Growing Internationally

Report and Statutory Accounts 2022

the access bank uk

Contents

These are the Bank's Statutory Accounts as required to be delivered to the registrar in accordance with Section 441 Companies Act 2006.

Strategic Report

The Directors of The Access Bank UK Limited have pleasure in presenting their Strategic Report for the year ended 31 December 2022.

Business review

Principal activities

The Access Bank UK Limited (the "Bank") is a wholly owned subsidiary of Access Bank Plc, a bank incorporated in Nigeria ("The parent bank"). Access Bank Plc is the leading Tier One bank in Nigeria, ranking number one as at 30 September 2022 on a number of measures, including Total Revenues, Total Assets, and Customer Deposits.

The Bank was authorised by the Financial Services Authority ("the FSA") on 12 August 2008. The Bank is currently authorised by the Prudential Regulation Authority ("PRA") and regulated by the Financial Conduct Authority ("FCA") and the PRA. The Bank is authorised to undertake a wide range of banking activities. The permissions granted to the Bank are set out on the FCA website at https://register.fca.org.uk.

The Bank was established to provide trade finance, treasury services, correspondent banking, commercial banking, private banking and asset management to corporate and personal customers, and seeks to differentiate itself from other banks currently operating in the UK through excellence in customer service, with a focus on establishing strong relationships with all our customers.

In December 2014 the Bank was granted permission by the PRA to offer regulated mortgages, and this activity commenced in 2015. In April 2015, the Bank was approved and authorised by the Dubai Financial Services Authority and the Dubai International Financial Centre to open an office in Dubai to facilitate trade between the United Arab Emirates and Sub-Saharan Africa, with a strong focus on Nigeria. In October 2016 the Dubai Financial Services Authority approved the upgrade of the office to Branch status.

Performance of the Bank in 2022

The financial statements for the year ended 31 December 2022 are shown on pages 16-54. During the year the Bank grew operating income before provisions for expected credit losses by 10% from $119.2m to $131.5m. The ongoing impact of the COVID-19 pandemic continues to have an effect on recoveries from a number of the Bank's customers, and this together with the impact on the war in Ukraine which affected one other customer of the Bank, saw an increase in the impairment provision charge for the year in respect of IFRS 9 from $32.5m to $37.3m. Profit before tax increased by 13% from $51.9m to $58.7m. The statement of comprehensive income is set out on page 16.

The Nigerian economy, like most nations across the world, faced turbulence in 2020 due to COVID-19 with the economy contracting by 1.9% in 2020. Reflecting the easing of COVID-19 restrictions both domestically and globally, GDP grew by 3.4% in 2021. Nigeria's economy grew 3.52% year-on-year in the three months through December 2022, compared with 2.25% in the third quarter, largely driven by the services sector, which grew by 5.69%, contributing over half of Nigeria's GDP. The non-oil economy increased 4.4% in the quarter from a year earlier, largely driven by growth in telecommunications, trade and agriculture. The latest forecasts published had projected GDP to have grown by 2.5% in 2022, with lower levels of oil production and political uncertainty in the lead up to the Nigerian elections causing growth to slow compared to previous forecasts. The factors noted by Fitch are expected to continue in 2023, with recent forecasts expecting growth to slow to 2.3% in 2023 before accelerating markedly in 2024 and 2025 on the back of an anticipated increase in offshore oil production. The international price of oil continues to have a significant impact on the Nigerian economy, and in particular on its foreign currency reserves. Oil production dropped to 1.3 million barrels a day on average in 2022, from 1.5 million barrels a day in 2021. The price of Brent crude oil had risen to $85.99 bbl. by the end of December 2022, with the average for 2022 being $98.95 bbl., having previously recorded an average of $70.87 bbl. and a low point of $50.56 bbl. in 2021. Subsequent to year end, the price has been similar and as at the end of February 2023 the price was circa $83 bbl. With respect to Bonny Light, the price rose from $76.25 bbl. at the start of the year to $82.58 bbl. as at 31 December 2022, and has continued to strengthen in 2023, and as at the end of February 2023 the price was circa $87 bbl. Both the price of Brent crude and Bonny Light have risen sharply following the Russian invasion of Ukraine in March 2022.

The Bank has continued to support its customer base during 2022, as the world has started to recover from the impact of the pandemic. Net fee and commission increased by 11% from $25.3m to $28.0m. Net interest income showed an increase of 19% from $83.5m to $99.5m reflecting both the increase in loans to customers during the year, and the increase in market interest rates in the second half of the year. A further analysis of income is included in notes 4 and 6 of the financial statements. This increase was achieved whilst still operating within the Bank's moderate risk appetite, as set by the UK Board.

In previous years' Strategic Reports, we highlighted the significant impact that the COVID-19 pandemic had had on a number of the Bank's customers, and in particular non-sub-Saharan Africa portfolios, including the Bank's structured trade finance portfolio, which provided loans to companies in the commodities markets. We noted that the Bank had seen a delay in settlement of various Bills for Collection payable across the Bank's counters, and that a number of customers had gone into liquidation or administration. This resulted in the Bank recording a significant provision in respect of the forward-looking recognition of impairment charges under IFRS 9 in relation to this portfolio, resulting in total impairment charges in 2020 of $58.6m and $32.5m in 2021. The majority of the underlying exposures to which these provisions related to are backed by trade credit insurance policies.

As noted in last year's Strategic Report, during 2021 the Bank ceased providing new commodity, related loans under this structured trade finance portfolio, and a key focus for 2022 has been to pursue recoveries in respect of the outstanding loans in this portfolio, implementing a strategy of seeking to agree repayment plans from the counterparties to the Bills for Collection, together with progressing claims in respect of the underlying insurance policies. Arrangements have been reached for extended recovery from buyers for a number of the underlying Bills for Collection, with these agreements being made with the approval of the underlying insurance company, so as to ensure that such action does not impact on the underlying insurance claim. With respect to the underlying insurance claims, the Bank has submitted claims under the majority of policies representing our material exposures, with a number at an advanced stage, however these claims have not progressed as quickly as the Bank had anticipated in last year's Strategic Report. Taking into account the timelines involved with both the extended agreements with some buyers, and the underlying insurance claims, and reflecting the potential of non-payment from the buyers or under the insurance policies, the Bank has booked an additional net P&L charge for expected credit losses in 2022 of $25.6m in respect of this portfolio. For a number of customers, insurers have challenged the claims under the underlying credit insurance policies. Where the Bank considers that there is a significant chance that a particular claim will be rejected, we have fully provided in the provision noted above, and have written off exposures totalling $21.6m in this respect. An unbiased weighted probability of a payment being received under the remaining polices is taken into account when modelling the impairment provision that is recorded against the portfolio. At the end of the year the Bank has considered whether the full balance remaining under the insurance policies will be recovered, particularly if the claims are subject to an arbitrated settlement. Following this review, the Bank has written off balances totalling $38.2m from this portfolio, for which the Bank had previously provided.

In addition to the provision recorded in respect of the structured trade finance portfolio, a limited number of corporate customers were adversely impacted by the war in Ukraine. In this respect the Bank has booked a net P&L charge for expected credit losses in 2022 of $11.3m, and recognising that the Bank may not recover the entire exposure from one of these customers, the Bank has written off $8.5m from the gross carrying value of this loan.

Whilst the Bank continues to keep a firm control on operating costs, the Bank saw a small overall increase in costs during the year from $34.9m to $35.5m. During the year the Bank has continued to invest in our employees through training, recruitment and remuneration, with the average headcount increasing from 150 in 2021 to 167 in 2022. Additional advisory costs, predominantly associated with the structured trade finance portfolio discussed above, was the other notable cost driver in 2022. The Bank has however benefited from the weakening of the UK currency during the year, given that the vast majority of the Bank's expenses are incurred in Pounds Sterling. The average exchange rate for GBP:USD in 2021 was $1.376, whilst in 2022 it was $1.234.

As noted in last year's report, the COVID-19 pandemic had a significant impact on the way that the Bank operated. At the outset of the pandemic in 2020 the safety and wellbeing of our colleagues was paramount and all staff in our London office transitioned to working remotely ahead of the first UK Government lockdown period together with the majority of staff in Northwich, Lagos and Dubai. The Bank re-opened its London and Northwich offices and then rotated its staff between two teams on a fortnightly basis until the offices were closed again in December 2021 in line with the latest government advisory related to the Omicron COVID-19 variant. Following the revised guidelines from the Government, all Bank staff have returned to the office, however employees are able to work from home for up to two days per week. Having held regular company-wide briefings via videoconference to ensure all staff are aware of business progress and next steps during the extended time period of the pandemic, the CEO/MD has now resumed in person presentations to all staff in both the London and Northwich offices. Recognising the flexible working pattern now adopted by the Bank, and the Bank's international footprint, these presentations are also broadcast using video conferencing software, allowing staff working from home on the day, and the staff in the Dubai, Lagos and Paris offices to attend the presentations remotely.

The Bank saw an increase in total assets during 2022, with growth of 22% from $3,084.8m as at 31 December 2021 to $3,768.3m as at 31 December 2022. Deposits from banks grew from $1,742.2m as at 31 December 2021 to $2,001.6m as at 31 December 2022. Deposits from customers also increased from $935.8m as at 31 December 2021 to $1,252.2m over the period.

Key Performance Indicators

The Bank's management monitors the business of the Bank using a range of measures, including key performance indicators, which are prepared and presented to management on a monthly basis, and which include the following:

Ratio	**2022**	2021
Pre-tax return on average shareholders' equity	**13.47%**	14.39%
Cost to income ratio	**27.01%**	29.28%
Loans to deposit	**73.28%**	71.09%
Non-interest income/total operating income	**24.34%**	24.89%
Liquidity Coverage Ratio	**405.02%**	343.85%
Tier 1 Capital Adequacy Ratio	**19.80%**	19.53%

Return on average shareholders' equity is calculated as the profit before tax for the year divided by the average of the opening and closing shareholders' funds for the year.

The cost to income ratio is measured pre-impairment. As noted above the Bank has sought to maintain a tight control of costs, and as a result of the increase in revenues the cost income ratio has decreased from 29.28% to 27.01% in 2022.

The ratio of non-interest income to total operating income is also measured before both impairment and other operating income.

With respect to the Loan to Deposit Ratio, this has increased from 71.09% to 73.28%, with these levels being in line with the long-term trend.

The Liquidity Coverage Ratio (LCR) is a core regulatory ratio, which requires a bank to maintain a level of unencumbered high-quality liquid assets that can meet its liquidity needs for a period of thirty days under a severe stress. The regulatory limit throughout 2022 was 100%, and the Bank maintained its ratio above this limit throughout the year. As at 31 December 2022 the Bank's LCR was 405.02%, well above the regulatory limit.

The Tier 1 Capital Adequacy Ratio is calculated by dividing the Bank's shareholders' funds by its Risk Weighted Assets. The Ratio as at 31 December 2022 increased to 19.80% from 19.53% in 2021.

Strategic Report *continued*

Regulatory Capital
The Bank manages its capital to ensure that it fully meets its regulatory capital requirements, and that it will be able to continue as a going concern. The Bank complied with its regulatory capital requirements throughout the year and as at 31 December 2022 the Bank's equity shareholders' funds stood at $491.1m (2021: $380.8m). As set out in note 25, during the year Access Bank Plc subscribed for additional shares at a cost of $65m to facilitate the further expansion of the Bank.

The Internal Capital Adequacy Assessment Process ("ICAAP") is the process under which the management of the Bank oversees and regularly assesses:
- the Bank's processes, strategies and systems;
- the major sources of risk to the Bank's ability to meet its liabilities as they fall due;
- the results of internal stress testing of these risks; and
- the amounts and types of financial and capital resources and whether they are adequate to cover the nature and level of the risks to which the Bank is exposed.

These risks are continually assessed in line with the Bank's business, and include credit risk, market risk, and liquidity risk (further discussed in note 24).

The Bank publishes its set of disclosures in accordance with Pillar 3 of the Basel III capital measurement requirements on its website: www.theaccessbankukltd.co.uk/about-us/financial-reports.

Liquidity
The Individual Liquidity Adequacy Assessment Process ("ILAAP") is the process under which the management of the Bank oversees and regularly assesses:
- the Bank's liquidity management framework;
- the quantification of the Bank's liquidity risks;
- the effects of stress testing on these liquidity risks;
- how the Bank seeks to mitigate these risks; and
- the level of liquidity buffer required in light of these risks.

An analysis of the liquidity risks faced by the Bank and the liquidity position as at 31 December 2022 is set out in note 24 of the financial statements. The Bank undertakes daily liquidity monitoring to ensure that funds are properly managed and PRA liquidity limits (including Liquidity Coverage Ratio and Net Stable Funding Ratio) are fully met at all times.

Note 24 of the financial statements shows the liquidity maturity profile of the Bank, with a strong short- and medium-term net liquidity position, once the liquidity buffer assets held by the Bank are taken into account. Of the Bank's total assets of $3,768m, only $296m (8%) had a contractual maturity date of more than one year. This latter figure includes $208m of loans that were either secured on investment properties in the United Kingdom, or portfolios held by the Asset Management Strategic Business Unit.

Included in the total of investment securities were exposures to US Government securities totalling $712m, held indirectly through investment in the BlackRock US Treasury Fund and the JP Morgan USD Treasury Institutional Fund, that constituted eligible liquidity buffer securities. Included in cash at bank were reserves account deposits with the Bank of England of $429m, which also constituted eligible buffer securities. Both the US Securities and the Bank of England reserves account deposits were available to be realised on demand.

Principal Risks and Uncertainties
The management of the business and the execution of the Bank's strategy are subject to a number of risks, notwithstanding the improvement in the situation in Nigeria noted above. The principal risks that the Bank faces vary across the different businesses and include principally credit risk, documentary risk, AML/KYC risk and liquidity risk. All risks are formally reviewed by the Board Risk and Audit Committee, together with the Board Credit Committee, with appropriate processes put in place to manage and mitigate these risks. The Bank has adopted the Three Lines of Defence Risk Management Framework which is familiar in the UK financial services environment.

The Bank's management and governance arrangements are designed to ensure that the Bank complies with the relevant legislation and regulation within the UK.

Further details of the risks faced by the Bank and the Three Lines of Defence Risk Management framework are set out in note 24 of the financial statements.

LIBOR transition
The Bank's transition away from a reliance on LIBOR has been supervised by the Bank's Asset and Liability Committee and reviewed by the Board through the report of the Finance Director. As noted in last year's report, given the short-term nature of the Bank's balance sheet, as at 31 December 2021 the Bank did not have a significant exposure to LIBOR, with most transactions that are undertaken being at fixed interest rates. As set out in note 24(e), the Bank's two significant currencies for its assets and liabilities are GBP Sterling and US Dollar.

With respect to the GBP LIBOR, the Bank's lending in Sterling is predominately related to its property-related lending, and this book uses Bank of England Bank Rate as its benchmark rate.

With respect to the USD LIBOR, as at 31 December 2022 the Bank's total exposures denominated in US Dollar that had a maturity date past 30 June 2023, and which were currently being repriced on LIBOR and would be impacted by the change in benchmark rate, totalled circa $14m, out of total assets of $3,768m, and this figure of $14m consists of syndicated loans in which the Bank has participated, but is not the lead bank. We continue to discuss the transition of these loans away from LIBOR with the lead managers. With respect to the Bank's direct lending, as at 31 December 2022, all loans that had previously been based on LIBOR had been successfully transitioned to SOFR. Therefore, the Bank does not consider that it has a material risk from the transition from LIBOR.

Financial Risk of Climate Change
The lending activity of the Bank is focused on three key areas. Firstly, the Bank undertakes short-term trade finance-related activities including post negotiation lending in respect of Letters of Credit, and the provision of working capital facilities to finance trade. As at 31 December 2022 the total of these short-term trade-related loans was $2,133mm. Secondly, the Bank has asset management loans supported by client investment portfolios which are monitored with strict call and close limits aligned to the underlying investment portfolio value. As at 31 December 2022 these loans

totalled $129mm. Finally, the bank has a portfolio of property-related mortgage loans which are longer-term in nature, and as at 31 December 2022 these totalled $108mm.

As noted above the Bank's lending is dominated by short-term lending exposures which support the importation of international trade cargoes into Nigeria and sub-Saharan Africa. The Bank has considered the financial risks of climate change in its preparation of the financial statements and as can be seen in note 24(f) to the financial statements, over 90% of the Bank's total assets have a tenor of less than one year. The Bank expects longer-term changes in the profile and mix of these cargoes as a result of climate change but still foresees significant levels of importation activity that require financing in the mid to long term.

Governance

The Board is responsible for overseeing the Bank's response to the financial risks from climate change as outlined in Supervisory Statement 3/19 'Enhancing banks' and insurers' approaches to managing the financial risks from climate change' which was published by the PRA in 2019. This paper established the PRA's definitions of physical, transition and liability risks associated with climate change.

The Terms of Reference for the Board, and its sub-committees, contain requirements in respect of governance responsibilities for strategic decision making in respect of the Bank's response to financial risks from climate change.

The Finance Director is the designated Senior Management Function holder (SMF) responsible for ensuring that there is a plan in place to address and implement the PRA's expectations regarding the management of the financial risks from climate change, with regulatory requirements from climate change being overseen by the Bank's Executive Committee.

Strategy

The Board has set its risk appetite for climate change as moderate in line with its internal risk appetite policy. The Bank has no appetite to develop its business strategy in a way that would increase the exposure to climate change risk. In setting the Bank's next five-year strategic plan, which runs from 2023 to 2027, the Bank has confirmed that it has no intention to actively pursue business opportunities that arise from climate change.

Risk Management

The Bank has embedded the identification, assessment and monitoring of the financial risks from climate change into the Bank's risk management framework. An annual qualitative assessment is undertaken of the physical, transition and liability risks arising from climate change, looking at the Bank's business activities and assessing the likelihood and impact of the key financial risks (physical, transition and liability) from climate change as defined by the PRA. The assessment utilises the Bank's established risk assessment scoring methodology measuring the impact and likelihood of the risks occurring including the assessment of velocity which evaluated the potential rate of change.

In addition to the granular assessment across the Bank's five strategic business units, a review of the Bank's key exposures in respect of sector, region and counterparty is also completed on an annual basis to identify any concentrations which when compared against international ESG ratings, could highlight any vulnerabilities or concentration risk.

The outcome of these qualitative risk assessments and concentration reviews has confirmed that the Bank currently does not have a material risk exposure from the physical, transition and liability risks of climate change and the risk is within the Bank's moderate risk appetite for climate change. The learnings and outcomes from this identification and assessment exercise have been mapped across to the Bank's Risk Register and following the initial mapping against the taxonomy as a cross-cutting risk, in Q3 2022, the risk was moved to a standalone assessment. This enables the risks to be captured within the Bank's embedded risk management framework which will be monitored on a regular basis through its ongoing programme of risk and control assessments.

The Bank has incorporated a detailed review of climate-related risk factors into its due diligence process for property mortgage lending, with this being the portfolio most susceptible to climate change. The Bank's surveyors are required to provide it with information on the relevant property's flood risk for consideration as part of the lending approval process.

During the year the Bank engaged with subject matter experts from Deloitte to assist with the development of a scenario analysis model. Deloitte assisted the Bank in developing a model based on the UNEP FI methodology, widely considered to be the industry standard methodology. The UNEP FI is the United Nations Environment Programme Finance Initiative established with the aim of providing a framework of principles (Principles for Responsible Banking) for the finance sector, to contribute to and support the agenda of the Paris Agreement on Climate Change. The UNEP FI have outlined an industry-leading framework for modelling the financial impact of climate risks on banks' positions, pointing out the special role of carbon-related costs as a key risk driver.

In order to build the scenario model, a data collection exercise was performed using relevant financial and carbon price data from internal and external sources, including company financials, internal credit ratings from published financial reports, carbon intensities for Scope 1, 2 and 3 emissions from EXIOBASE and NGFS forecasts of carbon prices (by country/sector).

Following the completion of the data collection exercise, the Bank undertook a scenario selection exercise, leveraging the six scenarios produced by the NGFS. These scenarios are generally regarded as industry best-practice.

The development of the scenario model was finalised in October 2022 and the initial outcome reviewed. Whilst the analysis concluded that certain of the Bank's corporate customers could be particularly vulnerable to higher carbon prices, the initial overall conclusion from the stress testing was that the overall risk to the Bank from Climate Change was not material, given the short-term nature of the Bank's business model and the ability to pivot away from vulnerable sectors if necessary.

Metrics

The Bank has published its emissions data within the Directors' Report which follows the Strategic Report.

Strategic Report *continued*

Strategy and Future Developments
In its first five years of operations from 2008, the Bank achieved its initial objective of providing a credible and sustainable OECD hub to grow the international business of Access Bank Plc. Under the Bank's second strategic plan, the Bank built on this platform and achieved the goal of creating the most profitable Nigerian bank in the UK and increasing the UK contribution to Group performance.

Having met the key targets set out in this plan, with the Bank outperforming the projections for 2017 included in the plan, during the second half of 2017 the Bank developed a new five-year plan which embodied the same principles that have guided the Bank's development to date. At its November 2022 meeting the Board approved the Bank's fourth five-year plan, which as for previous plans is shaped by the Bank continuing to make a positive contribution to the delivery of the Access Group's strategy and objectives. This five-year plan reflects and is in line with Access Corporation's five-year plan which embodies the vision "To be the world's most respected African Bank".

The Bank will continue to follow a relationship-based banking model, growing its business through the depth and quality of customer relationships, whilst maintaining a moderate appetite for risk. The success of this strategy was reflected in the Bank being named as the winner of the Capital Finance International Award 2022 for Best Africa Trade Finance Bank for the seventh consecutive time together with the International Finance Award for Best African Trade Finance Bank for the fifth successive year.

The current five-year plan is also predicated on the basis that the Bank will continue to work closely with fellow Access Bank Group companies in a number of key areas: to access the growing opportunities centred on Nigeria; to develop a broader representation in sub-Saharan Africa in part reflecting the growth of the parent bank across the continent; to develop the private bank and investment products into an increased share of the high net worth market in these countries; and to continue to diversify income streams by leveraging the profile and credibility established for the Bank. The latest five-year plan also sets out the intention to grow the international footprint of the Bank. The Bank recently received conditional approval from the Autorité de contrôle prudentiel et de resolution (ACPR), which is the banking regulator in France, to open a branch in Paris. The documents required to lift the conditions precedent have been provided to the ACPR, and formal approval is expected by the end of first quarter, and the branch will commence operations in the second quarter of 2023.

With regard to the Bank's core trade finance markets in Africa, Nigeria remains the main market. Nigeria went into recession briefly in 2020 as a result of COVID-19, which led to a significant decline in oil prices. Nigeria moved out of recession in Q4 of 2020, and with oil prices continuing to strengthen, Nigerian GDP grew by 3.4% in 2021 and by 3.5% year on year in the three months through December 2022. The Bank will therefore continue to have a key role to play in facilitating the flow of trade to and from Nigeria. As noted above the Bank is not entering into new transactions for the structured trade finance portfolio, and a key focus of 2023 will be to maintain payments under repayment plans, where these have been agreed with buyers, and pursuing the trade credit insurance policies that back these exposures.

The Bank will also continue to leverage the brand recognition that it enjoys in its chosen markets to broaden its base of trade finance, commercial banking and private bank customers.

Whilst as noted above, lower levels of oil production and uncertainty in the lead up to the Nigerian elections caused GDP growth to decline in 2022, and this impact is expected to continue in 2023, the latest Fitch forecasts show that growth is expected to accelerate in 2024. Given these projections, the Directors are confident that the outlook for the Bank is a positive one.

As noted in last year's report, Russia's invasion of Ukraine has had a significant impact on world markets, with sanctions being implemented by many countries who oppose the invasion and Russia. Whilst the Bank had no direct exposure to Russia, a limited number of customers were directly impacted, and as noted above the Bank has recorded an impairment provision in respect of these exposures. Following a review, the Bank is content that there are no other exposures, either direct or indirect, to Russia or Ukraine, and therefore no further significant provisions will be required as a result of the war in Ukraine.

In March 2023 there was significant market volatility as a result of the failure of two regional banks in the US, most notably Silicon Valley Bank (SVB). This volatility caused concerns in the wider banking sector, and particularly regarding Credit Suisse, which had previously been impacted by the failures of Greensill and Archegos Capital, and which ultimately had to be taken over by UBS. The issues at SVB arose from losses incurred on long-term holdings of US Treasury Bills, which were initially unrealised, but then crystallised when customers sought to withdraw funds from the Bank. The Board has considered these events, and is content that the Bank does not have a material exposure to the issues affecting these institutions. As set out in note 13, the Bank's liquidity investments are predominantly held in US Treasuries, or held in its Reserves Account with the Bank of England. The exposure to US Treasuries is predominantly through investments in the BlackRock US Treasury Fund, and the JP Morgan USD Treasury Institutional Fund, both of which focus on short-dated exposures, typically with residual maturity of seven days or less.

In December 2022 the Ghanaian Government suspended payments on its international debt resulting in the downgrading of the country's sovereign debt by a number of the major rating agencies. The Bank selectively takes on exposures in Ghana subject to an overall exposure limit which is closely monitored. The Bank has reviewed its exposures to Ghana and has no exposure, either directly or indirectly as part of collateral held, to Ghanaian Treasury Bills or Bonds. The Bank retains exposures to a small number of Ghanaian correspondent banks which remain performing and are subject to regular monitoring and review.

Directors' Section 172 Statement
The Directors of the Bank, as those of all UK companies, are required to act in accordance with a set of general duties. These duties are detailed in section 172 of the UK Companies Act 2006, under which a director of a company must act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its shareholders as a whole and, in so doing have regard (amongst other matters) to:

- the likely consequence of any decisions in the long term;
- the interest of the company's employees;
- the need to foster the Bank's business relationships with suppliers, customers and others;
- the impact of the Bank's operations on the community and environment;

- the desirability of the Bank maintaining a reputation for high standards of business conduct, and
- the need to act fairly as between shareholders of the Bank.

As part of their induction, a Director is briefed on their duties and they can access professional advice on these, either from the Company Secretary or, if they judge it necessary, from an independent advisor. It is important to recognise that in an organisation such as ours, the Directors fulfil their duties partly through a governance framework that delegates day-to-day decision making to employees of the Bank.

The Directors are mindful of the requirements of section 172 when performing their duties. The following paragraphs demonstrate how the Directors fulfil their duties:

Employees:
Our relationship-based approach to banking rests upon the skills of our employees in identifying and responding to the needs of our customers. The Bank is therefore committed to investing significantly in the skills of the people that we employ through training and employee development. This investment was recognised in 2020 when the Bank was awarded Platinum status by Investors in People.

The Bank systematically provides employees with information on matters of concern to them, consulting with them regularly so that their views may be taken into account when making decisions that are likely to affect their interests. Employee involvement in the Bank is encouraged as a common awareness amongst all employees of the financial and economic factors affecting the Bank plays a major role in maintaining its competitive position. The Bank encourages the involvement of employees by means of regular staff briefings, and staff surveys, and encourages their input and innovation with a reward scheme for Great Ideas and Innovation.

The Bank is an equal opportunities employer, and is committed to equality and diversity.

Our customers and suppliers:
As set out in the Strategic Report, the Bank follows a relationship-based banking model. Our team of experienced relationship managers interact with our customers regularly, to ensure that the requirements of our customers are considered in everything we do. The Bank fully complies with the FCA's requirements regarding "Treating Customers Fairly".

As part of the Bank's relationships with third-party suppliers, senior management meet regularly with key strategic partners and suppliers where performance against key indicators are discussed, as are operational issues and process improvements. Periodic updates on key relationships are also made to the Bank's Executive Committee and to the Board.

Regulators:
The Bank is regulated by the Prudential Regulation Authority for prudential matters and by the Financial Conduct Authority for conduct of business matters. Members of the Executive Committee regularly brief the regulators on key issues and engage with them on an open and transparent basis. The Board are kept appraised of key regulatory developments and interactions with regulators at each Board meeting.

Maintaining a reputation for high standards of business conduct:
The Board ensures that the Bank fully complies with the Senior Manager Regime set by the PRA, which sets out high standards and accountability for personal and business conduct and receives regular reports from the Risk and Compliance Director in this respect. The Compliance Department as the second line of defence, conducts an annual exercise of reviewing that all senior managers and certified staff are fit and proper. Internal Audit, as the third line of defence, conducts a risk-based review of compliance with the senior managers regime.

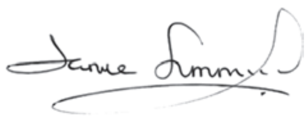
The Community and Environment:
The Directors are committed to the Bank reducing its carbon footprint and embedding environmentally sustainable business practices in its corporate offices and throughout the business. This is being achieved through the Bank maintaining a lean and efficient physical footprint and our hybrid-working structure contributing to a reduction on how often our employees travel into the office.

The Bank's approach to community engagement has seen it actively support a number of causes, both in the UK, and in sub-Saharan Africa. Initiatives include support of annual events such as the City of London Lord Mayor's Appeal 'City Giving Day', which celebrates the value of the City to society and shows how businesses can make a difference. As part of its continued support of UNICEF (United Nations Children s Fund), the Bank hosts an annual event raising financial support that has enabled the building and equipping of over 100 classroom blocks in less developed areas of Nigeria. The Bank's ESG policy is available on its website.

Long-Term Planning:
As noted in the Strategic Report the Bank produces a five-year plan, and updates this with rolling three-year forecasts to monitor the impacts of its decisions in the medium to long term. The Board receives regular updates from management on progress, and reviews and approves the Bank's strategy at the Annual Board Retreat.

Engaging with our shareholder:
The Bank has one shareholder, being Access Bank Plc, with which we maintain a continuous and close relationship, through regular dialogue. In addition, the Chairman and the Non-Executive Directors are also members of the Board of Access Bank Plc.

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



J. Simmonds
Managing Director/Chief Executive Officer
28 March 2023

Directors' Report

The Directors of The Access Bank UK Limited have pleasure in presenting their Directors' Report and audited financial statements for the year ended 31 December 2022.

Principal activities, results and future developments

Details of the Bank's principal activities, results and future developments, including details of branches outside the UK, are detailed in the Bank's Strategic Report.

Dividend

No dividends were paid during the year. The Directors do not recommend a final dividend on ordinary shares to be paid in respect of the year.

Political contributions and charitable donations

During the year the Bank made charitable donations of $Nil (2021: $271).

No political donations were made during the year (2021: $Nil).

Directors

The Directors, who served during the year and up to the date of the signing of the financial statements, were as follows:

H Wigwe	(Chairman)
R Ogbonna	(Non-Executive Director)
G Jobome	(Non-Executive Director – appointed 25 November 2022)
S Clark	(Independent Non-Executive Director)
D Charters	(Independent Non-Executive Director)
H McLaughlin	(Independent Non-Executive Director – appointed 25 November 2022)
J Simmonds	(Chief Executive Officer/Managing Director)
S McLaughlin	(Finance Director)

Directors' indemnities

The Bank has made qualifying third-party indemnity provisions for the benefit of its Directors during the year, and these remain in force at the date that this Report was approved.

Future prospects and going concern

The Directors have considered the appropriateness of the going concern basis for the preparation of the financial statements. The Directors have undertaken a detailed review of the Bank's business model and profitability, taking into account the Bank's current and projected performance, and the Bank's capital and liquidity position. The Bank's financial forecasts encompass capital and liquidity projections under a range of severe but plausible stressed scenarios, including consideration of the impact of further impairment provisions, should they be required, for exposures in the trade credit insurance book. In considering these forecasts, the Board has also considered the impact of potential management actions, on the Bank's profitability and capital ratios.

As at 31 December 2022, the Bank had a capital adequacy ratio that was in excess of the minimum regulatory capital requirements, and it is the intention of the Directors that this will be maintained at satisfactory levels in the future. In addition, as at 31 December 2022 the Bank maintained liquidity buffer assets significantly in excess of the minimum regulatory requirements, and the Directors intend to ensure that the Bank maintains a strong liquidity position to enable it to meet its obligations as they fall due.

The Directors believe that the Bank is well placed to continue to manage its business risks successfully and to trade profitably, and they are satisfied that the business model is robust and sustainable in the current environment. In the Strategic Report the Directors have reviewed the impact on the Bank of the current economic environment in Nigeria. Having undertaken this review, the Directors are satisfied that there is no evidence to believe that a material uncertainty exists which might cause significant doubt as to the Bank's ability to continue as a going concern. The Directors confirm that there are currently no plans to terminate or significantly curtail the Bank's activities. The Directors are satisfied therefore that it is appropriate to continue to adopt the going concern basis in preparing the financial statements of the Bank.

Financial risk management and future developments are disclosed in the Strategic Report.

Energy Usage

The Bank presents below its analysis of greenhouse emissions (GHG) and energy usage as required by the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. GHG emissions are split into three categories based on the source of the emission:

- Scope 1 (Direct): emissions from sources that the company owns and controls (i.e. generation of electricity, heat or steam from combustion of fuels);
- Scope 2 (Energy Indirect): indirect emissions from the consumption of purchased energy (electricity, heat, steam and cooling) consumed in the Bank's operations;
- Scope 3 (Other Indirect): other emissions that are a consequence of the Bank's actions, which occur at sources which are not owned or controlled and which are not classed as Scope 2 emissions.

In accordance with the Regulations the Bank is required to disclose its Scope 1 and 2 emissions. The methodology adopted in calculating these emissions is based on energy consumption data provided to the Bank from its suppliers and converted to emissions based on conversion factors published by the UK Government's Department for Business, Energy & Industrial Strategy.

GHG emissions and energy usage data

	2022	2021
Energy consumption used to calculate emissions (kWh)		
Gas	70,450	81,961
Electricity	127,676	126,608
Total Energy consumption	**198,126**	**208,569**
Scope 1		
Emissions from combustion of gas tCO_2e	12.86	15.01
Scope 2		
Emissions from purchased electricity tCO_2e	24.41	26.88
Total gross tCO_2e based on the above	**37.27**	**41.89**
Normalised – tCO_2e per £m of income	**0.35**	**0.51**

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 that each Director has taken all steps that they ought to have taken as a Director to make themselves aware of any relevant audit information, and to establish that the Bank's auditors are aware of that information.

Independent Auditors
Following ten years of auditing the Bank's parent – Access Bank Plc, the Nigerian firm of PricewaterhouseCoopers are required to stand down as auditor under the Prudential Guidelines for Money Deposit Banks in Nigeria (Effective 1 July 2010) following the completion of the audit of the financial statements for 2022. Access Bank Plc have confirmed that they will be appointing the Nigerian firm of KPMG as auditors following the resignation of PricewaterhouseCoopers.

PricewaterhouseCoopers LLP have therefore given notice of their intention to resign as auditors of the Bank following the completion of their audit work for 2022, and the Bank's shareholder will subsequently appoint KPMG as auditors in accordance with Section 487(2) of the Companies Act 2006.

Internal Audit
The Bank has engaged Grant Thornton to perform internal audit services for the Bank. The Bank's Risk and Audit Committee is responsible for approving the annual budget for Internal Audit and it has confirmed that it is satisfied that Internal Audit has the appropriate resources to undertake its role effectively.

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

J. Simmonds
Managing Director/Chief Executive Officer
28 March 2023

Company Registration No. 06365062

Statement of Directors' Responsibilities in respect of the financial statements

The Directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with UK-adopted international accounting standards.

Under company law, 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 company and of the profit or loss of the company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

In the case of each Director in office at the date the Directors' report is approved:

- so far as the Director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent Auditors' Report

to the members of The Access Bank UK Limited

Report on the audit of the financial statements

Opinion

In our opinion, The Access Bank UK Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit and cash flows 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.

We have audited the financial statements, included within the Annual Report, which comprise: the statement of financial position as at 31 December 2022; the statement of comprehensive income, the statement of cash flows, and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Board Risk and 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 ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in note 11, we have provided no non-audit services to the company in the period under audit.

Our audit approach

Context

The audit for the year ended 31 December 2022 is our final year of auditing the company.

Overview

Audit scope

- As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. The scope of our audit and the nature, timing and extent of audit procedures performed were determined by our risk assessment and other qualitative factors.

Key audit matters

- Determination of allowance for expected credit losses on loans in the trade credit insurance portfolio.

Materiality

- Overall materiality: US$3,200,000 (2021: US$3,080,000) based on approximately 5% of profit before tax.
- Performance materiality: US$2,400,000 (2021: US$2,310,000).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the 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) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, 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.

This is not a complete list of all risks identified by our audit.

Independent Auditors' Report *continued*

to the members of The Access Bank UK Limited

The key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Determination of allowance for expected credit losses on loans in the trade credit insurance portfolio; Loans and advances to customers as of 31 December 2022 amounted to \$1,158.6m (2021: \$1,129.2m) for which there is an allowance for expected credit losses ('ECL') of \$43.7m (2021: \$74.8m). These loans include a portfolio of trade credit insured receivables totalling \$111.3m with an allowance for ECL of \$40.0m. The exposures relate to the trading of physical commodities with counterparties based in the Middle East and Far East. As a condition of the facility letter with the customer, the customer obtained credit insurance from an approved insurance provider covering default of the buyers of the commodities. The portfolio of receivables defaulted in 2020. The company is pursuing recovery by seeking to agree repayment plans from counterparties together with progressing claims in respect of the underlying insurance policies. Some of these insurance claims are disputed by the insurers. The specific facts of each case determine the likelihood of recovery. During 2022, the claims have progressed and more evidence and information has been shared between the parties. The prospects of recovery have reduced in relation to some exposures in the portfolio and management has recorded increased provisions. There is significant judgement applied by management in determining the allowance for ECL for this portfolio. Judgement is applied in determining the timing and amount of cash flows from the insurers, the buyers under the contracts or the company's customers. There is a range of potential outcomes for the cash recoveries and therefore a significant degree of estimation uncertainty. Management engaged legal experts to form independent views on the prospects of recovery. Given the judgements involved and the size of the portfolio, this was a key area of focus for our audit and therefore represents a Key Audit Matter. The Directors' accounting policies are disclosed in note 3 to the financial statements. The Directors' disclosures relating to the portfolio are given in notes 15 and 24.	We understood and critically assessed the methodology applied in the impairment model and management's assessment of the likelihood of insurance recoveries using our commercial insurance experts. We discussed our views on the level of provisions recorded and management's methodologies with the Board Risk and Audit Committee. The audit work we performed over the allowance for ECL included the following: • we inspected all up to date correspondence between the company, its legal counsel and management's expert, and the insurers and their legal counsel relating to the status of each underlying insurance claim. We also inspected the underlying insurance policies; • we engaged audit experts from our firm who have expertise in commercial insurance claims to develop an independent range of the prospects of recovery for each claim and the likely timing of recovery. The experts reviewed the underlying documentation and correspondence and held discussions with management's experts to understand how they formed their views. We challenged management's estimates of recovery in relation to a number of counterparties. • where the company assumes cash flows from the buyers under the trade finance agreements will be received, we inspected the compromise agreements with the respective buyers and obtained evidence of cash received during the year. • we audited the underlying model prepared by management. This work included testing the mathematical accuracy and checking the consistency of the assumptions with the evidence obtained; and • we assessed the disclosures in note 2 and note 3 regarding the critical estimates and judgements in determining the ECL pertaining to the portfolio and found them to be appropriate. We concluded that the reported allowance for ECL on the loans in the trade credit insurance portfolio is reasonable based on the evidence obtained.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

The company provides personal, private and corporate Banking services. The company operates one branch and has three subsidiaries, none of which are material and all excluded from our audit scope. We consider that the company is a single audit component.

Our overall approach to setting our audit scope was to focus our audit in areas where we identified a higher risk of material misstatement to the financial statements, including areas where the Directors made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. To conduct this risk assessment, we considered the inherent risks facing the company, including those arising from its respective business operations, and how the company manages these risks. We also considered our knowledge and experience obtained in prior year audits and a number of other factors including the design and implementation of the company's control environment relevant to the audit, the appropriateness of the use of the going concern basis of accounting in the preparation of the financial statements and the risk of management override of controls.

We performed audit work for all financial statement line items with balances above our performance materiality of $2,400,000.

The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the process management adopted to assess the extent of the potential impact of climate risk on the company's financial statements and to support the disclosures made in relation to climate change.

In addition to our enquiries we also:

- read the company's qualitative and quantitative risk assessment to consider the impact on our audit risk assessment.
- considered the consistency of the disclosures in relation to climate change within the Strategic report with the financial statements and knowledge obtained from our audit.

Our procedures did not identify any material impact in the context of our audit of the financial statements as a whole, or our key audit matter for the year ended 31 December 2022.

Materiality

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

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall company materiality	US$3,200,000 (2021: US$3,080,000)
How we determined it	Approximately 5% of profit before tax
Rationale for benchmark applied	Profit before tax is the primary measure of performance used by the shareholders in assessing the performance of the company and so is considered to be the most appropriate basis for setting overall materiality. Overall materiality amounts to approximately 5% of profit before tax

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2021: 75%) of overall materiality, amounting to US$2,400,000 (2021: US$2,310,000) for the company financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Board Risk and Audit Committee that we would report to them misstatements identified during our audit above $160,000 (2021: $154,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the Directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- a detailed risk assessment to identify factors that could impact the going concern basis of accounting;
- evaluating management's going concern assessment including the company's capital and liquidity position;
- reviewing the company's current and forecast profits, including reviewing key assumptions used, and evaluating management's ability to accurately forecast;
- substantiation of financial resources available;
- a number of other audit procedures were also performed to evaluate management's assessment, such as management enquiries, review of the most recent ICAAP and ILAAP submitted to the PRA and a review of regulatory correspondence; and
- reading and evaluating the adequacy of the disclosures made in the financial statements in relation to going concern.

Independent Auditors' Report *continued*

to the members of The Access Bank UK Limited

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.

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

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, 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 audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

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 Directors' Report for the year ended 31 December 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the statement of Directors' Responsibilities in respect of the financial statements, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they 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.

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

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

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the relevant rules of the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA), and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006 and UK tax law. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue and management bias in accounting estimates and judgements.

Audit procedures performed by the engagement team included:

- discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- reviewing key correspondence with the regulators and evaluating the implications on the audit;
- reading minutes of the Board and the Board Risk and Audit Committee to identify any matters of relevance;
- challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to the allowance for expected credit losses on loans in the trade credit insurance portfolio (see related key audit matter);
- reviewing customer complaints for any indication that there has been a breach of relevant laws and regulations or instances of fraud; and
- identifying and testing journal entries, in particular any journal entries posted with unusual account combinations or posted by senior management.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Board Risk and Audit Committee, we were appointed by the members on 4 March 2013 to audit the financial statements for the year ended 31 December 2013 and subsequent financial periods. The period of total uninterrupted engagement is 10 years, covering the years ended 31 December 2013 to 31 December 2022.

Jonathan Holloway (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
29 March 2023

Statement of Comprehensive Income

For the year ended 31 December 2022

	Note	**Year ended 31 December 2022 $**	Year ended 31 December 2021 $
Operating income			
Interest income on assets at amortised cost/FVOCI	4	118,870,106	101,048,656
Interest income on assets at FVPL		10,942,994	43,334
Interest expense	5	(30,327,185)	(17,585,729)
Net interest income		99,485,915	83,506,261
Fee and commission income	6	29,973,424	27,143,190
Fee and commission expense	6	(1,995,602)	(1,850,925)
Net fee and commission income		27,977,822	25,292,265
Provision for expected credit losses	8	(37,271,365)	(32,468,250)
Other income		4,019,405	2,373,856
Other operating income	8	–	8,072,122
Total operating income		**94,211,777**	**86,776,254**
Operating expenses			
Personnel expenses	9	(22,478,062)	(22,375,495)
Depreciation and amortisation	10	(2,287,880)	(1,907,756)
Other expenses		(10,745,827)	(10,633,162)
Total operating expenses		**(35,511,769)**	**(34,916,413)**
Profit before tax		58,700,008	51,859,841
Taxation	12	(13,369,717)	(11,364,314)
Profit after tax for the year		**45,330,291**	**40,495,527**
Other comprehensive income/(expense)			
Items that may be subsequently reclassified to profit or loss			
Net profit/(loss) on investment securities measured at FVOCI		–	85,735
Other comprehensive income/(expense) for the year		(48,950)	–
Other comprehensive income/(expense) for the year, net of tax		(48,950)	85,735
Total comprehensive income/(expense) for the year		**45,281,341**	**40,581,262**

The notes on pages 20-54 form an integral part of these financial statements.

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Statement of Financial Position

As at 31 December 2022

	Note	31 December 2022 $	31 December 2021 $
Assets			
Cash at bank		634,602,649	531,094,912
Money Market Placements		3,600,384	3,928,474
Investment securities	13	714,010,643	610,046,734
Loans and advances to banks	14	1,269,502,028	849,457,860
Loans and advances to customers	15	1,114,878,580	1,054,399,028
Property, plant and equipment	16	1,094,451	944,155
Right-of-use assets	16	3,832,014	5,191,262
Intangibles assets	17	3,851,278	2,677,923
Other assets	18	22,937,417	27,013,191
Total assets		**3,768,309,444**	**3,084,753,539**
Liabilities			
Deposits from banks	19	2,001,589,908	1,742,158,743
Deposits from customers	20	1,252,213,546	935,798,374
Other liabilities	21	22,937,811	25,483,781
Deferred tax liability	12	484,114	509,917
Total liabilities		**3,277,225,379**	**2,703,950,815**
Net assets		**491,084,065**	**380,802,724**
Equity			
Share capital	25	272,380,250	207,380,250
Retained earnings		223,921,592	178,591,301
Currency translation reserve		(5,013,563)	(5,013,563)
Other reserves		(204,214)	(155,264)
Total equity		**491,084,065**	**380,802,724**

The notes on pages 20-54 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 6 March 2023.

They were signed on its behalf by:

J. Simmonds
Managing Director/Chief Executive Officer

S. McLaughlin
Finance Director

28 March 2023

Company Registration No. 06365062

The above statement of financial position should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

For the year ended 31 December 2022

	Share capital $	Retained earnings $	Other reserves $	Currency translation reserve $	Total equity $
Balance as at 1 January 2022	**207,380,250**	**178,591,301**	**(155,264)**	**(5,013,563)**	**380,802,724**
Profit after tax for the year	–	45,330,291	–	–	45,330,291
Proceeds from shares issued (note 25)	65,000,000	–	–	–	65,000,000
Other comprehensive income/(expense) for the year	–	–	(48,950)	–	(48,950)
Total comprehensive income for the year	65,000,000	45,330,291	(48,950)	–	110,281,341
Balance at 31 December 2022	**272,380,250**	**223,921,592**	**(204,214)**	**(5,013,563)**	**491,084,065**

	Share capital $	Retained earnings $	Other reserves $	Currency translation reserve $	Total equity $
Balance as at 1 January 2021	**207,380,250**	**138,095,774**	**(240,999)**	**(5,013,563)**	**340,221,462**
Profit after tax for the year	–	40,495,527	–	–	40,495,527
Other comprehensive expense for the year	–	–	85,735	–	85,735
Total comprehensive income for the year	–	40,495,527	85,735	–	40,581,262
Balance at 31 December 2021	**207,380,250**	**178,591,301**	**(155,264)**	**(5,013,563)**	**380,802,724**

The notes on pages 20-54 form an integral part of these financial statements.

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows

For the year ended 31 December 2022

	Note	**Year ended 31 December 2022 $**	Year ended 31 December 2021 $
Cash flows from operating activities			
Profit before tax for the year		**58,700,008**	**51,859,841**
Adjustments for:			
Depreciation	16	1,722,134	1,478,136
Amortisation	17	565,746	429,620
Impairment charge on financial assets		37,271,365	32,468,251
Interest expense on Lease		91,170	100,251
Operating cash flows before movements in working capital		**98,350,423**	**86,336,099**
Changes in operating assets:			
Changes in money market placements		328,434	2,582,519
Changes in loans and advances to banks and customers		(517,702,261)	(102,082,702)
Changes in other assets		(6,430,632)	5,945,581
Changes in operating liabilities:			
Changes in deposits from banks		259,431,167	591,802,875
Changes in deposits from customers		316,415,170	59,301,365
Changes in other liabilities		(786,452)	(3,512,265)
		149,605,849	**640,373,472**
Taxation paid		(3,757,046)	(13,689,454)
Net cash from operating activities		**145,848,803**	**626,684,018**
Cash flows from investing activities			
Net purchase of investment securities		(103,968,389)	(253,303,827)
Purchase of property, plant and equipment		(527,124)	(145,203)
Purchase of intangible assets		(1,739,101)	(740,452)
Net cash used in investing activities		**(106,234,614)**	**(254,189,482)**
Cash flows from financing activities			
Issuance of own shares		65,000,000	–
Lease payments		(1,351,378)	(1,156,685)
Net cash (outflows) from financing activities		**63,648,622**	**(1,156,685)**
Net increase in cash and cash equivalents		**103,262,811**	**371,337,850**
Cash and cash equivalents at the beginning of the year		531,094,912	160,274,778
Effect of exchange rate fluctuations on cash held		244,926	(517,716)
Cash and cash equivalents at the end of the year		**634,602,649**	**531,094,912**

The notes on pages 20-54 form an integral part of these financial statements.

The above statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

For the year ended 31 December 2022

1. General information

The Access Bank UK Limited (the Bank) is a company incorporated in the United Kingdom under the Companies Act 2006. It is a private company limited by shares. The address of the registered office is 4 Royal Court, Gadbrook Way, Gadbrook Park, Northwich, Cheshire, CW9 7UT. The immediate parent undertaking is Access Bank Plc, a bank incorporated in Nigeria and the ultimate parent undertaking is Access Holdings Plc, a financial services holding company incorporated in Nigeria. The Bank provides trade finance, treasury services, correspondent banking, commercial banking, private banking, and asset management services to corporate and retail customers.

2. Basis of preparation and significant accounting policies

2.1 Basis of preparation

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the UK and interpretations issued by the IFRS Interpretations Committee (IFRIC) and the Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements have been prepared under the historical cost accounting convention as modified by the revaluation of financial assets at fair value through other comprehensive income (FVOCI) and financial instruments at fair value through profit or loss (FVPL). The financial statements incorporate the results of the Bank's Dubai branch. Whilst the Bank has three subsidiaries as detailed in note 28, these have not traded in 2022 and the Bank has taken advantage of the exemption in the Companies Act sections 405(2) from producing consolidated financial statement on the grounds that the inclusion of the subsidiaries is not material for the purpose of giving a true and fair view.

2.2 Going concern

The Bank's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 2 to 10. Note 24 to the financial statements includes the Bank's financial risk management objectives, details of its financial instruments, and its exposures to credit, market and liquidity risk.

The financial statements have been prepared on a going concern basis. The Board has considered the appropriateness of the going concern basis of preparation of the financial statements, taking into account the Bank's current and projected performance. As noted in the Directors report, the Bank's forecasts encompass capital and liquidity projections under a range of severe but plausible stresses scenarios. In considering these forecasts, the Board has also considered the impact of potential management actions on the Bank's profitability and capital ratios.

The Bank has considerable financial resources. As a consequence, the Directors believe that the Bank is well placed to manage its business risks successfully, and therefore the Directors have a reasonable expectation that the Bank has adequate resources to continue in operational existence for the foreseeable future, accordingly, we have adopted the going concern basis in preparing the financial statements.

2.3 Changes in accounting policies

Interest Rate Benchmark Reform Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The following standards and interpretations apply for the first time to financial reporting periods commencing on or after 1 January 2022. A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16 became effective on that date.

Amendments to IFRS 3, 'Business combinations'

Minor amendments were made to IFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and to add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date.

These amendments had no significant impact on the Bank's financial statements.

Amendment to IAS 16, 'Property, plant and equipment'

The amendment to IAS 16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.

This amendment had no significant impact on the Bank's financial statements.

Amendment to IAS 37, 'Provisions, contingent liabilities and contingent assets'

The amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.

This amendment had no significant impact on the Bank's financial statements.

Annual improvements to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial instruments', IAS 41, 'Agriculture' and the illustrative examples accompanying IFRS 16, 'Leases'

The following improvements were effective:

- IFRS 9 Financial Instruments – clarifies which fees should be included in the 10% test for derecognition of financial liabilities.
- IFRS 16 Leases – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.
- IFRS 1 First-time Adoption of International Financial Reporting Standards – allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using

the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.
- IAS 41 Agriculture – removal of the requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.

These amendments had no significant impact on the Bank's financial statements.

Future accounting developments
The following standards were not effective for annual reporting periods ending on 31 December 2022 and the Bank has not applied them retrospectively:
- IFRS 17 Insurance Contracts.
- Classification of Liabilities as Current or Non-current – Amendments to IAS 1.
- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2.
- Definition of Accounting Estimates – Amendments to IAS 8.
- Deferred Tax relating to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12.

2.4 Significant accounting policies
Financial assets and liabilities
Financial assets and financial liabilities are recognised when the Bank becomes a party to the contractual terms of an instrument.

At the initial recognition, the Bank measures a financial asset or financial liability at its fair value inclusive of transaction costs that are incremental and directly attributable to the acquisition or issue of the financial assets or liabilities such as fees and commissions. Transaction costs of financial assets and liabilities carried at fair value through profit or loss are expensed in profit or loss. Immediately after the initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost and investments in debt instruments measured at FVOCI which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

Amortised cost and effective interest rate
The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition less the principal repayments including the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or liability to the gross carrying amount of a financial asset or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, discounts and fees that are integral to the effective interest rate such as originated fees. When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the entity recognises the difference as follows:

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the entity recognises the difference as follows:
i. When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.
ii. In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined on an individual basis. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised on settlement.

When the Bank revises the estimates of future cash flows, the carrying amount of the respective financial asset or financial liability is adjusted to reflect the discounted value of the modified cash flows using the original effective interest rate. Any changes are recognised in profit or loss.

Interest income
Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for financial assets that have subsequently become credit-impaired (or Stage 3) for which interest revenue is calculated by applying the effective interest rate to their amortised cost and this interest is then suspended (i.e. net of the expected credit loss provision).

Classification and subsequent measurement of financial assets
In accordance with IFRS 9, the Bank classifies its financial assets in the following measurement categories:
- Amortised cost.
- Fair value through profit or loss (FVPL).
- Fair value through other comprehensive income (FVOCI).

The classification requirements for debt and equity instruments are described below:

Debt instruments
Debt instruments are those instruments that meet the definitions of a financial liability from the issuer's perspective, such as loans, government and corporate bonds and trade receivables purchased from clients in factoring arrangements without recourse.

Classifications and subsequent measurement of debt instruments depend on the Bank's business model for managing the asset; and the cash flow characteristics of the assets.

Notes to the Financial Statements *continued*

For the year ended 31 December 2022

2. Basis of preparation and significant accounting policies continued

2.4 Significant accounting policies continued

Based on these factors, the Bank classifies its debt instruments into one of the following three measurement categories:

- Amortised cost: assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest (SPPI), and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised. Interest income from these financial assets is included in 'interest income' using the effective interest rate method.
- Fair value through other comprehensive income: financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payment of principal and interest, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains and losses on the instrument's amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified to profit or loss and recognised in 'net interest income'. Interest income from these financial instruments is included in 'interest income' using the effective interest rate method.
- Fair value through profit or loss: assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through the statement of comprehensive income and is not part of a hedging relationship is recognised in the statement of comprehensive income in the period in which it arises. Interest income from these financial assets is included in 'interest income on assets at FVPL'.

Business model: the business model reflects how the Bank manages the assets in order to generate cash flows. That is, whether the Bank's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVPL. Factors considered by the Bank in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, and how risks are assessed and managed.

SPPI: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Bank assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Bank considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending agreement, the related financial asset is classified and measured at fair value through profit or loss.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

The Bank subsequently measures all equity investments at fair value through profit or loss, except where the Bank's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Bank's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns; when this election is used, fair value gains and losses are recognised in other comprehensive income and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value, dividends, when representing a return on such investments, continue to be recognised in profit or loss as other income when the Bank's right to receive payments is established.

Gains and losses on equity investments at FVPL are included in the statement of comprehensive income.

Impairment

The Bank assesses on a forward-looking basis the expect credit losses ('ECL') associated with its debt instrument assets carried at amortised cost and at FVOCI, and with the exposure arising from loan commitments and financial guarantee contracts. The Bank recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Modification of loans

The Bank may renegotiate or modify the contractual cash flows of loans to customers. When this happens, the Bank assesses whether or not the new terms are substantially different to the original terms. The Bank considers the new terms of the modification.

If the terms are substantially different, the Bank derecognises the original financial asset and recognises a 'new' asset at fair value and recalculates a new effective interest rate for the asset.

The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred.

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 of the financial asset and recognises a modification gain or loss in the statement of comprehensive income.

Classification and subsequent measurement of financial liabilities

- In both the current and prior period, financial liabilities are classified and subsequently measured at amortised cost, except for:
- Financial liabilities at fair value through profit or loss: this classification is applied to derivatives, financial liabilities held for trading and other financial liabilities designated as such at initial recognition. Gains or losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income.
- Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition, whereby a financial liability is recognised for the consideration received for the transfer. In subsequent periods, the Bank recognises any expense incurred on the financial liability.

Derecognition
Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

Financial guarantee contracts and loan commitments
Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and others on behalf of customers to secure loans, overdrafts and other banking facilities.

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

- The amount of the loss allowance: and
- The premium received on initial recognition less income recognised in accordance with the principles of IFRS 15.

For loan commitments and financial guarantee contracts, the loss allowance is recognised as a provision. However, for contracts that include both a loan and an undrawn commitment and the Bank cannot separately identify the expected credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognised together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected credit losses are recognised as a provision.

Collateral and other credit enhancements
The Bank holds collateral, or other credit enhancements, against certain loans and advances to banks and customers in the form of cash margins, pledges/liens over deposits, mortgages, interests over property, credit insurance, other registered securities over assets and guarantees.

The Bank accepts guarantees mainly from well reputed local or international banks, financial institutions, and well established local or multinational organisations. Estimates of fair value are based on the value of collateral assessed at the time of borrowing which are updated during annual reviews.

The Bank may hold collateral against loans and advances and other exposures to banks in the form of pledges/liens over deposits and other registered securities and guarantees.

It is the Bank's policy to ensure that loans are extended to customers within their capability to service interest and repay principal instead of relying excessively on collateral. Accordingly, depending on customers' credit worthiness and the type of product, facilities may be unsecured.

Foreign currency translation
The financial statements are presented in USD which is the Bank's functional and presentation currency. USD is the principal currency involved in the majority of the Bank's activities. Transactions in foreign currencies are initially recorded at the rate of exchange ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into USD at the balance sheet date. Non-monetary assets and liabilities are translated into USD at the effective historical rate used on the date of initial recognition.

Exchange differences arising on the settlement of monetary items and on the retranslation of monetary items are included in the profit or loss for the year.

Presentation of financial statements
The Bank has applied revised IAS 1 Presentation of financial statements.

Revenue recognition
Revenue is measured at the fair value of the consideration received or receivable for providing loans, overdrafts and other banking services in the normal course of business, net of discounts and VAT if applicable.

Fee and commission income
The Bank earns fee income from services it provides to its customers, which are recognised, both over time and at a point in time. Fee income is accounted for as follows:

i. If the income is earned on the execution of a significant act, it is recognised as revenue when the significant act has been completed (for example, fees arising on negotiating a transaction for a third party, such as the arrangement for the acquisition of securities);
ii. If the income is earned as services are provided, it is recognised as revenue as the services are provided (for example, documentary credit confirmation fees, custody and banking service fees); and
iii. If the income is an integral part of the effective interest rate of a financial instrument, it is recognised as an adjustment to the effective interest rate (for example, loan origination fees) and recorded over the period for which the service is provided.

Cash and cash equivalents
For the purpose of the statement of cash flows, cash and cash equivalents are deemed to comprise cash at other banks repayable on demand.

Derivative financial instruments
The Bank may enter into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts, interest rate swaps and foreign currency options. Further details of derivative financial instruments are disclosed in note 22 to the financial statements.

Notes to the Financial Statements *continued*

For the year ended 31 December 2022

2. Basis of preparation and significant accounting policies continued

2.4 Significant accounting policies continued

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than twelve months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities. Derivative assets and liabilities are only offset if the transactions are with the same counterparty; a legal right of offset exists; and the parties intend to settle on a net basis.

Valuation of financial instruments

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1: Valuation derived from unadjusted quoted market prices in an active market for an identical instrument.

Level 2: Valuation where quoted market prices are not available or where the instrument is traded in a market that is not considered to be active or valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation calculated on a straight-line basis to write off the assets over their estimated useful lives as follows:

Computer equipment	3 years
Furniture, fixtures and fittings	5 years
Motor Vehicles	5 years
Leasehold improvements	Over the period of the lease

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial year in which they are incurred. The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

Right-of-use asset

The Bank leases its offices in various locations. Rental contracts are typically made for fixed periods of over 12 months to 9 years.

Contracts may contain both lease and non-lease components, which are treated separately. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis, with the lease liabilities including the net present value of fixed payments.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the bank, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability, any lease payments made at or before the commencement date less, any initial direct costs and restoration costs. The assets are then written off over the period of the lease.

Intangible assets

Intangible assets are stated at cost or fair value on recognition less accumulated amortisation and any impairment in value.

Amortisation is calculated so as to write off the cost or valuation of intangible assets over their estimated useful lives, using the straight-line method, on the following bases:

Software	5 years

Trade and other payables and receivables

Trade and other payables and receivables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Included within other payables are bonuses that have been deferred for three years, as noted in note 9.

Impairment of non-financial assets

The Bank reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset is estimated to be less than the carrying amount, the asset is written down to its recoverable amount. An impairment loss is recognised as an expense.

Provisions

Provisions are recognised when the Bank has a present obligation as a result of a past event, and it is probable that the Bank will be required to settle that obligation and the amount can be reliably estimated. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material.

Current and deferred tax

Tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Bank's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of unutilised tax losses and temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

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 they can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Pension costs

The Bank operates a defined contribution pension scheme for all staff. The cost of the scheme is equal to the contributions payable to the scheme for the accounting period and is recognised within "Personnel expenses" in the income statement. The Bank has no further obligation once the contributions have been paid.

Restricted Share Plan

The Bank operates a share-based compensation plan under which it receives services from employees as consideration for shares in Access Bank Plc. The minimum vesting period is three years from the award date, and staff may elect for the shares to vest at any time up to the tenth anniversary of the award date. On vesting, the shares are settled in cash.

The shares on award date are purchased by The AB EBT Limited on behalf of The Access Bank UK Employee Benefit Trust. As the shares are cash settled, a liability is recognised in the statement of financial position and an expense is recognised in the statement of comprehensive income in operating expenses over the course of the minimum vesting period. The liability is remeasured at each reporting date with gains and loss reported in the statement of comprehensive income. Should any employee within the scheme leave the Bank within the vesting period, the shares may be forfeited.

3. Critical accounting judgements, estimates and assumptions

The Bank's principal accounting policies are set out above. UK company law and IFRS require the Directors to select suitable accounting policies, apply them consistently and make judgements and estimates that are reasonable. Where accounting standards are not specific and management have to choose a policy, International Accounting Standard ('IAS') 8 Accounting Policies, Changes in Accounting Estimates and Errors requires them to adopt policies that will result in information that is relevant, reliable, free from bias, and complete in all material respects.

This note provides an overview of the areas that involve a higher degree of judgement or complexity, and major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year. Detailed information about each of these estimates and judgements is included in the related notes together with information about the basis of calculation for each affected line item in the financial statements.

The Directors consider that the critical accounting judgements and estimates which have the most significance for the financial statements are in relation to the measurement of the expected credit loss allowance.

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 24, which also sets out key sensitivities of the ECL to changes in these elements.

Notes to the Financial Statements *continued*

For the year ended 31 December 2022

3. Critical accounting judgements, estimates and assumptions continued

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- determining criteria for significant increase in credit risk;
- choosing appropriate models and assumptions for the measurement of ECL;
- establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL;
- the determination of PDs and LGDs for certain Stage 2 and 3 exposures based on management's assessment of the facts and circumstances of the exposures; and
- with respect to loans that are subject to credit insurance (structured trade finance), and where the insurance policy is integral to the loan contract, an assessment of the likelihood that the insurance claim will be successful, and that the Bank will receive a pay-out from the relevant insurance company.

As at 31 December 2022, the estimate of the likelihood of the Bank receiving a pay-out under the insurance policies was the most significant judgement. Details regarding the assumptions used in determining the estimate, and the sensitivity of these estimates to reasonable possible changes in the assumptions, are given on pages 38-41.

Detailed information about the judgements and estimates made by the Bank in the above areas is set out in note 24(d).

4. Interest income on assets at amortised cost/FVOCI

	Year ended 31 December 2022 $	Year ended 31 December 2021 $
Derived from:		
Cash and money market placements	78,570	32,452
Loans and advances to banks	49,236,542	34,912,021
Loans and advances to customers	67,421,813	66,104,183
Investment securities at FVOCI	2,133,181	–
Total interest income	**118,870,106**	101,048,656

5. Interest expense

	Year ended 31 December 2022 $	Year ended 31 December 2021 $
Payable on:		
Customer term deposits	10,812,728	7,537,832
Other customer deposits	13,949	8,787
Deposits from banks	19,409,338	9,938,859
Interest expense on lease liabilities	91,170	100,251
Total interest expense	**30,327,185**	17,585,729

6. Fee and commission income and expense

	Year ended 31 December 2022 $	Year ended 31 December 2021 $
Derived from:		
Funds transfer	940,273	849,146
Trade finance	25,991,840	24,117,537
Other	3,041,311	2,176,507
Total fee and commission income	29,973,424	27,143,190
Fee and commission expense on trade finance	(1,995,602)	(1,850,925)
Net fee and commission income	**27,977,822**	**25,292,265**

7. Business and geographical segments

The Bank has one main activity, banking, which is carried out in the United Kingdom and in the United Arab Emirates.

8a. Provision for expected credit losses

The below table summarises the credit impairment charge for the year in the income statement.

	Year ended 31 December 2022 $	Year ended 31 December 2021 $
Loans and advances to banks	(1,858)	851,345
Loans and advances to customers	(37,184,294)	(33,262,162)
Investment securities	(4,481)	–
Money market placements	291	375
Cash at bank	462	49
Contingents	(81,485)	(57,857)
Total credit impairment charge	**(37,271,365)**	**(32,468,250)**

The $37,271,365 (2021: $32,468,250) charge reflects the recognition of impairment provisions under IFRS 9 Financial Instruments. The charge on loan and advances to customers is predominately due to the impact of COVID-19 on the credit performance of customers, mainly from structured trade finance loans in the commodity sector.

Further information on the change in impairment allowance is disclosed on note 24.

8b. Other operating income

This represents the Bank's recovery in respect of a claim under its Financial Crime Insurance Policy, commonly referred to as the Bankers Blanket Policy. The claim was in respect of losses incurred by the Bank in respect of an impaired loan in the structured trade finance portfolio, which was written off in 2021.

9. Information regarding Directors and employees

Employment costs are as follows:

	Year ended 31 December 2022 $	Year ended 31 December 2021 $
Personnel expenses		
Wages and salaries	18,445,685	17,918,540
Pension costs – defined contribution scheme	1,210,411	1,228,096
Social security costs	1,839,307	2,218,020
Other personnel expenses	982,659	1,010,839
Total personnel expenses	**22,478,062**	**22,375,495**

A sum of $172,732 (2021: $59,164) has been awarded in respect of bonuses which have been deferred for three years.

A share-based payments scheme was launched in 2014 for eligible Directors and employees. Shares of Access Bank Plc, the ultimate parent, are acquired and allotted to the Directors and employees. The minimum vesting period is three years from award date, and staff may elect for the shares to vest at any time after this date and up to the tenth anniversary of the award date. On vesting the shares are settled in cash. 54,648,486 shares with an initial value of $779,133 were granted in 2022 (2021: 36,931,448 shares with an initial value of $591,637). 2,183,494 shares were forfeited in the year (2021: 2,729,676).

	Year ended 31 December 2022 $	Year ended 31 December 2021 $
Number of employees at year-end	177	154
Monthly average number of employees during the year	167	150

During the year, there were an average of 68 (2021: 66) employees involved in fee-earning roles and 99 (2021: 84) in administration.

Notes to the Financial Statements *continued*

For the year ended 31 December 2022

9. Personnel expenses continued

Information regarding Directors and employees continued

The Directors' remuneration for the year was as follows:

	Year ended 31 December 2022 $	Year ended 31 December 2021 $
Directors' remuneration and fees		
Fees	212,831	199,506
Other emoluments	2,955,300	2,513,556
	3,168,131	**2,713,062**

The highest paid Director received emoluments excluding pension contribution totalling $1,942,951 (2021: $1,582,478) and pension contributions of Nil (2021: Nil). Retirement benefits are accrued under defined contribution schemes.

10. Depreciation and amortisation

	Year ended 31 December 2022 $	Year ended 31 December 2021 $
Operating profit before tax is stated after charging:		
Depreciation of property, plant and equipment	362,886	435,940
Depreciation leases of right-of-use asset	1,359,248	1,042,196
Amortisation of intangibles	565,746	429,620
	2,287,880	**1,907,756**

11. Auditors' remuneration

	Year ended 31 December 2022 $	Year ended 31 December 2021 $
Fees payable to the company's auditors for the audit of the financial statements:		
Audit of these financial statements	451,644	349,203
Audit of the year-end group reporting package	146,895	232,114
Review of the half-year group reporting package	127,349	107,320
Other audit-related services	130,310	110,210
Other assurance services	35,103	12,732
Total auditors' remuneration	**891,301**	**811,579**

The costs of the review of the half year reporting package were incurred by the Bank and recharged to Access Bank Plc. The 2021 total above excludes a scope variation of $275,180 in respect of the 2020 statutory audit.

12. Tax

	Year ended 31 December 2022 $	Year ended 31 December 2021 $
Current tax:		
UK corporation tax	13,395,520	11,246,559
Deferred tax:		
Temporary difference, origination and reversal	(25,803)	117,755
Tax charge on profit on ordinary activities	**13,369,717**	**11,364,314**
Profit before tax	58,700,008	51,859,841
Profit before tax multiplied by the mainstream 19.00%	11,153,002	9,853,370
Expenses not deductible for tax purposes	117,351	44,038
Capital allowances less than depreciation	(504,034)	(44,479)
Bank surcharge	2,196,938	1,393,737
Temporary difference, origination and reversal	(25,803)	117,755
Effect of tax rate change	432,263	(107)
Current tax expense	**13,369,717**	**11,364,314**
Effective tax rate	22.78%	21.91%

The tax on the Bank's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits as above.

	Year ended 31 December 2022 $	Year ended 31 December 2021 $
Deferred tax liability:		
Balance as at 1 January	509,917	395,016
Charged to comprehensive income	(25,803)	117,755
Currency translation impact	–	(2,854)
Balance as at 31 December	**484,114**	**509,917**

The mainstream rate of corporation tax for the tax year was 19.00% and the bank corporation tax surcharge rate of 8.00% was applicable on profits above £25,000,000 and this resulted in a weighted average effective tax rate of 22.78% for 2022 (2021: 21.95%). The deferred tax liability as at 31 December 2022 has been calculated based on an effective rate of 22.78% (2021: 21.95%).

The deferred tax liability relates to timing differences between fixed assets depreciation and capital allowance amounts.

13. Investment securities

	31 December 2022 $	31 December 2021 $
US Treasury bills and government bonds	711,513,304	607,500,000
Listed equity securities in financial institutions	2,497,339	2,546,734
	714,010,643	**610,046,734**

The US Treasury bills and government bonds are held as part of the Bank's liquidity buffer and are either held directly or indirectly through the BlackRock US Treasury Fund and JP Morgan USD Treasury Institutional Fund. The maturity analysis of these investment securities is disclosed in note 24.

Notes to the Financial Statements *continued*

For the year ended 31 December 2022

14. Loans and advances to banks

	31 December 2022 $	31 December 2021 $
Loans and advances to other banks	842,724,045	670,185,456
Loans to Parent	403,417,032	179,350,887
Loans to subsidiaries	23,441,292	–
Total gross amount	**1,269,582,369**	**849,536,343**
Allowance for impairment losses	(80,341)	(78,483)
Total net amount	**1,269,502,028**	**849,457,860**

Loans and advances to banks are categorised as 'amortised cost' in accordance with IFRS 9. See note 2 for definition.

As at 31 December 2022 there were no loans to banks that were credit impaired (2021: there were no impaired loans). The fair value of the cash collateral held and the maturity profile of these loans is disclosed in note 24.

15. Loans and advances to customers

	31 December 2022 $	31 December 2021 $
Loans and advances to corporates	974,174,617	944,651,572
Loans secured on property	108,488,037	118,104,054
Other secured personal loans	75,898,101	66,491,771
Allowance for impairment losses	(43,682,175)	(74,848,369)
Total net amount	**1,114,878,580**	**1,054,399,028**

Loans and advances to customers are categorised as 'amortised cost' in accordance with IFRS 9. See note 2 for definition.

As at 31 December 2022 there were property loans to nine customers of $5,429,779 that were credit impaired (2021: property loans to seven customers of $4,896,968). These loans were collateralised with current property value of $12,161,641 (2021: $11,110,435).

As at 31 December 2022 there were trade loans to 10 customers of $114,938,123 that were credit impaired with an impairment provision of $42,887,946. These loans were collateralised by cash collateral of $5,549,900 or subject to credit insurance of $105,764,677. As at 31 December 2021 there were trade loans to ten customers of $180,401,046 that were credit impaired with an impairment provision of $74,317,562. These loans were collateralised by cash collateral of $10,599,192 or subject to credit insurance of $158,250,030.

The maturity profile of these loans is disclosed in note 24.

16. Property, plant, equipment and right-of-use assets

a) Property, plant and equipment

	Leasehold improvements $	Computer equipment $	Motor vehicles $	Furniture, fixtures and fittings $	Capital work in progress $	Total $
Cost						
Balance at 1 January 2022	1,471,188	1,440,212	168,196	480,252	108,025	3,667,873
Additions	12,355	484,359	–	27,971	2,439	527,124
Disposals	(13,965)	–	–	–	–	(13,965)
FX Translation difference	–	–	–	(1)	1	–
Balance at 31 December 2022	**1,469,578**	**1,924,571**	**168,196**	**508,222**	**110,465**	**4,181,032**
Balance at 1 January 2021	1,455,796	1,329,927	168,196	469,765	98,987	3,522,671
Additions	15,392	110,285	–	10,487	9,038	145,202
Balance at 31 December 2021	**1,471,188**	**1,440,212**	**168,196**	**480,252**	**108,025**	**3,667,873**

	Leasehold improvements $	Computer equipment $	Motor vehicles $	Furniture, fixtures and fittings $	Capital work in progress $	Total $
Accumulated depreciation						
Balance at 1 January 2022	(1,078,091)	(1,112,213)	(133,015)	(400,401)	–	(2,723,720)
Depreciation for the year	(71,220)	(246,821)	(13,788)	(32,874)	–	(364,703)
Disposals	1,817	–	–	–	–	1,817
FX Translation Difference	–	–	25	–	–	25
Balance at 31 December 2022	(1,147,494)	(1,359,034)	(146,778)	(433,275)	–	(3,086,581)
Balance at 1 January 2021	(918,874)	(893,056)	(117,733)	(358,117)	–	(2,287,780)
Depreciation for the year	(159,217)	(219,157)	(15,282)	(42,284)	–	(435,940)
Balance at 31 December 2021	(1,078,091)	(1,112,213)	(133,015)	(400,401)	–	(2,723,720)
Net book value						
At 31 December 2022	**322,084**	**565,537**	**21,418**	**74,947**	**110,465**	**1,094,451**
At 31 December 2021	**393,097**	**328,000**	**35,181**	**79,851**	**108,026**	**944,155**

Capital work in progress represents costs incurred on various tangible projects, whose costs will be depreciated when brought into primary use.

b) Right-of-use assets

	Buildings $	Total $
Cost		
Balance at 1 January 2022	8,633,695	8,633,695
Additions	–	–
Balance at 31 December 2022	**8,633,695**	**8,633,695**
Accumulated depreciation		
Balance at 1 January 2022	(3,442,433)	(3,442,433)
Charge for the year	(1,359,248)	(1,359,248)
Balance at 31 December 2022	**(4,801,681)**	**(4,801,681)**
Net book value at 31 December 2022	**3,832,014**	**3,832,014**

	Buildings $	Total $
Cost		
Balance at 1 January 2021	7,251,649	7,251,649
Additions	1,382,046	1,382,046
Balance at 31 December 2021	**8,633,695**	**8,633,695**
Accumulated depreciation		
Balance at 1 January 2021	(2,400,237)	(2,400,237)
Depreciation for the year	(1,042,196)	(1,042,196)
Balance 31 December 2021	**(3,442,433)**	**(3,442,433)**
Net book value at 31 December 2021	**5,191,262**	**5,191,262**

Notes to the Financial Statements *continued*

For the year ended 31 December 2022

16. Property, plant, equipment and right-of-use assets continued

Lease liabilities

	31 December 2022 **$**	31 December 2021 $
Current	1,191,133	1,624,298
Non-current	2,173,435	3,469,428
Total carrying amount	**3,364,568**	**5,093,726**

Amounts recognised in the statement of comprehensive income

The statement of comprehensive income shows the following relating to leases:

	Year ended 31 December 2022 **$**	Year ended 31 December 2021 $
Depreciation charge of right to use assets	1,359,248	1,042,196
Interest expense (included in finance cost)	91,170	100,251
Expense relating to short-term leases (included in administrative expenses)	–	52,181
Expense relating to leases with substantive substitution rights (included in administrative expenses)	39,248	41,081
	1,489,666	**1,235,709**

The total cash outflow for leases in 2022 was $1,351,378 (2021: $1,156,685).

17. Intangible assets

	Intangible work in progress **$**	**Computer software** **$**	**Total** **$**
Cost			
Balance at 1 January 2022	1,579,990	4,877,484	6,457,474
Additions	994,209	744,893	1,739,102
Disposals	–	–	–
Transfers	(554,795)	554,795	–
FX Translation Difference	–	(31)	(31)
Balance at 31 December 2022	**2,019,404**	**6,177,141**	**8,196,545**
Balance at 1 January 2021	1,186,709	4,539,885	5,726,594
Additions	557,551	182,902	740,453
Transfers from capital work in progress	(9,573)	–	(9,573)
FX Translation Difference	(154,697)	154,697	–
Balance at 31 December 2021	**1,579,990**	**4,877,484**	**6,457,474**
Accumulated amortisation			
Balance at 1 January 2022	–	(3,779,521)	(3,779,521)
Amortisation for the year	–	(565,746)	(565,746)
Balance at 31 December 2022	**–**	**(4,345,267)**	**(4,345,267)**
Balance at 1 January 2021	–	(3,349,901)	(3,349,901)
Amortisation for the year	–	(429,620)	(429,620)
Balance at 31 December 2021	**–**	**(3,779,521)**	**(3,779,521)**
Net book value			
As at 31 December 2022	**2,019,404**	**1,831,874**	**3,851,278**
As at 31 December 2021	**1,579,990**	**1,097,933**	**2,677,923**

The intangible assets relate to software applications and licences purchased, and capitalised consultancy fees relating to their implementation. The intangible work in progress represents costs incurred on various software projects, whose costs will be amortised when brought into primary use.

18. Other assets

	31 December 2022 $	31 December 2021 $
Financial assets		
Derivative financial instruments (see note 22)	860,802	231,152
Accrued income	8,054,067	5,479,491
Amounts due from fellow Group undertakings	1,418,245	1,361,513
Other receivables	5,557,351	2,392,268
Non-financial assets		
Prepayments	7,046,952	17,548,767
	22,937,417	**27,013,191**

19. Deposits from banks

	31 December 2022 $	31 December 2021 $
Amounts due to Group undertakings		
Parent bank	969,282,463	904,145,413
Subsidiaries	22,319,491	29,674,980
Amounts due to other banks	1,009,987,954	808,338,350
	2,001,589,908	**1,742,158,743**

The maturity profile of these deposits is disclosed in note 24.

20. Deposits from customers

	31 December 2022 $	31 December 2021 $
Current accounts	447,854,480	404,964,627
Deposit accounts	804,359,066	530,833,747
	1,252,213,546	**935,798,374**

The maturity profile of these deposits is disclosed in note 24.

Notes to the Financial Statements *continued*

For the year ended 31 December 2022

21. Other liabilities

	31 December 2022 $	31 December 2021 $
Financial liabilities		
Derivative financial instruments (see note 22)	975,798	1,420,765
Amounts due to fellow Group undertakings	89,904	59,704
Social security and other taxes	485,856	863,515
Other financial liabilities	8,124,125	8,507,910
Lease liabilities	3,364,568	5,093,726
	13,040,251	**15,945,620**
Non-financial liabilities		
Other creditors including accrued expenses	1,038,241	1,674,844
Deferred income	8,859,319	7,863,317
	22,937,811	**25,483,781**

22. Derivative financial instruments

	Notional value 31 December 2022 $	Notional value 31 December 2021 $	**31 December 2022 $**	31 December 2021 $
Forward foreign currency contracts				
Receivables	62,384,972	17,931,005	860,802	231,152
Payables	62,211,137	82,702,192	(975,798)	(1,420,765)

Derivative financial instruments consist of short-term forward foreign exchange contracts. Forwards are held for day-to-day cash management rather than for trading purposes and are held at fair value. These foreign exchange contracts have intended settlement dates within twelve months. This is the only category of derivative instruments held by the Bank as at 31 December 2022. All forward contracts are considered to be Level 2 (i.e. are priced with reference to observable market data).

23. Commitments and guarantees

a) Pension commitments

The Bank provides a defined contribution pension scheme for all staff. The assets of the scheme are held separately from those of the Bank in independently administered funds. During the year, pension costs of $1,210,411 (31 December 2021: $1,228,096) were charged to profit and loss. As at the balance sheet date there was $Nil pension payable balance (2021: $12,391).

b) Trade finance commitments

	31 December 2022 $	31 December 2021 $
Letters of credit	477,022,142	367,661,716
Other commitments	18,013,516	14,718,840
Guarantees	15,871,683	33,930,920
	510,907,341	**416,311,476**

Included in letters of credit and guarantees are cash collateralised transactions amounting to $112,997,745 (2021: $121,710,570). Other commitments relate to undrawn property commitments.

c) Operating lease commitments

	31 December 2022 $	31 December 2021 $
Less than 1 year	81,075	88,212
1-5 years	95,047	197,351
Above 5 years	–	–
	176,122	**285,563**

The Bank has adopted IFRS 16 Leases from 1 January 2019 and the above represents leases with substantive substitution rights.

24. Financial instruments

a) Financial instruments classification

2022	Amortised cost $	Financial assets at FVPL $	Financial assets at FVOCI $	Total $
Assets				
Cash at bank	634,602,649	–	–	634,602,649
Money market placements	3,600,384	–	–	3,600,384
Loans and advances to banks	1,269,502,028	–	–	1,269,502,028
Loans and advances to customers	1,114,878,580	–	–	1,114,878,580
Derivative instruments	–	860,802	–	860,802
Investment securities	–	711,513,304	2,497,339	714,010,643
Other financial assets	15,029,663	–	–	15,029,663
Total assets	**3,037,613,304**	**712,374,106**	**2,497,339**	**3,752,484,749**

2022	Financial liabilities at amortised cost $	Financial liabilities at FVPL $	Total $
Liabilities			
Deposits from banks	2,001,589,908	–	2,001,589,908
Deposits from customers	1,252,213,546	–	1,252,213,546
Derivatives	–	975,798	975,798
Other financial liabilities	12,064,453	–	12,064,453
Total liabilities	**3,265,867,907**	**975,798**	**3,266,843,705**

2021	Amortised cost $	Financial assets at FVPL $	Financial assets at FVOCI $	Total $
Assets				
Cash at bank	531,094,912	–	–	531,094,912
Money market placements	3,928,474	–	–	3,928,474
Loans and advances to banks	849,457,860	–	–	849,457,860
Loans and advances to customers	1,054,399,028	–	–	1,054,399,028
Derivative instruments	–	231,152	–	231,152
Investment securities	–	607,500,000	2,546,734	610,046,734
Other financial assets	9,233,272	–	–	9,233,272
Total assets	**2,448,113,546**	**607,731,152**	**2,546,734**	**3,058,391,432**

2021	Financial liabilities at amortised cost $	Financial liabilities at FVPL $	Total $
Liabilities			
Deposits from banks	1,742,158,743	–	1,742,158,743
Deposits from customers	935,798,374	–	935,798,374
Derivatives	–	1,420,765	1,420,765
Other financial liabilities	14,524,855	–	14,524,855
Total liabilities	**2,692,481,972**	**1,420,765**	**2,693,902,737**

Notes to the Financial Statements *continued*

For the year ended 31 December 2022

24. Financial instruments continued

b) Valuation hierarchy

The table below analyses the financial assets and liabilities of the Bank which are carried at fair value, in line with the accounting policy on page 24. They are categorised into Levels 1 to 3 based on the degree to which their fair value is observable. The fair value measurement approach is recurring in nature.

2022	Level 1 $	Level 2 $	Level 3 $	Total $
Financial assets at FVPL:				
Investment securities	711,513,304	–	–	711,513,304
Derivative financial instruments	–	860,802	–	860,802
Financial assets at FVOCI:				
Investment securities	2,497,339	–	–	2,497,339
Total Financial assets carried at fair value	**714,010,643**	**860,802**	**–**	**714,871,445**
Financial liabilities at FVPL:				
Derivative financial instruments	–	975,798	–	975,798
Total financial liabilities carried at fair value	**–**	**975,798**	**–**	**975,798**

2021	Level 1 $	Level 2 $	Level 3 $	Total $
Financial assets at FVPL:				
Investment securities	607,500,000	–	–	607,500,000
Derivative financial instruments	–	231,152	–	231,152
Financial assets at FVOCI:				
Investment securities	2,546,734	–	–	2,546,734
Total Financial assets carried at fair value	**610,046,734**	**231,152**	**–**	**610,277,886**
Financial liabilities at FVPL:				
Derivative financial instruments	1,420,765	–	–	1,420,765
Total financial liabilities carried at fair value	**1,420,765**	**–**	**–**	**1,420,765**

c) Risk management

Management of the Bank's risk management function is the responsibility of the Risk and Compliance Director. The Risk and Compliance department is delegated responsibility for the day-to-day monitoring of the individual risks by the Chief Executive Officer/Managing Director. The purpose of each of the areas is to ensure that market, credit, liquidity and operational risk in the Bank is kept within the guidelines set by the Board.

The Chief Executive Officer/Managing Director is responsible for providing an oversight function that will consider all the risks on a consolidated basis and, in this respect, chairs the main management risk committees. The credit and market risk and operational risk functions report to the Risk and Compliance Director.

In order to manage its risks, the Bank has adopted a Three Lines of Defence model:

- The First Line of Defence is the framework for policies and procedures put in place by the Board, covering all the Bank's operations. Policies are developed covering all operational areas, as well as credit risk, liquidity risk, concentration risk, trading book risk and provisioning.
- The Second Line of Defence consists of the Risk and Compliance department which is in place to establish and oversee appropriate systems for the Bank in proportion to its scale, nature and complexity. Systems are in place to address credit risk, market risk, liquidity risk, and operational risk.
- The Third Line of Defence is the review of all the Bank's operations and risk management operations by the Internal Audit function, reporting to the Board Risk and Audit Committee.

d) Credit risk
Credit risk is the risk of suffering financial loss, should any of the Bank's customers, clients or market counterparties fail to fulfil their contractual obligations to the Bank. Credit risk arises mainly from interbank, commercial and consumer loans and advances, and loan commitments arising from such lending activities, but can also arise from credit enhancement provided, financial guarantees, letters of credit, endorsement and acceptances.

The credit risk function encompasses both strategic and operational areas of focus: strategic in the sense that it works closely with the Bank's executive in managing the risk appetite agreed by the Board, researching target markets and clients, reviewing the credit risk dimension of products and having overall responsibility for portfolio credit quality, monitoring and control; and operational in the sense that credit risk works closely with the front office relationship and sales teams, supporting the analysis of credit risk for business written, handling the overall risk assessment for transactions and approving or otherwise the writing and marking of credit exposure.

Several control frameworks are in place; examples include:
- maximum exposure guidelines relating to the exposures to any individual customer or counterparty;
- country risk policy specifying risk appetite by country and avoiding excessive concentration of credit risk in individual countries; and
- policies that limit financing to certain industrial sectors.

Multiple methodologies are used to inform the decision on individual large credits, including internal analysis, rating agency ratings, and for wholesale assets market information such as credit spreads. For smaller credits, a single source may suffice such as the result from a rating agency. The Basel III approach is used to implement the Standardised Model.

Credit risk is the single largest risk for the Bank's business; management therefore carefully manages its exposure to credit risk. Credit risk management and control are centralised in a credit risk management team which reports regularly to the Board of Directors.

The estimation of credit exposure for risk management purposes requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, and the associated loss ratios.

The Bank estimates ECLs using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD).

The PDs of the Bank's main portfolios were determined as follows:

The Bank has used reasonable and supportable information that is available without undue cost or effort about past events, current conditions and forecasts of future economic conditions. The Bank commissioned a leading Pan African Credit Rating Agency to provide Through the Cycle ('TTC') Probability of Default data ('PD') for the portfolio of loans to banks, which are then converted to Point in Time ('PIT') PDs as required by IFRS 9. The Bank uses Fitch ratings for cash and short-term placements, which are placed with non-African banks, with Fitch ratings of BBB- and above.

Loans to banks
This is mainly made up of loans to Sub-Saharan African Correspondent banks, and group undertakings (which were fully cash collateralised). The Bank utilised the ratings and data supplied by a leading Pan African Credit Rating Agency across the Correspondent Banking lending portfolios.
- The Bank has calculated the EAD to be the full value of the exposure plus future interest accrued to maturity (or a 12-month period) on a transaction by transaction basis.
- Loss Given Default (LGD) – LGDs are determined individually for contingent and direct exposures. The starting point for estimating the LGD is the standard LGD rate of 45.00% set out in the capital requirement framework under Basel II, which is then adjusted to reflect any collateral received, and the specific circumstances of the borrower.

Loans to customers
This is mainly made up of loans and advances to corporates including loans subject to credit insurance, loans secured by property and other secured personal loans. For the loans and advances to corporates, the Bank has utilised the ratings and probability of default data supplied by Access Bank Plc where available, which management deem to be a reasonable estimation, given their in-depth knowledge of the local market, and these customers. With respect to corporates where Access Plc has been unable to provide a PD, as a proxy we have applied a PD rating of 15.03%, equivalent of a Bank risk rating of three and being the lowest rated customer that the Bank would lend to under this product. For Loans secured by credit insurance, we have engaged with experts to advise on the likelihood of the Bank receiving a pay-out under each policy.
- The Bank has calculated the EAD to be the full value of the exposure plus future interest accrued to maturity (or a 12-month period) on a transaction by transaction basis.
- Loss Given Default (LGD) – LGDs are determined individually for contingent and direct exposures. The starting point for estimating the LGD is the standard LGD rate of 45.00% set out in the capital requirement framework under Basel II, which is then adjusted to reflect any collateral received, as detailed on pages 42-43, and the specific circumstances of the borrower. For credit insured loans, the Bank takes into account the rating of the insurance provider, when estimating the LGD.

Notes to the Financial Statements *continued*

For the year ended 31 December 2022

24. Financial instruments continued

d) Credit risk continued

Cash at bank and money market placements

This portfolio reflects the following activity:

- Overnight current account balances.
- Short-term deposit placements in support of low-risk trade finance instruments.
- Bank of England reserves account balances.

The Bank has utilised the ratings and data supplied by the Fitch Ratings Agency.

Investment securities

This portfolio consists of short dated US Government Treasury Bill Holdings. The PDs have been derived from historic Fitch Ratings default data, adjusted in accordance with the corresponding short-term and long-term ratings outlook.

Expected credit loss measurement

The introduction of IFRS 9 introduced three mandated staging criteria for assessing the requirement for impairment provisions. The three stages are summarised below:

- Underlying assets classed as 'Performing', with no significant increase in credit risk are classified in "Stage 1". Within Stage 1, assets are classified as investment grade where the obligors have Fitch investment grade ratings of AAA, AA or A while all other Stage 1 exposures are classified as non-investment grade.
- The underlying asset would be moved to "Stage 2" if there is a significant increase in credit risk. This asset is classed as 'Under Performing'.
- The underlying asset is moved to "Stage 3" if it is classed as 'Non-Performing' and is deemed to be credit impaired.

Financial instruments in Stage 1 have their ECL measured at initial recognition for a 12-month period, with the loss allowance being charged through statement of comprehensive income.

Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis following the occurrence of an event that significantly increases the credit risk of a financial asset since initial recognition.

The following diagram summarises the impairment requirements under IFRS 9 (other than purchased or originated credit-impaired financial assets):

Change in credit quality since original recognition

Stage 1	Stage 2	Stage 3
(Initial recognition)	(Significant increase in credit risk since initial recognition)	(Default/Credit-impaired assets)
12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

Transition from Stage 1 to Stage 2

Transition from Stage 1 to Stage 2 occurs when a loan or debt instrument is assessed to have experienced significant increase in credit risk:

Quantitative measures

The Bank will downgrade an exposure when an exposure is not being serviced and/or where an interest payment is not covered (servicing difficulties).

As a default assumption any asset for which a payment is past due by more than 30 days will move from Stage 1 to Stage 2.

Qualitative measures

The Bank will assess a number of criteria to assess whether there is an indication of a significant increase in credit risk, the most significant of which are:

- Covenant breaches.
- Security shortfalls.
- Significant adverse developments.

Transition from Stage 2 to Stage 3
A loan or debt instrument is moved from Stage 2 to Stage 3 when the facility is considered to be in default or credit impaired.

Quantitative measures
Any exposures with more than three missed payments, or which is more than 90 days past due, are considered to be in default for IFRS 9 purposes.

Qualitative measures
The Bank will assess a number of criteria to assess whether an asset is credit impaired, the most significant of which are:
- Where there are continual requests for the rolling or extension of the exposure, which prompt a requirement for enhanced scrutiny.
- Continued covenant breaches.
- Continued security shortfalls.
- Continued adverse developments.

The above measures are not exhaustive and a recommendation can be made for the exposure to be downgraded if there are other factors which indicate an increase in credit risk.

Measuring ECL – explanations of inputs, assumptions and estimation techniques
The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit- impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD), defined as below:
- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per 'definition of default and credit-impaired' above), either over the next 12 months (12M PD), or over the remaining lifetime (lifetime PD) of the obligation.
- EAD is based on the amounts the Bank expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (lifetime EAD). For example, for a revolving commitment, the Bank includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.
- Loss Given Default (LGD) represents the Bank's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.
- With respect to loans to customers subject to trade credit insurance policies (structured trade finance) which have defaulted, or have encountered severe financial difficulties such that the likelihood of recovery from customers is remote, the most likely source of recovery is under the insurance policy and the Bank has estimated the likelihood of the Bank receiving a pay-out based on a successful claim in accordance with the insurance policy. The terms of the insurance policies mean that there is uncertainty as to whether the Bank's claims will be successful. For certain claims, where customers are in default and claims have been submitted, the Bank has engaged experts to advise on the likelihood of the Bank receiving a pay-out under each policy, and the experts have provided a range of probabilities of success for each claim. Management have then exercised their judgement to select a probability of recovery from within each range. For the remainder of the claim's, management have exercised their judgement to determine a probability of recovery for each customer based on their evaluation of available information. The information considered by management and their experts included underlying transaction details and contracts, the terms and conditions of the respective insurance policies and relevant correspondence with insurers and customers.

The ECL is determined by projecting the PD, LGD and EAD for each individual exposure. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not been prepaid or defaulted in an earlier month).

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type. The majority of the loan book consists of amortising products and bullet repayment loans, and the EADs are based on the contractual repayments owed by the borrower over a 12-month or lifetime basis. This will also be adjusted for any expected overpayments made by the borrower. Early repayment/refinance assumptions are also incorporated into the calculation.

The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. These vary by product type. For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and recovery costs observed.

The assumptions underlying the ECL calculation – such as how the maturity profile of the PDs and how collateral values change etc. – are monitored and reviewed on a quarterly basis.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

Notes to the Financial Statements *continued*

For the year ended 31 December 2022

24. Financial instruments continued

d) Credit risk continued

Forward-looking information incorporated in the ECL models

The recognition and measurement of ECL is complex and involves the use of significant judgement and estimation. This includes the formulation and incorporation of forward-looking economic scenarios to meet the measurement objective of IFRS 9. In considering the forward-looking economic scenarios, the Bank has assessed its various portfolios to identify those that share common characteristics. An analysis of the Bank's business model and balance sheet shows three main portfolios, each sharing common characteristics, being cash at bank and money market placements, loans to banks and corporates that are related to Nigeria and other Sub-Saharan countries, and loans to individuals and corporates that are secured on UK property. For each portfolio the Bank has determined three economic scenarios, representative of our view of forecast economic conditions for each, which are selected in order to calculate an unbiased ECL. They represent a central outcome reflective of current position as at 31 December 2022 ('base' scenario) and two outer scenarios, referred to as the 'upside' and 'downside' scenarios.

For cash at bank and money market placements, in determining the three scenarios, we have considered GDP growth, interest rates, and total consumer spending, and the potential impact of the vaccination programme on the recovery from the COVID-19 pandemic. The base scenario is assigned a weighting of 50%, the upside scenario 25% and the downside scenario 25%, with this weighting to the upside reflecting the developments in the vaccination programme. To model the impact of each scenario, we have assumed that for the upside scenario the PDs and LGDs are each decreased by 30% (i.e. a 20% PD would become 14%), and for the downside scenario the PDs and LGDs are each increased by 30%.

For loans and advances to banks and corporates that are related to Nigeria and other Sub-Saharan countries, in determining the three scenarios, we have considered GDP growth, oil prices, oil production and foreign currency reserves. The base scenario is assigned a weighting of 50%, the upside scenario 20% and the downside scenario 30%, with the weighting to the upside reflecting that figures the latest growth forecasts. To model the impact of each scenario, we have assumed that for the upside scenario the PDs and LGDs are each decreased by 23%, and for the downside scenario the PDs and LGDs are each increased by 28%.

For loans secured on property, the key determinant was house prices. The base scenario is assigned a weighting of 70%, the upside scenario 20% and the downside scenario 10%. For the upside scenario we have assumed there is no change in house prices, and for the downside scenario we have assumed a one-year decrease in house prices of 26%.

For loans to customers subject to trade credit insurance policies (structured trade finance) which have defaulted, or where customers have encountered severe financial difficulties and the likelihood of recovery from the customer is remote, the most likely recovery is under the underlying insurance policy. Consequently, the likelihood of recovery under the insurance policy is the key determinant in calculating the ECL. As noted above management exercise judgement in this respect, with the probability of recovery set on a customer by customer basis dependent upon the underlying circumstances for each customer and the terms of the relevant insurance policy. Across all loans where recovery is expected from a successful claim under the insurance policy, the range of probabilities for a successful insurance claim used in determining the allowance for ECL is 25% to 75%.

The forward-looking economic scenarios and weightings above are deemed appropriate for the computation of an unbiased ECL.

Sensitivity of ECL calculations

The estimation of the ECL for Stage 2 and 3 loans requires significant judgement, particularly for Stage 3 loans where the entity is in default. In particular as noted under the critical accounting judgements, as at 31 December 2022, the assessment of the estimate of the likelihood of the Bank receiving a pay-out under the insurance policies that are integral for certain customer loans, was the most significant judgement.

Across the portfolio, the credit impairment provision for Stage 1 loans is not particularly sensitive to a change in the weighting. A 20% increase in the scenario weighting of the downside scenarios across the portfolios (e.g. the downside weighting for cash at bank and money market placements increases from 30% to 50%), coupled with a 20% decrease in the weighting of the base scenario, would result in an increase of $126,781 in the impairment provision. Applying a weighting of 100% to the downside scenario would result in an increase of $267,442 in the impairment provision.

For customer loans that are subject to credit insurance and which are at Stage 3, the ECL is estimated on a customer-by-customer basis under two scenarios (base and downside) with probability weights assigned based on recovery prospects, and in particular the likelihood of a pay-out under the underlying credit insurance policy. To illustrate the sensitivity of the ECL estimation, a 10% change in the weighting to the downside scenario across the Stage 2 and 3 loans (e.g. a downside weighting of 50% would be changed to 60%) would result in the provision being increased by $8,315,595, whilst a 10% reduction in the downside scenario would result in the provision being decreased by $8,511,798.

The above sensitivities represent management's best estimate of the reasonably possible range of outcomes and as a result the allowance for ECL could materially diverge from management's estimate used in these financial statements.

Credit risk exposure

Maximum exposure to credit risk – financial instruments subject to impairment

The maximum exposure to credit risk exposure in the event of other parties failing to perform their obligations is presented below. No account is taken of any collateral held and the maximum exposure to loss is considered to be the balance sheet carrying amount or, for non-derivative off-balance sheet transactions, their contractual nominal amounts.

	31 December 2022 $	31 December 2021 $
Cash at bank	634,602,649	531,094,912
Money market placements	3,600,384	3,928,474
Investment securities	714,010,643	610,046,734
Loans to customers:		
Retail loans (including retail mortgages)	151,522,375	147,076,616
Corporate loans (including corporate mortgages)	963,356,205	907,322,412
Loans to banks	1,269,502,028	849,457,860
Total on balance sheet	**3,736,594,284**	**3,048,927,008**
Guarantees	15,871,683	33,930,920
Other commitments	18,013,516	14,718,840
Letters of credit	477,022,142	367,661,716
Maximum credit risk exposure	**4,247,501,625**	**3,465,238,484**

The Bank's maximum exposure to credit risk before allowing for collateral held was $4,247,501,625 (2021: $3,465,238,484), these amounts include all financial assets and commitments. The credit risk exposure contains impaired exposures made up of property loans of $5,429,778 (2021: $4,896,968) which were fully collateralised and trade loans of $114,938,123 (2021: $180,401,046) which were collateralised by cash collateral of $5,549,900 and credit insurance of $105,764,677 (2021: cash collateral of $10,599,192 and credit insurance of $158,250,030).

As at 31 December 2022, the Bank's maximum exposure to credit risk after allowing for collateral held was $2,346,107,403 (2021: $1,951,794,076).

Total trade-related exposure was $2,637,512,389 (2021: $2,066,338,742) against which the Bank had cash collateral of $787,311,863 (2021: $506,166,272) and Nigerian Treasury Bills and Federal Government of Nigeria Bonds of $277,157,065 held with Access Bank Plc (2021: $330,487,899).

The following tables contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the Bank's maximum exposure to credit risk on these assets.

Notes to the Financial Statements *continued*

For the year ended 31 December 2022

24. Financial instruments continued

d) Credit risk continued

	Cash at bank 2022 ECL Staging			
	Stage 1 12-month ECL $	**Stage 2 lifetime ECL $**	**Stage 3 lifetime ECL $**	**Total $**
Credit grade				
Investment grade	634,605,490	–	–	634,605,490
Standard monitoring	12,121	–	–	12,121
Special monitoring	–	–	–	–
Default	–	–	–	–
Gross carrying amount	**634,603,062**	**–**	**–**	**634,603,062**
Loss allowance	(413)	–	–	(413)
Carrying amount	**634,602,649**	**–**	**–**	**634,602,649**

	Money market placements 2022 ECL Staging			
	Stage 1 12-month ECL $	**Stage 2 lifetime ECL $**	**Stage 3 lifetime ECL $**	**Total $**
Credit grade				
Investment grade	3,591,396	–	–	3,591,396
Standard monitoring	9,029	–	–	9,029
Special monitoring	–	–	–	–
Default	–	–	–	–
Gross carrying amount	**3,600,425**	**–**	**–**	**3,600,425**
Loss allowance	(41)	–	–	(41)
Carrying amount	**3,600,384**	**–**	**–**	**3,600,384**

	Loans to customers 2022 ECL Staging			
	Stage 1 12-month ECL $	**Stage 2 lifetime ECL $**	**Stage 3 lifetime ECL $**	**Total $**
Credit grade				
Standard monitoring	1,035,081,471	–	–	1,035,081,471
Special monitoring	–	10,751,443	–	10,751,443
Default	–	–	112,727,842	112,727,842
Gross carrying amount	**1,035,081,471**	**10,751,443**	**112,727,842**	**1,158,560,756**
Loss allowance	(775,788)	(18,442)	(42,887,946)	(43,682,176)
Carrying amount	**1,034,305,683**	**10,733,001**	**69,839,896**	**1,114,878,580**

	Loans to banks 2022 ECL Staging			
	Stage 1 12-month ECL $	**Stage 2 lifetime ECL $**	**Stage 3 lifetime ECL $**	**Total $**
Credit grade				
Investment grade	–	–	–	–
Standard monitoring	1,269,582,369	–	–	1,269,582,369
Special monitoring	–	–	–	–
Gross carrying amount	**1,269,582,369**	**–**	**–**	**1,269,582,369**
Loss allowance	(80,341)	–	–	(80,341)
Carrying amount	**1,269,502,028**	**–**	**–**	**1,269,502,028**

	Cash at bank 2021 ECL Staging			
	Stage 1 12-month ECL $	Stage 2 lifetime ECL $	Stage 3 lifetime ECL $	Total $
Credit grade				
Investment grade	531,091,926	–	–	531,091,926
Non-investment grade	3,806	–	–	3,806
Gross carrying amount	**531,095,732**	**–**	**–**	**531,095,732**
Loss allowance	(820)	–	–	(820)
Carrying amount	**531,094,912**	**–**	**–**	**531,094,912**

	Money market placements 2021 ECL Staging			
	Stage 1 12-month ECL $	Stage 2 lifetime ECL $	Stage 3 lifetime ECL $	Total $
Credit grade				
Investment grade	3,922,493	–	–	3,922,493
Non-investment grade	6,366	–	–	6,366
Gross carrying amount	**3,928,859**	**–**	**–**	**3,928,859**
Loss allowance	(385)	–	–	(385)
Carrying amount	**3,928,474**	**–**	**–**	**3,928,474**

	Loans to customers 2021 ECL Staging			
	Stage 1 12-month ECL $	Stage 2 lifetime ECL $	Stage 3 lifetime ECL $	Total $
Credit grade				
Non-investment grade	927,874,029	–	–	927,874,029
Under performing	–	16,075,352	–	16,075,352
Default monitoring/credit impaired	–	–	185,298,016	185,298,016
Gross carrying amount	**927,874,029**	**16,075,352**	**185,298,016**	**1,129,247,397**
Loss allowance	(486,733)	(44,074)	(74,317,562)	(74,848,369)
Carrying amount	**927,387,296**	**16,031,278**	**110,980,454**	**1,054,399,028**

Notes to the Financial Statements *continued*

For the year ended 31 December 2022

24. Financial instruments continued

d) Credit risk continued

	Loans to banks 2021 ECL Staging			
	Stage 1 12-month ECL $	Stage 2 lifetime ECL $	Stage 3 lifetime ECL $	Total $
Credit grade				
Investment grade	2,410,000	–	–	2,410,000
Non-investment grade	840,925,260	–	–	840,925,260
Under performing	–	6,201,083	–	6,201,083
Gross carrying amount	**843,335,260**	**6,201,083**	**–**	**849,536,343**
Loss allowance	(64,118)	(14,365)	–	(78,483)
Carrying amount	**843,271,142**	**6,186,718**	**–**	**849,457,860**

Maximum exposure to credit risk – financial instruments not subject to impairment

The following table contains an analysis of the maximum credit risk exposure from financial assets not subject to impairment (i.e. FVPL)

	31 December 2022 $	31 December 2021 $
Derivatives	**860,802**	231,152
Debt securities	**–**	–
Other financial assets not subject to impairment	**15,029,663**	9,233,272

Collateral and other credit enhancements

The Bank employs a range of policies and practices to mitigate credit risk. The most common of these is accepting collateral for funds advanced. The Bank has internal policies on the acceptability of specific classes of collateral or credit risk mitigation.

The Bank prepares a valuation of the collateral obtained as part of the loan origination process. This assessment is reviewed periodically. The principal collateral types for loans and advances are:

- Mortgages over residential and non-residential properties.
- Margin agreement for derivatives, for which the Bank has also entered into master netting agreements.
- Guarantees from well reputed local or international bank or financial institutions.
- Charges over financial instruments such as debt securities and equities.
- Credit insurance policies.

Longer-term finance and lending to corporate entities are generally secured.

Collateral held as security for financial assets other than loans and advances depends on the nature of the instrument.

The Bank's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Bank since the prior period.

The Bank's financial assets originated by the mortgage business have sufficiently low 'loan to value' (LTV) ratios, which for most loans results in no loss allowance being recognised in accordance with the Bank's expected credit loss model. The carrying amount of such financial assets is $108,488,037 as at 31 December 2022 (2021: $118,528,840).

The Bank closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the Bank will take possession of collateral to mitigate potential credit losses, or seek payments under related trade credit insurance policies.

Financial assets that are credit-impaired are shown below:

2022	Gross exposure $	Impairment allowance $	Carrying amount $
Credit-impaired assets			
Loans to customers:			
Time loans	107,298,063	42,887,946	64,410,118
Mortgages	5,429,779	–	5,429,779
Total credit-impaired assets	**112,727,842**	**42,887,946**	**69,839,897**

2021	Gross exposure $	Impairment allowance $	Carrying amount $
Credit-impaired assets			
Loans to customers:			
Mortgages	4,896,968	–	4,896,968
Time loans (loans with tenor of less than 1 year)	180,401,048	74,317,562	106,083,486
Total credit-impaired assets	**185,298,016**	**74,317,562**	**110,980,454**

Loss allowance

The loss allowance recognised in the period is impacted by a variety of factors, as described below:

- Transfers between Stage 1 and Stage 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and lifetime ECL;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments derecognised in the period;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;
- Impacts on the measurement of the ECL due to changes made to the model and assumptions;
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis;
- Foreign exchange retranslations for assets denominated in foreign currencies and other movements; and
- Financial assets derecognised during the period and write-off of allowances related to assets that were written off during the period.

The following tables explain the changes in the loss allowance between the beginning and the end of the annual period due to these factors:

Cash at bank	**Stage 1 12-month ECL $**	**Stage 2 lifetime ECL $**	**Stage 3 lifetime ECL $**	**Total $**
Loss allowance as at 1 January 2022	820	–	–	820
New financial assets originated	–	–	–	–
Total net P&L charge during the period	**820**	**–**	**–**	**820**
Changes in PDs/LGDs/EAD	(407)	–	–	(407)
Loss allowance as at 31 December 2022	**413**	**–**	**–**	**413**

Notes to the Financial Statements *continued*

For the year ended 31 December 2022

24. Financial instruments continued

d) Credit risk continued

Money market placements	Stage 1 12-month ECL $	Stage 2 lifetime ECL $	Stage 3 lifetime ECL $	Total $
Loss allowance as at 1 January 2022	385	–	–	385
Movements with P&L impact				
New financial assets originated	–	–	–	–
Changes in PDs/LGDs/EADs	(344)	–	–	(344)
Repayments	–	–	–	–
Total net P&L charge during the period	**(344)**	**–**	**–**	**(344)**
Loss allowance as at 31 December 2022	**41**	**–**	**–**	**41**

Investment securities	Stage 1 12-month ECL $	Stage 2 lifetime ECL $	Stage 3 lifetime ECL $	Total $
New financial assets originated	4,481	–	–	4,481
Total net P&L charge during the period	**4,481**	**–**	**–**	**4,481**
Loss allowance as at 31 December 2022	**4,481**	**–**	**–**	**4,481**

Loans to customers	Stage 1 12-month ECL $	Stage 2 lifetime ECL $	Stage 3 lifetime ECL $	Total $
Loss allowance as at 1 January 2022	486,733	44,074	74,317,562	74,848,369
Transfers:				
Stage 1 to Stage 2	(18,442)	18,442	–	–
Stage 1 to Stage 3	–	–	–	–
Stage 2 to Stage 3	–	(31,793)	31,793	–
Repayments	(276,102)	(12,281)	–	(288,383)
Changes in PDs/LGDs/EADs	(42,814)	–	36,889,078	36,846,264
New financial assets originated	626,411	–	–	626,411
Total net P&L charge during the period	**289,053**	**(25,632)**	**36,920,871**	**37,184,292**
Write-offs	–	–	(68,350,487)	(68,350,487)
Loss allowance as at 31 December 2022	**775,786**	**18,442**	**42,887,946**	**43,682,174**

Loans to banks	Stage 1 12-month ECL $	Stage 2 lifetime ECL $	Stage 3 lifetime ECL $	Total $
Loss allowance as at 1 January 2022	64,118	14,365	–	78,483
Transfers:				
Stage 1 to Stage 2	–	–	–	–
Repayments	(60,839)	(14,365)	–	(75,204)
New financial assets originated	42,848	–	–	42,848
Changes in PDs/LGDs/EADs	34,214	–	–	34,214
Total net P&L charge during the period	**16,223**	**(14,365)**	**–**	**1,858**
Loss allowance as at 31 December 2022	**80,341**	**–**	**–**	**80,341**

Contingents	Stage 1 12-month ECL $	Stage 2 lifetime ECL $	Stage 3 lifetime ECL $	Total $
Loss allowance as at 1 January 2022	57,857	–	–	57,857
New financial assets originated	81,487	–	–	81,487
Total net P&L charge during the period	**81,487**	**–**	**–**	**81,487**
Loss allowance as at 31 December 2022	**139,344**	**–**	**–**	**139,344**

Cash at bank	Stage 1 12-month ECL $	Stage 2 lifetime ECL $	Stage 3 lifetime ECL $	Total $
Loss allowance as at 1 January 2021	869	–	–	869
New financial assets originated	(49)	–	–	(49)
Total net P&L credit during the period	**(49)**	**–**	**–**	**(49)**
Loss allowance as at 31 December 2021	**820**	**–**	**–**	**820**

Money market placements	Stage 1 12-month ECL $	Stage 2 lifetime ECL $	Stage 3 lifetime ECL $	Total $
Loss allowance as at 1 January 2021	760	–	–	760
Repayments	(760)	–	–	(760)
New financial assets originated	385	–	–	385
Total net P&L charge during the period	**(375)**	**–**	**–**	**(375)**
Loss allowance as at 31 December 2021	**385**	**–**	**–**	**385**

Loans to customers	Stage 1 12-month ECL $	Stage 2 lifetime ECL $	Stage 3 lifetime ECL $	Total $
Loss allowance as at 1 January 2021	736,544	8,722,790	48,976,734	58,436,068
Transfers:				
Stage 1 to Stage 2	(31,793)	31,793	–	–
Stage 1 to Stage 3	(66,892)	–	66,892	–
Stage 2 to Stage 3	–	(8,594,488)	8,594,488	–
Repayments	(668,879)	–	(223,516)	(892,395)
Change in PDs/LGDs/EADs	63,341	(116,021)	33,752,825	33,700,145
New financial assets originated	454,412	–	–	454,412
Total net P&L charge during the period	**(249,811)**	**(8,678,716)**	**42,190,689**	**33,262,162**
Write-offs	–	–	(16,849,861)	(16,849,861)
Loss allowance as at 31 December 2021	**486,733**	**44,074**	**74,317,562**	**74,848,369**

Loans to banks	Stage 1 12-month ECL $	Stage 2 lifetime ECL $	Stage 3 lifetime ECL $	Total $
Loss allowance as at 1 January 2021	929,828	–	–	929,828
Transfers:				
Stage 1 to Stage 2	(14,365)	14,365	–	–
Repayments	(914,870)	–	–	(914,870)
New financial assets originated	64,098	–	–	64,098
Change in PDs/LGDs/EADs	(573)	–	–	(573)
Total net P&L credit during the period	**(865,710)**	**14,365**	**–**	**(851,345)**
Loss allowance as at 31 December 2021	**64,118**	**14,365**	**–**	**78,483**

Notes to the Financial Statements *continued*

For the year ended 31 December 2022

24. Financial instruments continued

d) Credit risk continued

Contingents	Stage 1 12-month ECL $	Stage 2 lifetime ECL $	Stage 3 lifetime ECL $	Total $
Loss allowance as at 1 January 2021	–	–	–	57,857
New financial assets originated	57,857	–	–	57,857
Total net P&L credit during the period	**57,857**	**–**	**–**	**57,857**
Loss allowance as at 31 December 2021	**57,857**	**–**	**–**	**57,857**

Write-off policy

The Bank will write off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity and (ii) where the Bank's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

Concentration by sector and location

The table below shows the Bank's exposure based on the markets and regions in which the Bank's customers conduct their business. The location for debt securities is measured based on the location of the issuer of the security.

	31 December 2022 $	31 December 2021 $
Concentration by sector		
Banks	1,479,537,640	914,753,603
Corporate	969,427,990	909,685,515
Government/multilateral development banks	1,151,984,126	1,086,009,702
Retail	151,534,993	147,942,612
	3,752,484,749	**3,058,391,432**
Concentration by location		
Africa	2,115,425,520	1,558,696,692
America	902,576,025	701,486,914
Europe	618,152,278	623,808,757
Other	116,330,926	174,399,069
	3,752,484,749	**3,058,391,432**

The above sector and geographical analyses include only cash at bank and money market placements, loans and advances to banks and to customers, financial assets, derivatives and other financial assets.

The Bank extends credit facilities for international trades to quality rated and unrated counterparties. In respect of placements with banks, all must have a Fitch (or equivalent) rating of no less than BBB-. In respect of banks for which correspondent banking services are provided, all rated counterparties must have a Fitch (or equivalent) rating of no less than B-. As at 31 December 2022, 100% of the Bank's cash and money market placements were held with financial institutions, with Fitch ratings of A- or above (2021: 100%).

e) Market risk

The market risk that the Bank faces is in changes in market prices, such as interest rates and foreign exchange rates, which have an effect on the Bank's income and the value of debt securities.

Management is managing and controlling market risk exposures and ensures that it is within acceptable parameters, while optimising the return on risk.

Foreign exchange risk

The Bank is exposed to foreign exchange risk to the extent of its open position in each non-sterling currency. The Bank has stipulated an internal limit for the maximum open position that can be taken and it is measuring and monitoring this open position on a daily basis. The Bank does not intend to hold securities for trading or undertake any other trading activity, and the only other source of foreign exchange risk to which it is exposed relates to its fulfilling of customer foreign exchange orders.

Assets and liabilities in foreign currency

The Bank manages its exposure to foreign exchange rate fluctuations by matching assets with liabilities in the same currency as far as possible.

2022	Sterling $	US Dollars $	Euro $	Other currencies $	Total $
Assets	562,309,244	3,111,834,319	72,079,374	6,261,812	3,752,484,749
Liabilities	(544,090,718)	(2,646,508,626)	(71,946,217)	(4,298,144)	(3,266,843,705)
Foreign exchange forward contracts	1,704,237	(134,852)	(26,961)	(1,542,424)	–
Net financial (liabilities)/assets	**19,922,763**	**465,190,841**	**106,196**	**421,244**	**485,641,044**

2021	Sterling $	US Dollars $	Euro $	Other currencies $	Total $
Assets	610,350,329	2,416,323,917	27,921,477	3,795,709	3,058,391,432
Liabilities	(534,770,156)	(2,110,428,337)	(46,480,297)	(2,223,947)	(2,693,902,737)
Foreign exchange forward contracts	(65,392,254)	48,551,699	18,168,313	(1,327,758)	–
Net financial (liabilities)/assets	**10,187,919**	**354,447,279**	**(390,507)**	**244,004**	**364,488,695**

A sensitivity analysis has been carried out on the foreign currency open position as at year end using a 10% increase /(decrease) in exchange rates and the foreign currency risk is considered to be immaterial.

Interest rate risk

Interest rate risk represents the sensitivity of the Bank to changes in interest rates. The principal risk to which non-trading assets and liabilities are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of changes in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps. The Bank's Asset and Liability Committee is the monitoring body for compliance with the Bank's policies and is assisted by Treasury in its day-to-day monitoring activities.

The overall non-trading interest rate risk position is managed by Treasury, which uses advances to banks, deposits from banks, and derivative instruments to manage the overall position arising from the Bank's non-trading activities.

A sensitivity analysis carried out on floating rate assets and liabilities as at the statement of financial position date using a 100 basis points increase/(decrease) in interest rates would have increased (decreased) equity and profit or loss by the amounts shown below. This calculation assumes that the changes occurred at the statement of financial position date and had been applied to risk exposures existing at that date.

Impact on profit or loss and equity

	For the year ended 31 Dec 2022 $	For the year ended 31 Dec 2021 $
Increase	1,810,000	4,993,000
Decrease	(1,870,000)	(5,188,000)

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivery of cash or another financial asset. The Bank has documented a Liquidity and Funding Policy Statement and a Liquidity Risk Appetite and Funding Risk Appetite Statement, within the guidelines issued by the Prudential Regulation Authority. The Directors are primarily responsible for overseeing the implementation of the Liquidity and Funding Policy of the Bank and ensuring that the Bank has appropriate procedures to ensure that the Bank's Liquidity Risk Appetite and Funding Risk Appetite are met. The Bank measures and monitors the liquidity position on a daily basis. The Bank considers its funding ability before committing to additional credit facilities and closely monitors upcoming payment obligations.

The Bank undertakes stress tests on its liquidity position which are incorporated into the Bank's Individual Liquidity Adequacy Assessment Process ('ILAAP'). The Bank has also put in place contingency plans to meet its liquidity obligations under stressed scenarios. Aside from any Eligible Liquidity Buffer required by the Bank's ILAAP, the Bank's policy is to hold cash and near liquid assets (including marketable assets) equivalent to at least 10% of its deposit liabilities to meet its liquidity obligations. The liquidity positions are reported to the Board and the policy is reviewed periodically to meet the changing needs.

Notes to the Financial Statements *continued*

For the year ended 31 December 2022

24. Financial instruments continued

e) Market risk continued

Impact of Interest Rate Benchmark Reform Phase 2 (LIBOR cessation)

On 1 January 2022, all LIBOR settings of sterling, euro, Swiss franc and Japanese yen settings, as well as the 1-week and 2-month US dollar settings ceased to be used as interest rate benchmark. This had no impact on the bank as none of its Sterling, Euro or USD exposure as at 1 January was subject to future interest repricing based on these benchmarks.

The remaining US dollar settings will cease on 1 July 2023. As at 31 December 2022, the Bank had $14m being repriced on USD LIBOR, of which the total balance had a maturity date past 30 June 2023.

The following table contains details of all of the financial instruments that the Bank holds at 31 December 2022 which reference USD LIBOR and have not yet transitioned to SOFR or an alternative interest rate benchmark.

	31 Dec 2022 Assets $
Non-derivative assets exposed to USD LIBOR	
Loans and advances to banks	6,667,500
Loans and advances to customers	7,487,780
	14,155,280

Of the above financial instruments, $14m relate to syndicated loans where the Bank is a participant and discussions are ongoing with the lead arrangers in respect of the plans for transition from the US dollar LIBOR.

f) Liquidity risk

This table shows the liquidity analysis of financial assets and liabilities analysed based on their contractual maturity date. The financial liabilities are shown on an undiscounted basis other than for balances due within 12 months which are shown at their carrying amount as the impact of discounting is not significant.

2022	Less than 3 months $	Between 3 & 12 months $	More than 12 months $	Total $
Assets				
Cash at bank	634,602,649	–	–	634,602,649
Money market placements	2,892,195	708,189	–	3,600,384
Financial derivatives	860,802	–	–	860,802
Other financial assets	1,831,553	5,041,763	8,156,347	15,029,663
Investment securities	711,513,304	–	2,497,339	714,010,643
Loans and advances to banks	718,558,042	473,537,798	77,406,188	1,269,502,028
Loans and advances to customers	555,014,766	351,572,167	208,291,647	1,114,878,580
Total assets	**2,625,273,311**	**830,859,917**	**296,351,521**	**3,752,484,749**

2022	Less than 3 months $	Between 3 & 12 months $	More than 12 months $	Total $
Liabilities				
Customer deposits	513,759,910	418,530,001	319,923,635	1,252,213,546
Deposits from banks	1,037,772,953	714,009,312	249,807,643	2,001,589,908
Other financial liabilities	40,280	11,952,499	71,674	12,064,453
Financial derivatives	74	975,724	–	975,798
Total liabilities	**1,551,573,217**	**1,145,467,536**	**569,802,952**	**3,266,843,705**

Included in cash at bank is an amount of $432,311,034 (2021: $470,575,807) held in a reserve account with the Bank of England, which is held to manage liquidity and meet the Bank's liquidity requirements. Included in Investment Securities is an amount of $709,500,000 (2021: $607,500,000), also held to manage liquidity and meet the Bank's liquidity requirements, and which consists of indirect exposures to US Treasuries through investment in the BlackRock US Treasury Fund and the JP Morgan USD Treasury Institutional Fund.

2021	Less than 3 months $	Between 3 & 12 months $	More than 12 months $	Total $
Assets				
Cash at bank	531,094,912	–	–	531,094,912
Money market placements	3,427,749	500,725	–	3,928,474
Loans and advances to banks	468,293,606	307,795,338	73,368,916	849,457,860
Loans and advances to customers	624,232,094	190,113,126	240,053,808	1,054,399,028
Financial derivatives	231,152	–	–	231,152
Investment securities	607,500,000	–	2,546,734	610,046,734
Other financial assets	2,679,974	829,237	5,724,061	9,233,272
Total assets	**2,237,459,487**	**499,238,426**	**321,693,519**	**3,058,391,432**

2021	Less than 3 months $	Between 3 & 12 months $	More than 12 months $	Total $	Carrying amount $
Liabilities					
Customer deposits	469,373,714	316,137,609	153,242,988	938,754,311	935,798,374
Deposits from banks	890,328,735	851,830,008	–	1,742,158,743	1,742,158,743
Financial derivatives	1,211,916	208,849	–	1,420,765	1,420,765
Lease liabilities	406,074	1,218,223	4,018,642	5,642,939	5,093,724
Other financial liabilities	984,101	6,025,303	2,421,726	9,431,130	9,431,131
Total liabilities	**1,362,304,540**	**1,175,419,992**	**159,683,356**	**2,697,407,888**	**2,693,902,737**

g) Capital management

Capital is defined as the total of share capital, share premium, retained earnings and other reserves. Total capital at 31 December 2022 was $491,084,065 (2021: $380,802,724). Regulatory capital is determined in accordance with the requirements of the PRA in the UK. Total regulatory capital as at 31 December 2022 including 2022 profit after tax was $486,840,485 (2021: $377,827,139).

Capital adequacy and the use of regulatory capital are monitored regularly by the Bank's management, employing techniques based on the guidelines developed by the Basel Committee and the European Community Directives, as implemented by the PRA in the UK, for supervisory purposes. The principal committee at which the Bank's capital is monitored is ALCO. The Bank's Exco receives regular reports regarding the Bank's Tier 1 Capital Ratio.

Capital is actively managed to ensure that the Bank exceeds the minimum. The PRA requires each bank to maintain a ratio of total regulatory capital to risk-weighted assets as set by the PRA at or above a level determined for each institution.

Currently the Bank's regulatory capital consists only of Tier 1 capital, being the issued share capital and retained earnings of the Bank, less intangible assets, deferred tax assets and unrealised gains on investment securities.

The Bank has calculated its regulatory capital as at 31 December 2022 in accordance with these definitions as laid out in the table below:

Capital resources	**2022 $**	2021 $
Tier 1 capital		
Shareholders' funds	491,084,065	380,802,724
Less:		
Intangible assets	(3,851,278)	(2,677,923)
Other adjustments	(392,303)	(297,662)
Total Tier 1 capital	486,840,484	377,827,139
Total regulatory capital	**486,840,484**	**377,827,139**

Notes to the Financial Statements *continued*

For the year ended 31 December 2022

25. Share capital

	Ordinary shares	
	No. of shares	Amount $
As at 1 January 2022	**164,587,500**	**207,380,250**
As at 31 December 2022	**216,174,802**	**272,380,250**

	Ordinary shares	
	No. of shares	Amount $
As at 1 January 2021	164,587,500	207,380,250
As at 31 December 2021	164,587,500	207,380,250

The Bank changed its functional currency as noted in 2019. This involved a redenomination of its share capital from Sterling to US Dollars on 2 January 2019. The Bank's share capital of 138,000,000 with nominal share value of £1 was redenominated to a nominal share value of $1.26.

In 2022, the Bank issued 51,587,302 ordinary shares at par value of 1.26. As at 31 December 2022 the issued share capital comprised 216,174,802 ordinary shares (2020: 164,587,500) with a par value of $1.26 (2020: $1.26). All issued shares are fully paid.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at the meetings of the Bank. All shares rank equally with regards to the Bank's residual assets.

26. Related party transactions

Key management personnel are considered to be the Directors. Disclosures regarding Directors' emoluments and other transactions are given in note 9.

A number of banking transactions were entered into with related parties within the Access Bank Group in the normal course of business. These include loans and deposits and foreign currency transactions. Outstanding balances at the end of the year, related party income and expense for the year are as follows:

	Year ended 31 December 2022 $	Year ended 31 December 2021 $
Fee and commission income		
Parent bank	**8,474,861**	4,884,844
Fellow subsidiaries	**184,255**	229,795
	8,659,116	5,114,639
Interest income		
Parent bank	**6,863,117**	8,272,582
Fellow subsidiaries	**30,762**	8,363
	6,893,879	8,280,945
Interest expense		
Parent bank	**10,373,667**	4,449,051
Fellow subsidiaries	**157,465**	54,906
	10,531,132	4,503,957

	31 December 2022 $	31 December 2021 $
Assets		
Amounts due from parent bank	**406,721,978**	182,858,560
Amounts due from fellow subsidiaries	**24,049,502**	–
	430,771,480	182,858,560
Liabilities		
Amounts due to parent bank	**969,503,131**	904,205,115
Amounts due to fellow subsidiaries	**22,319,496**	29,757,718
	991,822,627	933,962,833

The Bank has entered into a Deed of Set-Off with Access Bank Plc that allows the Bank to offset amounts due from the parent bank, against amounts due to the parent bank, which complies with the Regulatory requirements.

Deposits by Directors of the parent bank as at 31 December 2022 were $2,156,979 (2021: $809,413) with the largest deposit as at year end being $974,312 (2021: $432,571).

There was one mortgage facility approved or advanced, to Directors of the parent bank in 2022 for $65,803 (2021: $2,760,345). As at 31 December 2022, the outstanding amount for mortgages, inclusive of accrued interest were, $2,735,604 (2021: $2,772,980) in respect of Directors of the parent bank.

One portfolio secured loan was approved and advanced, to a Director of the Bank who is also a Director of the parent company for $4,600,000 (2021: $8,600,000). As at 31 December 2022, the outstanding amount, inclusive of accrued interest, for the loan was $4,654,049 (2021: $8,654,522) in respect of the Directors of the parent bank.

Two portfolio secured loans were approved and advanced in 2022 to two Directors of the parent company for $1,125,000. As at 31 December 2022, the outstanding amount inclusive of accrued interest for the loans were $1,137,448 in respect of the Directors of the parent bank.

All transactions with Directors are at an arm's length basis.

There were no other related party transactions or balances requiring disclosure.

Notes to the Financial Statements *continued*

For the year ended 31 December 2022

27. Fair values of financial instruments

Cash and money market placements

These consist of cash held in hand, balances held in nostro accounts with other banks and short-term placement with banks. The carrying amount of the cash balances and placements are deemed to be a reasonable representation and reasonable approximation of fair value respectively.

Loans and advances to banks

These consist of loans granted to financial institutions. The carrying amount is deemed a reasonable approximation of their fair value.

Loans and advances to customers

These consist of loans granted to non-bank customers. The carrying amount is deemed a reasonable approximation of their fair value.

Financial assets and liabilities – derivatives

These consist mainly of forward foreign exchange contracts. The fair value is determined using the market rate as at the balance sheet date.

Investment securities

These comprise of investment securities at fair value measured through other comprehensive income, and fair value through profit and loss. The basis of estimating the fair value of these assets is by ascertaining the market value as at balance sheet date.

Deposits from customers

These comprise mainly of deposits taken from non-bank customers and the carrying amount of these deposits is a reasonable approximation of market value.

Deposits from other banks

These comprise mainly of deposits taken from financial institutions and the carrying amount of these deposits is a reasonable approximation of market value.

The book value of all assets and liabilities approximate the fair value in 2022 and 2021.

28. Subsidiary undertakings

The Bank has established three wholly owned subsidiaries which did not trade during 2022. The Bank has taken advantage of the exemption in the Companies Act from producing consolidated financial statements on the grounds that the inclusion of the subsidiaries is not material for the purpose of giving a true and fair view.

29. Ultimate parent company and controlling party

The Bank's immediate parent and controlling party is Access Bank Plc, a bank incorporated in Nigeria. Group financial statements into which the Bank is consolidated are available from the Head Office, at 14/15, Prince Alaba Abiodun, Oniru Road, Victoria Island, Lagos, Nigeria. The Bank's ultimate parent and controlling party is Access Holdings Plc, a financial services holding company incorporated in Nigeria. The Access Holdings Plc Group financial statements are available on the Group's website at www.theaccesscorporation.com.

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