EuropeArabBank

PART OF THE ARAB BANK GROUP

Annual Report and Financial Statements

31 December 2023

ARAB BANK GROUP IN LONDON SINCE 1973

Europe Arab Bank plc

Company Registration No. 5575857

Contents

Use the interactive links on the header bar and contents list to navigate to the relevant section

Directors, Officers and Professional Advisers

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

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

Mr. Charles Pickin
Chief Risk Officer

Ms. Claire Cripps
Head of Private Banking

Ms. Ekaterina Mihova
Head of Human Resources

Mr. Kim Tran
Head of Corporate & Institutional Banking

Mr. Mark Marthinus
Head of Internal Audit

Mr. Samir El-Sukhun
Head of Credit

Mr. Sidharth Chaugule
Head of Treasury

Mr. Thomas Noone
Head of Compliance

Secretary

Ms. Dagmar Moravkova

Registered Office

35 Park Lane
Mayfair
London
W1K 1RB
United Kingdom

Auditor

Deloitte LLP
2 New Street Square
London
EC4A 3BZ
United Kingdom

Strategic Report

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 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 in MENA, with over 600 branches spanning five continents through Arab Bank plc branches, subsidiaries, its sister company and associates.

The EAB group comprises EAB plc and its subsidiary, Europe Arab Bank SA ("EAB SA"). EAB SA is authorised and regulated by the French banking regulator, the Autorité de Contrôle Prudentiel et de Résolution (ACPR).

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.

Strategic Report

Strategy and objectives

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

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

EAB is a niche bank, focused on delivering excellence and value to its clients and business partners, and generating sustainable profits for the shareholder.

Financial Review

2023 was a record year for the Bank with growth in net interest income driven by loan book growth and a strong net interest margin aided by the global interest rate environment. The costs were higher as we continue to invest in the business and to reflect the inflationary environment. Operating profit before impairment and tax (adjusted) at €17.2mn (2022: €4.7mn) was therefore substantially higher, a testament to our prudent business strategy, despite continued economic and geopolitical uncertainty in some of our key markets. Impairment charges remained stable and were largely concentrated in legacy non-performing exposures. The Bank's net profit before taxation (adjusted) for 2023 was €12.9mn (2022: €0.2mn).

The Bank's capital, funding and liquidity positions remained strong throughout the year. The events impacting the global banking sector during 2023 highlighted the benefits of our prudent approach to managing financial resources, with our diverse funding base enabling us to adapt our position. We maintained our prudent liquidity position with the liquidity coverage ratio substantially above the regulatory requirements. Our common equity tier 1 and total capital adequacy ratios remain well above the applicable minimum regulatory requirements. Our focus remains on deploying capital and funding to deliver disciplined growth in line with our business strategy.

Summary Profit and Loss Account (€mn)*

	2023	**2022**
Net interest & similar income	**47.5**	32.5
Net fee & commission income	**4.7**	5.8
Other Income (net)	**5.4**	4.3
Net operating income	**57.6**	42.6
Total operating expenses	**(40.4)**	(37.9)
Operating profit before impairment loss expense and tax expense (adjusted)	**17.2**	4.7
Impairment loss expense	**(4.3)**	(4.5)
Profit before tax (adjusted)	**12.9**	0.2
Dividend income	**-**	12.2
Operating profit before tax (statutory)	**12.9**	12.4
Tax charge	**(1.7)**	-
Net profit for the year	**11.2**	12.4

* Adjusted measures exclude one-off dividend received in 2022 from subsidiaries following the sale of an office building. These subsidiaries were placed into liquidation in 2023.

Strategic Report

Summary Statement of Financial Position (€mn)

	2023	2022*
Cash and balances with banks	**627**	539
Financial investments	**546**	597
Loans and advances to customers	**931**	846
Other assets	**140**	182
Total assets	**2,244**	2,163
Deposits by and due to banks and sister companies	**551**	453
Deposits by customers	**1,229**	1,256
Other liabilities	**45**	41
Total liabilities less Tier 2 capital	**1,825**	1,750
Tier 2 capital	**113**	117
Shareholder's equity	**306**	296
Total capital and liabilities	**2,244**	2,163
Customer related contingent liabilities and commitments	**591**	650

* Please also refer to note 39 reclassification note

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 2022.

KPI	Description	2023	2022
Loan to customer deposit ratio	Represents EAB's ability to fund its lending from core deposits generated	**76%**	67%
Capital adequacy ratio (note 38)	Measures EAB's financial strength, expressed as a ratio of total capital to risk weighted assets	**24%**	23%
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	**17%**	16%
Coverage ratio**	Reflects EAB's provisions against classified assets* (excluding collateral)	**40%**	47%
Adjusted cost to Income Ratio***	Measures operational efficiency of the business and the returns generated	**75%**	89%
Return on equity	Measures EAB's return generated on shareholder's equity	**3.65%**	4.14%
Return on assets	Measures return generated on total assets	**0.50%**	0.57%

* Classified assets are the lowest internally rated exposures as per note 34.

** Including collateral, the coverage ratio would stand at greater than 100%.

*** Income has been adjusted to remove dividend income in 2022.

Strategic Report

Strategic Business Units and Their Performance

EAB's business model founded is on three main business units, offering high service levels and building long-term relationships with clients and other stakeholders. The key activities of the three main business units and their performance during 2023 is summarised below:

Corporate and Institutional Banking (CIB)

CIB provides banking services to European and MENA based companies and financial institutions. Country and product focussed teams work together to support clients across a wide range of markets and industry sectors. We assist our clients in corporate lending, commercial real estate, 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.

During 2023 CIB was able to grow its loan book particularly in the newly launched commercial real estate business in the hospitality sector. The trade finance business however was affected due to risk appetite considerations for certain MENA markets where the business was more active in the past, resulting in lower fee based income. Whilst we strategically remain committed to supporting MENA trade related activity, a more prudent approach was adopted during 2023 due to regional economic and geopolitical considerations.

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). In addition to access to a range of current and saving accounts and deposits, we provide real estate lending, Non-UK resident mortgages, execution-only securities dealing, foreign exchange dealing and safe deposit box services.

Private Banking benefitted substantially during 2023 from the improved interest rate environment through higher margins generated on the deposit base. The Bank's strategic priority has always been to fund its balance sheet through granular retail deposits where we invest in our client relationships to ensure stable funding. During 2023, the Bank celebrated 50 years of Arab Bank Group's presence in London and we were encouraged by the large attendance of our loyal private clients who have been banking with us for decades and over generations. Private Banking has also witnessed growth in its residential lending portfolio during 2023 focused largely on prime London properties with a conservative loan to value profile. The business plans to expand its product proposition further in 2024 including through launch of a bespoke mobile banking application for high net worth clients and a wealth management solution, pending regulatory approval.

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.

Treasury's income also increased during 2023 benefitting from upward sloping interest rate curves for most part of the year in money markets. Treasury was more selective in its investment in securities based on risk reward assessment of opportunities during the year. Treasury also ensured that the Bank's liquidity and market risks are well managed during 2023 and has undertaken various initiatives to expand the range of funding sources available.

Support, risk and control functions

The business activities are complemented by the support functions with appropriate oversight by risk and controls functions. The Bank has also outsourced some of its operational processing and information technology infrastructure to the parent, Arab Bank plc. These are managed through outsourcing and service level agreements.

During 2023 these functions remained focused on supporting delivery of business objectives and providing oversight and challenge. The Bank continues to invest in making its operational activities efficient through investment in technology and human resources. Business transformation remains a key strategic objective with various initiatives underway under different pillars including digitalisation of customer channels and internal processes, technology as enabler of regulatory compliance, enhancing data governance and ensuring resilient and stable infrastructure.

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.

Strategic Report

Risk	Risk Mitigation and Management
Credit	
EAB faces credit and counterparty risk across its business units. 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.	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), 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") has remained fairly stable as at 31 December 2023, and we continue to closely monitor impacts. 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. Funding and liquidity risks are reviewed regularly at each meeting of the Assets and Liabilities Committee (ALCO). The minimum amount of regulatory liquidity required is determined in accordance with the relevant rules and the Individual Liquidity Guidance ("ILG") received from the regulator. At 31 December 2023, 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 exposures 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 sensitivity analysis on interest rate exposures shown in note 35 demonstrates the limited level of exposure to interest rate and foreign exchange movements.

Strategic Report

Operational	
EAB is exposed to various operational risks through its day-to-day operations, some 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.	In line with the UK regulatory developments, EAB has identified its important business services, engaged in a programme to assess their resilience and align investment to enhance their resilience over time. 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 important business services including 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. 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. 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 2023, 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.

Strategic Report

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 direct lending to coal businesses.

Notes 33 to 38 of the financial statements provide further information on risk management disclosures, 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.

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;
- 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; and
- 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 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 run its operations 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 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. Careful consideration of environmental factors and potential risks now plays an integral role in the actions we take, alongside thoughtful evaluation of where opportunities may arise for EAB to make a meaningful difference through our business decisions.

EAB has continued to enhance its climate risk framework, with the following key areas of priority in 2024:

- Building on the Stress Testing done to date leveraging off the additional more granular climate risk data gathered through credit assessments. Enhancing the bank's ability to identify climate related risks in its portfolio.
- Further developing climate risk disclosures including ensuring the bank is prepared for any new requirements.
- Enhance existing climate risk assessment data though the use of the dedicated Fitch Climate Risk tool.
- Continue to enhance the management information available to the Bank's Board and Senior management.

Energy and emissions report

	2023	2022
Energy consumption used to calculate emissions (kWh)	**0.5m kWh**	1.06m kWh
Emissions in metric tonnes CO2 equivalent	**106.11 tCO2e**	202.37 tCO2e
Intensity ratio (emissions per average number of permanent employees in the UK)	**0.96**	1.85

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 2023 and 2022 UK Government's Conversion Factors for Company Reporting,

Strategic Report

respectively. The chosen intensity measurement ratio is total gross emissions in metric tonnes CO2e per average number of permanent employees in the UK.

Consumer Duty

EAB embraced the FCA's new "Consumer Duty" which sets higher and clearer standards of consumer protection across financial services, and requires firms to put their customers' needs first. EAB is committed to upholding the highest standards of consumer protection and fulfilling its duty to customers as mandated by the Consumer Duty.

EAB mandates that its employees must act in the best interest of customers providing clear accurate and timely information to enable them to make informed decisions about the financial products and services EAB makes available to them.

EAB seeks to ensure that customer communication is always clear, transparent and easily understandable with regard to products and services and any associated risks associated with the financial services and products made available to them by EAB.

Furthermore, EAB is committed to only offering products and services which will be designed and delivered with the customer's needs, interests and understanding in mind, ensuring suitability and appropriateness.

As 2024 progresses EAB will continue to implement and embed the Principle 12 to ensure optimal retail outcomes for its clients and customers.

Stakeholder engagement

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 (1) (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 at the annual Board Strategy meeting and monitors its implementation. As part of the review process, the Directors consider the long-term consequences of the strategic plan. The Board continued to focus on sustainable business growth while 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 decisions, the Board has consistently focused 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 in line with market practices. 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. In line with changing market practices, the Bank has implemented a hybrid working model to attract and retain talents and offer a better work-life balance to its employees. Implementation of new tools and applications have been considered to reduce manual processes and paper based workflows, and enhance collaboration.

Regular engagement with staff has been maintained in a variety of ways throughout the year, including regular informal "Departments lunch with the CEO" meetings, which offer the opportunity for employees to ask questions and submit suggestions.

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

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.

The Bank's customers are at the heart of what it does and the Board remains committed to understanding and addressing their needs. Treating customers fairly and equally has remained a major priority and the Bank has clear policies in place to protect them, in particular those most vulnerable. In 2023, the Board appointed the Consumer Duty Champion, approved the Consumer Duty Policy and oversaw the progress of the Consumer Duty implementation plan. A further customer-focused decision taken by the Board in 2023 was to invest in a new mobile banking application to be implemented in 2024 via the Arab Bank Group integrated platform; and to introduce a Wealth Management proposition from 2024 onwards. In August 2023, the Bank celebrated together with its customers 50th anniversary of the Arab Bank Group presence in London.

On-boarding of suppliers and engagement with them have 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. The Bank maintains policies and controls to support the prevention, detection, management and reporting of slavery and human trafficking in its supply chain. For further details, the Modern Slavery Act Statement is available on Bank's website.

The Board continues to maintain a strong and open relationship with Bank's Regulators. The Board has regularly reviewed updates on key areas of regulatory focus and progress made in addressing key regulatory priorities. The Bank's Independent Non-Executive Directors also attend regular meetings with the PRA.

d) **the impact of the Bank'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 support initiatives 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 in note 33. The Bank encourages employees to raise funds for charitable causes by making matching contributions to selected charities.

e) **the desirability of the Bank 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 based on its values and vision, including maintaining the highest standards of integrity in

Strategic Report

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. The Bank has a whistleblowing policy, approved by the Board, under which staff are supported in reporting any knowledge or suspicion of criminal activity or other wrongdoing to the Whistleblowing Champion.

f) the need to act fairly as between members of the Bank

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.

Going Concern Basis

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 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 from the date of signing of these financial statements, 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.

Future Outlook

Global economic activity proved resilient in the second half of 2023, as demand and supply factors supported major economies. On the demand side, stronger private and government spending sustained activity, despite tight monetary conditions. On the supply side, increased labour force participation, mended supply chains and cheaper energy and commodity prices helped, despite renewed geopolitical uncertainties. This resilience is likely to carry over in 2024 and global growth is expected to be steady. Inflation generally continues to ease and is expected to pivot towards the central banks' inflation targets in developed economies later in 2024.

However, following renewed geopolitical tensions especially in the Middle East, new commodity and supply disruptions could also occur. While disruptions remain limited so far, the situation remains volatile.

Another important factor to watch for is the pace and extent of interest rate cuts by the major central banks.

Finally, innovations on the technological front could also offer opportunities and challenges including through more relevant use of artificial intelligence and machine learning within the financial services industry.

All of the above elements could affect the operating results of EAB in the upcoming periods. As a niche Bank with a simple business model we are in a position to adjust quickly to a changing operating environment. Our focus on financial resilience and prudent lending and investment standards allow us to withstand shocks to the external environment. Our conservative market risk appetite shall guide us through potential large movements in the interest rates, with some impact to operating income.

We benefit from a strong regional network of Arab Bank Group in the Middle East and work closely with the parent Group in devising our business strategy, plans and risk management. The Bank has plans to invest in new products and services aligned to the evolving needs of our clients. Through investment in technology and leveraging investment made by the parent Group, the Bank plans to continuously enhance its processes and improve operational resilience. Finally, we will continue to invest in our staff through regular training and pursuing our values that guide the way we work with our clients, business partners and each other.

Approved by the Board and signed on its behalf by:

Dagmar Moravkova
Company Secretary

35 Park Lane
Mayfair
London
W1K 1RB

Date: 05 March 2024

Corporate Governance

The Board of Directors of EAB ("the Board") is responsible for the overall governance of the Bank. The Board is committed to ensuring that the Bank maintains high standards of corporate governance. In 2023 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 Banks's size and type. The UK Code is not itself directly applicable to the Bank.

The key objectives of the Board are to ensure that the business of the Bank is conducted in an efficient and effective manner in order to promote the success of the Bank 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 Banks'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 Bank 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 Bank'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 Europe Arab Bank plc and 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 Bank to the Chief Executive Officer, who is supported by the Executive Management 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 Bank's financial reporting;
- Review the Banks'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 Bank'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;
- Review the Bank'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; and
- 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 are independent. The Committee is chaired by Mr Quentin Aylward, Independent Non-Executive Director; the Committee members are Mr John Kerr, Independent Non-Executive Director and Mr Saleem Shadeed, Non-Executive Director. 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, the Head of Compliance, and the External Auditors regularly attend meetings.

Key activities of the Committee for the year ended 31 December 2023 included:

- Met regularly to review quarterly reports received from the Executive Risk & Compliance Committee, Head of Internal Audit and the Head of Compliance. Six meetings took place during the year;
- Reviewed and recommended for approval the Bank's Annual Report and Financial Statements for the financial year ended 31 December 2022;
- Received quarterly updates from the Bank's Statutory Auditor, approved the Audit Plan for the FY2023 and reviewed Auditor's Independence;
- Reviewed the Bank's ICAAP and associated Board decision-making processes as well as the Company's ILAAP, and the Company's Recovery Plan and Resolution Pack;
- Reviewed the Bank'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 Bank's Risk Dashboards and critical risks reported to the Board by the Chief Risk Officer and reviewed Risk Priorities for 2024; the Committee was updated on the steps the Bank was taking in addressing the risks posed by Climate Change and to

Corporate Governance

meet relevant regulatory requirements.

- Reviewed the Bank's Operational Resilience Self-Assessment and Operational Resilience Policy, and received quarterly updates on Operational Resilience scenario testing;
- Reviewed Outsourcing and Third Party Framework and Policy, and the Strategic Business Continuity Plan, Framework and Policy;
- Received regular updates from the subsidiary EAB SA on Risk, Compliance and Internal Audit;
- Reviewed the Internal Audit Plan for 2024; Internal Audit Reports; the Internal Audit Themes Assessment and the Internal Audit Charter;
- Reviewed various compliance and financial crime prevention, anti-bribery and corruption and anti-tax evasion related policies; reviewed the Bank's Client Assets Sourcebook (CASS) Annual report and Resolution Pack; reviewed the Bank's Money Laundering Reporting Officer's report 2022 and Anti-Money Laundering and Combating the Financing of Terrorism Enterprise Wide Risk Assessment;
- Reviewed the Bank's Compliance Monitoring Plan; Market Abuse Policy, Data Protection Policy, Personal Account Dealing Policy, the Senior Management and Certification Regime Breach Management Framework; Conduct Risk Policy; Consumer Duty Policy; Responsibilities Map; Modern Slavery Statement;
- Reviewed Regulatory Priorities; Dear CEO and CRO Letters;
- Conducted an annual self-assessment by way of a comprehensive performance effectiveness evaluation questionnaire covering all aspects of the workings of the Committee;
- Reviewed Committee's Terms of Reference; and
- Oversight of Internal and External Audit function.

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 Bank'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 2023 included:

- Reviewed Senior Management's KPIs and performance assessments, bonus and salary proposals taking into consideration input from Risk, Compliance and Internal Audit;
- Reviewed and approved the Bank's Remuneration Policy;
- Reviewed Board composition, Board Skills Matrix and Board Diversity policy;
- Reviewed the Board and Executive Management Succession Plan;
- Reviewed hybrid working arrangements;
- Conducted an annual self-assessment by way of a comprehensive performance effectiveness evaluation questionnaire covering all aspects of the workings of the Committee;
- Reviewed Committee's Terms of Reference.

A summary of the Bank's Employee Remuneration Policy is contained in the Strategic Report.

Executive Management Committee

The Executive Management Committee represents the principal forum for conducting the business of the Bank 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 Management Committee has delegated certain responsibilities to the following standing sub-committees:

- Asset & Liability Committee (ALCO)
- Executive Risk & Compliance Committee (ERCC)
- Financial Crime Compliance Committee (FCCC)
- Executive Credit Committee (ECC)
- EAB Projects Oversight Committee (EPOC)
- IT Service, Security & Governance Committee (ITSSG)

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 2023. 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 €11.2mn (2022: €12.4mn). The Directors do not propose any dividend to be paid for 2023 (2022: €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.
Stakeholder Relationships	The Bank places considerable value on the involvment of its employees and keeps them informed on matters effecting them as employees and on the various factors affecting the performance of the Bank. The Bank's policy is to agree on terms of payments with suppliers and abide by the agreed terms of payment, provided the supplier performs according to the terms of the contract. The Board and the Executive Committee maintains an open and transparent relationship with the regulator(s). The Bank ensures at all times that the regulatory impact of its activities are taken fully into consideration. Refer to stakeholder engagement section in the Strategic Report.
Changes in Accounting Policies	Changes in accounting policies during the year are included in Note 1 of the financial statements.
Corporate Governance	The Bank complies with the Board approved Corporate Governance Code based on the latest revision of the UK Corporate Governance Code. Refer to corporate governance report on page 18.
Consolidated Financial Statements	The Bank has availed itself of the exemption in accordance with Section 401 of the Companies Act 2006 where it 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.
Political Donations	The Bank made no political donations during the year.
Overseas Operations	The Bank does not have any branches outside the United Kingdom and operates via a subsidiary in Europe. The results of the subsdiary are not consolidated in these financial statements.
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* – Mr. Eric Modave – *Non-Executive Director* – Mr. Saleem Shadeed – *Non-Executive Director* None of the Directors holds or has held shares in the Bank or any of its subsidiaries.
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 and its subsidiaries 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.

Directors' Report

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.

The former Auditor, Ernst & Young LLP, ceased to hold office at the end of their term of office and Deloitte LLP were appointed as the Bank's new Auditor at the Annual General Meeting on 19 April 2023.

Deloitte 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 during 2023.

Approved by the Board and signed on its behalf by:

Dagmar Moravkova
Company Secretary

35 Park Lane
Mayfair
London
W1K 1RB

Date: 05 March 2024

Directors' Responsibility 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 Bank's 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 Bank and of the profit or loss of the Bank 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 Bank's 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 Bank 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 Bank's transactions and disclose with reasonable accuracy at any time the financial position of the Bank 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 Bank 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 Bank'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 Bank;
- 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 Bank 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 Bank's position, performance, business model and strategy.

Approved by the Board and signed on its behalf by:

D. Moravkova

Dagmar Moravkova
Company Secretary

35 Park Lane
Mayfair
London
W1K 1RB

Date: 05 March 2024

Independent Auditor's Report

Independent Auditor's Report to the members of Europe Arab Bank plc

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Europe Arab Bank plc (the "Bank"):

- give a true and fair view of the state of the Bank's affairs as at 31 December 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity;
- the cash flow statement; and
- the related notes 1 to 40

The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom adopted international accounting standards and IFRSs as issued by the IASB.

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 Financial Reporting Council's (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 confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the Bank.

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

Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • Expected credit losses on loans to customers Within this report, key audit matters are identified as follows: ! Newly identified ▲ Increased level of risk ◄► Similar level of risk ▼ Decreased level of risk
Materiality	The materiality that we used in the current year was €4.57m (2022: €5.8m) which was determined on the basis of 1.5% of net assets.
Scoping	Audit work to respond to risks of material misstatement was performed directly by the audit engagement team in the UK, with the exception of certain general computer controls based in Jordan that were tested by a component team in Jordan.

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:

- We reviewed management's going concern paper to assess whether it appropriately captured all key business risks, such as operational, financial, liquidity and capital risks;
- We obtained management's three-year profitability plan, capital and liquidity forecasts and challenged key assumptions and their projected impact on capital and liquidity ratios, particularly with respect to loan book growth and potential expected credit losses;
- Supported by Deloitte's regulatory specialists, we read the most recent ICAAP and ILAAP submissions, considered management's capital and liquidity projections, evaluated the results of management's stress testing, and challenged key assumptions and methods used in the stress testing;
- We read correspondence with regulators to understand the capital and liquidity requirements imposed by the Bank's regulators, evidence any changes and consider those requirements as part of our overall going concern assessment;
- We assessed the historical accuracy of profitability forecasts prepared by management; and
- We considered the appropriateness of the disclosures made in the financial statements in view of the requirements of applicable financial reporting framework.

Independent Auditor's Report

Independent Auditor's Report to the members of Europe Arab Bank plc

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

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Expected credit loss on Loans and advances to customers

Key audit matter description

IFRS 9 - *Financial Instruments* requires loan provisions to be calculated using an expected credit loss ("ECL") model. As disclosed in note 14, the Bank had an outstanding balance of loans to customers at amortised cost, net of ECL provision, amounting to €931.3m (2022: €846.1m) with the total ECL provision balance of €39.1m (2022: €62.0m) as at 31 December 2023. ECL is calculated both for individually significant loans and collectively on a portfolio basis which requires the use of statistical models incorporating loss data and assumptions on the recoverability of customers outstanding balances.

The current macroeconomic environment, along with current high inflation and interest rates and volatile situation in the Middle East has increased the complexity in estimating the ECL provision, particularly with regards to determining appropriate forward-looking macroeconomic scenarios, appropriately identifying significant increases in credit risk and the collateral valuation.

The ECL provision requires management to make significant judgements and estimates. We therefore consider the risk of misstatement due to fraud or error to be a key audit matter.

We identified three specific areas in relation to the ECL that require management judgement or relate to assumptions to which the overall ECL provision is sensitive.

i. Significant increase in credit risk ("SICR") for corporate loans: The assessment of whether there has been a significant increase in credit risk for corporate loans ("CIB") from the date of origination of the exposure to 31 December 2023. There is a risk that management's staging criteria on corporate loans do not capture SICR and/or are applied incorrectly.

ii. Macroeconomic scenarios: As set out in note 1(y), the Bank sources economic forecasts from a third-party economic specialist and considers a minimum of three probability weighted scenarios, including base, upside, and downside. Due to the economic uncertainty, there have been significant changes to the economic assumptions in each of the scenarios. There is significant judgement involved in determining the probability weighting of each scenario and the assumptions and characteristics of each scenario applied.

iii. Collateral valuation and other significant cash flows for individually assessed loans: Management use third-party valuers or apply their own judgment to estimate the market value of collateral and other cashflows on a case-by-case basis for individually assessed loans. The use of incorrect or inappropriate assumptions in estimating these recoveries could lead to a material misstatement of the ECL.

Further information on these key areas of the determination of the ECL can be found in note 1(e).

How the scope of our audit responded to the key audit matter

We obtained an understanding of the relevant controls over the ECL provision with a particular focus on controls over significant management assumptions and judgements used in the ECL determination.

To challenge the Bank's SICR criteria, we:

- Evaluated the Bank's SICR policy and assessed whether it complies with IFRS 9 *Financial Instruments*;
- Assessed the quantitative thresholds used in the SICR assessment by reference to standard

Independent Auditor's Report

Independent Auditor's Report to the members of Europe Arab Bank plc

	validation metrics including the proportion of transfers to stage two driven solely by being 30 days past due, the volatility of loans in stage two and the proportion of loans that spend little or no time in stage two before moving to stage three; • With assistance from our credit modelling specialists, and for a sample of loans, we assessed whether SICR assumption methodology and code script used in the ECL model is consistent with the approved SICR methodology; • Tested whether the quantitative and qualitative thresholds set by management had been appropriately applied in practice as at 31 December 2023; and • Performed an independent assessment for a sample of loans, including a focused sample of watchlisted borrowers, to determine whether they have been appropriately allocated to the correct staging. To challenge the Bank's macroeconomic scenarios and the probability weightings applied we: • Agreed the macroeconomics scenarios used in the ECL model to reports prepared by the third-party economics specialists; • Assessed the competence, capability and objectivity of the third-party economics expert, which included making specific inquiries to understand their approach and modelling assumptions to derive the scenarios; • With the help of our economic specialist team, reviewed and challenged management's assessment of scenarios considered, selection of relevant economic variables, and the probability weightings assigned to them in light of other available economic forecast data as at 31 December 2023; and • Assessed whether the methodology in the ECL model is appropriate and consistent with the ECL methodology approved by the Audit and Risk Committee. We were supported by our credit modelling specialists. To challenge the Bank's assessment of collateral valuation and other significant cash flows for individually assessed loans, we: • Supported by our property valuation specialists, examined management's valuation policies and tested a sample of collateral valuations for individually assessed loans by reference to available market data; • For a sample of collaterals, reviewed third-party valuation reports used by the Bank to test the appropriateness of the assumptions and valuation methodology; • Assessed whether the strategy approved is the most viable, by identifying alternative strategies for the purposes of debt recovery and assessing the outcome in comparison to the approved strategy; and • Challenged the assumptions relating to the valuation and timing of cash flows resulting from the sale of collateral, debt settlement agreements or refinance agreements.
Key observations	We determined that the methodology and the SICR criteria in determining the ECL provision as at 31 December 2023 were reasonable. We determined management's collateral valuations and other significant cash flows for individually assessed loans to be reasonable. Notwithstanding that estimating the probability and impact of future economic outcomes is inherently judgemental and that there is heightened economic uncertainty, on balance, we consider that the macroeconomic scenarios selected by the management and the probability weightings applied are appropriate. We therefore determined that the ECL provision on loans and advances to customers is appropriately stated.

Independent Auditor's Report

Independent Auditor's Report to the members of Europe Arab Bank plc

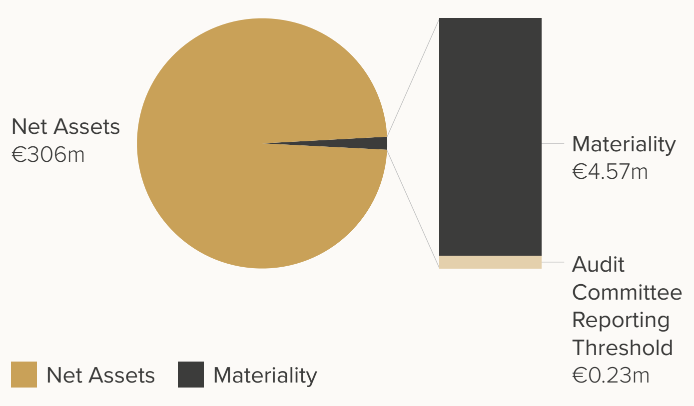
Our application of materiality

Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

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

Materiality	€4.57m (2022: €5.8m)
Basis for determining materiality	1.5% of net assets (2022: 2% of net assets)
Rationale for the benchmark applied	Net assets is a key metric within the financial statements on which the users, being the owner of the Bank, lenders and the regulatory bodies, tend to focus and is a good proxy for regulatory capital.



Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 70% of materiality for the 2023 audit (2022: 50%). In determining performance materiality, we considered a number of factors, including: our understanding of the control environment; our understanding of the business; and the low-level of corrected and uncorrected misstatements identified in the prior year.

Error reporting threshold

We agreed with the Audit and Risk Committee that we would report to the committee all audit differences in excess of €228,500 (2022: €290,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit and Risk Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Scoping

Our audit was scoped by obtaining an understanding of the Bank and its environment, including internal controls, and assessing risks of material misstatements. Audit work to respond to risks of material misstatement was performed directly by the audit engagement team in the UK.

Our consideration of the control environment

We identified the key IT systems relevant to the audit to be those used in the financial reporting, lending, expected credit losses, treasury, and deposits business processes. For these controls, we involved our IT specialists to gain an understanding of the general IT controls.

We obtained an understanding of the process and relevant controls that address risks of material misstatement in financial reporting. Whilst the Bank continues to improve and implement a more robust system of internal control, we adopted a fully substantive audit approach.

Our consideration of climate-related risks

In planning our audit, we have considered the potential impact of climate change on the Bank's operations and its financial statements. In 2023, the Bank continues to develop its assessment of and response to the potential impacts of climate change, as outlined in the Strategic report on page 12. The Bank sets out its assessment of the potential impact of climate change in the Principal Risks and Uncertainties section of the Annual Report. Management have determined that the impact of climate related risks on the financial statements for the year is not material, as described in note 1(y) to the financial statements. We have held discussions with the Bank to understand:

- The process for identifying affected operations, including the governance and controls over this process, and the subsequent effect on the financial reporting for the Bank; and
- The long-term strategy to respond to climate change risks as they evolve.

Our audit work has involved:

- Reviewing management's assessment of the physical and transition risks identified and considering the Group's climate risk assessment and the conclusion that there is no material impact of climate change risk on current year financial reporting;
- Assessing management's approach to the incorporation and quantification of climate change risks within the ECL model; and
- Assessing disclosures in the Annual Report and challenging the consistency between the financial statements and the rest of the Annual Report.

We have not been engaged to provide assurance over the accuracy of climate change disclosures in the front half of the annual report. As part of our audit procedures, we read these disclosures to consider whether they are materially inconsistent with the financial statements or knowledge obtained in the audit and we did not identify any material inconsistencies as a result of these procedures.

Independent Auditor's Report

Independent Auditor's Report to the members of Europe Arab Bank plc

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors

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

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

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.

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Bank's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit, the directors and the audit committee about their own identification and assessment of the risks of irregularities, including those that are specific to the Bank's sector;
- any matters we identified having obtained and reviewed the Bank's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations.
- the matters discussed among the audit engagement team and relevant internal specialists, including tax, real estate, credit risk, treasury, financial instrument, economic and prudential regulations specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in expected credit loss provision. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the Bank operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, Capital Requirements (Country-by-Country Reporting) Regulations 2013, pensions legislation, and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but

Independent Auditor's Report

Independent Auditor's Report to the members of Europe Arab Bank plc

compliance with which may be fundamental to the Bank's ability to operate or to avoid a material penalty. These included the Bank's compliance with the Prudential Regulation Authority ("PRA") Rulebook and the Financial Conduct Authority ("FCA") Handbook.

Audit response to risks identified

As a result of performing the above, we identified expected credit loss provision as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the audit committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC, Financial Conduct Authority ("FCA") and Prudential Regulation Authority; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Independent Auditor's Report

Independent Auditor's Report to the members of Europe Arab Bank plc

Report on other legal and regulatory requirements

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

In the light of the knowledge and understanding of the Bank and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Opinion on other matter prescribed by the Capital Requirements (Country-by-Country Reporting) Regulations 2013

In our opinion the information given in note 40 to the financial statements for the financial year ended 31 December 2023 has been properly prepared, in all material respects, in accordance with the Capital Requirements (Country-by Country Reporting) Regulations 2013.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.

Other matters which we are required to address

Auditor tenure

Following the recommendation of the audit committee, we were appointed by the Board of Directors on 6 April 2023 to audit the financial statements for the year ending 31 December 2023 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is one year, covering the year ending 1 January 2023 to 31 December 2023.

Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

Use of our report

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

Atif Yusuf

Atif Yusuf (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor

London, United Kingdom

Date: 05 March 2024

Income Statement

Year Ended 31 December 2023

Continuing operations	Notes	Year ended 31 December 2023 €'000	Year ended 31 December 2022 €'000
Interest and similar income	2	**96,392**	56,397
Other interest and similar income	2	**15,880**	428
Interest and similar expense	2	**(64,758)**	(23,303)
Other interest and similar expense	2	**-**	(1,019)
Net interest and similar income		**47,514**	32,503
Fee and commission income	3	**5,308**	6,330
Fee and commission expense	3	**(608)**	(564)
Net trading gains	4	**1,665**	287
Other operating income	5	**3,738**	4,049
Net Operating Income		**57,617**	42,605
Dividend income	6	**-**	12,162
Total Income		**57,617**	54,767
Depreciation of property, plant and equipment and right-of-use assets	19&20	**(2,990)**	(3,159)
Other operating expenses	7	**(37,439)**	(34,692)
Total operating expenses before impairment losses		**(40,429)**	(37,851)
Operating profit before impairment loss expense and tax expense		**17,188**	16,916
Impairment losses	8	**(4,315)**	(4,500)
Profit before tax		**12,873**	12,416
Tax charge	9	**(1,700)**	-
Profit for the year		**11,173**	12,416

Statement of Comprehensive Income

Year ended 31 December 2023

	Notes	Year ended 31 December 2023 €'000	Year ended 31 December 2022 €'000
Profit for the year		**11,173**	12,416
Items that will not be reclassified subsequently to the Income Statement:			
Re-measurement (losses)/gains on net defined benefit pension liability		**(957)**	980
Fair value loss taken to equity on investment in subsidiaries		**(66)**	(9,446)
Items that may be reclassified subsequently to profit or loss:			
Fair value gain/(loss) taken to equity on financial investments – debt		**55**	(1,096)
Fair value gain/(loss) taken to equity on derivatives – cash flow hedge		**252**	(240)
Other comprehensive loss for the year		**(716)**	(9,802)
Total comprehensive income for the year		**10,457**	2,614

Statement of Financial Position

as at 31 December 2023

	Notes	2023 €'000	2022 €'000 (Restated)*
Assets			
Cash and balances at central banks	11	**136,982**	158,856
Due from banks	12	**489,573**	379,777
Financial assets at fair value through profit or loss	13	**9,463**	12,565
Financial investments at fair value through OCI	15.1	**101,448**	128,725
Loans and advances to customers	14	**931,303**	846,130
Financial investments at amortised cost	15.2	**434,776**	455,449
Derivative financial assets	16	**38,935**	52,987
Investment in subsidiaries	17	**75,000**	103,636
Property, plant and equipment	19	**6,810**	6,269
Right-of-use assets	20	**7,205**	8,246
Other assets	21	**6,489**	4,660
Deferred tax	10	**5,776**	5,775
Total assets		**2,243,760**	2,163,075
Liabilities and equity			
Liabilities			
Deposits by banks	23	**551,167**	452,601
Customer accounts	24	**1,229,466**	1,256,477
Derivative financial liabilities	16	**15,765**	19,265
Other liabilities	25	**13,899**	8,928
Current tax liabilities		**1,700**	-
Lease liabilities	26	**9,450**	9,350
Retirement benefits – defined benefit scheme	22	**3,100**	3,570
Subordinated liabilities	27	**112,902**	117,030
Total liabilities		**1,937,449**	1,867,221
Equity			
Share capital	28	**569,998**	569,998
Retained earnings		**(261,961)**	(263,496)
Fair value reserve		**(1,845)**	(10,515)
Cash flow hedge reserve		**119**	(133)
Total equity		**306,311**	295,854
Total liabilities and equity		**2,243,760**	2,163,075

* Refer to Note 39 for details of the 2022 restated balances.

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 March 2024

Mohammad Shoaib Memon
Chief Operating Officer

Date: 05 March 2024

Statement of Changes in Equity

Year ended 31 December 2023

	Ordinary Share Capital €'000	Fair Value Reserve €'000	Cash Flow Hedge Reserve €'000	Retained Earnings €'000	Total Shareholders' Equity €'000
As at 31 December 2021	569,998	25	107	(276,892)	**293,238**
Profit for the year	-	-	-	12,416	**12,416**
Other comprehensive income/(loss)	-	(1,094)	(240)	980	**(354)**
Changes in fair value	-	(9,446)	-	-	**(9,446)**
As at 31 December 2022	569,998	(10,515)	(133)	(263,496)	**295,854**
Profit for the year	-	-	-	11,173	**11,173**
Other comprehensive income/(loss)	-	55	252	(957)	**(650)**
Changes in fair value	-	8,615	-	(8,681)	**(66)**
As at 31 December 2023	569,998	(1,845)	119	(261,961)	**306,311**

Cash Flow Statement

Year ended 31 December 2023

	2023 €'000	2022 €'000 (Restated)*
Cash flows from operating activities		
Profit before tax, adjusted for:	**12,873**	12,416
Depreciation	**2,990**	1,564
Impairment losses excluding on due from banks	**4,608**	4,295
Loss on disposal of subsidiary	**3,294**	-
Net foreign exchange (gain)/loss on subordinated liability	**(4,128)**	7,053
Interest expense on lease liabilities	**505**	379
Trading gains on securities and derivatives	**(456)**	(1,418)
Gain on lease modification	**(398)**	-
FX adjustments on ECL	**(2,328)**	3,666
	16,960	27,955
(Increase)/Decrease in operating and other assets		
Loans advanced to customers	**(88,176)**	65,753
Fair value through profit or loss and derivatives	**14,110**	(17,851)
Other assets	**(1,829)**	10,569
	(75,895)	58,471
Increase/(Decrease) in operating and other liabilities		
Customer deposits	**(27,011)**	91,973
Funds received from banks	**98,566**	(216,054)
Other liabilities and retirement benefit liabilities	**4,667**	5,091
	76,222	(118,990)
Income taxes paid	**-**	-
Net cash outflows from operating activities	**17,287**	(32,564)
Cash flows from investing activities		
Fair value through other comprehensive income	**27,277**	(42,644)
Financial investments at amortised cost	**21,229**	42,280
Acquisition of property, plant and equipment	**(2,410)**	(3,848)
Disposal of subsidiaries	**25,342**	-
Net cash inflows from investing activities	**71,438**	(4,212)
Cash flows from financing activities		
Payment of lease liabilities	**(803)**	(1,723)
Net cash outflows from financing activities	**(803)**	(1,723)
Net (decrease)/increase in cash and cash equivalents	**87,922**	(38,499)
Cash and cash equivalents at 1 January	**538,633**	577,132
Cash and cash equivalents at 31 December	**626,555**	538,633
Operational cash flows from interest and dividends		
Interest Paid	**(59,583)**	(16,638)
Interest received	**115,414**	59,408
Dividend received	**-**	12,162

* Refer to Note 39 for details of the 2022 restated balances.

Notes to the Financial Statements

Notes to the Financial Statements for year ended 31 December 2023

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 35 Park Lane, Mayfair, London, W1K 1RB, United Kingdom.

Basis of preparation

The financial statements of Europe Arab Bank plc ('the Bank') have been prepared under IFRS, as issued by the International Accounting Standards Board (IASB) in conformity with the requirements of the Companies Act 2006.

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.

Regarding climate change, the directors have concluded that the relatively short-dated tenor and diversification of the Bank's assets mitigates any material climate risk exposure to the overall financial statements. This may change as time passes and as the legal or societal responses develop. This will be reviewed and revisited on a continuing basis.

Going Concern

The 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 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 Financial Statements, 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 from the date of signing of these financial statements, 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 Financial Statements.

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 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 when first acquired.

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.

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 amendments had no material impact on the financial statements of 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.

The amendments had no material impact on the financial statements of 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

Notes to the Financial Statements

Notes to the Financial Statements for year ended 31 December 2023

1 Accounting policies (continued)

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 amendments had no material impact on the financial statements of the bank.

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) that 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. IFRS 17 introduces new accounting requirements for banking products with insurance features that may affect the determination of which instruments or which components thereof will be in the scope of IFRS 9 or IFRS 17.

Credit cards and similar products that provide insurance coverage: most issuers of these products will be able to continue with their existing accounting treatment as a financial instrument under IFRS 9. IFRS 17 excludes from its scope credit card contracts (and other similar contracts that provide credit or payment arrangements) that meet the definition of an insurance contract if, and only if, the entity does not reflect an assessment of the insurance risk associated with an individual customer in setting the price of the contract with that customer. When the insurance coverage is provided as part of the contractual terms of the credit card, the issuer is required to:

- Separate the insurance coverage component and apply IFRS 17 to it
- Apply other applicable standards (such as IFRS 9, IFRS 15 *Revenue from Contracts with Customers* or IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*) to the other components

Loan contracts that meet the definition of insurance but limit the compensation for insured events to the amount otherwise required to settle the policyholder's obligation created by the contract: Issuers of such loans

– e.g. a loan with waiver on death
– have an option to apply IFRS 9 or IFRS 17. The election would be made at a portfolio level and would be irrevocable

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17.

The Bank has completed the assessment of the impacts of adopting IFRS 17 and, also taking into consideration the scope exclusions for certain banking products, such as credit cards, in IFRS 17.7(h), it has concluded that it does not have a material impact on its financial statements.

IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction

This standard is effective starting 1 January 2023. The Bank has completed the assessment of the impacts of adopting IAS 12 and it has concluded that it does not expect any material impact on its financial statements from the adoption of the new standard in 2023.

The amendments do not have a material impact on the Bank.

Standards and revisions effective for future periods:

Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IAS 1	Non-current Liabilities with Covenants
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback

The amendments are effective from 1 January 2024, which the exception of the amendments to IFRS 10 and IAS 28, for which the effective date has not yet been determined by the IASB.

The amendments are not expected to have a material impact on the financial statements of the Bank in future periods.

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.

Notes to the Financial Statements

Notes to the Financial Statements for year ended 31 December 2023

1 Accounting policies (continued)

Significant accounting policies (continued)

(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)).

(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.

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

- 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 Bank'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 realised in a way that is different from the Bank's original expectations, the Bank 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.

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.

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 also 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 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. 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, except for equity instruments. 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 also 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. The bank recognises dividends as income if the bank's right to receive payment of the dividend is established, it is probable that the economic benefits associated with the dividend will flow to the entity and the amount of the dividend can be measured reliably.

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

Notes to the Financial Statements

Notes to the Financial Statements for year ended 31 December 2023

1 Accounting policies (continued)

Significant accounting policies (continued)

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 of more than one notch in the credit rating which is mapped to the relevant PD as defined below (Quantitative test), (ii) Accounts that 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 12m ECL 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 on an individual basis.

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:

- The Probability of Default (PD) 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.
- The Exposure at Default (EAD) 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.
- The Loss Given Default (LGD) 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.

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

Notes to the Financial Statements

Notes to the Financial Statements for year ended 31 December 2023

1 Accounting policies (continued)

Significant accounting policies (continued)

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 recognised in the statement of income net of fees and commission income on a straight line basis over the life of the guarantee.

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.

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.

Notes to the Financial Statements

Notes to the Financial Statements for year ended 31 December 2023

1 Accounting policies (continued)

Significant accounting policies (continued)

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 and foreign currency 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.

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.

If a hedge relationship no longer meets the criteria for hedge accounting, hedge accounting is discontinued and the cumulative adjustment to the carrying amount of the hedged item is amortised to the income statement on a recalculated effective interest rate, unless the hedged item has been derecognised, in which case it is recognised in the income statement immediately.

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.

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

Notes to the Financial Statements

Notes to the Financial Statements for year ended 31 December 2023

1 Accounting policies (continued)

Significant accounting policies (continued)

Embedded derivatives

Derivatives may be embedded in other financial instruments. Embedded derivatives are treated as separate derivatives when the host liability 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

The European banking subsidiary is accounted for at cost less impairment.

The special purpose vehicles (SPV's) entered into Liquidation during 2023. They were carried at fair value through other comprehensive income.

(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:

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

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

Notes to the Financial Statements

Notes to the Financial Statements for year ended 31 December 2023

1 Accounting policies (continued)

Significant accounting policies (continued)

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.

(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 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.

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

Notes to the Financial Statements

Notes to the Financial Statements for year ended 31 December 2023

1 Accounting policies (continued)

Significant accounting policies (continued)

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.

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, balances with other financial institutions, and securities with a remaining contractual maturity of less than 3 months.

(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 and the criteria of IFRS 10.4, 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) 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 key areas involving a higher degree of judgement or areas involving significant sources of estimation uncertainty made by management in applying the Bank's accounting policies are as follows:

(i) Significant judgements

Impairment losses on financial assets

The measurement of impairment losses across all categories of financial assets requires judgment.

The most significant areas of judgement are:

- assessment of a significant increase in credit risk.
- the approach to identifying credit impaired loans.

The Bank has considered the potential impact of climate change on impairment provisions beyond their impact on economic assumptions and has concluded that an adjustment to modelled provisions is not currently appropriate.

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:

- 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.

Estimates

The Bank has made the following estimates in the application of the accounting policies that have a significant risk of material adjustment to the carrying amount of assets and liabilities within the next financial year:

(i) Expected credit loss

Set out below are details of the critical accounting estimates which underpin expected credit loss ("ECL") calculations. Less significant estimates are not discussed as they do not have a material effect. The Bank has recognised total impairments of 48.7m (2022: 72.7m) at the reporting date as disclosed in note 34.

Notes to the Financial Statements

Notes to the Financial Statements for year ended 31 December 2023

1 Accounting policies (continued)

Significant accounting policies (continued)

Modelled ECL provision

Modelled provision assessments are also subject to estimation uncertainty, underpinned by a number of estimates being made by management which are utilised within ECL calculations. Key areas of estimation within modelled provisioning calculations include those regarding the loan to value (LTV) ratios and forward-looking macroeconomic scenarios.

Forward-looking macroeconomic scenarios

The forward-looking macroeconomic scenarios affect all model components of the ECL thus the calculation remains sensitive to both the scenarios utilised and their associated probability weightings. The Bank has adopted an approach which utilises four macroeconomic scenarios. These scenarios are provided by an industry leading economics advisory firm, that provide management and the Board with advice on which scenarios to utilise and the probability weightings to attach to each scenario. A base case forecast is provided, together with a plausible upside scenario and a downside scenario. The Bank's macroeconomic scenarios can be found in the Credit Risk section in note 34.

For the purposes of IFRS9 EAB utilise three macro variable scenarios from a well reputed third party, who are a global leader in economic and default data studies. These forward looking Macro variables scenarios are based on a set of macroeconomic variables such as GDP, Equity, Interest Rate, Inflation Rate, Oil Price assumptions and Unemployment factors.

The three macroeconomic variable scenarios used by EAB are i) **Baseline Scenario**. The current and most likely economic forward looking scenario; ii) **Alternative Scenario (Upside)**. The upside scenario reflects a common set of assumptions based on the probability that the economy will outperform the baseline scenario iii) **Alternative Scenario (Downside)**. The downside scenario reflects a common set of assumptions based on the probability the economy will underperform the baseline scenario.

2023	Modelled ECL	100% Base	100% Downside	100% Upside
Loans and advances to customers				
Modelled ECL	4,748	4,284	6,222	3,828
Investment at amortised cost				
Reported ECL	1,596	1,385	2,179	1,211

Non-modelled ECL provision

The Bank's provisioning process requires individual assessment for high exposure or higher risk loans, where Law of Property Act (LPA) receivers have been appointed, the property is taken into possession or there are other events that suggest a high probability of credit loss. Loans are considered at a connection level, i.e. including all loans connected to the customer. The Bank estimates cash flows from these loans, including expected interest and principal payments, rental or sale proceeds, selling and other costs. At year end these loans are 22%, provided besides 60% average loan to value ratio on these loans. Hence, the bank doesn't seem any necessity for further stress. The following table presents upside, base case and downside scenarios on these loans.

	Scenarios			
	Weighted	Upside	Base Case	Downside
Stage 3 Exposure, € mn	100.39	100.39	100.39	100.39
Stage 3 ECL, € mn	40.94	-	21.48	51.02
Stage 3 ECL Coverage %	41%	-	21%	51%

The Bank's individually assessed loan population policy and associated details are disclosed in note 14.

(ii) Other judgements and estimates

Retirement benefit obligations

The cost of the defined benefit pension plan is determined using an actuarial valuation. 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.

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.

Impact of climate risk on accounting judgments and estimates

The Bank and its customers are exposed to the physical risks from climate change and risks of transitioning to a net-zero economy. Most climate-related physical risks are estimated to manifest over a term that is generally longer than the maturity of most of the outstanding exposures. The following balances may be impacted by physical and transition risks:

- *Expected credit losses (ECL):* Customers and portfolios with

Notes to the Financial Statements

Notes to the Financial Statements for year ended 31 December 2023

1 Accounting policies (continued)

Significant accounting policies (continued)

exposure to climate risk may have a resultant deterioration in creditworthiness, which has an impact on ECL. An analysis was performed of the exposure of counterparties to climate risk, which determined that, on the whole, counterparties are not expected to be materially impacted by physical or transition risks associated with climate change.

The majority of the counterparties are not employed, or do not operate, in high risk sectors, nor are they located in high risk geographical areas.

- *Fair value measurement:* The Bank has assumed that any climate change variables incorporated in fair value measurement are those that market participants would consider when pricing the asset or liability, in line with IFRS 13 Fair Value Measurement. The Bank has concluded that climate risk has been adequately reflected within the fair value. Where prices are observable, it is assumed that the fair value already incorporates market's participant's view of climate risk variables.

2 Interest and similar income and expense

	Year ended 31 December 2023 €'000	Year ended 31 December 2022 €'000
Interest and similar income		
Cash and balances at central banks	**7,850**	2,287
Due from banks	**16,073**	4,292
Loans and advances to customers	**56,457**	36,180
Financial investments at amortised cost	**13,269**	11,928
Financial Investments through OCI	**2,743**	1,710
	96,392	56,397
Other interest and similar income		
Financial investments measured at fair value through profit or loss	**850**	428
Derivatives – net income	**15,030**	-
	15,880	428
Total interest and similar income	**112,272**	56,825
Interest and similar expense		
Deposits by banks	**(18,433)**	(4,070)
Cash and balances at central banks	**-**	(3,739)
Customer accounts	**(39,476)**	(12,562)
Subordinated liabilities	**(6,709)**	(2,842)
Other	**(140)**	(90)
	(64,758)	(23,303)
Other interest and similar expense		
Derivatives – net expense	**-**	(1,019)
Total interest and similar expense	**(64,758)**	(24,322)
Net interest and similar income	**47,514**	32,503

Notes to the Financial Statements

Notes to the Financial Statements for year ended 31 December 2023

3 Fees and commission income and expense

	Year ended 31 December 2023 €'000	Year ended 31 December 2022 €'000
Banking and credit related fees and income	**4,795**	5,890
Other commissions and fee income	**513**	440
Fees and commission income	**5,308**	6,330
Fees and commission expense	**(608)**	(564)

4 Net trading gains

	Year ended 31 December 2023 €'000	Year ended 31 December 2022 €'000
Foreign exchange dealing - net	**1,209**	(1,131)
Securities and Derivatives	**456**	1,418
	1,665	287

Net interest income on held for trading financial instruments has been included in Interest and similar income and expense (note 2). Foreign exchange dealing includes foreign exchange differences arising on translation of monetary assets and liabilities denominated in foreign currencies. Securities dealing includes the net gains on financial instruments recognised at fair value.

5 Other operating income

	Year ended 31 December 2023 €'000	Year ended 31 December 2022 €'000
Revenue from services	**52**	55
Rental Income	**42**	-
Income from subsidiary	**3,689**	3,398
Other revenue	**(45)**	596
	3,738	4,049

6 Dividend Income

	Year ended 31 December 2023 €'000	Year ended 31 December 2022 €'000
Dividend Income	**-**	12,162
	-	12,162

Dividend income in 2022 was received from the UK subsidiaries following the sale of an office building.

Notes to the Financial Statements

Notes to the Financial Statements for year ended 31 December 2023

7 Other operating expenses

	Year ended 31 December 2023 €'000	Year ended 31 December 2022 €'000
Staff costs (note below)	**21,196**	18,986
Administrative expenses	**8,914**	9,755
Auditor's remuneration (see below)	**734**	660
Other expenses	**6,157**	4,912
Interest expense on lease liabilities	**438**	379
	37,439	34,692

Auditor's remuneration

Amounts paid and payable to the Bank's principal auditor, Deloitte (Ernst & Young LLP for the year-ended 2022) and its affiliated firms were as follows:

	Year ended 31 December 2023 €'000	Year ended 31 December 2022 €'000
Fees payable to the Bank's auditor for the audit of the annual financial statements	**571**	509
Total audit fees	**571**	509
Other services:		
- Audit related assurance services	**157**	146
- Other services	**6**	5
Total non-audit fees	**163**	151
	734	660

Staff costs

	Year ended 31 December 2023 €'000	Year ended 31 December 2022 €'000
Salaries, wages and allowances	**17,777**	15,512
Social security costs	**1,986**	2,231
Pension costs – defined contribution scheme	**1,433**	1,243
	21,196	18,986

The average number of permanent persons employed by the Bank in 2023 was 111 (2022: 109). Of these, 41 (2022: 40) were employed in the strategic business units and credit administration, 47 (2022: 48) were employed in the support units, and 23 (2022: 21) were employed in control and risk functions. The total number of persons employed at the end of 2023 was 112 (2022: 108).

Notes to the Financial Statements

Notes to the Financial Statements for year ended 31 December 2023

8 Impairment losses

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

In €'000	Stage 1	Stage 2	Stage 3	Year ended 31 December
2023				
Due from banks	2	-	-	**2**
Loans and advances to customers	(529)	16	5,607	**5,094**
Debt instruments measured at FV through OCI	(85)	-	-	**(85)**
Debt instruments measured at amortised cost	(548)	-	-	**(548)**
Guarantees, letters of credit and other commitments	3	(151)	-	**(148)**
Total Impairment loss	(1,157)	(135)	5,607	**4,315**
2022				
Due from banks	(275)	-	-	**(275)**
Loans and advances to customers	3,803	(3,789)	3,913	**3,927**
Debt instruments measured at FV through OCI	105	-	-	**105**
Debt instruments measured at amortised cost	562	-	-	**562**
Guarantees, letters of credit and other commitments	50	131	-	**181**
Total Impairment loss	4,245	(3,658)	3,913	**4,500**

9 Tax charge

	Year ended 31 December 2023 €'000	Year ended 31 December 2022 €'000
Current taxation:		
UK corporation tax (credit)/charge for the year	**1,700**	-
	1,700	-
Deferred tax charge for the year	**1,794**	58
Deferred tax – adjustment in respect of prior years	**(1,737)**	95
Rate change movement	**(57)**	(153)
Taxation charge	**1,700**	-

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 25% from 1 April 2023 (2022: 19%) as follows:

	Year ended 31 December 2023 €'000	Year ended 31 December 2022 €'000
Profit before tax	**12,873**	12,416
Expected tax charge at 23.5% (2022: 19%)	**3,025**	2,359
Permanent disallowables	**233**	33
Disallowable dividend income	**-**	(2,311)
Adjustment in respect of prior years	**(1,737)**	95
Change in tax rate	**(57)**	(153)
Movement in unrecognised deferred tax asset	**236**	(23)
Actual tax charge in Income Statement	**1,700**	-

Notes to the Financial Statements

Notes to the Financial Statements for year ended 31 December 2023

10 Deferred tax

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

	Temporary differences		Total	
	2023 €'000	2022 €'000	2023 €'000	2022 €'000
Balance at 1 January	5,775	5,768	**5,775**	**5,768**
Recognised in Income Statement	(1,794)	(58)	**(1,794)**	**(58)**
Adjustment in respect of prior years	1,737	(95)	**1,737**	**(95)**
Rate change movement	58	153	**58**	**153**
FX gain/(loss)	-	7	**-**	**7**
Balance at 31 December	5,776	5,775	**5,776**	**5,775**

	Year ended 31 December 2023 €'000	Year ended 31 December 2022 €'000
The deferred tax asset consists of:		
Accelerated capital allowances	**567**	182
Pension costs	**31**	149
Unutilised tax losses recognised	**4,764**	4,892
Adoption of IFRS 9 – ECL take on	**389**	480
Other temporary differences	**25**	72
	5,776	5,775

At 31 December 2023, the Bank has unused tax losses of €360mn (2022: €368mn) and other temporary differences of €7mn (2022: €6mn) available for offset against future profits. A deferred tax asset has been recognised on losses of €19mn (2022: €20mn) and gross temporary differences of €4mn (2022: €4mn). No deferred tax asset has been recognised in respect of the remaining €341mn (2022: €348mn) of losses and €3mn (2022: €2mn) of other temporary differences at the statement of financial position date due to limitation with respect to forecasting profits over extended future periods.

11 Cash and balances at central banks

	2023 €'000	2022 €'000
Cash in hand	**440**	507
Balances with central bank	**136,542**	158,349
	136,982	158,856

Notes to the Financial Statements

Notes to the Financial Statements for year ended 31 December 2023

12 Due from banks

	2023 €'000	2022 €'000
Due from banks before impairment	**496,992**	387,533
Interest Receivable	**260**	216
	497,252	387,749
Less: impairment loss allowances	**(7,679)**	(7,972)
	489,573	379,777
Amounts above include:		
Due from parent company	**50,373**	5,067
Due from fellow subsidiaries	**230**	209
Due from subsidiary	**162,631**	112,818
	213,234	118,094

Impairment allowance 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
2023				
1-3 – investment grade	191,253	-	-	**191,253**
4-5 – standard monitoring	298,054	-	-	**298,054**
6 – special monitoring	8	-	-	**8**
7 – watch	-	-	7,677	**7,677**
8-10 - classified	-	-	-	**-**
	489,315	-	7,677	**496,992**
Interest Receivable	-	-	-	**260**
Total	-	-	-	**497,252**

In €'000 Internal rating grade	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
2022				
1-3 – investment grade	175,366	-	-	**175,366**
4-5 – standard monitoring	175,430	-	-	**175,430**
6 – special monitoring	28,779	-	-	**28,779**
7 – watch	-	-	7,958	**7,958**
8-10 - classified	-	-	-	**-**
	379,575	-	7,958	**387,533**
Interest Receivable	-	-	-	**216**
Total	-	-	-	**387,749**

Notes to the Financial Statements

Notes to the Financial Statements for year ended 31 December 2023

12 Due from banks (continued)

Impairment allowance 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 2023	379,575	-	7,958	**387,533**
New assets originated or purchased	138,657	-	-	**138,657**
Assets derecognised or repaid (excluding write offs)	(34,593)	-	-	**(34,593)**
Transfers to Stage 1	-	-	-	**-**
Adjustments during the period	-	-	-	**-**
Transfers to Stage 2	-	-	-	**-**
Transfers to Stage 3	-	-	-	**-**
Amounts written off	-	-	-	**-**
Foreign exchange adjustments	5,676	-	(281)	**5,395**
At 31 December 2023	489,315	-	7,677	**496,992**
Interest Receivable	-	-	-	**260**
Total	-	-	-	**497,252**
ECL allowance as at 1 January 2023	14	-	7,958	**7,972**
Charged to income relating to new facilities	2	-	-	**2**
Net charge to income (increase/decrease in outstanding balances)	(13)	-	-	**(13)**
Transfers to Stage 1	-	-	-	**-**
Transfers to Stage 2	-	-	-	**-**
Transfers to Stage 3	-	-	-	**-**
Adjustments during the period	-	-	-	**-**
Recoveries	-	-	-	**-**
Amounts written off	-	-	-	**-**
Foreign exchange adjustments	(1)	-	(281)	**(282)**
At 31 December 2023	2	-	7,677	**7,679**

Notes to the Financial Statements

Notes to the Financial Statements for year ended 31 December 2023

12 Due from banks (continued)

Impairment allowance due from Banks (continued)

In €'000	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
Gross carrying amount as at 1 January 2022	403,247	-	7,478	**410,725**
New assets originated or purchased	147,684	-	-	**147,684**
Assets derecognised or repaid (excluding write offs)	(180,760)	-	-	**(180,760)**
Transfers to Stage 1	-	-	-	**-**
Adjustments during the period	-	-	-	**-**
Transfers to Stage 2	-	-	-	**-**
Transfers to Stage 3	-	-	-	**-**
Amounts written off	-	-	-	**-**
Foreign exchange adjustments	9,404	-	480	**9,884**
At 31 December 2022	379,575	-	7,958	**387,533**
Interest Receivable	-	-	-	**216**
Total	-	-	-	**387,749**
ECL allowance as at 1 January 2022	288	-	7,478	**7,766**
Charged to income relating to new facilities	9	-	-	**9**
Net charge to income (increase/decrease in outstanding balances)	(13)	-	-	**(13)**
Transfers to Stage 1	-	-	-	**-**
Transfers to Stage 2	-	-	-	**-**
Transfers to Stage 3	-	-	-	**-**
Adjustments during the period	-	-	-	**-**
Recoveries	(271)	-	-	**(271)**
Amounts written off	-	-	-	**-**
Foreign exchange adjustments	1	-	480	**481**
At 31 December 2022	14	-	7,958	**7,972**

Cash and cash equivalents is the total of cash and balances at central banks (note 11) and due from banks (note 12).

13 Financial investments at fair value through profit or loss

	2023 €'000	2022 €'000
Held for trading – bonds	**9,463**	12,565
	9,463	12,565

Notes to the Financial Statements

Notes to the Financial Statements for year ended 31 December 2023

14 Loans and advances to customers

	2023 €'000	2022 €'000
Discounted bills	**54,511**	56,007
Corporate loans and advances	**845,167**	803,014
Other loans and advances	**130,102**	91,621
Interest Receivable	**8,697**	7,756
Impaired interest	**(68,120)**	(50,251)
	970,357	908,147
Expected credit allowances	**(39,054)**	(62,017)
	931,303	846,130

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
2023				
1-3 – investment grade	169,213	7,576	-	**175,789**
4-5 – standard monitoring	516,704	12,664	-	**529,368**
6 – special monitoring	164,446	-	-	**164,446**
7 – watch	-	-	9,967	**9,967**
8-10 - classified	-	-	81,090	**81,090**
	850,363	20,240	91,057	**961,660**
Interest Receivable	-	-	-	**8,697**
Total	-	-	-	**970,357**

In €'000 Internal rating grade	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
2022				
1-3 – investment grade	135,174	-	-	**135,174**
4-5 – standard monitoring	423,704	1,956	-	**425,660**
6 – special monitoring	214,870	-	-	**214,870**
7 – watch	-	-	14,884	**14,884**
8-10 - classified	-	2,152	107,651	**109,803**
	773,748	4,108	122,535	**900,391**
Interest Receivable	-	-	-	**7,756**
Total	-	-	-	**908,147**

Notes to the Financial Statements

Notes to the Financial Statements for year ended 31 December 2023

14 Loans and advances to customers (continued)

Impairment allowance for 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 2023	773,748	4,108	122,535	**900,391**
New assets originated or purchased	350,045	5,721	-	**355,766**
Assets derecognised or repaid (excluding write offs)	(250,074)	(2,291)	-	**(252,365)**
Adjustments during the period	-	-	-	**-**
Transfers to Stage 1	-	-	-	**-**
Transfers to Stage 2	(12,380)	12,380	-	**-**
Transfers to Stage 3	-	-	-	**-**
Recoveries	-	-	-	**-**
Foreign exchange adjustments	(10,976)	323	(5,512)	**16,166**
Amounts written off	-	-	(25,966)	**(25,966)**
At 31 December 2023	850,363	20,240	91,057	**961,660**
Interest Receivable	-	-	-	**8,697**
Total	-	-	-	**970,357**
ECL allowance as at 1 January 2023	6,944	41	55,032	**62,017**
Charged to income relating to new facilities	386	38	-	**424**
Net charge to income (increase/decrease to staging)	1,806	7	5,607	**7,420**
Transfers to Stage 1	-	-	-	**-**
Transfers to Stage 2	(8)	8	-	**-**
Transfers to Stage 3	-	-	-	**-**
Adjustments during the period	-	-	-	**-**
Recoveries	(2,713)	(37)	-	**(2,750)**
Foreign exchange adjustments	(656)	(2)	(1,432)	**(2,090)**
Amounts written off	-	-	(25,967)	**(25,967)**
At 31 December 2023	5,759	55	33,240	**39,054**

Notes to the Financial Statements

Notes to the Financial Statements for year ended 31 December 2023

14 Loans and advances to customers (continued)

Impairment allowance for loans and advances to customers (continued)

In €'000	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
Gross carrying amount as at 1 January 2022	829,249	34,421	110,803	**974,473**
New assets originated or purchased	258,888	18,078	-	**276,966**
Assets derecognised or repaid (excluding write offs)	(344,989)	(28,028)	-	**(373,017)**
Adjustments during the period	-	-	-	**-**
Transfers to Stage 1	15,964	(15,964)	-	**-**
Transfers to Stage 2	-	-	-	**-**
Transfers to Stage 3	-	(5,151)	5,151	**-**
Foreign exchange adjustments	14,636	752	6,581	**21,969**
Amounts written off	-	-	-	**-**
At 31 December 2022	773,748	4,108	122,535	**900,391**
Interest Receivable	-	-	-	**7,756**
Total	-	-	-	**908,147**
ECL allowance as at 1 January 2022	2,733	3,858	48,038	**54,629**
Charged to income relating to new facilities	3,044	37	-	**3,081**
Net charge to income (increase/decrease to staging)	699	(46)	892	**1,545**
Transfers to Stage 1	527	(527)	-	**-**
Transfers to Stage 2	-	-	-	**-**
Transfers to Stage 3	-	(3,021)	3,021	**-**
Adjustments during the period	-	-	-	**-**
Recoveries	(467)	(232)	-	**(699)**
Foreign exchange adjustments	408	(28)	3,081	**3,461**
Amounts written off	-	-	-	**-**
At 31 December 2022	6,944	41	55,032	**62,017**

Included in the ECL allowance are assets with a balance of €38.4m (2022: €36.4m) which have been placed under administration and/or liquidation.

Notes to the Financial Statements

Notes to the Financial Statements for year ended 31 December 2023

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:

15.1 Financial investments at fair value through OCI

	2023 €'000	2022 €'000
Debt instruments at FV through OCI		
Governmental bonds (quoted)	**66,094**	87,608
Banks and financial institutions bonds (quoted)	**35,354**	41,117
Total financial investments at FV through OCI	**101,448**	128,725

15.2 Financial investments at amortised cost

	2023 €'000	2022 €'000
Debt instruments at amortised cost		
Banks and financial institutions bonds (quoted)	**281,533**	291,979
Governmental bonds (quoted)	**126,687**	135,674
Corporate bonds (quoted)	**23,012**	24,618
Interest Receivable	**5,124**	5,314
	436,356	457,585
Impairment loss allowance	**(1,580)**	(2,136)
Total financial investments at amortised cost	**434,776**	455,449
Total financial investments other than those measured at FVTPL	**536,224**	584,174

Notes to the Financial Statements

Notes to the Financial Statements for year ended 31 December 2023

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

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
2023				
1-3 – investment grade	101,448	-	-	**101,448**
4-5 – standard monitoring	-	-	-	**-**
6 – special monitoring	-	-	-	**-**
7 – watch	-	-	-	**-**
8-10 – classified	-	-	-	**-**
Total	101,448	-	-	**101,448**

In €'000 Internal rating grade	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
2022				
1-3 – investment grade	128,725	-	-	**128,725**
4-5 – standard monitoring	-	-	-	**-**
6 – special monitoring	-	-	-	**-**
7 – watch	-	-	-	**-**
8-10 – classified	-	-	-	**-**
Total	128,725	-	-	**128,725**

Debt instruments at amortised cost

In €'000 Internal rating grade	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
2023				
1-3 – investment grade	206,384	-	-	**206,384**
4-5 – standard monitoring	158,019	-	-	**158,019**
6 – special monitoring	66,829	-	-	**66,829**
7 – watch	-	-	-	**-**
8-10 – classified	-	-	-	**-**
	431,232	-	-	**431,232**
Interest Receivable	-	-	-	**5,124**
Total	-	-	-	**436,356**

In €'000 Internal rating grade	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
2022				
1-3 – investment grade	241,140	-	-	**241,140**
4-5 – standard monitoring	122,532	-	-	**122,532**
6 – special monitoring	88,599	-	-	**88,599**
7 – watch	-	-	-	**-**
8-10 – classified	-	-	-	**-**
	452,271	-	-	**452,271**
Interest Receivable	-	-	-	**5,314**
Total	-	-	-	**457,585**

Notes to the Financial Statements

Notes to the Financial Statements for year ended 31 December 2023

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

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 2023	128,830	-	-	**128,830**
New assets originated or purchased	21,497	-	-	**21,497**
Assets derecognised or repaid (excluding write offs)	(49,476)	-	-	**(49,476)**
Adjustments during the period	703	-	-	**703**
Transfers to Stage 1	-	-	-	**-**
Transfers to Stage 2	-	-	-	**-**
Transfers to Stage 3	-	-	-	**-**
Foreign exchange adjustments	(90)	-	-	**(90)**
Amounts written off	-	-	-	**-**
At 31 December 2023	101,464	-	-	**101,464**

In €'000	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
ECL allowance as at 1 January 2023	105	-	-	**105**
Charged to income relating to new facilities	24	-	-	**24**
Net charge to income (increase/decrease to staging)	(109)	-	-	**(109)**
Transfers to Stage 1	-	-	-	**-**
Transfers to Stage 2	-	-	-	**-**
Transfers to Stage 3	-	-	-	**-**
Adjustments during the period	-	-	-	**-**
Recoveries	-	-	-	**-**
Foreign exchange adjustments	(5)	-	-	**(5)**
Amounts written off	-	-	-	**-**
At 31 December 2023	15	-	-	**15**

Notes to the Financial Statements

Notes to the Financial Statements for year ended 31 December 2023

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

Debt instruments at FV through OCI (continued)

In €'000	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
Gross carrying amount as at 1 January 2022	86,082	-	-	**86,082**
New assets originated or purchased	111,453	-	-	**111,453**
Assets derecognised or repaid (excluding write offs)	(68,354)	-	-	**(68,354)**
Adjustments during the period	-	-	-	**-**
Transfers to Stage 1	-	-	-	**-**
Transfers to Stage 2	-	-	-	**-**
Transfers to Stage 3	-	-	-	**-**
Foreign exchange adjustments	(351)	-	-	**(351)**
Amounts written off	-	-	-	**-**
At 31 December 2022	128,830	-	-	**128,830**

ECL allowance as at 1 January 2022				
Charged to income relating to new facilities	105	-	-	**105**
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 2022	105	-	-	**105**

Notes to the Financial Statements

Notes to the Financial Statements for year ended 31 December 2023

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 2023	452,271	-	-	**452,271**
New assets originated or purchased	34,118	-	-	**34,118**
Assets derecognised or repaid (excluding write offs)	(52,063)	-	-	**(52,063)**
Adjustments during the period	-	-	-	**-**
Transfers to Stage 1	-	-	-	**-**
Transfers to Stage 2	-	-	-	**-**
Transfers to Stage 3	-	-	-	**-**
Foreign exchange adjustments	(3,094)	-	-	**(3,094)**
Amounts written off	-	-	-	**-**
At 31 December 2023	431,232	-	-	**431,232**
Interest Receivable	-	-	-	**5,124**
Total	-	-	-	**436,356**
ECL allowance as at 1 January 2023	2,136	-	-	**2,136**
Charged to income relating to new facilities	67	-	-	**67**
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	(615)	-	-	**(615)**
Foreign exchange adjustments	(8)	-	-	**(8)**
Amounts written off	-	-	-	**-**
At 31 December 2023	1,580	-	-	**1,580**

Notes to the Financial Statements

Notes to the Financial Statements for year ended 31 December 2023

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

Debt instruments at amortised cost (continued)

In €'000	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
Gross carrying amount as at 1 January 2022	499,303	-	-	**499,303**
New assets originated or purchased	231,406	-	-	**231,406**
Assets derecognised or repaid (excluding write offs)	(276,465)	-	-	**(276,465)**
Adjustments during the period	-	-	-	**-**
Transfers to Stage 1	-	-	-	**-**
Transfers to Stage 2	-	-	-	**-**
Transfers to Stage 3	-	-	-	**-**
Foreign exchange adjustments	(1,973)	-	-	**(1,973)**
Amounts written off	-	-	-	**-**
At 31 December 2022	452,341	-	-	**452,271**
Interest Receivable	-	-	-	**5,314**
Total	-	-	-	**457,585**

In €'000	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
ECL allowance as at 1 January 2022	1,574	-	-	**1,574**
Charged to income relating to new facilities	739	-	-	**739**
Net charge to income (increase/decrease to staging)	167	-	-	**167**
Transfers to Stage 1	-	-	-	**-**
Transfers to Stage 2	-	-	-	**-**
Transfers to Stage 3	-	-	-	**-**
Adjustments during the period	-	-	-	**-**
Recoveries	-	-	-	**-**
Foreign exchange adjustments	-	-	-	**-**
Amounts written off	(344)	-	-	**(344)**
At 31 December 2022	2,136	-	-	**2,136**

Notes to the Financial Statements

Notes to the Financial Statements for year ended 31 December 2023

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.

Notes to the Financial Statements

Notes to the Financial Statements for year ended 31 December 2023

16 Derivatives (continued)

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

	2023 Notional €'000	2023 Fair value asset €'000	2023 Fair value liability €'000	2022 Notional €'000	2022 Fair value asset €'000	2022 Fair value liability €'000
Derivatives held for trading						
Interest rate swaps	**29,316**	**360**	**438**	93,240	495	610
Currency forward contracts	**351,345**	**2,011**	**4,720**	376,759	3,640	5,836
	380,661	**2,371**	**5,158**	469,999	4,135	6,446
Derivatives used as fair value hedges						
Interest rate swaps	**772,196**	**36,152**	**10,312**	665,008	48,403	12,237
Derivatives used as cash flow hedges						
Currency forward contracts	**43,615**	**412**	**295**	45,668	449	582
Total recognised derivative assets and liabilities	**1,196,472**	**38,935**	**15,765**	1,180,675	52,987	19,265

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 to hedge interest rate risk.

The impact of the hedged item on the statement of financial position as at 31 December 2023 is as follows:

Hedged item	Carrying amount (before fair value hedge adjustments)*	Accumulated amount of fair value hedge adjustments
Fixed-rate loans	14,248	**(624)**
Fixed-rate debt securities at amortised cost	449,437	**(18,205)**
Fixed-rate debt securities at Fair Value through OCI	57,392	**(153)**

* The carrying amount presented in the table above is prior to the application of the accumulated amount of fair value hedge adjustments.

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. Fixed rate debt securities at fair value through OCI are included under 'Financial Assets at fair value through other comprehensive income'.

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

	2023 €'000	2022 €'000
Gains/(losses) on:		
Hedging instruments	18,982	**33,889**
Hedged items attributable to the hedged risk	(19,257)	**(33,650)**
Hedge ineffectiveness	(275)	**239**

Hedge ineffectiveness is included under Net trading gains/(losses) in the Income Statement.

Notes to the Financial Statements

Notes to the Financial Statements for year ended 31 December 2023

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	25,455	412	-	412	412	408
Currency forward GBP	18,160	-	(293)	(293)	(293)	34
Total	43,615	412	(293)	119	119	442

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 35 Park Lane, Mayfair, London, W1K 1RB, except for Europe Arab Bank SA for which the registered address is 41 Avenue de Friedland, 75008 Paris, France.

Name	Accounting Policy	Place of incorporation	Proportion of ownership and voting power held	Principal activity
EAB Nominee LTD	FVOCI	England and Wales	100%	Dormant
13-15 Moorgate No.1 Ltd	FVOCI	England and Wales	100%	In Liquidation**
13-15 Moorgate No.2 Ltd	FVOCI	England and Wales	100%	In Liquidation**
Europe Arab Bank SA	Cost	France	100%*	Banking

* 1 share is owned by EAB Nominee LTD ** Entered liquidation during 2023

Movement in value of investment in subsidiaries

	2023 Cost €'000	2023 FVOCI €'000	2023 Total €'000	2022 Cost €'000	2022 FVOCI €'000	2022 Total €'000
Opening Balance	**75,000**	**28,636**	**103,636**	75,000	38,081	113,081
Additions	**-**	**-**	**-**	-	-	-
Fair Value Movement	**-**	**-**	**-**	-	(9,446)	(9,446)
Disposals	**-**	**(28,636)**	**(28,636)**	-	-	-
Foreign Exchange	**-**	**-**	**-**	-	-	-
Closing Balance	**75,000**	**-**	**75,000**	75,000	28,636	103,636

In the table above, the movement in the investment in subsidiaries is split between the subsidiary held at cost (Europe Arab Bank SA) and two subsidiaries which entered liquidation in 2023 which were held at FVOCI.

18 Other intangible assets

There were no additions or disposals of intangible assets in 2023 (2022: nil). The Bank has intangible assets amounting to €1.2 million (2022: €1.2 million) which are fully amortised (2022: fully amortised).

Notes to the Financial Statements

Notes to the Financial Statements for year ended 31 December 2023

19 Property, plant and equipment

	Land €'000	Freehold and Leasehold Improvements €'000	Furniture fixtures and fittings €'000	Computer and communication equipment €'000	Total €'000
Cost					
As at 1 January 2022	-	1,946	370	16,423	**18,739**
Additions	-	1,874	180	1,794	**3,848**
At 31 December 2022	-	3,820	550	18,217	**22,587**
Accumulated depreciation and impairment losses					
As at 1 January 2022	-	(1,590)	(317)	(12,848)	**(14,755)**
Depreciation	-	(108)	(25)	(1,430)	**(1,563)**
At 31 December 2022	-	(1,698)	(342)	(14,278)	**(16,318)**
Net book value	-	2,122	208	3,939	**6,269**
Cost					
As at 1 January 2023	-	3,820	550	18,217	**22,587**
Additions	-	575	197	1,638	**2,410**
At 31 December 2023	-	4,395	747	19,855	**24,997**
Accumulated depreciation and impairment losses					
As at 1 January 2023	-	(1,698)	(342)	(14,278)	**(16,318)**
Depreciation	-	(321)	(57)	(1,491)	**(1,869)**
At 31 December 2023	-	(2,019)	(399)	(15,769)	**(18,187)**
Net book value	-	2,376	348	4,086	**6,810**

20 Right-of-use assets

	2023 €'000	2022 €'000
As at 1 January	**8,246**	2,828
Additions	**-**	8,458
Disposals	**-**	(1,400)
Foreign Exchange Adjustments	**80**	(119)
Depreciation charge for the year	**(1,121)**	(1,521)
As at 31 December	**7,205**	8,246

All right-of-use assets pertain to office leases.

Notes to the Financial Statements

Notes to the Financial Statements for year ended 31 December 2023

21 Other assets

	2023 €'000	2022 €'000
Prepayments	**3,492**	4,276
Current tax receivable	**1,099**	1,035
Accrued interest receivable	**870**	427
Other assets and receivables	**1,028**	(1,078)
	6,489	4,660
Amounts above include:		
Due from parent company	**212**	9
Due from fellow subsidiaries	**-**	-

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 412 past members as at 31 December 2023 (31 December 2022: 412). 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 2021 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 2022 showed a deficit. The Bank's management has agreed with the trustees that it will aim to eliminate the deficit by the payment of annual contributions 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 2021 has been updated on an approximate basis to 31 December 2023. There have been no changes in the valuation methodology adopted for this period's disclosures compared to the previous period's disclosures.

(a) Amounts for the current and previous periods

	2023 €'000	2022 €'000	2021 €'000	2020 €'000	2019 €'000
Defined benefit obligation	**(51,257)**	(49,803)	(88,746)	(87,584)	(80,125)
Fair value of plan assets	**48,157**	46,233	82,585	72,711	70,273
Net deficit	**(3,100)**	(3,570)	(6,161)	(14,873)	(9,852)
Net liability recognised	**(3,100)**	(3,570)	(6,161)	(14,873)	(9,852)

Notes to the Financial Statements

Notes to the Financial Statements for year ended 31 December 2023

22 Retirement benefits – defined benefit scheme (continued)

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

	2023 €'000	2022 €'000
Balance as at 1 January	**49,803**	88,746
Interest cost	**2,463**	1,539
Actuarial (gains)/losses	**63**	(33,886)
Benefits paid	**(1,954)**	(3,239)
Translation adjustments	**882**	(3,357)
Balance as at 31 December	**51,257**	49,803

The present value of defined benefit obligation increased by €1.45m in the current year. The change in the discount rate contributing to this (4.8% for 2023; 4.95% for 2022).

(c) Changes in the fair value of plan assets

	2023 €'000	2022 €'000
Balance as at 1 January	**46,233**	82,585
Interest Income	**2,321**	1,446
Employer contributions	**1,611**	1,639
Return on assets excluding interest income	**(875)**	(33,076)
Benefits paid	**(1,954)**	(3,239)
Translation adjustments	**821**	(3,122)
Balance as at 31 December	**48,157**	46,233

The fair value of the plan assets has increased by €1.9m in the year ended 31 December 2023 (2022: fall of €36.4m in plan assets). This was due to better returns on government and corporate bond compared to last year.

(d) Total expense recognised in the income statement

	2023 €'000	2022 €'000
Net interest cost	**140**	94
	140	94

(e) Total amount included in other comprehensive income

	2023 €'000	2022 €'000
Return on plan assets (excluding amounts included in net interest cost)	**(875)**	(33,076)
Experience (losses)/gains	**9**	(681)
Effects of change in demographic assumptions	**704**	(511)
Effects of change in financial assumptions	**(777)**	35,077
Translation adjustments	**(18)**	171
	(957)	980

Notes to the Financial Statements

Notes to the Financial Statements for year ended 31 December 2023

22 Retirement benefits – defined benefit scheme (continued)

(f) Assets

	2023 €'000	2022 €'000
Equity Instruments	**2,546**	2,660
Debt Instruments	**18,856**	12,095
Diversified growth fund	**9,421**	12,698
Property	**4,082**	5,083
Cash	**762**	827
Insured Assets	**12,490**	12,870
Balance as at 31 December	**48,157**	46,233

(g) Principal assumptions in determining the defined benefit obligation

	2023 %		2022 %	
	Liabilities	Assets	Liabilities	Assets
Discount rate	**4.80**	**4.75**	4.95	5.10
Expected rate of inflation (RPI)	**3.10**	**3.20**	3.15	3.30
Expected rate of inflation (CPI)	**2.45**	**2.60**	2.45	2.60
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 2023	22.5
Female retiring in 2023	24.0
Male retiring in 2043	23.8
Female retiring in 2043	25.5

(h) Sensitivity

Sensitivity	Change in assumption	Change in liabilities	Change in Defined Benefit Obligation (€'000)
Discount rate	Decrease of 0.50% p.a.	Increase by 7.3%	3,266
Rate of inflation	Increase of 0.25% p.a.	Increase by 1.4%	607
Rate of mortality	Increase life expectancy by 1 year	Increase by 2.4%	1,091

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 2023 is 14.5 years (2022: 15 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.

Notes to the Financial Statements

Notes to the Financial Statements for year ended 31 December 2023

23 Deposits by banks

	2023 €'000	2022 €'000
Due to other banks	**551,167**	452,601
Amounts above include:		
Due to parent company	**78,420**	87,438
Due to fellow subsidiaries	**116,755**	93,624
Due to subsidiaries	**142,091**	19,619
	337,266	200,681

24 Customer accounts

	2023 €'000	2022 €'000
Deposits by customers	**1,229,466**	1,256,477

25 Other liabilities

	2023 €'000	2022 €'000
Accruals	**12,075**	7,663
Deferred income	**359**	253
Other payables and liabilities	**1,465**	1,012
	13,899	8,928
Amounts above include:		
Due to parent company	**401**	262
Due to fellow subsidiaries	**2,086**	1,158

26 Lease Liabilities

	2023 €'000	2022 €'000
Maturity analysis – contractual undiscounted cash flows		
Less than one year	**1,636**	891
One to five years	**8,041**	7,686
More than five years	**1,564**	3,074
Total undiscounted lease liabilities at 31 December	**11,241**	11,651
Lease liabilities included in the statement of financial position at 31 December	**9,450**	9,350

Notes to the Financial Statements

Notes to the Financial Statements for year ended 31 December 2023

27 Subordinated liabilities

	2023 €'000	2022 €'000
USD 125 million floating rate notes	**-**	-
USD 3M SOFR plus margin	**112,902**	117,030
	112,902	117,030

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.

28 Share capital

	2023 €'000	2022 €'000
Authorised and issued share capital		
50,000 (2022 - 50,000) deferred shares of £1 each	**72**	72
569,925,540 (2022 - 569,925,540) fully paid up ordinary shares of €1 each	**569,926**	569,926
As at 31 December	**569,998**	569,998

29 Credit Related commitments

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. The nominal values of such commitments are listed below:

	2023 €'000	2022 €'000
Letters of credit	**51,761**	95,462
Acceptances	**5,773**	1,963
Guarantees given to third parties	**473,882**	474,926
Unused credit facilities and forward contract trades	**59,883**	77,988
Total before impairment	**591,299**	650,339
Impairment loss allowance	**(408)**	(574)
	590,891	649,765

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.

Notes to the Financial Statements

Notes to the Financial Statements for year ended 31 December 2023

29 Credit Related commitments (continued)

Credit Related 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
2023				
1-3 – investment grade	62,713	-	-	**62,713**
4-5 – standard monitoring	491,192	17,609	-	**508,801**
6 – special monitoring	15,821	56	-	**15,877**
7 – watch	-	-	-	**-**
8-10 – classified	-	-	3,908	**3,908**
Total	569,726	17,665	3,908	**591,299**
2022				
1-3 – investment grade	59,496	-	-	**59,496**
4-5 – standard monitoring	424,783	68,639	-	**493,422**
6 – special monitoring	91,734	1,677	-	**93,411**
7 – watch	-	-	-	**-**
8-10 – classified	-	-	4,010	**4,010**
Total	576,013	70,316	4,010	**650,339**

Notes to the Financial Statements

Notes to the Financial Statements for year ended 31 December 2023

29 Credit Related commitments (continued)

Credit Related 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 2023	576,013	70,316	4,010	**650,339**
New assets originated or purchased	290,462	-	-	**290,462**
Assets derecognised or repaid (excluding write offs)	(269,282)	(26,109)	(12,311)	**(307,702)**
Adjustments during the period	-	-	-	**-**
Transfers to Stage 1	12,559	(24,899)	12,340	**-**
Transfers to Stage 2	-	-	-	**-**
Transfers to Stage 3	-	-	-	**-**
Foreign exchange adjustments	(40,027)	(1,643)	(132)	**(41,800)**
Amounts written off	-	-	-	**-**
At 31 December 2023	569,725	17,665	3,908	**591,299**

ECL allowance as at 1 January 2023	366	190	18	**574**
Charged to income relating to new facilities	184	-	-	**184**
Net charge to income	22	(197)	-	**(175)**
Assets derecognised or repaid (excluding write offs)	(148)	(9)	-	**(157)**
Adjustments during the period	-	-	-	**-**
Transfers to Stage 1	(54)	54	-	**-**
Transfers to Stage 2	-	-	-	**-**
Transfers to Stage 3	-	-	-	**-**
Recoveries	-	-	-	**-**
Foreign exchange adjustments	(15)	(3)	-	**(18)**
Amounts written off	-	-	-	**-**
At 31 December 2023	355	35	18	**408**

Notes to the Financial Statements

Notes to the Financial Statements for year ended 31 December 2023

29 Credit Related commitments (continued)

Credit Related commitments (continued)

In €'000	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
Gross carrying amount as at 1 January 2022	547,198	72,100	4,102	**623,400**
New assets originated or purchased	315,713	40,094	-	**355,807**
Assets derecognised or repaid (excluding write offs)	(296,426)	(55,245)	(50)	**(351,721)**
Adjustments during the period	-	-	-	**-**
Transfers to Stage 1	11,251	(11,251)	-	**-**
Transfers to Stage 2	(21,760)	21,760	-	**-**
Transfers to Stage 3	-	-	-	**-**
Foreign exchange adjustments	20,037	2,858	(42)	**22,853**
Amounts written off	-	-	-	**-**
At 31 December 2022	576,013	70,316	4,010	**650,339**

ECL allowance as at 1 January 2022	303	56	18	**377**
Charged to income relating to new facilities	148	27	-	**175**
Net charge to income	95	98	-	**193**
Assets derecognised or repaid (excluding write offs)	(187)	-	-	**(187)**
Adjustments during the period	-	-	-	**-**
Transfers to Stage 1	4	(4)	-	**-**
Transfers to Stage 2	(10)	10	-	**-**
Transfers to Stage 3	-	-	-	**-**
Recoveries	-	-	-	**-**
Foreign exchange adjustments	13	3	-	**16**
Amounts written off	-	-	-	**-**
At 31 December 2022	366	190	18	**574**

Notes to the Financial Statements

Notes to the Financial Statements for year ended 31 December 2023

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	
	2023 €'000	2022 €'000	2023 €'000	2022 €'000	2023 €'000	2022 €'000	2023 €'000	2022 €'000	2023 €'000	2022 €'000
Parent company	**2,478**	132	**4,244**	1,259	**50,395**	5,066	**105,253**	87,699	**23,536**	7,061
Subsidiaries	**3,689**	15,559	**-**	-	**162,631**	112,818	**142,091**	48,255	**-**	-
Fellow subsidiaries*	**-**	950	**11,448**	4,275	**30,582**	52,748	**203,224**	210,655	**15,110**	5,060
Associates**	**-**	75	**-**	-	**194**	237	**-**	-	**-**	-
Other related parties***	**252**	585	**352**	468	**5,644**	9,848	**1,100**	35,462	**-**	-
	6,419	17,301	**16,044**	6,002	**249,446**	180,717	**451,668**	382,071	**38,646**	12,121

* 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 €0.1mn (2022: €0.3mn).

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 (2022: nil).

(b) Compensation of key management personnel

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

	2023 €'000	2022 €'000
Key management compensation		
Short-term employee benefits	**4,996**	5,017
Post-employment benefits	**246**	205
	5,242	5,222

The information above includes executive Directors' remuneration detailed below.

	2023 €'000	2022 €'000
Directors' emoluments		
Chairman and Executive Directors - emoluments	**1,964**	1,883
- retirement and termination benefits	**70**	70
	2,034	1,953
Non-Executive Directors - emoluments	**181**	181
Total emoluments	**2,215**	2,134
Number of Directors accruing benefits under retirement benefit schemes	**1**	1

The emoluments of the highest paid Director including pension and social security contributions amounted to €1.5 million (2022: €1.5 million).

Notes to the Financial Statements

Notes to the Financial Statements for year ended 31 December 2023

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

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.

	No. of persons	2023 €'000	No. of persons	2022 €'000
Loans	**4**	**231**	4	437
Deposits	**5**	**14,633**	5	14,027

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.

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.

	2023 Level 1 €'000	2023 Level 2 €'000	2023 Level 3 €'000	2023 Total €'000
Financial assets at FVTPL	-	-	9,463	**9,463**
Derivative financial instruments – assets	-	38,935	-	**38,935**
Financial assets at fair value through – OCI	101,448	-	-	**101,448**
Investment in subsidiaries	-	-	-	**-**
Total	101,448	38,935	9,463	**149,846**
Derivative financial instruments – liabilities	-	15,765	-	**15,765**
Total	101,448	54,700	9,463	**165,611**

	2022 Level 1 €'000	2022 Level 2 €'000	2022 Level 3 €'000	2022 Total €'000
Financial assets at FVTPL	4,901	7,664	-	**12,565**
Derivative financial instruments – assets	-	52,987	-	**52,987**
Financial assets at fair value through – OCI	128,725	-	-	**128,725**
Investment in subsidiaries	-	28,636	-	**28,636**
Total	133,626	89,287	-	**222,913**
Derivative financial instruments – liabilities	-	19,265	-	**19,265**
Total	133,626	108,552	-	**242,178**

Notes to the Financial Statements

Notes to the Financial Statements for year ended 31 December 2023

31 Fair values of financial instruments (continued)

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

	2023 Fair value €'000	2023 Book value €'000	2022 Fair value €'000	2022 Book value €'000
Financial investments at amortised cost	**431,232**	**434,776**	435,468	455,449
Total	**431,232**	**434,776**	435,468	455,449

The Bank did not hold any material compound instruments or embedded derivatives at the year-end (2022: nil).

All Financial investments at amortised cost are classified as Level 1.

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 2023 or 2022.

Notes to the Financial Statements

Notes to the Financial Statements for year ended 31 December 2023

32 Operating segments (continued)

2023

	CIB €'000	Treasury €'000	Private Banking €'000	Other €'000	Total €'000
Net operating income	41,196	34,093	(13,677)	(3,236)	**58,376**
Inter-segment revenue	(21,734)	(19,164)	33,681	6,458	**(759)**
Total operating revenue	19,462	14,929	20,004	3,222	**57,617**
Net business unit contribution after allocated expenses	4,897	6,081	5,105	1,105	**17,188**
Impairment loss expense	(4,895)	551	29	-	**(4,315)**
Profit/(loss) before tax	2	6,632	5,134	1,105	**12,873**
Tax credit/(expense)	-	-	-	(1,700)	**(1,700)**
Profit/(loss) for the year	2	6,632	5,134	(595)	**11,173**

2022

	CIB €'000	Treasury €'000	Private Banking €'000	Other €'000	Total €'000
Net operating income	30,162	12,745	2,366	9,742	**55,015**
Inter-segment revenue	(11,421)	(629)	9,148	2,654	**(248)**
Total operating revenue	18,741	12,116	11,514	12,396	**54,767**
Net business unit contribution after allocated expenses	6,295	5,176	(1,590)	7,035	**16,916**
Impairment loss expense	(3,645)	(350)	(512)	7	**(4,500)**
Profit/(loss) before tax	2,650	4,826	(2,102)	7,042	**12,416**
Tax credit/(expense)	-	-	-	-	**-**
Profit/(loss) for the year	2,650	4,826	(2,102)	7,042	**12,416**

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

2023

	CIB €'000	Treasury €'000	Private Banking €'000	Other €'000	Total €'000
Segment assets	804,692	948,919	387,833	102,316	**2,243,760**
Segment liabilities	208,011	517,175	1,061,748	150,515	**1,937,449**

2022

	CIB €'000	Treasury €'000	Private Banking €'000	Other €'000	Total €'000
Segment assets	769,241	935,217	339,198	119,419	**2,163,075**
Segment liabilities	201,691	399,810	1,092,659	173,061	**1,867,221**

Notes to the Financial Statements

Notes to the Financial Statements for year ended 31 December 2023

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 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.

Notes to the Financial Statements

Notes to the Financial Statements for year ended 31 December 2023

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
- Stock market indices

ECLs are calculated on an individual basis.

Most of the ECL losses relate to Stage 3 assets which are at different stages of resolution or foreclosure. The Bank uses various scenarios and weights to calculate the modelled ECL losses for such assets. All scenarios and weights, which are bespoke to each asset, are reviewed on a regular basis and involve estimates including collateral valuation, restructuring and foreclosure amongst others. The following table shows the sensitivity analysis for Stage 3 assets based on different scenarios as at 31 December 2023:

	Scenarios			
	Weighted	Upside	Base Case	Downside
Stage 3 Exposure, €m	100.39	100.39	100.39	100.39
Stage 3 ECL, €m	40.94	-	21.48	51.02
Coverage %	41%	-	21%	51%

Notes to the Financial Statements

Notes to the Financial Statements for year ended 31 December 2023

34 Credit risk (continued)

Quality of Assets

Financial assets split by external ratings system (excluding derivatives and other financial assets at fair value), where available, for 2023 and 2022. Interest receivable pertains to stage 1 and 2 assets:

	31 December 2023				
	Cash, balances with central banks and due from banks €'000	Loans and advances to customers €'000	Financial assets at amortised cost €'000	Guarantees, letters of credit and unused credit facilities €'000	Total €'000
Neither past due nor impaired					
Stage 1					
AAA to AA-	236,169	2,385	71,777	17,697	**328,028**
A+ to A-	91,627	166,735	134,607	45,016	**437,985**
BBB+ to B-	298,501	675,033	224,848	504,437	**1,702,819**
Below B-	-	-	-	-	**-**
Unrated	-	6,210	-	2,576	**8,786**
	626,297	850,363	431,232	569,726	**2,477,618**
Stage 2					
AAA to AA-	-	2,916	-	-	**2,916**
A+ to A-	-	4,634	-	-	**4,634**
BBB+ to B-	-	12,690	-	17,665	**30,355**
Below B-	-	-	-	-	**-**
Unrated	-	-	-	-	**-**
	-	20,240	-	17,665	**37,905**
Past due but not impaired	-	-	-	-	**-**
Stage 3					
AAA to AA-	-	-	-	-	**-**
A+ to A-	-	-	-	-	**-**
BBB+ to B-	-	-	-	-	**-**
Below B-	7,677	-	-	-	**7,677**
Unrated	-	91,057	-	3,908	**94,965**
	7,677	91,057	-	3,908	**102,642**
Gross	633,974	961,660	431,232	591,299	**2,618,165**
ECLs					
Stage 1	2	5,759	1,580	354	**7,695**
Stage 2	-	55	-	35	**90**
Stage 3	7,677	33,240	-	19	**40,936**
	7,679	39,054	1,580	408	**48,721**
	626,295	922,606	429,652	590,891	**2,569,444**
Interest Receivable	260	8,697	5,124	-	**14,081**
Net	626,555	931,303	434,776	590,891	**2,583,525**

Notes to the Financial Statements

Notes to the Financial Statements for year ended 31 December 2023

34 Credit risk (continued)

Quality of Assets (continued)

	31 December 2022				
	Cash, balances with central banks and due from banks €'000	Loans and advances to customers €'000	Financial assets at amortised cost €'000	Guarantees, letters of credit and unused credit facilities €'000	Total €'000
Neither past due nor impaired					
Stage 1					
AAA to AA-	301,273	2,528	123,672	29	**427,502**
A+ to A-	31,432	122,333	135,818	49,638	**339,221**
BBB+ to B-	176,622	576,386	192,781	191,763	**1,137,552**
Below B-	5,153	-	-	5,343	**10,496**
Unrated	23,951	72,501	-	329,240	**425,692**
	538,431	773,748	452,271	576,013	**2,340,463**
Stage 2					
AAA to AA-	-	-	-	-	**-**
A+ to A-	-	-	-	9,434	**9,434**
BBB+ to B-	-	1,956	-	6,100	**8,056**
Below B-	-	2,152	-	-	**2,152**
Unrated	-	-	-	54,782	**54,782**
	-	4,108	-	70,316	**74,424**
Past due but not impaired	-	-	-	-	**-**
Stage 3					
AAA to AA-	-	-	-	-	**-**
A+ to A-	-	-	-	-	**-**
BBB+ to B-	-	-	-	-	**-**
Below B-	7,958	5,151	-	-	**13,109**
Unrated	-	117,384	-	4,010	**121,394**
	7,958	122,535	-	4,010	**134,503**
Gross	546,389	900,391	452,271	650,339	**2,549,390**
ECLs					
Stage 1	14	6,944	2,136	366	**9,460**
Stage 2	-	41	-	190	**231**
Stage 3	7,958	55,032	-	18	**63,008**
	7,972	62,017	2,136	574	**72,699**
	538,417	838,374	450,135	649,765	**2,476,691**
Interest Receivable	216	7,756	5,314	-	**13,286**
Net	538,633	846,130	455,449	649,765	**2,489,977**

Notes to the Financial Statements

Notes to the Financial Statements for year ended 31 December 2023

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 and other financial assets at fair value). Interest receivable pertains to stage 1 and 2 assets:

	31 December 2023				
	Cash, balances with central banks and due from banks €'000	Loans and advances to customers €'000	Financial assets at amortised cost €'000	Guarantees, letters of credit and unused credit facilities €'000	Total €'000
Stage 1 – net of ECL					
1 - 3 – investment grade	328,304	169,170	206,263	62,705	**766,442**
4 - 5 – standard monitoring	297,982	515,546	157,535	490,818	**1,461,881**
6 – special monitoring	9	159,888	65,854	15,849	**241,600**
7 – watch	-	-	-	-	**-**
8 - 10 – classified	-	-	-	-	**-**
	626,295	844,604	429,652	569,372	**2,469,923**
Stage 2 – net of ECL					
1 - 3 – investment grade	-	7,575	-	-	**7,575**
4 - 5 – standard monitoring	-	12,610	-	17,574	**30,184**
6 – special monitoring	-	-	-	56	**56**
7 – watch	-	-	-	-	**-**
8 - 10 – classified	-	-	-	-	**-**
	-	20,185	-	17,630	**37,815**
Stage 3 – net of ECL					
1 - 3 – investment grade	-	-	-	-	**-**
4 - 5 – standard monitoring	-	-	-	-	**-**
6 – special monitoring	-	-	-	-	**-**
7 – watch	-	5,272	-	-	**5,272**
8 - 10 – classified	-	52,545	-	3,889	**56,434**
	-	57,817	-	3,889	**61,706**
	626,295	922,606	429,652	590,891	**2,569,444**
Interest Receivable	260	8,697	5,124	-	**14,081**
Net	626,555	931,303	434,776	590,891	**2,583,525**

Notes to the Financial Statements

Notes to the Financial Statements for year ended 31 December 2023

34 Credit risk (continued)

Quality of Assets (continued)

	31 December 2022				
	Cash, balances with central banks and due from banks €'000	Loans and advances to customers €'000	Financial assets at amortised cost €'000	Guarantees, letters of credit and unused credit facilities €'000	Total €'000
Stage 1 – net of ECL					
1 - 3 – investment grade	334,206	135,109	240,634	59,493	**769,442**
4 - 5 – standard monitoring	175,431	421,857	121,883	424,469	**1,143,640**
6 – special monitoring	28,780	209,838	87,618	91,685	**417,921**
7 – watch	-	-	-	-	**-**
8 - 10 – classified	-	-	-	-	**-**
	538,417	766,804	450,135	575,647	**2,331,003**
Stage 2 – net of ECL					
1 - 3 – investment grade	-	-	-	-	**-**
4 - 5 – standard monitoring	-	1,919	-	68,452	**70,371**
6 – special monitoring	-	-	-	1,674	**1,674**
7 – watch	-	-	-	-	**-**
8 - 10 – classified	-	2,148	-	-	**2,148**
	-	4,067	-	70,126	**74,193**
Stage 3 – net of ECL					
1 - 3 – investment grade	-	-	-	-	**-**
4 - 5 – standard monitoring	-	-	-	-	**-**
6 – special monitoring	-	-	-	-	**-**
7 – watch	-	6,996	-	-	**6,996**
8 - 10 – classified	-	60,507	-	3,992	**64,499**
	-	67,503	-	3,992	**71,495**
	538,417	838,374	450,135	649,765	**2,476,691**
Interest Receivable	216	7,756	5,314	-	**13,286**
Net	538,633	846,130	455,449	649,765	**2,489,977**

Notes to the Financial Statements

Notes to the Financial Statements for year ended 31 December 2023

34 Credit risk (continued)

Quality of Assets (continued)

Derivative and other financial asset at fair value balances split by external and internal ratings for 2023 and 2022:

	31 December 2023			
	Derivative Assets €'000	Financial assets at fair value through profit or loss €'000	Financial assets at fair value through OCI €'000	Total €'000
External ratings				
AAA to AA-	679	-	101,448	**102,127**
A+ to A-	16,149	-	-	**16,149**
BBB+ to B-	20,631	4,414	-	**25,045**
Below B-	-	5,049	-	**5,049**
Unrated	1,476	-	-	**1,476**
	38,935	9,463	101,448	**149,846**

	31 December 2023			
	Derivative Assets €'000	Financial assets at fair value through profit or loss €'000	Financial assets at fair value through OCI €'000	Total €'000
Internal ratings				
1 - 3 – investment grade	37,459	-	101,448	**138,907**
4 - 5 – standard monitoring	-	4,414	-	**4,414**
6 – special monitoring	1,476	-	-	**1,476**
7 – watch	-	5,049	-	**5,049**
8 - 10 – classified	-	-	-	**-**
	38,395	9,463	101,448	**149,846**

Debt securities under financial assets at fair value through OCI are neither past due nor impaired as at 31 December 2023.

Notes to the Financial Statements

Notes to the Financial Statements for year ended 31 December 2023

34 Credit risk (continued)

Quality of Assets (continued)

	31 December 2022			
	Derivative Assets €'000	Financial assets at fair value through profit or loss €'000	Financial assets at fair value through OCI €'000	Total €'000
External ratings				
AAA to AA-	262	-	128,725	**128,987**
A+ to A-	20,854	-	-	**20,854**
BBB+ to B-	31,871	4,901	-	**36,772**
Below B-	-	7,664	-	**7,664**
Unrated	-	-	-	**-**
	52,987	12,565	128,725	**194,277**

	31 December 2022			
	Derivative Assets €'000	Financial assets at fair value through profit or loss €'000	Financial assets at fair value through OCI €'000	Total €'000
Internal ratings				
1 - 3 – investment grade	51,164	-	128,725	**179,889**
4 - 5 – standard monitoring	1,690	4,901	-	**6,591**
6 – special monitoring	133	7,664	-	**7,797**
7 – watch	-	-	-	**-**
8 - 10 – classified	-	-	-	**-**
	52,987	12,565	128,725	**194,277**

Notes to the Financial Statements

Notes to the Financial Statements for year ended 31 December 2023

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 2023 and 31 December 2022 (excluding derivatives and other financial assets at fair value). Interest receivable pertains to stage 1 and 2 assets:

	31 December 2023				
	Cash, balances with central banks and due from banks €'000	Loans and advances to customers €'000	Financial assets at amortised cost €'000	Guarantees, letters of credit and unused credit facilities €'000	Total €'000
Stage 1 – net of ECL					
Central and local government	-	3,373	125,056	-	**128,429**
Financial institutions	626,295	53,909	281,373	89,008	**1,050,585**
Individuals	-	111,298	-	-	**111,298**
Industrial and commercial	-	676,024	23,223	480,364	**1,179,611**
	626,295	844,604	429,652	569,372	**2,469,923**
Stage 2 – net of ECL					
Central and local government	-	-	-	-	**-**
Financial institutions	-	-	-	-	**-**
Individuals	-	13,733	-	-	**13,733**
Industrial and commercial	-	6,452	-	17,630	**24,082**
	-	20,185	-	17,630	**37,815**
Stage 3 – net of ECL					
Central and local government	-	-	-	-	**-**
Financial institutions	-	-	-	-	**-**
Individuals	-	991	-	-	**991**
Industrial and commercial	-	56,826	-	3,889	**60,715**
	-	57,817	-	3,889	**61,706**
	626,295	922,606	429,652	590,891	**2,569,444**
Interest Receivable	260	8,697	5,124	-	**14,081**
Net	626,555	931,303	434,776	590,891	**2,583,525**

Notes to the Financial Statements

Notes to the Financial Statements for year ended 31 December 2023

34 Credit risk (continued)

Concentration of risk (continued)

	31 December 2022				
	Cash, balances with central banks and due from banks €'000	Loans and advances to customers €'000	Financial assets at amortised cost €'000	Guarantees, letters of credit and unused credit facilities €'000	Total €'000
Stage 1 – net of ECL					
Central and local government	-	18,459	134,238	23,922	**176,619**
Financial institutions	538,417	53,874	291,380	112,267	**995,938**
Individuals	-	88,212	-	-	**88,212**
Industrial and commercial	-	606,259	24,517	439,458	**1,070,234**
	538,417	766,804	450,135	575,647	**2,331,003**
Stage 2 – net of ECL					
Central and local government	-	-	-	-	**-**
Financial institutions	-	-	-	-	**-**
Individuals	-	2,148	-	-	**2,148**
Industrial and commercial	-	1,919	-	70,126	**72,045**
	-	4,067	-	70,126	**74,193**
Stage 3 – net of ECL					
Central and local government	-	-	-	-	**-**
Financial institutions	-	-	-	-	**-**
Individuals	-	-	-	-	**-**
Industrial and commercial	-	67,503	-	3,992	**71,495**
	-	67,503	-	3,992	**71,495**
	538,417	838,374	450,135	649,765	**2,476,691**
Interest Receivable	216	7,756	5,314	-	**13,286**
Net	538,633	846,130	455,449	649,765	**2,489,977**

Notes to the Financial Statements

Notes to the Financial Statements for year ended 31 December 2023

34 Credit risk (continued)

Concentration of risk (continued)

Geographical exposure to financial assets and credit related contingent liabilities and commitments as at 31 December 2023 and 31 December 2022 (excluding derivatives and other financial assets at fair value). Interest receivable pertains to stage 1 and 2 assets:

	31 December 2023				
	Cash, balances with central banks and due from banks €'000	Loans and advances to customers €'000	Financial assets at amortised cost €'000	Guarantees, letters of credit and unused credit facilities €'000	Total €'000
Stage 1 – net of ECL					
UK	145,252	376,431	57,209	32,010	**610,902**
Europe	346,165	84,269	101,938	410,450	**942,822**
Arab Countries	50,827	383,904	219,380	61,840	**715,951**
North America	83,521	-	30,995	65,072	**179,588**
Asia	510	-	-	-	**510**
Other	20	-	20,130	-	**20,150**
	626,295	844,604	429,652	569,372	**2,469,923**
Stage 2 – net of ECL					
UK	-	17,272	-	13,379	**30,651**
Europe	-	-	-	-	**-**
Arab Countries	-	2,913	-	-	**2,913**
North America	-	-	-	4,251	**4,251**
Asia	-	-	-	-	**-**
Other	-	-	-	-	**-**
	-	20,185	-	17,630	**37,815**
Stage 3 – net of ECL					
UK	-	-	-	-	**-**
Europe	-	-	-	3,889	**3,889**
Arab Countries	-	57,817	-	-	**57,817**
North America	-	-	-	-	**-**
Asia	-	-	-	-	**-**
Other	-	-	-	-	**-**
	-	57,817	-	3,889	**61,706**
	626,295	922,606	429,652	590,891	**2,569,444**
Interest Receivable	260	8,697	5,124	-	**14,081**
Net	626,555	931,303	434,776	590,891	**2,583,525**

Notes to the Financial Statements

Notes to the Financial Statements for year ended 31 December 2023

34 Credit risk (continued)

Concentration of risk (continued)

	31 December 2022				
	Cash, balances with central banks and due from banks €'000	Loans and advances to customers €'000	Financial assets at amortised cost €'000	Guarantees, letters of credit and unused credit facilities €'000	Total €'000
Stage 1 – net of ECL					
UK	159,988	322,720	55,722	38,533	**576,963**
Europe	210,462	33,962	102,303	410,392	**757,119**
Arab Countries	6,122	402,356	239,689	93,781	**741,948**
North America	132,728	-	33,816	15,747	**182,291**
Asia	28,995	-	-	-	**28,995**
Other	123	7,766	18,605	17,194	**43,688**
	538,417	766,804	450,135	575,647	**2,331,003**
Stage 2 – net of ECL					
UK	-	4,067	-	-	**4,067**
Europe	-	-	-	36,719	**36,719**
Arab Countries	-	-	-	-	**-**
North America	-	-	-	33,407	**33,407**
Asia	-	-	-	-	**-**
Other	-	-	-	-	**-**
	-	4,067	-	70,126	**74,193**
Stage 3 – net of ECL					
UK	-	-	-	-	**-**
Europe	-	-	-	3,992	**3,992**
Arab Countries	-	67,503	-	-	**67,503**
North America	-	-	-	-	**-**
Asia	-	-	-	-	**-**
Other	-	-	-	-	**-**
	-	67,503	-	3,992	**71,495**
	538,417	838,374	450,135	649,765	**2,476,691**
Interest Receivable	216	7,756	5,314	-	**13,286**
Net	538,633	846,130	455,449	649,765	**2,489,977**

Notes to the Financial Statements

Notes to the Financial Statements for year ended 31 December 2023

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 2023 and 31 December 2022 is presented below:

	31 December 2023			
	Derivative Assets €'000	Financial assets at fair value through profit or loss €'000	Financial assets at fair value through OCI €'000	Total €'000
Industrial exposure				
Central and local government	-	-	66,094	**66,094**
Financial institutions	38,935	-	35,354	**83,752**
Industrial and commercial	-	9,463	-	**-**
Others	-	-	-	**-**
	38,935	9,463	101,448	**149,846**

	31 December 2023			
	Derivative Assets €'000	Financial assets at fair value through profit or loss €'000	Financial assets at fair value through OCI €'000	Total €'000
Geographical exposure				
UK	16,086	5,049	36,537	**57,672**
Europe	21,310	-	64,911	**86,221**
Arab Countries	1,476	-	-	**1,476**
North America	-	-	-	**-**
Asia	63	-	-	**63**
Others	-	4,414	-	**4,414**
	38,935	9,463	101,448	**149,846**

Notes to the Financial Statements

Notes to the Financial Statements for year ended 31 December 2023

34 Credit risk (continued)

Concentration of risk (continued)

	31 December 2022			
	Derivative Assets €'000	Financial assets at fair value through profit or loss €'000	Financial assets at fair value through OCI €'000	Total €'000
Industrial exposure				
Central and local government	-	-	87,609	**87,609**
Financial institutions	52,987	-	41,116	**94,103**
Industrial and commercial	-	12,565	-	**12,565**
Others	-	-	-	**-**
	52,987	12,565	128,725	**194,277**

	31 December 2022			
	Derivative Assets €'000	Financial assets at fair value through profit or loss €'000	Financial assets at fair value through OCI €'000	Total €'000
Geographical exposure				
UK	19,971	7,664	37,963	**65,598**
Europe	32,002	-	53,764	**85,766**
Arab Countries	132	-	29,416	**29,548**
North America	-	-	-	**-**
Asia	882	-	7,582	**8,464**
Others	-	4,901	-	**4,901**
	52,987	12,565	128,725	**194,277**

Notes to the Financial Statements

Notes to the Financial Statements for year ended 31 December 2023

34 Credit risk (continued)

Credit derivatives and collateral

The Bank did not hold any credit derivatives during the year (2022: 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.

Notes to the Financial Statements

Notes to the Financial Statements for year ended 31 December 2023

34 Credit risk (continued)

Credit derivatives and collateral (continued)

		Fair value							
2023 €'000	**Outstanding balance**	**Cash Margin**	**Shares**	**Bank guarantees**	**Real Estate**	**Other**	**Total Collaterals**	**Net Outstanding balance**	**ECL**
Loans and advances to customers:	970,357	9,410	32,356	2,916	297,181	227,835	569,698	931,303	39,054
Guarantees, letters of credit and other commitments	591,299	17,561	-	275	-	16,722	34,558	590,891	408
Total	1,561,656	26,971	32,356	3,191	297,181	244,557	604,256	1,522,194	39,462

		Fair value							
2022 €'000	**Outstanding balance**	**Cash Margin**	**Shares**	**Bank guarantees**	**Real Estate**	**Other**	**Total Collaterals**	**Net Outstanding balance**	**ECL**
Loans and advances to customers:	908,147	6,256	20,583	2,871	288,261	174,655	492,626	839,266	61,125
Guarantees, letters of credit and other commitments	650,339	17,786	-	-	-	-	17,786	649,765	574
Total	1,558,486	24,042	20,583	2,871	288,261	174,655	510,412	1,489,031	61,699

In general collateral held cannot be pledged or resold unless on default of the counter-party.

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. Note 36 discloses the gross contractual cash flows of the Bank's interest rate swaps and forward currency contracts. At 31 December 2023, the Bank has placed €4.2mn of cash collateral in respect of its forward currency contracts, and holds €14.6mn cash collateral for its interest rate swaps.

Notes to the Financial Statements

Notes to the Financial Statements for year ended 31 December 2023

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.

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.

Notes to the Financial Statements

Notes to the Financial Statements for year ended 31 December 2023

35 Market risk (continued)

(a) Interest Rate Risk Management (continued)

	31 December 2023							
	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	Non interest bearing €'000	Total €'000
Assets								
Cash and balances at central banks	-	-	-	-	-	-	136,982	**136,982**
Due from banks	223,025	35,000	-	-	-	-	231,548	**489,573**
Fair value through profit or loss	5,011	4,452	-	-	-	-	-	**9,463**
Fair value through OCI	-	28,401	-	8,811	26,533	37,703	-	**101,448**
Loans and advances to customers	166,932	286,085	231,785	45,318	27,964	164,522	8,697	**931,303**
Financial investments at amortised cost	-	16,422	9,797	10,479	248,740	144,215	5,123	**434,776**
Derivatives	32,770	3,217	2,840	108	-	-	-	**38,935**
Other assets	-	-	-	-	-	-	101,280	**101,280**
Total assets	427,738	373,577	244,422	64,716	303,237	346,440	483,630	**2,243,760**
Liabilities and equity								
Deposits by banks	281,012	89,108	59,337	22,698	-	-	99,012	**551,167**
Customer accounts	228,477	437,641	199,816	110,473	1,956	-	251,103	**1,229,466**
Derivatives	5,936	4,832	4,859	138	-	-	-	**15,765**
Other liabilities	-	-	-	-	-	-	28,149	**28,149**
Subordinated liabilities	-	112,902	-	-	-	-	-	**112,902**
Shareholders' equity	-	-	-	-	-	-	306,311	**306,311**
Total liabilities and equity	515,425	644,483	264,012	133,309	1,956	-	684,575	**2,243,760**
Interest rate sensitivity gap	(87,687)	(270,906)	(19,590)	(68,593)	301,281	346,440	(200,945)	

Notes to the Financial Statements

Notes to the Financial Statements for year ended 31 December 2023

35 Market risk (continued)

(a) Interest Rate Risk Management (continued)

	31 December 2022							
	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	Non interest bearing €'000	Total €'000
Assets								
Cash and balances at central banks	-	-	-	-	-	-	158,856	**158,856**
Due from banks	59,871	37,443	-	-	-	-	282,463	**379,777**
Fair value through profit or loss	5,005	7,559	-	-	-	-	-	**12,565**
Fair value through OCI	-	-	-	9,478	86,993	32,254	-	**128,725**
Loans and advances to customers	181,689	240,587	197,755	3,632	22,906	1,004	198,557	**846,130**
Financial investments at amortised cost	5,462	18,738	-	34,523	109,448	281,964	5,314	**455,449**
Derivatives	23,646	22,212	6,840	289	-	-	-	**52,987**
Other assets	-	-	-	-	-	-	128,586	**128,586**
Total assets	275,673	326,539	204,595	47,923	219,347	315,222	773,776	**2,163,075**
Liabilities and equity								
Deposits by banks	115,467	34,949	43,552	9,379	173,222	-	76,032	**452,601**
Customer accounts	214,945	407,618	196,897	141,588	-	-	295,429	**1,256,477**
Derivatives	4,232	7,275	7,552	206	-	-	-	**19,265**
Other liabilities	-	-	-	-	-	-	21,848	**21,848**
Subordinated liabilities	-	-	117,030	-	-	-	-	**117,030**
Shareholders' equity	-	-	-	-	-	-	295,854	**295,854**
Total liabilities and equity	334,644	449,841	365,032	151,174	173,222	-	689,162	**2,163,075**
Interest rate sensitivity gap	(58,970)	(123,302)	(160,436)	(103,251)	46,125	315,222	84,614	

Notes to the Financial Statements

Notes to the Financial Statements for year ended 31 December 2023

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.

Notes to the Financial Statements

Notes to the Financial Statements for year ended 31 December 2023

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	2023 CCY €'000	2023 €'000	2022 CCY €'000	2022 €'000
UAE Dirham	**900**	**221**	1,919	489
Australian Dollar	**34**	**21**	35	22
Bahraini Dinar	**41**	**99**	24	61
Canadian Dollar	**(30)**	**(20)**	24	17
Swiss Franc	**(16)**	**(17)**	(201)	(204)
Danish Kroner	**-**	**-**	-	-
Algerian Dinars	**1,016**	**7**	1,016	7
Egyptian Pounds	**148**	**4**	(123)	(5)
Euro	**2,255**	**2,255**	7,895	7,895
Sterling	**(1,243)**	**(1,429)**	(709)	(802)
Israeli Shekel	**33**	**8**	139	37
Indian Rupee	**-**	**-**	-	-
Jordanian Dinar	**222**	**283**	227	299
Japanese Yen	**1,458**	**9**	825	6
Kuwaiti Dinar	**6**	**19**	(3)	(9)
Moroccan Dirham	**(22)**	**(2)**	(468)	(42)
Norwegian Kroner	**(1)**	**-**	-	-
New Zealand Dollars	**-**	**-**	-	-
Omani Rial	**(9)**	**(2)**	(4)	(10)
Qatari Riyals	**66**	**16**	141	36
Saudi Riyals	**(548)**	**(132)**	(64)	(16)
Swedish Kroner	**-**	**-**	-	-
Tunisian Dinar	**(19)**	**(5)**	(26)	(8)
Singapore Dollar	**-**	**-**	-	-
US Dollar	**36**	**32**	743	696
Yemen Riyals	**15**	**-**	15	-
Total (excluding EUR balance)		**(888)**		574

Notes to the Financial Statements

Notes to the Financial Statements for year ended 31 December 2023

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.

	2023 Impact on Profit/(Loss) €'000	2022 Impact on Profit/(Loss) €'000
Interest rate sensitivity		
100bps increase in interest rate	**447**	(2,110)
100bps decrease in interest rate	**(447)**	2,110

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:

	2023 €'000	2022 €'000
EUR appreciates 10%	**(82)**	52
EUR appreciates 20%	**(151)**	96
EUR depreciates 10%	**82**	(52)
EUR depreciates 20%	**151**	(96)

Notes to the Financial Statements

Notes to the Financial Statements for year ended 31 December 2023

35 Market risk (continued)

IBOR Transition

Interbank Offered Rates (IBORs) served as widely accepted benchmark interest rates that represent the cost of short-term, unsecured, wholesale borrowing by large globally active banks. In 2017, the Financial Conduct Authority (FCA) declared that after 31 December 2021 it will no longer compel banks to continue making LIBOR submissions. This triggered the 'IBOR Transition', a multi-year process of phasing out (L)IBOR rates and the adoption of Alternative Reference Rates (ARRs). USD LIBOR fixings ceased at the end of June 2023.

In response, EAB implemented new, compliant products and proceeded to transition legacy GBP LIBOR and USD LIBOR contracts to ARRs. Currently, EAB is in in the process of transitioning the remainder of the USD LIBOR contracts to appropriate ARRs (e.g. Term SOFR and overnight SOFR).

The IBOR transition exposes the Bank to various risks, which are being mitigated and monitored closely by the project. These risks include, but are not limited to the following:

1. Conduct risk arising from a lack of contract 'rate equivalence' as any transitioned deal would need to have comparable interest charges and fees with the original loan or deposit. Hence, certain transitioned contracts require the addition of a Credit Adjustment Spread (CAS), where applicable;
2. Financial risk should any product or deal transitioned to an ARR favour the client meaning that the Bank would bear the cost of any shortfall in interest payment;
3. Operational risk arising from changes to the Bank's IT systems and processes, especially with the inclusion of new products and ARRs; and
4. 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 USD LIBOR as at 31 December 2023. These are expected to transition to ARRs by the end of September 2024. The table excludes any exposures that have been previously transition (e.g. GBP LIBOR).

	Non-Derivative Financial Assets – Carrying Values €'000
USD 3 month LIBOR	**5,274**
USD 6 month LIBOR	**139,852**
	145,126

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;

Notes to the Financial Statements

Notes to the Financial Statements for year ended 31 December 2023

36 Liquidity risk (continued)

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

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 securities that can be liquidated in the event of unforeseen interruption of cash flow.

2023

	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	Total €'000
Assets							
Cash and balances at central banks	136,982	-	-	-	-	-	**136,982**
Due from banks	454,573	35,000	-	-	-	-	**489,573**
Fair value through profit or loss	-	-	-	-	-	9,463	**9,463**
Fair value through OCI	-	28,385	-	8,807	26,553	37,703	**101,448**
Loans and advances to customers	139,293	73,369	118,530	44,831	79,374	475,906	**931,303**
Financial investments at amortised cost	21,334	247,974	9,797	10,638	145,033	-	**434,776**
Derivatives	684	1,517	1,423	1,360	18,145	15,806	**38,935**
Other assets	88,751	561	203	468	3,717	7,580	**101,280**
Total assets	841,617	386,806	129,953	66,104	272,822	546,458	**2,243,760**
Liabilities and equity							
Deposits by banks	370,991	21,367	136,111	22,698	-	-	**551,167**
Customer accounts	545,625	381,512	174,931	123,450	3,923	25	**1,229,466**
Derivatives	1,747	2,896	1,130	375	2,311	7,306	**15,765**
Other liabilities	22,358	972	1,404	440	437	2,538	**28,149**
Subordinated liabilities	112,902	-	-	-	-	-	**112,902**
Shareholders' equity	306,311	-	-	-	-	-	**306,311**
Total liabilities and equity	1,359,934	406,747	313,576	146,963	6,671	9,869	**2,243,760**

Notes to the Financial Statements

Notes to the Financial Statements for year ended 31 December 2023

36 Liquidity risk (continued)

2022

	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	Total €'000
Assets							
Cash and balances at central banks	158,856	-	-	-	-	-	**158,856**
Due from banks	342,334	37,443	-	-	-	-	**379,777**
Fair value through profit or loss	-	-	-	-	-	12,565	**12,565**
Fair value through OCI	-	-	-	9,478	86,993	32,254	**128,725**
Loans and advances to customers	36,545	178,228	44,827	98,219	80,591	407,720	**846,130**
Financial investments at amortised cost	10,706	18,738	-	34,523	109,448	282,034	**455,449**
Derivatives	49	2,251	1,357	534	2,300	46,496	**52,987**
Other assets	121,571	586	441	574	1,476	3,938	**128,586**
Total assets	670,061	237,246	46,625	143,328	280,808	785,007	**2,163,075**
Liabilities and equity							
Deposits by banks	191,567	34,932	43,535	9,362	173,205	-	**452,601**
Customer accounts	566,695	330,898	218,518	139,841	525	-	**1,256,477**
Derivatives	100	3,367	2,652	430	2,077	10,639	**19,265**
Other liabilities	16,326	552	1,175	617	305	2,873	**21,848**
Subordinated liabilities	-	-	-	-	-	117,030	**117,030**
Shareholders' equity	-	-	-	-	-	295,854	**295,854**
Total liabilities and equity	774,688	369,749	265,880	150,250	176,112	426,396	**2,163,075**

Notes to the Financial Statements

Notes to the Financial Statements for year ended 31 December 2023

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	Total €'000
2023							
Deposits by banks	371,204	21,446	136,560	23,682	-	-	**552,892**
Customer deposits	546,065	384,299	178,155	127,380	4,028	25	**1,239,952**
Subordinated liabilities	-	-	-	-	-	112,919	**112,919**
Total non-derivative financial liabilities	917,269	405,745	314,715	151,062	4,028	112,944	**1,905,763**
2022							
Deposits by banks	191,619	35,097	44,039	9,536	173,205	-	**453,496**
Customer deposits	566,968	332,876	221,916	143,732	525	-	**1,266,017**
Subordinated liabilities	-	-	-	-	-	117,226	**117,226**
Total non-derivative financial liabilities	758,587	367,973	265,955	153,268	173,730	117,226	**1,836,739**

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
2023				
Letters of credit and acceptances	40,162	4,446	7,429	5,496
Guarantees given to third parties	166,948	114,633	124,120	75,858
Un-drawn commitments	-	6,142	15,238	38,504
2022				
Letters of credit and acceptances	84,429	6,029	6,967	-
Guarantees given to third parties	205,862	79,634	93,651	103,737
Un-drawn commitments	-	21,417	27,138	29,433

Notes to the Financial Statements

Notes to the Financial Statements for year ended 31 December 2023

36 Liquidity risk (continued)

Financial liabilities (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
2023				
Interest rate swaps – net outflow	6,153	12,033	17,843	3,691
2022				
Interest rate swaps – net outflow	2,095	(107)	(93)	(2,349)

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
2023				
Outflow	300,402	49,758	-	-
Inflow	304,330	51,527	-	-
2022				
Outflow	343,913	78,879	-	-
Inflow	346,359	79,213	-	-

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 €14m (2022: €10m).

The Bank has pledged €28m (2022: €25m) worth of investment securities and cash as collateral against its clearing operations.

Notes to the Financial Statements

Notes to the Financial Statements for year ended 31 December 2023

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 €306m (2022: €296m) and perpetual subordinated liabilities of €113m (2022: €117m). 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.

Notes to the Financial Statements

Notes to the Financial Statements for year ended 31 December 2023

39 Reclassification

Accured interest on financial instruments carried at amortised cost

The interest receivable and interest payable balances related to amortised cost financial instruments have been reclassified from Other assets and Other liabilities at 31 December 2022 (comparative financial information), and aggregated with corresponding financial instruments. The reclassification is in line with the applicable financial reporting framework. The reclassification does not have an impact on the net assets or on the Income Statement.

Statement of Financial position	Balance €000's	Reclassification €000's	Restated balance €000's
Due from banks	379,561	216	379,777
Loans and advances to customers	838,374	7,756	846,130
Financial investments at amortised cost	450,135	5,314	455,449
Other assets	17,946	(13,286)	4,660
Deposits by banks	449,827	2,774	452,601
Customer accounts	1,250,949	5,528	1,256,477
Other liabilities	17,230	(8,302)	8,928

Cash flow statement

The 2022 comparative cashflow statement has been restated for the following:

1. To reclassify fair value through other comprehensive income assets and financial investments at amortised cost from operating activities to investing activities.
2. To reclassify the aggregation of interest receivable and interest payable balances with the corresponding financial instruments, as explained in the paragraph above.
3. To reclassify Loans advanced to banks from operating activities to cash and cash equivalents.

Notes to the Financial Statements

Notes to the Financial Statements for year ended 31 December 2023

39 Reclassification (continued)

Cash flow statement (continued)

These reclassifications have no impact on the closing cash positions in the Statement of Financial Position but the following impact on the underlying lines within the cashflow statement, for the Bank:

Cash Flow Statement	Balance €000's	Reclassification €000's	Restated balance €000's
Cash flows from operating activities			
Decrease/(Increase) in operating and other assets			
Financial investments at amortised cost	47,594	(47,594)	-
Fair value through other comprehensive income	(42,644)	42,644	-
Loans advanced to banks	23,398	(23,398)	-
Loans advanced to customers	76,970	(7,756)	69,214
Other Assets	(2,717)	13,286	10,569
(Decrease)/Increase in operating and other liabilities			
Customer Deposits	86,445	5,528	91,973
Funds received from banks	(218,828)	2,774	(216,054)
Other liabilities and retirement benefit liabilities	13,392	(8,302)	5,091
Cash flows from investing activities			
Financial investments at amortised cost	-	42,280	42,280
Fair value through other comprehensive income	-	(42,644)	(42,644)
Cash and cash equivalents			
Cash and cash equivalents at 1 January 2022	174,174	402,958	577,132
Cash and cash equivalents at 31 December 2022	158,856	379,777	538,633

In addition, following balances in the cash flows from operating activities have been reclassified in the comparative financial information for presentation purposes and as a result:

- Trading gain on securities of €1.4m have been reclassified from Fair value through profit or loss and derivatives and shown separately as a reconciling item in the cash flow statement; and
- Foreign exchange adjustment on ECL of € 3.7m has been reclassified from Loans advanced to customers and shown separately as a reconciling item in the cash flow statement.

40 Country By Country Reporting

The Bank is required as a CRD IV regulated institution to disclose annually under UK legislation the following information for the EAB Group:

Country	Type of Operations	Turnover €'000	Operating profit / (loss) before taxation €'000	Net corporation tax payment €'000	Average number of Full Time Employees	Government subsidies received €'000
United Kingdom	CIB, Private Banking and Treasury	57,617	12,873	-	111	-
France	CIB and Private Banking	12,445	2,780	-	20	-
Germany	CIB	635	(2,044)	-	4	-
Italy	CIB	618	(410)	-	2	-
Grand Total		71,316	13,200	-	137	-

EuropeArabBank

PART OF THE ARAB BANK GROUP

eabplc.com