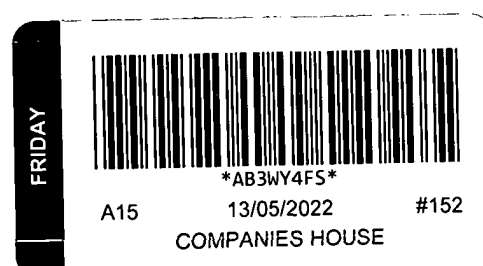


Company registration no. 06621225



FCMB Bank (UK) Limited

Annual Report and Financial Statements
For the year ended 31 December 2021



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For the year ended 31 December 2021

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Officers and Professional Advisers

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For the year ended 31 December 2021

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 (appointed 11 th October 2021)
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
Hemen S. Shah	Non-Executive Director (retired 30 th June 2021)
Richard Jones	Non-Executive Director (appointed 19 th July 2021)

Company Secretary

Balchandra Achary

Registered Office

81 Gracechurch Street
London
EC3V 0AU

Independent Auditor

Mazars LLP
Tower Bridge House
St Katharine's Way
London
E1W 1DD

Bankers

Standard Chartered Bank
1 Basinghall Avenue
London
EC2V 5DD

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

Strategic Report

Company registration no. 06621225

For the year ended 31 December 2021

The Directors present their Strategic Report for FCMB Bank (UK) Limited ("the Bank") for the year ended 31 December 2021.

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
- Trade Finance – Primary and Secondary
- Commercial Lending
- Buy to Let Loans
- Other Personal Loans
- Investment in Bonds and Fixed income Securities
- Treasury Operations – Money Market and Forex

The Bank commenced accepting deposits from Retail clients in July 2018 following regulatory approval of a Variation of Permission and this activity scaled up materially in the last two years.

The Bank has reported consistent profitability in the past seven years prior to 2020, 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 other factors.

The bank has built on lessons learned in 2020 and momentum from Q4-2020 as international economies recovered from Covid-19 with the emergence of vaccination programs and further fiscal stimulants. Capital usage and liquidity management has been strengthened, the latter through enhanced monitoring and diversification to a broader range of 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 bond markets.

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 again maintained 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, with countries and regions moving in and out of lockdown measures at different times, dependent on Covid-19 infection waves, the emergence of new variants and the speed of multi-dose vaccine programs. A significant portion of the Bank's growth was delivered through an opportunistic approach to increasing market share in trade finance, as well as a search for risk-adjusted yields. Income from non-group counterparties now accounts for 85% and reliance on Nigeria was further diversified into other geographies in Sub-Saharan Africa such as Ghana, Kenya, Tanzania, Rwanda, Cote d'Ivoire and other equivalent markets such as Turkey, Vietnam, and Bangladesh.

A significant IT and operations plan to digitalise and streamline activities was undertaken. Staff headcount at year end was 45. For most of the year, the majority of staff members worked remotely, and the banking operations were run smoothly and in a controlled manner which de-risked the business from the direct working environment implications of the pandemic.

The treasury operations of the Bank have successfully managed our growing liquidity and funding by establishing a broader network of international correspondent banking relationships, deposit

Strategic Report

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For the year ended 31 December 2021

aggregators and investment managers. We have built a platform from which we can trade in money market deposits, the fixed income market and foreign exchange. We undertook a broader range of investments during the year in accordance with a careful risk assessment of new opportunities.

Future Developments of the Business

The Bank believes in taking a proactive approach to its long-term strategy, 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 level in order to sense refine the approach. Key medium term strategic priorities are agreed for the business and monitored through a balanced scorecard process. In addition, a Strategic Offsite is held each year jointly between management and the Board to assess the wider market and long-term developments. These discussions include a review of existing and new markets, potential product diversification, opportunities for internal efficiency, and the efficient use of resources, including capital, personnel and IT infrastructure. The Bank's current plans are for its core business to continue to serve the markets of Nigeria and Sub-Saharan Africa, focussed on, but not wholly dependent on Trade Finance. The Bank expects to enhance its proposition through the deployment of digital technology to personal banking solutions, which it has invested in over recent years. Further investment in enhancing customer service and the efficiency of processes is also expected in order to position FCMB UK as the bank of choice for its broad customer base.

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 2021 was \$1.12 million (2020: loss \$0.53 million). Gross interest income increased by \$1.10 million or 11% due to expansion of the lending book and efficient deployment of balance sheet assets, utilising Tier 2 capital raised at the start of and during the year. Interest expense reduced significantly by \$2.04 million (42%) as efficient sources of funding were identified and deployed, including the continued use of retail deposits through a deposit aggregator platform: overall cost of funding was 1.02% (2020: 1.48%).

Front line fee income increased by 28% to \$2.03 million (2020: \$1.59) largely due to increased Trade Finance fees.

Operating expenses increased by \$ 3.06 million to \$11.71 million (35%) due to increased investment in the core business in both people and external advice to drive strategy, risk management and compliance, as well as continued build out of the bank's Digital Borderless Banking proposition.

The Bank continues to report healthy capital ratios and closed the year with a CET1 capital ratio of 17.3%, and a total capital ratio of 19.3%, demonstrating the continued ability to grow the asset base. During the year significant steps were taken to manage and improve capital efficiency by way of redistribution of risk weighted assets with an aim to reduce the average risk weighted assets in the credit portfolio of the Bank. The Bank also strengthened the capital base, building on the introduction of Tier 2 capital of \$3 million in December 2020, with a further raise of \$2 million in June 2021, \$1.5 million in January 2022, and \$2.6m in March 2022. Detailed disclosures are available in the Bank's Pillar 3 statement which is available on the Bank's website.

Strategic Report

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For the year ended 31 December 2021

The Bank's total assets as at 31 December 2021 stood at \$402.5 million (2020: \$382.6 million) growing by 5% during the year, benefitting from the increased deposit base noted above being efficiently deployed into Trade Finance and Personal & Business Banking (PBB) assets.

Credit risk management continued to be strong, with no direct loan losses or specific provisions reported. There was a small increase in the Expected Credit Loss provision (\$0.08 million; 2020: £\$0.18 million increase), which is calculated in accordance with International Financial Reporting Standard ("IFRS") 9. As at 31 December 2021, the provision for credit losses was \$0.71 million (2020: \$0.63 million), calculated via an updated ECL model which reflects present economic conditions and forward-looking data.

Key Performance Indicators

The following are key performance indicators for the Bank

	2021 \$ million	2020 \$ million	Change
Net operating income	12.84	8.24	56%
Total operating expenses	11.71	8.78	33%
Profit / (Loss) before tax for the year	1.12	(0.53)	311%
Net Interest margin	2.12%	1.40%	51%
Total capital ratio	19.3%	26%	(26%)
Total assets	402.5	382.6	5%

Regulatory Capital

	31 December 2021 \$ million	31 December 2020 \$ million
Tier 1 capital		
Share capital	48.90	48.90
Retained earnings and other reserves	(5.56)	(5.20)
Deduction of intangibles	(0.42)	(0.43)
Tier 2 capital	5.00	3.00
Total regulatory capital	<u>47.92</u>	<u>46.27</u>

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

The liquidity coverage ratio as at 31 December 2021 was 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.

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For the year ended 31 December 2021

Stakeholder Engagement and S. 172 (1) Statement

The Directors are required to publish a statement explaining how they have performed their duty under section 172 of the Companies Act 2006 to have regard to a range of factors when making decisions.

Board Engagement with our Stakeholders

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 the factors set out above 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 2021. 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.

Employees

The bank treats its employees as the fundamental resources of the business. Equality, inclusion and diversity are at the heart of our Human Resources Policy and we ensure we maintain a diverse & inclusive approach in recruiting and deploying our employees. With this in mind, we have appointed our Head of Personal and Business Banking to be our Equality & Diversity Champion for the Bank to ensure this topic gets the focus it deserves.

During the year, as directed and approved by the Board, the Bank implemented further revisions and enhancements to the Staff Handbook to ensure that all staff are managed, motivated and protected in a consistent manner. The HR support service with an online information portal containing all staff information, policies and a full range of management information on training, leave and absences continued to be useful. This portal also provides access to an employee assistance helpline including mental health. The Bank 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 was aligned to that around the Group and provided 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 and through professional training programmes and certifications.

Various board members attended the EXCO, Credit Committee, ALCO, OPCO and Risk and Compliance Committee meetings during the year and spent time interacting with the employees outside these meetings. Occasionally, the Bank used to host informal lunches which all staff and board members can

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attend. This could not be arranged during the year due to Covid-19 related lockdown and health and safety precautions. In addition, virtual staff meetings are hosted quarterly wherein the CEO and other executive members of the Board brief staff on Board deliberations and the Bank's direction.

The Bank has provided benefits such as Group Life Cover Scheme, Group Income Protection Scheme, and 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 process of the Bank. The Bank continues to undertake reviews of its AML, KYC, and financial crime management processes to enhance the customer journey experience. It is also exploring the digitisation of the customer onboarding process to further address the customer pain points. The Bank is focused on delivering high standards of business conduct.

The Board and executive level committees receive monthly management information covering aspects of customer engagements, treating customer fairly information (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 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 finalised and enacted its program to transition from LIBOR to Alternative Risk-Free Rates, which was overseen and monitored in ALCO. Similarly, the bank undertook a program to ensure any operational readiness for zero or negative interest rates. The Bank 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.

Further, during the year the bank undertook a thorough review of its practices for Regulatory Reporting of financial data. This was assisted by advice from a major accountancy firm.

The Bank is particularly focused on the following items for the upcoming year, for all of which RCC has 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 – monitored by SMF role holder
- Ad hoc Regulatory priorities and guidance from Regulators e.g. provided in Dear CEO Letters

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Environment, Social and Governance (ESG)

The Bank has embedded the financial risks of climate change in its policies and processes. It has initiated action on sustainability and ESG goals and currently a policy is being drafted. It has appointed a SMF role holder to drive these initiatives and communicate all of its actions in this area. Further details are provided in the section on Management of Climate Change risks.

Corporate Governance

Good corporate governance is fundamental to the long-term success of the Bank. The Board of the Bank 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 BCC, BARC and REMCO respectively as per their prescribed responsibilities.

The Board and its Audit and Risk ("BARC"), Board Credit Committee ("BCC") and Remunerations and Nominations ("REMCO") committees meet a minimum of four times a year. Additional meetings are also held when necessary. The schedules of the meetings are agreed 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.
2. **Risk & Compliance Committee ("RCC")** - The RCC is authorised to review and monitor the risks the Bank is facing across its business lines, products and geographies against the Board approved risk appetite and more generally, to establish 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")** - The Credit 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. It meets on a monthly basis.

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For the year ended 31 December 2021

In order to maintain and 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.

Review of REMCO work during the year

- 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 and the last such review was completed in 2020. The Committee commenced a search process to appoint a new CFO during the year and the incumbent was identified and appointed in October 2021, pending Regulatory approval which was received in March 2022.
- The Committee commenced a search for a Non-Executive Director position that was vacated in 2020, appointing a new NED in July 2021.
- The chairperson of the REMCO was replaced during July 2021 as the incumbent completed his term with the Bank's Board.
- The Committee considered the Boards Skills Matrix and identified training areas for implementation.
- REMCO reviewed, recommended and the Board approved remuneration changes for certain board director positions during the year.
- Additional changes were made to certain individuals' statements of responsibilities under the Senior Managers and Certification Regime ("SMCR") and the Management Responsibilities Map
- The findings of the employee net promoter score was presented and discussed at the REMCO.

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, 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 reference 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 BARC which has further delegated responsibility for developing, implementing and updating these policies, control systems and limits to the Chief Executive Officer, Deputy Chief Executive Officer, Chief Financial Officer, Chief Risk and Compliance Officer and the senior management team. The risk appetite statement is reviewed and updated as part of an annual review process and as and when necessary.

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.

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

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For the year ended 31 December 2021

The Bank constituted a Board Credit Committee in February 2021 with membership of independent and shareholder representative non-executive directors to review and approve credit proposals under Board delegated authority.

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.

Review of BARC work during the year

- The Committee reviewed various policies such as Risk Appetite, ICAAP, ILAAP, RRP, 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 forth in the CGM.
- The Committee met with external auditors, outsourced Internal Auditors and the Group Internal Audit team during the year. It approved the Annual Internal Audit Plan and reviewed the activities of the external auditor. It received and reviewed various reports and monitored the implementation by management of the findings which largely have been satisfactory.
- The Committee has reviewed and approved the Bank's Climate Change plan which takes in to account Governance, Risk Management, Scenario Analysis and Disclosure. The Bank has appointed a designated SMF role holding executive to manage this Risk as required by the PRA.

Review of BCC work during the year

- The BCC 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

Management of climate change risks

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, risk appetite and cross cutting risk frameworks. This will assist the Bank to measure, manage and reduce the financial risks of climate change associated with financing of clients, which is not solely focused on the next few years but rather 10,20,30 years ahead in alignment with a net zero objective by 2050. Bank plans to also use sector-specific transition frameworks to help and guide our financing toward 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 Bank has analysed its risk asset portfolio, and split it into three categories along the dominant business lines of FI/Trade Finance, Corporates, and Buy to Let finance. In each case the Bank has

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For the year ended 31 December 2021

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 2022 so that it can roll out new monitoring and practices. New transaction 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 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.

Brexit

The Bank is not materially, and directly exposed to the specific EU market risks of Brexit as our customers and counterparts are located primarily in London, Africa and other non-EU regulated jurisdictions. The Bank, however, was and remains exposed to exchange rate volatility as its expenses are largely GBP denominated while revenues are largely US dollar denominated. The Bank's budgeted rate and variations against actual market rates are monitored by ALCO each month with selective hedging undertaken

Otherwise, the Bank has only small EU bank counter-party exposure due to holding small levels of interbank placements with EU domiciled banks to meet our customer deposit requirements. Due to certain counterparties recently forming subsidiaries in those markets, increases to compliance and administrative costs have been experienced.

The Bank's buy to let mortgage targets as part of its retail business plans are more modest in value and, as a result, there have been no material changes to the Bank's targets for growth. Moreover, there was a slow growth in the portfolio due to travel restrictions on account of COVID -19 that affected the potential buyers from visiting properties.

A general decline of trade and investment into the UK could affect the Bank and in the longer term if other jurisdictions become more attractive for customers requiring international trade finance services.

Ukraine

Since year end, there has been a Russian invasion of Ukraine. The Bank has carried out an assessment of the impact of Russian Forces entering Ukraine on the business, and has determined that this is a non-adjusting post balance sheet event, and there is no firm specific impact and as such no impact on the going concern assessment of the Bank. This event has however caused market wide volatility and as such will continued to be monitored through relevant committees, including ALCO, OPCO, and EXCO.

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Coronavirus (Covid-19) and Hybrid Work

The Bank has closely monitored the potential impact of the global pandemic from the outbreak of Covid-19 which became significant in March 2020 and caused widespread disruption to normal patterns of business activity across the world, including the UK throughout rest of the year.

In response to this evolving situation the Bank enacted certain aspects of its business continuity plan, with management monitoring developments on a regular basis and adapting to changing regulations and situations.

The Bank has taken a number of measures to mitigate the risk, including:

1. Taking steps necessary to keep staff and customers safe.
2. Only authorizing essential business travel.
3. Limiting physical contact with third parties such as customers and vendors as much as possible.
4. Limiting staff attendance at seminars and other business events.
5. Implementing significant remote working / working from home, utilising video calling for meetings and other digital communication channels.
6. Permitting flexible working for some time during the year to avoid travelling during peak hours.
7. Enhanced capital management and monitoring.
8. Enhanced daily liquidity and treasury monitoring.
9. Preserving liquidity and credit allocation to existing high quality customer relationships.
10. Reviewing the Bank's largest market of Nigeria with a monthly market and counterparty exposure report.
11. Raising deposits and lines of credit from our existing funding sources.
12. Raising small amounts of Tier 2 capital notes in four tranches between December 2020 and March 2022 to enable assets growth whilst maintaining healthy buffers above the regulatory minimum.
13. Engaging with our Board and Regulators more frequently.

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.

The economic environment in our key market of Nigeria worsened due to Covid-19 uncertainties and oil price reductions in 2020, with a recession seen in the country. In 2021 an increase in oil prices has relieved some pressures, although there continues to be a lack of hard currency in the country. The Bank has placed 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.

Further Progress and recognition

The Bank has good recognition in London and internationally being nominated for and winning several awards in trade finance. The Bank continues to drive its retail banking business plan, with significant investment in the development of several initiatives for the Nigerian diaspora overseas undertaken in 2021. The Bank has incubated a FCMB Group driven digital banking proposition and the related work is progressing with a potential alpha launch in the first half year of 2022.

Strategic Report

Company registration no. 06621225

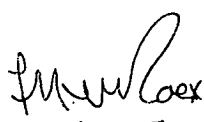
For the year ended 31 December 2021

The Bank has continued to increase the retail loan book and has built a strong pipeline of transactions in its corporate business in 2021. This has been amplified by leveraging the parent's key client relationships to generate additional income.

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

A handwritten signature in black ink, appearing to read 'F. A. le Roex'.

F. A. le Roex
Non-Executive Director and Chairman
22 April 2022

A handwritten signature in black ink, appearing to read 'Colin Fraser'.

Colin Fraser
Executive Director and Chief Executive Officer
22 April 2022

Directors' Report

Company registration no. 06621225

For the year ended 31 December 2021

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 2021.

Legal Form

The Bank was constituted in the UK on 16 June 2008 with an intention to carry out banking activities. With unfavourable economic conditions arising out of the financial crisis the Bank applied for and was approved as a BIPRU€50k firm on 7 September 2009. As the economic conditions improved, the Bank applied for a Variation of Permission to carry out wholesale deposit taking activities in October 2012 and was approved as a wholesale bank in September 2013.

The Bank received a Variation of Permission to its existing wholesale deposit taking license and accordingly commenced the retail deposit taking activity in June 2018.

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

FCMB is a wholly owned subsidiary of FCMB Group Plc ("Group"), a non-operating financial holding company registered under the laws of Nigeria. The Group is regulated by the CBN as a non-bank financial institution and listed on the Nigerian Stock Exchange. It is also the ultimate parent of the Bank and also the parent company of investment banking entities registered and operating in Nigeria namely FCMB Capital Markets Ltd and CSL Stockbrokers Limited among others.

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 countries such as Kenya, Ghana, Tanzania, Bangladesh, Turkey, Vietnam and Rwanda.

The Bank returned a profit before tax for the year of \$1.124 million in its eighth year of operations as a deposit taker with a balance sheet size of \$402.5 million.

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

Directors' Report

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For the year ended 31 December 2021

Directors and their interest

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 (appointed 11 October 2021)
Ladipupo O. Balogun	Non-Executive Director
Hemen S. Shah	Non-Executive Director (Term ended 30 June 2021)
Charles N. Rouse	Non-Executive Director
Amy Kirk	Non-Executive Director
Roger Ellender	Non-Executive Director
Gerald O. Ikem	Non-Executive Director (alternate to Ladipupo O. Balogun)
Richard Jones	Non-Executive Director (appointed 19 th July 2021)

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 oversight and operational controls. Executive level management committees review and discuss various risk and operational matters with adequate 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 2021

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 IFRS 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 IFRS 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.

As part of this assessment the Directors have assessed the current and potential future impact arising from the Covid-19 pandemic as described in the Strategic Report. The bank has continued to successfully manage the impact of Covid-19 by continuing its remote working without any significant challenge in running the business. It has also managed a controlled access to its premises and, when regulations allowed, a return to work as the UK government eased the lockdown measures in spring 2021. The operational resilience of the bank has been proved in the process and the bank had taken proactive steps to protect the health and safety of its employees and remain resilient enough to operate the business. The roll out of vaccination has increased the business confidence and resilience to further Covid-19 variants and international economies are slowly moving towards or into positive growth.

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 2021, 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 2021 Financial Statements. The Directors have also concluded that there are no material uncertainties that could cast

Directors' Report

Company registration no. 06621225

For the year ended 31 December 2021

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.

Post Balance Sheet Events

There were no significant events after year end.

Auditors

Mazars LLP have indicated their willingness to continue in office and a resolution for their reappointment is proposed in the next meeting of the Board.

By order of the Board

For and on behalf of FCMB Bank (UK) Limited



Colin Fraser
Executive Director and Chief
Executive Officer
22 April 2022



Balchandra Achary
Executive Director and Deputy
Chief Executive Officer
22 April 2022



Derren Sanders
Executive Director and Chief
Financial Officer
22 April 2022

Independent Auditor's Report

For the year ended 31 December 2021

Opinion

We have audited the financial statements of FCMB Bank (UK) Limited (the 'Bank') for the year ended 31 December 2021 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, 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 2021 and of the Bank's profit for the year then ended;
- 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, including consideration of principal risks on liquidity and regulatory capital;
- Reviewing the directors' going concern assessment, including COVID-19 considerations, and evaluating the appropriateness of managements' key assumptions;
- Considering the consistency of the directors' forecasts with other areas of the financial statements and our audit;

Independent Auditor's Report

For the year ended 31 December 2021

- Reading regulatory correspondence and minutes of meetings of the risk and 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;
- 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 audit opinion above, together with an overview of the principal audit procedures performed to address this matter and our key observations arising from those procedures.

This matter, together with our findings, were communicated to those charged with governance through our Audit Completion Report.

Key audit matter	How our scope addressed this matter
<p>Allowance for impairment losses – Expected Credit Losses ('ECL') US\$ 0.7 million</p> <p>Refer to Accounting Policies (Note 2); and Note 24.5 of the financial statements.</p> <p>The allowance for impairment losses is an inherently judgemental 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.</p>	<p>We performed the following procedures on the key areas of judgement and management estimation giving rise to a significant audit risk:</p> <p>1) ECL model assumptions</p> <ul style="list-style-type: none"> • With the assistance of our in-house credit specialists, reviewed the methodology adopted and assessed it for reasonableness; • Benchmarked credit ratings and PDs produced by internal scorecards against external ratings where available; • Performed an independent assessment on internal scorecards for a sample of borrowers which included verifying the data inputs and assessing the reasonableness of rating overrides;

Independent Auditor's Report

For the year ended 31 December 2021

<p>The key areas of judgement and management estimation that give rise to a significant audit risk relate to:</p> <p>1) ECL model assumptions The Bank uses a model to determine the expected losses, requiring judgement to the input parameters and assumptions.</p> <p>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.</p> <p>2) Forward looking adjustments The Bank models forward looking adjustments to PDs including adjustments relating to the macroeconomic environment. The selection of data used for forward looking adjustments is highly judgemental. This includes the selection of macroeconomic variables.</p> <p>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.</p> <p>3) Post model adjustments ECL models contain inherent limitations and require periodic recalibration due to changing economic conditions, such as those related to COVID-19. Post model adjustments ('PMAs') may therefore be required to ECL model outputs. The Bank has determined that at the year-end it is appropriate not to apply any PMAs to its model results.</p> <p>There is a high degree of management judgement involved in assessing the extent to which PMAs are necessary.</p>	<ul style="list-style-type: none"> • Performed sensitivity analysis over assumptions relating to PD; • Assessed the reasonableness of external PD data used in the ECL model and checked relevance of this data to the Bank's portfolio; • Evaluated the consistency of the Bank's key assumptions around LGD with industry practice; and • Reviewed collateral held by the Bank, by tracing it on a sample basis to relevant supporting documents. <p>2) Forward looking adjustments</p> <ul style="list-style-type: none"> • With the assistance of our in-house economist, we assessed the reasonableness of macroeconomic variables selected and the forecasts on those variables; • Benchmarked macroeconomic variables selected and the number of macroeconomic scenarios applied in the model to comparable institutions; and • Engaged our in-house credit specialists to assess the methodology applied in the modelling of forward-looking adjustments. <p>3) Post model adjustments We have reviewed the Bank's assessment supporting appropriateness of no PMAs being applied to the ECL model by performing the following procedures:</p> <ul style="list-style-type: none"> • Considered governance surrounding the application of PMAs; • Assessed the ECL model for potential deficiencies and limitations; • Considered the impact of any inconsistencies across model assumptions. • Assessed the appropriateness of external proxy data used; • Considered relevance to the Bank of PMAs used by other organisations; and • Benchmarked the Bank's ECL coverage ratio against similar organisations. <p>Our observations We found that the assumptions used by management in the impairment assessment are reasonable and that the allowance for impairment losses as at 31 December 2021 is consistent with the requirements of IFRS 9.</p>
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Independent Auditor's Report

For the year ended 31 December 2021

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	\$451,000
How we determined it	1% net assets
Rationale for benchmark applied	Due to the volatility of profits, net assets are considered to reflect appropriately the size of the Bank's operations. Furthermore, net assets are in approximation of regulatory capital resources which is a key focus for management, shareholder and regulators.
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 \$316,000, which represents 70% of overall materiality.
Reporting threshold	We agreed with the Board Audit and Risk Committee that we would report to them misstatements identified during our audit above \$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 making 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 critical 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.

Independent Auditor's Report

For the year ended 31 December 2021

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:

- 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 statement of directors' responsibilities 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.

Independent Auditor's Report

For the year ended 31 December 2021

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: financial crime regulations and regulatory and supervisory requirements of the Prudential Regulation Authority ('PRA') and of the Financial Conduct Authority ('FCA').

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 considered the risk of acts by the Bank which were contrary to the applicable laws and regulations, including fraud;
- 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 the PRA and FCA;
- Reviewing minutes of directors' 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 other laws and regulations that have a direct impact on the preparation of financial statements, such as UK tax legislation 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 determined that the principal risks related to posting manual journal entries to manipulate financial performance and management bias through judgements and assumptions in significant accounting estimates, in particular in relation to the allowance for impairment losses.

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;

Independent Auditor's Report

For the year ended 31 December 2021

- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

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, including fraud and irregularities are discussed under "Key audit matters" section of this report.

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

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 company decided to change its financial year end to 31 December, with the period ended 31 December 2009 being an 8 months period of account. The company became a public interest entity ('PIE') during the year ended 31 December 2013. The period of total uninterrupted engagement since the company became a PIE including previous renewals and reappointments is 9 years, covering the periods ended 31 December 2013 to 31 December 2021.

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 and Risk 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.



Maximiliano Bark (Senior Statutory Auditor)
for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
Tower Bridge House
St. Katharine's Way
London, E1W 1DD
22 April 2022

Statement of Comprehensive Income

For the year ended 31 December 2021

	Notes	31 December 2021 \$	31 December 2020 \$
Continuing operations			
Interest and similar income	3	11,210,682	10,108,036
Interest and similar expense	4	(2,853,008)	(4,894,740)
Net interest income		<u>8,357,674</u>	<u>5,213,296</u>
Fees and commission income	5	2,300,057	2,257,621
Fees and commission expense	6	(767,438)	(486,298)
Net fee and commission income		<u>1,532,619</u>	<u>1,771,323</u>
Other operating income	7	3,022,643	1,630,708
Impairment charges	24	(77,775)	(375,071)
Net operating income		<u>12,835,161</u>	<u>8,240,256</u>
Personnel expenses	8	(6,867,362)	(5,797,195)
Depreciation and amortisation expenses	17/18	(603,791)	(599,159)
General and administrative expenses		(4,117,113)	(2,157,057)
Other operating expenses		(122,869)	(222,978)
Total operating expenses		<u>(11,711,135)</u>	<u>(8,776,389)</u>
Profit / (Loss) before tax	9	<u>1,124,026</u>	<u>(536,133)</u>
Taxation	10	511,455	149,356
Profit / (Loss) for the year attributable to equity holders		<u>1,635,481</u>	<u>(386,777)</u>
Other comprehensive income			
Amounts reclassified from equity to profit and loss on foreign government treasury bills		-	(14,695)
Fair value adjustments on FVOCI		(359,642)	258,951
Total comprehensive income / (loss) for the year attributable to equity holders		<u>1,275,839</u>	<u>(142,521)</u>

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

The accompanying notes on pages 29-69 are an integral part of these Financial Statements.

Statement of Financial Position

Company registration no. 06621225

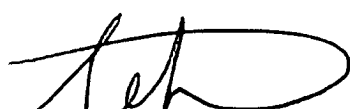
As at 31 December 2021

	Notes	31 December 2021 \$	31 December 2020 \$
ASSETS			
Cash and cash equivalents	12	5,979,879	13,024,184
Loans and advances to banks	13	132,348,155	117,798,590
Loans and advances to customers	14	79,441,478	51,668,458
Investment securities	15	174,077,450	189,651,477
Derivative financial instruments	22	834,132	3,716,102
Other assets	16	6,590,091	3,528,046
Deferred tax asset	10	660,811	149,356
Property and equipment	17	2,236,095	2,612,610
Intangible assets	18	285,064	433,802
Total assets		402,453,155	382,582,625
LIABILITIES			
Deposits from banks	19	146,683,204	162,678,718
Deposits from customers	20	197,470,447	167,557,304
Subordinated liabilities		5,000,000	3,000,000
Derivative financial instruments	22	2,176,318	-
Other liabilities	21	5,998,326	5,497,582
Total liabilities		357,328,295	338,733,604
EQUITY			
Capital and reserves			
Issued capital	28	48,900,000	48,900,000
Retained earnings		(3,674,449)	(5,309,930)
Other reserves		(100,691)	258,951
Equity attributable to equity holders		45,124,860	43,849,021
Total equity and liabilities		402,453,155	382,582,625


The Financial Statements were approved by the Board of Directors and authorised for issue on 21st April 2022 and signed on their behalf by:

By order of the Board

For and on behalf of FCMB Bank (UK) Limited



Colin Fraser
Executive Director and Chief
Executive Officer
22 April 2022



Balchandra Achary
Executive Director and Deputy
Chief Executive Officer
22 April 2022



Derren Sanders
Executive Director and Chief
Financial Officer
22 April 2022

The accompanying notes on pages 29-69 are an integral part of these Financial Statements

Statement of Changes in Equity

As at 31 December 2021

	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 income	-	-	(359,642)	(359,642)
Total comprehensive income	-	1,635,481	(359,642)	1,275,839
At 31 December 2021	<u>48,900,000</u>	<u>(3,674,449)</u>	<u>(100,691)</u>	<u>45,124,860</u>

	Issued capital	Retained earnings	Other reserves	Total equity
	\$	\$	\$	\$
At 1 January 2020	48,900,000	(4,923,153)	14,695	43,991,542
Loss for the year	-	(386,777)	-	(386,777)
Other comprehensive income	-	-	244,256	244,256
Total comprehensive loss	-	(386,777)	244,256	(142,521)
At 31 December 2020	<u>48,900,000</u>	<u>(5,309,930)</u>	<u>258,951</u>	<u>43,849,021</u>

The accompanying notes on pages 29-69 are an integral part of these Financial Statements.

Statement of Cash Flows

for the year ended 31 December 2021

	Notes	31 December 2021 \$	31 December 2020 \$
Operating activities			
Profit for the year from continuing operations		1,124,026	(536,133)
Adjustment for:			
Depreciation and amortisation		603,791	599,159
Provision for loan losses		77,775	375,071
Effect of currency translation on cash and cash equivalents		11,947	(196,168)
		<u>1,817,539</u>	<u>241,929</u>
Changes in operating assets and liabilities			
Net (increase) in loans and advances to banks		(14,354,382)	(5,840,334)
Net (increase) in loans and advances to customers		(27,914,986)	(14,542,101)
Net decrease / (increase) in derivative FIs		5,058,288	(3,716,102)
Net (increase) / decrease in other assets		(3,061,931)	290,742
Net (decrease) in deposits from banks		(15,995,514)	(27,565,417)
Net increase in deposits from customers		29,913,143	45,512,401
Net increase in subordinated liabilities		2,000,000	3,000,000
Net increase in other liabilities		911,716	2,099
		<u>(23,443,666)</u>	<u>(2,858,712)</u>
Net cash flows from operating activities		<u>(21,626,127)</u>	<u>(2,616,783)</u>
Investing activities			
Acquisition of investment securities		(640,171,183)	(728,779,798)
Disposal of investment securities		655,246,302	729,025,505
Purchases of property and equipment	17	(31,689)	(25,673)
Purchases of intangible assets	18	(46,850)	(78,599)
Net cash flows from investing activities		<u>14,996,580</u>	<u>141,435</u>
Financing activities			
Payments made for lease liability		(402,811)	(407,919)
Net cash flows from financing activities		<u>(402,811)</u>	<u>(407,919)</u>
Net (decrease) in cash and cash equivalents		<u>(7,032,358)</u>	<u>(2,883,267)</u>
Cash and cash equivalents at 1 January		13,024,184	15,711,283
Effect of currency translation on cash and cash equivalents		(11,947)	196,168
Cash and cash equivalents at 31 December	12	<u>5,979,879</u>	<u>13,024,184</u>

The accompanying notes on pages 29-69 are an integral part of these Financial Statements.

Notes to the Financial Statements

for the year ended 31 December 2021

1. Corporate information

FCMB Bank (UK) Limited (the Bank) is a 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 are described on page 13 within the Directors' Report.

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 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 within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in note 24.

(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 2021

2. Accounting policies (Continued)

(vi) *Use of estimates and judgments*

The preparation of the financial statements in conformity with IFRS 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 2.19.

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.

The dollar sterling exchange rate used at 31st December 2021 was 1.3488 (2020: 1.3659). The average dollar sterling exchange rate for 2021 was 1.3741 (2020: 1.2911).

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 2021

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. 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 accrued for monthly and invoiced on a quarterly basis in accordance with a management services agreement.

Other 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. This also includes the income received from the recharge of expenses incurred on the digital banking project, which is recognised in the period that the related expense is incurred.

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 2021

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 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.

Financial assets that are classified as FVOCI are measured at fair value. The changes in fair value are recognised directly in OCI reserve with three exceptions, which 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 investment is disposed of, the cumulative gain or loss previously recognised in OCI reserve is recognised in the profit and loss included within statement of comprehensive income.

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

Notes to the Financial Statements

for the year ended 31 December 2021

2. Accounting policies (Continued)

(v) *Financial assets classified as Fair value through 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.

Financial assets that are classified as FVTPL are measured at fair value. The changes in fair value are recognised directly in comprehensive 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, as other financial liabilities measured 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 yield basis.

(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. 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.

(ix) *Offsetting*

Derivative financial instruments are offset and the net amount 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

The Bank adopted IFRS 9 Financial Instruments ("IFRS 9") which addresses impairment, classification and measurement, and hedge accounting. IFRS 9 uses an expected credit loss ("ECL") approach which applies to all financial assets measured at amortised cost and certain 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 2.19. 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.

When a loan is uncollectible, it is written off against the related allowance for loan impairment. 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 heading loan impairment charges.

Notes to the Financial Statements

for the year ended 31 December 2021

2. Accounting policies (Continued)

(ii) *Assets classified as FVOCI*

Debt instruments classified as FVOCI are assessed for impairment in the same manner as assets carried at amortised cost.

For debt instruments at fair value through OCI, impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income.

2.8. De-recognition 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. 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.

Notes to the Financial Statements

for the year ended 31 December 2021

2. Accounting policies (Continued)

2.10. Cash and cash equivalents

Cash and cash equivalents include cash in hand, unrestricted balances held with central 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.

2.11. 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 2021

2. Accounting policies (Continued)

2.12. 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.

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.

2.13. 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.

2.14. 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 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 2021

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.

2.15. 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.

2.16. 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 2021

2. Accounting policies (Continued)

2.17. 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.

- *IFRS 16 Leases: Covid-19 related Rent Concessions - effective 1 January 2021.*
- *Interest Rate Benchmark Reform - Phase 2 - effective 1 January 2021.*

2.18. 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 16 Property, Plant and Equipment (Amendment) - effective 1 January 2022.*
- *IFRS 3 Business Combinations – effective 1 January 2022.*
- *IAS 37 Provisions: Onerous Contracts - effective 1 January 2022.*
- *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 2021

2. Accounting policies (Continued)

2.19. 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, commitments and guarantees 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, and the past due amount is greater than the absolute and relative materiality thresholds. 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 three types of indicators to identify a SICR: 15 days past due ("DPD"), 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 2021

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. In addition to the Upside and Downside scenarios used in the 2020 FYE model, two severe downside scenarios have been added; the first considering a sharp fall in oil price, and the second considering a wider economic shock as a result of Covid similar to the one seen in 2020. 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
- Covid a simulation of resurgence of the pandemic based on actual 2020 economic indicators
- Oil crash a simulation of worst fall in oil and other commodity prices in last 25 years

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 (Emerging Markets & Nigeria)
Upside	\$418,805	15%
Base case	\$644,680	65%
Downside	\$972,280	10%
Covid case	\$1,528,718	5%
Oil shock case	\$1,096,540	5%
2021 ECL	\$710,608	

The bank references a number of macro-economic factors in the forward looking element of the ECL calculation. These include industrial commodity prices, investment as a percentage of GDP, government revenue as a percentage of GDP, growth of real capital stock and oil price change.

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 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 Bank has not applied a post-model adjustment ("PMA") in 2021. 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 Credit Committee and Board Audit and Risk Committee.

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

Notes to the Financial Statements

for the year ended 31 December 2021

3. Interest and similar income

	31 December 2021 \$	31 December 2020 \$
Cash	-	-
Loans and advances to banks		
Cash equivalents	11,512	56,236
Syndicated lending	1,972,577	2,220,420
Discounted bills	1,195,382	1,289,862
Refinancing under letters of credit	3,777,533	3,951,770
Specialised lending	48,655	6,416
Overdraft interest	253,529	125,066
Loans and advances to customers		
Retail lending	565,078	460,674
Corporate lending	890,921	890,968
Treasury lending	20,859	17,895
Specialised lending	762,832	294,210
Syndicated lending	1,045,074	-
Overdraft interest	17,569	10,059
Other interest	937	15,537
Investments		
Government bonds	62,701	87,052
Bank bonds	577,426	105,132
Fund Investments Government	5,196	524,974
Fund Investments Non-government	2,901	51,765
	<u>11,210,682</u>	<u>10,108,036</u>

Notes to the Financial Statements

for the year ended 31 December 2021

4. Interest and similar expense

	31 December 2021 \$	31 December 2020 \$
Deposits from banks	257,243	2,190,187
Deposits from customers	2,595,765	2,704,553
	<u>2,853,008</u>	<u>4,894,740</u>

5. Fees and commission income

	31 December 2021 \$	31 December 2020 \$
Stockbroking	-	399,128
Retail	42,013	18,549
Corporate banking	34,013	32,969
Trade services	1,955,146	1,541,131
Representative office	268,885	265,844
	<u>2,300,057</u>	<u>2,257,621</u>

6. Fees and commission expense

	31 December 2021 \$	31 December 2020 \$
Commissions and brokerage	<u>767,438</u>	<u>486,298</u>

7. Other operating income

	31 December 2021 \$	31 December 2020 \$
Gain on financial investments	126,684	652,667
Gain on sale of Trade assets	163,319	62,169
Digital banking expense recovery	2,732,640	915,872
	<u>3,022,643</u>	<u>1,630,708</u>

Notes to the Financial Statements

for the year ended 31 December 2021

8. Personnel expenses

	31 December 2021 \$	31 December 2020 \$
Employee costs		
Wages and salaries	5,285,655	4,881,088
Pensions	46,493	43,367
Social security costs	640,836	593,150
Other staff costs	894,378	279,590
	<u>6,867,362</u>	<u>5,797,195</u>

The average number of employees including directors in the year was 52 (2020: 48)

	31 December 2021 No.	31 December 2020 No.
Non-management	34	30
Management	18	18
	<u>52</u>	<u>48</u>

	31 December 2021 \$	31 December 2020 \$
Directors' remuneration		
Emoluments	<u>1,183,126</u>	<u>1,121,987</u>

The highest paid director received remuneration of \$471,589, which includes \$1,094 of pension contribution. (2020: \$455,623). The total pension costs in 2021 were \$1,094 relating to one director under a defined contribution scheme (2020: nil).

9. Profit before tax

	31 December 2021 \$	31 December 2020 \$
Profit before tax is stated after charging/(crediting):		
Foreign exchange (profit) / loss	(129,744)	128,335
Amortisation of intangibles	195,589	182,885
Depreciation of property and equipment	408,202	416,273
Auditor's remuneration - audit fees	309,159	195,734
Auditor's remuneration - non-audit fees	<u>4,173</u>	<u>3,882</u>

Of the 2021 audit fees; \$250,926 relates to the 2021 statutory audit, and \$58,233 relates to additional fees on the 2020 statutory audit.

Notes to the Financial Statements

for the year ended 31 December 2021

10. Income tax

The current tax charge is nil, with a deferred tax credit in 2021 of \$511,455 (2020: \$149,356), resulting in a total tax credit in 2021 of \$511,455 (2020: \$149,356).

	31 December 2021 \$	31 December 2020 \$
Profit / (loss) on ordinary activities before taxation	1,124,026	(536,133)
Profit / (loss) on ordinary activities multiplied by the UK corporation tax rate of 19% (2020: 19%)	213,565	(101,865)
Effects of:		
Fixed asset differences	-	(1,669)
Expenses not deductible for tax purposes	26	2,134
Remeasurement of deferred tax for changes in tax rates	(35,542)	(67,170)
Recognition of deferred tax previously unrecognised	(689,559)	19,214
Other short term timing differences	55	-
Actual total tax charge / (credit)	(511,455)	(149,356)

Factors that may affect future tax charges:

The directors have recognised a deferred tax asset of \$660,811 (2020: \$149,356) including unused tax losses of \$586,074 (2020: \$128,431) that are considered to be able to be offset against the company'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 2021 was 19% (2020: 19%). The Corporation Tax rate of 19% was enacted with effect from 1 April 2017 and the Finance Act 2016 legislated the UK Corporation Tax rate to decrease to 17% from 1 April 2020. However, on 17 March 2020, using the Provisional Collection of Taxes Act 1968, the UK Government cancelled the proposed drop in Corporation Tax rate to 17%.

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 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)

Notes to the Financial Statements

for the year ended 31 December 2021

	Fixed Assets \$	Expenses & Provisions \$	Unused tax losses \$	Total \$
Movement in deferred tax				
At 01 January 2020	-	-	-	-
(Credit) / charge to Income Statement	(20,925)	-	(128,431)	(149,356)
At 31 December 2020	(20,925)	-	(128,431)	(149,356)

	31 December 2021 \$	31 December 2020 \$
Unrecognised deferred tax		
Accelerated depreciation	-	-
Losses carried forward	-	655,847
Accounting standards transitional adjustments	-	-
Pension	-	-
Short term timing differences	-	33,712
	<u>-</u>	<u>689,559</u>

11. Dividends paid and proposed

During the year no dividends were declared or paid (2020: \$NIL).

12. Cash and cash equivalents

	31 December 2021 \$	31 December 2020 \$
Cash on hand	236	136
Deposit with Group companies	34,656	36,712
Deposits with banks	<u>5,945,252</u>	<u>12,987,714</u>
Less: Allowance for impairment losses	<u>(265)</u>	<u>(378)</u>
	<u>5,979,879</u>	<u>13,024,184</u>

13. Loans and advances to banks

	31 December 2021 \$	31 December 2020 \$
Syndicated lending	47,734,818	36,910,843
Discounted bills	6,192,873	19,827,437
Refinancing under letters of credit	66,401,568	50,738,511
Specialised lending	997,500	498,750
Overdrafts	<u>11,280,352</u>	<u>10,277,188</u>
Less: Allowance for impairment losses	<u>(258,956)</u>	<u>(454,139)</u>
	<u>132,348,155</u>	<u>117,798,590</u>

Notes to the Financial Statements

for the year ended 31 December 2021

14. Loans and advances to customers

	31 December 2021 \$	31 December 2020 \$
Retail lending	14,946,202	10,241,366
Corporate lending	18,051,073	12,261,251
Governments	20,615,784	14,438,757
Specialised lending	26,046,661	14,890,937
Overdrafts	87,577	-
	<u>79,441,478</u>	<u>51,668,458</u>
Less: Allowance for impairment losses	(305,819)	(163,853)
	<u>79,441,478</u>	<u>51,668,458</u>

15. Investment securities

	31 December 2021 \$	31 December 2020 \$
Bank bonds	17,212,630	3,230,250
Government Bonds	7,455,147	-
Fund Investments Government	139,770,139	186,421,227
Fund Investments Other	9,778,800	-
	<u>174,077,450</u>	<u>189,651,477</u>
Less: Allowance for impairment losses	(139,266)	-
	<u>174,077,450</u>	<u>189,651,477</u>

Fund Investments are classified as FVTPL. Bank bonds and Government bonds are classified as FVOCI.

16. Other assets

	31 December 2021 \$	31 December 2020 \$
Prepayments	638,023	441,762
Accrued income	3,073,327	2,295,096
Other debtors	1,338,741	791,188
Margin call cash collateral	1,540,000	-
	<u>6,590,091</u>	<u>3,528,046</u>

Notes to the Financial Statements

for the year ended 31 December 2021

17. Property and equipment

	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
Disposals in the year	-	-	-	-	-
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
Depreciation on disposals	-	-	-	-	-
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

	Leasehold improvements \$	Fixtures and fittings \$	Computer equipment \$	Right of use assets \$	Total \$
Cost					
As at 01 January 2020	600,797	283,935	327,627	2,872,585	4,084,944
Additions in the year	-	775	24,898	-	25,673
Disposals in the year	-	-	-	-	-
As at 31 December 2020	600,797	284,710	352,525	2,872,585	4,110,617
Accumulated depreciation					
As at 01 January 2020	222,114	216,279	223,587	419,754	1,081,734
Charge for year	67,496	18,215	40,969	289,593	416,273
Depreciation on disposals	-	-	-	-	-
As at 31 December 2020	289,610	234,494	264,556	709,347	1,498,007
Carrying amount					
As at 31 December 2020	311,187	50,216	87,969	2,163,238	2,612,610
As at 31 December 2019	378,683	67,656	104,040	2,452,831	3,003,210

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 2021

18. Intangible assets

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

	Computer software \$
Cost	
As at 01 January 2020	1,264,794
Additions in the year	78,599
Disposals in the year	-
As at 31 December 2020	1,343,393
Accumulated amortisation	
As at 01 January 2020	726,705
Charge for year	182,886
Amortisation on disposals	-
As at 31 December 2020	909,591
Carrying amount	
As at 31 December 2020	433,802
As at 31 December 2019	538,089

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 2021

19. Deposits from banks

	31 December 2021 \$	31 December 2020 \$
Deposits from related parties	43,959,993	32,361,113
Deposits from Central Bank	92,649,890	102,756,477
Deposits from other banks	10,073,321	27,561,128
	<u>146,683,204</u>	<u>162,678,718</u>

20. Deposits from customers

	31 December 2021 \$	31 December 2020 \$
Deposit aggregators	163,318,690	127,825,111
Deposits from corporates	21,463,760	28,795,796
Deposits from related parties	702,526	2,229,917
Deposits from individuals	11,985,471	8,706,480
	<u>197,470,447</u>	<u>167,557,304</u>

21. Other liabilities

	31 December 2021 \$	31 December 2020 \$
Accrued interest	2,644,332	2,272,424
Accruals	774,400	390,675
Provisions	6,302	14,463
Trade creditors	37,016	14,458
Dilapidations	123,021	115,364
Lease liability	2,146,769	2,516,982
Deferred Income	72,269	-
Other taxation and social security	194,217	173,216
	<u>5,998,326</u>	<u>5,497,582</u>

Notes to the Financial Statements

for the year ended 31 December 2021

22. Derivative financial instruments

	31 December 2021 \$	31 December 2020 \$
Forward foreign exchange contracts		
Receivable	834,132	3,716,102
Payable	(2,176,318)	-
	<u>(1,342,186)</u>	<u>3,716,102</u>

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 fair values of the foreign exchange contracts are reflected in the table above. The notional values of the foreign exchange contracts are disclosed in the foreign exchange risk note 24.4.

23. Dilapidation Provisions

	31 December 2021 \$	31 December 2020 \$
Dilapidation provision		
At 1 January	115,364	109,639
Increase / decrease	3,293	1,938
Foreign exchange movement	<u>4,364</u>	<u>3,787</u>
	<u>123,021</u>	<u>115,364</u>

The dilapidation provision is linked to the property lease, and therefore the expected timing of the resulting outflows of economic benefits is in 2028. There is a break clause after 5 years however it is not expected that this will be taken up. The expected economic outflow is stated above.

24. Financial instruments and risk management

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 2021

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, ILG buffer requirement, liquidity coverage ratio ("LCR") and net stable funding ratio ("NSFR") along with other balance sheet ratios on a daily basis.

Notes to the Financial Statements

for the year ended 31 December 2021

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 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	830,547	-	3,782,780	-	-	4,613,327
Total financial assets	226,159,011	48,699,069	43,662,644	93,714,900	17,178,622	429,414,246
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)
Accrued liabilities	-	-	(2,644,332)	-	-	(2,644,332)
Total financial liabilities	(158,532,184)	(74,895,273)	(62,354,950)	(59,143,484)	(7,613,333)	(362,539,224)
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	57,283,234	(27,156,753)	(18,718,580)	34,571,416	9,565,289	55,544,606

Notes to the Financial Statements

for the year ended 31 December 2021

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 2020						
Financial assets						
Cash and cash equivalents	13,024,184	-	-	-	-	13,024,184
Loans and advances to banks	70,070,848	16,137,858	24,181,446	12,141,899	-	122,532,051
Loans and advances to customers	5,250,460	8,219,830	6,958,700	17,285,007	23,043,550	60,757,547
Investment securities	186,421,227	-	-	4,542,688	-	190,963,915
Other assets	1,164,638	-	1,682,175	-	-	2,846,813
Total financial assets	275,931,357	24,357,688	32,822,321	33,969,594	23,043,550	390,124,510
Financial liabilities						
Deposits from banks	(157,734,774)	(5,023,413)	-	-	-	(162,758,187)
Deposits from customers	(34,221,500)	(37,902,024)	(23,570,333)	(76,679,650)	-	(172,373,507)
Subordinated liabilities	-	-	-	-	(3,000,000)	(3,000,000)
Accrued liabilities	-	-	(2,272,424)	-	-	(2,272,424)
Total financial liabilities	(191,956,274)	(42,925,437)	(25,842,757)	(76,679,650)	(3,000,000)	(340,404,118)
Derivative financial instruments						
Forward FX Contracts	-	3,690,210	25,892	-	-	3,716,102
Total derivative FIs	-	3,690,210	25,892	-	-	3,716,102
Loan commitments	(641,159)	-	-	-	-	(641,159)
Net liquidity gap	83,333,924	(14,877,539)	7,005,456	(42,710,056)	20,043,550	52,795,335

Notes to the Financial Statements

for the year ended 31 December 2021

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 2021						
Assets subject to interest rate risk:						
Cash and cash equivalents	-	-	-	-	-	-
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
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 2021

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 2020						
Assets subject to interest rate risk:						
Cash and cash equivalents	-	-	-	-	-	-
Loans and advances to banks	20,963,343	-	-	12,109,343	8,854,000	-
Loans and advances to customers	46,481,316	5,219,617	7,219,279	2,199,233	16,266,095	15,577,092
Investment securities	186,421,227	186,421,227	-	-	-	-
Accrued income	1,859,073	176,898	-	1,682,175	-	-
	255,724,959	191,817,742	7,219,279	15,990,751	25,120,095	15,577,092
Liabilities subject to interest rate risk:						
Deposits from banks	(5,000,000)	-	(5,000,000)	-	-	-
Deposits from customers	(1,890,983)	-	-	-	(1,890,983)	-
Accrued liabilities	(2,272,424)	-	-	(2,272,424)	-	-
	(9,163,407)	-	(5,000,000)	(2,272,424)	(1,890,983)	-
Net interest gap	246,561,552	191,817,742	2,219,279	13,718,327	23,229,112	15,577,092

Notes to the Financial Statements

for the year ended 31 December 2021

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:

	Gross amount	Weighted average	Interest due at current weighted average rate	Increase of 50bps	Increase of 100bps
At 31 December 2021	\$	%	\$	\$	\$
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

	Gross amount	Weighted average	Interest due at current weighted average rate	Increase of 50bps	Increase of 100bps
At 31 December 2020	\$	%	\$	\$	\$
Financial assets					
Cash and cash equivalents	13,024,184	-	-	65,121	130,242
Loans and advances to banks	117,798,590	5.17%	6,090,597	6,679,590	7,268,583
Loans and advances to customers	51,668,458	4.90%	2,532,956	2,791,298	3,049,641
Investment securities	189,651,477	0.14%	258,750	1,207,007	2,155,265
Financial liabilities					
Deposits from banks	(162,678,718)	0.10%	(157,159)	(970,553)	(1,783,946)
Deposits from customers	(167,557,304)	1.51%	(2,531,639)	(3,369,426)	(4,207,212)
Subordinated liabilities	(3,000,000)	6.00%	(180,000)	(195,000)	(210,000)
	38,906,687		6,013,505	6,208,037	6,402,573
Impact on net interest income				194,532	389,068

Notes to the Financial Statements

for the year ended 31 December 2021

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:

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

Notes to the Financial Statements

for the year ended 31 December 2021

24. Financial instruments and risk management (Continued)

	USD	NGN	GBP	EURO	CHF	Total
	\$	\$	\$	\$	\$	\$
At 31 December 2020						
Financial assets						
Cash and cash equivalents	8,252,418	36,712	3,718,832	1,003,884	12,338	13,024,184
Investment securities	126,480,250	-	63,171,227	-	-	189,651,477
Loans and advances to banks	109,419,477	-	142,938	8,236,175	-	117,798,590
Loans and advances to customers	22,173,442	-	23,375,353	6,119,663	-	51,668,458
Forward FX contracts	(33,839,198)	-	49,825,300	(12,270,000)	-	3,716,102
Other assets	2,712,466	-	93,211	41,136	-	2,846,813
Total assets	235,198,855	36,712	140,326,861	3,130,858	12,338	378,705,624
Financial liabilities						
Deposits from banks	(156,571,469)	-	(3,093,663)	(3,000,248)	(13,338)	(162,678,718)
Deposits from customers	(32,627,567)	-	(134,598,571)	(331,166)	-	(167,557,304)
Subordinated liabilities	(3,000,000)	-	-	-	-	(3,000,000)
Accrued liabilities	(255,840)	-	(2,016,138)	(446)	-	(2,272,424)
Total liabilities	(192,454,876)	-	(139,708,372)	(3,331,860)	(13,338)	(335,508,446)
Net on-balance sheet financial position	48,743,979	36,712	618,489	(201,002)	(1,000)	49,197,178
Off-balance sheet financial position	28,017,397	-	1,733,628	96,601	-	29,847,626

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 2021 \$	31 December 2020 \$
Impact on reported profit:		
Sterling	947,953	61,849
Naira	3,466	3,671
Euro	(1,223)	(20,100)
Swiss Francs	(303)	(100)
Rand	2,172	-
(Decrease)/increase to reported profit	<u>952,065</u>	<u>45,320</u>
Impact on equity:		
Sterling	947,953	61,849
Naira	3,466	3,671
Euro	(1,223)	(20,100)
Swiss Francs	(303)	(100)
Rand	2,172	-
(Decrease)/increase to equity	<u>952,065</u>	<u>45,320</u>

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

Notes to the Financial Statements

for the year ended 31 December 2021

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 2.19. 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 2021

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 2021 is \$710,608 (2020: \$632,833).

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 2021			IFRS9 31 December 2020		
	Gross exposure	Allowance for credit loss	Net exposure	Gross exposure	Allowance for credit loss	Net exposure
	\$	\$	\$	\$	\$	\$
Cash and cash equivalents	5,979,908	265	5,979,643	13,024,426	378	13,024,048
Investments at FVOCI	24,667,777	139,266	24,528,511	3,230,250	-	3,230,250
Loans & advances to banks	132,607,111	258,956	132,348,155	118,252,728	454,138	117,798,590
Loans & advances to customers	79,747,297	305,819	79,441,478	51,832,312	163,854	51,668,458
Other assets	1,540,000	-	1,540,000	-	-	-
Off balance sheet	41,473,466	6,302	41,467,164	29,047,627	14,463	29,033,164
	286,015,559	710,608	285,304,951	215,387,343	632,833	214,754,510

In addition, there are investments at FVTPL in 2021 of \$149,548,939 (2020: 186,421,227). \$139,770,139 of this is considered very low risk (2020: 186,421,227), and \$9,778,800 is considered medium risk (2020: nil).

Notes to the Financial Statements

for the year ended 31 December 2021

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
10-12	- medium risk
13-16	- acceptable risk
17-20	- high risk

Net carrying value of exposure by risk rating

	Stage 1	IFRS 9 31 December 2021 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	254,079,725	529,517	-	254,609,242
High	-	-	-	-
	<u>284,775,434</u>	<u>529,517</u>	<u>-</u>	<u>285,304,951</u>

Net carrying value of exposure by risk rating

	Stage 1	IFRS 9 31 December 2020 Stage 2	Stage 3	Net carrying amount
	\$	\$	\$	\$
Very low	24,527,576	-	-	24,527,576
Low	4,873,403	-	-	4,873,403
Medium	9,847,273	-	-	9,847,273
Acceptable	175,306,636	-	-	175,306,636
High	199,622	-	-	199,622
	<u>214,754,510</u>	<u>-</u>	<u>-</u>	<u>214,754,510</u>

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. In 2020, all exposures were in stage 1, there were no exposures in stage 2 or stage 3. In 2021, the ECL related to stage 1 assets was \$710,047 and the ECL related to stage 2 assets was \$561. In 2020, the ECL charge of \$632,833 was all related to stage 1 assets.

Notes to the Financial Statements

for the year ended 31 December 2021

24. Financial instruments and risk management (Continued)

Movement in expected credit losses throughout the year

	01/01/2021	IFRS 9 31 December 2021 Additional	Release	31/12/2021
	\$	\$	\$	\$
Cash and cash equivalents	378	211	(324)	265
Loans & advances to banks	454,139	107,749	(302,932)	258,956
Loans & advances to customers	163,853	220,315	(78,349)	305,819
Investments	-	139,266	-	139,266
Off balance sheet	14,463	3,989	(12,150)	6,302
	<u>632,833</u>	<u>471,530</u>	<u>(393,755)</u>	<u>710,608</u>

Movement in expected credit losses throughout the year

	01/01/2020	IFRS 9 31 December 2020 Additional	Release	31/12/2020
	\$	\$	\$	\$
Cash and cash equivalents	591	291	(504)	378
Loans & advances to banks	326,543	452,310	(324,714)	454,139
Loans & advances to customers	119,592	163,721	(119,460)	163,853
Off balance sheet	11,036	12,169	(8,742)	14,463
	<u>457,762</u>	<u>628,491</u>	<u>(453,420)</u>	<u>632,833</u>

Reconciliation of impairment charges

	31 December 2021 \$	31 December 2020 \$
Movements in ECL	(77,775)	(175,071)
Write offs	-	(200,000)
Total impairment charges	<u>(77,775)</u>	<u>(375,071)</u>

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 2021 was \$9,936,350 (31 December 2020: \$10,096,564).

Notes to the Financial Statements

for the year ended 31 December 2021

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 2021 \$	Collateral 31 December 2021 \$	Exposure 31 December 2020 \$	Collateral 31 December 2020 \$
Nigeria	150,810,555	34,250,471	126,330,128	46,845,805
United Kingdom	41,764,317	15,058,012	36,719,993	10,232,488
Turkey	27,665,359	-	6,412,956	-
Kenya	18,705,863	-	13,653,739	-
Ghana	17,231,006	-	6,173,769	-
Côte d'Ivoire	9,837,903	-	6,103,048	-
Angola	6,881,274	-	-	-
Tanzania	4,094,340	-	1,732,702	-
Egypt	1,865,244	-	-	-
United States of America	1,857,402	-	7,903,842	-
Senegal	1,070,937	-	-	-
Rwanda	1,008,666	-	1,828,496	-
Malawi	982,834	-	493,586	-
Germany	921,678	-	777,456	-
Vietnam	387,964	-	-	-
Bangladesh	219,609	-	439,419	-
Togo	-	-	5,985,754	-
Mozambique	-	-	199,622	-
	285,304,951	49,308,483	214,754,510	57,078,293

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.

Notes to the Financial Statements

for the year ended 31 December 2021

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

	Current 0-3 months	Current 3-6 months	Current 6-12 months	Non Current 1-5 years	Above 5 years	Total
At 31 December 2021	\$	\$	\$	\$	\$	\$
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	830,547	-	3,782,780	-	-	4,613,327
	<u>223,173,848</u>	<u>45,977,599</u>	<u>38,372,435</u>	<u>75,920,313</u>	<u>14,554,532</u>	<u>397,998,727</u>

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
Accrued liabilities	-	-	2,644,332	-	-	2,644,332
	<u>158,475,826</u>	<u>74,712,058</u>	<u>61,029,504</u>	<u>54,756,913</u>	<u>5,000,000</u>	<u>353,974,301</u>

	Current 0-3 months	Current 3-6 months	Current 6-12 months	Non Current 1-5 years	Above 5 years	Total
At 31 December 2020	\$	\$	\$	\$	\$	\$
Financial Assets						
Cash and cash equivalents	13,024,184	-	-	-	-	13,024,184
Loans & advances to banks	68,788,214	15,673,450	23,245,131	10,091,795	-	117,798,590
Loans & advances to customers	5,134,894	8,002,394	6,687,983	16,266,095	15,577,092	51,668,458
Investments	186,421,227	-	-	3,230,250	-	189,651,477
Forward FX contracts	-	3,690,210	25,892	-	-	3,716,102
Other assets	1,164,638	-	1,682,175	-	-	2,846,813
	<u>274,533,157</u>	<u>27,366,054</u>	<u>31,641,181</u>	<u>29,588,140</u>	<u>15,577,092</u>	<u>378,705,624</u>

Financial Liabilities

Deposits from banks	157,655,305	5,023,413	-	-	-	162,678,718
Deposits from customers	34,059,709	37,277,270	22,671,595	73,548,730	-	167,557,304
Subordinated liabilities	-	-	-	-	3,000,000	3,000,000
Accrued liabilities	-	-	2,272,424	-	-	2,272,424
	<u>191,715,014</u>	<u>42,300,683</u>	<u>24,944,019</u>	<u>73,548,730</u>	<u>3,000,000</u>	<u>335,508,446</u>

Notes to the Financial Statements

for the year ended 31 December 2021

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 which would indicate that the carrying value differs from the 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 which indicate that the carrying value differs from the fair value.

The carrying amounts of the Bank's financial assets and liabilities measured at amortized cost are considered to approximate 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 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 2021 and 2020.

Notes to the Financial Statements

for the year ended 31 December 2021

28. Share capital and reserves

	31 December 2021 \$	31 December 2020 \$
Issued and fully paid shares of \$1.00 each	<u>48,900,000</u>	<u>48,900,000</u>
		Number
Issued and fully paid shares of \$1.00 each	<u>48,900,000</u>	<u>48,900,000</u>

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.

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 2021 \$	31 December 2020 \$
Confirmed letters of credit - banks	<u>13,490,156</u>	<u>15,983,483</u>
Issued letters of credit - banks	<u>13,995,079</u>	<u>12,422,984</u>
Acceptance - customers	<u>-</u>	<u>-</u>
Commitments - banks	<u>4,219,609</u>	<u>-</u>
Commitments - customers	<u>9,768,622</u>	<u>641,159</u>
Guarantees from banks	<u>800,000</u>	<u>800,000</u>

Notes to the Financial Statements

for the year ended 31 December 2021

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:

	31 December 2021 \$	31 December 2020 \$
Lease Liability (actual payments)		
In one year	402,811	407,918
In more than one year but less than five years	1,821,746	1,447,441
In more than five years	125,787	1,033,364
	<u>2,350,344</u>	<u>2,888,723</u>
Lease Liability		\$
As at 1 January 2021	Lease Liability	2,516,982
	FX movement	(31,512)
	Payments	(402,811)
	Interest	64,110
As at 31 December 2021		<u>2,146,769</u>

30. Related party transactions

30.1. 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 2021 \$	31 December 2020 \$
Short term benefits	2,964,220	2,549,534
Post-employment benefits	9,300	9,040
	<u>2,973,520</u>	<u>2,558,574</u>
Loans		
At the beginning of the year	30,530	347,397
At the end of the year	<u>27,740</u>	<u>30,530</u>

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 2021

30.2. 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 2021 \$	31 December 2020 \$
Parent company		
Loan and advances		
Interest bearing	28,413,632	28,401,842
Other assets:		
Accrued interest	323,180	298,784
Other non-interest bearing	1,216,684	987,740
Deposits		
Interest bearing	43,959,993	32,361,113
Other liabilities		
Accrued interest	70,962	78,965
Other non-interest bearing	-	-
Letters of credit	2,372,919	2,546,739
Guarantee received	800,000	800,000
Other related parties		
Loans		
Interest bearing	1,688,582	1,990,280
Non-interest bearing	-	-
Deposits		
Interest bearing	7,915,735	3,365,594

Parent company short term deposits include \$7,968,160 cash collateral (2020: \$5,899,374)

	31 December 2021 \$	31 December 2020 \$
The Bank's related party transactions during the year comprised:		
Interest receivable from parent company	1,695,476	1,407,485
Interest receivable from other related parties	82,565	80,448
Interest payable to parent company	160,194	383,514
Interest payable to other related parties	310,052	215,589
Fees charged to parent company	268,885	265,843
Fees charged to group subsidiaries	-	399,128
Fees recharged to parent company included within other income	2,732,640	915,872

Notes to the Financial Statements

for the year ended 31 December 2021

31. Events after the year end

There were no significant events after year end.

32. 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.

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 that headed by FCMB Group Plc.