nd line is determined by the oversight committee structure, their terms of reference, the competence of the members and the quality of the management information and reports that are considered by these oversight committees. The 2nd line is re-enforced by the advisory and monitoring functions of risk management and compliance. Risk management defines and prescribes the financial and operational risk assessment processes for the business; maintains the Risk Register and undertakes regular reviews of the risks in conjunction with line management. Compliance advises on all areas of regulatory principles, rules and guidance, including leading on any changes, and undertakes monitoring activity on key areas of regulatory risk.
- 3rd line of defence: this is made up of the independent assurance provided by Board and the Internal Audit function that is outsourced and reports to the Board and the Audit C Committee). Internal Audit undertakes a programme of risk-based audits covering all aspects of both 1st and 2nd lines of defence.

The Bank promotes a sound culture of risk and control. The Bank's policies and procedures are designed to prevent irregularities arising from human error or misconduct, systems failure or inadequate procedures and controls. It is the responsibility of all management and staff to avoid placing the Bank at unnecessary and avoidable risks.

The Bank's Risk Committee and the Board are content that the risk management systems the Bank has in place are adequate given the size and complexity of the Bank's current operations, its risk profile and its strategy. The Board is also satisfied that the Pillar 3 disclosure provides a comprehensive overview of the Bank's risk profile and risk management. Further details on these topics and on relevant quantitative information and ratios are provided in the following ~~next~~ sections of this document.

2.1.1. Material and Relevant Risks for the Bank

2.1.1.1. Credit and Counterparty Risk

Credit and counterparty risk is the risk of loss due to the fact that a bank borrower or counterparty will fail to meet its contractual obligations, or the increased risk of default during the term of the transaction. This is the main risk for the Bank and the major source of capital requirement. PIB considers only those counterparties for business transactions who are creditworthy and are responsible in their dealings. All risk exposures incurred by the Bank are monitored and managed in a prudent manner to avoid or, where avoidance is not possible, to contain over-exposure to, or dependence upon, any counterparty or group of connected counterparties, business sector or country. The lending rate is determined after adding the margin to the respective currency (market) interest rates (usually EURIBOR with a 0% floor). PIB has defined internal approval limits for credit exposures and has formalised them in the Credit and Concentration Risk Policy Statement. Day-to-day management of credit is the responsibility of the Credit Department, while the Risk Committee reviews the Credit Risk policy before this is passed to the Board for final sign-off.

PIB has generally a conservative approach to commercial lending and normally takes some form of collateral security, which should always exceed the related exposure by a significant margin (typically, at least 50%). If the collateral is in the form of shares listed on the Tehran Stock Exchange, it is usually 150% to 200% of the loan balance outstanding. In case of insolvency of a counterparty, consequently if PIB enforces the collaterals related to the specific exposure, this should be sufficient to repay any losses or provision made. Unsecured lending should not exceed 40% of the Bank's total risk exposure. The risk appetite set for credit and counterparty risk is Cautious.

2.1.1.2. MARKET RISK

PIB does not have a trading book. Market risk arises when open positions in currencies are maintained without hedging them against movements in Foreign Exchange ('FX') rates. PIB's active currency and liquidity resources are usually in EUR, its base currency of operation. Generally, the assets and liabilities in currencies are matched. PIB's policy is to not maintain open positions in currencies unless warranted by the situation. The Board has set an overall Net Short Open Position limit of 20% of Own Funds as well as Individual Net Short Open Position limits for EUR, GBP and for other highly liquid currencies. These limits are monitored by the Treasury Manager. Based on the above considerations the risk appetite set by the Bank for market risk is Averse.

2.1.1.3. OPERATIONAL RISK

Operational risk is the risk of losses arising from deficiencies or failures in internal processes, human factor or from external systems and events. This definition includes legal risks, but does not include strategic or reputational risks. In most financial institutions, these risks relate to a wide range of potential failures in a firm's activity: fraud, human errors and damage to operational capability of computer systems, loss of information, theft, fire and breaches of security (including cybersecurity).

As operational risk could be considered among the three major risks for the Bank and as PIB is calculating this risk using the Basic Indicator Approach ('BIA'), PIB considers allocating to it additional capital under Pillar 2A. The current risk appetite for operational risk is cautious.

*see also section 8 below

2.1.1.4. CONCENTRATION RISK

PIB's business is focused on the niche Iranian market. It is expected to have a huge concentration on Iran for the Money Market Placement as the Bank has taken steps to diversify its portfolio. PIB has internal limit (% of its Eligible Capital) to its exposures to Iran and other countries. Even though the Bank has several measures in place to mitigate credit risk (i.e. limits, collaterals etc.), the risk appetite for concentration risk is Ambitious since the Bank does not plan to change its strategy of operating mainly in the niche Iranian market. The Bank is monitoring the sectoral concentration within its niche market on an ongoing basis with the aim of reducing reliance on one particular sector.

Regarding the single name concentration risk, the large exposure[1] limit is 25% of PIB's Eligible Capital. The sum of the Bank's large exposures should not exceed 80% of PIB's aggregate exposures (total assets).

2.1.1.5. LIQUIDITY RISK

Liquidity risk is the risk that the Bank is unable to meet its financial obligations in a timely manner as and when they fall due. Being adequately liquid at all times is one of the conditions for banks to operate in the UK. Due to the significant amount of High Quality Liquid Assets ('HQLAs'), the liquid nature of the balance sheet and the size of the business volumes in relation to the capital and funding pattern, liquidity risk has not been considered material for the Bank. This does not

[1] An exposure is classified as large exposure if it is above 10% of the Bank's Eligible Capital. ~~. A~~

mean that PIB considers liquidity risk unimportant. Indeed, the Bank has developed a Liquidity and Funding policy to manage liquidity and the risks related to it. A Liquidity Contingency Plan and the related Early Warning Indicators ('EWIs') have been developed. PIB produces an Internal Liquidity Adequacy Assessment Process ('ILAAP') document to apprise the Board of the Bank's on-going assessment and quantification of liquidity risks and how those risks are mitigated and how much current and future liquidity is required in relation to PIB's business plan. PIB's risk appetite for liquidity risk is Cautious. The CRO is accountable to the Board for the independent oversight of bank-wide liquidity and funding risk management. The ALCO has responsibility for overseeing the liquidity position of the Bank, ensuring that liquidity and funding risks remain within the risk appetite and advising the Risk Committee on liquidity and funding risks.

2.1.1.6. Interest rate risk in the banking book

Since the Bank does not have a trading book, interest rate risk can arise only in the banking book. PIB has included this risk in the Pillar 2A risks, assessing the impact of a +/- 200 basis points parallel shift in the yield curve and covering this amount with Own Funds. The risk appetite for the interest rate risk on the banking book is Averse. The Treasury Manager is responsible to monitor the movements in the interest rates, while the CRO assesses on a monthly basis the impact of a +/- 200 basis points parallel shift in the yield curve.

2.1.1.7. Business risk

Business risk means any risk to a firm arising from its remuneration policy and/or changes in its business, including the acute risk to earnings posed by falling or volatile income, and the broader risk of a firm's business model or strategy proving inappropriate due to macroeconomic, geopolitical, industry, regulatory or other factors. As the macroeconomic, geopolitical and PIB's contingent situation make it particularly difficult to assess the appropriateness of the Bank's strategy to such a complex environment (i.e. US withdrawal from JCPOA, Brexit, political issues related to Iran etc.), the risk appetite for business risk is Cautious.

Regarding Brexit and the US re-imposition of primary and secondary sanctions on Iran and Iranian owned firms, the Bank continues to closely monitor the situation. PIB has identified the potential risks which could arise from the external environment and has defined, where possible, mitigation actions to overcome the same should they materialise. Additional information is available in the "Annual Report and Financial Statements as at 31 March 2020".

2.1.1.8. Excessive leverage risk

The Bank has a leverage ratio well in excess of the regulatory limit. Therefore, this risk is not considered material for PIB. As this risk has to be monitored for regulatory purposes and the Bank has included it in the set of RP indicators, PIB decided to include it in the Risk Register and to assign it a risk appetite to ensure that the ratio's values stay within the desired range.

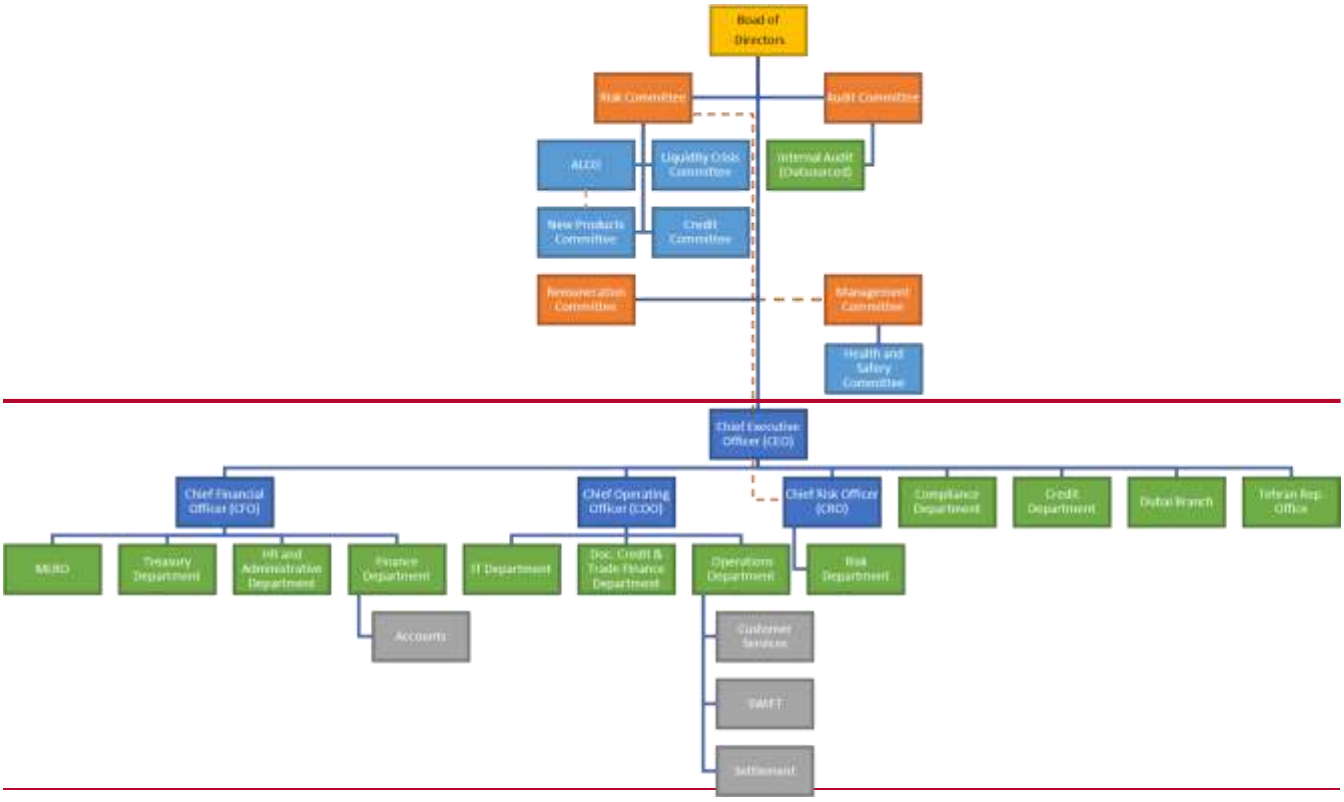
2.2. Risk Management Governance

The overall responsibility for monitoring and managing the Bank's risks is delegated by the Bank's Board to its Assets and Liability Committee ('ALCO') and the detailed management of risks is delegated to the Risk Committee ('RC').

The Chief Executive Officer ('CEO'), the Chief Risk Officer ('CRO') and the Head of Compliance join the two Independent Non-Executive Directors ('INEDs') of the Bank to constitute the Risk Committee where an INED is the chairman. The RC normally meets on a quarterly basis and is responsible for evaluating the Bank's risk principles, risk policies, risk appetite and risk tolerance and for making appropriate recommendations to the full Board. The RC also monitors the effectiveness of the Bank's risk policies in practice.

The CRO is responsible for overall management of the risk controls, including the setting and managing of its risk exposures. The CRO designs, maintains and implements the risk management framework, including the risk appetite framework, for the Bank as well as promoting a sound risk culture within the firm.

The Bank’s organisation chart is provided at Appendix 1



~~2.2.2.~~2.2.1. THE BOARD

PIB’s Board consists of seven directors of whom two are London based INEDs and two are Non-Executive Directors (‘NED’) who represent the shareholder Banks. A list of the Board members of the Bank is provided below.

Name	Role	Number of directorships
Mr. F. Shahmir (INED)	Chairman	2
Mr. M. Bigdeli (NED)	Vice-Chairman	2
Mr. M.A. Nasrollahi-Malek	Executive Director / CEO	1
Mr R. Ajdari	Executive Director / COO	1
Mr D. Blackmore (INED)	Director	1

Mr. A Akhondi (NED)	Director	1
Mr R Dolabolati (NED)	Director	1

No other directors have served during the Financial Year ending 31st March 2020.

The full Board meets a minimum of four times in a year. The quorum for a board meeting is a minimum of four directors, out of which at least one must be INED. All decisions, when the quorum is set at four, should be unanimous. In a full board meeting all decisions are made on a majority of votes. The Chairman of the Board does not have the casting vote in the event of a tie on any resolution. The Board's structure and the business conduct ensure the independence of the Board, as no group can sway the decisions of the Board.

The Board determines the overall direction of the Bank, in accordance with the objectives set in the Articles and Memorandum of Association of the Bank, related provisions in the Companies Act 2006 and in compliance with current regulatory requirements of the PRA and FCA. In pursuit of its objectives, the Board defines the Bank's strategy, risk management framework and the management and organizational structure of the Bank. Establishing and monitoring Board level committees is part of the responsibilities of the Board. The Board is committed to ensure the independence of the Bank and to this extent develops a culture of good corporate governance and compliance.

The Board's main responsibilities are the following:

- Examining and approving annual financial statements for the Bank and deciding on the distribution of surpluses between retention in the Bank's business and dividend payments to the shareholder Banks
- Appointing the CEO, CFO ,COO and other directors as required,
- Approving authorization limits for the CEO and the terms of reference for all the Committees.
- Approving the Bank's Conduct of Business Policy, the one year budget plan and three year strategic plan
- Reviewing and approving all the policies of the Bank and other regulatory documents such as the ICAAP, ILAAP, Recovery and Resolution Plan ('RRP') and Pillar 3 Disclosure documents
- Approving the Bank's limits
- Ratifying the organisational structure and reporting structure of the Bank and its branches
- Recommending to the Annual General Meeting an approved firm of auditors to audit the Bank's accounts and appointing a Company Secretary
- Considering other issues referred to the Board by Management, the shareholder Banks and other stakeholders.

~~2.2.2.1.~~2.2.1.1. Recruitment Policy for and Policy on Diversity with Regard to the Members of the Board's Selection

The recruitment process for the members of the Board is different according to the role the Bank is recruiting for. The two Executive Directors (EDs) are nominated by the shareholder Banks, one for each of the two PIB's shareholders.

Being subject to the Senior Manager Regime ('SMR') both the EDs and the INEDs must comply with the SMR requirements and their skills, knowledge and previous experiences are considered in assessing their suitability for the role. When the Bank requires to recruit an employee, who falls under the SMR Regime:

- Agencies are contacted and the Job Description (which include the SMR Prescribed Responsibilities allocated to the role) is provided
- CVs received are considered, and candidates whose CV suggests their criteria fits the role are identified and invited for interview

- At least two interviews are conducted by separate interviewers
- Once an appropriate candidate is identified an offer letter is submitted and once the candidate has accepted the same the following occurs:
  - Regulatory references covering the last six years are sought from the employer and, where applicable, previous employers
  - Credit checks are conducted
  - A Disclosure and Barring Service ('DBS') check is conducted
- The candidate must provide a valid passport or photocard driving licence as proof of identity and a bank/credit card statement or utility bill not less than 3-month-old as proof of address.

PIB has adopted a policy of equal opportunity with regard to career progression irrespective of age, sex, marital status, colour, religion, creed, race, ethnic or national origins and it does not allow discrimination against any member of staff on these grounds. This commitment applies also to members of the Board.

~~2.2.3.~~2.2.2. BOARD COMMITTEES

In order to assist it in discharging its responsibilities, the Board has constituted a number of committees with delegated powers to frame the relevant policies and implement them. Of these committees, the Audit, Risk and Remuneration Committees are the three Board level committees, each of which is headed by an INED of the Bank and reports to the Full Board.

~~2.2.3.1.~~2.2.2.1. RISK COMMITTEE ('RC')

This is a sub-committee of the Board. Its function is to oversee and monitor the risk profile of the Bank and to recommend an appropriate risk management framework for PIB. This Committee is chaired by an INED and the members are the CEO, the Head of Compliance and the other INED. The Risk Committee reviews and recommends to the Board the broad parameters of the Bank's risk management strategy and assesses the following inherent risks for the Bank and is also responsible for reviewing the Bank's policies and regulatory documents before submitting them to the Board for discussion and approval. It meets a minimum of four times in a year and the Credit Manager acts as the secretary to RC meetings. The Chairman of the Risk Committee makes a report to the quarterly full Board meeting to present matters raised during the quarter and all actions taken by the Risk Committee.

~~2.2.3.2.~~2.2.2.2. ASSET AND LIABILITY COMMITTEE ('ALCO')

The members of the ALCO are the two Executive Directors ('EDs'), the CRO, the Head of Compliance, the Financial Controller, the Operations Manager, the Treasury Manager, the Trade Finance Manager, the Credit Manager and the IT Manager. The ALCO meets on a monthly basis, with the Trade Finance Manager acting as secretary to these meetings. The HR & Admin. Manager may also attend as invitee. The Board has delegated the ALCO the responsibilities for monitoring and controlling the structure of the Bank's balance sheet and reporting thereon. The principal role of the ALCO is to establish the policy for the management of the Bank's balance sheet, (including the branches and subsidiaries) and to monitor its implementation. This includes reviewing the monthly management accounts and comparing them to the budget, monitoring and controlling the level of balance sheet risks and other matters such as capital adequacy, funding requirements, liquidity and tax planning of the Bank and reporting to the Board the key elements of the balance sheet. The monthly meeting follows a regular agenda which includes the assessment and discussion of the Management Accounts, the Credit Committee ('CC') meetings' minutes, the CRO's Memo, the Risk Dashboard, the Risk Appetite and RP's indicators trigger and limits reports, the Large Exposures report and the FX report. The ALCO also reviews some internal policies and discusses new and existing regulatory requirements and new business, if any. The ALCO minutes are reviewed every quarter by the Full Board.

~~2.2.3.3.~~2.2.2.3. Credit Committee ('CC')

The two EDs constitute the CC and the Credit Manager is the secretary to the CC. The CC meets regularly, but a member may call for an ad-hoc meeting, when necessary. All decisions in the CC must be unanimous. The Bank's CC is accountable to the Board through the ALCO and has the responsibility to consider all credit applications from customers and counterparties within the prescribed limits. Any credit limit above €4m has to be approved by the Board. The CC also decides on the adequacy of provisions in respect of impaired assets and also any individual write off up to a limit of 1% of PIB's capital base, which must be approved by ALCO. Write offs above the limit of 1% of the Bank's capital base must be approved by the Board. The CC performs an annual review of the credit exposures.

~~2.2.3.4.~~2.2.2.4. Management Committee ('MC')

The two EDs of the Bank constitute the MC along with the Assistant to the CEO. The MC ensures the smooth day-to-day running of the Bank, implementing the Board's decisions and addressing all personnel matters. The HR and Admin. Manager prepares the minutes of the MC's meetings.

~~2.2.3.5.~~2.2.2.5. Audit Committee

Composed of two INEDs (one of whom is the Chairman), the Audit Committee meets a minimum of four times in a year. The Head of Compliance is the secretary to the Audit Committee. The two EDs, , the Head of Compliance, the Financial Controller and external and internal auditors attend the meeting by invitation. The Audit Committee is responsible for reviewing the financial reporting process, the system of internal controls of management of financial and business risks, the audit process and the Bank's process for monitoring compliance with applicable laws and regulations in each location, and its own code of business conduct. The Chairman of the Audit Committee makes a report to the quarterly full Board meeting to present matters raised during the quarter and all actions taken by the Audit Committee.

~~2.2.3.6.~~2.2.2.6. Remuneration Committee

The Remuneration Committee is a committee of the Board and it is composed of the two INEDs (one of whom is the Chairman) and reports to the Board. It meets at least once a year. This committee considers the relevant laws, the requirements of any relevant regulatory bodies and the Combined Code, which applies to all companies listed on the London Stock Exchange and is considered best practice for limited companies. This Committee makes recommendations to the Board in respect of PIB's remuneration philosophy and policies, ensuring that these are in line with the values, objectives, risk appetite, business strategy and long-term interests of the Bank and comply with all regulatory requirements. It reviews the Remuneration policy annually and considers salary increases or bonuses.

~~2.2.3.7.~~2.2.2.7. Liquidity Crisis Committee ('LCC')

In the event of a liquidity crisis represented by a trigger breach indicated by a liquidity Early Warning Indicator ('EWI'), the LCC has the responsibility of overseeing the management of the crisis. It is composed of the CEO (who is the Chairman), the CFO, the CRO, the Head of Compliance, the Financial Controller and the Treasury Manager. The committee will meet according to the escalation process detailed in the Liquidity and Funding Policy. All meetings are minuted and the minutes will be reviewed by the RC at the next meeting.

~~2.2.3.8.~~2.2.2.8. Health And Safety Committee

The Health and Safety Committee is a working committee which reports to the MC and it is composed of the CEO (who is the Chairman), the HR Manager, the Health & Safety Officer and the Head of Compliance. Its purpose is to review all Health and Safety issues affecting the Bank staff, visitors and building and recommending required remedial action. It is also responsible for ensuring that the statutory risk assessments are reviewed on a periodic basis and kept up to date. The committee meets on a quarterly basis and the minutes are taken by the Health and Safety Officer. A Health and Safety Report is prepared by the Health and Safety Officer for the

Board each year, confirming that the Bank complies with the legislation and regulations and giving details of all health and safety issues considered and dealt with during the year.

~~2.2.3.9.~~2.2.2.9. New Products Committee

The New Products Committee, established under specific authority of the Board, recommends new products to the Risk Committee for approval. It is composed of the two EDs (the CEO is the Chairman), the CRO, the Head of Compliance and the Financial Controller. The committee meets as and when required and the minutes of the meetings are reviewed by the ALCO at the next monthly meeting. The principal role of the New Products Committee is to ensure that any new product being considered by the Bank, including its branches and subsidiaries, can be properly documented, accounted for, funded, controlled, and approved by the appropriate regulatory authority (if required). It also assesses a new product's profitability , the Bank's risk appetite and RMF, and any relevant regulatory requirement.

3. Liquidity Coverage Ratio ('LCR') disclosure

The EBA has developed guidelines to harmonise and specify the disclosures required under the general principles on liquidity and, in particular, on the LCR in the CRR. The LCR disclosure includes qualitative and quantitative key information, primarily on liquidity risk management and on the LCR composition and levels. The quantitative disclosures required in the EBA's template are simple averages of 12 LCR monthly reporting observations as monthly observations ensure comparability of the disclosures with other public financial information based on monthly data, for the benefit of market participants, and also with monthly supervisory reports, for the benefit of supervisors. The use of averages, while ensuring that the liquidity risk profile of credit institutions is comprehensively disclosed over a period of time, avoids the use of isolated information relating to a specific date, which could, for market reasons, hamper credit institutions from using their LCR liquidity buffer if needed during a period of stress or could hinder the provision of agreed emergency liquidity assistance by central banks, and, as a consequence, exacerbate a stressed situation.

In terms of proportionality, a simplified disclosure template, composed of only the LCR figure, the liquidity buffer and net outflow amounts, has been designed for non-systemic institutions. The information to be disclosed are the values for each of the four calendar quarters (JanuaryMarch, April-June, July-September, October-December) preceding the disclosure date. These values and figures should be calculated as the simple averages of month-end observations over the twelve months preceding the end of each quarter. As the LCR disclosure's final recipients are market participants and its publication frequency is at least annual, PIB decided to include the LCR disclosure in the Pillar 3 Disclosure document.

€ '000	simple averages of 12 LCR monthly reporting			
	31/03/2020	31/12/2019	31/09/2019	30/06/2019
Liquidity Buffer	78,881	116,177	128,738	51,229
Total Net Cash Outflows	43,416	46,964	43,407	10,379
Liquidity Coverage Ratio (%)	181.69%	247.38%	296.59%	493.56%

The Treasury Manager has the primary day-to-day responsibility to manage the Bank's liquidity and funding position, according to the guidelines set by the Senior Management and the ALCO. The guidelines are set out in the Liquidity Contingency Plan, in the Liquidity and Funding Policy and in the operating policies and procedures related to liquidity and funding. The Treasury Manager reports daily to the CFO, who has full knowledge of potential new assets to be created and can influence their timing or negotiate additional shareholder funding accordingly. The Treasury Manager is able to monitor closely the Bank's liquidity position throughout the day and takes necessary action to ensure PIB remains within its Board-approved limits through "real time" journals plus additional reports.

PIB is not significantly exposed to intra-day risk as, even though it is a direct participant in the payment system via TARGET2 clearing system, it does not undertake payments to other customers in a clearing type arrangement. Also, the Bank has not historically depended on credit lines for its day-to-day operations and will keep sufficient available balances on a daily basis in its correspondent accounts in all major currencies to meet its business needs. For the purpose of intra-day liquidity risk, the Treasury Department estimates the gross liquidity inflows and outflows, and anticipates intraday positions at the beginning of every day. It estimates net funding shortfalls which may arise against expected activities and available resources, and manages the liquidity position accordingly. This also takes into consideration the likelihood of stress situations that may arise from its correspondent banking customers withholding payments owing to operational disruption.

4. Own Funds, Capital Requirements and Capital Buffers

4.1. Own Funds

The Bank's Own Funds management objectives are to comply with regulatory capital requirements at all times and to ensure that the Bank has sufficient capital to cover the risks of its business and to support its strategy. Capital adequacy and its effective management are crucial for the Bank to pursue its strategy in a prudent and viable manner.

PIB does not apply any filters and deductions to the capital described in the audited financial statements. However, the Banks' Own Funds are not the same as the Total capital in the balance sheet. This is due to the fact that the Tier 2 capital has been capped at 1/3 of Tier 1.

Values in (€000)	31/03/2020	31/03/2019
Ordinary share capital	100,000	100,000
Retained earnings	-12,401	-6,562
Loss of the period	-6,418	-5,839
Subordinated loan	46,500	46,500
Total capital	**127,681**	**134,099**

As at 31 March 2020 PIB's Own Funds are €102m, of which €74.7m are Common Equity Tier 1 ('CET1') capital. 73% of the Bank's Own Funds are represented by CET1 which is composed of ordinary share capital and retained earnings. The issued share capital of PIB is €100m and carries one voting right per share and doesn't carry any right to fixed income. The Tier 2 capital is €27m, consisting of a subordinated loan of €46.5m capped at 1/3 of Tier 1 capital. The floating rate notes are redeemable in 2043 and listed on the Luxembourg stock exchange. This is subscribed by the two shareholder Banks in proportion to their shareholdings (which have been specified in Chapter 1.1 of this document). PIB's capital structure is sufficient to support the projected business to the financial year 2021-2022.

Own Funds items data (€ '000)	31/03/2020		31/03/2019	
	Own Funds	% of Own Funds	Own Funds	% of Own Funds
Ordinary share capital	100,000	98%	100,000	89%
Retained earnings	-18,819	-18%	-12,401	-11%
Loss of the period	-6,418	-6%	-5,839	-5%

Tier-1(Capital)	**74,763**	**73%**	**81,760**	**73%**
Tier 2 capital	26,985	27%	30,804	27%
Own Funds	**101,748**	**100%**	**112,564**	**100%**

4.2 Capital Requirements

The overall responsibility for capital management resides with the Board. The responsibility for exercising oversight has been delegated to the Risk Committee (see Chapter 2.2.2.1) and to the ALCO (see Chapter 2.2.2.2), . The purpose of this management and monitoring is to ensure that risks in the Bank are maintained within the guidelines set by the Board.

The Bank undertakes an ICAAP which is an internal assessment of the Bank's risk profile, its capital needs and its risk management framework at least on an annual basis, or more frequently if required. The results of the ICAAP are formalised in the ICAAP document which includes an analysis of the material risks for the Bank, the current and forecast capital requirements and capital adequacy (in business as usual and stressed conditions) and describes the Bank's risk management framework (including risk appetite).

The ICAAP represents the Bank's views on the necessary Pillar 2A capital requirements which are the Bank's capital requirements for the risks that are not covered, or not fully covered, under Pillar 1. In completing the ICAAP assessment, PIB considers as Pillar 2A capital requirement the higher of its own Pillar 2A assessment and the Individual Capital Regulation ('ICR')[2] set by the regulators. The ICAAP provides information on Pillar 2B capital buffer requirements and it demonstrates that the Bank has sufficient Own Funds to fulfil its capital needs. The ICAAP document developed by the Bank is reviewed and approved by the Board.

The Bank's Capital Requirements are determined in accordance with the relevant CRR articles and EBA Technical Standards as well as with the rules defined in the PRA's prudential guidelines.

The Bank applies the Standardised Approach ('SA') to Credit Risk and Market Risk and the BIA to Operational Risk for the calculation of Pillar 1 capital requirements.

The risk weighting of assets is reviewed by the Risk Committee and the Board as part of the ICAAP document assessment, review and approval. Exposures to Iran in respect of financial institutions and corporate companies are risk weighted at 150%. Exposures to financial institutions in EU are mainly risk weighted at 20%. This is because these are exposures to highly rated financial institutions, or to unrated banks, incorporated in EU countries (i.e., Germany) with a high credit rating given by the External Credit Assessment Institutions ('ECAIs'). PIB uses the ECAIs ratings where such ratings exist and are available from the Banks' websites, to determine the risk weight to be applied to exposures to financial institutions.

As at 31 March 2020 the Bank's Pillar 1 Risk Weighted Assets ('RWAs') are €281m of which the main component is represented by RWAs related to credit risk (€263m). As per the CRR requirements, the minimum capital requirements is 8% of the risk weighted assets of credit, market and operational risks. Therefore, Pillar 1 capital requirement is €15m.

Pillar 1 capital requirements are presented in the table below:

€ '000	31/03/2020		31/03/2019	
	RWAs	Capital requirements	RWAs	Capital requirements
Credit and counterparty credit risk	262,907	21,033	169,506	13,560
Market risk	7,355	588	6,771	542

[2] PRA's Policy Statement | PS30/17 "Pillar 2A capital requirements and disclosure" published in December 2017 introduced the term 'Total Capital Requirement' ('TCR') to refer to the amount and quality of capital a firm must maintain to comply with the minimum capital requirements under the CRR (Pillar1) and the Pillar 2A capital requirement. The TCR will replace the ICG.

Operational risk	11,212	897	7,967	637
Total Pillar I risks	**281,474**	**22,518**	**184,244**	**14,740**

Focusing on stress tests, the CRO identifies the various stress scenarios and discusses them with the Senior Management and the concerned Heads of Department. This is to consider the scope and possibilities of the scenarios and the likelihood of those scenarios materialising in a defined timeframe. The scenarios identified are challenged by the Risk Committee and the possible outcomes are analysed. The CRO documents this process. Then the scenarios and the stress factors are used to assess the Bank's resilience in terms of capital and liquidity needs. The results are analysed quantitatively and qualitatively in the Risk Committee meetings and then in the full Board meeting where they are analysed, challenged and then approved.

4.3 Total Capital Requirement

In December 2017 the PRA confirmed the introduction of the term 'Total Capital Requirement' ('TCR') to refer to the amount and quality of capital a firm must maintain to comply with the minimum capital requirements under the CRR (Pillar1) and the Pillar 2A capital requirement, which will replace the ICG. The PRA will individually apply Pillar 2A capital requirements to firms in line with scheduled capital reviews. The PRA expects firms to continue to abide by their ICG until such a time as it is formally replaced with a TCR following a supervisory capital review. As PIB is a solo entity which does not have a higher UK consolidation group, it is required to disclose its TCR (or, if not yet set, its Pillar 1+2A figure). The PRA's disclosure expectations apply from 1 January 2018. As PIB does not have a TCR set, the table below provides the Pillar 1 + Pillar 2A figures based on the Bank's ICR.

€ '000	31/03/2020		
	RWAs	%	Capital requirements
Pillar 1	281,474	8.00%	22,518
Pillar 2A	281,474	7.80%	21,955
Pillar 1+2A		**15.80%**	**44,473**

Capital Buffers

The Bank calculates the CET1 capital ratio and the Total capital ratio as per the CRR requirements. As shown in the table below, the Bank is compliant with the regulatory limits set in CRR Article 92. As the Bank's Tier 1 capital is entirely made of CET1 capital, the Tier 1 and CET1 ratios are the same.

	31/03/2020	31/03/2019
CET1 (and Tier 1) capital ratio (%)	28.76%	50.16%
Total capital ratio (%)	38.35%	66.88%

The Bank is not classified as a Global Systemically Important Institution ('G-SII'), and hence does not have a requirement to hold a G-SII buffer. The Bank is also not defined as an Other Systemically Important Institution ('O-SII') by the PRA and hence does not have a requirement to hold an O-SII buffer.

From 1 January 2016, the PRA buffer, expressed as a percentage of RWAs, has replaced the Capital Planning Buffer ('CPB'). The Bank is required to keep a PRA Buffer in excess of the ICG and CRD IV combined buffer. The PRA expects the PRA buffer to be met with at least 100% of CET 1 from 1 January 2019.

The CRD IV buffer combines the Capital Conservation Buffer ('CCB') and Countercyclical Capital Buffer ('CCyB') and must be met with CET1 capital. The CCB has been introduced from 1 January 2016 and it follows a transitional pattern to its full implementation at 2.5% in 2019.

The CCyB requires firms to build up capital when aggregate credit growth is judged to be associated with a build-up of system-wide risk, to ensure the banking system has a buffer of capital to protect it against future losses. The buffer can then be drawn down to absorb losses during stressed periods. From 2016 firms have been required to calculate their firm-specific CCyB rate as a weighted average of the buffer rates applied to the jurisdictions to which they have a relevant credit exposure, subject to a maximum total of 2.5% of risk-weighted exposures.

The geographical distribution of the Bank's credit exposures relevant for the calculation of its CCyB is provided in Chapter 4.2 of this document. To date, among the jurisdictions to which the Bank has exposure, only UK and Sweden have set a non-zero CCyB (1.0% and 2.0% respectively). As the exposures to these countries are a small part of the Bank's total assets, the CCyB applicable is close to 0% (0.02%).

5. Credit Risk

5.1. Qualitative Disclosure

A credit risk for the Bank is that counterparties to a transaction may fail in their obligation to repay, thereby diminishing the value of the Bank's asset portfolio. Credit risk exposures are controlled through close monitoring of positions and the credit ratings of counterparties (where available). Day-to-day management of credit risk is the responsibility of the credit department. The CC meets regularly (ideally once a week). It considers all new credit applications and has delegated powers to approve up to a limit of €4m, while any above this limit require Board approval. The credit exposure reports and credit committee minutes are reviewed during the monthly ALCO meetings. Additional information on the CC and the ALCO are provided in chapter 2.2.2 of this document.

The Bank normally takes legally enforceable security for the credit facilities which it grants. This may be:

1. Security over the customers' eligible assets on which charges can be created
2. Cash
3. Securities listed and traded in the Tehran Stock Exchange which are owned by the borrower customer or third parties
4. Corporate or bank guarantees.

The Bank uses the SA as described in the CRR to determine its regulatory capital requirement.

The credit portfolio of the Bank is simple, in that PIB does not have any complicated exposures to derivatives or other such complex credit instruments. Syndicated and bilateral loans to corporate customers and banks constitute the loan assets of the Bank.

In the normal course of business, all Iranian exposures are either secured by some form of collateral as security or by parent or third party guarantees and such other relevant appropriate security such as 'Debt Service Reserve Accounts' and 'Retention of earnings Accounts' etc. Money paid into any of these accounts as covenanted in the loan agreement can only be used to meet interest or principal due on the respective loan accounts. Collateral is taken to provide additional security against exposures where it is considered appropriate and demonstrates the Bank's prudent approach to managing credit risk. Where listed shares or other securities are taken as collateral security, their market value is monitored on a weekly basis by the credit department.

In the event of a breach of the required cover, the Bank may call for additional collateral or enforce the security and liquidate the collateral. Regarding participation in syndicated loans to non-Iranian exposures, PIB follows the international market practice. Loan documentation is in line with Loan Market Association templates.

PIB is exposed to credit risk in its balance sheet loan assets. The risk is monitored by setting counterparty limits, industry sector limits and country exposure limits for counterparties. The relevant policy and procedure guidelines are documented in the Credit and Concentration Risk Policy Statement and procedures manual. The ALCO and Risk Committee reviews the policies and are responsible for the overall management of credit risk. PIB makes use of third party ratings, if necessary and if such ratings of the counterparties are available.

The Bank's trade finance business is focused on PIB's niche market in Iran. Trade finance is a short-term self-liquidating business, which generates fee income and therefore the credit risk is is relatively low.

Under trade finance, PIB acts as the advising and/or negotiating bank on letters of credit ('L/Cs') that have been issued to finance exports and imports to Iran. This is a credit-risk free service, and requires no capital support. ions received from qualified Iranian banks. This is a risk-free transaction as funds are paid out only when applicable funds are available in the accounts of these banks.

Regarding the IFRS 9 "Financial Instruments: Classification and measurement", it was implemented by the Bank on 1 April 2018. This new standard, which introduced new requirements for classifying an measuring financial assets and will impact its Profit and Loss (and this its capital assets) is now incorporated within the Banks financial statements.

5.2. Quantitative Disclosure

SA – credit risk exposure as at 31 March 2020 (Pre-provision):

PIB's Off-balance sheet exposures are to Iranian banks. As Iran is not a third country equivalent to EU, they cannot be considered as institutions; therefore, in compliance with the regulation, the exposures to Iranian banks have been included in the exposures to corporates.

Asset Classes (€'000)	31/03/2020				31/03/2019	
	On balance sheet amount	Off balance sheet amount	Total amount	RWAs	On balance sheet amount	RWAs
Central govt or central banks	78,954	0	78,954	39,042	56,408	40,540
Institutions & Corpts (Short-term)	160	0	160	45	159	45
Corporates	131,691	10,000	141,691	212,319	75,323	112,750
Exposures in default	9,098	0	9,098	0	8,927	0
Institutions	11,338	0	11,338	5,661	31,226	1,0149
Other items	7,591	0	7,591	5,840	8,070	6,022
Total	**238,831**	**10,000**	**248,831**	**262,907**	**180,114**	**169,506**

SA – Risk Weighted Assets (RWAs) breakdown at 31 March 2020:

Items (€'000)	**20%**	**50%**	**100%**	**150%**	**TOTAL RWAs**
Central govt or central banks				39,042	39,042
Institutions & Crops (Short-term)	29		17		45
Corporates			350	211,968	212,319
Exposures in default					0
Institutions	689	2,935	2,000	37	5,661
Other items			5,192	648	5,840
Grand Total	**717**	**2,935**	**7,559**	**251,696**	**262,907**

- Exposures in default (past due): the exposures for which the instalments and related interests are not paid on the due dates
- Impaired assets: the exposures where the Bank has determined that it is probable that it will be unable to recover all principal;
- and interest due through the default of the borrower and the inability to realise sufficient collateral and for which a provision has been recognised.

Changes in stock of defaulted loans and debt securities as at 31 March 20

Credit loss exposure is categorised into impairment stages as below:

As at 31st March 2020	Gross Exposure €'000			Impairment Allowance €'000			Net Exposure €000
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Cash at Central Banks	27,714	-	-	271	-	-	27,443
Loans and advances to Banks	153,702	-	-	2,676	-	-	151,026
Loans and advances to customers	45,208	-	-	6,265	-	4,577	34,366

Exposure to credit risk is managed through regular analysis of the ability of borrowers to meet interest and capital repayment obligations. This is aided, in part, by obtaining collateral or security in support of corporate loan facilities. The type and level of security is determined on a case-by-case basis but normally takes the form of one, or more, of the following:

- A pledge of shares in listed companies
- Bank, corporate or personal guarantees and
- Cash

Geographic distribution by Exposure Class (Pre-provision):

The table below shows the Bank's geographic concentration of credit risk as at 31 March 2020:

Items (€'000)	Iran	UK	Europe	Other	Total
Central govt or central banks	26,028	210	52,716	0	**78,954**
Institutions & Corpts (Short-term)	0	0	79	81	**160**
Corporates	141,138	453	0	100	**141,691**
Exposures in default	0	0	0	9,098	**9,098**
Institutions	25	10	3,434	7,869	**11,338**
Other items	432	3,451		3,708	**7,591**
Total	**167,623**	**4,124**	**56,229**	**20,856**	**248,831**

Exposure by industrial sectors as at 31 March 2020

€'000	31-Mar-20	31-Mar-19
Central Banks	78,744	55,828
Banking and Financial Services	101,278	90,186
Manufacturing	11,734	11,577
Transport	4,398	4,503
Energy	25,199	328
Other sectors	32	40
Other items	8,353	8,738
Total assets	**229,705**	**171,159**

Assets maturity profile as at 31 March 2020

Assets (€'000)	0 to 3 months	3 months - 1 year	1-5 years	Over 5 years	No fixed maturity	Total
Assets						
Cash and balances at Central Banks	78,744					78,744
Loans and advances to banks	99,272	2,005				101,278
Loans and advances to customers	553	1,658	29,787			31,999
Other assets	13,044				4,642	17,686
Total assets	**191,613**	**3,664**	**29,787**		**4,642**	**229,705**
Liabilities						
Due to other banks	80,663	3,020				83,683
Customer accounts	5,703					5,703
Other liabilities	12,863					12,863
Total liabilities	**99,229**	**3,020**				**102,250**
CET-1 Capital					80,956	80,956
Subordinated loan				46,500		46,500
Total liabilities and capital				**46,500**	**80,956**	**229,705**

6. Unencumbered Assets

The Bank does not have any encumbered assets since none of its assets is subject to any form of arrangement to secure, collateralise or credit enhance any transaction.

7. Market Risk

PIB does not have a trading book. The Bank's market risk arises when open positions in currencies are maintained without hedging them against movements in exchange rates. PIB's active currency and the liquidity resources are generally expressed in EUR, its base currency of operation. Generally, the assets and liabilities in currencies are matched.

PIB's policy is to not maintain open positions in currencies unless caused by temporary misalignment in the operations' settlements. Maximum tolerance for a single currency mismatch is 20% of the exposure to that particular currency.

The Market Risk exposure for PIB is due to open positions in currencies, primarily in GBPs, AEDs and to a small extent in other currencies. The exposures in GBPs are due to the fact that the majority of PIB's expenses are paid in this currency. The exposures in AEDs are due to the fact that the Bank owns a commercial property in Dubai International Financial Centre. This fixed asset in Dubai is valued in AEDs, the currency of purchase. However, in accordance with International Accounting Standards IAS 21, the value of the property is determined as on the date of transaction or valuation and therefore the value is not re-translated once again on the accounting dates. The remaining small proportion of the currency exposures are open positions in financial assets, the loss or gain of which is recognised in the Profit and Loss ('P&L') account. PIB values its open positions on a monthly basis on a fair value basis and adjusts for any gain or loss through the P&L account. The value of the open positions related to financial assets is considered for the RWAs.

The Treasury Manager is in charge of monitoring the above mentioned risks and limits and reports daily to the Senior Management of the Bank. The escalation process in case of any breach in the limits has been included in the Treasury Procedures Manual. The most relevant MI related to market risk is submitted to the ALCO.

As at 31 March 2020 the risk exposure amount for Foreign Exchange ('FX') risk is €7.3m; thus, the capital requirement is €600k.

8. Operational Risk

Operational risk is the risk of losses arising from deficiencies or failures in internal processes, human factor or from external systems and events – events other than credit , market and liquidity risks. This definition includes legal risks, but does not include strategic or reputational risks.

Deficient operational control procedures may relate to account opening procedures, the input of customer details to computer systems, regulations and procedures for transferring information to the customer, balance verification procedures in customers' accounts, loan extension procedures, non-maintenance of separation between different functions, etc.

In order to mitigate against these risks PIB have implemented policies and procedures together with a disaster / business continuity plan. Further data back-ups are taken regularly (daily) and stored off-site. All policies and procedures are review on a minimum annual basis or more frequently as required.

The Bank's Business Continuity/Disaster Recovery Plan. incorporates an off-site location capable of continuing the Bank's minimum operations for a short period. Disaster Recovery procedures are in place and are reviewed and tested once a year. All data in the server is backed up on a daily basis and stored off-site.

The relevant Head Office departments have access to the branch ledgers and Head Office is able to monitor the business continuously and regularly. The Dubai branch are in regular contact with the Head Office and both report formally to it each month on all relevant aspects and issues. The management responsibilities are therefore very clear within the Bank and the control structure is comprehensive.

Another operational risk that PIB is actively monitoring and for which it is enhancing controls is non-compliance with regulatory requirements. This not only means prudential requirements, but also accounting requirements (i.e. IFRS 9, FINREP etc.), financial crime requirements, tax requirements, deposit guarantee scheme requirements, etc.

The Bank has outsourced its Internal Audit function to a professional firm which reports to the Audit Committee. An adequate Internal Audit function is essential in monitoring and auditing the Bank's internal controls and monitoring systems and as a consequence is contributing to reducing operational risk.

The Bank follows the BIA for calculating RWAs for capital adequacy purposes. The Own Funds requirement for operational risk is calculated according to CRR Article 315 as 15% of the average over three years of the relevant indicator as described in CRR Article 316. Then the Own Funds requirement for operational risk, calculated following the process described above, is multiplied by 12.5 to arrive at the RWAs, which as at 31 March 2020 was €11m. Thus, the capital requirement is €900k.

9. CONCENTRATION RISK

As most of the Bank's business is focused on the niche Iranian market there is a high concentration of geographical risk. There is also a high concentration of sectoral risk (finance sector), this is particularly due to the exposures to central banks.

PIB adheres to internal approval limits for credit exposures as stated in the Credit and Concentration Risk Policy Statement. PIB has decided to set limits to its exposures to different countries as a percentage of its Eligible Capital (which is composed of the Bank's Tier 1 capital and Tier 2 capital capped at 1/3 of Tier 1 capital). Country exposures are monitored and managed to avoid over-exposure or concentration of cross-border claims on any individual country. Country exposure is defined as exposure arising from the nationality of counterparty or of a connected party. Country exposures are determined by country of incorporation, therefore, a money market deposit placed with the London branch of a foreign bank is considered a country risk exposure to the country of incorporation of the head office. Guarantees and other factors such as security that could transfer risk from a country other than that of a borrower should be taken into account in determining exposure. The aggregate country exposure limits are approved by the Board.

The Bank is also monitoring the sectoral concentration and has recently introduced some indicators that are still undergoing testing. Limits for aggregate exposures to non-bank individual counterparties or groups of closely connected counterparties are capped at 25% of the Bank's eligible capital. All exposures to individuals of groups which are equal to or exceed 10% of eligible capital are categorised as large exposure and are monitored on weekly basis by the risk department and reviewed by the ALCO in its monthly meetings. All of these exposures are measured gross of any collateral.

The Credit Manager is responsible for monitoring these limits and to escalate any issue arising to the CRO and the Executive Directors. Additionally, is reviewing and assessing these risks independently. The most relevant Management Information related to concentration risk is contained in the monthly Management Reports submitted to the ALCO.

Concentration risk is a major risk for the Bank. In its ICAAP document, PIB has prudentially included 8.2% of Pillar 1 RWAs as capital requirement (which is the highest percentage in the range suggested by the PRA).

10. Interest Rate Risk in the Banking Book ('IRRBB')

Since the Bank does not have a trading book, interest rate risk can arise only in the banking book. The Bank's policy is to reduce this risk by using floating interest rate for assets and liabilities. PIB does not hold any derivative instruments for trading or hedging purposes.

The Bank's banking book exposures are primarily the loan book to both corporate and financial institutions, and PIB intends to hold them till maturity. The interest rates for both its assets and liabilities are floating rates linked to the market rate of the respective currencies plus margin determined by the Bank for the particular counterparty. The market rate is usually EURIBOR for an interest period of 3 to 6 months. This is to avoid running any interest rate mismatches between its assets and liabilities. Thus, the interest rates on assets and liability are floating rates and are generally matched except for brief overlapping periods. PIB absorbs these losses in the P&L account.

The Treasury Manager is responsible for monitoring this risk from an operational point of view. On a monthly basis the risk department assesses the present value of gaps in the assets and liabilities repricing, and the net present values of +/- 200 basis points parallel shift in the yield curve. Should any IRRBB arise or be likely to arise, who becomes first aware of this will escalate it to the CRO that, according to the escalation process included in the Bank's policies, will inform the RC promptly.

PIB has included this risk in the Pillar 2A risks considering the impact on own fund requirements of a +/- 200 basis points parallel shift in the yield curve[3]. The related negative impact is taken as capital requirement for IRRBB. As at 31 March 2018, the Net Present Value of the impact of a +/- 200 basis points parallel shift in the yield curve was €356k, which is 0.27% of the Bank's Own Funds.

11. Leverage Ratio

The CRD IV has introduced the requirement to calculate the Bank's leverage ratio. According to CRR Article 429 the Leverage Ratio is calculated by dividing the Tier 1 capital by the exposure values of all assets and off-balance sheet items not deducted when determining the Tier 1 capital and it is expressed as a percentage. The minimum level of this ratio in the UK is 3.25%.

The Bank has calculated the Leverage ratio according to the related CRR Articles and the EBA guidelines. The Bank comfortably meets the minimum requirement with a ratio of 33.77% as at 31 March 2020.

12. Remuneration Policy

The Board's general policy is to offer remuneration which is sufficient to ensure that the Bank is able to attract and retain qualified staff to perform the functions of each role. To this end, the Bank's pays, so far as is reasonably possible, market rates of remuneration for all employment positions. The remuneration policy is integrated into the Bank's business and risk management

[3] As PIB's base currency of operation is EUR, the Discount rates (or forward yield curve) used by the Bank is the euro area Instantaneous forward zero-coupon Yield curve provided by the ECB.

framework and it is aligned with the Bank's objectives. The Bank has in place a Remuneration Policy which is approved by the Board and periodically reviewed.

Remuneration offered and paid by the Bank consists of the following elements:

1. Salary
2. Performance & profit related bonus
3. Membership of a defined contribution pension scheme
4. Benefits in kind.

1. Salary

Salary makes up the largest part of staff remuneration. The level applied to each position reflects the responsibility which it carries and the related skills required. Other factors taken into account in determining appropriate remuneration at the level of the individual include performance in the post, commitment, attendance and, to a small extent, length of service, in so far as it reflects valuable experience. The salaries of the INEDs are reviewed as and when necessary by the Board. This is made by reference to the practice of other relevant banks in the City.

2. Performance and profit related bonus (variable remuneration)

It has become the Bank's practice to pay part of employees' remuneration by way of performance and profit related variable remuneration. However, the award of any such variable remuneration is entirely at the discretion of the Board and it does not exceed 33% of the base salary. The level of performance and profit related variable remuneration depends upon the results of the performance assessment scores and the annual profits of the Bank as a whole, and it is determined by the Board, following the recommendation of the Remuneration Committee.

3. Membership of a defined contribution pension scheme

The Bank has arranged for its staff non-contributory Group Personal Pension Plan schemes. This is a defined contribution pension scheme and the Bank makes contributions at rates of 7 - 20% of base salary, depending upon the age of the member. Staff could make additional personal contributions of up to 10%.

4. Benefits in kind

The Bank has arranged for its staff non-contributory life assurance and private health insurance schemes. This is provided to all the staff members. The private health insurance is available after the successful completion of the probationary period, if any. PIB also extends discretionary small subsidised loans to its permanent employees, in addition to offering an interest free season ticket loan for all members.

The Board has delegated the on-going monitoring of the remuneration to the Remuneration Committee.

The Chairman of the Remuneration Committee is responsible for ensuring that the Remuneration Policy is kept up to date. Significant developments that may require an immediate change in the Remuneration Policy are discussed with the CEO and any proposed changes are submitted to the Risk Committee and to the Board for its review and approval.

12.1. Quantitative Information

As at 31 March 2018 the average number of employees, including EDs, was 41. All of them are eligible for variable remuneration awards in respect of their services during 2019-20. The table below provides the number of employees in the respective business area.

Business area	31 March 2020	31 March 2019
	Employees	Employees
Banking operations	22	25
Support functions	6	7
Total	**28**	**32**

No staff, including the EDs, are paid over €583k or equivalent of £500k. PIB pays no deferred remuneration, except EDs' termination payments, which are accrued each year at an agreed rate and payable when they leave the Bank. No deferred payments are considered in respect of the variable remuneration as no deferred payments have been made in financial year 2019-20 .

Employee	Fixed (£)	Variable (£)	Total (£)
Non-Material risk takers	£1,263,580	£79,187	£1,342,767
Material risk takers	£1,310,413	£57,300	£1,367,713
Total	**£2,573,993**	**£136,487**	**£2,710,480**

A further break-down of the material risk takers into business segments is not possible due to the size and scope of the Bank as this might otherwise reveal the confidential remuneration of individual staff. The variable remuneration does not include deferred payments.

Pillar 3 Disclosure 31/03/20 – Appendix 1

Persia International Bank Plc - Organisation Chart