Jordan International Bank Plc

Report and Financial Statements 2023

Contents

Directors

Ammar Al-Safadi (Chairman)
Basel Araj
David Stewart
Naser Abu-Zahra
Eyad Bawatneh
Saad Hammad
Rana Sawalha
Nasser Tarawneh
Fiona Christiansen

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
King Street
London SW1Y 6QW

Bankers

Lloyds Bank Plc
London
United Kingdom

Solicitors

Addleshaw Goddard LLP
London
United Kingdom

Independent Auditor

MHA
London
United Kingdom

Internet

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

Jordan International Bank Plc ("JIB" or "the Bank") offers banking services, including structured property loans for real estate development and investment, mortgage loans, 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 in the UK, Europe and the Middle East. The Bank's primary business objectives 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 2023 JIB generated pre-tax profits of £6.5m (2022: £4.2m), the thirteenth consecutive year of profits generated by the Bank and a 52% increase year on year.
- JIB recorded a balance sheet growth in total assets of 4% from £430m to £447m which reflects the largest balance sheet in the history of the Bank.
- JIB's loans and advances to customers increased by 23% year on year, primarily due to increases in the Structured Property Finance lending book and the Private Banking mortgage lending product.
- JIB's total deposit base increased by £10m year on year. Wholesale deposits were stable and customer deposits consistent throughout the year and have increased by 6% from 2022.
- In 2023, the Bank successfully met the requirements of the Regulatory Directive on Operational Resilience, ensuring compliance and establishing a robust operating framework aligned with regulatory expectations. Emphasis on scenario testing, especially in cyber response, drove investments in detection and response capabilities. Improvements across people and processes ensured that all impact tolerance limits were achieved, ensuring the Bank's ability to withstand disruptions and maintain operations seamlessly thereby reducing customer harm in line with regulatory requirements.
- JIB maintained its ISO 27001 cybersecurity certification and NCSC Cyber Essentials Plus Certification.
- The Bank has implemented new technology to enhance automation in Regulatory reporting.
- The Bank's commitment to digital innovation and to improving customer experience was maintained in 2023 with enhancements to the features and functions and by choosing a new on-line banking platform for delivery in 2024.

2023 proved a testing year with Jordan International Bank facing the challenges of rising interest rates, a persistently high level of inflation and increased geopolitical risk. Despite this unsettled and rapidly changing economic environment, I am pleased to report that Jordan International Bank has weathered these disturbing conditions with considerable resilience and even success; it has generated increased profitability of £6.5m in the current year compared to £4.2m for the year ended 31st December 2022, grown its balance sheet total, maintained a comfortable level of capital and liquidity as well as continuing to demonstrate a prudent control of the heightened risks.

Jordan International Bank's primary area of business activity structured property finance and, to a lesser extent, regulated mortgages have been the most impacted by these economic climate shifts with its loan portfolio customers suffering from higher interest costs, the increased prices of building supplies and depressed market conditions in the housing sector. Nevertheless, to date and to a large extent, the Bank has been able to counter the negative effect of these challenges through the maintenance of its lending margins by way of variable interest rates, the mortgage collateral it holds and the prudent lending terms it has always pursued. The Bank's downside in a less active property market has been a delay in sales, possibly some lowering in prices and a significant reduction in new development and investment loan opportunities.

Otherwise, encouragingly, the economic changes have had little adverse effect on the Bank with its customer deposits remaining steady and its investment portfolio benefiting from higher yields. The major conflicts in the Ukraine and the Middle East have seemingly had little impact on Jordan International Bank or its shareholder banks.

Both of Jordan International Bank's shareholders and its Board are agreed that the major strategy for the foreseeable future should remain as before, relying on the four pillars of real estate lending, private banking, trade finance and treasury services. The intention is to grow these businesses, both by way of volume and product organically. I remain confident that this amounts to a sustainable business model.

Jordan International Bank's Directors and Executives remain fully cognisant of the expectations of the Bank's Regulators, the Prudential Regulation Authority and Financial Conduct Authority, and are committed to meeting, in a timely manner, all regulatory requirements including good customer outcomes, operational and financial resilience, financial crime prevention, sustainability and suitable data governance.

I am also particularly pleased to note Jordan International Bank's continued protection against cyber security and the efforts of the Board of Directors and the Bank's senior management team to mitigate the risks associated with the volatility in financial markets and the changing economic outlook.

Jordan International Bank continues to respect the interests of all its stakeholders be they Regulators, customers, employees or shareholders and remains focussed on supporting their aspirations.

2024 will see some changes at Board level. After thirteen years of tireless service as a Director of Jordan International Bank, Mr Ian Schmiegelow will be stepping down from our Board. I extend my sincere thanks and gratitude for his commitment and invaluable guidance which has shaped the growth and success of the Bank during this time.

Mr. Nasser Tarawneh, has taken up the role of Chief Executive Officer, replacing Mr. Nabil Hamadeh. Mr Tarawneh has had a distinguished career within the Jordanian financial sector, most recently as General Manager at Arab Jordan Investment Bank, and joined Jordan International Bank in November 2023.

Finally, I would like to thank my fellow Directors, officers, senior managers, and all members of staff for their continuing contribution to the success of Jordan International Bank. I also take this opportunity to express the appreciation of the Board of Directors to the Bank's customers and counterparties for their steadfast support and for entrusting their business to the Bank.

Ammar Al-Safadi
Chairman
18 April 2024

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

JIB's primary business objective continues to be to provide 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 mortgage loans to overseas high net worth individuals;
- 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 and the UK; and
- to provide treasury services to customers and counterparties of the Bank.

JIB operates from a single office in central London from where services are provided by a skilled and experienced team of professionals. In addition, JIB benefits from the additional resources of its two shareholder banks when appropriate.

Business model

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

- JIB's major business line is Structured Property Finance by which prudent funding is offered to experienced property developers and investors in the UK. JIB's professional team of lenders is supported by a panel of external lawyers, surveyors and property valuers.
- JIB's Private Banking Department provides fixed term and notice deposit accounts as well as 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 also offers corporate and institutional banking facilities.
- JIB's Trade Finance Department 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, JIB typically takes on exposure to other financial institutions with acceptable credit ratings.
- JIB's Treasury Department 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 Department is also responsible for managing JIB's investment portfolio.

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 JIB's executive management. The Board of Directors consists of Non-Executive Directors, Independent Non-Executive Directors and Executive Directors. The Audit Committee is comprised solely of Non-Executive Directors and is chaired by a UK based Independent Non-Executive Director. The Risk Committee is similarly structured and is chaired by a Non-Executive Director.

The Board composition as at 31 December 2023 was as follows:

Board Member	Committee Membership
Ammar Al-Safadi (Chairman)	
Ian Schmiegelow (Deputy Chairman)	Audit Committee (Chairman), Risk Committee
Nidal Ahmad	Audit Committee, Risk Committee
Raed Al-Massis	Audit Committee
Basel Araj	Risk Committee (Chairman)
David Stewart	Audit Committee, Risk Committee
Naser Al Abu-Zahra	Audit Committee, Risk Committee
Nasser Tarawneh	
Fiona Christiansen	

All the Bank's policies are approved by the Board of Directors and exposures are managed within JIB's risk appetite. Day-to-day exposures are monitored by JIB's experienced credit risk team (for credit exposure) and by 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, all of whom are London based, meet on a regular basis and as necessary.

The Executive Committee composition as at 31 December 2023 was as follows:

Executive Committee Member	Status
Nasser Tarawneh (Chairman)	Chief Executive Officer
Fiona Christiansen	Chief Financial Officer and Executive Director
Sanjay Rajagopal	Chief Operating Officer
Andrei Fetin	Chief Risk Officer
Steve Dry	Head of Structured Property Finance
David Lavers	Head of Treasury
Rulla Rassam	Head of Private Banking

The Bank's performance is measured against a number of Key Performance Indicators ("KPI"s) including pre-tax profit, cost to 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 JIB's Board of Directors receives a regular commentary on the Bank's results. JIB 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

For 2023 JIB has reported a pre-tax profit of £6.5m (2022: £4.2m), a return on average equity of 5.9% (2022: 2.8%) and a cost income ratio of 68% (2022: 72%).

JIB has achieved a continuing record of pre-tax profits in recent years as shown in the table below. Operating income has increased 25% to £20.2m in 2023, compared to £16.1m in 2022.

	2019	2020	2021	2022	2023
Pre-tax profit £m	3.1	2.1	2.7	4.2	**6.5**
Cost/Income ratio %	75.0	82.0	80.0	72.0	**66.0**
Return on average equity [1] %	5.1	2.6	1.8	2.8	**5.9**
Equity £m	89.0	91.4	93.3	83.8	**89.0**

1. Based on the average of reported equity at 31 December 2023 and 31 December 2022.

The Bank continues to operate through four key areas of banking activity, and these 4 business pillars of the Bank include Structured Property Finance, Private Banking, Treasury and Trade Finance.

For the year ended 31 December 2023, the Structured Property Finance ("SPF") portfolio closed at £257m, £42m higher than at 31 December 2022, and total SPF gross income increased year on year by 55%. Lending margins were maintained throughout the year despite rising interest rates, resulting in a continuing stream of attractive risk adjusted returns.

The Private Banking department at JIB has increased its mortgage lending book year on year by 73%, finishing the year with a portfolio of £31m mortgage loans and increasing gross income of £2.2m by over 450%. Private Banking benefits from a loyal retail client base who deposit funds with JIB. Customer deposits of £177m increased 4% year on year.

Treasury revenues increased year on year by 80% from £4.5m to £8.1m, predominantly due to rising yields across the Bank's securities portfolio and money market placements. JIB's total portfolio of securities reduced in value during the year as funding was placed in other higher yielding assets. Foreign exchange markets remained subdued for JIB, whilst steep rises in UK and US base rates increased interest income on all lending products.

As a result of the steep increases throughout 2023 in UK and US interest rates and respective risk-free rates, JIB's interest expense rose year on year by 163% from £5.8m in 2022 to £15.3m in 2023.

The Bank's Trade Finance business operated in line with budget in 2023 and total gross income was £703k, 17% lower than in 2022. Its business has been necessarily constrained by its concentration in Turkey and the reduction in activity from its more traditional markets in the Middle East and North Africa, although this business is expected to recover in 2024.

Business development

JIB's current Strategic Plan is principally one of growing organically and strengthening the four main business lines (pillars) of the Bank, Structured Property Finance, Private Banking, Trade Finance and Treasury. With room for expansion within this business strategy, it is not anticipated that there will be any significant change in JIB's product offering or operating model in 2024 and the immediate future thereafter.

During 2023 the Bank enhanced revenue streams through embedding the Private Banking mortgage offering for overseas High Net Worth individuals and through strong growth in the SPF loan portfolio, which reached an all-time high of £257m. The delivery of the sound financial performance was achieved despite the economic backdrop of rising interest rates and high inflation, both of which had a material impact on the UK housing market with a slowdown of sales, a fall in house prices and higher building construction costs. While the property loan portfolio has largely remained resilient during the year, the Bank has nevertheless seen movement for some of these loans from IFRS 9 Stage 1 to Stage 2 and Stage 3 during the second half of the year. These changes have resulted in an increase in provisions under IFRS9, although the Board considers that the provisions made are adequate so as not to impact the Bank's future profitability or capital position.

Liquidity continued to be sourced through a mix of shareholder and other bank deposits, own customer retail deposits and those sourced via a deposit aggregator platform to provide JIB with additional term funding. Recent events in the Middle East have not impacted JIB's own funding sources and the Bank's solid and loyal customer base has remained. The Bank's liquidity, funding and capital positions remain strong.

Principal risks for the business

JIB is subject to risks and uncertainties from a range of sources. The principal risks are currently: geopolitical risk, market risk, credit risk and regulatory risk. These risks are routinely monitored by JIB's management and reviewed at the quarterly Board Risk Committee meetings.

Geopolitical risk

Geopolitical risk is defined as a political event that alters the expected value of a business investment or economic outcome emerging from international, country-level or civil society actions. Geopolitical risk continues to create uncertainties which impact key macro-economic variables such as interest rates, securities valuations, House Price Index and inflation, in addition to operational disruption. JIB makes every effort to be cognisant of such risks in a timely way, to mitigate them to the greatest extent possible and to continue to monitor the current political and economic situation on a regular basis. JIB routinely conducts stress testing activities on various scenarios which include factors of geopolitical risk to demonstrate its ability to withstand the impact of these severe events on its business and regulatory capital positions.

The Board of Directors considers that JIB's current risk appetite and limits are sufficiently prudent and that JIB has sufficient capital and liquidity to withstand any foreseeable potential economic shocks.

Market risk

Market risk is the risk of losses in on- and off-balance sheet positions arising from adverse movements in market prices and foreign exchange rates. The Bank uses foreign exchange forward contracts to offset its exposures to foreign currency risks. As with any bank, the revenue stream and asset valuations are influenced by prevailing interest rates. JIB mitigates this risk by ensuring that, where possible, interest rates on loans to customers are variable, or the terms of the loan permit JIB to require earlier repayment. The assets on the Bank's balance sheet are substantially variable rate with the exception of the fixed income securities portfolio. The introduction of customer sterling deposits through a deposit aggregator has given rise to longer term stable funding.

In terms of JIB's investment portfolio, market, interest and other relevant risks are closely monitored by JIB's treasury and credit teams, overseen by JIB's Executive Committee and the Board Risk Committee.

Credit risk

JIB is exposed to credit risk, being the risk that a counterparty will fail to fulfil its obligations. With the exception of the investment portfolio, JIB has set a minimal exposure value for unsecured lending to corporate or individual borrowers. By ensuring that adequate collateral is held, JIB is able to reduce significantly the risk of losses in the event of a default by a borrower. JIB 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.

JIB 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 specialised models, employing experienced first and second lines of defence, with every loan assessed by the Executive Committee. JIB monitors the expected credit loss provision on a regular basis.

Development risk

Over half of the structured property loan portfolio is formed of property development loans for the purpose of building new residential properties, blocks of apartment buildings, buildings that have some commercial purpose or of refurbishing existing buildings while the remaining portfolio consists of investment loans. JIB aims to ensure its risk exposure is protected at all times through a rigorous due diligence process pursued with every lending proposal.

JIB's Credit Risk Management Policy ensures that the Bank only lends to developers with sufficient experience of the type of proposed development and to projects which JIB fully understands and in areas where demand for the completed product is projected to be high. It is also important that JIB has sufficient collateral against the loan by way of a first charge and, as appropriate, an additional guarantee. Development loans are typically drawn in stages as each project progresses and one of JIB's panel of quantity surveyors closely monitors the construction progress.

JIB takes pride in its property development lending track record. Since JIB adopted its current lending strategy, it has only incurred minimal impairment charges. JIB firmly believes that its strict lending criteria will keep any 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. Through methodical liquidity and funding strategies, JIB aims to maintain adequate liquidity resources and a prudent funding profile at all times, in both normal and stressed market conditions. As to amount and quality, JIB constantly ensures that there is no meaningful risk that its liabilities cannot be met as they fall due.

JIB's Liquidity Risk Policy outlines governance oversight, stress testing, and an annual update of the Internal Liquidity Adequacy Assessment Process (ILAAP) which are integral to managing liquidity risks. The Board, supported by the Executive Committee (ExCo) and Assets and Liabilities Committee (ALCO), oversees liquidity and funding risk management, with regular monitoring and reporting conducted by the Risk, Finance, and Treasury Departments. Various liquidity metrics, including the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) are employed to assess liquidity positions, with stress testing conducted to identify potential vulnerabilities. The ILAAP document, reviewed and approved by the Board, ensures the adequacy of liquidity resources under stressed scenarios. The Recovery Plan, aligned with regulatory guidelines, outlines measures to address potential liquidity shortfalls. Continuous monitoring and reporting mechanisms are in place to track liquidity and funding risks and ensure timely responses to emerging challenges.

Capital risk

JIB 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 and is insufficient to absorb losses. JIB's Internal Capital Adequacy Assessment Process (ICAAP) undertakes close monitoring of capital ratios to ensure it complies with current regulatory capital requirements and continues to be well positioned to meet any anticipated future requirements. A bi-weekly report of capital usage compared to internal and regulatory capital limits is prepared and tracked by JIB's senior management. The Risk Appetite Statement sets risk thresholds annually, while the ICAAP addresses Pillar 1 and 2 risks, including climate risk. Stress tests assist in forming credible management actions, with reporting mechanisms ensuring regular monitoring by relevant stakeholders, leading to timely risk mitigation.

The management of capital is governed through JIB's Executive Committee (ALCO) meetings, the Board Risk Committee and the Board of Directors, with periodic reviews of capital risk managed through ICAAP, stress testing, and Recovery Plans.

Operational risk

JIB aims to manage operational risk within the limits set in the Board approved risk appetite. JIB defines operational risk as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. JIB's Operational Risk Policy outlines the Bank's commitment to identifying, assessing, and mitigating these risks to ensure operational resilience, protect assets and comply with regulations. It also includes the Bank's approach to managing legal, reputational, and climate-related risks. Responsibilities for risk governance are delineated among the Board, Executive Committee, Chief Risk Officer and business unit heads, emphasising accountability and compliance. Risk identification involves periodic assessments, Key Risk Indicators and scenario analysis, while risk assessment prioritises risks based on impact and likelihood. The Bank uses qualitative and quantitative methods to measure risks and sets limits for its operational risk appetite. Mitigation strategies include internal controls, legal guidance, compliance frameworks, insurance coverage and crisis management protocols. Monitoring and reporting mechanisms, including Key Risk Indicators, risk registers and operational risk reports, ensure ongoing oversight and timely response to emerging risks, with comprehensive documentation supporting risk management efforts.

Regulatory risk

Regulatory risk is the risk of losses arising due to the failure of the Bank to comply with all applicable regulatory obligations. JIB operates in a highly regulated environment and is therefore subject to regulatory risk. Regulation in the banking sector is continually evolving and JIB's finance, risk, regulatory reporting and compliance professionals in particular are required to be fully conversant with changes and to ensure that JIB complies with all its regulatory obligations. JIB is in periodic dialogue with regulators through discussing feedback on regulatory reporting and examination of regulatory documents such as ICAAP, ILAAP and Recovery Plan.

Climate change

Climate risk is 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. JIB has reviewed the Task Force on Climate Related Financial Disclosure ("TCFD") guidance and the PRA's Supervisory Statement SS3/19, "Enhancing banks' and insurers' approaches to managing the financial risks from climate change", which builds on the expectations set out for banks and financial institutions with respect to climate-related financial risks. JIB considers that its business has minimal exposure to 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.

JIB'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 quantity surveyors appointed by JIB. This enables JIB to be confident that all applicable climate related regulations are being met.

JIB holds a well-diversified investment portfolio. 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.

The UK government aims to reduce all direct emissions from public sector buildings by 50% and 75% by 2032 and 2037 respectively and all UK emissions are to reach net zero by 2050. To support the UK government's net zero target, JIB's Risk Department has integrated climate change into JIB's risk management framework. This work includes:

- The assessment of climate-related risks over the short, medium and long term in the context of JIB's businesses and strategy.
- The development of scenario analyses are modelled to assess the potential effects of climate-driven events, including possible disruption to business services, as part of its ICAAP exercise.
- The development of qualitative and quantitative risk appetite measures and key risk indicators.
- Enhancing disclosures pertaining to both JIB's operations and financed emissions.

JIB operates from a single site in central London. To minimise the Bank's impact on the environment and greenhouse gasses, all employees are encouraged to recycle paper, metal, glass and plastic and use the eco settings on office machinery.

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 JIB 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;

(e) the desirability of the Company maintaining a reputation for high standards of business conduct; and

(f) the need to act fairly as between members of the Company.

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 (f) above. JIB has identified its key stakeholders as its regulators, customers, suppliers, employees and shareholders. Each of these stakeholders are considered separately below.

Regulators - the Prudential Regulation Authority and the Financial Conduct Authority

The Directors place great emphasis on JIB operating in full compliance with all applicable laws and regulations. To this latter matter, the Board commissioned an external report from the accounting firm, Mazars, the recommendations of which have been actively followed under the watchful eye of the Board itself. Individual Directors, and the Board as a whole, devote considerable time to reviewing and challenging JIB's prudential documents and policies as well as to ensuring the timely submission of comprehensive documents to the regulators. JIB continues to invest in its support functions to improve operational resilience, as well as improving the quality of JIB's technology in pursuit of increased automation and a higher level of efficiency as well as enhanced cyber security and information security. In this regard, JIB has continued to attain the standards required for ISO27001 recertification as well as NCSC Cyber Essentials Plus recertification.

Customers and suppliers

The Board of Directors understands the importance of maintaining high standards in all of its dealings with its customer base as it pursues its vision for JIB to be a natural choice for private banking services in the UK for Jordanian and other Middle Eastern clients, as well as a respected provider of credit to UK property developers and investors. JIB has always prioritised its customers by delivering good outcomes and conducting business in an ethical and compliant manner. The regulatory Customer Duty standards for customer protection are embedded in the Bank and the Board of Directors appointed a Non-Executive Director as JIB's Consumer Duty Champion. JIB has a well-established vendor review process; the Board recognising the importance of JIB's relationships with its suppliers and being briefed on supplier feedback.

Employees

The Directors understand that JIB's employees are key to the success and delivery of JIB's strategy and are keen to ensure that employees receive appropriate training, are encouraged to perform well in a safe and professional environment, and, more generally, feel valued and benefit from a responsive and measured culture within the Bank. The Board is supportive of JIB's competitive benefits package offered to all staff, appreciates the loyalty and commitment demonstrated by the Bank's employees, with approximately 40% of whom have worked for JIB for more than 5 years. With the appointment of a new Head of Human Resources, the Board has determined a priority for 2024 is to improve its recruitment and appraisal processes as well as its record-keeping. The Board receives regular feedback through engagement with staff, including members of the Executive Committee. Its resident Independent Non-Executive Directors meet with the Bank's Chief Executive Officer and the other Executive Director on at least a monthly basis and also consult with other senior management and employees as often as is deemed useful, including when considering some of the larger real estate loans requiring Board approval. In addition, the Non-Resident Directors normally make quarterly visits to London and thereby maintain liaison with the Bank's Senior Management.

Shareholders

The Bank's two shareholders, The Housing Bank for Trade & Finance ("HBTF") (75%) and Arab Jordan Investment Bank ("AJIB") (25%) appoint representatives to JIB's Board of Directors, all of whom are highly experienced senior executives of these banks. Their presence on JIB's Board of Directors ensures that JIB's 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.

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

The Directors have established a 3-year Strategic Plan for long-term, controlled and organic growth in JIB's business, with particular emphasis on Structured Property Finance, Private Banking and Trade Finance. This Plan, which is submitted to JIB's regulators, is reviewed annually by the Board of Directors.

The Board of Directors delegates authority for the implementation of the Strategic Plan, and the day-to-day running of the business, to the Chief Executive Officer and the Executive Committee.

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

Nasser Tarawneh

18 April 2024

Introduction

The Directors present their annual report and audited financial statements for the year ended 31 December 2023.

Results and dividends

The total profit for the year before taxation amounted to £6.5m (2022: £4.2m). The Directors recommend that no final dividend be paid (2022 final dividend: £12m).

Directors

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

Directors	Appointment date	Resignation date
Ammar Al-Safadi		
Basel Araj		
David Stewart	2 July 2023	
Naser Abu-Zahra	1 September 2023	
Nasser Tarawneh	1 November 2023	
Fiona Christiansen	23 November 2023	
Eyad Bawatneh	1 March 2024	
Saad Hammad	1 April 2024	
Rana Sawalha	1 April 2024	
Nidal Ahmad		1 April 2024
Ian Schmiegelow		31 March 2024
Raed Al-Massis		1 March 2024
Nabil Hamadeh		10 October 2023
Riyad Taweel		1 September 2023
Simon Frew		12 July 2023

Payment policy

JIB's policy is to pay suppliers as amounts fall due. At 31 December 2023, the Bank's trade creditors had been outstanding for an average of 8 days (2022: 7 days).

Directors' and officers' liability insurance

During the year, Jordan International Bank Plc 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 JIB's shareholders are shown on page 2.

Principal activities, business review and future outlook

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

Financial risk management

JIB 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 29 to the financial statements.

Political donations

JIB 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 2023 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 37 to the financial statements.

Going concern

The Directors recognise their responsibility to assess JIB'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 Board approved ILAAP and ICAAP. The Directors are satisfied that having considered JIB's objectives, risk management policies, capital and liquidity management, nature of exposures, operational resilience 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 current economic environment on JIB's capital and liquidity positions and on its business activity more generally. This review 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 JIB remains well capitalised with ample liquidity. The Bank has reviewed its previous assessment and noted the following:

- *Financial forecast:* JIB has prepared a budget for the years 2024-2025. The budget has been set to be challenging but achievable under current economic 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 JIB's capital and liquidity resources. This stress testing involved varying the assumptions related to both contractual cash flows and collateral valuations. The Bank concluded that it has sufficient capital to withstand any capital or liquidity shortfall.

Liquidity Assessment: JIB's management has performed various stress tests on its cash flows profile to test the adequacy of existing liquidity. These involved assessing JIB'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 JIB'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 2023 to 31 December 2025.

As a result of this assessment, the Directors are satisfied that JIB will continue to operate at existing levels for the foreseeable future and have therefore used the going concern basis in preparing JIB's financials. 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

MHA have indicated their willingness to continue to hold office as external auditor of the Bank following their appointment in 2021. A resolution will be proposed at the Annual General Meeting for their re-appointment.

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

Nasser Tarawneh
18 April 2024

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 including FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland, 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 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 19 to 23 that sets out the key audit matters and how our audit addressed the key audit matters, the terms "we" and "our" refer to MHA. The "Bank" is defined as Jordan International Bank Plc. The relevant legislation governing the Bank is the United Kingdom Companies Act 2006 ("Companies Act 2006").

Opinion

We have audited the financial statements of Jordan International Bank Plc for the year ended 31 December 2023. The financial statements that we have audited comprise:

- the Profit or Loss Account;
- the Balance Sheet;
- the Statement of Changes in Equity;
- the Cash Flow Statement; and
- notes 1 to 38 of the financial statements, including significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Bank'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 Bank's affairs as at 31 December 2023 and of the Bank's 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 prepared in accordance with the requirements of the 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 Bank 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 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 basis of accounting in the preparation of the financial statements is appropriate.

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

- The consideration of inherent risks to the Bank's operations and specifically its business model.
- The evaluation of how those risks might impact on the Bank's available financial resources.
- Where additional resources may be required, the reasonableness and practicality of the assumptions made by the Directors when assessing the probability and likelihood of those resources becoming available.
- Capital and liquidity considerations including examination of the Bank's cash flow and liquidity projections.
- The evaluation of the base case scenario and stress scenario and the respective sensitivities and rationale.
- Checking that going concern disclosures were appropriate and sufficient.

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 Bank'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	
Scope	Our audit was scoped by obtaining an understanding of the Bank and its environment, including the Bank'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 by the Directors that may have represented a risk of material misstatement.
Materiality **Overall materiality**	**2023** **2022** £1,323k £1,218k 1.49% (2022: 1.45%) of the Net Assets
Key audit matters	**Recurring** Expected credit loss ("ECL") provisions - Impairment of financial assets including loans and advances to banks and customers, debt securities at amortised cost, cash and bank balances and loan commitments.

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. 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.

EXPECTED CREDIT LOSS ("ECL") PROVISIONS - IMPAIRMENT OF FINANCIAL ASSETS INCLUDING LOANS AND ADVANCES TO BANKS AND CUSTOMERS, DEBT SECURITIES AMORTISED COST, CASH AND BANK BALANCES AND LOAN COMMITMENTS

Key audit matter description

At 31 December 2023 the Bank had the following portfolio of assets carried at amortised cost:

Type of financial asset	2023		2022	
	Gross exposure (£'000)	ECL (£'000)	Gross exposure (£'000)	ECL (£'000)
Loans and advances to banks	64,248	182	89,425	311
Loans and advances to customers	290,219	1,836	234,523	537
Debt securities	76,041	438	94,621	617
Loan commitments	29,119	229	41,993	196

IFRS 9 requires these amounts to be presented in the financial statements net of an associated allowance for Expected Credit Loss ("ECL").

The determination of the ECL allowance requires the Bank to make a number of highly complex, judgmental and highly sensitive assumptions that involve significant management estimation and judgement.

The following areas have greater level of management judgement and estimations involved and are therefore assessed as significant risk areas in the estimation of ECL:

- Internally rated Probability of Default "PD" models– Where external third-party credit ratings are not available for certain counterparties the Bank uses internal credit rating assessments to determine PD. These assessments are correlated to external third-party ratings. This process requires management to exercise their judgement as the Bank's experience of default is limited.
- Determination of whether there has been a significant increase in credit risk ("SICR") – The identification of whether there has been a SICR is a significant judgement which directly affects the Bank's ECL modelling for either 12 month or lifetime approaches.

Independent Auditor's Report (continued)

<table>
<tr><th colspan="2">EXPECTED CREDIT LOSS ("ECL") PROVISIONS - IMPAIRMENT OF FINANCIAL ASSETS INCLUDING LOANS AND ADVANCES TO BANKS AND CUSTOMERS, DEBT SECURITIES AMORTISED COST, CASH AND BANK BALANCES AND LOAN COMMITMENTS (continued)</th></tr>
<tr><td>Key audit matter description (continued)</td><td>Determination of staging – The timely allocation of financial assets to stage 1, 2 or 3 in accordance with Bank's ECL policy and the requirements of IFRS 9 directly affect the approach used to model ECL and also affects how interest is calculated for those assets.
Use of macroeconomic scenarios ("MES") – MES are considered significant risk due to the estimations involved while estimating the macroeconomic variables ("MEVs") and the weightings assigned to the macroeconomic scenarios.</td></tr>
<tr><td>How the scope of our audit responded to the key audit matter</td><td>We tested the relevant controls related to the Bank's impairment assessment process and provisioning calculation. This included an assessment of the credit sanctioning, credit monitoring and credit provisioning of loans and advances:
Performed an end-to-end process walkthrough to identify relevant controls related to the Bank's impairment assessment process and provisioning calculation.
Reviewed and tested the design of the ECL model for compliance with IFRS 9 requirements.
Reviewed the appropriateness of the Bank's impairment policy against the requirements of IFRS 9.
We engaged our IFRS 9 specialists to assess the appropriateness of the methodology applied by management in the impairment model to evaluate whether it was compliant with IFRS 9 requirements.
We evaluated the criteria used to allocate a financial asset to stage 1, 2 or 3 in accordance with IFRS 9.
Critically assessed the conceptual soundness of the methodology applied by the management for internally rated loans to evaluate whether the management methodology is compliant with the requirements of IFRS9.
Tested the appropriateness of the staging of exposures including the determination of the PD, EAD and LGD considered by management in the calculation of ECL.
We tested a sample of management's internally rated loans to determine whether the internal grading assigned to counterparties are reasonable and appropriate as per the management's methodology.
We assessed the management's probability of default used for internally rated loans with the externally obtained default data.</td></tr>
</table>

Independent Auditor's Report (continued)

EXPECTED CREDIT LOSS ("ECL") PROVISIONS - IMPAIRMENT OF FINANCIAL ASSETS INCLUDING LOANS AND ADVANCES TO BANKS AND CUSTOMERS, DEBT SECURITIES AMORTISED COST, CASH AND BANK BALANCES AND LOAN COMMITMENTS (continued)	
How the scope of our audit responded to the key audit matter (continued)	Reviewed key management assumptions used in applying the methodology and assess their reasonableness: • Engaged with our modelling and credit risk experts to test the assumptions, inputs and formulae used in relation to models used for computing ECL provision. This work included evaluation of economic scenarios considered by management and comparing these to other scenarios from a variety of external sources. • Performed a sensitivity analysis in relation to key management assumptions and judgements to assess the impact of these on the ECL provisions as at year-end. • We have tested the management's process to recognise the post model adjustments and the completeness of the post model adjustments. Validated on a sample basis the key data elements used in the ECL model including assessing the suitability and relevance of the key assumptions applied to determine the probability of default and loss given default: • For sample of exposures, we tested the appropriateness of the staging of the exposure by testing the correct application of SICR criteria. Our work in this regard included validating the payment history of the exposure to ensure that the exposure has been correctly classified as either stage 1, 2 or 3. • Evaluated data quality by agreeing data points used in ECL calculation to relevant source systems. • Tested post model adjustments and overlays. This included assessing the completeness and appropriateness of these adjustments. Performed credit reviews of the sample of loan files to identify indicators of deterioration in credit quality: • We evaluated management's credit monitoring which drives the probability of default estimates applied in the staging calculation. We recalculated, on a sample basis, the risk ratings for performing loans. **Disclosures** • We have assessed the appropriateness of the disclosures in the financial statements for the year-ended 31 December 2023. • We confirmed that the output of the model, specifically any ECL charge, or reversal was correctly reflected in the general ledger and ultimately the financial statements. • We tested the data flows used to populate the disclosures and assessed the adequacy of disclosures for compliance with the accounting standards and regulatory considerations.
Key observations	We found the approach taken in respect of ECL to be consistent with the requirements of IFRS 9 and we have concluded that the assumptions and judgements made by the management in the application of ECL were reasonable and supportable.

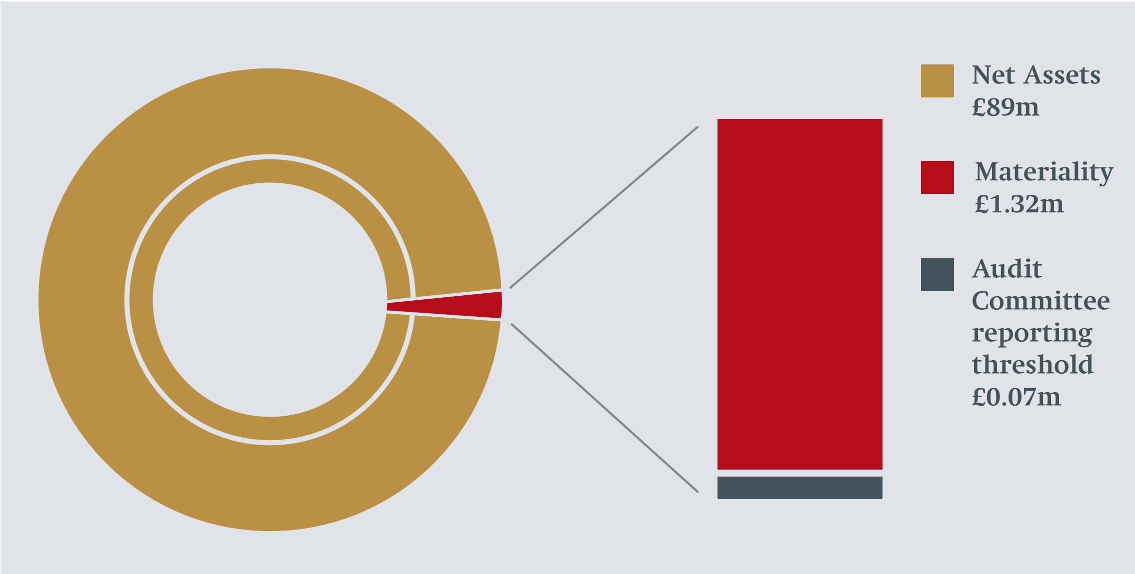
Independent Auditor's Report (continued)

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.

Overall Materiality	£1,323k (2022: £1,218k)
Basis for determining materiality	We determined materiality based on 1.49% (2022: 1.45%) of net assets value. We have considered the primary users of the financial statements to be shareholders, customers of the Bank, the ultimate parent company and the UK regulators (FCA and PRA). We do not believe the primary concern of the users of the financial statements is profitability. We have utilised net assets as the benchmark as the parent and regulator's focus is on the capital adequacy of the Bank.
Performance materiality	£793.8k (2022: £853k)
Basis of determining overall performance 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. We determined performance materiality based on 60% (2022: 70%) of overall materiality. For each audit period we perform a reassessment of the percentage being used based on the risk of the engagement, developments within the ISAs and our audit methodology and guidance from the regulatory authorities. The determination of performance materiality reflects our assessment of the risk of undetected errors existing, the nature of the systems and controls and the level of misstatements arising in previous audits.
Error reporting threshold	We agreed to report any corrected or uncorrected adjustments exceeding £66.2k (2022: £60.9k) 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 control environment

We evaluated the design and implementation of those internal controls of the Bank which are relevant to our audit, such as those relating to the financial reporting cycle. We also tested operating effectiveness and placed reliance on certain controls.

We deployed our internal IT audit specialists to obtain an understanding of the general IT environment to be operating effectively.

Climate-related risks

In planning our audit and gaining an understanding of the Bank, we considered the potential impact of climate-related risks on the business and its financial statements. We obtained management's climate-related risk assessment, along with relevant documentation and reports relating to management's assessment and held discussions with management to understand their process for identifying and assessing those risks.

We have agreed with managements' assessment that climate-related risks are not material to these financial statements except on statutory disclosures.

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 Bank and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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
- 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 Bank'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 Bank or to cease operations, or have no realistic alternative but to do so.

Independent Auditor's Report (continued)

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.

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.

Extent to which the audit was considered capable of detecting irregularities, including fraud

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.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

Identifying and assessing potential risks arising from irregularities, including fraud

The extent of the procedures undertaken to identify and assess the risks of material misstatement in respect of irregularities, including fraud, included the following:

- We considered the nature of the industry and sector the control environment, business performance including remuneration policies and the Bank's own risk assessment that irregularities might occur as a result of fraud or error. From our sector experience and through discussion with the Directors, we obtained an understanding of the legal and regulatory frameworks applicable to the Bank focusing on laws and regulations that could reasonably be expected to have a direct material effect on the financial statements, such as provisions of the Companies Act 2006, UK tax legislation or those that had a fundamental effect on the operations of the Bank including the regulatory and supervisory requirements of the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA).
- We enquired with the Directors and management concerning the Bank's policies and procedures relating to:
  - identifying, evaluating and complying with the laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they had any knowledge of actual or suspected fraud; and

Independent Auditor's Report (continued)

Identifying and assessing potential risks arising from irregularities, including fraud (continued)

- the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.

- We assessed the susceptibility of the Bank's financial statements to material misstatement, including how fraud might occur by evaluating management's incentives and opportunities for manipulation of the financial statements. This included utilising the spectrum of inherent risk and an evaluation of the risk of management override of controls. We determined that the principal risks were related to posting inappropriate journal entries to increase revenue or reduce costs, creating fictitious transactions to hide losses or to improve financial performance, and management bias in accounting estimates particularly in determining expected credit losses.

Audit response to risks identified

In respect of the above procedures:

- We corroborated the results of our enquiries through our review of the minutes of the Bank's Board of Directors, Audit Committee meetings, inspection of the complaints register, inspection of legal and regulatory correspondence and correspondences from the regulators PRA and the FCA.
- Audit procedures performed by the engagement team in connection with the risks identified included:
  - reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations expected to have a direct impact on the financial statements;
  - testing journal entries, including those processed late for financial statements preparation, those posted by infrequent or unexpected users, those posted to unusual account combinations;
  - evaluating the business rationale of significant transactions outside the normal course of business, and reviewing accounting estimates for bias;
  - enquiry of management around actual and potential litigation and claims;
  - challenging the assumptions and judgements made by management in its significant accounting estimates, in particular those relating to the determination of the expected credit losses as reported in the key audit matter section of our report; and
  - obtaining confirmations from third parties to confirm existence of a sample of transactions and balances.
- The Bank operates in a highly regulated banking industry. As such, the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities; and
- We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including experts, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Independent Auditor's Report (continued)

Other requirements

We were appointed by the Directors on 29 April 2021. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 4 years.

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

Use of our report

This report is made solely to the Bank'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 Bank'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 Bank and the Bank's members as a body, for our audit work, for this report, or for the opinions we have formed.

Rakesh Shaunak FCA, (Senior Statutory Auditor)
for and on behalf of MHA, Statutory Auditor.

London, United Kingdom

18 April 2024

MHA is the trading name of MacIntyre Hudson LLP, a limited liability partnership in England and Wales (registered number OC312313)

Profit or Loss Account
Year Ended 31 December 2023

	Notes	2023 £'000's	2022 £'000's
INTEREST INCOME			
Interest receivable and similar income arising from debt securities	3	**3,651**	2,427
Other interest receivable and similar income	3	**29,366**	16,440
		33,017	18,867
INTEREST EXPENSE	3	**(15,260)**	(5,801)
NET INTEREST INCOME		**17,757**	13,066
NON-INTEREST INCOME			
Fees and commissions income		**2,394**	2,654
Foreign exchange gains	7	**45**	31
Other operating income		**~**	2
Profit on disposal of securities		**1**	4
Other gains	14	**~**	352
TOTAL OPERATING INCOME		**20,197**	16,109
Administrative expenses	4	**(7,986)**	(6,922)
Depreciation and amortisation	7, 17	**(546)**	(517)
Other operating charges	5	**(4,299)**	(3,721)
Provision for expected credit losses	12, 13	**(916)**	(702)
PROFIT BEFORE TAXATION	8	**6,450**	4,247
Tax charge on profit	8	**(1,546)**	(737)
PROFIT FOR THE FINANCIAL YEAR		**4,904**	3,510

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

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

Profit or Loss Account (continued)

Year Ended 31 December 2023

	Notes	2023 £'000's	2022 £'000's
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR			
Profit for the financial year		**4,904**	3,510
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, 25	**357**	(1,386)
- Deferred tax	8, 25	**(89)**	346
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**5,172**	2,470

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 2023

	Notes	2023 £'000's	2022 £'000's
ASSETS			
Cash		**53**	19
Nostros	27	**6,495**	1,094
Loans and advances to shareholder banks	9	**19,587**	23,214
Loans and advances to other banks	10	**44,479**	65,900
Loans and advances to customers	11	**288,383**	233,986
Debt securities	16	**75,603**	94,004
Tangible fixed assets	17	**1,343**	1,576
Other assets	18	**5,182**	4,554
Deferred tax	8	**1,956**	2,438
Prepayments and accrued income		**3,528**	3,184
TOTAL ASSETS		**446,609**	429,969
LIABILITIES			
Deposits by shareholder banks	19	**99,366**	107,693
Deposits by other banks	20	**71,773**	62,958
Customer accounts	21	**176,886**	167,312
Other liabilities	22	**7,286**	6,350
Accruals and deferred income		**2,337**	1,867
TOTAL LIABILITIES		**357,648**	346,180

Balance Sheet (continued)

As at 31 December 2023

	Notes	2023 £'000's	2022 £'000's
Called-up share capital	24	**65,000**	65,000
Share premium account	25	**316**	316
Revaluation reserve	25	**(139)**	(407)
Profit and loss account	25	**23,784**	18,880
SHAREHOLDERS' FUNDS		**88,961**	83,789
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS		**446,609**	429,969

These financial statements of Jordan International Bank Plc, Registered No. 01814093, were approved by the Board of Directors and authorised for issue on 18 April 2024.

Signed on behalf of the Board of Directors.

Nasser Tarawneh

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

Statement of Changes in Equity

Year Ended 31 December 2023

2023	Share Capital £'000's	Share Premium Account £'000's	Revaluation Reserve £'000's	Profit & Loss Account £'000's	Total £'000's
BALANCE AT 01 JANUARY 2023	65,000	316	(407)	18,880	83,789
Total comprehensive income					
Movement in revaluation reserve in respect of financial assets held at fair value through other comprehensive income, net of tax	~	~	268	~	268
Profit retained for the year	~	~	~	4,904	4,904
TOTAL COMPREHENSIVE INCOME FOR PERIOD	~	~	268	4,904	5,172
CLOSING BALANCE AT 31 DECEMBER 2023	65,000	316	(139)	23,784	88,961

2022	Share Capital £'000's	Share Premium Account £'000's	Revaluation Reserve £'000's	Profit & Loss Account £'000's	Total £'000's
BALANCE AT 01 JANUARY 2022	65,000	316	633	27,370	93,319
Total comprehensive income					
Movement in revaluation reserve in respect of financial assets held at fair value through other comprehensive income, net of tax	~	~	(1,040)	~	(1,040)
Profit for the year	~	~	~	3,510	3,510
TOTAL COMPREHENSIVE INCOME FOR PERIOD	~	~	(1,040)	3,510	2,470
TRANSACTIONS WITH OWNERS					
DIVIDEND PAID	~	~	~	(12,000)	(12,000)
CLOSING BALANCE AT 31 DECEMBER 2022	65,000	316	(407)	18,880	83,789

Further details of movements in the Bank's share capital, reserves and other equity instruments are provided in note 25.

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

Cash Flow Statement

Year Ended 31 December 2023

	Notes	2023 £'000's	2022 £'000's
NET CASH GENERATED/(USED) IN OPERATING ACTIVITIES	26	**(15,204)**	(5,551)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of debt securities	16	**(104,590)**	(87,618)
Proceeds from the sale and maturity of debt securities	16	**121,290**	106,746
Interest received from debt securities		**3,804**	2,599
Purchase of tangible fixed assets	17	**(343)**	(464)
NET CASH GENERATED BY INVESTING ACTIVITIES		**20,161**	21,263
CASHFLOWS FROM FINANCING ACTIVITIES			
Dividend payment to equity holders	25	**~**	(12,000)
NET CASH GENERATED BY FINANCING ACTIVITIES		**~**	(12,000)
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**4,957**	3,712
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	27	**61,046**	57,334
Movement in cash and cash equivalents		**7,576**	(2,116)
Effect of foreign exchange rate changes		**(2,619)**	5,828
CASH AND CASH EQUIVALENTS AT END OF YEAR	27	**66,003**	61,046

CASH AND CASH EQUIVALENTS AT END OF YEAR COMPRISE:	2023 £'000's	2022 £'000's
Cash	**53**	19
Nostros	**6,495**	1,094
Loans and advances to shareholder banks (less than 3 months maturity)	**19,587**	23,214
Loans and advances to other banks (less than 3 months maturity)	**39,868**	36,719
	66,003	61,046

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

Notes to the Accounts

Year Ended 31 December 2023

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 UK GAAP, including Financial Reporting Standard 102, The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland (FRS102) and the Companies Act 2006.

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 economic challenges 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;
- 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; and
- the resilience of the Bank’s IT systems.

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 or 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

Commission and fee income which represent a return for services are earned when the related service is performed or taken to income over the life of the facility. Fee and commission income comprises of fee income on structured property and mortgage 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 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 closing 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 or 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 or loss account for the year.

1. ACCOUNTING POLICIES (CONTINUED)

h) Financial assets

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. This 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.

Loans, advances and deposits 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 or 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 less provision for ECL. 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 or 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 or loss account. The Bank recognises a charge for expected credit losses in the profit or loss statement. Assets held by the Bank which are measured at fair value through other comprehensive income include securities classed as High Quality Liquid Assets (HQLA) and other securities.

Financial assets measured at fair value through profit or 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.

1. ACCOUNTING POLICIES (CONTINUED)

h) Financial assets (continued)

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.

i) Impairment of financial assets (see also note 29 – Risk Management)

Under IFRS 9 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 or 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* - 12 month 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* - 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 the profit or loss account 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 or 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 or 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 or 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 or loss. FRS 102 permits the adoption of this treatment.

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

1. ACCOUNTING POLICIES (CONTINUED)

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 and mortgage facilities. These are not recognised but are disclosed in note 33 unless the possibility of an outflow of economic resources is remote.

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(i) above and note 29, 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 £511m against total customer loans of £290m (2022: collateral £467m: loans £234m).

1. ACCOUNTING POLICIES (CONTINUED)

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

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.

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).

n) Equity

Equity is represented by ordinary paid-up share capital, share premium account, profit or loss account and the revaluation reserve.

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 improvements to leasehold premises) are depreciated over a five year period, from the date that the asset is brought into use. Improvements to leasehold premises 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 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 or loss is taken to profit or loss at that time. For financial statements disclosure any such profit of loss is disclosed within Other operating charges.

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): 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 or 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 31).

r) Operating leases

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

s) Cash and Cash equivalents

Cash comprises cash on hand and demand deposits. 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 from inception.

2. SEGMENTAL INFORMATION

As the Bank has one main activity, commercial banking, which is carried out in the United Kingdom, segmental analysis is not required.

3. NET INTEREST INCOME

Net interest income during the year was as follows:

	2023 £'000's	2022 £'000's
INTEREST AND SIMILAR INCOME FROM DEBT SECURITIES		
Financial assets at fair value through other comprehensive income	**634**	1,616
Debt securities held at amortised cost	**3,017**	811
	3,651	2,427
OTHER INTEREST INCOME AND SIMILAR INCOME		
Loans and advances to banks	**5,031**	2,749
Loans and advances to customers	**24,335**	13,691
Total interest income	**33,017**	18,867
INTEREST EXPENSE		
Deposits from banks	**(8,453)**	(3,046)
Deposits from customers	**(6,807)**	(2,755)
Total interest expense	**(15,260)**	(5,801)
Net interest income	**17,757**	13,066

4. ADMINISTRATIVE EXPENSES

Staff costs including Directors:

	2023 £'000's	2022 £'000's
Salaries	**5,990**	5,316
Social security costs	**757**	665
Other pension costs (note 31)	**617**	499
	7,364	6,480
Other administrative expenses	**622**	442
	7,986	6,922

4. ADMINISTRATIVE EXPENSES (CONTINUED)

The average number of persons employed by the Bank was

	2023 No.	2022 No.
Private banking	**6**	5
Corporate banking	**5**	6
Treasury and dealing activities	**3**	5
Support staff	**39**	36
	53	52

5. OTHER OPERATING CHARGES

	2023 £'000's	2022 £'000's
Communication costs	**329**	302
Premises costs	**1,408**	1,217
Other costs	**2,562**	2,202
	4,299	3,721

6. DIRECTORS' EMOLUMENTS

The aggregate amount of emoluments paid to Directors consisted of:

	2023 £'000's	2022 £'000's
Fees	**412**	236
Salaries	**606**	468
Pension contributions	**55**	38
Other remuneration	**71**	119
	1,144	861

Of the above, emoluments paid to Non-Executive Directors were £412k (2022: £236k) and emoluments paid to Executive Directors were £732k (2022: £625k). Included in other remuneration is a non-recurring payment of £64k (2022: £115k).

6. DIRECTORS' EMOLUMENTS (CONTINUED)

Emoluments paid and contributions paid into a money purchase pension scheme on behalf of the highest paid Director during 2023 were £347k (2022: £369k) and £29k (2022: £26k) respectively. Monies were paid into a money purchase pension scheme in respect of 3 Executive Directors. The total value of contributions paid to a money purchase pension scheme in respect of Directors qualifying services amounted to £55k (2022: £38k). The Bank does not operate a defined benefit scheme.

During the year the Bank paid £160k (2022: £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 Director), 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	2023 £'000's	2022 £'000's
(i) Income:			
Foreign exchange gains		**(45)**	(31)
(ii) Charges:			
Impairment charge/(recovery)	13	**916**	702
Other gains	14	**~**	(352)
Depreciation on owned assets	17	**546**	517
Compliance work/consultancy cost		**121**	72
Rental on land and buildings	32	**726**	717
Statutory auditors' remuneration;			
– Statutory audit of financial statements		**213**	157
– Audit related assurance services		**10**	8
		223	165

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

Based on profit for the year:

	2023 £'000's	2022 £'000's
United Kingdom corporation tax	**1,155**	581
Adjustments in respect of prior periods	**(1)**	(44)
	1,154	537
Deferred tax – current year	**393**	213
Deferred tax – prior year adjustment	**~**	(5)
Deferred tax – rate change (from 24% to 25%)	**(1)**	(8)
Total tax charge for the year	**1,546**	737

Statement of other comprehensive income:

	2023 £'000's	2022 £'000's
Gross FVOCI movement	357	(1,386)
Deferred tax	**(89)**	346
Net FVOCI movement	**268**	(1,040)

The total taxation charge for the year is lower than the standard rate of corporation tax in the UK at 23.52% (2022: 19%). The differences are explained as follows:

Tax reconciliation:

	2023 £'000's	2022 £'000's
Profit on ordinary activities before tax	**6,450**	4,247
Theoretical tax at UK corporation tax rate of 23.52% (2022: 19%)	**1,517**	807
Effects of:		
– Expenses not deductible for tax purposes	**13**	13
– Rate change	**24**	(8)
– Adjustments to prior years	**(2)**	(49)
– Enhanced tax reliefs	**(6)**	(26)
Total tax charge for the year	**1,546**	737

8. TAX ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

The movement on deferred taxation balance in the period is:

	2023 £'000's	2022 £'000's
Opening balance	**2,438**	2,292
(Charge)/credit to profit or loss account	**(393)**	(200)
(Charge)/credit to other comprehensive income	**(89)**	346
Closing balance	**1,956**	2,438
Analysis of deferred tax balance:		
Accelerated capital allowances	**(186)**	(209)
Tax losses	**2,068**	2,476
Short-term timing differences	**74**	171
Deferred tax assets recognised	**1,956**	2,438

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

Amounts due within one year	**431**	145
Amounts due in greater than one year	**1,525**	2,293
Total tax charge for the year	**1,956**	2,438

In the Spring Budget 2021, the UK government announced that from 1 April 2023 the corporation tax rate would increase from 19% to 25%. This was substantively enacted on 24 May 2021. For the financial year ended 31 December 2023, the current weighted average tax rate was 23.52%. As a result a rate change adjustment is required to restate deferred tax taking into account the 25% rate.

9. LOANS AND ADVANCES TO SHAREHOLDER BANKS AT AMORTISED COST

Repayable	2023 £'000's	2022 £'000's
– on demand	**110**	23,280
– within 3 months	**19,531**	~
Expected credit loss – Stage 1 (see note 12)	**(54)**	(66)
	19,587	23,214

As at 31 December 2023, loans and advances to shareholder banks amounting to £19.6m (2022: £23.2m) were classified in Stage 1.

10. LOANS AND ADVANCES TO OTHER BANKS AT AMORTISED COST

Repayable	2023 £'000's	2022 £'000's
– on demand	**39,885**	42,622
– within three months	**~**	10,187
– between three months and one year	**4,722**	8,343
– between one year and five years	**~**	4,993
Expected credit loss – Stage 1 (see note 12)	**(128)**	(245)
	44,479	65,900

As at 31 December 2023, loans and advances to other banks amounting to £44.5m (2022: £65.9m) were classified in Stage 1.

11. LOANS AND ADVANCES TO CUSTOMERS AT AMORTISED COST

Repayable	2023 £'000's	2022 £'000's
– on demand	**1,762**	630
– within three months	**88,072**	63,868
– between three months and one year	**71,813**	48,717
– between one and five years	**128,572**	121,308
Expected credit loss – Stage 1 (see note 12)	**(230)**	(159)
Expected credit loss – Stage 2 (see note 12)	**(1,196)**	(378)
Expected credit loss – Stage 3 (see note 12)	**(410)**	~
	288,383	233,986

As at 31 December 2023, loans and advances to customers amounting to £254.7m (2022: £214.0m) were classified in Stage 1, £16.5m (2022: £19.9m) in Stage 2 and £17.1m (2022: £Nil) in Stage 3.

12. IMPAIRMENT ALLOWANCES

ANALYSIS OF TOTAL MOVEMENT IN PROVISIONS	2023 £'000's	2022 £'000's
Balance at 1 January (restated)	**2,902**	2,089
Charge to profit or loss account	**916**	702
Other adjustments	**(57)**	111
Balance at 31 December	**3,761**	2,902

The brought forward balances at 1 January have been restated to include the provision of £0.98m (2022: £1.04m) for an off-balance sheet contingent guarantee. There is no impact to the charge to the profit or loss account or any other primary statements. Other adjustments relate to the retranslation of this provision.

Analyses below detail the movement in the allowance for impairment losses by stages.

The table shown below 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.

2023	Stage 1 £'000's	Stage 2 £'000's	Stage 3 £'000's	Total £'000's
In respect of drawn balances				
Balance at 1 January	**976**	**489**	**~**	**1,465**
– Transfers from Stage 1 to Stage 3	**(25)**	**~**	**25**	**~**
– Transfers from Stage 1 to Stage 2	**(58)**	**58**	**~**	**~**
– Transfers from Stage 2 to Stage 3	**~**	**(385)**	**385**	**~**
– Charge to the profit or loss (see note 13)	**(74)**	**1,065**	**~**	**991**
At 31 December 2023	**819**	**1,227**	**410**	**2,456**

2022	Stage 1 £'000's	Stage 2 £'000's	Stage 3 £'000's	Total £'000's
In respect of drawn balances				
Balance at 1 January	793	187	~	980
– Transfers from Stage 2 to Stage 1	4	(4)	~	~
– Transfers from Stage 1 to Stage 2	(47)	47	~	~
– Transfers to Stage 3	~	~	~	~
– Charge to the profit or loss (see note 13)	226	259	~	485
At 31 December 2022	976	489	~	1,465

12. IMPAIRMENT ALLOWANCES (CONTINUED)

The table represents an analysis by stage of undrawn commitments outstanding as at 31 December 2023.

2023	Stage 1 £'000's	Stage 2 £'000's	Stage 3 £'000's	Total £'000's
In respect of undrawn balances				
Balance at 1 January	**232**	**168**	**1,037**	**1,437**
– Transfers to Stage 1	**~**	**~**	**~**	**~**
– Charge to the profit or loss (see note 13)	**(123)**	**48**	**~**	**(75)**
– Other movement	**~**	**~**	**(57)**	**(57)**
Balance 31 December 2023	**109**	**216**	**980**	**1,305**

2022	Stage 1 £'000's	Stage 2 £'000's	Stage 3 £'000's	Total £'000's
In respect of undrawn balances				
Balance at 1 January	116	67	926	1,109
– Transfers to Stage 1	~	~	~	~
– Charge to the profit or loss (see note 13)	116	101	~	217
– Other movement	~	~	111	111
Balance 31 December 2022	232	168	1,037	1,437

12. IMPAIRMENT ALLOWANCES (CONTINUED)

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

ANALYSIS OF EXPECTED CREDIT LOSS ALLOWANCE BY CLASS	Notes	2023 £'000's	2022 £'000's
Loans and advances to shareholder banks	9	**54**	66
Loans and advances to other banks	10	**128**	245
Loans and advances to customers	11	**1,836**	537
Debt securities at amortised cost	16	**226**	284
Debt securities at FVOCI	16	**212**	333
ECL on undrawn commitments	33	**1,305**	1,437
TOTAL		**3,761**	2,902

There were three transfers from Stage 1 to Stage 2 during 2023 and one transfer from Stage 1 to Stage 3. These comprised of one property development loan and two investment loans from Stage 1 to Stage 2 and one investment loan from Stage 1 to Stage 3. Also, there were two transfers from Stage 2 to Stage 3 during 2023. These transfers comprised of two property development loans from Stage 2 to Stage 3. 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 2023. 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 (2022: £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	2023 £'000's	2022 £'000's
(Decrease)/ Increase in ECL – drawn balances	12	**(991)**	**(485)**
(Decrease)/ Increase in ECL - undrawn balances	12	**75**	**(217)**
		(916)	**(702)**

14. OTHER GAINS

There were no other gains or losses during the year from the recovery of loans previously written off (2022: £352k).

15. CONCENTRATIONS OF CREDIT RISK

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

	2023 £'000's	2022 £'000's
UK	**323,121**	285,897
Europe	**30,584**	6,212
OECD	**39,281**	66,619
Jordan	**31,231**	35,378
Middle East	**18,186**	22,736
Other	**4,206**	13,127
	446,609	429,969

There were no country exposures considered material within the "Other" category.

15. CONCENTRATIONS OF CREDIT RISK (CONTINUED)

The following industry concentrations are considered significant:

	2023 £'000's	2022 £'000's
Government/Quasi-Government	**64,297**	76,859
Banks	**80,369**	112,119
Property	**288,456**	200,469
Other	**13,487**	40,226
	446,609	429,673

16. DEBT SECURITIES

2023	Govt securities £'000's	Other debt securities £'000's	Total £'000's
Amortised cost	**5,945**	**9,912**	**15,857**
Financial assets measured at fair value through other comprehensive income	**58,657**	**1,527**	**60,184**
Expected credit losses	**(419)**	**(19)**	**(438)**
At 31 December 2023	**64,183**	**11,420**	**75,603**
2022			
Amortised cost	6,284	19,267	25,551
Financial assets measured at fair value through other comprehensive income	62,463	6,607	69,070
Expected credit losses	(582)	(35)	(617)
At 31 December 2022	68,165	25,839	94,004

16. DEBT SECURITIES (CONTINUED)

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

2023	Amortised Cost £'000's	FVOCI £'000's	Total £'000's
At 1 January	**25,372**	**68,632**	**94,004**
Additions*	**~**	**104,590**	**104,590**
Disposals and maturities	**(8,498)**	**(112,792)**	**(121,290)**
Exchange adjustment	**(1,302)**	**(936)**	**(2,238)**
Revaluation	**~**	**358**	**358**
Expected credit loss (see note 12)	**58**	**121**	**179**
At 31 December 2023	**15,630**	**59,973**	**75,603**

2022	Amortised Cost £'000's	FVOCI £'000's	Total £'000's
At 1 January	24,865	80,506	105,371
Additions*	5,971	81,647	87,618
Disposals and maturities	(8,452)	(98,294)	(106,746)
Exchange adjustment	2,909	6,098	9,007
Revaluation	~	(1,386)	(1,386)
Expected credit loss (see note 12)	79	61	140
At 31 December 2022	25,372	68,632	94,004

** There were no high-quality liquid assets (HQLA) included within additions (2022: £Nil) 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 2023	**4,623**	**758**	**5,381**
Additions	**335**	**8**	**343**
Disposals	**(882)**	**~**	**(882)**
At 31 December 2023	**4,076**	**766**	**4,842**
DEPRECIATION			
At 1 January 2023	**3,442**	**363**	**3,805**
Charge for the year	**468**	**78**	**546**
Disposals	**(852)**	**~**	**(852)**
At 31 December 2023	**3,058**	**441**	**3,499**
NET BOOK VALUE			
At 31 December 2023	**1,018**	**325**	**1,343**
At 31 December 2022	1,181	395	1,576

18. OTHER ASSETS

	2023 £'000's	2022 £'000's
Trade receivable	**2,293**	2,407
Other receivables	**2,889**	2,147
	5,182	4,554

19. DEPOSITS BY SHAREHOLDER BANKS

Repayable	2023 £'000's	2022 £'000's
– on demand	**1,625**	2,022
– within three months	**23,145**	47,906
– between three months and one year	**74,596**	57,765
	99,366	107,693

20. DEPOSITS BY OTHER BANKS

Repayable	2023 £'000's	2022 £'000's
– on demand	**4,219**	5,941
– within three months	**67,554**	47,004
– between three months and one year	**~**	10,013
	71,773	62,958

21. CUSTOMER ACCOUNTS

Repayable	2023 £'000's	2022 £'000's
– on demand	**31,270**	23,209
– within three months	**23,348**	15,079
– between three months and one year	**114,517**	118,062
– between one and five years	**7,751**	10,962
	176,886	167,312

22. OTHER LIABILITIES

	2023 £'000's	2022 £'000's
Derivatives at fair value through profit or loss (note 28)	**2,712**	2,038
Tax and social security	**188**	196
Corporation tax	**525**	190
Provision for undrawn commitments	**1,305**	1,437
Other	**2,556**	2,489
	7,286	6,350

Undrawn commitments include a contingent guarantee amounting to £0.98m (2022: £1.04m) and other ECL provisions on the Bank's off-balance sheet commitments (See expected credit allowances note 12). Included within "Other" are accruals and deferred income balances and sundry creditor balances.

23. SUMMARY OF FINANCIAL ASSETS AND LIABILITIES

2023	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	~	~	53	~	53
Nostros	~	~	6,495	~	6,495
Loans and advances to shareholder banks	~	~	19,587	~	19,587
Loans and advances to other banks	~	~	44,479	~	44,479
Loans and advances to customers	~	~	288,383	~	288,383
Debt securities	59,995	~	15,608	~	75,603
Other assets	~	~	5,182	~	5,182
Accrued income	~	~	2,356	~	2,356
	59,995	~	382,143	~	442,138

2023	FVOCI £'000's	FVTPL £'000's	Financial assets at Amortised cost £'000's	Financial liabilities at Amortised cost £'000's	Total £'000's
FINANCIAL LIABILITIES					
Deposits from shareholder banks	~	~	~	99,366	99,366
Deposits from other banks	~	~	~	71,773	71,773
Deposits from customers	~	~	~	176,886	176,886
Other liabilities	~	2,712	~	4,574	7,286
Accruals	~	~	~	2,337	2,337
	~	2,712	~	354,936	357,648

23. SUMMARY OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

2022	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	~	~	19	~	19
Nostros	~	~	1,094	~	1,094
Loans and advances to shareholder banks	~	~	23,214	~	23,214
Loans and advances to other banks	~	~	65,900	~	65,900
Loans and advances to customers	~	~	233,986	~	233,986
Debt securities	68,632	~	25,372	~	94,004
Other assets	~	~	4,554	~	4,554
Accrued income	~	~	2,182	~	2,182
	68,632	~	356,321	~	424,953

2022	FVOCI £'000's	FVTPL £'000's	Financial assets at Amortised cost £'000's	Financial liabilities at Amortised cost £'000's	Total £'000's
FINANCIAL LIABILITIES					
Deposits from shareholder banks	~	~	~	107,693	107,693
Deposits from other banks	~	~	~	62,958	62,958
Deposits from customers	~	~	~	167,312	167,312
Other liabilities	~	2,038	~	4,312	6,350
Accruals	~	~	~	1,867	1,867
	~	2,038	~	344,142	346,180

24. CALLED-UP SHARE CAPITAL

CALLED-UP, ALLOTTED AND FULLY PAID:	2023 £'000's	2022 £'000's
65,000,000 (2022: 65,000,000) Ordinary paid up voting shares of £1	**65,000**	65,000

All ordinary shares have the same nominal value and voting rights.

25. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS AND RESERVES

	2023 £'000's	2022 £'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 OR LOSS ACCOUNT		
Profit at 1 January	**18,880**	27,370
Profit for the financial year	**4,904**	3,510
Dividend paid to equity holders	**~**	(12,000)
Profit or loss at 31 December	**23,784**	18,880
SECURITIES REVALUATION RESERVE		
Opening revaluation reserve	**(407)**	633
Deferred tax charge	**(89)**	346
Revaluation	**357**	(1,386)
Closing revaluation reserve	**(139)**	(407)

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

	2023 £'000's	2022 £'000's
Operating profit before tax	**6,450**	4,247
Adjustments:		
– Interest income on debt securities	**(3,651)**	(2,427)
– Interest income on loans and advances	**(29,366)**	(16,440)
– Interest expense on deposits	**15,260**	5,801
– Depreciation	**546**	517
– Provision for expected credit losses	**916**	702
– Net effect of foreign exchange rate changes	**2,503**	(11,792)
OPERATING CASH FLOW BEFORE MOVEMENT IN WORKING CAPITAL	**(7,342)**	(19,392)
Changes in operating assets and liabilities:		
– Net (increase) in loans and advances	**(29,828)**	(49,409)
– Net increase/(decrease) in deposits	**5,160**	50,784
– Net (increase) in prepayments and accrued income	**(344)**	(676)
– Net (increase)/decrease in other assets	**(628)**	(3,192)
– Net increase/(decrease) in other liabilities	**602**	3,925
– Net (decrease) in accruals and deferred income	**372**	533
CASH (USED IN) OPERATING ACTIVITIES	**(32,008)**	(17,427)
Interest received on loans and advances	**29,822**	16,957
Corporation tax paid	**(886)**	(602)
Interest paid on deposits	**(12,132)**	(4,479)
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES	**(15,204)**	(5,551)

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

	2023 £'000's	2022 £'000's	Change in year £'000's
Cash	**53**	19	34
Nostros	**6,495**	1,094	5,401
Loans and advances to shareholder banks (less than 3 months maturity)	**19,587**	23,214	(3,627)
Loans and advances to other banks (less than 3 months maturity)	**39,868**	36,719	3,149
	66,003	61,046	4,957

As at 31 December 2023 the Bank held assets totalling £66.0m (2022: £61.04m) 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 from inception.

28. DERIVATIVES AT FAIR VALUE

2023	Notional Amounts £'000's	Fair Value Assets £'000's	Fair Value Liabilities £'000's
Exchange rate contracts:			
Contract or underlying principal amount	**146,304**	**~**	**2,712**

2022	Notional Amounts £'000's	Fair Value Assets £'000's	Fair Value Liabilities £'000's
Exchange rate contracts:			
Contract or underlying principal amount	50,326	~	2,038

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.

28. 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 or 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.

29. 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. Credit, market, 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 Statement, 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 has responsibility for the overall leadership of the Bank, setting the Bank's strategic aims and objectives, its risk appetite and ensuring the maintenance of a risk awareness culture. The Board determines the Bank's structure and capital, membership of its Committees and senior appointments. It also oversees financial reporting and internal controls and major contracts, as well as having oversight of remuneration, delegation of authority, communication with shareholders and other aspects of corporate governance.

The Board has two Board sub-committees the Audit Committee and the Risk Committee, both comprised solely of Non-Executive Directors.

The Audit Committee which is chaired by an Independent Non-Executive Director, meets at least four times a year, before each Board meeting. This Committee supports and advises the Board in carrying out its responsibilities for financial reporting and in respect of internal and external audit risk assessment.

29. RISK MANAGEMENT (CONTINUED)

Risk principles (continued)

The Risk Committee chaired by a Non-Executive Director, meets at least quarterly. The Committee has first-hand oversight of the detail through which the Bank's inherent risks are assessed and how the capital and liquidity required to guard against these risks crystallising are computed. The Committee also provides input into the mechanisms the Bank has in place to warn of impending issues and endorses potential management actions to mitigate the impact should these issues manifest themselves in stress scenarios. It also monitors Internal Controls, Compliance, Conduct and Financial Crime Risk.

The Executive Committee ("ExCo") is comprised solely of members of the London-based senior management team and is chaired by the CEO. ExCo is responsible for the day-to-day management of the Bank's business, including the implementation of strategy, operational plans, policies, procedures and budgets; monitoring of operating and financial performance; assessment of the Bank's current risk profile and control of risk, prioritisation and control of resources and monitoring competitive forces in each area of the Bank's operations. ExCo also monitors the Bank's assets, liabilities, funding, capital and liquidity, exposure to market, interest rate and FX risks ensuring that its activities do not breach the Board's risk appetite, oversees preparation of the Bank's prudential documents and approves credit facilities and investments within the limits agreed from time to time by the Board and detailed in the Bank's portfolio of policies.

Risk Management Framework

JIB has developed and implemented a Risk Management Framework (RMF), whilst cognisant of the Bank's size and complexity, to identify, measure, mitigate, and monitor risks to achieve an appropriate trade-off between risk and returns and thus enhance the shareholder value. In the process, an integrated and coordinated approach is followed to embed a risk awareness culture throughout the business with the active involvement of the risk owners and other stakeholders, including the Board of Directors.

The RMF, encompassing various documents, reports and processes, is designed to assist the Board and senior management to understand, evaluate and communicate the categories and level of risk, which they are prepared to accept. It also ensures that material emerging risks and risk taking activities beyond the risk appetite statement are acknowledged, escalated to senior management and the Board and addressed in a timely manner.

Three lines of defence

The RMF assists in embedding a risk based culture, upon which the roles and responsibilities for risk management are defined under the 'three lines of defence' model, where, for each line of defence (risk owners, risk control owners and internal audit), a specific set of responsibilities for risk management and control are described, namely:

- **First line of defence**

  First line of defence (risk owners) – are responsible for identifying, assessing and mitigating risks related to their businesses or 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.

29. RISK MANAGEMENT (CONTINUED)

Risk principles (continued)

- **Second line of defence**

  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 and climate risk or operational risk), compliance and regulation.

- **Third line of defence**

  Third line of defence (namely, internal audit) – provides 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 controls used to manage and mitigate risk.

Risk Appetite Statement

The Risk Appetite Statement (RAS) supports the Bank's strategic objectives.

All principal risks are identified in the 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 – the risk that the Bank has insufficient capital to support the business and meet regulatory requirements.

Liquidity risk and funding risk – the risk that the Bank does not have sufficient financial resources available to meet its obligations as they fall due.

Credit risk – the risk of financial loss due to the failure of the Bank's counterparty to meet its financial obligations in accordance with agreed terms. 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 unforeseen Expected Credit Loss (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.

29. RISK MANAGEMENT (CONTINUED)

Principal risks (continued)

Market risk – the risk of losses in on- and off-balance sheet positions arising from adverse movements in market prices.

Interest rate risk – the risk of losses arising from changes in market interest rates that affect the Bank's balance sheet positions and profitability.

Operational risk – the risk of losses resulting from inadequate or failed internal processes, people and systems or 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 or dishonesty, misconduct or misuse of financial markets information, or the handling of the proceeds of crime.

Regulatory risk – the risk of losses arising due to failure of the Bank to comply with all applicable regulatory obligations.

Legal risk – the risk of loss primarily caused by failure to keep up to date with existing legislation or regulation that may impact business operations and other changes in the law; defective transactions (e.g. contractual risk); claims that may result in liability and loss to the Bank; failure to have in place the appropriate measures to protect assets owned by the Bank (e.g. intellectual property).

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 the Bank.

Strategic risk – the risk associated with the Bank's business strategy.

Business risk – the risk associated with internal and external factors affecting the Bank's profitability.

Climate risk – the risk of financial loss or adverse non-financial impact associated with climate change and with any political, economic and environmental response or reaction to it.

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. At 31 December 2023 there were two loans in forbearance totalling £3,184k (2022: £1,603k) that were not considered to have a material impact on the risk profile.

29. RISK MANAGEMENT (CONTINUED)

Credit risk

Key principles of credit risk management

- Credit Risk Management Policy is reviewed and approved by the Board of Directors every year. The Board Risk Committee and the Board oversee credit risk on a quarterly basis.
- Approval by EXCO, and where necessary by the Board, 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 property 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, are 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.

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'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.

29. RISK MANAGEMENT (CONTINUED)

Credit risks (continued)

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

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 £511m against total customer loans of £290m (2022: collateral £467m: loans £234m).

29. RISK MANAGEMENT (CONTINUED)

Credit quality: Ageing analysis

LOANS AND ADVANCES AT AMORTISED COST	At 31 December 2023 Loans and advances to customers £'000's	At 31 December 2023 Loans and advances to banks £'000's	At 31 December 2022 Loans and advances to customers £'000's	At 31 December 2022 Loans and advances to banks £'000's
Neither past due nor impaired	**272,721**	**64,248**	234,523	89,425
Past due but not impaired				
– less than 3 months	**~**	**~**	~	~
– 3 to 12 months	**17,498**	**~**	~	~
– 1 to 5 years	**~**	**~**	~	~
Impaired	**~**	**~**	~	~
Expected credit loss allowance	**(1,836)**	**(182)**	(537)	(311)
Carrying amount	**288,383**	**64,066**	233,986	89,114

LOANS AND ADVANCES TO SHAREHOLDER BANKS AT AMORTISED COST 2023	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**
ECL allowance	**(54)**	**~**	**~**	**(54)**
Carrying amount	**19,587**	**~**	**~**	**19,587**

LOANS AND ADVANCES TO SHAREHOLDER BANKS AT AMORTISED COST 2022	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	23,280	~	~	23,280
ECL allowance	(66)	~	~	(66)
Carrying amount	23,214	~	~	23,214

29. RISK MANAGEMENT (CONTINUED)

Credit quality: Ageing analysis (continued)

LOANS AND ADVANCES TO OTHER BANKS 2023	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	**44,607**	**~**	**~**	**44,607**
ECL allowance	**(128)**	**~**	**~**	**(128)**
Carrying amount	**44,479**	**~**	**~**	**44,479**

LOANS AND ADVANCES TO OTHER BANKS 2022	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	66,145	~	~	66,145
ECL allowance	(245)	~	~	(245)
Carrying amount	65,900	~	~	65,900

29. RISK MANAGEMENT (CONTINUED)

Credit quality: Ageing analysis (continued)

LOANS AND ADVANCES TO CUSTOMERS AT AMORTISED COST 2023	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	**255,005**	**~**	**~**	**255,005**
Grade 6: Performing-marginal	**~**	**6,213**	**~**	**6,213**
Grade 7: Vulnerable	**~**	**~**	**~**	**~**
Grade 8: Substandard	**~**	**11,504**	**~**	**11,504**
Grade 9: Doubtful	**~**	**~**	**17,497**	**17,497**
Grade 10: Impaired	**~**	**~**	**~**	**~**
	255,005	**17,717**	**17,497**	**290,219**
ECL allowance	**(230)**	**(1,196)**	**(410)**	**(1,836)**
Carrying amount	**254,775**	**16,521**	**17,087**	**288,383**

LOANS AND ADVANCES TO CUSTOMERS AT AMORTISED COST 2022	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	214,589	844	~	215,433
Grade 6: Performing-marginal	~	19,090	~	19,090
Grade 7: Vulnerable	~	~	~	~
Grade 8: Substandard	~	~	~	~
Grade 9: Doubtful	~	~	~	~
Grade 10: Impaired	~	~	~	~
	214,589	19,934	~	234,523
ECL allowance	(159)	(378)	~	(537)
Carrying amount	214,430	19,556	~	233,986

29. RISK MANAGEMENT (CONTINUED)

Credit quality: Ageing analysis (continued)

	Stage 1 – 12 month ECL £'000's	Stage 2 – Lifetime ECL £'000's	Stage 3 – Lifetime ECL £'000's	Total ECL £'000's
31 DECEMBER 2023				
DEBT SECURITIES AT AMORTISED COST				
Grades 1-5: Performing	**9,911**	~	~	**9,911**
Grade 6: Performing-marginal	**5,945**	~	~	**5,945**
Grade 7: Vulnerable	~	~	~	~
Grade 8: Substandard	~	~	~	~
Grade 9: Doubtful	~	~	~	~
Grade 10: Impaired	~	~	~	~
	15,856	~	~	**15,856**
ECL allowance	**(226)**	~	~	**(226)**
Carrying amount	**15,630**	~	~	**15,630**

	Stage 1 – 12 month ECL £'000's	Stage 2 – Lifetime ECL £'000's	Stage 3 – Lifetime ECL £'000's	Total ECL £'000's
31 DECEMBER 2022				
DEBT SECURITIES AT AMORTISED COST				
Grades 1-5: Performing	19,267	~	~	19,267
Grade 6: Performing-marginal	6,284	~	~	6,284
Grade 7: Vulnerable	~	~	~	~
Grade 8: Substandard	~	~	~	~
Grade 9: Doubtful	~	~	~	~
Grade 10: Impaired	~	~	~	~
	25,551	~	~	25,551
ECL allowance	(284)	~	~	(284)
Carrying amount	25,267	~	~	25,267

29. RISK MANAGEMENT (CONTINUED)

Credit quality: Ageing analysis (continued)

	Stage 1 – 12 month ECL £'000's	Stage 2 – Lifetime ECL £'000's	Stage 3 – Lifetime ECL £'000's	Total ECL £'000's
31 DECEMBER 2023 DEBT SECURITIES AT FVOCI				
Grades 1-5: Performing	**52,243**	**1,940**	**~**	**54,183**
Grade 6: Performing-marginal	**6,002**	**~**	**~**	**6,002**
Grade 7: Vulnerable	**~**	**~**	**~**	**~**
Grade 8: Substandard	**~**	**~**	**~**	**~**
Grade 9: Doubtful	**~**	**~**	**~**	**~**
Grade 10: Impaired	**~**	**~**	**~**	**~**
	58,245	**1,940**	**~**	**60,185**
ECL allowance	**(181)**	**(31)**	**~**	**(212)**
Carrying amount	**58,064**	**1,909**	**~**	**59,973**

	Stage 1 – 12 month ECL £'000's	Stage 2 – Lifetime ECL £'000's	Stage 3 – Lifetime ECL £'000's	Total ECL £'000's
31 DECEMBER 2022 DEBT SECURITIES AT FVOCI				
Grades 1-5: Performing	60,749	2,008	~	62,757
Grade 6: Performing-marginal	6,313	~	~	6,313
Grade 7: Vulnerable	~	~	~	~
Grade 8: Substandard	~	~	~	~
Grade 9: Doubtful	~	~	~	~
Grade 10: Impaired	~	~	~	~
	67,062	2,008	~	69,070
ECL allowance	(221)	(112)	~	(333)
Carrying amount	66,841	1,896	~	68,737

29. RISK MANAGEMENT (CONTINUED)

Credit Quality: Neither past due nor impaired

LOANS AND ADVANCES	At 31 December 2023 Loans and advances to customers £'000's	At 31 December 2023 Loans and advances to banks £'000's	At 31 December 2022 Loans and advances to customers £'000's	At 31 December 2022 Loans and advances to banks £'000's
Investment grade	~	~	~	14,132
Non-investment grade	~	**18,427**	~	25,182
Unrated	**288,383**	**45,639**	233,986	49,800
Maximum credit exposure	**288,383**	**64,066**	233,986	89,114

Debt securities by rating agency designation is summarised below

	At 31 December 2023 Government securities £'000's	At 31 December 2023 Other debt securities £'000's	At 31 December 2022 Government securities £'000's	At 31 December 2022 Other debt securities £'000's
AAA to A+	**50,715**	**1,527**	54,148	5,352
A or lower	**13,468**	**9,893**	14,017	20,487
Unrated	~	~	~	~
Maximum credit exposure	**64,183**	**11,420**	68,165	25,839

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 daily in line with the regulatory requirements of the Prudential Regulation Authority (PRA) by the CFO.

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.

29. 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 2023, the Bank had sufficient highly liquid unencumbered Liquidity Coverage Ratio (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 a further 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 marginally during 2023 by less than 1 % to £171.1m (2022: £170.7m). Funding from customer accounts increased by 6% during 2023 to £177m (2022: £167m).

Recovery Plan

The Bank's contingency funding plan, which is amalgamated within the Recovery Plan document, is considered as part of the Bank's Internal Liquidity Adequacy Assessment Process (ILAAP); this 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.

The Recovery Plan has been established in the event of a "liquidity crisis" and senior management remains confident of the Bank's ability to manage its liquidity requirements effectively in all such circumstances. 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.

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 evaluation 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.

29. 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 2023	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	**1,625**	**23,145**	**74,596**	**~**	**~**	**99,366**
Deposits by other banks	**4,219**	**67,554**	**~**	**~**	**~**	**71,773**
Customer accounts	**19,586**	**34,930**	**114,619**	**7,751**	**~**	**176,886**
Off-balance sheet - Contingent liabilities and commitments	**~**	**4,121**	**26,114**	**11,615**	**650**	**42,500**
	25,430	**129,750**	**215,329**	**19,366**	**650**	**390,525**

AT 31 DECEMBER 2022	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	2,021	47,906	57,766	~	~	107,693
Deposits by other banks	5,941	47,005	10,012	~	~	62,958
Customer accounts	19,862	16,637	119,850	10,963	~	167,312
Off-balance sheet - Contingent liabilities and commitments	~	3,447	30,929	22,061	~	56,437
	27,824	114,995	218,557	33,024	~	394,400

The balances in the above tables will 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.

29. RISK MANAGEMENT (CONTINUED)

Liquidity risk (continued)

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

	At 31 December 2023		At 31 December 2022	
	£'000's	Repayable within 1 year £'000's	£'000's	Repayable within 1 year £'000's
Cash and nostros	**6,548**	**6,548**	1,113	1,113
Loans and advances to shareholder banks	**19,587**	**19,587**	23,214	23,214
Loans and advances to other banks	**44,479**	**44,479**	65,900	61,152
	£'000's	Of which HQLA £'000's	£'000's	Of which HQLA £'000's
Debt securities	**75,603**	**50,715**	94,004	54,148

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 2023 stood at £29.119m, (2022: £41.993m).

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

Market risk

The Bank is exposed to market risk because of its banking positions. Market risk mainly comprises currency and interest rate 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.

29. 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 2023						
Total assets	108,569	85,112	94,569	106,390	77,374	70,926
Total liabilities	(222,490)	(174,420)	(193,800)	(218,025)	(158,564)	(145,350)
Forward contracts	89,457	70,129	77,921	87,661	63,754	58,441
Net	(24,464)	(19,179)	(21,310)	(23,974)	(17,436)	(15,983)
Movement	~	~	(2,131)	(4,795)	1,743	3,196

			% 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 2023						
Total assets	792	688	764	860	625	573
Total liabilities	(9,341)	(8,109)	(9,011)	(10,137)	(7,372)	(6,758)
Forward contracts	8,589	7,457	8,285	9,321	6,779	6,214
Net	40	36	38	44	32	29
Movement	~	~	2	8	(4)	(7)

29. RISK MANAGEMENT (CONTINUED)

			% 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 2022						
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

			% 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 2022						
Total assets	7,586	6,711	7,457	8,389	6,101	5,592
Total liabilities	(9,085)	(8,036)	(8,929)	(10,045)	(7,306)	(6,697)
Forward contracts	1,500	1,327	1,474	1,659	1,206	1,106
Net	1	2	2	3	1	1
Movement	~	~	~	1	(1)	(1)

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 set out the impact on future net interest income and the economic values of assets as per interest rate shocks prescribed by the PRA at the reporting date in sterling and US dollars. For US Dollar net assets a 250bp interest rate shock has been applied and a 200bp shock applied to Sterling net assets. 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.

29. RISK MANAGEMENT (CONTINUED)

Sensitivity of projected net interest income (continued)

Change in projected net interest income arising from a shift in yield curves of 200bp:

	2023		2022	
POUNDS STERLING	Gap £'000's	Net interest £'000's	Gap £'000's	Net interest £'000's
Overnight	**244,565**	**6,097**	213,894	4,189
1 month	**39,397**	**970**	(19,228)	(369)
3 months	**(12,657)**	**(264)**	(27,967)	(470)
6 months	**(32,539)**	**(508)**	(47,179)	(661)
9 months	**(18,275)**	**(171)**	(14,404)	(108)
1 year	**(44,526)**	**(139)**	(31,917)	(80)
TOTAL	**175,965**	**5,985**	73,199	2,501

Change in projected net interest income arising from a shift in yield curves of 250bp:

	2023		2022	
US DOLLARS	Gap US$ 000's	Net interest US$ 000's	Gap US$ 000's	Net interest US$ 000's
Overnight	**(22,520)**	**(449)**	(22,052)	(362)
1 month	**(26,664)**	**(525)**	~	~
3 months	**(28,652)**	**(478)**	19,193	272
6 months	**(22,658)**	**(283)**	(34,515)	(409)
9 months	**(17,783)**	**(133)**	(11,796)	(78)
1 year	**(23,029)**	**(58)**	(11,375)	(25)
TOTAL	**(141,306)**	**(1,926)**	(60,545)	(602)

29. RISK MANAGEMENT (CONTINUED)

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 per cent of total risk-weighted assets. This requirement is supplemented by additional minimum requirements under Pillar 2A of the regulatory framework and a number of regulatory capital buffers.

Additional minimum requirements under Pillar 2A are set by the PRA, as 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.

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).

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).

29. RISK MANAGEMENT (CONTINUED)

Capital risk (continued)

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 Bank's Internal Capital Adequacy Assessment Process (ICAAP) assesses the capital required over and above the Pillar 1 requirement to withstand all risks (Pillar 2 assessment).

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 a capital allocation to each product line 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 robust challenge to the ICAAP assumptions and projected outcomes, this being a fundamental part of the capital allocation process.

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. The Bank's capital consists of Tier 1 qualifying capital only.

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.

TCFD framework for climate disclosures focusses on four core elements: governance, strategy, risk management, and metrics and targets.

29. RISK MANAGEMENT (CONTINUED)

Climate risk (continued)

Governance

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 climate change, the Bank apprises relevant policies, procedures, the 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 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.

30. 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 2023	Carrying amount £'000's	Fair value £'000's
ASSETS		
Loans and receivables at amortised cost	**352,449**	**352,449**
Debt securities at amortised cost	**15,630**	**15,521**
Debt securities at FVOCI	**59,973**	**59,973**
LIABILITIES		
Deposits by banks and customers at amortised cost	**348,025**	**348,025**

	Non-trading book	
AT 31 DECEMBER 2022	Carrying amount £'000's	Fair value £'000's
ASSETS		
Loans and receivables at amortised cost	323,100	323,100
Debt securities at amortised cost	25,372	24,851
Debt securities at FVOCI	68,632	68,632
LIABILITIES		
Deposits by banks and customers at amortised cost	337,963	337,963

30. 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.

	2023			
FAIR VALUE OF ASSETS HELD AT FAIR VALUE 31 DECEMBER 2023	**Level 1 £'000's**	**Level 2 £'000's**	**Level 3 £'000's**	**Total £'000's**
FINANCIAL ASSETS AT FVTPL				
Exchange rate contracts	~	~	~	~
FINANCIAL ASSETS AT FVOCI				
Debt securities	59,973	~	~	59,973
FINANCIAL LIABILITIES AT FVTPL				
Exchange rate contracts	(2,712)	~	~	(2,712)
	57,261	~	~	57,261

30. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value measurements recognised in the balance sheet (continued)

FAIR VALUE OF ASSETS HELD AT FAIR VALUE 31 DECEMBER 2022	2022 Level 1 £'000's	Level 2 £'000's	Level 3 £'000's	Total £'000's
FINANCIAL ASSETS AT FVTPL				
Exchange rate contracts	~	~	~	~
FINANCIAL ASSETS AT FVOCI				
Debt securities	68,632	~	~	68,632
FINANCIAL LIABILITIES AT FVTPL				
Exchange rate contracts	(2,038)	~	~	(2,038)
	66,594	~	~	66,594

31. 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 £616,322 (2022: £499,422) 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.

32. OPERATING LEASE COMMITMENTS

At 31 December, the Bank had the following future minimum lease payments under non- cancellable operating leases for each of the following periods:

PAYMENTS DUE	Land and buildings 2023 £'000's	2022 £'000's
Not later than one year	**420**	717
Later than one year and not later than 5 years	**2,900**	2,900
Later than five years	**61**	60

33. CONTINGENT LIABILITIES AND COMMITMENTS

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.

	2023 £'000's	2022 £'000's
Guarantees and irrevocable letters of credit	**13,381**	14,444
Undrawn commitments	**29,119**	41,993
	42,500	56,437

The Bank has letters of credit and guarantees totalling £13.381m (2022: £14.444m). These exposures have maturity dates of less than 1 year and the Bank considers the likelihood of any outflow to be remote.

The Bank also has undrawn loan facilities totalling £29.119m (2022: £41.993m) relating to the structured finance lending product and regulated mortgages. The structured finance 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 £18.484m (2022: £34.697m) relating to facilities expiring in less than 1 year and £10.635m (2022: £21.740m) 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 below.

33. CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

31 DECEMBER 2023	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	**39,498**	~	~	**39,498**
Grade 6: Performing-marginal	~	~	~	~
Grade 7: Vulnerable	~	**2,022**	~	**2,022**
Grade 8: Substandard	~	~	~	~
Grade 9: Doubtful	~	~	~	~
Grade 10: Impaired	~	~	**980**	**980**
	39,498	**2,022**	**980**	**42,500**
ECL allowance (see note 12)	**(109)**	**(216)**	**(980)**	**(1,305)**
Carrying amount	**39,389**	**1,806**	~	**41,195**

31 DECEMBER 2022	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	51,962	~	~	51,962
Grade 6: Performing-marginal	~	76	~	76
Grade 7: Vulnerable	~	3,362	~	3,362
Grade 8: Substandard	~	~	~	~
Grade 9: Doubtful	~	~	~	~
Grade 10: Impaired	~	~	1,037	1,037
	51,962	3,438	1,037	56,437
ECL allowance (see note 12)	(232)	(168)	(1,037)	(1,437)
Carrying amount	51,730	3,270	~	55,000

34. RELATED PARTY TRANSACTIONS

Other than for the transactions with the shareholder banks included in note 9 (Loans to Shareholder Banks - 2023: £19.587m (2022 £23.214m) and in note 19 (Deposits by Shareholder Banks – 2023: £99.366m (2022: £107.693m) there have been no related party transactions during 2023. 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 £1,794k (2022: £1,306k) in interest income from the Bank's shareholders and £6,271k (2022: £2,898k) in interest expense paid to the Bank's shareholders.

During the year the Bank paid £160k (2022: £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%).

35. CONTROLLING PARTY

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

Al-Shumaysani-Prince Shaker 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.

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

In 2014, the UK Government enacted legislation (contained in the Financial Services and Markets Act 2000 Statutory Instrument 3118) which required 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 2023 are set out below:

	Entity name/activity	Jordan International bank - Classified as a commercial bank	
	2023	UK	Total
a)	Operating income	**£20,196,000**	**£20,196,000**
b)	Average number of employees	**53**	**53**
c)	Profit before tax	**£6,450,000**	**£6,450,000**
d)	Corporation tax paid	**£885,765**	**£885,765**
e)	Public subsidies received	**nil**	**nil**

	2022	UK	Total
a)	Operating income	£16,109,000	£16,109,000
b)	Average number of employees	52	52
c)	Profit before tax	£4,247,000	£4,247,000
d)	Corporation tax paid	£601,941	£601,941
e)	Public subsidies received	nil	nil

37. POST BALANCE SHEET EVENTS

There were no adjusting or non-adjusting events between the balance sheet date and the date when the financial statements were authorised for issue.

38. 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

39. PILLAR 3 DISCLOSURES

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

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