Pillar 3 Report 2022

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1. INTRODUCTION

1.1 Overview of the Bank

Jordan International Bank Plc ('the Bank' or 'JIB') was incorporated in England as a public company limited by shares in 1984. The current shareholders of JIB are the Housing Bank for Trade and Finance (HBTF) holding 75% of the shares and Arab Jordan Investment Bank (AJIB) holding the remaining 25% of the shares.

The Housing Bank for Trade and Finance, one of the largest commercial banks in Jordan, is a listed company with its shares traded on the Amman stock exchange. Arab Jordan Investment Bank, also listed on the Amman stock exchange, is a leading investment and commercial bank in Jordan. Both AJIB and HBTF have a number of overseas subsidiaries and branches, the majority of which are located in the MENA (Middle East and North Africa) region.

Jordan International Bank Plc does not have subsidiary companies.

1.2 Business activities

JIB's mission is to be a highly professional and competent UK banking partner by way of offering value to its targeted customer base. The Bank, which is located in London's West End strives to be one of the leading niche foreign owned banks in London through the provision of its chosen specialised products and services to both international and UK clients.

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

- The Bank's major business line is Structured Property Finance (SPF) by which prudent funding is offered to experienced property developers and investors in the UK. The Bank's SPF Department is supported by a panel of experienced external lawyers, surveyors and land and property valuers.
- The Bank's Private Banking Department provides fixed term, notice deposit accounts and foreign exchange to customers from Jordan, the wider Middle East region and the UK. The Bank also offers retail mortgage products for its High Net Worth customers, to enhance and diversify its revenue streams.
- The Treasury Department manages the Bank's day-to-day liquidity 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 Department is also responsible for managing the Bank's investment portfolio, mainly fixed income securities.
- The Bank's Trade Finance Department offers services to corporate 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 exposure to other financial institutions with acceptable credit ratings.

JIB's strategy is principally to grow organically and to strengthen two of its current business lines, SPF and Private Banking taking into account changes to market conditions as well as regulatory and accounting standards.

The table below provides a summary of JIB's balance sheet and revenues by each business activity.

AS OF 31 DECEMBER 2022 (all amounts in £m)	SPF	Treasury	Trade Finance	Private Banking	Others*	Total
Total assets	216	160	24	18	12	430
Liabilities	~	171	~	167	92	430
Off-balance sheet	34	~	14	2	~	50
Gross interest revenue	14	4	1	~	~	19
Fees/commission revenue	2	~	~	~	~	2

* fixed assets, sundry debtors and creditors and capital and reserves

1. INTRODUCTION

1.3 Regulatory requirements

JIB is supervised by the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA), which receive information on the Bank's capital and liquidity adequacy and set minimum capital and liquidity requirements for the Bank. JIB's capital requirement is calculated as per Basel III framework of the Basel Committee on Banking Supervision (BCBS), which is the global standard setter for prudential regulations. It comprises of three pillars:

Pillar 1 – sets minimum capital requirements for credit, market and operational risk.

Pillar 2 – describes the key principles of the Supervisory Review and Evaluation Process (SREP) that require each bank to perform its own 'Internal Capital Adequacy Assessment Process (ICAAP)' and assess the overall capital adequacy in relation to each bank's risk profile and business strategy.

Pillar 3 – describes the disclosure requirements to promote market discipline and provide market participants with the key information on a bank's risk exposures and risk management processes. The Pillar 3 disclosure aims to complement the minimum capital requirements as described under Pillar 1 and the supervisory review process under Pillar 2.

The European Union implemented the Basel III Framework through its Capital Requirements Regulation (CRR) framework and Capital Requirement Directives (CRD) that came into effect on 1 January 2014. The disclosure requirements applicable to CRR firms are set out in Part Eight of the CRR Articles 431 to 455 'Disclosure by Institutions'. The CRD IV disclosures were superseded by the PRA's Policy Statement PS 22/21 'Implementation of Basel standards: Final rules' which included revisions to the Pillar 3 disclosure framework to align to Basel International Standards (BIS). The revised requirements seek to increase the efficiency of institutions' disclosures and reinforce market discipline and consistency. The implementation date in the UK was 1 January 2022 and this disclosure document includes requirements which comprise of:

- Quantitative disclosures (templates) aligned with BIS and supervisory reporting, and.
- Qualitative disclosures enabling improved consistency across banks.

Key future regulatory developments

The regulatory landscape continues to evolve and forthcoming changes such as the ongoing Basel consultation on risk weightings have the potential to increase further capital requirements across the banking industry.

Basel 3.1: On 30 November 2022, the PRA published a Consultation Paper 16/22 (CP16/22) proposing the implementation of Basel 3.1 standards. The proposed implementation date for the revised framework is 1 January 2025.

Leverage Ratio: The PRA published PS21/21 'The UK Leverage Ratio Framework' which comes into force on 1 January 2022. The key changes include a supervisory expectation of maintaining a minimum leverage ratio of 3.25%.

UK Countercyclical capital buffer reduction: The Bank of England announced an increase in the UK countercyclical capital buffer rate to 1% from 13 December 2022.

Confirmation of Payee (CoP): The regulatory requirement to minimise Authorised Push Payments (APP) fraud which is effective from 2024. The Bank will need to review the processes on the Online Banking system as well as other processes necessary to comply with this regulation. CoP is expected to deliver a greater degree of payment protection not just for the Banks, but also for the customers.

1. INTRODUCTION

The table below summarises JIB's key prudential ratios (as per UK KM1 - Key metrics template) and further details on its liquidity positions can be found in Section 7.

KEY PRUDENTIAL METRICS	31 DECEMBER 2022 - £m
Available own funds (amounts)	
Common Equity Tier 1 (CET1)	83.8
Tier 1	83.8
Total capital	83.8
Risk-weighted exposure amounts	
Total risk-weighted exposure amount (RWA)	435.3
Risk-based capital ratios as a percentage of RWA	
Common Equity Tier 1 ratio (%)	19.3%
Tier 1 ratio (%)	19.3%
Total capital ratio (%)	19.3%
Total SREP own funds requirements (%)	12.1%
Combined buffer requirement (as a percentage of risk-weighted exposure amount)	
Capital conservation buffer (%)	2.5%
Institution specific countercyclical capital buffer (%)	1%
Combined buffer requirement (%)	3.5%
Overall capital requirements (%)	15.6%
CET1 available after meeting the total SREP own funds requirements (%)	3.6%
Basel III leverage ratio	
Total Basel III leverage ratio exposure measure	436.8
Leverage ratio (%)	19.3%
Liquidity Coverage Ratio (LCR)	
Total high-quality liquid assets (HQLA) (weighted value -average)	54.2
Cash outflows - Total weighted value	65.6
Cash inflows - Total weighted value	72.6
Total net cash outflows (adjusted value)	16.4
Liquidity coverage ratio - LCR (%)	330%
Net Stable Funding Ratio	
Total available stable funding	210.5
Total required stable funding	163.2
NSFR ratio (%)	129%

In May 2022, the Bank paid a £12m special dividend to the current shareholders which reduced the Bank's Tier 1 capital accordingly.

1. INTRODUCTION

1.4 Scope of Pillar 3 disclosure

The information disclosed solely relates to Jordan International Bank Plc. JIB has no subsidiaries. The Pillar 3 disclosure document describes the Bank's capital adequacy, governance and its approach to managing risks that are material to the Bank.

As at 31 December 2022, the Bank has not been exempted from any disclosure requirements based on materiality or on proprietary or confidential information.

1.5 Basis and frequency of disclosures

The information within the Pillar 3 disclosure document is prepared in accordance with the requirements of the PS 22/21 and CRR II regulations.

These disclosures are published annually. The frequency of disclosure will be reviewed should there be any material change in any approach used for the calculation of the Bank's capital positions or changes to JIB's business model or in any relevant regulatory requirements.

The Pillar 3 document should be read in conjunction with the Annual Report and the Financial Statements for the year ended 31st December 2022 published on the Bank's website (www.jordanbank.co.uk).

1.6 Verification of the document

The Bank's Executive Committee has confirmed the accuracy and consistency of the data and that it reconciles with JIB's 2022 Annual Report, Financial Statements and other regulatory returns where applicable. The document has been reviewed by the Bank's Internal Auditor and the Board's Audit Committee. The final Pillar 3 disclosure document was approved by the Board of Directors.

1.7 Changes since the prior Pillar 3 disclosure document

The Pillar 3 disclosure document has undergone some changes since the prior year, the details of which are summarised below:

- The contents are aligned to the latest regulatory disclosure requirements on Interest Rate Risk in the Banking Book, Net Stable Funding Ratio and other applicable regulatory recommendations.
- The contents of the document have been enhanced as the Bank continues to develop the transparency and quality of its disclosures to ensure they are clear and informative.

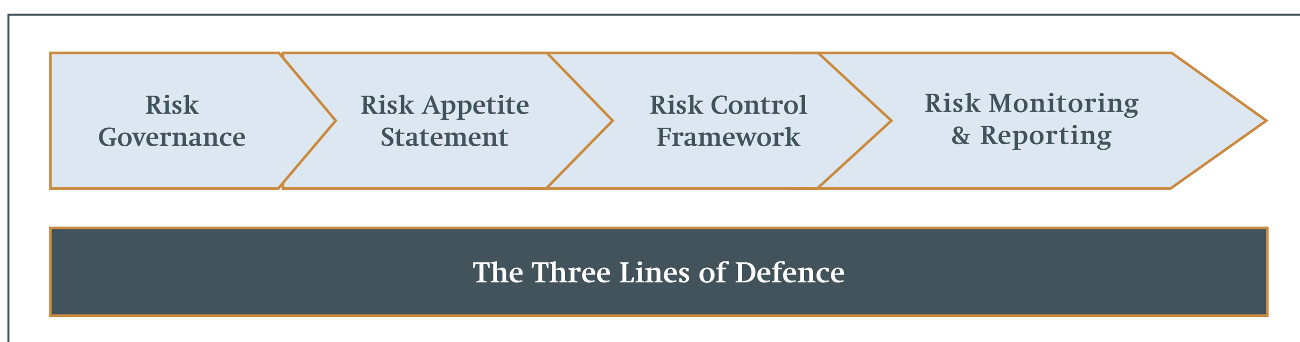
2. RISK MANAGEMENT

2.1 Risk Management Framework

The Bank's Risk Management Framework (RMF) sets out how the Bank brings an integrated and coordinated approach to manage risks under a limited number of oversight functions. The framework governs the approach to management of all risks the Bank is exposed to, including, but not limited to, risks arising from financial, economic and operational business activities.

The RMF supports the 'three lines of defence' model which reinforces the need for the ownership of risk by the first line management with second and third lines oversight. The Bank's Board articulates its risk vision and strategy and approves the RMF by setting risk tolerances as part of its Risk Appetite Statement (RAS). The business owners manage the day-to-day operations across the Bank within the defined limits, adhering to the Board's risk appetite. The Risk Management function provides oversight and challenge to the business functions concerning the risk monitoring and adherence. Internal audit provides an independent assurance to the Board that the business is being run effectively and the RMF is appropriately implemented.

The structure of RMF is depicted as below:



2.2 Risk governance

The Bank maintains a comprehensive and robust risk governance structure consisting of Board-level committees and an executive management committee. The Board of Directors has responsibility for the overall leadership of the Bank and sets the Bank's strategic aims and objectives, risk appetite and risk awareness culture.

The Board of Directors has established two standing committees, the Audit Committee and the Risk Committee, both comprised solely of Non-Executive Directors. The Executive Committee (ExCo) is comprised solely of members of the London-based senior management team and is chaired by the Chief Executive Officer (CEO).

The Board meets at least four times a year and, as of 31 December 2022, the Board of Directors comprised the following members:

NAME	ROLE	DIRECTORSHIPS
Mr Ammar Al-Safadi	CEO of HBTF, Non-Executive Director & JIB Chairman	10
Mr Ian Schmiegelow	Non-Executive Director & JIB Deputy Chairman	3
Mr Nabil Hamadeh	CEO and Executive Director	3
Mr Riyad Taweel	Head of Treasury of HBTF and Non-Executive Director	6
Mr Nidal Ahmad	CFO of HBTF and Non-Executive Director	2
Mr Raed Al Massis	Assistant General Manager – CFO of AJIB and Non-Executive Director	5
Mr Basel Araj	Assistant General Manager – CRO of AJIB and Non-Executive Director	4
Mr Simon Frew	Former Regulator in the UK, Qatar, Bermuda, Cayman Islands and an Independent Non-Executive Director	3

2. RISK MANAGEMENT

2.2 Risk governance (continued)

On 04 July 2022, Mr Mark Williams resigned as Acting Chief Executive Officer and Executive Director and was replaced by Mr Nabil Hamadeh as Chief Executive Officer and Executive Director.

On 13 July 2022, JIB appointed Mr Simon Frew as a new Independent Non-Executive Director.

The Board through the Risk Committee receives a comprehensive Board pack and other documents relating to specific issues to be addressed at the Board meetings. The Board pack includes a report from the CEO on developments, initiatives and issues across all areas of the Bank, detailed financial commentary and analysis, credit watch-list reports and reports from the Chairmen of the Audit Committee and the Risk Committee. The Board also reviews minutes of the previous Board meeting and matters arising, together with minutes of previous Audit, Risk and Executive Committee meetings.

The Board is responsible for ensuring that clear escalation procedures are in place to ensure it receives immediate notification of all 'high risk' incidents, including risks that are outside its risk appetite, operational incidents, hard limit breaches and triggered Early Warning Indicators (EWIs). Any such incident shall be accompanied by an appropriate risk mitigation plan recommended by the Risk Committee. The Board will agree on a final risk mitigation plan and its implementation must be overseen by the Chief Risk Officer (CRO) and ExCo.

Various responsibilities are delegated to the Board's committees as listed below. The committees meet as determined by their individual Terms of Reference (TOR), which are approved by the Board and regularly reviewed and updated as required.

COMPOSITION AND RESPONSIBILITIES OF BOARD COMMITTEES		
Committee	Key responsibilities	Frequency of meeting
Board Audit Committee	The Audit Committee supports the Board in carrying out its responsibilities for financial reporting and in respect of internal and external audit risk assessment.	Quarterly and as required
Board Risk Committee	The Risk Committee provides oversight of the development, implementation and maintenance of the Bank's overall risk management framework, its risk appetite, risk strategy, principles and policies. It aims to ensure the Bank's risk management approach is in line with regulatory and industry practice. The Committee also provides a forward-looking assessment of risks that could undermine the strategy and reputation of the Bank and endorse potential management actions to mitigate the impact of these risks during a period of stress. It also monitors Internal Controls, Compliance, Conduct and Financial Crime Risk.	Quarterly and as required
Executive Committee (ExCo)	ExCo is responsible for the day-to-day management of the Bank's business, including the implementation of the Board approved strategy, operational plans, policies, procedures and budgets. It monitors the Bank's operating and financial performance and ongoing assessment of the Bank's risk and control framework in each area of the Bank's operations.	Monthly and as required
	ExCo (ALCO) meetings monitor the Bank's assets, liabilities, funding, capital and liquidity, interest rate and FX risks ensuring that JIB's activities do not breach the Board's risk appetite.	Monthly and as required
	ExCo (Credit) meetings are held to discuss credit risk related matters and approve credit facilities and investments within the limits.	Weekly and as required

2. RISK MANAGEMENT

2.3 Risk Appetite Statement

The Bank's risk appetite is the amount of risk the Board is willing to accept in pursuit of the Board approved business strategy. The Board has set both qualitative and quantitative tolerances for key risk types that are prudently monitored by the Risk Committee and ExCo. The thresholds are applied to various metrics including product type, customer, currency, geographic split and industry.

The Bank's risk appetite is aligned to its strategic principles and financial objectives. The following key risk types are material and could potentially affect the Bank in achieving its strategic and financial objectives:

- **Credit risk** – the risk of a financial loss due to the failure of the Bank's counterparty to meet its financial obligations in accordance with agreed terms.
- **Market risk** – the risk of losses in on- and off-balance sheet positions arising from adverse movements in market prices and foreign exchange rates.
- **Liquidity and funding risk** – the risk that the Bank does not have sufficient financial resources available to meet its obligations as they fall due.
- **Interest rate risk** – the risk of losses arising from changes in market interest rates that affect the Bank's balance sheet positions.
- **Capital risk** – the risk that the Bank has insufficient capital to support the business and meet regulatory requirements.
- **Operational risk** – the risk of losses resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk includes the following sub-risks: supplier, business continuity, pandemic outbreaks, internal and external fraud, people, loss of key staff or customers, physical security, outsourcing, financial reporting, payment and settlement failures.
- **Cyber risk** – the risk of a malicious cyber-attack with the intent of criminal or unauthorised use of electronic data leading to financial losses, disruption or damage to the Bank's reputation.
- **Compliance risk (including anti-money laundering, financial crime and conduct risk)** – the risk of losses caused by the failure to adhere and comply with financial regulations or legal requirements, to identify and prevent fraud, dishonesty, bribery, misconduct or misuse of financial markets information, or by handling proceeds of crime.
- **Regulatory risk** – the risk of losses arising due to the failure of the Bank to comply with all applicable regulatory obligations.
- **Legal risk** – the risk of financial losses due to the Bank being exposed to fines, legal or other enforcement actions, civil or criminal proceedings as well as the risk that the Bank will be unable to enforce its contractual rights as anticipated. Legal risk arises from the possibility that unenforceable contracts, legal action, or adverse judgments may disrupt the Bank's operations. Violations or non-conformance with laws (planned or inadvertent), regulations, prescribed practices / industry standards or ethical standards, including internal Human Resources matters are all potential sources of risk.
- **Reputational risk** – the risk of damage to the Bank's brand causing loss of earnings as stakeholders take a negative view of the Bank or its actions. Damage to the Bank's reputation may cause existing and prospective clients to be unwilling to do business with JIB.
- **Strategic risk** – the risk associated with the Bank's business strategy.
- **Business risk** – the risk associated with internal and external factors impacting the Bank's profitability.
- **Climate risk** – the risk of financial loss or some adverse non-financial impact associated with climate change and with any political, economic and environmental response or reaction to it.

The RAS forms a part of JIB's overall RMF and is prepared annually by the CRO, reviewed by ExCo and the Risk Committee and approved by the Board of Directors. The RAS reflects market practice, enhances the quality of internal decision-making and helps to build a Bank-wide risk awareness culture.

2. RISK MANAGEMENT

2.4 Risk Control Framework

The Control Framework includes risk policies, procedures, controls and systems, which enable an effective risk identification and management process. The framework also incorporates prudential documentation such as the ICAAP, ILAAP, Recovery Plan and associated stress testing and scenario analyses.

Risk policies prescribe all applicable rules, assigned roles and responsibilities and escalation process, management information, controls established and monitoring processes. They also describe the use of various risk management tools, such as limits, EWIs, Risk Events and KRIs, to help in determining or measuring the exposure level of each of the individual risks identified. All risk policies are approved by the Board and are reviewed periodically.

Procedures – all key processes of the Bank are documented in respective manuals and procedures, which describe specific actions taken to implement associated risk policies. Procedures are the responsibility of the respective risk owners and are updated on an on-going basis.

The Bank's risk policies and procedures establish a set of control measures to mitigate or reduce the likelihood or impact of risks. The Bank relies on its core IT systems, which allow it to measure and monitor key risk metrics documented in line with its policies and procedures.

The Bank's prudential documents – ICAAP, ILAAP, Recovery Plan – form part of the Risk Control Framework and require internal stress testing and scenario analysis to be performed on a yearly basis using applicable risk models to ensure that the Bank will continue to meet all applicable regulatory expectations under severe but plausible stress conditions. The stress testing exercise performed as part of the preparation of these documents also considers implications of climate change on the Bank's risk management and business strategy.

2.5 Risk monitoring and reporting

The risk monitoring and reporting escalates identified risks per the Bank's policies and procedures in line with the Bank's RAS. The risk management function monitors various risks through:

- Production and monitoring of risk management information (such as that on limits, EWIs, KRIs, risk events).
- Identification and escalation of limit breaches and significant operational incidents to ExCo and/or the Board;
- Execution of specific actions to restore compliance of the Bank with its Risk Appetite and the limit framework.

ExCo receives the management information and assesses the level of risk to which JIB is exposed. It is charged with reviewing performance and assessing both internal and external conditions to determine any signals of impending issues that could potentially impact JIB's business. ExCo drafts appropriate courses of management action for identified risks and recommends them to the Risk Committee.

Where the Bank's exposures fall outside of the Board's risk appetite, the Board is informed in a timely manner through the escalation process detailed within the Bank's RAS. The Board agrees on a risk mitigation plan with appropriate actions set in place to bring exposures back within the Board's Risk Appetite. The implementation of this plan is overseen by ExCo.

2. RISK MANAGEMENT

2.6 The three lines of defence

The Bank adopts 'the three lines of defence' risk management model with each line playing a distinct role within the overall RMF. The three lines of defence model is integrated with the Bank's strategy, its business practice and the governance structure which incorporates the responsibility for comprehensive and accurate information to the Board and the Risk Committee.

First line of defence: The Business Units form the first line of defence (risk owners) who are responsible for identifying, assessing and mitigating risks related to their business functions and for implementing corrective actions to address process and control deficiencies. They ensure adherence to risk boundaries and tolerances as determined in the RAS. Business and functional owners are typical examples of the first line of defence functions.

Second line of defence: The Risk, Finance and Compliance functions form the second line of defence (risk control owners), monitor and facilitate the implementation of effective risk management practices by business and functional management and assist the risk owners in reporting adequate risk related information throughout the Bank. The second line activities include establishing policies and processes of risk management, financial and operational controls, liaising between third line of defence and first line of defence, oversight of risk areas (e.g. credit, climate, or operational risk), compliance and regulation. Risk Management, Finance and Compliance/MLRO are typical examples of the second line of defence functions.

Third line of defence: Internal Audit forms the third line of defence, providing independent assurance to the Board and ExCo on the effectiveness of the Bank in assessing and managing its risks. This includes assurance on the effectiveness of the first and second line of defence functions and on controls used to manage and mitigate risk.

2.7 Stress testing

Stress testing is a risk management technique used to measure the resilience of the Bank under severe but plausible stress scenarios. The Board takes a forward-looking view of its strategic objectives, capital and liquidity levels as part of its ICAAP, ILAAP and Recovery Plan. The PRA uses stress testing results to manage risks and to set prudential requirements of the Bank under its capital and liquidity 'Supervisory Review and Evaluation Process (SREP)'.

The Bank maintains the stress testing policy that provides a comprehensive set of principles which the Bank has implemented to manage the expectations of the regulators, as well as internal thresholds as defined in the Bank's RAS.

The Bank applies three types of scenarios as per the PRA and the European Banking Authority (EBA) guidelines: a market-wide stress scenario, an idiosyncratic scenario and a combination of the two. The market-wide stress scenario assumes an impact on the financial sector as a whole, for example, a steep fall in real estate prices or a deterioration in funding market conditions or the macroeconomic environment, whereas the idiosyncratic stress scenario assumes Bank-specific risk events.

The Bank has linked its stress testing exercises to the following processes:

- **ICAAP process** - as an integral part of the Bank's internal capital management where forward-looking stress scenarios identify severe events, the risks due to changes in market conditions or from the climate change which could adversely impact the Bank's capital position.
- **ILAAP process** - as a central tool in identifying, measuring and controlling funding and liquidity risks, in particular, assessing the Bank's liquidity profile and the adequacy of liquidity buffers in cases of both Bank-specific and market-wide stress events.
- **Recovery Plan** - identifying credible recovery options that the Bank could consider should one or more stress scenarios, articulated in the Stress Testing Policy, crystallise.

3. CAPITAL MANAGEMENT

3.1 Capital management approach and policy

JIB's capital management policy defines a set of principles that the Bank shall follow to ensure it has adequate capital resources and effective plans to prudently manage the minimum regulatory requirements, as well as the internal thresholds as defined in the Bank's RAS. The Bank aims to ensure that both the quality and quantity of its capital resources support its current and future business activities by considering the underlying risks to which it is exposed and by the conduct of its business and strategic objectives.

JIB maintains a strong capital base to meet its Total Capital Requirement (TCR) and regulatory buffers at all times. As a result, the Bank maintains its capital adequacy ratio well above the minimum regulatory requirements.

The Bank's overall capital management includes:

- Pillar 1 minimum capital adequacy assessment as per the CRR regulations on an ongoing basis.
- Pillar 2 risk assessment through JIB's ICAAP process.
- A forward-looking assessment of capital under stress conditions.
- Risk mitigation options and recovery plans across a range of stress events to protect the capital levels.
- Review and monitoring of risk tolerances as part of the overarching risk appetite of the Bank.

JIB's capital management approach and policy is a component of the Bank's wider RMF, which is reviewed and challenged by ExCo, the Risk Committee and the Board.

3.2 Own funds

JIB's own funds 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 and losses in Tier 1 capital to the extent they have been verified in accordance with the PRA's General Prudential Sourcebook. JIB acknowledges that it must maintain sufficient capital or 'own funds' to support its business activities, both in times of business as usual and under stressed conditions. The 'own funds' comprises Tier I and Tier II capital instruments, as detailed below.

Tier 1 capital instruments are considered to be 'going concern' capital which allows JIB to continue its activities on a solvent basis. The highest quality of Tier I capital is called common equity tier I (CET I) capital.

Tier 2 capital instruments are considered to be 'gone concern' capital, which allows JIB to repay its depositors and senior creditors if the Bank becomes insolvent. JIB currently has no Tier II capital instruments.

3. CAPITAL MANAGEMENT

3.2 Own funds (continued)

The table below summarises JIB's capital position as of 31 December 2022 and as per PRA's UK CC1 - Composition of Regulatory Own funds template:

	COMMON EQUITY TIER 1 CAPITAL: INSTRUMENTS AND RESERVES	31 December 2022 £m
1	Capital instruments and the related share premium accounts	65.3
2	Retained earnings	18.9
3	Accumulated other comprehensive income (and other reserves)	(0.4)
6	COMMON EQUITY TIER 1 CAPITAL BEFORE REGULATORY ADJUSTMENTS	83.8
7	Prudent valuation adjustments	~
29	COMMON EQUITY TIER 1 CAPITAL (CET 1)	83.8
44	Additional Tier 1 capital (AT 1)	~
45	TIER 1 CAPITAL (T1= CET1 +AT1)	83.8
58	Tier 2 capital (T2)	~
59	TOTAL REGULATORY CAPITAL (T1 +T2)	83.8
60	Total risk-weighted assets	435.3

	CAPITAL RATIOS AND BUFFERS	%
61	Common Equity Tier 1 (as a percentage of risk-weighted assets)	19.3%
62	Tier 1 (as a percentage of risk-weighted assets)	19.3%
63	Total capital (as a percentage of risk-weighted assets)	19.3%
64	Institution-specific buffer requirement (capital conservation plus countercyclical buffer requirements - expressed as a percentage of risk-weighted assets)	3.5%
65	of which: capital conservation buffer requirement	2.5%

	AMOUNTS BELOW THE THRESHOLDS FOR DEDUCTION (BEFORE RISK WEIGHTING)	£m
75	Deferred tax assets arising from temporary differences (net of related tax liability)	2.1

Refer to Section 11 for the summary of differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories.

3. CAPITAL MANAGEMENT

3.3 Minimum capital requirements

The Pillar 1 capital requirement, determined in accordance within the rules contained within CRR as applied to the Bank, consists of the following components:

- **Credit risk:** The Bank has adopted the standardised approach to determine its Pillar 1 credit risk capital requirements. It involves the application of standard risk weightings to each exposure class. 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).
- **Credit Valuation Adjustment (CVA):** The Bank uses the standardised approach to calculate its CVA capital charge.
- **Operational risk:** The Bank has adopted the Basic Indicator Approach (BIA) to determine its Pillar 1 operational risk capital requirements. This calculation is based on the Bank's operating income for the past three years.
- **Market risk:** The Bank uses the standardised approach for its foreign exchange exposures.

The table below sets out the Pillar 1 capital requirements as at 31 December 2022 determined as per the PRA's PS22/21 (UK OV1 Overview of risk weighted exposure amounts):

	PILLAR 1 (£000s)	
CAPITAL ALLOCATION	RWAs	Total own funds requirements
Credit risk (excluding CCR)	**388,850**	**31,108**
Counterparty credit risk - CCR	**4.8**	**0.4**
Market risk (Position, foreign exchange and commodities risks)	**23,073**	**1,846**
Operational risk	**23,421**	**1,874**
Total capital allocation	**435,349**	**34,828**

The Bank has no own funds held in insurance firms and does not qualify as a financial conglomerate; therefore, UK INS1 and UK INS2 templates are not presented.

UK OVC - ICAAP information

On an annual basis, the Bank undertakes an Internal Capital Adequacy Assessment Process (ICAAP) to consider all material risks and additional capital requirements to ensure that it is adequately capitalised.

JIB carried out its ICAAP exercise as per PRA's ICAA rules and the expectations set by the PRA under its Supervisory Statement (SS31/15) .The preparation of the ICAAP involves the identification and assessment of Pillar 1 and Pillar 2 risks using appropriate risk management techniques including stress testing. The Risk Department prepares the ICAAP document, which is approved by the Board of Directors on an annual basis, or more frequently if there is a significant change in the Bank's business strategy, Risk Appetite Statement, balance sheet or in its operating environment.

3. CAPITAL MANAGEMENT

3.3 Minimum capital requirements (continued)

The ICAAP formally considers Pillar 2A risks that are not fully captured under Pillar 1. For JIB, these are:

Credit risk:

JIB has computed its Pillar 1 regulatory capital requirements in line with the Capital Requirements Regulation (CRR II) regulations and pre-defined rules set out in the PRA rulebook. The Bank applies the Standardised Approach (SA) for Pillar 1 credit risk. Under Pillar 2A assessment, it compares to a set of Internal Rating Based (IRB) risk-weight benchmarks to identify whether additional capital is required.

Concentration risk:

Credit Concentration Risk (CCR) is the risk of losses arising because of the concentration of exposures due to imperfect diversification. This is mainly applicable to wholesale exposure as retail exposures are assumed granular and diversified. The imperfect diversification arises due to large exposures to individual (single name) obligors, economic sectors, or geographical regions. The Bank uses the Herfindahl Hirschman Index (HHI), a common measure of concentration, to assess a required Pillar 2A capital add-on.

Market risk:

The Pillar 1 capital requirement for market risk is calculated using the Standardised Approach. JIB does not have a trading book and the primary source of market risk is the foreign exchange fluctuations resulting from currency mismatches of assets and liabilities.

Interest Rate Risk in the Banking Book is not fully considered in Pillar 1. As such, the Bank has applied the methodology described by the PRA to assess the capital requirement on IRRBB.

Operational risk:

The Bank applies the Basic Indicator Approach (BIA) for Pillar 1, calculating capital requirements on the basis of the average of the last three years operating income. In addition, an independent Pillar 2A assessment is made based on the Risk Register to quantify the impact of operational losses to which the Bank could be exposed. The higher of the two calculations is applied.

The Bank's Total Capital Requirement Ratio (TCR) has been set at 12.1% throughout 2022 following the Supervisory Review and Evaluation Process (SREP) by the PRA. The ICAAP additionally considers a further Pillar 2B buffer to cover stress scenario impacts.

3. CAPITAL MANAGEMENT

3.4 Leverage ratio

Leverage ratio is measured as the ratio of the Bank's Tier 1 capital to its total assets including off-balance sheet exposures. It is expressed in percentages and applied to all UK banks and building societies from 1 January 2016. The minimum regulatory requirement for the leverage ratio is 3.25%.

The Bank's leverage ratio as at 31 December 2022 was 19.2%. The table below summarises the reconciliation of accounting assets and leverage exposures:

SUMMARY RECONCILIATION OF ACCOUNTING ASSETS AND LEVERAGE EXPOSURES	31 December 2022 £m
Total consolidated assets as per balance sheet	**430**
Adjustments for derivative financial instruments	**0.8**
Adjustments for off-balance sheet items (conversion to credit equivalent amounts of off-balance sheet exposures)	**6**
PVA adjustment	**(0.1)**
Leverage ratio total exposure measure	**436.8**

The leverage ratio common disclosure template is as below:

LEVERAGE RATIO COMMON DISCLOSURE	31 December 2022 £m
Total assets as per published accounts (excluding derivatives)	**430**
Add-on amounts for PFE associated with all derivative transactions	**0.8**
Total derivative exposures	**6.5**
PVA adjustment	**(0.1)**
Other off-balance sheet exposures	
Off-balance sheet exposures at gross notional amount	**53.1**
Adjustments for conversion to credit equivalent amounts	**(46.7)**
Total other off-balance sheet exposures	**6.5**
Tier 1 capital	**83.8**
Leverage ratio total exposure measure	**436.8**
Leverage ratio	**19.2%**
TOTAL OTHER OFF-BALANCE SHEET EXPOSURE	
Undrawn lending facilities	**41.7**
Adjustments for conversion to credit equivalent amounts	**(37.5)**
Trade Finance off-balance sheet exposures	**11.4**
Adjustments for conversion to credit equivalent amounts	**(9.2)**
Net amount	**6.5**

4. CREDIT RISK

4.1 Credit risk management and objectives

Credit risk is the risk of financial loss due to the failure of a bank's counterparty to meet its financial obligations per agreed terms. It also includes the risk of decline in the credit grade of the borrower, which implies an increase in the chances of default by the customer.

The principal objectives for credit risk management at JIB are well defined and institutionally built on:

- **Board approved business strategy:** The Board of Directors has the responsibility to approve the Bank's business strategy and periodically review its credit strategy.
- **Credit policies:** The Board's Risk Committee ensures that credit risk policies are implemented and reviewed periodically.
- **Credit approval process:** The Bank operates within well-defined target markets and credit-granting criteria.
- **Credit limits and risk appetite:** The Risk Management Function establishes credit limits which enable the Bank to monitor its credit exposure at country, borrower, industry, credit risk rating and credit facility type levels.
- **Ongoing credit management and monitoring:** The Bank's risk management function ensures credit exposures are within levels consistent with prudential standards and internal limits. The credit risk management information system (MIS), together with appropriate risk commentary, is provided to ExCo on a monthly basis. The management information system provides adequate information on the composition of the credit portfolio, including the identification of any concentrations of risk.
- **Debt management and provisions:** The Bank has a system for monitoring the condition of individual credits, including determining the adequacy of provisions.
- **Independent review of credit risk management framework:** The Bank's Internal Audit Function independently assesses the Bank's credit risk management processes and the results of such reviews are communicated directly to the Board's Audit Committee.
- **Management of deteriorating credit:** The Bank has a system in place for early remedial action on deteriorating credits, managing problem credits and similar workout situations. Enhanced monitoring is also performed on deteriorating credits.
- **Credit risk stress testing:** The Bank takes into consideration potential future changes in economic conditions when assessing individual credits and credit portfolios, and periodically assesses the credit risk exposures under stressed conditions.

4.2 Sources of risk

JIB's primary sources of credit risk are:

- Loans to corporates, partnerships, and private individuals arising from the Bank's real estate finance lending activities such as investment finance and development finance for residential and commercial properties, and retail mortgages.
- Exposures to banks, money market activities, multilateral institutions, sovereign and corporate credits in respect of investment activities including the management of the Bank's high-quality liquid assets.
- On- and off-balance sheet exposures to bank counterparties in respect of obligations under trade finance transactions including letters of credit and guarantees.
- Groups of related counterparties.

4.3 General disclosures

This section discloses the information regarding the Bank's exposure to credit risk as per Part Eight of the CRR Articles 442 to 444 'Disclosure by Institutions':

Definition of 'Past due' and 'Impaired'

Past due: Past due is a loan payment that has not been made as of its due date.

Impaired: The Bank estimates loan loss provisioning in line with IFRS 9 requirements; this includes provision to cover on-balance sheet and off-balance sheet exposures on a forward-looking basis.

4. CREDIT RISK

4.3 General disclosures (continued)

JIB adopts the standardised approach to computing Credit Risk-Weighted Assets for its Pillar 1 calculations. The table below summarises the total amount of exposures and average amount of exposures by different exposure classes as at 31 December 2022:

EXPOSURE CLASSES (all amounts in £m)	Exposure value	Average exposure value	Credit RWA's	Capital requirement
Government or Central Bank	72	74	14	1.1
Institutions	40	27	14	1.1
Corporates	14	26	12	1
Secured by mortgages on immoveable property	128	120	96	7.7
Items associated with high risk	128	118	192	15.4
Exposures in default	~	~	~	~
Claims on institutions and corporates with short-term credit assessment	65	67	51	4
Other items	7	7	10	0.8
As at 31 December 2022	454	439	389	31.1

The table below summarises the geographic distribution of exposures broken down into exposure classes as at 31 December 2022:

EXPOSURE CLASSES (all amounts in £m)	UK	Americas	Africa & Middle East	Jordan	Other	Total
Government or Central Bank	30	24	8	10	~	72
Institutions	21	5	9	~	5	40
Corporates	2	2	~	8	2	14
Secured by mortgages on immoveable property	118	~	2	2	6	128
Items associated with high risk	126	2	~	~	~	128
Claims on institutions and corporates with short-term credit assessment	3	5	18	17	22	65
Other items	7	~	~	~	~	7
As at 31 December 2022	307	38	37	37	35	454

4. CREDIT RISK

4.3 General disclosures (continued)

The distribution of exposures by industry or counterparty type broken down by exposure classes as at 31 December 2022 are as below:

EXPOSURE CLASSES (all amounts in £m)	Government/ Public administration	Financial	Property	Other	Total
Government or Central Bank	72	~	~	~	72
Institutions	~	40	~	~	40
Corporates	~	14	~	~	14
Secured by mortgages on immoveable property	~	~	128	~	128
Items associated with high risk	~	~	128	~	128
Claims on institutions and corporates with short-term credit assessment	~	65	~	~	65
Other items	~	~	~	7	7
As at 31 December 2022	72	119	256	7	454

The residual maturity of all exposures broken down by exposure classes as at 31 December 2022 are as below:

EXPOSURE CLASSES (all amounts in £m)	Less than 1yr	Between 1-5yrs	More than 5yrs	Undated	Total
Government or Central Bank	58	12	2	~	72
Institutions	26	14	~	~	40
Corporates	7	7	~	~	14
Secured by mortgages on immoveable property	110	18	~	~	128
Items associated with high risk	128	~	~	~	128
Claims on institutions and corporates with short-term credit assessment	60	2	~	3	65
Other items	~	~	~	7	7
As at 31 December 2022	389	53	2	10	454

UK CR1-A: MATURITY OF EXPOSURES (all amounts in £m)	Less than 1yr	Between 1-5yrs	More than 5yrs	Undated	Total
Loans and advances	324	26	~	10	360
Debt securities	62	30	2	~	94
Total	386	56	2	10	454

4. CREDIT RISK

4.3 General disclosures (continued)

Credit quality of the Bank's assets

The credit quality of the Bank's assets is the same compared to the prior year with a small increase in impairments by £0.7m year on year, which is predominantly due to changes in exchange rates.

The tables below show the credit quality of the Bank's assets as at 31 December 2022:

All amounts in £m	Defaulted exposures	Non-defaulted exposures	Allowances/ impairments	Net values
Loans	~	324	(0.85)	323
Securities	~	94	(0.62)	93
Off-balance sheet exposures	~	56	(1.44)	55
Total	~	474	(2.9)	471

The tables below detail the movement in impairment losses of the Bank.

IMPAIRMENT LOSSES – COLLECTIVE ASSESSMENT	2022 £'000s	2021 £'000s
At 1 January	**(1,399)**	(950)
– Expected credit losses (ECL)	**(300)**	(194)
– Lifetime ECL	**(403)**	(255)
As at 31 December 2022	**(2,102)**	(1,399)

The movement in collective provisions of £0.7m during the year relates to the expected credit losses under IFRS 9 across the whole portfolio. During 2022, there has been no movement in defaulted assets.

4.4 Measurement of credit risk

Credit risk is measured using the Standardised Approach as set out under the CRR. Both on- and off-balance sheet items are assigned with 'risk weights' (between 0% and 150%) depending upon factors including the type of asset, the issuer, the country of residence of the borrowing entity, the maturity date and the credit rating issued by external credit rating agencies.

Credit risk weighted assets equals assigned risk weights times the total exposures.

4. CREDIT RISK

4.4 Measurement of credit risk (continued)

Credit risk mitigation techniques

Under the Standardised Approach, the Bank is permitted to reduce its exposure balances through credit risk mitigation prior to applying risk weightings and calculating capital requirements. Such mitigation may take the form of liens over cash deposits and netting agreements.

The table below details the credit risk mitigants used at JIB and the mapping of its eligibility for the purposes of adjusting the credit risk weight exposure for regulatory capital requirement calculation in accordance with CRR rules:

Credit risk mitigant recognised in policy	Eligible CRM for capital requirement
Cash on deposits	CRR Art 197 - 1. a
Real estate collateral – residential development loans	Not recognised
Real estate collateral – commercial development loans	Not recognised
Real estate collateral – residential investment loans	Not recognised
Real estate collateral – commercial investment loans	Not recognised
Personal guarantees	Not recognised
Net facility agreements	CRR Art 195 and 205
Master netting agreements	CRR Art 195 and 205
Promissory notes and side letters	Not recognised

The Bank uses collaterals to reduce its exposure balances through credit risk mitigation prior to applying risk weightings and calculating capital requirements. JIB's credit risk mitigation framework manages collateral risk and other credit risk mitigants, providing the Bank with a transparent, effective and standardised system for minimising the impact of credit risk arising from its lending activities.

The table below shows the use of credit risk mitigation techniques, broken down by loans and debt securities. It includes both secured and unsecured exposures, and the value of exposures secured by collateral. The exposure amounts are based on carrying values rather than the regulatory exposure and it represents the differences between accounting and regulatory scopes of consolidation and the mapping of financial statement categories.

(all amounts in £m)	Exposures unsecured (carrying amount)	Exposures secured (carrying amount)	Total exposures
Loans	**64**	**260**	**324**
Debt securities	**94**	**~**	**94**
Off-balance sheet exposures	**56**	**~**	**56**
As at 31 December 2022	**214**	**260**	**474**
of which defaulted	**~**	**~**	**~**

4. CREDIT RISK

4.4 Measurement of credit risk (continued)

Credit risk mitigation techniques (continued)

The tables below show the risk-weighted assets for credit risk by exposure class:

EXPOSURE CLASSES (all amounts in £m)	EXPOSURES BEFORE CREDIT CONVERSION AND CRM		EXPOSURES AFTER CREDIT CONVERSION AND CRM			
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	Credit RWAs	RWA density (%)
Central Government or Central Bank	72	~	72	~	14	20%
Institutions	38	8	38	2	14	36%
Corporates	13	6	13	1	12	85%
Secured by mortgages on immoveable property	128	~	128	~	96	75%
Items associated with high risk	107	42	107	21	192	150%
Claims on institutions and corporates with short-term credit assessment	65	~	65	~	51	78%
Other assets	7	~	7	~	10	144%
As at 31 December 2022	**430**	**56**	**430**	**24**	**389**	**86%**

The table below summarises the risk weights assigned to exposures by exposure class:

EXPOSURE CLASSES (all amounts in £m)	EXPOSURES BY RISK WEIGHTS									
	0%	10%	20%	35%	50%	75%	100%	150%	Others	Total credit exposure (after CRM)
Central Government or Central Bank	58	~	~	~	~	~	14	~	~	72
Institutions	~	~	27	~	8	~	5	~	~	40
Corporates	1	~	~	~	2	~	11	~	~	14
Secured by mortgages on immoveable property	~	~	~	49	~	~	79	~	~	128
Items associated with high risk	~	~	~	~	~	~	~	128	~	128
Claims on institutions and corporates with short-term credit assessment	~	~	25	~	15	~	~	25	~	65
Other assets	~	~	~	~	~	~	5	~	2	7
As at 31 December 2022	**59**	**~**	**52**	**49**	**25**	**~**	**114**	**153**	**2**	**454**

4. CREDIT RISK

4.4 Measurement of credit risk (continued)

The breakdown of credit exposures in terms of external ratings as at 31 December 2022 are as follows:

	Central Government	Institutions	Corporates	Secured by mortgages	Items associated with high risk	Claims on institutions	Other assets	Total £m
AAA	24	~	~	~	~	~	~	24
AA-	34	22	~	~	~	~	~	56
A+	~	2	~	~	~	~	~	2
A	~	5	~	~	~	~	~	5
A-	~	2	3	~	~	24	~	29
BBB+	~	4	~	~	~	~	~	4
BBB	~	~	2	~	~	6	~	8
BB+	~	~	2	~	~	9	~	11
BB	~	~	~	~	~	5	~	5
BB-	2	~	~	~	~	~	~	2
B+	10	~	7	~	~	17	~	34
B-1	2	5	~	~	~	~	~	7
CCC	~	~	~	~	~	~	~	~
CC	~	~	~	~	~	~	~	~
c	~	~	~	~	~	4	~	4
Unrated	~	~	~	128	128	~	7	263
Total	72	40	14	128	128	65	7	454

4. CREDIT RISK

4.4 Measurement of credit risk (continued)

The breakdown of credit exposures by past due days as at 31 December are as follows:

ASSET CLASSES (all amounts in £m)	Total exposure value	Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days
Loans and advances	324	~	~
Credit institutions	90	~	~
Non-financial corporations	202	~	~
Households	32	~	~
Debt securities	94	~	~
Central banks	54	~	~
General governments	14	~	~
Credit institutions	13	~	~
Other financial corporations	3	~	~
Non-financial corporations	10	~	~
Off-balance-sheet exposures	56	~	~
Credit institutions	9	~	~
Other financial corporations	1	~	~
Non-financial corporations	42	~	~
Households	4	~	~
Other assets	12	~	~
Total	486	~	~

4.5 Risk monitoring and control

JIB has a centralised credit approval process system with well-defined target market and risk acceptance criteria, supported by robust credit policies and procedures to control and monitor credit risk exposures. The risk department monitors credit risk metrics as defined within the RAS of the Bank. Any breaches to the limits and the early warning indicators are reported and acted upon on a timely basis. JIB also takes into consideration potential future changes in economic conditions by assessing individual credits and credit portfolios, and assessing periodically the credit risk exposures under stressed conditions.

A summary of JIB's credit exposures, with credit risk limits as per the RAS, are reported to ExCo every month and to the Risk Committee and the Board every quarter.

Concentration of Credit risk

Credit Concentration Risk is the risk of losses arising because of the concentration of exposures due to imperfect diversification. This is mainly applicable to wholesale exposure as retail exposures are assumed granular and diversified. The imperfect diversification arises due to large exposures to individual (single name) obligors, economic sectors, or geographical regions. The Bank's balance sheet is diversified geographically and by industry.

4. CREDIT RISK

4.5 Risk monitoring and control (continued)

The table below shows the geographical distribution of exposures that are considered significant:

GEOGRAPHICAL CONCENTRATION (all amounts in £m)	31 December 2022	31 December 2021
OECD	**359**	314
Jordan	**35**	41
Arab/Middle East	**23**	10
Russia	**~**	2
Other	**13**	17
Total	**430**	384

The table below shows the industry concentrations of exposures that are considered significant:

INDUSTRY CONCENTRATION (all amounts in £m)	31 December 2022	31 December 2021
Government/Quasi-Government	**77**	72
Banks	**112**	87
Property lending	**201**	201
Other	**40**	24
Total	**430**	384

Impairment of financial assets

All financial assets are assessed periodically for indications of impairment. A financial asset is impaired and an impairment loss has occurred if there is objective evidence that an event or events since initial recognition of the asset have adversely affected the amount or timing of future cash flows from the asset. Financial assets are classified and measured in accordance with the International Financial Reporting Standard (IFRS) 9 as follows:

- Loans and advances to banks and customers are in general measured at amortised cost under IFRS 9.
- Held to maturity investment securities are in general measured at amortised cost under IFRS9.
- Debt investment securities under IFRS 9 are measured at amortised cost, Fair Value through Other Comprehensive Income (FVOCI) or Fair Value through Profit or Loss (FVTPL), depending on the circumstances.

The Bank applies the following three stages approach to measure expected credit loss (ECL).

Stage 1: Impairment loss is calculated using 12 months 'Probability of Defaults' (PD) for financial assets in stage 1 where credit risk has not increased since its initial recognition.

Stage 2: For financial assets where there has been a significant increase in the credit risk since its initial recognition but which do not have objective evidence of impairment, impairment losses are calculated using lifetime PDs resulting in lifetime ECLs associated with maximum contractual period impairment loss for stage 2 assets.

Stage 3: Financial assets are assessed as credit impaired when there is objective evidence of impairment at the reporting date. Overdue loans and loans with non-repayment of interest over 90 days are recognised as stage 3.

The criteria for significant deterioration of credit risk and the impaired financial assets are detailed in the Bank's Financial Statements for 2022.

4. CREDIT RISK

4.6 Counterparty Credit Risk (CCR)

CCR is the risk of loss arising from the default of a counterparty on a derivative transaction and on securities lending before the final settlement of the transaction.

JIB does not engage in derivative transactions other than foreign exchange forward transactions and foreign exchange swaps to hedge currency risk. The Bank does not conduct trading on its own account.

The CCR mark to market method is used to calculate the exposure value and is determined by the market value plus an add-on for potential future exposure prior to being risk weighted under the standardised approach. The table below provides an analysis of counterparty credit risk exposure as at 31 December 2022.

CCR APPROACH (£m)	REPLACEMENT COST	POTENTIAL FUTURE EXPOSURE	EAD (POST-CRM)	RWA
Mark to Market method	~	**0.8**	**0.8**	**0.2**

5. MARKET 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, capital or the value of its portfolios.

5.1 Sources of risks

The Bank is exposed to market risk due to its on- and off-balance sheet positions in its banking book, through the volatility of prices in its investment portfolio and through the generation of a portion of its income in a currency different to its reporting one.

JIB does not have a trading book and the primary source of market risk is the foreign exchange fluctuations resulting from currency mismatches of assets and liabilities. The Bank's most significant foreign exchange exposure is of a Jordanian Dinar/US Dollar position, where market risk exposure is mitigated by the existence of a fixed currency peg, whereby the Jordanian Dinar is pegged against the US Dollar. The currency exposure is captured within the Pillar 1 market risk calculation.

5.2 Market risk management

The objective of market risk management activities is to continuously identify, manage and control market risk exposure within acceptable parameters, while optimising risk return.

The management of market risk is principally undertaken by ExCo using risk limits approved by the Board of Directors. JIB has clearly defined market risk policies that reflect the Board's risk appetite. On a day-to-day basis, compliance with the market risk policies is monitored by the Bank's risk management function. All exceptions to policy are escalated when identified and mitigating action is taken.

5. MARKET RISK

5.3 Measurement of market risk

The capital requirement for JIB's market risk exposure is calculated using the standardised approach.

	2022 £m		2021 £m	
MARKET RISK CAPITAL ASSESSMENT	RWAs	CAPITAL REQUIREMENTS	RWAs	CAPITAL REQUIREMENTS
Foreign exchange risk	**23.1**	**1.9**	23.7	1.9

Pillar 1 market risk is in respect of foreign exchange position risk. The Bank is exposed to foreign exchange risk as a result of transactional foreign exchange exposures in its operating entities. These are primarily US Dollar, Euro and Jordanian Dinar.

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 currency (USD) to which the Bank is exposed as at 31 December 2022.

			% CHANGE IN USD AND GBP EXCHANGE RATE (£'000s)			
US DOLLARS	US $('000s)	£('000s)	-10%	-20%	+10%	+20%
Total assets	**143,043***	**118,688**	**131,876**	**148,360**	**107,898**	**98,907**
Total liabilities	**(218,195)**	**(181,045)**	**(201,161)**	**(226,306)**	**(164,586)**	**(150,871)**
Forward contracts	**47,454**	**39,374**	**43,749**	**49,218**	**35,795**	**32,812**
Net	**(27,698)**	**(22,983)**	**(25,536)**	**(28,728)**	**(20,893)**	**(19,152)**
Movement	**~**	**~**	**(2,553)**	**(5,745)**	**2,090**	**3,831**

* Including Jordanian Dinar position due to the peg of this currency to USD.

5. MARKET RISK

5.4 Risk mitigation

With the exception of the Jordanian Dinar/US Dollar position mentioned above, the Bank does not have significant net 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. 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. Foreign exchange risks are controlled through the monitoring of positions against limits, which have been approved by the Board of Directors.

6. INTEREST RATE RISK

Interest rate risk is the risk of losses arising from changes in market interest rates with banking book items. As per 'PRA Methodology for Setting Pillar 2 Capital', the Bank is required to evaluate the change in the Economic Value of Equity (EVE) and the effect of a sudden and unexpected parallel shift in interest rates in both directions as prescribed by the PRA.

6.1 Risk identification

A large element of the Bank's securities portfolio comprises fixed income bonds and the value of a bond is more susceptible to increases (or decreases) in general market interest rates. Money Market positions that the Bank's Treasury department take (deposits or loans) carry interest rate risk, particularly where large balances are on fixed-rate and fixed maturity terms. However, the tenure of the majority of these positions is generally less than 1 month, thereby reducing the impact of changes to benchmark interest rates.

6.2 Risk measurement

The tables below set out the impact on future net interest income (NII) and the economic value of assets using parallel interest rate shock and various non-parallel interest rate shock scenarios prescribed by the PRA. Other currencies have been excluded from the table based on non-materiality.

The gaps shown below for GBP and USD represent the net of floating rate assets and liabilities up to 12 months. Gap amounts represent net assets/liabilities for each time bucket.

NET GAPS IN	GBP (£'000s) 2022	USD ($'000s) 2022
Overnight	**210,121**	**(20,862)**
Up to 1 month	**15,795**	**(7,619)**
1 - 3 months	**(6,888)**	**(7,667)**
3 - 6 months	**(28,663)**	**(51,598)**
6 - 9 months	**(13,327)**	**(16,796)**
9 - 12 months	**(32,896)**	**(6,127)**
Total net gap up to 12 months	**144,142**	**(110,669)**

6. INTEREST RATE RISK

6.2 Risk measurement (continued)

UK IRRBB1 – Quantitative information on IRRBB:

		£'000s EVE	£'000s NII	£'000s TIER 1 CAPITAL
010	Parallel shock up	**1,670**	**3,771**	~
020	Parallel shock down	**(438)**	**(3,771)**	~
030	Steepener shock	**(1,094)**	~	~
040	Flattener shock	**1,392**	~	~
050	Short rates shock up	**1,850**	~	~
060	Short rates shock down	**(1,133)**	~	~
070	Maximum	**(1,133)**	**(3,771)**	~
080	Tier 1 capital	~	~	**83,789**

As of December 2022, the maximum EVE loss under the six scenarios was approx. £1.1m under the short rates shock up scenario and the maximum one year loss in NII was £3.7m.

6.3 Monitoring and control

JIB performs a monthly analysis of interest rate risk by assessing the change in value and income associated with a shift in base rates prescribed by the PRA. JIB reviews the fluctuation of interest rates against its policy limits for interest rate risk and change in economic value as per its Risk Appetite Statement. Summaries of exposures are provided to ExCo on a monthly basis.

Any key market developments and material changes in the macro-economic outlook are monitored regularly to facilitate an effective corresponding strategic ExCo decision-making process.

7. LIQUIDITY RISK

The Bank's Internal Liquidity Adequacy Assessment Process (ILAAP) exercise describes the overall governance and management of liquidity and funding risks, including establishing an adequate risk appetite to manage its liquidity risk. The Board is responsible for ensuring that the Bank meets the regulatory Overall Liquidity Adequacy Rule. JIB is subject to CRR, and PRA liquidity requirements through which it must demonstrate self-sufficiency for liquidity purposes. Consequently, the Bank is subject to the Liquidity Coverage Ratio ("LCR") which requires it to hold a sufficient buffer of High Quality Liquid Assets ("HQLA") to cover potential cash outflows during the first 30 days of a liquidity stress event. ExCo (ALCO) has been established as the executive management committee which is responsible for managing the Bank's balance sheet and all associated balance sheet risks therein, including Liquidity and Funding Risk. Treasury is responsible for managing the liquidity position of the Bank on a day-to-day basis to ensure compliance with the PRA's overall liquidity adequacy rule. JIB manages its own liquidity and funding resources; however, a large amount of funding is from a small number of counterparties, mainly shareholders.

JIB calculates its LCR and performs stress testing of liquidity monthly. Forward-looking forecasts are reported and discussed in the ExCo meeting at least monthly. Early warning indicators are set out in the Bank's Recovery Plan. The Bank's liquidity position is reported to the PRA on a regular basis, in line with regulatory requirements, using the regulatory reporting system. The Bank's liquidity risk appetite stress scenario ensures that a quantum of high-quality liquid assets is maintained to meet internal and regulatory (i.e. LCR) requirements over 30 days. In addition, the Bank uses the PRA110 Liquidity Metric Monitor (LMM) tool for both single currency and total currency bases which measures the low point risk throughout the 30-day time period with subsequent reporting of the low point risk to ExCo (ALCO).

The adequacy and sufficiency of JIB's liquidity resource requirements are assessed based on the Board's business strategy and the application of a range of stressed scenarios. The Bank has also identified recovery options, set out in its Recovery Plan, which generate additional liquidity, and has demonstrated its ability to execute them. The Bank's contingency funding plans are contained within the Bank's Recovery Plan. The Recovery Plan defines the set of indicators which, if triggered, activates the Recovery Plan which includes a set of management actions approved by the Board that could be invoked in case of contingency, to manage a wide range of potential or actual liquidity or capital stress events. The Recovery Plan is supported by scenario analysis to test recovery capacity and calibrate recovery indicators.

7. LIQUIDITY RISK

The LCR of the Bank as at 31 December 2022 was calculated as follows:

		TOTAL UNWEIGHTED VALUE (average) (£m)				TOTAL WEIGHTED VALUE (average) (£m)			
UK 1a	QUARTER ENDING ON (DD MONTH YYY)	Dec'22	Sep'22	Jun'22	Mar'22	Dec'22	Sep'22	Jun'22	Mar'22
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid assets (HQLA)	~	~	~	~	54.2	60.6	54.2	54.0
CASH - OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	25.1	22.5	21.5	25.0	4.1	4.3	4.2	4.2
3	Stable deposits	2.7	2.4	2.7	2.3	0.1	0.1	0.1	0.1
4	Less stable deposits	22.4	20.1	18.8	23.7	4.0	4.2	4.1	4.1
5	Unsecured wholesale funding	77.5	80.0	63.3	55.9	55.1	67.3	47.1	36.2
11	Outflows related to derivative exposures and other collateral requirements	1.5	2.1	1.9	1.2	1.5	2.1	1.9	1.2
14	Other contractual funding obligations	41.7	42.6	40.0	42.3	4.2	3.9	3.9	4.1
15	Other contingent funding obligations	13.4	14.3	14.7	13.1	0.7	0.7	0.7	0.7
16	**TOTAL CASH OUTFLOWS**	~	~	~	~	65.6	78.3	57.8	46.4
CASH - INFLOWS									
17	Secured lending (e.g. reverse repos)	10.4	6.1	8.5	19.5	6.8	1.6	5.2	7.6
18	Inflows from fully performing exposures	65.8	67.2	55.8	68.0	65.8	67.2	55.8	68
19	Other cash inflows	~	~	~	~	~	~	~	~
20	**TOTAL CASH INFLOWS**	76.2	73.3	64.3	87.5	72.6	68.8	61.0	75.6
UK-20c	Inflows subject to 75% cap	76.2	73.3	64.3	87.5	72.6	68.8	61.0	75.6
TOTAL ADJUSTED VALUE									
UK 21	**LIQUIDITY BUFFER**	~	~	~	~	54.2	60.6	54.2	54.0
20	**TOTAL NET CASH OUTFLOWS**	~	~	~	~	16.4	19.5	14.5	11.6
20	**LIQUIDITY COVERAGE RATIO**	~	~	~	~	330%	310%	375%	465%

Refer to the Appendix for the disclosure template of on-balance sheet encumbered and non-encumbered assets and off-balance sheet collateral.

7. LIQUIDITY RISK (CONTINUED)

Net Stable Funding Ratio (NSFR) is designed to measure the amount of longer term, stable sources of funding relative to assets funded, and potential off-balance sheet calls on funding. From 1st January 2022, the new UK Net Stable Funding Ratio (NSFR) was adopted as shown in the table below. This table shows the calculation of the Bank's NSFR as at 31 December 2022.

		UNWEIGHTED VALUE BY RESIDUAL MATURITY				
	(all amounts in £m)	No maturity	< 6 months	6 months to < 1yr	≥ 1yr	Weighted value
	Available stable funding (ASF) Items					
1	Capital items and instruments		~	~	~	~
2	Own funds		~	~	93.2	93.2
4	Retail deposits		~	~	~	~
5	Stable deposits		2.3	~	~	2.2
6	Less stable deposits		81.0	24.3	5.1	97.4
7	Wholesale funding:					
8	Operational deposits		~	~	~	~
9	Other wholesale funding		137.9	32.8	~	16.4
11	Other liabilities:					
12	NSFR derivative liabilities		~	~	~	~
13	All other liabilities and capital instruments not included in the above categories		~	0.7	1.0	1.3
14	**TOTAL AVAILABLE STABLE FUNDING (ASF)**		~	~	~	210.5
17	Performing loans and securities:					
19	Performing securities financing transactions with financial customers collateralised by other assets and loans and advances to financial institutions		74.3	~	~	7.4
20	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		75.7	32.1	50.2	96.6
21	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		2.1	10.7	18.2	18.3
22	Performing residential mortgages, of which:		~	~	2.2	~
24	Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		9.0	16.5	27.1	33.5
26	Other assets:		~	3.3	1.5	3.1
29	NSFR derivative assets		~	1.2	~	1.2
30	NSFR derivative liabilities before deduction of variation margin posted		~	0.2	~	0.1
32	Off-balance sheet items		21.3	10.3	23.7	3.0
33	**TOTAL REQUIRED STABLE FUNDING (RSF)**		~	~	~	163.2
34	**NET STABLE FUNDING RATIO (%)**					129%

8. OPERATIONAL RISK

Operational risk is defined as the risk of loss arising from inadequate or failed processes, people and systems or external events.

8.1 Sources of risk

Historically, JIB has had very few operational losses; however, it maintains a robust 'risk register' to assess various risks inherent in its day-to-day operational activities and makes records of any losses arising out of its operations.

The Bank's primary sources of operational risk include actual and potential losses caused by processing errors and system failures; electrical or telecommunications failures; external events, such as natural disasters damaging physical assets; internal & external frauds; information security risks; business resilience and continuity risks; conduct, compliance and litigation risks; risks of high staff turnover.

8.2 Measurement of operational risk

In accordance with the PRA Rulebook, Disclosure (CRR) Part, Templates and Instructions, the Bank adopts the 'Basic Indicator Approach' to calculate the capital requirement for operational risk under Pillar 1. The capital requirement is calculated as 15% of the average of the 3 prior year's relevant revenue.

The following table details the capital requirements for operational risk as at 31 December 2022.

OPERATIONAL RISK CAPITAL ASSESSMENT	Average annual operating income (£m)	Capital requirements at 15% of average operating income (£m)
Basic Indicator Approach	**12.5**	**1.9**

UK OR1 - Operational risk own funds requirements and risk-weighted exposure amounts

	Relevant indicator			Own funds	Total operational
	Year-3 £000s	Year-2 £000s	Last year £000s	requirements £000s	RWAs £000s
Banking activities subject to Basic Indicator Approach (BIA)	**11,759**	**12,068**	**13,646**	**1,874**	**23,421**

8.3 Risk mitigation

The risk register seeks to anticipate potential losses that might occur if an identified risk event crystallises. In addition, JIB uses risk events monitoring and Key Risk Indicators (KRI's) as key tools to support the overall management of its operational risk.

The Bank has processes and procedures in place to manage its exposures to operational risks thereby minimising the effects of unexpected events and losses. At a minimum, the JIB's Operational Risk KRIs are reported to ExCo every month.

JIB's operational risk is mitigated through:

- The Risk Management Framework, with associated policy documents.
- A comprehensive operational risk policy and operating procedures.
- Resources and controls commensurate with the activities undertaken.
- Appropriate insurances.
- Ongoing risk assessments and reporting for issues to be identified, reported, monitored, and actioned.

9. OTHER RISKS

9.1 Climate risk

The Bank has reviewed the Task Force on Climate Related Financial Disclosure (TCFD) guidance and considers that its business has no material 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 any effects on property collateral.
- 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 TCFD framework for climate disclosures focusses on four core elements: governance, strategy, risk management, and metrics and targets.

Governance

During 2021, a review of the terms of reference for Board committees was conducted to ensure appropriate oversight of climate-related financial risks across the committees in support of the Strategic Plan. JIB's climate governance uses existing committees and builds on their areas of responsibilities and expertise.

The Bank has allocated the Senior Management Function (SMF) for identifying and managing financial risks from climate change to the Chief Risk Officer (CRO) under the oversight of the Board and relevant committees. The CRO drives delivery of the climate risk agenda across the three lines of defence, which involves ensuring that the financial risks from climate change are adequately reflected in the Risk Management Framework and that the Bank can identify, measure, monitor, manage and report on its exposure to these risks.

Risk management

Climate risks represent inherent risks to JIB which not only impact the global economy and businesses of its customers but also the Bank's asset values, operational costs and the Strategic Plan of the Bank as it transits to a low carbon economy. In order to manage any potential threats posed by the climate change, the Bank apprises relevant policies, procedures, Risk Appetite Statement and enhances reporting toolkits, such as sector classification, to support identification and assessment of climate-related financial risks.

Further to the publication of Supervisory Statement SS3/19, "Enhancing banks' and insurers' approaches to managing the financial risks from climate change" and as part of the ICAAP exercise, the Bank has conducted its initial assessment to understand the financial risks from climate change and how they will affect its business model in the short- and long-term time horizons. The Bank will enhance its stress testing capabilities once approaches to climate change risks mature.

The Bank's major business area, Structured Property Finance, 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 considered material.

In 2022, the Bank has moved its major IT servers to an energy efficient data centre in order to reduce carbon footprints and energy utilisation.

The Bank's two shareholders are both actively engaged with matters such as sustainability and corporate social responsibility and the Bank's majority shareholder published its Sustainability Report in 2021.

In order to monitor and manage climate-related financial risks, the Bank has developed metrics such as exposures to vulnerable sectors identified based on transition risk and physical risk assessment; target energy efficiency standards and concentration of Energy Performance Certificate (EPC) ratings.

9. OTHER RISKS

9.2 Pension obligation risk

The Bank makes payments into defined contribution schemes on behalf of the staff; these do not provide a guarantee of returns. There is, therefore, no unquantified pension liability as might be the case with a defined benefit pension scheme, and the assets within the scheme are distinct from those investments made by JIB itself. Therefore, no capital is allocated for this risk.

9.3 Group risk

Group risk is limited as JIB is a standalone entity ring-fenced from the capital and liquidity of its shareholder banks. The Bank believes that capital allocated against operational risks is sufficient to meet any risks arising from the Group risk category. This capital amount takes into account potential losses for JIB due to issues impacting JIB's shareholder institutions.

10. REMUNERATION POLICY

JIB's remuneration disclosures are prepared as per Article 450 of the CRR and the PRA's approach to the proportionality set out in SS2/17, Remuneration. The average total assets as at 31 December 2022 are less than £4bn, therefore, the Bank is a Proportionality Level Three firm.

Decision-making process

The Bank's Remuneration Policy is approved by the Board of Directors and applies to all employees of the Bank. The Board meetings are held every quarter.

The Policy and the Bank's incentive structures ensure that the Bank is able to attract, develop and retain high performing and motivated employees. Employees are offered a competitive and market aligned remuneration package in which fixed salaries form the major remuneration component. A discretionary bonus may be awarded annually, subject to the approval of a bonus pool by the Board of Directors as part of the budget setting process. This variable remuneration is not guaranteed. No external consultant services have been used for the determination of the remuneration policy.

Link between pay and performance

Decisions on fixed remuneration and variable remuneration are determined in the light of an annual review process, which assesses both the individual employee's contribution to the Bank as well as viewing this in the context of business unit or team performance and the overall performance of the Bank. Basic salary (fixed remuneration) is determined based on the role and position of the individual employee, experience, relevant professional qualifications, seniority, responsibility, job complexity, and local market conditions. Adjustments to individuals' fixed remuneration may be made from time to time based on, but not limited to, any one or a combination of factors including market forces and cost of living indices, individual contribution, expansion of responsibilities and accountabilities.

Variable remuneration is awarded based on the bonus scheme in place and is intended to incentivise and reward individual performance in excess of that required to fulfil the basic requirements of the employee's role. All employees have individual role specific performance objectives set in the context of the agreed business strategy and regulatory environment. When assessing an individual's contribution, the focus is not only on what has been achieved but also on the way in which the duties and tasks have been completed.

Any award of variable pay is always subject to an assessment of the performance of the individual, the business unit concerned and the overall results of the Bank. The relationship between the amount of fixed remuneration and variable remuneration is set on a basis that the fixed component represents a sufficiently high proportion of total remuneration.

Decisions on fixed and variable remuneration of Executive Directors, Senior Managers and Material Risk Takers are considered and approved by the Board. Such decisions on fixed and variable remuneration are based on a range of factors including delivery of the Bank's business strategy, values, key priorities and long-term goals, alignment with the principles of protection of customer and shareholder interests in the delivery of the goals of the Bank, and achievement of financial targets in alignment with the declared risk and control parameters for the business.

Quantitative information

As of 31 December 2022, the Bank had 51 employees. The Bank's Senior Managers have been identified as those who have responsibility for areas, which involve, or might involve, a risk of serious consequence for the Bank. Any employee who is not a Senior Manager but whose daily activities have a material impact on the Bank's risk profile is categorised as a Material Risk Taker. Senior Managers and Material Risk Takers need to demonstrate that they have conducted themselves and have taken all steps to mitigate any risk to the Bank and these key responsibilities are taken into consideration when calculating any financial remuneration. The table below provides remuneration details for the Material Risk Takers and Senior Managers.

Remuneration awarded during the year 2022 as per Article 450 (1) (g) of CRR.

	Senior Management	Other Material Risk Takers	Total
Number of employees	9	19	28
Total fixed remuneration	£1,430,212	£1,162,270	£2,592,482
Total variable remuneration	£186,500	£120,000	£306,500
Total remuneration	£1,616,712	£1,282,270	£2,898,982

11. APPENDIX

11.1 Asset encumbrance disclosure template

The following is the disclosure of on-balance sheet encumbered and non-encumbered assets and off-balance sheet collateral as at 31 December 2022.

	Carrying amount of encumbered assets (£m)	Fair value of encumbered assets (£m)	Carrying amount of unencumbered assets (£m)	Fair value of unencumbered assets (£m)
Assets of the reporting institution	~	~	430	~
Equity instruments	~	~	~	~
Debt securities	~	~	94	94
Other assets	~	~	336	~
Collateral received	~	~	~	~

11. APPENDIX

11.2 Difference between accounting and regulatory treatments

The table below is to identify the differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories (as per UK LI1 template):

	CARRYING VALUE OF ITEMS:				
AS AT 31 DECEMBER 2022	Carrying values for financial and regulatory reporting purposes	Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
ASSETS	£m	£m	£m	£m	£m
Cash and balances at central banks	0.0	0.0	~	~	~
Nostros	1.1	1.1	~	~	~
Loans and advances to shareholder banks	23.2	23.2	~	~	~
Loans and advances to other banks	65.9	65.9	~	~	~
Loans and advances to customers	234.0	234.0	~	~	~
Investments in debt securities	94.0	94.0	~	~	~
Tangible fixed assets	1.6	1.6	~	~	~
Other assets	4.6	4.6	~	~	~
– of which sundry receivables	4.6	4.6	~	~	~
– of which derivatives at fair value	0.0	0.0	~	~	~
Deferred tax asset	2.4	2.4	~	~	~
Prepayments and accrued income investments	3.2	3.2	~	~	~
As at 31 December 2022	430	430	~	~	~