EuropeArabBank

EAB Group - Pillar 3 Disclosures

31 December 2023

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1. Overview

Introduction

This document comprises EAB Group's ("the Group") Pillar 3 disclosures as at 31 DEC 2023 It has two principal purposes:

- To provide useful information on the capital and risk profile of EAB Group; and

- To meet the regulatory disclosure requirements set out by the Prudential Regulation Authority ("PRA") in the Disclosure section of the PRA Rulebook.

The analysis presented within the Pillar 3 disclosures provides detail on aspects of the Group's risk profile and, along with detail on the Risk Management Framework (RMF), supports the Group's position as a strongly capitalised firm which employs robust systems and processes in order to assess, manage and mitigate risk.

The aim of the capital adequacy regime is to promote safety and soundness in the financial system. It is structured around three 'pillars': Pillar 1 on minimum capital requirements; Pillar 2 on the supervisory review process; and Pillar 3 on market discipline. Pillar 3 requires firms to publish a set of disclosures which allow market participants to assess key pieces of information on that firm's capital, risk exposures and risk assessment process. The disclosures contained in this document cover the qualitative and quantitative disclosure requirements of Pillar 3.

The Group meets the definition of a non-listed "Other Institution" and complies with the requirements in accordance with Article 433c of the Disclosure (CRR) Part of the PRA Rulebook.

In October 2021, the PRA published its Policy Statement on the UK leverage ratio framework confirming that the CRR leverage ratio will not apply to UK banks. The Group does not meet the criteria set out in the PRA rulebook for a binding minimum leverage ratio, However, PRA's expectation is that firms falling outside of the scope of the leverage ratio requirement should manage risk in a way that prevents their leverage ratios from falling below 3.25%. We have disclosed the ratio in accordance with the PRA's requirements.

Disclosure and policy

The following sets out a summary of the Group's Pillar 3 disclosure policy.

Basis of preparation

This document has been prepared to comply with the Disclosure (CRR) Part of the PRA Rulebook which was incorporated into the PRA Rulebook from 1 January 2022. No material disclosures have been omitted and nor have any disclosures been omitted from this document for confidentiality purposes.

Frequency, media and location

The Group's policy is to publish the Pillar 3 disclosures on its website on an annual basis. The information is published following publication of the annual report and accounts.

Scope

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 one of the largest Arab banking networks, spanning five continents through Arab Bank plc branches, subsidiaries, its sister company and associates.

The EAB Group comprising 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).

In line with the requirements of the UK CRR, Pillar 3 disclosures have been prepared on a consolidated basis, and where relevant, provide quantitative disclosures for both, Group and EAB plc solo entity. This report should also be read in conjunction with the EAB plc Annual Report & Accounts (hereafter referred to as the "ARA"). The Group has availed itself of the exemption under Section 401 of the Companies Act 2006 and has not published consolidated financial statements for the Group and its subsidiaries. Additional relevant information may be found in the 2023 EAB plc ARA, which includes a description of EAB's strategy and business model.

EAB Group is subject to consolidated supervision, with EAB plc also subject to solo regulatory supervision by the PRA. Therefore, it is a requirement to calculate and maintain regulatory capital ratios on both a Group basis and on a solo basis for the EAB plc. Capital requirements for both Group and EAB plc have been presented in these disclosures.

The disclosures provided in this document are not required to be, and have not been, externally audited and do not constitute any part of the EAB's financial statements. However, some of the information within the disclosures also appears in the EAB plc's 2023 Annual Report and Accounts, which are subject to external audit.

The responsibility for identifying and managing the principal risks rests with EAB's Board of Directors, who are also responsible for setting EAB's strategy, risk appetite and control Framework. The Board considers that, as at 31 December 2023, it had in place adequate systems and controls with regard to EAB's risk profile and strategy. Furthermore, the Board can confirm that the EAB remained within defined limits for risk exposure throughout the year for all principal risks. EAB also operated in line with its internal capital targets.

The Pillar 3 disclosures have been reviewed and approved by the Board Audit and Risk Committee (BARC) on behalf of the Board of Directors and approved thereafter by the Board of Directors. The disclosures of risk management objectives and procedures within this Pillar 3 document are detailed further within section 5 - Risk Management Objectives and Policies. The disclosures in this document have also been subject to senior management sign-off.

Regulatory developments

The Pillar 3 disclosures take into account regulatory changes and evolving best practices to ensure that the disclosures remain relevant. Below is a summary of significant regulatory alterations that took effect during the reporting period and anticipated future regulatory adjustments:

Relevant regulatory changes during the reporting year:

During 2023, the following regulatory changes came into effect:

- The UK countercyclical capital buffer increased from 1% to 2%, effective from 5 July 2023.

Future regulatory changes:

In September 2023, the PRA announced a change in the implementation date for Basel 3.1 to 1 July 2025, reducing the transition period to 4.5 years for full implementation by 1 January 2030, as outlined in Consultation Paper CP16/22. Additionally, the PRA extended the timeframe to evaluate responses to credit risk and output floor proposals, issuing PS 17/23, near-final rules on market risk, credit valuation adjustment risk, counterparty credit risk, and operational risk in Q4 2023. Near-final policies concerning credit risk, the output floor, and reporting and disclosure requirements are anticipated to be released in Q2 2024. While EAB has conducted an initial impact assessment to establish potential effects of these changes, final impact cannot be drawn until the publication of the final rules. A formal project has been set up to track implementation of Basel 3.1 at EAB.

2. Capital and Other disclosures

EAB's policy is to maintain a strong capital base to maintain investor and market confidence and to sustain the future development of the business. The Board manages its capital levels for both current and future activities and documents its risk appetite and capital requirements during stress scenarios as part of the ICAAP. The Group has complied with all externally imposed capital requirements during the period from 1st January 2023 to 31st December 2023. The Group has elected to use the standardised approach for credit risk. Under the UK CRR the Group must set aside capital equal to 8% of its total risk weighted assets to cover its Pillar 1 capital requirements.

The Group also set aside additional Pillar 2 capital to provide for additional risks. In line with regulations, the Group assesses its capital adequacy needs in its ICAAP document which is reviewed, challenged and approved by the Board annually. The ICAAP represents the aggregated view of the risks faced by EAB and is used by the Board and management to understand the levels of capital required to be held over the planning horizon to cover these risks and to withstand a range of adverse stress scenarios. The ICAAP is reviewed by the PRA during its Supervisory Review and Evaluation Process ("SREP") and is used to determine the overall capital requirements. Total SREP and Overall capital requirements have been disclosed in section 3.

Pillar 1 risks are calculated for credit risk, operational risk, market risk and counterparty credit risk. The standardised approach is used for credit risk and operational risk, and original exposure method is used for counterparty credit risk. Pillar 2 risks are assessed to determine whether any additional capital is required over and above Pillar 1. The Group's capital comprises of Tier 1 (T1) and Tier 2 capital. The Group will, at all times, aim to maintain sufficient capital to cover its risk profile and associated risk exposures. As a minimum, the Group's capital resources will be maintained above the minimum total capital requirements i.e. TCR (Pillar 1 plus Pillar 2A) plus Combined Buffers.

3. Key Metrics

This table presents the set of key prudential metrics covering the EAB Group and EAB plc's available capital (including buffer requirements and ratios), risk weighted exposure amounts (RWA), leverage ratio, liquidity coverage ratio (LCR) and net stable funding ratio (NSFR).

	EAB Group		EAB plc	
	31-Dec-23	31-Dec-22	**31-Dec-23**	31-Dec-22
Key metrics				
Available capital (EURm) [1]				
Common Equity Tier 1 (CET1) capital	**301**	290	**262**	253
Tier 1 capital	**301**	290	**262**	253
Total capital	**413**	407	**375**	370
Risk-weighted Assets ('RWA') (EURm) [1]				
Total RWA	**1,744**	1,810	**1,546**	1,631
Capital ratios (as a percentage of RWA) (%) [1]				
Common Equity Tier 1 ratio	**17.2%**	16.0%	**16.9%**	15.5%
Tier 1 ratio	**17.2%**	16.0%	**16.9%**	15.5%
Total capital ratio	**23.7%**	22.5%	**24.2%**	22.7%
Additional own funds requirements based on SREP [2] **(% of RWA)**				
Additional CET1 SREP requirements	**2.4%**	2.2%	**2.4%**	2.3%
Additional AT1 SREP requirements	**0.8%**	0.7%	**0.8%**	0.8%
Additional T2 SREP requirements	**1.1%**	1.0%	**1.1%**	1.0%
Total SREP own funds requirements	**12.28%**	11.93%	**12.34%**	12.03%
Combined buffer requirement (% of RWA)				
Capital conservation buffer	**2.5%**	2.5%	**2.5%**	2.5%
Institution specific countercyclical capital buffer	**0.3%**	0.1%	**0.3%**	0.1%
Combined buffer requirement	**2.8%**	2.6%	**2.8%**	2.6%
Overall capital requirements	**15.1%**	14.5%	**15.2%**	14.7%
CET1 available after meeting the total SREP own funds requirements	**5.0%**	4.1%	**4.6%**	3.5%
Leverage ratio				
Total exposure measure excluding claims on central banks (EURm)	**2,659**	2,557	**2,168**	2,144
Leverage ratio excluding claims on central banks (%)	**11.3%**	11.4%	**12.1%**	11.7%
Liquidity Coverage Ratio ('LCR') [3]				
Total high-quality liquid assets (HQLA) (Weighted value average) (EURm)	**542**	625	**316**	291
Cash outflows - Total weighted value (EURm)	**558**	590	**532**	522
Cash inflows - Total weighted value (EURm)	**401**	325	**476**	442
Total net cash outflows (adjusted value) (EURm)	**173**	264	**134**	137
Liquidity coverage ratio (%)	**326%**	249%	**240%**	218%
Net Stable Funding Ratio ('NSFR')				
Total available stable funding (EURm)	**1,654**	1,631	**1,387**	1,396
Total required stable funding (EURm)	**1,344**	1,277	**1,205**	1,163
NSFR ratio (%)	**123%**	128%	**115%**	120%

These disclosures have been implemented from 1 January 2022 and are based on the PRA's disclosure templates and instructions which came into force at that time.

1 The EAB Group and EAB plc have adopted the regulatory transitional arrangements for IFRS 9 as set out in Article 473a of the UK CRR. These arrangements allow certain impacts of IFRS 9 to be phased in over a 5 year period, including revisions made in June 2020 under the EU's 'Quick Fix' relief package. As a result, for non-credit impaired ECLs raised from 1 January 2020, the revised add-back percentages were set at 100% in 2020 and 2021, 75% in 2022, 50% in 2023 and 25% in 2024.

2 The outcome of the EAB Group and EAB plc Supervisory Review and Evaluation Process ("SREP") has been shown here.

3 The weighted values represent the simple average of the 12 preceding month-end observations used to calculate the LCR.

4. Capital and Risk-weighted assets (RWA)

	EAB Group		EAB plc	
	31-Dec-23	31-Dec-22	**31-Dec-23**	31-Dec-22
Composition of Regulatory Capital				
Common Equity Tier 1 (CET1) capital: instruments and reserves (EURm)				
Capital instruments and the related share premium accounts	**570**	570	**570**	570
of which: share capital	**570**	570	**570**	570
of which: share premium	**0**	0	**0**	0
of which: capital redemption reserve				
Retained earnings	**(269)**	(281)	**(262)**	(264)
Accumulated other comprehensive income (and other reserves)	**(2)**	(3)	**(2)**	(10)
Common Equity Tier 1 (CET1) capital before regulatory adjustments	**299**	286	**307**	296
Common Equity Tier 1 (CET1) capital: regulatory adjustments (EURm)				
Intangible assets	**0**	0	**0**	0
Other regulatory adjustments to CET1 capital	**1**	4	**(45)**	(43)
Total regulatory adjustments to Common Equity Tier 1 (CET1)	**1**	4	**(45)**	(43)
Common Equity Tier 1 (CET1) capital	**300**	290	**262**	253
Additional Tier 1 (AT1) capital: instruments (EURm)				
Capital instruments and the related share premium accounts	**0**	0	**0**	0
of which: classified as equity under applicable accounting standards				
Additional Tier 1 (AT1) capital	**0**	0	**0**	0
Tier 1 capital (T1 = CET1 + AT1)	**300**	290	**262**	253
Tier 2 (T2) capital: instruments (EURm)				
Capital instruments and the related share premium accounts	**113**	117	**113**	117
Tier 2 (T2) capital	**113**	117	**113**	117
Total capital (TC = T1 + T2)	**413**	407	**375**	370
Total risk-weighted assets (RWA)	**1,744**	1,810	**1,546**	1,631
Capital ratios and buffers (%)				
Common Equity Tier 1 (as a percentage of total RWA)	**17.2%**	16.0%	**16.9%**	15.5%
Tier 1 (as a percentage of total RWA)	**17.2%**	16.0%	**16.9%**	15.5%
Total capital (as a percentage of total RWA)	**23.7%**	22.5%	**24.2%**	22.7%
of which: capital conservation buffer requirement	**2.5%**	2.5%	**2.5%**	2.5%
of which: countercyclical buffer requirement	**0.3%**	0.1%	**0.3%**	0.1%

Reconciliation between audited financial statements (unconsolidated) and regulatory own funds as at 31st December 2023

	Audited Financial Statements	Regulatory Own Funds
	(EURm)	(EURm)
Called up share capital	570	570
Retained earnings, accumulated other comprehensive income and other	(263)	(263)
Total Shareholders Equity	**307**	**307**
Regulatory Adjustments		(45)
Tier 1 capital		**262**
Subordinated notes	113	113
Tier2 capital		**113**
Total capital resources		**375**

Overview of RWAs

	EAB Group				EAB plc			
	RWAs		Capital Requirements		RWAs		Capital Requirements	
	EURm	EURm	EURm	EURm	EURm	EURm	EURm	EURm
	31-Dec-23	31-Dec-22	31-Dec-23	31-Dec-22	31-Dec-23	31-Dec-22	31-Dec-23	31-Dec-22
Overview of RWA								
Credit risk (excluding CCR)	**1,518**	1,556	**179**	172	**1,336**	1,382	**157**	153
Of which the standardised approach	**1,518**	1,556	**179**	172	**1,336**	1,382	**157**	153
Counterparty credit risk - CCR	**11**	12	**1**	1	**11**	12	**1**	1
Of which the original expsoure method	**11**	12	**1**	1	**11**	12	**1**	1
Credit valuation adjustments	**1**	1	**-**	-	**1**	1	**-**	-
Of which the standardised approach	**1**	1	**-**	-	**1**	1	**-**	-
Securitisation exposures in the non-trading book	**121**	163	**10**	13	**121**	163	**10**	13
Of which SEC-SA approach	**121**	163	**10**	13	**121**	163	**10**	13
Position, foreign exchange and commodities risks	**0.2**	4	**0.02**	0.4	**1**	6	**0.1**	1
Of which the standardised approach	**0.2**	4	**0.02**	0.4	**1**	6	**0.1**	1
Operational risk	**93**	73	**11**	8	**76**	67	**9**	7
Of which the standardised approach	**-**	-	**-**	-	**-**	-	**-**	-
Total	**1,744**	1,810	**201**	194	**1,546**	1,631	**177**	175

The assets of the EAB Group and EAB plc are analysed by risk category and given weightings according to the level of risk entailed per the UK CRR. This table presents the Bank's RWA and capital requirements per category of risk.

5. Risk Management Objectives and Policies

EAB follows an 'Enterprise Risk Management' ("ERM") approach.

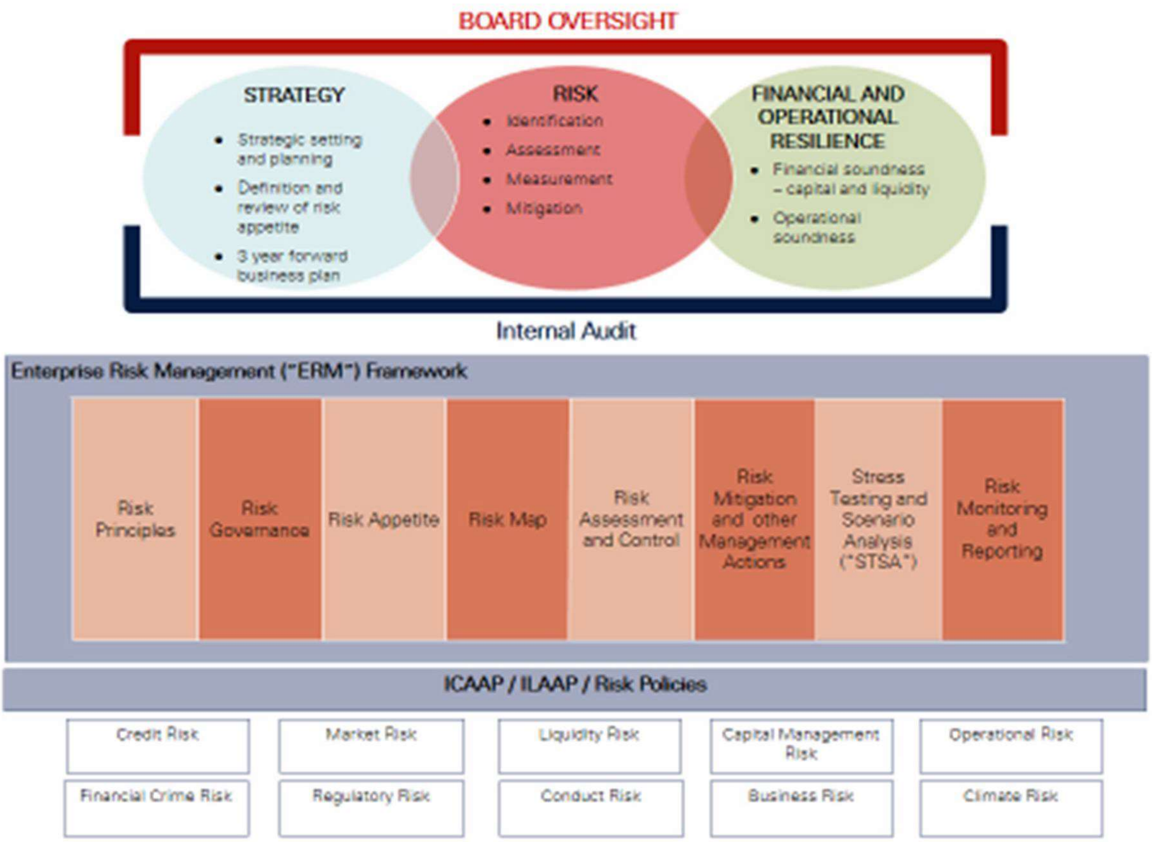
Overview

The Risk Management Framework document sets out the high-level arrangements for risk management, control, oversight and assurance at EAB. It is designed to provide a structured approach for identifying, managing, measuring, assessing, monitoring, controlling and reporting financial and non-financial risk within EAB - on behalf of stakeholders such as customers, depositors, policyholders, employees, Arab Bank Group and EAB's regulators.

Effective and efficient risk governance and oversight provide management with independent assurance that EAB's business activities will not be adversely impacted by risks. This in turn reduces the uncertainty of achieving EAB's strategic objectives.

EAB Risk Management Framework

The purpose of this ERM Framework is to provide a common basis whereby all of the various risk components can be pulled together leading to integrated risk management. The diagram below sets out, in high level terms, EAB's ERM Framework and how it fits into the broader Governance Framework which spans strategy, risk and capital/liquidity management.



The purpose of ERM at EAB is to conserve its assets and capital, and to align business activities and behaviours to a clearly-articulated and approved risk appetite. This is underpinned by a robust 'three lines of defence' risk governance model which is designed to ensure clarity of roles and responsibilities for the management, control and assurance of risk.

The ERM Framework is integral to the way risk is managed and controlled in the business activities of EAB. The ERM Framework (along with the ICAAP, ILAAP, Credit Policy Manual and all other risk policies) forms the basis by which the above is delivered.

The ICAAP, ILAAP, Credit Policy Manual and all other risk policies and other documents administered by the Company Secretary provide a detailed and thorough documentary record of how the Bank manages, controls and governs risk, and act as a critical central record of Governance and Risk Assessment.

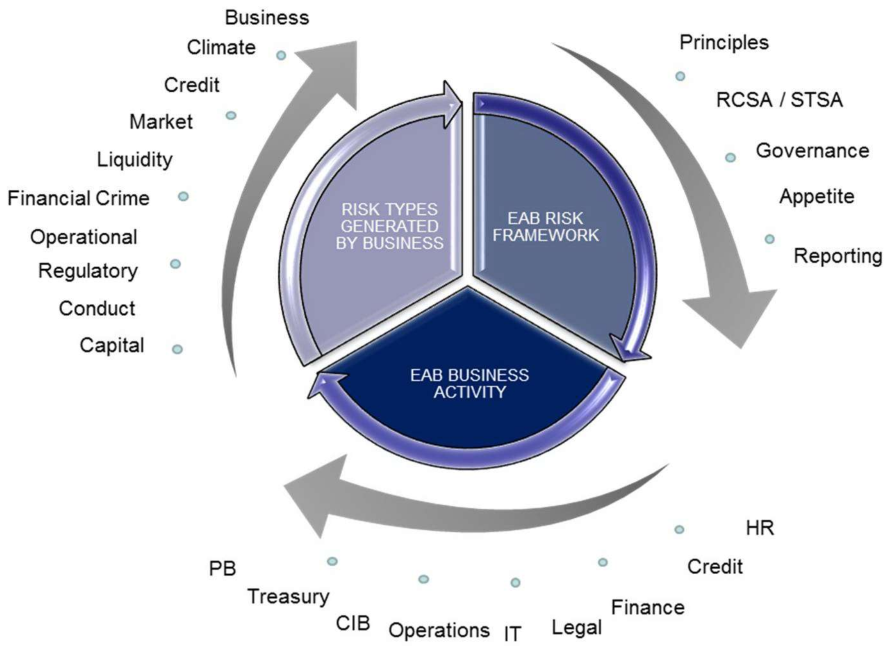
The ERM Framework, ICAAP and ILAAP, and all risk-specific policies and procedures are consistent with the high level principles and standards established by the ERM Framework. They set out the risk principles, risk types and risk governance requirements for a given risk type and how they apply to the various business activities.

The Risk Appetite Statement ("RAS") sets out the high level quantitative and qualitative factors which together express the risks that EAB is prepared to take to meet its strategic objectives.

Ultimately, the ERM Framework, ICAAP, ILAAP, RAS and the detailed risk-specific policies and procedures support the critical interactions between strategy, risk and capital. RAS is approved by the Management Body.

Integrated management of risks

EAB manages risk on an integrated basis using the ERM Framework.



1. **Centralised view of risks generated through business activity:** by having centralised independent Line Two functions able to look across all risks that result from business activity in the business units and control/support functions.

2. **Analysis of risks generated through business activity:** a structured approach to analysing risk by formal risk type, and to identifying and understanding any linkages between risk types.

3. **Structured approach to the management of risk:** focused on identifying, assessing and managing risk, conducted by Line One, coordinated by Line Two, and summarised in the EAB Risk Management Framework.

Framework Ownership

The Chief Risk Officer ('CRO') is responsible for maintaining the ERM Framework (which includes keeping it current and relevant to the purpose of ensuring effective risk control and oversight within EAB). The Framework should be reviewed at least annually by the Board Audit and Risk Committee and the Board.

Additionally, EAB has a comprehensive set of risk policies designed to ensure that the business is consistently managed within a framework of limits, rules and standards that reflect the risk appetite, management, control, oversight and assurance requirements of the EAB Board.

Risk Principles

EAB's ERM arrangements are based on the following five principles:

Principle 1: Risk management and control accountability rests with each department

Departments are responsible for the continuous and active management and control of their own risks (in line with the Board approved risk appetite and strategy) to ensure that risk and return are balanced.

They are accountable not only for the risks such as credit and market actively taken in order to generate returns, but also for any consequential operational and other risks arising from their businesses, functions and processes.

Principle 2: Independent and effective risk oversight and assurance

The risk oversight and risk assurance functions are independent, clearly mandated to oversee and challenge the business robustly, and have sufficient weight and standing in the Bank to achieve this.

Risk oversight ensures that the tools, techniques and approaches utilised in fulfilling its mandate are robust, comprehensive, and proportionate, and balance the short and long-term interests of EAB.

Risk assurance as provided by Internal Audit ensures that risk management, control and oversight are effective - provided through risk based auditing, timely/ objective reporting, action tracking and disclosure.

Principle 3: Risk disclosure

The risk oversight process is underpinned by comprehensive, proportionate, transparent and objective disclosure of risk exposures to senior management, the Board of Directors, oversight committees, regulators, Arab Bank Group and other stakeholders.

Principle 4: Capital, liquidity, earnings and reputation protection

Capital, liquidity and earnings are protected by the effective management, control and oversight of the risk exposures across all material risk types and businesses.

External perception of EAB's reputation/brand is protected through the proactive management, control and oversight of risks incurred in the course of our business, including the avoidance of concentrated exposures of all kinds and limiting potential stress losses.

Principle 5: Ethics, culture and embedding

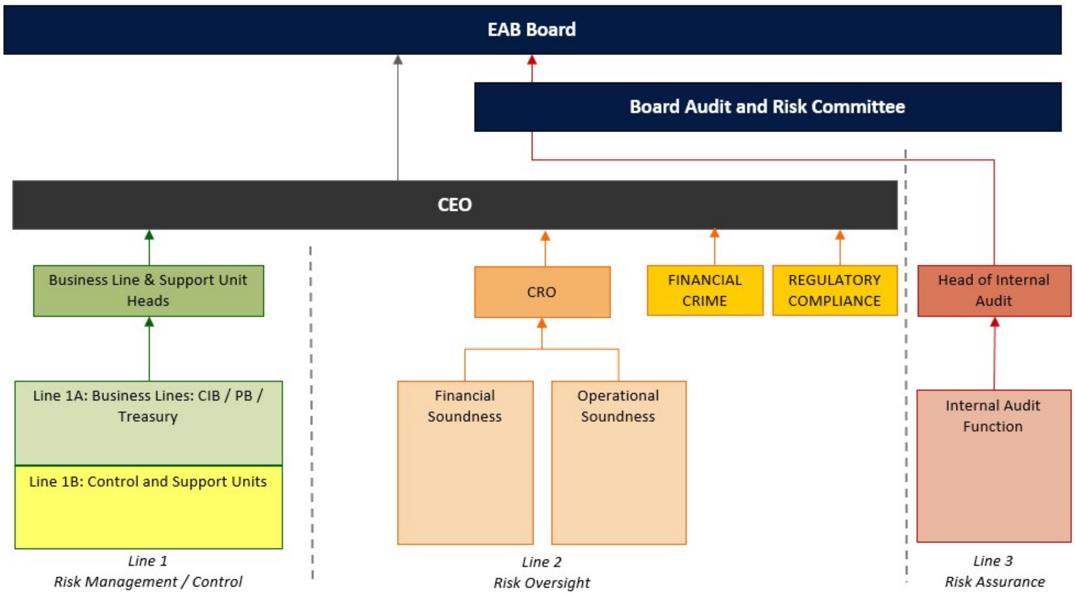
A strong ethical and risk culture is maintained so that risk awareness is embedded into all EAB activities. The Board takes the lead in embedding this risk culture.

Risk Governance

Model of Risk Governance

The Board has overall accountability for risk governance and sets the tone, philosophy, high level principles and expectations. Within EAB, the Board has delegated these to the Chief Executive Officer ("CEO"). The CEO is responsible for developing an effective risk management (including governance) framework and appoints the Chief Risk Officer ("CRO") to develop and manage this.

EAB's risk governance is predicated on the industry standard Three Lines of Defence Model, which encompasses the following key elements:



Line 1 ensures that the Bank is financially and operationally resilient and has the responsibility for risk management and control. It comprises the business units where risk taking activities occur (Line 1A) and the functions that control, enable and support these activities (Line 1B). Corporate and Institutional Banking, Private Banking and Treasury are in Line 1A and Credit, Legal, and Finance (the Control units), and Operations, Human Resources, Facilities and IT (the Support Units) are in Line 1B. Furthermore it should be noted that due to the criticality and importance of Credit Risk, and Credit's expertise in this area, Credit has a pivotal role to play in the management and control of Credit Risk and is the key accountable department responsible for credit risk management and control.

Line 2 is responsible for risk oversight - providing independent oversight and challenge of risk and compliance issues across EAB. As such, Risk and Compliance are located within Line 2.

Line 3 is responsible for risk assurance - Internal Audit acts as the risk assurance function and provides confirmation that both the respective Line 1 risk management/control and Line 2 risk oversight activities are operating effectively and in accordance with the stipulated risk governance arrangements.

These mandated responsibilities are expanded upon in below section

Roles and Responsibilities within the Three Lines of Defence

Within the Bank's "Three Lines of Defence model" of Risk Management, each line has a distinct but interrelated role to play to ensure that the Bank as a whole manages risk. Each line has a number of responsibilities which are laid out below.

Heads of department are responsible for ensuring that other documents for which they are responsible, such as policies and job descriptions, are consistent with the responsibilities. N.b. the allocation of responsibilities under the SMCR is separate. If any conflict arises this should be clarified with the CRO and the Head of Compliance. The SMCR is a critical and related piece of regulation but this document describes the Bank's own approach to Risk.

LINE ONE – BUSINESS AND CONTROL/SUPPORT UNITS

Line One has ownership, responsibility and accountability for assessing, controlling and mitigating their risks.

- Line One complies with all aspects of the ERM Framework.
- Complies with the requirements of ICAAP, ILAAP and all risk policies.
- Complies with all regulatory requirements.
- Ensures that methodologies, systems, procedures, processes and controls are in place for all material risks, and that they are up-to-date, appropriate, robust and effective.
- Documents risks and controls using Risk Control Self-Assessment ('RCSA'), and ensures that RCSA is accurate and up-to-date.
- Within the business planning cycle, integrates risk, capital and liquidity tools and concepts.
- Monitors all high-level and detailed risk reporting.
- Conducts business and operates within the Bank's Risk Appetite framework and risk limits, and in line with approved strategy.
- Performs remedial actions as a result of breaches, exceptions, events, variances, anomalies and errors.
- Ensures that internal and external audit, regulatory and other reports and findings are actioned.
- Manages all Disaster Recovery, Business Continuity and Information Security risks.
- Is proactive in the monitoring, measurement and assessment of all risks.
- Manages and resolves operational issues, including resourcing.
- Meets the requirements of the New Business process in the approval and implementation of new products.
- Owns major projects and change management programmes.
- Pro-actively engages and cooperates with Line Two and Line Three, and reports risk events, issues and any other matters on a timely basis
- Proposes improvements to, and supports the development of, risk management tools.
- Provides input into the updating and maintenance of ICAAP and ILAAP, and all risk policies.
- Owning and using models.

The Line 1B Control / Support units are independent from the Strategic Business Units and therefore provide a defence mechanism within Line One. Specific control responsibilities exist in Line One both in Business and Control/Support units including the following (though the list is not exhaustive):

CREDIT

- Independent review, analysis, challenge and approval of all new and annual credit recommendations in line with Credit Policy Manual.
- Review and approval of industry and country limits and action on any breaches.
- Ongoing monitoring of all credit limits and review of Early Warning Signals.
- Monthly review of Special Monitoring, Watch, and Classified accounts.
- Control of problem loans in dedicated Business Support Unit.

FINANCE

- Measurement, monitoring and reporting of market, liquidity and capital related risks. Reporting of breaches identified and monitor execution of remediation actions.
- Monitoring and reporting of large exposures of the bank including exposures to Arab Bank Group.
- Monitoring the execution of strategy and budgets established by the Board and reporting results achieved including cost control.
- Monitoring of regulatory requirements and undertake associated financial regulatory reporting ensuring compliance with the requirements.
- Monitoring and reporting of financial impact related to the defined benefit pension scheme.

OPERATIONS

- Oversight and control of the Banks Nostro activity through Reconciliation and exception management.
- Identification and mitigation of all Operational transaction process related risks.

PRIVATE BANKING

- Ensuring that procedures within UK Private Banking designed to mitigate operational or fraud losses are adhered to by Relationship Managers/Officers and Client Services Officers.
- Pro-actively ensuring that controls are appropriate, maintained and up to date at all times.
- Managing controls to ensure adherence to procedures within Private Banking.

LINE TWO

Line Two is responsible for risk oversight

The following responsibilities have been specified for Risk, though may also apply to Compliance, which is subject to its own governance documents.

Oversight and Assurance

- Line Two enforces the Bank's compliance with all aspects of the ERM Framework.
- Oversees the methodologies, systems, procedures, and processes and controls that Line One has in place for all material risks, and gives assurance that they are up-to-date, appropriate, robust and effective.
- Controls the Bank's Risk Appetite framework, ensures that risk limits are aligned to Risk Appetite, measures and monitors the Bank's Risk Appetite to ensure that thresholds and limits are complied with, and ensures actions are identified and completed for any exceptions to appetite.
- Identifies (from sources including management information, risk event and issue reporting, the Risk Control Self-Assessment ('RCSA') process, and Stress Testing and Scenario Analysis) and reviews breaches, exceptions, events, variances, anomalies and errors, analyses the results, ensures that remedial actions are undertaken, and escalates where appropriate.
- Ensures that Line One documents risks and controls using RCSA, and supports Line One in ensuring that RCSA is accurate and up-to-date.
- Through RCSA and related key controls testing ensures that processes and controls are in place, up-to-date, robust and effective.
- Ensures the effectiveness of the Executive Risk & Compliance Committee and Operational Risk Committee process.
- Oversees the control of Disaster Recovery, Business Continuity and Information Security risks.
- Validating and monitoring the use of models.

Challenge

- Ensures that business is carried out, at both a portfolio and transactional level, in line with approved policy.
- Challenges any aspects of policy, limits, processes and controls.
- Probes and tests for concentrations of risk, key/emerging trends, variances and anomalies, challenges the business, and ensures that appropriate mitigation is taken.
- Develops early warning tools and identifies emerging regulatory requirements.
- Ensures that Line One has appropriate monitoring tools for the measurement and assessment of risk.
- Challenges any and all aspects of risk management, proposes improvements, and supports the development of risk management tools.
- Through the membership of committees, ensures that risk considerations are always taken into account.
- Performs reviews in any or all areas where risk exists.
- Drives the constant improvement and embedding of risk culture and awareness, ethical behaviour, and good practice.
- Challenges Line One regarding the resolution of operational issues.
- Develops the tools for Stress Testing and Scenario Analysis (including Disaster Recovery), analyses the results, communicates to Board and Line One, and identifies required actions.

Coordination

- Manages all aspects of the ERM Framework, including design, implementation and maintenance.
- Co-ordinates the preparation, updating and maintenance of ICAAP, ILAAP and risk policies. Drives the embedding of these into the business.
- Co-ordinates the preparation, updating and maintenance of the Bank's Recovery & Resolution Plans.
- Within the business planning cycle, ensures the integration of risk, capital and liquidity tools and concepts.
- Develops risk metrics, analytics and reporting capabilities. Prepares high-level risk reporting, such as dashboards.
- Oversees the New Business process, and supports Line One in the approval and implementation of new products.
- Contributes to major projects and change management programmes that impact on risk.
- Monitors developments in the market place relating to individuals risks, and to the evolution of risk management concepts, and ensures that lessons are learned from these.

LINE THREE

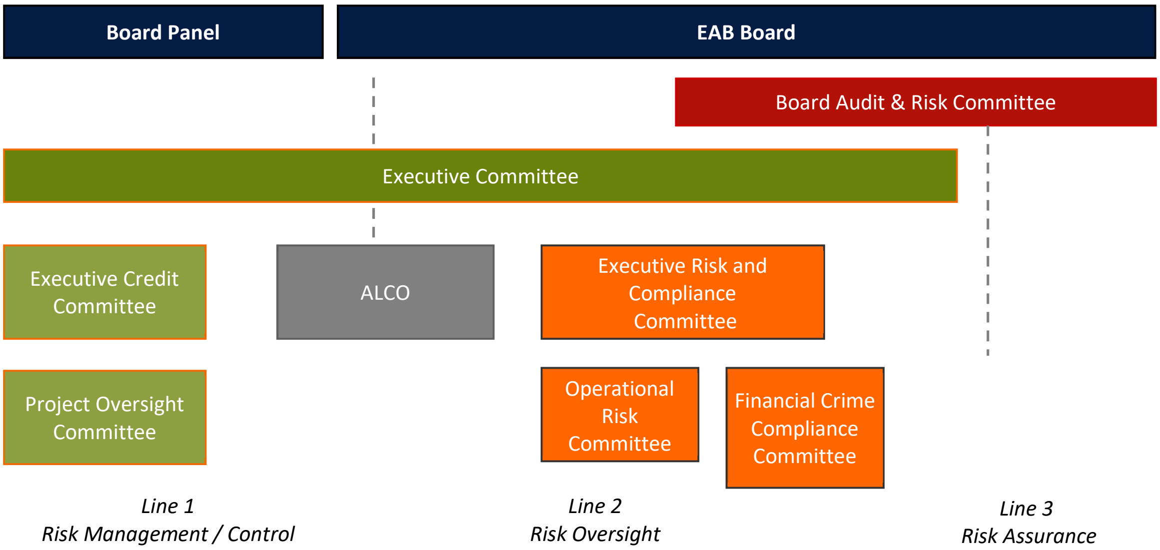
Line Three is responsible for risk assurance

- Internal Audit provides independent and objective assurance to the Board, Board Audit & Risk Committee (BARC) and Executive Management through completion of the risk-based Annual Internal Audit Plan.
- Internal Audit acts as the risk assurance function and provides confirmation that risk management, control and oversight activities are operating effectively and in accordance with the stipulated risk governance arrangements.
- Internal Audit's objectives are set out in the Internal Audit Charter and are to support and contribute to the Bank's success by bringing a systematic and disciplined approach to evaluating and improving the effectiveness of risk management, control, oversight and governance processes.
- The scope of its work includes all business operations, ventures, systems, projects, products, special activities and functional units in all locations as well as higher level controls exercised by the Board and by Executive Management.
- Completes special investigations on behalf of the BARC and/or Executive Management.
- Monitors the completion of management's responses to audit actions and advises the status of audit actions to the BARC on a quarterly basis.

Risk Committees

The above classification between the lines of defence is also applicable to risk oversight committees. All of the key EAB Executive committees have their roles clearly defined in their terms of reference as to when they are operating in a Line 1 (Risk Management/Control) and/or when they are operating in a Line 2 (Risk Oversight) capacity.

The committees that have a key role in relation to risk are as follows:



EAB Board

The Board has overall accountability for risk governance and delegates responsibility for risk management and control to the Chief Executive Officer and for oversight of independent risk assurance to the Board Audit and Risk Committee. The Board contributes to the Bank's stress tests as part of the Stress Testing and Scenario Analysis setting and review process and receives appropriate reports setting out Key Risk Indicators to allow them to make informed decisions and set the appropriate risk policy and risk appetite for the Bank. The Board also authorise appropriate management actions for crisis scenarios and approves the firm's strategies, policies, processes and systems relating to the management of risk.

The Board ensures that the Company operates within an established framework of effective systems of internal control, risk management and compliance, in accordance with FCA / PRA requirements, and ensures that business is conducted in an efficient and effective manner , with a culture and behaviour which encompasses a conservative approach to business including prudent strategy with strong credit risk management and high capital adequacy in order to promote the long term success of the Company. The Board receives a Board pack covering the full spectrum of business activities ahead of every Board meeting.

Without limitation, the EAB Board should ensure that all its members have knowledge of key elements of the Enterprise Risk Management Framework document from time to time in place, to include the ERMF principles, key objectives, implications and methodologies: the CEO is charged with the task of developing an effective risk management (including governance) framework and nominating for EAB Board approval a Chief Risk Officer to develop and manage this.

Board Audit & Risk Committee (BARC)

This committee assists the Board in ensuring the Enterprise Risk Framework is implemented and properly maintained. Membership comprises non-executive directors.

Reviews and approves the framework of the risk management functions, to ensure that the risks to which the business is exposed have been appropriately identified and managed.

Reviews and recommends the following Risk-related documents to the Board for approval;

- EAB Internal Capital Adequacy Assessment Process (ICAAP)
- EAB Internal Liquidity Adequacy Assessment Process (ILAAP)
- EAB Stress Testing and Scenario Analysis Policy
- EAB ERM Framework
- EAB Risk Map
- EAB Risk Appetite Statements and Measures including the Overarching Risk Appetite Summary
- Market Risk Policy and Trading Book Policy
- Review of EAB's Recovery including Contingency Funding Plan
- Review of EAB's Resolution Plan
- Business Continuity Policy and Framework
- Review of Effectiveness of EAB's Systems of Material Internal Controls
- Operational Risk Policy
- Climate Risk Strategy
- and any other Risk Policies recommended by the CRO

Board Panel for Credit Sanctioning

Responsible for approving credit recommendations and making other credit decisions in line with its delegated lending authority (being amounts in excess of Executive Credit Committee limits but which do not require full Board approval).

Executive Committee ("EXCO")

This is the principal executive body of the Bank to manage the business, chaired by the CEO. The Committee represents the principal forum for conducting the business of Europe Arab Bank plc and takes day-to-day responsibility for the efficient running of the business. In addition, the Executive Committee is responsible for the implementation of Board approved strategies and plans. It is responsible for ensuring the performance of the business in accordance with Board approved Budget and plans

Executive Risk and Compliance Committee ("ERCC")

Responsible for the control oversight of all the risks faced by the Bank and advises EXCO and the Board / BARC on all risk management matters such as risk appetite statement, strategy, policies and limits.

The ERCC has been established under the authority of the CEO and EXCO to:

- Oversee all the risks faced by EAB and to advise the CEO and, in turn, the BARC on all risk management matters;
- Review EAB's risk exposures (including credit risk, market risk, capital and liquidity risks, operational risk, regulatory compliance and financial crime) in relation to the Board's risk appetite and EAB's financial resources; and

- Foster a culture within EAB that emphasises and demonstrates the benefits of a risk-based approach to internal control and management; ensuring consistent adequate communication to staff.

The ERCC's main objectives are to ensure risks are identified and assessed, there is appropriate risk mitigation in place, and that the Bank's control environment is commensurate to its needs, based on the strategy adopted by the Bank's Board and Executive.

Executive Credit Committee ("ECC")

The ECC is a credit sanctioning committee that is responsible for approving credit recommendations in line with delegated lending authorities.

The ECC is responsible for approving credit recommendations and making other credit decisions in line with its delegated lending authority, including decisions on individual credits, reviewing and recommending credit and Large Exposures to the Board of Directors and recommending other concentration limits for Board of Directors' approval.

Assets & Liabilities Committee ("ALCO")

Oversees the execution and management of the balance sheet, capital management, liquidity and market risk. Oversees the management by the Head of Treasury of asset, liability and capital related risks faced by the Bank, within delegated limits, encompassing:

- Asset and liability management, including the management of funding and liquidity as well as interest rate risk in the Banking Book;
- Capital treatment, management and allocation;
- Funds Transfer Pricing;
- Adherence to the Board's risk appetite in terms of capital, liquidity, market, interest rate and FX risk across the firm, including investment portfolios; and
- Underwriting, dealing and trading activities in capital markets, equities, foreign exchange and financial futures.

This should take into account the interest rate risk appetite, policies and objectives established by the Board and the Executive Risk & Compliance Committee, the limits and authorities delegated to ALCO/Head of Treasury by the CEO along with all financial and regulatory compliance requirements and associated thresholds.

Operational Risk Committee (“ORC”)

The ORC is a sub-committee of the Executive Risk & Compliance Committee. Its purpose is to provide oversight over Operational Risk Management within EAB, and to ensure that actions are taken to mitigate Operational Risk effectively and on a timely basis. ORC reviews all OR issues, ensures that agreed actions relating to OR Events are on track, and reviews the output of the Risk Control Self-Assessment process.

Financial Crime Compliance Committee (“FCCC”)

This committee is a sub-committee of the Executive Risk and Compliance Committee. The aim of this committee is to achieve and evidence the formal engagement of senior management in EABs approach for managing financial crime risk.

Climate Risk Forum

This is a sub-committee for the Executive Risk and Compliance Committee. The purpose of the Committee is to provide governance in respect of the development of the Bank’s Climate Risk Framework.

Risk Appetite

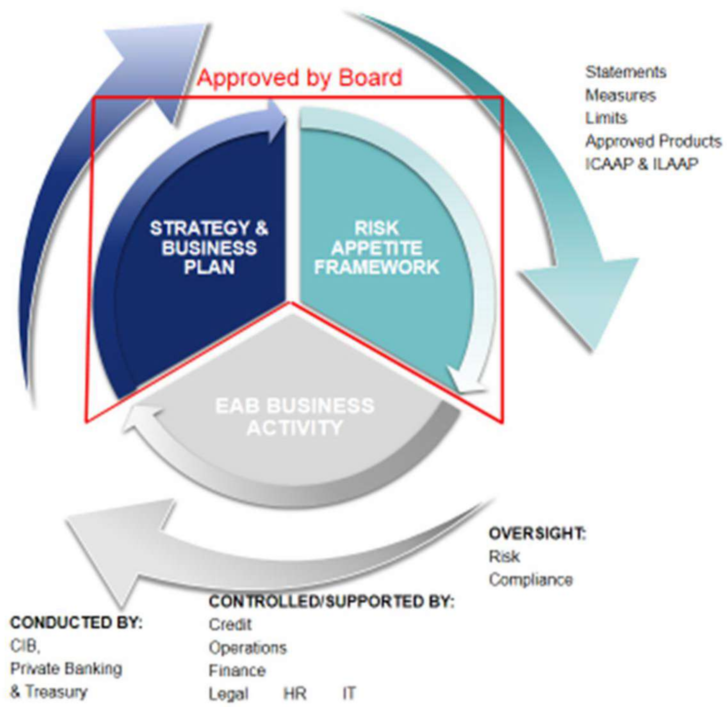
The Bank’s Risk Appetite defines the types and amounts of risk that the Bank is willing to take in pursuit of its business strategy.

This is expressed as a preference for particular types of financial risk, and conversely for types of risk that are not acceptable.

For each type of risk, there are measures of the preferred or target amount of that risk, and/or the maximum capacity that can be borne by the Bank. In the performance of the Bank’s business there are concomitant operational risks, and other material risks, for which are set maximum acceptable levels, or explicit policies of zero tolerance. Measures are set at both a high level and at a more granular level.

This structured approach to the Bank’s Risk Appetite links its business strategy through to its risk management framework: the risk policies, procedures and limits in force across the Bank, and within each business unit.

EAB’s risk appetite is articulated in the Risk Appetite Statement (‘RAS’), approved by the Board and relates to key aspects of the Bank’s strategy. Risk Appetite for each material risk (articulated in the Risk Map) is stressed, where possible, to determine whether any management action (Mitigation) is required.



Any exceptions to EAB's risk appetite must be approved by the EAB Board.

Material Risks

The Material Risks to which EAB is exposed to can be categorised as either 'causal' or 'effect'. These are defined below:

'Causal' Material Risks	Definition
Credit	The risk arising from an obligor's failure to meet the terms of any borrowing agreement and/or the possibility of default. This risk includes counterparty default risk and concentration risk.
Liquidity	Comprises: **Short-term Tactical Liquidity Risk** - the risk that EAB's liquid assets are insufficient to meet its short-term commitments. Tactical liquidity management is performed by Treasury under delegated authority from ALCO. **Structural Liquidity Risk** - the risk that EAB's business model (and consequently, its balance sheet) develops in a way that causes difficulty attracting adequate funding on reasonable terms and/or the risk that the structure of the balance sheet is unduly exposed to disruption in its funding markets. Structural liquidity management is carried out by ALCO, within the parameters set out in the Liquidity Risk Policy. **Contingency Liquidity Risk** - the risk that EAB experiences unexpected and/or acute liquidity shocks. EAB's approach to contingency liquidity risk is set out in the Recovery and Resolution Plan, which is owned by EXCO and reviewed regularly.

Operational	The risk arising from inadequate or failed internal processes, people and systems or from external events. This includes Fraud, Legal, Information Technology and HR risks.
Market	The risk to earnings and capital arising from adverse movements in bond, security, commodity, currency or derivative prices or foreign exchange rates in the trading book. This risk can arise from market-making, dealing, and position-taking.
Business	Comprises of two elements**:** **Strategic risk:** The risk arising from adverse business decisions, improper implementation of decisions or lack of responsiveness to changes in the business environment. The internal component relates to the execution risks of implementing the approved strategy. The external element is the risk of the business environment change on the Bank's strategy. **Group Risk:** Any risk that may arise due to the relationship between EAB and the Arab Bank Group.
Regulatory	The risk arising from the failure to comply with regulations applicable to the activities in which EAB may engage, including PRA/FCA regulations and other non-UK based financial regulators resulting in fines, censure, restrictions on ability to do business and ultimately, loss of banking license.
Conduct	The risk that the conduct, acts or omissions of the firm, or individuals within the firm, will either deliver poor or unfair outcomes for the customer.
Financial Crime	The risk of EAB being used to facilitate financial crime, including money laundering, terrorist financing, the avoidance of sanctions, fraud, bribery, corruption, and tax evasion.
Capital	The risk of having insufficient or inadequate economic or regulatory capital to support EAB's risk-taking activities, and also arising from inadequacies in assessing the overall and future risks to which the Bank may be exposed on a stressed basis, leading potentially to a failure to plan, maintain and raise capital as appropriate. This includes the risk of insufficient or inadequate capital to support EAB's Pension Risk.
Outsourcing & Third Party	The risk of potential harm arising from operational disruption as a result of the use of outsourced and other third party service providers.

Climate	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.

'Effect' Material Risks	Definition
Reputational	The risk arising from adverse perception of the financial institution on the part of customers, counterparties, shareholders, investors or regulators. This includes the impact of failure to effectively manage the EAB's brand and effectively react to manage the events that could possibly damage the reputation of EAB.
Compliance/ Regulatory	The risk relating to reputation, earnings and capital arising from potential violations or non-compliance with laws, rules, regulations, agreements, prescribed practices, or ethical standards.
Financial Impact	The risk of exposure to losses and lower returns arising from shortfalls in net revenue or expected net revenue (or variances in their timing). This risk also includes the risk of expected increasing cost and potential fines that may arise. Ultimately, all risks may expose EAB to Financial Impact risk.

The Risk Map identifies specific risks within the material Risks.

The Risk Map is approved by the EAB Board at least annually. It is used as one of the bases for determining the focus of the risk control teams and the level of effort and investment put into the related parts of the control framework, and reviewed three times each year by the Executive Risk & Compliance Committee.

Risk and Control Self-Assessment

Risk and Control Self-Assessment ("RCSA") is the process by which EAB identifies, assesses and mitigates risks in order to achieve its business objectives.

It is an Operational Risk-led tool, although the process covers all EAB material risks.

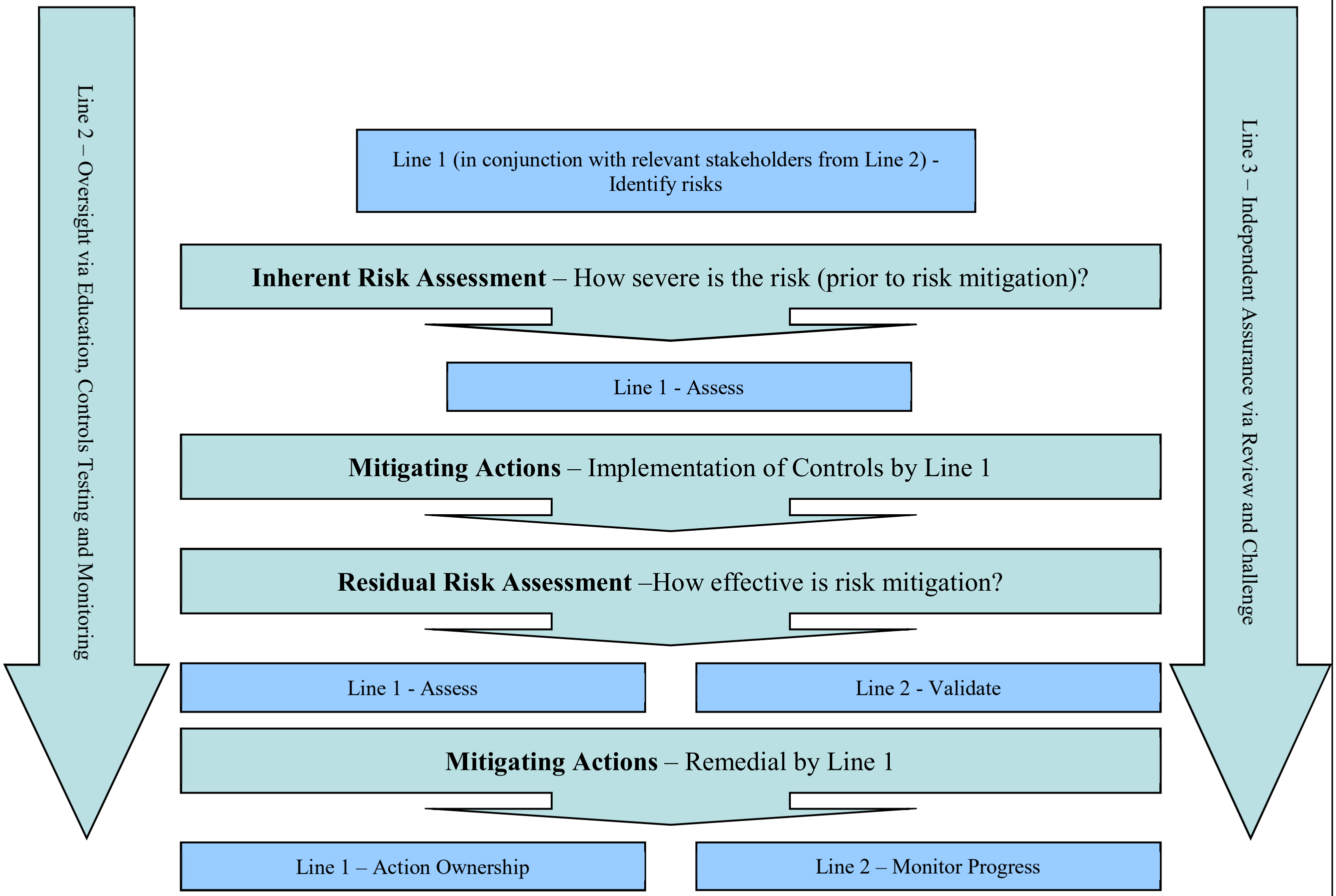
It is both the qualitative and quantitative determination and assessment of risks, and is performed on a continual basis.

It:-

- Obliges Line 1 management to identify and assess the probability and impact of risks affecting them
- Enables Line 2 functions to ensure that risks have been identified and provides a process to systematically assess the effectiveness of risk mitigation

The results of the RCSA feed into the EAB Risk Map to ensure top-down residual risk assessment is consistent with the output from the RCSA at a detailed risk level.

The RCSA process within EAB is outlined below:



EAB Board has discharged the following responsibilities to the material risk owners in Line 1:

- Identification, mapping, assessment and rating of key risks in their respective areas
- Design and implementation of appropriate control methodologies

Risk, as part of its Line 2 mandate, has the following responsibilities with regards to the RCSA process:

- Providing the necessary guidelines, framework, training and awareness needed to facilitate the process
- Independently testing the content of RCSAs to verify their accuracy and reliability
- Ensuring any ineffective key controls or unacceptable residual risks are appropriately logged and new controls or action plans introduced to mitigate them
- Providing value added input in the development of new controls or actions plans to mitigate unacceptable risks
- Monitoring the implementation of new key controls and action plans from RCSAs
- Providing robust focused MIS/reporting to the relevant governance committees on RCSA gaps, unacceptable risks, progress on action plans, statistical trend analysis etc.

Internal Audit, in its Line 3 capacity, provides independent assurance and feedback on the RCSA process.

Risk Treatment

For all risks identified and assessed, the risk owner needs to determine the appropriate strategy for the treatment of risk. There are four fundamental alternatives to choose from as listed below;

Accept	Conscious acceptance of the risk : Plans must be in place to manage / fund the impact should the risk occur
Transfer / Share	Use of financial solutions (e.g. insurance), outsourcing, joint ventures whereby some of the risk is shared with another party
Mitigate	Mitigate actions to reduce the risk to an acceptable level, namely: • Preventative • Detective • Corrective • Directive
Avoid	Withdraw from an activity due to the risk being too high

Risk Treatment strategies have to be considered when performing RCSA across all material risks.

The decision on whether to accept, transfer/share, mitigate or avoid risk rests with the Line 1 - Risk Management / Control functions, and the risk owners therein. In many cases, Line 1 may use a mixture of approaches as noted above. Line 2 has the responsibility of overseeing this process to ensure that Line 1 has appropriate risk mitigation techniques in place considering the risk type, exposure size and business processes.

The EAB Board expects Risk Mitigation to be appropriately employed within EAB as both a strategic and tactical tool for managing the EAB's material risks. Additionally, the EAB Board expects that risk mitigation and management actions undertaken should:

- Compare risk profile to appetites/ tolerances/ limits to ensure that appropriate techniques are applied
- Assess effectiveness of the techniques on a regular basis
- Ensure that the techniques employed meet regulatory standards, sound peer practices and reflect the business needs and processes
- Monitor risk levels closely where they breach the agreed appetites/ tolerances/ limits

If as part of the RCSA process, residual risk is assessed as not being within EAB's risk appetite, additional remedial risk mitigation actions will be necessary to bring residual risk in line with risk appetite. The "accept'" risk mitigation strategy is only an option if residual risk is within risk appetite.

Stress Testing and Scenario Analysis (STSA)

STSA framework

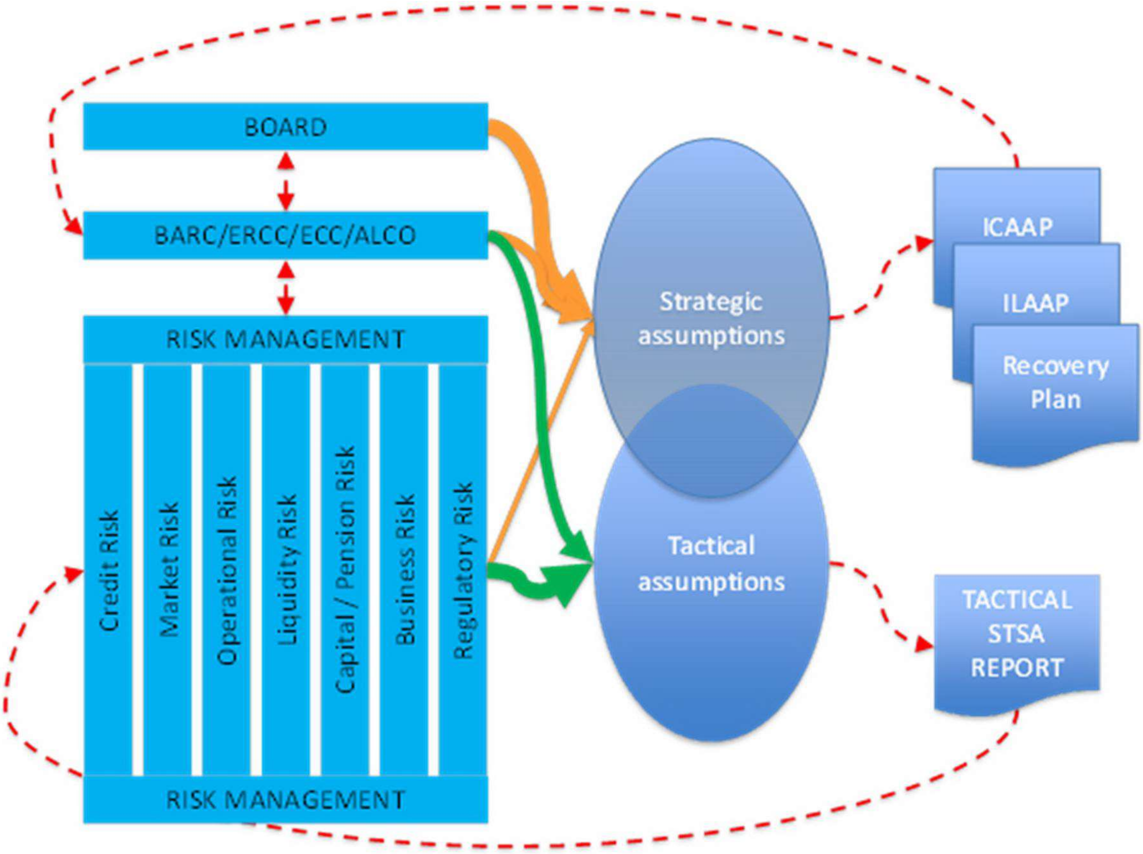
Stress testing and scenario analysis (STSA) is an intrinsic component of risk governance and is a critical component used by EAB's Board in decision making processes.

EAB's Board, ultimately, is accountable for its application and embedding throughout EAB. EAB's Stress Testing and Scenario Analysis Policy (STSA Policy) documents the high level principles and related practices that the EAB Board has determined should govern STSA throughout EAB.

The EAB Board expects STSA to be extensively employed within EAB as both a strategic and a tactical tool for managing the EAB's business and associated key risks: at the strategic level, the STSA carried out by EAB is documented in the major regulatory documents i.e. the Internal Capital Adequacy Assessment Process (ICAAP), Internal Liquidity Adequacy. Assessment Process (ILAAP) and Recovery Plan (RP) while tactical STSA (e.g. granular market risk stress testing) is documented in whatever form is appropriate to the specifics of the exercise (e.g. interest rate stress tests are documented in market risk reports).

The EAB Board further expects that STSA at EAB should:

- Be applied to material risks (in an appropriate manner as set out in the STSA Policy under "Risk factors")
- Ensure that EAB complies with all regulatory requirements in respect of STSA
- Be conducted on a regular basis with proper reporting, consideration and use of output
- Encompass a process designed to ensure senior management involvement and active participation in the STSA process
- Be consistent with the STSA Policy
- Additionally, meet any other clearly identified business needs



STSA definitions

Stress testing - refers to shifting the values of individual parameters that affect the financial position of a firm and determining the effect on the firm's business.

Scenario analysis - refers to a wider range of parameters being varied at the same time. Scenario analyses often examine the impact of catastrophic events on the firm's financial position, for example, simultaneous movements in a number of risk categories affecting all of a firm's business operations such as business volumes, investment values and interest rate movements.

STSA Principles

Appropriate - ensuring that the design and application of STSA is proportionate to the profile of the business is the responsibility of the CRO. The purpose of the tests should provide the management body with a realistic aggregate of risk exposure on a Bank-wide basis

Transparent - each STSA approach will be fully documented, tested and subject to appropriate internal and/or external review.

Accuracy - the data and information used in the tests should be accurate, complete, appropriate, representative and verifiable.

Review and challenge - adequacy of testing arrangements (including assumptions and performance) will be considered at least annually for validity and appropriateness

Embedding – STSA should be carried out regularly and the results communicated to the appropriate levels of management. (Risk Control will act as the focal point for all record keeping of strategic STSA activities (ICAAP, ILAAP and RP while the person/department responsible for carrying out tactical STSA should ensure that adequate records are kept.

STSA Roles and Responsibilities

	Principles and Approach	Scenario Development	Scenario calculation methodology, results generation and maintenance	Review and Challenge
Line 1	Business Lines provide initial conditions for development of approach	Business Line input to strategic scenario development via relevant Committees (e.g. ALCO). Business Lines develop own tactical scenarios (e.g. for business analysis).	Business Lines provide (directly or indirectly) data for generation of strategic scenario calculations and results. Business Lines build and maintain tactical scenario calculation methodology, infrastructure and results generation.	Business Lines provide review / challenge to strategic scenario analysis via representation on relevant Management Committees (e.g. ALCO). Business Lines provide appropriate internal review / challenge for tactical scenario analysis.
Line 2	Risk Control develops principles and approach based on assumptions to be validated by Management Committees and Risk Committees (strategic): these are documented in the strategic documents (ICAAP, ILAAP and RP). Risk Control develops overall STSA policy to set out general principles and approach to apply to all STSA (including tactical).	Risk Control develops strategic scenarios in narrative form for inclusion in strategic documents. Risk Control reviews tactical scenario development where appropriate or where requested.	Risk Control builds and maintains strategic scenario calculation methodology, infrastructure and results generation. Risk Control provides appropriate review / oversight of tactical scenario calculation methodology, results and maintenance processes.	Risk Control conducts comprehensive internal departmental review / challenge of strategic scenario analysis and obtains feedback on preliminary versions of strategic documents from stakeholders. Risk Control conducts appropriate review / challenge of tactical scenario analysis results.
Management Committees (e.g. ALCO) and Risk Committees (ERCC &, BARC)	The following roles / tasks are performed at this level (but different strategic documents may be split differently between management and risk committees): • during review of strategic documents, assess and validate: o principles and approach for strategic STSA, o strategic scenario development, o strategic scenario calculation methodology and results and o overall strategic scenario analysis credibility; • assess STSA policy setting out principles and approach for all STSA (including tactical); • review tactical scenario analysis development, methodology, results and credibility in exceptional circumstances where appropriate or where requested; • recommend the strategic documents for approval by higher committee.			
Board	Board approves strategic STSA assumptions, principles and approach as part of approval of strategic documents. Board approves the STSA policy.	Board approves strategic scenario development as part of approval of strategic documents.	Board approves strategic scenario calculation methodology and results as part of approval of strategic documents.	Board approves strategic scenario analysis credibility as part of approval of strategic documents.
Line 3	Entire STSA process assessed by Internal Audit			

Risk Reporting

The CRO is responsible for ensuring that there are appropriate risk reporting tools and mechanisms for risk reporting to the EAB Board, the Board Audit and Risk Committee, the Executive Committee, the Executive Risk and Compliance Committee, and to other stakeholders.

Risk Reporting Principles

The appropriateness of Risk Reporting is based upon the following key principles:

- Risk Reporting encompasses all material risks. A centrally agreed Risk Reporting dashboard template forms the backbone of risk reporting across EAB.
- Risk Reporting frequencies are aligned to oversight committee business decision-making timeframes.
- The accuracy of underlying Risk Reporting data and robustness of collection process will normally rest with Line 1.
- Line 2 - Risk oversight is responsible for the co-ordination required to produce the Risk Reports. Line 2 also, as needed, analyses the data to produce a 'summary of results' which provides commentary on and outlines EAB's risk profile.
- The CRO is responsible for challenging Line 1 (via the appropriate committees) in relation to the overall EAB risk profile and where required, the individual material risk profiles and underlying positions.
- The Risk Reporting tools and mechanisms facilitate active dialogue across EAB on risk matters, positions and application of the ERM Framework. As EAB evolves, Risk Reporting content and production processes are constantly enhanced.

Internal Risk Reporting

The key risk reporting tool used by EAB is the Risk Dashboard. A Risk Dashboard is produced for each Material Risk on a quarterly basis.

The Risk Dashboards are provided to Committees as follows:

- Board (Overarching and Credit risk dashboards)
- Board Audit and Risk Committee (Overarching and all individual risk dashboards)
- Executive Risk and Compliance Committee (Overarching and all individual risk dashboards)

Where possible dashboard content should be prepared in Line 1 and validated in Line 2. Risk should not prepare other internal reports for Line 1.

External Risk Reporting

The key external reports that use risk information include:

- Report and Accounts
- Pillar Three
- ICAAP
- ILAAP
- Recovery and Resolution Plan
- Other regulatory submissions

The CRO is responsible for providing oversight of the distribution and consistency of Risk Reporting.

Embedding and 'Use'

EAB aims to realise the value of the ERM Framework by fully embedding and using it in the day to day practices and culture of the Bank. The following table lists the outcomes which EAB uses to challenge the level of embedding and use of ERM Framework. The challenge process can be carried out through a combination of interviews, analysis of committee minutes and other documents. The CRO is responsible for embedding the above in EAB.

Theme	Outcome
Board Ownership	• Board members are able to demonstrate: - Knowledge of the principles, key objectives and implications of the ERMF - Proactive engagement in the process of approval - Knowledge of key elements of the ERMF, methodologies, conclusions and their implications - Active review of the application of stress tests
Risk Principles	• Understanding of principles by Board and Executive
Risk Governance	• Responsibility for managing and maintaining the ERMF has been clearly delegated at Executive level to the CRO • Line 1 and Line 2 responsibilities must be - Clearly articulated and delineated - Fully understood by all concerned - Are operational as designed • Management, control, and oversight displayed both at functional level and through relevant committees - leading to recorded outcomes, decisions and actions
Risk Appetite	• Evidence that the Risk Appetite is used by Board and Executive in key decision making processes
Risk Map	• Amount of senior management time and risk management, control, and oversight resources allocated to each of the material risks reflect its qualitative, quantitative assessments and rank • Evidence of regular review of risk map and recorded rationale behind any changes to the relative rating of material risks
Risk Assessment and Control	• Evidence that policies, process and procedures for each material risk are being followed
Stress Testing and Scenario Analysis	• The Risk team has responsibility for the oversight and coordination of stress testing spanning the individual risk teams, to which all material risks have been assigned • Executive committees provide effective oversight of Stress Testing and Scenario Analysis • Evidence that stress testing results are used in decision making
Risk Monitoring and Reporting	• Active dialogue between the Business, Risk and Finance on risk matters, positions against limits, interpretation and application of risk policies • Effective reporting and escalation procedures

6. Governance

Full details of the Group's corporate governance structure, including details of the Group's Directors can be found on page 16 onwards in EAB plc's Annual Report and Accounts. Additional disclosures in relation to governance arrangements are presented in this section below.

Information relating to the Bodies that oversee remuneration

Board

The following individuals form the Board of EAB plc and EAB SA have the overall responsibility for providing strategic governance and oversight:

EAB plc

Name	Position	Directorships
Mr Nemeh Sabbagh	Chair of the Board	Non-Executive Director
Mr Haytham Kamhiyah	Chief Executive Officer	Executive Director
Mr Mohammad Memon	Chief Operating Officer	Executive Director
Mr Eric Modave	Board Member	Non-Executive Director
Mr Saleem Shadeed	Board Member	Non-Executive Director
Mr Quentin Aylward	Board Member	Independent Non-Executive Director
Mr John Kerr	Board Member	Independent Non-Executive Director

EAB SA

Name	Directorships
Mr Haytham Kamhiyah	Non- Executive Director
Mr Mohammad Memon	Non-Executive Director
Mr Kim Tran	Non-Executive Director
Mr Mathieu Kiss	Independent Non-Executive Director

Directorships held by members of the Board

The number of external directorships and partnerships, including their roles within the Group, held by the Executive and Non-Executive Directors who served on the Board as at 31 Dec 2023 are detailed below:

EAB plc

Name	Position	Directorships 1
Mr Nemeh Sabbagh	Chairman (NS)	(1 External)
Mr Haytham Kamhiyah	Executive Director (HK)	2 (1 Non-Executive EAB SA, 1 External)
Mr Mohammad Shoaib Memon	Executive Director (MM)	2 (1 Non-Executive EAB SA, 1 External)
Mr Eric Modave	Non-Executive Director (EM)	(4 External)
Mr Saleem Shadeed	Non-Executive Director (SS)	(1 External)
Mr Quentin Aylward	Independent Non-Executive Director (QA)	0
Mr John Kerr	Independent Non-Executive Director (JK)	0

1 Directorships of organisations which do not pursue commercial objectives are not considered

EAB SA

Name	Directorships1
Mr Haytham Kamhiyah	2 (1 Executive EAB PLC, 1 External)
Mr Mohammad Memon	2 (1 Executive EAB PLC, 1 External)
Mr Kim Tran	0
Mr Mathieu Kiss	(1 External)

1 Directorships of organisations which do not pursue commercial objectives are not considered

Board Recruitment and Composition

The Board of Directors has established a Nominations & Remuneration Committee ("N&RC") as a Board sub-committee. The N&RC comprises the Chairman of the Board of Directors, the Chairman of the BARC (an Independent Non-Executive Director) and a second Independent Non-Executive Director. This Committee will be responsible for identifying candidates for Board positions and nominating the selected candidates for Board approval.

The N&RC, in the course of its work, will give full consideration to and regularly review the succession planning for Board members, taking into account the challenges and opportunities facing the Bank and the skills and expertise that are therefore needed for the future.

Board diversity

The Bank acknowledges the benefits of having a diverse Board that includes and makes good use of differences in the skills, regional and industry experience, background, race, gender and other distinctions between Directors and sees increasing diversity at Board level as an important element in maintaining a competitive advantage for the Bank.

As part of the annual performance evaluation of its effectiveness, the Board will consider the balance of skills, experience, independence and the diversity of representation of the Board, including but not limited to gender, and other factors relevant to its effectiveness.

In reviewing Board composition, in order to enable it to discharge its duties and responsibilities effectively, the Committee will consider and give due weight to the benefits of all aspects of diversity including, but not limited to:

- educational and professional background
- gender
- age
- geographical provenance

Search firms appointed to support Board recruitment will be provided a brief that includes an appropriate emphasis on diversity, including but not limited to gender. The appointed search firm would be actively encouraged to put forward recommendations that include female and other diverse candidates of appropriate merit.

All Board appointments are made on merit, in the context of the skills, experience, independence and knowledge which the Board as a whole requires to be effective.

7. Remuneration

The required level of remuneration related disclosures is subject to proportionality rules, as set out in PRA's SS2/17 'Remuneration'. In accordance with this PRA publication, the Group is categorised as a proportionality level three (PL3) firm, which represents the lowest level and requires fewer disclosures.

Nominations & Remuneration Committee (NRC)

Committee Role & Responsibilities

The NRC has full Board delegated authority to:

- ensure that the Bank maintains an adequate remuneration policy which is sufficient to attract and retain qualified individuals and complies with all applicable laws and any codes or rulings or other requirements issued by the PRA, FCA, ACPR or any other applicable regulatory bodies.
- set the remuneration package (including monthly salary, fees, incentives and benefits in-kind) of each Executive Committee member and Non-Executive Director and Independent Non-Executive Director, including where appropriate, bonuses and incentive payments;
- set and approve the Bank's total annual bonus pool, evaluate and approve bonuses of the CEO and, based on the CEO's recommendations, the other members of the Bank's Senior Management (with the exception of Head of Internal Audit's bonus, which is recommended by the Chair of BA&RC), within the approved bonus pool, taking into consideration input from the Line 2 and Line 3 functions (Risk, Compliance and Internal Audit)
- make appointments to the Executive Committee;
- Review and approve the Bank's "Remuneration Policy Statement" which records its self-assessment of compliance with the FCA Code.

A description of the composition, tasks and authority of the N&RC is available in the NRC Terms of Reference (ToRs).

Meetings

The N&RC should meet at least twice a year (or more frequently if required) in order to discharge its responsibilities. During the reporting period from January 2023 to December 2023, the N&RC met in April, June, October and December. At the start of the year the N&RC reviewed and approved the appropriate objectives and KPIs for the Executive Management of the Bank. In the June and the December meetings the N&RC reviewed the performance of the Bank and its Executive Management against these KPIs for the performance year.

External Advice

Willis Towers Watson provide remuneration consultancy services as required and when requested by the N&RC. Initially commissioned in 2015, when the remuneration guidelines/requirements came into effect, the firm provided guidance on establishing the remuneration framework and structure with specific focus on identified Staff/MRTs. Since then, Willis Towers Watson have conducted periodic reviews of the Bank's Remuneration Policy. The last review was completed in December 2022.

Remuneration Policy

The PRA and Financial Conduct Authority and EBA have defined certain requirements relating to remuneration. In the UK the rules are referred to as the Remuneration Code. The Remuneration Code applies to CRR firms (which includes banks) and these firms must ensure that their remuneration policies and practices are consistent with and promote sound and effective risk management. The Bank has developed remuneration practices that are aligned with these regulatory requirements.

The Bank's remuneration policy conforms to the requirements of the Remuneration Code as appropriate for a proportionality Level 3 firm. The policy applies to all staff employed by the Bank and its wholly-owned European Subsidiary Company.

The Remuneration Policy is reviewed annually by the EAB plc Board and the Board of its subsidiary annually, in December. The last review of the Remuneration Policy was completed in December 2023.

Approach to remuneration

The overall aim of the Bank's Remuneration Policy is to attract, motivate and retain individuals of high calibre who can deliver sustained performance consistent with strategic goals, appropriate risk management and to reward them for enhancing value.

The following key objectives and principles underpin these themes:

- Attract, motivate and retain high calibre individuals and ensure a fair and objective pay system
- Ensure good corporate governance
- Promote sound and effective risk management
- Encourage behaviour which is consistent with the Bank's culture, values and principles of good governance
- Ensure sustained and long-term value creation for shareholders
- Remuneration will not be excessive and there will be appropriate balance between fixed and variable pay

The policy is to set remuneration levels which are aligned within the Bank's overall risk appetite measures, and to ensure that the Executive Directors, senior management and employees are fairly and responsibly rewarded in return for high levels of individual and business performance.

The Bank's overall bonus pool and ability to pay bonuses is determined based on evaluation of financial performance, performance against appropriate risks metrics, controls and conduct and affordability. The Finance function ensures that the total amount of variable remuneration does not undermine the capacity to meet its objectives in terms of capital requirements. The size of the bonus pool will be in line with the Bank's ability to pay, including not adversely impacting the Bank's Capital Adequacy Ratio. Where the financial performance of the Bank is subdued or negative, total variable remuneration is expected to be contracted.

Remuneration Structure

There are three main elements of remuneration available to Code Staff:

- Salary and allowances
- Benefits (e.g. Pension, medical insurance etc.)
- Annual Bonus Awards – performance related variable pay

Annual Bonus Awards – performance related variable pay

Performance-based remuneration motivates, rewards and drives the right behaviour and performance according to set expectations/objectives for the employee, reflecting specific requirements for performance of the department and the Bank. The agreed objectives aligned to the financial targets/budget, the desired behaviours that support the Bank's compliance and company culture and will require individuals to act in accordance with the Code of Conduct, all compliance and risk management policies.

As a general rule:

- Annual bonus awards arrangements are entirely discretionary. They can be cancelled or reduced if the situation determined this to be a proportionate action.
- Annual bonus awards would vary and are determined on the basis of meeting the financial and non-financial objectives and line managers, the CEO and N&RC (in the case of Senior Management) have the discretion to assess the extent to which performance has been achieved.
- There is no formula for calculating individual annual bonus awards that create a direct link to the firm's or departments' financial performance.
- Annual bonus awards are paid in the form of cash and will be in line with market practices and rates, employment market conditions and the Bank's performance and ability to pay.
- The variable remuneration represents a percentage of salary and is not a multiple. The fixed component therefore will represent a sufficiently high proportion of the total remuneration.
- Appropriate ratio will be maintained between the variable and fixed components of remuneration for all MRTs. The Bank will apply a bonus cap and will ensure that variable compensation never exceeds 100% of the fixed remuneration components, although as a general rule, the acceptable ratio between the variable and fixed components would be approximately 40:60.
- Awards granted to employees identified as material risk takers (MRTs) are subject to "malus" and "clawback"

As a proportionality Level 3 firm, the Bank can dis-apply the requirements for bonus deferral and to have appropriate Long-Term Incentive Plans (LTIPs) in place.

Performance Management

The performance management process is key to aligning the organisational and individual objectives and to measuring individual performance against these objectives. The process also establishes the link between individual performance and reward.

- Performance will be assessed against the agreed financial and non-financial measures,
- Performance measures would change year on year to reflect evolving business strategy, objectives and long-term interests of the firm.
- The Chief Executive Officer will perform the performance assessment for Senior Management. The Chief Executive Officer's performance assessment will be conducted by the Nominations & Remuneration Committee.
- The annual bonus awards for Senior Management will be proposed by the Chief Executive Officer who will submit the recommendations to the N&RC for approval.
- The Control functions will have input into the performance assessment of individual MRTs, 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. This input will be provided to the CEO and N&RC in advance of any meeting to determine MRTs variable remuneration awards.

- The Committee will consider the input from the Risk and Control functions and make any appropriate decisions regarding performance adjustments of Senior Management's variable remuneration.

Control Functions – Performance Assessment and Remuneration

The performance objectives, individual performance and the proposed remuneration of the Heads of the Bank's Control Functions are reviewed and approved by the N&RC, which is itself independent of the business units. The Remuneration of the Head of Internal Audit in particular is proposed to the N&RC by the Chair of BARC.

The remuneration for the Heads of Control functions although linked to the Bank's ability to allocate bonus payments in a given year is not linked to the performance of any individual business unit. The remuneration is determined by benchmarking against market data of the relevant peer group organisations.

UK REM1 – Remuneration awarded for the financial year

The following template provides the information, on group consolidate basis, as required in point h (i) and (ii) of Article 450(1).

PL3 scope reduction: In accordance with SS2/17, a PL3 institute is not required to provide the detailed information stipulated by points h (i) and (ii) of Article 450(1), however it is required to provide aggregate quantitative information on remuneration. Consequently, the below information just provides the number of identified staff and their total remuneration, with no additional breakdown.

Remuneration awarded for the financial year	MB Supervisory function [1]	MB Management function	Other senior management	Other identified staff
Number of identified staff	8		16	10
Total remuneration (€)	2,004,146		3,792,192	1,838,445

1 MB Supervisory function covers both EAB plc and EAB SA board members, including management staff members who are board members as well

UK REM2 – Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff)

This template provides the information required in point h (v), (vi) and (vii) of Article 450(1)

PL3 scope reduction: In accordance with SS2/17, a PL3 institute is not required to provide the detailed information specified by points h (v), (vi) and (vii) of Article 450(1). Consequently, Template UK REM2 is not reported.

UK REM3 – Deferred remuneration

This template provides the information required in point h (iii) and (iv) of Article 450(1).

PL3 scope reduction: In accordance with SS2/17, a PL3 institute is not required to provide the detailed information stipulated by points h (iii) and (iv) of Article 450(1). Consequently, Template UK REM3 is not reported.

UK REM4 – Remuneration of 1 million EUR or more per year

This template provides the information required in point i of Article 450(1).

PL3 scope reduction: In accordance with SS2/17, a PL3 institute is not required to provide the detailed information stipulated by point i of Article 450(1). Consequently, Template UK REM4 is not reported.

UK REM 5 - Information on remuneration of staff whose professional activities have a material impact on EAB Group's risk profile (identified staff)

	Management body remuneration			Business areas			
	MB Supervisory function[1]	MB Management function	Total MB	Retail banking	Independent internal control functions	All other	Total
Total number of identified staff							**34**
Of which: members of the MB	8		8				
Of which: other senior management				5	4	7	
Of which: other identified staff					5	5	
Total remuneration of identified staff (€)	2,004,146		2,004,146	1,219,765	1,734,310	2,676,562	
Of which: variable remuneration (€)	362,244		362,244	289,745	292,696	494,886	
Of which: fixed remuneration (€)	1,641,902		1,641,902	930,020	1,441,614	2,181,676	

1 MB Supervisory function covers both EAB plc and EAB SA board members, including management staff members who are board members as well