Company Registration No. 5575857

Europe Arab Bank plc

Annual Report and Financial Statements

31 December 2021

Europe Arab Bank plc
Annual Report and Financial Statements 2021

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Europe Arab Bank plc
Directors, Officers and Professional Advisers

Directors

Mr. Nemeh Sabbagh	Chairman
Mr. Haytham Kamhiyah	Chief Executive Officer
Mr. Mohammad Shoaib Memon	Chief Operating Officer
Mr. Quentin Aylward	Independent Non-Executive Director
Mr. John Kerr	Independent Non-Executive Director
Mr. Eric Modave	Non-Executive Director
Mr. Saleem Shadeed	Non-Executive Director

Executive Management

Mr. Haytham Kamhiyah	Chief Executive Officer
Mr. Mohammad Shoaib Memon	Chief Operating Officer
Mr. Andrew Wilson	Head of Legal & Company Secretary
Mr. Charles Pickin	Chief Risk Officer
Mr. Dhar Solanki	Money Laundering Reporting Officer
Ms. Ekaterina Mihova	Head of Human Resources
Mr. Iyad Quttaineh	Head of Private Banking
Mr. Kim Tran	Head of Corporate & Institutional Banking
Mr. Sidharth Chaugule	Head of Treasury
Mr. Samir El-Sukhun	Head of Credit
Mr. Thomas Noone	Head of Regulatory Compliance

Registered Office

13-15 Moorgate, London, EC2R 6AD

Auditor

Ernst & Young LLP
Chartered Accountants and Statutory Auditor
London
United Kingdom

Europe Arab Bank plc
Strategic Report

Cautionary Statement

This Strategic Report has been prepared solely to provide information to the shareholder to assess how the Directors have performed their duty to promote the success of Europe Arab Bank plc. The Strategic Report contains certain forward-looking statements. These statements are made by the Directors in good faith based on the information available to them up to the time of their approval of this report and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying such forward-looking information.

Overview

Europe Arab Bank plc ("EAB", "EAB plc" or "the Bank") provides as its core businesses Corporate & Institutional Banking ("CIB"), Private Banking and Treasury services to its clients, focusing on business transacted between the UK, Europe & North America and the Middle East & North Africa ("MENA").

EAB plc is a wholly-owned subsidiary of Arab Bank plc ("the parent"), through which it has access to an extensive banking network in the MENA region. Arab Bank is the largest Arab banking network, with over 600 branches spanning five continents through Arab Bank plc branches, subsidiaries, its sister company and associates.

During 2020, as part of EAB plc's preparations for the exit of the UK from the European Union (EU), the assets and liabilities of the European branches of EAB plc located in Paris, Cannes, Frankfurt and Milan were transferred to a newly established wholly owned EU banking subsidiary of EAB plc, Europe Arab Bank SA ("EAB SA")[1]. EAB SA is authorised and regulated by the French banking regulator, the Autorité de Contrôle Prudentiel et de Résolution (ACPR). The EAB group comprising EAB plc and EAB SA operates through six offices in four European countries, focusing on business transacted between Europe & North America and the Middle East & North Africa ("MENA").**Strategy and objectives**

EAB's strategic objectives remain focused on the "Bridge to MENA" proposition. Our strategic goal is to remain a lean, customer focussed, niche bank that presents a seamless interface to the Arab Bank Group for customers in the UK, Europe, North America and MENA.

We act as an integral part of the Arab Bank Group and complement the Group's footprint by extending coverage to and for European & North American clients into MENA and vice versa.

We are a niche bank, focused on delivering excellence and value to our clients and business partners, and generating sustainable profits for the shareholder.

Vision and values

We aim to be recognised as a preferred bank of choice for clients active in the UK, Europe & North America and the MENA.

Our business is founded on a rich international heritage and experience, which we proactively share to the benefit of our clients. We use our local knowledge, expertise and understanding of the economic, political, social and commercial environments in our key markets to support the needs of our clients. Our clients come first; we are dedicated to working with them to build long term relationships and achieve lasting success.

Business Model

We operate a simple business model founded on three main business units, offering high service levels and building long-term relationships with clients and other stakeholders. We, inclusive of our subsidiary in

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[1] Incorporated in France as a Société Anonyme with registered no. 844 842 278 R.C.S. Paris. Due to French legal requirements, one share in EAB SA is owned by another member of the Arab Bank Group, AB Consolidated Investments Limited.

France, Europe Arab Bank SA, have offices in key strategic European centres: London, Paris, Frankfurt, and Milan.

The key activities of the three main business units are:

Corporate and Institutional Banking

Corporate and Institutional Banking provides banking services to European, North American and MENA based companies and financial institutions. Our knowledge, expertise and coverage in MENA enables us to add value to our European and North American clients doing business in the Arab world. Similarly, our presence in and access to key financial centres in Europe allows us to serve our MENA based clients in Europe.

Country and product focussed teams work together to support clients across a wide range of markets and industry sectors. We also assist our clients in Trade Finance and Project Finance. Clients benefit from a comprehensive suite of products and services including short and medium term advances, Export Credit Agency (ECA) backed financings, guarantees, letters of credit, treasury products and bespoke solutions designed to meet specific business and industry needs.

Private Banking

Private Banking's key function is to provide banking services to high net worth individual clients through our offices in London and Paris (EAB SA). Our team of international professionals, with Arab world and European experience, provide a service based on financial expertise, respect, trust and cultural understanding.

In addition to access to a range of current and saving accounts and deposits, we provide real estate lending, Non-UK/EEA resident mortgages, securities dealing, foreign exchange dealing and safe deposit box services. Our products are tailored to meet the needs of our clients.

Treasury

Treasury is responsible for the day-to-day management of assets and liabilities, interest rate risk, foreign exchange risk and liquidity management. In addition, Treasury provides a range of financial products in money markets, capital markets, foreign exchange and derivative markets which can be tailored to meet the needs of the private and corporate clients and assist them in managing their risks.

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Strategic Report (continued)

Financial Review

EAB's net profit after taxation for 2021 was €0.8mn (2020: €0.5mn). The 2021 Income Statement below summarises the results of EAB's UK operations.

Operating Profit (€mn)	**2021**	**2020**
Net interest & similar income	22.3	22.5
Net fee & commission income	6.3	7.1
Other income (net)	5.0	4.4
Net Operating Income	33.6	34
Total Operating Expenses	(31.6)	(29)
Operating profit before impairment loss expense and tax expense as reported in the Income Statement	2.0	5
Impairment loss expense	(1.6)	(4.5)
Tax (charge)/credit	0.4	-
Underlying Operating Profit for the year	***0.8***	***0.5***

Net interest & similar income ("NII") and net fee & commission income for 2021 have been slightly lower with reduced business activity amidst COVID-19 pandemic and low interest rates.

Operating expenses have been impacted by strengthening of Sterling in addition to increased employee costs.

Impairment related charges at have been significantly lower compared to prior year reflecting on quality of assets despite economic uncertainty witnessed during the year

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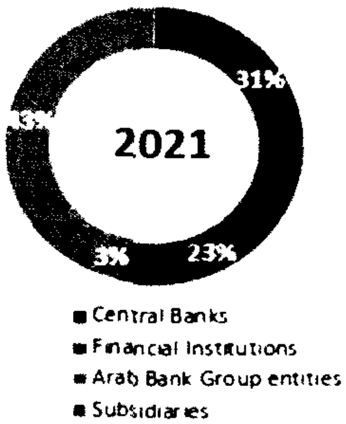
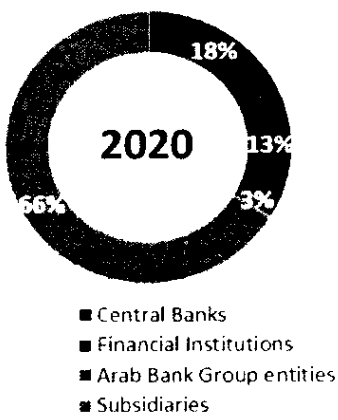
Statement of Financial Position (€mn)	2021	2020
Cash and balances with banks and sister companies	577	746
Securities	615	586
Loans and advances to customers	920	890
Other assets	152	133
Total assets	**2,264**	**2,355**
Deposits by and due to banks and sister companies	669	835
Deposits by customers	1,165	1,089
Other liabilities	27	54
Total liabilities less Tier 2 capital	1,861	1,978
Tier 2 capital	110	102
Shareholder's equity	293	275
Total capital and liabilities	**2,264**	**2,355**
Customer related contingent liabilities and commitments	**622**	**738**

Cash and balances with banks and securities principally relate to Treasury's assets and are primarily for liquidity purposes as well as generating a return on surplus liquidity. The securities balance largely comprises highly rated sovereign and multilateral institutional holdings for liquidity purposes and highly rated financial institutions.

Cash and balances with banks and sister companies





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Securities

Loans and advances to customers largely comprises of corporate lending to MENA active clients, project financing, real estate lending (residential and commercial) for prime UK properties and short-term trade related discounting and financing facilities.

Loans and advances to customers by sector

Loans and advances to customers by geography

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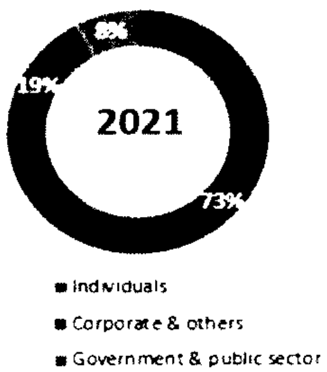
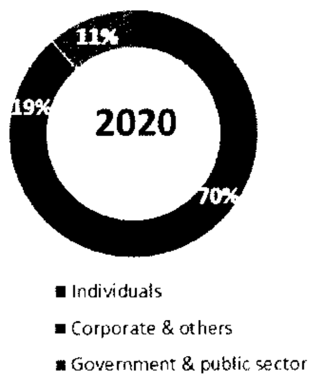
Strategic Report (continued)

Deposits by customers remain diversified between corporates, sovereign institutions, small and medium enterprises and high net-worth individuals having strong relationships with EAB. The Bank maintained significant focus on maintaining strong liquidity during the year resulting an increase in deposits.

Deposits by customers





Capital of the Company comprises equity and US$ denominated perpetual subordinated notes (Tier 2 capital). The Company maintains healthy capital ratio as discussed further later.

Customer related contingent liabilities and commitments largely comprise unfunded assets arising out of our Trade Finance business, and include letters of credit and guarantees and undrawn commitments.

Other Key Performance Indicators

EAB uses other Key Performance Indicators ("KPIs") to identify and monitor trends in the performance of the strategies employed. These KPIs are reviewed on a regular basis and form an integral part of the decision making process. The KPIs generally reflect an improvement in EAB's performance compared to 2020.

KPI	Description	2021	2020
Loan to customer deposit ratio	Represents EAB's ability to fund its lending from core deposits generated	79%	82%
Capital adequacy ratio	Measures EAB's financial strength, expressed as a ratio of total capital to risk weighted assets	22%	22%
Common equity tier 1 capital ratio	Measures EAB's financial strength, expressed as a ratio of common equity tier 1 capital to risk weighted assets	16%	15%
Coverage ratio	Reflects EAB's provisions against classified assets* (excluding collateral)	34%	32%
Adjusted cost to Income Ratio	Measures operational efficiency of the business and the returns generated	94%	75%
Return on opening equity	Measures EAB's return generated on shareholder's equity	0.26%	0.19%
Return on assets	Measures return generated on total assets	0.03%	0.02%

** Classified assets are the lowest internally rated exposures.*

Principal Risks and Uncertainties

EAB's risk appetite is articulated in the Board of Directors' approved Risk Appetite Statements:

- EAB's appetite is for doing business that is primarily aligned to the core 'Bridge to MENA' strategy and vision;
- EAB takes a conservative approach to credit risk and will not sacrifice credit quality in order to make short-term gains;
- EAB takes a conservative approach to market risk and will not take unnecessary risks in order to make short-term gains;
- EAB closely manages and controls all liquidity and funding risks in order to strongly protect our depositors;
- EAB maintains healthy capital ratios, with headroom over any regulatory constraints;
- EAB has limited appetite for operational losses that may arise from doing business;
- EAB has no tolerance for regulatory breaches or delays in regulatory reporting;
- The Bank has zero appetite for unfair customer outcomes arising from any part of the customer lifecycle, including product design, sales, service and strategy and culture; and
- The Bank has no tolerance for ineffective financial crime systems and controls and no appetite for any relationship with parties that do not comply with our Financial Crime policies and controls.

For each type of risk, there are also measures of the preferred or target amount of that risk, and/or the maximum capacity that can be borne by EAB.

The principal risks are discussed further below including the techniques applied to manage and mitigate those risks.

Risk	Risk Mitigation and Management
Credit	
EAB faces credit and counterparty risk across its business units, particularly in CIB and Private Banking. EAB advances loans and off balance sheet facilities to a range of corporate and individual borrowers. In addition, surplus funds are placed with, or invested in, securities issued by other financial institutions, sovereign or multilateral institutions. A limited number of derivative contracts are also executed to hedge interest rate and foreign exchange risks through the Treasury business.	EAB has a policy of dealing with counterparties considered creditworthy in its assessment and obtaining sufficient collateral, where appropriate, to mitigate the risk of financial loss from default. EAB normally concentrates its lending efforts in areas in which it has competitive advantage, knowledge of the particular market and good understanding of the commercial and political risks involved within those markets. Credit risk is managed by establishing limits for individual counterparty, country, industry and transactions with related parties. Limit monitoring is undertaken on a regular basis. EAB has also adopted a credit grading system to facilitate monitoring the quality of the overall portfolio and individual exposures, and changes therein over time. Credit exposures are also stressed regularly. The Bank's policy is to recognise an impairment allowance based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss),

Risk	Risk Mitigation and Management
	unless there has been no significant increase in credit risk since origination, in which case the allowance is based on the 12 months' expected credit loss. The Bank assesses when a significant increase in credit risk has occurred based on quantitative and qualitative assessments. Expected Credit losses ("ECL") have reduced in the year to 31 December 2021, although uncertainty remains and we continue to closely monitor COVID-19 impacts. Forbearance levels have decreased from those observed at the peak of the pandemic. The economic outlook has improved but the trajectory in the short to medium terms remains uncertain with inflationary pressures and potential rising interest rates. Further details on loans and advances to customers and debt securities held are set out in notes 14 and 15 of the financial statements. Our approach to credit risk management and monitoring is outlined in more detail in note 34.
Liquidity The risk that EAB does not have sufficient financial resources to meet its obligations as they fall due or EAB's business model develops in a way that causes difficulty in attracting adequate funding on reasonable terms. This also includes the risk that EAB experiences unexpected and/or acute liquidity shocks.	EAB follows a conservative approach to liquidity risk. EAB manages liquidity risk by maintaining adequate reserves, a liquidity portfolio, banking facilities and reserve borrowing facilities and by continuously monitoring and reviewing actual and forecast cash flows (both stressed and unstressed). An assessment of liquidity needs, known as the Internal Liquidity Adequacy Assessment Process ("ILAAP"), is undertaken at least annually and is presented to various governance committees for review, challenge and approval. The ILAAP describes how liquidity risks are assessed, controlled, monitored, mitigated and reported and helps the management determine what might be required to maintain liquidity assuming certain stressed conditions. In addition, reverse stress testing is also performed. Funding and liquidity risks are reviewed regularly at each meeting of the Assets and Liabilities Committee (ALCO).Elevated levels of liquidity have been maintained during this period of uncertainty. During 2021, EAB has also expanded the range of funding sources available. The minimum amount of regulatory liquidity required is determined in accordance with the relevant rules

Risk	Risk Mitigation and Management
	and the Individual Liquidity Guidance ("ILG") received from the regulator. At 31 December 2021, and throughout the year, EAB's liquidity exceeded the regulatory requirements.
Market EAB is exposed to market movements primarily due to changes in interest rates, foreign currency exchange rates and also to re-pricing of certain portfolios of financial instruments other than due to interest rate risk. Interest rate risk can pose a threat to EAB's earnings, values of its assets and liabilities and thus its Profit and loss and capital base. Most of EAB's activities primarily fall into one of the three major currencies: Euro, Sterling and US Dollar. However, there are limited interests in a number of other foreign currencies.	Market risk is actively managed and monitored through use of various limits. EAB is generally averse to market risk and restricts proprietary market risk positions (other than cashflow or position hedges) to outright long bond positions, small trading foreign exchange positions and limited interest rate positioning on the yield curve. All other product types (for example option products, structured products, etc.) are dealt on a back-to-back, fully hedged basis and only to satisfy customer requests. The traded market risk environment has also been affected by COVID-19 and its impact on the economy and driving elevated volatility. The sensitivity analysis on interest rate exposures shown in note 35 demonstrates the limited level of exposure to interest rate and foreign exchange movements.

Operational

EAB is exposed to various operational risks through its day-to-day operations, all of which have the potential to result in financial loss or adverse impact.

Losses typically crystallise as a result of inadequate or failed internal processes, people, models and systems, or as a result of external factors.

Impacts to the business, customers, third parties and the markets in which we operate are considered within a maturing framework for resilient end-to-end delivery of critical business services.

EAB seeks to maintain its operational resilience through effective management of operational risks, including by:

- sustaining robust operational risk management processes, governance and management information;
- identifying key systems, third party relationships, processes and staff;
- appropriate oversight of outsourced systems and services to other entities including within Arab Bank Group;
- investing in technology to provide reliable customer service offerings;
- attracting, retaining and developing high-quality staff through the operation of competitive remuneration and benefit structures and an inclusive environment that embraces diversity and recognises behaviours aligned to our cultural attributes;
- investing in cyber security including expertise, tools and staff engagement;
- maintaining focus on personal data protection;
- adopting fraud prevention and detection capabilities aligned with our risk profile; and
- planning strategic and operational responses to severe but plausible stress scenarios.
- Existing incident and crisis management capabilities were mobilised upon the emergence of COVID-19, enabling the business to sustain operations whilst adjusting to new ways of working.
- Improvements are continuing across the operational risk framework including further enhancement of information security management and strengthening of the Bank's operational resilience.

Capital

This is the risk of having insufficient or inadequate economic or regulatory capital to support EAB's risk-taking activities. The risk may also arise from inadequacies in assessing the overall and future risks to which EAB may be exposed to on a stressed basis, leading potentially to a failure to plan, maintain and raise capital as appropriate.

Also included therein is the risk of insufficient or inadequate capital to support EAB's pension obligations.

EAB maintains an actively managed capital base to cover risks inherent in the business. The primary objectives of capital management are to ensure that EAB complies with regulatory capital requirements and maintains healthy capital ratios in order to support its business and maximise shareholder's value.

EAB manages its capital structure and makes adjustments to it in light of changes in economic conditions, regulatory requirements and risk characteristics of its activities.

An internal assessment of capital needs, ("the ICAAP"), is undertaken at least annually and is presented to the various governance committees for review, challenge and approval. The ICAAP describes how risks are assessed, controlled, monitored, mitigated and reported, and helps management determine what might be required to maintain EAB's solvency assuming certain stressed conditions. In addition, reverse stress testing is also performed.

EAB has operated with more than adequate capital resources to withstand the effects of a severe economic downturn.

The minimum amount of regulatory capital required is determined in accordance with the relevant rules and the Individual Capital Guidance ("ICG") received from the regulator. At 31 December 2020, and throughout the year, EAB's capital exceeded the regulatory requirements.

Regulatory

EAB operates in a highly regulated environment. Regulatory and legislative changes or non-compliance with them have the potential to significantly impact the financial performance and/or reputation of EAB. The continuing regulatory and political focus on the financial services industry further increases the potential of material impact from regulatory risk.

EAB actively monitors regulatory and legal compliance and new developments whilst maintaining a regular dialogue with relevant regulatory authorities. A number of projects are underway to meet regulatory requirements.

EAB believes its simple business model, robust governance and controls, strong liquidity and capital position means that it is well placed to adapt to regulatory changes

Financial Crime

Financial crime risk is the risk of:

- Failing to establish systems and controls that meet legal and regulatory obligations in relation to financial crime;
- Becoming involved with criminal or terrorist property, or entering into arrangements to facilitate the laundering of criminal or terrorist property; or
- Falling victim to criminals who exploit EAB's products and services.

EAB has no tolerance for regulatory breaches nor any relationships with parties that do not comply with our financial crime policies, procedures, and controls.

We are committed to maintain effective financial crime systems and controls and continue to look for ways to enhance our financial crime risk management framework and strengthen the governance processes, including: developing enhanced risk monitoring and management capabilities, establishment and communication of appropriate policies and procedures, and delivering risk-based training to employees.

Climate Risk

The risk to the strategy, viability and financial soundness of EAB caused by physical and transitional impacts resulting from Climate Change and associated regulatory and societal change.

EAB recognises both the transitional and physical climate risks to its portfolio. EAB will assess its exposure to the following Climate Risks:

- Transitional Risks: (i) Business model, (ii) Technology, (iii) Regulatory / Policy, (iv) Market / industry & (v) Medium & Long Term Strategy to climate neutral.
- Physical Risks: (i) heat, (ii) water, (iii) flood, (iv) hurricanes, (v) wildfires & (vi) sea level rise.

EAB recognises the need to reduce the use of fossil fuels and to support the transition to a low carbon economy and as such will not enter into coal business.

Notes 33 to 38 of the financial statements provide further information, the committees with responsibility for and the policies to manage the key risks including the derivative instruments used. Further details of EAB's regulatory capital ratios required under Pillar 3 are published on EAB's website. The total regulatory capital reported therein, prepared on a solo-consolidated basis, differs slightly from the balances shown in the Statement of Financial Position in light of adjustments in respect of certain reserves.

Regular management information is produced for various EAB committees and for the Board of Directors to report the risk profile. The Directors are confident that the current risk management structure is sufficient for identification, monitoring and management of significant financial risks to the business.

Employee Remuneration Policy

EAB's Remuneration Policy aligns with its business strategy, objectives, values and long-term interests and is in accordance with the regulatory Remuneration Code, being applied in an appropriate proportionate manner. The Policy promotes sound risk management and requires an appropriate ratio between fixed and variable remuneration.

The purpose of the Policy is to:

- Attract and retain people with the appropriate experience, competencies (technical and behavioural), knowledge and skills to deliver the strategy and plans;
- Incentivise employees to deliver sustained performance consistent with the strategy and objectives and effective risk management;
- Encourage behaviour consistent with the culture, values and principles of good governance; and
- Deliver remuneration that is affordable and appropriate being in line with market practices and rates, employment market conditions and EAB's performance and ability to pay.
- Operate a fair and objective pay system, free from gender or other discriminatory bias in line with Equality Act 2010.

The general principles of the Policy include:

- Performance will be assessed using pre-determined measures which may be both financial and non-financial;
- Performance measures can change year on year to reflect evolving business strategy, objectives and long-term interests of the firm; and
- The Risk, Compliance and Internal Audit functions will have input into the performance assessment of Senior Managers, to include where these functions have concerns about the behaviour of the individual(s) in relation to appropriate risk appetite and decisions and actions taken, or the riskiness of the business undertaken.

Climate Change

EAB recognises that financial services companies have an important part to play in supporting the transition to a carbon neutral economy and addressing the risks posed by climate change. EAB has been a leading provider of finance to the renewable energy sector in the MENA region for a number of years, supporting projects for wind, solar and hydro power developments. EAB is also aware of its responsibility to protect natural resources and act sustainably and continues to monitor ways to lower energy consumption, reduce emissions and increase recycling. Risk of financial loss resulting from the physical or transitional impacts of climate change on the business model is also an emerging risk.

Our climate risk forum now meets regularly to assess and determine our responses to the risks, opportunities and regulatory developments related to climate change, with oversight from the Chief Risk Officer and ultimately the Board.

In 2021 the Bank prioritised the establishment of a Climate Risk Framework, in line with the regulatory expectations on climate risk, as set out in the PRA Supervisory Statement SS3/19 'Enhancing banks' and insurers' approaches to managing the financial risks from climate change'. During the year the Board made the following four strategic high-level commitments:

- Continue to champion renewable and sustainable finance
- Embed climate into our culture and decision making
- Make our own operations Climate Neutral
- Identify harmful activity and reduce over agreed timeframe

These commitments are underpinned by specific actions, which will continue to be implemented in 2022. Going forward in 2022 and beyond, EAB will build on these commitments and also establish a commercial strategy incorporating Climate Financial Risk, which will consider both the threats and opportunities arising from this risk.

The Bank has an existing portfolio of renewable energy assets and continues to seek similar assets from the market.

A more detailed disclosure will be incorporated with in the 2021 Pillar 3 disclosure.

IBOR reform

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Following the decision by global regulators to phase out LIBORs and replace them with alternative reference rates, the Bank has established a project to manage the transition for any of its existing and new contracts that could be affected. The Bank continues to make good progress in making relevant changes to move away from the use of LIBOR and, where necessary, has upgraded the processing systems. We remain on track to effect necessary changes in line with regulatory milestones. Further details are included in Note 35 of the financial statements.

Section 172 Statement

In performing their duty to act in the way they consider, in good faith, would be most likely to promote the success of the Bank for the benefit of its shareholder, the Directors have had regard to the matters set out in s172 (a-f) of the Companies Act 2006. In particular:

a) **the likely consequences of any decision in the long term**

The Board regularly reviews and approves the three-year strategic plan and monitors its implementation. As part of the review process, the Directors consider the long-term consequences of the Plan. During 2021, as in 2020, in light of COVID-19, the Board's focus has continued to be on ensuring the Bank's operational and financial resilience and prudent management of capital and liquidity in line with the Bank's conservative risk appetite. In taking key principal decisions, some examples of which are set out under 'principal decisions – examples' below, the Board is consistently focussed on the long term consequences of such decisions for the success of the Bank.

b) **the interests of the company's employees**

The Board understands that the Bank's employees are fundamental to the long-term success of the Bank, and the Bank aims to be a responsible employer in its approach to pay and benefits. The health, safety and well-being of the Bank's employees are primary considerations for the way in which the Bank conducts its business. Such matters are regularly discussed and considered by the Board and the Nomination and Remuneration Committee, with particular consideration being given in 2021 to issues relating to remote working during the COVID-19 lockdown, as in the preceding financial year. Regular engagement with staff has been maintained in a variety of ways throughout the year, including a well-attended virtual Town Hall meeting held on 16 December 2021.

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

The Bank's customers are at the heart of what it does and examples of the Board's customer-centric focus in its principal decision-making are included in the table below. The Board recognises that, for the Bank to be successful over the long term, it is important to build and maintain successful relationships with a wide range of stakeholders and for the Board to understand the views of key stakeholders. When taking decisions, the Board considers the interests of, and impact on, key stakeholders, including the Bank's shareholder, customers, regulators, employees and suppliers. Engagement with suppliers has been maintained in accordance with the Bank's Third Party Management and Outsourcing Policy, a Board-approved document, with particular emphasis on the Bank's providers of outsourced services. Examples of ways in which other key stakeholder interests have been considered by the Board in making principal decisions are noted below.

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

While the operations of the Bank by their nature have a limited direct impact on the environment, the Directors are aware of the need to work to minimise such impacts. In terms of its lending activities, the Bank has been a leading provider of finance to the renewable energy sector in the MENA region for a number of years, supporting projects for wind, solar and hydro power developments. Further details about the actions being undertaken to support the environment have been included under the Climate Change section above.

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

As is reflected in EAB's Corporate Governance Code, the Board sets the tone for the Bank's culture, including maintaining the highest standards of integrity in the Bank's dealings with its customers and other stakeholders. A number of the Bank's Policies regularly reviewed and approved by the Board are relevant to the maintenance of such standards. These are supported by regular management reporting to the Board on matters including conduct training, customer complaints and breaches.

f) **the need to act fairly as between members of the company.**

The Bank is owned by a sole shareholder. The Board ensures that matters are referred to the sole shareholder in line with each company's Articles of Association and relevant statutory requirements.

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Principal decisions – examples

Below are two major examples of how stakeholder interests have been considered in principal decisions taken by the Board:

Decision	Key affected stakeholders	How stakeholder interests were considered
<u>Relocation planning for move to a single site</u> The Bank sold its Moorgate office in September 2021 with a view to accommodating all of the Bank's staff on a single leased office site on Park Lane, Mayfair in 2022.	Employees	Management and the Board considered that the move to a single office site would deliver significant benefits in terms of integrating the Bank's workforce within an attractive and modern working environment. This was a key driver for the decision.
	Customers	The positive benefits for customers were also an important consideration.
	Suppliers	Affected suppliers of relevant services were have been closely engaged with throughout.
<u>COVID-19</u> With the full support of the Board, EAB was able to seamlessly switch to remote working for the majority of staff following the introduction of lockdown. The Board was kept regularly informed and updated on the impacts of COVID-19 and mitigations undertaken. Investments were made to achieve continuity of operations. In appropriate cases, affected customers were further supported by the Bank with extended payment holidays.	Customers	The Bank's customers have continued to be its principal focus during the ongoing pandemic.
	Employees	The Board wishes to thank EAB's employees for their continuing commitment, energy and hard work during the pandemic, which have played a huge role in the success of the measures taken to ensure seamless continuity of the Bank's operations during lockdown conditions. The Board has received regular updates on the risk assessments, social distancing and hygiene measures, and re-configuration of the workspace undertaken for the safety of staff attending, and on mental welfare communications with staff.
	Regulators	The Bank's regulators have been regularly updated on COVID-19 related impacts and mitigations.

Going Concern Basis

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The business activities together with the performance and position, the principal risks and uncertainties and factors likely to affect EAB's future development are set out in this Report. In addition, notes to the financial statements include the objectives, policies and processes for managing the capital; financial risk management objectives; details of financial instruments and hedging activities; and the exposure to credit, market, liquidity and other risks.

EAB continues to have a strong, proven and conservative business model. Whilst the impact of COVID-19 has affected profitability during the year, EAB remains well positioned in each of its core businesses and is strongly capitalised, soundly funded and has access to the required levels of liquidity.

As part of the Directors' consideration of the appropriateness of adopting the going concern basis in preparing the Annual Report, a range of forward-looking severe, but plausible, scenario analyses have been considered. The scenarios modelled are based on a range of economic assumptions. The Bank in all such scenarios is expected to continue to operate with sufficient levels of liquidity and capital for next twelve months, with the capital ratios and capital resources in excess of regulatory requirements. In making this assessment, the Directors have also considered the operational resilience of the Bank, noting that the business has successfully adapted to new ways of working and that operational and system performance have been maintained, and are expected to continue to be.

In conclusion, the Directors have determined that there is no material uncertainty that casts doubt over the Bank's ability to continue as a going concern for the next 12 months from the date of the approval of these financial statements. Accordingly, the Directors continue to adopt the going concern basis in preparing the Annual Report.

Europe Arab Bank plc
Strategic Report (continued)

Future Outlook

EAB expects to build on its results in the upcoming periods through execution of the clearly defined strategic objectives, with the aim of generating sustainable returns for the shareholder. The Bank will continue with its plans of closer alignment with the parent, Arab Bank plc.

The key risks have been noted above with the following potential challenges reiterated as they may affect the operating results in the upcoming periods:

- COVID-19 has significantly impacted global economic activity. Whilst the near-term outlook has improved, there remains on going uncertainty regarding future economic trajectory with inflationary pressures and potentially rising interest rate environment. We continue to focus on supporting our clients, whilst maintaining our prudent lending and investment standards and ensuring sufficient resources and operational capability through this period;
- Continued geopolitical instability in the MENA region and the impact of volatile oil prices may affect key markets and clients including new business and existing exposures;
- Existing incident and crisis management capabilities were mobilised upon the emergence of COVID-19, enabling the business to sustain operations whilst adjusting to new ways of working. Notwithstanding, the pandemic has led to increased risks associated with people, operational process execution, third party management, information security and fraud. The Bank continues to utilise its operational risk management framework to manage these risks with oversight by relevant committees. Improvements are continuing across the operational risk framework including further enhancement of information security management and strengthening of the Bank's operational resilience; and
- Further significant changes to the regulatory or legislative environment could have a bearing on how the business operates.

Approved by the Board and signed on its behalf by:

Andrew Wilson
Company Secretary
13 -15 Moorgate
London
EC2R 6AD

Date: 05 April 2022

Europe Arab Bank plc
Corporate Governance

The Board of Directors of EAB ("the Board") is responsible for the overall governance of the Company. The Board is committed to ensuring that the Company maintains high standards of corporate governance. In 2021 the Board approved the latest revision of the Europe Arab Bank plc Corporate Governance Code which incorporates the Principles set out in the latest revision of the UK Corporate Governance Code (the 'UK Code'), modified as considered appropriate for an organisation of the Company's size and type. The UK Code is not itself directly applicable to the Company.

The key objectives of the Board are to ensure that the business of the Company is conducted in an efficient and effective manner in order to promote the success of the Company within an established framework of effective systems of internal control, risk management and compliance, in accordance with regulatory requirements.

The primary responsibilities of the Board include:

- Setting the Company's strategy taking into account stakeholder interests;
- Ensuring that the business has an effective system of internal control and management of business risks and is conducted in accordance with the FCA's and PRA's Principles for Business;
- Monitoring financial information and reviewing the overall financial condition of the Company and its position as a going concern;
- Reviewing major developments in business lines and support units;
- Reviewing the priorities for allocating capital and operating resources;
- Monitoring of regulatory compliance and financial crime oversight and reputational issues;
- Reviewing the market, credit and liquidity risks and exposures with additional oversight and control over credit risk management; and
- Reviewing the application of stress tests and appropriateness of the Company's stress testing policy.

The Directors who served during the period are listed in the Directors' Report. As at the end of the year, two of the serving Non-Executive Directors are independent from Arab Bank plc.

The Board has compiled a list of matters reserved for which the Board's approval is required and has delegated authority and responsibility for day-to-day management of the Company to the Chief Executive Officer, who is supported by the Executive Committee.

To help carry out its responsibilities, the Board has also established the following committees with terms of reference setting out matters relevant to the committee's composition, responsibilities and administration:

- Board Audit & Risk Committee
- Nomination & Remuneration Committee

Board Audit & Risk Committee

The Board Audit & Risk Committee's primary responsibilities are to:

- Review and provide challenge to the Company's financial reporting;
- Review the Company's key internal control policies, processes and procedures and assess and monitor the effectiveness of those internal controls and accompanying internal and external audit and risk assurance processes;
- Review the Company's overall approach to regulatory compliance and financial crime oversight and associated procedures and processes;
- Consider the appointment and independence of the external auditors, and review regularly the findings of their work; and
- Review the Company's overall approach to risk, its management and reporting line frameworks, including (1) reviewing and monitoring the effectiveness, integrity and quality of risk identification, assessment and management processes and risk strategies; (2) overseeing risk management accountability, reporting and compliance with risk management policies; and (3) ensuring all material risks are brought to the attention of the Committee and Board in a timely manner.
- Assist in the provision of parent oversight of EAB SA, including in relation to Risk, Compliance and Internal Audit.

The membership of the Committee comprises three Non-Executive Directors, two of whom (Mr Quentin Aylward and Mr John Kerr) are independent. Mr Quentin Aylward is the Chairman of the Committee. The other Committee member is Mr Saleem Shadeed. At the invitation of the Chairman of the Committee, the Chief Executive Officer, the Chief Operating Officer (who also performs the combined function of Chief Financial Officer), the Head of Finance, the Head of Internal Audit, the Chief Risk Officer, Money Laundering Reporting Officer, Head of Regulatory Compliance, and the External Auditors regularly attend meetings.

Key activities of the Committee for the year ended 31 December 2021 included:

- Met regularly to review quarterly reports received from the Executive Risk & Compliance Committee, Head of Internal Audit and the Money Laundering Reporting Officer and Head of Regulatory Compliance. Seven meetings took place during the year;
- Reviewed and recommended for approval the Company's Annual Report 2020 and Financial Statements;
- Received quarterly updates from the Company's Senior Statutory Auditor and reviewed the Auditor Independence and Non-Audit Services Policy; reviewed and discussed risks associated with EAB Defined Benefit Pension Scheme; received regular updates from the subsidiary EAB SA (including on Risk and Compliance and Internal Audit);
- Reviewed the Company's ICAAP and associated Board decision-making processes as well as the Company's ILAAP, and the Company's approach to reverse stress testing; and the Company's Recovery Plan and KRIs;
- Reviewed the Company's Risk Management Framework and Risk Map; monitored compliance with Risk Appetite Statements and Measures along with corresponding Values of Appetite and Overarching Risk Appetite Summary;
- Reviewed the Company's Risk Dashboards and critical risks reported to the Board by the Chief Risk Officer and reviewed Risk Activities 2022; the Committee was updated on the steps the Bank was taking in addressing the risks posed by Climate Change and to meet relevant regulatory requirements, and reviewed the Climate Risk Strategy.

Board Audit & Risk Committee (continued)

- Reviewed the Internal Audit Plan for 2022, the Internal Audit Charter, and the adequacy of the Internal Audit Function. Following the Committee's approval of the Internal Audit Budget in consultation with

Executive Management, the Board confirmed that they were satisfied that Internal Audit has appropriate resources to deliver the Internal Audit Plan for 2022;

- Reviewed various compliance and financial crime prevention, anti-bribery and corruption and anti-tax evasion related policies, the Financial Crime Risk Appetite as well as various Treasury related policies; reviewed the Company's Client Assets Sourcebook (CASS) Management Framework and associated policies and terms of reference; and reviewed the Company's Money Laundering Reporting Officer's report.
- Reviewed the Company's Whistleblowing Systems and Controls; 2022 Compliance Monitoring Plan; Vulnerable Customer Policy, Complaints Handling Policy; Conduct Risk Policy, and the Company's Responsibilities Map;
- Reviewed Regulatory Priorities, PRA Statements and Dear CEO Letters and work being undertaken towards strengthening Operational Resilience and Outsourcing Third Party Management; reviewed Cyber Security Strategy;
- Conducted an evaluation of External Auditors; Conducted an annual self-assessment by way of a comprehensive performance effectiveness evaluation questionnaire covering all aspects of the workings of the Committee; and the results of the evaluation of the effectiveness of the external auditors was considered;

Nomination & Remuneration Committee

The Nomination & Remuneration Committee's primary responsibilities are to:

- Consider and recommend candidates for appointment to the Board of Directors and Board Committees;
- Appoint the Executive Committee;
- Regularly review succession planning;
- Set the remuneration packages of the Directors and the Executive Committee;
- Recommend the terms of the Company's Remuneration Policy and undertake the annual review of the Remuneration Policy Statement in line with regulatory rules and expectations on remuneration;
- Recommend Key Performance Indicators for Senior Management, review their performance assessments, bonuses and salary proposals taking into consideration input from risk management functions.

The membership of the Committee comprises Non-Executive Directors, two of whom are independent. The members of the Committee are Mr Nemeh Sabbagh (Chairman of the Committee), Mr Quentin Aylward and Mr John Kerr.

Key routine activities for the year ended 31 December 2021 included:

- Reviewed Senior Management's KPIs and performance assessments, bonus and salary proposals taking into consideration input from risk management functions;
- Reviewed and approved the Company's Remuneration Policy and Remuneration Policy Statement;
- Reviewed the Succession Plan for Senior Management; and
- Reviewed Committee's Terms of Reference

Nomination & Remuneration Committee (continued)

A summary of the Company's employee Remuneration Policy is contained in the Strategic Report.

Executive Committee

The Executive Committee represents the principal forum for conducting the business of the Company and takes day-to-day responsibility for the efficient running of the business. Whilst retaining the overall responsibility for the matters within its remit, the Executive Committee has delegated certain responsibilities to the following standing sub-committees:

- Asset & Liability Committee (ALCO)
- Executive Risk & Compliance Committee (ERCC)
- Executive Credit Committee (ECC)
- EAB Projects Oversight Committee (EPOC)
- IT Service, Security & Governance Committee (ITSSG)
- EAB plc and EAB SA Outsourcing Governance Committee

Europe Arab Bank plc
Directors' Report

The Directors present their annual report on the affairs of Europe Arab Bank plc ("EAB" or "the Bank"), together with the Strategic Report, Corporate Governance Report, Financial Statements and Auditor's Report, for the year ended 31 December 2021. EAB is registered in England and Wales with number 5575857 and is authorised by the PRA and regulated by the FCA and the PRA.

Results

The profit after taxation for the year amounts to €0.8m (2020: €0.5m). The Directors do not propose any dividend to be paid for 2021 (2020:€nil).

Financial risk management objectives and policies

The Bank's objectives and policies with regard to financial and other risks are discussed in the Strategic Report and also set out in Note 33 to Note 38 to the financial statements, together with an indication of the exposure to financial risk.

Going concern and future developments

These Financial Statements have been prepared on a going concern basis as the Directors are satisfied that the Bank has the resources to continue in business for the foreseeable future. This is discussed further in the Strategic Report alongside the assessment of future outlook for the Bank.

Changes in Accounting Policies

Changes in accounting policies during the year are included in Note 1 of the financial statements.

Consolidated Financial Statements

The Bank has availed itself of the exemption under Section 401 of the Companies Act 2006 and has not published consolidated financial statements for the Bank and its subsidiaries. For further details refer to note 1(w).

Post-balance Sheet Events

There are no unadjusted or reportable events subsequent to the statement of financial position date.

Directors

The Directors who served during the year were as follows:

Mr. Nemeh Sabbagh – Chairman

Mr. Haytham Kamhiyah (Chief Executive Officer) - Executive Director

Mr. Mohammad Shoaib Memon (Chief Operating Officer) – Executive Director

Mr. Quentin Aylward – Independent Non-Executive Director

Mr John Kerr – Independent Non-Executive Director (appointed 03.04.2021)

Mr. Eric Modave – Non-Executive Director

Mr Saleem Shadeed – Non-Executive Director (appointed 13.10.2021)

Sir Edward Leigh – Independent Non-Executive Director (resigned 03.04.2021)

Mr. Ghassan Tarazi – Non-Executive Director (resigned 29.07.2021)

None of the Directors holds or has held shares in the Bank or any of its subsidiaries.

Europe Arab Bank plc
Directors' Report (continued)

Directors' indemnities

The Articles of Association of EAB provide that, subject to the Companies Act 2006, Directors and other officers are entitled to be indemnified out of the assets of the Bank against all costs, charges, expenses, losses or liabilities arising in connection with the performance of their functions. Such indemnity provisions have been in place during the period and remain in force at the date of this report; appropriate insurance cover in respect of such liability is maintained.

Energy and emissions report

	2021	2020
Energy consumption used to calculate emissions (kWh)*	1.06m kWh	1.06m kWh
Emissions in metric tonnes CO2 equivalent	211.37 tCO2e	224.96 tCO2e
Intensity ratio *Emissions per average number of permanent employee in the UK*	1.85	1.96

*This energy consumption includes gas and electricity only. The Bank is currently formulating a process to reasonably collect information on other energy consumptions including transportation.

The Bank has followed the 2019 HM Government Environmental Reporting Guidelines. We have also used the GHG Reporting Protocol – Corporate Standard and have used the 2021 and 2020 UK Government's Conversion Factors for Company Reporting, respectively. The chosen intensity measurement ratio is total gross emissions in metric tonnes CO2e per average number of permanent employee in the UK. The Bank has upgraded to a more energy efficient boilers in 2020. No additional measures have been taken in 2021.

Auditors

Each of the persons who is a Director at the date of 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 he ought to have taken as a Director in order to make himself 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 s418 of the Companies Act 2006.

Ernst & Young LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

The Bank has a policy governing the appointment of the external auditor for non-audit engagements, which allows monitoring of independence of the external auditor.

Finally, the Directors would like to extend their gratitude to all the staff for their admirable dedication and commitment to EAB, even in the face of most challenging circumstances during 2021.

Approved by the Board and signed on its behalf by:

Andrew Wilson
Company Secretary
13 -15 Moorgate
London
EC2R 6AD

Date: 05 April 2022

Europe Arab Bank plc
Directors' Responsibilities Statement

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

Company law requires the Directors to prepare such financial statements for each financial year. Under that law the Directors have elected to prepare the Company financial statements in accordance with UK-adopted international accounting standards ("IFRSs"). 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 in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- Make judgments and accounting estimates that are reasonable and prudent;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the company financial position and financial performance;
- In respect of the parent company financial statements, state whether UK-adopted international accounting standards, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is appropriate to presume that the company and/ or the group will not 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.

Under applicable law and regulations, the Directors are also responsible for preparing a strategic report, directors' report, and corporate governance statement that comply with that law and those regulations. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the Company;
- that the annual report, including the strategic report, includes a fair review of the development and performance of the business and the position of the company and undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- that we consider the annual report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's position, performance, business model and strategy.

Approved by the Board and signed on its behalf by:

Andrew Wilson
Company Secretary
13 -15 Moorgate
London, EC2R 6AD

Date: 05 April 2022

Independent auditor's report to the members of Europe Arab Bank plc

Opinion

We have audited the financial statements of Europe Arab Bank Plc ("the Bank") for the year ended 31 December 2021 which comprise the Income Statement, Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement and the related notes 1 to 38, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law, and UK adopted international accounting standards.

In our opinion, the financial statements:

- give a true and fair view of the Bank's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Bank's ability to continue to adopt the going concern basis of accounting included the following:

- We obtained an understanding of management's going concern assessment process and engaged with management early to ensure that all key factors were considered in their assessment;
- We developed an understanding of how the Bank managed liquidity and capital during 2021;
- We obtained management's going concern assessment for the period up to 30 April 2023. This assessment includes liquidity and capital adequacy analyses and a reverse stress scenario. We evaluated the risks included in the assessment as well as those included in management's reverse stress test and downside sensitivity analyses;
- We read the ICAAP and ILAAP and considered the different stress scenarios and management's actions set out to manage any stresses;
- We performed a benchmarking analysis against peer banks for regulatory ratios;
- We have checked the reasonableness of the assumptions included within management's profit forecasts;
- We have assessed the historical accuracy of management's profit forecasts through comparing prior years budgeted financial information with historical actual results;
- We performed inquiries with the group auditors of the Bank's parent, Arab Bank Plc, relating to their going concern procedures and results of their assessment, in order to identify any matters that may impact the Bank's going concern assumption as the Bank benefits from many business opportunities via the Arab Bank group network;

- We reviewed all FCA and PRA correspondence and minutes of all Board of Directors meetings, to check for any information that might impact the going concern assumption; and
- We assessed the Bank's going concern disclosures in the Annual Report and Accounts to determine whether they were appropriate and in conformity with the reporting standards.
- The results of the above procedures did not identify any changes to the management's going concern assessment.

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 up to 30 April 2023 being more than 12 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. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Bank's ability to continue as a going concern. .

Overview of the audit approach

Key Audit Matters	• Allowance for expected credit losses (ECL) • Improper recognition of fee and commission income
Materiality	• Overall materiality of €5.68 million which represents 2% of the Bank's total equity.

Independent auditor's report to the members of Europe Arab Bank plc (continued)

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Bank. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the Bank and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed. All audit work was performed directly by the audit engagement team with the exception of (i) specific audit work on IT systems which are centrally managed by Arab Bank Group, which was performed by EY Jordan under our instruction and (ii) specific audit work on controls performed by to Arab Bank Group's subsidiary, Arab Company for Shared Services in United Arab Emirates during the year, which was performed by EY Dubai under our instruction and supervision.

Climate risk

There has been increasing interest from stakeholders as to how climate change will impact the Bank. The Bank has performed a climate-related risk assessment which is explained on page 14 in the principal risks and uncertainties and on page 15 in the Climate Change section, which form part of the 'Other information' rather than the audited financial statements. Our procedures on these disclosures consisted solely of considering whether they are materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit, or otherwise appear to be materially misstated.

The Bank has determined that the climate risk would have immaterial impact on their financial statements in the short term but work on considering the longer-term risks and opportunities is ongoing as explained in note risk management policies (note 33) on page 93. Our audit effort in considering climate change was focused on assessing whether the effects of potential climate risks have been appropriately reflected by management in determining that the impact on the financial statements would be immaterial.

Key audit matters

Key audit matters are those matters that, in our professional judgment, 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 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 our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	**Our response to the risk**	**Key observations communicated to the Board Audit and Risk Committee**
Allowance for expected credit losses Loans and advances to customers amount to €919.8 million (2020: €890.3 million) net of allowances for expected credit losses of €54.6 million (2020: €48.3 million). Off balance sheet ("OBS") credit exposures amounted to €623.0 million	We took the following approach in response to the risk: • Walked through and understood any changes to the ECL calculation process since the prior year. • Assessed the design effectiveness of key controls within the relevant processes and tested the operating effectiveness of those controls on which we placed reliance. • We engaged EY specialists to:	Based on our assessment of the design and operating effectiveness of key controls within the relevant processes, we deemed the controls to be effective. Based on our assessment of the ECL model, the inputs and macroeconomic factors applied and outputs, we deemed the

Risk	Our response to the risk	Key observations communicated to the Board Audit and Risk *Committee*
(2020: €737.1 million), net of allowances for expected credit losses of €0.38 million (2020: €1.40 million). Refer to the Strategic Report (page 2); Accounting policies (note 1); and Notes 12, 14 and 29 of the Financial Statements. The process for estimating impairment in accordance with IFRS 9 is significant and complex. Given the subjective nature of the calculation of ECL, the level of estimation involved and the size of the loan portfolio there is a greater risk of material misstatement in these balances. There is a risk that the calculated expected credit loss (ECL) or staging assessments are inaccurate due to inappropriate or incorrect data, assumptions and calculations in the ECL model. This includes the historical default data (both internal and external) and risk attributes used to build and run the models, which may be incomplete, inaccurate or non-representative of the portfolio. Further, forward looking elements relevant to the portfolio might not be incorporated in the ECL appropriately. For stage 3 exposures, there is the risk that assumptions used in the individual provisioning models and the rationale applied within the scenarios are not appropriate. Overall, the risk has not changed from prior year.	- carry out an assessment of the ECL model and review the parameters used to calculate the ECL allowance for stage 1 and stage 2 loans. -assess the reasonableness of the staging logic used by management to check whether it is in line with the definition of significant increase in credit risk; - perform a sensitivity analysis which included assessment of the potential impact on ECL output across the different macro scenarios; and - perform benchmarking to peers on the outputs produced (Probability of Default (PDs), Loss Given Default (LGDs), ECL). • Tested the data inputs into the ECL model for completeness and accuracy. • Assessed and challenged management on the scenarios and probability weightings assigned to the macroeconomic factors included in the ECL model. • Evaluated the ECL model's macroeconomic variable factors and narratives for reasonableness. • Performed a check for publicly available information on all material credit exposures, and in addition, for Middle Eastern exposures, inquired with individuals in EY's Middle East network, in order to identify any significant increase in credit risk factors that had not been identified by management. • Performed an assessment for a sample of loans and Off-Balance Sheet credit exposures allocated as stage 1, and all material exposures in stage 2 and 3, to determine the reasonableness of the staging allocation and sought to identify any significant increase in credit risk or indicators of impairment not identified by the Bank. • For all material assets in stage 3, we performed a credit file review, tested the individual impairment models and	modelled ECL and staging to be materially appropriate. We challenged management on: • the appropriateness of scenarios, probabilities and post model adjustments applied; • whether significant increase in credit risk occurred for a sample of credit exposures; • whether the staging assigned to a number of credit exposures was appropriate; and • the adequacy of ECL booked against stage 2 and 3 non modelled credit exposures. We concluded that the ECL expense is not materially misstated.

Independent auditor's report to the members of Europe Arab Bank plc (continued)

Risk	Our response to the risk	Key observations communicated to the Board Audit and Risk Committee
	the evidence supporting the assumptions made by the Bank and challenged management where appropriate. • With the help of EY specialists we challenged assumptions in the valuations provided by management's external specialists on the underlying collateral values for relevant stage 3 exposures. • We also obtained from EY specialists corroborative audit evidence for certain of management's assumptions included in stage 3 impairment models.	
Improper recognition of Fee and Commission Income Fee and commission income from off balance sheet credit exposures amounted to €4.8 million (2020: €4.7 million). *Refer to the accounting policies (note 1) and note 3 of the financial statements.* The key risks of improper recognition of fee and commission income arises from those related to off-balance sheet exposures as they are subject to manual accounting inputs and to judgements on the amount and timing of recognition. The risk is the same as in 2020.	We took the following approach in response to the risk: • Assessed, with the assistance of EY IT audit professionals, the design effectiveness and tested the operating effectiveness of key controls over fee and commission income; • We agreed a sample of fees and commissions to source data and the underlying contracts; • Using that source data, we recalculated the fees and commission income recognised for the year across the full population to test that the fees and commissions have been recognised or deferred appropriately; • We agreed to supporting evidence any adjustments to the accounting records that have characteristics that we have identified that could indicate unusual or inappropriate adjustments; and • Performed year end cut off testing to check that fee and commission income is recognised in the correct period.	As a result of the procedures performed, we did not identify any evidence of material misstatement in the recording of fees and commission income from off-balance sheet exposures.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Independent auditor's report to the members of Europe Arab Bank plc (continued)

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Bank to be €5.68 million (2020: €5.51 million), which is 2% (2020: 2%) of the Bank's equity. We determined our materiality based on equity rather than income-based measures since the Bank's profitability is low relative to the balance sheet size, and also our expectation is that the main users of the financial statements, such as the Prudential Regulatory Authority and Arab Bank group, view capital preservation as a key consideration.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.
On the basis of our risk assessments, together with our assessment of the Bank's overall control environment, our judgement was that performance materiality was 50% (2020: 50%) of our planning materiality, namely €2.8m (2020: €2.7m).

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We have agreed with the Board Audit & Risk Committee that we would report to them all uncorrected audit differences in excess of €0.28m (2020: €0.27m), which is set at 5% of materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

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 this 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 toa material misstatement in the financial statements themselves or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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 directors' report have been prepared in accordance with applicable legal requirements.

Independent auditor's report to the members of Europe Arab Bank plc (continued)

Matters on which we are required to report by exception

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 directors' report.

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 27, 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.

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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent 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 irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Bank and determined that the most significant are Companies Act 2006, Financial Services and Markets Act 2000, Financial Services Act 2012, Capital Requirements Regulation, Markets in Financial Instruments

Directives (*MifID 1 and 2*), *and relevant Prudential Regulation Authority and Financial Conduct* Authority regulations.

- We understood how the Bank complies with those frameworks by making enquiries of management, including the risk department, and those responsible for legal and compliance matters. We also reviewed minutes of the Board, the Board Audit & Risk Committee, and the Executive Committee, and gained an understanding of the Bank's approach to governance demonstrated by the Board's approval of the Bank's risk management framework and the internal controls processes. Furthermore, we reviewed all internal audit reports and correspondence with the regulators.
- We assessed the susceptibility of the Bank's financial statements to material misstatement, including how fraud might occur by considering the controls that the Bank has established to address risks identified by the Bank, or that otherwise seek to prevent, deter, or detect fraud. We also considered performance incentives and their potential to influence management to manage earnings.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved inquiries of management, internal audit, and those responsible for legal and compliance matters; as well as focused testing as referred to in the Key Audit Matters section above. In addition, we performed procedures to identify significant items inappropriately held in suspense and tested journal entries with a focus on manual journals and journals indicating large or unusual transactions based on our understanding of the business.
- As the audit of a bank requires specialised audit skills, the senior statutory auditor considered the experience and expertise of the audit team to ensure that the team had the appropriate competence and capabilities and included the use of specialists.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters we are required to address

- We were appointed by the company on 17 February 2017 to audit the financial statements for the year ending 31 December 2017 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments is five years, covering the years ending 31 December 2017 to 31 December 2021.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Bank and we remain independent of the company in conducting the audit.
- The audit opinion is consistent with the additional report to the Board Audit & Risk Committee.

Independent auditor's report to the members of Europe Arab Bank plc (continued)

Use of our report

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

Ernst & Young LLP

Kenneth Eglinton (*Senior statutory auditor*)
For and on behalf of Ernst & Young LLP, Statutory Auditor
London
08 April 2022

Europe Arab Bank plc
Income Statement for
Year ended 31 December 2021

Continuing operations	**Notes**	**Year ended 31 December 2021 €'000**	**Year ended 31 December 2020 €'000**
Interest income using the effective interest method	2	32,406	44,028
Other interest and similar income	2	1,763	4,065
Interest and similar expense	2	(5,033)	(20,201)
Other interest and similar expense	2	(6,866)	(5,358)
Net interest and similar income		22,270	22,534
Fee and commission income	3	6,873	7,670
Fee and commission expense	3	(605)	(546)
Net trading gains/losses	4	1,301	(291)
Other operating income	5	3,705	4,686
Net operating income		33,544	34,053
Amortisation of intangible assets	18	-	(103)
Depreciation of property, plant and equipment and right-of-use assets	19&20	(2,588)	(2,656)
Other operating expenses	6	(28,987)	(26,292)
Total operating expenses before impairment losses		(31,575)	(29,051)
Operating profit before impairment loss expense and tax expense		**1,969**	**5,002**
Impairment loss expense	8	(1,567)	(4,482)
Profit before tax		402	520
Tax charge	9	359	-
Profit for the year		761	520
Attributable to:			
Owners of the Company		761	520
		761	520

Europe Arab Bank plc
Statement of Comprehensive Income for Year ended 31 December 2021

	Year ended 31 December 2021 €'000	Year ended 31 December 2020 €'000
Profit for the year	761	520
Items that will not be reclassified subsequently to the Income Statement:		
Re-measurement of net defined benefit pension Liability	8,076	(6,778)
Fair value gain/(loss) taken to equity on investment in subsidiaries	9,773	(1,605)
Items that may be reclassified subsequently to profit or loss:		
Fair value through other comprehensive income assets:		
Fair value gain/(loss) taken to equity on financial investments - debt	(804)	-
Fair value gain/(loss) taken to equity on derivatives – cash flow hedge	107	-
Exchange differences on translation of non-Euro denominated operations	4	(4)
Other comprehensive income/(loss) for the year	17,156	(8,387)
Total comprehensive income/(loss) for the year	17,917	(7,867)
Attributable to:		
Owners of the Company	17,917	(7,867)

Europe Arab Bank plc
Statement of Financial Position
as at 31 December 2021

	Notes	2021 €'000	2020 €'000
Assets			
Cash and balances at central banks	11	174,174	135,518
Due from banks	12	402,958	610,330
Financial assets at fair value through profit or loss	13	30,911	174,601
Financial assets at fair value through other comprehensive income or loss	15	86,082	-
Loans and advances to customers	14	919,844	890,273
Financial investments at amortised cost	15	497,729	411,518
Derivative financial assets	16	5,648	3,204
Investment in subsidiaries	17	113,081	103,308
Property, plant and equipment	19	3,985	4,717
Right-of-use assets	20	2,828	2,475
Other assets	21	20,647	14,083
Deferred tax assets	10	5,768	5,409
Total assets		2,263,655	2,355,436
Liabilities and Equity			
Liabilities			
Deposits by banks	23	668,654	835,032
Deposits by customers	24	1,164,504	1,089,462
Derivative financial liabilities	16	9,542	27,603
Other liabilities	25	8,616	8,319
Lease Liabilities	26	2,963	2,635
Retirement benefit liabilities – defined benefit scheme	22	6,161	14,873
Subordinated liabilities	27	109,977	102,191
Total liabilities		1,970,417	2,080,115
Equity			
Called up share capital	28	569,998	569,998
Retained earnings		(276,880)	(285,717)
Foreign exchange reserve		(13)	(17)
Fair value reserve		26	(8,943)
Cash flow hedge reserve		107	-
Total equity		293,238	275,321
Total liabilities and equity		2,263,655	2,355,436

These financial statements have been approved by the Board of Directors and authorised for issue.

Signed on behalf of the Board of Directors:

Haytham Kamhiyah
Chief Executive Officer
Date: 05 April 2022

Mohammad Shoaib Memon
Chief Operating Officer
Date: 05 April 2022

Company Registration No. 5575857

Europe Arab Bank plc
Statement of Changes in Equity for Year ended 31 December 2021

	Ordinary Share Capital €'000	Fair value Reserve €'000	Cash flow Hedge Reserve €'000	Foreign Exchange Reserve €'000	Retained Earnings €'000	Total Shareholders' Equity €'000
As at 31 December 2019	569,998	(7,338)	-	(13)	(279,459)	283,188
Profit for the year	-	-	-	-	520	520
Other comprehensive income/(loss)	-	(1,605)	-	(4)	(6,778)	(8,387)
As at 31 December 2020	569,998	(8,943)	-	(17)	(285,717)	275,321
Profit for the year	-	-	-	-	761	761
Other comprehensive income/(loss)	-	(804)	107	4	8,076	7,383
Changes in fair value	-	9,773	-	-	-	9,773
As at 31 December 2021	569,998	26	107	(13)	(276,880)	293,238

Europe Arab Bank plc
Cash Flow Statement for
Year ended 31 December 2021

	2021 €'000	2020 €'000
Cash flows from operating activities		
Profit/(Loss) before tax, adjusted for:	402	520
- Depreciation	1,361	1,343
- Amortisation	-	103
- Impairment loss expense	1,567	4,482
- Loss on disposal/write-off of fixed assets	1,056	-
-Net foreign exchange loss/(gain) on subordinated liability	7,784	(9,138)
- Interest expense on lease liabilities	46	49
	12,216	(2,641)
Decrease/(Increase) in operating and other assets		
Loans advanced to customers	(31,138)	272,465
Loans advanced to banks	207,372	(439,250)
Fair value through profit or loss and derivatives	123,184	62,856
Fair value through other comprehensive income	(86,081)	-
Financial investments at amortised cost	(86,211)	141,562
Other assets	(6,137)	13,310
	120,989	50,943
(Decrease)/Increase in operating and other liabilities		
Customer deposits	75,042	(757,059)
Funds received from banks	(166,377)	84,745
Other liabilities and retirement benefit liabilities	(159)	(21,792)
	(91,494)	(694,106)
Income taxes paid		
Interest paid on Lease liabilities	(46)	(49)
Net cash (outflows)/inflows from operating activities	41,665	(645,853)
Cash flows from investing activities		
Acquisition of property, plant and equipment	(1,674)	(2,005)
Investment in subsidiaries	-	(69,963)
Net cash outflows from investing activities	(1,674)	(71,968)
Cash flows from financing activities		
Payment of lease liabilities	(1,335)	(1,272)
Net cash outflows from financing activities	(1,335)	(1,272)
Net (decrease)/increase in cash and cash equivalents	38,656	(719,093)
Cash and cash equivalents at 1 January	135,518	854,611
Cash and cash equivalents at 31 December	174,174	135,518

Operational cash flows from interest and dividends

Interest Paid	(7,137)	(34,328)
Interest received	29,592	46,266
Dividend received	206	307

Europe Arab Bank plc
Notes to the Financial Statements for Year ended 31 December 2021

1. Accounting policies

Corporate information

Europe Arab Bank plc is incorporated and registered in England and Wales and provides a wide range of banking and financial services including Corporate & Institutional Banking, Private Banking and Treasury services. The registered office is at 13-15 Moorgate, London EC2R 6AD.

Basis of preparation

The financial statements of Europe Arab Bank plc ('the Bank') have been prepared in accordance with UK-adopted International Accounting Standards ("IFRSs") in conformity with the requirements of the Companies Act 2006. IFRS comprise accounting standards issued by the International Accounting Standards Board (IASB).

The financial statements are presented in Euros (€), which is the functional currency of the Bank. The financial statements have been prepared under a going concern basis as set out in the Strategic Report.

Accounting convention

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Adoption of new and revised standards

The following new and revised standards and interpretations have been adopted in the current year. The Bank has not adopted early any other standard, interpretation or amendment that has been issued but is not yet effective.

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

These amendments had no impact on the financial statements of the bank. The bank intends to use the practical expedients in future periods if they become applicable.

COVID-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16

On 28 May 2020, the IASB issued COVID-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

1. Accounting policies (continued)

The amendment was intended to apply until 30 June 2021, but as the impact of the COVID-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022.The amendment applies to annual reporting periods beginning on or after 1 April 2021. However, the bank has not received COVID-19-related rent concessions, but plans to apply the practical expedient if it becomes applicable within allowed period of application.

Standards and revisions effective for future periods:

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The bank is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements. The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the bank.

1. Accounting policies (continued)

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37
In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.
The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The bank will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter
As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities
As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.
The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The bank will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendments are not expected to have a material impact on the Bank.

Definition of Accounting Estimates - Amendments to IAS 8
In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

1. **Accounting policies (continued)**

The amendments are not expected to have a material impact on the Bank.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2
In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Bank is currently assessing the impact of the amendments to determine the impact they will have on the Bank's accounting policy disclosures.

Significant accounting policies

(a) Interest and similar income and expense

Interest and similar income on financial assets that are classified as loans and advances to customers, financial assets other than those measured at fair value through profit or loss and interest expense on financial liabilities other than those at fair value through profit or loss, are recognised in the 'Interest and similar income' and 'Interest and similar expense' sections of the income statement using the effective interest rates of the financial assets or financial liabilities to which they relate.

The effective interest rate is the rate that exactly discounts the expected future cash payments or receipts through the expected life of the financial instrument, or when appropriate, a shorter period, to the net carrying amount of the instrument. 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, early redemption fees and transaction costs.

Other interest income includes interest on financial assets measured at fair value through profit or loss ('FVTPL) and Derivatives using the contractual interest rate.

(b) Non-interest income: Fee and commission income

Fee and commission income is accounted for depending on the services to which the income relates:

- Income earned on the execution of a significant item is recognised in 'Fee income' when the act is completed;
- Income earned in respect of services is recognised in 'Fee income' as the services are provided; and
- Income which forms an integral part of the effective interest rate of a financial instrument is recognised as an adjustment to the effective interest rate and recorded in 'Interest and similar income' (Note 1(a)).

1. **Accounting policies (continued)**

Significant accounting policies (continued)

(c) Net trading income

Net trading income comprises all gains and losses from changes in the fair value of financial assets and financial liabilities held for trading and related dividends.

(d) Financial assets

The Bank classifies all of its financial assets based on the business model for managing the assets and the asset's contractual cash flow characteristics (whether the cash flows represent 'solely payments of principal and interest (SPPI)), measured at either:

- Amortised Cost;
- Fair Value through Other Comprehensive Income (FVOCI); and
- Fair Value through Profit or Loss (FVTPL).

Management determines the classification of financial assets at initial recognition.

Financial assets at amortised cost (Due from banks, Loans & advances to customers, Financial investments at amortised cost)

Financial assets that are held in a business model to collect the contractual cash flows and that contain contractual terms that give rise on specified dates to cash flows that are SPPI, are measured at amortised cost. The carrying value of these financial assets at initial recognition includes any directly attributable transactions costs.

Financial assets at amortised cost (Due from banks, Loans & advances to customers, Financial investments at amortised cost) (continued)

In determining whether the business model is a 'hold to collect' model, the objective of the business model must be to hold the financial asset to collect contractual cash flows rather than holding the financial asset for trading or short-term profit taking purposes. While the objective of the business model must be to hold the financial asset to collect contractual cash flows this does not mean the Bank is required to hold the financial assets until maturity. When determining if the business model objective is to collect contractual cash flows the Bank will consider past sales and expectations about future sales.

Financial assets (Debt and equity instruments) measured at fair value through other comprehensive income (FVOCI)

Financial assets that are debt instruments held in a business model that is achieved by both collecting contractual cash flows and selling and that contain contractual terms that give rise on specified dates to cash flows that are SPPI are measured at FVOCI. They are subsequently remeasured at fair value and changes therein (except for those relating to impairment, interest income and foreign currency exchange gains and losses) are recognised in other comprehensive income until the assets are sold. Upon disposal, the cumulative gains and losses in other comprehensive income are recognised in the income statement.

When determining if the business model is achieved by both collecting contractual cash flows and selling financial assets, the Bank will consider past sales and expectations about future sales.

For equity instruments that are not held for trading, the Bank may make an irrevocable election to present subsequent changes in the fair value of the instrument in other comprehensive income (except for dividend income which is recognised in profit or loss).

1. Accounting policies (continued)

Significant accounting policies (continued)

Gains or losses on the derecognition of these equity securities are not transferred to profit or loss. These assets are also not subject to impairment requirements and therefore no amounts are recycled to the income statement.

Where the Bank has not made the irrevocable election to present subsequent changes in the fair value of the instrument in other comprehensive income, equity securities are measured at fair value through profit or loss.

Financial assets at fair value through profit or loss (FVTPL)

Financial assets that are held for trading are recognised at fair value through profit or loss. In addition, financial assets are held at fair value through profit or loss if they do not contain contractual terms that give rise on specified dates to cash flows that are SPPI, or if the financial asset is not held in a business model that is either (i) a business model to collect the contractual cash flows or (ii) a business model that is achieved by both collecting contractual cash flows and selling. Subsequent changes in fair value are recognised in the income statement.

(e) Impairment of financial assets

The Bank has been recording the allowance for expected credit losses for all loans and other debt financial assets not held at FVTPL, together with loan commitments and guarantees given to third parties, in this section all referred to as 'financial instruments'. Equity instruments are not subject to impairment under IFRS 9.

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Bank. The Bank has adopted a policy of dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from default. The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL, unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL).

The Bank assesses when a significant increase in credit risk has occurred based on quantitative and qualitative assessments. Exposures are considered to have resulted in a significant increase in credit risk and are moved to Stage 2 when (i) there is a drop in credit rating which is mapped to the relevant PD as defined below (Quantitative test), (ii) Accounts meet the portfolio's 'high risk' criteria and are subject to closer credit monitoring (Qualitative test), (iii) Accounts that are 30 calendar days or more past due.

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. ECLs are calculated mainly on an individual basis with the exception of ECLs on guarantees given to third parties which are calculated on either an individual or a collective basis.

1. **Accounting policies (continued)**

Significant accounting policies (continued)

(e) Impairment of financial assets (continued)

The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. Based on the above process, the Bank groups its financial instruments into Stage 1, Stage 2, Stage 3 and Purchased or originated credit impaired assets ('POCI'), as described below:

• Stage 1: When financial instruments are first recognised, the Bank recognises an allowance based on 12mECLs. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.

• Stage 2: When a financial instrument has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.

• Stage 3: Financial instruments considered credit-impaired. The bank records an allowance for the LTECLs. A financial asset is credit-impaired when principal or interest remains unpaid for 90 after its due date and/or an objective evidence that credit risk has increased to the point that it is considered non-performing.

• POCI: Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

For financial assets for which the Bank has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

The calculation of ECLs

The Bank calculates ECLs based on probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The key elements of the ECL calculations are outlined below:

• PD: The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.

• EAD: The Exposure at Default is 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, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

• LGD: The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

1. **Accounting policies (continued)**

(e) Impairment of financial assets (continued)

The calculation of ECLs (continued)

The mechanics of the ECL method are summarised below:

• Stage 1: The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Bank calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date.

These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR.

• Stage 2: When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

• Stage 3: For loans considered credit-impaired, the Bank recognises the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.

• Loan commitments, letters of credit and guarantees given to third parties

When estimating LTECLs for undrawn loan commitments, the Bank estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan.

The Bank's liability under each guarantee given to third parties is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the income statement, and the ECL provision. For this purpose, the Bank estimates ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls are discounted by the risk-adjusted interest rate relevant to the exposure. The ECLs related to guarantees given to third parties are recognised within other liabilities.

The premium received is recognized in the statement of income net of fees and commission income on a straight line basis over the life of the guarantee.

1. Accounting policies (continued)

Significant accounting policies (continued)

(e) Impairment of financial assets (continued)

Debt instruments measured at fair value through OCI

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to the profit and loss upon derecognition of the assets.

Forward looking information

In its ECL models, the Bank relies on a broad range of forward looking information as economic inputs in the regions in which it operates, such as:

- GDP growth
- Commodity prices
- Unemployment rates
- Central Bank base rates
- House price and stock market indices

Write-offs

Financial assets are written off either partially or in their entirety only when the Bank has stopped pursuing their recovery.

(f) Financial liabilities

The Bank classifies its financial liabilities in the following categories:

- Financial liabilities designated at fair value through profit or loss; and
- Other financial liabilities.

Management determines the classification of all financial liabilities at initial recognition.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss comprise financial liabilities that are held for trading, and those designated by management as being at fair value through profit or loss on initial recognition.

Financial liabilities are classified as held for trading if they are acquired principally for the purposes of generating a profit from short-term fluctuations in price or dealers margin, or form part of a portfolio of similar liabilities for which there is evidence of a recent actual pattern of short-term profit-taking, or they are derivatives (not designated into a qualifying hedge relationship).

Financial liabilities may be designated at fair value through profit or loss only if such a designation: (a) eliminates or significantly reduces a measurement or recognition inconsistency; (b) applies to a group of financial assets, financial liabilities, or both that the Bank manages and evaluates on a fair value basis; or (c) relates to an instrument that contains an embedded derivative which is not evidently closely related to the host contract.

1. **Accounting policies (continued)**

Significant accounting policies (continued)

(f) Financial liabilities (continued)

Financial liabilities at fair value through profit or loss are recognised initially at fair value, with transaction costs recognised in the income statement. Subsequently, gains and losses arising from changes in fair value are recognised as they arise in the income statement.

Other financial liabilities

Other financial liabilities are measured at amortised cost, using the effective interest rate method (note 1(a)).

(g) Derecognition of financial assets and liabilities

Financial assets are derecognised when the right to receive cash flows from the assets has expired; or when the Bank has transferred its contractual right to receive the cash flows of the financial assets, and substantially all the risks and rewards of ownership; or where control is not retained.

Financial liabilities are derecognised when they are extinguished, that is when all obligations are discharged, cancelled or have expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

(h) Determining fair value

All financial instruments are recognised initially at fair value. The fair value of a financial instrument on initial recognition is normally the transaction price. Subsequently, the fair value of financial instruments that are quoted in an active market are based on bid price (for assets) and offer price (for liabilities). Where there is no quoted market price in an active market, fair values are determined using valuation techniques which refer to observable market data. These include comparison with similar market instruments where market observable prices exist, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants. Where the fair value cannot be reliably determined for an investment in an equity instrument, the instrument is measured at cost.

(i) Derivatives

Derivatives are classified as held for trading at fair value through profit or loss and accounted for in accordance with note 1(d). Derivatives are classified as assets when their fair value is positive or as liabilities when their fair value is negative. Derivative assets and liabilities arising from different transactions are only offset in accordance with note 1(k) below.

Hedge accounting

The Bank makes use of derivative instruments to manage exposures to interest rate, foreign currency and credit risks, including exposures arising from highly probable forecast transactions and firm commitments. In order to manage particular risks, the Bank applies hedge accounting under IAS 39 for transactions which meet specified criteria.

At inception of the hedge relationship, the Bank formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk management objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedge relationship at inception and on an ongoing basis.

1. Accounting policies (continued)

Significant accounting policies (continued)

Hedge accounting (continued)

At each hedge effectiveness assessment date, a hedge relationship must be expected to be highly effective on a prospective basis and demonstrate that it was effective (retrospective effectiveness) for the designated period in order to qualify for hedge accounting. A formal assessment is undertaken by comparing the hedging instrument's effectiveness in offsetting the changes in fair value attributable to the hedged risk in the hedged item, at inception and on an ongoing basis. A hedge is expected to be highly effective if the changes in fair value attributable to the hedged risk during the period for which the hedge is designated were offset by the hedging instrument in a range of 80% to 125% and were expected to achieve such offset in future periods.

Fair value hedges

The Bank applies fair value hedge accounting to keep interest rate sensitivities within its established limits. Applying fair value hedge accounting enables the Bank to reduce fair value fluctuations of fixed rate financial assets as if they were floating rate instruments linked to the attributable benchmark rates. From a hedge accounting point of view, the Bank designates the hedged risk as the exposure to changes in the fair value of a recognised financial asset or liability or an unrecognised firm commitment, or an identified portion of such financial assets, liabilities or firm commitments that is attributable to a particular risk and could affect profit or loss. The Bank only hedges changes due to interest rates such as benchmark rates, which are typically the most significant component of the overall fair value change. The Bank assesses hedge effectiveness by comparing fair value movements of the hedging instruments and the hedged items attributable to changes in these benchmark rates using the dollar offset method as set out above. Within its risk management and hedging strategies, the Bank differentiates between micro and macro fair value hedging strategies.

In accordance with its hedging strategy, the Bank matches the principal of the hedging instruments to the principal of the hedged items, including prepayment expectations. The Bank uses pay fixed/receive floating interest rate swaps to hedge its fixed rate debt instruments and loans and pay floating/receive fixed interest rate swaps to hedge its fixed rate liabilities.

Cash flow hedges

The Bank applies cash flow hedge accounting to minimize the impact from variability of exchange rate when converting future sterling denominated cost and future US$ denominated revenue streams converted respectively in EUR as presentation currency of the bank. The bank uses forward currency contracts as hedges of its exposure to foreign currency risk in forecast transactions. The Bank designates all element of forward contracts as a hedging instrument. The Bank assesses hedge effectiveness by using Hypothetical derivatives method. The ineffective portion relating to foreign currency contracts is recognised as Net Trading Income. Refer to Note 16 for more details.

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

Hedge ineffectiveness

Hedge ineffectiveness is recognised in the income statement in 'Net trading income'. Meanwhile, the cumulative change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item in the statement of financial position and is also recognised in the income statement in Net trading income.

1. Accounting policies (continued)

Significant accounting policies (continued)

Hedge ineffectiveness can arise from:

- Differences in timing of cash flows of hedged items and hedging instruments
- Different interest rate curves applied to discount the hedged items and hedging instruments
- Derivatives used as hedging instruments having a non-nil fair value at the time of designation
- The effect of changes in counterparties' credit risk on the fair values of hedging instruments or hedged items

Embedded derivatives

Derivatives may be embedded in other financial instruments. Embedded derivatives are treated as separate derivatives when their economic characteristics and risks are not clearly and closely related to those of the host contract; the terms of the embedded derivative are the same as those of a stand-alone derivative; and the combined contract is not held for trading or designated at fair value through profit or loss.

(j) Sale and repurchase agreements

Investment and other securities may be lent or sold subject to a commitment to repurchase them (a 'repo'). Such securities are retained on the statement of financial position when substantially all the risks and rewards of ownership remain with the Bank, and the counterparty liability is included separately in deposits by banks on the statement of financial position as appropriate. Similarly, where the Bank borrows or purchases securities subject to a commitment to resell them (a 'reverse repo') but does not acquire the risks and rewards of ownership, the transactions are treated as collateralised loans, and the securities are not included in the statement of financial position. The difference between sale and repurchase price is accrued over the life of the agreements using the effective interest method (see note 1(a)).

(k) Offset of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position where there is a legal right to offset the recognised amounts and the parties intend to settle the cash flows on a net basis, or realise the asset and settle the liability simultaneously.

(l) Investment in subsidiaries

Investment in equity instruments of subsidiaries is carried at fair value through other comprehensive income. Movement in the value of the investment in subsidiaries will not be reclassified to the income statement.

(m) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Property, plant and equipment are depreciated at their depreciable amounts according to the straight-line method over the estimated useful life of each class of asset. Depreciable amount is the cost of an asset, or other amount substituted for cost, less its residual value. The useful life for each class of asset is as follows:

Freehold improvements	12 Years
Leasehold improvements	Over the remaining life of the lease
Furniture, fixtures and fittings	6 years
Software related to hardware	5 years
Motor vehicles	5 years
Computer and communication equipment	3 years

1. **Accounting policies (continued)**

Significant accounting policies (continued)

(m) Property, plant and equipment (continued)

At each statement of financial position date property, plant and equipment are assessed for indications of impairment. If indications are present, these assets are subject to an impairment review. The impairment review comprises a comparison of the carrying amount of the asset with its recoverable amount: the higher of the asset's net selling price and its value in use. Net selling price is calculated by reference to the amount at which the asset could be disposed of in a binding sale agreement in an arm's length transaction evidenced by an active market or recent transactions for similar assets. Value in use is calculated by discounting the expected future cash flows obtainable as a result of the asset's continued use, including those resulting from its ultimate disposal, at a market-based discount rate on a pre-tax basis.

The carrying values of fixed assets are written down by the amount of any impairment and this loss is recognised in the income statement in the period in which it occurs. A previously recognised impairment loss relating to a fixed asset may be reversed in part or in full when a change in circumstances leads to a change in the estimates used to determine the fixed asset's recoverable amount.

The carrying amount of the fixed asset will only be increased up to the amount that it would have been had the original impairment not been recognised.

(n) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. The useful life for each class of intangible asset is as follows:

Software	5 years

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognised in profit or loss when the asset is derecognised.

At each statement of financial position date, the Bank reviews the carrying amounts of its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any).

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1. **Accounting policies (continued)**

Significant accounting policies (continued)

(o) Leases

The Bank assesses at inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Bank applied a single recognition and measurement approach for all leases. The Bank recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

The Bank recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. Right-of-use assets are depreciated on a straight-line basis over the lease term. The Bank also recognises lease liabilities at the commencement date of the lease, measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments and variable lease payments that depend on an index/rate.

Lease liabilities are recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial recognition. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Bank is not exposed to leases as a lessor.

(p) Employee benefits

Short-term employee benefits, such as salaries, paid absences and other benefits, are accounted for on an accruals basis over the period which employees have provided services in the year. Bonuses are recognised to the extent that the Bank has a present obligation to its employees that can be measured reliably. All expenses related to employee benefits are recognised in the income statement in staff costs, which is included within operating expenses. The Bank provides both defined benefit and defined contribution pension scheme for its staff.

For the defined benefit retirement benefit scheme, the cost of providing benefits is determined using the projected unit credit method with actuarial valuations being carried at the end of each reporting period. Remeasurement comprising actuarial gains and losses, the effect of the asset ceiling (if applicable) and the return on scheme assets (excluding interest) are recognised immediately in the statement of financial position with a charge or credit to the statement of comprehensive income in the period in which they occur. Remeasurement recorded in the statement of comprehensive income is not recycled. Past service cost is recognised in the income statement in the period of scheme amendment. Net-interest is calculated by applying a discount rate to the net defined benefit liability or asset.

The retirement benefit obligation recognised in the statement of financial position represents the deficit or surplus in the Bank's defined benefit scheme. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the scheme or reductions in the future contributions to the scheme.

1. **Accounting policies (continued)**

Significant accounting policies (continued)

For defined contribution schemes, the Bank recognises contributions due in respect of the accounting period in the income statement. Any contributions unpaid at the statement of financial position date are included as a liability.

(q) Provisions

Provisions are recognised when it is probable that an outflow of economic benefits will be required to settle a current legal or constructive obligation as a result of past events, and a reliable estimate can be made of the amount of the obligation.

(r) Taxes

Income tax on the profit or loss for the year comprises current tax and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in shareholders' equity, in which case it is recognised in shareholders' equity.

Current tax is the tax expected to be payable on the taxable profit for the year, calculated using tax rates enacted or substantively enacted by the statement of financial position date, and any adjustment to tax payable in respect of previous year.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and the amounts attributed to such assets and liabilities for tax purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is determined using tax rates and legislation enacted, or substantively enacted, by the statement of financial position date and is expected to apply when the deferred tax asset is realised or the deferred tax liability is settled.

Deferred and current tax assets and liabilities are only offset when they arise in the same tax reporting group and where there is both the legal right and the intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

(s) Foreign currencies

Transactions in foreign currencies are translated into Euros at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Euros at the rates of exchange ruling at the statement of financial position date. Foreign exchange differences arising on translation are recognised in profit or loss except for differences arising on cash flow hedges. Non-monetary items denominated in foreign currencies that are stated at fair value are translated into Euros at foreign exchange rates ruling at the dates the values were determined. Translation differences arising on non-monetary items measured at fair value are recognised in profit or loss except for differences arising on financial instrument at FVOCI non-monetary financial assets, such as equity shares, which are included in the financial instrument at FVOCI reserve in equity unless the asset is the hedged item in a fair value hedge.

(t) Capital instruments

The Bank classifies a financial instrument that it issues as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement. An instrument is classified as a liability if it is a contractual obligation to deliver cash or another financial asset, or to exchange financial assets or financial liabilities on potentially unfavourable terms. An instrument is classified as equity if it evidences a residual interest in the assets of the Bank after the deduction of liabilities.

1. Accounting policies (continued)

Significant accounting policies (continued)

The components of a compound financial instrument issued by the Bank are classified and accounted for separately as financial liabilities or equity as appropriate.

(u) Cash and cash equivalents

Cash and cash equivalents comprise cash and balances with central banks of a short-term nature.

(v) Segment reporting

The Bank's segmental reporting is based on the following strategic business units: Corporate & Institutional Banking; Treasury; Private Banking and Others (which includes centralised functions).

(w) Company only financial statements

The Bank is a wholly-owned subsidiary of Arab Bank plc, a company incorporated in Jordan and registered at Shmeisani PO Box 144186, Amman 11814, Jordan, and in accordance with Section 401 of the Companies Act 2006, is not required to produce, and has not published, consolidated financial statements.

(x) Fair value of financial instruments

Where the fair values of financial assets and liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include use of mathematical models. The inputs to these models are largely derived from observable market data, but where observable market data is not available, judgement is required to establish fair values.

(y) Significant judgements and estimates

The preparation of the Bank's financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. The critical accounting judgements are noted below.

(ii) Impairment losses on financial assets

The measurement of impairment losses across all categories of financial assets requires judgment. In particular, judgement by management is required in the assessment of a significant increase in credit risk and in the estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, the Bank makes judgements about the borrowers' financial situation and the net realisable value of collateral. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the impairment loss allowance.

The Bank's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgments and estimates include:

- The Bank's internal credit rating model, which assigns PDs to the individual grades.
- The Bank's criteria for assessing if there has been a significant increase in credit risk.
- Development of ECL models, including the various formulas and the choice of inputs.
- Determination of associations between macroeconomic scenarios and economic inputs.

1. *Accounting policies (continued)*

Significant accounting policies (continued)

(iii) Retirement benefit obligations

The cost of the defined benefit pension plan is determined using an actuarial valuation. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of the plan, such estimates are subject to uncertainty.

(iv) Recognition of deferred tax assets

The recognition of deferred tax assets is based upon whether it is more likely than not that sufficient and suitable taxable profits will be available in the future against which the reversal of temporary differences can be deducted therefore recognition involves judgment regarding the future financial performance of the Bank. Significant items on which the Bank has exercised accounting judgment include recognition of deferred tax assets in respect of tax losses and capital allowances.

2. Interest and similar income and expense

	Year ended 31 December 2021 €'000	Year ended 31 December 2020 €'000
Interest and similar income from financial assets at amortised cost and OCI		
Cash and funds held with central banks	-	74
Due from banks	442	1,742
Loans and advances to customers*	22,585	30,009
Financial investments at amortised cost	9,355	12,203
Financial Investments through OCI	24	-
Total interest and similar income	32,406	44,028
Other interest and similar income		
Financial investments measured at fair value through profit or loss	1,763	4,065
Derivatives	-	-
	1,763	4,065
	34,169	48,093
Interest and similar expense		
Deposits by banks	(856)	(3,449)
Cash and funds held with central banks	(614)	(1,989)
Customer accounts	(2,619)	(12,924)
Subordinated liabilities	(734)	(1,662)
Other	(210)	(177)
Total interest and similar expense	(5,033)	(20,201)
Other interest and similar expense		
Derivatives	(6,866)	(5,358)
	(11,899)	(25,559)
Net interest and similar income	22,270	22,534

*Interest income from loans and advances to customers is presented net of impaired interest amounting to €14.26m (2020: €7.55m).

3. Fees and commission income and expense

	Year ended 31 December 2021 €'000	Year ended 31 December 2020 €'000
Banking and credit related fees and income	6,363	6,864
Other commissions and fee income	510	806
Fees and commission income	6,873	7,670
Fees and commission expense	(605)	(546)

Fees arising from trust and other fiduciary activities that result in the holding of assets on behalf of individuals, trusts or other institutions amounted to €144,980 (2020:€102,870).

4. *Net trading (losses)/gains*

	Year ended 31 December 2021 €'000	*Year ended 31 December 2020* €'000
Foreign exchange dealing	198	934
Trading Securities	1,103	(1,225)
	1,301	(291)

Net interest income on held for trading financial instruments has been included in Interest and similar income and expense (note 2).

5. Other operating income

	Year ended 31 *December 2021* €'000	Year ended 31 *December* 2020 €'000
Revenue from services	55	58
Rental income	261	458
Income from subsidiaries including dividend	3,200	3,415
Other revenue	189	755
	3,705	4,686

6. Other operating expenses

	Year ended 31 December 2021 €'000	Year ended 31 December 2020 €'000
Staff costs (note 7)	18,060	14,543
Administrative expenses	5,575	6,690
Auditor's remuneration (see below)	677	597
Other expenses	4,629	4,413
Interest expense on lease liabilities	46	49
	28,987	26,292

Auditor's remuneration

Amounts paid and payable to the Bank's principal auditor, Ernst & Young LLP and its affiliated firms were as follows:

	Year ended 31 December 2021 €'000	Year ended 31 December 2020 €'000
Fees payable to the Bank's auditor for the audit of the annual financial statements	507	432
Total audit fees	507	432
Other services:		
- Audit related assurance services	165	143
- Other services	5	22
Total non-audit fees	170	165
	677	597

7. Staff costs

	Year ended 31 December 2021 €'000	Year ended 31 December 2020 €'000
Salaries, wages and allowances	14,871	11,459
Social security costs	1,956	1,879
Pension costs – defined contribution scheme	1,233	1,205
	18,060	14,543

The average number of permanent persons employed by the Bank in 2021 was 114 (2020: 115). Of these, 38 (2020: 40) were employed in the strategic business units and credit administration, 55 (2020: 55) were employed in the support units, and 21 (2020: 20) were employed in control and risk functions. The total number of persons employed at the end of 2021 was 110 (2020: 114).

8. Impairment loss expense

The table below shows the expected credit losses (ECLs) charges on financial instruments for the year recorded in the income statement:

In €'000	Stage 1	Stage 2	Stage 3	Year ended 31 December
2021				
Due from banks	(70)	-	-	(70)
Loans and advances to customers	(1,558)	2,921	1,276	2,639
Debt instruments measured at amortised cost	53	-	-	53
Guarantees, letters of credit and other commitments	(1,093)	38	-	(1,055)
Total Impairment loss	(2,668)	2,959	1,276	1,567
2020				
Due from banks	170	(51)	-	119
Loans and advances to customers	(767)	(2,751)	7,575	4,057
Debt instruments measured at amortised cost	225	-	-	225
Guarantees, letters of credit and other commitments	355	(96)	(178)	81
Total Impairment loss	(17)	(2,898)	7,397	4,482

9. Tax charge

	Year ended 31 December 2021 €'000	Year ended 31 December 2020 €'000
Current taxation:		
UK corporation tax (credit)/charge for the year	-	-
Foreign tax for current year		-
Adjustment in respect of prior years	-	-
	-	-
Deferred tax charge for the year	776	215
Deferred tax – adjustment in respect of prior years	32	354
Rate change movement	(1,167)	(569)
Taxation charge	(359)	-

The actual tax charge/(credit) for the year differs from the expected tax charge/(credit) for the year computed by applying the standard rate of UK corporation tax of 19% (2020: 19%) as follows:

	Year ended 31 December 2021 €'000	Year ended 31 December 2020 €'000
Profit before tax	402	520
Expected tax charge at 19% (2020: 19%)	76	99
Permanent disallowables	232	61
Foreign profits taxed at other rates	-	-
Adjustment in respect of prior years	32	354
Change in tax rate	(1,167)	(569)
Movement in unrecognised deferred tax asset	468	55
Actual tax charge in Income Statement	(359)	-

At 31 December 2021, deferred tax balances were valued with reference to the corporation tax rate of 19%. The Finance Act 2021 increases the main rate of corporate tax to 25% with effect from 1 April 2023. This has been applied in the measurement of the Company's closing deferred tax asset as at 31 December 2021.

10. Deferred tax

Deferred tax assets recognised by the Bank and movements thereon during the current reporting period in respect of:

	Temporary differences		*Total*	
	2021	**2020**	**2021**	**2020**
	€'000	**€'000**	**€'000**	**€'000**
Balance at 1 January	5,409	5,714	5,409	5,714
Recognised in Income Statement	(776)	(215)	(776)	(215)
Adjustment in respect of prior years	(32)	(354)	(32)	(354)
Rate change movement	1,167	569	1,167	569
FX (loss)/gain	-	(305)	-	(305)
Balance at 31 December	5,768	5,409	5,768	5,409

	Year ended 31 December 2021 €'000	**Year ended 31 December 2020 €'000**
The deferred tax asset consists of:		
Accelerated capital allowances	73	32
Pension costs	1,347	1,313
Unpaid remuneration	-	286
Unutilised tax losses recognised	3,812	3,332
Adoption of IFRS 9 – ECL take on	457	370
Other temporary differences	79	76
	5,768	5,409

At the statement of financial position date, the Bank has unused tax losses of €364mn (2020: €364mn) and other temporary differences of €12mn (2020: €22mn) available for offset against future profits. A deferred tax asset has been recognised on losses of €16mn (2020: €18mn) and gross temporary differences of €9mn (2020: €11mn). No deferred tax asset has been recognised in respect of the remaining €348mn (2020: €346mn) of losses and €3mn *(2020: €11mn) of other temporary differences at the statement of financial position date due* to limited certainty with respect to forecasting profits over extended future periods.

11. Cash and balances at central banks

	2021 €'000	2020 €'000
Cash	389	369
Balances with central banks	173,785	135,149
	174,174	135,518

12. Due from banks

	2021 €'000	2020 €'000
Current accounts	410,725	617,614
Time deposits	-	-
Due from banks before impairment	410,725	617,614
Less: impairment loss allowances	(7,767)	(7,284)
	402,958	610,330
Amounts above include:		
Due from parent company	12,737	14,791
Due from fellow subsidiaries	4,147	4,929
Due from subsidiaries	251,999	493,515
	268,883	513,235

Impairment allowance for due from banks

The table below discloses the credit quality and maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances.

In €'000

Internal rating grade	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
2021				
1-3 – investment grade	115,977	-	-	115,977
4-5 – standard monitoring	270,475	-	-	270,475
6 – special monitoring	16,795	-	-	16,795
7 – watch	-	-	7,478	7,478
8-10 - classified	-	-	-	-
Total	**403,247**	-	**7,478**	**410,725**
2020				
1-3 – investment grade	55,843	-	-	55,843
4-5 – *standard monitoring*	554,771	-	-	554,771
6 – special monitoring	51	-	-	51
7 – watch	-	-	6,949	6,949
8-10 - classified	-	-	-	-
Total	**610,665**	-	**6,949**	**617,614**

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12. Due from banks (continued)

Impairment allowance for due from banks (continued)

An analysis of changes in the gross carrying amount and the corresponding ECL allowances is as follows:

In €'000	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
Gross carrying amount as at 1 January 2021	**610,665**	-	**6,949**	**617,614**
New assets originated or purchased	*137,936*	-	-	*137,936*
Assets derecognised or repaid (excluding write offs)	(325,930)	-	-	(325,930)
Transfers to Stage 1	-	-	-	-
Adjustments during the period	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	(19,425)	-	529	(18,896)
At 31 December 2021	**403,247**	-	**7,478**	**410,725**
ECL allowance as at 1 January 2021	**334**	-	**6,949**	**7,283**
Charged to income relating to new facilities	14	-	-	14
Net charge to income (increase/decrease in outstanding *balances)*	(66)	-	-	(66)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Adjustments during the period	-	-	-	-
Recoveries	(18)	-	-	(18)
Amounts written off	-	-	-	-
Foreign exchange adjustments	24	-	529	553
At 31 December 2021	**288**	-	**7,478**	**7,766**

In €'000	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
Gross carrying amount as at 1 January 2020	**139,496**	**31,814**	**7,570**	**178,880**
New assets originated or purchased	*538,859*	-	-	*538,859*
Assets derecognised or repaid (excluding write offs)	(66,427)	(20,359)	-	(86,786)
Transfers to Stage 1	8,844	(8,844)	-	-
Adjustments during the period	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	*(10,107)*	*(2,611)*	*(621)*	*(13,339)*
At 31 December 2020	**610,665**	-	**6,949**	**617,614**
ECL allowance as at 1 January 2020	**174**	**56**	**7,569**	**7,800**
Charged to income relating to new facilities	15	-	-	15
Net charge to income (increase/decrease to staging)	117	-	-	117
Transfers to Stage 1	51	(51)	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Adjustments during the period	-	-	-	-
Recoveries	(13)	-	-	(13)
Amounts written off	-	-	-	-
Foreign exchange adjustments	(10)	(5)	(620)	(635)
At 31 December 2020	**334**	-	**6,949**	**7,284**

13. Financial investments at fair value through profit or loss

	2021 €'000	2020 €'000
Held for trading – bonds (quoted)	30,911	174,601
	30,911	174,601

14. Loans and advances to customers

	2021 €'000	2020 €'000
Discounted bills	58,112	54,273
Corporate loans and advances	881,695	838,970
Other loans and advances	70,070	69,358
Impaired interest	(35,404)	(24,008)
	974,473	938,593
Expected credit allowances	(54,629)	(48,320)
	919,844	890,273

Impairment allowance for loans and advances to customers

The table below discloses the credit quality and maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances.

In €'000

Internal rating grade	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
2021				
1-3 – investment grade	154,523	-	-	154,523
4-5 – standard monitoring	433,453	6,069	-	439,522
6 – special monitoring	241,273	20,161	-	261,434
7 – watch	-	2,415	9,146	11,561
8-10 - classified	-	5,776	101,657	107,433
	829,249	34,421	110,803	974,473
2020				
1-3 – investment grade	156,035	-	-	156,035
4-5 – standard monitoring	427,174	-	-	427,174
6 – special monitoring	224,202	15,329	-	239,531
7 – watch	-	9,315	8,499	17,814
8-10 - classified	-	3,307	94,732	98,039
	807,411	27,951	103,231	938,593

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14. Loans and advances to customers (continued)

An analysis of changes in the gross carrying amount and the corresponding ECL allowances is as follows:

In €'000	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
Gross carrying amount as at 1 January 2021	**807,411**	**27,951**	**103,231**	**938,593**
New assets originated or purchased	321,353	264	-	323,542
Assets derecognised or repaid (excluding write offs)	(344,906)	(5,525)	-	(352,367)
Adjustments during the period	-	-	-	-
Transfers to Stage 1	12	(12)	-	-
Transfers to Stage 2	*(10,340)*	*10,340*	-	-
Transfers to Stage 3	(11)	-	11	-
Foreign exchange adjustments	55,730	1,404	7,560	64,705
Amounts written off	-	-	-	-
At 31 December 2021	**829,249**	**34,421**	**110,803**	**974,473**
ECL allowance as at 1 January 2021	**3,994**	**873**	**43,453**	**48,320**
Charged to income relating to new facilities	916	-	-	916
Net charge to income (increase/decrease to staging)	(1,400)	2,856	1,276	2,732
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(65)	65	-	-
Transfers to Stage 3	-	-	-	-
Adjustments during the period	-	-	-	-
Recoveries	(1,010)	-	-	(1,010)
Foreign exchange adjustments	297	65	3,309	3,671
Amounts written off	-	-	-	-
At 31 December 2021	**2,732**	**3,858**	**48,038**	**54,629**

In €'000	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
Gross carrying amount as at 1 January 2020	**1,073,378**	**75,835**	**68,600**	**1,217,813**
New assets originated or purchased	146,724	191	-	146,915
Assets derecognised or repaid (excluding write offs)	(339,892)	(6,841)	(3,313)	(350,046)
Adjustments during the period	-	-	-	-
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(3,211)	3,211	-	-
Transfers to Stage 3	-	(43,256)	43,256	-
Foreign exchange adjustments	(69,588)	(1,189)	(5,312)	(76,089)
Amounts written off	-	-	-	-
At 31 December 2020	**807,411**	**27,951**	**103,231**	**938,593**
ECL allowance as at 1 January 2020	**5,152**	**3,948**	**41,493**	**50,593**
Charged to income relating to new facilities	922	-	-	922
Net charge to income (increase/decrease to staging)	(459)	(629)	8,142	7,054
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(16)	16	-	-
Transfers to Stage 3	-	-	-	-
Adjustments during the period	-	-	-	-
Recoveries	(1,214)	(2,138)	(567)	(3,919)
Foreign exchange adjustments	(391)	(324)	(5,615)	(6,330)
Amounts written off	-	-	-	-
At 31 December 2020	**3,994**	**873**	**43,453**	**48,320**

Included in the ECL allowance are assets with a balance of €36.4m (2020: €32.4m) which have been placed under administration and/or liquidation.

15. Financial investments other than those measured at FVTPL

Below is an analysis of the Bank's financial investments other than those measured at FVTPL:

	2021 €'000	2020 €'000
Debt instruments at FV through OCI		
Governmental bonds (quoted)	47,328	-
Banks and financial institutions bonds (quoted)	38,754	-
Total debt instruments at FV through OCI	86,082	-

	2021 €'000	2020 €'000
Debt instruments at amortised cost		
Banks and financial institutions bonds (quoted)	388,912	357,069
Governmental bonds (quoted)	92,418	-
Corporate bonds (quoted)	17,973	55,888
Impairment loss allowance	(1,574)	(1,439)
Total debt instruments at amortised cost	497,729	411,518
Total financial investments other than those measured at FVTPL	583,811	411,518

The table below discloses the credit quality and maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances.

Debt instruments at FV through OCI

In €'000

Internal rating grade	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
2021				
1-3 – investment grade	86,082	-	-	86,082
4-5 – standard monitoring	-	-	-	-
6 – special monitoring	-	-	-	-
7 – watch	-	-	-	-
8-10 - classified	-	-	-	-
Total	86,082	-	-	86,082

15. Financial investments other than those measured at FVTPL (continued)

Debt instruments at amortised cost

In €'000

Internal rating grade	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
2021				
1-3 – investment grade	282,434	-	-	282,434
4-5 – standard monitoring	83,667	-	-	83,667
6 – special monitoring	133,202	-	-	133,202
7 – watch	-	-	-	-
8-10 - classified	-	-	-	-
Total	499,303	-	-	499,303
2020				
1-3 – investment grade	321,882	-	-	321,882
4-5 – standard monitoring	53,232	-	-	53,232
6 – special monitoring	37,843	-	-	37,843
7 – watch	-	-	-	-
8-10 - classified	-	-	-	-
Total	412,957	-	-	412,957

An analysis of changes in the gross carrying amount and the corresponding ECLs is as follows:

Debt instruments at FV through OCI

In €'000	**Stage 1 Individual**	**Stage 2 Individual**	**Stage 3**	**Total**
Gross carrying amount as at 1 January 2021	-	-	-	-
New assets originated or purchased	86,082	-	-	86,082
Assets derecognised or repaid (excluding write offs)	-	-	-	-
Adjustments during the period	-	-	-	-
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Foreign exchange adjustments	-	-	-	-
Amounts written off	-	-	-	-
At 31 December 2021	***86,082***	-	-	***86,082***
ECL allowance as at 1 January 2021	-	-	-	-
Charged to income relating to new facilities	-	-	-	-
Net charge to income (increase/decrease to staging)	-	-	-	-
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Adjustments during the period	-	-	-	-
Recoveries	-	-	-	-
Foreign exchange adjustments	-	-	-	-
Amounts written off	-	-	-	-
At 31 December 2021	-	-	-	-

15. Financial investments other than those measured at FVTPL (continued)

Debt instruments at amortised cost

In €'000	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
Gross carrying amount as at 1 January 2021	**412,957**	-	-	**412,957**
New assets originated or purchased	129,854	-	-	129,854
Assets derecognised or repaid (excluding write offs)	(63,189)	-	-	(63,189)
Adjustments during the period	-	-	-	-
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Foreign exchange adjustments	19,681	-	-	19,681
Amounts written off	-	-	-	-
At 31 December 2021	**499,303**	-	-	**499,303**
ECL allowance as at 1 January 2021	**1,439**	-	-	**1,439**
Charged to income relating to new facilities	282	-	-	282
Net charge to income (increase/decrease to staging)	(228)	-	-	(228)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Adjustments during the period	-	-	-	-
Recoveries	-	-	-	-
Foreign exchange adjustments	-	-	-	-
Amounts written off	82	-	-	82
At 31 December 2021	**1,574**	-	-	**1,574**

In €'000	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
Gross carrying amount as at 1 January 2020	**554,385**	-	-	**554,385**
New assets originated or purchased	18,939			18,939
Assets derecognised or repaid (excluding write offs)	(127,353)	-	-	(127,353)
Adjustments during the period	-			-
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Foreign exchange adjustments	(33,014)	-	-	(33,014)
Amounts written off	-	-	-	-
At 31 December 2020	**412,957**	-	-	**412,957**
ECL allowance as at 1 January 2020	**1,305**	-	-	**1,305**
Charged to income relating to new facilities	61			61
Net charge to income (increase/decrease to staging)	211	-	-	211
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Adjustments during the period	-	-	-	-
Recoveries	(47)	-	-	(47)
Foreign exchange adjustments	(91)	-	-	(91)
Amounts written off	-	-	-	-
At 31 December 2020	**1,439**	-	-	**1,439**

16. Derivatives

The Bank's objectives and policies on managing the risks that arise in connection with derivatives are included in note 1(i) and note 33.

The gross notional amounts represent the amounts of all outstanding contracts at year-end. It is the sum of the absolute amount of all purchases and sales of derivative instruments. The notional amounts of the derivatives provide a basis for comparison with instruments recognised on the statement of financial position, but does not indicate the amounts of future cash flows involved or the current fair value of the instruments and therefore, do not indicate the Bank's exposure to credit or price risks.

Derivatives are measured at their fair value, which is calculated as the present value of future expected net contracted cash flows at market related rates as of the statement of financial position date.

The Bank enters into the following main types of derivative contracts:

Interest rate swaps

These are agreements between two parties to exchange periodic payments of interest over a set period based on notional principal amounts. The Bank enters into interest rate swaps, exchanging fixed rates for floating rates of interest based on notional amounts.

Currency forward contracts

Forward foreign exchange contracts are over the counter (OTC) agreements to deliver, or take delivery of, a specified amount of an asset or financial instrument based on a specified rate applied against the underlying asset or financial instrument, at a specified date.

Derivative financial instruments held or issued for trading purposes

Most of the Bank's derivatives trading activities relate to deals with customers that are normally offset by transactions with other counterparties. The Bank may also, from time to time, take limited short term positions within the prescribed market risk limits approved by the Board of Directors.

Also included under the classification are any derivatives entered into for risk management purposes that do not meet the IAS 39 hedge accounting criteria.

Derivative financial instruments held or issued for hedging purposes

As part of its asset and liability management, the Bank uses derivatives for hedging purposes in order to reduce its exposure to market risk. This is achieved by hedging specific financial instruments, portfolios of fixed rate financial instruments and forecast transactions.

The accounting treatment, explained in note 1(i) hedge accounting, depends on the nature of the item hedged and compliance with IAS39 hedge accounting criteria.

16. Derivatives (continued)

The fair values and notional amounts of derivative instruments are set out in the following table:

	2021 Notional	2021 Fair value asset	2021 Fair value liability	2020 Notional	2020 Fair value asset	2020 Fair value liability
	€'000	€'000	€'000	€'000	€'000	€'000
Derivatives held for trading						
Interest rate swaps	53,333	76	249	203,172	1,529	7,016
Currency forward contracts	443,794	1,885	3,987	477,653	736	8,651
	497,127	1,961	4,237	680,825	2,265	15,667
Derivatives used as fair value hedges						
Interest rate swaps	685,195	3,574	5,299	503,503	939	11,936
Derivatives used as cash flow hedges						
Currency forward contracts	38,130	113	6	-	-	-
Total recognised derivative assets and liabilities	1,220,452	5,648	9,542	1,184,328	3,204	27,603

Fair value hedges

Fair value hedges are used by the Bank to protect it against changes in the fair value of financial assets and financial liabilities due to movements in interest rates. The financial instruments hedged for interest rate risk include fixed rate loans, debt securities at amortised cost and other borrowed funds. The Bank uses interest rate swaps and interest rate futures to hedge interest rate risk.

The impact of the hedged item on the statement of financial position as at 31 December 2021 is as follows:

Hedged item	Carrying amount	Accumulated amount of fair value adjustments
Fixed-rate loans	132,230	(1,596)
Fixed-rate debt securities at amortised cost	491,401	(6,351)

Fixed-rate loans are included under 'Loans and advances to customers' whereas fixed-rate debt securities at amortised cost are included under 'Financial investments at amortised cost on the statement of financial position.

Gains or losses due to changes on fair value hedges for the year:

	2021 €'000	2020 €'000
(Losses)/gains on:		
Hedging instruments	1,037	(6,486)
Hedged items attributable to the hedged risk	(1,098)	5,887
Hedge ineffectiveness	(61)	(599)

Hedge ineffectiveness is included under Net trading gains in the Income Statement.

16. Derivatives (continued)

Cash flow hedges

The table below shows the changes in fair value of hedging instrument used for measuring hedge ineffectiveness.

	Notional Amount €'000	Asset €'000	Liabilities €'000	FV Total €'000	Recognised in OCI €'000	Recognised in the income statement in net trading income €'000
Currency forward USD	18,358	113	-	113	113	-
Currency forward GBP	19,772	-	(6)	(6)	(6)	-
Total	38,130	113	(6)	107	107	-

17. Investment in subsidiaries

The wholly owned subsidiaries of the Bank and their activities are noted below. The registered address of all the subsidiaries is 13-15 Moorgate, London, EC2R 6AD, except for Europe Arab Bank SA for which the registered address is 41 Avenue de Friedland, 75008 Paris, France.

Name	Place of incorporation	Proportion of ownership and voting power held	Principal activity	Cost 2021	Cost 2020
13-15 Moorgate No. 1 Limited	England and Wales	100%	General partner to property partnership	€15.1m	€14.2m
13-15 Moorgate No.2 Limited	England and Wales	100%	General partner to property partnership	€15.1m	€14.2m
EAB Client Assets Nominee Limited	England and Wales	100%	Dormant	€111	€111
Europe Arab Bank SA	France	100%*	Banking	€75m	€75m

* 1 share is owned by AB Consolidated Investments LTD

Movement in value of investment in subsidiaries

	2021 €'000	2020 €'000
As at 1 January	103,308	34,962
Fair value changes	9,773	(1,617)
Additions	-	69,963
As at 31 December	113,081	103,308

Movement in the value of the investment in subsidiaries will not be reclassified to the income statement.

18. Other intangible assets

	2021 €'000	2020 €'000
Software		
Cost		
As at 1 January	-	1,182
Additions		-
As at 31 December	-	1,182
Amortisation		
As at 1 January	-	(1,079)
Charge for the year	-	(103)
As at 31 December	-	(1,182)
Net book value		
As at 1 January	-	103
As at 31 December	-	-

There are intangible assets with a cost of £1.2m, which became fully depreciated in 2020. There were no additions or disposals of intangible assets in 2021.

19. *Property, plant and equipment*

	Land	Freehold and Leasehold Improvements	Furniture fixtures and fittings	Computer and communication equipment	Total
	€'000	€'000	€'000	€'000	€'000
Cost					
As at 1 January 2020	290	8,015	1,847	13,842	23,994
Additions	-	111	82	1,812	2,005
Disposals/Write Offs	(290)	(2,458)	(616)	(861)	(4,225)
At 31 December 2020	-	5,668	1,313	14,793	21,774
Accumulated depreciation and impairment losses					
As at 1 January 2020	-	(6,499)	(1,374)	(11,616)	(19,488)
Depreciation	-	*(222)*	*(154)*	*(966)*	*(1,343)*
Disposals/Write Offs	-	2,374	614	786	3,774
At 31 December 2020	-	(4,347)	(914)	(11,796)	(17,057)
Net book value	-	1,321	399	2,997	4,717
Cost					
As at 1 January 2021	-	5,668	1,312	14,794	21,774
Additions	-	12	33	1,629	1,674
Disposals/Write Offs	-	(3,734)	(975)	-	(4,709)
At 31 December 2021	-	1,946	370	16,423	18,739
Accumulated depreciation and impairment losses					
As at 1 January 2021	-	(4,347)	(914)	(11,796)	(17,057)
Depreciation	-	(185)	(125)	(1,051)	(1,361)
Disposals/Write Offs	-	2,942	722	-	3,664
At 31 December 2021	-	(1,590)	(317)	(12,847)	(14,754)
Net book value	-	356	53	3,576	3,985

20. Right-of-use assets

	2021 €'000	2020 €'000
As at 1 January	2,475	7,608
Additions	1,580	-
Disposals	-	(3,820)
Depreciation charge for the year	(1,227)	(1,313)
As at 31 December	2,828	2,475

21. Other assets

	2021 €'000	2020 €'000
Prepayments	3,751	2,713
Current tax receivable	1,072	1,005
Accrued interest receivable	9,249	7,967
Receivables from subsidiaries	5,604	2,398
Other assets and receivables	971	-
	20,647	14,083
Amounts above include:		
Due from parent company	23	33
Due from fellow subsidiaries	1,635	2,156

22. Retirement benefits – defined benefit scheme

The Bank sponsors the scheme which is a funded defined benefit arrangement, closed to new members and future accrual. This is a separate trustee administered fund holding the pension plan assets to meet long term pension liabilities for around 371 past employees as at 31 December 2021 (31 December 2020: 417). The level of retirement benefit is principally based on salary earned in the last three years of employment prior to leaving active service and is linked to changes in inflation up to retirement.

The scheme is subject to the funding legislation, which came into force on 30 December 2005, outlined in the Pensions Act 2004. This, together with documents issued by the Pensions Regulator, and Guidance Notes adopted by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension plans in the UK.

The trustees of the scheme are required to act in the best interest of the plan's beneficiaries. The appointment of the trustees is determined by the plan's trust documentation. It is policy that one third of all trustees should be nominated by the members.

A full actuarial valuation, usually taking place every three years, was carried out as at 31 December 2018 in accordance with the scheme funding requirements of the Pensions Act 2004 and the funding of the plan is agreed between the Bank and the trustees in line with those requirements. These in particular require the surplus/deficit to be calculated using prudent, as opposed to best estimate actuarial assumptions.

The actuarial valuation as at 31 December 2018 showed a deficit of €8.6m. The Bank has agreed with the trustees that it will aim to eliminate the deficit over a period of 4 years from 1 January 2020 by the payment of annual contributions of €1.6mn in respect of the deficit. In addition, and in accordance with the actuarial valuation, the Bank has agreed with the trustees that it will meet expenses of the scheme and levies to the Pension Protection Fund.

For the purposes of IAS19 the actuarial valuation as at 31 December 2018 has been updated on an approximate basis to 31 December 2021. There have been no changes in the valuation methodology adopted for this period's disclosures compared to the previous period's disclosures.

22. Retirement benefits – defined benefit scheme (continued)

(a) Amounts for the current and previous periods

	2021 €'000	2020 €'000	2019 €'000	2018 €'000	2017 €'000
Defined benefit obligation	(88,746)	(87,584)	(80,125)	(66,753)	(74,693)
Fair value of plan assets	82,585	72,711	70,274	59,026	65,652
Net deficit	(6,161)	(14,873)	(9,852)	(7,727)	(9,040)
Net liability recognised	(6,161)	(14,873)	(9,852)	(7,727)	(9,040)

(b) Changes in the present value of defined benefit obligation

	2021 €'000	2020 €'000
Balance as at 1 January	87,584	80,125
Interest cost	1,263	1,555
Actuarial (gains)/losses	(3,499)	12,085
Benefits paid	(2,318)	(1,984)
Past service costs	-	165
Translation adjustments	5,716	(4,362)
Balance as at 31 December	88,746	87,584

(c) Changes in the fair value of plan assets

	2021 €'000	2020 €'000
Balance as at 1 January	72,711	70,274
Interest Income	1,057	1,376
Employer contributions	1,632	1,577
Return on assets excluding interest income	4,563	5,264
Benefits paid	(2,318)	(1,984)
Translation adjustments	4,940	(3,796)
Balance as at 31 December	82,525	72,711

The actual return on the plan assets for the year ended 31 December 2021 was €5.75m (2020: €6.59m).

22. Retirement benefits – defined benefit scheme (continued)

(d) Total expense recognised in the income statement

	2021 €'000	2020 €'000
Net interest cost	206	179
Service cost	-	167
	206	346

(e) Total amount included in other comprehensive income

	2021 €'000	2020 €'000
Return on plan assets (excluding amounts included in net interest cost)	4,563	5,265
Experience (losses)/gains	(885)	436
Effects of change in demographic assumptions	154	(773)
Effects of change in financial assumptions	4,230	(11,747)
Translation adjustments	(14)	41
	(8,048)	(6,778)

(f) Assets

	2021 €'000	2020 €'000
Equity Instruments	7,270	14,023
Debt Instruments	22,346	11,127
Diversified growth fund	28,001	23,890
Property	6,473	4,976
Fixed interest	-	-
Cash	617	941
Insured Assets	17,878	17,754
Balance as at 31 December	82,585	72,711

(g) Principal assumptions in determining the defined benefit obligation

	2021 %		2020 %	
	Liabilities	Assets	Liabilities	Assets
Discount rate	1.80	1.82	1.40	1.25
Expected rate of inflation (RPI)	3.35	3.55	2.95	3.00
Expected rate of inflation (CPI)	2.55	2.75	2.15	2.20
Allowance for commutation of pension for cash at retirement	20% of pension		20% of pension	

The mortality assumptions adopted imply the following life expectancies:

	Life expectancy at age 65 (years)
Male retiring in 2021	21.9
Female retiring in 2021	23.6
Male retiring in 2041	23.2
Female retiring in 2041	25.1

(h) Sensitivity

	Change in assumption	**Change in liabilities**
Discount rate	Decrease of 0.25% p.a.	Increase by 4.8%
Rate of inflation	Increase of 0.25% p.a.	Increase by 1.9%
Rate of mortality	Increase of life expectancy of 1 year	Increase by 3.6%

The sensitivities shown above are approximate. Each sensitivity considers one change in isolation. The inflation sensitivity includes the impact of changes to the assumptions for revaluation and pension increases.

The average duration of the defined benefit obligation at the period ended 31 December 2021 is 19 years.

The scheme typically exposes the Bank to actuarial risks such as investment risk, interest rate risk, mortality risk and longevity risk. A decrease in corporate bond yields, a rise in inflation or an increase in life expectancy would result in an increase to plan liabilities. This would detrimentally impact the statement of financial position and may give rise to increased charges in future. This effect would be partially offset by an increase in the value of the plan's bond holdings. Additionally, caps on inflationary increases are in place to protect the plan against extreme inflation.

23. Deposits by banks

	2021 €'000	2020 €'000
Due to other banks	668.654	835,032
Amounts above include:		
Due to parent company	*160,573*	*125,736*
Due to fellow subsidiaries	87,892	67,855
Due to subsidiaries	83,926	365,198
	332,481	558,789

The deposits by banks *also include repurchase agreements amounting to €60.2mn as at* 31 December 2021. These are collateralised fixed rate term deposits with interest rates ranging from 0.1% - 0.5% with maturity dates within 4 months.

24. Customer accounts

	2021 €'000	2020 €'000
Deposits by customers	1,164,504	1,089,462

25. Other liabilities

	2021 €'000	2020 €'000
Accruals	5,802	2,292
Deferred income	672	933
Accrued interest payable	817	2,960
Other payables and liabilities	1,325	2,134
	8,616	8,319
Amounts above include:		
Due to parent company	20	23
Due to fellow subsidiaries	24	10

26. Lease Liabilities

	2021 €'000	2020 €'000
Maturity analysis – contractual undiscounted cash flows		
Less than one year	1,196	672
One to five years	1,972	2,157
More than five years	-	-
Total undiscounted lease liabilities at 31 December	3,168	2,829
Lease liabilities included in the balance sheet at 31 December	2,963	2,635

27. Subordinated liabilities

	2021 €'000	2020 €'000
USD 125 million floating rate notes LIBOR plus 0.50%	109,977	102,191
	109,977	102,191

The Notes are perpetual, subordinated to all other creditors and are listed on the Channel Islands Stock Exchange. The Notes count as upper tier 2 capital for the Bank's regulatory capital base.

As discussed in note 35, the Bank has established a project to manage the transition from IBOR. The Notes have been identified by the project for transition. The life of USD Libor was extended in the 4th quarter of 2020 out to the end of June 2023. As a legacy contract, this did not need to be converted in 2021.

28. Share capital

	2021 €'000	2020 €'000
Authorised and issued share capital		
50,000 (2020 - 50,000) deferred shares of £1 each	72	72
569,925,540 (2020 - 569,925,540) fully paid up ordinary shares of €1 each	569,926	569,926
As at 31 December	569,998	569,998

29. Contingent liabilities and commitments

In the ordinary course of business, the Bank enters into transactions which expose it to tax, legal and business risks. Provisions are made for known liabilities which are expected to materialise. Contingent obligations and banking commitments, which the Bank has entered into on behalf of customers and for which there are corresponding obligations from customers, are not included in assets and liabilities.

	2021 €'000	2020 €'000
Letters of credit	43,953	85,994
Acceptances	24,347	215
Guarantees given to third parties	505,518	589,496
Unused credit facilities and forward contract trades	49,582	62,822
Total before impairment	623,400	738,527
Impairment loss allowance	(377)	(1,395)
	623,023	737,132

29. Contingent liabilities and commitments (continued)

Letters of credit, acceptances and guarantees commit the Bank to make payments on behalf of customers in the event of a specific act including relating to imports and exports of goods. Unused credit facilities and forward contract trades refer to commitments to make loans and revolving credits.

Commitments generally have fixed expiry dates or other termination clauses. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements. The potential credit loss is less than the total commitments since most commitments to extend credit are contingent upon customers maintaining specific standards. The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

Impairment losses on contingent liabilities and commitments

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating and year-end stage classification.

In €'000

Internal rating grade	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
2021				
1-3 – investment grade	71,434	-	-	71,434
4-5 – standard monitoring	419,566	65,196	-	484,762
6 – special monitoring	56,198	6,904	-	63,102
7 – watch	-	-	-	-
8-10 – classified	-	-	4,102	4,102
Total	547,198	72,100	4,102	623,400
2020				
1-3 – investment grade	63,097	-	-	63,097
4-5 – standard monitoring	571,679	32,272	-	603,951
6 – special monitoring	40,086	27,273		67,359
7 – watch	-	-	-	-
8-10 – classified	-	-	4,120	4,120
Total	674,862	59,545	4,120	738,527

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29. Contingent liabilities and commitments (continued)

An analysis of changes in the outstanding exposures and the corresponding ECLs are as follows:

In €'000	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
Gross carrying amount as at 1 January 2021	**674,862**	**59,545**	**4,120**	**738,527**
New assets originated or purchased	191,940	10,545	-	202,485
Assets derecognised or repaid (excluding write offs)	*(310,413)*	*(29,577)*	(38)	*(340,028)*
Adjustments during the period	-	-	-	-
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(43,841)	43,841	-	-
Transfers to Stage 3	-	-	-	-
Foreign exchange adjustments	34,650	(12,254)	20	22,417
Amounts written off	-	-	-	-
At 31 December 2021	**547,198**	**72,100**	**4,102**	**623,400**
ECL allowance as at 1 January 2021	**1,361**	**16**	**18**	**1,395**
Charged to income relating to new facilities	123	1	-	124
Net charge to income	-	-	-	-
Assets derecognised or repaid (excluding write offs)	(1,126)	33	-	(1,093)
Adjustments during the period	-	-	-	-
Transfers to Stage 1	(4)	4	-	-
Transfers to Stage 2	(2)	2	-	-
Transfers to Stage 3	-	-	-	-
Recoveries	(83)	(2)	-	(85)
Foreign exchange adjustments	35	1	-	(36)
Amounts written off	-	-	-	-
At 31 December 2021	**303**	**56**	**18**	**377**

In €'000	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
Gross carrying amount as at 1 January 2020	1,043,427	52,841	835	1,097,103
New assets originated or purchased	329,660	52,768	164	382,592
Assets derecognised or repaid (excluding write offs)	(666,575)	(41,740)	(835)	(709,150)
Adjustments during the period	-	-	-	-
Transfers to Stage 1	6,890	(6,890)	-	-
Transfers to Stage 2	(3,822)	3,822	-	-
Transfers to Stage 3	(3,956)	-	3,956	-
Foreign exchange adjustments	(30,762)	(1,256)	-	(32,018)
Amounts written off	-	-	-	-
At 31 December 2020	**674,862**	**59,545**	**4,120**	**738,527**
ECL allowance as at 1 January 2020	1,049	117	178	1,344
Charged to income relating to new facilities	85	-	18	103
Net charge to income	618	(31)	-	587
Assets derecognised or repaid (excluding write offs)	(346)	(85)	(178)	(609)
Adjustments during the period				
Transfers to Stage 1	19	(19)	-	-
Transfers to Stage 2	(39)	39	-	-
Transfers to Stage 3	-	-	-	
Recoveries	-	-	-	--
Foreign exchange adjustments	(25)	(5)	-	(30)
Amounts written off	-	-	-	-
At 31 December 2020	**1,361**	**16**	**18**	**1,395**

30. Related party disclosure, including Directors' emoluments

The immediate and ultimate controlling party of the Bank and the parent of the smallest and the largest company into which the results of the Bank are consolidated is Arab Bank plc, a company incorporated in Jordan. Details of transactions between the Bank and related parties are disclosed below.

(a) Trading transactions

During the year, the Bank entered into the following trading transactions with related parties:

	Interest, fees and other income received		Interest, fees and other expense paid		Amounts owed by related parties		Amounts owed to related parties		Guarantees, acceptances and letters of credit	
	2021	2020	2021	2020	2021	2020	2021	2020	2020	2020
		€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Parent company	74	110	89	290	12,760	14,795	160.593	125,759	7,900	5,063
Subsidiaries	3,078	3,229	700	896	254,002	367,062	129,663	501,239	-	-
Fellow subsidiaries*	785	754	869	1,981	17,210	27,476	197,959	170,046	13,273	13,215
Associates**	2	9	-	29	18,045	19,322	-	-	-	948
Other related parties***	415	792	123	430	13,371	15,923	33,076	39,873	-	-
	4,354	4,894	1,781	3,626	315,388	444,578	512,191	836,917	21,173	19,226

* Fellow subsidiaries include subsidiaries of parent company, Arab Bank plc.

** Associates include entities where the parent company, Arab Bank plc, has a significant influence over the financial and operating policy decisions, and in which it holds between 20% and 50% of the voting rights.

*** Amounts owed by other related parties includes ECL of €0.5mn (2020: €0.8mn).

The above transactions were unsecured and settled in cash. In addition, the transactions were typically made in the ordinary course of business and substantially on the same terms as for comparable transactions with third party counterparties. The expense recognised in the year for bad or doubtful debts in respect of the amounts owed by a related party was €nil (2020: €nil).

(b) Compensation of key management personnel

The remuneration of Directors and other members of key management during the year were as follows:

	2021 €'000	2020 €'000
Key management compensation		
Short-term employee benefits	4,130	4,865
Post-employment benefits	206	171
	4,336	5,036

30. Related party disclosure, including Directors' emoluments (continued)

The information above includes executive Directors' remuneration detailed below.

	2021 €'000	2020 €'000
Directors' emoluments		
Chairman and Executive Directors - emoluments	1,540	1,979
- retirement and termination benefits	70	68
	1,610	2,047
Non-Executive Directors - emoluments	192	174
Number of Directors accruing benefits under retirement benefit schemes	1	2

The emoluments of the highest paid Director including pension and social security contributions amounted to €1.2 million (2020: €1.5 million).

Transactions with key management personnel and each of their connected persons

Directors, other key management personnel and their connected persons have undertaken the following transactions with the Bank in the normal course of banking business.

	2021 No. of persons	2021 €'000	2020 No. of persons	2020 €'000
Loans	3	540	5	595
Deposits	7	14,147	7	16,461

The transactions with directors, key management personnel and their connected persons were transacted in the normal course of business with terms prevailing for comparable transactions and on the same terms and conditions applicable to other employees of the Bank.

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31. *Fair values of financial instruments*

The table below 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 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. This category comprises debt securities where observable prices are available in the market.
- Level 2 fair value measurements are those derived from quoted prices in active markets for similar assets or liabilities or other valuation techniques for which all significant inputs are based on observable market data. This category comprises instruments such as interest rate swaps and forward currency contracts, valued using data such as yield curves and exchange rates, requiring little management judgement; and
- Level 3 fair value measurements are those derived from valuation techniques using significant unobservable inputs. Where the fair value cannot be reliably determined for an investment in equity instrument, the instrument is measured at cost except for the foreign exchange movement which is revalued through the fair value reserve.

	2021 Level 1 €'000	**2021 Level 2 €'000**	**2021 Level 3 €'000**	**2021 Total €'000**
Financial assets at FVPTL				
- Held for trading	17,570	13,341	-	30,911
Derivative financial instruments – assets	-	5,648	-	5,648
Financial assets at fair value through -OCI	*86,082*	-	-	*86,082*
Investment in subsidiaries	-	38,081	75,000	113,081
Total	103,652	57,070	75,000	235,722
Derivative financial instruments – liabilities	-	9,542	-	9,542
Total	103,652	66,612	75,000	245,264

There have been no transfers between level 1 and level 2 (2020: nil). The Bank's investment in Moorgate 13-15 No.1 Limited and Moorgate 13-15 No.2 Limited has been transferred from level 3 to level 2. This is due to a change in the basis of the fair value measurement as the underlying fixed asset within the subsidiaries were sold, the significant inputs are no longer unobservable.

	2020 Level 1 €'000	**2020 Level 2 €'000**	**2020 Level 3 €'000**	**2020 Total €'000**
Financial assets at FVPTL				
- Held for trading	161,307	13,294	-	174,601
Derivative financial instruments – assets		3,204	-	3,204
Investment in subsidiaries	-	-	*103,308*	*103,308*
Total	161,307	16,498	103,308	281,113
Derivative financial instruments – liabilities	-	27,603	-	27,603
Total	-	27,603	-	27,603

31. Fair values of financial instruments (continued)

Reconciliation of Level 3 fair value measurements of financial assets

	2021 €'000	2020 €'000
Balance at 1 January	103,308	34,962
Net additions and settlements	-	69,963
Transferred to Level 2	(28,308)	-
Fair value gain/(loss) in OCI	-	(1,617)
Balance at 31 December	75,000	103,308

For financial assets and liabilities carried at amortised cost, the Directors do not anticipate the fair values to be materially different from the book values considering the underlying nature of the portfolios except for the following:

	2021 Fair value €'000	2021 Book value €'000	2020 Fair value €'000	2020 Book value €'000
Financial investments at amortised cost	498,409	497,729	412,455	411,518
Total	498,409	497,729	412,455	411,518

The Bank did not hold any material compound instruments or embedded derivatives at the year-end (2020: €nil).

32. Operating segments

For management purposes, the Bank is organised into three strategic business units based on products and services as follows:

- *Corporate & Institutional Banking ("CIB"): principally handling loans and other credit facilities and deposit* and current accounts for corporate and institutional customers.
- Treasury: principally handling funding and liquidity for the Bank. The main focus is on money markets, foreign exchange and capital markets. Treasury also provides risk management and structured product solutions for customers of other segments of the Bank.
- Private Banking: principally providing high net worth clients with personal banking services tailored to their needs. Key products include deposits, loans, overdrafts, credit cards facilities, funds transfer facilities, structured investment products and offshore banking facilities.
- Other: includes items that are not allocated to the business units.

Management monitors the operating results of each of the business units separately for the purpose of performance assessment. Certain items of revenue and costs are managed on a central basis and are not allocated to business units. Interest or similar income is reported net. Management primarily relies on net interest revenue, not the gross interest revenue and expense amounts. No revenue transactions with a single non-related customer or counterparty amounted to 10% or more of the total revenue of the Bank in 2021 or 2020.

32. Operating segments (continued)

2021	CIB €'000	Treasury €'000	Private Banking €'000	Other €'000	Total €'000
Net operating income	17,984	6,749	8,505	253	33,491
Inter-segment revenue	(945)	751	860	(613)	53
Total operating revenue	17,039	7,500	9,365	(360)	33,544
Net business unit contribution after allocated expenses	5,451	772	(2,139)	(2,115)	1,969
Impairment loss expense	(728)	(61)	(1,660)	882	(1,567)
Profit/(loss) before tax	4,723	711	(3,799)	(1,233)	402
Tax credit/(expense)	-	-	-	359	359
Profit/(loss) for the year	4,723	711	(3,799)	(874)	761

2020	CIB €'000	Treasury €'000	Private Banking €'000	Other €'000	Total €'000
Net operating income	23,632	7,890	1,247	2,502	35,271
Inter-segment revenue	(5,709)	(4,908)	8,759	640	(1,218)
Total operating revenue	17,923	2,982	10,006	3,142	34,053
Net business unit contribution after allocated expenses	7,325	(2,774)	(64)	515	5,002
Impairment loss expense	671	(967)	(4,186)	-	(4,482)
Profit/(loss) before tax	7,996	(3,741)	(4,250)	515	520
Tax credit/(expense)	-	-	-	-	-
Profit/(loss) for the year	7,996	(3,251)	(4,250)	25	520

32. Operating segments (continued)

The assets and liabilities held by the business units of the Bank are detailed below:

2021	CIB €'000	Treasury €'000	Private Banking €'000	Other €'000	Total €'000
Segment assets	762,343	800,945	363,201	337,166	2,263,655
Segment liabilities	207,805	497,591	1,112,829	152,192	1,970,417

2020	CIB €'000	Treasury €'000	Private Banking €'000	Other €'000	Total €'000
Segment assets	609,931	765,158	389,114	591,233	2,355,436
Segment liabilities	176,777	417,614	1,355,848	129,876	2,080,115

33. Risk management policies

The Bank's Risk Appetite is approved by the Board of Directors, and defines the types and amounts of risk that the Bank is willing to take in pursuit of its business strategy. This is reviewed regularly and provides qualitative statements, quantitative measures and detailed underlying limits for the purposes of the management and monitoring of risk appetite.

The Bank's risks are managed taking into account the following principles:

- risk management accountability rests with each department concerned;
- there is independent and effective risk oversight and assurance;
- the process is underpinned by comprehensive, proportionate, transparent and objective disclosure of risk exposures to senior management, the Board of Directors, oversight committees, regulators, rating agencies, Arab Bank Group and other stakeholders;
- capital, liquidity and earnings are protected by the effective controlling of the risk exposures across all material risk types and businesses; and
- a strong ethical and risk culture is maintained so that risk awareness is embedded into all activities.

The Bank maintains high standards of internal controls, with clear accountabilities for risk management, applying a governance model which enables oversight and management of risks.

The Board of Directors has an established Committee of the Board, the Board Audit & Risk Committee, to assist the Board of Directors in fulfilling its oversight responsibilities. The function of the Board Audit & Risk Committee is to encourage and safeguard the highest standards of integrity, financial reporting, risk management and internal control on behalf of the Board of Directors.

The Chief Risk Officer ("CRO") is a senior executive who works closely with the Chief Executive Officer ("CEO"), and liaises with the Board of Directors through the Board Audit & Risk Committee. The CRO is responsible for ensuring that effective best practice risk mitigation is in place in the Bank. The CRO is tasked with taking a comprehensive view of risks that might impact on the Bank, embedding an effective EAB Risk Management (ERM) Framework into the overall strategy and operations, and continually strengthening the Bank's approach to risk management.

EAB's risk governance is predicated on the industry standard three lines of defence model. Line One includes the Strategic Business Units and Support Units and has the responsibility for risk management and control. Line Two is responsible for risk oversight, providing independent oversight and challenge of risk and compliance issues, and includes Risk and Compliance. Line Three is Internal Audit and is responsible for risk assurance, providing confirmation that Lines One and Two are operating effectively and in accordance with the stipulated risk governance arrangements. The roles and responsibilities of the Risk function in Line Two are further defined under three headings: Oversight and assurance, Challenge and Coordination.

The Bank recognises the risk posed by climate change and the importance of supporting the transition to a carbon neutral economy. The relatively short-dated tenor and diversification of the Bank's assets mitigates any material climate risk exposure to the overall financial statements in the short term. However, the work to further review the longer term risks and opportunities posed by climate change remains ongoing at present.

The information in note 34 to note 38 describes the main banking risks, committees with responsibility for these risks and the policies of the Bank to manage them. The Directors are confident that the current risk management structure is sufficient for identification, monitoring and control of significant financial risks to the Bank at present.

34. Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Bank. The Bank has adopted a policy of dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from default.

The Executive Credit Committee is responsible for approving credit recommendations and making other credit decisions in accordance with the delegated lending authorities within the Credit Policy Manual. This includes decisions on individual credits, and reviewing and making recommendations above the delegated authorities, to the Board of Directors.

The Bank's lending priorities are a function of the credit skills and experience of its lending officers. For reasons of safety and soundness and to maintain the quality of the portfolio, the Bank will concentrate in those areas in which it has a competitive advantage, knowledge of the particular market and a good understanding of the commercial and political risks involved within those markets.

The Credit Policy Manual refers to all direct (loans or overdrafts), indirect (typically construction bonds) and contingent (letters of credit) credit exposures. It includes details on lending authorities, large exposures, portfolio management, transactions with parent and affiliates, country risk exposure, problematic exposures, limit management (e.g. obligor, industry & country limits), collateral and provisioning.

The Board of Directors approves the Credit Policy Manual and any interim amendments.

The Bank also measures concentration exposure to each industry sector and country of risk. Credit exposures are also stress tested regularly. Portfolio risk and credit stress testing are reviewed by the Executive Risk and Compliance Committee, chaired by the CRO.

Impairment

The Bank's policy is to recognise an impairment allowance based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss) or LTECL, unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL).

The Bank assesses when a significant increase in credit risk has occurred based on quantitative and qualitative assessments. Exposures are considered to have resulted in a significant increase in credit risk when (i) there is a drop in credit rating which is mapped to the relevant PD as defined in 1(e), (ii) Accounts meet the portfolio's 'high risk' criteria and are subject to closer credit monitoring (Qualitative test), (iii) Accounts that are 30 calendar days or more past due.

In its ECL models, the Bank relies on a broad range of forward looking information as economic inputs in the regions in which it operates, such as:

- GDP growth
- Commodity prices
- Unemployment rates
- Central Bank base rates
- House price and stock market indices

ECLs are calculated on an individual basis.

34. Credit risk (continued)

COVID-19 pandemic relief packages

In order to provide relief for the lockdown measures put in place to contain the COVID-19 outbreak, the Bank offered capital and interest relief predominantly to customers that are within the hotel business in the form of payments deferral during 2021. The Bank also provided this relief package to some retail clients whose cash flows were impacted by the lockdowns across the MENA. These payments reliefs were not considered to be substantial modification of the contractual cash flows of the loans to which they were applied. This assessment is in line with the PRA guideline which confirms that offering borrowers the option of a full or partial payment deferral or any alternatives such as extension of term does not automatically signal a significant increase in credit risk (SICR) or that credit impairment has occurred for ECL purposes. As at 31 December 2021 and 2020, the total loan exposure under COVID-19 special monitoring amounted to €162.9mn and €171.5mn, respectively. These were all grouped into Stage 1 for the purpose of ECL.

34. Credit risk (continued)

Quality of Assets

Financial assets split by external ratings, where available, for 2021 and 2020:

	31 December 2021				
	Cash, balances with central banks and due from banks	Loans and advances to customers	Financial assets at amortised cost	Guarantees, letters of credit and unused credit facilities	Total
	€'000	€'000	€'000	€'000	€'000
Neither past due nor impaired					
Stage 1					
AAA to AA-	173,784	2,862	194,751	20,621	392,018
A+ to A-	107,580	136,771	143,531	38,078	425,960
BBB+ to B-	295,390	575,724	161,021	378,924	1,411,059
Below B	-	-	-	-	-
Unrated	666	113,892	-	109,574	224,132
	577,420	829,249	499,303	547,197	2,453,169
Stage 2					
AAA to AA-	-	-	-	-	-
A+ to A-	-	-	-	-	-
BBB+ to B-	-	21,283	-	61,006	82,289
Below B	-	10,729	-	-	10,729
Unrated	-	2,409	-	11,094	13,503
	-	34,421	-	72,100	106,521
Past due but not impaired	-	-	-	-	-
Stage 3					
AAA to AA-	-	-	-	-	-
A+ to A-	-	-	-	-	-
BBB+ to B-	-	-	-	-	-
Below B	7,479	-	-	-	7,479
Unrated	-	110,803	-	4,102	114,905
	7,479	110,803	-	4,102	122,384
Gross	584,899	974,473	499,303	623,399	2,682,074
ECLs					
Stage 1	288	2,732	1,574	303	4,897
Stage 2	-	3,859	-	56	3,915
Stage 3	7,479	48,038	-	18	55,535
	7,767	54,629	1,574	377	64,347
Net	577,132	919,844	497,729	623,023	2,617,728

34. Credit risk (continued)

Quality of Assets (continued)

	31 December 2020				
	Cash, balances with central banks and due from banks	Loans and advances to customers	Financial assets at amortised cost	Guarantees, letters of credit and unused credit facilities	Total
	€'000	€'000	€'000	€'000	€'000
Neither past due nor impaired					
Stage 1					
AAA to AA-	160,625	-	210,976	1,660	373,261
A+ to A-	38,091	-	95,069	46,701	179,861
BBB+ to B-	542,027	10,249	106,912	184,115	843,303
Below B	-	31,105	-	11,044	42,149
Unrated	5,439	766,057	-	431,341	1,202,837
	746,182	807,411	412,957	674,861	2,641,411
Stage 2					
AAA to AA-	-	-	-	-	-
A+ to A-	-	-	-	-	-
BBB+ to B-	-	-	-	49,099	49,099
Below B	-	-	-	-	-
Unrated	-	27,951	-	10,446	38,397
	-	27,951	-	59,545	87,496
Past due but not impaired	-	-	-	-	-
Individually impaired					
Stage 3					
AAA to AA-	-	-	-	-	-
A+ to A-	-	-	-	-	-
BBB+ to B-	-	-	-	-	-
Below B	6,949	-	-	1,670	8,619
Unrated	-	103,231	-	2,451	105,682
	6,949	103,231	-	4,121	114,301
Gross	753,131	938,593	412,957	738,527	2,843,208
ECLs					
Stage 1	334	3,994	1,439	1,361	7,128
Stage 2	-	873	-	16	889
Stage 3	6,949	43,453	-	18	50,420
	7,283	48,320	1,439	1,395	58,437
Net	745,848	890,273	411,518	737,132	2,784,771

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34. Credit risk (continued)

Quality of Assets (continued)

Internal ratings are mapped to a range of external ratings but also take into account other behavioural aspects of the counterparty and historical performance:

Quality of assets split by Bank's internal credit rating system (excluding derivatives):

	31 December 2021				
	Cash, balances with central banks and due from banks	Loans and advances to customers	Financial assets at amortised cost	Guarantees, letters of credit and unused credit facilities	Total
	€'000	€'000	€'000	€'000	€'000
Stage 1					
1 - 3 - investment grade	289,901	154,471	282,190	71,430	797,992
4 - 5 - standard monitoring	18,473	432,041	83,102	419,421	953,037
6 - special monitoring	268,758	240,005	132,437	56,052	697,252
7 - watch	-	-	-	-	-
8 - 10 - classified	-	-	-	-	-
	577,132	826,517	497,729	546,903	2,448,281
Stage 2					
1 - 3 - investment grade	-	-	-	-	-
4 - 5 - standard monitoring	-	3,230	-	65,140	68,370
6 - special monitoring	-	19,247	-	6,896	26,143
7 - watch	-	2,415	-	-	2,415
8 - 10 - classified	-	5,670	-		5,670
	-	30,562	-	72,036	102,598
Stage 3					
1 - 3 - investment grade	-	-	-	-	-
4 - 5 - standard monitoring	-	-	-	-	-
6 - special monitoring	-	-	-	-	-
7 - watch	-	4,573	-	-	4,573
8 - 10 - classified	-	58,192	-	4,084	62,276
	-	62,765	-	4,084	66,849
Net	577,132	919,844	497,729	623,023	2,617,728

34. Credit risk (continued)

Quality of Assets (continued)

	31 December 2020				
	Cash, balances with central banks and due from banks	Loans and advances to customers	Financial assets at amortised cost	Guarantees, letters of credit and unused credit facilities	Total
	€'000	€'000	€'000	€'000	€'000
Stage 1					
1 - 3 - investment grade	220,828	155,976	321,617	62,146	760,567
4 - 5 - standard monitoring	524,969	426,221	53,027	571,381	1,575,598
6 - special monitoring	51	221,220	36,874	39,973	298,118
7 - watch	-	-	-	-	-
8 - 10 - classified	-	-	-	-	-
	745,848	803,417	411,518	673,500	2,634,283
Stage 2					
1 - 3 - investment grade	-	-	-	-	-
4 - 5 - standard monitoring	-	-	-	32,266	32,266
6 - special monitoring	-	14,511	-	27,263	41,774
7 - watch	-	9,277	-	-	9,277
8 - 10 - classified	-	3,290	-	-	3,290
	-	27,078	-	59,529	86,607
Stage 3					
1 - 3 - investment grade	-	-	-	-	-
4 - 5 - standard monitoring	-	-	-	-	-
6 - special monitoring	-	-	-	-	-
7 - watch	-	4,249	-	-	4,249
8 - 10 - classified	-	55,529	-	4,103	59,632
	-	59,778	-	4,103	63,881
Net	745,848	890,273	411,518	737,132	2,784,771

34. **Credit risk (continued)**

Quality of Assets (continued)

Derivative and other financial asset at fair value balances split by external and internal ratings for 2021 and 2020:

	31 December 2021			
	Derivative Assets	Financial assets at fair value through profit or loss	Financial assets at fair value through OCI	Total
	€'000	€'000	€'000	€'000
External ratings				
AAA to AA-	134	17,570	76,568	94,272
A+ to A-	1,792	-	-	1,792
BBB+ to B-	3,167	5,053	9,514	17,734
Below B	-	8,288	-	8,288
Unrated	555	-	-	555
	5,648	30,911	86,082	122,641

	31 December 2021			
	Derivative Assets	Financial assets at fair value through profit or loss	Financial assets at fair value through OCI	Total
	€'000	€'000	€'000	€'000
Internal ratings				
1 - 3 - investment grade	4,365	17,570	86,082	108,017
4 - 5 - standard monitoring	223	5,053	-	5,276
6 - special monitoring	1,060	-	-	1,060
7 - watch	-	-	-	-
8 - 10 - classified	-	8,288	-	8,288
	5,648	30,911	86,082	122,641

Debt securities under financial assets at fair value through OCI are neither past due nor impaired as at 31 December 2021.

34. Credit risk (continued)

Quality of Assets (continued)

	31 December 2020			
	Derivative Assets	Financial assets at fair value through profit or loss	Financial assets at fair value through OCI	Total
	€'000	€'000	€'000	€'000
External ratings				
AAA to AA-	31	151,173	-	151,204
A+ to A-	190	10,134	-	10,324
BBB+ to B-	1,811	7,820	-	9,631
Below B	-	-	-	-
Unrated	1,172	5,474	-	6,646
	3,204	174,601	-	177,805

	31 December 2020			
	Derivative Assets	Financial assets at fair value through profit or loss	Financial assets at fair value through OCI	Total
	€'000	€'000	€'000	€'000
Internal ratings				
1 - 3 - investment grade	267	161,307	-	161,574
4 - 5 - standard monitoring	1,464	5,474	-	6,938
6 - special monitoring	1,473	-	-	1,473
7 - watch	-	-	-	-
8 - 10 - classified	-	7,820	-	7,820
	3,204	174,601	-	177,805

34. Credit risk (continued)

Concentration of Risk

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be affected by changes in economic, political or other conditions. The Bank monitors credit concentration risk through the Executive Risk and Compliance Committee and in turn reports material exposures and concerns to the Board Audit and Risk Committee and the Board of Directors. The Bank also uses a number of controls and processes to mitigate undue concentrations of exposure including portfolio and counterparty limits, approval and review controls, and stress testing.

Industrial exposure to financial assets and credit related contingent liabilities and commitments as at 31 December 2021 and 31 December 2020 (excluding derivatives):

	31 December 2021				
	Cash, balances with central banks and due from banks	Loans and advances to customers	Financial assets at amortised cost	Guarantees, letters of credit and unused credit facilities	Total
	€'000	€'000	€'000	€'000	€'000
Stage 1					
Central and local government	-	15,720	91,669	-	107,389
Financial institutions	577,132	57,505	388,101	98,216	1,120,954
Individuals	-	64,225	-	-	64,225
Industrial and commercial	-	689,067	17,959	448,687	1,155,713
	577,132	826,517	497,729	546,903	2,448,281
Stage 2					
Central and local government	-	-	-	-	-
Financial institutions	-	-	-	-	-
Individuals	-	4,614	-	72,036	76,650
Industrial and commercial	-	25,948	-	-	25,948
		30,562	-	72,036	102,598
Stage 3					
Central and local government	-	-	-	-	-
Financial institutions	-	-	-	-	-
Individuals	-	-	-	-	-
Industrial and commercial	-	62,765	-	4,084	66,849
	-	62,765	-	4,084	66,849
	577,132	919,844	497,729	623,023	2,617,728

34. Credit risk (continued)

Concentration of risk (continued)

	31 December 2020				
	Cash, balances with central banks and due from banks	**Loans and advances to customers**	**Financial assets at amortised cost**	**Guarantees, letters of credit and unused credit facilities**	**Total**
	€'000	**€'000**	**€'000**	**€'000**	**€'000**
Stage 1					
Central and local					
government	-	24,479	163,030	-	187,509
Financial institutions	745,848	53,666	240,463	85,012	1,124,989
Individuals	-	64,203	-	-	64,203
Industrial and commercial					
	-	661,069	8,025	588,488	1,257,582
	745,848 .	803,417	411,518 .	673,500	2,634,283
Stage 2					
Central and local				-	
government	-	-	-		
Financial institutions	-	-	-	-	
Individuals	-	4,026	-	-	4,026
Industrial and commercial	-		-		
		-	23,052	-	59,529
		-	27,078	-	59,529
Stage 3					
Central and local					
government	-	-	-	-	-
Financial institutions	-	-	-	-	-
Individuals	-	154	-	-	154
Industrial and commercial					
	-	59,624	-	4,103	63,727
	-	59,778	-	4,103	63,881
	745,848	890,273	411,518	737,132	2,784,771

As at 31 December 2021, loans and advances to industrial and commercial customers include exposure within hotels and restaurant industry amounting to €235mn of which €7mn is in Stage 2 and €93mn is in stage 3.

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34. Credit risk (continued)

Concentration of risk (continued)

Geographical exposure to financial assets and credit related contingent liabilities and commitments as at 31 December 2021 and 31 December 2020 (excluding derivatives):

	31 December 2021				
	Cash, balances with central banks and due from banks	Loans and advances to customers	Financial assets at amortised cost	Guarantees, letters of credit and unused credit facilities	Total
	€'000	€'000	€'000	€'000	€'000
Stage 1					
UK	194,034	340,675	1,968	42,566	579,243
Europe	264,953	44,301	104,173	407,966	821,393
Arab Countries	13,039	441,541	319,550	81,139	855,269
North America	104,852	-	26,275	12,758	143,885
Asia	19	-	-	2,474	2,493
Other	235	-	45,763	-	45,998
	577,132	826,517	497,729	546,903	2,448,281
Stage 2					
UK	-	8,423	-	-	8,423
Europe	-	6,912	-	20,761	27,673
Arab Countries	-	15,227	-	-	15,227
North America	-	-	-	51,275	51,275
Asia	-	-	-	-	-
Other	-	-	-	-	-
	-	30,562	-	72,036	102,598
Stage 3					
UK	-	-	-	-	-
Europe	-	11	-	4,084	4,095
Arab Countries	-	62,754	-	-	62,754
North America	-	-	-	-	-
Asia	-	-	-	-	-
Other	-	-	-	-	-
	-	62,765	-	4,084	66,849
	577,132	919,844	497,729	623,023	2,617,728

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34. Credit risk (continued)

Concentration of risk (continued)

	31 December 2020				
	Cash, balances with central banks and due from banks	Loans and advances to customers	Financial assets at amortised cost	Guarantees, letters of credit and unused credit facilities	Total
	€'000	€'000	€'000	€'000	€'000
Stage 1					
UK	157,104	371,694	3,015	75,868	607,681
Europe	524,837	18,909	84,718	462,578	1,091,042
Arab Countries	15,320	412,750	273,172	80,750	781,992
North America	48,306	64	8,025	53,517	109,912
Asia	222	-	-	787	1,009
Other	59	-	42,588	-	42,647
	745,848	803,417	411,518	673,500	2,634,283
Stage 2					
UK	-	5,253	-	-	5,253
Europe	-	7,311	-	51,403	58,714
Arab Countries	-	14,514	-	-	14,514
North America	-	-	-	8,126	8,126
Asia	-	-	-	-	-
Other	-	-	-	-	-
	.	27,078	-	59,529	86,607
Stage 3					
UK	-	-	-	-	-
Europe	-	-	-	4,103	4,103
Arab Countries	-	59,778	-	-	59,778
North America	-	-	-	-	-
Asia	-	-	-	-	-
	-	59,778	-	4,103	63,881
	745,848	890,273	411,518	737,132	2,784,771

34. Credit risk (continued)

Concentration of risk (continued)

Industrial and geographical exposure to derivative assets, financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income balances as at 31 December 2021 and 31 December 2020 is presented below:

	31 December 2021			
	Derivative Assets	Financial assets at fair value through profit or loss	Financial assets at fair value through OCI	Total
	€'000	€'000	€'000	€'000
Industrial exposure				
Central and local government	-	-	68,459	68,459
Financial institutions	5,143	22,209	17,623	44,975
Individuals	-	-	-	-
Industrial and commercial	505	8,702		9,207
Others	-	-	-	-
	5,648	30,911	86,082	122,641

	31 December 2021			
	Derivative Assets	Financial assets at fair value through profit or loss	Financial assets at fair value through OCI	Total
	€'000	€'000	€'000	€'000
Geographical exposure				
UK	3,246	8,339	47,713	59,298
Europe	1,209	8,702	25,059	34,970
Arab Countries	639	-	13,310	13,949
North America	-	-	-	-
Asia	554	8,817	-	9,371
Others	-	5,053	-	5,053
	5,648	30,911	86,082	122,641

34. Credit risk (continued)

Concentration of risk (continued)

	31 December 2020			
	Derivative Assets	Financial assets at fair value through profit or loss	Financial assets at fair value through OCI	Total
	€'000	€'000	€'000	€'000
Industrial exposure				
Central and local government	-	10,134	-	10,134
Financial institutions	2,090	151,172	-	153,262
Individuals	-	-	-	-
Industrial and commercial	1,114	13,295		14,409
Others	-	-	-	-
	3,204	174,601	-	177,805

	31 December 2020			
	Derivative Assets	Financial assets at fair value through profit or loss	Financial assets at fair value through OCI	Total
	€'000	€'000	€'000	€'000
Geographical exposure				
UK	142	16,445	-	16,587
Europe	1,589	116,958	-	118,547
Arab Countries	1,473	19,026		20,499
North America	-	-	-	-
Asia	-	16,698	-	16,698
Others	-	5,474	-	5,474
	3,204	174,601	-	177,805

34. Credit risk (continued)

Credit derivatives and collateral

The Bank did not hold any credit derivatives during the year (2020: €nil) to reduce the exposure to credit risk on any of the instruments.

The Bank accepts certain forms of collateral subject to legal review and appropriate documentation in accordance with the Credit Policy Manual. As a principle, assets held as collateral in favour of the Bank must be sufficiently liquid and their value over time sufficiently stable to provide the Bank with acceptable certainty as to the value of the risk mitigation upon which it relies. Exceptions have to be approved through the credit process.

The Credit Department keeps a comprehensive record of collateral received. The Bank primarily accepts the following forms of collateral, subject to meeting the necessary legal and risk requirements:

- *Cash;*
- Support instruments including bank, corporate and personal guarantees;
- Debt securities subject to meeting the external and/or internal rating criteria;
- Equities from companies within European Economic Area ("EEA") subject to rating, listing and liquidity requirements;
- Property, residential and/or commercial situated within EEA states or the MENA region subject to meeting the specified criteria; or
- Other security including trade and other receivables, stocks and inventories, plant and machinery and specialised assets such as aircraft and ships, etc.

The Credit Department is responsible for regular updates to the valuation of the underlying collateral as required by the Credit Policy Manual. The documentation entered into with the obligor specifies the Bank's rights and ability to liquidate the collateral, if required. The Executive Credit Committee is responsible for decisions regarding liquidation or appropriation of collateral based on recommendations from the Head of Credit and advice from the Legal Department.

During the year, and also in the preceding year, there was no possession of underlying collateral by the Bank.

The carrying amount of financial assets recorded in the statement of financial position, net of any allowances for losses, represents the Bank's maximum exposure to credit risk without taking account of any collateral obtained.

The tables below show the maximum exposure to credit risk by class of financial asset. They also show the total fair value of collateral, any surplus collateral (the extent to which the fair value of collateral held is greater than the exposure to which it relates), and the net exposure to credit risk.

34. Credit risk (continued)

Credit derivatives and collateral (continued)

2021 €'000	Outstanding balance	Fair value: Cash Margin	Fair value: Shares	Fair value: Bank guarantees	Fair value: Real Estate	Fair value: Other	Fair value: Total Collaterals	Net Outstanding balance	ECL
Loans and advances to customers:	974,473	5,375	33,053	2,717	311,243	170,690	523,078	921,963	54,629
Guarantees, letters of credit and other commitments	623,400	16,320	-	3,828	-	14,935	35,083	622,474	377
Total	1,597,873	21,695	33,053	6,545	311,243	185,625	558,161	1,544,167	55,006

2020 €'000	Outstanding balance	Fair value: Cash Margin	Fair value: Shares	Fair value: Bank guarantees	Fair value: *Real Estate*	Fair value: Other	Fair value: Total Collaterals	Net Outstanding balance	ECL
Loans and advances to customers:	938,593	5,335	20,419	4,553	286,532	174,249	491,088	890,273	48,320
Guarantees, letters of credit and other commitments	738,527	14,637	-	3,932	-	9,281	27,850	737,150	1,377
Total	1,677,120	19,972	20,419	8,485	286,532	183,530	518,938	1,627,423	49,697

Offsetting of financial assets and liabilities

The Bank does not regularly use netting agreements except those embedded within the ISDA agreements, plus specific netting agreements with certain Arab Bank Group entities largely for contingent facilities.

35. *Market risk*

The Bank's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. Risks are managed individually through the use of limits and restricting product exposures. The Asset & Liability Committee ("ALCO") sets and monitors the market risk limits and meets once a month but receives risk reports regularly. The Committee is also convened whenever the business encounters heightened market risk conditions.

(a) Interest Rate Risk Management

The Bank is exposed to interest rate risk as the Bank borrows / lends funds at both fixed and floating interest rates.

The Bank identifies the following types of interest rate risk:

- Re-pricing Risk - This risk results from differences between the timing of interest rate fixings for assets and liabilities.
- Yield Curve Risk - This risk arises from changes in the shape and slope of the yield curve.
- Other Risks - Other market risks that may become more relevant in the future include Basis Risk (arising from imperfect correlation in the adjustment of the rates earned and paid on different instruments with otherwise similar re-pricing characteristics); Optionality Risk (arising from the options embedded in bank assets, liabilities and off- balance sheet portfolios); and Reinvestment Risk (arising from changing interest rates generating increasing interest costs but not increasing interest revenues). The Bank recognises that reinvestment risk may become material in future years and plans to add appropriate measurement, monitoring and reporting capabilities when necessary.

The interest rate risks that have been identified can have an impact on both the earnings and economic value of the Bank and as a consequence the Board of Directors seeks to manage these risks to ensure the *achievement of its business objectives.*

35. Market risk (continued)

(a) Interest Rate Risk Management (continued)

The ALCO manages interest rate risk by the establishment of a Market Risk Policy that reflects the overall risk appetite. The overall risk appetite is approved by the Board of Directors and reviewed regularly.

The ALCO manages interest rate risk through the use of:

- List of permitted products
- Interest Rate Risk Limits: a maximum Basis Point Value amount (segmented into sub-limits by major currency and time bucket).
- A suite of stress tests that models changes to yield curves both in absolute terms and in terms of changes to the shapes of the curves.

The day-to-day management of interest rate risk lies with the Treasury team. The monitoring and reporting of interest rate risk on a daily basis is performed by an independent Treasury Valuation Control function that reports to the CFO. The system of controls over interest rate risk is subject to oversight by the Risk Control team which reports to the Chief Risk Officer.

The following tables provide a summary of the interest rate re-pricing profile of the Bank's assets and liabilities. Assets and liabilities have been allocated to time bands by reference to the earlier of the next interest rate reset date and the contractual maturity date. Financial assets and liabilities with a floating rate are exposed to cash flow interest rate risk, and this risk is reflected predominantly in the time bands below twelve months. Financial assets and liabilities with a fixed rate are exposed to fair value interest rate risk, which is reflected predominantly in the time bands beyond twelve months. Financial assets and liabilities not directly exposed to interest rate risk will appear in the non-interest bearing time band. The table does not take account of notional amount of derivative financial instruments whose effect is to alter the interest basis of the Bank's assets and liabilities.

35. *Market risk (continued)*

(a) Interest Rate Risk Management (continued)

	31 December 2021							
	Within 1 month	1 month to 3 months	3 months to 6 months	6 months to 12 months	1 to 3 years	After 3 years	Non interest bearing	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Assets								
Cash and balances at central banks	-	-	-	-	-	-	174,174	174,174
Due from banks	24,480	5,278	-	-	-	-	373,200	402,958
Fair value through profit or loss	5,053	17,156	8,702	-	-	-	-	30,911
Fair value through OCI	-	-	-	36,095	8,955	41,032	-	86,082
Loans and advances to customers	210,416	357,355	183,763	29,262	30,535	1,896	106,617	919,844
Financial investments at amortised cost	30,462	115,370	4,434	46,975	81,376	219,112	-	497,729
Derivatives	2,337	2,133	254	63	573	288		5,648
Other assets	-	-	-	-	-	-	146,309	146,309
Total assets	272,748	497,292	197,153	112,395	121,439	262,328	800,300	2,263,655
Liabilities and equity								
Deposits by banks	287,999	192,638	44,431	-	-	-	143,586	668,654
Customer accounts	126,519	299,772	206,309	153,711	-	-	378,193	1,164,504
Derivatives	2,720	5,985	341	266	94	136		9,542
Other liabilities	-	-	-	-	-	-	17,740	17,740
Subordinated liabilities	-	-	109,977	-	-	-	-	109,977
Shareholders' equity	-	-	-	-	-	-	293,238	293,238
Total liabilities and equity	417,238	498,395	361,058	153,977	94	136	832,757	2,263,655
Interest rate sensitivity gap	(144,490)	(1,103)	(163,905)	(41,582)	121,345	262,192	(32,457)	

35. Market risk (continued)

(a) Interest Rate Risk Management (continued)

	31 December 2020							
	Within 1 month	1 month to 3 months	3 months to 6 months	6 months to 12 months	1 to 3 years	After 3 years	Non interest bearing	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Assets								
Cash and balances at central banks	-	-	-	-	-	-	135,518	135,518
Due from banks	29,484	3,675	33	-	-	-	577,138	610,330
Fair value through profit or loss	5,474	23,087	-	34,541	94,330	17,169	-	174,601
Loans and advances to customers	269,330	289,469	244,406	3,687	46,023	23,340	14,018	890,273
Financial investments at amortised cost	27,716	37,550	45,052	61,096	169,238	70,866	-	411,518
Derivatives	1,171	453	1,575	5	-	-	-	3,204
Other assets	-	-	-	-	-	-	129,992	129,992
Total assets	333,175	354,234	291,066	99,329	309,591	111,375	856,666	2,355,436
Liabilities and equity								
Deposits by banks	253,274	138,901	57,227	-	-	-	385,630	835,032
Customer accounts	239,407	182,990	213,253	170,302	-	-	283,510	1,089,462
Derivatives	9,747	13,616	3,874	366	-	-	-	27,603
Other liabilities	-	-	-	-	-	-	25,827	25,827
Subordinated liabilities	-	102,191	-	-	-	-	-	102,191
Shareholders' equity	-	-	-	-	-	-	275,321	275,321
Total liabilities and equity	502,428	437,698	274,354	170,668	-	-	970,288	2,355,436
Interest rate sensitivity gap	(169,253)	(83,464)	(16,711)	(71,339)	309,591	111,375	(113,622)	

35. Market risk (continued)

(b) Foreign Currency Risk Management

Most of the Bank's activities fall into one of three currencies: EUR, GBP and USD. However, the Bank has business interests in a number of different geographic regions and thus additional foreign currency positions are held.

The Bank identifies foreign exchange rate risk as the risk to future cash-flows from adverse foreign exchange movements.

Foreign exchange rate risk can have an impact on both the earnings and economic value of the Bank and as a consequence the Board of Directors seeks to manage these risks to ensure the achievement of its business objectives.

The ALCO manages foreign exchange rate risk by the establishment of a Market Risk Policy that reflects the overall risk appetite and which is approved by the Board of Directors and reviewed regularly.

The ALCO manages foreign exchange risk through the use of:

- List of permitted trading currencies;
- Foreign exchange trading limits - maximum daylight and overnight limits are set for both spot and forward foreign exchange trades;
- Foreign exchange stop loss limits - maximum limits are set per book for the time horizons of day, month and year; and
- A suite of stress tests that models changes to foreign exchange rates.

Management information systems are in place to measure foreign exchange risk, which is measured as the estimate of the exposures/liabilities accepted in non-Euro currencies which are not offset by a corresponding position or derivative transaction. The day-to-day management of foreign exchange risk lies with the Treasury team. The monitoring and reporting of foreign exchange risk on a daily basis is performed by an independent Treasury Valuation Control function that reports to the Head of Finance. The system of controls over foreign exchange risk is subject to oversight by the Risk Control team which reports to the Chief Risk Officer. Senior management receive market risk reports, including foreign exchange, and are notified immediately of any breaches of the foreign exchange limits.

Utilisation of foreign exchange limits is measured as the sum of the absolute Euro equivalent values of all non-Euro currency positions. Throughout the period the utilisation has not exceeded the limit.

35. Market risk (continued)

(b) Foreign Currency Risk Management (continued)

The net carrying amount of the Bank's foreign currency denominated monetary assets and monetary liabilities at the reporting date is as follows:

Currency	2021 CCY '000	2021 €'000	2020 CCY '000	2020 €'000
UAE Dirham	183	44	533	119
Australian Dollar	(3)	(2)	15	9
Bahraini Dinar	(4)	(10)	2	5
Canadian Dollar	(11)	(8)	(16)	(10)
Swiss Franc	(37)	(36)	(33)	(30)
Danish Kroner	-	-	-	-
Algerian Dinars	(1,016)	(6)	1,159	7
Egyptian Pounds	36	2	(17)	(1)
Euro	(6,530)	(6,530)	4,428	4,428
Sterling	(13)	(15)	(4)	(4)
Israeli Shekel	(1)	-	69	18
Indian Rupee	-	-	-	-
Jordanian Dinar	(55)	(68)	85	97
Japanese Yen	(3,273)	(25)	195	2
Kuwaiti Dinar	(1)	(4)	1	3
Moroccan Dirham	92	9	4	-
Norwegian Kroner	-	-	-	-
New Zealand Dollars	-	-	-	-
Omani Rial	(3)	(8)	1	2
Qatari Riyals	25	6	143	32
Saudi Riyals	132	31	(180)	(39)
Swedish Kroner	-	-	-	-
Tunisian Dinar	7	2	22	7
Singapore Dollar	-	-	-	-
US Dollar	(256)	(225)	466	381
Yemen Riyals	15	-	15	-
Total utilisation of limit (excluding EUR balance)		(313)	-	598

35. Market risk (continued)

(c) Sensitivity Analysis

The following table details the Bank's sensitivity to various risk variables. The analysis has been performed using the following assumptions:

- Reasonable changes in interest rates are considered based on internal reporting to key management personnel and different economic environments.
- The Bank has measured the EUR equivalent of movements in interest rates for GBP, EUR and USD. The Bank does not have a material exposure to changes in other foreign currency rates and foreign interest rates and as such sensitivity has not been performed for other currencies.
- A positive number indicates an increase in profit and a negative number indicates increase in loss.

All scenarios should be considered in isolation as they represent different risks and were calculated holding all other variables constant.

	2021 Impact on Profit/(Loss) €'000	2020 Impact on Profit/(Loss) €'000
Interest rate sensitivity		
100bps increase in interest rate	(1,165)	672
100bps decrease in interest rate	1,165	(672)

The impact on the Bank's equity of the above was not considered material.

Foreign currency risk sensitivity

The net impact of changes in foreign exchange rates on the Bank's foreign currency assets and liabilities, including derivative positions, at the reporting date are shown in the table below:

	2021 €'000	2020 €'000
EUR appreciates 10%	28	(54)
EUR appreciates 20%	52	(100)
EUR depreciates 10%	(28)	54
EUR depreciates 20%	(52)	100

35. Market risk (continued)

IBOR reform

Following the decision by global regulators to phase out IBORs and replace them with Alternative Reference Rates (AFR), in 2020 the Bank established a project to manage the transition for all existing contracts that were affected. During 2021, the Bank successfully executed the transition of all legacy GBP LIBOR contracts to GBP SONIA, the new AFR benchmark. Following on from progress during 2021, the Bank is confident that it has the operational capability to process any remaining IBOR transitions to AFR that will be necessary during 2022. EAB has also noted the decision led by the AFR Committee to extend the daily publication of USD LIBOR until the end of June 2023 with milestones to cease writing new business referencing USD LIBOR from 1st January 2022. For other benchmark rates such as EURIBOR that have been reformed and can therefore continue, financial instruments referencing those rates will not need to transition.

IBOR reform exposes the Bank to various risks, which the project is managing and monitoring closely. These risks include but are not limited to the following:

- Conduct risk arising from discussions with clients and market counterparties due to the amendments required to existing contracts necessary to effect IBOR reform;
- Financial risk to the Bank and its clients that markets are disrupted due to IBOR reform giving rise to financial losses;
- Pricing risk from the potential lack of market information if liquidity in IBORs reduces and RFRs are illiquid and unobservable;
- Operational risk arising from changes to the Bank's IT systems and processes; and
- Accounting risk if the Bank's hedging relationships fail and from unrepresentative income statement volatility as financial instruments transition to alternative reference rates.

The table below shows the Bank's exposure to significant IBOR's subject to reform that have yet to transition AFRs as at 31 December 2021 including those exposures that transitioned immediately after the current year *end. The table excludes exposures to IBOR that will expire before transition in required.*

	Non-Derivative Financial Assets – Carrying Values €'000	**Derivatives Nominal Amount €'000**
GBP 3 month LIBOR	57,759	198,976
USD 3 month LIBOR	-	268,095
EUR 3 month LIBOR	-	120,395
	57,759	587,466

35. Market risk (continued)

IBOR reform (continued)

Included within the table above are exposures at 31 December 2021 that were successfully transitioned from IBORs to AFRs on 1 January 2022 which are shown in the table below. Instruments referenced to LIBOR USD 3M will transition no later than immediately after 30 June 2023.

	Non-Derivative Financial Assets – Carrying Values €'000	Derivatives Nominal Amount €'000
GBP 3 month LIBOR	57,759	198,976
	57,759	198,976

36. Liquidity risk

The ultimate responsibility for liquidity risk management and for setting the Bank's Liquidity Risk Appetite rests with the Board of Directors, with the ALCO having responsibility to build an appropriate liquidity risk management framework for the management of the Bank's short, medium and long-term funding and liquidity management requirements on a day-to-day basis. The Bank manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring actual, forecast and stressed cash flows and matching the maturity profiles of financial assets and liabilities.

The measurement, management and monitoring of Liquidity Risk in EAB incorporates liquidity policies, systems and controls that the Bank have implemented to manage Liquidity Risk within tolerance levels approved by the Board of Directors. These incorporate a range of tools to calculate key liquidity metrics, measure and monitor these against risk appetite limits and stress test the Bank's cash flows including its contingent liabilities. The Bank's Internal Liquidity Adequacy Assessment Process (ILAAP) document sets out the details of its approach to measuring, monitoring and controlling liquidity risk.

The Bank follows a conservative approach to liquidity risk, and maintains a liquid asset buffer of High Quality Liquid Assets as required by European Union (EU) regulation in addition to a portfolio of marketable securities which is held as a liquidity buffer if short-term funds are urgently needed.

The Bank assesses its exposure to liquidity risk in three main categories and seeks to ensure that appropriate mitigation is effected where possible, and that adequate insurance and contingency plan steps have been adopted to address the possibility of severe liquidity shocks.

The three categories are:

- Short-term tactical liquidity risk

The risk that the Bank's liquid assets are insufficient to meet its short term commitments.

- Structural liquidity risk

The risk that the Bank's business model (and consequently, its statement of financial position) develops in a way that causes difficulty attracting adequate funding on reasonable terms; and/or

The risk that the structure of the statement of financial position is unduly exposed to disruption in its funding markets

- Contingency liquidity risk

The risk that the Bank experiences unexpected and/or acute liquidity shocks

The Bank has also identified several risk factors which form components of the Bank's overall liquidity risk profile. These include but are not limited to:

- Wholesale secured and unsecured funding risk
- Retail funding risk
- Intra-day liquidity risk
- Intra-group liquidity risk
- Cross-currency liquidity risk
- Off-balance sheet liquidity risk
- Franchise viability risk
- Marketable assets risk
- Non-marketable assets risk
- Funding concentration risk

36. Liquidity risk (continued)

Tactical Liquidity management is performed by Treasury under delegated authority from ALCO. Structural liquidity management is carried out by ALCO, within the parameters set out in the Bank's ILAAP document.

The Treasury team is responsible for intra-day and end-of-day liquidity. Liquidity risk is measured at an overall Bank level through regular reporting produced by the Regulatory Reporting team within Finance. Additional reporting is provided in the form of monthly liquidity reports submitted to the PRA. Regulatory liquidity requirements are calculated and monitored internally on a daily basis and are complemented by other internal liquidity limits set by the Bank. The system of controls over liquidity risk is subject to oversight by the Risk team which reports to the Chief Risk Officer.

The ALCO is responsible for monitoring and reviewing liquidity positions and ensuring these positions are within the limits set.

The following tables analyse assets and liabilities into relevant maturity groupings based on the remaining period to contractual maturity. The maturity profiles disclosed below do not include the impact of behavioural characteristics observed by the Bank. This has a material impact on the maturity profile and forms a key part of our liquidity management and stress testing. In addition, the Bank also maintains a portfolio of marketable trading securities that *can be liquidated in the event of unforeseen interruption of cash flow.*

2021

	Within 1 month €'000	1 month to 3 months €'000	3 months to 6 months €'000	6 months to 12 months €'000	1 to 3 years €'000	After 3 years €'000	Not tied to maturity €'000	Total €'000
Assets								
Cash and balances at central banks	-	-	-	-	-	-	174,174	174,174
Due from banks	24,481	5,278	-	-	-	-	373,199	402,958
Fair value through profit or loss	-	8,817	8,872	-	-	13,222	-	30,911
Fair value through OCI	-	-	-	36,095	8,955	41,032	-	86,082
Loans and advances to customers	97,786	209,061	47,481	58,289	204,538	302,689	-	919,844
Financial investments at amortised cost	30,462	93,562	26,241	47,177	81,341	218,946	-	497,729
Derivatives	37	889	985	75	41	3,621	-	5,648
Other assets	777	1,134	157	675	1,199	4,855	137,512	146,309
Total assets	153,543	318,741	83,736	142,311	296,074	584,365	684,885	2,263,655
Liabilities and equity								
Deposits by banks	244,009	139,862	229,201	21,995	-	-	33,587	668,654
Customer accounts	239,763	180,073	202,309	154,237	-	-	388,122	1,164,504
Derivatives	1,141	2,187	667		99	5,448	-	9,542
Other liabilities	313	168	203	415	889	2,747	13,005	17,740
Subordinated liabilities	-	-	-	-	-	-	109,977	109,977
Shareholders' equity	-	-	-	-	-	-	293,238	293,238
Total liabilities and equity	485,226	322,290	432,380	176,647	988	8,195	837,929	2,263,655

Europe Arab Bank plc
Notes to the Financial Statements for
Year ended 31 December 2021

36. Liquidity risk (continued)

2020

	Within 1 month €'000	1 month to 3 months €'000	3 months to 6 months €'000	6 months to 12 months €'000	1 to 3 years €'000	After 3 years €'000	Not tied to maturity €'000	Total €'000
Assets								
Cash and balances at central banks	-						135,518	135,518
Due from banks	29,484	3,675	33	-	-	-	577,138	610,330
Fair value through profit or loss	-	-	4,091	34,541	105,505	30,464	-	174,601
Loans and advances to customers	116,910	74,034	53,902	17,785	310,141	303,483	14,018	890,273
Financial investments at amortised cost	11,189	-	45,052	61,096	223,315	70,866		411,518
Derivatives	290	131	263	5	37	2,478	-	3,204
Other assets	863	125	155	358	2,849	2,943	122,699	129,992
Total assets	158,736	77,965	103,496	113,785	641,847	410,234	849,373	2,355,436
Liabilities and equity								
Deposits by banks	151,083	89,850	208,470	-	-	-	385,629	835,032
Customer accounts	239,408	182,990	213,254	170,300	-	-	283,510	1,089,462
Derivatives	415	3,034	5,133	-	571	18,450	-	27,603
Other liabilities	677	630	1,601	297	200	138	22,284	25,827
Subordinated liabilities	-	-	-	-	-	-	102,191	102,191
Shareholders' equity	-	-	-	-	-	-	275,321	275,321
Total liabilities and equity	391,583	276,504	428,458	170,597	771	18,588	1,068,935	2,355,436

36. Liquidity risk (continued)

Financial liabilities

The following table details the Bank's remaining contractual maturity for its non-derivative financial liabilities. The tables below have been drawn up based on the undiscounted contractual maturities of the financial liabilities including interest that will accrue to those liabilities except where the Bank is entitled and intends to repay the liability before its maturity.

Gross contractual cash flows	Within 1 month €'000	1 to 3 months €'000	3 months to 6 months €'000	6 months to 12 months €'000	1 to 3 years €'000	After 3 years €'000	Not tied to maturity €'000	Total €'000
2021								
Deposits by banks	244,012	139,872	229,212	21,995	-	-	33,586	668,677
Customer deposits	239,778	180,155	202,595	154,657	-	-	388,122	1,165,307
Subordinated liabilities					-	-	110,173	110,173
Total non-derivative financial liabilities	483,790	320,027	431,807	176,652	-	-	531,881	1,944,157
2020								
Deposits by banks	151,089	90,056	208,991	-	-	-	385,629	835,765
Customer deposits	239,471	183,155	213,872	170,904	-	-	283,510	1,090,912
Subordinated liabilities	-	-	-	-	-	-	102,193	102,193
Total non-derivative financial liabilities	390,560	273,211	422,863	170,904	-	-	771,332	2,028,870

The table below presents the contractual maturity date of letters of credit, guarantees and un-drawn committed facilities issued by the Bank.

	Within 3 months €'000	3 to 12 months €'000	1 to 3 years €'000	After 3 years €'000
2021				
Letters of credit and acceptances	36,295	26,726	5,279	-
Guarantees given to third parties	190,988	125,394	93,329	103,283
Un-drawn commitments		2,769	6,146	40,667

	Within 3 months €'000	3 to 12 months €'000	1 to 3 years €'000	After 3 years €'000
2020				
Letters of credit and acceptances	59,197	14,986	12,026	-
Guarantees given to third parties	274,580	194,316	91,089	29,511
Un-drawn commitments	62,822	-	-	-

36. Liquidity risk (continued)

The following table details the Bank's expected maturity for its derivative financial instruments. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the reporting date.

The table below presents the contractual maturity date of derivative financial instruments that will be settled *on a net basis.*

	Gross contractual cash flows			
	Within 3 months €'000	3 to 12 months €'000	1 to 3 years €'000	After 3 years €'000
2021				
Interest rate swaps – net outflow	12,942	3,214	2,353	(267)
2020				
Interest rate swaps – net outflow	2,478	4,489	7,736	1,351

The table below presents the contractual maturity date of derivative financial instruments that will be settled on a gross basis (i.e. forward currency contracts).

	Gross contractual cash flows			
	Within 3 months €'000	3 to 12 months €'000	1 to 3 years €'000	After 3 years €'000
2021				
Outflow	392,597	51,197	-	-
Inflow	394,740	51,054	-	-
2020				
Outflow	475,157	10,425	-	-
Inflow	467,231	10,422	-	-

Encumbered assets

Certain assets are pledged as collateral to secure liabilities under repurchase agreements, Credit Support Annex ("CSA") for derivative liabilities and as security deposits relating to futures, options and exchange memberships. The holders of these securities do not have the right to sell or re-pledge the asset except where specifically disclosed.

The aggregate amount of collateral pledged under CSAs is €11m (2020: €29m).

The Bank has pledged €166m (2020: €122m) worth of investment securities and cash as collateral against its clearing operations and for secured financing transactions. This includes €67m to secure liabilities under repurchase agreements.

37. Operational risk

The Bank is exposed to risk of loss arising from inadequate or failure in systems, products, processes, activities and systems. This can include, but is not limited to internal and external factors, systems impacts, cyber security incidents, regulatory or conduct breaches, payments impacts, third party involvement or, potential personal data breaches. The Bank actively manages operational risk in accordance with regulation and guidance from the UK Financial Conduct Authority ("FCA") and Prudential Regulation Authority ("PRA"), as well as guidelines stipulated by other regulatory bodies.

The Bank has limited appetite for operational losses that may arise from doing business. EAB ensures that high levels of operational resilience are maintained through thorough operational risk assessment and measurement, in line with the Bank's ERM framework. Consequently, the Bank uses key tools such as Risk *Mapping, Risk Rating and Assessment Grids, Risk and Control Self-Assessment and Risk Incident Reporting.*

Independent review and oversight of Operational Risk is provided by the Operational Risk Manager, who reports directly to the Chief Risk Officer.

This structure is supported by close collaboration with strategic business units' across geographical locations, an Operational Risk Committee, an Operational Risk Policy and systems and controls which set the standards, approach and framework for identifying, assessing, measuring, reporting, controlling and managing operational risks.

The Bank adopts the standardised approach for calculating Operational Risk capital as set out in the CRR and consequently embarks on rigorous risk identification exercises to establish any Pillar Two requirement for Operational Risk.

38. Capital management and risk

The Bank maintains an actively managed capital base to cover risks inherent in the business. The primary objectives of the Bank's capital management are to ensure that the Bank complies with both external and internal capital requirements and that the Bank maintains healthy capital ratios in order to support its business and maximise shareholders' value.

The Bank manages its capital structure and makes adjustments to it in the light of changes in economic conditions, risk characteristics of its activities and regulatory requirements.

The adequacy of the Bank's capital is monitored using, amongst others, the rules and ratios established by the PRA. During the past year, the Bank had complied in full with all its externally imposed capital requirements.

Europe Arab Bank's capital comprises net equity of €293m (2020: €275m) and perpetual subordinated liabilities of €110m (2020: €102m). The subordinated liabilities count as upper tier 2 capital for the regulatory capital base. *The regulatory capital base differs slightly from amounts reported above due to differing* treatment of certain reserves and consolidation adjustments.

The Bank's Internal Capital Adequacy Assessment Process (ICAAP) document sets out the details of its approach to measuring, monitoring and controlling capital risk and to managing its capital.The ICAAP is an assessment of the Bank's capital position, outlining both regulatory and internal capital resources and requirements with EAB's business model, strategy, risk to capital, and the implications of stress testing to capital.

ARAB BANK GROUP

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2021

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INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Arab Bank Group
Amman - Jordan

Opinion

We have audited the consolidated financial statements of Arab Bank Group and its subsidiaries (the "Group") which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards, are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants* (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Jordan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended 31 December 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter provided in that context .

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

1. Inadequate allowances (ECL) for credit facilities
Refer to note (13) to the consolidated financial statements

Key audit matter

This is considered as a key audit matter as the Group exercises significant judgement to determine when and how much to record as impairment.

Credit facilities form a major portion of the Group's assets, there is a risk that inappropriate impairment provisions are booked, whether from the use of inaccurate underlying data, or the use of unreasonable assumptions. Due to the significance of the judgments used in classifying credit facilities into various stages stipulated in IFRS 9 and determining related provision requirements, this audit area is considered a key audit risk.

As of 31 December 2021, the Group's gross credit facilities amounted to USD 34.6 billion and the related impairment provision amounted to USD 2.6 billion. The impairment provision policy is presented in the accounting policies in note (4) to the consolidated financial statements.

How the key audit matter was addressed in the audit:

Our audit procedures included the following:

We gained an understanding of the Group's key credit processes comprising granting and booking and tested the operating effectiveness of key controls over these processes.

We read the Group's impairment provisioning policy and compared it with the requirements of IFRS 9 as well as relevant regulatory guidelines and pronouncements.

- We assessed the Group's expected credit loss model, in particular focusing on its alignment of the expected credit loss model and its underlying methodology with the requirements of IFRS 9.
- We examined a sample of exposures, assessed on an individual basis and performed procedures to evaluate the following:
  - Appropriateness of the Group's staging.
  - Appropriateness of determining Exposure at Default, including the consideration of repayments in the cash flows and the resultant arithmetical calculations
  - Appropriateness of the PD, EAD and LGD used for different exposures at different stages.
  - Appropriateness of the internal rating and the objectivity, competency and

	independence of the experts involved in this exercise. o Soundness and mathematical integrity of the ECL Model. o For exposures moved between stages we have checked the appropriateness of the Group's determination of significant increase in credit risk and the resultant basis for classification of exposures into various stages. We also checked the timely identification of exposures with a significant deterioration in credit quality. o For exposures determined to be individually impaired, we re-preformed the ECL calculation. We also obtained an understanding of the latest developments in the counterparty's situation of the latest developments in estimate of future cash flows, current financial position any rescheduling or restructuring agreements. • For forward looking assumptions used by the Group in its Expected Credit Loss ("ECL") calculations, we held discussions with management and corroborated the assumptions using publicly available information. • We assessed the financial statements disclosures to ensure compliance with IFRS 9. Refer to the accounting policies, critical accounting estimates and judgments, disclosures of credit facilities and on ECL in notes (4), (5), (7) and (13) to the consolidated financial statements.

2. Valuation of Unquoted Investments and Derivatives
Refer to notes (12) and (43) to the consolidated financial statements

Key audit matter	**How the key audit matter was addressed in the audit:**
The valuation of unquoted investment and derivatives are complex areas that require the use of models and forecasting of future cash flows including other factors to determine the fair value of investments and derivatives. As of 31 December 2021, the unquoted equities, positive and negative fair value of derivatives amounted to USD 212 million, USD 87 million and USD 96 million, respectively.	Our audit procedures included, amongst others, an assessment of the methodology and the appropriateness of the valuation models and inputs used to value the unquoted equities and derivatives. As part of these audit procedures, we assessed the reasonableness of key inputs used in the valuation such as the expected cash flows, discount rate by benchmarking them with external data. Disclosures of unquoted investments and derivatives are detailed in notes (12) and (43) to the consolidated financial statements.

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Other information included in the Group's 2021 annual report.

Other information consists of the information included in the Bank's 2021 Annual Report other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Bank's 2021 Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exist, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period, and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonable be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

The Group maintains proper books of accounts, which are in agreement from all material aspects with the consolidated financial statements.

The partner in charge of the audit resulting in this auditor's report was Bishr Ibrahim Baker; license number 592.

Amman – Jordan
7 February 2022

ERNST & YOUNG
Amman - Jordan

ARAB BANK GROUP
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31 December 2021	31 December 2020
ASSETS		**USD '000**	**USD '000**
Cash and balances with central banks	8	12 006 994	10 807 627
Balances with banks and financial institutions	9	3 756 284	4 601 165
Deposits with banks and financial institutions	10	275 494	288 165
Financial assets at fair value through profit or loss	11	72 343	304 054
Financial derivatives - positive fair value	43	86 585	91 510
Direct credit facilities at amortized cost	13	31 188 786	23 907 858
Financial assets at fair value through other comprehensive income	12	687 854	409 715
Other financial assets at amortized cost	14	10 561 173	8 762 789
Investments in associates	15	3 412 899	3 804 212
Fixed assets	16	531 955	458 518
Other assets	17	976 269	763 137
Deferred tax assets	18	248 498	214 933
Total Assets		**63 805 134**	**54 413 683**
LIABILITIES AND OWNERS' EQUITY			
Banks' and financial institutions' deposits	19	3 992 699	3 974 226
Customers' deposits	20	44 485 511	36 235 138
Cash margin	21	2 607 131	2 483 253
Financial derivatives - negative fair value	43	95 809	170 956
Borrowed funds	22	622 460	609 791
Provision for income tax	23	202 477	275 406
Other provisions	24	217 629	230 069
Other liabilities	25	1 252 771	1 040 409
Deferred tax liabilities	26	7 295	5 672
Total Liabilities		**53 483 782**	**45 024 920**
Equity			
Share capital	27	926 615	926 615
Share premium	27	1 225 747	1 225 747
Statutory reserve	28	926 615	926 615
Voluntary reserve	29	977 315	977 315
General reserve	30	1 211 927	1 141 824
General banking risks reserve	31	154 171	224 274
Reserves with associates		1 540 896	1 540 896
Foreign currency translation reserve	32	(291 987)	(160 209)
Investments revaluation reserve	33	(312 553)	(295 797)
Retained earnings	35	2 967 984	2 775 635
Total Equity Attributable to the Shareholders of the Bank		**9 326 730**	**9 282 915**
Perpetual tier 1 capital bonds	34	438 449	-
Non-controlling interests	35	556 173	105 848
Total Shareholders' Equity		**10 321 352**	**9 388 763**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**63 805 134**	**54 413 683**

The accompanying notes from (1) to (62) are an integral part of these consolidated financial statements and should be read with them.

ARAB BANK GROUP
CONSOLIDATED STATEMENT OF INCOME

	Notes	2021	2020
REVENUE		**USD '000**	**USD '000**
Interest income	36	2 208 981	2 068 368
Less: interest expense	37	858 554	865 306
Net interest income		**1 350 427**	**1 203 062**
Net commissions income	38	347 956	270 398
Net interest and commissions income		**1 698 383**	**1 473 460**
Foreign exchange differences		110 933	100 624
Gain from financial assets at fair value through profit or loss	39	4 197	3 580
Dividends on financial assets at fair value through other comprehensive income	12	6 088	5 710
Group's share of profits of associates	15	276 818	296 365
Other revenue	40	73 246	51 296
TOTAL INCOME		**2 169 665**	**1 931 035**
EXPENSES			
Employees' expenses	41	597 361	509 633
Other expenses	42	378 504	314 420
Depreciation and amortization	16 , 17	83 635	63 350
Provision for impairment - ECL	7	560 093	658 330
Impairment of investments held for sale		50 000	13 000
Other provisions	24	11 977	22 221
TOTAL EXPENSES		**1 681 570**	**1 580 954**
PROFIT FOR THE YEAR BEFORE INCOME TAX		**488 095**	**350 081**
Less: Income tax expense	23	173 578	154 797
PROFIT FOR THE YEAR		**314 517**	**195 284**
Attributable to :			
Bank's shareholders		306 721	192 791
Non-controlling interests	35	7 796	2 493
Total		**314 517**	**195 284**
Earnings per share attributable to the Bank's Shareholders			
- Basic and Diluted (US Dollars)	57	0.46	0.30

The accompanying notes from (1) to (62) are an integral part of these consolidated financial statements and should be read with them.

ARAB BANK GROUP

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2021	2020
	USD '000	**USD '000**
Profit for the Year	**314 517**	**195 284**
Add: Other comprehensive income items - after tax		
Items that will be subsequently transferred to the consolidated statement of Income		
Exchange differences arising from the translation of foreign operations	(134 776)	105 061
Revaluation on financial assets at fair value through other comprehensive income	(1 100)	-
Items that will not be subsequently transferred to the consolidated statement of Income		
Net change in fair value of financial assets at fair value through other comprehensive income	(22 057)	1 848
Change in investments revaluation reserve	(17 325)	4 101
(Loss) from sale of financial assets at fair value throughother comprehensive income	(4 732)	(2 253)
Total Other Comprehensive Income Items - after tax	**(157 933)**	**106 909**
TOTAL COMPREHNSIVE INCOME FOR THE YEAR	**156 584**	**302 193**
Attributable to :		
- Bank's shareholders	155 976	285 538
- Non-controlling interests	608	16 655
Total	***156 584***	***302 193***

The accompanying notes from (1) to (62) are an integral part of these consolidated

financial statements and should be read with them.

ARAB BANK GROUP

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Notes	Share Capital	Share Premium	Statutory Reserve	Voluntary Reserve	General Reserve	General Banking Risks Reserve	Reserves with Associates	Foreign Currency Translation Reserve	Investments Revaluation Reserve	Retained Earnings	Total Equity Attributable to the Shareholders of the Bank	Non-Controlling Interests	Perpetual Bonds (Tier 1 Capital)	Total Shareholders' Equity
		USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
For the year ended 2021															
Balance at the Beginning of the year		926 615	1 225 747	926 615	977 315	1 141 824	224 274	1 540 896	(160 209)	(295 797)	2 775 635	9 282 915	105 848	-	9 388 763
Profit for the year		-	-	-	-	-	-	-	-	-	306 721	306 721	7 796	-	314 517
Other comprehensive income for the year		-	-	-	-	-	-	-	(131 778)	(18 967)	-	(150 745)	(7 188)	-	(157 933)
Total Comprehensive Income for the Year		-	-	-	-	-	-	-	(131 778)	(18 967)	306 721	155 976	608	-	156 584
Transferred from general banking risk reserve		-	-	-	-	70 103	(70 103)	-	-	-	-	-	-	-	-
Transferred from Investments revaluation reserve to retained earnings		-	-	-	-	-	-	-	-	2 211	(2 211)	-	-	-	-
Dividends	35	-	-	-	-	-	-	-	-	-	(111 944)	(111 944)	(2 115)	-	(114 059)
Acquisition of Oman Arab Bank	6	-	-	-	-	-	-	-	-	-	-	-	466 817	188 449	655 266
Issuance of Perpetual Bonds (Tier 1 Capital)		-	-	-	-	-	-	-	-	-	-	-	-	250 000	250 000
Adjustments during the year		-	-	-	-	-	-	-	-	-	(217)	(217)	(14 985)	-	(15 202)
Balance at the End of the Year		926 615	1 225 747	926 615	977 315	1 211 927	154 171	1 540 896	(291 987)	(312 553)	2 967 984	9 326 730	556 173	438 449	10 321 352
For the year ended 2020															
Balance at the Beginning of the year		926 615	1 225 747	926 615	977 315	1 141 824	238 952	1 540 896	(252 925)	(298 403)	2 584 537	9 011 173	91 278	-	9 102 451
Profit for the year		-	-	-	-	-	-	-	-	-	192 791	192 791	2 493	-	195 284
Other comprehensive income for the year		-	-	-	-	-	-	-	92 716	31	-	92 747	14 162	-	106 909
Total Comprehensive Income for the Year		-	-	-	-	-	-	-	92 716	31	192 791	285 538	16 655	-	302 193
Transferred from general banking risk reserve		-	-	-	-	-	(14 678)	-	-	-	14 678	-	-	-	-
Transferred from Investments revaluation reserve to retained earnings		-	-	-	-	-	-	-	-	2 575	(2 575)	-	-	-	-
Investments revaluation reserve transferred to non-controlling interests		-	-	-	-	-	-	-	-	-	-	-	(322)	-	(322)
Dividends	35	-	-	-	-	-	-	-	-	-	-	-	(1 763)	-	(1 763)
Changes in associate equity		-	-	-	-	-	-	-	-	-	(5 504)	(5 504)	-	-	(5 504)
Adjustments during the year		-	-	-	-	-	-	-	-	-	(8 292)	(8 292)	-	-	(8 292)
Balance at the End of the Year		926 615	1 225 747	926 615	977 315	1 141 824	224 274	1 540 896	(160 209)	(295 797)	2 775 635	9 282 915	105 848	-	9 388 763

- Retained earnings include restricted deferred tax assets in the amount of USD 248.5 million. Restricted retained earnings that cannot be distributed or otherwise utilized except only under certain circumstances as a result of adopting of certain International Accounting Standards amounted to USD 2.8 million as of 31 December 2021

- The Bank cannot use a restricted amount of USD 312.6 million which represents the negative investments revaluation reserve in accordance with the instructions of the Jordan Securities Commission and Central Bank of Jordan as of 31 December 2021

The accompanying notes from (1) to (62) are an integral part of these consolidated financial statements and should be read with them

ARAB BANK GROUP
CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		**USD '000**	**USD '000**
Profit for the year before income tax		**488 095**	**350 081**
Adjustments for:			
- Depreciation	16	69 151	48 906
- *Amortization of intangible assets*	17	14 484	14 444
- Depreciation right of use assets	17	23 749	17 297
- Expected credit losses on financial assets	7	560 093	658 330
- Net accrued interest		(110 253)	(50 881)
- (Gain) from sale of fixed assets		(8 114)	(795)
- (Gain) from revaluation of financial assets at fair value through profit or loss	39	(2 971)	(516)
- Dividends from financial assets at fair value through other comprehensive income	12	(6 088)	(5 710)
- Group's share of profits of associates	15	(276 818)	(296 365)
- Provision for impairment of investments held for sale		50 000	13 000
- *Other provisions*		11 977	22 221
Total		**813 305**	**770 012**
(Increase) decrease in assets:			
Balances with central banks (maturing after 3 months)		-	68 001
Deposits with banks and financial institutions (maturing after 3 months)		48 270	24 326
Direct credit facilities at amortized cost		(891 783)	(450 370)
Financial assets at fair value through profit and loss		235 729	215 515
Other assets and financial derivatives		130 131	(52 949)
Increase (decrease) in liabilities:			
Bank and financial institutions deposits (maturing after 3 months)		(547 462)	362 743
Customers' deposits		1 093 724	3 080 143
Cash margin		123 878	(599 500)
Other liabilities and financial derivatives		(168 051)	43 622
Net Cash from Operating Activities before Income Tax		**837 741**	**3 461 543**
Income tax paid	23	(284 360)	(284 714)
Net Cash from Operating Activities		**553 381**	**3 176 829**
CASH FLOWS FROM INVESTING ACTIVITIES			
(Purchase) of financial assets at fair value through other comprehensive income		(175 386)	(23 751)
(Purchase) Maturity of other financial assets at amortized cost		(1 290 286)	131 029
(Increase) of investments in associates	15	(96)	(139 532)
Acquisition of Oman Arab Bank	6	689 119	-
Dividends received from associates	15	194 106	143 364
Dividends from financial assets at fair value through other comprehensive income	12	6 088	5 710
(Increase) in fixed assets - Net	16	(77 348)	(47 827)
Proceeds from selling fixed assets		42 039	2 672
(Purchase) of intangible assets - Net	17	(26 868)	(18 425)
Net Cash generated (used in) from Investing Activities		**(638 632)**	**53 240**
CASH FLOWS FROM FINANCING ACTIVITIES			
(Decrease) Increase in borrowed funds		(39 279)	276 855
Increase in Perpetual Bonds		250 000	-
Interest on Perpetual Bonds		(29 382)	-
Dividends paid to shareholders		(114 211)	(928)
Dividends paid to non-controlling interests		(2 115)	(1 763)
Net Cash generated from Financing Activities		**65 013**	**274 164**
Net (Decrease) Increase in Cash and Cash Equivalents		(20 238)	3 504 233
Exchange differences - change in foreign exchange rates		(131 778)	92 716
Cash and cash equivalent at the beginning of the year		12 412 068	8 815 119
Cash and Cash Equivalent at the End of the Year	59	**12 260 052**	**12 412 068**
Operational cash flows from interest			
Interest Received		**2 368 443**	**2 089 363**
Interest Paid		**809 345**	**937 182**

The accompanying notes from (1) to (62) are an integral part of these consolidated financial statements and should be read with them.

1. GENERAL

Arab Bank was established in 1930, and is registered as a Jordanian Public Shareholding Limited Company. The Head Office of the Bank is domiciled in Amman – Hashemite Kingdom of Jordan and the Bank operates worldwide through its 77 branches in Jordan and 130 branches abroad. Also, the Bank operates through its subsidiaries and Arab Bank (Switzerland).

Arab Bank PLC shares are traded on Amman Stock Exchange. The shareholders of Arab Bank PLC are the same shareholders of Arab Bank Switzerland (every 18 shares of Arab Bank PLC equal/ traded for 1 share of Arab Bank Switzerland).

The accompanying consolidated financial statements were approved by the Board of Directors in its meeting number (1) on 30 January 2022 and are subject to the approval of the General Assembly and the Central Bank of Jordan.

2. (A) BASIS OF PREPARATION

The accompanying consolidated financial statements are prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

Arab Bank Group adheres to the local regulations and instructions of the Central Bank of Jordan, as well as to the prevailing regulations in the countries where the Group operates.

The consolidated financial statements are prepared in accordance with the historical cost principle, except for financial assets through profit or loss, financial assets through other comprehensive income and financial derivatives which are stated at fair value as of the date of the consolidated financial statements.

The consolidated financial statements are presented in US dollars (USD) which is the functional currency of the Group. For each entity in the Group, the Bank determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

2. (B) BASIS OF CONSOLIDATION

The accompanying consolidated financial statements of Arab Bank Group, presented in US dollars, comprise the financial statements of Arab Bank plc, Arab Bank Switzerland (Limited) and the following key subsidiaries:

Company Name	Percentage of ownership (%)		Date of Acquisition	Principal Activity	Place of Incorporation	Paid-up Capital
	2021	2020				
Europe Arab Bank plc	100.00	100.00	2006	Banking	United Kingdom	€ 570m
Arab Bank Australia Limited	100.00	100.00	1994	Banking	Australia	AUD 119.3m
Islamic International Arab Bank plc	*100.00*	*100.00*	*1997*	*Banking*	*Jordan*	*JD 100m*
Arab National Leasing Company L.L.C.	100.00	100.00	1996	Financial Leasing	Jordan	JD 50m
Al-Arabi Investment Group L.L.C.	100.00	100.00	1996	Brokerage and Financial Services	Jordan	JD 14m
Arab Sudanese Bank Limited	*100.00*	*100.00*	*2008*	*Banking*	*Sudan*	*SDG 117.5m*
Al Arabi Investment Group - Palestine	100.00	100.00	2009	Brokerage and Financial Services	Palestine	JD 1.7m
Arab Tunisian Bank	64.24	64.24	1982	Banking	Tunisia	TND 128m
Oman Arab Bank S.A.O.	49.00	49.00	1984	Banking	Oman	OMR 166.9m
Arab Bank Syria	*51.29*	*51.29*	*2005*	*Banking*	*Syria*	*SYP 5.05b*
Al Nisr Al Arabi Insurance Company PLC	50.00	50.00	2006	Insurance	Jordan	JD 10m

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee).
- Exposure, or rights, to variable returns from its involvement with the investee.
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee.
- Rights arising from other contractual arrangements.
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary without a loss of control is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary.
- Derecognizes the carrying amount of any non- controlling interests.
- Derecognizes the cumulative translation differences, recorded in equity.
- Recognizes the fair value of the consideration received.
- Recognizes the fair value of any investment retained.
- Recognizes the gain or loss resulted from loss of control.
- Reclassifies the parent's share of components previously recognized in OCI to profit or loss.

3. CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those used in the preparation of the consolidated financial statements for the year ended 31 December 2020, except for the adoption of the following new standards effective as of 1 January 2021:

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients :

- To require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest,
- To permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued,
- To provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component .

The Group expects to have a minimal impact because the transition is done and expected to be done on economically equivalent rates and therefore no material modification gain or loss will take place.

Covid-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16

On 28th May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease Modification.

The amendment was intended to apply until 30th June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31st March 2021, the IASB extended the period of application of the practical expedient to 30th June 2022. The amendment applies to annual reporting periods beginning on or after 1st April 2021.

However, the Group has not received Covid-19-related rent concessions, but plans to apply the practical expedient if it becomes applicable within allowed period of application.

4. SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 *Financial Instruments*, is measured at fair value with changes in fair value recognised in the consolidated statement of comprehensive income.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Hedges directly affected by interest rate benchmark reform
Accounting relief relating to hedge accounting provided by International Accounting Standard Board during the phase 1 and phase 2 are being considered.

At the time of the transition to risk free rates, hedge documentation, which currently refers to Libor, will be updated to reflect the transition to the new reference rate for the hedging item and the hedging instrument in every case. Economic equivalency will be maintained and therefore no material P&L impact is anticipated.

For this purpose, the hedge designation is amended only to make one or more of the following changes:

- Designating an alternative benchmark rate as the hedged risk.
- Updating the description of the hedged item, including the description of the designated portion of the cash flows or fair value being hedged; or

Updating the description of the hedging instrument.

Recognition of Interest Income

The effective interest rate method

In accordance with IFRS 9, interest income is recognized using the effective interest rate method for all financial instruments at amortized cost and financial instruments at fair value through the income statement or through other comprehensive income. The effective interest rate is the rate that discounts estimated future cash receipts over the expected life of the financial instrument, or, shorter period, to the net carrying amount of the financial asset.

The EIR (and therefore, the amortized cost of the asset) is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of the EIR. The Group recognizes interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, it recognizes the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations regarding the cash flows on the financial asset are revised for reasons other than credit risk. The adjustment is booked as a positive or negative adjustment to the carrying amount of the asset in the consolidated statement of financial position with an increase or reduction in interest income. The adjustment is subsequently amortized through interest and similar income in the consolidated statement of income.

Interest and similar income and expense

For all financial instruments measured at amortized cost, financial instruments designated at FVOCI and FVTPL, interest income or expense is recorded using the EIR. The calculation takes into account all of the contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses.

When the recorded value of a financial asset or a group of similar financial assets has been reduced by an impairment loss, interest income continues to be recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

The Bank also holds investments in assets of countries with negative interest rates. The Bank discloses interest paid on these assets as interest expense.

Fee and commission income

Fee income can be divided into the following two categories:

A. Fee income earned from services that are provided over a certain period of time

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and private wealth and asset management fees, custody and other management fees.

B. Fee income forming an integral part of the corresponding financial instrument

Fees that the Bank considers to be an integral part of the corresponding financial instruments include: loan origination fees, loan commitment fees for loans that are likely to be drawn down and other credit related fees.

Financial Instruments – Initial Recognition

Date of recognition

Financial assets and liabilities, with the exception of loans and advances to customers and balances due to customers, are initially recognized on the trade date, i.e., the date that the Group becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Loans and advances to customers are recognized when funds are transferred to the customers' accounts. The Group recognizes balances due to customers when funds are transferred to the Group.

Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value, except in the case of financial assets and financial liabilities recorded at FVTPL, transaction costs are added to, or subtracted from, this amount. Trade receivables are measured at the transaction price. When the fair value of financial instruments at initial recognition differs from the transaction price, the Group accounts for the Day 1 profit or loss, as described below.

Day 1 profit or loss

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Group recognizes the difference between the transaction price and fair value in net trading income. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognized in profit or loss when the inputs become observable, or when the instrument is derecognized.

Measurement categories of financial assets and liabilities

The Group classifies its financial assets (Debt Instruments) based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortized cost
- FVOCI
- FVTPL

The Group classifies and measures its derivative and trading portfolio at FVTPL. The Group may designate financial instruments at FVTPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies.

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortized cost or at FVTPL when they are held for trading and derivative instruments or the fair value designation is applied.

Financial Assets and Liabilities

The Group only measures due from banks, loans and advances to customers and other financial investments at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The details of these conditions are outlined below.

Business model assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel

- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)
- The expected frequency, value and timing of sales are also important aspects of the Group's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The SPPI test

As a second step of its classification process the Group assesses the contractual terms of financial to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

Derivatives recorded at fair value through profit or loss

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract (i.e., the 'underlying').

- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts expected to have a similar response to changes in market factors.

- It is settled at a future date.

The Group enters into derivative transactions with various counterparties. These include interest rate swaps, futures and cross-currency swaps. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivatives are included in net trading income unless hedge accounting is applied.

Debt instruments at FVOCI

The Group measures of debt instruments at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets
- The contractual terms of the financial asset meet the SPPI test

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognized in OCI. Interest income and foreign exchange gains and losses are recognized in profit or loss in the same manner as for financial assets measured at amortized cost. Where the Group holds more than one investment in the same security, they are deemed to be disposed of on a first–in first–out basis. On derecognition, cumulative gains or losses previously recognized in OCI are reclassified from OCI to profit or loss.

Equity instruments at FVOCI

Upon initial recognition, the Group occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of definition of Equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to profit. Dividends are recognized in profit or loss as other operating income when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.

Financial assets and financial liabilities at fair value through profit or loss

Financial assets and financial liabilities at FVTPL are recorded in the consolidated statement of financial position at fair value. Changes in fair value are recorded in profit and loss with the exception of movements in fair value of liabilities designated at FVTPL due to changes in the Group's own credit risk. Such changes in fair value are recorded in the Own credit reserve through OCI and do not get recycled to the profit or loss. Interest earned or incurred on instruments designated at FVTPL is accrued in interest income or interest expense, respectively, using the EIR, taking into account any discount/ premium and qualifying transaction costs being an integral part of instrument. Interest earnt on assets mandatorily required to be measured at FVTPL is recorded using contractual interest rate. Dividend income from equity instruments measured at FVTPL is recorded in profit or loss as other operating income when the right to the payment has been established.

Financial guarantees, letters of credit and undrawn loan commitments

The Group issues financial guarantees, letters of credit and loan commitments.

Financial guarantees are initially recognized in the consolidated financial statements (within other liabilities) at fair value, being the premium received. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of the amount initially recognized less cumulative amortization recognized in the consolidated statement of income and an ECL provision.

The premium received is recognized in the consolidated statement of income net of fees and commission income on a straight line basis over the life of the guarantee.

Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Group is required to provide a loan with pre-specified terms to the customer. Similar to financial guarantee contracts, these contracts are in the scope of the ECL requirements.

The nominal contractual value of financial guarantees, letters of credit and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded on in the consolidated statement of financial position.

The Group occasionally issues loan commitments at below market interest rates drawdown. Such commitments are subsequently measured at the higher of the amount of the ECL and the amount initially recognized less, when appropriate, the cumulative amount of income recognized.

Derecognition of financial assets and liabilities

Derecognition due to substantial modification of terms and conditions

The Group derecognizes a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognized as a derecognition gain or loss, to the extent that an impairment loss has not

already been recorded. The newly recognized loans are classified as Stage 1 for ECL measurement purposes.

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Group records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

Derecognition other than for substantial modification

A. Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when the rights to receive cash flows from the financial asset have expired. The Group also derecognizes the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The Group has transferred the financial asset if, and only if, either:

- The Group has transferred its contractual rights to receive cash flows from the financial asset

Or

- It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass–through' arrangement

Pass-through arrangements are transactions whereby the Group retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- The Group has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates
- The Group cannot sell or pledge the original asset other than as security to the eventual recipients
- The Group has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Group is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for derecognition if either:

- The Group has transferred substantially all the risks and rewards of the asset

Or

- The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

The Group considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Group has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognized only to the extent of the Group's continuing involvement, in which case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Group could be required to pay.

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Group would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

B. Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognized in profit or loss.

Impairment of financial assets

Overview of the ECL principles

The Group records the allowance for expected credit loss for all loans and other debt financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts, in this section all referred to as 'financial instruments'. Equity instruments are not subject to impairment under IFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss.

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Group groups its financial assets into Stage 1, Stage 2 and Stage 3, as described below:

Stage 1: When financial assets are first recognized, the Group recognizes an allowance based on 12mECLs. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.

Stage 2: When a financial asset has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.

Stage 3: Financial assets considered credit-impaired. The Group records an allowance for the LTECLs.

For financial assets for which the Group has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

The Group's internal credit rating system:

The main measure of Credit Risk is at the counterparty level where the exposure is measured in line with the bank's credit standards applicable by the bank and detailed in the policies and procedures. Therefore, Arab Bank implemented an Internal Rating methodology to assess the customers financially and non-financially. In parallel, Arab Bank is using Moody's Risk Analyst (MRA), it is a financial analysis and ratings platform that aggregates quantitative and qualitative information on individual obligors to obtain an assessment that can be used to determine a credit rating for each obligor and the related probability of default (PD). The MRA model went through validation, optimization and calibration phases which lead to the development of a new model. It worthwhile to mention that MRA is complementing AB Internal Rating to better comply with regulatory requirements i.e BASEL.

The MRA Rating System is centrally managed by Risk Management Department at Head Office noting that the Corporate and Investment Banking and the Credit Department are the main users. The Customers' Ratings are being reviewed on annual basis using the two rating methodology (AB Internal Rating and MRA) during the annual review of the customers' facilities.

The calculation of ECLs

The Group calculates ECLs based on a three probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive. During 2020 and due to the recent developments and the abnormal situation resulted from COVID-19 pandemic, an additional downside scenario was used by the management for calculating the ECL for the year ended 31 December 2020 and until 30 June 2021. During the third quarter of the year 2021 the management resolved to use three scenarios using probability weight for each scenario based on the management best estimate for their likelihood. For certain countries, management continued to use more than three scenarios based on their judgment and as a response for developments of COVID – 19 pandemic in these countries. Below are the weights for each scenario for the years 2021 and 2020:

Scenario	Assigned weighted average 31 December 2021	Assigned weighted average 31 December 2020
Baseline	45%	35%
Upside	20%	15%
Downside 1	35%	20%
Downside 2	-	30%

The mechanism of the ECL calculations are outlined below and the key elements are, as follows:

PD The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period.

EAD The Exposure at Default is 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, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

LGD The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

When estimating the ECLs, the Group considers four scenarios. Each of these is associated with different PDs, EADs and LGDs. When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset.

With the exception of credit cards and other revolving facilities, the maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Group has the legal right to call it earlier.

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

The mechanism of the ECL method are summarized below:

Stage 1: The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Group calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the four scenarios, as explained above.

Stage 2: When a financial asset has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument.
The expected cash shortfalls are discounted by an approximation to the original EIR.

Stage 3: For financial assets which are considered credit-impaired, the Group recognizes the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100% and with higher LGD than the first two stages.

Loan commitments and letter of credit: When estimating LTECLs for undrawn loan commitments, the Group estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down, based on a probability-weighting of the four scenarios. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan.

Financial guarantee contracts	The Group's liability under each guarantee is measured at the higher of the amount initially recognized less cumulative amortization recognized in the consolidated statement of income, and the ECL provision. For this purpose, the Group estimates ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls are discounted by the risk-adjusted interest rate relevant to the exposure. The calculation is made using a probability-weighting of the four scenarios. The ECLs related to financial guarantee contracts are recognized within other liabilities.

Debt instruments measured at fair value through OCI

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the consolidated statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortized cost is recognized in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognized in OCI is recycled to the profit and loss upon derecognition of the assets.

Credit cards and other revolving facilities

The Group's product offering includes a variety of corporate and retail overdraft and credit cards facilities, in which the Group has the right to cancel and/or reduce the facilities with one day's notice. The Group does not limit its exposure to credit losses to the contractual notice period, but, instead calculates ECL over a period that reflects the Group's expectations of the customer behavior, its likelihood of default and the Group's future risk mitigation procedures, which could include reducing or cancelling the facilities.

The ongoing assessment of whether a significant increase in credit risk has occurred for revolving facilities is similar to other lending products. This is based on shifts in the customer's internal credit grade.

The interest rate used to discount the ECLs for credit cards is based on the effective interest rate.

The calculation of ECLs, including the estimation of the expected period of exposure and discount rate is made, on an individual basis for corporate and on a collective basis for retail products. The collective assessments are made separately for portfolios of facilities with similar credit risk characteristics.

Forward looking information

In its ECL models, the Group relies on a broad range of forward looking information as economic inputs, such as:

- GDP growth
- Unemployment rates
- Central Bank base rates

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the consolidated financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

Collateral valuation

To mitigate its credit risks on financial assets, the Group seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. Collateral, unless repossessed, is not recorded on the Group's consolidated statement of financial position. However, the fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and re-assessed periodically. However, some collateral, for example, cash or securities relating to margining requirements, is valued daily.

To the extent possible, the Group uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers, or based on housing price indices.

Collateral repossessed

The Group's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets for which selling is determined to be a better option are transferred to assets held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date in, line with the Group's policy.

In its normal course of business, the Group does not physically repossess properties or other assets in its retail portfolio, but engages external agents to recover funds, generally at auction, to settle outstanding debt. Any surplus funds are returned to the customers/obligors. As a result of this practice, the residential properties under legal repossession processes are not recorded on the balance sheet.

Write-offs

Financial assets are written off either partially or in their entirety only when the Group has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

Modified loans

The Group sometimes makes concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties, (rather than taking possession or to otherwise enforce collection of collateral.) The Group considers a loan forborne when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the Group would not have agreed to them if the borrower had been financially healthy. (Indicators of financial difficulties include defaults on covenants, or significant concerns raised by the Credit Risk Department). Forbearance may involve extending the payment arrangements and the agreement of new loan conditions. (Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms). It is the Group's policy to monitor forborne loans to help ensure that future payments continue to be likely to occur. Derecognition decisions and classification between Stage 2 and Stage 3 are determined on a case-by-case basis. If these procedures identify a loss in relation to a loan, it is disclosed and managed as an impaired Stage 3 forborne asset until it is collected or written off.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use assets includes the amount of lease obligations recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life or the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

Short term and low value assets lease

The Group defines short-term leases that have a term of less than 12 months or that all lease payments have low value.

For these contracts the Group makes recognizes the lease payments as an operating expense on a straight line basis over the period of the lease, unless another regular basis is more representative of the time pattern in which the economic benefits from the leased assets are utilized.

Foreign currency translation

Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency at the spot rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the spot rate of exchange at the reporting date. All foreign exchange differences arising on non–trading activities are taken to other operating income/expense in the income statement.

Non–monetary items that are measured at historical cost in a foreign currency are translated using the spot exchange rates as at the date of recognition.

Group companies

On consolidation, the assets and liabilities in foreign operations are translated into dollars at the spot rate of exchange prevailing at the reporting date and their income statements are translated at average exchange rates during the year. The exchange differences arising on translation for consolidation are recognised in OCI.

Translation of financial statements of foreign entities / branches operating under hyperinflationary economy

The results and financial position of an entity whose functional currency is the currency of a hyperinflationary economy shall be translated into a different presentation currency using the following procedures :

(a) all amounts (i.e., assets, liabilities, equity items, income and expenses, including comparatives) shall be translated at the closing rate at the date of the most recent statement of financial position, except that

(b) when amounts are translated into the currency of a non-hyperinflationary economy, comparative amounts shall be those that were presented as current year amounts in the relevant prior year financial statements (i.e., not adjusted for subsequent changes in the price level or subsequent changes in exchange rates).

Exchange differences arising on the translation of results and financial position of each of the Group's consolidated entities are included in Exchange differences on translation of foreign operations in other comprehensive income and taken to a separate component of equity which is the Foreign currency translation reserve.

Fixed assets

Fixed assets are stated at historical cost, net of accumulated depreciation and any accumulated impairment in value. Such cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of fixed assets have different useful lives, they are accounted for as separate items of fixed assets.

Depreciation is charged so as to allocate the cost of assets using the straight-line method, using the useful lives of the respective assets

Land and assets under construction are not depreciated.

Assets under construction is carried at cost, less any accumulated impairment losses and is depreciated when the assets are ready for intended use using the same depreciation rate of the related category with fixed assets.

Fixed assets are derecognized when disposed of or when no future benefits are expected from their use or disposal.

The gain or loss arising on the disposal of an item (the difference between the net realizable value and the carrying amount of the asset) is recognized in the consolidated statement of income in the year that the assets were disposed.

Impairment of non-financial assets -

The Bank assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Bank makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Intangible Assets

Goodwill

Goodwill is recorded at cost, and represents the excess amount paid to acquire or purchase the investment in an associate or a subsidiary on the date of the transaction over the fair value of the net assets of the associate or subsidiary at the acquisition date. Goodwill resulting from the investment in a subsidiary is recorded as a separate item as part of intangible assets, while goodwill resulting from the investment in an associated company constitutes part of the investment in that company.

Goodwill is distributed over the cash generating units for the purpose of testing the impairment in its value.

The value of goodwill is tested for impairment on the date of the consolidated financial statements. Goodwill value is reduced when there is evidence that its value has declined or the recoverable value of the cash generating units is less than book value. The decline in the values is recoded in the consolidated statement of income as impairment loss.

Other Intangible Assets

Other intangible assets acquired through mergers are stated at fair value at the date of acquisition, while other intangible assets (not acquired through mergers) are recorded at cost.

Intangible assets are to be classified on the basis of either definite or indefinite useful life. Intangible assets with definite useful economic lives are amortized over their useful lives using the straight line method, and recorded as an expense in the consolidated statement of income. Intangible assets with indefinite lives are reviewed in statement income for impairment as of the consolidated financial statements date, and impairment loss is recorded in the consolidated statement of income.

Intangible assets resulting from the banks operations are not capitalized. They are rather recorded in the consolidated statement of income in the same period.

Any indications of impairment in the value of intangible assets as of the consolidated financial statements date are reviewed. Furthermore, the estimated useful lives of the impaired intangible assets are reassessed, and any adjustment is made in the subsequent period.

Repurchase and Resale Agreements

Assets sold with a simultaneous commitment to repurchase them at a future date continue to be recognized in the consolidated financial statements as a result of the bank's continuous control over these assets and as the related risk and benefits are transferred to the Bank upon occurrence. They also continue to be measured in accordance with the adopted accounting policies. Amounts received against these contracts are recorded within liabilities under borrowed funds. The difference between the sale price and the repurchase price is recognized as an interest expense amortized over the contract period using the effective interest rate method.

Purchased assets with corresponding commitment to sell at a specific future date are not recognized in the consolidated financial statements because the bank has no control over such assets and the related risks and benefits are not transferred to the Bank upon occurrence. Payments related to these contracts are recoded under deposits with banks and other financial institutions or loans and advances in accordance with the nature of each case. The difference between the purchase price and resale price is recoded as interest revenue amortized over the life of the contract using the effective interest rate method.

Capital

Cost of issuing or purchasing the Group's shares are recorded in retained earnings net of any tax effect related to these costs. If the issuing or purchase process has not been completed, these costs are recorded as expenses in the consolidated statement of income.

Perpetual bonds

Perpetual Tier 1 Capital Securities of the Group are recognised under equity and the corresponding distribution on those instruments are accounted as a debit to retained earnings. The Tier 1 securities constitute direct, unconditional, subordinated and unsecured obligations of the Bank and are classified as equity in accordance with IAS 32: Financial Instruments. The Tier 1 securities do not have a fixed redemption or final maturity date and is redeemable by the Bank at its sole discretion on the first call date or thereafter on any interest payment date.

Investments in Associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associates are accounted for using the equity method.

Under the equity method, the investment in an associates initially recognised at cost, the carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associates since the acquisition date. Goodwill relating to the associates is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The consolidated income statement reflects the Group's share of the results of operations of the associates. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income (OCI). In addition, when there has been a change recognised directly in the equity of the associates, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associates are eliminated to the extent of the interest in the associates.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the consolidated income statement within operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associates are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Income Taxes

Income tax expenses represent current and deferred taxes for the year.

Income tax expense is measured on the basis of taxable income. Taxable income differs from income reported in the consolidated financial statements, as the latter includes non-taxable revenue, tax expenses not deductible in the current year but deductible in subsequent years, accumulated losses approved by tax authorities and items not accepted for tax purposes or subject to tax.

Taxes are calculated on the basis of the enacted tax rates according to the prevailing laws, regulations and instructions of countries where the Group operates.

Taxes expected to be incurred or recovered as a result of temporary timing differences between the value of the assets and liabilities in the consolidated financial statements and their respective tax bases. Deferred taxes are calculated on the basis of the liability method, and according to the rates expected to be enacted when it is anticipated that the liability will be settled or when tax assets are recognized.

Deferred tax assets are reviewed on the date of the consolidated financial statements, and reduced if it is expected that no benefit will arise from the deferred tax, partially or totally.

Fair value

The Bank measures financial instruments at fair value at each financial statements date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either, in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Bank determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Bank has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Financial derivatives

Financial derivatives (e.g. currency forward contracts, forward rate agreements, swaps and option contracts) are recognized at fair value in the consolidated statement of financial position.

Financial derivatives held for hedge purposes

Fair value hedge: Represents hedging for changes in the fair value of the Group's assets and liabilities. When the conditions for an effective fair value hedge are met, gains or losses from changes in the fair value of financial derivatives are recognized in the consolidated statement of income. Changes in the fair value of the hedged assets or liabilities are also recognized in the consolidated statement of income.

Cash flow hedge: Represents hedging for changes in the current and expected cash flows of the Group's assets and liabilities that affects the consolidated statement of income. When the conditions for an effective cash flow hedge are met, gains or losses from changes in the fair value of financial derivatives are recognized in other comprehensive income and are reclassified to the statement of income in the period in which the hedge transaction has an impact on the consolidated statement of income.

When the conditions for an effective hedge are not met, gains or losses from changes in the fair value of financial derivatives are recognized in the consolidated statement of income.

The ineffective portion is recognized in the consolidated statement of income.

Hedge for net investment in foreign entities when the conditions of the hedge for net investment in foreign entities are met, fair value is measured for the hedging instrument of the hedged net assets. In case of an effective relationship, the effective portion of the loss or profit related to the hedging instrument is recognized in the consolidated statement of comprehensive income and recorded in the consolidated statement of income when the investment in foreign entities is sold. The ineffective portion is recognized in the consolidated statement of income.

When the conditions of the effective hedge do not apply, gain or loss resulting from the change in the fair value of the hedging instrument is recorded in the consolidated statement of income.

Financial derivatives for trading

Financial derivatives held for trading are recognized at fair value in the consolidated statement of financial position with changes in fair value recognized in the consolidated statement of income.

Foreclosed assets

Such assets are those that have been the subject of foreclosure by the Group, and are initially recognized among "other assets" at the foreclosure value or fair value whichever is least.

At the date of the consolidated financial statements, foreclosed assets are revalued individually (fair value less selling cost); any decline in fair value is recognized in the consolidated statement of income. Any subsequent increase in value is recognized only to the extent that it does not exceed the previously recognized impairment losses.

Provisions

Provisions are recognized when the Group has an obligation as of the date of the consolidated financial statements as a result of past events, the obligation is likely to be settled, and a reliable estimate can be made of the amount of the obligation.

Provision for employees' end-of-service indemnities is estimated in accordance with the prevailing rules and regulations in the countries in which the Group operates. The expense for the year is recognized in the consolidated statement of income. Indemnities paid to employees are reduced from the provision.

Segments Information

Segment business represents a group of assets and operations shared to produce products or risk attributable services different from which related to other segments.

Geographic sector linked to present the products or the services in a specific economic environment attributable for risk and other income different from which related to other sectors work in other economic environment.

Assets under Management

These represent the accounts managed by the Group on behalf of its customers, but do not represent part of the Group's assets. The fees and commissions on managing these accounts are taken to the consolidated statement of income. Moreover, a provision is taken for the decline in the value of capital-guaranteed portfolios managed on behalf of its customers.

Offsetting

Financial assets and financial liabilities are offset, and the net amount is presented in the consolidated statement of financial position only when there is a legal right to offset the recognized amounts, and the Group intends to either settle them on a net basis or to realize the assets and settle the liabilities simultaneously

Cash and cash equivalents

Cash and cash equivalents comprise cash and balances with central banks and balances with banks and financial institutions maturing within three months, less restricted funds and balances owing to banks and financial institutions maturing within three months.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

In the process of applying the Group's accounting policies, management has made various judgements. Those which management has assessed to have the most significant effect on the amounts recognised in the consolidated financial statements have been discussed in the individual notes of the related financial statement line items.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are also described in the individual notes of the related financial statement line items below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared.

Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Management believes that the assumptions adopted in the consolidated financial statements are reasonable. The details are as follows:

- Impairment loss for foreclosed assets is booked after a recent valuation of the acquired properties has been conducted by approved surveyors. The impairment loss is reviewed periodically.

- The fiscal year is charged with its portion of income tax expenditures in accordance with the regulations, laws, and accounting standards. Moreover, deferred tax assets and liabilities and the income tax provision are recorded.

- The Management periodically reassesses the economic useful life of tangible and Intangible assets for the purpose of calculating annual depreciation and amortization based on the general condition of these assets and assessing their expected useful life in the future. The impairment loss is recorded in the consolidated income statement.

- A provision is set for lawsuits raised against the Group. This provision is based to an adequate legal study prepared by the Group's legal advisor. Moreover, the study highlights potential risks that the Group may encounter in the future. Such legal assessments are reviewed periodically.

Fair value hierarchy:

The level in the fair value hierarchy is determined and disclosed into which the fair value measurements are categorized in their entirety, segregating fair value measurements in accordance with the levels defined in IFRS. The difference between Level 2 and Level 3 fair value measurements represents whether inputs are observable and whether the unobservable inputs are significant, which may require judgment and a careful analysis of the inputs used to measure fair value, including consideration of factors specific to the asset or liability.

Provisions for impairment - ECL

In determining impairment of financial assets, judgement is required in the estimation of the amount and timing of future cash flows as well as an assessment of whether the credit risk on the financial asset has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of ECL.

Hyperinflationary economies

According to the criteria established by IAS 29, in order to assess whether an economy has a hyperinflationary inflation rate, the country's economic environment is evaluated, analyzing whether certain circumstances exist, such as:

- The country's population prefers to keep its wealth or savings in non-monetary assets or in a relatively stable foreign currency;
- Prices may be quoted in another relatively stable foreign currency;
- Sales and purchases on credit take place at prices that compensate for the expected loss of purchasing power during the credit period, even if the period is short;
- Interest rates, wages and prices are linked to a price index; and
- The cumulative inflation rate over three years is approaching or exceeds 100%.

The Group has assessed that the economy of Yemen is considered hyperinflationary considering the above criteria and hence the requirements of IAS 29 have been applied accordingly.

Inputs, assumptions and techniques used for ECL calculation – IFRS 9 Methodology

Key concepts in IFRS 9 that have the most significant impact and require a high level of judgment, as considered by the Group while determining the impact assessment, are:

In accordance with IFRS 9, a significant increase in credit risk can be assessed at the group / portfolio level if the common risk characteristics are shared. Any instruments that are collectively assessed must have common credit risk characteristics. The bank has followed the following criteria for determining the ECL calculation on a collective versus individual basis as follows:

- Retail Portfolio: on Collective Basis based on the product level (Loans, Housing Loans, Car Loans, and Credit Cards).
- Corporate Portfolio: individual basis at customer/ facility level.
- Financial Institutions: Individual Basis at Bank/ facility Level.
- Debt instruments measured at amortized cost: Individual Level at Instrument level.

- **Assessment of Significant Increase in Credit Risk (SICR)**

To assess whether the credit risk on a financial asset has increased significantly since origination, the Group compares the risk of default occurring over the expected life of the financial asset at the reporting date to the corresponding risk of default at origination, using key risk indicators that are used in the Group's existing risk management processes.

Our assessment of significant increases in credit risk will be performed periodically for each individual exposure based on three factors. If any of the following factors indicates that a significant increase in credit risk has occurred, the instrument will be moved from Stage 1 to Stage 2:

1. We have established thresholds for significant increases in credit risk based on movement in the customer's internal credit grade and the related PDs relative to initial recognition.
2. Restructuring and/or Rescheduling on the customers' accounts/ facilities during the assessment period is considered as indicator for SICR.

Movements between Stage 2 and Stage 3 are based on whether financial assets are credit-impaired as at the reporting date. The determination of credit-impairment under IFRS 9, is mentioned in the "Definition of default" below.

- **Macroeconomic Factors, Forward Looking Information (FLI) and Multiple Scenarios**

The measurement of expected credit losses for each stage and the assessment of significant increases in credit risk must consider information about past events and current conditions as well as *reasonable and supportable forecasts of future events and economic conditions. The estimation and* application of forward-looking information will require significant judgment in cooperation with international expert in this area.

PD, Loss Given Default (LGD) and Exposure At Default (EAD) inputs used to estimate Stage 1 and Stage 2 credit loss allowances are modelled based on the macroeconomic variables (or changes in macroeconomic variables) that are most closely correlated with credit losses in the relevant portfolio.

Each macroeconomic scenario used in our expected credit loss calculation will have forecasts of the relevant macroeconomic variables.
The estimation of expected credit losses in Stage 1 and Stage 2 will be a discounted probability-weighted estimate that considers a minimum of four future macroeconomic scenarios.

The base case scenario will be based on macroeconomic forecasts (e.g.: GDP, inflation, interest rate). Upside, downside1 and downside 2 scenarios will be set relative to our base case scenario based on reasonably possible alternative macroeconomic conditions.

Scenarios will be probability-weighted according to the best estimate of their relative likelihood based on historical frequency and current trends and conditions. Probability weights will be updated on a quarterly basis. All scenarios considered will be applied to all portfolios subject to expected credit losses with the same probabilities.

- **Definition of default**

The definition of default used in the measurement of expected credit losses and the assessment to determine movement between stages will be consistent with the definition of default used for internal credit risk management purposes. IFRS 9 does not define default, but contains a rebuttable presumption that default has occurred when an exposure is greater than 90 days past due.

Notwithstanding the above, the classification of credit facilities is governed by the Central Bank of Jordan regulations unless local regulations in other countries are stricter, or the Bank has to adopt the same by law.

The Group has set out the definition of default where a default is considered to have occurred when either or both of the two following events have taken place:

- The obligor is considered unlikely to pay its credit obligations in full
- The obligor is past due for 90 days or more on any material credit obligation.

- **Expected Life**

When measuring ECL, the Group must consider the maximum contractual period over which the Bank is exposed to credit risk. All contractual terms should be considered when determining the expected life, including prepayment options and extension and rollover options. For certain revolving credit facilities that do not have a fixed maturity, the expected life is estimated based on the period over which the Group is exposed to credit risk and where the credit losses would not be mitigated by management actions.

Compliance of the IFRS9 implementation

To ensure proper compliance of the IFRS9 implementation, a steering committee was formed consisting of the Chief Risk Officer, Chief Financial Officer, Chief Credit Officer, Head of IT and Head of Project Management with the responsibilities to provide decisions/ feedback on the work plan regarding implementation and adoption of IFRS 9 to ensure all relevant policies and procedures are updated in line with the new requirements and systems are modified / updated for the new requirements, in addition to present the ECL results to the CEO and related Committees of the Board of Directors.

6. BUSINESS COMBINATIONS

Arab Bank Group owns 49% of OAB and the investment was accounted for as an associate in prior years. Currently, Arab Bank has the power and the ability to appoint majority of OAB Board of Directors (five out of nine) as a result of the amendments on OAB's Article of Association. Accordingly, the Group has obtained control over OAB and it was classified as a subsidiary.

Accordingly, the bank performed a valuation of OAB assets and liabilities which resulted in the recognition of core deposits intangible with a total amount of USD 38.2 million.

Below are the fair values of the identifiable assets and liabilities of OAB as of the date of acquisition:

ASSETS	**USD '000**
Cash and deposits with banks	763 005
Direct credit facilities at amortized cost	6 845 338
Financial assets at fair value through OCI	122 192
Other financial assets at amortized cost	501 751
Fixed assets	121 052
Other assets	211 815
Deferred tax assets	6 387
Intangible assets *	38 228
Total assets	**8 609 768**
LIABILITIES	
Banks and financial institutions deposits	37 457
Customers' deposits	7 156 649
Provision for income tax	11 706
Other liabilities	192 801
Subordinated debt	51 948
Perpetual bonds	188 449
Total liabilities	**7 639 011**
Total identifiable net assets at fair value	970 757
Non - controlling interests	(520 205)
Goodwill arising on acquisition *	49 253
Purchase Consideration **	**499 805**

* This amount represents the total Goodwill arising on acquisition. The Group's share is amounted to USD 24.1 million and the Group's share of the intangible assets amounted to USD 18.7 million.
** This amount represents the value of the associate prior to the transaction.

Analysis of cash flows resulted from the control:

	USD '000
Net cash acquired from Oman Arab Bank excluding balances mature after 3 months (included in cash flows from investing activities)	689 119
Cash paid	-
Net cash flows on acquisition	**689 119**

7 - PROVISION FOR IMPAIRMENT - ECL

The below table shows the ECL charges on financial instruments for the year recorded in the consolidated statement of income:

	Notes	2021 Stage 1	Stage 2	Stage 3	Total
		USD '000	USD '000	USD '000	USD '000
Balances with central banks	8	(249)	60 449	-	60 200
Balances with banks and financial institutions	9	(151)	-	-	(151)
Deposits with banks and financial institutions	10	(1 810)	-	-	(1 810)
Direct credit facilities at amortized cost	13	(36 080)	185 065	307 208	456 193
Debt instruments at FVTOCI	12	446	-	(1 039)	(593)
Debt instruments included in financial assets at amortized cost	14	(5 649)	(680)	-	(6 329)
Indirect facilities	25	(7 728)	(3 743)	64 054	52 583
Total		**(51 221)**	**241 091**	**370 223**	**560 093**

	Notes	2020 Stage 1	Stage 2	Stage 3	Total
		USD '000	USD '000	USD '000	USD '000
Balances with central banks	8	54	133 538	-	**133 592**
Balances with banks and financial institutions	9	429	-	-	**429**
Deposits with banks and financial institutions	10	1 021	-	-	**1 021**
Direct credit facilities at amortized cost	13	26 824	152 915	323 398	**503 137**
Debt instruments included in financial assets at amortized cost	14	111	1 091	(402)	**800**
Indirect facilities	25	320	12 928	6 103	**19 351**
Total		**28 759**	**300 472**	**329 099**	**658 330**

8 - CASH AND BALANCES WITH CENTRAL BANKS

The details of this item are as follows:

	31 December	
	2021	2020
	USD '000	USD '000
Cash in vaults	774 302	673 453
Balances with central banks:		
- Current accounts	4 868 254	4 614 615
- Time and notice	5 082 189	3 749 222
- Mandatory cash reserve	1 484 161	1 613 267
- Certificates of deposit	-	299 421
Less: Net ECL Charges	(201 912)	(142 351)
Total	**12 006 994**	**10 807 627**

- Except for the mandatory cash reserve, there are no restricted balances at Central Banks.

- Balances and certificates of deposit maturing after three months amounted to USD 25 million as of 31 December 2021 (USD 25 million as of 31 December 2020).

The Classification of gross balances with Central Banks according to the Group's internal credit rating is as follows:

	31 December 2021				31 December 2020
	Stage 1	Stage 2	Stage 3	Total	Total
	USD '000	USD '000	USD '000	USD '000	USD '000
Low risk / performing	10 715 769	-	-	**10 715 769**	**9 711 578**
Acceptable risk / performing	-	718 835	-	**718 835**	**564 947**
Total	**10 715 769**	**718 835**	-	**11 434 604**	**10 276 525**

-Probability of default at low risk 0.0% - 0.22%

-Probability of default at acceptable risk 0.22% - 28%

The movement on total balances with central banks is as follows:

	31 December 2021				31 December 2020
	Stage 1	Stage 2	Stage 3	Total	Total
	USD '000	USD '000	USD '000	USD '000	USD '000
Balance at the beginning of the year	**9 711 578**	**564 947**	-	**10 276 525**	**7 380 833**
Acquisition of Oman Arab Bank (Note 6)	470 346	-	-	**470 346**	-
Amended balance at the beginning of the year	**10 181 924**	**564 947**	-	**10 746 871**	**7 380 833**
New balances (Additions)	1 653 198	153 888	-	**1 807 086**	**3 074 063**
Repaid balances	(917 455)	-	-	**(917 455)**	**(261 483)**
Transfers to stage 1	-	-	-	-	-
Transfers to stage 2	-	-	-	-	-
Transfers to stage 3	-	-	-	-	-
Translation Adjustments	(201 898)	-	-	**(201 898)**	**83 112**
Balance at the end of the year	**10 715 769**	**718 835**	-	**11 434 604**	**10 276 525**

The movement of ECL charges on balances with central banks is as follows:

	31 December 2021				31 December 2020
	Stage 1	Stage 2	Stage 3	Total	Total
	USD '000	USD '000	USD '000	USD '000	USD '000
Balance at the beginning of the year	**2 797**	**139 554**	-	**142 351**	**8 808**
New ECL charges during the year	339	60 449	-	**60 788**	**135 117**
Recoveries	(588)	-	-	**(588)**	**(1 525)**
Transfers to stage 1	-	-	-	-	-
Transfers to stage 2	-	-	-	-	-
Transfers to stage 3	-	-	-	-	-
Translation Adjustments	(639)	-	-	**(639)**	**(49)**
Balance at the end of the year	**1 909**	**200 003**	-	**201 912**	**142 351**

9 - BALANCES WITH BANKS AND FINANCIAL INSTITUTIONS

The details of this item are as follows:

Local banks and financial institutions

	31 December 2021	31 December 2020
	USD '000	USD '000
Current accounts	3 561	4 241
Time deposits maturing within 3 months	163 197	197 091
Total	166 758	201 332

Abroad Banks and financial institutions

	31 December 2021	31 December 2020
	USD '000	USD '000
Current accounts	1 281 946	1 918 206
Time deposits maturing within 3 months	2 310 345	2 484 520
Total	3 592 291	4 402 726
Less: Net ECL Charges	(2 765)	(2 893)
Total balances with Banks and Financial Institutions Local and Abroad	3 756 284	4 601 165

There are no non interest bearing balances as of 31 December 2021 and 2020.
There are no restricted balances as of 31 December 2021 and 2020.

The table below shows the credit quality and the maximum exposure to credit risk based on the bank's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances.

	31 December 2021				31 December 2020
	Stage 1	Stage 2	Stage 3	Total	Total
	USD '000	USD '000	USD '000	USD '000	USD '000
Low risk / performing	2 841 637	-	-	2 841 637	3 693 046
Acceptable risk / performing	917 412	-	-	917 412	911 012
Total	3 759 049	-	-	3 759 049	4 604 058

-Probability of default at low risk 0.0% - 0.22%
-Probability of default at acceptable risk 0.22% - 7.86%

An Analysis of change in the gross carrying amount and the corresponding ECL allowance is as follows:

	31 December 2021				31 December 2020
	Stage 1	Stage 2	Stage 3	Total	Total
	USD '000	USD '000	USD '000	USD '000	USD '000
Balance at the beginning of the year	4 604 058	-	-	4 604 058	4 260 931
Acquisition of Oman Arab Bank (Note 6)	181 127	-	-	181 127	-
Amended balance at the beginning of the year	4 785 185	-	-	4 785 185	4 260 931
New balances (Additions)	724 798	-	-	724 798	363 850
Repaid balances	(1 685 881)	-	-	(1 685 881)	(130 416)
Transfers to stage 1	-	-	-	-	-
Transfers to stage 2	-	-	-	-	-
Transfers to stage 3	-	-	-	-	-
Translation Adjustments	(65 053)	-	-	(65 053)	109 693
Balance at the end of the year	3 759 049	-	-	3 759 049	4 604 058

The movement of ECL charges on balances with banks and financial institutions is as follows:

	31 December 2021				31 December 2020
	Stage 1	Stage 2	Stage 3	Total	Total
	USD '000	USD '000	USD '000	USD '000	USD '000
Balance at the beginning of the year	2 893	-	-	2 893	2 338
Acquisition of Oman Arab Bank (Note 6)	106	-	-	106	-
Amended balance at the beginning of the year	2 999	-	-	2 999	2 338
New ECL charges during the year	529	-	-	529	1 568
Recoveries	(680)	-	-	(680)	(1 139)
Transfers to stage 1	-	-	-	-	-
Transfers to stage 2	-	-	-	-	-
Transfers to stage 3	-	-	-	-	-
Adjustments during the year	1	-	-	1	(3)
Translation Adjustments	(84)	-	-	(84)	129
Balance at the end of the year	2 765	-	-	2 765	2 893

10 - DEPOSITS WITH BANKS AND FINANCIAL INSTITUTIONS

The details of this item are as follows:

Local banks and financial institutions	31 December 2021 USD '000	31 December 2020 USD '000
Time deposits maturing after 6 months and before 9 months	21 150	20 552
Time deposits maturing after 9 months and before one year	6 161	33 280
Time deposits maturing after one year	47 610	21 150
Total	**74 921**	**74 982**

Abroad banks and financial institutions	31 December 2021 USD '000	31 December 2020 USD '000
Time deposits maturing after 3 months and before 6 months	148 112	110 419
Time deposits maturing after 6 months and before 9 months	53 307	100 354
Time deposits maturing after 9 months and before one year	-	5 153
Total	**201 419**	**215 926**
Less: Net ECL Charges	(846)	(2 743)
Total Deposits with banks and financial institutions Local and Abroad	**275 494**	**288 165**

There are no restricted deposits as of 31 December 2021 and 2020.

The table below shows the credit quality and the maximum exposure to credit risk based on the bank's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances.

	31 December 2021				31 December 2020
	Stage 1	Stage 2	Stage 3	**Total**	**Total**
	USD '000	**USD '000**	**USD '000**	**USD '000**	**USD '000**
Low risk / performing	182 268	-	-	**182 268**	**137 258**
Acceptable risk / performing	94 072	-	-	**94 072**	**153 650**
Total	276 340	-	-	**276 340**	**290 908**

-Probability of default at low risk 0.0% - 0.22%
-Probability of default at acceptable risk 0.22% - 7.86%

An Analysis of change in the gross carrying amount and the corresponding ECL allowance is as follows:

	31 December 2021				31 December 2020
	Stage 1	Stage 2	Stage 3	**Total**	**Total**
	USD '000	**USD '000**	**USD '000**	**USD '000**	**USD '000**
Balance at the beginning of the year	**290 908**	-	-	**290 908**	**315 234**
New balances (Additions)	27 413	-	-	**27 413**	**110 422**
Repaid balances	(32 282)	-	-	**(32 282)**	**(143 615)**
Transfers to stage 1	-	-	-	-	-
Transfers to stage 2	-	-	-	-	-
Transfers to stage 3	-	-	-	-	-
Translation Adjustments	(9 699)	-	-	**(9 699)**	**8 867**
Balance at the end of the year	**276 340**	-	-	**276 340**	**290 908**

The movement of ECL charges on Deposits with Banks and Financial Institutions is as follows:

	31 December 2021				31 December 2020
	Stage 1	Stage 2	Stage 3	**Total**	**Total**
	USD '000	**USD '000**	**USD '000**	**USD '000**	**USD '000**
Balance at the beginning of the year	**2 743**	-	-	**2 743**	**1 678**
New ECL charges during the year	90	-	-	**90**	**1 801**
Recoveries	(1 900)	-	-	**(1 900)**	**(780)**
Transfers to stage 1	-	-	-	-	-
Transfers to stage 2	-	-	-	-	-
Transfers to stage 3	-	-	-	-	-
Adjustments during the year	(1)	-	-	**(1)**	**3**
Translation Adjustments	(86)	-	-	**(86)**	**41**
Balance at the end of the year	**846**	-	-	**846**	**2 743**

11 - FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The details of this item are as follows:

	31 December	
	2021	*2020*
	USD '000	USD '000
Treasury bills and Government bonds	4 727	79 694
Corporate bonds	35 390	204 136
Corporate shares	12 091	2 532
Mutual funds	20 135	17 692
Total	**72 343**	**304 054**

	31 December 2021		
	Designated as FV	Carried Mandatorily at FV	Total
	USD '000	USD '000	USD '000
Treasury bills and Government bonds	4 727	-	**4 727**
Corporate bonds	35 390	-	**35 390**
Corporate shares	-	12 091	**12 091**
Mutual funds	-	20 135	**20 135**
Total	**40 117**	**32 226**	**72 343**

	31 December 2020		
	Designated as FV	Carried Mandatorily at FV	Total
	USD '000	USD '000	USD '000
Treasury bills and Government bonds	79 694	-	**79 694**
Corporate bonds	204 136	-	**204 136**
Corporate shares	-	2 532	**2 532**
Mutual funds	-	17 692	**17 692**
Total	**283 830**	**20 224**	**304 054**

12 - FINANCIAL ASSETS AT FAIR VALUE THROUGH OCI

The details of this item are as follows:

	31 December 2021	31 December 2020
	USD '000	USD '000
Quoted shares	163 766	122 363
Un-quoted shares	211 587	287 352
Governmental bonds and bonds guaranteed by the government	219 330	-
Corporate bonds through OCI	93 643	-
Less: Net ECL Charges	(472)	-
Total	**687 854**	**409 715**

* Cash dividends from the investments in shares above amounted to USD 6.1 million for the year ended 31 December 2021 (USD 5.7 million as of 31 December 2020).

The movement of ECL charges on Financial Assets at OCI is as follows:

	31 December 2021			
	USD '000	*USD '000*	*USD '000*	*USD '000*
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance at the beginning of the year	-	-	-	-
Acquisition of Oman Arab Bank (Note 6)	26	-	1 039	**1 065**
Adjusted Balance at the beginning of the year	**26**	-	**1 039**	**1 065**
Net ECL Charges (reversals) for the period / year	446	-	(1 039)	**(593)**
Balance at the end of the year	**472**	-	-	**472**

The reversal of allowance for bonds at fair value through OCI for the year 2021 amounted to USD 593 thousands does not change the carrying amount of these investments, which are measured at fair value but gives rise to an equal and opposite loss in OCI.

	31 December 2021		
	Designated as FV	**Carried Mandatorily at FV**	**Total**
	USD '000	**USD '000**	**USD '000**
Quoted shares	-	163 766	**163 766**
Un-quoted shares	-	211 587	**211 587**
Governmental bonds and bonds guaranteed by the government	219 330	-	**219 330**
Corporate bonds through OCI	93 643	-	**93 643**
Less: Net ECL Charges	(472)	-	**(472)**
Total	**312 501**	**375 353**	**687 854**

	31 December 2020		
	Designated as FV	**Carried Mandatorily at FV**	**Total**
	USD '000	**USD '000**	**USD '000**
Quoted shares	-	122 363	**122 363**
Un-quoted shares	-	287 352	**287 352**
Total	-	**409 715**	**409 715**

13 - DIRECT CREDIT FACILITIES AT AMORTIZED COST

The details of this item are as follows:

	31 December 2021					
	Consumer Banking	Corporates		Banks and Financial Institutions	Government and Public Sector	Total
		Small and Medium	Large			
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Discounted bills *	50 829	103 133	645 780	336 437	22 442	**1 158 621**
Overdrafts *	93 379	1 486 085	3 480 308	4 274	408 225	**5 472 271**
Loans and advances *	4 943 584	2 286 684	13 357 152	37 537	2 068 640	**22 693 597**
Real-estate loans	4 022 728	479 256	492 740	-	-	**4 994 724**
Credit cards	231 250	-	-	-	-	**231 250**
Total	**9 341 770**	**4 355 158**	**17 975 980**	**378 248**	**2 499 307**	**34 550 463**
Less: Interest and commission in suspense	106 284	143 654	528 556	49	-	**778 543**
Provision for impairment - ECL	312 222	397 379	1 856 016	5 511	12 006	**2 583 134**
Total	**418 506**	**541 033**	**2 384 572**	**5 560**	**12 006**	**3 361 677**
Net Direct Credit Facilities at Amortized Cost	**8 923 264**	**3 814 125**	**15 591 408**	**372 688**	**2 487 301**	**31 188 786**

* Net of interest and commission received in advance, which amounted to USD 117.4 million as of 31 December 2021.

- Rescheduled loans during the year ended 31 December 2021 amounted to USD 1041.2 million.
- Restructured loans (transferred from non performing to watch list loans) during the year ended 31 December 2021 amounted to USD 1.3 million.
- Direct credit facilities granted to and guaranteed by the Government of Jordan as of 31 December 2021 amounted to USD 100.1 million, or 0.3% of total direct credit facilities.
- Non-performing direct credit facilities as of 31 December 2021 amounted to USD 2855.3 million, or 8.3% of total direct credit facilities.
- Non-performing direct credit facilities (net of interest and commission in suspense) as of 31 December 2021 amounted to USD 2117.4 million or 6.3% of direct credit facilities (after deducting interest and commission in suspense).

	31 December 2020					
	Consumer Banking	Corporates		Banks and Financial Institutions	Government and Public Sector	Total
		Small and Medium	Large			
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Discounted bills *	68 294	91 600	549 247	157 770	13 764	**880 675**
Overdrafts *	92 404	1 136 980	3 359 056	5 662	442 991	**5 037 093**
Loans and advances *	3 533 021	1 967 850	11 255 638	32 626	906 931	**17 696 066**
Real-estate loans	2 336 319	145 412	210 500	-	-	**2 692 231**
Credit cards	185 802	-	-	-	-	**185 802**
Total	**6 215 840**	**3 341 842**	**15 374 441**	**196 058**	**1 363 686**	**26 491 867**
Less: Interest and commission in suspense	92 524	115 426	411 265	53	-	**619 268**
Provision for impairment - ECL	260 547	300 441	1 390 880	5 230	7 643	**1 964 741**
Total	**353 071**	**415 867**	**1 802 145**	**5 283**	**7 643**	**2 584 009**
Net Direct Credit Facilities at Amortized Cost	**5 862 769**	**2 925 975**	**13 572 296**	**190 775**	**1 356 043**	**23 907 858**

* Net of interest and commission received in advance, which amounted to USD 123.5 million as of 31 December 2020.

- Rescheduled loans during the year ended 31 December 2020 amounted to USD 491.7 million.
- Restructured loans (transferred from non performing to watch list loans) during the year ended 31 December 2020 amounted to USD 8 million.
- Direct credit facilities granted to and guaranteed by the Government of Jordan as of 31 December 2020 amounted to USD 77.9 million, or 0.3% of total direct credit facilities.
- Non-performing direct credit facilities as of 31 December 2020 amounted to USD 2358.4 million, or 8.9% of total direct credit facilities.
- Non-performing direct credit facilities (net of interest and commission in suspense) as of 31 December 2020 amounted to USD 1763.3 million or 6.8% of direct credit facilities (after deducting interest and commission in suspense).

The details of the movement on the provision for impairment - ECL for direct credit facilities at amortized cost as of 31 December 2021 was as follows:

	31 December 2021						
	Consumer Banking	Corporates		Banks and *Financial Institutions*	Government and Public *Sector*	Total	The total includes movement on the real-estate loans *provision as* follows:
		Small and Medium	*Large*				
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Balance at the beginning of the year	**260 547**	**300 441**	**1 390 880**	**5 230**	**7 643**	**1 964 741**	**36 921**
Acquisition of Oman Arab Bank (Note 6)	36 973	48 852	148 319	-	4 626	**238 770**	42 044
Amended balance at the beginning of the year	**297 520**	**349 293**	**1 539 199**	**5 230**	**12 269**	**2 203 511**	**78 965**
ECL charges during the year	52 993	75 124	410 690	1 868	(26)	**540 649**	15 380
Recoveries	(25 380)	(22 821)	(99 685)	(1 398)	(380)	**(149 664)**	(5 523)
Transferred to Stage 1	922	(504)	(6 563)	-	(443)	**(6 588)**	-
Transferred to Stage 2	288	(29 481)	(11 793)	-	443	**(40 543)**	-
Transferred to Stage 3	(1 210)	29 985	18 356	-	-	**47 131**	-
Impact on year end ECL caused by transfers between stages *during the year*	3 671	18 646	42 782	-	109	**65 208**	(4)
Used from provision (written off or transferred to off statement of financial position)	(13 255)	(5 105)	(25 763)	-	-	**(44 123)**	(1 520)
Adjustments during the year	655	(10 622)	(1 326)	2	350	**(10 941)**	331
Translation Adjustments	*(3 982)*	*(7 136)*	*(9 881)*	*(191)*	*(316)*	***(21 506)***	*(58)*
Balance at the end of the year	**312 222**	**397 379**	**1 856 016**	**5 511**	**12 006**	**2 583 134**	**87 571**

The details of the movement of the provision for impairment - ECL for direct credit facilities at amortized cost as of 31 December 2020 was as follows:

	31 December 2020						
	Consumer Banking	Corporates		Banks and Financial Institutions	Government and Public Sector	Total	The total includes movement on the real - estates loans provision as follows:
		Small and Medium	*Large*				
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Balance at the beginning of the year	165 691	236 333	1 222 169	5 013	3 956	**1 633 162**	20 720
ECL charges during the year	67 307	92 667	345 868	1 601	3 666	**511 109**	14 244
Recoveries	(13 230)	(16 682)	(63 756)	(1 054)	(725)	**(95 447)**	(2 290)
Transferred to Stage 1	(343)	(456)	(2 165)	-	(112)	**(3 076)**	(36)
Transferred to Stage 2	(11)	(1 716)	(34 171)	-	112	**(35 786)**	298
Transferred to Stage 3	354	2 172	36 336	-	-	**38 862**	(262)
Impact on year end ECL caused by transfers between stages during the year	20 763	5 267	60 808	-	637	**87 475**	4 157
Used from provision (written off or transferred to off statement *of financial position)*	(3 452)	(1 515)	(151 362)	-	-	**(156 329)**	(56)
Adjustments during the year	20 991	(18 032)	(23 729)	-	-	**(20 770)**	130
Translation Adjustments	2 477	2 403	882	(330)	109	**5 541**	16
Balance at the end of the year	**260 547**	**300 441**	**1 390 880**	**5 230**	**7 643**	**1 964 741**	**36 921**

- There are no provisions no longer required as a result of settlement or repayment, transferred to non-performing direct credit facilities as of 31 December 2021 and in 31 December 2020.

- Impairment is assessed based on individual customer accounts.

* Non-performing direct credit facilities transferred to off consolidated statement of financial position amounted to USD 33.5million as of 31 December 2021. (USD 175.3 million as of 31 December 2020) noting that these non-performing direct credit facilities are fully covered by set provisions and suspended interest.

The following tables outline the impact of multiple scenarios on the provision for impairment - ECL (Without Consumer banking):

	31 December 2021							
			Corporates					
	Due from Banks	Other Financial Assets	Large Corporates	Small and Medium Corporates	Banks and Financial Institutions	Government and Public Sector	Items off Statement of Financial Position	**Total**
	USD '000	**USD '000**	**USD '000**	**USD '000**	**USD '000**	**USD '000**	**USD '000**	**USD '000**
Upside (20%)	124 863	24 986	1 738 685	383 960	5 248	9 536	130 970	**2 418 248**
Base case (45%)	132 714	26 928	1 787 751	390 006	5 369	10 664	136 397	**2 489 829**
Downside 1 (35%)	345 226	50 635	2 010 831	414 526	5 844	15 143	165 538	**3 007 743**

	31 December 2020							
			Corporates					
	Due from Banks	Other Financial Assets	Large Corporates	Small and Medium Corporates	Banks and Financial Institutions	Government and Public Sector	Items off Statement of Financial Position	**Total**
	USD '000	**USD '000**	**USD '000**	**USD '000**	**USD '000**	**USD '000**	**USD '000**	**USD '000**
Upside (15%)	126 477	34 214	1 188 717	256 772	4 470	6 532	78 585	**1 695 767**
Base case (35%)	135 682	36 704	1 275 231	275 460	4 795	7 007	84 305	**1 819 184**
Downside 1 (20%)	156 634	42 372	1 472 154	317 997	5 536	8 090	97 323	**2 100 106**
Downside 2 (30%)	167 333	45 266	1 572 703	339 716	5 914	8 642	103 970	**2 243 544**

The following tables outline the impact of multiple scenarios on the provision for impairment - ECL (Consumer banking):

31 December 2021		**31 December 2020**	
Upside (20%)	299 782	Upside (30%)	249 214
Base case (45%)	305 383	Base case (40%)	257 993
Downside 1 (35%)	328 127	Downside (30%)	275 286

The above table shows both the contribution to the total ECL for each probability-weighted scenario, in addition to the total additional impact on the ECL for applying multiple economic scenarios compared to the ECL that would have resulted from applying a 100% weighting to the base case scenario.

The of movement on interest and commissions in suspense are as follows:

	31 December 2021						
	Consumer Banking	Corporates		Banks and Financial Institutions	Government and Public Sector	Total	The total includes interest and commission in suspense movement on real - estates loans as follows:
		Small and Medium	Large				
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Balance at the beginning of the year	**92 524**	**115 426**	**411 265**	**53**	-	**619 268**	**17 415**
Acquisition of Oman Arab Bank (Note 6)	5 499	9 795	15 774	-	-	31 068	3 894
Amended balance at the beginning of the year	***98 023***	***125 221***	***427 039***	***53***	-	***650 336***	***21 309***
Interest and commission suspended during the year	23 826	26 865	136 612	-	-	**187 303**	5 333
Interest and commission in suspense settled (written off or transferred to off consolidated statement of financial position)	(8 680)	(3 885)	(19 311)	-	-	**(31 876)**	(227)
Recoveries	(5 541)	(2 803)	(5 122)	-	-	**(13 466)**	(3 690)
Adjustments during the year	274	(920)	647	(2)	-	(1)	2
Translation adjustments	(1 618)	(824)	(11 309)	(2)	-	**(13 753)**	-
Balance at the End of the Year	***106 284***	***143 654***	***528 556***	***49***	-	***778 543***	***25 727***

	31 December 2020						
	Consumer Banking	Corporates		Banks and Financial Institutions	Government and Public Sector	Total	The total includes interest and commission in suspense movement on real - estates loans as follows:
		Small and Medium	Large				
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Balance at the beginning of the year	71 191	110 022	359 718	59	-	**540 990**	13 611
Interest and commission suspended during the year	20 019	20 317	100 421	-	-	**140 757**	5 793
Interest and commission in suspense settled (written off or transferred to off consolidated statement of financial position)	(4 259)	(4 148)	(26 905)	-	-	**(35 312)**	(190)
Recoveries	(3 855)	(1 857)	(15 733)	-	-	**(21 445)**	(1 771)
Adjustments during the year	8 941	(9 140)	199	-	-	-	-
Translation adjustments	487	232	(6 435)	(6)	-	**(5 722)**	(28)
Balance at the End of the Year	**92 524**	**115 426**	**411 265**	**53**	-	**619 268**	**17 415**

Classification of direct credit facilities at amortized cost based on the geographical and economic sectors is as follows:

	Inside Jordan	Outside Jordan	31 December 2021	31 December 2020	ECL 31 December 2021
Economic Sector	**USD '000**	**USD '000**	**USD '000**	**USD '000**	**USD '000**
Consumer Banking	3 236 202	5 687 062	8 923 264	5 562 769	312 222
Industry and mining	1 420 496	3 270 347	4 690 843	4 577 963	511 174
Constructions	467 552	1 823 518	2 291 070	1 864 976	473 866
Real - Estates	312 747	1 523 598	1 836 345	1 630 077	73 428
Trade	1 326 276	2 762 394	4 088 670	3 906 963	365 867
Agriculture	184 144	532 290	716 434	335 015	53 015
Tourism and Hotels	255 653	757 853	1 013 506	633 796	74 309
Transportations	115 967	405 881	521 848	353 413	69 645
Shares		35 939	35 939	11 988	4 891
General Services	924 554	3 286 324	4 210 878	3 188 063	624 200
Banks and Financial Institutions	21 274	351 414	372 688	390 775	5 511
Government and Public Sector	196 393	2 290 908	2 487 301	1 356 043	12 006
Net Direct Credit Facilities at amortized Cost	**8 461 258**	**22 727 528**	**31 188 786**	**23 907 858**	**2 583 134**

	31 December 2021							
	Direct Credit Facilities (excluding Interest in suspense)				Provision for impairment			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Inside Jordan	6 876 916	1 690 316	376 229	**8 943 461**	25 263	129 323	327 614	**482 200**
Outside Jordan	19 668 232	3 421 267	1 738 960	**24 828 459**	76 570	525 677	1 498 687	**2 100 934**
Total	**26 545 148**	**5 111 583**	**2 115 189**	**33 771 920**	**101 833**	**655 000**	**1 826 301**	**2 583 134**

Direct Credit Facilities at Amortized Cost

The table below shows the credit quality and the maximum exposure to credit risk based on the bank's internal credit rating system.

	31 December 2021				31 December 2020
	Stage 1	Stage 2	Stage 3	Total	Total
	USD '000	USD '000	USD '000	USD '000	USD '000
Low risk / performing	6 817 272	-	-	6 817 272	5 518 512
Acceptable risk / performing	19 729 551	5 148 329	-	24 877 880	18 614 936
Non-performing:					
- Substandard	-	-	148 380	148 380	240 839
- Doubtful	-	-	297 949	297 949	448 661
- Problematic	-	-	2 408 982	2 408 982	1 668 919
Total	26 546 823	5 148 329	2 855 311	34 550 463	26 491 867

The movement on total direct credit facilities at amortized cost - Total:

	31 December 2021				31 December 2020
	Stage 1	Stage 2	Stage 3	Total	Total
	USD '000	USD '000	USD '000	USD '000	USD '000
Balance at the beginning of the year	20 784 373	3 349 075	2 358 419	26 491 867	26 134 777
Acquisition of Oman Arab Bank (Note 6)	5 198 858	1 594 511	318 335	7 111 704	-
Amended balance at the beginning of the year	25 983 231	4 943 586	2 676 754	33 603 571	26 134 777
New balances (Additions)	7 466 453	985 969	270 552	8 722 974	6 589 513
Repaid balances	(5 973 225)	(1 237 964)	(124 922)	(7 336 111)	(6 300 493)
Transfers to stage 1	558 642	(547 861)	(10 781)	-	-
Transfers to stage 2	(1 195 595)	1 236 334	(40 739)	-	-
Transfers to stage 3	(39 901)	(176 679)	216 580	-	-
Written off balances or transferred to off statement of financial position	-	(954)	(73 865)	(74 819)	(190 347)
Translation Adjustments	(252 782)	(54 102)	(58 268)	(365 152)	258 417
Balance at the end of the year	26 546 823	5 148 329	2 855 311	34 550 463	26 491 867

The movement of ECL charges on direct credit facilities at amortized cost by stage is as follows:

	31 December 2021				31 December 2020
	Stage 1	Stage 2	Stage 3	Total	Total
	USD '000	USD '000	USD '000	USD '000	USD '000
Balance at the beginning of the year	120 651	440 147	1 403 943	1 964 741	1 633 162
Acquisition of Oman Arab Bank (Note 6)	25 386	76 070	137 314	238 770	-
Amended balance at the beginning of the year	146 037	516 217	1 541 257	2 203 511	1 633 162
ECL charges during the year	3 561	189 355	347 733	540 649	511 109
Recoveries	(39 641)	(44 730)	(65 293)	(149 664)	(95 447)
Transfers to stage 1	5 827	(5 599)	(228)	-	-
Transfers to stage 2	(12 148)	14 824	(2 676)	-	-
Transfers to stage 3	(267)	(49 768)	50 035	-	-
Impact on year end ECL caused by transfers between stages during the year	-	40 440	24 768	65 208	87 475
Written off balances or transferred to off statement of financial position	-	(954)	(43 169)	(44 123)	(156 329)
Adjustments during the year	464	(3 641)	(7 764)	(10 941)	(20 770)
Translation Adjustments	(2 000)	(1 144)	(18 362)	(21 506)	5 541
Balance at the end of the year	101 833	655 000	1 826 301	2 583 134	1 964 741

Direct Credit Facilities at Amortized Cost - Consumer Banking

The table below shows the credit quality and the maximum exposure to credit risk based on the bank's internal credit rating system.

	31 December 2021				31 December 2020
	Stage 1	Stage 2	Stage 3	Total	Total
	USD '000	USD '000	USD '000	USD '000	USD '000
Low risk / performing	1 540 463	-	-	1 540 463	1 126 771
Acceptable risk / performing	7 220 230	168 085	-	7 388 315	4 719 734
Non-performing:					
- Substandard	-	-	39 845	39 845	52 036
- Doubtful	-	-	41 286	41 286	36 538
- Problematic	-	-	331 861	331 861	280 761
Total	8 760 693	168 085	412 992	9 341 770	6 215 840

-Probability of default at low risk 2.0% - 3.5%
-Probability of default at acceptable risk 3.5% - 57%
-Probability of default at High risk 100%

The movement on total direct credit facilities at amortized cost - consumer banking is as follows:

	31 December 2021				31 December 2020
	Stage 1	Stage 2	Stage 3	Total	Total
	USD '000	USD '000	USD '000	USD '000	USD '000
Balance at the beginning of the year	5 678 575	167 930	369 335	6 215 840	5 844 211
Acquisition of Oman Arab Bank (Note 6)	2 638 991	38 929	61 128	2 739 048	-
Amended balance at the beginning of the year	8 317 566	206 859	430 463	8 954 888	5 844 211
New balances (Additions)	1 809 282	17 964	50 670	1 877 916	1 315 985
Repaid balances	(1 284 978)	(74 172)	(35 797)	(1 394 947)	(1 011 250)
Transfers to stage 1	79 746	(69 995)	(9 751)	-	-
Transfers to stage 2	(74 247)	107 316	(33 069)	-	-
Transfers to stage 3	(21 409)	(18 508)	39 917	-	-
Written off balances or transferred to off statement of financial position	-	-	(21 971)	(21 971)	(7 612)
Adjustments during the year	-	-	-	-	-
Translation Adjustments	(65 267)	(1 379)	(7 470)	(74 116)	74 506
Balance at the end of the year	8 760 693	168 085	412 992	9 341 770	6 215 840

The movement of ECL charges on direct credit facilities at amortized cost - consumer banking is as follows:

	31 December 2021				31 December 2020
	Stage 1	Stage 2	Stage 3	Total	Total
	USD '000	USD '000	USD '000	USD '000	USD '000
Balance at the beginning of the year	27 135	18 216	215 196	260 547	165 691
Acquisition of Oman Arab Bank (Note 6)	10 445	3 818	22 710	36 973	-
Amended balance at the beginning of the year	37 580	22 034	237 906	297 520	165 691
ECL charges during the year	5 730	7 285	39 978	52 993	67 307
Recoveries	(4 278)	(1 964)	(19 138)	(25 380)	(13 230)
Transfers to stage 1	1 274	(1 114)	(160)	-	-
Transfers to stage 2	(159)	2 731	(2 572)	-	-
Transfers to stage 3	(193)	(1 329)	1 522	-	-
Impact on year end ECL caused by transfers between stages during the year	-	487	3 184	3 671	20 763
Written off balances or transferred to off statement of financial position	-	-	(13 255)	(13 255)	(3 452)
Adjustments during the year	(167)	97	725	655	20 991
Translation Adjustments	(228)	(42)	(3 712)	(3 982)	2 477
Balance at the end of the year	39 559	28 185	244 478	312 222	260 547

Direct Credit Facilities at Amortized Cost - Small & Medium Enterprises

The table below shows the credit quality and the maximum exposure to credit risk based on the bank's internal credit rating system.

	31 December 2021				31 December 2020
	Stage 1	Stage 2	Stage 3	**Total**	**Total**
	USD '000	**USD '000**	**USD '000**	**USD '000**	**USD '000**
Low risk performing	1 645 083	-	-	**1 645 083**	**1 227 985**
Acceptable risk performing	1 335 759	802 066	-	**2 137 825**	**1 695 664**
Non-performing:					
- Substandard	-	-	28 279	**28 279**	**14 958**
- Doubtful	-	-	55 071	**55 071**	**53 161**
- Problematic	-	-	488 900	**488 900**	**350 074**
Total	**2 980 842**	**802 066**	**572 250**	**4 355 158**	**3 341 842**

-Probability of default at low risk 0.0% - 0.12 %
-Probability of default at acceptable risk 0.12% - 24%
-Probability of default at High risk 100%

The movement on total direct credit facilities at amortized cost - Small & Medium Enterprises is as follows:

	31 December 2021				31 December 2020
	Stage 1	Stage 2	Stage 3	**Total**	**Total**
	USD '000	**USD '000**	**USD '000**	**USD '000**	**USD '000**
Balance at the beginning of the year	**2 333 131**	**590 518**	**418 193**	**3 341 842**	**3 344 680**
Acquisition of Oman Arab Bank (Note 6)	247 944	195 790	70 939	**514 673**	-
Amended balance at the beginning of the year	**2 581 075**	**786 308**	**489 132**	**3 856 515**	**3 344 680**
New balances (Additions)	1 046 427	136 550	59 362	**1 242 339**	**578 484**
Repaid balances	(504 401)	(120 929)	(40 068)	**(665 398)**	**(666 826)**
Transfers to stage 1	64 506	(63 910)	(596)	-	-
Transfers to stage 2	(148 159)	151 948	(3 789)	-	-
Transfers to stage 3	(17 052)	(69 700)	86 752	-	-
Written off balances or transferred to off statement of financial position	-	(954)	(7 811)	**(8 765)**	**(5 178)**
Translation Adjustments	(41 554)	(17 247)	(10 732)	**(69 533)**	**90 682**
Balance at the end of the year	**2 980 842**	**802 066**	**572 250**	**4 355 158**	**3 341 842**

The movement of ECL charges on direct credit facilities at amortized cost - Small & Medium Enterprises is as follows:

	31 December 2021				31 December 2020
	Stage 1	Stage 2	Stage 3	**Total**	**Total**
	USD '000	**USD '000**	**USD '000**	**USD '000**	**USD '000**
Balance at the beginning of the year	**14 900**	**61 438**	**224 103**	**300 441**	**236 333**
Acquisition of Oman Arab Bank (Note 6)	2 748	12 748	33 356	**48 852**	-
Amended balance at the beginning of the year	**17 648**	**74 186**	**257 459**	**349 293**	**236 333**
ECL charges during the year	(945)	27 379	48 690	**75 124**	**92 667**
Recoveries	(4 809)	(2 911)	(15 101)	**(22 821)**	**(16 682)**
Transfers to stage 1	414	(414)	-	-	-
Transfers to stage 2	(857)	863	(6)	-	-
Transfers to stage 3	(61)	(29 930)	29 991	-	-
Impact on year end ECL caused by transfers between stages during the year	-	4 541	14 105	**18 646**	**5 267**
Written off balances or transferred to off statement of financial position	-	(954)	(4 151)	**(5 105)**	**(1 515)**
Adjustments during the year	(1 770)	(6 513)	(2 339)	**(10 622)**	**(18 032)**
Translation Adjustments	(170)	(2 662)	(4 304)	**(7 136)**	**2 403**
Balance at the end of the year	**9 450**	**63 585**	**324 344**	**397 379**	**300 441**

Direct Credit Facilities at Amortized Cost - Large Corporates

The table below shows the credit quality and the maximum exposure to credit risk based on the bank's internal credit rating system.

	31 December 2021				31 December 2020
	Stage 1	Stage 2	Stage 3	Total	Total
	USD '000	USD '000	USD '000	USD '000	USD '000
Low risk / performing	2 381 758	-	-	**2 381 758**	**2 246 233**
Acceptable risk / performing	9 690 303	4 038 577	-	**13 728 880**	**11 562 042**
Non-performing:					
- Substandard	-	-	80 009	**80 009**	**173 845**
- Doubtful	-	-	201 592	**201 592**	**358 962**
- Problematic	-	-	1 583 741	**1 583 741**	**1 033 359**
Total	12 072 061	4 038 577	1 865 342	17 975 980	15 374 441

-Probability of default at low risk 0.0% - 0.12 %
-Probability of default at acceptable risk 0.12% - 24%
-Probability of default at High risk 100%

The movement on total direct credit facilities at amortized cost - Large Corporates is as follows:

	31 December 2021				31 December 2020
	Stage 1	Stage 2	Stage 3	Total	Total
	USD '000	USD '000	USD '000	USD '000	USD '000
Balance at the beginning of the year	**11 370 155**	**2 438 120**	**1 566 166**	15 374 441	15 633 572
Acquisition of Oman Arab Bank (Note 6)	1 442 014	1 349 433	186 268	**2 977 715**	-
Amended balance at the beginning of the year	**12 812 169**	**3 787 553**	**1 752 434**	**18 352 156**	15 633 572
New balances (Additions)	3 359 437	830 581	160 273	**4 350 291**	**3 890 417**
Repaid balances	(3 402 667)	(1 030 264)	(49 000)	**(4 481 931)**	**(4 046 167)**
Transfers to stage 1	325 270	(324 836)	(434)	-	-
Transfers to stage 2	(892 807)	896 688	(3 881)	-	-
Transfers to stage 3	(1 440)	(88 471)	89 911	-	-
Written off balances or transferred to off statement of financial position	-	-	(44 083)	**(44 083)**	**(177 557)**
Translation Adjustments	(127 901)	(32 674)	(39 878)	**(200 453)**	**74 176**
Balance at the end of the year	12 072 061	4 038 577	1 865 342	17 975 980	15 374 441

The movement of ECL charges on direct credit facilities at amortized cost - Large Corporates is as follows:

	31 December 2021				31 December 2020
	Stage 1	Stage 2	Stage 3	Total	Total
	USD '000	USD '000	USD '000	USD '000	USD '000
Balance at the beginning of the year	**72 487**	**358 420**	**959 973**	**1 390 880**	**1 222 169**
Acquisition of Oman Arab Bank (Note 6)	7 572	59 499	81 248	**148 319**	-
Amended balance at the beginning of the year	**80 059**	**417 919**	**1 041 221**	**1 539 199**	**1 222 169**
ECL charges during the year	(1 680)	153 441	258 929	**410 690**	**345 868**
Recoveries	(28 959)	(39 672)	(31 054)	**(99 685)**	**(63 756)**
Transfers to stage 1	4 118	(4 050)	(68)	-	-
Transfers to stage 2	(10 668)	10 766	(98)	-	-
Transfers to stage 3	(13)	(18 509)	18 522	-	-
Impact on year end ECL caused by transfers between stages during the year	-	35 303	7 479	**42 782**	**60 808**
Written off balances or transferred to off statement of financial position	-	-	(25 763)	**(25 763)**	**(151 362)**
Adjustments during the year	2 059	2 767	(6 152)	**(1 326)**	**(23 729)**
Translation Adjustments	(1 375)	1 653	(10 159)	**(9 881)**	**882**
Balance at the end of the year	*43 541*	*559 618*	*1 252 857*	*1 856 016*	*1 390 880*

Direct Credit Facilities at Amortized Cost - Banks & Financial Institutions

The table below shows the credit quality and the maximum exposure to credit risk based on the bank's internal credit rating system.

	31 December 2021				31 December 2020
	Stage 1	Stage 2	Stage 3	**Total**	**Total**
	USD '000	USD '000	USD '000	USD '000	USD '000
Low risk / performing	137 290	-	-	**137 290**	**70 097**
Acceptable risk / performing	209 342	27 630	-	**236 972**	**121 790**
Non-performing:					
- Substandard	-	-	-	-	-
- Doubtful	-	-	-	-	-
- Problematic	-	-	3 986	**3 986**	**4 171**
Total	**346 632**	**27 630**	**3 986**	**378 248**	**196 058**

-Probability of default at low risk 0.0% - 0.12 %
-Probability of default at acceptable risk 0.12% - 24%
-Probability of default at High risk 100%

The movement on total direct credit facilities at amortized cost - Banks & Financial Institutions is as follows:

	31 December 2021				*31 December 2020*
	Stage 1	Stage 2	Stage 3	**Total**	**Total**
	USD '000	USD '000	USD '000	USD '000	USD '000
Balance at the beginning of the year	**191 887**	-	**4 171**	**196 058**	**256 627**
New balances (Additions)	422 906	-	-	**422 906**	**182 899**
Repaid balances	(238 099)	-	-	**(238 099)**	**(244 468)**
Transfers to stage 1	-	-	-	-	-
Transfers to stage 2	(27 630)	27 630	-	-	-
Transfers to stage 3	-	-	-	-	-
Translation Adjustments	(2 432)	-	(185)	**(2 617)**	**1 000**
Balance at the end of the year	**346 632**	**27 630**	3 986	378 248	**196 058**

The movement of ECL charges on direct credit facilities at amortized cost - Banks & Financial Institutions is as follows:

	31 December 2021				31 December 2020
	Stage 1	Stage 2	Stage 3	**Total**	**Total**
	USD '000	USD '000	USD '000	USD '000	USD '000
Balance at the beginning of the year	**1 110**	-	**4 120**	5 230	5 013
ECL charges during the year	826	1 042	-	**1 868**	**1 601**
Recoveries	(1 215)	(183)	-	**(1 398)**	**(1 054)**
Transfers to stage 1	-	-	-	-	-
Transfers to stage 2	-	-	-	-	-
Transfers to stage 3	-	-	-	-	-
Adjustments during the year	(6)	8	-	2	-
Translation Adjustments	(8)	-	(183)	(191)	(330)
Balance at the end of the year	707	867	3 937	5 511	5 230

Direct Credit Facilities at Amortized Cost - Government & Public Sector

The table below shows the credit quality and the maximum exposure to credit risk based on the bank's internal credit rating system.

	31 December 2021				31 December 2020
	Stage 1	Stage 2	Stage 3	Total	Total
	USD '000	USD '000	USD '000	USD '000	USD '000
Low risk / performing	1 112 678	-	-	**1 112 678**	**847 426**
Acceptable risk / performing	1 273 917	111 971	-	**1 385 888**	**515 706**
Non-performing:					
- Substandard	-	-	247	247	-
- Doubtful	-	-	-	-	-
- Problematic	-	-	494	**494**	**554**
Total	**2 386 595**	**111 971**	**741**	**2 499 307**	**1 363 686**

-*Probability of default at low risk 0.0% - 0.12 %*
-Probability of default at acceptable risk 0.12% - 24%
-Probability of default at High risk 100%

The movement on total direct credit facilities at amortized cost - Government & Public Sector is as follows:

	31 December 2021				31 December 2020
	Stage 1	Stage 2	Stage 3	Total	Total
	USD '000	USD '000	USD '000	USD '000	USD '000
Balance at the beginning of the year	**1 210 625**	**152 507**	**554**	**1 363 686**	**1 055 687**
Acquisition of Oman Arab Bank (Note 6)	869 909	10 359	-	880 268	-
Amended balance at the end of year	**2 080 534**	**162 866**	**554**	**2 243 954**	**1 055 687**
New balances (Additions)	828 401	874	247	**829 522**	**621 728**
Repaid balances	*(543 080)*	*(12 599)*	*(57)*	***(555 736)***	***(331 782)***
Transfers to stage 1	89 120	(89 120)	-	-	-
Transfers to stage 2	(52 752)	52 752	-	-	-
Transfers to stage 3	-	-	-	-	-
Translation Adjustments	(15 628)	(2 802)	**(3)**	**(18 433)**	**18 053**
Balance at the end of the year	**2 386 595**	**111 971**	**741**	**2 499 307**	**1 363 686**

The movement of ECL charges on direct credit facilities at amortized cost - Government & Public Sector is as follows:

	31 December 2021				31 December 2020
	Stage 1	Stage 2	Stage 3	Total	Total
	USD '000	USD '000	USD '000	USD '000	USD '000
Balance at the beginning of the year	**5 019**	**2 073**	**551**	**7 643**	**3 956**
Acquisition of Oman Arab Bank (Note 6)	4 621	5	-	4 626	-
Amended balance at the end of year	**9 640**	**2 078**	**551**	**12 269**	**3 956**
ECL charges during the year	(370)	208	136	**(26)**	**3 666**
Recoveries	*(380)*	-	-	***(380)***	***(725)***
Transfers to stage 1	**21**	**(21)**	-	-	-
Transfers to stage 2	(464)	464	-	-	-
Transfers to stage 3	-	-	-	-	-
Impact on year end ECL caused by transfers between stages during the year	-	109	-	**109**	**637**
Adjustments during the year	**348**	-	2	**350**	-
Translation Adjustments	(219)	(93)	(4)	**(316)**	**109**
Balance at the end of the year	**8 576**	**2 745**	**685**	**12 006**	**7 643**

14 - OTHER FINANCIAL ASSETS AT AMORTIZED COST

The details of this item are as follows:

	31 December 2021	31 December 2020
	USD '000	USD '000
Treasury bills	2 229 828	1 965 105
Government bonds and bonds guaranteed by the government	6 954 163	5 583 556
Corporate bonds	1 411 547	1 254 161
Less: Net ECL Charges	(34 365)	(40 033)
Total	**10 561 173**	**8 762 789**

Analysis of bonds based on interest nature:

	31 December 2021	31 December 2020
	USD '000	USD '000
Floating interest rate	742 911	491 348
Fixed interest rate	9 852 627	8 311 474
Less: Net ECL Charges	(34 365)	(40 033)
Total	**10 561 173**	**8 762 789**

Analysis of financial assets based on market quotation:

Financial assets quoted in the market:	31 December 2021	31 December 2020
	USD '000	USD '000
Treasury bills	1 099 121	216 465
Government bonds and bonds guaranteed by the government	2 298 270	1 131 354
Corporate bonds	1 286 285	1 149 860
Total	**4 683 676**	**2 497 679**

Financial assets unquoted in the market:	31 December 2021	31 December 2020
	USD '000	USD '000
Treasury bills	1 130 707	1 748 640
Government bonds and bonds guaranteed by the government	4 655 893	4 452 202
Corporate bonds	125 262	104 301
Total	**5 911 862**	**6 305 143**
Less: Net ECL Charges	**(34 365)**	**(40 033)**
Grand Total	**10 561 173**	**8 762 789**

Other Financial Assets at Amortized Cost

The table below shows the credit quality and the maximum exposure to credit risk based on the bank's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances.

	31 December 2021				31 December 2020
	Stage 1	Stage 2	Stage 3	**Total**	**Total**
Internal rating grade performing	**USD '000**	**USD '000**	**USD '000**	**USD '000**	**USD '000**
Low risk / performing	10 500 203	-	-	**10 500 203**	**8 430 731**
Acceptable risk / performing	10 373	84 962	-	**95 335**	**372 091**
Total	**10 510 576**	**84 962**	**-**	**10 595 538**	**8 802 822**

-Probability of default at low risk 0.0% -0.9 %
-Probability of default at acceptable risk 0.9% - 40.2%
-Probability of default at High risk 100%

An analysis of change in the gross carrying amount and the corresponding ECL allowance is as follows:

	31 December 2021				31 December 2020
	Stage 1	Stage 2	Stage 3	**Total**	**Total**
	USD '000	**USD '000**	**USD '000**	**USD '000**	**USD '000**
Balance at the beginning of the year	***8 669 791***	***133 031***	-	***8 802 822***	***8 935 335***
Acquisition of Oman Arab Bank (Note 6)	493 672	-	-	**493 672**	-
Amended balance at the beginning of the year	**9 163 463**	**133 031**	-	**9 296 494**	**8 935 335**
New investments (Additions)	8 797 578	-	-	**8 797 578**	**7 220 351**
Matured investments	(6 739 490)	(53 337)	-	**(6 792 827)**	**(7 438 208)**
Transfers to stage 1	-	-	-	-	-
Transfers to stage 2	(5 639)	5 639	-	-	-
Transfers to stage 3	-	-	-	-	-
Investments written off	-	-	-	-	**(4 776)**
Adjustments during the year	(2)	-	-	(2)	-
Translation Adjustments	(705 334)	(371)	-	**(705 705)**	**90 120**
Balance at the end of the year	**10 510 576**	**84 962**	**-**	**10 595 538**	**8 802 822**

The movement of ECL charges on other financial assets at amortized cost is as follows:

	31 December 2021				31 December 2020
	Stage 1	Stage 2	Stage 3	**Total**	**Total**
	USD '000	**USD '000**	**USD '000**	**USD '000**	**USD '000**
Balance at the beginning of the year	**19 200**	**20 833**	-	**40 033**	**40 717**
Acquisition of Oman Arab Bank (Note 6)	174	-	-	**174**	-
Amended balance at the beginning of the year	**19 374**	**20 833**	-	**40 207**	**40 717**
ECL charges during the year	1 452	(680)	-	**772**	**13 395**
Recoveries from matured investments	(7 101)	-	-	**(7 101)**	**(12 595)**
Transfers to stage 1	-	-	-	-	-
Transfers to stage 2	-	-	-	-	-
Transfers to stage 3	-	-	-	-	-
Investments written off	-	-	-	-	**(4 374)**
Adjustments during the year	1 085	(148)	-	**937**	**2 407**
Translation Adjustments	(422)	(28)	-	(450)	**483**
Balance at the end of the year	**14 388**	**19 977**	**-**	**34 365**	**40 033**

During the year ended 31 December 2021 certain financial assets at amortized cost amounted to USD 62 million were sold (USD 81.1 million during the year ended 31 December 2020).

15 - INVESTMENT IN ASSOCIATES

The details of this item are as follows:

31 December 2021	Ownership and Voting Rights	Investment Carrying Value	Place of Incorporation	Fair Value	Published Financial Statements Date	Principal Activity	Date of Acquisition
	%	USD '000					
Arab National Bank	40.00	3 340 467	Saudi Arabia	3 657 600	2021	Banking	1979
Arabia Insurance Company	42.51	38 281	Lebanon	Unquoted	2020	Insurance	1972
Commercial buildings	35.39	10 371	Lebanon	Unquoted	2020	Real Estate Operating Lease	1966
Ubhar Capital SAOC (An Associate Company of Arab Bank Switzerland)	34.00	9 559	Oman	Unquoted	2021	Investment and Financial Services	2016
Other Associates (Mostly owned by Arab Tunisian Bank)*	Various	14 221	Various			Various	
Total		3 412 899					

31 December 2020	Ownership and Voting Rights	Investment Carrying Value	Place of Incorporation	Fair Value	Published Financial Statements Date	Principal Activity	Date of Acquisition
	%	USD '000					
Oman Arab Bank S.A.O.	49.00	499 805	Oman	420 665	2020	Banking	1984
Arab National Bank	40.00	3 231 147	Saudi Arabia	3 216 000	2020	Banking	1979
Arabia Insurance Company	42.51	38 455	Lebanon	Unquoted	2019	Insurance	1972
Commercial buildings	35.39	9 631	Lebanon	Unquoted	2019	Real Estate Operating Lease	1966
Ubhar Capital SAOC (An Associate Company of Arab Bank Switzerland)	34.00	9 678	Oman	Unquoted	2020	Investment and Financial Services	2016
Other Associates (Mostly owned by Arab Tunisian Bank)*	Various	15 496	Various			Various	
Total		3 804 212					

The details of movement on investments in associates are as follows:

	2021	2020
	USD '000	USD '000
Balance at the beginning of the year	3 804 212	3 513 651
Purchase of investments in associates	96	139 532
Acquisition of Oman Arab Bank (Note 6)	(499 805)	-
Group's share of profits for the year	276 818	296 365
Dividends received	(194 106)	(143 364)
Translation Adjustment	3 614	1 270
Group's share of other changes in equity	22 070	(3 242)
Balance at the end of the year	3 412 899	3 804 212
Group's share of taxes	70 356	69 862

* This account represents mostly the investments in Arab Tunisian Lease Company, Arabia Sicaf and Arab Tunisian Invest Company amounting to USD 10 million, USD 1.9 million and USD 0.688 million respectively, as of 31 December 2021. (As of 31 December 2020 these investments amounted to USD 10.5 million, USD 2 million and USD 1 million respectively.)

The Group's share from the profit and loss of the associates are as follows:

	31 December	
	2021	2020
	USD '000	USD '000
Oman Arab Bank S.A.O.	-	9 947
Arab National Bank	280 186	283 982
Arabia Insurance Company	(4 605)	1 583
Other	1 237	853
Total	276 818	296 365

The Group's share of associates are as follows:

	2021			2020			
	Arab National Bank	Others	Total	Arab National Bank	Oman Arab Bank	Others	Total
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Total Assets	20 553 685	294 855	20 848 540	19 664 106	4 224 625	264 464	**24 153 195**
Total Liabilities	17 434 986	221 768	17 656 754	16 432 959	3 724 820	191 204	**20 348 983**
Total Revenue	625 348	16 428	641 776	624 315	130 407	18 554	**773 276**
Total Expenses	345 162	19 796	364 958	340 333	120 460	16 118	**476 911**
Net Profit	**280 186**	**(3 368)**	**276 818**	**283 982**	**9 947**	**2 436**	**296 365**

16 - FIXED ASSETS

The details of this item are as follows:

	Land	Buildings	Furniture, Fixtures and Equipment	Computers and Communication Equipment	Motor Vehicles	Other	Total
Historical Cost:	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Balance as of 1 January 2020	**67 955**	**438 400**	**215 621**	**174 737**	**15 312**	**90 573**	**1 002 598**
Additions	29 599	24 958	36 721	23 166	975	6 083	**121 502**
Disposals	(99)	(75 064)	(1 588)	(823)	(760)	(2 977)	**(81 311)**
Adjustments during the year	-	-	10	(10)	-	-	-
Translation Adjustments	(1 084)	2 294	503	2 078	168	1 896	**5 855**
Balance as of 31 December 2020	***96 371***	***390 588***	***251 267***	***199 148***	***15 695***	***95 575***	***1 048 644***
Acquisition of Oman Arab Bank (Note 6)	17 722	49 348	35 423	54 661	829	39 396	197 379
Additions	964	6 260	10 197	29 023	1 922	29 480	77 846
Disposals	(328)	(37 820)	(2 880)	(2 328)	(272)	(12 708)	(56 336)
Adjustments during the year	4 555	(4 760)	3 937	42 897	-	(36 209)	10 420
Translation Adjustments	(1 017)	(9 421)	(3 400)	(6 051)	(583)	(2 605)	(23 077)
Balance at 31 December 2021	***118 267***	***394 195***	***294 544***	***317 350***	***17 591***	***112 929***	***1 254 876***
Accumulated Depreciation :							
Balance as of 1 January 2020	-	**155 775**	**176 182**	**134 540**	**10 782**	**64 202**	**541 481**
Depreciation charge for the year	-	10 051	11 635	19 441	1 537	6 242	**48 906**
Disposals	-	(3)	(1 647)	(836)	(643)	(2 630)	**(5 759)**
Adjustments during the year	-	-	-	-	-	-	-
Translation adjustments	-	1 520	542	1 858	121	1 457	**5 498**
Balance as of 31 December 2020	-	**167 343**	**186 712**	**155 003**	**11 797**	**69 271**	**590 126**
Acquisition of Oman Arab Bank (Note 6)	-	11 987	28 164	41 958	743	15 992	**98 844**
Depreciation charge for the year	-	11 879	17 294	30 720	1 472	7 786	**69 151**
Disposals	-	(6 705)	(2 392)	(2 176)	(272)	(10 368)	**(21 913)**
Adjustments during the year	-	*(214)*	*141*	*1*	*(6)*	52	***(26)***
Translation adjustments	-	(3 226)	(2 681)	(4 979)	(414)	(1 961)	**(13 261)**
Balance at 31 December 2021	-	**181 064**	**227 238**	**220 527**	**13 320**	**80 772**	**722 921**
Net Book Value as of 31 December 2021	**118 267**	**213 131**	**67 306**	**96 823**	**4 271**	**32 157**	**531 955**
Net Book Value as of 31 December 2020	**96 371**	**223 245**	**64 555**	**44 145**	**3 898**	**26 304**	**458 518**

* The cost of fully depreciated fixed assets amounted to USD 428.8 million as of 31 December 2021 (USD 335.2 million as of 31 December 2020)

17 - OTHER ASSETS

The details of this item are as follows:

	31 December	
	2021	2020
	USD '000	USD '000
Accrued interest receivable	351 575	192 113
Prepaid expenses	56 352	71 568
Foreclosed assets *	163 793	152 401
Intangible assets **	35 106	34 272
Right of use assets ***	96 752	86 315
Other miscellaneous assets	272 691	226 468
Total	**976 269**	**763 137**

* The Central Bank of Jordan instructions require a disposal of these assets during a maximum period of two years from the date of foreclosure.

*** The details of movement on foreclosed assets are as follows:**

	31 December 2021			
	Land	Buildings	Other	Total
	USD '000	USD '000	USD '000	USD '000
Balance at the beginning of the year	**69 596**	**82 534**	**271**	**152 401**
Additions	6 206	23 775	-	**29 981**
Disposals	(1 345)	(13 980)	-	**(15 325)**
Provision for impairment and impairment losses	(1 759)	(583)	-	**(2 342)**
Translation adjustments	(293)	(629)	-	**(922)**
Balance at the end of the year	**72 405**	**91 117**	**271**	**163 793**

	31 December 2020			
	Land	Buildings	Other	Total
	USD '000	USD '000	USD '000	USD '000
Balance at the beginning of the year	**51 803**	**69 654**	-	**121 457**
Additions	24 990	16 733	271	**41 994**
Disposals	(1 700)	(1 824)	-	**(3 524)**
Provision for impairment and impairment losses	(3 802)	(753)	-	**(4 555)**
Translation adjustments	(1 695)	(1 276)	-	**(2 971)**
Balance at the End of the Year	**69 596**	**82 534**	**271**	**152 401**

**** The details of movement on intangible assets are as follows:**

	31 December	
	2021	2020
	USD '000	USD '000
Balance at the beginning of the year	34 272	29 820
Additions	26 867	18 425
Amortization charge for the year	(14 484)	(14 444)
Adjustment during the year and translation adjustments	(11 549)	471
Balance at the End of the Year	**35 106**	**34 272**

***** The details of movement of right of use assets are as follows :**

	31 December	
	2021	2020
	USD '000	USD '000
Balance at the beginning of the year	86 315	98 608
Additions	34 186	5 004
Depreciation	(23 749)	(17 297)
Balance at the End of the Year	**96 752**	**86 315**

18 - DEFERRED TAX ASSETS

The details of this item are as follows :

	31 December 2021							
	Balance at the Beginning of the Year	Acquisition of Oman Arab Bank (Note 6)	Amended beginning Balance	Amounts Added	Amounts Released	Adjustments During the Year and Translation Adjustments	Balance at the End of the Year	Deferred Tax
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
ECL on direct credit facilities at amortized cost	593 680	-	593 680	299 332	(205 487)	(13 755)	673 770	166 268
End-of-Service indemnity	76 783	-	76 783	4 498	(10 741)	(8 857)	61 683	18 406
Interest in suspense	79 906	-	79 906	64 021	(42 486)	-	101 441	26 300
Other	80 427	42 589	123 016	50 448	(25 731)	19 948	167 681	37 524
Total	**830 796**	**42 589**	**873 385**	**418 299**	**(284 445)**	**(2 664)**	**1 004 575**	**248 498**

	31 December 2020							
	Balance at the Beginning of the Year	Acquisition of Oman Arab Bank (Note 6)	Amended beginning Balance	Amounts Added	Amounts Released	Adjustments During the Year and Translation Adjustments	Balance at the End of the Year	Deferred Tax
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
ECL on direct credit facilities at amortized cost	376 802	-	376 802	315 180	(99 694)	1 392	593 680	147 028
End-of-Service indemnity	72 173	-	72 173	7 920	(4 087)	777	76 783	22 038
Interest in suspense	52 497	-	52 497	43 661	(16 252)	-	79 906	19 937
Other	113 399	-	113 399	4 772	(35 580)	(2 164)	80 427	25 930
Total	**614 871**	**-**	**614 871**	**371 533**	**(155 613)**	**5**	**830 796**	**214 933**

Deferred tax results from temporary timing differences of the provisions not deducted for tax purposes in the current year or previous years. This is calculated according to the regulations of the countries where the Group operates.

The details of movements on deferred tax assets are as follows:

	31 December	
	2021	2020
	USD '000	USD '000
Balance at the beginning of the year	**214 933**	**155 385**
Acquisition of Oman Arab Bank (Note 6)	6 387	-
Amended Balance at the beginning of the year	**221 320**	**155 385**
Additions during the year	114 579	105 382
Amortized during the year	(86 985)	(45 846)
Adjustments during the year and translation adjustments	(416)	12
Balance at the end of the year	**248 498**	**214 933**

19 - BANKS AND FINANCIAL INSTITUTIONS DEPOSITS

The details of this item are as follows:

	31 December 2021			31 December 2020		
	Inside Jordan	Outside Jordan	Total	Inside Jordan	Outside Jordan	Total
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Current and demand	-	641 238	641 238	-	746 957	746 957
Time deposits	80 181	3 271 280	3 351 461	104 836	3 122 433	3 227 269
Total	**80 181**	**3 912 518**	**3 992 699**	**104 836**	**3 869 390**	**3 974 226**

20 - CUSTOMERS' DEPOSITS

The details of this item are as follows:

	31 December 2021				
	Consumer Banking	Corporates		Government and Public Sector	Total
		Small and Medium	Large		
	USD '000	USD '000	USD '000	USD '000	USD '000
Current and demand	10 978 690	2 979 364	3 819 526	1 309 225	19 086 805
Savings	5 372 418	134 073	18 919	51 751	5 577 161
Time and notice	9 732 761	1 340 172	3 983 992	4 017 431	19 074 356
Certificates of deposit	613 070	17 510	114 008	2 601	747 189
Total	**26 696 939**	**4 471 119**	**7 936 445**	**5 381 008**	**44 485 511**

	31 December 2020				
	Consumer Banking	Corporates		Government and Public Sector	Total
		Small and Medium	Large		
	USD '000	USD '000	USD '000	USD '000	USD '000
Current and demand	9 878 466	2 482 453	2 583 737	221 441	15 166 097
Savings	3 574 548	113 032	15 119	63 868	3 766 567
Time and notice	9 202 810	1 382 303	3 482 528	2 524 787	16 592 428
Certificates of deposit	507 979	69 222	94 423	38 422	710 046
Total	**23 163 803**	**4 047 010**	**6 175 807**	**2 848 518**	**36 235 138**

- Government of Jordan and Jordanian public sector deposits amounted to USD 1197.7 million, or 2.7% of total customer deposits as of 31 December 2021 (USD 1057.7 million or 2.9 % of total customer deposits as of 31 December 2020).

- Non-interest bearing deposits amounted to USD 16012.4 million, or 36.0% of total customer deposits as of 31 December 2021 (USD 13732.4 million or 37.9% of total customer deposits as of 31 December 2020).

- Blocked deposits amounted to USD 131.5 million, or 0.30% of total customer deposits as of 31 December 2021 (USD 159.8 million or 0.4% of total customer deposit as of 31 December 2020).

- Dormant deposits amounted to USD 418 million, or 0.9% of total customer deposits as of 31 December 2021 (USD 492.1 million or 1.4% of total customer deposits as of 31 December 2020).

21 - CASH MARGIN

The details of this item are as follows:

	31 December	
	2021	2020
	USD '000	USD '000
Against direct credit facilities at amortized cost	1 773 098	1 750 146
Against indirect credit facilities	824 147	723 870
Against margin trading	3 049	2 421
Other cash margins	6 837	6 816
Total	**2 607 131**	**2 483 253**

22 - BORROWED FUNDS

The details of this item are as follows:

	31 December	
	2021	2020
	USD '000	USD '000
From Central Banks *	159 466	167 340
From banks and financial institutions **	462 994	442 451
Total	**622 460**	**609 791**

Analysis of borrowed funds according to interest nature is as follows:

	31 December	
	2021	2020
	USD '000	USD '000
Floating interest rate	351 975	364 386
Fixed interest rate	270 485	245 405
Total	**622 460**	**609 791**

* During 2013, Arab Bank (Jordan branches) signed a loan agreement with the Central Bank of Jordan amounting to USD 5.6 million, for the duration of 15 years of which 5 years are grace period with an interest rate of (2.5%) for the year 2013 and a floating interest rate of (1.8%+LIBOR 6 months) for the years after 2013. The agreement aims to support SMEs and Extra Small Companies. The loan is repaid semi-annually, with installments in March and September of each year. The Balance of the loan as of 31 December 2021 amounted to USD 3.38 million (USD 3.95 million as of 31 December 2020).

* During 2014, Arab Bank (Jordan branches) signed a loan agreement with the Central Bank of Jordan amounting to USD 3.95 million, for the duration of 10 years of which 3 years are grace period and with a fixed interest rate of 2.5%. The agreement aims to support SMEs and Extra Small Companies. The loan is repaid semi-annually, with installments in March and September of each year. The Balance of the loan as of 31 December 2021 amounted to USD 1.46 million (USD 2 million as of 31 December 2020).

* Until December 31, 2020, Arab Bank (Jordan branches) granted loans against medium term advances from the Central Bank of Jordan with fixed interest rate equal to the discount rate disclosed on the grant day after deducting 0.5% for advances outside Amman and 1% for advances inside Amman . The advances are repaid in accordance with customers monthly installments, these advances amounted USD 102.3 million as of 31 December 2021 (USD 98.2 million as of 31 December 2020)

* During 2016, Arab Bank (Jordan branches) signed a loan agreement with the Central Bank of Jordan amounting to USD 5.1 million, for the duration of 15 years of which 5 years are grace period with a floating interest rate of (1.85%+LIBOR 6 months). The agreement aims to support SMEs and Extra Small Companies. The loan is repaid semi-annually, with installments in March and September of each year. The Balance of the loan as of 31 December 2021 amounted to USD 4.3 million (USD 4.822 million as of 31 December 2020).

* During 2017, Arab Bank (Jordan branches) signed a loan agreement with the Central Bank of Jordan amounting to USD 10.9 million, for the duration of 22 years of which 5 years are grace period with a fixed interest rate of 3% (CBJ has the right to amend the interest rate every two years up to 3.5%). The agreement aims to support SMEs and Extra Small Companies. The loan is repaid semi-annually, with installments in May and November of each year. The Balance of the loan as of 31 December 2021 amounted to USD 6.582 million (USD 6.6 million as of 31 December 2020).

During 2021, Arab Bank (Jordan branches) granted loans against diminishing advances in response to the Central Bank of Jordan program to support SMEs to face COVID-19 with 0% fixed interest rate. These loans are repaid on long term extended to 42 months, with a grace period up to 12 months. These loans as of 31 December 2021 amounted to USD 41.4 (USD 51.765 million of 31 December 2020).

* During 2018, Arab Bank (Jordan branches) signed loans agreements with European investment Bank amounting to USD 331 million, for the duration of 7 years. in the same year Arab Bank withdrew the first installment in the amount of USD 100 million for the duration of 7 years with a floating interest rate of (1.392%+LIBOR 6 months) the interest is repaid in 2 installments during the year. the loan is repaid semi-annually in March and September of each year, the first installment started on 15 September 2020 and the last one will be on 15 September 2025. the Balance of the loan as of 31 December 2021 amounted to USD 72.7 million (USD 90.88 million as of 31 December 2020)

* During 2020, Arab Bank (Jordan branches) withdrew the second installment in the amount of USD 69.82 million for the duration of 7 years with a floating interest rate of (1.652%+LIBOR 6 months) the interest is repaid in 2 installments during the year, the loan is repaid semi-annually in March and September of each year, the first installment will be on 15 March 2022 and the last one will be on 16 March 2026. the Balance of the loan as of 31 December 2021 amounted to USD 62.84 million (the Balance of the loan as of 31 December 2020 amounted to USD 69.82 million.).

During 2021, Arab Bank (Jordan branches) withdrew the third installment in the amount of USD 161.81 million for the duration of 7 years with a floating interest rate of (1.853%+LIBOR 6 months) the interest is repaid in 2 installments during the year, the loan is repaid semi-annually in March and September of each year, the first installment will be on 15 September 2022 and the last one will be on 15 March 2027.

** During 2019 Arab National Leasing Co. signed loan agreement with Jordanian Mortgage Refinance Company for a duration of two years with a fixed interest rate of 5.6% , the balance of the loan as of 31 December 2021 amounted to USD 7.1 million (USD 7.1 million as of 31 December 2020)

** Arab Tunisian Bank borrowed amounts from banks and financial institutions, as well issued syndicated term loans, the balance amounted to USD 158.6 million as of 31 December 2021 (USD 106.1 million as of 31 December 2020) whereas the lowest interest rate is (0.7%) and the highest is (9.3%) and the last maturity date is on 19 May 2032, as per the following details:

	31 December	
	2021	2020
	USD '000	USD '000
Loans maturing within one year	75 226	8 986
Loans maturing after 1 year and less than 3 years	22 691	29 478
Loans maturing after 3 years	60 666	67 672
Total	**158 583**	**106 136**

23 - PROVISIONS FOR INCOME TAX

The details of this item are as follows:

	31 December	
	2021	2020
	USD '000	USD '000
Balance at the beginning of the year	**275 406**	**345 054**
Acquisition of Oman Arab Bank (Note 6)	11 706	-
Amended Balance at the beginning of the year	**287 112**	**345 054**
Income tax charge	199 725	215 066
Income tax paid	(284 360)	(284 714)
Balance at the end of the year	**202 477**	**275 406**

Income tax expense charged to the consolidated statement of income consists of the following:

	31 December	
	2021	2020
	USD '000	USD '000
Income tax charge for the year	199 725	215 066
Deferred tax assets for the year	(114 083)	(104 791)
Amortization of deferred tax assets	86 270	45 648
Deferred tax liabilities for the year	1 710	2 364
Amortization of deferred tax liabilities	(44)	(3 490)
Total	**173 578**	**154 797**

- The Banking income tax rate in Jordan is 38% (35% income tax + 3% national contribution tax).While the income tax rate in the countries where the Group has investments and branches ranges from zero to 38% as of 31 December 2021 and 2020 .
Arab Bank Group effective tax rate was 35.6% as of 31 December 2021 and 44.2% as of 31 December 2020.

-The subsidiaries and branches of Arab Bank Group have reached recent tax settlements ranging between 2020 such as Arab Bank United Arab Emirates and Arab Sudanese Bank and 2019 such as Arab Bank Egypt and Arab Investment Group Jordan Co.

24 - OTHER PROVISIONS

The details of this item are as follows:

	31 December 2021					
	Balance at the Beginning of the Year	Additions during the Year	Utilized or transferred during the Year	Released to Income	Adjustments during the Year and Translation Adjustments	Balance at the End of the Year
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
End-of-service indemnity	126 580	8 795	(13 563)	(48)	(6 949)	**114 815**
Legal cases	8 783	3 096	(290)	(2 763)	(143)	**8 683**
Other	94 706	9 321	(776)	(6 424)	(2 696)	**94 131**
Total	**230 069**	**21 212**	**(14 629)**	**(9 235)**	**(9 788)**	**217 629**

	31 December 2020					
	Balance at the Beginning of the Year	Addition during the Year	Utilized or transferred during the Year	Released to Income	Adjustments during the Year and Translation Adjustments	Balance at the End of the Year
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
End-of-service indemnity	122 761	14 607	(10 912)	(38)	162	**126 580**
Legal cases	9 744	872	(627)	(1 249)	43	**8 783**
Other	94 016	10 737	(6 907)	(2 708)	(432)	**94 706**
Total	**226 521**	**26 216**	**(18 446)**	**(3 995)**	**(227)**	**230 069**

25 - OTHER LIABILITIES

The details of this item are as follows:

	31 December 2021	2020
	USD '000	USD '000
Accrued interest payable	189 031	139 822
Notes payable	189 180	203 883
Interest and commission received in advance	90 755	61 133
Accrued expenses	131 428	90 349
Dividends payable to shareholders	17 138	19 405
Provision for impairment - ECL of the indirect credit facilities*	145 511	91 950
Lease liabilities	98 361	84 245
Other miscellaneous liabilities	391 367	349 622
Total	**1 252 771**	**1 040 409**

Indirect Credit Facilities

The table below shows the credit quality and the maximum exposure to credit risk based on the bank's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances.

	31 December 2021				31 December 2020
	Stage 1	Stage 2	Stage 3	Total	Total
	USD '000	USD '000	USD '000	USD '000	USD '000
Low risk / performing	818 875	-	-	**818 875**	**770 296**
Acceptable risk / performing	16 061 240	974 585	-	**17 035 825**	**14 697 556**
Non-performing:	-	-	162 820	**162 820**	**168 269**
Total	**16 880 115**	**974 585**	**162 820**	**18 017 520**	**15 636 121**

-Probability of default at low risk 0.0% - 0.12 %
-Probability of default at acceptable risk 0.12% - 24%
-Probability of default at High risk 100%

The movement on total indirect credit facilities is as follows:

	31 December 2021				31 December 2020
	Stage 1	Stage 2	Stage 3	Total	Total
	USD '000	USD '000	USD '000	USD '000	USD '000
Balance at beginning of the year	**14 814 760**	**653 092**	**168 269**	**15 636 121**	**17 161 524**
Acquisition of Oman Arab Bank (Note 6)	1 577 228	790 004	604	**2 367 836**	**-**
Amended Balance at the beginning of the year	**16 391 988**	**1 443 096**	**168 873**	**18 003 957**	**17 161 524**
New balances (Additions)	*4 690 267*	*178 631*	*18 046*	***4 886 944***	***5 000 322***
Matured balances	(3 926 267)	(726 918)	(29 082)	**(4 682 267)**	**(6 549 797)**
Transfers to stage 1	139 238	(139 174)	(64)	**-**	**-**
Transfers to stage 2	(244 273)	244 632	(359)	**-**	**-**
Transfers to stage 3	(1 210)	(475)	1 685	**-**	**-**
Translation Adjustments	(169 628)	(25 207)	3 721	**(191 114)**	**24 072**
Balance at the end of the year	**16 880 115**	**974 585**	**162 820**	**18 017 520**	**15 636 121**

The movement of ECL charges on indirect credit facilities is as follows:

	31 December 2021				*31 December* 2020
	Stage 1	Stage 2	Stage 3	Total	Total
	USD '000	USD '000	USD '000	USD '000	USD '000
Balance at beginning of the year	**36 363**	**27 457**	**28 130**	**91 950**	**59 213**
Acquisition of Oman Arab Bank (Note 6)	571	556	442	**1 569**	**-**
Amended Balance at the beginning of the year	***36 934***	***28 013***	***28 572***	***93 519***	***59 213***
ECL charges during the year	4 190	11 174	64 168	**79 532**	**29 568**
Recoveries	(11 918)	(14 917)	(114)	**(26 949)**	**(13 137)**
Transfers to stage 1	116	(116)	-	**-**	**-**
Transfers to stage 2	(609)	708	(99)	**-**	**-**
Transfers to stage 3	(1)	(2)	3	**-**	**-**
Impact on year end ECL caused by transfers between stages during the year	-	-	-	**-**	**2 920**
Adjustments during the year	16	(34)	175	**157**	**12 993**
Translation Adjustments	789	(1 277)	(260)	**(748)**	**393**
Balance at the end of the year	**29 517**	**23 549**	**92 445**	**145 511**	**91 950**

26 - DEFERRED TAX LIABILITIES

Items attributable to deferred tax liabilities are as follows:

	31 December 2021					
	Balance at the Beginning of the Year	**Amounts Added**	**Amounts Released**	**Adjustments during the Year and Translation Adjustments**	**Balance at the End of the Year**	**Deferred Tax**
	USD '000	*USD '000*	*USD '000*	*USD '000*	*USD '000*	*USD '000*
Other	23 318	8 491	(236)	(373)	31 200	7 295
Total	**23 318**	**8 491**	**(236)**	**(373)**	**31 200**	**7 295**

	31 December 2020					
	Balance at the Beginning of the Year	**Amounts Added**	**Amounts Released**	**Adjustments during the Year and Translation Adjustments**	**Balance at the End of the Year**	**Deferred Tax**
	USD '000	**USD '000**	**USD '000**	**USD '000**	**USD '000**	**USD '000**
Other	31 792	12 094	(21 720)	1 152	23 318	5 672
Total	**31 792**	**12 094**	**(21 720)**	**1 152**	**23 318**	**5 672**

The details of movements on deferred tax liabilities are as follows:

	31 December	
	2021	**2020**
	USD '000	**USD '000**
Balance at the beginning of the year	5 672	6 402
Additions during the year	1 717	2 364
Amortized during the year	(44)	(3 542)
Adjustments during the year and translation adjustments	(50)	448
Balance at the end of the year	**7 295**	**5 672**

27 - SHARE CAPITAL AND SHARE PREMIUM

a .Share Capital amounted to USD 926.6 million distributed to 640.8 million shares as of 31 December 2021 and 2020 with an authorized capital of 640.8 million shares (at a par value of USD 1.41 per share).

b. Share premium amounted to USD 1225.7 million as of 31 December 2021 and 2020.

28 - STATUTORY RESERVE

Statutory reserve amounted to USD 926.6 million as of 31 December 2021 (USD 926.6 million as of 31 December 2020) according to the regulations of the Central Bank of Jordan and Companies Law and it can not be distributed to the shareholders of the banks.

29 - VOLUNTARY RESERVE

The voluntary reserve amounted to USD 977.3 million as of 31 December 2021 and 2020. This reserve is used for purposes determined by the Board of Directors, and the General Assembly has the right to distribute it in whole or part thereof to shareholders as dividends.

30 - GENERAL RESERVE

The general reserve amounted to USD 1211.9 million as of 31 December 2021 (USD 1141.8 million as of 31 December 2020) . This reserve is used for purposes determined by the Board of Directors, and the General Assembly has the right to distribute it in whole or part thereof to shareholders as dividends.

31 - GENERAL BANKING RISK RESERVE

The general banking risk reserve amounted to USD 154.2 million as of 31 December 2021 (USD 224.3 million as of 31 December 2020).

32 - FOREIGN CURRENCY TRANSLATION RESERVE

The details of this item are as follows

	31 December 2021	31 December 2020
	USD '000	USD '000
Balance at the beginning of the year	(160 209)	(252 925)
Changes during the year	(131 778)	92 716
Balance at the end of the year	(291 987)	(160 209)

33 - INVESTMENT REVALUATION RESERVE

The details of this item are as follows:

	31 December 2021	31 December 2020
	USD '000	USD '000
Balance at the beginning of the year	(295 797)	(298 403)
Change in fair value during the year	(18 967)	31
Net realized losses transferred to retained earnings	2 211	2 575
Balance at the End of the Year	(312 553)	(295 797)

34 - PERPETUAL TIER 1 CAPITAL BONDS

a) On 29 December 2016, Oman Arab Bank issued unsecured perpetual Tier 1 bonds of USD 77.9 million. The bonds are listed on the Muscat Securities Market and are transferable through trading. The bonds carry a fixed coupon rate of 7.75 per cent per annum payable semi-annually and treated as deduction from equity. Interest is non-cumulative and payable at Bank's discretion. The bonds form part of Tier 1 Capital of the Bank and comply with Basel-III and Central Bank of Oman regulation.

b) Additionally, on 17 October 2018, the Bank issued another series of unsecured perpetual Tier 1 bonds of USD 110.5 million. The bonds carry a fixed coupon rate of 7.5 per cent per annum payable semi-annually and treated as deduction from equity. Interest is non-cumulative and payable at Bank's discretion. The bonds are in pari-passu with earlier issue.

c) Additionally, on 4 June 2021, the Bank issued another series of unsecured perpetual Tier 1 bonds of USD 250 million. The bonds carry a fixed coupon rate of 7.625 per cent per annum payable semi-annually and treated as deduction from equity. Interest is non-cumulative and payable at Bank's discretion. The bonds are in pari-passu with earlier issue.

The Tier 1 bonds constitute direct, unconditional, subordinated and unsecured obligations of the Bank and are classified as equity in accordance with IAS 32: Financial Instruments – Classification. The Tier 1 bonds do not have a fixed or final maturity date and are redeemable by the Bank at its sole discretion. The Bond under note (a) has First Call Date on 29 January 2022, the bank has recalled these bonds subsequently and bond under note (b) has First Call date on 17 October 2023 bond under note (c) has First Call date on 4 January 2026. these bonds may be recalled on any interest payment date thereafter subject to the prior consent of the regulatory authority.

35 - RETAINED EARNINGS AND NON-CONTROLLING INTERESTS

The movement of retained earnings are as follows

	31 December 2021	31 December 2020
	USD '000	USD '000
Balance at the beginning of the year	2 775 635	2 584 537
Profit for the year Attributable to Shareholders of the Bank	306 721	192 791
Investments revaluation reserve transferred to retained earnings	(2 211)	(2 575)
Dividends paid *	(111 944)	-
Transferred from - to general banking risk reserve	-	14 678
Changes in associates equity	-	(5 504)
Adjustments during the year	(217)	(8 292)
Balance at the end of the year **	2 967 984	2 775 635

* Arab Bank plc Board of Directors recommended a 20% of USD 1.4 par value as cash dividend, equivalent to USD 180.7 million, for the year 2021. This proposal is subject to the approval of the General Assembly of shareholders. (The General Assembly of the Arab Bank plc in its meeting held on 25 March 2021 approved the recommendation of the Bank's Board of Directors to distribute 12% of par value as cash dividends for the year 2020 equivalent to USD 108.4 million)

The details of non-controlling interests are as follows

	31 December 2021			31 December 2020		
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
	Non-controlling interests %	Share of non-controlling interests of net assets	Share of non-controlling interests of net profits (loss)	Non-controlling interests %	Share of non-controlling interests of net assets	Share of non-controlling interests of net profits (loss)
Arab Tunisian Bank	35.76	57 098	(2 572)	35.76	68 057	(618)
Arab Bank Syria	48.71	23 192	(1 188)	48.71	22 318	671
Al Nisr Al Arabi Insurance Company plc	50.00	15 626	2 175	50.00	15 473	2 440
Oman Arab Bank S.A.O	51.00	460 257	9 381		-	-
Total		**556 173**	**7 796**		**105 848**	**2 493**

The following are some basic financial data related to basic subsidiaries that contains non controlling interests

	31 December 2021				*31 December 2020*		
	Arab Tunisian Bank	Arab Bank Syria	Oman Arab Bank S.A.O.	Al Nisr Al Arabi Insurance	Arab Tunisian Bank	Arab Bank Syria	Al Nisr Al Arabi Insurance
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Total Assets	2 651 149	116 137	8 878 484	176 515	2 703 848	123 901	161 942
Total Liabilities	2 467 207	68 388	7 537 570	145 259	2 513 530	77 950	130 996
Net Assets	**183 942**	**47 749**	**1 340 914**	**31 256**	**190 318**	**45 951**	**30 946**
Total Income	93 567	2 337	297 800	13 524	94 792	3 746	14 230
Total Expenses	100 760	4 775	279 405	9 174	96 521	2 364	9 350
Net Profit (Loss)	**(7 193)**	**(2 438)**	**18 395**	**4 350**	**(1 729)**	**1 382**	**4 880**

36 - INTEREST INCOME

The details of this item are as follows:	2021	2020
	USD '000	USD '000
Direct credit facilities at amortized cost *	1 695 777	1 470 197
Central banks	60 136	42 558
Banks and financial institutions	16 118	38 036
Financial assets at fair value through profit or loss	13 483	15 467
Financial assets at fair value through OCI	7 971	-
Other financial assets at amortized cost	415 496	502 110
Total	**2 208 981**	**2 068 368**

* The details of interest income earned on direct credit facilities at amortized cost are as follows:

	2021					
	Consumer Banking	Corporates		Banks and Financial Institutions	Government and Public Sector	Total
		Small and Medium	Large			
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Discounted bills	2 903	10 203	31 118	2 238	2 990	**49 452**
Overdrafts	7 880	56 647	204 963	235	20 230	**289 955**
Loans and advances	308 072	106 918	616 041	2 405	49 680	**1 083 116**
Real estate loans	200 111	28 447	23 482	-	-	**252 040**
Credit cards	21 214	-	-	-	-	**21 214**
Total	**540 180**	**202 215**	**875 604**	**4 878**	**72 900**	**1 695 777**

	2020					
	Consumer Banking	Corporates		Banks and Financial Institutions	Government and Public Sector	Total
		Small and Medium	Large			
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Discounted bills	4 286	12 175	27 574	3 366	2 033	**49 434**
Overdrafts	11 323	75 186	204 084	223	18 363	**309 179**
Loans and advances	254 094	108 292	538 222	3 021	39 679	**943 308**
Real estate loans	127 178	9 198	11 537	-	-	**147 913**
Credit cards	20 363	-	-	-	-	**20 363**
Total	**417 244**	**204 851**	**781 417**	**6 610**	**60 075**	**1 470 197**

37 - INTEREST EXPENSE

The details of this item are as follows:

	2021	2020
	USD '000	USD '000
Customers' deposits *	747 636	715 643
Banks' and financial institutions' deposits	38 982	67 129
Cash margins	25 212	41 440
Borrowed funds	20 942	14 271
Deposit insurance fees	25 782	26 823
Total	**858 554**	**865 306**

* The details of interest expense paid on customer deposits are as follows:

	2021				
		Corporates			
	Consumer Banking	Small and Medium	Large	Government and Public Sector	Total
	USD '000	USD '000	USD '000	USD '000	USD '000
Current and demand	26 348	4 068	22 994	17 772	71 182
Savings	51 477	988	91	163	52 719
Time and notice	230 944	25 059	133 347	162 854	552 204
Certificates of deposit	60 460	2 329	8 087	655	71 531
Total	**369 229**	**32 444**	**164 519**	**181 444**	**747 636**

	2020				
		Corporates			
	Consumer Banking	Small and Medium	Large	Government and Public Sector	Total
	USD '000	USD '000	USD '000	USD '000	USD '000
Current and demand	22 284	4 135	14 827	5 505	46 751
Savings	43 233	1 387	111	157	44 888
Time and notice	287 232	36 649	165 823	63 544	553 248
Certificates of deposit	55 406	4 256	10 018	1 076	70 756
Total	**408 155**	**46 427**	**190 779**	**70 282**	**715 643**

38 - NET COMMISSION INCOME

The details of this item are as follows:

	2021	2020
	USD '000	USD '000
Commission income:		
- Direct credit facilities at amortized cost	95 893	75 760
- Indirect credit facilities	122 296	110 599
- Assets under management	31 005	24 059
- Other	162 413	112 568
Less: commission expense	(63 651)	(52 588)
Net Commission Income	**347 956**	**270 398**

39 - GAINS FROM FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The details of this item are as follows:

	2021			
	Realized Gains	Unrealized Gains (Losses)	Dividends	Total
	USD '000	USD '000	USD '000	USD '000
Treasury bills and bonds	1 226	1 011	-	2 237
Companies shares	-	-	-	-
Mutual funds	-	1 960	-	1 960
Total	**1 226**	**2 971**	**-**	**4 197**

	2020			
	Realized Gains	Unrealized Gains (Losses)	Dividends	Total
	USD '000	USD '000	USD '000	USD '000
Treasury bills and bonds	3 011	(224)	-	2 787
Companies shares	-	147	53	200
Mutual funds	-	593	-	593
Total	**3 011**	**516**	**53**	**3 580**

40 - OTHER REVENUE

The details of this item are as follows:

	2021	2020
	USD '000	USD '000
Revenue from customer services	14 239	14 246
Safe box rent	3 438	3 936
Gain (Loss) from derivatives	964	(732)
Miscellaneous revenue	54 605	33 846
Total	**73 246**	**51 296**

41 - EMPLOYEES' EXPENSES

The details of this item are as follows:

	2021	2020
	USD '000	**USD '000**
Salaries and other benefits	435 557	371 098
Social security	44 160	37 265
Savings fund	6 177	3 052
Indemnity compensation	3 270	2 058
Medical	19 521	15 123
Training	3 220	1 718
Allowances	67 996	69 129
Other	17 460	10 190
Total	**597 361**	**509 633**

42 - OTHER EXPENSES

The details of this item are as follows:

	2021	2020
	USD '000	**USD '000**
Occupancy	99 089	77 391
Office	77 662	60 714
Services	53 535	42 357
Fees	21 019	15 656
Information technology	67 966	55 602
Other administrative expenses	59 233	62 700
Total	**378 504**	**314 420**

43 - FINANCIAL DERIVATIVES

The details of this item is as follows:

	31 December 2021						
				Notional amounts by maturity			
	Positive Fair Value	Negative Fair Value	Total Notional Amount	Within 3 Months	From 3 months to 1 Years	From 1 Year to 3 Years	More than 3 Years
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Forward contracts	5 068	4 005	654 891	162 424	281 835	15 987	194 645
Interest rate swaps	20 338	17 657	3 598 043	606 096	681 226	775 838	1 534 883
Foreign currency forward contracts	30 728	39 544	13 151 511	10 965 794	2 105 240	80 477	-
Derivatives held for trading	**56 134**	**61 206**	**17 404 445**	**11 734 314**	**3 068 301**	**872 302**	**1 729 528**
Interest rate swaps	30 444	34 477	1 987 734	406 757	419 478	479 181	682 318
Foreign currency forward contracts	-	-	10 325	8 155	2 170	-	-
Derivatives held for fair value hedge	**30 444**	**34 477**	**1 998 059**	**414 912**	**421 648**	**479 181**	**682 318**
Foreign currency forward contracts	7	126	43 173	10 805	32 368	-	-
Derivatives held for cash flow hedge	7	**126**	**43 173**	**10 805**	**32 368**	-	-
Total	**86 585**	**95 809**	**19 445 677**	**12 160 031**	**3 522 317**	**1 351 483**	**2 411 846**

	Positive Fair Value	Negative Fair Value	Total Notional Amount	31 December 2020 Notional amounts by maturity			
				Within 3 Months	From 3 months to 1 Years	From 1 Year to 3 Years	More than 3 Years
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Forward contracts	2 469	2 412	118 065	44 083	67 968	2 017	3 997
Interest rate swaps	20 028	22 634	1 443 508	304 765	347 653	501 948	289 142
Foreign currency forward contracts	29 174	91 283	11 369 879	9 001 494	2 366 389	1 996	-
Derivatives held for trading	**51 671**	**116 329**	**12 931 452**	**9 350 342**	**2 782 010**	**505 961**	**293 139**
Interest rate swaps	39 839	54 627	2 117 272	199 626	569 603	1 100 915	247 128
Foreign currency forward contracts	-	-	71 444	71 431	13	-	-
Derivatives held for fair value hedge	**39 839**	**54 627**	**2 188 716**	**271 057**	**569 616**	**1 100 915**	**247 128**
Total	**91 510**	**170 956**	**15 120 168**	**9 621 399**	**3 351 626**	**1 606 876**	**540 267**

The notional amount represents the value of the transactions at year-end and does not refer to market or credit risks.

44 - CONCENTRATION OF ASSETS, REVENUES AND CAPITAL EXPENDITURES ACCORDING TO THE GEOGRAPHICAL DISTRIBUTION

The Group undertakes its banking activities through its branches in Jordan and abroad. The following are the details of the distribution of assets, revenues and capital expenditures inside and outside Jordan:

	Inside Jordan		Outside Jordan		Total	
	2021	2020	2021	2020	2021	2020
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Revenues	607 738	609 004	1 561 927	1 322 031	**2 169 665**	**1 931 035**
Assets	18 830 934	17 376 980	44 974 200	37 036 703	**63 805 134**	**54 413 683**
Capital Expenditures	32 439	20 064	72 274	119 863	**104 713**	**139 927**

45. BUSINESS SEGMENTS

The Group has an integrated Group of products and services dedicated to serve the Group's customers and constantly developed in response to the ongoing changes in the banking business environment, and related state-of-the-art tools.

The Groups management monitors the operating results of the business segments separately for making decisions about performance assessment; segmented performance is calculated based on operating profit or loss.

The following is a summary of these Groups' activities stating their business nature and future plans:

1. Corporate and Institutional Banking

This Group provides banking services and finances the following: corporate sector, private projects, foreign trading, small and medium sized projects, and banks and financial institutions.

2. Treasury Group

This group is considered a source of financing for the Group, in general, and for the strategic business units, in particular. It steers the financing of the Group, and manages both the Group's cash liquidity and market risks.

Moreover, this group is responsible for the management of the Group's assets and liabilities within the frame set by the Assets and Liabilities Committee.

This group is considered the main source in determining the internal transfer prices within the Group's business units, in addition to being a central unit for the financial organization and main dealing in the following:

- Foreign exchange.
- Foreign exchange derivatives.
- Money market instruments.
- Certificates of deposit.
- Interest rate swaps.
- Other various derivatives.

3. Consumer Banking

The Consumer Banking division is focused on offering customers an extensive range of feature-rich value proposition through its vast branch network and integrated direct banking channels, both locally and regionally. Consumer Banking provides a comprehensive range of programs that are specifically designed to cater to the needs of a diverse customer base. These range from Jeel Al Arabi, the special program for children, to Elite, the exclusive service offered to our high net worth clients. The bank believes in building meaningful customer relationships, placing client needs at the heart of our services and constantly reassessing those services in line with evolving customer needs and expectations.

Advanced digital solutions are important to our ability to serve customers efficiently and to streamline our internal operations. New solutions are constantly under review and are introduced regularly to ensure that customers benefit from the latest and most effective direct banking services and channels.

A key element of the bank's long term strategy is to offer banking services at a regional level by introducing cross-border solutions to our Elite and Arabi Premium clients throughout the bank's branch network and online banking services.

Information about the Group's Business Segments

	31 December 2021					
	Corporate and Institutional Banking	Treasury	Consumer Banking		Other	Total
			Elite	Retail Banking		
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Total income	980 001	543 038	(67 622)	397 819	316 429	2 169 665
Net inter-segment interest income	(116 222)	(303 387)	245 101	174 508	-	-
Less :ECL expense on financial assets	477 437	51 372	960	30 324	-	560 093
Other provisions	3 105	1 129	1 449	6 294	-	11 977
Direct administrative expenses	160 542	24 590	39 747	227 673	61 393	513 945
Result of operations of segments	**222 695**	**162 560**	**135 323**	**308 036**	**255 036**	**1 083 650**
Indirect expenses on segments	251 336	78 216	52 788	211 031	2 184	**595 555**
Profit (Loss) for the year before income tax	**(28 641)**	**84 344**	**82 535**	**97 005**	**252 852**	**488 095**
Income tax expense	(10 184)	29 994	29 351	34 497	89 920	173 578
Profit (Loss) for the Year	**(18 457)**	**54 350**	**53 184**	**62 508**	**162 932**	**314 517**
Depreciation and amortization	27 641	6 608	7 130	42 256	-	83 635
Other information						
Segment assets	22 661 176	22 491 435	4 276 336	8 103 417	2 859 871	60 392 235
Inter-segment assets	-	-	13 031 702	3 388 759	6 141 152	-
Investment in associates	-	-	-	-	3 412 899	3 412 899
TOTAL ASSETS	**22 661 176**	**22 491 435**	**17 308 038**	**11 492 176**	**12 413 922**	**63 805 134**
Segment liabilities	19 346 873	3 244 125	17 308 038	11 492 176	2 092 570	53 483 782
Shareholders' equity	-	-	-	-	10 321 352	10 321 352
Inter-segment liabilities	3 314 303	19 247 310	-	-	-	-
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**22 661 176**	**22 491 435**	**17 308 038**	**11 492 176**	**12 413 922**	**63 805 134**

Information about the Group's Business Segments

	31 December 2020					
	Corporate and Institutional Banking	Treasury	Consumer Banking		Other	Total
			Elite	Retail Banking		
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Total income	900 864	578 722	(121 126)	241 424	331 151	1 931 035
Net inter-segment interest income	(102 151)	(370 277)	313 154	159 274	-	-
ECL expense on financial assets	447 649	135 844	3 671	71 166	-	658 330
Other provisions	7 078	3 441	3 375	8 327	-	22 221
Direct administrative expenses	137 423	24 331	38 203	185 239	8 980	394 176
Result of operations of segments	**206 563**	**44 829**	**146 779**	**135 966**	**322 171**	**856 308**
Indirect expenses on segments	204 338	59 059	52 559	174 908	15 363	506 227
Profit for the year before income tax	**2 225**	**(14 230)**	**94 220**	**(38 942)**	**306 808**	**350 081**
Income tax expense	984	(6 292)	41 662	(17 219)	135 662	154 797
Profit for the Year	**1 241**	**(7 938)**	**52 558**	**(21 723)**	**171 146**	**195 284**
Depreciation and amortization	20 365	5 126	6 431	31 428	-	63 350
Other information						
Segment assets	17 753 573	22 137 997	3 960 125	5 056 345	1 701 431	50 609 471
Inter-segment assets	-	-	12 414 665	3 367 033	5 817 812	-
Investment in associates	-	-	-	-	3 804 212	3 804 212
TOTAL ASSETS	**17 753 573**	**22 137 997**	**16 374 790**	**8 423 378**	**11 323 455**	**54 413 683**
Segment liabilities	14 986 115	3 305 945	16 374 790	8 423 378	1 934 692	45 024 920
Shareholders' equity	-	-	-	-	9 388 763	9 388 763
Inter-segment liabilities	2 767 458	18 832 052	-	-	-	-
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**17 753 573**	**22 137 997**	**16 374 790**	**8 423 378**	**11 323 455**	**54 413 683**

46. BANKING RISK MANAGEMENT

Arab Bank Group addresses the challenges of banking risks comprehensively through an Enterprise-Wide Risk Management Framework. This framework is built in line with leading practices, and is supported by a risk governance structure consisting of risk-related Board Committees, Executive Management Committees, and three independent levels of control.

As part of the risk governance structure of the Bank, and as the second level of control, Group Risk Management is responsible for ensuring that the Bank has a robust system for the identification and management of risk. Its mandate is to:

- Establish risk management frameworks, policies and procedures for all types of risks and monitor their implementation
- Develop appropriate risk measurement tools and models
- Assess risk positions against established limits
- Monitor and report to Senior Management and the Board on a timely basis
- Advise and promote risk awareness based on leading practices

a. Credit Risk Management

Arab Bank *maintains a low risk strategy towards the activities it takes on. This combined with its* dynamic and proactive approach in managing credit risk are key elements in achieving its strategic objective of maintaining and further enhancing its asset quality and credit portfolio risk profile. The conservative, prudent and well-established credit standards, policies and procedures, risk methodologies and frameworks, solid structure and infrastructure, risk monitoring and control enable the Bank to deal with the emerging risks and challenges with a high level of confidence and determination. Portfolio management decisions are based on the Bank's business strategy and risk appetite as reflected in the tolerance limits. Diversification is the cornerstone for mitigating portfolio risks which is achieved through industry, geographical and customer tolerance limits.

b. Geographic Concentration Risk

The Bank reduces the geographic concentration risk through distributing its operations over various sectors and various geographic locations inside and outside the Kingdom.

Note (47- E) shows the details of the geographical distribution of assets.

c. Liquidity Risk

Liquidity is defined by the Bank for International Settlements as the ability of a bank to fund increases in assets and meet obligations as they come due, without incurring unacceptable losses. Arab Bank has built a robust infrastructure of policies, processes and people, in order to ensure that all obligations are met in a timely manner, under all circumstances and without undue cost. The Bank uses a variety of tools to measure liquidity risk in the balance sheet. These metrics help the Bank to plan and manage its funding and help to identify any mismatches in assets and liabilities which may expose the Bank to roll risk.

Note (53) shows the maturities of the assets and liabilities of the Bank and note (50) shows the maturity of the liabilities (undiscounted).

d. Market Risk

Market risk is defined as the potential for loss from changes in the value of the Group's portfolios due to movements in interest rates, foreign exchange rates, and equity or commodity prices. The three main activities that expose the Group to market risk are: Money Markets, Foreign Exchange and Capital Markets, across the Trading and Banking books.

Note (48) *shows the details of market risk sensitivity analysis.*

1. Interest Rate Risk

Interest rate risk in the Group is limited, well managed, and continuously supervised. A large proportion of the interest rate exposure is concentrated in the short end of the yield curve, with durations of up to one year. Exposures of more than one year are particularly limited. Interest rate risk is managed in accordance with the policies and limits established by the ALCO.

Derivatives held for risk management purposes and hedge accounting:
The Group holds derivatives for risk management purposes, some of which are designated as *hedging relationships and management is in the process of assessing the impact.*

Note (49) shows the details of the interest rate risk sensitivity of the Group.

2. Capital Market Exposures

Investments in capital markets instruments are subject to market risk stemming from changes in their prices. Arab Bank Group's exposure to this kind of risk is limited due to its strong control over credit and interest rate risk. The equities investment portfolio represents a very small percent of the Bank's overall investments.

3. Foreign Exchange Risk

Foreign exchange activity arises principally from customers' transactions. Strict foreign exchange risk limits are set to define exposure and sensitivity tolerance for trading in foreign exchange. The Bank hedges itself appropriately against potential currency fluctuations in order to minimize foreign exchange exposure.

Note (51) shows the net positions of foreign currencies.

Hyperinflationary economy

The economy of the Republic of Yemen where the Group has a branch is deemed as a hyperinflationary economy, therefore the financial statements of the branch were adjusted so that they are stated in terms of the current measuring unit at the end of the reporting period.

This involves restatement of income and expenses to reflect changes in the general price index from the start of the reporting period, restatement of non-monetary items in the statement of financial position in order to reflect the current purchasing power as at the period end using a general price index from the date when they were first recognized and restatement of the components of owners' equity, except retained earnings, by applying a general price index from the dates the components were contributed or otherwise arose. The impact of applying the requirements of IAS 29 on the branch resulted in an adjustment to the equity with a total amount of USD 10.7 million and a loss on the net monetary position for the current year amounted to USD 10.5 million which was included in the consolidated statement of income.

Since the operations of the branch are translated into the functional currency of the Group, which is a non-hyperinflationary economy, comparative amounts of the branch included in 2020 financial statements are not restated (i.e., not adjusted for subsequent changes in the price level or subsequent changes in exchange rates).

The main implications of the above are as follows:

- The historical cost of non-monetary assets and liabilities and various components of equity are adjusted from their date of acquisition to the year ended 31 December 2021;
- Income statement is adjusted to reflect the financial gain or loss caused by the impact of inflation during the year on net monetary assets or liabilities (gain or loss of purchasing power); and
- The cumulative impact of the accounting restatement to adjust for the effects of hyperinflation for year 2021 is reflected in the consolidated statement of changes in equity.

e. Operational Risk

Operational risk is defined as the loss incurred by the Bank due to disorder in work policies or procedures, personnel, automated systems, technological infrastructure, in addition to external accidents. Such risk is managed through a comprehensive framework, as part of the overall strengthening and continuous improvement of the controls within the Group.

47 - CREDIT RISK

A. Gross exposure to credit risk (net of ECL provisions and interest in suspense and prior to collaterals and other risk mitigations):

	31 December	
	2021	**2020**
	USD '000	**USD '000**
Credit risk exposures relating to items on the consolidated statement of financial position:		
Balances with central banks	11 232 692	10 134 174
Balances with banks and financial institutions	3 756 284	4 601 165
Deposits with banks and financial institutions	275 494	288 165
Financial assets at fair value through profit or loss	40 117	283 830
Financial assets at fair value through OCI	312 501	-
Direct credit facilities at amortized cost	**31 188 786**	**23 907 858**
Consumer Banking	8 923 264	5 862 769
Small and Medium Corporate	3 814 125	2 925 975
Large Corporate	15 591 408	13 572 296
Banks and financial institutions	372 688	190 775
Government and public sector	2 487 301	1 356 043
Other financial assets at amortized cost	10 561 173	8 762 789
financial derivatives - positive fair value	86 585	91 510
Other assets	407 927	263 681
Total Credit Exposure related to items on the consolidated statement of financial position:	**57 861 559**	**48 333 172**
Credit risk exposures relating to items off the consolidated statement of financial position:		
Total of indirect facilities.	**17 872 009**	**15 544 171**
Grand Total for Credit Exposure	**75 733 568**	**63 877 343**

The table above shows the maximum limit of the bank credit risk as of 31 December 2021 and 2020 excluding collaterals and risks mitigations.

B. Fair value of collaterals obtained against total credit exposures :

	31 December 2021									
		Fair Value of Collaterals								
	Total Credit Risk Exposure	Cash	Banks accepted letters of guarantees	Real estate properties	Listed securities	Vehicles and equipment	Other	Total	Net Exposure	Expected Credit Loss
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Credit exposures relating to items on statement of financial position:										
Balances with central banks	11 434 604	-	-	-	-	-	-	-	11 434 604	201 912
Balances with banks and financial institutions	3 759 049	-	-	-	-	-	-	-	3 759 049	2 765
Deposits with banks and financial institutions	276 340	-	-	-	-	-	-	-	276 340	846
Financial assets at fair value through profit or loss	40 117	-	-	-	-	-	-	-	40 117	-
Financial assets at fair value through OCI	312 973	-	-	-	-	-	-	-	312 973	472
Direct credit facilities at amortized cost	**34 550 463**	**1 643 876**	**347 918**	**5 526 017**	**1 171 803**	**490 222**	**5 156 906**	**14 336 742**	**20 213 721**	**2 583 134**
Consumer Banking	9 341 770	462 623	5 328	584 536	4 206	85 130	1 684 812	2 826 635	6 515 135	312 222
Small and Medium Corporates	4 355 158	363 506	48 410	1 154 769	206 450	30 637	506 549	2 310 321	2 044 837	397 379
Large Corporates	17 975 980	817 491	267 659	3 780 367	960 735	374 455	2 762 305	8 963 012	9 012 968	1 856 016
Banks and Financial Institutions	378 248	-	226	-	412	-	10 082	10 720	367 528	5 511
Government and Public Sector	2 499 307	256	26 295	6 345	-	-	193 158	226 054	2 273 253	12 006
Other financial assets at amortized cost	10 595 538	-	-	-	-	-	-	-	10 595 538	34 365
Financial derivatives - positive fair value	86 585	-	-	-	-	-	-	-	86 585	-
Other assets	407 927	-	-	-	-	-	-	-	407 927	-
Total	**61 463 596**	**1 643 876**	**347 918**	**5 526 017**	**1 171 803**	**490 222**	**5 156 906**	**14 336 742**	**47 126 854**	**2 823 494**
Credit exposures relating to items off statement of financial position	**18 017 520**	**704 416**	**61 033**	**199 194**	**17 807**	**17 971**	**2 235 069**	**3 235 490**	**14 782 030**	**145 511**
Grand Total	**79 481 116**	**2 348 292**	**408 951**	**5 725 211**	**1 189 610**	**508 193**	**7 391 975**	**17 572 232**	**61 908 884**	**2 969 005**
Grand Total as of 31 December 2020	**66 741 322**	**2 433 458**	**281 428**	**4 132 042**	**572 098**	**624 263**	**6 996 956**	**15 040 245**	**51 701 077**	**2 244 711**

C. **Fair value of collaterals obtained against Stage 3 Credit Exposures :**

	31 December 2021									
		Fair Value of Collaterals								
	Total Credit Risk Exposure	Cash	Banks accepted letters of guarantees	Real estate properties	Listed securities	Vehicles and equipment	Other	**Total**	**Net Exposure**	**Expected Credit Loss**
	USD '000	**USD '000**	**USD '000**	**USD '000**	**USD '000**	**USD '000**	**USD '000**	**USD '000**	**USD '000**	**USD '000**
Credit exposures relating to items on statement of financial position:										
Cash and balances with central banks	-	-	-	-	-	-	-	-	-	-
Balances with banks and financial institutions	-	-	-	-	-	-	-	-	-	-
Deposits with banks and financial institutions	-	-	-	-	-	-	-	-	-	-
Financial assets at fair value through profit or loss	-	-	-	-	-	-	-	-	-	-
Financial assets at fair value through OCI	-	-	-	-	-	-	-	-	-	-
Direct credit facilities at amortized cost	**2 855 311**	**21 702**	**5 917**	**199 150**	**2 187**	**16 834**	**73 696**	**319 486**	**2 535 825**	**1 826 301**
Consumer Banking	412 992	7 027	418	17 935	1	121	20 175	45 677	367 315	244 478
Small and Medium Corporates	572 250	1 612	2 001	66 062	209	975	17 461	88 320	483 930	324 344
Large Corporates	1 865 342	13 063	3 462	115 153	1 977	15 738	36 059	185 452	1 679 890	1 252 857
Banks and Financial Institutions	3 986	-	-	-	-	-	-	-	3 986	3 937
Government and Public Sector	741	-	36	-	-	-	1	37	704	685
Other financial assets at amortized cost	-	-	-	-	-	-	-	-	-	-
Financial derivatives - positive fair value	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-
Total	**2 855 311**	**21 702**	**5 917**	**199 150**	**2 187**	**16 834**	**73 696**	**319 486**	**2 535 825**	**1 826 301**
Credit exposures relating to items off statement of financial position	**162 820**	**111 635**	**3 738**	**13 182**	**15 321**	-	**97 235**	**241 111**	**(78 291)**	**92 445**
Grand Total	**3 018 131**	**133 337**	**9 655**	**212 332**	**17 508**	**16 834**	**170 931**	**560 597**	**2 457 534**	**1 918 746**
Grand Total as of 31 December 2020	**2 526 688**	**17 564**	**4 622**	**270 003**	**6 569**	**36 213**	**163 750**	**498 721**	**2 027 967**	**1 432 073**

The disclosures below were prepared on two stages: the first for the total exposures of credit facilities and the second for the size of the expected credit loss.

	31 December 2021					
	Stage 2		Stage 3		Total	Percentage of
	Total Credit *Risk Exposure*	Reclassified Credit Risk Exposure	Total Credit *Risk Exposure*	Reclassified Credit Risk Exposure	**Reclassified Credit Risk Exposure**	**Reclassified Credit Risk Exposure (%)**
	USD '000	**USD '000**	**USD '000**	**USD '000**	**USD '000**	**USD '000**
Credit exposures relating to items on statement of financial position:						
Balances with central banks	718 835	-	-	-	-	0%
Balances with banks and financial institutions	-	-	-	-	-	-
Deposits with banks and financial institutions	-	-	-	-	-	-
Financial assets at fair value through profit or loss	-	-	-	-	-	-
Direct credit facilities at amortized cost	5 148 329	511 794	2 855 311	165 060	676 854	8.5%
Other financial assets at amortized cost	84 962	5 639	-	-	5 639	6.6%
Total	**5 952 126**	**517 433**	**2 855 311**	**165 060**	**682 493**	**7.7%**
Credit exposures relating to items off statement of financial position	**974 585**	**104 983**	**162 820**	**1 262**	**106 245**	**9.3%**
Grand Total	**6 926 711**	**622 416**	**3 018 131**	**166 322**	**788 738**	**7.9%**
Grand Total as of 31 December 2020	**4 700 145**	**706 453**	**2 526 688**	**585 320**	**1 291 773**	**17.9%**

	31 December 2021					
	Stage 2		Stage 3		Total	Percentage of
	Total Expected Credit Loss	Reclassified Expected Credit Loss	Total Expected Credit Loss	Reclassified Expected Credit Loss	**Reclassified Expected Credit Loss**	**Reclassified Expected Credit Loss (%)**
	USD '000	**USD '000**	**USD '000**	**USD '000**	**USD '000**	**USD '000**
Credit exposures relating to items on statement of financial position:						
Balances with central banks	200 003	-	-	-	-	0.0%
Balances with banks and financial institutions	-	-	-	-	-	-
Deposits with banks and financial institutions	-	-	-	-	-	-
Financial assets at fair value through profit or loss	-	-	-	-	-	-
Direct credit facilities at amortized cost	655 000	(40 543)	1 826 301	47 131	6 588	0.3%
Other financial assets at amortized cost	19 977	-	-	-	-	0.0%
Other assets and financial derivatives - positive fair value	-	-	-	-	-	0.0%
Total	**874 980**	**(40 543)**	**1 826 301**	**47 131**	**6 588**	**0.2%**
Credit exposures relating to items off statement of financial position	**23 549**	**590**	**92 445**	**(96)**	**494**	**0.4%**
Grand Total	**898 529**	**(39 953)**	**1 918 746**	**47 035**	**7 082**	**0.3%**
Grand Total as of 31 December 2020	**627 991**	**(35 403)**	**1 432 073**	**38 892**	**3 489**	**0.2%**

- **Expected Credit Losses for Reclassified Credit Exposures:**

	31 December 2021						
	Reclassified Credit Exposures			**Expected Credit Losses for Reclassified Credit Exposures:**			
	Reclassified Credit Exposures from Stage 2	Reclassified Credit Exposures from Stage 3	Total Reclassified Credit Exposures	Stage 2 (Individual)	Stage 2 (Collective)	Stage 3	Total
	USD '000	**USD '000**	**USD '000**	**USD '000**	**USD '000**	**USD '000**	**USD '000**
Credit exposures relating to items on statement of financial position:							
Balances with central banks	-	-	-	-	-	-	-
Balances with banks and financial institutions	-	-	-	-	-	-	-
Deposits with banks and financial institutions	-	-	-	-	-	-	-
Financial assets at fair value through profit or loss	-	-	-	-	-	-	-
Direct credit facilities at amortized cost	511 794	165 060	676 854	(878)	775	**71 899**	**71 796**
Other financial assets at amortized cost	5 639	-	5 639	-	-	-	-
Total	**517 433**	**165 060**	**682 493**	**(878)**	**775**	**71 899**	**71 796**
Credit exposures relating to items off statement of financial position	**104 983**	**1 262**	106 245	**590**	**-**	**(96)**	**494**
Grand Total	**622 416**	**166 322**	**788 738**	**(288)**	**775**	**71 803**	**72 290**
Grand Total as of 31 December 2020	**706 453**	**585 320**	**1 291 773**	**(6 016)**	**5 834**	**94 066**	**93 884**

D. Classification of debt securities facilities based on risk degree:

The table below analyzes the credit exposure of the debt securities using the credit rating as per the global credit rating agencies:

	31 December 2021			
	Financial Assets at Fair Value Through Profit or Loss	Financial Assets at Fair Value Through OCI	Other Financial Assets at Amortized Cost	Total
Credit rating	USD '000	USD '000	USD '000	USD '000
Private sector:				
AAA to A-	19 894	-	972 796	992 690
BBB+ to B-	5 721	93 171	302 924	401 816
Below B-	9 384	-	-	9 384
Unrated	391	-	132 091	132 482
Governments and public sector	4 727	219 330	9 153 362	9 377 419
Total	**40 117**	**312 501**	**10 561 173**	**10 913 791**

	31 December 2020		
	Financial Assets at Fair Value Through Profit or Loss	Other Financial Assets at Amortized Cost	Total
Credit rating	*USD '000*	*USD '000*	*USD '000*
Private sector:			
AAA to A-	185 726	845 683	1 031 409
BBB+ to B-	-	217 899	217 899
Below B-	9 607	-	9 607
Unrated	8 803	182 412	191 215
Governments and public sector	79 694	7 516 795	7 596 489
Total	**283 830**	**8 762 789**	**9 046 619**

E. Credit exposure categorized by geographical distribution:

	31 December 2021						
	Jordan	**Other Arab Countries**	**Asia ***	**Europe**	**America**	**Rest of the World**	**Total**
	USD '000	**USD '000**	**USD '000**	**USD '000**	**USD '000**	**USD '000**	**USD '000**
Balances with central banks	4 757 842	4 369 654	264	2 095 889	-	9 043	**11 232 692**
Balances and deposits with banks and financial institutions	241 510	1 104 007	307 540	1 725 326	556 972	96 423	**4 031 778**
Financial assets at fair value through profit or loss	-	5 118	9 983	19 295	-	5 721	**40 117**
Financial assets at fair value through OCI	-	230 105	-	82 396	-	-	**312 501**
Direct credit facilities at amortized cost	8 461 258	20 057 580	372 251	1 402 488	31 154	864 055	**31 188 786**
Consumer Banking	3 236 202	5 151 783	100	132 634	20 281	382 264	**8 923 264**
Small and Medium Corporates	852 829	1 923 720	96 177	688 813	10 168	242 418	**3 814 125**
Large Corporates	4 154 560	10 431 000	264 305	501 465	705	239 373	**15 591 408**
Banks and Financial Institutions	21 274	346 499	1 714	3 201	-	-	**372 688**
Government and public Sector	196 393	2 204 578	9 955	76 375	-	-	**2 487 301**
Other financial assets at amortized cost	4 362 301	5 189 814	75 482	509 762	148 129	275 685	**10 561 173**
financial derivatives - positive fair value	8 805	54 005	660	22 895	43	177	**86 585**
Other assets	68 959	310 980	767	24 455	470	2 296	**407 927**
Total	**17 900 675**	**31 321 263**	**766 947**	**5 882 506**	**736 768**	**1 253 400**	**57 861 559**
Total - as of 31 December 2020	**16 418 323**	**22 638 240**	**881 341**	**6 373 923**	**845 506**	**1 175 839**	**48 333 172**

*** Excluding Arab Countries**

E. Credit exposure categorized by geographical distribution and stagings according to IFRS 9:

	31 December 2021					
	Stage 1		*Stage 2*		Stage 3	Total
	(Individual)	(Collective)	(Individual)	(Collective)		
	USD '000	**USD '000**	**USD '000**	**USD '000**	**USD '000**	**USD '000**
Jordan	13 112 303	3 178 123	1 515 384	45 602	49 263	**17 900 675**
Other Arab Countries	22 624 493	5 031 066	3 362 497	72 803	230 404	**31 321 263**
Asia*	754 989	100	11 858	-	-	**766 947**
Europe	5 736 824	122 437	12 139	5 224	5 882	**5 882 506**
America	716 487	20 281	-	-	-	**736 768**
Rest of the World	866 485	368 686	2 345	12 536	3 348	**1 253 400**
Total	**43 811 581**	**8 720 693**	**4 904 223**	**136 165**	**288 897**	**57 861 559**
Total as of 31 December 2020	**38 899 712**	**5 651 051**	**3 276 149**	**147 799**	**358 461**	**48 333 172**

* **Excluding Arab Countries.**

F. Credit exposure categorized by economic sector

	31 December 2021												
		Corporates											
	Consumer Banking	Industry and Mining	Constructions	Real Estate	Trade	Agriculture	Tourism and Hotels	Transportation	Shares	General Services	Banks and Financial Institutions	Government and Public Sector	Total
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Balances with Central Banks	-	-	-	-	-	-	-	-	-	-	-	11 232 692	11 232 692
Balances and deposits with banks and financial institutions	-	-	-	-	-	-	-	-	-	-	4 031 778	-	4 031 778
Financial assets at fair value through profit or loss	-	-	-	-	-	-	-	-	-	-	40 117	-	40 117
Financial assets at fair value through OCI	-	-	-	-	-	-	-	-	-	40 715	52 442	219 344	312 501
Direct credit facilities at amortized cost	8 923 264	4 690 843	2 291 070	1 836 345	4 088 670	716 434	1 013 506	521 848	35 939	4 210 878	372 688	2 487 301	31 188 736
Other financial assets at amortized cost	-	110 517	-	6 947	-	-	-	-	-	305 273	985 073	9 153 363	10 561 173
Financial derivatives - positive fair value	82	375	7	-	703	-	-	-	-	12 382	72 809	227	86 535
Other assets	32 314	32 512	23 430	14 073	35 217	2 648	7 905	7 395	-	126 550	35 633	90 250	407 927
Total	**8 955 660**	**4 834 247**	**2 314 507**	**1 857 365**	**4 124 590**	**719 082**	**1 021 411**	**529 243**	**35 939**	**4 695 798**	**5 590 540**	**23 183 177**	**57 861 559**
Total as of 31 December 2020	**5 883 353**	**4 700 198**	**1 872 257**	**1 643 625**	**3 926 238**	**336 602**	**636 983**	**358 558**	**11 985**	**3 510 756**	**6 259 677**	**19 192 940**	**48 333 172**

F. **Credit exposure categorized by economic sector and stagings according to IFRS 9:**

	31 December 2021					
	Stage 1		Stage 2			
	(Individual)	(Collective)	(Individual)	(Collective)	Stage 3	Total
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Consumer Banking	32 402	8 720 693	-	136 165	66 400	**8 955 660**
Industry and Mining	3 888 969	-	935 225	-	10 053	**4 834 247**
Constructions	1 460 550	-	790 546	-	63 411	**2 314 507**
Real Estate	1 346 113	-	503 080	-	8 172	**1 857 365**
Trade	3 242 694	-	835 378	-	46 518	**4 124 590**
Agriculture	576 596	-	137 254	-	5 232	**719 082**
Tourism and Hotels	555 727	-	405 422	-	60 262	**1 021 411**
Transportation	386 274	-	139 759	-	3 210	**529 243**
Shares	35 939	-	-	-	-	**35 939**
General Service	4 232 460	-	437 753	-	25 585	**4 695 798**
Banks and Financial Institutions	5 563 777	-	26 763	-	-	**5 590 540**
Government and Public Sector	22 490 081	-	693 043	-	53	**23 183 177**
Total	**43 811 582**	**8 720 693**	**4 904 223**	**136 165**	**288 896**	**57 861 559**
Total as of 31 December 2020	**38 899 712**	**5 651 051**	**3 276 149**	**147 799**	**358 461**	**48 333 172**

48 - MARKET RISK

Market Risk Sensitivity

Assuming market prices as at December 31, 2021 and 2020 change by 5%, the impact on statement of income and shareholders equity will be as follows:

	31 December 2021			31 December 2020		
	Statement of Income	Shareholders' Equity	Total	Statement of Income	Shareholders' Equity	Total
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Interest rate sensitivity	44 340	-	44 340	34 215	-	**34 215**
Foreign exchange rate sensitivity	1 461	6 189	7 650	668	6 780	**7 448**
Equity instruments price sensitivity	1 611	18 768	20 379	1 011	20 486	**21 497**
Total	**47 412**	**24 957**	**72 369**	**35 894**	**27 266**	**63 160**

49 - INTEREST RATE RISK

Below is the Group Exposure to interest rate volatility as of 31 December 2021 (classification is based on interest rate repricing or maturity date, whichever is closer).

	Up to 1 month	More than 1 month and till 3 months	More than 3 months and till 6 months	More than 6 months and till 1 year	More than 1 year and till 3 years	More than 3 years	Not tied to interest rate risk	Total
ASSETS	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Cash at vaults	-	-	-	-	-	-	774 302	774 302
Mandatory cash reserve	-	-	-	-	-	-	1 484 161	1 484 161
Balances with central banks	5 600 336	235 040	-	25 000	-	-	3 888 155	9 748 531
Balances and deposits with banks and financial institutions	2 838 226	918 059	134 456	67 453	73 584	-	-	4 031 778
Financial assets at fair value through profit or loss	5 722	21 705	11 799	95	792	4	32 226	72 343
Direct credit facilities at amortized cost	8 665 694	4 121 799	2 900 416	5 974 199	4 171 222	5 355 456	-	31 188 786
Financial assets at fair value through other comprehensive income	-	-	-	49 180	10 139	253 182	375 353	687 854
Other financial assets at amortized cost	700 212	1 741 066	801 096	1 484 244	3 778 977	2 055 578	-	10 561 173
Investments in associates	-	-	-	-	-	-	3 412 899	3 412 899
Fixed assets	-	-	-	-	-	-	531 955	531 955
Other assets and financial derivatives - positive fair value	139 822	61 999	42 871	85 019	74 271	33 188	625 684	1 062 854
Deferred tax assets	-	-	-	-	-	-	248 498	248 498
TOTAL ASSETS	**17 950 012**	**7 099 668**	**3 890 638**	**7 685 190**	**8 108 985**	**7 697 408**	**11 373 233**	**63 805 134**
LIABILITIES								
Banks and financial institutions' deposits	1 804 910	1 202 788	255 016	87 849	338	560	641 238	3 992 699
Customer deposits	11 293 752	4 550 808	3 082 193	5 183 401	2 482 650	1 880 257	16 012 450	44 485 511
Cash margin	574 188	827 002	332 976	260 018	168 726	118 662	325 559	2 607 131
Borrowed funds	150 413	354 733	15 713	20 373	26 200	55 028	-	622 460
Provision for income tax	-	-	-	-	-	-	202 477	202 477
Other provisions	-	-	-	-	-	-	217 629	217 629
Other liabilities and financial derivatives - negative fair value	145 785	92 229	51 977	22 903	95 451	15 982	924 253	1 348 580
Deferred tax liabilities	-	-	-	-	-	-	7 295	7 295
Total liabilities	**13 969 048**	**7 027 560**	**3 737 875**	**5 574 544**	**2 773 365**	**2 070 489**	**18 330 901**	**53 483 782**
Gap	**3 980 964**	**72 108**	**152 763**	**2 110 646**	**5 335 620**	**5 626 919**	**(6 957 668)**	**10 321 352**

Below is the Group Exposure to interest rate volatility as of 31 December 2020 (classification is based on interest rate repricing or maturity date, whichever is closer).

	Up to 1 month	More than 1 month and till 3 months	More than 3 months and till 6 months	More than 6 months and till 1 year	More than 1 year and till 3 years	More than 3 years	Not tied to interest rate risk	Total
ASSETS	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Cash at vaults	-	-	-	-	-	-	673 453	673 453
Mandatory cash reserve	-	-	-	-	-	-	1 613 267	1 613 267
Balances with central banks	3 841 204	561 880	-	-	25 000	-	4 092 823	8 520 907
Balances and deposits with banks and financial institutions	3 730 747	848 164	119 607	170 319	20 493	-	-	4 889 330
Financial assets at fair value through profit or loss	7 128	30 695	2 500	47 321	133 994	62 192	20 224	304 054
Direct credit facilities at amortized cost	8 112 608	3 368 324	3 059 725	1 825 026	2 418 899	5 123 276	-	23 907 858
Financial assets at fair value through OCI	-	-	-	-	-	-	409 715	409 715
Other financial assets at amortized cost	1 342 698	1 237 244	723 662	1 424 066	2 929 114	1 106 005	-	8 762 789
Investments in associates	-	-	-	-	-	-	3 804 212	3 804 212
Fixed assets	-	-	-	-	-	-	458 518	458 518
Other assets and financial derivatives - positive fair value	85 890	44 664	56 956	12 702	58 266	12 863	583 306	854 647
Deferred tax assets	-	-	-	-	-	-	214 933	214 933
TOTAL ASSETS	**17 120 275**	**6 090 971**	**3 962 450**	**3 479 434**	**5 585 766**	**6 304 336**	**11 870 451**	**54 413 683**
LIABILITIES								
Banks and financial institutions' deposits	1 580 838	669 833	836 839	56 032	82 509	1 218	746 957	3 974 226
Customer deposits	10 841 019	4 274 800	2 630 853	4 126 637	533 001	96 423	13 732 405	36 235 138
Cash margin	567 159	1 113 940	228 895	243 415	24 503	18 882	286 459	2 483 253
Borrowed funds	123 372	345 304	28 183	13 219	32 476	67 237	-	609 791
Provision for income tax	-	-	-	-	-	-	275 406	275 406
Other provisions	-	-	-	-	-	-	230 069	230 069
Other liabilities and financial derivatives - negative fair value	197 025	66 562	56 736	16 787	8 039	4 591	861 625	1 211 365
Deferred tax liabilities	-	-	-	-	-	-	5 672	5 672
Total liabilities	**13 309 413**	**6 470 439**	**3 781 506**	**4 456 090**	**680 528**	**188 351**	**16 138 593**	**45 024 920**
Gap	**3 810 862**	**(379 468)**	**180 944**	**(976 656)**	**4 905 238**	**6 115 985**	**(4 268 142)**	**9 388 763**

Inter Bank Offered Rate (IBOR) Reforms

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR reform'). The Group has exposures to IBORs on its financial instruments, some of which have already been transitioned, and others which will be replaced at the transition date and as part of these market-wide initiatives.

The Group closely monitors the market and the output from the various industry working groups managing the transition to new benchmark interest rates. This includes announcements made by the IBOR regulators.

LIBOR referenced in Arab Bank contracts will be replaced by the following overnight Risk Free Rates (RFR), as per market best practice:

Currency	IBOR	Alternative Reference Rate	Transition Date
USD	USD LIBOR (3 / 6 Months)	Secured Overnight Financing Rate (SOFR)	June 2023
GBP	GBP LIBOR	Sterling Overnight Index Average (SONIA)	December 2021
EUR	EURIBOR / EUR LIBOR	Euro Short-Term Rate (€STR)	December 2021
CHF	CHF LIBOR	Swiss Average Rate Overnight (SARON)	December 2021
JPY	JPY LIBOR	Tokyo Overnight Average Rate (TONAR)	December 2021

It is the aim of the Bank to maintain economic equivalency, by ensuring that the financial terms of the migration are in line with market practice on spread adjustments. ISDA's spread adjustments fixed on 5^{th} of March 2021, will be added to the original spread over LIBOR at the time of the transition. As a result, no material profit or loss impact is anticipated.

For contracts denominated in EUR, GBP, CHF or JPY, migration took place at the time of the transition. For contracts denominated in USD, and referencing 1M, 3M, 6M and 12M LIBOR, migration will take place on or before 30^{th} of June 2023.

Derivatives

The bank confirms adherence to the ISDA IBOR Protocol. All derivatives adhere to the contractual fallback provisions which will take effect for derivatives contracts referencing LIBOR rates at the transition and upon cessation events.

Hedge Accounting

Hedge documentation, which currently refers to LIBOR, will be updated to reflect the transition to the new reference rate for the hedging item and the hedging instrument in every case. Economic equivalency will be maintained at the time of transition and therefore no material profit or loss impact is anticipated.

Total amounts of unreformed contracts, including those with an appropriate fallback clause is around USD 2.4 billion.

50 - LIQUIDITY RISK

The below is the distribution of the liabilities (undiscounted) according to the residual maturity as of 31 December 2021.

Liabilities	Within 1 month USD '000	After 1 months and till 3 months USD '000	After 3 months and till 6 months USD '000	After 6 months and till one year USD '000	After one year and till 3 years USD '000	After 3 years USD '000	Not tied to a specific maturity USD '000	Total USD '000
Banks and financial institutions' deposits	1 987 422	1 118 122	255 016	54 333	338	560	577 461	3 993 252
Customer deposits	9 622 679	4 534 567	3 118 374	5 217 805	2 598 708	462 807	19 086 805	44 641 745
Cash margin	576 007	825 745	333 518	262 172	170 199	118 974	325 687	2 612 302
Borrowed funds	12 436	54 142	15 093	37 796	92 537	412 623	-	624 627
Provision for income tax	-	-	-	-	-	-	202 477	202 477
Other Provisions	-	-	-	-	-	-	217 629	217 629
Financial derivatives - negative fair value	44 832	15 684	4 599	4 230	13 912	12 552	-	95 809
Other liabilities	109 273	76 306	45 988	19 602	76 979	8 029	916 594	1 252 771
Deferred tax liabilities	-	-	-	-	-	-	7 295	7 295
Total Liabilities	**12 352 649**	**6 624 566**	**3 772 588**	**5 595 938**	**2 952 673**	**1 015 545**	**21 333 948**	**53 647 907**
Total Assets according to expected maturities	**14 126 366**	**5 162 770**	**3 981 148**	**4 046 312**	**9 131 403**	**14 359 694**	**12 997 441**	**63 805 134**

The below is the distribution of the liabilities (undiscounted) according to the residual maturity as of 31 December 2020.

Liabilities	Within 1 month USD '000	After 1 months and till 3 months USD '000	After 3 months and till 6 months USD '000	After 6 months and till one year USD '000	After one year and till 3 years USD '000	After 3 years USD '000	Not tied to a specific maturity USD '000	Total USD '000
Banks and financial institutions' deposits	1 579 616	609 576	1 035 296	45 035	83 532	1 218	621 870	3 976 143
Customer deposits	9 299 583	4 365 837	2 573 272	3 958 578	875 175	192 001	15 166 097	36 430 543
Cash margin	567 550	1 114 246	229 532	245 379	24 503	18 881	286 459	2 486 550
Borrowed funds	7 878	11 964	12 865	8 210	108 302	460 746	-	609 965
Provision for income tax	-	-	-	-	-	-	275 406	275 406
Other Provisions	-	-	-	-	-	-	230 069	230 069
Financial derivatives - negative fair value	60 024	17 409	11 602	12 386	49 645	19 890	-	170 956
Other liabilities	105 321	20 156	32 998	7 704	8 034	4 573	861 623	1 040 409
Deferred tax liabilities	-	-	-	-	-	-	5 672	5 672
Total Liabilities	**11 619 972**	**6 139 188**	**3 895 565**	**4 277 292**	**1 149 191**	**697 309**	**17 447 196**	**45 225 713**
Total Assets according to expected maturities	**12 136 537**	**4 552 044**	**3 103 825**	**3 696 577**	**7 574 387**	**9 311 484**	**14 038 829**	**54 413 683**

51 - NET FOREIGN CURRENCY POSITIONS

The details of this item are as follows

	31 December 2021		31 December 2020	
	Base currency in thousands	**Equivalent in USD '000**	**Base currency in thousands**	**Equivalent in USD '000**
USD	96 908	96 908	9 029	9 029
GBP	(32 706)	(44 079)	26 081	35 525
EUR	6 794	7 692	18 167	22 319
JPY	23 737	3 854	14 753	(143)
CHF	(1 767)	(1 928)	(1 260)	(1 428)
Other currencies *	-	(33 210)	-	(78 653)
		29 237		**(13 351)**

* Various foreign currencies translated to US Dollars

52 - FAIR VALUE HIERARCHY

Financial instruments include financial assets and financial liabilities.

The Bank uses the following methods and alternatives of valuating and presenting the fair value of financial instruments.

Level 1 Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

a. Fair value of financial assets and financial liabilities measured at fair value on recurring basis.

Some of the financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair value of these financial assets and financial liabilities are determined (valuation techniques and key inputs)

Financial assets / Financial liabilities	Fair Value as at 31 December		Fair Value Hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	2021	2020				
Financial assets at fair value	USD '000	USD '000				
Financial assets at fair value through profit or loss						
Government Bonds and bills	4 727	79 694	Level 1	Quoted	Not Applicable	Not Applicable
Corporate bonds	35 390	204 136	Level 1	Quoted	Not Applicable	Not Applicable
Shares and mutual funds	32 226	20 224	Level 1	Quoted	Not Applicable	Not Applicable
Total Financial Assets at fair value through Profit or Loss	**72 343**	**304 054**				
Financial derivatives - positive fair value	86 585	91 510	Level 2	Through Comparison of similar financial instruments	Not Applicable	Not Applicable
Financial assets at fair value through other comprehensive income						
Quoted shares	163 766	122 363	Level 1	Quoted Shares	Not Applicable	Not Applicable
Unquoted shares	211 587	287 352	Level 2	Through using the index sector in the market	Not Applicable	Not Applicable
Governmental and Corporate bonds through OCI	312 501	-	Level 2	Through using the index sector in the market	Not Applicable	Not Applicable
Total Financial Assets at FVTOCI	**687 854**	**409 715**				
Total Financial Assets at Fair Value	**846 782**	**805 279**				
Financial Liabilities at Fair Value						
Financial derivatives - negative fair value	95 809	170 956	Level 2	Through Comparison of similar financial instruments	Not Applicable	Not Applicable
Total Financial Liabilities at Fair Value	**95 809**	**170 956**				

There were no transfers between Level 1 and 2 during 2021 & 2020

B. Fair value of financial assets and financial liabilities that are not measured at fair value on recurring basis.

Except as detailed in the following table, we believe that the carrying amounts of financial assets and financial liabilities recognized in the Group consolidated financial statements approximate their fair values.

	31 December 2021		31 December 2020		
	Book value	**Fair value**	**Book value**	**Fair value**	**Fair value Hierarchy**
	USD '000	**USD '000**	**USD '000**	**USD '000**	
Financial assets not calculated at fair value					
Mandatory reserve , time and notice and certificates of deposits at Central Banks	6 364 438	6 366 814	5 519 559	5 520 337	Level 2
Balances and Deposits with banks and Financial institutions	4 031 778	4 035 980	4 889 330	4 890 794	Level 2
Direct credit facilities at amortized cost	31 188 786	31 405 827	23 907 858	23 985 577	Level 2
Other Financial assets at amortized cost	10 561 173	10 675 565	8 762 789	8 859 096	Level 1 & 2
Total financial assets not calculated at fair value	**52 146 175**	**52 484 186**	**43 079 536**	**43 255 804**	
Financial liabilities not calculated at fair value					
Banks' and financial institutions' deposits	3 992 699	3 995 172	3 974 226	3 984 107	Level 2
Customer deposits	44 485 511	44 639 198	36 235 138	36 328 603	Level 2
Cash margin	2 607 131	2 613 711	2 483 253	2 491 389	Level 2
Borrowed funds	622 460	628 132	609 791	615 966	Level 2
Total financial liabilities not calculated at fair value	**51 707 801**	**51 876 213**	**43 302 408**	**43 420 065**	

The fair values of the financial assets and financial liabilities included in level 2 categories above have been determined in accordance with the generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being that discount rate

53 - ANALYSIS FOR ASSETS AND LIABILITIES MATURITIES

The below is an analysis for assets and liabilities maturities according to the expected period to be recovered or settled as at 31 December 2021:

	Up to one year	More than one year	*Total*
	USD '000	**USD '000**	**USD '000**
Assets			
Cash at vaults	774 302	-	774 302
Mandatory cash reserve	1 484 161	-	1 484 161
Balances with central banks	9 748 531	-	9 748 531
Balances and deposits with banks and financial institutions	3 984 168	47 610	4 031 778
Financial assets at fair value through profit or loss	56 384	15 959	72 343
Direct credit facilities at amortized cost	14 156 360	17 032 426	31 188 786
Financial assets at fair value through other comprehensive income	49 180	638 674	687 854
Other financial assets at amortized cost	*4 546 391*	*6 014 782*	*10 561 173*
Investment in subsidiaries and associates	-	3 412 899	3 412 899
Fixed assets	69 151	462 804	531 955
Other assets and financial derivatives - positive fair value	945 856	116 998	1 062 854
Deferred tax assets	248 498	-	248 498
Total assets	**36 062 982**	**27 742 152**	**63 805 134**
Liabilities			
Banks' and financial institutions' deposits	3 991 801	898	3 992 699
Customer deposits	41 536 018	2 949 493	44 485 511
Cash margin	2 318 636	288 495	2 607 131
Borrowed funds	131 428	491 032	622 460
Provision for income tax	202 477	-	202 477
Other Provisions	217 629	-	217 629
Other liabilities and financial derivatives - negative fair value	1 230 046	118 534	1 348 580
Deferred tax liabilities	7 295	-	7 295
Total liabilities	**49 635 330**	**3 848 452**	**53 483 782**
Net	**(13 572 348)**	**23 893 700**	**10 321 352**

The below is an analysis for assets and liabilities maturities according to the expected period to be recovered or settled as at 31 December 2020:

	UP to one year	More than one year	Total
	USD '000	**USD '000**	**USD '000**
Assets			
Cash at vaults	673 453	-	673 453
Mandatory cash reserve	1 613 267	-	1 613 267
Balances with central banks	8 495 907	25 000	8 520 907
Balances and deposits with banks and financial institutions	4 868 180	21 150	4 889 330
Financial assets at fair value through profit or loss	77 805	226 249	304 054
Direct credit facilities at amortized cost	11 774 548	12 133 310	23 907 858
Financial assets at fair value through other comprehensive income	-	409 715	409 715
Other financial assets at amortized cost	4 488 236	4 274 553	8 762 789
Investment in subsidiaries and associates	-	3 804 212	3 804 212
Fixed assets	48 906	409 612	458 518
Other assets and financial derivatives - positive fair value	649 565	205 082	854 647
Deferred tax assets	214 933	-	214 933
Total assets	**32 904 800**	**21 508 883**	**54 413 683**
Liabilities			
Banks' and financial institutions' deposits	3 890 499	83 727	3 974 226
Customer deposits	35 371 384	863 754	36 235 138
Cash margin	2 442 532	40 721	2 483 253
Borrowed funds	49 116	560 675	609 791
Other Provisions	275 406	-	275 406
Provision for Income Tax	230 069	-	230 069
Other liabilities and financial derivatives - negative fair value	1 177 486	33 879	1 211 365
Deferred tax liabilities	5 672	-	5 672
Total liabilities	**43 442 164**	**1 582 756**	**45 024 920**
Net	**(10 537 364)**	**19 926 127**	**9 388 763**

54 - CONTRACTUAL MATURITY OF THE CONTINGENT ACCOUNTS

The table below details of expected liabilities and commitments on the basis of contractual maturity:

	31 December 2021			
	Within 1 year	**More than 1 year and up to 5 years**	**More than 5 years**	**Total**
	USD '000	**USD '000**	**USD '000**	**USD '000**
Letters of credit	2 663 930	131 063	-	**2 794 993**
Acceptances	900 903	21 616	-	**922 519**
Letters of guarantee:				
- Payment guarantees	1 014 941	90 828	170 167	**1 275 936**
- Performance guarantees	3 352 075	1 293 348	151 150	**4 796 573**
- Other guarantees	2 334 414	352 522	35 372	**2 722 308**
Unutilized credit facilities	5 363 722	110 777	30 692	**5 505 191**
Total	**15 629 985**	**2 000 154**	**387 381**	**18 017 520**
Constructions projects contracts	3 385	-	-	**3 385**
Procurement contracts	16 336	1 673	2 262	**20 271**
Total	**19 721**	**1 673**	**2 262**	**23 656**

	31 December 2020			
	Within 1 year	**More than 1 year and up to 5 years**	**More than 5 years**	**Total**
	USD '000	**USD '000**	**USD '000**	**USD '000**
Letters of credit	1 618 727	92 907	-	**1 711 634**
Acceptances	584 809	5 743	-	**590 552**
Letters of guarantee:				
- Payment guarantees	1 190 935	121 408	74 204	**1 386 547**
- Performance guarantees	3 319 003	1 228 769	183 237	**4 731 009**
- Other guarantees	2 615 665	316 772	34 233	**2 966 670**
Unutilized credit facilities	3 901 956	314 266	33 487	**4 249 709**
Total	**13 231 095**	**2 079 865**	**325 161**	**15 636 121**
Constructions projects contracts	3 502	-	-	**3 502**
Procurement contracts	10 537	3 033	2 528	**16 098**
Total	**14 039**	**3 033**	**2 528**	**19 600**

55 - CAPITAL MANAGEMENT AN LIQUIDUTY

The Group manages its capital to safeguard its ability to continue its operating activities while maximizing the return to shareholders. The composition of the regulatory capital, as defined by Basel III standards is as follows:

	31 December	
	2021	2020
	USD '000	USD '000
Common Equity Tier 1	9 376 735	9 006 760
Regulatory Adjustments (Deductions from Common Equity Tier 1)	(2 894 909)	(3 356 130)
Additional Tier 1	273 411	439
Deductions from Additional Tier 1	(12 987)	-
Supplementary Capital	388 384	416 260
Regulatory Capital	**7 130 634**	**6 067 329**
Risk-weighted assets (RWA)	**43 132 067**	**36 180 487**
Common Equity Tier 1 Ratio	**%15.03**	**%15.62**
Tier 1 Capital Ratio	**%15.63**	**%15.62**
Capital Adequacy Ratio	**%16.53**	**%16.77**

- The Board of Directors performs an overall review of the capital structure of the Group on a quarterly basis. As part of this review, the Board takes into consideration matters such as cost and risks of capital as integral factors in managing capital through setting dividend policies and capitalization of reserves.

- The liquidity coverage ratio is 222% as of 31 December 2021 and 254% as of 31 December 2020 (According to Central Bank of Jordan Memo no. 5/2020 the minimum liquidity coverage ratio is 100%).

56 - TRANSACTIONS WITH RELATED PARTIES

The details of this item are as follows:

	31 December 2021			
	Deposits owed from related parties	Direct credit facilities at amortized cost	Deposits owed to related parties	LCs, LGs, Unutilized credit facilities and acceptances
	USD '000	USD '000	USD '000	USD '000
Associated companies	154 301	-	8 851	25 861
Major Shareholders and Members of the Board of Directors	-	291 628	975 382	43 875
	154 301	291 628	984 233	69 736

	31 December 2020			
	Deposits owed from related parties	Direct credit facilities at amortized cost	Deposits owed to related parties	LCs, LGs, Unutilized credit facilities and acceptances
	USD '000	USD '000	USD '000	USD '000
Associated companies	197 484	-	20 940	71 161
Major Shareholders and Member of the Board of Directors	-	279 057	671 215	89 512
	197 484	279 057	692 155	160 673

- All facilities granted to related parties are performing loans in accordance with the credit rating of the Group. No provisions for the year have been recorded in relation to impairment in value.

The details of transactions with related parties are as follows:

	31 December 2021	
	Interest Income	Interest Expense
	USD '000	USD '000
Associated companies	469	48

	31 December 2020	
	Interest Income	Interest Expense
	USD '000	USD '000
Associated companies	1 750	127

- Direct credit facilitates granted to key management personnel amounted to USD 1.4 million and indirect credit facilities amounted to USD 14.1 thousand as of 31 December 2021 (USD 1.8 million direct credit facilities and USD 217.1 thousand indirect credit facilities as of 31 December 2020).

- Deposits of key management personnel amounted to USD 4.2 million as of 31 December 2021 (USD 5.4 million as of 31 December 2020).

- Interest on credit facilities granted to major shareholders and members of the Board of Directors is recorded at arm's length.

- The salaries and other fringe benefits of the Group's key management personnel, inside and outside Jordan, amounted to USD 65.6 million for the year ended on 31 December 2021 (USD 68.9 million for the year ended on 31 December 2020).

57 - EARNINGS PER SHARE

The details of this item are as follows:

	2021	2020
	USD '000	USD '000
Profit for the year attributable to Shareholders of the Bank	306 721	192 791
Less : The Group's share of Interest on Perpetual Bonds	(14 397)	-
Net Profit for the year attributable to Shareholders of the Bank	292 324	192 791
	Thousand Shares	
Average number of shares	640 800	640 800
	USD / Share	
Earnings Per Share (Basic and diluted)	0.46	0.30

There are no instruments that could potentially dilute basic earnings per share in the future.

58 - ASSETS UNDER MANAGEMENT

Assets under management as of 31 December 2021 amounted to USD 5971 million (USD 5094 million as of 31 December 2020). These assets are not included in the Group's consolidated financial statements.

59 - CASH AND CASH EQUIVALENT

The details of this item are as follows:

	31 December	
	2021	2020
	USD '000	USD '000
Cash and balances with central banks maturing within 3 months	12 183 906	10 924 978
Add: balances with banks and financial institutions maturing within 3 months	3 759 049	4 604 058
Less: banks and financial institutions deposits maturing within 3 months	3 682 903	3 116 968
Total	**12 260 052**	**12 412 068**

60. LEGAL CASES

There are lawsuits filed against the Group totaling USD 334.3 million as of 31 December 2021, (USD 289.1 million as of 31 December 2020). In the opinion of the management and the lawyers representing the Group in the litigation at issue, the provisions taken in connection with the lawsuits are adequate.

61. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards and interpretations that are issued but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) which was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach),
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Group.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement,
- That a right to defer must exist at the end of the reporting period,

That classification is unaffected by the likelihood that an entity will exercise its deferral right,

- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.
The amendments are not expected to have a material impact on the Group.

Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

The amendments are not expected to have a material impact on the Group.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

The amendments are not expected to have a material impact on the Group.

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted.

The amendments is not applicable to the Group.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received by the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group.

Definition of Accounting Estimates - Amendments to IAS 8
In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

The amendments are not expected to have a material impact on the Group.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2
In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Group is currently assessing the impact of the amendments to determine the impact they will have on the Group's accounting policy disclosures.

62. COMPARATIVE FIGURES

Some of the comparative figures in the consolidated financial statements for the year 2020 have been reclassified to be consistent with the year 2021 presentation, with no effect on profit and equity for the year 2020.