Company registration no. 06621225

FCMB Bank (UK) Limited

Annual Report and Financial Statements

For the year ended 31 December 2022

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Officers and Professional Advisers

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Company Information

Directors	**Position**
Frank A. le Roex	Non-Executive Director and Chairman
Colin Fraser	Executive Director and Chief Executive Officer
Balchandra Achary	Executive Director and Deputy Chief Executive Officer
Derren Sanders	Executive Director and Chief Financial Officer
Ladipupo O. Balogun	Non-Executive Director
Gerald O. Ikem	Non-Executive Director (alternate to Ladipupo. O. Balogun)
Roger Ellender	Non-Executive Director
Amy Kirk	Non-Executive Director
Charles N. Rouse	Non-Executive Director
Richard P. Jones	Non-Executive Director

Company Secretary
Balchandra Achary

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81 Gracechurch Street
London
EC3V 0AU

Independent Auditor
Mazars LLP
30 Old Bailey
London
EC4M 7AU

Bankers
Standard Chartered Bank
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EC2V 5DD

Citibank N.A.
399 Park Avenue
New York
NY 10022

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The Directors present their Strategic Report for FCMB Bank (UK) Limited ("the Bank") for the year ended 31 December 2022.

Review and Analysis of Business Activities and Developments

The Bank is domiciled in the UK, operates from a central London office and undertakes the following business activities across Sub-Saharan Africa and other geographies, with a particular focus on Nigeria.

- Deposit Taking (including operating / current accounts for key customers)
- Trade Finance – Primary and Secondary markets
- Commercial Lending
- Buy to Let Loans
- Other Personal Loans
- Investment in Bonds and Fixed income Securities
- Treasury Operations – Money Market and Forex
- Digital wallets, current accounts and payments mechanisms are also planned to be launched during 2023 as part of the "Rova" initiative noted below and shown as the digital banking project in the notes to the financial statements.

The Bank has reported consistent and growing profitability in the past eight years prior to 2022, with one exception of a loss in 2020 due to the challenging macro-economic conditions as a result of Covid- 19, a partial loan write off, and higher Expected Credit Loss ("ECL") provisions.

The Bank has built on the momentum from 2021 despite international economic pressures, seeing growth in its key businesses. Capital usage and liquidity management process and efficiency have been strengthened. Liquidity management has seen enhanced monitoring and diversification to a broader range or sources, which have proven both more liquid and more cost efficient overall. This includes further exposure to retail deposits through increased use of aggregator platforms and direct funding.

Continued progress was also made to broaden trade and corporate relationships with financial institutions and other counterparties through Master Risk Participation Agreements to assist in managing increased funding and liquidity. The Bank has also commenced arranging syndicated trade transactions for key counterparties.

The Bank continues to maintain a vigilant and pro-active focus on managing risk during the year as economic conditions in Nigeria, certain other West African countries, the UK and internationally remained challenging. A significant portion of the Bank's growth was delivered through an opportunistic approach to increasing market share in trade finance, with suitable risk-adjusted yields. Income from non-group counterparties now accounts for 91% of total income. Reliance on Nigeria has been further reduced, with diversification into other geographies in Sub-Saharan Africa such as Ghana, Kenya, Tanzania, Senegal, Rwanda, Cote d'Ivoire and other emerging markets such as Turkey, Vietnam, and Bangladesh.

The treasury operations of the Bank have successfully managed to grow liquidity and funding by establishing a broader network of international correspondent banking relationships, deposit aggregators and investment managers. The Bank has built a platform from which it can trade in money market deposits, the fixed income market and foreign exchange. A broader range of investments was undertaken during the year, including diversification of High Quality Liquid Assets ("HQLA") investments, in accordance with a careful risk assessment of new opportunities. Developments in technology automation has contributed to efficient, daily liquidity and interest rate risk in the banking book

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forecasting, helping to deliver strong performance on net interest income. We have also deepened the Bank's access to liquidity, further enhancing our ability to manage currency risks and liquidity risks.

Future Developments of the Business

The Bank believes in taking a proactive approach to its long-term strategy, including through prudent risk management, whilst being positioned to respond promptly in a balanced manner to short-term market fluctuations and events. Strategic discussions are held regularly at both Management and Board levels in order to review and refine the approach. Key medium term strategic priorities are agreed for the business and monitored through both an annual Balanced Scorecard and a longer-term Objectives & Key Results (OKRs) methodology, in line with the Group's approach.

In addition, a Strategic Offsite is held each year jointly between Management and the Board to assess wider market opportunities and long-term developments. These discussions include reviews of existing and new markets, potential product diversification, opportunities for internal efficiency, and the efficient use of resources, including capital, personnel, IT infrastructure and technology.

The Bank expects to enhance its proposition in 2023 through the deployment of digital technology to personal banking solutions, which it has invested in over recent years and an automated FX platform capability for clients. Further investment in enhancing customer service and the efficiency of processes is also expected in order to position the Bank as the bank of choice for its broad customer base. The Bank is also looking to further diversify its Trade Finance business through initiatives that absorb proportionally less capital, and also looking at other potential target markets which fit within its risk appetite.

During 2023, the Bank expects to deploy its automated financial regulatory reporting package, which has been under development throughout 2022. This will enhance efficiency and reduce manual efforts.

Financial Results at the Reporting Date

The Directors are presenting the Bank's financial statements under UK-adopted international accounting standards (International Financial Reporting Standards) in conformity with the requirements of the Companies Act 2006.

The profit before tax for the year ended 31 December 2022 was $2.95 million (2021: profit $1.12 million). Gross interest income increased by $7.71 million or 69% due to efficient deployment and diversification of balance sheet assets, utilising Tier 2 capital raised at the start of the year, HQLA diversification, and assisted by the rising interest rate environment throughout 2022. Interest expense also increased by $1.58 million (55%). Despite the rising interest rate environment, overall cost of funding (CoF) was controlled through effective balance sheet management by taking longer term funding to mitigate the inevitable increase in interest expense, as well as effective deployment of overnight funding through the Bank's HQLA diversification initiative (2022 CoF: 1.22%, 2021: 1.02%).

Customer fee and other income, which includes fees for Retail, Corporate banking, and Trade services, as well as Income from FVTPL Fund Investments and Gains on trade finance assets, increased by 21% to $2.64 million (2021: $2.19 million) largely due to an increase in other income from fund investments.

Operating expenses increased by $1.75 million to $13.46 million (15%) due to increased investment in the core business, as well as continued build out of the Bank's Digital Banking proposition, with strong support from the Group.

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The Bank continues to report healthy capital ratios and closed the year with a CET1 capital ratio of 16.4% (2021: 17.3%), and a total capital ratio of 20.2% (2021: 19.3%). During the year significant steps were taken to manage and improve capital efficiency by way of redistribution of risk weighted assets with the aim to reduce the average risk weighted assets in the Bank's credit portfolio. The Bank also strengthened the capital base, building on the Tier 2 capital of $5 million at December 2021, with a further raise of $4.6 million 2022. Detailed disclosures are available in the Bank's Pillar 3 statement which is available on the Bank's website.

The Bank's total assets as at 31 December 2022 stood at $515 million (2021: $402 million) growing by 28% during the year and benefitting from the increased deposit base noted above being efficiently deployed into risk assets and through HQLA diversification initiatives.

Credit Risk and Expected Credit Loss Provision

Credit risk management continued to be strong, with no realised credit losses. However, due to the global economic headwinds, including specifically in Ghana, there was a significant increase in the Expected Credit Loss (ECL) provision of $2.51 million (2021: $0.08 million).

The Bank's ECL provision is calculated in accordance with International Financial Reporting Standard 9. In applying this, the Bank utilises sophisticated ECL models which reflect present economic conditions and forward-looking data.

These ECL models are regularly reviewed and updated to ensure emerging trends in best practice are considered, and that there is an appropriate level of depth and alignment to the current economic landscape.

As at 31 December 2022, the ECL provision was:

	$ million
Provision b/f at 31 December 2021	0.71
Provision increase during the year based on consistent methodology	2.07
Additional provision re changes to data inputs	0.44
Total provision as at 31 December 2022	**3.22**

Management calculated a total provision as at 31 December 2022 of $2.78 million. This was calculated consistently from year to year and in accordance with the Bank's ECL model used in 2021 (as updated). However, after further review and consultation, it has been agreed that the ECL calculation would be revised to include an alternate approach to data input sets. This has resulted in the identification of an additional $434,000 ECL provision, which has ultimately been included by the Directors.

Key Performance Indicators

The following are key performance indicators for the Bank:

	2022 $ million	2021 $ million	Change
Net operating income	16.41	12.84	+28%
Total operating expenses	13.46	11.71	+15%
Profit / (Loss) before tax for the year	2.95	1.12	+163%
Net Interest margin	3.22%	2.12%	+100 bps
Total capital ratio	20.2%	19.3%	+90 bps
Total assets	515.06	402.45	+28%

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Regulatory Capital

	31 December 2022 $ million	31 December 2021 $ million
Tier 1 capital		
Share capital	48.90	48.90
Retained earnings and other reserves	(7.17)	(5.41)
Deduction of intangibles	(0.39)	(0.29)
Other capital adjustments	(2.63)	(0.28)
Tier 2 capital	9.60	5.00
Total regulatory capital	48.31	47.92

The total regulatory capital requirement as at 31 December 2022 (including all buffers) was $41.11 million (2021: $43.01 million).

The liquidity coverage ratio as at 31 December 2022 was 560% (2021: 205%), against the regulatory requirement of 100%.

Disclosures of information recommended under Basel, Pillar 3 are available at the Bank's registered office and also on the website www.fcmbuk.com .

Board Engagement with Stakeholders and S. 172 (1) Statement

Section 172 of the Companies Act 2006 requires a Director of a Company to act in the way he or she considers, in good faith, which would be most likely to promote the success of the Company for the benefit of its members as a whole. In doing this, section 172 requires a Director to have regard, among other matters, to: the likely consequences of any decision in the long term; the interests of the Company's employees; the need to foster the Company's business relationships with suppliers, customers and others; the impact of the Company's operations on the community and the environment; the desirability of the Company maintaining a reputation for high standards of business conduct; and the need to act fairly with members of the Company.

The Directors consider these factors in discharging their duties under section 172. During 2019, the Board undertook an extensive Corporate Governance Review which enshrined the UK Corporate Governance Code as best practice for the Bank, which is reaffirmed for 2022. The review benchmarked the best and proportionate governance arrangements across diversity, equality, inclusion, conflicts of interest management, information disclosures, climate change readiness, board composition and committee structures, aiming to treating all customers and stakeholders fairly. In addition, following the FCA's publication of its Consultation Paper on Consumer Duty, the Board has instigated a senior working group to review its approach and ensure appropriate and timely implementation, overseen by a Consumer Duty Champion from the Board.

Employees

The Bank treats its employees as the fundamental resources of the business. Diversity, Equality, and Inclusion (DEI) are at the heart of the Bank's Human Resources Policies, including recruitment and development. The Bank has a DEI champion in the Bank to ensure this topic gets the focus it deserves.

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During the year, as directed and approved by the Board, the Bank implemented further revisions and enhancements to its Human Resources policies with the goal of ensuring that all staff are managed, trained and developed, motivated and protected in a consistent manner. The Bank utilises an HR support service with an online information portal containing all staff information, policies and a full range of information on training, leave and absences. This portal also provides access to an employee assistance helpline including support for mental health issues. The Bank also continues to utilise independent third-party services for whistleblowing, should an employee feel this is appropriate.

Further embedding a culture of development and feedback, the Bank undertook its annual comprehensive anonymous employee feedback survey during the year, using an employee net promoter score methodology and written feedback. This approach is aligned to that utilised across the Group and provides valuable insights into the perceptions, needs and expectations of all employees. Management have reviewed the results of the survey with employees and have created an action plan to address key themes. Further, the Bank continues to provide opportunities and encourage employees to develop and enhance their personal and professional skills through various internal and external training programmes as well as through professional training programmes and certifications. The Bank is also in the process of conducting a culture audit and HR transformation programme to further improve the culture of the Bank.

Various Board members attended the EXCO, Credit Committee, ALCO, and Risk and Compliance Committee meetings during the year and spent time interacting with the employees outside these meetings. In addition, monthly town hall meetings are held, wherein the CEO and other Board and EXCO members brief staff on Board deliberations, the Bank's direction and key performance issues, ensuring a strong tone from the top.

The Bank has provided benefits to employees such as Group Life Cover Scheme, Group Income Protection Scheme, and a Private Health Care Scheme which includes an Employee Assistance Program.

Customers

The Bank recognises the significance of good and efficient customer services, delivery and relationship management. The centrality of customer is enshrined in the product development, marketing, governance and customer onboarding processes of the Bank. The Bank is focused on ensuring its products and service delivery lead to positive and beneficial outcomes for its customers, clients and counter-parties.

The Bank continues to undertake reviews of its AML, KYC, and financial crime management processes: such reviews also take into consideration customer experience wherever possible. The Bank is also exploring the digitisation of the customer onboarding process to further address any customer pain points. The Bank is focused on delivering high standards of business conduct and management have spent considerable time driving improvements in the past year.

The Board and executive level committees receive monthly management information covering key aspects of customer engagement, information on the treatment of customers (re "treating customers fairly"), including customer complaints and financial performance. Various representatives from the Bank attend and address customer events, including sponsoring customer driven initiatives. Occasionally, non-executive members of the Board also participate in such events.

Regulators

FCMB Bank (UK) Limited is a small, regulated Bank with deposit taking permissions. Proactive communication and information sharing with the PRA and the FCA take place at regular frequencies, in

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addition to the structured periodical regulatory reporting. The executive management meets the relationship team at the PRA at least on an annual basis for a strategy review. The independent Non-Executive Directors are invited to attend training programmes and other briefing sessions conducted by the PRA.

During the year, the Bank completed its program to transition from LIBOR to Alternative Risk-Free Rates, which was overseen and monitored in ALCO. The Bank also produced a comprehensive cyber security strategy during the year, which will continue to be enhanced, and is also working through its operational resilience programme, being on track to meet all related regulatory deadlines.

The Bank is particularly focused on the following items for the upcoming year, for all of which EXCO and / or RCC have oversight of:

- Financial Resilience – monitored in ALCO & Performance Management Committee
- Operational Risk and Resilience – monitored in OPCO and third-party oversight
- Culture and conduct across all employees and their impact on customer service – monitored through both RCC and EXCO
- Financial Risks arising from Climate Change and ESG – monitored by SMF role holder with a Working Group set up to assist the purpose
- Consumer Duty – monitored by a dedicated Consumer Duty working group which feeds into RCC and EXCO
- Diversity and Inclusion (D&I) – the Bank has appointed a D&I champion
- Model Risk Management
- Ad hoc Regulatory priorities and guidance from Regulators e.g. provided in Dear CEO Letters

Corporate Governance

Good corporate governance is fundamental to the long-term success of the Bank. The Board is responsible for the governance of the Bank and is aware of the prudential and conduct related regulatory agenda in the United Kingdom.

The Bank has a Board approved Corporate Governance Manual ("CGM") and remains committed to adhering to best practice corporate governance principles.

The CGM contains a list of all Controlling Documents which Management and the Board review annually and update as required through Board, Board Credit Committee (BCC), Board Audit Committee (BAC), Board Risk and Compliance Committee (BRCC) and Remuneration and Peoples Committee (REMCO) respectively as per their terms of references. During the year the Board Audit and Risk Committee was bifurcated into Board Audit Committee and Board Risk and Compliance Committee with separate chairs.

The Board and its committees BAC, BCC, BRCC, REMCO meet a minimum of four times a year. Additional meetings are also held when necessary. The schedules of the meetings are agreed with the Chairman of the Board and the Committees and the agenda papers are circulated in advance.

The Board has delegated the day-to-day management and business of the Bank to the executive management and the following executive level committees:

1. **Executive Committee ("EXCO")** - The EXCO is mandated to take all steps necessary to conduct the day-to-day business of the Bank within the confines of the Board approved strategy, risk appetite, policies, operating plans and budgets. It meets on a monthly basis and additional meetings are held as the work of the EXCO demands.

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2. **Risk & Compliance Committee ("RCC")** - The RCC reviews and monitors the risks the Bank is facing across its business lines, products and geographies against the Board approved risk appetite and more generally, to establish policies and procedures and identify solutions to minimise or mitigate those risks. It meets on a monthly basis and additional meetings are held as the work of the Committee demands.

3. **Management Credit Committee ("MCC")** - This Committee has been delegated the responsibility by the Board to approve, oversee and scrutinise the Bank's credit risk. It meets on a monthly basis and additional meetings are held as the work of the Committee demands.

4. **The Assets and Liabilities Committee ("ALCO")** – The ALCO is delegated the responsibility to manage the Bank's market, liquidity and balance sheet (asset and liabilities) risks. It meets on a monthly basis and as and when the work of the Committee demands.

5. **Operations and IT Committee ("OPCO")** - The OPCO is authorised to review, monitor and prioritise major IT projects of the Bank from a cross-functional perspective and in line with the directives of the Board and regulations, review the Bank's day to day operations support, and oversee the Bank's approach to outsourcing, procurement and continuity. It meets on a monthly basis.

In order to maintain an understanding of evolving best practice, the non-executive directors periodically attend certain executive level committees to facilitate deeper understanding and oversight of key business issues.

As a part of its governance approach, the Bank has set up informal steering committees attended by senior managers, subject matter experts, or stakeholders who provide strategic oversight and guidance to one or more projects being undertaken by the Bank. Currently, the Bank operates:

- **Rova Steering Committee ("Rova SteerCo")** – To provide strategic oversight of developing the digital banking project 'Rova' which has been initiated by the FCMB Group. It consists of members of the parent, Group and the Bank executive and Board members alongside the General Manager, Rova Global and other staff. It meets on a monthly basis to review and steer the project.
- **Integration Committee (Rova)** – This is an informal committee consisting of the Bank executives and the 'Rova' implementation team and oversees the integration of the activities with the BAU of the Bank as the activities for the controlled and actual launch of the mobile app-based product are progressing.
- **Performance Management Committee ("PMC")** – The performance management committee is an informal forum to provide and discuss the weekly review of the Bank's financial position, capital usage, liquidity availability, cost of funds, pipeline transactions, and any other performance matters.

Review of REMCO work during the year

- A Balanced Scorecard, with measurable and judgment-based outcomes for EXCO, was discussed and approved for implementation.
- The Committee discussed the cost of living crisis and approved pay increases to staff.
- An internal Board Effectiveness Evaluation was carried out during the year and the findings were discussed at the Board. The Board's performance was found satisfactory. The Board charter recommends an independent review every third year.
- The Committee commenced a search for an independent Non-Executive Director position that will be vacated at the end of June 2023, and approved the appointment of an independent NED starting in April 2023.
- The Committee considered the Boards Skills Matrix and identified training areas for implementation.

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- Approved updates to the Management Responsibilities Map to include Rova governance and certain individuals' statements of responsibilities under the Senior Managers and Certification Regime ("SMCR").
- The findings of the employee Net Promoter Score was presented and discussed at the REMCO.
- The Committee discussed and agreed the succession planning arrangements.
- Culture audit of the Bank was discussed, and it was agreed to carry this out in early 2023.
- Agreed further reinforcement of staff training and CPD.
- An HR transformation project was considered and approved.

Review of Board Risk and Compliance Committee (BRCC) work during the year

- The Committee reviewed various policies such as Risk Management Framework, Risk Appetite Statement, ICAAP, ILAAP, Recovery Plan, Resolution Pack and Solvent Wind Down Plan, Financial Crime and Anti Money Laundering policies during the year. This suite of documents is a subset of the Bank's Controlling Documents that are reviewed annually as set out in the Corporate Governance Manual.
- The Committee reviewed and discussed the Bank-Wide Financial Crime Risk Assessment.
- A cybersecurity strategy was considered and approved.
- A host of policies developed for the proposed digital banking app 'Rova' were considered and approved as a subset of the Bank's policies.
- The Committee continued to review compliance and risk MI throughout the year and provided guidance/challenge where relevant.
- The Committee discussed the approach to interest rate risk management.
- The Committee reviewed the Bank's Climate Change plan which takes in to account Governance, Risk Management, Scenario Analysis and Disclosure along with ESG. The Bank has appointed a designated SMF role holding executive to manage this Risk as required by the PRA and has instituted a Working Group on Climate Change and ESG.
- A joint committee meeting with BAC considered and approved the ECL model output including the staging of exposures.
- It considered the Annual MLRO Report and the Annual Compliance Report from the Chief Risk and Compliance Officer.

Review of Board Credit Committee (BCC) work during the year

- The Committee reviewed the credit portfolio of the Bank on a quarterly basis.
- It reviewed and approved country risk limits.
- It reviewed the Credit Policy and recommended for Board approval.
- It sanctioned credit proposals under the delegated authorities.
- The Committee reviewed and discussed the monitoring approach for watch list countries and counterparties.

Review of Board Audit Committee (BAC) work during the year

- The Committee engaged with external auditors, outsourced Internal Auditors and the Group Internal Audit team during the year.
- Considered and approved the re-appointment of Mazars LLC as the statutory auditors for 2022.
- The Committee considered and approved the appointment of Grant Thornton as the outsourced internal auditors of the Bank thus replacing Crowe LLP after 10 years.
- It approved the Internal Audit Plan for the year.

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- The members received and reviewed the periodic internal audit reports from the outsourced internal audit and the Group Internal Audit.
- The Committee monitored compliance with the findings/observations in the audit reports which have largely been satisfactory. A joint committee meeting with BRCC considered and approved the ECL model output including the staging of exposures.

Risk Management

Based on its strategic business and operational objectives, the Bank is exposed to a wide range of risks such as credit, liquidity, market, currency, operational, strategic and regulatory risks. The Board considers that effective risk management is critical to the achievement and sustainability of the Bank's strategic business objectives.

A robust and proportionate enterprise-wide risk management framework has been built to support the governance process with various management committees that have clearly defined terms of references and individuals having specific responsibilities. The risk management practices are integrated and structured to identify, measure, monitor, anticipate and develop suitable mitigants to risks that may affect the achievement of the Bank's objectives.

Responsibility for risk management policies, limits and other measures of risk appetite lies with the Board through BRCC which has further delegated responsibility for developing, implementing and updating these policies, control systems and limits to the RCC and executives such as the Chief Executive Officer, Deputy Chief Executive Officer, Chief Financial Officer, Chief Risk and Compliance Officer and the senior management team. The risk management framework and risk appetite statement are reviewed and updated as part of an annual review process and as and when necessary and approved by the Board/BRCC.

The Board along with various management level committees provides appropriate support to assess the implications of the economic performance of the target markets, socio-political developments, and changes in the regulatory environment on the business in order that the strategic direction of the risk management framework is current and, as far as possible anticipates events so that corrective actions are taken in a timely manner.

BRCC also provides management with clear comprehensive and unbiased analysis of the adequacy, existence and effectiveness of internal controls and risk processes.

More detailed disclosures relating to the Bank's principal risks and uncertainties along with the manner in which these are measured and managed are contained in Note 24 to the financial statements.

Management of climate change risks and ESG

The Bank has taken note of the expectations of the PRA in managing climate change risks and has initiated actions to address this in a proportionate manner given its size and exposures. The Bank is committed to playing its part in contributing to, facilitating and leading this across business lines and markets, particularly in African business. Climate-related risk considerations are integrated into multidisciplinary, Bank-wide management processes and risk appetite, cutting across risk frameworks. The Bank recognises that the process is continuing and has a long implementation trajectory. The Bank has taken various proportionate steps to assist its measurement and management of its approach to reduce the financial risks of climate change associated with financing of clients. This approach is not solely focused on the next few years but, rather, 10,20,30 years ahead in alignment with global net zero

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objectives by 2050. The Bank also plans to use sector-specific transition frameworks to help and guide its financing of activities which support net zero climate goals.

The Bank supports the recommendations of the Taskforce on Climate-related Financial Disclosure (TCFD), structured around four central elements – Governance, Strategy, Risk Management and Metrics and targets.

The Board has appointed the DCEO as the SMF with overall responsibility for managing this risk, he has delegated the day-to-day management to the Credit Department and other relevant functions. A Climate Change Working Group has been established with membership representing Bank's business lines and control functions. The mandate of the Working Group was expanded during the year to include ESG and it was renamed the Working Group on Climate Change and ESG.

The Bank has analysed its risk asset portfolio, and split it into three categories along the dominant business lines of Financial Institutions / Trade Finance, Corporates, and Buy to Let finance. In each case the Bank has considered physical and transition risks, and has set short (<5 years), medium (by 2030) and long term (by 2050) targets for the business in order to mitigate related risks. This analysis has helped in identifying and classifying the entire exposures into two parts - sensitive and non-sensitive to carbon transition.

The Bank has also carried out climate risk profile analysis of the various countries using ND-GAIN report, USAID, Moody's ESG report and various other latest research and publication available in public domain. Besides the qualitative sectorial exposure analysis related to climate risk, the Bank has initiated action on scenario specific sectorial analysis using available PD and ECL data and factoring in the assumption-based scenarios.

The Bank will consider the potential impact on the portfolio and on new lending decisions during the year 2023 so that it can roll out new monitoring and practices. New transactions will be assessed with regard to the nature of transactions, geography and tenor, and how they may be impacted by climate change.

A further plan is to carry out scenario analysis, where necessary and include any material exposures relating to the financial risks from climate change in the ICAAP.

The Bank strives to build sustainable, equitable, healthy, and diverse communities through a combination of innovative business practices and environmental, social and governance (ESG) performance. This commitment informs every aspect of our business, including how the Bank designs and builds new projects, operates the firm, collaborates with stakeholders and reports progress.

The Bank has developed an ESG Policy during the year, which sets out its approach to sustainability matters. At the heart of the policy is a corporate culture that has sustainability at the core of all of the Bank's business operations and values.

As a business, the Bank has a duty to its people, customers, and wider communities. ESG gives the Bank an opportunity to bring those impacts together. The Bank values investing in its people as it values protecting the environment and being a good corporate citizen.

The Bank will deploy adequate resources, as and when necessary, and will work to develop adequate skills and expertise in the relevant personnel to manage the risks from climate change and ESG.

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Ukraine

In 2022, following the Russian invasion of Ukraine the Bank carried out an assessment of its impact on the business. It determined that there was no firm specific impact with no direct or indirect exposures, however it has caused market wide volatility and as such is continued to be monitored through relevant committees, including ALCO, OPCO, and EXCO.

The operating business environment has heightened credit risk in terms of delayed repayments of obligations in the trade finance book and issues regarding availability of hard currencies in the markets that the Bank operates in. These reflect the disruptions to financial markets and the inflationary effect of the developments in Ukraine.

Stresses in the Global Banking System

A number of stresses in the global banking system emerged during the first quarter of 2023, including the failure of US banks such as Silicon Valley Bank and its UK subsidiary, plus events that led up to the sale of Credit Suisse. The Bank has reviewed its risk profile in light of these events and continues to monitor the situation closely.

The Bank has no direct exposure to any of these institutions. Indirect exposure has been limited to the consequences of general market volatility, which has been managed through the Bank's normal operating procedures. The causes of the stresses were in some cases idiosyncratic to certain institutions and not shared by the Bank. The common driver of a rising interest rate environment was experienced worldwide, however, the Bank has managed its interest rate exposure risk prudently and not experienced the material imbalances that created difficulties for some institutions.

Coronavirus (Covid-19) and Hybrid Work

The Bank has closely monitored the potential impact of the global pandemic from the outbreak of Covid-19. In response to this evolving situation the Bank enacted certain aspects of its business continuity plan. Management have continued to monitor developments on a regular basis, adapting to changing regulations and situations, and consider the risks associated with the pandemic to be materially lower than in 2020-21. Responses to managing the pandemic have allowed the business to operate more flexibly and are now incorporated into business as usual activities, with no discernible impact on the Bank during 2022.

Nigeria Economy

The economic environment in the Bank's key market of Nigeria is difficult due to slow GDP growth, inflationary pressures, and a continuing lack of hard currency in the country. The Bank continues to have Nigeria on its watch list and is monitoring the Nigerian economy and related counterparties rigorously. It is noted that the Central Bank of Nigeria (CBN) continues to take action in order to adapt to the market disruption and potential instability. After year end, Nigeria was downgraded by Moody's from B3 to Caa1, and after the downgrade the Bank reacted immediately to review its Nigerian exposures and the impact of this downgrade. The Bank has successfully diversified away from Nigeria recently and due to its robust credit processes is confident this will not impact its very strong credit record.

Ghana Economy

Through 2022 the Ghanaian economy saw a significant and unexpected deterioration which resulted in sovereign debt yields rapidly increasing and the country being effectively locked out of the

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debt capital markets. This led the country to seek support from the IMF. The IMF have agreed a $3bn package in principle, but formal approval is contingent on the country reducing the cost of servicing its debt. An in-principle agreement has been reached in respect of the restructuring domestic Cedi denominated debt and now attention is focused on external debt. Given these events and their likely impact, the Bank has placed Ghana on its Watch List and has implemented enhanced monitoring. Self-liquidating trade related exposures to banks have all been repaid and have not been replaced. The Bank's sovereign exposures have been moved to Stage 3 for ECL purposes whilst restructuring is ongoing, a process that may take a large part of 2023 to conclude.

Further Progress and Recognition

The Bank has good recognition in London and internationally being nominated for and winning several awards in trade finance over the last few years. The Bank plans to drive its retail banking business plan, as well as other capital light initiatives in 2023. The Bank has incubated a FCMB Group driven digital banking proposition (Rova) and the related work is progressing with a potential full launch in 2023.

The Bank continues to manage its expense base efficiently investing in growth, whilst ensuring the Bank remains a preferred place to work among its competitor peer group.

By order of the Board
For and on behalf of FCMB Bank (UK) Limited

F. A. le Roex
Non-Executive Director and Chairman
31 March 2022

Colin Fraser
Executive Director and Chief Executive Officer
31 March 2022

Directors' Report

Company registration no. 06621225

For the year ended 31 December 2022

Directors' Report

The directors present their annual report together with the audited financial statements of FCMB Bank (UK) Limited ("the Bank") for the year ended 31 December 2022.

Legal Form

The Bank was constituted in the UK in 2008, and is a wholly owned subsidiary of First City Monument Bank Limited ("FCMB"), Lagos (incorporated in 1982) and currently licensed by the CBN to operate as a commercial bank with international authorisation.

FCMB is a wholly owned subsidiary of FCMB Group Plc ("the Group"), a non-operating financial holding company registered under the laws of Nigeria, operating in a wide range of financial services activities. The Group is regulated by the CBN as a non-bank financial institution and listed on the Nigerian Stock Exchange. The Group is the Bank's ultimate parent.

The Bank is an authorised firm under the Financial Services and Markets Act 2000 (and subsequent amendments) and is authorised by the Prudential Regulation Authority ("PRA") and regulated by the Financial Conduct Authority ("FCA") and the PRA.

Principal Business Activities and Results

The principal activities of the Bank include trade finance, deposit taking, corporate banking, buy to let loans, and treasury operations. The Bank's activities focus on Sub-Saharan Africa with a particular emphasis on Nigeria and other markets in Asia, UK and other European geographies. In recent years the Bank has diversified its activities into additional countries such as Kenya, Ghana, Tanzania, Angola, Rwanda, Cote D'Ivoire, Bangladesh, Turkey and Vietnam.

The Bank returned a profit before tax for the year of $2.95 million with a total balance sheet of $515 million.

More details of the business and the future plans are available in the Strategic Report.

Directors' Report

Company registration no. 06621225

For the year ended 31 December 2022

Directors and their interests

The Directors who served during the period under review and up to the date of this report were as follows:

Frank A. le Roex	Non-Executive Director and Chairman
Colin Fraser	Executive Director and Chief Executive Officer
Balchandra Achary	Executive Director and Deputy Chief Executive Officer
Derren Sanders	Executive Director and Chief Financial Officer
Ladipupo O. Balogun	Non-Executive Director
Gerald O. Ikem	Non-Executive Director (alternate to Ladipupo. O. Balogun)
Roger Ellender	Non-Executive Director
Amy Kirk	Non-Executive Director
Charles N. Rouse	Non-Executive Director
Richard Jones	Non-Executive Director

No Directors have any beneficial interest in the shares of the Bank. Details of Directors' interests in the shares of the ultimate parent are disclosed in the financial statements of the FCMB Group Plc which are available on request from the Bank (at 81 Gracechurch Street, London EC3V 0AU) or from the parent's office at Primrose Towers, 17A Tinubu Street, Lagos, PO Box 9117, Nigeria or from the group website at www.fcmb.com.

The Bank has arranged qualifying Directors' and officers' liability indemnity insurance for all of its Directors.

Corporate Governance and Risk Management

The Bank has in place a proportionate and robust corporate governance and risk management framework with strong oversight and operational controls. Executive level management committees review and discuss various strategic, risk and operational matters with high quality and prompt information flow to the Board and its committees.

Further details of the corporate governance and risk management framework are provided in the Strategic Report and the notes to the financial statements. Refer to note 24 for details on financial instrument risk management.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Strategic Report, Directors' 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 UK-adopted international accounting standards (International Financial Reporting Standards) in conformity with the requirements of the Companies Act 2006 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.

Directors' Report

Company registration no. 06621225

For the year ended 31 December 2022

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether UK-adopted international accounting standards, in conformity with the requirements of the Companies Act 2006, have been followed subject to any material departures disclosed and explained in the financial statements;
- provide additional disclosures when compliance with specific requirements in UK-adopted international accounting standards is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- prepare the financial statements on the 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 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.

Disclosure of information to Auditors

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are aware, there is no relevant audit information of which the Bank's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Bank's auditors are aware of that information.

Going Concern

The Financial Statements have been prepared on a going concern basis. Acknowledging the brought forward losses, the Directors have reviewed in detail the Bank's current business plan and activities, business development efforts, corporate governance arrangements, regulatory compliance measures, capital adequacy and liquidity levels.

The Bank's capital adequacy ratio and liquidity buffer are in line with all regulatory requirements and were stress tested in an integrated planning process during 2022, including ICAAP, ILAAP and 3-year business plan. Under all severe and plausible stress scenarios and considering management actions the Bank expects to maintain adequate capital headroom.

As a result, the Directors have concluded that the Bank is able to continue to operate as a going concern for the foreseeable future, including a period of at least 12 months from the approval of the 2022 Financial Statements. The Directors have also concluded that there are no material uncertainties that could cast significant doubt over the ability of the Bank to continue as a going concern for at least 12 months from the date of this report.

Dividends

The Directors are not recommending a dividend for the current year.

Directors' Report

Company registration no. 06621225

For the year ended 31 December 2022

Post Balance Sheet Events

After year end, the Bank's key market of Nigeria was downgraded by Moody's from B3 to Caa1. Nigeria had been on the Bank's credit watchlist and after the downgrade the Bank reacted immediately to review its Nigerian exposures and the impact of this downgrade. The Bank has successfully diversified away from Nigeria recently and due to its robust credit processes is confident this will not impact its very strong credit record.

A number of stresses in the global banking system emerged during the first quarter of 2023, including the failure of US banks such as Silicon Valley Bank and its UK subsidiary, plus events that led up to the sale of Credit Suisse. The Bank has reviewed its risk profile in light of these events and continues to monitor the situation closely. The Bank has no direct exposure to any of these institutions. Indirect exposure has been limited to the consequences of general market volatility, which has been managed through the Bank's normal operating procedures. The causes of the stresses were in some cases idiosyncratic to certain institutions and not shared by the Bank. The common driver of a rising interest rate environment was experienced worldwide, however, the Bank has managed its interest rate exposure risk prudently and not experienced the material imbalances that created difficulties for some institutions.

Auditors

Mazars LLP have indicated their willingness to continue in office. Given Mazars LLP have been in office for 10 years, the Board is reviewing its options in relation to the 2023 external audit.

By order of the Board
For and on behalf of FCMB Bank (UK) Limited

Colin Fraser Executive Director and Chief Executive Officer 31 March 2022	Balchandra Achary Executive Director and Deputy Chief Executive Officer 31 March 2022	Derren Sanders Executive Director and Chief Financial Officer 31 March 2022

Independent Auditor's Report

For the year ended 31 December 2022

Opinion

We have audited the financial statements of FCMB Bank (UK) Limited (the 'Bank') for the year ended 31 December 2022 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted international accounting standards.

In our opinion, the financial statements:

- give a true and fair view of the state of the Bank's affairs as at 31 December 2022 and of the Bank's profit for the year then ended; and
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Bank in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's ('FRC') Ethical Standard as applied to public interest entities and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our audit procedures to evaluate the directors' assessment of the Bank's ability to continue to adopt the going concern basis of accounting included but were not limited to:

- Undertaking an initial assessment at the planning stage of the audit to identify events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern;
- Making enquiries of the directors to understand the period of assessment considered by them, the assumptions they considered and the implication of those when assessing the Bank's future financial performance, business operations and liquidity and regulatory positions;
- Assessing the sufficiency of the Bank's capital and liquidity taking into consideration the most recent Internal Capital Adequacy Assessment Process and Internal Liquidity Assessment Process, and evaluating the results of management stress testing and reverse stress testing, including consideration of principal and emerging risks on liquidity and regulatory capital;
- Evaluating the directors' going concern assessment, and challenging the appropriateness of managements' key assumptions;
- Testing the accuracy and functionality of the model used to prepare the directors' forecasts;

Independent Auditor's Report

For the year ended 31 December 2022

- Assessing the historical accuracy of forecasts prepared by the directors;
- Reading regulatory correspondence and minutes of meetings of the Board audit committee and of the board of directors, to identify events or conditions that may impact the Bank's ability to continue as a going concern;
- Considering the consistency of the directors' forecasts with other areas of the financial statements and our audit;
- Evaluating the appropriateness of the directors' disclosures in the financial statements on going concern; and
- Considering whether there were events subsequent to the balance sheet date which could have a bearing on the going concern conclusion..

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.
We summarise below the key audit matter in forming our opinion above, together with an overview of the principal audit procedures performed to address the matter and our key observations arising from those procedures.
This matter, together with our findings, was communicated to those charged with governance through our Audit Completion Report.

Key Audit Matter	How our scope addressed this matter
Allowance for impairment losses – Expected Credit Losses ('ECL') **US$ 3.2 million (2021: US$ 0.7 million)** Refer to the accounting policies disclosures in Notes 2.7 and 2.20 and ECL disclosures in Note 2.45 of the financial statements.	Our audit procedures included, but were not limited to: *General procedures* • Confirmed our understanding of the ECL process by performing walkthroughs and assessed the design and implementation of related key controls; • Critically assessed the ECL methodology adopted for reasonableness and ensured it is in compliance with IFRS 9 requirements; • Performed stand back analysis to assess the overall adequacy of the ECL coverage. In performing this

Independent Auditor's Report

For the year ended 31 December 2022

The allowance for impairment losses is an inherently judgmental area due to the use of subjective assumptions and a high degree of estimation. IFRS 9 requires allowance for impairment losses to be determined on an expected credit loss ('ECL') basis. The key areas of judgement and management estimation that give rise to a significant audit risk relate to: **1) ECL model assumptions** The Bank uses a model to determine the expected credit losses, requiring judgement to the input parameters and assumptions. The Bank has a limited counterparty default and loss history. Key assumptions are therefore made to determine counterparty probability of default ('PD') and loss given default ('LGD'). The ECL model output is materially sensitive to these assumptions. **2) Forward looking adjustments** The Bank models forward looking adjustments to PDs including adjustments relating to the macro-economic environment. The selection of data used for forward looking adjustments is highly judgemental. This includes the selection of macro-economic variables. The Bank is required to consider forward looking adjustments across a range of scenarios. The mathematical modelling of these adjustments is complex and prone to error. **3) Post model adjustments** ECL models contain inherent limitations and require periodic recalibration due to changing economic conditions, such as those related to current market volatility. Post model adjustments ('PMAs') may therefore be required to ECL model outputs.	procedure, we considered the credit quality of the portfolio, performed analytical review procedures and performed benchmarking across similar banks considering both staging percentages and provision coverage ratios; and • Tested the mathematical accuracy of the ECL model and tested data inputs into the ECL model. We performed the following audit procedures on the key areas of judgement and management estimation giving rise to a significant audit risk: **1) ECL model assumptions** • Evaluated the consistency of the Bank's key assumptions around LGD with industry practice; • Performed an independent assessment on internal scorecards for a sample of borrowers which includes verifying the data inputs and assessing the reasonableness of rating overrides; • Tested the existence and valuation of the collateral held by the Bank, by tracing it on a sample basis to relevant supporting documents; • With the assistance of our in-house credit specialists, we reviewed the methodology adopted for reasonableness and ensured it is in compliance with IFRS 9 requirements; • Performed sensitivity analysis over assumptions relating to PD and LGD; • Assessed the reasonableness and appropriateness of external PD data used in the ECL model and checked the relevance of this data to the Bank's portfolio; and • Benchmarked credit ratings and PDs produced by internal scorecards against external ratings where available; and • Benchmarked the Bank's ECL coverage ratio against similar organisations. **2) Forward-looking adjustments** • Challenged the completeness of the macro-economic variables used by management; • Engaged our in-house credit specialists to assess the methodology applied in the modelling of forward-looking adjustments for compliance with IFRS 9 requirements; • With the assistance of our in-house economist expert, we assessed the reasonableness and appropriateness of the macro-economic variables selected and the forecasts on those variables; and • Benchmarked macro-economic variables selected and the number of macroeconomic scenarios applied in the model to comparable institutions.

Independent Auditor's Report

For the year ended 31 December 2022

Also, there is a high degree of management judgement involved in assessing the extent to which PMAs are necessary. In the current year, the Bank has recognised PMAs totalling $221k (2021: Nil) with respect to Ghana exposures. 4) **Staging** The ECL model is highly sensitive to movement in stages on the Bank's credit portfolio. There is therefore a risk that the assumptions and judgements applied in the determination of significant increase in credit risk and resultant timely allocation of assets to the appropriate stage may not be in accordance with IFRS 9. We have added this as a significant risk and key audit matter based on our refined risk reassessment of the Bank's staging criteria.	3) **Post model adjustments** • Assessed the PMAs for potential deficiencies and limitations; • Assessed the governance structure and effectiveness over the application of PMAs; • Considered the impact of any inconsistencies across model assumptions; • Challenged management regarding the completeness and appropriateness of PMAs booked in the financial period, including peer benchmarking and assessment of the appropriateness of the assumptions and judgements used by management in calculating the PMA; • Assessed the appropriateness of external proxy data used; • Performed independent benchmarking of the PMAs used by other peer banks for completeness; and • Performed a review of the disclosures on PMAs to ensure compliance with IFRS 9 and recommended disclosures specified by the Taskforce on Disclosures about Expected Credit Losses.
5) **Individually assessed impairment** Management performs an individual assessment on its stage 3 exposures which is a highly manual and judgemental process, with several assumptions applied such as the probability weightings and LGD. Following the transfer of credit exposures to stage 3, we have identified this area as significant risk and a key audit matter based on the existence of stage 3 exposures at execution phase of the audit. We have included "staging" and "individually assessed impairment" as key areas of judgement and management estimation linked to ECL as a significant risk and Key audit matter	4) **Staging** • Performed detailed credit file review on selected loan facilities to assess: • the appropriateness of staging of the facilities; • that collaterals and other credit enhancements are appropriately valued • Independent credit review testing and challenging management on the application of Significant increase in credit risk ('SICR') for a sample of counterparties to identify indicators of credit deterioration to assess the appropriateness of the staging and associated ECL estimate; • Evaluated the criteria used to determine SICR by benchmarking to similar entities. • Performed unpredictability procedures on the selection of credit file review by selecting credit files that did not otherwise meet our risk-based criteria, particularly under stage 1 loans to assess whether there has been significant increase in credit risk. 5) **Individually assessed impairment** • Assessed the methodology of the stage 3 ECL for compliance with the requirements of IFRS 9; • Assess the reasonableness of the individual ECL provisions on stage 3 exposures

Independent Auditor's Report

For the year ended 31 December 2022

	• Independently recalculated the ECL for all stage 3 loans including consideration of the completeness and accuracy of the key inputs and assumptions. **Our observations** Based on the audit procedures performed, we found that the assumptions used by management in the impairment assessment and the balance of allowance for impairment losses as at 31 December 2022 are materially correct in accordance with the requirements of IFRS 9.

Our application of materiality and an overview of the scope of our audit

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole. Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality	US$ 441,000 (2021: $451,000)
How we determined it	1% net assets (2021: 1% net assets).
Rationale for benchmark applied	Net assets represent the most appropriate measure for the users of the Bank's financial statements, given that it is an approximation of regulatory capital resources which is a key focus for management, shareholder and regulators. It is also consistent with the benchmark used by most peer banks in the industry based on the size and complexity of the Bank's operations.
Performance materiality	Performance materiality is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the financial statements exceeds materiality for the financial statements as a whole. We set performance materiality at US$ 309,000 (2021: $316,000), which represents 70% (2021: 70%) of overall materiality. We have set performance materiality at this percentage based on a variety of risk assessment factors such as our understanding of the entity, effectiveness of internal control, risk assessment procedures, misstatements identified in prior period and our expectations in relation to misstatements in the current year.
Reporting threshold	We agreed with the directors that we would report to them misstatements identified during our audit above US$ 13,000

Independent Auditor's Report

For the year ended 31 December 2022

	(2021: $13,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

As part of designing our audit, we assessed the risk of material misstatement in the financial statements, whether due to fraud or error, and then designed and performed audit procedures responsive to those risks. In particular, we looked at where the directors made subjective judgements, such as assumptions on significant accounting estimates.
We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole. We used the outputs of our risk assessment, our understanding of the Bank, its environment, controls, and key business processes, to consider qualitative factors to ensure that we obtained sufficient coverage across all financial statement line items.

Other information

The other information comprises the information included in the annual report and financial statements other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.
Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.
We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Bank and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.
We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

Independent Auditor's Report

For the year ended 31 December 2022

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

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on page 15, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Based on our understanding of the Bank and its industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: regulatory and supervisory requirements of the Prudential Regulation Authority ('PRA'), the Financial Conduct Authority ('FCA'), anti-money laundering regulations and Data Protection Act 2018.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Gaining an understanding of the legal and regulatory framework applicable to the Bank, the industry in which it operates and considering the risk of acts by the Bank which were contrary to the applicable laws and regulations, including fraud;

Independent Auditor's Report

For the year ended 31 December 2022

- Inquiring of the directors, management and, where appropriate, those charged with governance, as to whether the Bank is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence with relevant regulatory authorities including PRA and FCA;
- Reviewing minutes of directors' and directors' committee meetings in the year; and
- Discussing amongst the engagement team the laws and regulations listed above and remaining alert to any indications of non-compliance.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as UK-adopted international accounting standards, UK tax legislation, pension legislation, the Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008, and the Companies Act 2006.

In addition, we evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls and revenue recognition in relation to effective interest rate ('EIR') accounting and fees and commission from trade finance services, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to allowance for impairment losses (as described in the "Key Audit Matter" section of this report) and effective interest rate (EIR) accounting, and significant one-off or unusual transactions.

Our procedures in relation to fraud included but were not limited to:

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud;
- Addressing the risks of fraud through management override of controls by performing journal entry testing on a sample basis;
- Performing work over significant accounting estimates impacting amounts included in the financial statements;
- Reviewing significant transactions identified outside the normal course of business or otherwise unusual; and
- Understanding the nature of the related parties transactions, reviewing the service level agreements or contracts, and challenging significant transactions undertaken with related parties.

The primary responsibility for the prevention and detection of irregularities, including fraud, rests with both those charged with governance and management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

The risks of material misstatement that had the greatest effect on our audit are discussed in the "Key audit matters" section of this report.

A further description of our responsibilities is available on the FRC's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Independent Auditor's Report

For the year ended 31 December 2022

Other matters which we are required to address

We were initially appointed to audit the financial statements for the period ended 30 April 2009 and subsequent financial periods. The Bank decided to change its financial year end to 31 December, with the period ended 31 December 2009 being an 8 months period of accounts. The Bank became a public interest entity ('PIE') during the year ended 31 December 2013. The period of total uninterrupted engagement is 10 years, covering the years ended 31 December 2013 to 31 December 2022.
The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Bank and we remain independent of the Bank in conducting our audit.
Our audit opinion is consistent with our additional report to the Board audit committee.

Use of the audit report

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

PProborespati

Poppy Proborespati (Senior Statutory Auditor)
for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
30 Old Bailey
London, EC4M 7AU
31 March 2023

Statement of Comprehensive Income

For the year ended 31 December 2022

	Notes	31 December 2022 $	31 December 2021 $
Interest and similar income	3	18,924,173	11,210,682
Interest and similar expense	4	(4,429,010)	(2,853,008)
Net interest income		14,495,163	8,357,674
Fees and commission income	5	1,776,850	2,300,057
Fees and commission expense	6	(888,409)	(767,438)
Net fee and commission income		888,441	1,532,619
Other operating income	7	3,534,205	3,022,643
Impairment charges	24	(2,508,414)	(77,775)
Net operating income		16,409,395	12,835,161
Personnel expenses	8	(7,880,197)	(6,867,362)
Depreciation and amortisation expenses	17/18	(579,990)	(603,791)
General and administrative expenses		(4,996,082)	(4,239,982)
Total operating expenses		(13,456,269)	(11,711,135)
Profit before tax		2,953,126	1,124,026
Taxation	10	(547,427)	511,455
Profit for the year attributable to equity holders		2,405,699	1,635,481
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Net change in fair value of FVOCI investments		(3,398,236)	(359,642)
Total comprehensive (loss) / income for the year attributable to equity holders		(992,537)	1,275,839

The income / (loss) and profit / (loss) made for all the years presented are from continuing operations.

The accompanying notes on pages 32-75 are an integral part of these Financial Statements.

Statement of Financial Position

Company registration no. 06621225

As at 31 December 2022

	Notes	31 December 2022	31 December 2021
		$	$
ASSETS			
Cash and cash equivalents	12	7,118,069	5,979,879
Loans and advances to banks	13	139,928,644	132,348,155
Loans and advances to customers	14	71,445,494	79,441,478
Investment securities	15	284,747,448	174,077,450
Derivative financial instruments	22	1,851,462	834,132
Other assets	16	7,569,349	6,590,091
Deferred tax asset	10	159,008	660,811
Property and equipment	17	1,851,933	2,236,095
Intangible assets	18	393,250	285,064
Total assets		**515,064,657**	**402,453,155**
LIABILITIES			
Deposits from banks	19	238,119,179	146,683,204
Deposits from customers	20	213,123,234	197,470,447
Derivative financial instruments	22	3,686,620	2,176,318
Current tax liability	10	45,624	-
Other liabilities	21	6,357,677	5,998,326
Subordinated liabilities	30	9,600,000	5,000,000
Total liabilities		**470,932,334**	**357,328,295**
EQUITY			
Capital and reserves			
Issued capital	28	48,900,000	48,900,000
Retained earnings		(1,268,750)	(3,674,449)
Other reserves		(3,498,927)	(100,691)
Equity attributable to equity holders		**44,132,323**	**45,124,860**
Total equity and liabilities		**515,064,657**	**402,453,155**

The Financial Statements were approved by the Board of Directors and authorised for issue on 31st March 2023 and signed on their behalf by:

By order of the Board
For and on behalf of FCMB Bank (UK) Limited

Colin Fraser	Balchandra Achary	Derren Sanders
Executive Director and Chief Executive Officer	Executive Director and Deputy Chief Executive Officer	Executive Director and Chief Financial Officer
31 March 2023	31 March 2023	31 March 2023

The accompanying notes on pages 32-75 are an integral part of these Financial Statements

Statement of Changes in Equity

As at 31 December 2022

	Issued capital	Retained earnings	Other reserves	Total equity
	$	$	$	$
At 1 January 2022	48,900,000	(3,674,449)	(100,691)	45,124,860
Profit for the year	-	2,405,699	-	2,405,699
Other comprehensive loss	-	-	(3,398,236)	(3,398,236)
Total comprehensive income	-	2,405,699	(3,398,236)	(992,537)
At 31 December 2022	**48,900,000**	**(1,268,750)**	**(3,498,927)**	**44,132,323**

	Issued capital	Retained earnings	Other reserves	Total equity
	$	$	$	$
At 1 January 2021	48,900,000	(5,309,930)	258,951	43,849,021
Profit for the year	-	1,635,481	-	1,635,481
Other comprehensive loss	-	-	(359,642)	(359,642)
Total comprehensive income	-	1,635,481	(359,642)	1,275,839
At 31 December 2021	**48,900,000**	**(3,674,449)**	**(100,691)**	**45,124,860**

The accompanying notes on pages 32-75 are an integral part of these Financial Statements.

Statement of Cash Flows

for the year ended 31 December 2022

	Notes	31 December 2022 $	31 December 2021 $
Operating activities			
Profit before tax for the year from continuing operations		2,953,126	1,124,026
Adjustment for:			
Depreciation and amortisation	17/18	579,990	603,791
Provision for impairment charges	24	2,508,414	77,775
Effect of currency translation on cash and cash equivalents		66,367	11,947
		6,107,897	1,817,539
Changes in operating assets and liabilities			
Net increase in loans and advances to banks		(7,790,893)	(14,354,382)
Net decrease / (increase) in loans and advances to customers		6,754,576	(27,914,986)
Net decrease in derivative FIs		492,972	5,058,288
Net (increase) in other assets		(979,246)	(3,061,931)
Net increase / (decrease) in deposits from banks		91,435,975	(15,995,514)
Net increase in deposits from customers		15,652,787	29,913,143
Net increase in other liabilities		707,738	911,716
		106,273,909	(25,443,666)
Net cash flows from operating activities		**112,381,806**	**(23,626,127)**
Investing activities			
Acquisition of investment securities		(773,481,181)	(640,171,183)
Disposal of investment securities		658,367,424	655,246,302
Purchases of property and equipment	17	(29,323)	(31,689)
Purchases of intangible assets	18	(274,691)	(46,850)
Net cash flows from investing activities		**(115,417,771)**	**14,996,580**
Financing activities			
Issuance of subordinated liabilities[1]	30	4,600,000	2,000,000
Payments made for lease liability	29	(359,478)	(402,811)
Net cash flows from financing activities		**4,240,522**	**1,597,189**
Net increase / (decrease) in cash and cash equivalents		**1,204,557**	**(7,032,358)**
Cash and cash equivalents at 1 January		5,979,879	13,024,184
Effect of currency translation on cash and cash equivalents		(66,367)	(11,947)
Cash and cash equivalents at 31 December	12	**7,118,069**	**5,979,879**

The accompanying notes on pages 32-75 are an integral part of these Financial Statements.

[1] Subordinated liabilities were classified under operating activities in 2021. In 2022, subordinated liabilities have been classified under financing activities for the current year and in the prior year comparatives.

Notes to the Financial Statements

for the year ended 31 December 2022

1. Corporate information

FCMB Bank (UK) Limited (the Bank) is a private limited company incorporated and registered in the United Kingdom.

The Bank is domiciled in the United Kingdom and its registered address is 81 Gracechurch Street, London, EC3V 0AU, UK.

The Bank is authorised by the Prudential Regulation Authority (PRA) and regulated by the Financial Conduct Authority (FCA) and the PRA to conduct banking activities.

The principal activities of the Bank include trade finance, deposit taking, corporate banking, buy to let loans, and treasury operations. The Bank's activities focus on Sub-Saharan Africa with a particular emphasis on Nigeria and other markets in Asia, UK and other European geographies.

2. Accounting policies

2.1. Basis of preparation

(i) Statement of compliance
The financial statements have been prepared in accordance with UK-adopted international accounting standards (International Financial Reporting Standards) in conformity with the requirements of the Companies Act 2006.

(ii) Basis of measurement
The financial statements have been prepared on the historical cost basis except for investment securities and derivative financial instruments which have been measured at fair value with changes in fair value recorded through profit and loss and other comprehensive income as required.

(iii) Going concern
The Bank's Directors have made an assessment of the Bank's ability to continue as a going concern as described in the Directors' Report and are satisfied that it has the adequate resources to continue in business for the foreseeable future, and for a period of at least 12 months from the approval date of the financial statements. Furthermore, notwithstanding the historical losses, the Bank has adequate capital to absorb these losses and there are no material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

(iv) Presentation of Financial Statements
The Bank presents its Statement of Financial Position in order of liquidity. An analysis regarding recovery or settlement of its financial assets and liabilities within 12 months after the reporting date (current) and more than 12 months after the reporting date (non–current) is presented in note 25.

(v) Functional and presentational currency
The financial statements are presented in US Dollars. The Bank's functional currency is also the US Dollar as the cashflows of the contracts entered into are predominantly in US Dollars.

Notes to the Financial Statements

for the year ended 31 December 2022

2. **Accounting policies (Continued)**

(vi) Use of estimates and judgments

The preparation of the financial statements in conformity with UK-adopted international accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation uncertainties and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in note 2.20.

2.2. Foreign currency transactions and balances

Transactions in foreign currencies are translated into the functional currency of the Bank at the spot exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at each reporting date are translated into the functional currency at the spot exchange rates as at that date. The foreign currency gain or loss is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the spot exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into the functional currency at the spot exchange rate at the date that the fair value was determined. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on translation are recognised in profit or loss within other operating income / expenses.

The dollar sterling exchange rate used at 31st December 2022 was 1.2037 (2021: 1.3488). The average dollar sterling exchange rate for 2022 was 1.2308 (2020: 1.3741).

2.3. Interest and similar income and expense

Interest income and expense are recognised in profit or loss using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, the next repricing date) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Bank estimates future cash flows considering all contractual terms of the financial instruments but not future credit losses.

Notes to the Financial Statements

for the year ended 31 December 2022

2. Accounting policies (Continued)

The calculation of the effective interest rate includes contractual fees and points paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

Interest income and expense presented in the statement of comprehensive income includes interest on financial assets and liabilities measured at amortised cost calculated on an effective interest rate basis.

2.4. Fee and commission income and expense

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate which is used in the computation of interest income. Other fees and commission income including loan account servicing fees, placement fees, syndication fees and management fees, are recognised as the related services are performed, in accordance with IFRS 15. When a loan commitment is not expected to result in the draw-down of a loan, loan commitment fees are recognised on a straight-line basis over the commitment period otherwise they are considered an integral component of the effective interest.

Representative office fees, in relation to the support of group business opportunities, are recognised as the services are performed and as such are accrued for monthly and invoiced on a quarterly basis in accordance with a management services agreement, in accordance with IFRS 15.

Fees and commission expense relate mainly to transaction and service fees, which are expensed as the services are received.

2.5. Other Operating Income

Where contractual arrangements are entered into and subsequently an opportunity to sell a position resulting in the de-recognition of a financial asset any resultant realised gains are recognised in other operating income, specifically within other income or gain on trade finance assets. Digital banking expense recovery, which represents recharges of expenses incurred by the Bank in relation to the development of a borderless banking application in conjunction with the Parent, is included within other operating income and the underlying expense is recognised within operating expenses.

2.6. Financial instruments – initial recognition and subsequent measurement

(i) Initial recognition

All financial assets and liabilities are initially recognised on the trade date; this being the date that the Bank becomes a party to the contractual provisions of the instrument.

All financial instruments are initially recognised at fair value plus, in the case of financial assets and financial liabilities not held at fair value through profit or loss, directly attributable transaction costs.

Notes to the Financial Statements

for the year ended 31 December 2022

2. Accounting policies (Continued)

(ii) Classification

Financial assets

The classification of financial instruments depends on the purpose and management's intention for which the financial instruments were acquired and their characteristics. The Bank classifies its financial assets in one of the following categories:

- Amortised cost
- Fair value through profit or loss
- Fair value through other comprehensive income

Financial liabilities

The Bank classifies its financial liabilities, other than derivative financial instruments, financial guarantees and loan commitments, as measured at amortised cost.

(iii) Financial assets classified as amortised cost

Amortised cost financial instruments are non-derivative financial assets held within a business model, whose objective is to collect contractual cash flows, on specified dates, that are solely payments of principal and interest on the principal amount outstanding.

Such financial instruments are subsequently measured at amortised cost using the effective interest rate method, less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the financial asset.

Financial assets classified as amortised cost are cash and cash equivalents, loans and advances to banks and loans and advances to customers.

(iv) Financial assets classified as fair value through other comprehensive income "FVOCI"

FVOCI financial assets are those non-derivative financial assets held within a business model, whose objectives are both to sell the financial assets and to collect contractual cash flows, on specified dates, that are solely payments of principal and interest on the principal amount outstanding.

These assets are measured at fair value. The net changes in fair value are recognised directly in other reserve. The following are recognised in profit and loss:

(a) Interest, calculated using the effective interest method;
(b) Impairment losses; and
(c) Foreign exchange gains and losses on monetary financial assets.

When the asset is disposed of, the cumulative gain or loss previously recognised in other reserve is transferred into the profit and loss within other operating income and included within the statement of comprehensive income.

Government bonds, bank bonds, and HQLA Investments which are part of investment securities are classified as FVOCI.

Notes to the Financial Statements

for the year ended 31 December 2022

2. Accounting policies (Continued)

(v) Financial assets classified as Fair value though profit or loss "FVTPL"

FVTPL financial assets are derivative or non-derivative financial assets that are not measured at amortised cost or not classified as FVOCI or that are irrevocably designated as measured at fair value through profit or loss.

FVTPL assets are measured at fair value. The changes in fair value are recognised directly in profit or loss. The changes in fair value for Fund Investments Government represent the returns on the investments which are received by the counterparty on a monthly basis and are included within interest and similar income. The changes in fair value for Fund Investments Other are included within other operating income.

Fund investments, which are part of investment securities are classified as FVTPL.

(vi) Financial liabilities classified as amortised cost

The Bank classifies all financial liabilities, other than those classified as FVTPL, at amortised cost. Financial liabilities measured at amortised cost are initially recognised at fair value, net of directly attributable transaction costs, and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective interest basis. Financial liabilities classified as amortised cost include deposits from banks and customers and subordinated liabilities. The subordinated liabilities are all fixed rate subordinated notes.

(vii) Financial liabilities classified as fair value through profit or loss "FVTPL"

FVTPL financial liabilities are measured at fair value. The changes in fair value are recognised directly in comprehensive income and shown in other operating expenses. Derivative financial instruments are classified as FVTPL.

(viii) Derivative financial instruments

The Bank uses forward foreign exchange products for foreign exchange risk management purposes. This is an economic hedge and hedge accounting is not applied. Further details of derivative financial instruments are included in note 22 to the financial statements.

(ix) Offsetting

Derivative financial instruments are offset and the net amount of each contract is presented in the statement of financial position as the Bank has the contractual right to set off the amounts and intends to settle them on a net basis.

2.7. Identification and measurement of impairment

IFRS 9 uses an expected credit loss ("ECL") approach which applies to all financial assets measured at amortised cost and off-balance sheet loan commitments and guarantees.

(i) Assets carried at amortised cost

The amount of the loss is measured as the change in the expected credit loss calculated on either a 12 month or lifetime basis, depending on the stage classification of the instruments, which is an assessment of the potential exposure at default for every given future period, as a function of its probability of default and loss given default discounted at the financial asset's original effective interest rate. Further details are provided in Note 2.20. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

Notes to the Financial Statements

for the year ended 31 December 2022

2. Accounting policies (Continued)

When a loan is uncollectible, it is written off against the related loan impairment allowance. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Impairment charges relating to loans and advances are included in the statement of comprehensive income as impairment charges. There have been no loans written off in the year.

(ii) Assets classified as FVOCI

Debt instruments classified as FVOCI are assessed for impairment in the same manner as assets carried at amortised cost with the movement in ECL provision recognised as impairment charge in profit or loss. The movement in ECL provision does not reduce the carrying amount of the financial asset as this is subsumed within the net changes of the fair value of the assets.

2.8. Derecognition of financial assets

A financial asset is derecognised when:

- The rights to receive cash flows from the asset have expired;
- The Bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
  - The Bank has transferred substantially all the risks and rewards of the asset or
  - The Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Bank has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Bank's continuing involvement in the asset. In that case, the Bank also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained.

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

2.9. Modifications

The Bank may renegotiate or modify the contractual cash flows of a transaction. If this happens, the Bank assesses whether or not the new terms are substantially different to the original terms.

If the terms are substantially different, the Bank derecognises the original financial asset and recognises a new transaction. The date of renegotiation is consequently considered to be the initial recognition for impairment calculation purposes. A modification is considered material if there are changes to factors of the transaction such as: the currency denomination; maturity date; fixed / floating interest rate, and principal / interest only repayments.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Bank recalculates the gross carrying amount based on the revised cash flows.

Notes to the Financial Statements

for the year ended 31 December 2022

2. Accounting policies (Continued)

2.10. Financial guarantees

In the ordinary course of business the Bank gives financial guarantees, consisting of letters of credit, guarantees, commitments and acceptances.

These are initially recognised at fair value and subsequently at the higher of the loss allowance determined in accordance with IFRS 9 and the amount initially recognised less, when appropriate, the cumulative income recognised in accordance with the principles of IFRS 15.

2.11. Cash and cash equivalents

Cash and cash equivalents include cash in hand, unrestricted balances held with other banks and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Bank in the management of its short-term commitments. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

2.12. Property and equipment

(i) Recognition and measurement
Items of property and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment. The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of property and equipment and are recognised net in profit or loss.

The assets' carrying values and useful lives are reviewed, and written down if appropriate, at each date of the statement of financial position. Assets are impaired whenever events or changes in circumstances indicate that the carrying amount is less than the recoverable amount.

(ii) Depreciation
Depreciation is recognised in the statement of comprehensive income on a straight-line basis to write down the cost of each asset, to their residual values over the estimated useful lives of each part of an item of property and equipment.

Depreciation begins when an asset is available for use and ceases at the earlier of the date that the asset is derecognised or classified as held for sale in accordance with IFRS 5. A non-current asset or disposal group is not depreciated while it is classified as held for sale.

The estimated useful lives for the current and comparative periods of significant items of property and equipment are as follows:

- Leasehold improvements - over the term of the lease
- Fixtures and fittings - 5 years
- Computer equipment - 4 years

Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate.

Notes to the Financial Statements

for the year ended 31 December 2022

2. Accounting policies (Continued)

2.13. Intangible assets

Intangible assets acquired are stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is calculated on a straight-line basis to allocate the cost of the intangible assets over their estimated useful lives. Intangible assets comprise of computer software.

Software
Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Separately acquired software licenses are measured at cost, less accumulated amortisation and any accumulated impairment losses. Amortisation is calculated on a straight-line basis to allocate the cost of software over their estimated useful lives of 4 years.

2.14. Impairment of non–financial assets

The Bank's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

In respect of assets (other than goodwill), impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.15. Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use, and each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant rate of interest on the remaining balance for the liability for each period. The right-of-use asset, shown within property and equipment on the statement of financial position, is depreciated over its useful life.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the present value of the contractual lease payments.

Notes to the Financial Statements

for the year ended 31 December 2022

2. Accounting policies (Continued)

The lease payments are discounted using the interest rate implicit in the lease. If this rate cannot be determined, the Bank's incremental borrowing rate (i.e. the rate that the Bank would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions) is used.

The right-of-use assets are initially measured at cost and subsequently measured applying the cost model, i.e. cost less accumulated depreciation and impairment losses. The cost comprises of the following:

a. The initial measurement of lease liability;
b. Lease payments made at or before the commencement date (less lease incentives received);
c. Initial direct costs; and
d. Restoration costs.

2.16. Current tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

2.17. Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and
- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Bank expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which it can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Notes to the Financial Statements

for the year ended 31 December 2022

2. Accounting policies (Continued)

2.18. Changes in accounting policy

The adoption of the following mentioned standards, amendments and interpretations in the current year has not had a material impact on the Bank's financial statements.

- *IAS 16 Property, Plant and Equipment (Amendment) – effective 1 January 2022.*
- *IFRS 3 Business Combinations (Amendment): Reference to the Conceptual Framework – effective 1 January 2022.*
- *IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendment): Onerous Contracts – Cost of Fulfilling a Contract – effective 1 January 2022.*

2.19. Standards, Amendments and Interpretations in Issue but not yet effective

Certain new standards, amendments and interpretations have been issued by the IASB that are not yet effective for these financial statements.

The Bank has not adopted any of these standards, amendments or interpretations early, and does not intend to adopt any before their mandatory effective date.

The adoption of the below mentioned standards, amendments and interpretations in future years are not expected to have a material impact on the Bank's financial statements.

- *IFRS 17 Insurance Contracts – effective 1 January 2023.*
- *IAS 1 Presentation of Financial Statements – effective 1 January 2023.*
- *IAS 8 Accounting Policies: Definition of accounting estimates – effective 1 January 2023.*
- *IAS 12 Income Taxes: Deferred Tax – effective 1 January 2023.*

Notes to the Financial Statements

for the year ended 31 December 2022

2. **Accounting policies (Continued)**

2.20. **Critical Accounting Estimates and Judgements**

In the process of applying the Bank's accounting policies to prepare the Financial Statements, management has used judgements, estimates and assumptions in determining the amounts recognised and disclosed. Management has based these judgements, estimates and assumptions on parameters available when the Financial Statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances beyond the control of the Bank. These judgements, estimates and assumptions are adjusted in the normal course of business to reflect changing underlying conditions. The policies discussed below are considered to be particularly important to the presentation of the Bank's financial position because changes in the judgements, estimates and assumptions could have a material impact on the Bank's financial statements.

The measurement of the Bank's Expected Credit Loss ("ECL") uses the following statistical parameters that are modelled individually for various categories of borrowers:

1. PD – the probability of default is an assessment of the borrower's ability and willingness to service debt
2. EAD – the exposure at default is an estimate of the Bank's exposure should a borrower default
3. LGD – The loss given default is an estimate of the loss arising on default based on the difference between contractual and expected cash flows expressed as a percentage of the EAD

The calculation of the Bank's ECL allowances and provisions against loans, investments, and commitments under IFRS 9 requires the Bank to make a number of judgements, assumptions and estimates. The most significant are set out below:

1. Definition of default

   The Bank considers a financial asset to be in default when the contractual repayments are more than 90 days past due. Loans considered 'unlikely to pay' are also classified as in default.

2. Lifetime of an exposure

   The expected lifetime of all exposures where lifetime losses are estimated is assumed to be the period to contractual maturity date.

3. Significant increase in credit risk ("SICR")

   The assessment of SICR of a financial asset considers borrower-specific quantitative and qualitative information without consideration of collateral and the impact of forward-looking information such as macroeconomic forecasts, conduct, nature, and maturity profile of exposures. Quantitative models may not always be able to capture all reasonable and supportable information that may indicate a significant increase. Qualitative factors are therefore included to supplement the gap.
   The Bank considers different indicators to identify a SICR including: 2 notch rating downgrades compared to initial rating and additional qualitative indicators such as disclosure quality, previous arrears, changes in collateral value, concerns over operating environment, and management team issues.

Notes to the Financial Statements

for the year ended 31 December 2022

2. **Accounting policies (Continued)**

4. Forward-looking macroeconomic scenarios
The measurement of ECL under IFRS9 requires the Bank to consider the risk of default and impairment loss taking note of expectations in economic changes that are reasonable. The Bank uses an ECL model to reflect an unbiased probability-weighted range of possible future default outcomes. The Bank models four alternative scenarios in addition to the base scenario. The four scenarios are summarised as follows:

- Upside a decrease in the point-in-time PDs of 50% compared to the base scenario
- Downside an increase in the point-in-time PDs of 50% compared to the base scenario
- Low GDP growth replicating the fall in GDP seen in 2020 simulating a deep global recession.
- Current account deficit case targeting Nigeria, this replicates the shift seen in 2020 resulting from a significant drop in oil income.

The final ECL calculation uses the weighted averages. The table below shows the range of outcomes in ECL under these scenarios.

Scenario	Expected Credit Loss US$	Weighting Nigeria	Weighting Rest of World
Upside	2,581,983	15%	15%
Base case	3,091,048	65%	65%
Downside	3,824,949	10%	10%
Low GDP case	3,663,884	5%	10%
Current account deficit case	3,366,345	5%	0%
2022 ECL	**3,219,022**		

The Bank references a number of macro-economic factors in the forward-looking element of the ECL calculation. These include the following:

Segment	Macro-economic variables
Nigeria market	Growth of real capital stock, Nigeria GDP growth rate, Oil Price Change, Nigeria Current Account Surplus/Deficit percentage of GDP
Emerging market	General government revenue/GDP, 2-year average change in Commodity Industrial Inputs Price Index, Emerging Market GDP growth rate
Global market	Change in Commodity Industrial Inputs Price Index; Investment percentage change in GDP (2-year average); Global GDP growth rate

The Bank continues to review the model for the calculation of its ECL in light of the model's performance, taking account of market developments and best practice and guidance issued by the PRA. It does this with the assistance of an external subject matter consultant. The unprecedented nature of the impact of the pandemic and post-pandemic period has led the Bank to enhance the model through the creation of the additional scenarios in order to convey the operating environment in the Bank's niche of current operations and the corresponding assessment of credit quality in its portfolio. The revised model was tested and the basis was discussed and challenged within the Bank's credit function, with oversight and guidance from its Management & Board Credit Committees and Board Audit Committee.

The Directors have concluded that the revised model is fit for purpose, with an ECL that prudently reflects the Bank's credit risk.

Notes to the Financial Statements

for the year ended 31 December 2022

2. Accounting policies (Continued)

Post model adjustments (PMAs): The Bank has adopted the definition of PMAs as included in the Taskforce on Disclosures about Expected Credit Losses (DECL) report issued in September 2022.

Below is a summary of the Bank's total ECL numbers showing the portion relating to PMAs in 2022. The PMAs relate to Ghana exposures and these fall under stage 1 and 3. The Bank did not record any PMAs in the prior year.

	Stage 1	Stage 2	Stage 3	Total
Modelled ECL provision	1,295,352	206,214	1,937,805	3,439,371
Post model adjustments:				
- Individual assessed assumptions	(3,320)	-	(217,029)	(220,349)
Final ECL provision	1,292,032	206,214	1,720,776	3,219,022

The Bank models all its exposures in calculating ECL. In 2022, the Bank has classified two Ghana related sovereign exposures from Stage 1 to Stage 3. The move to Stage 3 resulted in a 100% PD being applied on the exposures and this translated to an increase in the modelled ECL provision from $19k in 2021 to $1,974k in 2022. However, the Bank has performed an individual assessment to determine the ECL that may arise on the exposures given the on-going restructuring process between the counterparty and lenders, which resulted in an ECL provision of $1,721k. For each asset, the Bank has a formed a view of its base case, the most likely outcome, plus downside and upside cases, each with a different loss given default ratio ("LGD"). Each case was assigned a probability of its occurrence based available information and management's expert judgment. The ECL assigned is the weighted average of those scenarios. This resulted in a $217k reduction in ECL compared to the ECL modelled provisions calculated under standard methodology and LGD ratios. Therefore, the Bank has treated the $217k as a PMA in the current year; this largely made up the total PMA of $220k in the current year (2021: nil).

The stage 1 PMA relates to an exposure to a Ghanian Bank, for which settlement has been fully made subsequent to year end.

2.21. Prior year comparatives

The 2021 comparatives of certain note disclosures have been re-presented to align with current year presentation.

Notes to the Financial Statements

for the year ended 31 December 2022

3. Interest and similar income

	31 December 2022 $	31 December 2021 $
Cash	1,542	-
Loans and advances to banks		
Cash equivalents	82,888	11,512
Syndicated lending	2,722,553	1,972,577
Discounted bills	1,433,444	1,195,382
Refinancing under letters of credit	4,381,737	3,777,533
Specialised lending	-	48,655
Overdraft interest	808,566	253,529
Loans and advances to customers		
Retail lending	865,123	565,078
Corporate lending	1,130,979	890,921
Treasury lending	10,270	20,859
Specialised lending	1,306,298	762,832
Syndicated lending	1,353,189	1,045,074
Overdraft interest	2,677	17,569
Other interest	969	937
Investments		
Government bonds	429,681	62,701
Bank bonds	1,200,698	577,426
Fund Investments Government	3,193,559	5,196
Fund Investments Non-government	-	2,901
	18,924,173	11,210,682

Notes to the Financial Statements

for the year ended 31 December 2022

4. Interest and similar expense

	31 December 2022 $	31 December 2021 $
Deposits from banks	1,033,324	257,243
Deposits from customers	3,395,686	2,595,765
	4,429,010	2,853,008

5. Fees and commission income

	31 December 2022 $	31 December 2021 $
Retail	160,010	42,013
Corporate banking	52,553	34,013
Trade services	1,364,287	1,955,146
Representative office	200,000	268,885
	1,776,850	2,300,057

6. Fees and commission expense

	31 December 2022 $	31 December 2021 $
Bank charges	272,985	303,407
Fees paid to deposit aggregators	615,424	464,031
	888,409	767,438

7. Other operating income

	31 December 2022 $	31 December 2021 $
Digital banking expense recovery	2,413,548	2,732,640
Gain on trade finance assets	731,256	163,319
Income from FVTPL Fund Investments Other	328,486	-
Other income	60,915	126,684
	3,534,205	3,022,643

The Digital banking expense recovery is the recharge of expenses incurred by the Bank in developing the borderless banking application and is recognised in the period to which the expense relates.

Notes to the Financial Statements

for the year ended 31 December 2022

8. Personnel expenses

	31 December 2022 $	31 December 2021 $
Employee costs		
Wages and salaries	6,092,065	5,405,232
Pensions	43,765	46,464
Social security costs	795,086	667,965
Other staff costs	949,281	747,701
	7,880,197	6,867,362

The average number of employees including directors in the year was 56 (2021: 52)

	31 December 2022 No.	31 December 2021 No.
Non-management	40	34
Management	16	18
	56	52

	31 December 2022 $	31 December 2021 $
Directors' remuneration		
Emoluments	1,476,702	1,182,032
Pension contributions	1,618	1,094
	1,478,320	1,183,126

The highest paid director received remuneration of $393,161 (2021: $414,162) and made contributions of $1,618 (2021: $1,503) under a defined contribution scheme.

9. Profit before tax

	Note	31 December 2022 $	31 December 2021 $
Profit before tax is stated after charging/(crediting):			
Foreign exchange loss / (profit)		450,733	(129,744)
Amortisation of intangibles	18	166,505	195,589
Depreciation of property and equipment	17	413,485	408,202
Auditor's remuneration - audit fees		374,931	309,159
Auditor's remuneration - non-audit fees		9,630	4,173

Non-audit fees relate to fees for the assurance services provided to the Bank in the form of audit of client assets of the Bank (CASS) in both 2022 and 2021.

Notes to the Financial Statements

for the year ended 31 December 2022

10. Income tax

The current tax charge is $45,624 (2021: $Nil), with a deferred tax charge in 2022 of $501,803 (2021: credit $511,455), resulting in a total tax charge in 2022 of $547,427 (2021: credit $511,455). The current tax liability is $45,624 (2021: $Nil).

	31 December 2022 $	31 December 2021 $
Profit on ordinary activities before taxation	2,953,126	1,124,026
Profit on ordinary activities multiplied by the UK corporation tax rate of 19% (2021: 19%)	561,094	213,565
Effects of:		
Fixed asset differences	(17,566)	-
Expenses not deductible for tax purposes	7,181	26
Remeasurement of deferred tax for changes in tax rates	(2,583)	(35,542)
Recognition of deferred tax previously unrecognised	-	(689,559)
Other deferred tax adjustments	(699)	-
Other short term timing differences	-	55
Actual total tax charge / (credit)	547,427	(511,455)

Factors that may affect future tax charges:

The directors have recognised a deferred tax asset of $159,008 (2021: $660,811) including unused tax losses of $64,346 (2021: $586,074) that are considered to be able to be offset against the Bank's taxable profits expected to arise in the next accounting period. Management have based their assessment on the latest forecast approved by the Board. The corporation tax rate for the year ended 31 December 2022 was 19% (2021: 19%).

The Finance Bill published on 11 March 2021 proposes to continue the 19% corporation tax rate to 31 March 2023 and to enact a 25% rate from 1 April 2023.

The table below shows the deferred tax asset related income statement movement.

	Fixed Assets $	Expenses & Provisions $	Unused tax losses $	Total $
Movement in deferred tax				
At 01 January 2022	(42,833)	(31,904)	(586,074)	(660,811)
Charge / (credit) to Income Statement	(17,712)	(2,213)	521,728	501,803
At 31 December 2022	(60,545)	(34,117)	(64,346)	(159,008)

Notes to the Financial Statements

for the year ended 31 December 2022

	Fixed Assets	Expenses & Provisions	Unused tax losses	Total
	$	$	$	$
Movement in deferred tax				
At 01 January 2021	(20,925)	-	(128,431)	(149,356)
Credit to Income Statement	(21,908)	(31,904)	(457,643)	(511,455)
At 31 December 2021	(42,833)	(31,904)	(586,074)	(660,811)

11. Dividends paid and proposed

During the year no dividends were paid or proposed (2021: $Nil).

12. Cash and cash equivalents

	31 December 2022	31 December 2021
	$	$
Cash on hand	276	236
Deposits with Group companies	31,860	34,656
Deposits with banks	7,086,186	5,945,252
	7,118,322	5,980,144
Less: Allowance for impairment losses (Note 24)	(253)	(265)
	7,118,069	5,979,879

13. Loans and advances to banks

	31 December 2022	31 December 2021
	$	$
Syndicated lending	30,608,750	47,734,818
Discounted bills	21,911,125	6,192,873
Refinancing under letters of credit	66,152,633	66,401,568
Specialised lending	-	997,500
Overdrafts	21,725,496	11,280,352
	140,398,004	132,607,111
Less: Allowance for impairment losses (Note 24)	(469,360)	(258,956)
	139,928,644	132,348,155

14. Loans and advances to customers

	31 December 2022	31 December 2021
	$	$
Retail lending	14,091,451	14,946,202
Corporate lending	13,550,886	18,051,073
Governments	26,335,795	20,615,784
Specialised lending	11,748,434	26,046,661
Syndicated Lending	5,273,944	-
Overdrafts	1,992,211	87,577
	72,992,721	79,747,297
Less: Allowance for impairment losses (Note 24)	(1,547,227)	(305,819)
	71,445,494	79,441,478

Notes to the Financial Statements

for the year ended 31 December 2022

15. Investment securities

	31 December 2022 $	31 December 2021 $
Fair value through other comprehensive income (FVOCI)		
Bank bonds	15,143,439	17,212,630
Government Bonds	5,495,131	7,455,147
HQLA Investments	19,430,955	-
Less: Allowance for impairment losses (Note 24)	-	(139,266)
	40,069,525	24,528,511
Fair value through profit or loss (FVTPL)		
Fund Investments Government	235,843,987	139,770,139
Fund Investments Other	8,833,936	9,778,800
	244,677,923	149,548,939
Total investment securities	284,747,448	174,077,450

HQLA Investments are high quality liquid assets and include US Treasury bills and bonds issued by International Bank of Restructuring and Development (IBRD). The allowance for impairment losses relating to FVOCI investments has been reclassified to other reserves in 2022 as ECL is presumed to form part of the fair value of the assets and therefore does not reduce the carrying amount of the asset.

16. Other assets

	31 December 2022 $	31 December 2021 $
Financial assets		
Accrued income	5,053,934	3,073,327
Other debtors	394,241	1,338,741
Margin call cash collateral for Derivative FIs	1,560,000	1,540,000
	7,008,175	5,952,068
Non-financial assets		
Prepayments	561,174	638,023
	561,174	638,023
Total other assets	7,569,349	6,590,091

The Bank receives and provides margin deposits as collateral for outstanding derivative positions. The Bank or the counterparty may set off this margin held against any outstanding positions in the case of default. The Bank's margin is held with one counterparty bank.

Notes to the Financial Statements

for the year ended 31 December 2022

17. Property and equipment

	Leasehold improvements $	Fixtures and fittings $	Computer equipment $	Right of use assets $	Total $
Cost					
As at 01 January 2022	600,797	288,888	380,034	2,872,585	4,142,304
Additions in the year	-	2,830	26,493	-	29,323
As at 31 December 2022	600,797	291,718	406,527	2,872,585	4,171,627
Accumulated depreciation					
As at 01 January 2022	349,440	253,197	304,634	998,938	1,906,209
Charge for year	63,665	19,038	41,191	289,591	413,485
As at 31 December 2022	413,105	272,235	345,825	1,288,529	2,319,694
Carrying amount					
As at 31 December 2022	187,692	19,483	60,702	1,584,056	1,851,933
As at 31 December 2021	251,357	35,691	75,400	1,873,647	2,236,095

	Leasehold improvements $	Fixtures and fittings $	Computer equipment $	Right of use assets $	Total $
Cost					
As at 01 January 2021	600,797	284,710	352,525	2,872,585	4,110,617
Additions in the year	-	4,178	27,509	-	31,687
As at 31 December 2021	600,797	288,888	380,034	2,872,585	4,142,304
Accumulated depreciation					
As at 01 January 2021	289,610	234,494	264,556	709,347	1,498,007
Charge for year	59,830	18,703	40,078	289,591	408,202
As at 31 December 2021	349,440	253,197	304,634	998,938	1,906,209
Carrying amount					
As at 31 December 2021	251,357	35,691	75,400	1,873,647	2,236,095
As at 31 December 2020	311,187	50,216	87,969	2,163,238	2,612,610

There have been no indicators of impairment identified during the current or prior financial years.

Notes to the Financial Statements

for the year ended 31 December 2022

18. Intangible assets

	Computer software $
Cost	
As at 01 January 2022	1,390,244
Additions in the year	274,691
As at 31 December 2022	1,664,935
Accumulated amortisation	
As at 01 January 2022	1,105,180
Charge for year	166,505
As at 31 December 2022	1,271,685
Carrying amount	
As at 31 December 2022	393,250
As at 31 December 2021	285,064

	Computer software $
Cost	
As at 01 January 2021	1,343,393
Additions in the year	46,851
As at 31 December 2021	1,390,244
Accumulated amortisation	
As at 01 January 2021	909,591
Charge for year	195,589
As at 31 December 2021	1,105,180
Carrying amount	
As at 31 December 2021	285,064
As at 31 December 2020	433,802

Notes to the Financial Statements

for the year ended 31 December 2022

19. Deposits from banks

	Note	31 December 2022 $	31 December 2021 $
Deposits from related parties	31	62,943,035	43,959,993
Deposits from Central Bank		165,169,490	92,649,890
Deposits from other banks		10,006,654	10,073,321
		238,119,179	146,683,204

20. Deposits from customers

	Note	31 December 2022 $	31 December 2021 $
Deposit aggregators		164,651,333	163,318,690
Deposits from corporates		29,688,593	19,150,189
Deposits from related parties	31	4,123,326	3,018,235
Deposits from individuals		14,659,982	11,983,333
		213,123,234	197,470,447

21. Other liabilities

	31 December 2022 $	31 December 2021 $
Financial liabilities		
Accrued interest	2,391,091	2,644,332
Accruals	1,655,759	774,400
Trade creditors	151,406	37,016
Other taxation and social security	304,643	194,217
Non-financial assets		
ECL on credit commitments	17,392	6,302
Dilapidation provisions (see note 23)	112,806	123,021
Lease liability	1,605,269	2,146,769
Deferred Income	119,311	72,269
	6,357,677	5,998,326

Notes to the Financial Statements

for the year ended 31 December 2022

22. Derivative financial instruments

	31 December 2022 $	31 December 2021 $
Forward foreign exchange contracts		
Receivable	1,851,462	834,132
Payable	(3,686,620)	(2,176,318)

Derivative financial instruments consist of short-term foreign exchange contracts. These are held for day to day cash management rather than for trading purposes and are held at fair value. All derivative contracts open at the year-end have intended settlement dates within twelve months. All derivative financial instruments are considered to be level two and are priced with reference to observable market data including prices from exchanges. The net fair values of the foreign exchange contracts are reflected in the table above. The gross fair values of the foreign exchange contracts are disclosed in the foreign exchange risk note 24.4.

23. Dilapidation Provisions

	31 December 2022 $	31 December 2021 $
Dilapidation provision		
At 1 January	123,021	115,364
Increase	3,019	3,293
Foreign exchange movement	(13,234)	4,364
	112,806	123,021

The dilapidation provision is linked to the property lease, and therefore the expected timing of the resulting outflows of economic benefits is in 2028. The expected economic outflow is stated above.

Notes to the Financial Statements

for the year ended 31 December 2022

24. Financial instruments and risk management

	Note	31 December 2022			31 December 2021		
		FVTPL	FVOCI	Amortised cost	FVTPL	FVOCI	Amortised cost
Financial assets							
Cash and cash equivalents	12	-	-	7,118,069	-	-	5,979,879
Loans and advances to banks	13	-	-	139,928,644	-	-	132,348,155
Loans and advances to customers	14	-	-	71,445,494	-	-	79,441,478
Investment securities	15	244,677,923	40,069,525	-	149,548,939	24,528,511	-
Derivative financial instruments	22	1,851,462			834,132	-	
Other assets	16			7,008,175	-	-	5,952,068
		246,529,385	**40,069,525**	**225,500,382**	**150,383,071**	**24,528,511**	**223,721,580**
Financial liabilities							
Deposits from banks	19	-	-	238,119,179	-	-	146,683,204
Deposits from customers	20	-	-	213,123,234	-	-	197,470,447
Derivative financial instruments	22	3,686,620	-		2,176,318	-	
Subordinated liabilities	30	-	-	9,600,000	-	-	5,000,000
Other liabilities	21	-	-	4,502,899	-	-	3,649,965
		3,686,620	**-**	**465,345,312**	**2,176,318**	**-**	**352,803,616**

24.1. Risk management

Risks reflect uncertainty regarding the outcome of financial transactions due to changes in political, economic and market conditions. They are inherent in the Bank's activities and are managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls to ensure an appropriate risk-return relationship. The process of risk management is critical to the Bank's existence and each individual within the Bank is accountable for the risk exposures relating to his or her responsibilities. The Bank endeavours to ensure that its risk management framework is robust, relevant and aligns with best practices.

The Bank has in place a Board approved risk appetite statement which provides counterparty and concentration risk guidance in line with sound corporate governance standards. The effects of risk are considered in terms of their impact on income, asset values, liabilities and recoverability. The risks actively managed by the Bank include, liquidity risk, interest rate risk, operational risk, credit risk, concentration risk and foreign exchange risk.

Notes to the Financial Statements

for the year ended 31 December 2022

24.2. Liquidity risk

Liquidity risk is defined as the risk that the Bank will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Bank might be unable to meet its payment obligations when they fall due under both normal and stress circumstances.

The overall objective of liquidity risk management is to ensure that the Bank has adequate liquid resources to meet its obligations as and when they fall due, at all times. It has in place a Board approved Individual Liquidity Adequacy Assessment Process ("ILAAP") that enables monitoring and management of the Bank's liquidity risk. The Bank's policy is to monitor liquidity risk metrics including the Individual Liquidity Guidance ("ILG") wholesale mismatch gaps, survival days, liquidity coverage ratio ("LCR") and net stable funding ratio ("NSFR") along with other balance sheet ratios on a daily basis. The Treasury department is responsible for the daily liquidity risk management with daily reporting to the executive directors and Finance, and is monitored monthly through the Bank's Asset and Liability Committee ("ALCO"). To this end, the Treasury department produces the Daily Treasury Risk dashboard, which identifies liquidity and funding gaps under agreed stressed scenarios over a forecasted 3-month period. Where required, appropriate action will be proposed by the department for management's approval and subsequent action within agreed timescales to ensure that the Bank remains within its Regulatory and Board limits at all times.

Notes to the Financial Statements

for the year ended 31 December 2022

24. Financial instruments and risk management (Continued)

The table below summarises the undiscounted contractual maturities of cash flows of financial assets and liabilities.

	0 – 3 months	3 – 6 months	6 – 12 months	1 – 5 years	Above 5 years	Total
	$	$	$	$	$	$
At 31 December 2022						
Financial assets						
Cash and cash equivalents	7,118,322	-	-	-	-	7,118,322
Loans and advances to banks	73,788,635	48,450,792	23,258,472	3,053,100	-	148,550,999
Loans and advances to customers	14,459,031	5,878,358	18,365,305	48,357,077	1,525,713	88,585,484
Investment securities	256,140,785	799,078	3,178,454	24,215,488	13,243,774	297,577,579
Other assets	1,383,640	-	5,624,535	-	-	7,008,175
Total financial assets	352,890,413	55,128,228	50,426,766	75,625,665	14,769,487	548,840,559
Financial liabilities						
Deposits from banks	(213,091,061)	(25,719,938)	-	-	-	(238,810,999)
Deposits from customers	(91,648,557)	(36,428,876)	(73,694,547)	(16,589,176)	-	(218,361,156)
Subordinated liabilities	-	(604,250)	(607,319)	(4,861,883)	(13,603,317)	(19,676,769)
Other liabilities	(456,049)	(1,701,383)	(2,391,091)	-	-	(4,548,523)
Total financial liabilities	(305,195,667)	(64,454,447)	(76,692,957)	(21,451,059)	(13,603,317)	(481,397,447)
Derivative financial instruments						
Forward FX Contracts	(2,660,784)	(643,600)	1,469,226	-	-	(1,835,158)
Total derivative FIs	(2,660,784)	(643,600)	1,469,226	-	-	(1,835,158)
Loan commitments	(3,980,838)	-	-	-	-	(3,980,838)
Net liquidity gap	41,053,124	(9,969,819)	(24,796,965)	54,174,606	1,166,170	61,627,116

Notes to the Financial Statements

for the year ended 31 December 2022

24. Financial instruments and risk management (Continued)

	0 – 3 months	3 – 6 months	6 – 12 months	1 – 5 years	Above 5 years	Total
	$	$	$	$	$	$
At 31 December 2021						
Financial assets						
Cash and cash equivalents	5,980,144	-	-	-	-	5,980,144
Loans and advances to banks	69,594,106	42,665,090	19,241,191	5,907,579	-	137,407,966
Loans and advances to customers	9,578,040	5,516,802	19,207,280	56,051,986	2,045,377	92,399,485
Investment securities	140,176,174	517,177	1,431,393	31,755,335	15,133,245	189,013,324
Other assets	2,064,028	-	3,888,040	-	-	5,952,068
Total financial assets	227,392,492	48,699,069	43,767,904	93,714,900	17,178,622	430,752,987
Financial liabilities						
Deposits from banks	(115,943,506)	(30,761,910)	(25,666)	-	-	(146,731,082)
Deposits from customers	(42,588,678)	(43,829,196)	(59,380,785)	(56,708,484)	-	(202,507,143)
Subordinated liabilities	-	(304,167)	(304,167)	(2,435,000)	(7,613,333)	(10,656,667)
Other liabilities	(231,233)	(774,400)	(2,644,332)	-	-	(3,649,965)
Total financial liabilities	(158,763,417)	(75,669,673)	(62,354,950)	(59,143,484)	(7,613,333)	(363,544,857)
Derivative financial instruments						
Forward FX Contracts	(355,363)	(960,549)	(26,274)	-	-	(1,342,186)
Total derivative FIs	(355,363)	(960,549)	(26,274)	-	-	(1,342,186)
Loan commitments	(9,988,230)	-	-	-	-	(9,988,230)
Net liquidity gap	58,285,482	(27,931,153)	(18,613,320)	34,571,416	9,565,289	55,877,714

Notes to the Financial Statements

for the year ended 31 December 2022

24. Financial instruments and risk management (Continued)

24.3. Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments.

A substantial part of the Bank's interests bearing liabilities and assets are at fixed interest rates. All fixed interest bearing assets are short term discounted bills, refinanced letters of credit, Eurobonds and US treasury bills. The overall potential impact of the mismatches on the earnings are being managed within the tolerance limits approved by the Board. The repricing characteristics of the Bank's assets and liabilities are mismatched and subject the Bank to interest rate risk.

Interest rate risk is managed principally through active monitoring of mismatch gaps and by having pre-approved limits.

Summarised below is the interest rate gap position based on the carrying amount of floating interest rate sensitive financial instruments:

	Carrying amount $	0 – 3 months $	3 – 6 months $	6 – 12 months $	1 – 5 years $	Above 5 years $
At 31 December 2022						
Assets subject to interest rate risk:						
Loans and advances to banks	30,608,750	1,111,000	17,777,778	11,719,972	-	-
Loans and advances to customers	69,037,241	10,028,213	3,343,833	14,499,832	40,001,992	1,163,371
Investment securities	240,798,187	240,798,187	-	-	-	-
Accrued income	3,936,690	-	-	3,936,690	-	-
	344,380,868	251,937,400	21,121,611	30,156,494	40,001,992	1,163,371

	Carrying amount $	0 – 3 months $	3 – 6 months $	6 – 12 months $	1 – 5 years $	Above 5 years $
Liabilities subject to interest rate risk:						
Deposits from banks	(56,013,219)	(30,563,024)	(25,450,195)	-	-	-
Deposits from customers	(1,150,000)	-	(1,150,000)	-	-	-
Accrued liabilities	(2,391,091)	-	-	(2,391,091)	-	-
	(59,554,310)	(30,563,024)	(26,600,195)	(2,391,091)	-	-
Net interest gap	284,826,558	221,374,376	(5,478,584)	27,765,403	40,001,992	1,163,371

Notes to the Financial Statements

for the year ended 31 December 2022

24. Financial instruments and risk management (Continued)

	Carrying amount $	0 – 3 months $	3 – 6 months $	6 – 12 months $	1 – 5 years $	Above 5 years $
At 31 December 2021						
Assets subject to interest rate risk:						
Loans and advances to banks	37,789,818	1,111,000	16,635,348	15,616,250	4,427,220	-
Loans and advances to customers	69,565,769	7,756,989	4,031,012	7,096,023	48,972,565	1,709,180
Investment securities	139,770,139	139,770,139	-	-	-	-
Accrued income	2,242,780	-	-	2,242,780	-	-
	249,368,506	148,638,128	20,666,360	24,955,053	53,399,785	1,709,180

	Carrying amount $	0 – 3 months $	3 – 6 months $	6 – 12 months $	1 – 5 years $	Above 5 years $
Liabilities subject to interest rate risk:						
Deposits from banks	(14,400,046)	(14,400,046)	-	-	-	-
Deposits from customers	(600,026)	-	(600,026)	-	-	-
Accrued liabilities	(2,644,332)	-	-	(2,644,332)	-	-
	(17,644,404)	(14,400,046)	(600,026)	(2,644,332)	-	-
Net interest gap	231,724,102	134,238,082	20,066,334	22,310,721	53,399,785	1,709,180

Notes to the Financial Statements

for the year ended 31 December 2022

24. Financial instruments and risk management (Continued)

The management of interest rate risk against interest rate gaps is supplemented by monitoring the sensitivity of the Bank's financial assets and liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that are considered on a monthly basis include a 50 basis point and 100 basis point increase. The financial assets and liabilities sensitive to interest rate risk are loans and advances and deposits. A weighted average interest rate has been applied and the effects are shown in the table below:

At 31 December 2022	Gross amount $	Weighted average %	Interest due at current weighted average rate $	Increase of 50bps $	Increase of 100bps $
Financial assets					
Cash and cash equivalents	7,118,322	-	-	35,592	71,183
Loans and advances to banks	140,398,004	7.65%	10,733,616	11,435,606	12,137,596
Loans and advances to customers	72,992,721	7.38%	5,389,448	5,754,412	6,119,376
Investment securities	284,747,448	0.77%	2,181,848	3,605,585	5,029,322
Other assets	1,560,000	-	-	7,800	15,600
Financial liabilities					
Deposits from banks	(238,119,179)	1.51%	(3,602,663)	(4,793,259)	(5,983,855)
Deposits from customers	(213,123,234)	2.05%	(4,360,734)	(5,426,350)	(6,491,966)
Subordinated liabilities	(9,600,000)	6.24%	(599,000)	(647,000)	(695,000)
	45,974,082		9,742,515	9,972,386	10,202,256
Impact on net interest income				229,871	459,741

The impact of a decrease in interest rates will be the equal and opposite of the increase scenarios shown.

At 31 December 2021	Gross amount $	Weighted average %	Interest due at current weighted average rate $	Increase of 50bps $	Increase of 100bps $
Financial assets					
Cash and cash equivalents	5,980,144	-	-	29,901	59,801
Loans and advances to banks	132,607,111	4.86%	6,439,623	7,102,659	7,765,694
Loans and advances to customers	79,747,297	4.96%	3,952,603	4,351,339	4,750,076
Investment securities	174,216,716	0.94%	1,637,481	2,508,565	3,379,648
Other assets	1,540,000	-	-	7,700	15,400
Financial liabilities					
Deposits from banks	(146,683,204)	0.06%	(85,992)	(819,408)	(1,552,824)
Deposits from customers	(197,470,447)	1.22%	(2,414,683)	(3,402,035)	(4,389,387)
Subordinated liabilities	(5,000,000)	6.00%	(300,000)	(325,000)	(350,000)
	44,937,617		9,229,032	9,453,721	9,678,408
Impact on net interest income				224,689	449,376

The impact of a decrease in interest rates will be the equal and opposite of the increase scenarios shown.

Notes to the Financial Statements

for the year ended 31 December 2022

24. Financial instruments and risk management (Continued)

24.4. Foreign exchange risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. In accordance with the Bank's policy, positions are monitored on a daily basis to ensure positions are maintained within an acceptable level of exposure. The Bank has in place forward foreign exchange contracts to mitigate its' foreign exchange risk.

The table below considers financial assets and financial liabilities denominated in the currencies of the Bank's principal foreign exchange exposures in aggregate:

	USD	NGN	GBP	EURO	CHF	ZAR	Total
At 31 December 2022	$	$	$	$	$	$	$
Financial assets							
Cash and cash equivalents	3,420,038	31,860	2,607,827	1,033,806	4,330	20,461	7,118,322
Investment securities	240,848,329	-	43,177,923	721,196	-	-	284,747,448
Loans and advances to banks	119,359,533	-	99,690	20,938,781	-	-	140,398,004
Loans and advances to customers	28,193,846	-	21,374,950	23,423,925	-	-	72,992,721
Forward FX contracts	(36,753,198)	-	41,305,688	(2,701,028)	-	-	1,851,462
Other assets	6,118,756	-	89,931	405,247	-	-	6,613,934
Total assets	361,187,304	31,860	108,656,009	43,821,927	4,330	20,461	513,721,891
Financial liabilities							
Deposits from banks	(234,447,402)	-	(1,961,419)	(1,709,660)	(698)	-	(238,119,179)
Deposits from customers	(29,567,213)	-	(183,488,356)	(67,665)	-	-	(213,123,234)
Subordinated liabilities	(9,600,000)	-	-	-	-	-	(9,600,000)
Forward FX contracts	(47,024,666)	-	85,668,386	(42,330,340)	-	-	(3,686,620)
Accrued liabilities	(481,573)	-	(1,909,234)	(284)	-	-	(2,391,091)
Total liabilities	(321,120,854)	-	(101,690,623)	(44,107,949)	(698)	-	(466,920,124)
Net on-balance sheet financial position	40,066,450	31,860	6,965,386	(286,022)	3,632	20,461	46,801,767
Off-balance sheet financial position	26,315,825	-	803,652	1,835,938	-	-	28,955,415

Notes to the Financial Statements

for the year ended 31 December 2022

24. Financial instruments and risk management (Continued)

At 31 December 2021	USD $	NGN $	GBP $	EURO $	CHF $	ZAR $	Total $
Financial assets							
Cash and cash equivalents	3,083,657	34,656	1,621,307	1,208,968	9,837	21,719	5,980,144
Investment securities	124,594,315	-	48,548,939	1,073,462	-	-	174,216,716
Loans and advances to banks	124,577,353	-	-	8,029,758	-	-	132,607,111
Loans and advances to customers	42,450,733	-	27,446,424	9,850,140	-	-	79,747,297
Forward FX contracts	(25,069,700)	-	44,896,487	(18,992,655)	-	-	834,132
Other assets	4,344,082	-	101,479	167,766	-	-	4,613,327
Total assets	273,980,440	34,656	122,614,636	1,337,439	9,837	21,719	397,998,727
Financial liabilities							
Deposits from banks	(143,141,771)	-	(2,239,471)	(1,289,099)	(12,863)	-	(146,683,204)
Deposits from customers	(25,359,455)	-	(172,050,585)	(60,407)	-	-	(197,470,447)
Subordinated liabilities	(5,000,000)	-	-	-	-	-	(5,000,000)
Forward FX contracts	(65,870,763)	-	63,694,445	-	-	-	(2,176,318)
Accrued liabilities	(104,669)	-	(2,539,497)	(166)	-	-	(2,644,332)
Total liabilities	(239,476,658)	-	(113,135,108)	(1,349,672)	(12,863)	-	(353,974,301)
Net on-balance sheet financial position	34,503,782	34,656	9,479,528	(12,233)	(3,026)	21,719	44,024,426
Off-balance sheet financial position	35,560,363	-	900,529	5,812,574	-	-	42,273,466

The Bank's principal foreign exchange exposures are to Sterling and Euro. The table below illustrates the hypothetical sensitivity of the Bank's reported profit and equity to a 10% increase in the respective foreign exchange rates to which the Bank is exposed. (A decrease in the currency rate would have an equal and opposite impact):

	31 December 2022 $	31 December 2021 $
Impact on reported profit:		
Sterling	696,539	947,953
Naira	3,186	3,466
Euro	(28,602)	(1,223)
Swiss Francs	363	(303)
Rand	2,046	2,172
Increase to reported profit	673,532	952,065
Impact on equity:		
Sterling	696,539	947,953
Naira	3,186	3,466
Euro	(28,602)	(1,223)
Swiss Francs	363	(303)
Rand	2,046	2,172
Increase to equity	673,532	952,065

Foreign exchange movements affect reported equity through changes in profit or loss.

Notes to the Financial Statements

for the year ended 31 December 2022

24. Financial instruments and risk management (Continued)

24.5. Credit risk

Credit risk is the risk of loss as a result of any market counterparties failing to fulfil their contractual obligations.

The Bank follows the 'Standardised Approach' to credit risk management as prescribed in the Capital Resources Requirements and Capital Requirement Directive IV. Credit risk is managed through credit approval processes; a credit approving authority structure; setting and monitoring of prudential exposures and country/counterparty limits; portfolio management and risk based pricing.

The definition of default is referenced in note 2.20. The Bank will consider a full or partial write off of a financial asset if there is considered to be no realistic prospect of recovery. The amount to be written off will be depend on; the realistic amount that can be recovered, and any collateral or security held which will impact the net realisable value.

Impairment assessment

For accounting purposes, the Bank uses an expected loss model to comply with the requirements associated with IFRS 9. The approach is described below briefly:

- The ECL computation is performed for each exposure that is assigned to the Amortised Cost or FVOCI (debt) classification and is based on the industry standard components: PD (Probability of Default), EAD (Exposure at Default) and LGD (Loss Given Default). Where necessary, discounting is applied.
- The ECL figures also incorporate 5 macro-economic scenarios and the ECLs from these scenarios are probability-weighted to calculate an overall ECL. It uses a base case economic forecast as a central scenario, and four economic scenarios around the central scenario.
- The key inputs to the approach are (i) modelled PDs based on internal credit ratings that are assigned by the Bank's Credit Department, (ii) exposure amounts and on-balance sheet equivalent amounts and (iii) LGD estimates as inputs to determine ECL. Annual PDs are provided for each exposure for each year of the exposure's residual term. The PDs supplied as inputs to the ECL calculation are independent of the state of the economy and are benchmarked with long run default rates from external agency ratings.
- To meet the requirements of IFRS 9, the calculation adjusts the PDs so that they convert into point-in-time values given a specific economic scenario based on historically observed relationships between macroeconomic variables and default rates.
- Each exposure is subject to "Significant Increase in Credit Risk" ("SICR") or staging rules as per IFRS 9.
    - Exposures in Stage 1 attract a 1-year ECL and exposures in Stages 2 and 3 attract a Lifetime ECL.
    - The Criteria to determine the appropriate staging for each exposure is approved by the Bank's Credit Department or Credit Committee and mainly reflect (i) account payment behaviour, (ii) changes in credit ratings since origination of an exposure and (iii) qualitative credit risk assessment by the Bank.
- If there is evidence that SICR is no longer present for an instrument, the instrument is transferred back to Stage 1 according to the IFRS 9 framework.
- The Bank then aggregates the ECL for reporting and analysis.
- If any management overlays to the above are needed, they are documented and approved through appropriate governance processes.

Notes to the Financial Statements

for the year ended 31 December 2022

24. Financial instruments and risk management (Continued)

The Credit Department and the credit approving authority including the Credit Committee are responsible for assessing the rating of clients at origination and at present. Clients are re-rated on at least an annual basis. The credit department is also responsible for identifying SICR with any particular exposure or portfolio of exposures, as may be applicable and report to the appropriate authority.

The Credit Department, Credit Committee and Board Audit and Risk Committee is responsible for assessing the macro-economic scenarios that are implemented in the calculation of ECLs and consider the scenarios and their impact to result in the best estimate macro-economic conditions likely to impact the likelihood of default of the Bank's existing exposures.

The impact of the provisioning calculations performed under IFRS 9 on the balance sheet as at 31st December 2022 is $3,219,022 (2021: $710,608).

Credit-related commitment risks

The Bank makes available to its customers guarantees that may require the Bank to make payments on their behalf and enters into commitments to extend credit lines to secure their liquidity needs. Letters of credit and guarantees (including standby letters of credit) commit the Bank to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Such commitments expose the Bank to similar risks to loans and are mitigated by the same control processes and policies.

Analysis of maximum exposure to credit risk

The table below shows the Bank's maximum exposure to credit risk by class of financial asset and internal risk rating:

Maximum exposure to credit risk

	IFRS 9 31 December 2022			IFRS9 31 December 2021		
	Gross exposure	Allowance for credit loss	Net exposure	Gross exposure	Allowance for credit loss	Net exposure
	$	$	$	$	$	$
Cash and cash equivalents	7,118,046	253	7,117,793	5,979,908	265	5,979,643
Investments at FVOCI	40,069,525	-	40,069,525	24,667,777	139,266	24,528,511
Loans & advances to banks	140,398,004	469,360	139,928,644	132,607,111	258,956	132,348,155
Loans & advances to customers	72,992,721	1,547,227	71,445,494	79,747,297	305,819	79,441,478
Other assets	7,008,175	-	7,008,175	3,782,780	-	3,782,780
Off balance sheet	27,180,192	17,392	27,162,800	41,473,466	6,302	41,467,164
	294,766,663	2,034,232	292,732,431	288,258,339	710,608	287,547,731

In addition, there are investments at FVTPL in 2022 of $244,677,923 (2021: $149,548,939). $235,843,987 of this is considered very low risk (2021: $139,770,139), and $8,833,936 is considered medium risk (2021: $9,778,800). The maximum exposure to credit risk relating to cash and cash equivalents excludes cash on hand of $276 (2021: $236). Off balance sheet excludes guarantees from banks of $1,775,223 (2021: $800,000).In 2022, there is an ECL of $1,184,790 relating to investments at FVOCI however this does reduce the carrying value of the asset and therefore does not impact the exposure to credit risk.

Notes to the Financial Statements

for the year ended 31 December 2022

24. Financial instruments and risk management (Continued)

The Bank manages the credit quality of financial assets using internal credit ratings. These are:

Internal credit ratings scale:

1-6	- very low risk
7-9	- low risk
10-13	- medium risk
14-16	- acceptable risk
17-20	- high risk

Net carrying value of exposure by risk rating

	IFRS 9 31 December 2022			
	Stage 1	Stage 2	Stage 3	Net carrying amount
	$	$	$	$
Very low	34,622,218	-	-	34,622,218
Low	7,022,291	-	-	7,022,291
Medium	34,275,598	7,089,705	-	41,365,303
Acceptable	203,208,338	1,919,616	-	205,127,954
High	705,581	-	3,889,084	4,594,665
	279,834,026	9,009,321	3,889,084	292,732,431

Net carrying value of exposure by risk rating

	IFRS 9 31 December 2021			
	Stage 1	Stage 2	Stage 3	Net carrying amount
	$	$	$	$
Very low	19,285,554	-	-	19,285,554
Low	4,295,975	-	-	4,295,975
Medium	7,114,180	-	-	7,114,180
Acceptable	256,322,505	529,517	-	256,852,022
High	-	-	-	-
	287,018,214	529,517	-	287,547,731

In 2022, there were four exposures in stage 2, two exposures in stage 3, and all other exposures were in stage 1. In 2021, all exposures bar one were in stage 1, there was one exposure in stage 2, and there were no stage 3 assets at year end.

Expected Credit Loss by Stage

	31 December 2022	31 December 2021
	$	$
Stage 1	1,292,032	710,047
Stage 2	206,214	561
Stage 3	1,720,776	-
	3,219,022	710,608

Notes to the Financial Statements

for the year ended 31 December 2022

24. Financial instruments and risk management (Continued)

Movement in expected credit losses throughout the year

	IFRS 9 31 December 2022			
	31/12/2022	Additional	Release	01/12/2022
	$	$	$	$
Cash and cash equivalents	253	206	(218)	265
Loans & advances to banks	469,360	329,992	(119,588)	258,956
Loans & advances to customers	1,547,227	1,280,091	(38,683)	305,819
Investment securities	1,184,790	1,049,841	(4,317)	139,266
Off balance sheet	17,392	15,045	(3,955)	6,302
	3,219,022	2,675,175	(166,761)	710,608

Movement in expected credit losses throughout the year

	IFRS 9 31 December 2021			
	31/12/2021	Additional	Release	31/12/2021
	$	$	$	$
Cash and cash equivalents	265	211	(324)	378
Loans & advances to banks	258,956	107,749	(302,932)	454,139
Loans & advances to customers	305,819	220,315	(78,349)	163,853
Investment securities	139,266	139,266	-	-
Off balance sheet	6,302	3,989	(12,150)	14,463
	710,608	471,530	(393,755)	632,833

	31 December 2022	31 December 2021
	$	$
Reconciliation of impairment charges		
At 1 January	(710,608)	(632,833)
Movements in ECL	(2,508,414)	(77,775)
At 31 December	(3,219,022)	(710,608)

Analysis of risk concentration

The Bank's concentrations of risk are managed by counterparty and by country.

The maximum credit exposure net of collateral to any single counterparty as of 31 December 2022 was $14,476,755 (31 December 2021: $9,936,350).

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24. Financial instruments and risk management (Continued)

The Bank's concentration of exposure to credit risk before collateral and net of ECL and corresponding collateral can be analysed by the following geographical regions.

	Exposure 31 December 2022 $	Collateral 31 December 2022 $	Exposure 31 December 2021 $	Collateral 31 December 2021 $
Nigeria	166,672,373	52,658,345	153,053,335	34,250,471
United Kingdom	39,305,957	14,077,331	41,764,317	15,058,012
Turkey	22,663,540	-	27,665,359	-
United States of America	21,743,192	-	1,857,402	-
Côte d'Ivoire	8,387,161	-	9,837,903	-
Kenya	6,783,411	-	18,705,863	-
Senegal	6,391,235	-	1,070,937	-
Angola	5,777,492	-	6,881,274	-
Ghana	4,594,665	-	17,231,006	-
Tanzania	3,168,038	-	4,094,340	-
India	2,748,168	-	-	-
Egypt	1,576,236	-	1,865,244	-
Germany	977,494	-	921,678	-
Rwanda	755,020	-	1,008,666	-
Vietnam	388,448	-	387,964	-
South Africa	362,977	-	-	-
Belgium	243,102	-	-	-
Bangladesh	193,922	-	219,609	-
Malawi	-	-	982,834	-
	292,732,431	66,735,676	287,547,731	49,308,483

The Bank's exposure to Nigeria is mitigated by cash deposits from the Parent held under a legal right of set-off agreement, cash deposits from other parties and cash collateral contractually held for settlement of trade finance exposures. The Bank's exposure to United Kingdom is mitigated by security of a first legal charge on residential properties in the buy to let portfolio.

The Bank's concentration of exposure to credit risk before collateral and net of ECL and corresponding collateral can be analysed by the following asset categories.

	Exposure 31 December 2022 $	Collateral 31 December 2022 $	Exposure 31 December 2021 $	Collateral 31 December 2021 $
Cash and cash equivalents	7,117,793	31,860	5,979,643	29,301
Loans & advances to banks	139,928,644	42,346,275	132,348,155	28,491,868
Loans & advances to customers	71,445,494	16,017,310	79,441,478	17,332,776
Investments	40,069,525	-	24,528,511	-
Other Assets	7,008,175	-	3,782,780	-
Off balance sheet	27,162,800	8,340,231	41,467,164	3,454,538
	292,732,431	66,735,676	287,547,731	49,308,483

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25. Current and non-current financial assets and financial liabilities

At 31 December 2022	Current 0-3 months $	Current 3-6 months $	Current 6-12 months $	Non Current 1-5 years $	Above 5 years $	Total $
Financial Assets						
Cash and cash equivalents	7,118,322	-	-	-	-	7,118,322
Loans & advances to banks	71,397,352	45,407,780	21,113,205	2,479,667	-	140,398,004
Loans & advances to customers	12,852,273	4,449,496	14,525,589	40,001,992	1,163,371	72,992,721
Investments	255,274,942	-	1,580,125	16,800,059	11,092,322	284,747,448
Forward FX contracts	124,140	-	1,727,322	-	-	1,851,462
Other assets	1,383,640	-	5,624,535	-	-	7,008,175
	348,150,669	49,857,276	44,570,776	59,281,718	12,255,693	514,116,132
Financial Liabilities						
Deposits from banks	212,668,984	25,450,195	-	-	-	238,119,179
Deposits from customers	90,399,446	35,441,253	71,329,126	15,953,409	-	213,123,234
Subordinated liabilities	-	-	-	-	9,600,000	9,600,000
Forward FX contracts	2,784,924	643,600	258,096	-	-	3,686,620
Other liabilities	456,049	1,701,383	2,391,091	-	-	4,548,523
	306,309,403	63,236,431	73,978,313	15,953,409	9,600,000	469,077,556

All numbers are gross of ECL. In 2022, the total current financial assets were $442,578,721, total non-current assets were $71,537,411. In 2022, the total current financial liabilities were $443,524,147, total non-current liabilities were $25,553,409.

At 31 December 2021	Current 0-3 months $	Current 3-6 months $	Current 6-12 months $	Non Current 1-5 years $	Above 5 years $	Total $
Financial Assets						
Cash and cash equivalents	5,980,144	-	-	-	-	5,980,144
Loans & advances to banks	68,042,436	41,117,103	18,101,049	5,346,523	-	132,607,111
Loans & advances to customers	8,459,350	4,499,632	16,106,570	48,972,565	1,709,180	79,747,297
Investments	139,770,139	-	-	21,601,225	12,845,352	174,216,716
Forward FX contracts	91,232	360,864	382,036	-	-	834,132
Other assets	2,064,028	-	3,888,040	-	-	5,952,068
	224,407,329	45,977,599	38,477,695	75,920,313	14,554,532	399,337,468
Financial Liabilities						
Deposits from banks	115,933,605	30,749,599	-	-	-	146,683,204
Deposits from customers	42,095,626	42,641,046	57,976,862	54,756,913	-	197,470,447
Subordinated liabilities	-	-	-	-	5,000,000	5,000,000
Forward FX contracts	446,595	1,321,413	408,310	-	-	2,176,318
Other liabilities	231,233	774,400	2,644,332	-	-	3,649,965
	158,707,059	75,486,458	61,029,504	54,756,913	5,000,000	354,979,934

All numbers are gross of ECL. In 2021, the total current financial assets were $308,862,623, total non-current assets were $90,474,845. In 2021, the total current financial liabilities were $295,223,021, total non-current liabilities were $59,756,913.

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26. Capital management

The Bank is required to maintain a regulatory minimum capital as prescribed by the Individual Capital Guidance (ICG) which is based on our Pillar 1 and 2 capital and other requirements.

Capital management policy

The Bank manages its capital through an Internal Capital Adequacy Assessment Process ("ICAAP") and regular monitoring of the capital requirements based on the business profile.

The Bank manages its capital structure and makes adjustments to it according to changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes have been made to the objectives, policies and processes from the previous years. However, they are under constant review by management.

27. Fair value

Fair values of financial assets and liabilities not carried at fair value

Cash and cash equivalents are short term in nature and the carrying value is considered to be the fair value.

Loans and advances to banks and customers are largely considered to be short term in nature and where these relationships are longer term there are considered to be no material factors in terms of impairment, credit or market risk and as such the carrying value is deemed a reasonable approximation of their fair value.

Deposits from banks and customers are largely considered to be short term in nature and where these relationships are longer term there are no material factors in terms of credit or market risk and as such the carrying value is deemed a reasonable approximation of their fair value.

The carrying amounts of the Bank's financial assets and liabilities measured at amortized cost are also deemed to be a reasonable approximation of the fair value of those assets and liabilities.

Fair values of financial assets and liabilities that are carried at fair value

The fair value measurement of the Bank's bonds, HQLA investments and government fund investments are categorised as level 1 in the fair value hierarchy because these investments can be traded in an active market and prices are readily available on an arm's length basis.

The fair value measurement of the Bank's derivative financial instruments and other fund investments are categorised as level 2 in the fair value hierarchy because they can be determined by using observable market data from financial data providers. The derivative financial instruments are priced using market data from exchanges. The other fund investments are priced using a quoted price based on net asset value and the market is considered inactive.

There are no financial assets or liabilities carried at fair value which are classified as Level 3. There have been no transfers of assets in or out of the Level 3 classification.

All statements relating to fair value are made to both 2022 and 2021.

Notes to the Financial Statements

for the year ended 31 December 2022

28. Share capital and reserves

	31 December 2022 $	31 December 2021 $
Issued and fully paid shares of $1.00 each	48,900,000	48,900,000
Issued and fully paid shares of $1.00 each	48,900,000	48,900,000

Share capital represents the nominal value of ordinary shares issued and fully paid. The issued share capital carries one voting right per share and does not carry any rights to fixed income. There are 50,000,000 authorised shares of $1.00 each

Retained earnings consist of the statutory reserve which has to be formed in accordance with national law and undistributed profits from previous years.

Other reserves show the effects from the fair value measurement of financial instruments in the category of FVOCI. Any gains or losses are not recognised in profit or loss until the asset has been sold or impaired.

29. Letters of credit, guarantees and commitments

As at the reporting date, the Bank had the following letters of credit and guarantees:

	31 December 2022 $	31 December 2021 $
Confirmed letters of credit - banks	18,691,127	13,490,156
Issued letters of credit - banks	903,652	13,995,079
Commitments - banks	3,604,575	4,219,609
Commitments - customers	3,980,838	9,768,622
Guarantees from banks	1,775,223	800,000
	28,955,415	42,273,466

Notes to the Financial Statements

for the year ended 31 December 2022

29.1. Lease liability maturity analysis

The Bank leases property under a lease agreement, which has a term of ten years.

The aggregate minimum lease payments under this lease are as follows:

Lease Liability (actual payments)	31 December 2022 $	31 December 2021 $
In one year	254,111	402,811
In more than one year but less than five years	1,572,622	1,821,746
In more than five years	-	125,787
	1,826,733	2,350,344

Lease Liability		31 December 2022 $	31 December 2021 $
As at 1 January	Lease Liability	2,146,769	2,516,982
	FX movement	(230,943)	(31,512)
	Payments	(359,478)	(402,811)
	Interest	48,921	64,110
As at 31 December		1,605,269	2,146,769

30. Subordinated liabilities

Subordinated liabilities	31 December 2022 $	31 December 2021 $
As at 1 January	5,000,000	3,000,000
Additions	4,600,000	2,000,000
As at 31 December	9,600,000	5,000,000

31. Related party transactions

31.1. Compensation of key management personnel

The key management personnel are considered to be the Board of Directors and members of the Executive Committee. Please refer to Note 8 for details of the Directors' remuneration.

	31 December 2022 $	31 December 2021 $
Short term benefits	3,401,055	2,964,220
Post-employment benefits	10,518	9,300
	3,411,573	2,973,520

There were no other long term benefits or termination benefits in 2022 or 2021.

Notes to the Financial Statements

for the year ended 31 December 2022

	31 December 2022 $	31 December 2021 $
Loans		
At the beginning of the year	27,740	30,530
At the end of the year	15,457	27,740

Loans payable by key management personnel are subject to fixed rates of interest for fixed repayment terms. The rates of interest are determined by HRMC reference rate which is currently 2.00% and the fixed terms are a maximum of 24 months.

Notes to the Financial Statements

for the year ended 31 December 2022

31.2. Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial operational decisions.

The Bank had the following related party positions

	31 December 2022 $	31 December 2021 $
Parent company		
Loan and advances		
Interest bearing	42,378,135	28,413,632
Other assets:		
Accrued interest	505,880	323,180
Other non-interest bearing	129,984	1,216,684
Deposits		
Interest bearing	62,943,035	43,959,993
Other liabilities		
Accrued interest	252,301	70,962
Other non-interest bearing	-	-
Letters of credit	7,656,166	2,372,919
Guarantee received	1,775,223	800,000
Other related parties		
Loans		
Interest bearing	470,034	1,688,582
Deposits		
Interest bearing	4,123,326	3,018,235

Parent company short term deposits include $6,830,925 cash collateral (2021: $7,968,160)

	31 December 2022 $	31 December 2021 $
The Bank's related party transactions during the year comprised:		
Interest receivable from parent company	2,069,521	1,695,476
Interest receivable from other related parties	32,551	82,565
Interest payable to parent company	594,443	160,194
Interest payable to other related parties	14,020	310,052
Fees charged to parent company	200,000	268,885
Fees recharged to parent company included within other income	2,413,548	2,732,640

Notes to the Financial Statements

for the year ended 31 December 2022

32. Events after the year end

After year end, the Bank's key market of Nigeria was downgraded by Moody's from B3 to Caa1. Nigeria had been on the Bank's credit watchlist and after the downgrade the Bank reacted immediately to review its Nigerian exposures and the impact of this downgrade. The Bank has successfully diversified away from Nigeria recently and due to its robust credit processes is confident this will not impact its very strong credit record.

A number of stresses in the global banking system emerged during the first quarter of 2023, including the failure of US banks such as Silicon Valley Bank and its UK subsidiary, plus events that led up to the sale of Credit Suisse. The Bank has reviewed its risk profile in light of these events and continues to monitor the situation closely. The Bank has no direct exposure to any of these institutions. Indirect exposure has been limited to the consequences of general market volatility, which has been managed through the Bank's normal operating procedures. The causes of the stresses were in some cases idiosyncratic to certain institutions and not shared by the Bank. The common driver of a rising interest rate environment was experienced worldwide, however, the Bank has managed its interest rate exposure risk prudently and not experienced the material imbalances that created difficulties for some institutions.

33. Ultimate controlling party

FCMB Group Plc, which is incorporated in Nigeria, is the Bank's ultimate parent undertaking and ultimate controlling related party. The Bank's immediate parent company is First City Monument Bank Limited which is incorporated in Nigeria.

Copies of the financial statements for FCMB Group Plc are available from FCMB Bank (UK) Limited, 81 Gracechurch Street, London EC3V 0AU, or from the parent's office at Primrose Towers, 17A Tinubu Street, Lagos, PO Box 9117 Nigeria or from the group website: www.fcmb.com.

The largest and smallest group of undertakings for which consolidated accounts have been drawn up is FCMB Group Plc and First City Monument Bank Limited respectively.