

ARAB BANK

SUSTAINABLE FINANCE REPORT 2024



البنك العربي
ARAB BANK



arabbank.com

Success is a journey

TABLE OF CONTENTS

1.0 INTRODUCTION

PAGE. 03



2.0 ARAB BANK SUSTAINABLE FINANCE APPROACH

PAGE. 04



3.0 ALLOCATION REPORT

PAGE. 06



4.0 IMPACT REPORT

PAGE. 07



5.0 METHODOLOGY NOTE

PAGE. 09



6.0 INDEPENDENT LIMITED ASSURANCE REPORT

PAGE. 10



1.0 INTRODUCTION

1.1 About Arab Bank

Established in 1930, Arab Bank, headquartered in Amman - Jordan, has one of the largest global Arab banking branch networks, with over 600 branches covering key financial markets and centers such as London, Dubai, Singapore, Shanghai, Geneva, Paris, Sydney and Manama. The bank's products and services cover Consumer Banking and Wealth Management, Corporate and Institutional Banking, and Treasury.

The bank enjoys an excellent reputation and high level of credibility, and has earned the trust of its stakeholders.

1.2 About this Report

This is Arab Bank's first Sustainable Finance Allocation and Impact Report, which is published following the issuance of its USD 250 million Sustainable Additional Tier 1 (AT1) Capital Securities in October 2023. The report provides a detailed overview of the bank's sustainable bond issuance and is intended to be updated annually to reflect any changes in the use of proceeds. We recommend that this report should be read in conjunction with Arab Bank Sustainable Finance Framework.

Deloitte & Touche (M.E) has been engaged to provide independent third-party limited assurance on the allocation of proceeds as disclosed on page 10 of this report. For further information, please refer to the **Independent Limited Assurance Report**.

Global
Presence in
26
Countries

Global
Presence
with over
600+
Branches

Further Information on the bank's portfolio, products and geographical outreach, can be found on arabbank.com



Further Information on Arab Bank Sustainable Finance Framework, please see the following [link](#).



2.0 ARAB BANK SUSTAINABLE FINANCE APPROACH

We believe that financial services can help address climate change and create a better world for future generations. We can play a role in financing the transition to a low carbon economy, which also represents an opportunity for our business, our customers and our stakeholders. This is why we focus on financing projects that have a positive impact on the environment and the societies we work in.

2.1 Arab Bank Sustainable Finance Framework

Arab Bank established its Sustainable Finance Framework back in 2022. This pivotal step reaffirms the bank's commitment to ESG objectives. The Framework is designed to guide the issuance of sustainable debt instruments, facilitate the bank's support for projects that contribute to climate action, employment generation and also top social development issues in alignment with the United Nations Sustainable Development Goals (SDGs).

The development of the Framework has been aligned with the highest standards set forth by the International Capital Market Association (ICMA) and the Loan Market Association (LMA). It adheres to the core principles of the Green Bond Principles 2021 (GBP), Social Bond Principles 2021 (SBP), Sustainability Bond Guidelines 2021 (SBG), Green Loan Principles 2021 (GLP), and Social Loan Principles 2021 (SLP).

The Framework has four key components: (1) use of proceeds, (2) process for project evaluation and selection, (3) management of proceeds, and (4) reporting.

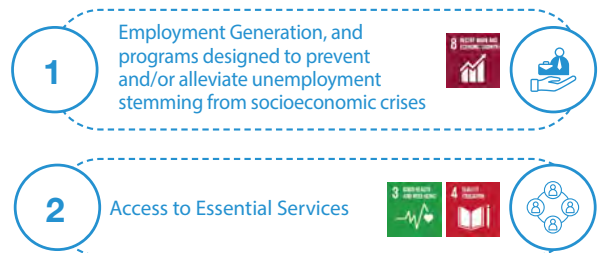
Framework External Verification

The bank has obtained a Second Party Opinion from a third-party, which affirmed the Framework's full alignment with the principles set by ICMA and LMA.

Eligible Green Categories



Eligible Social Categories



2.2 Governance of the Sustainable Finance Framework

Arab Bank established the Sustainable Finance Working Group (SuFin), which is responsible for governing and implementing the initiatives set out in the Sustainable Finance Framework.

SuFin is comprised of certain bank’s management personnel, including but not limited to: Branding, Credit, Group Regulatory Compliance, Group Risk Management, Corporate & Institutional Banking, Finance and Investor Relations.

SuFin Responsibilities include:

- Ratify Eligible Sustainable Projects.

- Ensure that all Eligible Sustainable Projects have been assessed from an environmental and social risk management perspective.
- Undertake regular monitoring of the asset pool to ensure the eligibility of Sustainable Projects with the criteria set in the Use of Proceeds, whilst replacing any ineligible sustainable projects with new Eligible Sustainable Projects.
- Facilitate regular reporting on any sustainable issuance in alignment with the bank’s reporting commitments.
- Manage any future updates to the Framework.
- Ensure that the approval of Eligible Sustainable Projects will follow the bank’s existing approval processes.

2.3 Key Highlights as of 30 June 2024



USD 266 MN

Eligible Sustainable Portfolio



155,528 TONS

of GHG emissions avoided



487 MW

Renewable energy capacity financed



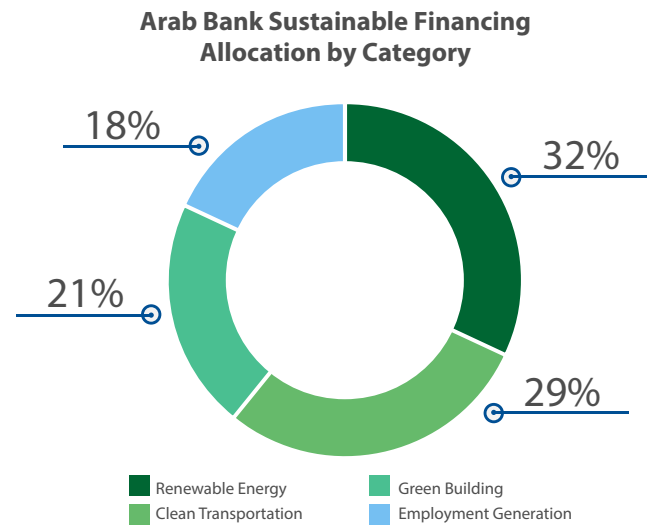
2.5 MN

Equivalent to carbon sequestered from tree seedlings grown for 10 years⁽¹⁾



USD 47 MN

Value of financing to support small businesses



Arab Bank Sustainable Financing Geographical Allocation



(1) <https://www.epa.gov/energy/greenhouse-gas-equivalencies-calculator#results>.

3.0 ALLOCATION REPORT

In October 2023 Arab Bank plc issued its first perpetual Sustainable Additional Tier 1 (AT1) Capital Securities of USD 250 million.

Issuer	Arab Bank plc
Notes	<ul style="list-style-type: none"> AT1 – Additional Tier 1 Capital Currency: USD Type: Sustainable Bond
Rank	Junior Subordinated Unsecured
Principal amount	USD 250 mn
Net Proceeds	USD 250 mn
Issuance date	10 th of October 2023
Tenor	Perpetual, next call date 10 th January 2029
Coupon	8%
ISIN	XS2528336170

3.1 Eligible Sustainable Loan Portfolio as of 30 June 2024 ⁽¹⁾

Eligible Sustainable Loan Portfolio by Category	Number of Projects	Funded (USD mn) ⁽²⁾	Sustainable Lending Portfolio (%)
Eligible Green Categories			
Renewable Energy	8	86	32%
Wind	1	57	21%
Solar	7	29	11%
Energy Efficiency	-	-	-
Clean Transportation	2	77	29%
Freight transportation	1	75	28%
EV	1	2	1%
Sustainable Water and Wastewater Management	-	-	-
Green Building	2	56	21%
Total Green Loans	12	219	82%
Eligible Social Categories			
Employment Generation ⁽³⁾	Multiple Loans	47 ⁽⁴⁾	18%
Access to Essential Services	-	-	-
Total Social Loans	Multiple Loans	47	18%
Key Indicators			
Eligible Sustainable Bond Amount	USD 250,000,000		
Sustainable Loan Portfolio (as of 30th June 2024)	USD 266,460,183		
Net proceeds of Sustainable Bond allocated to Sustainable Loan Portfolio	100%		
Eligible Sustainable Loan Portfolio allocated	94%		
Eligible Sustainable Loan Portfolio unallocated	6%		
New loans added to the portfolio post issuance of inaugural Sustainable Bond	17%		

(1) Deloitte's Limited Assurance Report in relation to the Eligible Sustainable loan portfolio and respective disclosed amounts is included in page 10.







(2) These amounts represent the Funded outstanding to loans that Arab Bank has identified as eligible sustainable loans in accordance with the bank's sustainable finance framework.


(3) As per the bank's Sustainable Finance Framework, Employment generation is stated as "employment generation, and programs designed to prevent and/or alleviate unemployment stemming from socioeconomic crises".

(4) Data considered for allocation under employment generation category only includes the "small business" segment of the bank's total SME portfolio for Jordan. For portfolio details, refer to Arab Bank's Annual Report.

4.0 IMPACT REPORT

4.1 Impact Summary

Category	Allocated Amount (USD mn) ⁽¹⁾	Annual Financed Emissions Avoided (tCO ₂) ⁽²⁾	SDGs Mapping
Eligible Green Categories			
Renewable Energy	86	147,717	 
Wind	57	95,726	
Solar	29	51,991	
Clean Transportation	77	7,811	 
Freight Transportation	75	6,268	
EV	2	1,543	
Green Buildings	56	Potential impact under consideration	 
Total	219	155,528	



Category	Allocated Amount (USD mn) ⁽¹⁾	Number of Projects	SDGs Mapping
Eligible Social Categories			
Employment Generation	47	Multiple Loans enabled	
Total	47	Multiple Loans enabled	

(1) Rounding has been reflected on Allocated amount.



(2) For Impact reflected in this report, please refer back to ICMA's Handbook on Harmonized Framework for Impact Reporting.

4.2 Impact by Project



Renewable Energy

Project Sub Category Type	Project #	Location	Allocated Amount (USD mn)	Share of Total Project Financing (%)	Project Capacity (MW)	Bank's Share of Annual Emissions Avoided (tCO2)	SDGs Mapping
Wind	Project 1	Uzbekistan	57	48%	100	95,726	
Solar PV	Project 2	Egypt	12	11%	200	31,974	
Solar PV	Project 3	Morocco	0.6	7%	20	1,590	
Solar PV	Project 4	Morocco	1.2	5%	84.5	5,489	 
Solar PV	Project 5	Morocco	1.2	5%	71.5	4,171	
Solar PV	Project 6	Palestine	2	67%	4.5	3,105	
Solar PV	Project 7	Palestine	5	87%	6.2	5,661	
Solar PV	Project 8	China	7	4%	Environmental impact under consideration		


Clean Transportation

Project Sub Category Type	Project #	Location	Allocated Amount (USD mn)	Share of Total Project Financing (%)	Bank's Share of Annual Emissions Avoided (tCO2)	SDGs Mapping
Freight Transportation	Project 9	UAE	75	2%	6,268	 
EV	Project 10	UAE	2	100%	1,543	

Green Buildings

Project Sub Category Type	Project #	Location	Allocated Amount (USD mn)	Share of Total Project Financing (%)	Impact	SDG Mapping
Green Building Construction	Project 11	UAE	28	18%	LEED Gold Certification	 
Green Building Construction	Project 12	UAE	27	16%	LEED Gold Certification	

Social Loans

Project Type	Project #	Location	Impact (USD mn in Financing)	SDG Mapping
Employment Generation	Multiple Loans	Jordan	47	

5.0 METHODOLOGY NOTE

General Guidance

All data points related to the allocated amounts reported are as of 30th June 2024.

Arab Bank's impact indicators are informed by ICMA's Harmonized Framework for Impact Reporting 2024⁽¹⁾ and the bank's Sustainable Finance Framework⁽²⁾. The bank's impact assessment methodology is aligned with the Partnership for Carbon Accounting Financials (PCAF)⁽³⁾ and Greenhouse Gas Protocol⁽⁴⁾ to calculate avoided emissions.

Arab Bank's impact report covers the anticipated impacts of projects under construction and verified impacts of projects in operation.

The environmental impact reported is calculated in proportion to Arab Bank's financing share of the total project cost.

Renewable Energy

For emissions avoided by Renewable Energy Projects, it is assumed that the energy generated by such projects shall avoid emissions that would otherwise be in line with grid emission factors of the relevant country. The emissions of renewable energy project are often (but not always) zero.

When available, actual energy generation (MWH /GWH) is used and emissions avoided data are based on impact reports or publicly available data as reported by relevant projects and companies. If such data is not available, project technical reports are used or global capacity factors and country level grid emission factors are applied from International Renewable Energy Agency (IRENA)⁽⁵⁾ and the European Investment Bank respectively⁽⁶⁾.

Clean Transportation

For emissions avoided by Clean Transportation Projects, the borrower's submitted verified emissions data or models were used, provided such data or models has been assured by a third party.

For emissions avoided by electric vehicles, data provided by the borrower and transport emissions tools provided by GHG protocol were used to calculate the baseline emissions (non-EV vehicles). From the baseline emissions, the corresponding emissions by EVs were subtracted based on publicly available data reported by the manufacturer and grid emission factors published by European Investment Bank.

Green Building

For the Green Building Projects, the bank relied on the project obtaining the LEED certification as outlined in the bank's Sustainable Finance Framework. Although these projects have not yet been completed, the bank exercise additional due diligence by obtaining interim reports from third-party auditors that demonstrate progress toward achieving certification.

Social Loans

For Eligible Social Finance Portfolio, funded facilities for "small business" segment within the bank's SME portfolio for Jordan were considered based on internal segmentation criteria and Central Bank of Jordan definition.

In accordance with the bank's Sustainable Finance Framework and availability of data points, the bank applied exclusions to total portfolio to derive the eligible portfolio, which included, applicable look period for the bond, credit performance status, excluded sectors for sustainable classification and soon to mature facilities.

(1) <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-hand-books/green-bond-principles-gbp/>

(2) <https://www.arabbank.com/mainmenu/home/sustainability/sustainable-finance-frame-work>

(3) <https://carbonaccountingfinancials.com/en/standard>

(4) <https://ghgprotocol.org/>

(5) <https://www.irena.org/Publications>

(6) <https://www.eib.org/en/publications/20220215-eib-project-carbon-footprint-method-ologies>

6.0 INDEPENDENT LIMITED ASSURANCE REPORT



Deloitte & Touche (ME) – Jordan
Jabal Amman, 5th Circle
190 Zahran Street
Amman 11118, Jordan

Tel: +962 (6) 5502200
Fax: +962 (6) 5502210
www.deloitte.com

Independent Limited Assurance Report to the Directors of Arab Bank

We have been engaged by the Directors of Arab Bank (the “Bank”) to perform a limited assurance engagement relating to the Bank’s Sustainable Finance Report as at 30 June 2024 (the “Report”) which discloses the use of proceeds of the Sustainable Bond issued on 10 October 2023 and the Eligible Loan Portfolio Key metrics (the “Selected Information”).

Use of report

This report is made to the Directors of the Bank in accordance with the International Standard on Assurance Engagements ISAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and assurance Standards Board (IAASB) (“ISAE 3000 (Revised)”) and our agreed terms of engagement. Our work has been undertaken so that we might state to the Directors of the Bank those matters we are required to state to them in this limited assurance report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Bank and the Directors of the Bank for our work, for this report, or for the conclusion we have formed.

Our conclusion

Based on our work as described in this report, nothing has come to our attention that causes us to believe that the Selected Information, as presented on page 6 of the Report which discloses the reported use of the proceeds of the bond, has not been prepared, in all material respects, in accordance with the applicable criteria defined within the Report (the “Eligibility Criteria”).

Respective responsibilities

The Bank’s management is responsible for:

- Establishing Eligibility Criteria for preparing the Selected Information;
- Designing, implementing and maintaining internal processes and controls over information relevant to the preparation of the Selected Information that are free from material misstatement, whether due to fraud or error; and
- Measuring and reporting the Selected Information based on the Eligibility Criteria.

Our responsibility is to express a conclusion on the Selected Information based on our procedures. We conducted our engagement in accordance with ISAE 3000 (revised), in order to state whether anything had come to our attention that causes us to believe that the Selected Information has not been prepared, in all material respects, in accordance with the applicable criteria as defined within the Report.

Our procedures consisted primarily of:

- Performing enquiries with management to understand how the Eligibility Criteria has been applied in the preparation of the Selected Information;
- Obtaining an understanding of the key systems, processes and controls for managing and reporting the Selected Information;
- Inspecting issuance documentation to confirm the total reported value of net proceeds;
- Inspecting minutes of the Sustainable Finance Working Group to confirm the value of portfolio allocations during the period and that allocated projects were considered against the eligible categories and approved;
- Substantive testing to confirm that a sample of identified assets from the approved listing were funded in line with the approach set out in the Eligibility Criteria;
- Obtaining a listing of assets to confirm this is consistent with the disclosure relating to proportion of total proceeds refinanced;
- For a sample of assets inspecting operational records or other appropriate project documentation to confirm the percentage share of refinancing vs. new financing; and
- Accumulating misstatements identified and assessing whether material.



Applicable Criteria

The Eligibility Criteria is published within the Report and is based on the Arab Bank Sustainable Finance Framework 2022 (the "Framework"). The self-defined applicable criteria; the nature of the Selected Information; and absence of consistent external standards allow for different, but acceptable, measurement methodologies to be adopted which may result in variances between entities. The adopted measurement methodologies may also impact comparability of the Selected Information reported by different organisations and from year to year within an organisation as methodologies develop.

Inherent limitations

Our engagement provides limited assurance as defined in ISAE 3000 (revised). The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement and consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Inherent limitations exist in all assurance engagements due to the selective enquiry of the information being examined. Therefore fraud, error or non-compliance may occur and not be detected. Our work does not involve testing the operating effectiveness of controls over the underlying data, nor have we sought to review systems and controls beyond those relevant to the Selected Information.

Our independence and competence

In carrying out our work, we have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants ("IESBA Code"), which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour and the ethical requirements that are relevant in Jordan. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

In performing our work, we applied International Standard on Quality Management (ISQM) 1 and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

Deloitte & Touche (M.E) – Jordan 10

October 2024

Deloitte & Touche (M.E.)
ديلويت اند توش (الشرق الأوسط)
010105

DISCLAIMER

This report includes forward-looking statements based on current beliefs and expectations about future events. Forward-looking statements include projections and estimates. Forward-looking statements are not guarantees of future performance, results or occurrences and are subject to inherent risks, uncertainties and assumptions about Arab Bank investments, developments, banking industry trends, changes in political, social and/or economic conditions globally, in particular energy prices, technological innovations, climate-related events and other unforeseen events or conditions.

Those events are uncertain; their outcome may differ from current expectations which may in turn significantly affect expected results. Actual results may differ materially from those projected or implied in these forward-looking statements. Any forward-looking statement contained in this report speaks as of the date of this report. Arab Bank undertakes no obligation to publicly revise or update any forward-looking statements in light of new information or future events.

The information contained in this report as it relates to parties other than Arab Bank or derived from external sources has not been independently verified and no representation or warranty expressed or implied is made as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of the information or opinions contained herein.

Neither Arab Bank nor its representatives shall have any liability whatsoever for any loss however arising from any use of this report or its contents or otherwise arising in connection with this report. Arab Bank, its affiliates and its representatives expressly disclaim any liability and responsibility for any decisions or actions which you may take and for any damage or losses you may suffer from your use of or reliance on this report.

You are advised to exercise your own independent judgment (with the advice of your professional advisers as necessary) with respect to the risks and consequences of any matter contained in this report.



البنك العربي
ARAB BANK

البنك العربي
ARAB BANK

بنك عربيا

بنك عربيا