Company registration no. 06621225

FCMB Bank (UK) Limited

Annual Report and Financial Statements

For the year ended 31 December 2023

Contents

For the year ended 31 December 2023

Officers and Professional Advisers

Company registration no. 06621225

For the year ended 31 December 2023

Company Information

Directors	**Position**
Frank A. le Roex	Non-Executive Director and Chairman
Colin Fraser	Executive Director and Chief Executive Officer
Derren Sanders	Executive Director and Chief Financial Officer & Chief Operating Officer
Ladipupo O. Balogun	Non-Executive Director
Gerald O. Ikem	Non-Executive Director (alternate to Ladipupo. O. Balogun)
Oluwatoyin Olaiya	Non-Executive Director
Amy Kirk	Non-Executive Director
Richard P. Jones	Non-Executive Director
Susannah Aliker	Non-Executive Director

Company Secretary
Derren Sanders

Registered Office
81 Gracechurch Street
London
EC3V 0AU

Independent Auditor
MHA
2 London Wall Place
London
EC2Y 5AU

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 2023

The Directors present their Strategic Report for FCMB Bank (UK) Limited ("the Bank") for the year ended 31 December 2023.

Acknowledge of contributions

The Bank has made significant progress in 2023, enhancing profitability, extending and developing its propositions and further enacting measures to enhance resilience. This progress would not have been possible without the significant commitment of colleagues in all areas of the Bank and support from FCMB Group staff and senior management. The Directors would like to put on record their thanks to all of those who have contributed to a significant year of growth and development.

The Bank will shortly celebrate the 10th anniversary of becoming operational in UK. Over these 10 years a highly respected, progressive business has been built, allied to the FCMB Group's Purpose and Vision.

This would not have been possible without the Group's founder, Otunba Olasubomi Balogun, CON, who passed away during 2023. Otunba Subomi Balogun's pioneering spirit blazed the trail for our achievements. So, our success has been built on a solid foundation. His unwavering focus, commitment to excellence and entrepreneurial drive are woven into the fabric of our work. Though his passing in 2023 marked a profound loss, his legacy continues to inspire and guide us as we uphold the Group's Purpose and Vision. With each step forward, we honour our Founder's memory. We will continue to build upon his foundation, ensuring that FCMB UK remains a highly respected and progressive force within the industry.

Review and Analysis of Business Activities and Developments

The Bank has reported significant growth in profitability over the last three years, through a customer-centric approach and a focus on its key markets, and seeks to build further on this momentum.

During the year, the bank expanded its trade finance lending book with enhancements to its product offerings and focus on capital efficiency. These have proved popular with counterparties and have further assisted growth in profitability. Continued progress was also made to broaden trade and corporate relationships with financial institutions and other counterparties through Master Risk Participation Agreements.

The Bank continues to maintain a vigilant and pro-active focus on managing risk as economic conditions in Nigeria, certain other African countries, the UK and internationally remained challenging. Reliance on Nigeria has been further reduced, with diversification into other geographies in Sub-Saharan Africa such as Kenya, Tanzania, Senegal, Rwanda, Cote d'Ivoire and other emerging markets such as Turkey, Vietnam, and Bangladesh.

The treasury operations of the Bank have successfully managed to grow liquidity and funding by establishing a broader network of international correspondent banking relationships, deposit aggregators and investment managers. The Bank has built a platform from which it can trade in money market deposits, fixed income market and foreign exchange, assisting the holding of a broader range of investments, in accordance with a careful risk assessment of new opportunities. In addition, in the latter part of the year the Bank launched an eFX proposition, providing a platform for customers to operate FX business electronically on-line. This is expected to grow significantly in 2024.

Enhanced monitoring and diversification to a broader range of sources has provided greater liquidity across the balance sheet and proved both more cost efficient overall. This includes further access to retail deposits through increased use of aggregator platforms and direct funding.

Strategic Report

Company registration no. 06621225

For the year ended 31 December 2023

The Bank continues to be domiciled in the UK, operating from a central London office and providing services to customers and counterparties focussed on Sub-Saharan Africa and other geographies, with a particular focus on Nigeria. The Bank's principal products and propositions include:

- Deposit taking, including operating / current accounts.
- Trade finance.
- Commercial and syndicated lending.
- Buy to let and other personal loans.
- Treasury operations, including money market and forex and the management of an investment portfolio, including bonds and fixed income securities.
- Digital wallets, current accounts and payments mechanisms, which are currently in pre-launch phase, with further significant developments expected in 2024 under the Rova brand – see below.

Future Developments of the Business

The Bank believes in taking a proactive approach to its long-term strategy. This has helped strong positioning over recent years in a changing and complex environment. The Bank carefully studies its operating environment, its markets, competitors and developments, particularly those that could impact the Bank's prudent risk management approach. Further, technological change creates significant opportunity for a small bank such as FCMB. The Directors consider that the Bank is well positioned to respond promptly to short-term market fluctuations and events.

Strategic discussions are held regularly at both Management and Board levels in order to review and refine the Bank's approach and alignment with the Group and its purpose-led philosophy. In addition, a Strategic Offsite is held each year to assess wider market opportunities and long-term developments. Key medium term strategic priorities are agreed for the business and monitored through both an annual Balanced Scorecard and related KPIs, with input from shareholder representatives and FCMB Group executives. Recently this approach has led to the formation and impending launch of the new Rova business line.

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) and the requirements of the Companies Act 2006.

The profit before tax for the year ended 31 December 2023 was $5.64 million (2022: profit $2.95 million). Net interest income increased by $3.38m (23%), despite the significant increase in cost of funds due to the rising interest rate environment. Gross interest income increased by $12.78 million due to efficient deployment and diversification of interest-bearing assets, assisted by rising interest rates. Total interest expense increased by $9.40m, due in part to the rising interest rate environment, as well as some funding term structure changes. Despite this and through strong liquidity management, the Bank managed to keep its cost of funds to 3.43%, utilising close relationships with a variety of depositors and deposit aggregators. In turn, this made a significant contribution to the Bank's overall profitability.

Customer fees and other income was $2.02 million, down from $2.70 million in 2022, largely due to a focus on interest generating business in 2023.

Strategic Report

Company registration no. 06621225

For the year ended 31 December 2023

Operating expenses increased by $2.15 million to $15.61 million (16%) due to increased investment in the core business, as well as continued build out of the bank's Digital Borderless Banking proposition ("Rova"), with strong support from the Group.

The Bank's total assets as at 31 December 2023 stood at $461 million (2022: $515 million). The reduction year on year at the respective balance sheet dates was primarily as a result of liquidity management and ensuring that the Bank remained liquid but was not overfunded given the potential increase in funding costs.

Additional equity

Capital usage is closely monitored, with each lending opportunity carefully reviewed and negotiated. The Bank continues to report healthy capital ratios and closed the year with a CET1 capital ratio of 17.4%, and a total capital ratio of 20.8%. During the year significant steps were taken to manage and improve capital efficiency by way of redistribution of risk weighted assets with the aim to reduce the average risk weighted assets in the Bank's credit portfolio. The Bank also strengthened its capital base in order to enhance its lending assets and ability to react to market opportunities, building on its Tier 2 capital issuances in 2021 and 2022 with the issuance of $5 million of new Tier 1 equity from its shareholder in October 2023. This is further evidence of the strong and continuing support from the Bank's shareholder.

Credit Risk and Expected Credit Loss ("ECL") Provision

Credit risk management continued to be strong. The Bank takes a prudent view on the calculations of expected credit losses, resulting in a further provision of $1.8 million during the financial year (2022: $2.51 million). As at 31st December 2023, the total provision held was $5.01 million. This includes provisions against two exposures in Ghana, where the restructuring of certain government-related debts announced in 2022 are yet to be finalised.

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

The Bank's ECL models reflect present economic conditions and forward-looking data. They are regularly reviewed and updated to ensure emerging trends in best practice are considered, and that there is an appropriate level of sophistication and alignment to the current economic landscape.

Key Performance Indicators

The following are key performance indicators for the Bank:

	2023 $ million	2022 $ million	Change
Net operating income	21.25	16.41	+29%
Total operating expenses	15.61	13.46	+16%
Profit before tax for the year	5.64	2.95	+91%
Net interest margin	3.96%	3.22%	+23%
Total capital ratio	20.8%	20.2%	+3%
Total assets	461	515	-10%

Strategic Report

Company registration no. 06621225

For the year ended 31 December 2023

Regulatory Capital

	31 December 2023 $ million	31 December 2022 $ million
Tier 1 capital		
Share capital	53.90	48.90
Retained earnings and other reserves	(3.15)	(7.17)
Deduction of intangibles	(0.54)	(0.39)
Other capital adjustments	(0.18)	(2.63)
Tier 2 capital	9.60	9.60
Total regulatory capital	59.63	48.31

The total regulatory capital requirement as at the 31 December 2023 (including all buffers) was $49.78 million (2022: $41.11 million).

The liquidity coverage ratio as at 31 December 2023 was 838%, against a regulatory requirement of 100%.

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

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

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

The Directors consider these factors in discharging their duties under section 172. The Bank operates a Corporate Governance programme which has been benchmarked and considered proportionately across diversity, equality, inclusion, conflicts of interest management, information disclosures, climate change readiness, board composition and committee structures, aiming to treating all customers and stakeholders fairly. In addition, following the FCA's guidance on Consumer Duty, the Board instigated a senior working group to review its approach and ensure appropriate and timely implementation, overseen by a Consumer Duty Champion from the Board.

Colleagues

The Bank believes that its colleagues are the foundation of its business. Building a culture of inclusivity where colleagues feel a sense of belonging is the heartbeat of the firm. The Bank is committed to continuing to build a diverse and equitable workplace by developing and retaining the best talent. The Bank has a Diversity, Equality, and Inclusion (DEI) champion to ensure this topic has appropriate focus and meets our regulatory requirements.

Strategic Report

Company registration no. 06621225

For the year ended 31 December 2023

During the year, as directed and approved by the Board, the Bank implemented further revisions and enhancements to its Human Resources policies with the goal of ensuring that all colleagues are well supported, trained and developed, motivated and led in a consistent manner. The Bank utilises a HR support service with a comprehensive, bespoke online information portal, which also provides access to an employee assistance helpline, including support for mental health issues. The Bank appointed a Board-level whistleblowing champion who is supported by a senior manager, and also continues to provide an anonymous independent third-party service, should a colleague feel this is appropriate.

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

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 (eNPS) methodology and written feedback. This approach is aligned to that utilised across the Group and provides valuable insights into the perceptions, needs and expectations of all colleagues. In addition, the Bank also undertook a review of its culture through a leading agency expert in this area. Management have reviewed the outputs from both surveys with the leadership team, the Board and colleagues. Action plans have been created to address key themes and incorporated into the HR transformation programme to further improve the working environment. Further, the Bank continues to provide opportunities and encourages all colleagues to develop and enhance their personal and professional skills through strongly supporting various internal and external training programmes, as well as through professional training programmes and certifications.

Various Board members attended the Management Meetings during the year (including EXCO, Credit Committee, Management Risk & Compliance Committee ("MRCC") and ALCO) and spent time interacting with colleagues outside these meetings. In addition, monthly town hall meetings are held, wherein the CEO and other leadership team members brief staff on Board deliberations, the Bank's direction, and key performance aspects, ensuring a strong and consistent tone from the top. We have been pleased to welcome Board members to the town halls, including briefing colleagues on speak-up and whistleblowing.

Customers

The Bank recognises the criticality of good and efficient customer services and relationship management. The centrality of customer is enshrined in the product development, marketing, governance and customer onboarding processes of the Bank. The Bank is focused on ensuring its products and service delivery lead to positive and beneficial outcomes for its customers, clients and counterparties. The principles of Consumer Duty are integrated into the Bank's operations and actively monitored through its Customer and Product Committee with key issues and metrics escalated through the Bank's committee structure.

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

The Board and executive level committees receive monthly management information covering key aspects of customer engagement, information on the treatment of customers, including customer complaints and financial performance. Various representatives from the Bank attend and address customer events, including sponsoring customer driven initiatives.

Strategic Report

Company registration no. 06621225

For the year ended 31 December 2023

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.

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

- Financial Resilience – monitored in ALCO and Performance Management Committee.
- Operational Risk and Resilience – monitored in Operations & IT Committee ("OpCo") and utilising third party oversight.
- Cyber Security - monitored at both OpCo and MRCC.
- Culture and conduct across all employees and their impact on customer service – monitored through both MRCC and EXCO.
- Financial Risks arising from Climate Change and ESG – monitored by SMF role holder with a Working Group established to assist the purpose.
- Consumer Duty – monitored through the Customer & Product Committee which feeds into EXCO.
- Diversity, Equality and Inclusion – the Bank has appointed a DEI champion.
- Model Risk Management, following PRA guidance issued in 2023.
- The implementation of Basel 3.1
- Ad hoc regulatory priorities and guidance from Regulators e.g. provided in "Dear CEO" Letters.

Risk Management

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

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

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

The Board, along with various management 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.

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.

Internal Audit

The Bank operates the Three Lines of Defence model. At the start of the year, the Board reviewed its approach to its Internal Audit function. As a result, after a comprehensive procurement process, the Board agreed to invest considerably more time and effort into its Internal Audit function, in order to deliver better oversight and information on the risks within the Bank. Grant Thornton were appointed as an outsourced Internal Audit function (working alongside the Group Internal Audit team), with enhanced planning and communication incorporated into the interactions with the Board Audit Committee ("BAC") and the wider Board. In addition, BRCC also continues to provide management with clear, comprehensive analysis of the adequacy, existence and effectiveness of internal controls and risk processes.

Corporate Governance

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

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

The CGM contains a list of all Controlling Documents which Management and the Board review annually and update as required through Board, Board Credit Committee ("BCC"), Board Audit Committee, Board Risk & Compliance Committee and Remuneration & People Committee ("Rem & P") respectively as per their terms of references. During the year the Board reviewed its Company Secretarial and Corporate Governance advisory arrangements, in conjunction with the retirement of the Company Secretary effective 31 December 2023. Alongside the appointment of a new Company Secretary and after a detailed procurement process, Elemental Company Secretary Ltd ("Elemental") were appointed to assist with the provision of services in this area. This includes support for all Board and sub-committee meetings and certain management committee meetings, including EXCO. In addition, Elemental will provide advice on key governance and company secretarial matters.

The Board and its sub-committees (BAC, BCC, BRCC and Rem & P) each meet a minimum of four times a year. Additional meetings are held when necessary. The schedules of the meetings are agreed with the Chairman of the Board and the respective Committee Chair (with Elemental and Company Secretary assisting), and the agenda and relevant papers 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")** - 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.

Strategic Report

Company registration no. 06621225

For the year ended 31 December 2023

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

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

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

6. **Customer and Product Committee ("C&P")** – Reporting to EXCO, the C&P reviews and approves new products and / or changes to products, as well as undertaking regular reviews of existing products for their alignment to the Bank's objectives, attractiveness to customers, profitability and market positioning. It meets on a monthly basis. The Consumer Duty working group, which was created as part of the Bank's initial implementation of Consumer Duty, has now folded into C&P upon approval of the Bank's readiness, where its work continues.

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

- Rova Steering Committee (Rova SteerCo) – To provide strategic oversight of developing the Digital Borderless Banking Offering branded *Rova*, which has been initiated by the FCMB Group. It consists of executives and employees of the Group and FCMB UK, including FCMB UK Board members. It meets on a monthly basis to review and steer the project.

- Rova Integration Committee – This is an informal committee consisting of FCMB UK executives and the *Rova* implementation team and oversees the integration of the activities with the BAU of the Bank. It meets biweekly.

- Performance Management Committee (PMC) – PMC is an informal forum to provide and discuss the weekly review of the bank's financial position, capital usage, liquidity availability, cost of funds and pipeline transactions.

- Lighthouse – This informal working group meets several times each month to advise senior management on key potential product initiatives and new ideas, acting as the Bank's "Innovation Hub". It has been central in the launch of the eFX initiatives and reviewing products and propositions that could aid the optimal balance of capital usage and profitability, amongst other work.

Strategic Report

Company registration no. 06621225

For the year ended 31 December 2023

- ESG & DEI working group – The group meets to discuss all matters relating to ESG including the financial risks of climate change, as well as all matters relating to DE&I. It reports into EXCO.

Review of Remuneration and People Committee work during the year

- Committee Terms of Reference were revised to incorporate consideration of the new Consumer Duty
- Malus and Clawback provisions were reviewed and approved for use in variable pay awards.
- The annual Remuneration Policy statement was reviewed and approved as is required annually.
- A Balanced Scorecard, with measurable and judgment-based outcomes for EXCO, was discussed and approved for implementation.
- Salary benchmarking was undertaken and a framework for incorporating this data into pay decisions proposed by management and agreed by the Committee.
- The Committee reviewed and approved Variable Pay awards for Executive Directors, EXCO / Senior Managers, and Material Risk Takers, as well as the overall variable pay pool and management's methodology for allocation to other staff.
- An internal Board Effectiveness Evaluation was carried out during the year and the findings were discussed at the Board. The Board's performance was found satisfactory and improvement areas agreed by the Board as part of continuous improvement.
- The Committee reviewed and recommended to the Board for approval a series of SMF designations including Chair of Audit, Senior Independent Director, and Chief Risk Officer.
- The Committee commenced a search for a Non-Executive Director position that would be vacated at the end of December 2023 (through retirement). Ultimately the appointment of one of the alternate Directors as a Director in their own right was approved in January 2024.
- The Committee along with the full Board engaged in a substantive culture review which will form part of an ongoing feedback loop.
- The Committee reviewed two key People initiatives – The Employee Reward Statement and the Employee Value Proposition.

Review of Board Risk and Compliance Committee work during the year

During the year the Committee met regularly to review the full range of risks which have been identified and to consider responses to key and emerging risk categories, along with compliance horizon scanning.

- The committee reviewed and approved the full suite of policies in accordance with the timetable set by the Board.
- Additional governance documents, plans and policies reviewed and approved included: the Risk Management Framework, Risk Appetite Statement, ICAAP, ILAAP, Recovery Plan, Resolution Pack and Solvent Wind Down Plan, Financial Crime and Anti Money Laundering policies. These documents constitute the core of the Bank's Controlling Documents and are reviewed annually.
- Other policies and areas were reviewed and approved in accordance with the Corporate Governance Manual. These included Consumer Duty and Information and Data Security.
- Significant work was also undertaken on risk taxonomy and on considering how policies are implemented.
- The Committee reviewed, discussed, and challenged the Bank-wide Financial Crime Risk Assessment, along with the Enterprise-wide Risk Assessment.
- The risks related to Cyber Security were considered at each meeting and a formal review of the strategy and its execution was challenged and approved.

Strategic Report

Company registration no. 06621225

For the year ended 31 December 2023

- As development of the 'Rova' digital banking proposition continued, risks from this new activity were given significant attention. These included Consumer Duty, data security, other operational, compliance and strategic risks and mitigation.
- The Committee continued to review compliance and risk MI throughout the year and provided guidance / challenge where relevant.
- The Committee paid particular attention to interest rate and currency risk management, given the significant changes in the markets in which the Bank operates, and the challenges other smaller financial institutions have faced.
- The Committee continued to review the Bank's Climate Change plan which takes in to account Governance, Risk Management, Scenario Analysis and Disclosure along with ESG, working collaboratively with the designated SMF role holding executive to identify and manage these emerging risks and as required by the PRA.
- A joint committee meeting with BAC considered and approved the ECL model output including the staging of exposures.
- The Committee considered and discussed the Annual MLRO Report and the Annual Compliance Report from the Chief Risk and Compliance Officer.

Review of Board Credit Committee work during the year

The Committee:

- Reviewed the credit portfolio of the Bank on a quarterly basis.
- Reviewed and approved country risk limits.
- Reviewed the Credit Policy and recommended it for Board approval.
- Sanctioned credit proposals under the delegated authorities.
- Worked with management on refinement of sovereign credit assessment methodology and the use of scorecards.
- Set up an annual BCC programme planner.
- Reviewed key drivers and qualitative decisions in calculation of the ECL.

Review of Board Audit Committee work during the year

2023 was an active year for the Board Audit Committee which managed various transitions during the year, including a change in BAC Chair from Nicholas Rouse to Susannah (Susie) Aliker. Key aspects of matters considered by the Committee included:

- Internal Audit: Following a market review, BAC oversaw a change in the bank's outsourced internal audit partner, with Grant Thornton (GT) assuming this responsibility early in 2023. BAC worked with the GT team to agree internal audit coverage for 2023 and a forward plan, both informed by consideration of internal and external risk and control considerations, and the ongoing development of the Bank's business model. BAC considered the output of various reviews conducted by GT and Group Internal Audit.
- External Audit: In line with good practice and considering the longevity of its external audit relationship with Mazars, an external audit tender was instigated, following which MHA were appointed as statutory auditor for the 2023 financial year. Working closely with the internal team, Mazars and MHA effected a smooth transition during the Third Quarter. In the Fourth Quarter, MHA presented their audit plan, including their assessment of key audit risks and contributed to a review of the Bank's accounting policies and disclosures. BAC continues to

Strategic Report

Company registration no. 06621225

For the year ended 31 December 2023

carefully consider key accounting judgements, most notably the assessment of expected credit losses.

- Whistleblowing: BAC considered the adequacy and effectiveness of the Bank's whistleblowing framework. The annual review of whistleblowing was informed by an internal feedback exercise to assess awareness and a deep review of associated policies and procedures The Bank is committed to ensuring a 'speak-up' culture and providing appropriate communication channels, in accordance with regulatory requirements and good practice.
- BAC Effectiveness: BAC assessed its own effectiveness. This review confirmed satisfactory coverage of all matters within the Terms of Reference and various actions are being implemented to continually enhance the working of the Committee.

Management of climate change risks and environmental, social and governance (ESG)

The Bank has taken note of the expectations of the PRA in managing climate change risks and has initiated actions to address this in a proportionate manner given its size and exposures. The Bank is committed to playing its part in contributing to, facilitating and leading this across business lines and markets, particularly in African business. Climate-related risk considerations are integrated into multidisciplinary, Bank-wide management processes and risk appetite, cutting across risk frameworks. The Bank recognises that the process is continuing and has a long implementation trajectory. The Bank has taken various proportionate steps to assist its measurement and management of its approach to reduce the financial risks of climate change associated with financing of clients. This approach is not solely focused on the next few years but, rather, 10,20,30 years ahead in alignment with global net zero objectives by 2050. The Bank also plans to use sector-specific transition frameworks to help and guide its financing of activities which support net zero climate goals.

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

Prior to 2023, the Board appointed the DCEO as the SMF with overall responsibility for managing this risk, which continued throughout the year, with CRO taking on this role for 2024. DCEO delegated the day-to-day management to the Credit Department and other relevant functions. A Climate Change Working Group has been established with membership representing Bank's business lines and control functions. The mandate of the Working Group was expanded during the year to include ESG and it was renamed the Working Group on Climate Change and ESG.

The Bank has analysed its risk asset portfolio and split it into three categories along the dominant business lines of Financial Institutions / Trade Finance, Corporates, and Buy to Let (personal) finance. In each case the Bank has considered physical and transition risks, and has set short (<5 years), medium (up to 10 years) 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.

Strategic Report

Company registration no. 06621225

For the year ended 31 December 2023

New transactions are assessed with regard to the nature of transactions, geography and tenor, and how they may be impacted by climate change and wider ESG considerations. In addition, scenario analysis was undertaken and the financial risks from climate change were reviewed in the ICAAP approved by the Board in August 2023.

The Bank strives to build sustainable, equitable, healthy, and diverse communities through a combination of innovative business practices and ESG performance. This commitment informs all aspects of the Bank's business, including how the Bank designs and builds new projects, operates the firm, collaborates with stakeholders and reports progress.

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

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

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

As part of the ESG agenda people are at the heart of this. People are affected by environmental changes are impacted by its social standing and ultimately impacted by the Bank's governance.

Geopolitical matters

The geopolitical environment remains unstable and a matter of heightened and ongoing scrutiny for the Board and management. The Bank continues to assess the impact of various global conflicts, interest rates, and inflationary pressures including on our core African markets, and also upcoming elections in the UK and US.

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

Similarly, following the events in October in Gaza and Israel, the bank also carried out an impact assessment and continues to monitor developments.

The operating business environment has heightened credit risk in terms of delayed repayments of obligations in the trade finance book and issues regarding availability of hard currencies in the markets that the Bank operates in. These reflect local factors as well as the global disruption to financial markets and the inflationary effects of ongoing events in Ukraine.

Nigeria Economy

2023 was a significant year for the Nigerian economy, with a new President elected and some important policy changes. Of particular note was the removal of fuel subsidies, which had become unaffordable and reform of the foreign exchange markets, which resulted in devaluation of the Naira. Whilst well received by markets and the international community, these changes have contributed to high levels of inflation and placed a strain on many Nigerian's household budgets. Shortage of hard currency continues to be a

Strategic Report

Company registration no. 06621225

For the year ended 31 December 2023

perennial issue Nigeria remains on the Bank's Watch List and the Nigerian economy and related counterparties are monitored rigorously. Notwithstanding these issues, the Bank has successfully worked with its counterparties to identify mutually beneficial business streams that fall within the Bank's risk appetite.

Further Progress and Brand Awareness

The Bank has good recognition in London and internationally being nominated for and winning several awards in trade finance over the last few years. The Bank has incubated a FCMB Group driven digital banking proposition (Rova) and the related work is progressing with a potential full launch in 2024, alongside driving an updated its retail banking business plan, and other capital efficient initiatives in other business lines.

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

The Bank looks forward to building on the strong foundations already in place to drive the Bank forward on its sustainable and profitable growth strategy.

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

F. A. le Roex	Colin Fraser
Non-Executive Director and Chairman	Executive Director and Chief Executive Officer
28 March 2024	28 March 2024

Directors' Report

Company registration no. 06621225

For the year ended 31 December 2023

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 2023.

Legal Form

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

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

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

Principal Business Activities and Results

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

The Bank returned a profit before tax for the year of $5.64 million with a total balance sheet of $461 million.

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

Directors' Report

Company registration no. 06621225

For the year ended 31 December 2023

Directors and their interests

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

Frank A. le Roex	Non-Executive Director and Chairman
Colin Fraser	Executive Director and Chief Executive Officer
Balchandra Achary	Executive Director and Deputy CEO (Resigned 31 December 2023)
Derren Sanders	Executive Director and Chief Financial Officer & Chief Operating Officer
Ladipupo O. Balogun	Non-Executive Director
Gerald O. Ikem	Non-Executive Director (alternate to Ladipupo. O. Balogun)
Roger Ellender	Non-Executive Director (Retired 31 December 2023)
Oluwatoyin Olaiya	Non-Executive Director (Appointed 01 April 2023)
Amy Kirk	Non-Executive Director
Charles N. Rouse	Non-Executive Director (Retired 30 June 2023)
Richard P. Jones	Non-Executive Director
Susannah Aliker	Non-Executive Director (Appointed 1 April 2023)

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

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

Corporate Governance and Risk Management

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

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

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with UK-adopted international accounting standards (International Financial Reporting Standards) in conformity with the requirements of the Companies Act 2006 and applicable law. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Bank and of the profit or loss of the Bank for that period.

Directors' Report

Company registration no. 06621225

For the year ended 31 December 2023

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Bank's transactions and disclose with reasonable accuracy at any time the financial position of the Bank and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Bank and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of Information to Auditors

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

Going Concern

The Financial Statements have been prepared on a going concern basis. In 2023, the Bank extinguished all of its brought forward losses, which were mostly built up in the Bank's early years of operation, prior to gaining critical mass. The Bank has now moved to having positive retained earnings. The Directors have reviewed in detail the Bank's current business plan and activities, business development efforts, corporate governance arrangements, regulatory compliance measures, capital adequacy and liquidity levels.

The Bank's capital adequacy ratio and liquidity buffer are in line with all regulatory requirements and were stress tested in an integrated planning process during 2023, 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 2023 Financial Statements. The Directors have also concluded that there are no material uncertainties that could cast significant doubt over the ability of the Bank to continue as a going concern for at least 12 months from the date of this report.

Dividends

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

Directors' Report

Company registration no. 06621225

For the year ended 31 December 2023

Post Balance Sheet Events

There were no significant events after year end.

Auditors

During 2023, following a tender process, the Board appointed MHA as its statutory auditors for the year ending 31 December 2023. MHA have indicated their willingness to continue in office and a resolution will be placed before the Board at its next meeting to propose the reappointment of MHA for the 2024 financial year.

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

Colin Fraser	Derren Sanders
Executive Director and Chief Executive Officer	Executive Director and Chief Financial Officer & Chief Operating Officer
28 March 2024	28 March 2024

Independent Auditor's Report

For the year ended 31 December 2023

For the purpose of this report, the terms "we" and "our" denote MHA in relation to UK legal, professional and regulatory responsibilities and reporting obligations to the members of FCMB Bank (UK) Limited. For the purposes of the table on pages 22 to 23 that sets out the key audit matters and how our audit addressed the key audit matters, the terms "we" and "our" refer to MHA. The "Company" or the "Bank" is defined as of FCMB Bank (UK) Limited. The relevant legislation governing the Company is the United Kingdom Companies Act 2006 ("Companies Act 2006").

Opinion

We have audited the financial statements of FCMB Bank (UK) Limited ('the Bank') for the year ended 31 December 2023. The financial statements that we have audited comprise:

- the Statement of Comprehensive Income
- the Statement of Financial Position
- the Statement of Changes in Equity
- the Statement of Cash Flows, and
- Notes 1 to 33 of the financial statements, including significant accounting policies.

The financial reporting framework that has been applied in the preparation of the company's financial statements is applicable law and UK adopted international accounting standards in conformity with the requirements of the Companies Act 2006.

In our opinion the financial statements:

- give a true and fair view of the state of the Bank's affairs as at 31 December 2023 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.

Our opinion is consistent with our reporting to the Board Audit Committee.

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 Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our ethical responsibilities in accordance with those 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 basis of accounting in the preparation of the financial statements is appropriate.

Independent Auditor's Report

For the year ended 31 December 2023

Our evaluation of the Directors' assessment of the entity's ability to continue to adopt the going concern basis of accounting included but not limited to:

- The consideration of inherent risks to the Company's operations and specifically its business model including the evaluation of how those risks might impact on the Company's available financial resources.
- Making enquiries of the Directors to understand the basis for the period of assessment considered by them, the assumptions they considered and their implication on the Company's future financial performance, liquidity, and capital adequacy.
- Where additional resources may be required, the reasonableness and practicality of the assumptions made by the Directors when assessing the probability and likelihood of those resources becoming available.
- Liquidity considerations including examination of the Company's cash flow projections and liquidity risk management in view of its regulatory obligations.
- Understanding and evaluating the current and forecast financial position, regulatory capital adequacy and liquidity, including internal stress tests performed on these.
- Evaluation of the strategic plans of the Company, and the supporting financial forecasts.
- Reading regulatory correspondence, minutes of meetings of the Board Audit Committee and the Board of Directors, and performing post balance sheet events' review to identify events or conditions that may impact the Company's ability to continue as a going concern.
- Reading and evaluating the adequacy of the disclosures made in the financial statements in relation to going concern.

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 Company'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.

Overview of our audit approach

<table>
<tr><td>Scope</td><td>Our audit was scoped by obtaining an understanding of the Company and its environment, including the Company's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the directors that may have represented a risk of material misstatement.</td></tr>
<tr><td>First year transition</td><td>This is the first year we have been appointed as auditors to the Bank. We undertook the following transitional procedures:
Held meetings with senior management to gain an understanding of the Bank's operations and strategic objectives.</td></tr>
</table>

Independent Auditor's Report

For the year ended 31 December 2023

	• We held meetings with the predecessor auditors, including reviewing their audit working papers for the prior financial period to gain an understanding of the Bank's processes, their audit risk assessment, and the design of their audit approach for the year ended 31 December 2022. The results of these procedures were considered in our audit planning and risk assessment for our audit for the year ended 31 December 2023	
Materiality	$552,900	1% of net assets

Key audit matters	
	1. Allowance for impairment losses – Expected Credit Losses on loans and advances to customers.

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) that we identified. These matters included those matters 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.

Allowance for impairment losses – Expected Credit Losses on loans and advances to customers	
Key audit matter description	As of 31 December 2023, the Bank reported total gross loans and advances to customers of $348.3 million (2022: $294.8 million) and $5.0 million of expected credit losses (2022: $3.2 million). The determination of expected credit loss ("ECL") involves significant management judgements and complex estimates which can have a material impact on the financial statements of the Bank. We therefore identified this as a significant risk of material misstatement and a key audit matter. The key areas of judgement include: • Staging – Qualitative and quantitative criteria applied to effectively identify significant increase in credit risk and determination of a default.

Independent Auditor's Report

For the year ended 31 December 2023

	• Assumptions in relation to the probability of default (PD), Loss given default (LGD) and Exposure at default (EAD) models for computing ECL, including completeness and accuracy of the data used in these models. • Post model adjustments to take into account macroeconomic factors and potential model or data limitations that have an impact on the calculation of the ECL.
How the scope of our audit responded to the key audit matter	Our procedures included but were not limited to: *Validation of design, implementation and testing of controls around the ECL model* • We tested the design, implementation and operating effectiveness of the Bank's processes in relation to credit underwriting, monitoring, collections, and provisioning. • Tested the process in place to allocate loans to the respective risk categories ("staging") and the application of the significant increase in credit risk ("SICR") criteria. • Reviewed and tested the design of the ECL model for compliance with IFRS 9 requirements, including IT General Controls and IT Automated Controls relevant to the model. • Reviewed the appropriateness of the Bank's impairment policy against the requirements of IFRS 9. We also assessed the appropriateness of the Significant Increase in the Credit Risk ("SICR") criteria determined by management in relation to loans and advances to customers. *Test of details* • For a sample of exposures, we tested the appropriateness of the staging of the exposure by testing the correct application of SICR criteria. Our work included validating the payment history of the exposure to ensure that the exposure had been correctly classified as either stage 1, 2 or 3. • Evaluated the data quality by agreeing data points used in the ECL calculation to relevant source systems. • Tested the process of allocation of customer loan repayments and identification of missed payments. Including testing on a sample basis that receipts are allocated to the correct loan accounts and missed payments are identified on a timely basis and appropriately reported. • For sample of exposures, we assessed the appropriateness of the timing of annual loan reviews for the loan portfolio as this process drives the staging and determination of default. • We confirmed that the output of the ECL model, specifically any ECL charge, or reversal was correctly reflected in the general ledger and ultimately the financial statements.

Independent Auditor's Report

For the year ended 31 December 2023

	Use of modelling and credit experts • We engaged with and instructed modelling and credit risk experts to test the assumptions, judgements, inputs and formulae used in relation to models used for computing ECL provision. This included evaluation and challenge of economic scenarios considered by management and comparing these to other scenarios from a variety of external sources. • Performed sensitivity analysis in relation to key management assumptions and judgements to assess the impact of these on the ECL provisions as at year-end. • Tested the appropriateness of the staging of exposures including the determination of the PD, EAD and LGD considered by management in the calculation of ECL. • Tested post model adjustments and overlays. This included assessing the completeness and appropriateness of these adjustments. *Disclosures* • We assessed the appropriateness of the disclosures in the financial statements for the year ended 31 December 2023. • We confirmed that the output of the model, specifically any ECL charge, or reversal was correctly reflected in the general ledger and ultimately the financial statements. • We tested the data flows used to populate the disclosures and asses the adequacy of the disclosures for compliance with the accounting standards.
Key observations communicated to the Company's Audit Committee	Based on the audit procedures performed, we found that the assumptions used by management in the impairment assessment and the balance of allowance for impairment losses as at 31 December 2023 are materially correct in accordance with the requirements of IFRS 9.

Our application of materiality

Our definition of materiality considers the value of error or omission on the financial statements that, individually or in aggregate, would change or influence the economic decision of a reasonably knowledgeable user of those financial statements. Misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole. Materiality is used in planning the scope of our work, executing that work and evaluating the results.

Materiality in respect of the Company was set at $552,900 which was determined on the basis of 1% of net assets. This was deemed to be the appropriate benchmark for the calculation of materiality as this is a key area of the financial statements with which the users of the financial statements are principally concerned.

Independent Auditor's Report

For the year ended 31 December 2023

Performance materiality is the application of materiality at the individual account or balance level, set at an amount to reduce, to an appropriately low level, the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

Performance materiality for the Company was set at $331,700 which represents 60% of the above materiality level.

The determination of performance materiality reflects our assessment of the risk of undetected errors existing, the nature of the systems and controls and the level of misstatements arising in previous audits.

We agreed to report any corrected or uncorrected adjustments exceeding $27,600 to the Audit Committee and Board of Directors as well as differences below this threshold that in our view warranted reporting on qualitative grounds.

The control environment

We evaluated the design and implementation of those internal controls of the company which are relevant to our audit, such as those relating to the financial reporting cycle, lending and customer deposit transactions. We deployed our internal IT audit specialists to get an understanding of the general IT environment.

Climate-related risks

In planning our audit and gaining an understanding of the Bank, we considered the potential impact of climate-related risks on the business and its financial statements. We obtained management's climate-related risk assessment dated July 2023, along with relevant documentation relating to management's assessment to understand their process for identifying and assessing those risks. Our climate risk specialists have agreed with managements' assessment that climate-related risks are not material to the financial statements for the year ended 31 December 2023.

Reporting on other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the 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.

Independent Auditor's Report

For the year ended 31 December 2023

Strategic report and directors report

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.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, 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 Company'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 Company or to cease operations, or have no realistic alternative but to do so.

Auditor 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent Auditor’s Report

For the year ended 31 December 2023

A further description of our responsibilities for the financial statements is located on the FRC’s website at: www.frc.org.uk/auditorsresponsibilities . This description forms part of our auditor’s report.

Extent to which the audit was considered capable of detecting irregularities, including fraud
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.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

Identifying and assessing potential risks arising from irregularities, including fraud
The extent of the procedures undertaken to identify and assess the risks of material misstatement in respect of irregularities, including fraud, included the following:

- We considered the nature of the industry and sector the control environment, business performance including remuneration policies and the Company’s own risk assessment that irregularities might occur as a result of fraud or error. From our sector experience and through discussion with the directors, we obtained an understanding of the legal and regulatory frameworks applicable to the Company focusing on laws and regulations that could reasonably be expected to have a direct material effect on the financial statements, such as provisions of the Companies Act 2006, UK tax legislation or those that had a fundamental effect on the operations of the Company including the regulatory and supervisory requirements of the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA).
- We enquired of the directors and management concerning the Company’s policies and procedures relating to:
    - identifying, evaluating and complying with the laws and regulations and whether they were aware of any instances of non-compliance;
    - detecting and responding to the risks of fraud and whether they had any knowledge of actual or suspected fraud; and
    - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- We assessed the susceptibility of the Company’s financial statements to material misstatement, including how fraud might occur by evaluating management’s incentives and opportunities for manipulation of the financial statements. This included utilising the spectrum of inherent risk and an evaluation of the risk of management override of controls. We determined that the principal risks were related to posting inappropriate journal entries to increase revenue or reduce costs, creating fictitious transactions to hide losses or to improve

Independent Auditor's Report

For the year ended 31 December 2023

financial performance, and management bias in accounting estimates particularly in determining expected credit losses.

Audit response to risks identified

In respect of the above procedures:

- we corroborated the results of our enquiries through our review of the minutes of the Company's board, audit committee meetings, inspection of legal and regulatory correspondence and correspondences from the regulators PRA and the FCA;
- audit procedures performed by the engagement team in connection with the risks identified included:
    - reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations expected to have a direct impact on the financial statements.
    - testing journal entries, including those processed late for financial statements preparation, those posted by infrequent or unexpected users, those posted to unusual account combinations;
    - evaluating the business rationale of significant transactions outside the normal course of business, and reviewing accounting estimates for bias;
    - enquiry of management around actual and potential litigation and claims.
    - challenging the assumptions and judgements made by management in its significant accounting estimates, and
    - obtaining confirmations from third parties to confirm existence of a sample of transactions and balances.
- the Company operates in a highly regulated banking industry. As such, the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities; and
- we communicated relevant laws and regulations and potential fraud risks to all engagement team members, including experts, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Other requirements

We were appointed by the Directors on 27 September 2023 to audit the financial statements for the Company for the year ended 31 December 2023 and subsequent years. This is the first year of our appointment. We did not provide any non-audit services which are prohibited by the FRC's Ethical Standard to the Company, and we remain independent of the company in conducting our audit.

Independent Auditor's Report

For the year ended 31 December 2023

Use of our report

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

Rakesh Shaunak FCA, CTA
(Senior Statutory Auditor)
for and on behalf of MHA, Chartered Accountants and Statutory Auditor
London, United Kingdom
28 March 2024

MHA is the trading name of MacIntyre Hudson LLP, a limited liability partnership in England and Wales (registered number OC312313)

Statement of Comprehensive Income

For the year ended 31 December 2023

	Notes	31 December 2023 $	31 December 2022 $
Interest and similar income	3	31,703,911	18,924,173
Interest and similar expense	4	(13,832,115)	(4,429,010)
Net interest income		17,871,796	14,495,163
Fees and commission income	5	1,297,345	1,776,850
Fees and commission expense	6	(734,826)	(888,409)
Net fee and commission income		562,519	888,441
Other operating income	7	4,611,335	3,534,205
Impairment charges	24	(1,795,645)	(2,508,414)
Net operating income		21,250,005	16,409,395
Personnel expenses	8	(9,886,321)	(7,880,197)
Depreciation and amortisation expenses	17/18	(672,685)	(579,990)
General and administrative expenses		(5,048,080)	(4,996,082)
Total operating expenses		(15,607,086)	(13,456,269)
Profit before tax		5,642,919	2,953,126
Taxation	10	(1,338,269)	(547,427)
Profit for the year attributable to equity holders		4,304,650	2,405,699
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Net change in fair value of FVOCI investments		1,857,334	(3,398,236)
Total comprehensive income / (loss) for the year attributable to equity holders		6,161,984	(992,537)

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

The accompanying notes on pages 34-75 are an integral part of these Financial Statements.

Statement of Financial Position

Company registration no. 06621225

As at 31 December 2023

	Notes	31 December 2023	31 December 2022
		$	$
ASSETS			
Cash and cash equivalents	12	7,498,541	7,118,069
Loans and advances to banks	13	179,580,081	139,928,644
Loans and advances to customers	14	74,582,276	71,445,494
Investment securities	15	187,900,449	284,747,448
Derivative financial instruments	22	1,597,744	1,851,462
Other assets	16	9,099,146	7,569,349
Deferred tax asset	10	19,819	159,008
Property and equipment	17	480,338	1,851,933
Intangible assets	18	540,470	393,250
Total assets		**461,298,864**	**515,064,657**
LIABILITIES			
Deposits from banks	19	232,089,383	238,119,179
Deposits from customers	20	155,331,596	213,123,234
Derivative financial instruments	22	1,048,899	3,686,620
Current tax liability	10	-	45,624
Other liabilities	21	7,934,679	6,357,677
Subordinated liabilities	30	9,600,000	9,600,000
Total liabilities		**406,004,557**	**470,932,334**
EQUITY			
Capital and reserves			
Issued capital	28	53,900,000	48,900,000
Retained earnings		3,035,900	(1,268,750)
Other reserves		(1,641,593)	(3,498,927)
Equity attributable to equity holders		**55,294,307**	**44,132,323**
Total equity and liabilities		**461,298,864**	**515,064,657**

The Financial Statements were approved by the Board of Directors and authorised for issue on 28th March 2024.

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

Colin Fraser	Derren Sanders
Executive Director and Chief Executive Officer	Executive Director and Chief Financial Officer & Chief Operating Officer
28 March 2024	28 March 2024

The accompanying notes on pages 34-75 are an integral part of these Financial Statements

Statement of Changes in Equity

As at 31 December 2023

	Issued capital	Retained earnings	Other reserves	Total equity
	$	$	$	$
At 1 January 2023	48,900,000	(1,268,750)	(3,498,927)	44,132,323
Profit for the year	-	4,304,650	-	4,304,650
Other comprehensive income	-	-	1,857,334	1,857,334
Total comprehensive income	-	4,304,650	1,857,334	6,161,984
Proceeds from shares issued	5,000,000	-	-	5,000,000
At 31 December 2023	**53,900,000**	**3,035,900**	**(1,641,593)**	**55,294,307**

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

The accompanying notes on pages 34-75 are an integral part of these Financial Statements.

Statement of Cash Flows

for the year ended 31 December 2023

	Notes	31 December 2023 $	31 December 2022 $
Operating activities			
Profit before tax for the year from continuing operations		5,642,919	2,953,126
Adjustment for:			
Depreciation and amortisation	17/18	672,685	579,990
Non-cash PPE movements	17	1,010,191	-
Provision for impairment charges	24	1,795,645	2,508,414
Effect of currency translation on cash and cash equivalents		(8,096)	66,367
		9,113,344	6,107,897
Changes in operating assets and liabilities			
Net (increase) in loans and advances to banks		(40,236,174)	(7,790,893)
Net (increase) / decrease in loans and advances to customers		(3,765,576)	6,754,576
Net (increase) / decrease in derivative FIs		(2,384,003)	492,972
Net (increase) in other assets		(1,039,844)	(979,246)
Net (decrease) / increase in deposits from banks		(6,029,796)	91,435,975
Net (decrease) / increase in deposits from customers		(57,791,638)	15,652,787
Net increase in other liabilities		1,934,898	707,738
Taxation Paid		(1,689,353)	-
		(111,001,486)	106,273,909
Net cash flows from operating activities		**(101,888,142)**	**112,381,806**
Investing activities			
Acquisition of investment securities		(1,910,769,930)	(773,481,181)
Disposal of investment securities		2,008,897,440	658,367,424
Purchases of property and equipment	17	(101,367)	(29,323)
Purchases of intangible assets	18	(357,134)	(274,691)
Net cash flows from investing activities		**97,669,009**	**(115,417,771)**
Financing activities			
Issuance of own shares	28	5,000,000	-
Issuance of subordinated liabilities	30	-	4,600,000
Payments made for lease liability	29	(408,491)	(359,478)
Net cash flows from financing activities		**4,591,509**	**4,240,522**
Net increase in cash and cash equivalents		**372,376**	**1,204,557**
Cash and cash equivalents at 1 January		7,118,069	5,979,879
Effect of currency translation on cash and cash equivalents		8,096	(66,367)
Cash and cash equivalents at 31 December	12	**7,498,541**	**7,118,069**

The accompanying notes on pages 34-75 are an integral part of these Financial Statements.

Notes to the Financial Statements

for the year ended 31 December 2023

1. Corporate information

FCMB Bank (UK) Limited is a private limited company incorporated and registered in England and Wales under the Companies Act 2006 and is domiciled in the United Kingdom and its registered address is 81 Gracechurch Street, London, EC3V 0AU, UK.

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

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

2. Accounting policies

2.1. Basis of preparation

(i) Statement of compliance

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

(ii) Basis of measurement

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

(iii) Going concern

The Bank's Directors have made an assessment of the Bank's ability to continue as a going concern as described in the Directors' Report and are satisfied that it has the adequate resources to continue in business for the foreseeable future, and for a period of at least 12 months from the approval date of the financial statements. In 2023, the Bank extinguished all of its brought forward losses, which were mostly built up in the Bank's early years of operation, prior to gaining critical mass. The Bank has now moved to having positive retained earnings and there are no material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

(iv) Presentation of Financial Statements

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

(v) Functional and presentational currency

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

Notes to the Financial Statements

for the year ended 31 December 2023

2. Accounting policies (Continued)

(vi) Use of estimates and judgments

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

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

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

2.2. Foreign currency transactions and balances

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

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

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

The dollar sterling exchange rate used at 31st December 2023 was 1.2732 (2022: 1.2037). The average dollar sterling exchange rate for 2023 was 1.2486 (2022: 1.2308).

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 net 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. The effective interest rate is applied to the gross carrying amount of an asset to calculate interest income for performing assets and applied to amortised cost to calculate interest income for non-performing assets.

Notes to the Financial Statements

for the year ended 31 December 2023

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. The effective interest rate method is used for financial assets and financial liabilities measured at amortised cost, and financial assets measured at FVOCI assets. Income is deferred if the performance obligation has not been fully satisfied or if management assess that there is a possibility of the income not being received.

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

2.4. Fee and commission income and expense

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

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

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

2.5. Other Operating Income

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

2.6. Financial instruments – initial recognition and subsequent measurement

(i) Initial recognition

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

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

Notes to the Financial Statements

for the year ended 31 December 2023

2. Accounting policies (Continued)

(ii) Classification

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

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

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

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

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

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

(iv) Financial assets classified as fair value through other comprehensive income "FVOCI"
FVOCI financial assets are those non-derivative financial assets held within a business model, whose objectives are both to sell the financial assets and to collect contractual cash flows, on specified dates, that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

Notes to the Financial Statements

for the year ended 31 December 2023

2. Accounting policies (Continued)

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

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

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

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

(vi) Financial liabilities classified as amortised cost

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

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

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

(viii) Financial guarantee contracts and loan commitments

Financial guarantee contracts and loan commitments are initially measured at fair value and subsequently measured at the higher of:

- The amount of the loss allowance: and
- The amount initially recognised, less income recognised in accordance with the principles of IFRS 15.

(ix) Derivative financial instruments

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

(x) Offsetting

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

2.7. Identification and measurement of impairment

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

Notes to the Financial Statements

for the year ended 31 December 2023

2. Accounting policies (Continued)

(i) Assets carried at amortised cost

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

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

(ii) Assets classified as FVOCI

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

2.8. Derecognition of financial assets and financial liabilities

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.

A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expired. The difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, shall be recognised in profit or loss.

Notes to the Financial Statements

for the year ended 31 December 2023

2. Accounting policies (Continued)

2.9. Modifications

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

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

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

2.10. Financial guarantees

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

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

2.11. Cash and cash equivalents

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

2.12. Property and equipment

(i) Recognition and measurement
Items of property and equipment are measured at cost less accumulated depreciation and accumulated 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 gain or loss arising from the derecognition of an item of property, plant and equipment shall be included in profit or loss when the item is derecognised.

The assets' carrying values and useful lives are reviewed 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.

Notes to the Financial Statements

for the year ended 31 December 2023

2. Accounting policies (Continued)

(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.

2.13. Intangible assets

An intangible asset shall be recognised if it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably.

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

An intangible asset shall be derecognised on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an intangible asset shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset. It shall be recognised in profit or loss when the asset is derecognised.

Software

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

2.14. Impairment of non–financial assets

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

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

Notes to the Financial Statements

for the year ended 31 December 2023

2. Accounting policies (Continued)

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

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

2.15. Leases

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

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

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

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

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

2.16. Current tax

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

2.17. Deferred tax

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

Notes to the Financial Statements

for the year ended 31 December 2023

2. Accounting policies (Continued)

- 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.

2.18. Changes in accounting policy

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

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

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

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

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

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

- *IAS 1 Presentation of Financial Statements – effective 1 January 2024*.
- *IFRS 16 Leases – effective 1 January 2024.*
- *IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures – effective 1 January 2024.*

2.20. Significant 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

Notes to the Financial Statements

for the year ended 31 December 2023

2. Accounting policies (Continued)

important to the presentation of the Bank's financial position because changes in the judgements, estimates and assumptions could have a material impact on the Bank's financial statements.

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

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

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

1. Definition of default

   The Bank considers a financial asset to be in default when the contractual repayments are more than 90 days past due. Loans considered 'unlikely to pay' are also classified as in default. The reasons for these definitions is due to managements experience of the Bank's operating environment and transactions.

2. Lifetime of an exposure

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

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

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

4. Forward-looking macroeconomic scenarios

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

Notes to the Financial Statements

for the year ended 31 December 2023

2. Accounting policies (Continued)

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

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

Scenario	Expected Credit Loss US$	Weighting Nigeria	Weighting Rest of World
Upside	4,202,779	15%	15%
Base case	4,946,533	65%	65%
Downside	6,052,195	10%	10%
Low GDP case	5,632,888	5%	10%
Current account deficit case	5,224,845	5%	0%
2023 ECL	**5,014,667**		

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

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

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

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

An entity must determine whether a financial asset is in one of three stages in order to determine the ECL:

- Stage 1: where the credit risk has not increased significantly since initial recognition. For financial assets in stage 1, entities are required to recognise 12-month ECL.
- Stage 2: where the credit risk has increased significantly since initial recognition. For financial assets in stage 2, entities are required to recognise lifetime ECL.

Notes to the Financial Statements

for the year ended 31 December 2023

2. Accounting policies (Continued)

- Stage 3: where the financial asset is credit impaired. In this case specific scenarios are assessed based on management's assessment of the facts and circumstances of the exposures in order to calculate the ECL.

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

Below is a summary of the Bank's total ECL numbers showing the portion relating to PMAs in 2023. The PMAs relate to Ghana sovereign exposures and these fall under stage 3.

	Stage 3
Modelled ECL provision	2,932,325
Post model adjustments:	
- Individual assessed assumptions	(339,324)
Final ECL provision	2,593,001

The Bank models all its exposures in calculating ECL. In 2022, the Bank classified two Ghana related sovereign exposures from Stage 1 to Stage 3, these remain in Stage 3 as of FYE 2023. A resolution is dependent on the restructuring of Ghana's sovereign debts which, given its complexity and various stakeholders, is protracted process. The Bank has performed an individual assessment to determine the ECL that may arise on the exposures given the on-going restructuring process between the counterparty and lenders, which resulted in an ECL provision of $2,593k. For each asset, the Bank has a formed a view of its base case, the most likely outcome, plus downside and upside cases, each with a different loss given default ratio ("LGD"). Each case was assigned a probability of its occurrence based available information and management's expert judgment. The ECL assigned is the weighted average of those scenarios.

This resulted in a $339k reduction in ECL compared to the ECL modelled provisions calculated under standard methodology and LGD ratios. Therefore, the Bank has treated the $339k as a PMA in the current year (2022: $220k).

Notes to the Financial Statements

for the year ended 31 December 2023

3. Interest and similar income

	31 December 2023 $	31 December 2022 $
Cash and cash equivalents	2,159	1,542
Loans and advances to banks		
Treasury Lending	7,739	82,888
Syndicated lending	2,566,096	2,722,553
Discounted bills	2,732,474	1,433,444
Refinancing under letters of credit	7,927,003	4,381,737
Overdraft interest	1,636,502	808,566
Loans and advances to customers		
Retail lending	1,324,932	865,123
Corporate lending	1,282,085	1,130,979
Treasury lending	-	10,270
Specialised lending	1,286,602	1,306,298
Syndicated lending	1,899,143	1,353,189
Overdraft interest	279,503	2,677
Other interest	1,435	969
Investments		
Government bonds	202,962	429,681
Bank bonds	1,188,729	1,200,698
Fund Investments - Government	9,366,547	3,193,559
	31,703,911	18,924,173

4. Interest and similar expense

	31 December 2023 $	31 December 2022 $
Deposits from banks	8,219,587	1,033,324
Deposits from customers	5,612,528	3,395,686
	13,832,115	4,429,010

5. Fees and commission income

	31 December 2023 $	31 December 2022 $
Retail	65,984	160,010
Corporate banking	124,463	52,553
Trade services	906,898	1,364,287
Representative office	200,000	200,000
	1,297,345	1,776,850

Notes to the Financial Statements

for the year ended 31 December 2023

6. Fees and commission expense

	31 December 2023 $	31 December 2022 $
Bank charges	326,386	272,985
Fees paid to deposit aggregators	408,440	615,424
	734,826	888,409

7. Other operating income

	31 December 2023 $	31 December 2022 $
Digital banking expense recovery	2,911,540	2,413,548
Gain on trade finance assets	645,819	731,256
Income from FVTPL Fund Investments Other	213,578	328,486
Other income	66,375	60,915
FX gains	774,023	-
	4,611,335	3,534,205

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

8. Personnel expenses

	31 December 2023 $	31 December 2022 $
Employee costs		
Wages and salaries	7,114,865	6,092,065
Pensions	53,145	43,765
Social security costs	948,281	795,086
Other staff costs	1,770,030	949,281
	9,886,321	7,880,197

The average number of employees including directors in the year was 59 (2022: 56)

	31 December 2023 No.	31 December 2022 No.
Non-management	43	40
Management	16	16
	59	56

Notes to the Financial Statements

for the year ended 31 December 2023

	31 December 2023 $	31 December 2022 $
Directors' remuneration		
Emoluments	1,631,731	1,476,702
Pension contributions	1,649	1,618
	1,633,380	1,478,320

The highest paid director received remuneration of $503,642 (2022: $393,161) and made contributions of $1,649, (2022: $1,618) under a defined contribution scheme.

9. Profit before tax

	Note	31 December 2023 $	31 December 2022 $
Profit before tax is stated after charging/(crediting):			
Foreign exchange (profit) / loss		(774,023)	450,733
Amortisation of intangibles	18	209,914	166,505
Depreciation of property and equipment	17	462,771	413,485
Auditor's remuneration - audit fees		482,208	374,931
Auditor's remuneration - non-audit fees		-	9,630

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

10. Income tax

The current tax charge is $1,199,080 (2022: $45,624), with a deferred tax charge in 2023 of $139,189 (2022: $501,803), resulting in a total tax charge in 2023 of $1,338,269 (2022: $547,427). The current tax liability is nil (2022: $45,624).

	31 December 2023 $	31 December 2022 $
Profit on ordinary activities before taxation	5,642,919	2,953,126
Profit on ordinary activities multiplied by the UK corporation tax rate of 23.52% (rounded effective rate) (2022: 19%)	1,327,245	561,094
Effects of:		
Fixed asset differences	(941)	(17,566)
Expenses not deductible for tax purposes	3,955	7,181
Remeasurement of deferred tax for changes in tax rates	8,237	(2,583)
Other tax adjustments	(227)	(699)
Actual total tax charge / (credit)	1,338,269	547,427

Factors that may affect future tax charges:

Notes to the Financial Statements

for the year ended 31 December 2023

The Directors have recognised a deferred tax asset of $19,819 (2022: $159,008). There are no unused tax losses in 2023 (2022: $64,346). The rounded effective corporation tax rate for the year ended 31 December 2023 was 23.5% (2022: 19%).

The Finance Bill published on 11 March 2021 announced that the corporation tax rate would continue at 19% to 31 March 2023 and would increase to 25% from 1 April 2023.

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

	Property & Equipment $	Expenses & Provisions $	Unused tax losses $	Total $
Movement in deferred tax				
At 01 January 2023	(60,545)	(34,117)	(64,346)	(159,008)
Charge / (credit) to Income Statement	69,632	5,211	64,346	139,189
At 31 December 2023	9,087	(28,906)	-	(19,819)

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

11. Dividends paid and proposed

During the year no dividends were paid or proposed (2022: $Nil).

12. Cash and cash equivalents

	31 December 2023 $	31 December 2022 $
Cash on hand	165	276
Deposits with Group companies	3,367	31,860
Deposits with banks	7,495,582	7,086,186
	7,499,114	7,118,322
Less: Allowance for impairment losses (Note 24)	(573)	(253)
	7,498,541	7,118,069

13. Loans and advances to banks

	31 December 2023 $	31 December 2022 $
Syndicated lending	20,024,821	30,608,750
Discounted bills	50,017,054	21,911,125
Refinancing under letters of credit	88,312,879	66,152,633
Overdrafts	22,279,424	21,725,496
	180,634,178	140,398,004
Less: Allowance for impairment losses (Note 24)	(1,054,097)	(469,360)
	179,580,081	139,928,644

Notes to the Financial Statements

for the year ended 31 December 2023

14. Loans and advances to customers

	31 December 2023 $	31 December 2022 $
Retail lending	13,944,987	14,091,451
Corporate lending	15,126,449	13,550,886
Governments	17,050,637	26,335,795
Specialised lending	10,477,136	11,748,434
Syndicated lending	10,991,050	5,273,944
Overdrafts	9,168,038	1,992,211
	76,758,297	72,992,721
Less: Allowance for impairment losses (Note 24)	(2,176,021)	(1,547,227)
	74,582,276	71,445,494

15. Investment securities

	31 December 2023 $	31 December 2022 $
Fair value through other comprehensive income (FVOCI)		
Government Bonds	5,498,440	5,495,131
Bank bonds	16,525,823	15,143,439
HQLA Investments	29,464,278	19,430,955
	51,488,541	40,069,525
Fair value through profit or loss (FVTPL)		
Fund Investments - Government	127,321,582	235,843,987
Fund Investments - Other	9,090,326	8,833,936
	136,411,908	244,677,923
Total investment securities	187,900,449	284,747,448

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

16. Other assets

	31 December 2023 $	31 December 2022 $
Financial assets		
Accrued income	6,170,727	5,053,934
Other debtors	1,471,598	394,241
Margin call cash collateral for Derivative FIs	707,373	1,560,000
	8,349,698	7,008,175
Non-financial assets		
Prepayments	749,448	561,174
Total other assets	9,099,146	7,569,349

Notes to the Financial Statements

for the year ended 31 December 2023

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

17. Property and equipment

	Leasehold improvements $	Fixtures and fittings $	Computer equipment $	Right of use assets $	Total $
Cost					
As at 01 January 2023	600,797	291,718	406,527	2,872,585	4,171,627
Additions in the year	60,549	11,350	90,017	413,147	575,063
Disposals in the year	(109,639)	-	-	(2,872,585)	(2,982,224)
As at 31 December 2023	551,707	303,068	496,544	413,147	1,764,466
Accumulated depreciation					
As at 01 January 2023	413,105	272,235	345,825	1,288,529	2,319,694
Charge for year	68,845	16,335	36,522	341,069	462,771
Depreciation on Disposals	(54,655)	-	-	(1,443,682)	(1,498,337)
As at 31 December 2023	427,295	288,570	382,347	185,916	1,284,128
Carrying amount					
As at 31 December 2023	124,412	14,498	114,197	227,231	480,338
As at 31 December 2022	187,692	19,483	60,702	1,584,056	1,851,933

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

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 2023

18. Intangible assets

	Computer software $
Cost	
As at 01 January 2023	1,664,935
Additions in the year	357,134
As at 31 December 2023	2,022,069
Accumulated amortisation	
As at 01 January 2023	1,271,685
Charge for year	209,914
As at 31 December 2023	1,481,599
Carrying amount	
As at 31 December 2023	540,470
As at 31 December 2022	393,250

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

Notes to the Financial Statements

for the year ended 31 December 2023

19. Deposits from banks

	Note	31 December 2023 $	31 December 2022 $
Deposits from related parties	31	54,167,316	62,943,035
Deposits from Central Bank		164,870,211	165,169,490
Deposits from other banks		13,051,856	10,006,654
		232,089,383	238,119,179

20. Deposits from customers

	Note	31 December 2023 $	31 December 2022 $
Deposit aggregators		106,385,239	164,651,333
Deposits from corporates		30,249,088	29,688,593
Deposits from related parties	31	5,973,496	4,123,326
Deposits from individuals		12,723,773	14,659,982
		155,331,596	213,123,234

21. Other liabilities

	31 December 2023 $	31 December 2022 $
Financial liabilities		
Accrued interest	2,985,167	2,391,091
Accruals	2,437,173	1,655,759
Trade creditors	651,628	151,406
Other taxation and social security	264,293	304,643
Margin Call	680,000	-
Non-financial liabilities		
Allowance for impairment losses on credit commitments	22,363	17,392
Dilapidation provisions (see note 23)	61,692	112,806
Lease liability	130,811	1,605,269
Deferred Income	701,552	119,311
	7,934,679	6,357,677

Notes to the Financial Statements

for the year ended 31 December 2023

22. Derivative financial instruments

	31 December 2023 $	31 December 2022 $
Forward foreign exchange contracts		
Receivable	1,597,744	1,851,462
Payable	(1,048,899)	(3,686,620)

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

23. Dilapidation provisions

	31 December 2023 $	31 December 2022 $
Dilapidation provision		
At 1 January	112,806	123,021
(Decrease) / Increase	(56,057)	3,019
Foreign exchange movement	4,943	(13,234)
	61,692	112,806

The dilapidation provision is linked to the lease of the Bank's only UK office at 81 Gracechurch Street, London, and therefore the expected timing of the resulting outflows of economic benefits is in 2024. The expected economic outflow is stated above.

Notes to the Financial Statements

for the year ended 31 December 2023

24. Financial instruments and risk management

	Note	31 December 2023 FVTPL	FVOCI	Amortised cost	Total
Financial assets					
Cash and cash equivalents	12	-	-	7,498,541	7,498,541
Loans and advances to banks	13	-	-	179,580,081	179,580,081
Loans and advances to customers	14	-	-	74,582,276	74,582,276
Investment securities	15	136,411,908	51,488,541	-	187,900,449
Derivative financial instruments	22	1,597,744	-	-	1,597,744
Other assets	16	-	-	8,349,698	8,349,698
		138,009,652	**51,488,541**	**270,010,596**	**459,508,789**
Financial liabilities					
Deposits from banks	19	-	-	232,089,383	232,089,383
Deposits from customers	20	-	-	155,331,596	155,331,596
Derivative financial instruments	22	1,048,899	-	-	1,048,899
Subordinated liabilities	30	-	-	9,600,000	9,600,000
Other liabilities	21	-	-	7,018,261	7,018,261
		1,048,899	**-**	**404,039,240**	**405,088,139**

	Note	31 December 2022 FVTPL	FVOCI	Amortised cost	Total
Financial assets					
Cash and cash equivalents	12	-	-	7,118,069	7,118,069
Loans and advances to banks	13	-	-	139,928,644	139,928,644
Loans and advances to customers	14	-	-	71,445,494	71,445,494
Investment securities	15	244,677,923	40,069,525	-	284,747,448
Derivative financial instruments	22	1,851,462	-	-	1,851,462
Other assets	16	-	-	7,008,175	7,008,175
		246,529,385	**40,069,525**	**225,500,382**	**512,099,292**
Financial liabilities					
Deposits from banks	19	-	-	238,119,179	238,119,179
Deposits from customers	20	-	-	213,123,234	213,123,234
Derivative financial instruments	22	3,686,620	-	-	3,686,620
Subordinated liabilities	30	-	-	9,600,000	9,600,000
Other liabilities	21	-	-	4,502,899	4,502,899
		3,686,620	**-**	**465,345,312**	**469,031,932**

Notes to the Financial Statements

for the year ended 31 December 2023

24. Financial instruments and risk management (Continued)

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.

24.2. Liquidity risk

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

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

Notes to the Financial Statements

for the year ended 31 December 2023

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 2023						
Financial assets						
Cash and cash equivalents	7,499,114	-	-	-	-	7,499,114
Loans and advances to banks	113,357,053	34,492,010	26,370,323	18,461,309	-	192,680,695
Loans and advances to customers	17,451,333	15,846,566	25,309,053	31,242,515	2,786,719	92,636,186
Investment securities	139,591,080	3,392,954	1,984,461	38,517,523	18,451,411	201,937,429
Other assets	2,657,893	-	5,691,805	-	-	8,349,698
Total financial assets	280,556,473	53,731,530	59,355,642	88,221,347	21,238,130	503,103,122
Financial liabilities						
Deposits from banks	(209,922,714)	(24,666,908)	-	-	-	(234,589,622)
Deposits from customers	(63,680,143)	(26,462,364)	(67,114,347)	(3,557,696)	-	(160,814,550)
Subordinated liabilities	-	(509,882)	(610,647)	(4,856,892)	(13,203,104)	(19,180,525)
Other liabilities	(1,595,921)	(2,437,173)	(2,985,167)	-	-	(7,018,261)
Total financial liabilities	(275,198,778)	(54,076,327)	(70,710,161)	(8,414,588)	(13,203,104)	(421,602,958)
Derivative financial instruments						
Forward FX Contracts	(798,275)	(57,687)	1,404,807	-	-	548,845
Total derivative FIs	(798,275)	(57,687)	1,404,807	-	-	548,845
Loan commitments	(9,808,084)	-	-	-	-	(9,808,084)
Net liquidity gap	(5,248,664)	(402,484)	(9,949,712)	79,806,759	8,035,026	72,240,925

Notes to the Financial Statements

for the year ended 31 December 2023

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

Notes to the Financial Statements

for the year ended 31 December 2023

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 and UK 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 2023						
Assets subject to interest rate risk:						
Loans and advances to banks	20,024,821	5,103,620	3,992,201	10,929,000	-	-
Loans and advances to customers	63,617,643	4,406,559	13,115,976	20,363,257	23,739,626	1,992,225
Investment securities	132,288,532	127,321,582	-	-	-	4,966,950
Other assets	707,373	707,373	-	-	-	-
	216,638,369	137,539,134	17,108,177	31,292,257	23,739,626	6,959,175

	Carrying amount $	0 – 3 months $	3 – 6 months $	6 – 12 months $	1 – 5 years $	Above 5 years $
Liabilities subject to interest rate risk:						
Deposits from banks	(51,172,001)	(26,505,093)	(24,666,908)	-	-	-
Deposits from customers	(2,528,334)	(2,528,334)	-	-	-	-
Other liabilities	(680,000)	(680,000)	-	-	-	-
	(54,380,335)	(29,713,427)	(24,666,908)	-	-	-
Net interest gap	162,258,034	107,825,707	(7,558,731)	31,292,257	23,739,626	6,959,175

Notes to the Financial Statements

for the year ended 31 December 2023

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 2022						
Assets subject to interest rate risk:						
Loans and advances to banks	30,608,750	1,111,000	17,777,778	11,719,972	-	-
Loans and advances to customers	69,037,241	10,028,213	3,343,833	14,499,832	40,001,992	1,163,371
Investment securities	240,798,187	240,798,187	-	-	-	-
Accrued income	1,560,000	1,560,000	-	-	-	-
	342,004,178	253,497,400	21,121,611	26,219,804	40,001,992	1,163,371

	Carrying amount $	0 – 3 months $	3 – 6 months $	6 – 12 months $	1 – 5 years $	Above 5 years $
Liabilities subject to interest rate risk:						
Deposits from banks	(56,013,219)	(30,563,024)	(25,450,195)	-	-	-
Deposits from customers	(1,150,000)	-	(1,150,000)	-	-	-
	(57,163,219)	(30,563,024)	(26,600,195)	-	-	-
Net interest gap	284,840,959	222,934,376	(5,478,584)	26,219,804	40,001,992	1,163,371

Notes to the Financial Statements

for the year ended 31 December 2023

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 200-basis point change. The financial assets and liabilities sensitive to interest rate risk are loans and advances and deposits. A weighted average interest rate has been applied and the effects are shown in the table below:

At 31 December 2023	Gross amount	Weighted average	Interest due at current weighted average rate	Increase of 200bps
Financial assets				
Cash and cash equivalents	7,499,114	-	-	149,982
Loans and advances to banks	180,634,178	8.93%	16,135,402	19,748,086
Loans and advances to customers	76,758,297	8.53%	6,548,905	8,084,071
Investment securities	187,900,449	1.41%	2,656,826	6,414,835
Other assets	707,373	-	-	14,147
Financial liabilities				
Deposits from banks	(232,089,383)	4.27%	(9,905,901)	(14,547,688)
Deposits from customers	(155,331,596)	4.07%	(6,324,770)	(9,431,402)
Subordinated liabilities	(9,600,000)	6.24%	(599,000)	(791,000)
Other liabilities	(680,000)	-	-	(13,600)
	55,798,432		**8,511,462**	**9,627,431**
Impact on net interest income				**1,115,969**

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

At 31 December 2022	Gross amount $	Weighted average %	Interest due at current weighted average rate $	Increase of 200bps $
Financial assets				
Cash and cash equivalents	7,118,322	-	-	142,366
Loans and advances to banks	140,398,004	7.65%	10,733,616	13,541,576
Loans and advances to customers	72,992,721	7.38%	5,389,448	6,849,303
Investment securities	284,747,448	0.77%	2,181,848	7,876,797
Other assets	1,560,000	-	-	31,200
Financial liabilities				
Deposits from banks	(238,119,179)	1.51%	(3,602,663)	(8,365,047)
Deposits from customers	(213,123,234)	2.05%	(4,360,734)	(8,623,199)
Subordinated liabilities	(9,600,000)	6.24%	(599,000)	(791,000)
	45,974,082		**9,742,515**	**10,661,996**
Impact on net interest income				**919,481**

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

Notes to the Financial Statements

for the year ended 31 December 2023

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 2023	USD $	NGN $	GBP $	EURO $	CHF $	ZAR $	Total $
Financial assets							
Cash and cash equivalents	3,136,773	3,367	2,239,668	2,097,807	2,574	18,925	7,499,114
Investment securities	157,669,288	-	28,305,108	1,926,053	-	-	187,900,449
Loans and advances to banks	171,650,701	-	246,530	8,736,947	-	-	180,634,178
Loans and advances to customers	30,138,398	-	19,609,117	27,010,782	-	-	76,758,297
Forward FX contracts	(68,898,836)	-	70,662,600	(166,020)	-	-	1,597,744
Other assets	7,017,060	-	987,914	344,724	-	-	8,349,698
Total assets	300,713,384	3,367	122,050,937	39,950,293	2,574	18,925	462,739,480
Financial liabilities							
Deposits from banks	(227,904,487)	-	(2,074,662)	(2,109,465)	(769)	-	(232,089,383)
Deposits from customers	(41,846,267)	-	(113,077,722)	(407,607)	-	-	(155,331,596)
Subordinated liabilities	(9,600,000)	-	-	-	-	-	(9,600,000)
Forward FX contracts	32,884,601	-	3,310,320	(37,243,820)	-	-	(1,048,899)
Accrued liabilities	(2,136,973)	-	(4,880,813)	(475)	-	-	(7,018,261)
Total liabilities	(248,603,126)	-	(116,722,877)	(39,761,367)	(769)	-	(405,088,139)
Net on-balance sheet financial position	**52,110,258**	**3,367**	**5,328,060**	**188,926**	**1,805**	**18,925**	**57,651,341**
Off-balance sheet financial position	22,074,717	-	850,054	680,802	-	-	23,605,573

Notes to the Financial Statements

for the year ended 31 December 2023

24. Financial instruments and risk management (Continued)

At 31 December 2022	USD $	NGN $	GBP $	EURO $	CHF $	ZAR $	Total $
Financial assets							
Cash and cash equivalents	3,083,657	34,656	1,621,307	1,208,968	9,837	21,719	5,980,144
Investment securities	124,594,315	-	48,548,939	1,073,462	-	-	174,216,716
Loans and advances to banks	124,577,353	-	-	8,029,758	-	-	132,607,111
Loans and advances to customers	42,450,733	-	27,446,424	9,850,140	-	-	79,747,297
Forward FX contracts	(25,069,700)	-	44,896,487	(18,992,655)	-	-	834,132
Other assets	4,344,082	-	101,479	167,766	-	-	4,613,327
Total assets	273,980,440	34,656	122,614,636	1,337,439	9,837	21,719	397,998,727
Financial liabilities							
Deposits from banks	(143,141,771)	-	(2,239,471)	(1,289,099)	(12,863)	-	(146,683,204)
Deposits from customers	(25,359,455)	-	(172,050,585)	(60,407)	-	-	(197,470,447)
Subordinated liabilities	(5,000,000)	-	-	-	-	-	(5,000,000)
Forward FX contracts	(65,870,763)	-	63,694,445	-	-	-	(2,176,318)
Accrued liabilities	(104,669)	-	(2,539,497)	(166)	-	-	(2,644,332)
Total liabilities	(239,476,658)	-	(113,135,108)	(1,349,672)	(12,863)	-	(353,974,301)
Net on-balance sheet financial position	34,503,782	34,656	9,479,528	(12,233)	(3,026)	21,719	44,024,426
Off-balance sheet financial position	35,560,363	-	900,529	5,812,574	-	-	42,273,466

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

	31 December 2023 $	31 December 2022 $
Impact on reported profit:		
Sterling	532,806	696,539
Naira	337	3,186
Euro	18,893	(28,602)
Swiss Francs	181	363
Rand	1,893	2,046
Increase to reported profit	554,110	673,532
Impact on equity:		
Sterling	532,806	696,539
Naira	337	3,186
Euro	18,893	(28,602)
Swiss Francs	181	363
Rand	1,893	2,046
Increase to equity	554,110	673,532

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

Notes to the Financial Statements

for the year ended 31 December 2023

24. Financial instruments and risk management (Continued)

24.5. Credit risk

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

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

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

Impairment assessment

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

- The ECL computation is performed for each exposure that is assigned to the Amortised Cost or FVOCI (debt) classification and is based on the industry standard components: PD, EAD, and LGD. Where necessary, discounting is applied.
- The ECL figures also incorporate five 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 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 2023

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 Committees and Board Audit Committee are 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 2023 is $5,014,667 (2022: $3,219,022).

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 2023			IFRS9 31 December 2022		
	Gross exposure	Allowance for credit loss	Net exposure	Gross exposure	Allowance for credit loss	Net exposure
	$	$	$	$	$	$
Cash and cash equivalents	7,498,949	573	7,498,376	7,118,046	253	7,117,793
Investments at FVOCI	51,488,541	-	51,488,541	40,069,525	-	40,069,525
Loans & advances to banks	180,634,178	1,054,097	179,580,081	140,398,004	469,360	139,928,644
Loans & advances to customers	76,758,297	2,176,021	74,582,276	72,992,721	1,547,227	71,445,494
Other assets	8,349,698	-	8,349,698	7,008,175	-	7,008,175
Off balance sheet	23,605,573	22,363	23,583,210	27,180,192	17,392	27,162,800
	348,335,236	3,253,054	345,082,182	294,766,663	2,034,232	292,732,431

In addition, there are investments at FVTPL in 2023 of $136,411,908 (2022: $244,677,923). $127,321,582 of this is considered very low risk (2022: $235,843,987), and $9,090,326 is considered medium risk (2022: $9,778,800). The maximum exposure to credit risk relating to cash and cash equivalents excludes cash on hand of $165 (2022: $276). Off balance sheet excludes guarantees from banks of $500,000 (2022: $1,775,223). In 2023, there is an ECL of $1,761,613 relating to investments at FVOCI (2022: $1,184,790) however this does reduce the carrying value of the asset and therefore does not impact the exposure to credit risk.

Notes to the Financial Statements

for the year ended 31 December 2023

24. Financial instruments and risk management (Continued)

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

Internal credit ratings scale:

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

Net carrying value of exposure by risk rating

	IFRS 9 31 December 2023			
	Stage 1	Stage 2	Stage 3	Net carrying amount
	$	$	$	$
Very low	48,344,627	-	-	48,344,627
Low	5,716,664	475,268	-	6,191,932
Medium	25,495,742	2,012,458	-	27,508,200
Acceptable	251,023,393	7,603,209	-	258,626,602
High	-	-	4,410,821	4,410,821
	330,580,426	10,090,935	4,410,821	345,082,182

Net carrying value of exposure by risk rating

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

In 2023, there were eight exposures in stage 2, two exposures in stage 3, and all other exposures were in stage 1 at year end. In 2022, four exposures in stage 2, two exposures in stage 3, and all other exposures were in stage 1 at year end.

Expected Credit Loss by Stage

	31 December 2023	31 December 2022
	$	$
Stage 1	2,099,535	1,292,032
Stage 2	322,131	206,214
Stage 3	2,593,001	1,720,776
	5,014,667	3,219,022

Notes to the Financial Statements

for the year ended 31 December 2023

24. Financial instruments and risk management (Continued)

Movement in expected credit losses throughout the year

	31/12/2023	IFRS 9 31 December 2023 Additional	Release	31/12/2022
	$	$	$	$
Cash and cash equivalents	573	343	(23)	253
Loans & advances to banks	1,054,097	727,061	(142,324)	469,360
Loans & advances to customers	2,176,021	957,140	(328,346)	1,547,227
Investment securities at FVOCI	1,761,613	599,762	(22,939)	1,184,790
Off balance sheet	22,363	16,738	(11,767)	17,392
	5,014,667	2,301,044	(505,399)	3,219,022

Movement in expected credit losses throughout the year

	31/12/2022	IFRS 9 31 December 2022 Additional	Release	31/12/2021
	$	$	$	$
Cash and cash equivalents	253	206	(218)	265
Loans & advances to banks	469,360	329,992	(119,588)	258,956
Loans & advances to customers	1,547,227	1,280,091	(38,683)	305,819
Investment securities at FVOCI	1,184,790	1,049,841	(4,317)	139,266
Off balance sheet	17,392	15,045	(3,955)	6,302
	3,219,022	2,675,175	(166,761)	710,608

	31 December 2023 $	31 December 2022 $
Reconciliation of impairment charges		
At 1 January	(3,219,022)	(710,608)
Movements in ECL	(1,795,645)	(2,508,414)
At 31 December	(5,014,667)	(3,219,022)

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 2023 was $24,496,398 (31 December 2022: $14,476,755).

Notes to the Financial Statements

for the year ended 31 December 2023

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 2023 $	Collateral 31 December 2023 $	Exposure 31 December 2022 $	Collateral 31 December 2022 $
Nigeria	173,180,778	58,476,097	166,672,373	52,658,345
Turkey	45,402,268	-	22,663,540	-
United Kingdom	33,464,193	15,303,803	39,305,957	14,077,331
USA	32,072,472	-	21,743,192	-
Tanzania	28,275,656	-	3,168,038	-
Angola	7,570,412	-	5,777,492	-
Kenya	7,513,982	-	6,783,411	-
Côte d'Ivoire	6,982,330	-	8,387,161	-
Ghana	4,410,821	-	4,594,665	-
India	2,087,407	-	2,748,168	-
Egypt	1,639,770	-	1,576,236	-
Germany	1,474,321	-	977,494	-
Rwanda	803,825	-	755,020	-
Belgium	203,943	-	243,102	-
Bangladesh	4	-	193,922	-
Senegal	-	-	6,391,235	-
Vietnam	-	-	388,448	-
South Africa	-	-	362,977	-
	345,082,182	**73,779,900**	**292,732,431**	**66,735,676**

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

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

	Exposure 31 December 2023 $	Collateral 31 December 2023 $	Exposure 31 December 2022 $	Collateral 31 December 2022 $
Cash and cash equivalents	7,498,376	3,365	7,117,793	31,860
Loans & advances to banks	179,580,081	47,826,848	139,928,644	42,346,275
Loans & advances to customers	74,582,276	19,612,586	71,445,494	16,017,310
Investments	51,488,541	-	40,069,525	-
Other Assets	8,349,698	-	7,008,175	-
Off balance sheet	23,583,210	6,337,101	27,162,800	8,340,231
	345,082,182	**73,779,900**	**292,732,431**	**66,735,676**

Notes to the Financial Statements

for the year ended 31 December 2023

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

At 31 December 2023	Current 0-3 months $	Current 3-6 months $	Current 6-12 months $	Non Current 1-5 years $	Above 5 years $	Total $
Financial Assets						
Cash and cash equivalents	7,499,114	-	-	-	-	7,499,114
Loans & advances to banks	109,224,804	32,132,510	24,036,389	15,240,475	-	180,634,178
Loans & advances to customers	15,710,527	13,829,186	21,486,733	23,739,626	1,992,225	76,758,297
Investments	138,580,781	2,000,505	-	30,834,314	16,484,849	187,900,449
Forward FX contracts	63,497	98,549	1,435,698	-	-	1,597,744
Other assets	2,657,893	-	5,691,805	-	-	8,349,698
	273,736,616	48,060,750	52,650,625	69,814,415	18,477,074	462,739,480
Financial Liabilities						
Deposits from banks	207,422,475	24,666,908	-	-	-	232,089,383
Deposits from customers	62,479,345	25,550,207	63,932,488	3,369,556	-	155,331,596
Subordinated liabilities	-	-	-	-	9,600,000	9,600,000
Forward FX contracts	861,772	156,236	30,891	-	-	1,048,899
Other liabilities	1,595,921	2,437,173	2,985,167	-	-	7,018,261
	272,359,513	52,810,524	66,948,546	3,369,556	9,600,000	405,088,139

All numbers are gross of ECL. In 2023, the total current financial assets were $374,447,991, total non-current assets were $88,291,489. In 2023, the total current financial liabilities were $392,118,583, total non-current liabilities were $12,969,556.

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

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

Notes to the Financial Statements

for the year ended 31 December 2023

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 Pillar 1 and 2 capital and other requirements.

Capital management policy

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

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

27. Fair value

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

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

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

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

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

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

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

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

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

All statements relating to fair value are made to both 2023 and 2022.

Notes to the Financial Statements

for the year ended 31 December 2023

28. Share capital and reserves

	31 December 2023 $	31 December 2022 $
Issued and fully paid shares of $1.00 each	53,900,000	48,900,000

	No. of shares	No. of shares
Issued and fully paid shares of $1.00 each	53,900,000	48,900,000

Share capital represents the nominal value of ordinary shares issued and fully paid. The issued share capital carries one voting right per share and does not carry any rights to fixed income.

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, guarantees and commitments:

	31 December 2023 $	31 December 2022 $
Confirmed letters of credit - banks	12,847,435	18,691,127
Issued letters of credit - banks	950,054	903,652
Commitments - banks	2,184,400	3,604,575
Commitments - customers	7,623,684	3,980,838
	23,605,573	27,180,192

Notes to the Financial Statements

for the year ended 31 December 2023

29.1. Lease liability maturity analysis

The Bank leases property under a lease agreement. During 2023, the Bank exercised the break clause of its ten-year lease which then expired in 2023. Subsequently, the Bank then signed a new, separate lease which has a term of one year.

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

Lease Liability (actual payments)	31 December 2023 $	31 December 2022 $
In one year	132,851	254,111
In more than one year but less than five years	-	1,572,622
In more than five years	-	-
	132,851	1,826,733

Lease Liability		*31 December 2023 $*	*31 December 2022 $*
As at 1 January	Lease liability	1,605,269	2,146,769
	Disposals	(1,185,263)	-
	FX movement	92,686	(230,943)
	Payments	(408,491)	(359,478)
	Interest	26,610	48,921
As at 31 December		130,811	1,605,269

30. Subordinated liabilities

Subordinated liabilities	31 December 2023 $	31 December 2022 $
As at 1 January	9,600,000	5,000,000
Additions	-	4,600,000
As at 31 December	9,600,000	9,600,000

31. Related party transactions

31.1. Compensation of key management personnel

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

Notes to the Financial Statements

for the year ended 31 December 2023

	31 December 2023 $	31 December 2022 $
Short term benefits	3,168,557	3,401,055
Post-employment benefits	9,483	10,518
	3,178,040	3,411,573

There were no other long term benefits or termination benefits in 2023 or 2022.

	31 December 2023 $	31 December 2022 $
Loans		
At the beginning of the year	15,457	27,740
At the end of the year	-	15,457

Loans payable by key management personnel are subject to fixed rates of interest for fixed repayment terms. The rates of interest are above the HRMC reference rate which is currently 2.25% and the fixed terms are a maximum of 24 months.

31.2. Related parties

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

The Bank had the following related party positions:

	31 December 2023 $	31 December 2022 $
Parent company		
Loan and advances		
Interest bearing	56,664,884	42,378,135
Other assets:		
Accrued interest	1,269,242	505,880
Other non-interest bearing	603,492	129,984
Deposits		
Interest bearing	54,167,317	62,943,035
Other liabilities		
Accrued interest	263,199	252,301
Other non-interest bearing	-	-
Letters of credit	1,340,726	7,656,166
Guarantee received	-	1,775,223
Other related parties		
Loans		
Interest bearing	426,305	470,034
Deposits		
Interest bearing	5,973,496	4,123,326

Parent company short term deposits include $2,652,439 cash collateral (2022: $6,830,925).

Notes to the Financial Statements

for the year ended 31 December 2023

	31 December 2023 $	31 December 2022 $
The Bank's related party transactions during the year comprised:		
Interest receivable from parent company	4,260,700	2,069,521
Interest receivable from other related parties	39,324	32,551
Interest payable to parent company	2,572,140	594,443
Interest payable to other related parties	69,381	14,020
Fees charged to parent company	200,000	200,000
Fees recharged to parent company included within other income	2,911,540	2,413,548

In 2023, the Bank issued 5,000,000 ordinary shares at par value to the Parent company. These shares were fully paid in cash.

32. Events after the year end

There were no material events after the year end.

33. Ultimate controlling party

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

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

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