Jordan
International Bank

Report and Financial Statements 2015

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Directors

H.E. Dr Michel Marto (Chairman)
Ian Schmiegelow (Deputy Chairman)
Abdulkader Abdullah Al-Qadi
Hani Abdulkader Al-Qadi
Seyed Morteza Mirghavameddin
Ihab Saadi
Gerald Hawkins

Secretary

Justine Goldberg

Shareholders

	PERCENTAGE
The Housing Bank for Trade and Finance	75.00%
Arab Jordan Investment Bank	25.00%
	100.00%

Registered Office

Moreau House
116 Brompton Road
London SW3 1JJ

Bankers

Lloyds Bank Plc
London

Solicitors

Gordon Dadds
London

Auditor

Deloitte LLP
Chartered Accountants
London

Internet

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

Jordan International Bank offers services to a range of individual and corporate clients as well as to a spread of other financial institutions. The Bank's clients and counterparties are predominantly based either in the UK or the Levant region. The Bank's principal activities are described in more detail in the Strategic Report section of these Financial Statements on page 5.

For the year to 31 December 2015, the Bank generated pre-tax profits of £5.97m (2014: £6.25m), total assets grew to £389m (2014: £342m) and the return on equity was 5.9% (2014: 7.6%). The significant highlights for the year include:

- the growth in the asset backed lending business, where lent balances increased to £166m (2014: £131.2m), representing 43% of total assets (2014: 38%);
- the increase in the Bank's issued share capital by a further £10m to £65m;
- the number of employees increased to 43 (2014: 35).

The Bank's total operating income for the year (excluding fair value adjustments) was £13.8m (2014: £11.9m), representing a 16% increase year on year.

Non-interest income (commissions and fees) was £2.6m (2014: £2.6m), unchanged from the previous year.

I am very pleased, once again, to report upon the results of the Bank and the ongoing expansion of our business. The Bank has witnessed a number of years of increasing income growth and the Board of Directors and senior management are confident that this trend will continue in the future, delivering increased profits and growth in the balance sheet. The Bank aims to maintain this strong momentum and has delivered another commendable set of results, for the financial year ended 31 December 2015 with an underlying pre-tax profit, excluding impairments of £6.3 million compared to £6.2 million in 2014. Post-tax profits for the year were £4.6 million, compared to £4.8m in 2014.

The Bank has continued to benefit from the strong support and challenge provided by its two shareholders to the Bank's executive management, whilst also remaining important customers of the Bank. The shareholders have again demonstrated their commitment to the Bank, as they had done in 2013 and 2014 by subscribing for £10 million in additional share capital in the early part of the year.

Governance of the Bank has been enhanced during the year and is achieved primarily through three forums which hold regular meetings and whose members are in frequent dialogue with the Bank's Executive Management. The forums are the Board of Directors, its Audit Committee and its Risk & Compliance Committee, all of which meet at least four times per year. It was with great pleasure that, during the year, I welcomed Mr. Gerald Hawkins, Mr. Hani Al-Qadi and Mr. Ihab Saadi as new members of the Board of Directors and the committees. The Board of Directors consists of four shareholder representatives, two independent non-executive directors and the Bank's Chief Executive Officer. The Audit Committee again comprises representatives of the two shareholder banks and is chaired by the senior UK based independent non-executive director, whilst the Risk & Compliance Committee consist of the Chief Executive Officer, two shareholder representatives and two independent non-executive directors. In addition, in the latter part of the year, the Bank reconstituted the Executive Committee, such that membership now consists of London based executive management only. The Executive Committee has primary responsibility for running the affairs of the Bank on a day-to-day basis.

Following the Bank's restructure in 2011, a new strategy was adopted - the structured property finance product. The Bank's increasing income and profitability reflects, to a large extent, the success of this well ordered business activity and the Board is extremely pleased with its progress to date. The Bank continues to direct its efforts at the areas of Structured Property lending as well as Trade Finance, Personal Banking and Treasury operations and gave particular emphasis to improving the systems which support these activities in 2015 and this work will continue in 2016.

It should also be borne in mind that Jordan International Bank, as with all other banks, is subject to an increasing level of regulation requiring the input of a growing number of well qualified and focused staff. To this end, the Bank has increased its headcount, particularly in the areas of risk control and monitoring. This has resulted in an increase in 'back office' staff which is essential for the Bank to meet in full its regulatory obligations in regard to good governance, rigorous and continual risk assessment and appropriate levels of capital and liquidity.

Finally, I would like to take this opportunity to thank the Bank's customers and counterparties for their continuing support and business and, last but not least, to express the Board's appreciation to the Bank's employees for their ongoing efforts, diligence and loyalty.

Dr M. Marto
Chairman
21 January 2016

The Board of Directors is pleased to present its Strategic Report as required by the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

Strategy and Objectives

The Bank's primary business objective is to provide a range of banking services to both its UK and international customers. Its strategy for doing so is as follows:

- to provide lending for the purpose of property development or property investment in select prime areas in the UK;
- to provide trade finance services to clients involved in trade predominantly to or from the Middle East and North African geographical regions;
- to provide personal banking services to customers with Middle East connections (predominantly Jordan);
- to provide fixed term deposit products to retail banking customers; and
- to provide treasury services (foreign exchange, money market and securities) to customers and counterparties of the Bank.

The Bank operates from a single office in Knightsbridge, London from where services are provided by dedicated teams of professionals, assisted and monitored by a qualified and experienced back office support and management team. The Bank is also ably assisted by its two shareholders, utilising their resources in addition to its own, where appropriate.

Business Model

The Bank operates a number of different business lines as described below.

The most significant business line is the structured property finance offering, which offers bespoke funding to experienced property developers and investors. Its team of three lenders has approximately 65 years experience in this field between them.

The Bank's trade finance and personal banking teams offer services to customers who, in the main, are based in, or who have links with, the Middle East. The trade finance business issues and confirms letters of credit and letters of guarantee, whilst also providing discounted financing for receivables. In controlling the risk exposure in this area, the Bank typically takes exposure to other financial institutions with investment grade credit ratings for periods of up to 365 days.

The personal banking team provides fixed term and notice deposit accounts and foreign exchange to customers who, in the main, have ties with Jordan or the wider Middle East region. In conjunction with the treasury team, the Bank offers the facility for clients to buy and sell fixed income securities.

Finally, the Bank offers corporate and institutional banking facilities which include correspondent banking services on behalf of many other banks based in the Middle East region.

The Bank's treasury team manages the Bank's day-to-day cash position through taking deposits from, and placing money market loans with, other financial institutions. Foreign exchange services are also offered through both traditional interbank and internet channels. The Treasury team is also responsible for the Bank's fixed income portfolio.

Management Process

The Bank's performance is measured against a number of Key Performance Indicators (KPI) (profit and loss, cost income ratio and return on equity), the principal one being a budgeted pre-tax profit, which is set annually. Within this budget, individual business lines account for their performance on a monthly basis with the Bank's senior management, whilst the Bank's Board of Directors receive commentary on the Bank's results each month. The Bank also reports internally on a range of measures including KPI's such as return on average equity and net interest margin along with regulatory measures such as capital adequacy ratio (CAR) and liquidity coverage ratio (LCR).

The Executive Committee sits below the Board and has powers delegated to it by the Board to approve loans or investments within certain parameters.

All exposure is managed within risk parameters and policies agreed by the Board of Directors. Day-to-day exposures are monitored by the in-house credit risk team (for credit exposure), finance and treasury (for regulatory capital and liquidity management).

Business Review

The Board of Directors are pleased with the overall performance of the business lines during the year and the Bank as a whole with pre-tax profit for the year of £5.97m (2014: £6.25m), a return on average equity of 5.9% (2014: 7.6%) and a cost income ratio of 54% (2014: 48%).

The Bank has recorded pre-tax profits in recent years as shown in the table below. Income has risen year on year and each year has exceeded or been in line with the Bank's internal forecasts. At the same time the cost base has also risen, reflecting the increasing headcount in particular and the additional costs associated with increased office space and improved risk management systems and processes. Nevertheless, the cost income ratio compares favourably with our peers in the UK and the return on equity, whilst reducing, is largely a reflection of the additional issued share capital provided by the shareholders.

	2012	2013	2014	2015
Pre-tax profit £m	4.0	8.88	6.25	**5.97**
Cost / Income ratio %	37	55	48	**54**
Return on equity %	27.6	15.5	7.6	**5.9**

During the year to 31 December 2015 the asset backed lending book grew by a further £35m and was impacted by the general slowdown in activity in the UK property market during the first half of 2015 in the run-up to the UK general election. This product continues to offer excellent risk adjusted returns and management will continue to give considerable focus to this area going forward.

Treasury revenues remained broadly flat year on year. Yields on securities have generally fallen (rising values) through the year for the investment grade securities. However, yields on non-investment grade securities have risen and hence, values have fallen, particularly for those issues sensitive to oil or commodity prices. The foreign exchange markets remain very competitive, with inter-bank lending rates showing little change year on year.

Trade finance income has also remained relatively flat year on year, both in terms of revenue generated and volumes of transactions. However, it continues to be an important part of the Bank's offering to both domestic and international customers.

No significant changes are anticipated in the Bank's product offering or operating model in the immediate future. The Bank does however constantly manage its product offering to ensure these are in line with its strategic goals and are competitive with the markets in which it operates. The strategy for 2016 envisages further expansion of the structured property financing product with its proven combination of income and risk profile.

Principal Risks for the Business

The Bank is subject to risks and uncertainties from a range of sources. The principal risks are: market risk; credit risk; development risk (in the case of structured property finance loans); mismatch risk; the current and ongoing economic climate; regulatory change risk and geo-political risk. The issue of the Bank as a going concern is mentioned on page 8.

As with any bank, the revenue stream and asset valuations of the Bank are influenced by prevailing interest rates. The Bank's deposit base is largely made up of relatively short-term deposits, whereas the asset side of the balance sheet is formed of longer-term loan facilities or investments. The maturity mismatch between assets and liabilities has the potential to impact net interest margins and asset valuations as interest rates move over time. The Bank mitigates this risk by ensuring that, where possible, interest rates on loans to customers are variable, or the terms of the loan allow the Bank to require repayment at any time.

In terms of the fixed income portfolio, a portion of the portfolio is held in floating rate notes and the average maturity of the portfolio is kept relatively short; currently around three years. This short maturity profile reduces the risk to the Bank from interest rate movements. A portion of the portfolio is held in assets with longer maturity dates. These assets are subject to greater risk of (adverse) price movements. To counter this risk, both the Bank's treasury and credit teams are kept aware of market developments and news and are able to act quickly in case there is any negative news about a particular security.

The Bank is also exposed to credit risk, being the risk that a counterparty will fail to fulfil their obligations. With the exception of the fixed income portfolio, the Bank has a minimal value of unsecured lending to corporate or individual borrowers. By ensuring adequate collateral is held, the Bank is able to mitigate the risk of a default by a customer.

The structured property loan portfolio is formed mainly, circa 80%, of loans for the purpose of building new houses or small apartment buildings, whilst the remaining 20% of the portfolio consists of investment loans. The Bank aims to ensure its position is protected at all times. This is achieved by following a thorough due diligence process with every lending proposal. The Bank's lending criteria ensure that it only lends to developers with sufficient experience of the type of proposed development and to projects which the Bank understands fully and in areas where demand for the completed product will be high, whilst also ensuring the Bank has strong collateral against the loan. Loans are typically drawn in stages as the project progresses and the construction process is monitored by one of the Bank's panel of quantity surveyors. The Bank is therefore kept up to date with progress by the quantity surveyor and any issues with the project are highlighted at an early stage when problems are easier to resolve.

Following the change in shareholders in 2010, the Bank adopted a simplified business model and a more stringent credit approval process. The Bank has greatly improved the management of its credit exposures and following two years where there were no impairment charges, the Bank recorded its first impairment against a loan since 2012. The Bank firmly believes that its strict lending criteria will keep future losses to an absolute minimum.

As a bank, JIB operates in a highly regulated environment and is therefore subject to regulatory risk in that it may find that it does not comply with some aspect of the regulations. Changes to the regulations, both in the way JIB operates and the capital and liquidity measures it must adhere to are issued frequently. JIB's finance, regulatory reporting and compliance professionals in particular are required to keep up to date with changes and ensure the Bank complies with new regulations and has plans in place to ensure compliance before the date the new rules become effective. This is done through a variety of means, primarily through documents issued by the regulators or through professional firms and also through the Bank's membership of various industry bodies.

Principal Risks for the Business (continued)

The risks the Bank are least able to control are the geo-political risks. The tensions within the Middle East are well documented and towards the end of 2015 there was a significant fall in the price of oil. In order to reduce the risk to JIB, it will generally only take on risk against other banks or financial institutions, remembering that throughout the various crises in recent years, in the Middle East, the majority of banks based in the region have survived. In order to reduce the Bank's reliance upon deposits from Middle East based customers, the Bank has launched initiatives to both increase the tenor of deposits and also to seek a greater proportion of deposits from UK customers. Both of these initiatives are intended to reduce the risk of significant deposits leaving the Bank in the event of further problems in the Middle East region. Also mitigating this risk is the fact that the UK is seen as a 'safe haven', potentially attracting deposits in difficult times.

Going Concern

After a number of years of losses due to significant levels of loan impairments resulting from the global financial crisis, the Bank has now produced profits for five consecutive years. The Bank continues to focus upon the areas of structured property lending, trade finance, personal banking and treasury. In early 2015, the shareholders demonstrated their continued confidence in the Bank by increasing the issued share capital of the Bank, as they had also done at the end of 2014 and 2013.

The two shareholders continue to recognise their responsibility to ensure that Jordan International Bank Plc will continue at all times to meet its obligations. As a consequence, the directors believe that the Bank is well placed to manage its business risks successfully despite the current uncertain global economic outlook.

After making suitable enquiries the directors have a reasonable expectation that the Bank will continue to operate at existing levels for the foreseeable future, and have therefore used the going concern basis in preparing the financial statements.

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

Justine Goldberg
Secretary
21 January 2016

Directors and Their Interests

The directors of the Bank are shown on page 2 and all served as directors throughout the year except the following who were appointed on the dates shown:

Mr Hani Abdulkader Al-Qadi	27 August 2015
Mr Ihaab Saadi	27 August 2015
Mr Gerald Hawkins	7 May 2015

The following director retired on the date shown;

Mr Omar Malhas	10 November 2015

Payment Policy

It is the Bank's policy to pay suppliers as they fall due. At 31 December 2015, the Bank's trade creditors had been outstanding for an average of 32 days (2014 : 20 days).

Directors' and Officers' Liability Insurance

During the year, the Bank has maintained cover for directors and officers under directors' and officers' liability insurance policies as permitted by section 533 of the Companies Act 2006.

Substantial Shareholders

Details of shareholders of the Bank are shown on page 2.

Disclosure of Information to Auditor

Each of the persons who is a director at the date of the approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Bank's auditor is unaware; and
- the director has taken all the steps that should be taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Bank's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Auditor

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.

Results and Dividends

The total profit for the year after taxation amounted to £4,647,000 (2014: Profit £4,839,000). The directors recommend that no dividend be paid (2014 : £nil).

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

Justine Goldberg
Secretary
21 January 2016

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- to prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Bank will 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 to 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Bank's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditor's Report to the Members of Jordan International Bank Plc

We have audited the financial statements of Jordan International Bank Plc for the year ended 31 December 2015 which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement and the related notes 1 to 38. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS102" The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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

Respective responsibilities of directors and auditor

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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

Syed Bokhari FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

21 January 2016

Profit & Loss Account

Year Ended 31 December 2015

	Notes	2015 £'000's	2014 £'000's
INTEREST INCOME			
Interest receivable and similar income arising from debt securities		**3,441**	4,008
Other interest receivable and similar income		**10,277**	7,714
		13,718	11,722
Interest payable		**(3,277)**	(2,760)
NET INTEREST INCOME		**10,441**	8,962
NON-INTEREST INCOME			
Fees and commissions		**3,219**	2,497
Dealing profits	5	**15**	66
Other operating income		**22**	20
Profit on disposal of securities		**159**	310
Fair value changes in assets held at FVTPL	5	**(50)**	89
Fair value changes in derivatives held at FVTPL	5	**(37)**	(76)
TOTAL OPERATING INCOME		**13,769**	11,868
Administrative expenses	3	**(5,389)**	(3,522)
Depreciation	5, 14	**(315)**	(248)
Other operating charges		**(1,831)**	(1,913)
Impairment of loans and advances	10	**(311)**	~
Other gains	11	**45**	64
OPERATING PROFIT AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	6	**5,968**	6,249
Tax (charge) on profit on ordinary activities	6	**(1,321)**	(1,410)
PROFIT FOR THE FINANCIAL YEAR	23	**4,647**	4,839

	Notes	2015 £'000's	2014 £'000's
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR			
Profit for the financial year		**4,647**	4,839
Revaluation losses on AFS investments	23	**(911)**	(1,524)
Tax credit on revaluation losses	23	**184**	328
TOTAL COMPREHENSIVE INCOME		**3,920**	3,643

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

All operations of the Bank continued throughout both periods and no operations were acquired or discontinued.

Balance Sheet

As at 31 December 2015

	Notes	2015 £'000's	2014 £'000's
ASSETS			
Cash		**86**	137
Nostros		**6,196**	5,938
Loans and advances to shareholder banks	7	**38,748**	32,338
Loans and advances to other banks	8	**37,897**	53,931
Loans and advances to customers	9	**168,618**	135,623
Investments in debt securities	13	**128,431**	105,955
Tangible fixed assets	14	**873**	852
Other assets	15	**1,031**	915
Deferred tax	6	**3,170**	3,936
Prepayments and accrued income		**3,362**	2,650
TOTAL ASSETS		**388,412**	342,275
LIABILITIES			
Deposits by shareholder banks	16	**97,241**	68,776
Deposits by other banks	17	**111,826**	95,827
Customer accounts	18	**99,926**	112,119
Other liabilities	19	**2,125**	1,666
Accruals and deferred income		**2,393**	2,906
TOTAL LIABILITIES		**313,511**	281,294

Balance Sheet (continued)

As at 31 December 2015

	Notes	2015 £'000's	2014 £'000's
Called-up share capital	21	**65,000**	55,000
Share premium	22	**316**	316
Revaluation reserve	23	**(1,753)**	(1,026)
Profit and loss account	23	**11,338**	6,691
SHAREHOLDERS' FUNDS – EQUITY INTERESTS		**74,901**	60,981
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS		**388,412**	342,275
OFF BALANCE SHEET ITEMS			
CONTINGENT LIABILITIES	33		
Acceptances		**1,218**	436
Guarantees and irrevocable letters of credit		**4,711**	8,987
Undrawn commitments		**57,018**	56,396
		62,947	65,819

These financial statements of Jordan International Bank Plc, Registered No. 1814093, were approved by the Board of Directors and authorised for issue on 21 January 2016.

Signed on behalf of the Board of Directors

Dr Michel Marto	
Abdulkader Abdullah Al-Qadi	Directors
Seyed Morteza Mirghavameddin	

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

Statement of Changes in Equity

Year ended 31 December 2015

2015	Share Capital £'000's	Share Premium £'000's	Securities Revaluation Reserve £'000's	Retained Profit £'000's
OPENING BALANCE AT 1 JANUARY 2015	**55,000**	**316**	**(1,026)**	**6,691**
Shares issued and paid	**10,000**	~	~	~
Movement on securities revaluation reserve	~	~	**(727)**	~
Profit retained for the year	~	~	~	**4,647**
CLOSING BALANCE ON 31 DECEMBER 2015	**65,000**	**316**	**(1,753)**	**11,338**
2014				
OPENING BALANCE AT 1 JANUARY 2014	45,000	316	170	1,852
Shares issued and paid	10,000	~	~	~
Movement on securities revaluation reserve	~	~	(1,196)	~
Profit retained for the year	~	~	~	4,839
CLOSING BALANCE ON 31 DECEMBER 2014	55,000	316	(1,026)	6,691

Cash Flow Statement

Year ended 31 December 2015

	Notes	2015 £'000's	2014 £'000's
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	24	**37,008**	(13,649)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of securities		**(129,979)**	(72,830)
Securities sold and matured		**110,000**	60,956
Interest received		**2,843**	3,176
Purchase of tangible fixed assets	14	**(336)**	(384)
NET CASH OUTFLOWS FROM INVESTING ACTIVITIES		**(17,472)**	(9,082)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of ordinary share capital		**10,000**	10,000
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS IN THE YEAR	25	**29,536**	(12,731)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**2,477**	15,208
Movement in cash and cash equivalents		**28,467**	(12,925)
Effect of foreign exchange rate changes		**1,069**	194
CASH AND CASH EQUIVALENTS AT END OF YEAR		**32,013**	2,477
RECONCILIATION TO CASH AT BANK AND IN HAND			
Cash at bank and in hand at end of year		**32,013**	2,477
Cash equivalents		**~**	~
CASH AND CASH EQUIVALENTS AT END OF YEAR		**32,013**	2,477

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

Notes to the Accounts

Year ended 31 December 2015

1. ACCOUNTING POLICIES

a) Accounting convention and going concern basis

The accounts have been prepared in accordance with applicable law and Accounting Standards in the United Kingdom, under the historical cost convention basis except for the revaluation of derivatives and financial assets designated at fair value through profit or loss and available for sale. Although Jordan International Bank is a PLC, it is unlisted, and consequently the financial statements are prepared under UK GAAP.

The financial statements of the Bank have been prepared on the going concern basis.

The Bank's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report. The strategic report also describes the financial position of the Bank; its cash flows, liquidity position and borrowing facilities; the Bank's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposure to credit risk and liquidity risk.

In making the going concern assessment, the Directors have prepared detailed financial forecasts for the Bank, including its funding and capital position, for the 12 months from the date of approval of these financial statements.

The directors have a reasonable expectation that the Bank has adequate resources to continue in operational existence and comply with all relevant regulatory requirements for a period of at least the next 12 months. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

b) Income recognition

Interest income on financial assets that are classified as loans and receivables and interest expense on financial liabilities, other than those at fair value through profit and loss, are determined using the effective interest rate method. The effective interest rate method is a method of calculating the amortised cost of a financial asset or liability (or group of financial assets or liabilities) and of allocating the interest income or interest expense over the expected life of the asset or liability. The effective interest rate is the rate that exactly discounts estimated future cash flows to the instrument's initial carrying amount. Calculation of the effective interest rate takes into account fees receivable that are an integral part of the instrument's yield, premiums or discounts on acquisition and early redemption fees. All contractual terms of a financial instrument are considered when estimating future cash flows.

Financial assets designated as at fair value through profit and loss are recorded at fair value. Changes in fair value are recognised in profit and loss together with dividends and interest receivable and payable.

c) Commissions and fees

Commissions and fees receivable which represent a return for services provided are credited to income when the related service is performed or where considered appropriate, taken to the profit and loss over the life of the facility.

1. ACCOUNTING POLICIES (CONTINUED)

d) Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at market rates of exchange ruling at the balance sheet date. Premiums and discounts arising on foreign exchange swap contracts entered into are apportioned over the periods of the transactions and included in interest in the profit and loss account. All transactions denominated in a foreign currency are translated into sterling at the exchange rate ruling at the date of the transaction. Foreign exchange gains or losses are included in the profit and loss account for the year. The Bank's functional currency is sterling.

e) Financial assets

All financial assets are recognised and derecognised on a settlement date basis where the purchase or sale of a financial asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned. They are initially measured at cost, plus transaction costs, except for those financial assets classified as at fair value through the profit and loss account, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets "at fair value through profit and loss" (FVTPL), "held to maturity" (HTM) investments, "available for sale" (AFS) financial assets, and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables – non-derivative financial assets with fixed or determinable repayments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest rate method less any impairment losses.

Held-to-maturity investments – financial instruments with fixed or determinable payments and fixed maturity that the Bank has the positive intention and ability to hold to maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment losses.

Fair value through profit and loss – any financial asset that is designated on initial recognition as one to be measured at fair value with any gains or losses arising on re-measurement is recognised in the profit and loss account.

Available for sale – those non-derivative financial assets that are not classified as loans and receivables, held to maturity, or not held for trading and are not designated as at fair value through profit and loss on initial recognition. Available for sale financial assets are measured at fair value with gains and losses arising from changes in fair value are recognised through the Statement of Comprehensive Income in the revaluation reserve with the exception of impairment losses. Interest is calculated using the effective interest method and is recognised in profit and loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investment revaluation reserve is reclassified to the profit and loss account for the period.

The Bank will derecognise a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

1. ACCOUNTING POLICIES (CONTINUED)

f) Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed periodically for indications of impairment. A financial asset is impaired and an impairment loss incurred if there is objective evidence that an event or events since initial recognition of the asset have adversely affected the amount or timing of future cash flows from the asset.

Financial assets carried at amortised cost – if there is objective evidence that an impairment loss on a financial asset classified as loans and receivables or as held-to-maturity investments has been incurred, the Bank measures the amount of the loss as the difference between the carrying amount of the asset and the present value of estimated future cash flows from the asset discounted at the effective interest rate of the instrument at initial recognition. Impairment losses are assessed individually for financial assets that are individually significant.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets. Impairment losses are recognised in profit and loss and the carrying amount of the financial asset or group of financial assets reduced by establishing an allowance for impairment losses. If in a subsequent period the amount of the impairment reduces and the reduction can be ascribed to an event after the impairment was recognised, the previously recognised loss is reversed by adjusting the allowance.

For AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in the Statement of Comprehensive Income are reclassified to the profit and loss account in the period.

With the exception of AFS equity investments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the profit and loss account to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised through the profit and loss account are not reversed through the profit and loss account. Any increase in fair value subsequent to an impairment loss is recognised through the Statement of Comprehensive Income.

In the circumstances where a customer is unable to make repayments due on financial assets, for example due to a deterioration in the changing economic environment, the Bank will show 'forbearance' and work with its customers to ensure an equitable renegotiation of the terms attached to the financial asset.

g) Financial liabilities

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity.

Financial liabilities are measured at amortised cost using the effective interest method (see income recognition note).

The Bank will derecognise a financial liability when, and only when, the Bank's obligations are discharged, cancelled or they expire.

1. ACCOUNTING POLICIES (CONTINUED)

h) Derivatives and hedging

The Bank uses derivative financial instruments to hedge their exposures to foreign exchange risk. The Bank does not hold or issue derivative financial instruments for speculative purposes.

Derivative financial instruments are measured at fair value with gains or losses arising from changes in their fair value being recognised in profit and loss. Derivative fair values are determined using market data. Where there is no quoted price in an active market for an instrument, fair value is derived from prices for the derivative's components using appropriate pricing and valuation models.

An embedded derivative in a host contract is accounted for as a stand-alone derivative if its economic characteristics and risks are not closely related to the economic characteristics and risks of the host contract and the embedded derivative meets the definition of a derivative in terms of IAS 39, unless the entire contract is carried at fair value through profit and loss. FRS102 permits the adoption of this treatment.

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

i) Equity

Equity is represented by ordinary paid up share capital, share premium and retained reserves which reflect the revaluation of those assets and liabilities which are recorded at their fair values.

j) Depreciation

All items purchased by the Bank, which under FRS102 are considered as tangible fixed assets, are to be considered for inclusion in the fixed asset register. Single items costing less than £500 will generally be treated as an expense item, unless the Bank already owns a number of similar items which collectively cost over £500 in which case the item should be classified as a fixed asset.

Tangible fixed assets (except Leasehold property and leasehold improvements) are depreciated over a five year period, from the date that the asset is brought into use. Leasehold property and improvements are depreciated over the life of the lease. Depreciation is charged monthly on a straight line basis per FRS102. Any residual value or discount on the purchase price or 'rent-free' period in the case of a leasehold property is taken into account when determining the depreciation charge. Fixed assets are held in the Bank's ledger system at 'cost'. The ledger also records the accumulated depreciation on the asset as a separate item. The item is removed from the ledger if sold or is no longer in use and any profit / loss is taken to P&L at that time.

Fixed assets are considered for impairment on an annual basis.

Typical tangible fixed assets relevant to the Bank are:

- Office furniture (desks, chairs, cupboards);
- Computer equipment (PC's, screens), software and licences (other than for a single year); and
- Office fit-out costs (carpets, walls, decorating, cabling).

1. ACCOUNTING POLICIES (CONTINUED)

k) Taxation

Current UK corporation tax is provided at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

l) Pension costs

The Bank operates a defined contribution scheme. The amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Any differences between contributions payable in the year and contributions actually paid would be shown as either accruals or prepayments in the balance sheet (note 30).

m) Operating leases

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

n) Cash

Cash comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

o) Accounting pronouncements

For 2015 the Bank has applied the accounting pronouncements of FRS 102.

2. SEGMENTAL INFORMATION

The Bank has one main activity, commercial banking, which is carried out in the United Kingdom. It provides a range of commercial and personal banking services including; Investment & Treasury related services: Corporate & Institutional Banking, Trade Finance, Personal Banking and Structured Property Finance.

3. ADMINISTRATIVE EXPENSES

	2015 £'000's	2014 £'000's
Staff costs including directors:		
Salaries	**3,955**	2,627
Social security costs	**508**	338
Other pension costs (note 30)	**371**	275
	4,834	3,240
Other administrative expenses	**555**	282
	5,389	3,522

The average number of persons employed by the Bank in 2015 was 39 (2014: 33), made up as follows:

	2015 No,	2014 No.
Retail banking	**4**	4
Corporate banking	**9**	7
Treasury and dealing activities	**6**	6
Other support staff	**20**	16
	39	33

4. DIRECTORS' EMOLUMENTS

The aggregate amount of emoluments paid to Directors consisted of:

	2015 £'000's	2014 £'000's
Fees	**540**	296
Salaries	**405**	393
Other	**32**	28
	977	717

Fees paid to Directors increased during the year due to an increase in the number of Directors and an increase in the average fee paid to each Director. Emoluments paid and contributions paid into money purchase pension scheme on behalf of the highest paid director (Chief Executive Officer) during 2015 were £476k (2014: £393k) and £30k (2014: £26k) respectively.

5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit is stated after (crediting) and charging:

	2015 £'000's	2014 £'000's
(i) Income:		
Dealing profits from treasury activities	**(15)**	(66)
Profits on disposal of debt securities	**(159)**	(310)
Net loss/(profit) on financial assets and liabilities;		
– designated at fair value through profit and loss	**37**	89
Net (profit)/loss on derivatives designated at fair value through profit and loss	**50**	(76)
(ii) Charges:		
(Recoveries)/Impairment (net of recoveries)	**311**	(64)
Depreciation on owned assets	**315**	248
Auditors' remuneration;		
– Statutory audit of annual accounts	**77**	77
– Taxation services	**12**	10
– Audit related assurance services	**18**	18
– Other services	**5**	71
Total non-audit services	**35**	99
Rental on land and buildings	**448**	303

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

Based on profit for the year:	2015 £'000's	2014 £'000's
United Kingdom corporation tax	**555**	328
	555	328
Deferred tax – current year	**663**	984
Deferred tax – prior year adjustment	**(5)**	~
Deferred tax – rate change (from 20.5% to 20%)	**108**	98
Total tax charge for the year	**1,321**	1,410

The differences between the total tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax are as follows:

	2015 £'000's	2014 £'000's
Profit on ordinary activities before tax	**5,968**	6,249
Tax charge on profit on ordinary activities at 20.25% (2014 – 21.25%)	**1,209**	1,344
Effects of:		
– Expenses not deductible for tax purposes	**9**	(32)
– Difference in tax rates	**108**	98
– Adjustments to prior years	**(5)**	~
Current tax charge for the year	**1,321**	1,410

The movement on deferred taxation balance in the period is:	2015 £'000's	2014 £'000's
Opening balance	**3,936**	5,018
(Charge)/Credit to profit and loss account	**(766)**	(1,082)
(Charge) to Comprehensive Income	**~**	~
Closing balance	**3,170**	3,936
Analysis of deferred tax balance:		
Accelerated capital allowances	**(51)**	(17)
Tax losses	**3,221**	3,942
Short-term timing differences	**~**	11
Deferred tax assets recognised	**3,170**	3,936

7. LOANS AND ADVANCES TO SHAREHOLDER BANKS

	2015 £'000's	2014 £'000's
Repayable		
– on demand	**22,124**	3,692
– within three months	**16,624**	28,352
– between three months and one year	**~**	294
	38,748	32,338

8. LOANS AND ADVANCES TO OTHER BANKS

	2015 £'000's	2014 £'000's
Repayable		
– on demand	**22,889**	21,803
– within three months	**5,924**	27,899
– between three months and one year	**9,084**	4,229
– between one and five years	**~**	~
	37,897	53,931
Impairment (note 10)	**~**	~
	37,897	53,931

9. LOANS AND ADVANCES TO CUSTOMERS

	2015 £'000's	2014 £'000's
Repayable		
– on demand	**167,393**	132,156
– within three months	**527**	948
– between three months and one year	**12**	1,067
– between one and five years	**1,110**	1,563
– over five years	**~**	~
Impairment (note 10)	**(424)**	(111)
	168,618	135,623

10. IMPAIRMENT LOSSES

	2015 £'000's	2014 £'000's
At 1 January	**111**	110
Credit/(Charge) to profit and loss	**311**	1
Other adjustments	**2**	~
At 31 December	**424**	111

See accounting policy note 1(f) "Impairment of financial assets". The year end balance of £423,871 relates to impairments on a customer account and against a structured property development loan.

11. OTHER GAINS AND LOSSES

During 2015 the Bank recovered £45,021 relating to an asset which had previously been written off (2014: £64,273).

12. CONCENTRATIONS OF CREDIT RISK

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

	2015 £'000's	2014 £'000's
OECD	**283,400**	215,825
Jordan	**45,295**	61,206
Arab/Middle East	**46,882**	31,585
Other	**12,835**	33,659
	388,412	342,275

The following industry concentrations are considered significant:

	2015 £'000's	2014 £'000's
Government/Quasi-Government	**84,789**	50,337
Banks	**102,808**	122,918
Investment and Finance	**~**	3,470
Property lending	**168,618**	134,003
Other	**32,197**	31,547
	388,412	342,275

13. DEBT SECURITIES

2015	Govt securities £'000's	Other debt securities £'000's	Total £'000's
Designated at fair value through profit and loss	**817**	**151**	**968**
Held to maturity	**2,674**	**274**	**2,948**
Available for sale	**81,297**	**43,218**	**124,515**
At 31 December 2015	**84,788**	**43,643**	**128,431**
2014			
Designated at fair value through profit and loss	1,170	260	1,430
Held to maturity	5,900	6,947	12,847
Available for sale	52,594	39,084	91,678
At 31 December 2014	59,664	46,291	105,955

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

	HTM £'000's	FVTPL £'000's	AFS £'000's	Total £'000's
At 1 January 2015	**12,847**	**1,429**	**91,678**	**105,954**
Additions	**2,873**	**~**	**127,405**	**130,278**
Disposals and maturities	**(12,064)**	**(516)**	**(96,976)**	**(109,556)**
Exchange adjustment	**(708)**	**91**	**3,342**	**2,725**
Fair value adjustment	**~**	**~**	**~**	**~**
Revaluation	**~**	**(36)**	**(934)**	**(970)**
Impairment	**~**	**~**	**~**	**~**
At 31 December 2015	**2,948**	**968**	**124,515**	**128,431**

As at 31 December 2015 Jordan International Bank did not have any European Sovereign Debt exposure (2014: none).

14. TANGIBLE FIXED ASSETS

	Furniture, fittings and office equipment £'000's	Improvement to leasehold premises £'000's	Total £'000's
COST			
At 31 December 2014	1,392	280	1,672
Additions	209	127	336
Disposals	~	~	~
At 31 December 2015	**1,601**	**407**	**2,008**
DEPRECIATION			
At 31 December 2014	660	160	820
Charge for the year	247	68	315
Disposals	~	~	~
At 31 December 2015	**907**	**228**	**1,135**
NET BOOK VALUE			
At 31 December 2015	**694**	**179**	**873**
At 31 December 2014	732	120	852

15. OTHER ASSETS

	2015 £'000's	2014 £'000's
Sundry loan receivables	**592**	228
Derivatives at fair value (note 26)	**439**	687
	1,031	915

16. DEPOSITS BY SHAREHOLDER BANKS

Repayable	2015 £'000's	2014 £'000's
– on demand	**11,484**	20,662
– within three months	**401**	39,362
– between three months and one year	**68,598**	8,752
– between 1 and 5 years	**16,758**	~
	97,241	68,776

17. DEPOSITS BY OTHER BANKS

Repayable	2015 £'000's	2014 £'000's
– on demand	**7,796**	8,431
– within three months	**84,646**	50,805
– between three months and one year	**19,384**	36,591
	111,826	95,827

18. CUSTOMER ACCOUNTS

Repayable	2015 £'000's	2014 £'000's
– on demand	**3,869**	5,208
– within three months	**15,795**	52,771
– between three months and one year	**66,190**	54,140
– between 1 and 5 years	**14,072**	~
	99,926	112,119

19. OTHER LIABILITIES

	2015 £'000's	2014 £'000's
Derivatives at fair value (note 26)	**188**	637
Tax and social security	**843**	166
Other liabilities	**1,094**	863
	2,125	1,666

20. SUMMARY OF FINANCIAL ASSET AND LIABILITIES

2015	FVTPL/AFS £'000's	Held to maturity £'000's	Loans and receivables at amortised cost £'000's	Financial asset/ liabilities at amortised cost £'000's	Total £'000's
FINANCIAL ASSETS					
Cash	~	~	~	86	86
Collection on banks	~	~	~	6,195	6,195
Loans and advances to shareholder banks	~	~	38,748	~	38,748
Loans and advances to other banks	~	~	37,897	~	37,897
Loans and advances to customers	~	~	168,618	~	168,618
Debt securities	968	2,948	~	~	3,916
Debt securities – AFS	124,515	~	~	~	124,515
Other financial assets	439	~	~	592	1,031
Accrued income	~	~	~	2,843	2,843
	125,922	2,948	245,263	9,716	383,849
FINANCIAL LIABILITIES					
Deposits from shareholder banks	~	~	~	97,241	97,241
Deposits from other banks	~	~	~	111,826	111,826
Deposits from customers	~	~	~	99,926	99,926
Other financial liabilities	188	~	~	1,937	2,125
Accruals	~	~	~	2,392	2,392
	188	~	~	313,322	313,510

20. SUMMARY OF FINANCIAL ASSET AND LIABILITIES (CONTINUED)

2014	FVTPL/AFS £'000's	Held to maturity £'000's	Loans and receivables at amortised cost £'000's	Financial asset/ liabilities at amortised cost £'000's	Total £'000's
FINANCIAL ASSETS					
Cash	~	~	~	137	137
Collection on banks	~	~	~	5,938	5,938
Loans and advances to shareholder banks	~	~	32,338	~	32,338
Loans and advances to other banks	~	~	53,931	~	53,931
Loans and advances to customers	~	~	135,623	~	135,623
Debt securities	1,429	12,847	~	~	14,276
Debt securities – AFS	91,678	~	~	~	91,678
Other financial assets	~	~	~	229	229
Accrued income	~	~	~	3,337	3,337
	93,107	12,847	221,892	9,641	337,487
FINANCIAL LIABILITIES					
Deposits from shareholder banks	~	~	~	68,776	68,776
Deposits from other banks	~	~	~	95,827	95,827
Deposits from customers	~	~	~	112,119	112,119
Other financial liabilities	~	~	~	1,666	1,666
Accruals	~	~	~	2,905	2,905
	~	~	~	281,293	281,293

21. CALLED-UP SHARE CAPITAL

CALLED-UP, ALLOTTED AND FULLY PAID:	2015 £'000's	2014 £'000's
65,000,000 (2014: 55,000,000) ordinary shares of £1 each	**65,000**	55,000

22. SHARE PREMIUM

	2015 £'000's	2014 £'000's
At 31 December	**316**	316

23. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS AND RESERVES

	2015 £'000's	2014 £'000's
EQUITY		
Issue of ordinary shares	**10,000**	10,000
Opening share capital	**55,316**	45,316
Closing share capital	**65,316**	55,316
PROFIT AND LOSS		
Profit for the financial year	**4,647**	4,839
Profit and loss at 1 January	**6,691**	1,852
Profit and loss at 31 December	**11,338**	6,691
SECURITIES REVALUATION RESERVE		
Revaluation (losses) on AFS portfolio	**(911)**	(1,524)
Tax effect on revaluation losses	**184**	328
Opening revaluation reserve	**(1,026)**	170
Closing revaluation reserve	**(1,753)**	(1,026)

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

	2015 £'000's	2014 £'000's
Operating profit before tax	**5,968**	6,249
Interest received on debt securities	**(2,843)**	(3,176)
Increase in prepayments and accrued income	**(486)**	(1,805)
(Decrease)/Increase in accruals and deferred income	**(371)**	1,174
Profit on sale of debt securities	**(159)**	(310)
Amortisation of premiums/(discounts)	**~**	~
Depreciation	**315**	248
Fair value changes in financial assets	**36**	(89)
Fair value changes in derivatives	**50**	76
Impairment (net of recoveries)	**311**	~
Compensation received	**~**	~
Exchange adjustment	**(5,475)**	(3,549)
Operating cash flow before movement in working capital	**(2,654)**	(1,182)
Net increase in loans and advances	**(3,681)**	(68,357)
Net increase in deposits	**41,529**	55,394
Net increase in other assets and liabilities	**1,814**	496
Cash generated by Operations	**37,008**	(13,649)

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

	2015 £'000's	2014 £'000's	Change in year £'000's
Cash	**86**	137	(51)
Collections on other banks	**6,196**	5,938	258
Loans and advances to shareholder banks	**22,123**	3,692	18,431
Loans and advances to other banks	**22,889**	21,803	1,086
Deposits by shareholder banks	**(11,485)**	(20,662)	9,177
Deposits by other banks	**(7,796)**	(8,431)	635
Cash equivalents	**~**	~	~
	32,013	2,477	29,536

For 2015 and 2014 year ends the Bank did not hold any cash equivalents as defined by FRS 102. Cash equivalents are defined as short term highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value. Such investments would have a maturity of 3 months or less.

26. DERIVATIVES AT FAIR VALUE

2015	Notional Amounts £'000's	Fair Value Assets £'000's	Fair Value Liabilities £'000's
Exchange rate contracts:			
Contract or underlying principal amount			
– for dealing purposes	**47,300**	**439**	**188**

26. DERIVATIVES AT FAIR VALUE (CONTINUED)

2014	Notional Amounts £'000's	Fair Value Assets £'000's	Fair Value Liabilities £'000's
Exchange rate contracts:			
Contract or underlying principal amount			
– for dealing purposes	61,999	687	637

The Bank enters into derivative instruments for managing foreign exchange exposures.
The fair value of derivatives is included within other assets.

27. ASSETS AND LIABILITIES IN FOREIGN CURRENCIES

The aggregate amounts of assets and liabilities denominated in foreign currencies were as follows:

	2015 £'000's	2014 £'000's
Assets	**173,537**	171,958
Liabilities	**196,196**	160,842

The above assets and liabilities denominated in foreign currencies do not indicate the Bank's exposure to foreign exchange risk.

The effect of changes in foreign exchange rates on the Bank's net assets/liabilities in all relevant foreign currencies were as follows:

	2015 £'000's	2014 £'000's
Total revaluation gains on whole banking book	**5,475**	3,549
of which:		
– revaluation gains on securities at fair value	**2,727**	4,608
– revaluation gains/(losses) on all other net assets	**2,748**	(1,059)

28. RISK MANAGEMENT

i) Governance Framework

The Bank regards the monitoring and controlling of risk as a fundamental part of the management process and, accordingly, involves its most senior staff in developing risk policies and in monitoring their application. Market, credit and liquidity risks are inherent in the Bank's core business. The evaluation of these risks and the setting of policies are carried out as appropriate through the Board, Executive Committee, senior management or internal audit. During 2015 the Bank undertook a corporate governance review which included a restructuring of its Committee structure.

The Board sets the overall risk appetite for the Bank. Various committees support the Board as follows:

Audit Committee is a non-executive committee that supports the Board in carrying out its responsibilities for financial reporting and in respect of internal audit. The Committee monitors the ongoing process of the identification, evaluation and management of all significant risks throughout the Bank. The Committee is supported by Internal Audit which provides an independent assessment of the adequacy and effectiveness of the Bank's internal controls. Internal audit has direct access to the Chairman of all committees. The Chairman is an independent director.

Risk and Compliance Committee is a non-executive committee that supports the Board in carrying out its responsibilities in respect of the identification and management of issues relating to the Bank's risks and to the Bank's compliance monitoring programme.

The **Executive Committee** exercises both credit and operational authority and oversight for the Bank. It reviews credit applications falling within its agreed credit authority. These credit applications are received from the Bank's Credit department accompanied by business proposals from departmental heads. Those applications which fall outside of its delegated credit authority are recommended to the Board of Directors for final approval. The Committee is also responsible for IT and operational matters as well as implementing a risk management framework consistent with the Board's risk appetite.

28. RISK MANAGEMENT (CONTINUED)

ii) Types of derivatives and their use

Currency derivatives

The Bank uses foreign exchange swaps and cross currency swaps to eliminate currency risk on long or short currency requirements. In order to reflect the true economic impact to the Bank of the hedge, internal swaps are entered into in addition to the relevant swap with the counterparty. These derivatives are revalued daily and any change in their fair value is recognised immediately in profit and loss.

The Bank enters into foreign exchange forward contracts to cover customers' positions. Where appropriate interest rate swaps are used to eliminate interest rate risk on the Bank's fixed rate exposures.

The total notional amount of outstanding exchange rate contracts to which the Bank is committed is disclosed in note 26.

Interest rate swaps

Where appropriate the Bank uses interest rate swaps to hedge the potential exposure to adverse interest rate movements on the funding of a bond or other fixed rate asset, by converting fixed rate receipts to floating rate.

iii) Risk management

The principal risks that the Bank manages are as follows:

Credit risk (including development risk): is the risk arising from the possibility that the Bank will incur losses from the failure of customers to meet their obligations.

Liquidity risk: is the risk that the Bank is unable to meet its obligations as they fall due.

Market risk: the Bank is exposed to market risk because of its positions held in its banking and trading books, off and on-balance sheet.

Interest rate risk: is the possibility of a reduction in the value of an asset arising from a change in interest rates.

Foreign Exchange risk: is the risk that the value of the Bank's investments change, due to changes in currency exchange rates.

Other Price risk: is the risk that the value of the Bank's investment or its investment portfolio will decline in the future due to risks outside those listed above.

Operational risk: is defined as the risks associated and arising from the Bank's people, processes, systems and assets.

Regulatory risk: is the risk arising from failing to meet the requirements and expectations of the Bank's regulators, or from a failure to address or implement any change in these requirements or expectations.

Refinancing Risk: is the possibility that a borrower cannot refinance by borrowing to repay existing debt.

28. RISK MANAGEMENT (CONTINUED)

Credit risk

Key principles of credit risk management

- Approval of all credit exposures must be granted prior to any advance or extension of credit.
- An appropriate credit risk assessment of the customer and related credit facilities must be undertaken prior to approval of the credit exposure. This must include a review of, amongst other things, the purpose of the credit and sources of repayment, affordability, repayment history, ability to repay and sensitivity to economic and market developments. In relation to the structured property finance business, specifically loans for development purposes, the most significant risk faced is the ability of the borrower to complete the construction project on time and on budget. For this reason the Bank only extends this type of facility to experienced property developers.
- The Board delegates credit authority to the Executive Committee.
- All credit exposures, once approved, must be effectively monitored, managed and reviewed periodically against approved limits. Lower quality exposures are subject to a greater frequency of analysis and assessment which may include the placement onto the Bank's credit watch list.

Activities undertaken by the Bank that give rise to credit risk include granting loans to customers, placing deposits with other entities, purchasing securities, providing financial guarantees and entering into derivative contracts (foreign exchange).

The maximum exposure to credit risk for on-balance sheet and off-balance sheet financial instruments, before taking account of any collateral held or other credit enhancements, is represented as follows:

ON-BALANCE SHEET	2015 £'000's	2014 £'000's
Loans and advances to shareholder banks	**38,748**	32,337
Loans and advances to other banks	**37,898**	53,931
Loans and advances to customers	**168,618**	135,623
Debt securities	**128,431**	105,954
OFF-BALANCE SHEET		
Letters of guarantee	**82**	1,239
Letters of credit	**4,629**	7,748
Acceptances	**1,218**	436
Other commitments	**57,018**	56,396

Other commitments relate to undrawn balances on structured property finance loans.

The Bank takes collateral where a loan to a customer is a property finance transaction, either for development or investment purposes. The Bank will take a 'first charge' against the asset in question and usually also a charge over any income from the asset. At the year end the Bank held collateral valued at £396m against total customer loans of £168m.

28. RISK MANAGEMENT (CONTINUED)

Distribution of loans and advances by credit quality.

	At 31 December 2015		At 31 December 2014	
	Loans and advances to customers £'000's	Loans and advances to banks £'000's	Loans and advances to customers £'000's	Loans and advances to banks £'000's
Neither past due nor impaired	**165,895**	**76,646**	135,610	86,268
Past due but not impaired				
– loans and receivables at amortised cost:				
– less than 3 months	**~**	**~**	~	~
– 3 to 12 months	**~**	**~**	~	~
– 1 to 5 years	**~**	**~**	~	~
Impaired	**3,147**	**~**	124	~
Less: provisions	**(424)**	**~**	(111)	~
	168,618	**76,646**	135,623	86,268

Impaired assets

- *Loan and Advances to Banks*
  No additional impairment charges were made during 2015. All impaired accounts have now been fully written off.
- *Loans and Advances to customers*
  Total impaired loans to customers were £3.1 million at 31 December 2015 (2014: £0.1m) representing less than 2% of gross loans to customers. Doubt was still being expressed over the recoverability of a commercial loan extended on a partly secured basis and on a structured property finance transaction on a fully secured basis. Security taken against the commercial loan was considered insufficient to retire this outstanding loan.
- *Debt securities*
  No additional impairment charges were made during 2015 against the Bank's security portfolio.

28. RISK MANAGEMENT (CONTINUED)

The credit quality of loans and advances that are neither past due nor impaired.

	At 31 December 2015		At 31 December 2014	
	Loans and advances to customers £'000's	Loans and advances to banks £'000's	Loans and advances to customers £'000's	Loans and advances to banks £'000's
Investment grade	**~**	**22,889**	~	31,202
Non-investment grade	**~**	**26,675**	~	27,323
Unrated	**168,618**	**27,082**	135,623	27,744
	168,618	**76,646**	135,623	86,269

The credit quality of debt securities that are neither past due nor impaired.

	At 31 December 2015		At 31 December 2014	
	Government securities £'000's	Other debt securities £'000's	Government securities £'000's	Other debt securities £'000's
Debt securities by rating agency designation				
AAA to A+	**71,422**	**18,953**	43,094	9,567
A or lower	**12,548**	**24,416**	15,400	36,092
Unrated	**818**	**274**	1,169	503
	84,788	**43,643**	59,663	46,162
Impaired	**~**	**~**	~	~
	84,788	**43,643**	59,663	46,162

28. RISK MANAGEMENT (CONTINUED)

Loans and receivables at fair value through profit or loss.

2015

Maximum exposure to credit risk	Fair Value at 1 January £'000's	Change during year: Credit risk £'000's	Change during year: Other risk £'000's	Other movement £'000's	Fair Value at 31 December £'000's
Loans and advances to shareholder banks	~	~	~	~	~
Loans and advances to other banks	~	~	~	~	~
Loans and advances to customers	~	~	~	~	~
	~	~	~	~	~

2014

Maximum exposure to credit risk	Fair Value at 1 January £'000's	Change during year: Credit risk £'000's	Change during year: Other risk £'000's	Other movement £'000's	Fair Value at 31 December £'000's
Loans and advances to shareholder banks	~	~	~	~	~
Loans and advances to other banks	416	~	~	(416)	~
Loans and advances to customers	~	~	~	~	~
	416	~	~	(416)	~

Liquidity risk

Liquidity risk management within the Bank focuses on both the overall balance sheet structure and the day-to-day control, within prudent limits, of risk arising from the mismatch of maturities across the balance sheet and from undrawn commitments and other contingent obligations.

The management of liquidity risk within the Bank is undertaken within limits and other policy parameters set by the Board of Directors. During 2015 the Bank's Board of Directors approved updated liquidity policies relating to contingency funding, liquidity and funding and stress testing. Adherence to these parameters is monitored by the Executive Committee. Compliance, in respect of internal policy, is monitored and co-ordinated daily under the control of the Head of Treasury, with the regulatory requirements of the Prudential Regulation Authority (PRA) being co-ordinated by the Senior Manager, Financial Reporting.

28. RISK MANAGEMENT (CONTINUED)

Funding sources

Shareholder bank deposits and other bank deposits continue to represent the core of the Bank's funding; short-termed wholesale funds increased during 2015 by 8% to £179 million (2014: £165 million). Funding from customer accounts decreased by 11% during 2015 to £99 million (2014: £112 million).

Contingency funding

The Bank's contingency funding plan is considered as part of the Bank's Individual Liquidity Adequacy Assessment process (ILAA) which has been designed to identify emerging liquidity problems at an early stage, so that mitigating actions can be taken to avoid the potential of a serious liquidity crisis developing.

Stress testing

As part of its stress testing of its access to sufficient liquidity, the Bank regularly evaluates the potential impact from a variety of scenarios. Contingency funding plans have been established in the event of a "liquidity crisis" and management remain confident of the Bank's ability to manage its liquidity requirements effectively in all such circumstances. The Bank's stress testing policy is also considered as part of the Bank's Individual Liquid Adequacy Assessment process (ILAA).

Daily risk management

The Bank's day-to-day risk management activity is to ensure access to sufficient liquidity to meet its cash flow obligations within key time horizons out to two weeks and three months ahead. The mainly short-term maturity structure of the Bank's liabilities is managed on a daily basis to ensure that all material cash flow obligations and potential cash flows arising from undrawn commitments and other contingent obligations, can be met as they arise from day-to-day, either from cash flows, from maturing assets, new borrowing or the sale of various debt securities held (after allowing for appropriate haircuts).

The Bank monitors a range of liquidity metrics including its Liquidity Coverage (LCR), Net Stable Funding (NSFR) and Individual Liquidity Guidance (ILG) ratios on a daily basis and expects to be able to comply with the LCR and NSFR requirements by the deadlines as they fall due.

Liquid Asset Buffer

Further to the setting of Individual Liquidity Guidance (ILG) by the PRA, the Bank has both extended its funding maturity profile and established a Liquid Asset Buffer (LAB) of qualifying assets, enabling it to survive the three month stress scenarios as set by the PRA. These metrics are monitored on a daily basis. At 31 December 2015 this buffer totalled £63.3 million (2014: £39.6 million).

Cash flows payable by the Bank under financial liabilities by remaining contractual maturities

The following tables summarise the Bank's remaining undiscounted contractual maturities for its financial liabilities.

28. RISK MANAGEMENT (CONTINUED)

	On demand £'000's	Due within 3 months £'000's	Due between 3 and 12 months £'000's	Due between 1 and 5 years £'000's	Due after 5 years £'000's	Total £'000's
AT 31 DECEMBER 2015						
Deposits by shareholder banks	**8,251**	**3,634**	**78,527**	**6,751**	**~**	**97,163**
Deposits by other banks	**5,878**	**86,397**	**19,366**	**~**	**~**	**111,641**
Customer accounts	**3,983**	**15,723**	**65,972**	**13,859**	**~**	**99,537**
	18,112	**105,754**	**163,865**	**20,610**	**~**	**308,341**

	On demand £'000's	Due within 3 months £'000's	Due between 3 and 12 months £'000's	Due between 1 and 5 years £'000's	Due after 5 years £'000's	Total £'000's
AT 31 DECEMBER 2014						
Deposits from shareholder banks	20,662	39,440	8,771	~	~	68,873
Deposits by other banks	8,431	50,805	36,592	~	~	95,828
Customer accounts	5,207	52,771	54,140	~	~	112,118
	34,300	143,016	99,503	~	~	276,819

The balances in the above table will not agree directly to the balances in the balance sheet as the table incorporates all cash flows on an undiscounted basis, related to both principal as well as those associated with all future coupon payments.

Assets available to meet these liabilities, and to cover outstanding commitments include (in £'000's), cash, collections on other banks (2015: £6,196; 2014: £6,075): loans and advances to shareholder banks (2015: £38,748; 2014: £32,338) all repayable within one year (2014: all) , loans and advances to other banks (2015: £37,897, 2014: £53,931), all repayable within one year (2014: all). In addition Jordan International Bank held debt securities marketable at a value of £128.4 million (2014: £105.9 million) including £63.3 million (2014: £39.6 million) of securities classified under PRA liquidity guidelines as meeting the criteria of Liquid Asset Buffer (LAB). None of these assets were pledged to secure liabilities.

Undrawn loan commitments at 31 December 2015 stood at £57,018,000 (2014: £56,396,000).

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

28. RISK MANAGEMENT (CONTINUED)

Market risk

The Bank is exposed to market risk because of its banking and trading book positions. Market risk comprises three types of risk: currency, interest and other price risk.

Market risk is the risk that movements in market risk factors, including foreign exchange rates, interest rates and credit spreads will reduce the Bank's income or the value of its portfolios. The management of market risk is principally undertaken by the Asset and Liability Committee (ALCO) using risk limits approved by the Executive Committee (EXCO) or the Board of Directors.

Sensitivity analysis of market risk

The tables below summarise what effect a percentage change in exchange rates, against sterling, the Bank's functional currency, will have on the Bank's assets and liabilities denominated in the principal currencies (US$'s and Euros) traded by the Bank as at the reporting date.

			% change in US$/£ exchange rate			
			-10%	-20%	+10%	+20%
US DOLLARS	US$'000's	£'000's	£'000's	£'000's	£'000's	£'000's
AT 31 DECEMBER 2015						
Total assets	232,449	156,933	174,370	196,166	142,666	130,778
Total liabilities	(236,841)	(159,898)	(177,664)	(199,873)	(145,362)	(133,248)
Forward contracts	(20,390)	(13,766)	(15,296)	(17,208)	(12,515)	(11,472)
Net	(24,782)	(16,731)	(18,590)	(20,915)	(15,211)	(13,942)
Movement	~	~	(1,859)	(4,184)	1,520	2,789

			% change in Euro/£ exchange rate			
			-10%	-20%	+10%	+20%
EUROS	Eur'000's	£'000's	£'000's	£'000's	£'000's	£'000's
AT 31 DECEMBER 2015						
Total assets	6,554	4,836	5,373	6,045	4,396	4,030
Total liabilities	(49,758)	(36,714)	(40,793)	(45,893)	(33,376)	(30,595)
Forward contracts	43,213	31,885	35,428	39,856	28,986	26,571
Net	9	7	8	8	6	6
Movement	~	~	1	1	(1)	(1)

28. RISK MANAGEMENT (CONTINUED)

US DOLLARS	US$'000's	£'000's	-10% £'000's	-20% £'000's	+10% £'000's	+20% £'000's
			% change in US$/£ exchange rate			
AT 31 DECEMBER 2014						
Total assets	234,416	150,075	166,749	187,593	136,431	125,062
Total liabilities	(227,878)	(145,890)	(162,099)	(182,362)	(132,627)	(121,575)
Forward contracts	(30,349)	(19,430)	(21,589)	(24,288)	(17,664)	(16,192)
Net	(23,811)	(15,245)	(16,939)	(19,057)	(13,860)	(12,705)
Movement	~	~	(1,694)	(3,812)	1,385	2,540

EUROS	Eur'000's	£'000's	-10% £'000's	-20% £'000's	+10% £'000's	+20% £'000's
			% change in Euro/£ exchange rate			
AT 31 DECEMBER 2014						
Total assets	12,125	9,432	10,480	11,790	8,574	7,860
Total liabilities	(22,680)	(17,641)	(19,601)	(22,052)	(16,038)	(14,701)
Forward contracts	6,668	5,187	5,763	6,483	4,715	4,322
Net	(3,887)	(3,022)	(3,358)	(3,779)	(2,749)	(2,519)
Movement	~	~	(336)	(757)	273	503

Interest rate risk

Interest rate risk arises primarily from the Bank's non-trading portfolio and in particular its treasury activities and personal, corporate and institutional banking businesses.

Treasury

The Bank's treasury activities include its money market business and the management of internal funds flow within the Bank's businesses.

Private, Corporate and Institutional banking

Structural interest rate risk arises in these activities where assets and liabilities have different re-pricing dates. It is the Bank's policy to minimise the sensitivity of net interest income to changes in interest rates. A maturity gap report is produced as at month-end for all the major currencies to which the Bank is exposed.

28. RISK MANAGEMENT (CONTINUED)

Sensitivity of projected net interest income

The tables below set out the impact on future net interest income and economic values of assets of a 200 basis points upwards movement in yield curves at the reporting date in sterling and US dollars. A corresponding downwards movement would incur very similar opposite results. Other currencies have been excluded from these tables on the basis of non-materiality. The gaps shown represent the net of floating rate assets and liabilities up to 12 months.

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

	2015		2014	
POUNDS STERLING	gap £M's	£'000's	gap £M's	£'000's
Up to 15 days	**134.19**	**2,628**	124.38	2,435
15 days to 1 month	**(16.07)**	**(301)**	(0.44)	(8)
1 – 2 months	**(2.10)**	**(37)**	(6.10)	(107)
2 – 3 months	**9.16**	**145**	(11.25)	(178)
3 – 4 months	**(22.96)**	**(325)**	(17.52)	(248)
4 – 5 months	**(1.50)**	**(19)**	(15.89)	(199)
5 – 6 months	**(4.53)**	**(49)**	(12.43)	(135)
6 – 9 months	**11.99**	**90**	8.10	61
9 – 12 months	**(12.46)**	**(31)**	(3.75)	(9)
TOTAL	**95.72**	**2,101**	65.10	1,612

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

	2015		2014	
US DOLLARS	gap $M's	$'000's	gap $M's	$'000's
Up to 15 days	**0.22**	**4**	16.93	332
15 days to 1 month	**(4.22)**	**(79)**	(14.97)	(281)
1 – 2 months	**(8.88)**	**(155)**	(21.94)	(384)
2 – 3 months	**(18.72)**	**(296)**	(70.54)	(1,117)
3 – 4 months	**(41.23)**	**(584)**	(35.29)	(500)
4 – 5 months	**(23.15)**	**(289)**	(19.23)	(240)
5 – 6 months	**4.13**	**45**	(2.43)	(26)
6 – 9 months	**7.94**	**60**	10.96	82
9 – 12 months	**11.93**	**30**	5.15	13
TOTAL	**(71.98)**	**(1,264)**	(131.36)	(2,121)

28. RISK MANAGEMENT (CONTINUED)

Operational risk

Operational risk is defined as the risk arising in an organisation from:

- **People** – risks arising from an inappropriate level of staff and inadequately skilled or managed staff.
- **Process** – risk caused by inadequate or failed processes.
- **System** – risks of inadequately designed or maintained systems.
- **Assets** – risk of damage, misappropriation or theft of the Bank's assets.

This risk is mitigated through work performed via internal audit.

Regulatory risk

Regulatory risk is the risk arising from the failure to meet the requirements of regulators. To mitigate this risk the Bank remains vigilant in keeping abreast of all regulatory developments affecting risk including capital, large exposures and liquidity management.

Capital management and allocation

The framework for calculating minimum capital requirements is structured around three "pillars": minimum capital requirements, supervisory review process and market discipline.

With respect to Pillar 1 minimum capital requirements, the Bank follows the 'standardised approach'. This utilises external credit ratings to determine the risk weightings to be applied to rated counterparties, and groups other counterparties into broad categories and applies standardised risk weightings to these categories.

With regards to capital requirements for operational risk, the Bank has adopted the basic indicator approach (BIA). The capital required under the basic indicator approach is a simple percentage of gross revenues.

28. RISK MANAGEMENT (CONTINUED)

Capital management

It is Jordan International Bank's policy to maintain a strong capital base to support the development of its business and to meet regulatory requirements at all times. The principal forms of capital are included in the following balances on the Bank's balance sheet: called up share capital; share premium; securities revaluation reserve and retained earnings.

The Executive Committee (EXCO) is key to the Bank's Internal Capital Adequacy Assessment Process (ICAAP). It assesses the capital required over and above the Pillar 1 requirement to withstand all risks (Pillar 2 adjustment).

In arriving at the Pillar 2 assessment, the Committee will consider current and expected market conditions, the control environment and the risk appetite of the Bank. It will then decide on capital allocation and risk assessment accordingly. The total capital required to withstand risks arising from current and planned business is subjected to stress testing and scenario analysis. Management consider the challenge to the Bank's ICAAP as fundamental to the capital allocation process.

The PRA supervises Jordan International Bank on a solo basis and as such receives information on the capital adequacy of the Bank. In implementing the EU's Banking Consolidation Directive, the PRA requires each bank to maintain adequate capital resources to meet its various capital requirements under Pillar 1 and Pillar 2. Jordan International Bank's capital consists of Tier 1 qualifying capital only.

Tier 1

This comprises Shareholders funds including share capital, share premium, securities revaluation reserve (non-equity) and retained earnings. The PRA's rules permit the inclusion of profits/(losses) in Tier 1 capital to the extent they have been verified in accordance with the PRA's General Prudential Sourcebook. During 2015 interim post tax profits of £2.9 million were verified.

Banking book on and off-balance sheet items giving rise to credit risk are categorised into credit exposure classes with risk weighting determined by predetermined credit steps (credit rating categories). In allocating credit steps to assets in the standardised credit risk exposure classes the Bank uses Moodys as its nominated ECAI.

29. FAIR VALUES OF FINANCIAL INSTRUMENTS

Set out below is a year-end comparison of current fair values and book values of the Bank's financial instruments ("instruments") by category.

AS 31 DECEMBER 2015	Non-trading book Book value £'000's	Non-trading book Fair value £'000's
ASSETS		
Loans and advances designated at fair value through profit and loss	**~**	**~**
Other loans and receivables at amortised cost	**245,263**	**245,263**
Debt securities designated at fair value through profit and loss	**968**	**968**
Debt securities held-to-maturity	**2,948**	**2,968**
Debt securities at market valuation	**125,815**	**124,515**
LIABILITIES		
Deposits by banks and customers at amortised cost	**308,993**	**308,993**

AS 31 DECEMBER 2014	Non-trading book Book value £'000's	Non-trading book Fair value £'000's
ASSETS		
Loans and advances designated at fair value through profit and loss	~	~
Other loans and receivables at amortised cost	221,892	221,590
Debt securities designated at fair value through profit and loss	1,429	1,429
Debt securities held-to-maturity	12,847	12,898
Debt securities at market valuation	92,904	91,677
LIABILITIES		
Deposits by banks and customers at amortised cost	276,722	275,848

29. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value measurements recognised in the balance sheet

Fair values of financial assets and financial liabilities are determined as follows:

The fair values of *financial assets and liabilities* with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices. Other *non-derivative financial assets and liabilities* are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions based on quoted prices for debt securities and dealer quotes for similar instruments.

Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 – The best evidence of fair value is a quoted price for an identical asset in an active market.
- Level 2 – When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the entity can demonstrate that the last transaction price is not a good estimate of fair value (e.g. because it reflects the amount that an entity would receive or pay in a forced transaction, involuntary liquidation or distress sale), that price is adjusted.
- Level 3 – If the market for the asset is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, an entity estimates the fair value by using a valuation technique. The objective of using a valuation technique is to estimate what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations.

29. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

	2015			
	Level 1 £'000's	Level 2 £'000's	Level 3 £'000's	Total £'000's
FINANCIAL ASSETS AT FVTPL				
Debt securities	**~**	**151**	**817**	**968**
Exchange rate contracts	**439**	**~**	**~**	**439**
AVAILABLE-FOR-SALE FINANCIAL ASSETS				
Debt securities	**60,626**	**63,889**	**~**	**124,515**
FINANCIAL LIABILITIES AT FVTPL				
Exchange rate contracts	**(188)**	**~**	**~**	**(188)**
	60,877	**64,040**	**817**	**125,734**

	2014			
	Level 1 £'000's	Level 2 £'000's	Level 3 £'000's	Total £'000's
FINANCIAL ASSETS AT FVTPL				
Debt securities	~	260	1,169	1,429
Exchange rate contracts	687	~	~	687
AVAILABLE-FOR-SALE FINANCIAL ASSETS				
Debt securities	51,537	40,141	~	91,678
FINANCIAL LIABILITIES AT FVTPL				
Exchange rate contracts	(637)	~	~	(637)
	51,587	40,401	1,169	93,157

There was a transfer in 2014 from Level 1 to Level 2 of certain debt securities. The securities were corporate bonds, for which the market is less active relative to the stock market which shows a truly observable price.

Also in 2014, a transfer was made from Level 1 to Level 3 for a single security, as the valuation technique was updated to include inputs not based directly on observable market data.

Per the Bank's policy for determining when transfers between levels are deemed to have occurred, these transfer were deemed to have occurred at the end of the reporting period.

30. PENSION SCHEME

The Bank operates a defined contribution scheme. The assets of the scheme are held separately from those of the Bank in an independently administered fund. The pension cost charge of £371,310 (2014: £275,400) represents contributions payable by the Bank to the fund. All pension liabilities were fully satisfied at the year end.

31. TRANSACTIONS WITH MANAGERS

The aggregate amounts outstanding from persons of managerial grade or above at 31 December 2015 were £30,266 (2014: £35,246).

32. OPERATING LEASE COMMITMENTS

At 31 December the Bank was committed to making the following payments during the next year in respect of operating leases:

	Land and buildings	
	2015 £'000's	**2014 £'000's**
Leases which expire not later than one year	**~**	~
Leases which expire between two and five years	**391**	288
Leases which expire later than five years	**~**	~

33. CONTINGENT LIABILITIES

The Bank has contingent liabilities arising from opened and confirmed letters of credit, guarantees issued, acceptances and from undrawn commitments arising from outstanding structured property facilities.

The Bank has exposures categorised as acceptances totalling £1,218k and letters of guarantee and letters of credit totalling £4,711k. These exposures have maturity dates of less than 1 year and the Bank considers the likelihood of any outflow to be remote. Letters of guarantee total £82k and are payment guarantees issued in relation to underlying transactions in the travel and tourism industries and automotive parts supply industries.

The Bank also has undrawn loan facilities totalling £57,018k relating to the structured finance lending product. These facilities are drawn as the underlying development project proceeds towards completion and it is anticipated that the majority of the undrawn facility will be drawn before the facility matures. The exact timing of drawdowns cannot be determined as this is determined by the cash flow requirements of each project. The total contingent liability is composed of £28,833k relating to facilities expiring in less than 1 year and £28,185k relating to facilities maturing in 1 to 5 years.

34. RELATED PARTY TRANSACTIONS

Other than for the transactions with the shareholder banks included in note 7 and 16 there have been no related party transactions during 2015. All transactions with shareholder banks are undertaken on commercial terms and there have been no changes in these terms during the year. Emoluments paid to directors of the Bank during 2015 totalled £967,107 (2014: £717,057) (note 4).

Included within net interest income is £695,074 (2014: £675,794) in interest income from the Bank's shareholders and £1,468,119 (2014: £202,521) in interest expense paid to the Bank's shareholders.

35. CONTROLLING PARTY

The immediate parent and ultimate holding company, and the ultimate controlling party, is The Housing Bank For Trade & Finance, a company incorporated in Jordan.

36. POST BALANCE SHEET EVENTS

There were no significant post balance sheet events.

37. CORPORATE INFORMATION

Jordan International Bank plc is a Public Limited Company, incorporated in the United Kingdom and registered in England and Wales. Its Company Registration Number is 1814093.

The company's registered office is:

Moreau House
116 Brompton Road
London
SW3 1JJ

38. PILLAR 3 DISCLOSURES

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

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