Jordan International Bank Plc

Report and Financial Statements 2021

Contents

Directors

Ammar Al-Safadi (Chairman)
Ian Schmiegelow (Deputy Chairman)
Nidal Ahmad
Raed Al-Massis
Basel Araj
Nabil Hamadeh
Riyad Taweel
Mark Williams

Secretary

Justine Goldberg

Shareholders

	PERCENTAGE
The Housing Bank for Trade and Finance	75.00%
Arab Jordan Investment Bank	25.00%
	100.00%

Registered Office

Almack House
26-28 King Street
London SW1Y 6QW

Bankers

Lloyds Bank Plc
London

Solicitors

Addleshaw Goddard LLP
London

Independent Auditor

MHA MacIntyre Hudson
London
United Kingdom

Internet

The Bank's website is at
www.jordanbank.co.uk

Jordan International Bank Plc ('the Bank') offers banking services, including structured property loans for real estate development and investment, trade finance, and certain treasury and private banking services to a range of individual and corporate clients as well as to a number of financial institutions. The Bank's clients and counterparties are predominantly located either in the UK or the Middle East. The Bank's primary business objective and current activities are described more fully in the Strategic Report and Directors' Report both of which follow the Chairman's Statement.

Of particular note this year are the following: -

- For the year ended 31 December 2021 the Bank generated pre-tax profits of £2.7m (2020: £2.1m), the eleventh consecutive year of profits generated by the Bank.
- The bank recorded a balance sheet growth in total assets from £372m to £384m.
- The Bank's loans and advances to customers increased by 12% year on year, primarily due to increases in the Structured Property Finance lending book.
- During the final quarter of 2021 the Bank launched a new mortgage lending product; this has already made a small contribution to income and the business is expected to grow throughout 2022.
- The Bank's total deposit base was further diversified and strengthened during the year with new UK retail deposits contributing to an increase in deposits of approximately £11m. Since November 2021 the Bank has sourced new term funding through partnering with a deposit aggregator platform; this attracted £9m of new deposits in the first 2 months of operation and is in line with the Bank's intention to increase customer deposit balances and to reduce reliance on wholesale deposits.
- The requirements from the Regulatory Directive on Operational Resilience were substantially met in 2021 thereby providing a robust operating framework for the Bank.
- The Bank maintains a high standard of cybersecurity and achieved the NCSC Cyber Essentials Plus Certification which follows on from obtaining ISO 27001 certification in 2020.
- Improvement of the Bank's technology capability and progress with the automation of many of the banks processes continued during the year.

Throughout 2021 the Bank continued to experience some economic and social disruption from the COVID-19 pandemic. Further details on the impact of COVID-19 on the Bank are disclosed in the Chairman's Statement, the Strategic Report under the Going Concern section, and in the Directors' Report.

During the past year the Bank has maintained a considerable surplus of capital and liquidity enabling it to more than meet the challenging market conditions resulting from the COVID-19 pandemic and the unsettled economic environment. I am pleased to report that the Bank has continued to be profitable with the total profit before taxation for the year to 31 December 2021 being £2.7m compared to £2.1m for the year ended 31 December 2020.

With the COVID-19 outbreak continuing throughout the year, the Bank has maintained a prudent business stance with only a modest increase in its total annual operating income. Real estate lending for the purposes of development and investment remains Jordan International Bank's primary niche activity with other income being generated by private banking and treasury services as well as by trade finance. During the year, the Bank's private banking offering was enhanced with the successful launch of a mortgage offering directed at High Net Worth individuals and new term funding was sourced through a deposit aggregator platform. I remain confident that the Bank's current business model with its emphasis on property lending and private banking is both sustainable and ripe for expansion both in terms of geographical location and product.

I am particularly encouraged to note the considerable improvement in both the management and operational capability of the Bank's Information Technology department. The rigour and skill directed by this team at maintaining and improving the Bank's operations and levels of security during COVID-19, despite the required flexibility for a time of working from home as well as at the Bank, is to be much commended.

The Bank's directors and executives are fully cognisant of the expectations of its regulators, the PRA and FCA, and remain committed to meeting in a timely manner all regulatory requirements in terms of compliance, culture, conduct, climate change, operational resilience and other evolving regulatory targets.

The Bank continues to champion the interests of all its stakeholders be they customers, employees or shareholders and remains dedicated to supporting their aspirations both in good and bad times.

I should refer to some significant changes within the Bank's senior management during 2021. Rakan Al-Tarawneh resigned from the Chief Executive Officer role after a 4-year tenure and Mark Williams, formerly the Chief Financial Officer, was appointed to this role in an acting capacity. Finally, on behalf of the Board of Directors I would like to thank these officers, the senior management team and all members of staff for their continuing contribution to the success of the Bank and to encourage them, within the approved risk appetite, to achieve an improved level of performance. I also express the Board's appreciation to the Bank's customers and counterparties for their steadfast support and for entrusting their business to Jordan International Bank.

Ammar Al-Safadi
Chairman
26 April 2022

The Board of Directors is pleased to present its Strategic Report as required by the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

Strategy and objectives

The Bank's primary business objective is to provide proficiently a range of banking services to both its international and UK customers. Its strategy for doing so is as follows:

- to provide lending for the purpose of property development and property investment in selected prime areas in the UK;
- to provide trade finance services to clients involved in trade predominantly to or from the Middle East region;
- to provide deposit products and private banking services to customers from Jordan, the wider Middle East region as well as the UK; and
- to provide treasury services (foreign exchange, money market and securities) to customers and counterparties of the Bank.

The Bank operates from a single office in central London from where services are provided by an appropriately skilled team of professionals. The Bank benefits from the additional resources of its two shareholder banks when appropriate.

Business model

The Bank operates a number of different business lines and services as described below:

- Its major business line currently is structured property finance by which prudent funding is offered to experienced property developers and investors in the UK. The Bank's professional team of lenders are supported by a panel of external lawyers, surveyors and property valuers.
- The Bank's trade finance team offers services to customers, issuing and confirming letters of credit together with letters of guarantee, whilst also providing discounted financing for receivables. In controlling the risk in this area, the Bank typically takes on exposure to other financial institutions with acceptable credit ratings. The private banking team provides fixed term, notice deposit accounts and foreign exchange to customers from Jordan, the wider Middle East region and the UK, in addition to providing regulated mortgage services to high net worth individuals.
- The Bank offers corporate and institutional banking facilities.
- The Bank's treasury team manages the Bank's day-to-day cash position through taking deposits from, and placing money market loans with, other financial institutions. Foreign exchange services are offered to correspondent banks and other counterparties. The Treasury team is also responsible for managing the Bank's investment portfolio, mainly fixed income securities.

Governance and management process

Governance is handled in the first instance through three forums, the Board of Directors together with its Audit Committee and its Risk Committee. These three forums hold regular, usually quarterly, meetings and their members are in frequent dialogue with the Bank's executive management. The Board consists of five non-executive directors, two independent non-executive directors and the Bank's Acting Chief Executive Officer. The Audit Committee is comprised of non-executive directors and is chaired by a UK based independent non-executive director. The Risk Committee is similarly structured and is also chaired by an independent non-executive director.

Board Member	Board Committee Member	Status
Ammar Al-Safadi (Chair)		Non-Executive Director
Ian Schmiegelow (Deputy Chair)	Risk Committee (Chair), Audit Committee	Independent Non-Executive Director
Nabil Hamadeh	Audit Committee (Chair), Risk Committee	Independent Non-Executive Director
Nidal Ahmad	Risk Committee, Audit Committee	Non-Executive Director
Raed Al-Massis	Audit Committee	Non-Executive Director
Basel Araj	Risk Committee	Non-Executive Director
Riyad Taweel	Audit Committee	Non-Executive Director
Mark Williams		Executive Director

All exposures are managed within a risk appetite and policies agreed by the Board of Directors. Day-to-day exposures are monitored by the in-house credit risk team (for credit exposure) and by the finance, risk and treasury teams (for regulatory capital and liquidity management).

Day-to-day responsibility for the management of the Bank is the primary responsibility of the Executive Committee to which authority has been delegated by the Board of Directors to approve loans or investments within certain parameters. Its members, who are all London based, meet on a regular basis and as necessary.

The Executive Committee composition as at 31 December 2021 was as follows:

Executive Committee Member	Status
Mark Williams (Chair)	Acting Chief Executive Officer
Fiona Christiansen	Chief Financial Officer
Sanjay Rajagopal	Chief Operating Officer and Chief Information Officer
Andrei Fetin	Chief Risk Officer
Steve Dry	Head of Structured Property Finance
David Lavers	Head of Treasury
Hichem Turki	Head of Private Banking

The Bank's performance is measured against a number of Key Performance Indicators (KPIs) (Pre-tax profit, cost income ratio and return on average equity). The actual profit each month is compared to the equivalent budgeted profit and variances are noted and explained. Within the budget process, individual business lines account for their performance to senior management, whilst the Bank's Board of Directors receives a regular commentary on the Bank's results. The Bank also reports internally on a range of measures, including KPIs, such as the return on average equity and net interest margin, along with regulatory measures such as common equity tier 1 (CET1), the liquidity coverage ratio (LCR) and leverage ratio.

Business review

The Bank has reported a pre-tax profit for the year of £2.7m (2020: £2.1m), a return on average equity of 1.86% (2020: 2.65%) and a cost income ratio of 80% (2020: 82%).

While the Bank has achieved a continuing record of pre-tax profits in recent years as shown in the table below, its cost income ratio has proved consistently challenging. Operating income has increased 14% in 2021 compared to the previous year.

	2017	2018	2019	2020	2021
Pre-tax profit £m	1.90	4.00	3.10	2.10	**2.70**
Cost/Income ratio %	73	68	75	82	**80**
Return on average equity %	3.80	2.04	5.11	2.65	**1.86**
Equity £m	83.10	84.57	89.01	91.40	**93.10**

For the year ended 31 December 2021, the asset backed lending book's on-balance sheet value was £19m higher than at 31 December 2020 resulting in an increase in income of 7% year on year. Lending rates were maintained throughout the year despite some indications of declining rates at competitor banks, resulting in a continuing stream of attractive risk adjusted returns.

Treasury revenues decreased year on year by 34% from £4.2m in 2020 to £2.8m in 2021, predominantly due to reductions in yields across the Bank's securities portfolio and money market placements. In addition, the Bank's total portfolio of securities reduced in value during the year and some maturing high yield bonds were replaced by lower earning Liquid Asset Buffer (LAB) securities which had a negative impact on revenues. The foreign exchange markets remained subdued for the Bank, whilst UK and US base rates were maintained at low levels, reducing returns on inter-bank lending. UK interest rates were maintained for the most part of 2021 at 0.1% as COVID-19 caused economic disruption. As a result of the low UK and US rates and respective risk free rates, the Bank's interest expense fell year on year by 47% from £4.8m in 2020 to £2.5m in 2021.

Trade Finance income decreased year on year by 24% from £0.49m in 2020 to £0.37m in 2021. Its business has been necessarily constrained by its concentration on Turkey and the reduction in activity from its more traditional markets in the Middle East and North Africa.

Business development

In 2021 revenue streams were enhanced through the introduction of additional Private Banking products, the main one of which was a mortgage offering for overseas High Net Worth individuals. New liquidity was sourced through a deposit aggregator platform to provide the Bank with additional term funding.

The Bank's current Strategic Plan is principally one of organically growing and strengthening two of its current business lines, Structured Property Finance and Private Banking. With room for expansion within this business strategy, it is not anticipated that there will be any significant change in the Bank's product offering or operating model in 2022 and the immediate future thereafter.

While the COVID-19 pandemic with its consequent restriction on movement, remained present throughout all of 2021, the Bank continued to serve and support its customers efficiently and effectively through its office, and operated in line with the approved business continuity plan while maintaining the safety and well-being of staff. Regular management meetings continued to be held to ensure that all critical functions were closely monitored and that they remained resilient.

All third party outsourced services operated in line with their service level agreements.

Despite the ongoing pandemic, the Bank has experienced a relatively buoyant property financing market which is expected to support the Bank's income stream against further economic pressure in 2022. It is possible however, that some increases in expected credit loss may occur; notwithstanding this, the Bank's capital and liquidity ratios are anticipated to remain well within regulatory limits.

The Board has considered the impact of COVID-19 on the Bank's going concern assumption. The relevant disclosures are set out under the Going Concern section within the Directors' Report on page 15.

1. Based on the average of reported equity at 31 December 2020 and 31 December 2021.

Principal risks for the business

The Bank is subject to risks and uncertainties from a range of sources. The principal risks are currently: geo-political risk, market risk, credit risk, development risk (in the case of structured property finance loans), and regulatory risk. These risks are routinely monitored by the Bank's management and reviewed at the Bank's quarterly Board Risk Committee meetings.

Geopolitical risk including COVID-19

Geopolitical risk and COVID-19 continue to create uncertainties linked to the Bank's business though changes in key macro-economic variables such as interest rates, securities valuations, House Price Index and inflation, in addition to operational disruption. The Bank makes every effort to be cognisant of such risks in a timely way and to mitigate them to the greatest extent possible.

Although the COVID-19 global pandemic is ongoing, the position in the UK has eased sufficiently for the UK Government to remove all its mandatory COVID-19 rules. COVID-19 enabled the Bank to assess its operational resilience in terms of technology, systems and processes. The Bank demonstrated it was able to continue to provide safe and secure services for all its customers throughout the UK Government's working from home restrictions. The Bank is currently well capitalised with an excess over the regulatory capital buffer. In addition, the Bank has a strong liquidity position with a high Liquidity Coverage Ratio and the Bank's Treasury department, working together with other departments, continues to monitor this position closely. The Bank is keeping all its emergency measures under constant review to ensure the continuance of their practicality and resilience.

The Bank is currently exposed to some heightened geopolitical risk due to its holding of US$2.5m of a USD denominated Russian energy fixed rate bond which is listed on the Luxembourg Stock Exchange and due to mature in July 2022. Further details can be found in note 38. The Bank continues to monitor the current political and economic situation on a regular basis.

The Board considers that the Bank's current risk appetite and limits are sufficiently prudent and that it has enough capital and liquidity to withstand any foreseeable potential economic shocks.

Market risk

As with any bank, the revenue stream and asset valuations of the Bank are influenced by prevailing interest rates. The Bank's deposit base is largely made up of relatively short-term deposits, whereas the asset side of the balance sheet is formed of longer-term loan facilities or investments. The maturity mismatch between assets and liabilities has the potential to impact net interest margins and asset valuations as interest rates move over time. The Bank mitigates this risk by ensuring that, where possible, interest rates on loans to customers are variable, or the terms of the loan permit the Bank to require earlier repayment. In addition the introduction of new customer sterling deposits through a deposit aggregator has given rise to some longer term funding which is expected to increase in 2022.

In terms of the Bank's investment portfolio, the majority of which are fixed rate and comparatively short in maturity, market, interest and other relevant risks are closely monitored by the Bank's treasury and credit teams overseen by ExCo (ALCO) and the Board's Risk Committee.

Following the announcement on 27 July 2017 by the FCA, that the London Interbank Offered Rate (LIBOR) would be phased out and replaced with an alternative reference rate by the end of 2021, the Bank has executed and completed a detailed plan to ensure a smooth transition from LIBOR to new reference rates and to mitigate any associated risks.

Credit risk

The Bank is exposed to credit risk, being the risk that a counterparty will fail to fulfil its obligations. With the exception of the investment portfolio, the Bank has set a minimal exposure value for unsecured lending to corporate or individual borrowers. By ensuring that adequate collateral is held, the Bank is able to significantly reduce the risk of losses in the event of a default by a customer. The Bank defines collateral as an asset or a group of assets that a borrower or guarantor has pledged as security for a loan. The Bank, as the lender, has the legal right to repossess and sell the asset(s) if the borrower is unable to pay back the loan by an agreed date.

During the COVID-19 pandemic, the Bank continually monitored its credit exposures and the markets in which it operates. The Bank assessed the impact of COVID-19 on its property loan book, securities, trade finance exposures and other exposures, both in terms of capital and liquidity. The Bank recognises that losses on any individual property loan could have a material impact on annual profits and the Bank's capital position and therefore adopts a credit underwriting process, supported by models, employing experienced first and second line of defence personnel with every loan assessed by the Executive Committee. The Bank is monitoring the expected credit loss provision on a regular basis.

Development risk

Over half of the structured property loan portfolio is formed of development loans for the purpose of building new houses, small apartment buildings, blocks of apartment buildings, buildings that have some commercial purpose or of refurbishing existing buildings while the remaining portfolio consists of investment loans. The Bank aims to ensure its position is protected at all times through a rigorous due diligence process with every lending proposal. The Bank's lending criteria ensure that it only lends to developers with sufficient experience of the type of proposed development and to projects which the Bank fully understands and in areas where demand for the completed product should be high; it is also required that the Bank has sufficient collateral against the loan by way of a first charge and, as appropriate, an additional guarantee. Loans, especially development loans, are typically drawn in stages as each project progresses and one of the Bank's panel of quantity surveyors closely monitors the construction process.

Since the Bank adopted its current lending strategy it has only incurred minimal impairment charges. All loans were in order at the year end and the Bank firmly believes that its strict lending criteria will keep future losses to a minimum.

Liquidity and funding risk

Liquidity risk is the risk that the Bank is not able to meet its obligations as they fall due. Funding risk is the risk that the Bank does not have sufficiently stable and diverse sources of funding. The Bank, through its liquidity and funding risk appetite, aims to maintain adequate liquidity resources and a prudent funding profile at all times both within normal and stressed market conditions and as to amount and quality, to ensure that there is no significant risk that its liabilities cannot be met as they fall due.

Capital risk

The Bank defines capital risk as the risk of not having sufficient capital resources in quantity or quality to support its strategic objectives, meet stakeholders' expectations and regulatory requirements or that capital is inefficiently deployed across the Bank. The Bank undertakes close monitoring of capital ratios to ensure it complies with current regulatory capital requirements and is well positioned to meet any anticipated future requirement. A weekly report of capital usage compared to internal and regulatory capital limits is prepared and sent to senior management.

The management of capital is governed through Executive Committee (ALCO) meeting, the Risk Committee and the Board.

Operational risk

The Bank aims to manage operational risk within the limits set in the Risk Appetite. The Bank defines operational risk as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The Bank has a number of operational risk mechanisms that include operational risk event reporting, key risk indicators, operational risk registers and a risk and control effectiveness assessment.

Regulatory risk

Jordan International Bank Plc operates in a highly regulated environment and is therefore subject to regulatory risk. Regulation in the banking sector is continually evolving and the Bank's finance, risk, regulatory reporting and compliance professionals in particular are required to be fully conversant with changes and to ensure that the Bank complies with all its regulatory obligations.

Climate change

The Bank has reviewed the Task Force on Climate Related Financial Disclosure (TCFD) guidance and considers that its business has minimal exposure to any of the following climate-related risks:

- Physical risks to business operations and supply chains, for example, logistical interruption, changes to the availability of raw goods due to severe weather events, rising temperatures or rising sea levels and effects on property collateral that provide security against property loans.
- Transitional risks for businesses, including regulatory change, litigation risk, reputational risk and change in customer behaviour as well as new legal and financial liabilities, such as the costs of transitioning to lower emissions technology, substituting high emissions goods and services, or adapting to carbon taxes.

The Bank's major business area, the Structured Property Finance Department, provides funding to UK property developers, primarily for multi-unit, residential developments. All development projects are subject to local authority building regulations and regular monitoring by surveyors appointed by the Bank. This enables the Bank to be confident that all of the regulations relating to climate change are being met.

The Bank also holds a well-diversified investment portfolio, composed primarily of fixed income securities. In the event of the disclosure of adverse climate-related information, the price of one or more of the Bank's investments could be impacted. This risk is not currently considered to be material.

To support the UK government's target to bring all greenhouse gas emissions to net zero by 2050, the Bank's Risk Department has commenced work on the integration of climate change into the Bank's risk management framework. This work includes:

- The assessment of climate-related risks over the short, medium and long term in the context of the Bank's businesses and strategy.
- The development of scenario analyses to assess the potential effects of climate-driven events, including possible disruption to business services.
- The development of qualitative and quantitative risk appetite measures and key risk indicators.
- Disclosures and enhancement of capabilities related to the Bank's own operations as well as to financed emissions.

Jordan International Bank Plc operates from a single site in central London. To minimise the Bank's impact on the environment and greenhouse gasses, all employees are actively encouraged to recycle paper, metal, glass and plastic and use the eco settings on the office machinery. At the onset of the COVID-19 pandemic, all of the Bank's employees were encouraged to work from home and later, in 2021, the Bank introduced hybrid working for all employees. Both of these initiatives have further reduced the Bank's current impact on the environment.

Section 172 Statement by the directors

Under The Companies Act 2006 the directors are required to describe how they consider a broad range of stakeholders when performing their duty to promote the success of the Bank. To this end the directors must also ensure that the Bank acts in good faith for the benefit of all parties including the Bank's two shareholders together with its employees, customers and regulators (the Prudential Regulation Authority and the Financial Conduct Authority).

The Board must have regard, amongst other matters, to:

(a) the likely consequences of any decision in the long term;

(b) the interests of the company's employees;

(c) the need to foster the company's business relationships with suppliers, customers and others;

(d) the impact of the company's operations on the community and the environment; and

(e) the desirability of the company maintaining a reputation for high standards of business conduct.

This Statement describes how, when performing their duty to promote the success of the company, the directors have had regard to the matters set out in section 172(1) (a) to (e) above. The Bank has identified its key stakeholders as its regulators, customers, employees, brokers and shareholders. Each of these stakeholders are considered separately below.

The Regulators - the Prudential Regulation Authority and the Financial Conduct Authority

The directors place great emphasis on the Bank operating in full compliance with all applicable laws and regulations. Individual directors, and the Board as a whole, devote considerable time to reviewing and challenging the Bank's prudential documents and policies as well as to ensuring the timely submission of comprehensive documents to the regulators. The Bank continues to invest in its support functions as well as improving the quality of the Bank's technology in pursuit of increased automation and a higher level of efficiency and enhanced cybersecurity and information security. In this regard, during the past couple of years, the Bank has obtained ISO27001 Certification as well as NCSC Cyber Essentials Plus Certification. Both in the area of technology as well as elsewhere in the Bank, the directors understand the importance of respecting, and where possible, adopting initiatives pertaining to climate change and other environmental matters.

Customers

The Board understands the importance of maintaining high standards in all of its dealings with its customer base as it pursues its vision for the Bank to be a natural choice for private banking services in the UK for Middle Eastern clients as well as a respected provider of credit to UK property developers and investors. The Bank continued to serve all its various customers during the COVID-19 pandemic including private banking customers conducting transactions at the Bank's office.

Employees

The directors are keen that staff feel valued, operate in a safe and professional environment, receive appropriate training as required and, more generally, benefit from a responsive and measured culture within the Bank. Throughout the period of the COVID-19 pandemic, with the bulk of staff working from home or by way of a hybrid working scheme, the Bank took appropriate steps, including the provision of technical equipment for all employees, to maintain, as far as reasonably possible, a comparable level of operational capability, collaborative working, continuity and security to that when working in the office.

Shareholders

The Bank's two shareholders, The Housing Bank for Trade & Finance ("HBTF") (75%) and Arab Jordan International Bank ("AJIB") (25%) appoint representatives to JIB's Board of Directors who are all experienced senior executives of these banks. Their presence on the Board ensures that the shareholders are aware of all developments in the Bank and receive advance notice of any major decisions.

In discharging their s172 duties, the directors have regard to the factors outlined above as well as to any others that they consider relevant and appropriate to the decisions they make.

The Board reviews matters relating to financial and operational performance; business strategy, personnel and other resources, key risks, compliance, legal and regulatory matters over the course of the financial year.

The directors have established a 3-year Strategic Plan encompassing long-term, controlled and organic growth in the Bank’s business, with particular emphasis on structured property finance and private banking, as well as on improving its operating expense ratio. This Plan, which is submitted to the Bank's regulators, is reviewed annually by the Board.

The Board delegates authority for the implementation of the Strategic Plan, and the day-to-day running of the business, to the acting CEO and the Executive Committee. Throughout the COVID-19 pandemic, the Board ensured that, despite many employees working from home, customer service levels were maintained for all private banking customers and structured property finance clients. It has also directed its attention to the maintenance of all capital and liquidity ratios and any potential adverse impact on the Bank’s financial stability.

Approved by the Board of Directors and signed on behalf of the Board

Mark Williams

26 April 2022

Introduction

The directors present their annual report and audited financial statements for the year ended 31 December 2021.

Results and dividends

The total profit for the year after taxation amounted to £2.7m (2020: £1.9m). The directors recommend that no dividend be paid (2020: £nil).

Directors

The directors of the Bank who served during the year and up to the date of signing, together with their resignation date (if applicable), are shown below:

Directors	Resignation date
Ammar Al-Safadi	
Ian Schmiegelow	
Nidal Ahmad	
Raed Al-Massis	
Basel Araj	
Nabil Hamadeh	
Riyad Taweel	
Rakan Al-Tarawneh	16 July 2021
Mark Williams	

Payment policy

It is the Bank's policy to pay suppliers as amounts fall due. At 31 December 2021, the Bank's trade creditors had been outstanding for an average of 9 days (2020: 6 days).

Directors' and officers' liability insurance

During the year, the Bank has maintained cover for directors and officers under directors and officers liability insurance policies as permitted by section 233 of the Companies Act 2006. This includes directors who retired or resigned during the year. The cover is a qualifying indemnity policy. Qualifying third party indemnity provisions for the benefit of the directors were in force during the year under review and remain in force as at the date of approval of the annual reports and financial statements. No third party indemnities were enforced for the directors of Jordan International Bank or the parent bank.

Substantial shareholders

Details of shareholders of the Bank are shown on page 2.

Principal activities, business review and future outlook

The Bank's principal activities, business review and future outlook are referred to in the Strategic Report.

Financial risk management

The Bank has exposure to a number of risks, the principal ones of which are described in the Strategic Report. A description of how these risks are managed is provided in note 30 to the financial statements.

Political donations

The Bank made no political donations during the financial year.

Financial reporting standards

The directors have prepared the Bank's financial statements for the year ended 31 December 2021 under United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

Subsequent events

Details of events occurring after the reporting date are disclosed in note 38 to the financial statements.

Going concern

The directors recognise their responsibility to assess the Bank's ability to continue as a going concern for a period of at least twelve months from the date the financial statements are approved. The assessment is based on the Bank's business and capital plan having sufficient liquidity and capital and includes consideration of its funding and the ILAAP and ICAAP approved by the Board. The directors are satisfied that having considered the Bank's objectives, risk management policies, capital and liquidity management, nature of exposures, and revenue and expenditure projections, the Bank has adequate financial resources, appropriate capital and a suitable management structure in place to manage its business risks successfully and to continue in operational existence for the foreseeable future.

The directors have made an assessment of going concern taking into account both current performance and the outlook for the Bank which included consideration of the impact of COVID-19 on the Bank's capital and liquidity positions and on its business activity more generally. This involved assessing capital and liquidity on both a base case projection, and on various stress case scenarios with different assumptions by reference to a reduction in the valuation of properties held as collateral on property loans and a reduction in the mark to market of the securities portfolio.

As at the time of writing the Bank continues to be only minimally affected by the pressures of COVID-19 and remains well capitalised, with ample liquidity. The Bank has reviewed its previous assessment incorporating the impact of COVID-19 and noted the following:

- *Financial forecast:* the Bank has prepared a budget for the years 2022-2024 taking into account how the pandemic affected the Bank in 2021. The budget has been set to be challenging but achievable under the current circumstances.
- *Expected credit loss on financial assets:* Management has performed stress testing on the credit portfolio by applying a range of scenarios, with varying degrees of severity, to assess expected credit loss and its impact on the Bank's capital and liquidity resources. This stress testing involved varying the assumptions related to both contractual cash flows and collateral valuations.

Liquidity Assessment: Management has performed various stress tests on its cash flows profile to test the adequacy of existing liquidity. These involved assessing the Bank's ability to repay its supplier and financial obligations under a worst case scenario involving a major decline in the Bank's deposit base. The results of this stress testing demonstrated the Bank's strong liquidity profile and its ability to implement effective and timely corrective actions to mitigate the severity of a worst case scenario. The Liquidity Assessment was run to cover the period from 31 December 2021 to 31 December 2024.

As a result of this assessment, the directors are satisfied that the Bank will continue to operate at existing levels for the foreseeable future, and have therefore used the going concern basis in preparing the financial statements of the Bank. The details of key assumptions considered in the going concern assessment are disclosed in note 1(c) to the financial statements.

Disclosure of information to the auditor

Each of the persons who is a director at the date of the approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Bank's auditor is unaware; and
- the director has taken all the steps that should be taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Bank's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Auditor

Deloitte LLP resigned as auditor of the Bank following the signing of the financial statements for the year ended 31 December 2020.

Following an external audit tender process, the Audit Committee recommended the appointment of MHA MacIntyre Hudson as the external auditor of the Bank. The appointment of MHA MacIntyre Hudson was confirmed at the Bank's 2021 AGM.

Approved by the Board of Directors and signed on behalf of the Board.

Mark Williams
26 April 2022

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditor's Report to the Members of Jordan International Bank Plc

For the purpose of this report, the terms "we" and "our" denote MHA MacIntyre Hudson in relation to UK legal, professional and regulatory responsibilities and reporting obligations to the members of Jordan International Bank PLC. For the purposes of the table on pages 20 to 22 that sets out the key audit matters and how our audit addressed the key audit matters, the terms "we" and "our" refer to MHA MacIntyre Hudson. The "Company" is defined as Jordan International Bank PLC. The relevant legislation governing the Company is the United Kingdom Companies Act 2006 ("Companies Act 2006").

Opinion

We have audited the financial statements of Jordan International Bank PLC (the "Company").

The financial statements that we have audited comprise:

- the profit and loss account for the year then ended;
- the statement of comprehensive income for the year then ended;
- the balance sheet as at 31 December 2021;
- the statement of changes in equity for the year then ended;
- the cash flow statement; and
- the related notes 1 to 39 of the financial statements, including the accounting policies.

The financial reporting framework that has been applied in the preparation of the Company's financial statements is Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") and the Companies Act 2006.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and the its profit for the year then ended;
- have been properly prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been properly prepared in accordance with the requirements of Companies Act 2006.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent Auditor's Report (continued)

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- Using our knowledge of the strategic objectives of the Company, the financial services industry, the financial services regulatory environment and the general economic environment to identify inherent risks in the business model and how such risks might affect the financial resources or ability to continue operations over the going concern period.
- Understanding and evaluating the current and forecast financial position, regulatory capital adequacy and liquidity.
- Evaluation of the strategic plans of the Company, and the supporting financial forecasts.
- Reading and evaluating the adequacy of the disclosures made in the financial statements in relation to going concern.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

OVERVIEW OF OUR AUDIT APPROACH	
Key audit matters	The key audit matter we identified in the current year was: • Loan loss provision (recurring).
Materiality	Overall materiality for the financial statements was £1.35m, which was determined based on net assets.
First year transition	This is the first year we have been appointed as auditors to the Company. We undertook the following transitional procedures: • Held meetings with senior management to gain an understanding of the Company's operations and strategic objectives. • We held meetings with the predecessor auditors, including reviewing their audit working papers for the prior financial period to gain an understanding of the Company's processes, their audit risk assessment, and the design of their audit approach for the year ended 31 December 2020. The results of these procedures were used to inform our audit planning and risk assessment for our audit for the year ended 31 December 2021.

Independent Auditor's Report (continued)

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those matters which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team and, as required for public interest entities, our results from those procedures. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

LOAN LOSS PROVISIONING	
Key audit matter description	Jordan International Bank PLC ("JIB") adopts IFRS 9 in regards to expected credit losses. The Bank provides lending to customers for property development and investment in the UK, referred to as structured property finance. This forms the loans and advances to customer line on the balance sheet of £201m (2020: £180.4m). Loan loss provisioning is one of the most significant estimates made by the Bank's directors and management in preparing the financial statements. Refer to the accounting policy note 1(h) in relation to the impairment of loans and advances to customers on page 31 (accounting policies) and page 35 (critical accounting judgements and key sources of estimation uncertainty). IFRS 9 requires loan provisions to be based on an expected credit loss ("ECL") model. Macroeconomic conditions increased the complexity of determining ECLs, particularly in respect of measures in respect of significant increases in credit risk ("SICR"), and certain loss given default ("LGD") assumptions such as collateral valuations. Due to the high degree of estimation, there is a potential risk of fraud due to the significant judgments and estimation that is involved. The most significant areas where we identified greater levels of management judgement and estimates are: • Staging of loans and the identification of significant increase in credit risk. • Collateralvaluation in the determination of Loss Given Default.

Independent Auditor's Report (continued)

LOAN LOSS PROVISIONING (continued)	
How the scope of our audit responded to the key audit matter	We performed the following procedures in response: • Test the design and operating effectiveness of the Bank's processes in relation to credit underwriting, monitoring, collections, and provisioning. • Using IFRS 9 and financial modelling specialists, we assessed the appropriateness of the methodology used by management and tested the key assumptions applied to determine the probability of default and loss given default. • Test the completeness of the loan portfolio applied to the ECL model. **Staging of loans and the identification of significant increase in credit risk** • Scrutinised Executive Committee minutes to identify non-performing loans and any recent decisions made in respect of internal credit risk ratings that may impact ECL provisions recognised in the Bank's records. • Test the process in place to allocate loans to the respective risk categories (staging) and the application of the SICR criteria. • For a sample of loans, we tested the key characteristics of the loan and assessed the appropriateness of its staging for the ECL calculation, including collateral valuation, payment delinquencies, customer financials and loan covenant compliance to assess for potential indications of SICR. • Tested the application of SICR criteria and default definition for a sample of loan accounts, including a review of the Bank's watchlist and records of non-performing loans. **Collateral valuation in the determination of loss given default** • Review the process that management has in place to value collateral. • Assessed the competence, capabilities and objectivity of the valuers used by the Bank as management's experts in estimating the market valuation of the collateral properties. • With the involvement of our property valuation specialists, we reviewed the latest collateral valuation reports for a sample of properties and developments that underlie loans, considering known market factors and benchmarking.
Key observations and communication to the UK Audit and Compliance Committee	We concluded that the loan provisioning amount and related disclosures are reasonable. The procedures above were completed without material exceptions.

Independent Auditor's Report (continued)

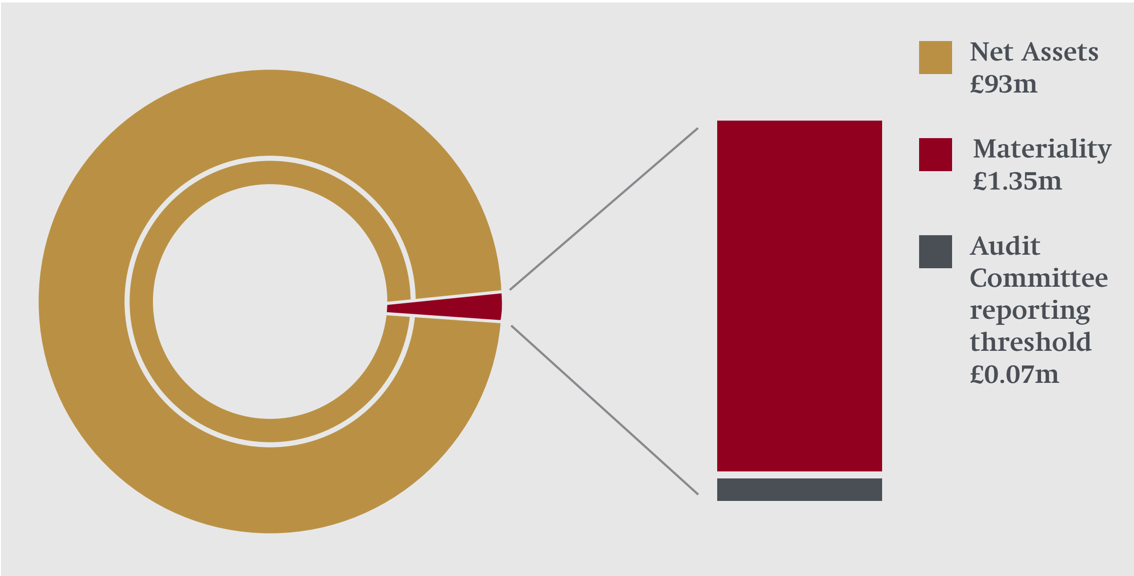
Our application of materiality

Our definition of materiality considers the value of error or omission on the financial statements that, individually or in aggregate, would change or influence the economic decision of a reasonably knowledgeable user of those financial statements. Misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole. Materiality is used in planning the scope of our work, executing that work and evaluating the results.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall Materiality	£1.35m
Basis for determining materiality	We determined materiality based on 1.45% of net assets (2020: 1.5% of Net Assets) of the Company. The Company is a UK regulated Bank offering retail services, a subsidiary of The Housing Bank for Trade and Finance, a company incorporated and listed in Jordan ("the Parent Company"). We have considered the primary users of the financial statements to be, its customers, the UK regulators (FCA and PRA) and the Parent Company. We have determined that the key area of focus of the users of the financial statements would be Net Assets as a reasonable proxy for regulatory capital. We have therefore used net assets as an approximation of capital resources of the Company.
Performance materiality	£0.81m
Basis of determining overall performance materiality	We determined performance materiality based on 60% of overall materiality. Performance materiality is the application of materiality at the individual account or balance level, set at an amount to reduce, to an appropriately low level, the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. In determining performance materiality, we considered the several factors including the following: • That the current period is the first financial period of our appointment as auditors of the Company. • The state and history of errors found in prior period audit.
Error reporting threshold	We agreed to report any corrected or uncorrected adjustments exceeding £0.07m to the Audit Committee as well as differences below this threshold that in our view warranted reporting on qualitative grounds.

Independent Auditor's Report (continued)



The scope of our audit

Our audit was scoped by obtaining an understanding of the Company and its environment, including the Company's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias on significant accounting judgments and accounting estimates by the directors that may have represented a risk of material misstatement.

Independent Auditor's Report (continued)

Reporting on other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

Independent Auditor's Report (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received by branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

Independent Auditor's Report (continued)

The specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud is detailed below:

- Obtaining an understanding of the legal and regulatory frameworks that the Company operates in, focusing on those laws and regulations that had a direct effect on the financial statements. The key laws and regulations we considered in this context included the Companies Act 2006, regulations and supervisory requirements of the Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA) and UK tax legislation.
- Reviewing key correspondence with regulatory authorities including the PRA, FCA and HMRC.
- Enquiry of management to identify any instances of non-compliance with laws and regulations.
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.
- Enquiry of management around actual and potential litigation and claims.
- Enquiry of management to identify any instances of known or suspected instances of fraud.
- Discussing among the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.
- Reviewing minutes of meetings of those charged with governance.
- Reviewing internal audit reports of the Company.
- Reviewing the control systems in place and testing the effectiveness of the controls.
- Performing audit work over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business, and reviewing accounting estimates for bias.
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular with respect to provisions for impairment of loans and amounts advanced to customers.

A further description of our responsibilities for the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities .

This description forms part of our auditor's report.

Independent Auditor's Report (continued)

Other requirements

We were appointed by the directors on 29 April 2021 to audit the financial statements of the Company for the year ended 31 December 2021 and subsequent financial periods. The period of total uninterrupted engagement is accordingly one year.

We did not provide any non-audit services which are prohibited by the FRC's Ethical Standard to the Company, and we remain independent of the company in conducting our audit.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Rakesh Shaunak FCA, CTA (Senior Statutory Auditor)
For and on behalf of MHA MacIntyre Hudson
Chartered Accountants and Statutory Auditor
6th Floor
2 London Wall Place
London
EC2Y 5A

26 April 2022

Profit & Loss Account

Year Ended 31 December 2021

	Notes	2021 £'000's	2020 £'000's
INTEREST RECEIVABLE			
Interest receivable and similar income arising from debt securities	3	**2,027**	3,009
Other interest receivable and similar income	3	**11,997**	11,503
		14,024	14,512
Interest payable	3	**(2,517)**	(4,791)
NET INTEREST RECEIVABLE		**11,507**	9,721
NON-INTEREST INCOME			
Fees and commissions		**2,112**	2,315
Dealing profits	7	**23**	28
Other operating income		**4**	4
Profit on disposal of securities	7	**55**	~
TOTAL OPERATING INCOME		**13,701**	12,068
Administrative expenses	4	**(6,021)**	(5,482)
Depreciation and amortisation	7, 17	**(583)**	(548)
Other operating charges	5	**(3,931)**	(3,609)
Provision for expected credit losses	12, 13	**(449)**	(368)
OPERATING PROFIT AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	7	**2,717**	2,061
Tax charge on profit on ordinary activities	8	**29**	(118)
PROFIT FOR THE FINANCIAL YEAR		**2,746**	1,943

The accompanying notes are an integral part of these financial statements.

All the Bank's income is derived from continuing operations.

Profit & Loss Account (continued)

Year Ended 31 December 2021

	Notes	2021 £'000's	2020 £'000's
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR			
Profit for the financial year		**2,746**	1,943
Revaluation transfer	16, 26	**~**	237
Items that may subsequently be reclassified to profit and loss:			
Movements in revaluation reserve in respect of debt securities held at fair value through other comprehensive income			
- Change in fair value	16, 26	**(954)**	341
- Deferred tax	8, 26	**135**	(134)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1,927**	2,387

The accompanying notes are an integral part of these financial statements.

All the Bank's income is derived from continuing operations.

Balance Sheet

As at 31 December 2021

	Notes	2021 £'000's	2020 £'000's
ASSETS			
Cash		**132**	116
Nostros	28	**8,531**	6,049
Loans and advances to shareholder banks	9	**24,957**	35,099
Loans and advances to other banks	10	**36,380**	34,600
Loans and advances to customers	11	**201,093**	180,402
Debt securities	16	**105,371**	107,999
Tangible fixed assets	17	**1,629**	1,765
Other assets	18	**1,361**	1,492
Deferred tax	8	**2,292**	1,761
Prepayments and accrued income		**2,508**	2,346
TOTAL ASSETS		**384,254**	371,629

	Notes	2021 £'000's	2020 £'000's
LIABILITIES			
Deposits by shareholder banks	19	**94,387**	99,284
Deposits by other banks	20	**82,381**	64,681
Customer accounts	21	**110,410**	111,598
Other liabilities	22	**2,425**	3,043
Accruals and deferred income		**1,332**	1,631
TOTAL LIABILITIES		**290,935**	280,237

Balance Sheet (continued)

As at 31 December 2021

	Notes	2021 £'000's	2020 £'000's
Called-up share capital	24	**65,000**	65,000
Share premium	25	**316**	316
Revaluation reserve	26	**633**	1,452
Profit and loss account	26	**27,370**	24,624
SHAREHOLDERS' FUNDS		**93,319**	91,392
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS		**384,254**	371,629

These financial statements of Jordan International Bank Plc, Registered No. 01814093, were approved by the Board of Directors and authorised for issue on 26 April 2022.

Signed on behalf of the Board of Directors

Mark Williams

The accompanying notes are an integral part of these financial statements.

Statement of Changes in Equity

Year Ended 31 December 2021

2021	Share Capital £'000's	Share Premium £'000's	Securities Revalua-tion Reserve £'000's	Profit & Loss £'000's	Total £'000's
BALANCE AT 01 JANUARY 2021	**65,000**	**316**	**1,452**	**24,624**	**91,392**
Total comprehensive income					
Movement in revaluation reserve in respect of financial assets held at fair value through other comprehensive income, net of tax	~	~	**(819)**	~	**(819)**
Profit retained for the year	~	~	~	**2,746**	**2,746**
TOTAL COMPREHENSIVE INCOME FOR PERIOD	~	~	**(819)**	**2,746**	**1,927**
CLOSING BALANCE AT 31 DECEMBER 2021	**65,000**	**316**	**633**	**27,370**	**93,319**

2020	Share Capital £'000's	Share Premium £'000's	Securities Revalua-tion Reserve £'000's	Profit & Loss £'000's	Total £'000's
BALANCE AT 01 JANUARY 2020	65,000	316	1,008	22,681	89,005
Total comprehensive income					
Shares issued and paid	~	~	~	~	~
Movement in revaluation reserve in respect of financial assets held at fair value through other comprehensive income, net of tax	~	~	443	~	443
Profit retained for the year	~	~	~	1,943	1,943
TOTAL COMPREHENSIVE INCOME FOR PERIOD	~	~	443	1,943	2,386
CLOSING BALANCE AT 31 DECEMBER 2020	65,000	316	1,451	24,624	91,391

Further details of movements in the Bank's share capital, reserves and other equity instruments are provided in note 26.

The accompanying notes are an integral part of these financial statements.

Cash Flow Statement
Year Ended 31 December 2021

	Notes	2021 £'000's	2020 £'000's
NET CASH GENERATED/(USED) IN OPERATING ACTIVITIES	27	**(11,006)**	(35,856)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of debt securities	16	**(78,745)**	(98,455)
Proceeds from the sale and maturity of debt securities	16	**80,891**	105,008
Interest received from debt securities		**2,217**	3,122
Purchase of tangible fixed assets	17	**(447)**	(554)
NET CASH GENERATED BY INVESTING ACTIVITIES		**3,916**	9,121
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(7,090)**	(26,735)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	28	**67,015**	93,750
Movement in cash and cash equivalents		**(7,533)**	(27,041)
Effect of foreign exchange rate changes		**443**	306
CASH AND CASH EQUIVALENTS AT END OF YEAR	28	**59,925**	67,015

The accompanying notes are an integral part of these financial statements.

Notes to the Accounts

Year Ended 31 December 2021

1. ACCOUNTING POLICIES

a) The Bank and its operations

Jordan International Bank Plc is a public company, limited by shares, incorporated in the United Kingdom, and registered in England and Wales. Its Company Registration Number is 01814093.

The registered office address is:

Almack House
26–28 King Street
London
SW1Y 6QW.

The Bank is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

b) Statement of compliance

Statement of compliance - The financial statements have been prepared in accordance with Financial Reporting Standard (FRS – 102).

Accounting convention - The accounts have been prepared under the historical cost convention basis as modified by the revaluation of derivatives and financial assets measured at fair value through other comprehensive income.

A summary of the accounting policies is set out below. Except where indicated they have been applied consistently throughout the current and preceding year.

c) Going concern

The financial statements of Jordan International Bank have been prepared on the going concern basis. In making the going concern assessment, the directors have reviewed detailed financial forecasts for the Bank, including its funding and capital position, for the 12 months from the date of approval of these financial statements. This has been done with consideration of the possible effects of the current global position regarding COVID-19 on the Bank and its operations. As part of this assessment, the directors have considered:

- the impact on the Bank's capital position and whether the Bank has sufficient capital resources;
- the Bank's liquidity and funding position and whether the Bank's forecasted liquidity is adequate;
- the impact on the Bank's profitability with potential reduction in business from the pandemic together with potential increases in expected credit loss charges;
- any potential valuation concerns in respect of the Bank's assets as set out in the Statement of Financial Position;.
- the operational resilience of the Bank's critical activities and the Bank's ability to provide continuity of service to its customers through a uncertain and protracted stress period;
- the resilience of the Bank's IT systems; and
- the impact on the Bank's staff and their ability to continue to work in a safe environment.

1. ACCOUNTING POLICIES (CONTINUED)

c) Going concern (continued)

The directors have a reasonable expectation that the Bank has adequate resources to continue in operational existence and comply with all relevant regulatory requirements for a period of 12 months from the date of approval of the financial statements.

d) Income recognition

Interest income on financial assets that are carried at amortised cost and interest expense on financial liabilities, other than those at fair value through profit and loss, are determined using the effective interest rate method. The effective interest rate method is a method of calculating the amortised cost of a financial asset or liability (or group of financial assets or liabilities) and of allocating the interest income or interest expense over the expected life of the asset or liability. The effective interest rate is the rate that exactly discounts estimated future cash flows to the instrument's initial carrying amount (before adjusting for expected credit losses). Calculation of the effective interest rate takes into account fees receivable that are an integral part of the instrument's yield, premiums or discounts on acquisition and early redemption fees. All contractual terms of a financial instrument are considered when estimating future cash flows.

e) Fees and commissions

Commissions and fee income which represent a return for services are earned when the related service is performed or taken to the profit and loss over the life of the facility. Fee and commission income comprise of fee income on structured property lending where initial and exit fees are accounted for over the life of the loan facilities. Other fee income is generated from the Bank's trade finance and private banking activities where fees are taken to income on the completion of the relevant transaction.

f) Other operating income

As part of its trade finance activities the Bank is reimbursed for its communication and courier charges incurred. Other operating income is recognised in the profit and loss statement when earned.

g) Foreign currencies

Functional and presentation currency - The Bank's functional currency is sterling.

Transactions and balances - Monetary assets and liabilities denominated in foreign currencies are translated into sterling at market rates of exchange ruling at the balance sheet date. Premiums and discounts arising on foreign exchange swap contracts entered into are apportioned over the periods of the transactions and included in interest in the profit and loss account. All transactions denominated in a foreign currency are translated into sterling at the exchange rate ruling at the date of the transaction. Foreign exchange gains or losses are included in the profit and loss account for the year.

1. ACCOUNTING POLICIES (CONTINUED)

h) Financial assets

All financial assets are recognised and derecognised on a trade date basis where the purchase or sale of a financial asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned. All financial assets are initially measured at fair value and their subsequent measurement is based on the Bank's business model and their contractual cash flow characteristics (whether the cash flows represent 'solely payments of principal and interest').

Under IFRS 9, financial assets are classified according to the following business models: Hold to collect (financial instruments measured at amortised cost), Hold to collect and sell (financial assets measured at fair value through comprehensive income) and Hold to sell (financial instruments measured at fair value through profit and loss).

Financial assets measured at amortised cost - Financial assets that are held to collect contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A basic lending arrangement results in contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial assets measured at amortised cost are predominantly loans and advances to customers and banks together with certain debt securities. Interest income is accounted for using the effective interest method.

Financial assets measured at fair value through other comprehensive income - Financial assets that are held to collect contractual cash flows and for subsequent sale, where the assets' cash flows represent solely payments of principal and interest, are recognised in the balance sheet at their fair value, inclusive of transaction costs. Interest calculated using the effective interest method and foreign exchange gains and losses on assets denominated in foreign currencies are recognised in the Profit and loss statement. All other gains and losses arising from changes in fair value are recognised directly in other comprehensive income, until the financial asset is either sold or matures, at which time the cumulative gain or loss previously recognised in other comprehensive income is recognised in the Profit and Loss statement. The Bank recognises a charge for expected credit losses in the Profit and loss statement. As the asset is measured at fair value, the charge does not adjust the carrying value of the asset, it is reflected in other comprehensive income.

Financial assets measured at fair value through profit and loss - Financial assets are classified at fair value through profit or loss where they do not meet the criteria to be measured at amortised cost or fair value through other comprehensive income or where they are designated at fair value through profit or loss to reduce an accounting mismatch. All derivatives are carried at fair value through profit or loss. Financial assets measured at fair value through profit or loss are recognised in the balance sheet at their fair value. Fair value gains and losses together with interest coupons and dividend income are recognised in the income statement within total operating income.

The Bank has assessed its business models in order to determine the appropriate IFRS 9 classification for its financial assets. With the exception of a segment of its securities portfolio, financial assets are 'held to collect'.

The Bank will derecognise a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

1. ACCOUNTING POLICIES (CONTINUED)

i) Impairment of financial assets (see also note 30 – Risk Management)

The Bank adopted IFRS 9 with effect from 1 January 2018 and the application of IFRS 9 is by accounting policy election. IFRS 9 replaced the IAS 39 'incurred loss' impairment approach with an 'expected credit loss' approach with regards to creating an impairment allowance. The revised approach applies to financial assets recorded at amortised cost or fair value through other comprehensive income; loan commitments and financial guarantees recorded at amortised cost are also in scope. The expected credit loss approach requires an allowance to be established upon initial recognition of an asset reflecting the level of losses anticipated after having regard to, amongst other things, expected future economic conditions. Subsequently the amount of the allowance is affected by changes in the expectations of loss driven by changes in associated credit risk.

The impairment charge in the profit and loss statement reflects the change in both Expected Credit Losses (ECL's) as measured under IFRS 9 and net recoveries on specific provisions. ECL are recognised for loans and advances to customers and banks, other financial assets held at amortised cost, financial assets measured at fair value through other comprehensive income, and certain loan commitments and financial guarantee contracts.

ECL's are required to be measured through a loss allowance at an amount equal to:

- *12- month ECL* - A lifetime ECL that results from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- *Full lifetime ECL results* - A lifetime ECL that results from all possible default events over the life of the financial instrument (referred to as Stage 2 and Stage 3).

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECL is measured at an amount equal to the 12-month ECL.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets. Impairment losses are recognised in profit and loss and the carrying amount of the financial asset or group of financial assets is reduced by establishing an allowance for impairment losses. If in a subsequent period the amount of the impairment reduces and the reduction can be ascribed to an event after the impairment was recognised, the previously recognised loss is reversed by adjusting the allowance. When such a financial asset is considered to be impaired, cumulative gains or losses previously recognised in the Statement of Comprehensive Income are reclassified to the profit and loss account in the period.

For financial assets measured at fair value through other comprehensive income, where there has been a significant or prolonged decline in the fair value of that asset this is considered to be objective evidence of impairment. When a financial asset measured at fair value is considered to be impaired, cumulative gains or losses previously recognised in the statement of comprehensive income are reclassified to profit and loss in the period.

1. ACCOUNTING POLICIES (CONTINUED)

i) Impairment of financial assets (continued)

Significant increase in credit risk - The Bank monitors all financial assets, loan commitments and financial guarantees to assess whether there has been a significant increase in credit risk since initial recognition. In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Bank compares the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of a default occurring that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognised.

In determining whether there has been a significant increase in credit risk, the Bank uses quantitative tests based on probability of default (PD) movements linked to internal credit ratings together with qualitative indicators such as watchlists and other indicators of historical delinquency, credit weakness or financial difficulty.

The Bank considers a two notch downgrade in internal credit grade as a significant increase in credit risk. However, since a significant increase in credit risk is a relative measure, a given change, in absolute terms, in the internal credit grade will be more significant for a financial asset with a lower internal credit grade compared to a financial asset with a higher internal credit grade. In addition the Bank considers that if an account's contractual payments are more than 30 days past due then a significant increase in credit risk has taken place.

Where the credit risk subsequently improves such that it no longer represents a significant increase in credit risk since origination, the asset is transferred back to Stage 1. Assets are transferred to Stage 3 when they have defaulted or are otherwise considered to be credit impaired.

Definition of default - The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12 -month or lifetime ECL. The Bank considers the following as constituting an event of default:

- the borrower is past due more than 90 days on any material credit obligation; or
- the borrower is unlikely to pay its credit obligations to the Bank in full.

When assessing if the borrower is unlikely to pay its credit obligations, the Bank takes into account both qualitative and quantitative indicators.

Loans in default are classified as Stage 3 assets. The loan will remain classified as either Stage 2 or Stage 3 until the credit risk has improved such that it no longer represents a significant increase since origination (for a return to Stage 1), or the loan is no longer credit impaired (for a return to Stage 2).

Forward looking factors - ECL's are calculated as an unbiased and probability-weighted estimate using an appropriate probability of default, adjusted to take into account a range of possible future economic scenarios, and applying this to the estimated exposure of the Bank at the point of default after taking into account the value of any collateral held, repayments, or other mitigants of loss and including the impact of discounting using the effective interest rate.

When assessing the Bank's assets with respect to credit risk and calculating the ECL forward looking macroeconomic factors are considered. These will include various economic variables such as forecasted house price valuations, unemployment rate, GDP, inflation and interest rates. These variables are used in determining the positive and negative stress scenarios that are used to calculate the overall ECL provision.

1. ACCOUNTING POLICIES (CONTINUED)

i) Impairment of financial assets (continued)

Write-off policy - A loan or advance is written off, either partially or in full, against the related allowance when the proceeds from realising any available security have been received or there is no realistic prospect of recovery and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of impairment losses recorded in the income statement.

For property lending, a write-off occurs if the loan facility with the customer is restructured, the asset is under administration and the only monies that can be received are the amounts estimated by the administrator, the underlying assets are disposed of and a decision is made that no further settlement monies will be received, or external evidence (for example, third party valuations) is available that there has been an irreversible decline in expected cash flows.

j) Financial liabilities

A financial liability is any liability that is a contractual obligation to deliver cash or other financial asset to another entity. In the case of Jordan International Bank these include deposits by shareholder banks, deposits by other banks, deposits from customers, other financial liabilities and accruals.

Financial liabilities are measured at amortised cost using the effective interest method.

The Bank will derecognise a financial liability when, and only when, the Bank's obligations are discharged, cancelled or they expire.

k) Derivative instrument

The Bank uses derivative financial instruments to hedge its exposures to foreign exchange risk. The Bank does not hold or issue derivative financial instruments for speculative purposes.

Derivative financial instruments are measured at fair value with gains or losses arising from changes in their fair value being recognised in profit and loss. Derivative fair values are determined using market data. Where there is no quoted price in an active market for an instrument, fair value is derived from prices for the derivative's components using appropriate pricing and valuation models.

An embedded derivative in a host contract is accounted for as a stand-alone derivative if its economic characteristics and risks are not closely related to the economic characteristics and risks of the host contract and the embedded derivative meets the definition of a derivative, unless the entire contract is carried at fair value through profit and loss. FRS 102 permits the adoption of this treatment.

The Bank does not use hedge accounting in accounting for its derivative financial instruments.

l) Contingent liabilities

Contingent liabilities are possible obligations arising from past events or a present obligation arising from past events where it is not probable that there will be a transfer of economic benefit. The Bank has contingent liabilities arising from irrevocable confirmed letters of credit issued for trade related transactions, guarantees issued, acceptances and undrawn commitments from structured property facilities. These are not recognised but are disclosed in note 34 unless the possibility of an outflow of economic resources is remote.

1. ACCOUNTING POLICIES (CONTINUED)

m) Critical accounting judgements and key sources of estimation uncertainty

In the application of the Bank's accounting policies, which are described in the section above, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The most important areas where the directors use critical accounting estimates and judgements in applying the Bank's accounting policies are as follows:

Critical accounting judgements - The Bank uses various assumptions when estimating ECL. Judgement is applied in determining the assumptions including those that relate to key drivers of credit risk. This includes:

- *Significant increase in credit risk* - As explained in note 1(h) above and note 30, ECL is measured as an allowance equal to 12-month ECL for Stage 1 assets, or lifetime ECL assets for Stage 2 or Stage 3 assets. An asset moves to Stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased, the Bank takes into account qualitative and quantitative reasonable and supportable forward-looking information.
- *Default definition* - The definition of a default event has been disclosed in note 1(i).

Key sources of estimation uncertainty - The following are key estimations that the directors have used in the process of applying the Bank's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

- *Loss Given Default* - Loss Given Default (LGD) is an estimate of the loss arising on default. It is based on the difference between contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

  The Bank takes collateral where a loan to a customer is a property finance transaction, either for development or investment purposes. The Bank will take a 'first charge' against the asset in question and other charges/guarantees as and when required. At the year-end, the Bank held collateral valued at £388m against total customer loans of £201m (2020: collateral £352m: loans £180m).

  The Bank ensures that newly underwritten lending cases are written to, and structured against, appropriate valuations, where an independent assessment is carried out by an appointed, qualified surveyor accredited by RICS. These valuations are reviewed on an ongoing basis for accuracy and appropriateness with reference to market data including recognised House Price Index and other data sources. The valuation will be subject to formal review and update, as appropriate, where a material change is proposed or the market data indicates material movements in market prices or upon a significant credit risk event.

1. ACCOUNTING POLICIES (CONTINUED)

m) Critical accounting judgements and key sources of estimation uncertainty (continued)

The collateral is subject to sensitivity analysis on an individual basis as part of the loan underwriting and approval process. In addition the collateral for every loan is stress tested as part of portfolio analysis on a regular basis throughout the loan life cycle for inter alia a severe fall in market values.

- *Deferred tax asset* - The Bank uses various assumptions with regard to both revenue and expenditure when forecasting future reportable profits over the period up to and including 2026. Assumptions include expected returns on equity, steady increases in profit before tax, operating income and a reduction in its cost to income ratio. (see note 8).
- *Going concern* - The key assumptions used in the going concern assessment and its sensitivity analysis is disclosed in the Going Concern section within the Directors' Report on page 16.

n) Equity

Equity is represented by ordinary paid up share capital, share premium and retained reserves which reflect the revaluation of those assets and liabilities, which are recorded at their fair values.

o) Tangible fixed assets

All items purchased by the Bank, which under FRS 102 are considered as tangible fixed assets, are to be considered for inclusion in the fixed asset register. Single items costing less than £500 will generally be treated as an expense item, unless the Bank already owns a number of similar items, which collectively cost over £500 in which case the items are classified as a fixed asset.

Tangible fixed assets (except Leasehold property and leasehold improvements) are depreciated over a five year period, from the date that the asset is brought into use. Leasehold property and improvements are depreciated over the life of the lease. Depreciation is charged monthly on a straight-line basis per FRS 102. Any residual value or discount on the purchase price or 'rent-free' period in the case of a leasehold property is taken into account when determining the depreciation charge. Fixed assets are held in the Bank's ledger system at 'cost'. The ledger also records the accumulated depreciation on the asset as a separate item. The item is removed from the ledger if sold or is no longer in use and any profit/loss is taken to profit and loss at that time.

Fixed assets are considered for impairment on an annual basis.

Typical tangible fixed assets relevant to the Bank are:

- office furniture (desks, chairs, cupboards);
- computer equipment (PCs, screens), software and licences (other than for a single year); and
- office fit-out costs (carpets, walls, decorating, cabling).

Office fit-out costs are amortised over the life of the relevant lease term. All other fixed assets are amortised over 5 years.

1. ACCOUNTING POLICIES (CONTINUED)

p) Taxation

Tax expense comprises current and deferred tax.

Current tax is the amount of corporate income taxes expected to be payable or recoverable based on the profit for the period as adjusted for items that are not taxable or not deductible and provided at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of income and expenditure in taxation computations in periods different from those in which they are included in financial statements.

A deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

q) Pension costs

The Bank operates a defined contribution scheme. The amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Any differences between contributions payable in the year and contributions actually paid would be shown as either accruals or prepayments in the balance sheet (note 32).

r) Operating leases

Rentals paid under operating leases are charged to profit and loss statement on a straight-line basis over the lease term.

s) Cash

Cash comprises cash on hand and demand deposits.

t) Cash equivalents

Cash equivalents are defined as short-term highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value. Such investments would have a maturity of 3 months or less.

2. SEGMENTAL INFORMATION

The Bank has one main activity, commercial banking, which is carried out in the United Kingdom.

3. NET INTEREST INCOME

Net interest income during the year was as follows:

	2021 £'000's	2020 £'000's
INTEREST AND SIMILAR INCOME FROM DEBT SECURITIES		
Financial assets at fair value through other comprehensive income	**1,130**	2,136
Debt securities held at amortised cost	**897**	873
	2,027	3,009
OTHER INTEREST INCOME AND SIMILAR INCOME		
Loans and advances to banks	**949**	1,544
Loans and advances to customers	**11,048**	9,959
Total interest receivable	**11,997**	11,503
INTEREST PAYABLE		
Deposits from banks	**(529)**	(2,073)
Deposits from customers	**(1,988)**	(2,718)
Total interest expense	**(2,517)**	(4,791)
Net interest expense	**11,507**	9,721

4. ADMINISTRATIVE EXPENSES

Staff costs including directors:

	2021 £'000's	2020 £'000's
Salaries	**4,632**	4,145
Social security costs	**558**	508
Other pension costs (note 32)	**504**	510
	5,694	5,163
Other administrative expenses	**327**	319
	6,021	5,482

4. ADMINISTRATIVE EXPENSES (CONTINUED)

In line with Companies Act requirements the average number of persons employed by the Bank in 2021 was 50 (2020: 48), made up as follows:

	2021 No,	2020 No.
Private banking	**5**	4
Corporate banking	**7**	7
Treasury and dealing activities	**5**	5
Support staff	**33**	32
	50	48

5. OTHER OPERATING CHARGES

	2021 £'000's	2020 £'000's
Communication costs	**299**	250
Premises costs	**1,270**	1,308
Other costs	**2,362**	2,051
	3,931	3,609

6. DIRECTORS' EMOLUMENTS

The aggregate amount of emoluments paid to directors consisted of:

	2021 £'000's	2020 £'000's
Fees	**238**	237
Salaries and other payments	**369**	479
Other remuneration	**319**	56
	926	772

Of the above, emoluments paid to non-executive directors were £238k (2020: £237k) and emoluments paid to executive directors were £688k (2020:£535). Included in other remuneration is a non-recurring payment of £274k (2020 £Nil).

6. DIRECTORS' EMOLUMENTS (CONTINUED)

Emoluments paid and contributions paid into a money purchase pension scheme on behalf of the highest paid director during 2021 were £460k (2020: £314k) and £23k (2020: £31k) respectively. Monies were paid into a money purchase pension scheme in respect of 2 executive directors. The total value of contributions paid to a money purchase pension scheme in respect of directors qualifying services amounted to £45k (2020: £51k). The Bank does not operate a defined benefit scheme.

During the year the Bank paid £160k (2020: £160k) to its parent company for services performed by its representatives on the Bank's Board of Directors.

For the purposes of this disclosure, it has been determined that, excluding directors (executive and non-executive), there are no key management personnel. Consequently, the emoluments disclosed above include those emoluments earned by directors only.

7. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit is stated after (crediting)/charging:

	Notes	2021 £'000's	2020 £'000's
(i) Income:			
Foreign exchange gains		**(23)**	(28)
Net loss on financial assets and liabilities;			
– designated at fair value through profit and loss		**~**	~
(ii) Charges:			
Impairment charge/(recovery)	13	**449**	368
Other gains	14	**~**	~
Depreciation on owned assets	17	**583**	548
Statutory auditors' remuneration;			
– Statutory audit of financial statements		**150**	144
– Audit related assurance services		**~**	17
– Other		**~**	30
		150	191
(iii) Compliance work/consultancy cost:			
– Taxation		**20**	23
– Other services		**3**	~
		33	23
Rental on land and buildings	33	**717**	717

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

Based on profit for the year:

	2021 £'000's	2020 £'000's
United Kingdom corporation tax	**367**	292
Adjustments in respect of prior periods	**1**	(2)
	368	290
Deferred tax – current year	**142**	105
Deferred tax – prior year adjustment	**~**	(44)
Deferred tax – rate change (from 19% to 24.2%)	**(539)**	(233)
Total tax charge for the year	**(29)**	118

The total taxation charge for the year is lower than the standard rate of corporation tax in the UK at 19% (2020: 19%). The differences are explained as follows:

Statement of other comprehensive income:

	2021 £'000's	2020 £'000's
Gross FVOCI movement	**(954)**	578
Deferred tax	**135**	(134)
Net FVOCI movement	**(819)**	444

Tax reconciliation:

	2021 £'000's	2020 £'000's
Profit on ordinary activities before tax	**2,717**	2,061
Tax charge on profit on ordinary activities at 19% (2020: 19%)	**516**	391
Effects of:		
– Expenses not deductible for tax purposes	**12**	6
– FVOCI reserve movements	**~**	~
– Difference between actual and expected tax rates	**(539)**	(233)
– Adjustments to prior years	**1**	(46)
– Enhanced tax reliefs	**(19)**	(46)
Total tax charge for the year	**(29)**	118

8. TAX ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

The movement on deferred taxation balance in the period is:

	2021 £'000's	2020 £'000's
Opening balance	**1,761**	1,723
(Charge)/credit to profit and loss account	**396**	172
(Charge)/credit to other comprehensive income	**135**	(134)
Closing balance	**2,292**	1,761
Analysis of deferred tax balance:		
Accelerated capital allowances	**(181)**	(127)
Tax losses	**2,647**	2,201
Short-term timing differences	**(174)**	(313)
Deferred tax assets recognised	**2,292**	1,761

Based on the Bank's forecasts, the deferred tax asset is expected to be utilised as follows:

Amounts due within one year	**177**	108
Amounts due in greater than one year	**2,115**	1,653
Total tax charge for the year	**2,292**	1,761

The Government in the Spring 2021 budget increased the corporation tax rate to 25% from 1 April 2023. This change has been substantially enacted at the balance sheet date, and included when calculating the Bank's deferred tax asset.

There is no expiry on the underlying timing differences that make up the deferred tax asset.

9. LOANS AND ADVANCES TO SHAREHOLDER BANKS AT AMORTISED COST

Repayable	2021 £'000's	2020 £'000's
– on demand	**24,964**	14,724
– within 3 months	**~**	20,384
Expected credit loss – Stage 1 (see note 12)	**(7)**	(9)
	24,957	35,099

As at 31 December 2021, loans and advances to shareholder banks amounting to £24.957m (2020: £35.099m) were classified in Stage 1.

10. LOANS AND ADVANCES TO OTHER BANKS AT AMORTISED COST

Repayable	2021 £'000's	2020 £'000's
– on demand	**20,009**	22,116
– within three months	**6,296**	9,359
– between three months and one year	**10,376**	3,208
Expected credit loss – Stage 1 (see note 12)	**(301)**	(83)
	36,380	34,600

As at 31 December 2021, loans and advances to other banks amounting to £36.38m (2020: £34.6m) were classified in Stage 1.

11. LOANS AND ADVANCES TO CUSTOMERS AT AMORTISED COST

Repayable	2021 £'000's	2020 £'000's
– on demand	**355**	9
– within three months	**63,247**	42,771
– between three months and one year	**57,301**	70,980
– between one and five years	**80,384**	66,754
Expected credit loss – Stage 1 (see note 12)	**(100)**	(112)
Expected credit loss – Stage 2 (see note 12)	**(94)**	~
	201,093	180,402

As at 31 December 2021, loans and advances to customers amounting to £193.730m (2020: £180.402m) was classified in Stage 1, £7.363m (2020: £nil) in Stage 2 and £nil (2020: £nil) in Stage 3.

12. IMPAIRMENT ALLOWANCES

ANALYSIS OF TOTAL MOVEMENT IN PROVISIONS	2021 £'000's	2020 £'000's
Balance at 1 January	**950**	582
Charge to profit and loss account	**449**	368
Balance at 31 December	**1,399**	950

Analysis of the movement in the allowance for impairment losses by Stages. The table shown above includes those relating to loans and advances to banks, loans and advances to customers, loans and advances to shareholders and debt securities measured at amortised cost and FVOCI.

2021	Stage 1 £'000's	Stage 2 £'000's	Stage 3 £'000's	Total £'000's
In respect of drawn balances				
Balance at 1 January	**564**	**256**	**~**	**820**
– Transfers to Stage 1	**~**	**~**	**~**	**~**
– Transfers to Stage 2	**(254)**	**254**	**~**	**~**
– Transfers to Stage 3	**~**	**~**	**~**	**~**
– Charge/(credit) to the income statement (see note 13)	**482**	**(323)**	**~**	**159**
At 31 December 2021	**792**	**187**	**~**	**979**

2020	Stage 1 £'000's	Stage 2 £'000's	Stage 3 £'000's	Total £'000's
In respect of drawn balances				
Balance at 1 January	462	56	~	518
– Transfers to Stage 1	~	~	~	~
– Transfers to Stage 2	(19)	19	~	~
– Transfers to Stage 3	~	~	~	~
– Charge/(credit) to the income statement (see note 13)	121	181	~	302
At 31 December 2020	564	256	~	820

12. IMPAIRMENT ALLOWANCES (CONTINUED)

The table represents an analysis by Stage of undrawn commitments outstanding as at 31 December 2021.

2021	Stage 1 £'000's	Stage 2 £'000's	Stage 3 £'000's	Total £'000's
In respect of undrawn balances				
Balance at 1 January	**130**	**~**	**915**	**1,045**
– Transfers to Stage 1	**~**	**~**	**~**	**~**
– Charge to the income statement (see note 13)	**(14)**	**67**	**~**	**53**
– Other movement	**~**	**~**	**11**	**11**
Balance 31 December 2021	**116**	**67**	**926**	**1,109**

2020	Stage 1 £'000's	Stage 2 £'000's	Stage 3 £'000's	Total £'000's
In respect of undrawn balances				
Balance at 1 January	63	1	900	964
– Transfers to Stage 1	~	~	~	~
– Charge to the income statement (see note 13)	67	(1)	~	66
– Other movement	~	~	15	15
Balance 31 December 2020	130	~	915	1,045

12. IMPAIRMENT ALLOWANCES (CONTINUED)

A breakdown of expected credit loss on each financial asset is summarised below in the table:

ANALYSIS OF EXPECTED CREDIT LOSS ALLOWANCE BY CLASS	Notes	2021 £'000's	2020 £'000's
Loans and advances to shareholder banks	9	**7**	9
Loans and advances to other banks	10	**301**	83
Loans and advances to customers	11	**194**	112
Debt securities at amortised cost	16	**205**	115
Debt securities at FVOCI	16	**272**	501
ECL on undrawn commitments	34	**1,109**	1,045
TOTAL		**2,088**	1,865

There were four transfers between stages 1 and 2 during 2021 and these comprise one security and three property development loans. Transfers between stages are deemed to have taken place at the start of the reporting period, with all other movements shown in the stage in which the asset is held at 31 December. Net increase and decrease in balances comprise the movements in the expected credit loss because of new loans originated and repayments of outstanding balances throughout the reporting period.

Interest on impaired financial assets

Interest on impaired financial assets is not recognised into profit until such time as management believes that the credit risk has substantially improved or monies due on the loan have been fully recovered.

Collateral repossessed

No collateral was repossessed during the year (2020: Nil).

Financial assets pledged as collateral

The Bank gave no security during the year for any liabilities shown on the balance sheet.

13. PROVISION FOR EXPECTED CREDIT LOSSES

	Notes	2021 £'000's	2020 £'000's
Increase in ECL – drawn balances	12	**(396)**	(302)
Increase in ECL - undrawn balances	12	**(53)**	(66)
Release of provision		**~**	~
Other movements/charges		**~**	~
		(449)	(368)

14. OTHER GAINS

During 2021 no other gains were realised (2020 - £nil).

15. CONCENTRATIONS OF CREDIT RISK

The Bank's balance sheet is widely diversified geographically and industrially. The following geographical concentrations are considered significant:

	2021 £'000's	2020 £'000's
UK	**242,999**	226,805
OECD	**70,662**	62,882
Jordan	**40,565**	47,309
Middle East	**10,531**	12,517
Middle East	**1,926**	1,970
Other	**17,571**	20,146
	384,254	371,629

Country exposures considered material within "Other" category include Brazil, Indonesia, China, India and Australia.

15. CONCENTRATIONS OF CREDIT RISK (CONTINUED)

The following industry concentrations are considered significant:

	2021 £'000's	2020 £'000's
Government/Quasi-Government	**71,971**	71,926
Banks	**87,191**	87,712
Property	**201,076**	180,392
Other	**24,016**	31,599
	384,254	371,629

16. DEBT SECURITIES

2021	Govt securities £'000's	Other debt securities £'000's	Total £'000's
Amortised cost	**5,607**	**19,518**	**25,125**
Financial assets measured at fair value through other comprehensive income	**63,974**	**16,749**	**80,723**
Expected credit losses	**(454)**	**(23)**	**(477)**
At 31 December 2021	**69,127**	**36,244**	**105,371**
2020			
Amortised cost	3,652	22,032	25,684
Financial assets measured at fair value through other comprehensive income	67,105	15,826	82,931
Expected credit losses	(592)	(24)	(616)
At 31 December 2020	70,165	37,834	107,999

16. DEBT SECURITIES (CONTINUED)

The movement on debt securities held within the Bank's investment portfolio is as follows:

2021	Amortised Cost £'000's	FVOCI £'000's	Total £'000's
At 1 January	**25,585**	**82,414**	**107,999**
Additions*	**3,735**	**75,010**	**78,745**
Disposals and maturities	**(4,551)**	**(76,340)**	**(80,891)**
Exchange adjustment	**186**	**384**	**570**
Revaluation	**~**	**(954)**	**(954)**
Expected credit loss allowance (see note 12)	**(90)**	**(8)**	**(98)**
At 31 December 2021	**24,865**	**80,506**	**105,371**

2020	Amortised Cost £'000's	FVOCI £'000's	Total £'000's
At 1 January	20,845	100,072	120,917
Additions*	6,018	96,096	102,114
Disposals and maturities	~	(112,570)	(112,570)
Exchange adjustment	(1,276)	(1,507)	(2,783)
Revaluation	~	578	578
Expected credit loss allowance (see note 12)	(2)	(255)	(257)
At 31 December 2020	25,585	82,414	107,999

* *There were no high quality liquid assets (HQLA) included within additions (2020: £3.66m) which have an original maturity of three months or less.*

17. TANGIBLE FIXED ASSETS

	Furniture, fittings and office equipment £'000's	Improvement to leasehold premises £'000's	Total £'000's
COST			
At 1 January 2021	**3,712**	**758**	**4,470**
Additions	**447**	**~**	**447**
Disposals	**~**	**~**	**~**
At 31 December 2021	**4,159**	**758**	**4,917**
DEPRECIATION			
At 1 January 2021	**2,497**	**208**	**2,705**
Charge for the year	**506**	**77**	**583**
Disposals	**~**	**~**	**~**
At 31 December 2021	**3,003**	**285**	**3,288**
NET BOOK VALUE			
At 31 December 2021	**1,156**	**473**	**1,629**
At 31 December 2020	1,215	550	1,765

18. OTHER ASSETS

	Notes	2021 £'000's	2020 £'000's
Other receivables		**784**	1,492
Derivatives at fair value	29	**577**	~
		1,361	1,492

19. DEPOSITS BY SHAREHOLDER BANKS

Repayable	2021 £'000's	2020 £'000's
– on demand	**10,703**	11,261
– within three months	**37,661**	32,051
– between three months and one year	**46,023**	55,972
– between one and five years	**~**	~
	94,387	99,284

20. DEPOSITS BY OTHER BANKS

Repayable	2021 £'000's	2020 £'000's
– on demand	**17,577**	4,535
– within three months	**39,589**	33,755
– between three months and one year	**25,215**	26,391
– between one and five years	**~**	~
	82,381	64,681

21. CUSTOMER ACCOUNTS

Repayable	2021 £'000's	2020 £'000's
– on demand	**18,273**	17,047
– within three months	**12,312**	11,366
– between three months and one year	**72,928**	74,508
– between one and five years	**6,897**	8,677
	110,410	111,598

22. OTHER LIABILITIES

	2021 £'000's	2020 £'000's
Derivatives at fair value (note 29)	**20**	705
Tax and social security	**145**	137
Other	**2,260**	2,201
	2,425	3,043

The 'Other' category includes a provision against a contingent guarantee amounting to £0.93m (2020: £0.9m). The amount is included in the expected credit allowance in note 12.

23. SUMMARY OF FINANCIAL ASSETS AND LIABILITIES

2021	FVOCI £'000's	FVTPL £'000's	Financial assets at Amortised cost £'000's	Financial liabilities at Amortised cost £'000's	Total £'000's
FINANCIAL ASSETS					
Cash	~	~	**132**	~	**132**
Nostros	~	~	**8,531**	~	**8,531**
Loans and advances to shareholder banks	~	~	**24,957**	~	**24,957**
Loans and advances to other banks	~	~	**36,380**	~	**36,380**
Loans and advances to customers	~	~	**201,093**	~	**201,093**
Debt securities	**80,506**	~	**24,865**	~	**105,371**
Other assets	~	**577**	**784**	~	**1,361**
Accrued income	~	~	**1,719**	~	**1,719**
	80,506	**577**	**298,461**	~	**379,544**
FINANCIAL LIABILITIES					
Deposits from shareholder banks	~	~	~	**94,387**	**94,387**
Deposits from other banks	~	~	~	**82,381**	**82,381**
Deposits from customers	~	~	~	**110,410**	**110,410**
Other liabilities	~	**20**	~	**2,405**	**2,425**
Accruals	~	~	~	**1,332**	**1,332**
	~	**20**	~	**290,915**	**290,935**

23. SUMMARY OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

2020	FVOCI £'000's	FVTPL £'000's	Financial assets at Amortised cost £'000's	Financial liabilities at Amortised cost £'000's	Total £'000's
FINANCIAL ASSETS					
Cash	~	~	116	~	116
Nostros	~	~	6,049	~	6,049
Loans and advances to shareholder banks	~	~	35,099	~	35,099
Loans and advances to other banks	~	~	34,600	~	34,600
Loans and advances to customers	~	~	180,402	~	180,402
Debt securities	82,414	~	25,585	~	107,999
Other assets	~	~	1,492	~	1,492
Accrued income	~	~	1,652	~	1,652
	82,414	~	284,995	~	367,409
FINANCIAL LIABILITIES	~	~	~	99,284	99,284
Deposits from shareholder banks	~	~	~	64,681	64,681
Deposits from other banks	~	~	~	111,598	111,598
Deposits from customers	~	705	~	2,338	3,043
Other liabilities	~	~	~	1,631	1,631
Accruals	~	705	~	279,532	280,237

24. CALLED-UP SHARE CAPITAL

CALLED-UP, ALLOTTED AND FULLY PAID:	2021 £'000's	2020 £'000's
65,000,000 (2020: 65,000,000) ordinary shares of £1 each	**65,000**	65,000

25. SHARE PREMIUM

	2021 £'000's	2020 £'000's
At 31 December	**316**	316

26. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS FUNDS AND RESERVES

	2021 £'000's	2020 £'000's
SHARE CAPITAL		
Opening share capital	**65,000**	65,000
Closing share capital	**65,000**	65,000
SHARE PREMIUM		
Opening share premium	**316**	316
Closing share premium	**316**	316
PROFIT AND LOSS		
Profit and loss at 1 January	**24,624**	22,681
Profit for the financial year	**2,746**	1,943
Profit and loss at 31 December	**27,370**	24,624
SECURITIES REVALUATION RESERVE		
Opening revaluation reserve	**1,452**	1,008
Transfer to Profit & Loss	**~**	237
Tax effect	**135**	(134)
Revaluation	**(954)**	341
Closing revaluation reserve	**633**	1,452

27. RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2021 £'000's	2020 £'000's
Operating profit before tax	**2,717**	2,061
Adjustments:		
– Interest income on debt securities	**(2,027)**	(3,009)
– Interest income on loans and advances	**(11,997)**	(11,503)
– Interest expense on deposits	**2,517**	4,791
– Depreciation	**583**	548
– Write-off of tangible fixed assets	**~**	~
– Fair value changes in financial assets	**~**	~
– Provision for expected credit losses	**449**	368
– Net effect of foreign exchange rate changes	**(4,381)**	2,836
OPERATING CASH FLOW BEFORE MOVEMENT IN WORKING CAPITAL	**(12,139)**	(3,908)
Changes in operating assets and liabilities:		
– Net (increase)/decrease in loans and advances - cost	**(18,283)**	(22,500)
– Net (decrease) in deposits	**11,614**	(14,406)
– Net increase in prepayments and accrued income	**(163)**	(156)
– Net (increase)/decrease in other assets	**131**	(1,022)
– Net increase in other liabilities	**(618)**	1,073
– Net decrease in accruals and deferred income	**(299)**	(563)
CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES	**(19,757)**	(41,482)
Interest received on loans and advances	**11,768**	11,522
Corporation tax paid	**(230)**	(390)
Interest paid on deposits	**(2,787)**	(5,506)
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES	**(11,006)**	(35,856)

28. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS AS SHOWN IN THE BALANCE SHEET

	2021 £'000's	2020 £'000's	Change in year £'000's
Cash	**132**	116	16
Nostros	**8,531**	6,049	2,482
Loans and advances to shareholder banks (less than 3 months maturity)	**24,957**	35,074	(10,117)
Loans and advances to other banks (less than 3 months maturity)	**26,305**	22,117	4,188
Debt securities (less than 3 months maturity)	**~**	3,659	(3,659)
	59,925	67,015	(7,090)

As at 31 December 2021 the Bank held assets totalling £59.925m (2020: £67.01m) which fell within the definition of cash equivalents as laid out in FRS 102. Cash equivalents are defined as short-term highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value. Such investments would have an original maturity of three months or less.

29. DERIVATIVES AT FAIR VALUE

2021	Notional Amounts £'000's	Fair Value Assets £'000's	Fair Value Liabilities £'000's
Exchange rate contracts:			
Contract or underlying principal amount	**43,827**	**577**	**20**

2020	Notional Amounts £'000's	Fair Value Assets £'000's	Fair Value Liabilities £'000's
Exchange rate contracts:			
Contract or underlying principal amount	35,354	~	705

The Bank enters into derivative instruments for managing foreign exchange exposures. The fair value of derivatives is included within other assets and other liabilities in the balance sheet.

29. DERIVATIVES AT FAIR VALUE (CONTINUED)

Types of derivatives and their use

Foreign exchange

The Bank uses foreign exchange swaps and cross currency swaps to eliminate currency risk on long or short currency requirements. In order to reflect the true economic impact to the Bank of the hedge, internal swaps are entered into in addition to the relevant swap with the counterparty. These derivatives are revalued daily and any change in their fair value is recognised immediately in profit and loss.

The Bank enters into foreign exchange forward contracts as protection against fluctuations in foreign exchange rates.

Interest rate swaps

When appropriate the Bank uses interest rate swaps to hedge the potential exposure to adverse interest rate movements on the funding of a bond or other fixed rate asset, by converting fixed rate receipts to floating rate receipts.

30. RISK MANAGEMENT

Governance Framework

The Bank regards the monitoring and controlling of risk as a fundamental part of the management process and, accordingly, involves its most senior staff in developing the overarching risk management framework and risk policies. Market, credit, liquidity and operational risks are inherent in the Bank's core business. The evaluation of these risks and the setting of policies are carried out as appropriate through the Board, the Executive Committee, senior management or internal audit.

Risk principles

The following principles guide the Bank's overall approach to risk management:

- The Board sets the overall risk appetite for the Bank.
- Risk management is structured around the Bank's principal risk categories.
- The Bank maintains a robust Risk Appetite Framework, managed to a consistent appetite using an approved set of metrics.
- The Bank regularly undertakes stress tests to ensure that its business remains sustainable.

The Board that determines the overall risk appetite for the Bank has two Board sub-committees that support the Board as follows:

The Audit Committee is a non-executive committee that supports the Board in carrying out its responsibilities for financial reporting and in respect of internal and external audit. The Committee monitors the ongoing process of the identification, evaluation and management of all significant risks throughout the Bank. The Committee also receives the Bank's annual report from the external auditor. The Committee is supported by Internal Audit, which provides an independent assessment of the adequacy and effectiveness of the Bank's internal controls. Internal Audit has direct access to the Chairman of the Audit committee. The Chairman is an independent non-executive director.

The Risk Committee is a non-executive committee that supports the Board in carrying out its responsibilities in respect of the identification and management of issues relating to the Bank's risks. The Chairman is an independent non-executive director.

The day-to-day management of the Bank is undertaken by the Executive Committee.

30. RISK MANAGEMENT (CONTINUED)

Risk principles (continued)

The Executive Committee exercises both credit and operational authority as well as oversight for the Bank. It reviews credit applications falling within its agreed credit authority. These credit applications are received from the Bank's credit department accompanied by business proposals from departmental heads. Those applications that fall outside of its delegated credit authority are recommended to the Board of Directors for final approval. The Committee is also responsible for IT and operational matters as well as implementing a risk management framework consistent with the Board's risk appetite.

Risk Management Framework

The Risk Management Framework (RMF) defines the Bank's overall approach to risk. The RMF is the Bank's foremost risk document and is approved by the Board. The RMF describes risk management roles and responsibilities, and outlines the Bank's approach to each material risk to which it is exposed.

The Bank's risk governance structure determines that the Board and senior management are accountable for overall risk management.

Three lines of defence

The Bank employs a "three lines of defence" model to segregate responsibilities between 1) risk management as part of its business activities, 2) risk oversight and 3) independent assurance.

First line of defence - Business lines

The first line of defence comprises income-generating departments that are not part of the Risk or Internal Audit function.

Second line of defence – Risk function

- Develop robust frameworks and policies to manage risk;
- Supports the first line with embedding risk frameworks and policies;
- Owns the Bank's relationship with regulators;
- Co-ordinates the Bank's approach to setting and reporting on risk appetite; and
- Oversees the delivery of material risk management processes, such as the Internal Capital Adequacy Assessment Process ("ICAAP"), Internal Liquidity Adequacy Assessment Process ("ILAAP"), the Recovery Plan and Resolution Pack.

Third line of defence – Internal audit

- Provide independent assurance to the Board that the first and second line functions are properly discharging their risk management responsibilities;
- Validates the appropriateness of risk management controls and governance; and
- Tracks audit actions to completion.

30. RISK MANAGEMENT (CONTINUED)

Risk Appetite Framework

The Risk Appetite Framework (RAF) supports the Bank's strategic objectives. In defining key risk metrics, underpinned by triggers and limits, it underpins the Bank's approach to monthly risk reporting to senior management.

Risk Appetite Statement

All principal risks are identified in the Risk Appetite Statement (RAS), with each having a qualitative risk appetite statement and, where appropriate, quantitative metrics to measure the Bank's tolerance and appetite for risk. The suite of risk appetite metrics enables monitoring of the risk profile against appetite and is reported to the Board and its committees on a periodic basis. The Bank's risk appetite is set by the Board and embedded down to each business line.

Stress testing

Stress testing is an important risk management tool, with specific approaches documented for the Bank's key annual assessments including the ("ICAAP"), ("ILAAP"), the Recovery Plan and Resolution Pack.

Principal risks

The principal risks that the Bank manages are as follows:

Capital risk – Inadequate capital to support the business and meet regulatory requirements and sub-optimal quantity or quality of capital, or that capital is inefficiently deployed. From the assessment on the impact of COVID-19, the Bank will continue to have adequate capital to meet regulatory requirements and to meet its business needs.

Liquidity risk – Insufficient funds to meet obligations and liabilities as they fall due. From the assessment on the impact of COVID-19 the Bank will continue to have sufficient liquidity to meet its future obligations and liabilities as they fall due.

Conduct risk – the harm caused to the Bank, its clients or counterparties because of the inappropriate execution of the Bank's business activities.

Business/Strategic risk – Poor business and strategic planning that increase the risk across the whole Bank.

Credit risk (including property development risk) – the risk arising from the possibility that the Bank will incur losses from the failure of customers to meet their obligations in accordance with agreed terms. The Bank has assessed the impact of COVID-19 on its property loan book, securities, trade finance exposures and its other exposures both in terms of capital and in terms of liquidity. The Bank recognises that losses on any individual property loan could have a material impact on annual profits and the Bank's capital position and therefore adopts a largely manual credit underwriting process, supported by models, employing experienced first and second line of defence personnel with each and every loan assessed by ExCo. In addition to close monitoring of individual property loan exposures the portfolio undergoes regular stress testing. The Bank is regularly calculating and reviewing the expected credit loss provision as it recognises that it could be impacted by a higher ECL provision.

Concentration risk – risks that arise from exposure to customers having similar characteristics in terms of the geographic location in which they operate or the industry sector in which they are engaged, such that their ability to discharge contractual obligations may be similarly affected by changes in political, economic or other conditions. The Bank is satisfied that it is not unduly exposed to those sectors most affected by COVID-19 related lockdowns.

30. RISK MANAGEMENT (CONTINUED)

Principal risks (continued)

Market risk (including interest rate risk) – the Bank is exposed to market risk because of the positions held in its banking book, off and on-balance sheet. Specifically the risk of a reduction in the value of an asset arising from a change in interest rates and the related opportunity cost of lowered revenue where income is fixed for a period.

Foreign exchange risk – the risk that the value of the Bank's assets and liabilities change due to changes in currency exchange rates.

Operational risk – the risks associated and arising from the failure of people, processes, systems or external events such as COVID-19 pandemic. The Bank's operational processes and contingency measures have proved to be resilient in the face of COVID-19.

Regulatory risk – the risk arising from failing to meet the requirements and expectations of the Bank's regulators, or from a failure to address or implement any change in these requirements or expectations.

Financial crime risk – failure to identify and prevent fraud or dishonesty, misconduct in, or misuse of information relating to the handling of the proceeds of crime.

Other price risk – the risk that the value of the Bank's investment or its investment portfolio will decline in the future due to risks outside those listed above.

Forbearance

At various points throughout the year the Bank may provide temporary support to borrowers by way of deferral of interest payment cover or, minor changes to the amortisation profile. There were no loans in forbearance (2020: nil) that have a material impact on the risk profile.

Credit risk

Key principles of credit risk management

- All policies relating to credit risk are reviewed and approved by the Board of Directors. The Board Risk Committee and the Board oversee credit risk on a quarterly basis.
- Approval of all credit exposures must be granted prior to any advance or extension of credit.
- An appropriate credit risk assessment of the customer and related credit facilities must be undertaken prior to approval of the credit exposure. This must include a review of, amongst other things, the purpose of the credit and sources of repayment, affordability, repayment history, ability to repay and sensitivity to economic and market developments. In relation to loans for development purposes, the most significant risk faced is the ability of the borrower to complete the construction project on time and on budget. For this reason, the Bank only extends this type of facility to experienced property developers.
- The Board approves all large credit exposures.
- All credit exposures, once approved, must be effectively monitored, managed and reviewed periodically against approved limits. Lower quality exposures are subject to a greater frequency of analysis and assessment, which may include the placement onto the Bank's credit watch list.

Activities undertaken by the Bank that give rise to credit risk include granting loans to customers, placing deposits with other entities, purchasing securities, providing financial guarantees and entering into derivative contracts.

30. RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

Significant increase in credit risk

The Bank monitors all financial assets that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Bank will measure the loss allowance based on lifetime rather than 12-month ECL. The Bank considers an increase of two internal grades to represent a significant increase in credit risk.

The Bank's credit risk grading framework comprises 10 categories, which are defined using qualitative and quantitative factors that are indicative of risk of default. Each exposure is allocated to a credit risk grade at initial recognition, based on the available information about the counterparty, and is updated to reflect current information. For each asset class, the Bank considers all assets not subject to a specific provision to be eligible for a credit allowance as per IFRS 9 methodology. Assets subject to a specific provision are typically graded 9 to 10.

The Bank considers an increase of two internal credit grades to represent a significant increase in credit risk. However, the Bank recognises that this measure is not linear. For example, a two notch downgrade from an initial credit grade of 3 to 5 at the valuation date can be seen as a significant increase in credit risk, whilst a two notch downgrade from an initial credit grade of 1 to 3 at the valuation date could be interpreted as not being a significant increase in credit risk as a credit grade of 3 at the valuation date is potentially of a high enough credit grade to continue to consider this asset within a Stage 1 category. In addition, the Bank considers that if an account's contractual payments are more than 30 days past due then a significant increase in credit risk has taken place.

The table below provides a mapping of the Bank's internal credit risk grades to external ratings:

Bank's credit risk grades	Moody's rating	Description	Internal classification
1	Aaa-Aa3	High Grade	Performing
2	A1-A3	Upper medium grade	Performing
3	Baa1-Baa2	Medium grade	Performing
4	Baa3	Lower medium grade	Performing
5	Ba1-Ba3	Non-investment grade	Performing
6	B1-B3	Highly speculative	Performing - marginal
7	Caa1-Caa3	Substantial risks	Vulnerable
8	Ca	Extremely speculative	Sub-standard
9	Ca	Default imminent	Doubtful
10	C	In default	Impaired

30. RISK MANAGEMENT (CONTINUED)

Credit risks (continued)

The following causes can indicate deterioration, and potentially an increase in credit risk, of an exposure.

The following data are typically used to monitor the Bank's exposures:

- Payment record
- Changes in business and financial conditions
- Credit rating information supplied by rating agencies
- Review of audited statements
- Market data.

Incorporation of forward looking information

The Bank uses forward-looking information in its assessment of a significant increase of credit risk as well as in its measurement of ECL.

Measurement of ECL

The main components used for measuring ECL are:

- *Probability of default (PD)* – An estimate of the likelihood of default over a given time horizon.
- *Loss given default (LGD)* – An estimate of the loss arising on default is based on the difference between the contractual cash flows due and those that the Bank would expect to receive, taking into account cash flows from any collateral.
- *Exposure at default (EAD)* – An estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities. The Bank takes collateral where a loan to a customer is a property finance transaction, either for development or investment purposes. The Bank will take a 'first charge' against the asset in question and other charges/guarantees as and when required. At the year-end, the Bank held collateral valued at £389m against total customer loans of £201m (2020: collateral £352m: loans £180m).

30. RISK MANAGEMENT (CONTINUED)

Credit quality: Ageing analysis

LOANS AND ADVANCES AT AMORTISED COST	At 31 December 2021 Loans and advances to customers £'000's	At 31 December 2021 Loans and advances to banks £'000's	At 31 December 2020 Loans and advances to customers £'000's	At 31 December 2020 Loans and advances to banks £'000's
Neither past due nor impaired	**201,287**	**61,646**	180,514	69,791
Past due but not impaired				
– less than 3 months	**~**	**~**	~	~
– 3 to 12 months	**~**	**~**	~	~
– 1 to 5 years	**~**	**~**	~	~
Impaired	**~**	**~**	~	~
Expected credit loss allowance	**(194)**	**(308)**	(112)	(92)
Carrying amount	**201,093**	**61,338**	180,402	69,699

LOANS AND ADVANCES TO SHAREHOLDER BANKS AT AMORTISED COST 2021	Stage 1 – 12 month ECL £'000's	Stage 2 – Lifetime ECL £'000's	Stage 3 – Lifetime ECL £'000's	Total ECL £'000's
Grades 1-5: Performing	**24,964**	**~**	**~**	**24,964**
	24,964	**~**	**~**	**24,964**
ECL allowance	**(7)**	**~**	**~**	**(7)**
Carrying amount	**24,957**	**~**	**~**	**24,957**

LOANS AND ADVANCES TO SHAREHOLDER BANKS AT AMORTISED COST 2020	Stage 1 – 12 month ECL £'000's	Stage 2 – Lifetime ECL £'000's	Stage 3 – Lifetime ECL £'000's	Total ECL £'000's
Grades 1-5: Performing	35,108	~	~	35,108
	35,108	~	~	35,108
ECL allowance	(9)	~	~	(9)
Carrying amount	35,099	~	~	35,099

30. RISK MANAGEMENT (CONTINUED)

Credit quality: Ageing analysis (continued)

LOANS AND ADVANCES TO OTHER BANKS 2021	Stage 1 – 12 month ECL £'000's	Stage 2 – Lifetime ECL £'000's	Stage 3 – Lifetime ECL £'000's	Total ECL £'000's
Grades 1-5: Performing	**45,212**	**~**	**~**	**45,212**
	45,212	**~**	**~**	**45,212**
ECL allowance	**(301)**	**~**	**~**	**(301)**
Carrying amount	**44,911**	**~**	**~**	**44,911**

LOANS AND ADVANCES TO OTHER BANKS 2020	Stage 1 – 12 month ECL £'000's	Stage 2 – Lifetime ECL £'000's	Stage 3 – Lifetime ECL £'000's	Total ECL £'000's
Grades 1-5: Performing	34,683	~	~	34,683
	34,683	~	~	34,683
ECL allowance	(83)	~	~	(83)
Carrying amount	34,600	~	~	34,600

30. RISK MANAGEMENT (CONTINUED)

Credit quality: Ageing analysis (continued)

LOANS AND ADVANCES TO CUSTOMERS AT AMORTISED COST 2021	Stage 1 – 12 month ECL £'000's	Stage 2 – Lifetime ECL £'000's	Stage 3 – Lifetime ECL £'000's	Total ECL £'000's
Grades 1-5: Performing	**193,829**	**~**	**~**	**193,829**
Grade 6: Performing-marginal	**~**	**6,004**	**~**	**6,004**
Grade 7: Vulnerable	**~**	**1,454**	**~**	**1,454**
Grade 8: Substandard	**~**	**~**	**~**	**~**
Grade 9: Doubtful	**~**	**~**	**~**	**~**
Grade 10: Impaired	**~**	**~**	**~**	**~**
	193,829	**7,458**	**~**	**201,287**
ECL allowance	**(100)**	**(94)**	**~**	**(194)**
Carrying amount	**193,729**	**7,364**	**~**	**201,093**

LOANS AND ADVANCES TO CUSTOMERS AT AMORTISED COST 2020	Stage 1 – 12 month ECL £'000's	Stage 2 – Lifetime ECL £'000's	Stage 3 – Lifetime ECL £'000's	Total ECL £'000's
Grades 1-5: Performing	179,665	~	~	179,665
Grade 6: Performing-marginal	~	~	~	~
Grade 7: Vulnerable	849	~	~	849
Grade 8: Substandard	~	~	~	~
Grade 9: Doubtful	~	~	~	~
Grade 10: Impaired	~	~	~	~
	180,514	~	~	180,514
ECL allowance	(112)	~	~	(112)
Carrying amount	180,402	~	~	180,402

30. RISK MANAGEMENT (CONTINUED)

Credit quality: Ageing analysis (continued)

31 DECEMBER 2021 DEBT SECURITIES AT AMORTISED COST	Stage 1 – 12 month ECL £'000's	Stage 2 – Lifetime ECL £'000's	Stage 3 – Lifetime ECL £'000's	Total ECL £'000's
Grades 1-5: Performing	**19,641**	~	~	**19,641**
Grade 6: Performing-marginal	**5,484**	~	~	**5,484**
Grade 7: Vulnerable	~	~	~	~
Grade 8: Substandard	~	~	~	~
Grade 9: Doubtful	~	~	~	~
Grade 10: Impaired	~	~	~	~
	25,125	~	~	**25,125**
ECL allowance	**(205)**	~	~	**(205)**
Carrying amount	**24,920**	~	~	**24,920**

31 DECEMBER 2020 DEBT SECURITIES AT AMORTISED COST	Stage 1 – 12 month ECL £'000's	Stage 2 – Lifetime ECL £'000's	Stage 3 – Lifetime ECL £'000's	Total ECL £'000's
Grades 1-5: Performing	22,032	~	~	22,032
Grade 6: Performing-marginal	3,652	~	~	3,652
Grade 7: Vulnerable	~	~	~	~
Grade 8: Substandard	~	~	~	~
Grade 9: Doubtful	~	~	~	~
Grade 10: Impaired	~	~	~	~
	25,684	~	~	25,684
ECL allowance	(115)	~	~	(115)
Carrying amount	25,569	~	~	25,569

30. RISK MANAGEMENT (CONTINUED)

Credit quality: Ageing analysis (continued)

31 DECEMBER 2021 DEBT SECURITIES AT FVOCI	Stage 1 – 12 month ECL £'000's	Stage 2 – Lifetime ECL £'000's	Stage 3 – Lifetime ECL £'000's	Total ECL £'000's
Grades 1-5: Performing	**72,900**	**1,904**	**~**	**74,804**
Grade 6: Performing-marginal	**5,919**	**~**	**~**	**5,919**
Grade 7: Vulnerable	**~**	**~**	**~**	**~**
Grade 8: Substandard	**~**	**~**	**~**	**~**
Grade 9: Doubtful	**~**	**~**	**~**	**~**
Grade 10: Impaired	**~**	**~**	**~**	**~**
	78,819	**1,904**	**~**	**80,723**
ECL allowance	**(179)**	**(93)**	**~**	**(272)**
Carrying amount	**78,640**	**1,811**	**~**	**80,451**

31 DECEMBER 2020 DEBT SECURITIES AT FVOCI	Stage 1 – 12 month ECL £'000's	Stage 2 – Lifetime ECL £'000's	Stage 3 – Lifetime ECL £'000's	Total ECL £'000's
Grades 1-5: Performing	74,842	1,854	~	76,696
Grade 6: Performing-marginal	6,235	~	~	6,235
Grade 7: Vulnerable	~	~	~	~
Grade 8: Substandard	~	~	~	~
Grade 9: Doubtful	~	~	~	~
Grade 10: Impaired	~	~	~	~
	81,077	1,854	~	82,931
ECL allowance	(246)	(255)	~	(501)
Carrying amount	80,831	1,599	~	82,430

30. RISK MANAGEMENT (CONTINUED)

Credit Quality: Neither past due nor impaired

LOANS AND ADVANCES	At 31 December 2021 Loans and advances to customers £'000's	At 31 December 2021 Loans and advances to banks £'000's	At 31 December 2020 Loans and advances to customers £'000's	At 31 December 2020 Loans and advances to banks £'000's
Investment grade	**~**	**~**	~	29,082
Non-investment grade	**~**	**25,533**	~	20,649
Unrated	**201,093**	**35,805**	180,402	19,968
Maximum credit exposure	**201,093**	**61,338**	180,402	69,699

Debt securities by rating agency designation is summarised below

	At 31 December 2021 Government securities £'000's	At 31 December 2021 Other debt securities £'000's	At 31 December 2020 Government securities £'000's	At 31 December 2020 Other debt securities £'000's
AAA to A+	**53,459**	**10,658**	49,519	8,120
A or lower	**15,712**	**25,542**	20,646	29,714
Unrated	**~**	**~**	~	~
	69,171	**36,200**	70,165	37,834
Impaired	**~**	**~**	~	~
Maximum credit exposure	**69,171**	**36,200**	70,165	37,834

Liquidity risk

Liquidity risk management within the Bank focuses on both the overall balance sheet structure and the day-to-day control, within prudent limits, of risk arising from the mismatch of maturities across the balance sheet and from undrawn commitments and other contingent obligations.

The management of liquidity risk within the Bank is undertaken within limits and other policy parameters set by the Board of Directors. The Executive Committee monitors adherence to internal policies. Compliance, in respect of internal policy, is monitored and co-ordinated daily, with the regulatory requirements of the Prudential Regulation Authority (PRA) being co-ordinated by the Senior Manager, Financial Reporting.

To protect the Bank and its depositors against liquidity risk, the Bank maintains a liquidity buffer, which is based on the Bank's liquidity needs under stressed conditions. The liquidity buffer is monitored to ensure there is sufficient liquid assets at all times to cover cash flow movements and fluctuations in funding, enabling the Bank to meet all financial obligations and to support anticipated asset growth.

30. RISK MANAGEMENT (CONTINUED)

Liquidity risk (continued)

Analysis of liquidity buffer

The Bank's liquidity position remains strong and comfortably in excess of the regulatory minimum and internal risk appetite. At 31 December 2021, the Bank had sufficient highly liquid unencumbered LCR eligible assets. These assets are available to meet cash and net cash outflows and PRA regulatory requirements. In addition to the Bank's money market funding less than one year to maturity the LCR eligible assets provide an additional buffer in the event of market dislocation.

Funding sources

Shareholder bank deposits and other bank deposits continue to represent the core of the Bank's funding; short-term wholesale funds increased during 2021 by 8% to £177m (2020: £164m). Funding from customer accounts decreased by 2% during 2021 to £110m (2020: £112m).

Contingency funding

The Bank's contingency funding plan is considered as part of the Bank's Internal Liquidity Adequacy Assessment Process (ILAAP), which has been designed to identify emerging liquidity problems at an early stage, so that mitigating actions can be taken to avoid the possibility of a serious liquidity crisis developing.

Contingency funding plans have been established in the event of a "liquidity crisis" and management remains confident of the Bank's ability to manage its liquidity requirements effectively in all such circumstances. With the current situation at the time of writing with respect to the COVID-19 pandemic, the Bank has done an assessment on its funding to the end of June 2023. The Bank is confident that it has sufficient liquidity and contingency funding. Please refer to the going concern section under the Directors' Report. The Bank's stress testing policy is also considered as part of the Bank's ILAAP. The going concern analysis has been extended to the end of June 2023.

Stress testing

As part of its stress testing of its access to sufficient liquidity, the Bank regularly evaluates the potential impact on liquidity and possible cash flow mismatch positions from a variety of scenarios, including short-term (up to one month) and longer-term horizons. This forms an important part of the Bank's internal risk appetite. The scenarios and assumptions are reviewed periodically to ensure that they continue to be relevant to the nature of the business including reflecting emerging risks to the Bank.

Daily risk management

The Bank's day-to-day risk management activity is to ensure access to sufficient liquidity to meet its cash flow obligations within both short-term and long-term horizons. The mainly short-term maturity structure of the Bank's liabilities is managed on a daily basis to ensure that all material cash flow obligations and potential cash flows arising from undrawn commitments and other contingent obligations can be met as they arise from day-to-day, whether from cash flows, maturing assets, new borrowing or from the sale of LCR eligible assets.

30. RISK MANAGEMENT (CONTINUED)

Liquidity risk (continued)

Cash flows payable by the Bank under financial liabilities

The table below summarises the Bank's remaining undiscounted contractual maturities for its financial liabilities.

AT 31 DECEMBER 2021	On demand £'000's	Due within 3 months £'000's	Due between 3 and 12 months £'000's	Due between 1 and 5 years £'000's	Due after 5 years £'000's	Total £'000's
Non-derivative financial instruments						
Deposits by shareholder banks	**10,703**	**37,661**	**46,023**	**~**	**~**	**94,387**
Deposits by other banks	**17,524**	**39,642**	**25,215**	**~**	**~**	**82,381**
Customer accounts	**18,325**	**12,381**	**72,934**	**6,771**	**~**	**110,411**
Derivative instruments	**~**	**~**	**~**	**~**	**~**	**~**
Contingent liabilities and commitments	**~**	**4,040**	**26,862**	**18,514**	**~**	**49,416**
	46,552	**93,724**	**171,034**	**25,285**	**~**	**336,595**

AT 31 DECEMBER 2020	On demand £'000's	Due within 3 months £'000's	Due between 3 and 12 months £'000's	Due between 1 and 5 years £'000's	Due after 5 years £'000's	Total £'000's
Non-derivative financial instruments						
Deposits by shareholder banks	11,261	32,051	55,972	~	~	99,284
Deposits by other banks	4,535	33.755	26,391	~	~	64,681
Customer accounts	17,047	11,366	74,508	8,677	~	111,598
Derivative instruments	~	~	~	~	~	~
Contingent liabilities and commitments	~	3,098	28,784	14,089	~	45,971
	32,843	80,270	185,655	22,766	~	321,534

The balances in the above tables will not agree directly to the balances in the balance sheet as the table incorporates all cash flows on an undiscounted basis, relating just to principal and not future interest coupon payments.

30. RISK MANAGEMENT (CONTINUED)

Liquidity risk (continued)

Assets available to meet these liabilities and to cover outstanding commitments include:

	At 31 December 2021		At 31 December 2020	
	£'000's	Repayable within 1 year £'000's	£'000's	Repayable within 1 year £'000's
Cash and nostros	**8,663**	**6,165**	6,165	6,165
Loans and advances to shareholder banks	**24,957**	**24,957**	35,099	35,099
Loans and advances to other banks	**36,380**	**36,380**	34,600	34,600
	£'000's	Of which HQLA £'000's	£'000's	Of which HQLA £'000's
Debt securities	**105,371**	**53,459**	107,999	73,997

High Quality Liquid Assets (HQLA) meet the criteria defined under Prudential Regulation Authority (PRA) guidelines. None of these assets were pledged to secure liabilities.

Undrawn loan commitments at 31 December 2021 stood at £37,042k (2020: £37,134k).

Jordan International Bank plc would meet unexpected net cash outflows primarily by seeking additional funding from its shareholders, the interbank market or disposing of debt securities or other liquid instruments.

Market risk

The Bank is exposed to market risk because of its banking positions. Market risk comprises three types of risk: currency, interest and other price risk.

Market risk is the risk that movements in market risk factors, including foreign exchange rates, interest rates and credit spreads will reduce the Bank's income or the value of its portfolios. The management of market risk is principally undertaken by the Executive Committee (ALCO) using risk limits approved by the Board of Directors.

Please refer to the going concern section under the Directors' Report for the impact assessment of the COVID-19 pandemic.

30. RISK MANAGEMENT (CONTINUED)

Foreign exchange risk

The Bank does not have any significant proprietary positions in any foreign currencies and accordingly there is no significant impact on the income statement or equity as a result of foreign exchange rate fluctuations. Foreign exchange risks are controlled through monitoring against limits approved by the Board of Directors. In general assets are typically funded in the same currency as that of the business being transacted to eliminate exchange exposures or are covered by forward foreign exchange contracts. Compliance with position limits is independently monitored on an ongoing basis.

Sensitivity analysis of foreign exchange risk

The tables below summarise what effect a percentage change in exchange rates against sterling, the Bank's functional currency, will have on the Bank's assets and liabilities denominated in the principal currencies (US$'s and Euros) traded by the Bank as at the reporting date.

			% change in US$/£ exchange rate			
			-10%	-20%	+10%	+20%
US DOLLARS	**US$'000's**	**£'000's**	**£'000's**	**£'000's**	**£'000's**	**£'000's**
AT 31 DECEMBER 2021						
Total assets	**151,731**	**112,444**	**124,937**	**140,555**	**102,222**	**93,703**
Total liabilities	**(241,699)**	**(179,116)**	**(199,018)**	**(223,895)**	**(162,833)**	**(149,263)**
Forward contracts	**58,941**	**43,680**	**48,533**	**54,599**	**39,709**	**36,400**
Net	**(31,027)**	**(22,992)**	**(25,548)**	**(28,741)**	**(20,902)**	**(19,160)**
Movement	**~**	**~**	**(2,556)**	**(5,749)**	**2,090**	**3,832**

			% change in Euro/£ exchange rate			
			-10%	-20%	+10%	+20%
EUROS	**Eur'000's**	**£'000's**	**£'000's**	**£'000's**	**£'000's**	**£'000's**
AT 31 DECEMBER 2021						
Total assets	**11,606**	**9,739**	**10,821**	**12,173**	**8,853**	**8,116**
Total liabilities	**(10,105)**	**(8,479)**	**(9,421)**	**(10,599)**	**(7,708)**	**(7,066)**
Forward contracts	**(1,500)**	**(1,259)**	**(1,399)**	**(1,573)**	**(1,144)**	**(1,049)**
Net	**1**	**1**	**1**	**1**	**1**	**1**
Movement	**~**	**~**	**~**	**~**	**~**	**~**

30. RISK MANAGEMENT (CONTINUED)

US DOLLARS	US$'000's	£'000's	% change in US$/£ exchange rate -10% £'000's	-20% £'000's	+10% £'000's	+20% £'000's
AT 31 DECEMBER 2020						
Total assets	180,245	132,048	146,719	165,059	120,043	110,040
Total liabilities	(254,108)	(186,160)	(206,844)	(232,700)	(169,236)	(155,133)
Forward contracts	43,565	31,916	35,462	39,895	29,015	26,597
Net	(30,298)	(22,196)	(24,663)	(27,745)	(20,178)	(18,497)
Movement	~	~	(2,467)	(5,550)	2,018	3,700

EUROS	Eur'000's	£'000's	% change in Euro/£ exchange rate -10% £'000's	-20% £'000's	+10% £'000's	+20% £'000's
AT 31 DECEMBER 2020						
Total assets	7,922	7,136	7,929	8,920	6,488	5,947
Total liabilities	(10,492)	(9,450)	(10,500)	(11,813)	(8,591)	(7,875)
Forward contracts	2,570	2,314	2,571	2,893	2,103	1,928
Net	~	~	~	~	~	~
Movement	~	~	~	~	~	~

Interest rate risk

Interest rate risk arises primarily from the Bank's non-trading portfolio including treasury activities and private, corporate and institutional banking businesses.

Treasury

The Bank's treasury activities include its money market business and the management of internal funds flow within the Bank's businesses.

Private, corporate and institutional banking

Structural interest rate risk arises in these activities where assets and liabilities have different re-pricing dates. It is the Bank's policy to minimise the sensitivity of net interest income to changes in interest rates. A maturity gap report is produced as at month-end for all the major currencies to which the Bank is exposed.

Sensitivity of projected net interest income

The following tables below set out the impact on future net interest income and the economic values of assets of a 200 basis points upwards movement in yield curves at the reporting date in sterling and US dollars. A corresponding downwards movement would incur very similar opposite results. Other currencies have been excluded from the table on the basis of non-materiality. The gaps shown represent the net of floating rate assets and liabilities up to 12 months. Gap amounts represent net asset/liabilities for each time bucket.

30. RISK MANAGEMENT (CONTINUED)

Sensitivity of projected net interest income (continued)

Change in projected net interest income arising from a shift in yield curves of:

POUNDS STERLING	2021 Gap £'000's	2021 Net interest £'000's	2020 Gap £'000's	2020 Net interest £'000's
Up to 15 days	**64,631**	**574**	82,784	698
15 days to 1 month	**(7,468)**	**(143)**	1,847	(34)
1 – 2 months	**5,140**	**58**	19,823	217
2 – 3 months	**76,569**	**985**	21,202	254
3 – 4 months	**(27,237)**	**(386)**	(22,621)	(320)
4 – 5 months	**(1,022)**	**(13)**	(2,532)	(32)
5 – 6 months	**(5,105)**	**(55)**	1,485	16
6 – 9 months	**1,069**	**8**	(3,348)	(25)
9 – 12 months	**(12,428)**	**(31)**	(3,502)	(9)
TOTAL	**94,149**	**997**	95,138	765

Change in projected net interest income arising from a shift in yield curves of:

US DOLLARS	2021 Gap US$ 000's	2021 Net interest US$ 000's	2020 Gap US$ 000's	2020 Net interest US$ 000's
Up to 15 days	**12,237**	**237**	36,355	712
15 days to 1 month	**(683)**	**(13)**	13,733	257
1 – 2 months	**(4,125)**	**(71)**	(10,283)	(180)
2 – 3 months	**(19,997)**	**(314)**	(16,241)	(257)
3 – 4 months	**(63,373)**	**(889)**	(70,021)	(992)
4 – 5 months	**(2,692)**	**(33)**	(31,849)	(398)
5 – 6 months	**4,328**	**46**	3,662	40
6 – 9 months	**9,399**	**70**	(5,478)	(41)
9 – 12 months	**(4,017)**	**(10)**	(5,638)	(14)
TOTAL	**(68,923)**	**(977)**	(85,760)	(873)

30. RISK MANAGEMENT (CONTINUED)

Operational risk

Operational risk is defined as the risk arising in an organisation from:

- **People** – risks arising from an inappropriate level of staff and inadequately skilled or managed staff
- **Process** – risk caused by inadequate or failed processes
- **System** – risks of inadequately designed or maintained systems
- **Assets** – risk of damage, misappropriation or theft of the Bank's assets.

Operational risk is managed by the risk management department, the objective of which is to ensure compliance with policies and procedures. Risk management monitors operational risk as part of the overall risk management framework, taking mitigating action where necessary.

Regulatory risk

Regulatory risk is the risk arising from the failure to meet the requirements of regulators. To mitigate this risk the Bank remains vigilant in keeping abreast of all regulatory developments including capital, large exposures and liquidity management and those relating to anti-money laundering and "Know Your Customer" (KYC).

Capital risk

Measurement

The Bank measures the amount of capital it requires and holds through applying the regulatory framework defined by the Capital Requirements Directive and Regulation (CRD IV) as implemented in the UK by the Prudential Regulation Authority (PRA) and supplemented through additional regulation under the PRA Rulebook. Further details of the Banks's regulatory capital and leverage frameworks, including the means by which its capital and leverage requirements and capital resources are calculated, will be provided in the Bank's Pillar 3 Report. The framework for capital requirements is structured around three "pillars": minimum capital requirements, supervisory review process and market discipline.

The minimum amount of total capital, under Pillar 1 of the regulatory framework, is set at 8% of total risk-weighted assets. These minimum Pillar 1 requirements are supplemented by additional minimum requirements under Pillar 2A of the regulatory framework and a number of regulatory capital buffers as described below.

Additional minimum requirements under Pillar 2A are set by the PRA as a firm-specific Individual Capital Requirement (ICR) reflecting a point in time estimate, which may change over time, of the minimum amount of capital that is needed by the Bank to cover risks that are not fully covered by Pillar 1, such as credit concentration and operational risk, and those risks not covered at all by Pillar 1, such as pensions and interest rate risk in the banking book (IRRBB). The Bank is not subject to any externally imposed capital requirements.

The Bank is prepared for the changes arising from the revised rules on capital and liquidity (CRR2/CRDV) which took effect on 1 January 2022.

Details of the Bank's capital buffers (including its countercyclical capital buffer) are contained within the Bank's Pillar 3 document, which will be available on its website (www.jordanbank.co.uk).

30. RISK MANAGEMENT (CONTINUED)

Capital risk (continued)

Capital management and allocation

Banking book on and off-balance sheet items giving rise to credit risk are categorised into credit exposure classes with risk weighting determined by predetermined credit steps (credit rating categories). In allocating credit steps to assets in the standardised credit risk exposure classes the Bank uses Moody's as its nominated external credit assessment institution (ECAI).

With respect to Pillar 1 minimum capital requirements for credit risk (including counterparty risk), the Bank follows the 'standardised approach'. This involves applying pre-determined risk weightings to assets in accordance to their allocated "credit step" for that particular credit exposure class. For the purpose of capital allocation, the process of using credit steps involves the allocation of external credit ratings into bands ("steps").

With regards to capital requirements for operational risk, the Bank has adopted the basic indicator approach. The Bank also allocates capital against market risk and further counterparty risk (CVA – credit valuation adjustment).

Capital management

It is the Bank's policy to maintain a strong capital base to support the development of its business and to meet regulatory requirements at all times. The principal forms of capital are included in the following balances on the Bank's balance sheet: called up share capital; share premium; securities revaluation reserve and retained earnings.

The Executive Committee is key to the Bank's Internal Capital Adequacy Assessment Process (ICAAP). It assesses the capital required over and above the Pillar 1 requirement to withstand all risks (Pillar 2 adjustment).

In arriving at the Pillar 2 assessment, the Executive Committee will consider current and expected market conditions, the control environment and the risk appetite of the Bank. It will then propose capital allocation to product lines accordingly. The total capital required to withstand risks arising from current and planned business is subjected to stress testing and scenario analysis. The Board provides considerable challenge to the ICAAP assumptions and projected outcomes, this being a fundamental part of the capital allocation process.

The PRA supervises Jordan International Bank on a solo basis and as such receives information on the capital adequacy of the Bank. In implementing the EU's Banking Consolidation Directive, the PRA requires each bank to maintain adequate capital resources to meet its various capital requirements under Pillar 1 and Pillar 2. Jordan International Bank's capital consists of Tier 1 qualifying capital only.

Tier 1 capital

This comprises shareholders funds including share capital, share premium, securities revaluation reserve (non-equity) and retained earnings. The PRA's rules permit the inclusion of profits/(losses) in Tier 1 capital to the extent they have been verified in accordance with the PRA's General Prudential Sourcebook.

31. FAIR VALUES OF FINANCIAL INSTRUMENTS

Set out below is a year-end comparison of current fair values and book values of the Bank's financial instruments ("instruments") by category.

	Non-trading book	
AT 31 DECEMBER 2021	**Book value £'000's**	**Fair value £'000's**
ASSETS		
Loans and receivables at amortised cost	**262,430**	**262,430**
Debt securities at amortised cost	**24,865**	**25,498**
Debt securities at FVOCI	**80,506**	**80,506**
LIABILITIES		
Deposits by banks and customers at amortised cost	**287,178**	**287,178**

	Non-trading book	
AT 31 DECEMBER 2020	**Book value £'000's**	**Fair value £'000's**
ASSETS		
Loans and receivables at amortised cost	250,101	250,101
Debt securities at amortised cost	25,585	26,683
Debt securities at FVOCI	82,414	82,414
LIABILITIES		
Deposits by banks and customers at amortised cost	275,563	275,563

31. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value measurements recognised in the balance sheet

Fair values of financial assets and financial liabilities are determined as follows:

- The fair values of financial assets and liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices. Other non-derivative financial assets and liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions based on quoted prices for debt securities and dealer quotes for similar instruments.
- Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- *Level 1* – The best evidence of fair value is a quoted price for an identical asset in an active market.
- *Level 2* – When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the entity can demonstrate that the last transaction price is not a good estimate of fair value (e.g. because it reflects the amount that an entity would receive or pay in a forced transaction, involuntary liquidation or distress sale), that price is adjusted.
- *Level 3* – If the market for the asset is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, an entity estimates the fair value by using a valuation technique. The objective of using a valuation technique is to estimate what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations.

	2021			
31 DECEMBER 2021	**Level 1 £'000's**	**Level 2 £'000's**	**Level 3 £'000's**	**Total £'000's**
FINANCIAL ASSETS AT FVTPL				
Exchange rate contracts	**577**	~	~	**577**
FINANCIAL ASSETS MEASURED AT FAIR VALUE				
Debt securities	**80,507**	~	~	**80,507**
FINANCIAL LIABILITIES AT FVTPL				
Exchange rate contracts	**(20)**	~	~	**(20)**
	81,064	~	~	**81,064**

31. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value measurements recognised in the balance sheet (continued)

	2020			
31 DECEMBER 2020	**Level 1 £'000's**	**Level 2 £'000's**	**Level 3 £'000's**	**Total £'000's**
FINANCIAL ASSETS AT FVTPL				
Exchange rate contracts	~	~	~	~
AVAILABLE-FOR-SALE FINANCIAL ASSETS				
Debt securities	82,414	~	~	82,414
FINANCIAL LIABILITIES AT FVTPL				
Exchange rate contracts	(704)	~	~	(704)
	81,710	~	~	81,710

32. PENSION SCHEME

The Bank operates a defined contribution scheme. The assets are held in a group personal pension plan and are separate from those of the Bank. This plan is independently administered. The pension cost charge of £504,210 (2020: £510,009) represents contributions payable by the Bank to the fund and associated group life insurance premiums. All pension liabilities were fully satisfied at the year-end.

33. OPERATING LEASE COMMITMENTS

At 31 December, the Bank was committed to making the following minimum payments during the next year in respect of non- cancellable operating leases:

	Land and buildings	
	2021 £'000's	**2020 £'000's**
Leases which expire not later than one year	**~**	~
Leases which expire between one and five years	**~**	~
Leases which expire later than five years	**717**	717

34. CONTINGENT LIABILITIES

The Bank has contingent liabilities arising from opened, confirmed letters of credit, guarantees issued, acceptances, and from undrawn commitments arising from outstanding structured property facilities.

The following table details the Bank's off-balance sheet exposures at 31 December.

OFF-BALANCE SHEET ITEMS	2021 £'000's	2020 £'000's
Acceptances	**~**	~
Guarantees and irrevocable letters of credit	**11,448**	7,920
Undrawn commitments	**37,042**	37,134
	48,490	45,054

The Bank has letters of credit totalling £11,448k (2020: £7,920k). These exposures have maturity dates of less than 1 year and the Bank considers the likelihood of any outflow to be remote. The Bank has no acceptances as at 31 December 2021 (2020: £nil) or letters of guarantee (2020: £nil).

The Bank also has undrawn loan facilities totalling £37,042k (2020: £37,134k) relating to the structured finance lending product. These facilities are drawn as the underlying development project proceeds towards completion and it is anticipated that the majority of the undrawn facilities will be drawn before the facilities mature. The exact timing of drawdowns cannot be ascertained as this is determined by the cash flow requirements of each project. The total contingent liability is composed of £27,197k (2020: £23,045k) relating to facilities expiring in less than 1 year and £22,219k (2020: £14,089k) relating to facilities maturing in 1 to 5 years. A stage analysis of the Bank's undrawn contingent liabilities together with associated loss allowance calculated under IFRS 9 is shown on the following page.

34. CONTINGENT LIABILITIES (CONTINUED)

31 DECEMBER 2021	Stage 1 – 12 month ECL £'000's	Stage 2 – Lifetime ECL £'000's	Stage 3 – Lifetime ECL £'000's	Total ECL £'000's
CONTINGENT LIABILITIES – BANKS & CUSTOMERS				
Grades 1-5: Performing	43,882	~	~	43,882
Grade 6: Performing-marginal	~	3,436	~	3,436
Grade 7: Vulnerable	~	1,172	~	1,172
Grade 8: Substandard	~	~	~	~
Grade 9: Doubtful	~	~	~	~
Grade 10: Impaired	~	~	926	926
	43,882	4,608	926	49,416
ECL allowance (see note 12)	(116)	(67)	(926)	(1,109)
Carrying amount	43,766	4,541	~	48,307

31 DECEMBER 2020	Stage 1 – 12 month ECL £'000's	Stage 2 – Lifetime ECL £'000's	Stage 3 – Lifetime ECL £'000's (Restated)*	Total ECL £'000's
CONTINGENT LIABILITIES – BANKS & CUSTOMERS				
Grades 1-5: Performing	44,901	~	~	44,901
Grade 6: Performing-marginal	~	~	~	~
Grade 7: Vulnerable	153	~	~	153
Grade 8: Substandard	~	~	~	~
Grade 9: Doubtful	~	~	~	~
Grade 10: Impaired	~	~	915	~
	45,054	~	915	45,054
ECL allowance (see note 12)	(130)	~	(915)	(1,045)
Carrying amount	44,924	~	~	44,926

35. RELATED PARTY TRANSACTIONS

Other than for the transactions with the shareholder banks included in note 9 (Loans to Shareholder Banks - 2021: £24,957k; (2020 £35,099k) and 19 (Deposits by Shareholder Banks – 2021: £94,387k (2020: £99,284k) there have been no related party transactions during 2021. All transactions with shareholder banks are undertaken on commercial terms and there have been no changes in these terms during the year. Emoluments paid to non-executive and executive directors of the Bank are detailed in note 6.

Included within net interest income is £644,605 (2020: £909,589) in interest income from the Bank's shareholders and £208,165 (2020: £620,954) in interest expense paid to the Bank's shareholders.

During the year the Bank paid £160k (2020: £160k) to its parent company for services performed by its representatives on the Bank's Board of Directors. All equity balances are attributable to the Bank's shareholders, The Housing Bank for Trade and Finance (75%), and Arab Jordan Investment Bank (25%).

36. CONTROLLING PARTY

The immediate parent and holding company, and the ultimate controlling party, is The Housing Bank for Trade and Finance, a company incorporated and listed in Jordan. It is the only parent company preparing group consolidated financial statements. Its registered address is:

Al-Shumaysani-Prince Shelter Bin Zaid Street
Amman
Jordan

PO Box: (7693), Postal code (11118) - Jordan

Copies of their accounts are available from their website at www.hbtf.com.

37. CAPITAL REQUIREMENTS DIRECTIVE IV ("CRD IV") – COUNTRY BY COUNTRY REPORTING

During 2014, the UK Government enacted legislation (contained in the Financial Services and Markets Act 2000 Statutory Instrument 3118) which requires CRD IV regulated institutions to publish the following information. The Bank falls within the scope of these regulations and accordingly the disclosures for the year ended 31 December 2021 are set out below:

	Entity name/activity	Jordan International bank - Classified as a commercial bank	
	2021	UK	Total
a)	Operating income	**£13,701,000**	**£13,701,000**
b)	Average number of employees	**50**	**50**
c)	Profit before tax	**£2,717,000**	**£2,717,0000**
d)	Corporation tax paid	**£229,560**	**£229,560**
e)	Public subsidies received	**nil**	**nil**

	2020	UK	Total
a)	Operating income	£12,068,000	£12,068,000
b)	Average number of employees	48	48
c)	Profit before tax	£2,061,000	£2,061,000
d)	Corporation tax paid	£390,000	£390,0000
e)	Public subsidies received	nil	nil

38. POST BALANCE SHEET EVENTS

PRA Regulated mortgage application

The escalation of events in Ukraine and the elevated uncertainty of how the situation will unfold has negatively impacted the Russian bond markets and the UK, US and EU have responded to the Russia–Ukraine conflict with severe financial, energy and technology sanctions on Russia. The Bank holds a US$2.5m fixed rate energy bond issued in Luxembourg with ultimate Russian country risk. The bond will mature in July 2022. At the time of issuing these financial statements the bond issuer was not directly affected by the sanctions on Russia and other bonds with the same issuer have not defaulted and repaid in full at maturity post the sanctions being in place.

The Board continues to monitor the performance of the bond and the potential impact of sanctions. Based on the information available to the Board, at the time of issuing these financial statements, the Board estimated the potential impact on ECL, based on recent market data and concluded that the impact would not be material and has therefore not made any adjustments to the ECL as at 31 December 2021.

39. CORPORATE INFORMATION

Jordan International Bank Plc is a Public Limited Company, incorporated in the United Kingdom and registered in England and Wales. Its Company Registration Number is 01814093.

The company's registered office is:

Almack House
26-28 King Street
London
SW1Y 6QW

40. PILLAR 3 DISCLOSURES

The Bank's Pillar 3 disclosures can be found at www.jordanbank.co.uk.

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