2022

BANK OF AFRICA UNITED KINGDOM PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

Company Registration N°5321714 (England and Wales)

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OFFICERS AND PROFESSIONAL ADVISORS

Directors	Position
Walter Siouffi	Independent Non-Executive Director and Chairman of the Board (Appointed as an Independent Non-Executive Director on 1 May 2022 and as the Chairman of the Board on 6 December 2022, to replace Interim Chairman George Timothy Plews)
Said Adren	Executive Director and Chief Executive Officer (Appointed as the CEO on 1 January 2023 and as Executive Director on 2 January 2023)
Houssam Barakat	Executive Director and Chief Executive Officer (Resigned as CEO with effect from 1 January 2023 and as Director on 17 February 2023)
Brahim Benjellouni-Touimi	Non-Executive Director
Khalid Nasr	Non-Executive Director
Omar Lahbabi	Non-Executive Director (Appointed 7 January 2023)
George Timothy Plews	Independent Non-Executive Director (Appointed Interim Chairman on 12 January 2022 and resigned as Interim Chairman on 6 December 2022)
Ralph Snedden	Independent Non-Executive Director (Resigned 24 July 2023)
Richard William Lewis Groves	Independent Non-Executive Director (Appointed 1 May 2022)
Fabienne Baker-Menetrey	Independent Non-Executive Director (Appointed 1 December 2022)
Richard Parry	Independent Non-Executive Director (Resigned 30 April 2023)
David Suratgar	Non-Executive Director and Chairman (Resigned as Chairman on 12 January 2022 and as Director on 14 August 2022)
Mohammed Afrine	Non-Executive Director (Resigned as Director on 6 February 2023)

Secretary

Lucy Quirke — Appointed on 31 October 2022

Auditors

Gravita Audit II Limited (formerly CBW Audit Limited)
Chartered Accountants and Statutory Auditors
66 Prescot Street
London
E1 8NN

Registered Office

26 Upper Brook Street, London W1K 7QE

Bankers

Barclays Bank Plc
1 Churchill Place
Canary Wharf
London
E14 5HP

Chairman’s Statement

Walter Siouffi

The post Covid-19 global recovery combined with the conflict in Ukraine, presented new challenges to the banking sector in 2022, including Bank of Africa United Kingdom Plc (‘BoA UK’ or the ‘Bank’). A surge in consumer and industrial demand and increased commodity prices caused a rapid spike in inflation and consequently interest rates, placing pressure on many developing countries in Africa, the heart of BoA UK’s business activity. With weakened balance of payments, sovereign credit spreads increased along with interest rates, as many credit ratings deteriorated, impacting the Bank’s fixed income portfolio and provisions. These factors, in addition to non-recurring restructuring expenses, resulted in a loss for the year, after several years of profitability.

In an effort to reduce portfolio volatility, the Board of Directors (‘Board’) of the Bank, upon the recommendation of management approved a new business strategy for the Bank which will entail an increased focus on intermediating trade between Europe and Africa for the Bank and the Bank of Africa Group (the ‘’Group’’) while disinvesting in fixed income securities. With the acquisition of a new branch licence in the Dubai International Finance Center (DIFC) by Bank of Africa SA (the ultimate parent company), BoA UK has wound down its DIFC branch licence, while it will continue to benefit from trade finance opportunities originated by Bank of Africa SA from Dubai, reducing expenses. The Bank completed a relocation of its branch in Paris which will see additional cost savings, as part of a strategy to improve the cost to income ratio.

The Bank continues to be well capitalized, meeting all regulatory ratios. It continues to benefit from strong Group support, which is a steady provider of liquidity.

The last year has seen several changes at the level of Board, with the appointment of three new independent non-executive directors and at the executive leadership level with the appointment of Said Adren as CEO to replace Houssam Barakat, who has re-joined the Group in Casablanca.

I would like to express my gratitude to the Directors who have retired, David Suratgar, Mohamed Afrine, and Houssam Barakat, and to those who have stepped down in 2023, notably Ralph Snedden and Richard Parry, for their contribution over the years. On behalf of the Board, I would also like to express our appreciation to all the staff of the Bank for their continued dedication and responsiveness in managing a rapidly changing risk environment throughout the year. Lastly, I would like to express my gratitude for the unwavering support of the Bank’s shareholder and the remaining Directors.

Chief Executive Officer's Review

Said Adren

It is with pleasure that we present the annual report for the year 2022 for Bank of Africa United Kingdom Plc ('BoA UK' or the 'Bank'). The year 2022 was characterized by an increasingly uncertain environment. Commodity prices rose as a result of the Russian-Ukraine conflict, pushing existing inflationary pressures higher. Despite the uncertain macroeconomic environment, the Bank continues to implement strategic initiatives and to provide effective support to clients.

The UK inflation rate reached a 40-year high, and Russia's invasion of Ukraine not only inflicted devastation on the country and its people, but also led to volatility in financial markets as well as heightened costs and uncertainty for businesses around the world. In response to the surge in inflation, the Bank of England's Monetary Policy Committee voted to increase the Bank Rate from 0.5% in February 2022 to 3.5% in December 2022. The US Federal Reserve also raised interest rates seven times in 2022 ranging from 0.25% to 4.50%. The expectation is for both the Bank of England and the Federal Reserve to raise interest rates further.

Due to the difficult environment the Bank's net operating income has reduced by 20% year-on-year mainly due to the impact on the Bank's investment in fixed rate debt securities with sovereign African countries.

As depicted in the Strategic Report, the key performance indicators that measure the Bank's operational effectiveness showed a declining trend, as reflected in the 2022 ratios mainly due to an increase in interest rates.

Whilst working to resolve a number of legacy operational issues, including those related to the Bank's IT systems, with the introduction of a new core banking system within 2023, we continue to develop the Bank's adherence to good governance and also to strengthen the Bank's culture, including its positive approach to diversity. We have also, of course, much to do but as an organization we have become more open to change and nimble in our approach. A sustained and consistent execution is paramount to improving our productivity, streamlining our processes, controlling our operating expenses, attracting talent, and ultimately improving our cost of funds and our profitability.

The Bank maintained its hybrid working arrangements throughout 2022, consistent with prudent risk management adapted for the increased risks from the pandemic. We will keep on revisiting these arrangements in the best interest of our employees.

Conclusion and outlook

The BOA UK continues to enjoy the support of the parent bank and will rely on it in various areas such as information technology in respect of the IT transformation programme. This will allow BOA UK to capitalise on the available parent resource whilst retaining oversight locally. The Bank will continue to drive and monitor the preservation of the enhanced risk management and control measures.

The business strategy of BOA UK is to focus on limiting the risk and volatility as regards the Bank's own funds thereby limiting the activity on fixed income to the benefit of the trade finance segment of the business.

We are also making strides in improving the way we operate in preparation for our becoming a full Corporate Investment Bank in accordance with our revised business plan. There is still much to be done and external conditions are likely to be more challenging in the near-term considering: inflation and market expectations of higher interest rates.

We are also closely monitoring the impact of inflationary pressure on the global economy and its impact on the Bank's future profitability.

Chief Executive Officer’s Review (continued)

As an institution, we are playing a key role and we continue to support our core clients and finance international trade during these volatile times.

Finally, I would like to thank all members of the Bank’s staff for their hard work and contribution during what has been a challenging year. The current year will be no less of a challenge; however, the Bank has commenced a number of strategic initiatives which will benefit our underlying performance in years to come.

Strategic Report

The Directors present their Strategic Report for Bank of Africa United Kingdom Plc for the year ended 31 December 2022.

Bank's Strategic priorities and progress

❶ *Organisation of governing bodies*

The governance structure of the Bank is represented by the following bodies:

- The Board of Directors consisting of 8 Non-Executive Directors of which 4 are independent Non-Executives and the Chief Executive Officer (CEO), regularly attended the Board meetings together with the Chief Financial Officer (CFO), Chief Risk Officer (CRO) and the Chief Operating Officer (COO).

- The Board approves the overall strategy and the broad guidelines of the BoA UK. At the end of 2021 George Timothy Plews was the `Interim Chairman' of the Board, however he was replaced by Walter Siouffi as Chairman on 6 December 2022.

- On 1 May 2022, Richard William Lewis Groves and Walter Siouffi were appointed independent non-executive directors. Fabienne Baker Menetrey was appointed as a non-executive director on 1 December 2022. David Suratgar resigned as non- executive director on 14 August 2022.

- Subsequent to the year end, Houssam El Hak Morssi Barakat resigned as CEO and director on 1 January 2023 and 17 February 2023 respectively whereas Said Adren was appointed as the new CEO and director on 2 January 2023. On 7 January 2023, Omar Lahbabi was appointed as a non-executive director. Mohmmed Afrine, Richard Parry and Ralph Snedden resigned as directors on 6 February 2023, 30 April 2023 and 24 July 2023, respectively.

- The Risk Committee consists of two independent non-executive directors including Richard Groves as Chairman of the Committee. The CRO has a standing invitation to attend. Other members of the Board, the CEO, CFO are also invited. The Risk Committee monitors and assesses the adequacy and effectiveness of risk management policies and processes. It monitors the full range of risks, financial and non-financial, including credit, market, liquidity, funding, capital, operational and regulatory risks.

- The Audit Committee consists of three independent non-executive directors including Fabienne Baker -Menetrey as Chair. The Head of Internal Audit has a standing invitation. The CEO, other members of the Board, the CFO, the CRO and the Head of Compliance are regularly invited. The Committee monitors the adequacy and effectiveness of controls, processes, governance, integrity of financial statements and objectivity of internal and external auditors. All the compliance and conduct related matters are also escalated to this committee.

- The Remuneration and Governance Committee consists of three independent non-executive directors including George Timothy Plews as Chairman of the Committee. According to best practices, this Committee is established to ensure that remuneration arrangements support the Bank's strategic aims and enable the recruitment, motivation, and retention of senior executives, whilst also complying with the requirements of regulation. The Committee also oversees overall Board governance.

- Other management committees involved in the decision-making processes of BoA UK are:
  - Executive Committee
  - Asset and Liability Committee
  - Compliance Committee

Strategic Report (continued)

All the following committees report to the Risk Committee:

- New Product Committee
- Large Exposure Committee
- Provisions Committee
- Credit Committee

❷ *Dubai & Zurich Licences*

As a part of the new business strategy, the Bank has decided to wind down its Dubai branch.

On 13 March 2023, Dubai International Financial Centre (DIFC) granted the new licence to Bank of Africa SA, to register the branch. As part of the wind down, the transfer of this branch's staff and premises to the parent was completed before 31st March 2023 and the branch licence in name of BoA UK expired in May 2023.

The purpose of this reorganisation is to leverage the presence in Dubai for the entire Group with a direct attachment to the parent company.

❸ *Achievement of business objectives*

The current business strategy for the Bank and its long-term success relies on generating value through:

1. Continuing sales-oriented efforts towards Africa.
2. Protecting the Bank's business with improved controls and strong compliance & risk management processes.
3. Group Synergies: Capitalising on the Bank of Africa SA brand for the acquisition of new customers and continually being a key player for creating synergies within the Bank of Africa SA Group. Several successful combined transactions with other entities of the Group generated substantial revenues at Group level. The Bank is still developing its network and co-financing projects with other subsidiaries of Bank of Africa SA. The Bank is still expecting strong benefits from Group synergies for both of the components "Buy Side" and "Sell Side".
4. Limiting the activity on fixed income to the benefit of the trade finance section of the business and as such orientation of more trade finance.
5. Strengthening integration with the Group across a set of value chains – business and support lines – for optimal sharing of expertise and cost rationalization.
6. The implementation of an internal operational efficiency plan to improve the quality of operations.
7. The reorganization of the branch in Dubai, under the parent.
8. Ability to successfully increase customer base through referral of business to the Group and increase revenues.

The strategy of the Bank is to build a sustainable business incorporating the significant efficiencies expected from the roll out and implementation of the core banking system and the revised business model by end of 2023 and further enhancements to the Bank's internal controls and governance structure.

❹ *Diversification and risks*

Diversification: Emphasising the geographic and sectoral diversification of the Bank's "Target Market".

Risks: Maintaining the level of "Risk Appetite" as approved by the Board. BoA UK Risk Appetite remained unchanged in 2022 however the Bank is now reviewing its risk appetite with a view to improve the overall risk rating of its portfolio. The Bank has kept strong risk management practices with risk limits aligned to a carefully considered business strategy.

Directors' Duties and Engagement with Stakeholders - *Section 172 Statement*

The Directors present the statement describing how they have complied with the matters set out in section 172 of Companies Act 2006 when performing their duty to promote the success of the company. This statement considers how the directors have managed with and had regard to the interest of stakeholders.

The directors have acted in good faith to promote the success of the company for the benefit of its shareholders as a whole whilst having regard to the following requirements:

- the likely consequences of any decision in the long term;

- the interests of the company's employees;

- the need to foster the company's business relationships with suppliers, customers and others;

- the impact of the company's operations on the community and the environment;

- the desirability of the company maintaining a reputation for high standards of business conduct; and

- the need to act fairly as members;

The directors also took into consideration the views and interests of a wider range of stakeholders including customers, employees, regulators and broader society. The following section summarises how the directors fulfil these duties.

Decision making in the long term

The Board considers and discusses information from across the organization to help it understand the impact of the BoA UK operation and the interests and views of the Bank's key stakeholders. It reviews strategy, financial and operational performance as well as information covering areas such as key risks, legal and regulatory compliance. The Board gets this information through reports sent in advance of each Board meeting and presentations at Board meetings.

As a result of this, the Board has a broad overview of engagement with stakeholders, and sufficient other information that enables the directors to comply with their legal duty under section 172 of the Companies Act.

Employees

The employees of the Bank are at the heart of its business and BoA UK behavior is aligned with the expectation of its staff. In order for the business to thrive, the Bank manages its people’s performance, develops talents and maintains the highest level of culture, engagement and inclusiveness. The Bank has also taken an initiative to transform the overall culture within the Bank through an inclusive people strategy and term engagement. This objective will be achieved by conducting surveys and workshops within the Bank. This will support the Bank to identify key priorities, insights and actions on how each employee can make the Bank a best place to work. The Bank regularly provides employees with information on matters of concern to them and the support the Bank could offer where necessary. Also, employees were provided resources to work remotely considering government restrictions and to safeguard their health. The Bank is also an equal opportunities employer and committed to equality and diversity.

Customers

The Bank adopts a relationship-based banking mode with a team of highly experienced relationship managers that interact with its customers regularly. This underpins the fact that the customers are considered as being at the center of everything we do. As part of this customers were informed on the LIBOR transition initiatives. Also, the Bank complies with requirements of treating customers fairly as provided by the Financial Conduct Authority (‘’FCA’’), providing them with adequate information and excellent service.

Business Relationship

The Bank business model is focused on maintaining a strong and efficient client relationship. The Bank equally values its suppliers and contractors and the important role they play in delivering services to the Bank. Also, in furtherance of the Bank’s outsourcing and operational resilience guidelines, senior management maintains regular engagement with key strategic partners and suppliers and performs due diligence to ensure that a good standard service delivery. Reports of these engagements are provided to appropriate committees and the Board.

Community and Environment

The Bank’s strategy is to always create positive change for the people and communities it interacts with while taking into consideration the impact of its action on the environment.

Maintaining a reputation for high standards of business conduct

BoA UK creates an environment of good culture and values, and a high standard of good conduct. This has always guided the Bank in managing its success and measures the likely consequences of any decision in the long term and on stakeholders.

Regulators

Members of the Board and senior management have met with the Prudential Regulation Authority (‘’PRA’’) and the FCA on a regular basis during 2022. The Board has taken steps to ensure the Bank complies with the Senior Managers Regime. In addition, the Bank communicates regularly with the regulators on its position and performance.

Strategic Report (continued)

Economic overview

➊ ***African Environment***

Economic growth in Sub-Saharan Africa slowed to 3.3% in 2022, from 4% in 2021, a downward revision of 0.3% point from the April 2022 Africa's Pulse forecast. The downward revision is on the back of multiple shocks affecting the economy, which include the slowing down of the global economy, tightening global financial conditions, elevated inflation driven by rising food and fuel prices exacerbated by the war in Ukraine, adverse weather conditions, and rising risk of debt distress.

➋ ***International and Local Environment***

In Q4 2022, UK GDP was unchanged compared with the previous quarter (Q3 2022). Eurozone similarly recorded no growth, with GDP in Germany down by 0.4%, while France saw growth of 0.1%. US GDP growth was 0.7%. UK GDP in Q4 2022 was 0.8% below its pre-pandemic level of Q4 2019.

On 31 January 2023, the IMF published new forecasts for the world economy. These are "less gloomy" than its previous forecasts made in October, reflecting resilient growth in the second half of 2022 and China's re-opening from severe pandemic restrictions. The IMF forecasts UK GDP growth of -0.6% for 2023, the lowest in the G7.

Climate Change

The Bank is committed to providing financing to customers that meet the minimum applicable requirements in consideration of UK law on climate-related issues and managing climate risks and adverse impacts arising from the activities of its customers. The Bank is also committed to continually enhancing its approach to managing the financial risks from climate change in line with regulatory requirements from the PRA and FCA, on a proportionate basis to the size, scale, and complexity of its business model.

The Bank recognises the need for the wider global economy to reduce the use of fossil fuels and to transition to a low carbon, climate resilient economy. Therefore, the importance of reviewing the customers' climate impact and sensitivity to climate change is acknowledged to understand the physical and transition risks related to their business models.

In enhancing the risk management framework to integrate climate-related financial risks, the Bank has recognised that climate change presents risks which cut across multiple traditional risk types. Climate risk can drive credit risk by causing losses that leave the Bank's clients unable to meet their obligations to repay and service debt. As the Bank does not engage in any proprietary trading, therefore climate-related market risk is limited to the debt exposures of sovereign and financial institution counterparties. Thus, the financial impact is similar to that of credit risk whereby the effects of climate change can reduce the value of collateral that the Bank can use to secure funding and access liquidity.

The Bank is specifically managing the financial risks from climate change in four broad areas:

- Governance – clear Board-level engagement and responsibility for managing financial risks from climate change and oversee these risks within the Bank's overall business strategy and risk appetite.

- Risk Management – addressing risks through the Bank's existing risk management frameworks, in line with Board approved risk appetite, whilst recognising the nature of financial risk that requires a strategic approach.

- Scenario Analysis – conducted to develop the Bank's strategic planning and determine impact on the overall business strategy and ICAAP (Internal Capital Adequacy Assessment Process).

• Disclosure – Consider relevance of disclosing information and how these risks are integrated into the governance and risk management processes. These Board areas of responsibility have been integrated into the Bank's existing policies and processes and will continue to be enhanced as the journey for regulation and global commitment to climate change evolves.

Russian and Ukraine Exposure

The Bank has performed a detailed analysis of its exposure to Russia and Ukraine. As both countries are not primary markets, the Bank does not have any exposure to them. Further the Bank is continuously monitoring other emerging risks such as higher inflation and oil prices so that proactive action can be taken when required.

London Interbank Offered rate (LIBOR)

In 2017, the FCA announced that it had reached an agreement with LIBOR panel banks to contribute to LIBOR until the end of 2021, after which there would be a transition from LIBORs to risk-free rates (RFRs). The regulators directed that certain non-US dollar LIBOR tenors would cease at the end of 2021 while certain US dollar LIBOR tenors are to cease by the end of June 2023, and restrictions have been imposed on new use of US dollar LIBOR.

With effect from 4 January 2022, BOA UK has successfully implemented a software to calculate interest rates using the new benchmarks as per the industry standards.

Risk Management Framework

BoA UK adopts the risk management model known as the 'three lines of defence' governance model. This is the model of risk management that allows the Board to implement and control the decisions on strategy, risk, and capital. This model allows BoA UK to implement effective risk management and embed a risk culture.

The Board of Directors, through the Board Risk Committee, has ultimate responsibility for risk management. The Risk Management Function, Credit Committee, Large Exposures Committee, Provisions Committee, Assets and Liabilities Committee (''ALCO''), various risk policies, Risk Appetite Statement, Enterprise Risk Framework, and various other governance documents are all an integral part of BoA UK's Risk management framework. The Risk Management Function is located in London and oversees the activities of all Front Office functions including the branch in Paris; and in Dubai, which was reorganised under Bank of Africa SA, post year-end.

The Bank's Internal Audit department, which forms the third line of defence provides:

❶ Independent and objective assurance of effectiveness of internal controls.

❷ Independent review of adherence to controls, policies, rules and regulations by 1st and 2nd lines of defence.

❸ Robust challenge to management and identify potential control weaknesses and track remedial actions.

BoA UK is committed to ensure that its risk management framework is robust, up to date and in line with best practice. BoA UK periodically reviews its risk appetite and ensures that it is in line with the current environment, the strategy of BoA UK and budgets. This is provided in both businesses as usual and stressed conditions.

BoA UK lending portfolio continues to be diversified in terms of counterparty, business unit and country risk.

Strategic Report (continued)

However, BoA UK's portfolio continued to perform in the four main business lines where it operates:

- Treasury & Capital Markets; focusing on spot and forward currency exchange and bond trading
- Loan Solutions; project finance, structured and corporate lending
- Commodities & Trade Finance; corporate risk on commodity trade finance and mainly trade finance, where risk is taken on Financial Institutions.
- Corporate Banking; deposit taking; i.e., corporate & transactional

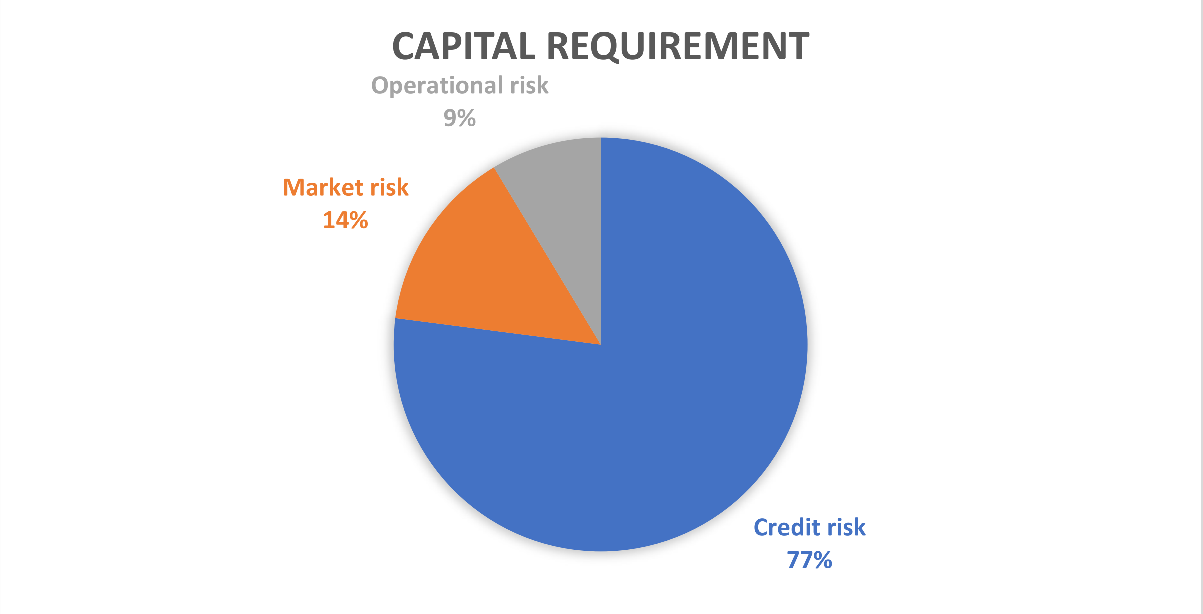
➊ *Credit Risk*

Credit risk is the current or prospective risk to earnings or capital arising from an obligor's failure to meet the terms of a contract with BoA UK or its failure to perform as agreed.

BoA UK faces credit risk on its exposure to sovereigns and corporates from its capital markets, corporate banking, and project finance businesses, and from its exposure to financial institutions and corporates from its trade finance and treasury activities.

BoA UK has a detailed credit policy and procedures manual providing an operating model and information on how the credit risk management processes are embedded in the business and overseen at the highest level within BoA UK.

BoA UK continues to act in the financial markets, providing solutions, products, and services accordingly within the defined risk appetite and within the governance in place for approving any credit risk.
Credit risk is the main risk in BoA UK as shown here below:



The lending portfolio of BoA UK increased significantly during the last four years, whilst non-performing loans have managed to stay at a reasonable level.

BoA UK does not have significant open positions on derivative products. The results coming from these products are mainly due to commercial transactions. BoA UK engages in FX swaps to manage funding requirements by specific currency. The capital requirement related to counterparty exposure for these products is calculated based on the standard approach and is not material.

❷ *Market Risk*

Market risk covers the risks that arise from fluctuations in the values of, or income from tradable assets, in particular arising from changes in interest rates, foreign currency exchange rates, and the market prices of financial instruments and commodities. Additionally, non-tradable assets or liabilities risks includes amongst others the Bank's trade finance, money market, lending activities, deposits etc. which are designed to earn a profit through the generation of fees and commissions and from the interest margin over the Bank's cost of funds.

BoA UK is exposed to interest rate risk on its holdings of treasury and corporate bonds portfolio and the risk from trading foreign exchange.

The financial instruments (bond) portfolio is treated as both assets held at fair value through other comprehensive income (FVOCI) and at amortised cost for the purpose of capital calculations.

The fixed income portfolio represents 30% of the total balance-sheet.

The Bank also holds investment grade bonds as High-Quality Liquid Assets (HQLA) as at year end together with cash reserves in a Banque de France account. The Bank ensures it has sufficient liquidity at all times to meet short term obligations and deposit withdrawals.

Minimal currency risk will arise from BoA UK's fixed income activity as the purchase of most securities denominated in foreign currency will be funded on a matched basis.

Currency risk will arise, however, from BoA UK's trading in vanilla foreign exchange (mainly spot and forwards). BoA UK manages an open position within its risk appetite. It also arises from holding balances in foreign currency as well as a Euro denominated subordinated loan.

Market risk in the banking book may arise from corporate banking activities; therefore, attracting the capital requirements for interest rate and foreign exchange risk set out above.

❸ *Operational Risk*

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. BoA UK currently uses the Basic Indicator Approach (BIA) to calculate it's Operational Risk requirements. BoA UK continues to have a sound reputation and to steer its operational risk carefully and according to best practices.

BoA UK is dedicated to the management of operational risks. The framework aims to:

- Minimise losses generated by operational risk;
- Improve control of operations where necessary;
- Put in place adequate performance measurement and early warning signals; and
- Enhance operational risk awareness and culture.

❹ *Liquidity Risk*

Liquidity risk is the risk that a firm, although solvent, either does not have available sufficient financial resources to enable it to meet its obligations as they fall due or can secure such resources only at excessive cost. The liquidity ratios of BoA UK have continued to be above the regulatory requirement and also above internal limits, showing a comfortable liquidity position.

BoA UK monitors its liquidity very closely and within the risk tolerance approved by the Board. These internal limits are benchmarked against the Individual Liquidity Guidance to ensure they are at least as stringent. All the above risks are also associated with foreign exchange forward contracts and cross currency swaps.

❺ *Funding Risk*

Funding Risk is the ability to settle obligations with immediacy. It follows that, a bank is illiquid if it is unable to settle obligations in time. Consequently, we deem funding risk as the possibility that over a specific horizon the Bank will become unable to settle obligations with immediacy. Funding ratios of BoA UK have continued to be above the regulatory requirement and also above internal limits, showing a comfortable Funding position.

❻ *Regulatory Risk*

BoA UK is exposed to changes in the regulatory environment. BoA UK manages the regulatory risk to which it is potentially exposed by actively monitoring new regulatory rules and identifying significant regulatory risks. BoA UK continues to adhere to its regulatory requirements and has implemented clear risk appetite levels to manage business and its impact upon regulatory metrics.

❼ *Compliance Risk*

Compliance risk is the risk of any governmental or regulatory penalties, economical loss or loss of reputation which the BoA UK may suffer as a result of failure to comply with or breach of its compliance obligations. The UK regulatory regime has set the standards for conducts and observations of standard market practices. At the centre of the regulatory expectation is the Senior Management Certification Regime; – an arrangement for holding Senior Management accountable for outcomes of the Bank's conduct and practises within the regulatory environment.

The Bank's compliance function has been setup to manage the Bank's Compliance risks by defining relevant Compliance policies and procedures in line with the Bank's obligations.

The Compliance framework responds to the following sources of Compliance risks:

- Regulatory Risks

- Financial Crime Compliance Risks

Through the Board oversight function (Audit Committee), the Executive oversight body; Compliance Committee and the Compliance department, the Bank performs its Compliance Risk Management function by promoting policies and procedures, advising business areas, Compliance risks assessments and monitoring and reporting of Compliance risks.

Strategic Report (continued)

❽ *Conduct Risk*

The FCA expects BOA UK to examine all conduct, culture, and behaviour that may affect the Bank, its customers and the wider financial markets it operates in. The Board takes a lead on Conduct Risk and:

• Defines the responsibilities or duties of each director and evaluates their performance in accordance with the Corporate Governance framework

• Manages and approves reporting lines that seek to avoid conflict of interest.

• Owns and monitors Conduct Risk via good corporate governance arrangements such as:

- Ensuring that regular Board and committee meetings are held in compliance with the Corporate Governance framework
- Ensures that the 'tone from the top' sets a good example to all staff

Principal risks and uncertainties

The table below summarizes the principal risks and uncertainties.

Risks and uncertainties	Description / Component / Impact	Mitigation	Change 2022/2021
Risks			
Credit risk	• Description: Possibility of a loss resulting from a counterparty's failure to repay amounts owed this could arise from loans, bonds, foreign currency settlements and other contractual obligations. • Component: All exposures • Impact: Losses in notional. Increase in credit risk due to rating downgrades of key markets including Nigeria, Ghana and Angola on the back of falling oil prices	• Country/counterparty analysis, Credit committee approval. • Some country limits like Ethiopia, Tunisia, Zambia , Mali , Ghana, Burkina Faso and Turkey were frozen together with new exposures to upstream energy production. • Some risk was transferred via credit insurance.	↗

Strategic Report (continued)

Risks and uncertainties	Description / Component / Impact	Mitigation	Change 2022/2021
Risks			
Market Risk	•Description: The four standard overarching market risk factors are: 1) Interest rate risk — The risk that interest rate yield curves will change. 2) Currency risk — The risk that foreign exchange rates will change. 3) Commodity risk — The risk that commodity prices will change. 4) Equity risk — The risk that stock prices will change. •Component: Interest rate risk, Currency risk, Commodity risk, Equity risk. •Impact: Market losses (% of notional) due to falling bond prices	• Stop loss limits in place and potential hedge with interest rate swap and FX swaps. • Active management of the fixed income portfolio minimised adverse impact.	→
Regulatory	•Heightened regulation/oversight – Driven by volatility in Eurobonds and mark to market position. •Component: Basel III, PRA, Bank of England, FCA, as well as regulators in France and Dubai. •Impact: Regulatory breach of capital adequacy ratio due to negative impact of MtM losses on Capital	• Regulatory updates and internal control. • Effective internal systems were able to manage the risk. • Transformation program to improve compliance with regulations.	→
Liquidity	•Description: Inability to meet obligations as and when they fall due. •Component: Liquidity planning •Impact: Insolvent and in ability to meet obligations falling due	• Application and implementation of ILAAP (Individual Liquidity Adequacy Assessment Process).	→

Risks and uncertainties	Description / Component / Impact	Mitigation	Change 2022/2021
Risks			
Compliance (Regulatory and Financial Crime)	•Description: The risk of regulatory breach and regulatory sanctions or enforcement action as a result of failure to assess the Bank's activities, clients' and transactional exposure to adversely classified businesses, persons, goods and countries based on regulatory sanctions and regulatory restrictions or prohibitions. •Component: The entire Bank's client portfolio, transactions and dealings with vendors and third-party suppliers. •Impact: Sanctions, regulatory fines, enforcement action or suspension of licence, financial loss and loss of reputation.	•The Bank's Compliance Frameworks and Financial crime controls provides the range of due diligence requirements concerned with the banks activities. •The Governance framework has set a financial crime risk appetite process which progressively assess activities within the business against key performance benchmarks. •Ongoing risk assessment and control review to ensure that the bank's compliance programme is aligned with regulatory developments.	➡
Operational	•Description: Consistent with the Basel II definition, BOA defines operational risk as the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events; and cyber security risk. This definition includes legal risk but excludes strategic and reputational risk. The management and implementation of operational risk is executed via the use of best practice governance mechanisms including policies, procedures, tools, reporting, committees, and training, consistent with regulatory requirements. •Component: Risk of mis-booking that leads to errors in banking entries •Impact: Booking and accounting of BoA UK transactions	•Operational risk root cause analysis •Staff training •Additional process controls and checks •Implementation of internal audit recommendations •New core banking system with controls being implemented.	➡

Strategic Report (continued)

Risks and uncertainties	Description / Component / Impact	Mitigation	Change 2022/2021
Risks			
Funding	•Description: Funding risk is the ability to settle obligations with immediacy. It follows that, a Bank is illiquid if it is unable to settle obligations in time. Consequently, we define funding liquidity risk as the possibility that over a specific horizon the bank will become unable to settle obligations with immediacy •Component: Risk of the bank not being able to meet demands of it's customers wishing to withdraw deposits. •Impact: Unable to repay the funding and the deposits.	•Internal processes controls and checks •Adhereance with the regulatory requirements •Setting and monitoring internal limits	→
Uncertainties			
Economic difficulties in African countries and Ukraine war	• Description: Lower growth in Africa • Component: Bearish commodities market; low oil market. • Impact: Lower banking income • Rating Downgrades	• Focusing on self-liquidating trade finance transactions • Close monitoring	

❾ *Significant accounting judgements*

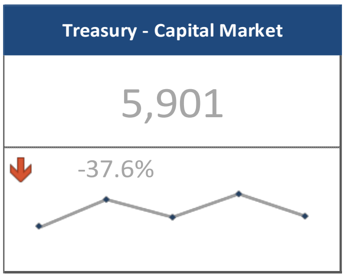
The Audit Committee has considered the key areas of estimation and judgement applied in the financial statements as set out in note 3. The considerations for the most significant areas for 2022 included:

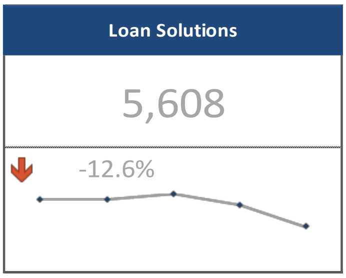
Key area	Actions taken
IFRS 9 standards (business models, probability of default, loss given default, etc.)	• The Audit Committee considered management's key judgements used to establish the appropriate level of expected credit loss allowances on the Bank's portfolio. The Audit Committee considered the range of estimates as disclosed in notes 33 – credit risk.
Deferred Tax Asset	• The Audit Committee considered the recoverability of deferred tax assets by reviewing forecast profitability and considering the sensitivities to those forecasts on the period to recover the deferred tax asset.
Estimating the incremental borrowing	• The Bank uses incremental borrowing rate ('IBR') to measure lease liabilities. The IBR is the rate of interest that the Bank would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.
Impairment test of the Goodwill	• The Audit Committee considered the contribution of "Corporate & Investment Banking" and "Treasury & Capital Markets" the two Cash Generating Units (CGUs) for the valuation of the Goodwill and consequently concluded that no additional impairment was necessary.

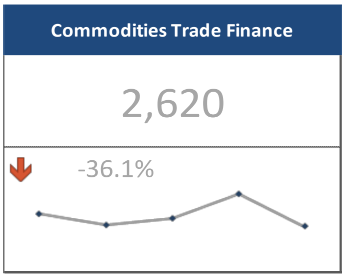
Strategic Report (continued)

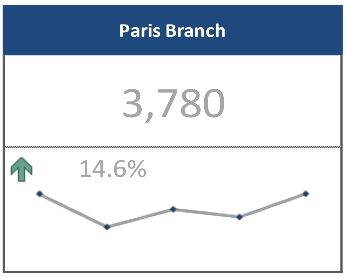
Development and performance by business lines for the year 2022

£'000	2022	2021
Profit on FX	1,894	1,791
Profit on bonds	3,210	7,415
Money Market	797	255
Treasury – Capital Market	**5,901**	**9,461**
Loan Solutions	5,608	6,420
Commodities & Trade Finance	2,620	4,102
Paris branch	3,780	3,297
Corporate Banking	**12,008**	**13,819**
Other income not allocated	1,902	1,626
Subordinated debt interest not allocated	(306)	(309)
Net operating income	**19,505**	**24,597**









Treasury – Capital Market (TCM)

Net Operating Income generated by TCM in 2022 declined by 38%. This is mainly triggered by reduced margins and shift in the bank's strategy to rundown the debt securities portfolio.

Corporate Banking

Loan solutions

Revenues for Loan Solutions & Synergies (LSS) amounted to £5.6mn at the end of 2022 compared to £6.4mn in 2021, a decrease of (12.5%) due to the maturity and non-renewal of several transactions and reduced margins. The team's strategy to generate more of its income via Fees continued in 2022.

Commodities and Trade Finance (CTF)

Performance in 2022 declined by 36% to £2.6mn (2021: £4.1mn). The Bank continues to rely on the contributions of its representative offices in Zurich as well as its sister banks, namely Bank of Africa offices in Shanghai, Madrid, Group Head Office in Casablanca, and its branch in Dubai. The aim of the desk is to form strategic partnerships with both existing and new clients to achieve higher growth in 2023.

Paris branch

Paris branch continued to contribute to BoA UK's revenue through the support of its Corporate & Financial Institutions clients as part of its strategic Trade Finance and Correspondent Banking activities in African markets. Operating income of the Paris branch is increased by 14.6% as compared with the previous year.

Profitability analysis

In a context of interest rate hikes in both USD and GBP by the Federal Reserve and the Bank of England during the year 2022 the business faced higher borrowing costs, negatively impacting margins. Furthermore, the growth momentum for the African region weakened during the year. While the economic recovery is projected to accelerate in 2023 to about 4% over the medium term, this pace is not enough to make up for lost ground from the pandemic. As a result, the external ratings of the key countries in the African market worsened, which has further impacted the profitability of the Bank.

Overall, the results of BOA UK have shown a net loss before tax of £5.3mn in 2022 compared to the net profit before tax of £5mn in 2021.

Net operating income of the bank has declined to £19.5mn in 2022 as compared to £24.6mn mainly due to slower growth in the asset book due to capital constraints and increase in funding cost. The Federal Reserve hiked rates seven times in 2022 ranging from 0.25% to 4.50% whilst the European Central Bank hiked rates four times in 2022 ranging from 0.50% to 2.75%.

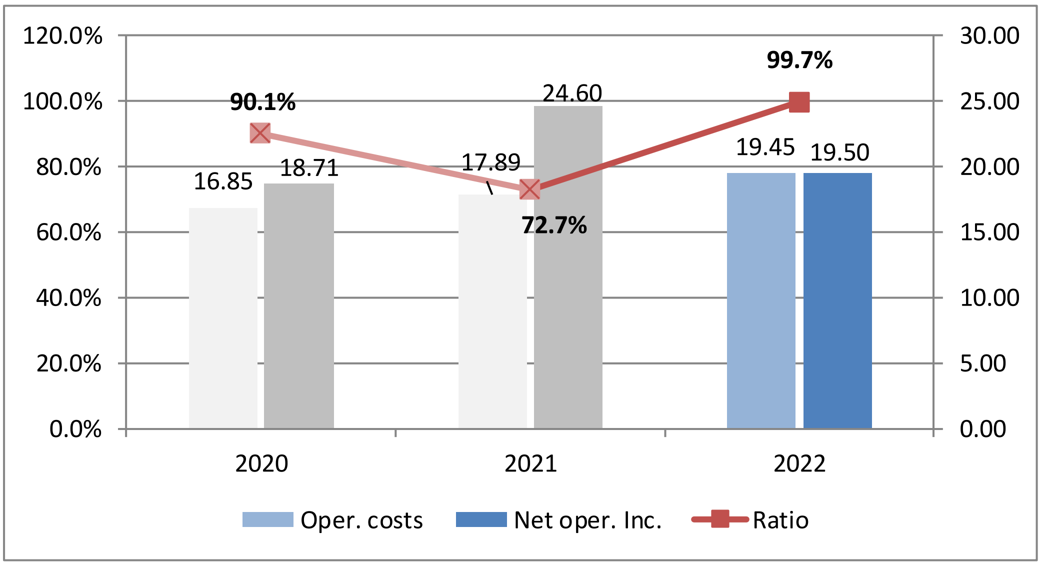
Net trading income has declined by 29% as compared to last year due to recognition of loss amounting to £1mn on sale of debt securities classified as FVOCI to comply with the stop loss threshold limits approved by the Board.

Operating cost has increased to £19.4mn in 2022 from £17.8mn in 2021 mainly due to structural changes in the Board and senior management and other costs incurred in relation to the remediation plan.

Strategic Report (continued)

The cost to income ratio increased to 99.7% in 2022 from 72.7% in 2021. Historical trend of last 3 years is depicted in the below chart (£millions):

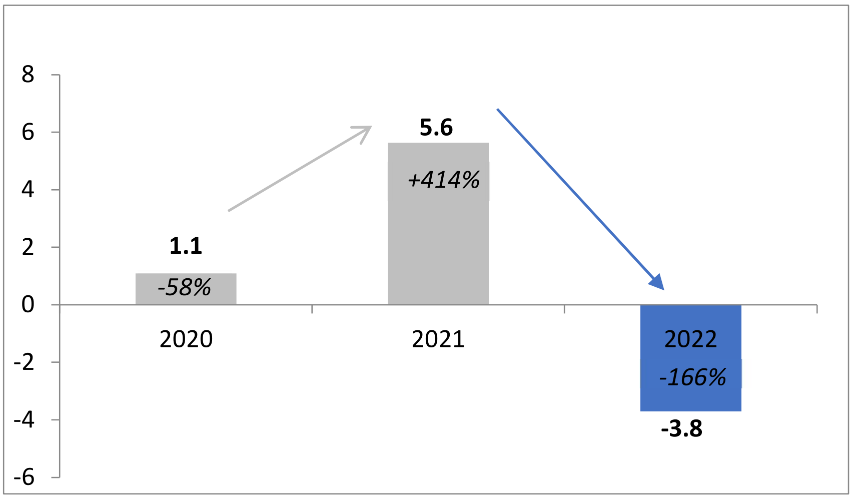
Cost to income ratio



Impairment provision has increased to £5.3mn (2021:1.6mn) mainly as a result of default for exposure with Republic of Ghana and since the announcement to suspend payments of bonds was received the whole exposure has been classified as stage 3 (non-performing loans) in line with IFRS 9 requirements. The Bank has performed an impairment assessment and accounted for a provision charge of £3.9mn in 2022 for all the exposures with Ghana.

The Bank's loss for the year after taxation amounted to £3.8mn (2021: profit after taxation: £5.6mn). Historical trend of last 3 years is depicted in the below chart (£millions):

(Loss) / Profit after taxation (£'mn)



Balance sheet analysis

The overall earning assets of the Bank declined to £418mn from £466mn last year mainly due to slower growth specially in the first half of the year.

Deposit liabilities from banks decreased by 3% to £289mn (2021: £298mn). The Bank relies mainly on the funding from Group entities.

Total shareholder's equity declined to £75.8mn (2021: £82.5mn) mainly due to increase in unrealised loss on the debt instruments accounted at FVOCI recognized through other comprehensive income by £3.2mn, loss after tax recognized in profit and loss account by £3.8mn.

Capital Management

The Bank's regulatory capital consists of the sum of the following elements:

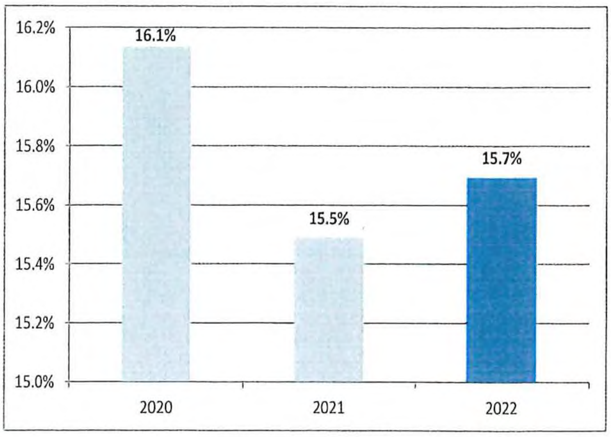
- **Tier 1 capital** (all qualifies as Common Equity Tier 1 (CET1) capital) - it includes ordinary share capital, retained earnings, reserves and other comprehensive income (OCI) after adjustment for deductions for goodwill and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.
- **Tier 2 capital** - it includes qualifying subordinated liabilities.

£'000	2022	2021
Tier 1 Capital	55,466	59,466
Tier 2 Capital	15,665	15,032
Own funds	**71,131**	**74,498**
Required capital	**66,609**	**65,452**
Surplus capital	4,522	9,046
Risk weighted assets	453,125	480,918
Tier 1 capital ratio	12.24%	12.36%
Capital Adequacy Ratio	15.70%	15.49%

As at 31 December 2022, BoA UK recorded a capital adequacy ratio of 15.70% (2021: 15.49%) with a core Tier 1 capital ratio of 12.24% (2021: 12.36%). Prior year figures reported above and those shown in the graph below have been changed to remain consistent with the current methodology of calculating the total regulatory capital of the Bank. The Bank has adequate surplus capital available against a regulatory minimum capital requirement set by the PRA after the review of the Bank's own capital assessment. Capital requirement comprises of Pillar I and II including buffers.

Strategic Report (continued)

Historical trend of the Capital Adequacy Ratio (CAR) for last 3 years is depicted in the below chart:



Liquidity and funding

BoA UK's funding strategy continued to rely on funding from the Group. BoA UK continued to maintain a reserve account with the Banque de France and to hold high-quality, unencumbered liquid assets in line with the regulatory buffer asset requirements. In addition, highly liquid money market instruments were held to support liquidity requirements.

Key performance indicator

Return on Equity (ROE) has declined to -4.8% (2021: 6.8%). ROE is calculated as profit / (loss) after tax divided by average equity.

Return on Assets (ROA) has also declined to -0.8% (2021: 1.2%). ROA is calculated as profit / (loss) after tax divided by average total assets. Key reason for decline in ROE and ROA is discussed in the profitability and balance sheet analysis section.

Liquidity Coverage Ratio (LCR): This represents the ability of the Bank to maintain an adequate level of unencumbered assets that can meet its liquidity needs for a 30- day period under a severe stress. The Bank maintained an LCR ratio of average of 229% throughout the year, which is above the regulatory requirement of 100%.

Capital Adequacy Ratio (CAR): is a measure of the Bank's total available capital to its risk weighted assets (RWA). The RWA in 2022 were £27m lower than last year due to overall decline in the asset book by £43mn and total available capital has declined from last year due to increase in Unrealised loss on debt instruments at FVOCI and loss after tax, however CAR of the Bank remains at 15.70% as compared to 15.49% last year.

Signed on behalf of the Board

F Baker

Said Adren
Chief Executive Officer and Director

Fabienne Baker-Menetrey
Chair of the Audit Committee

Date: 06 September 2023

Statement of Directors' responsibilities

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether applicable international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- provide additional disclosures when compliance with specific requirements in international accounting standards is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Bank will continue in business or unless they intend either to liquidate the Bank or to cease operations or have no realistic alternative but to do so.

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

Directors' statement of disclosure to auditors

Each of the Directors confirms that:

- to the best of each Director's knowledge and belief, there is no information relevant to the preparation of their report of which the Bank's auditor is unaware; and
- each Director has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Bank's auditor is aware of that information.

This confirmation is given in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006

Signed on behalf of the Board

Said Adren
Chief Executive Officer and Director

F Baker

Fabienne Baker-Menetrey
Chair of the Audit Committee

Date: 06 September 2023

Directors’ report

The Directors of Bank of Africa United Kingdom Plc present their Directors’ report for the year ended 31 December 2022. As permitted by Paragraph 1A of Schedule 7 to the Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008 certain matters which are required to be disclosed in the Directors’ Report have been included in the Strategic Report on pages 8 to 25 These matters relate to Future Developments; and Financial Risk Management.

Principal activities

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

The Bank’s principal activities are Corporate Banking, focusing on trade, structured and project finance and corporate lending for target customers based in Africa or with an interest in the region and Treasury and Capital Markets, focusing on currency and interest rate markets of the region.

The Bank operates in the United Kingdom, in France through a branch and has a representative office in Zurich.

Business review

Bank of Africa United Kingdom Plc is an authorised credit institution and provides a range of banking and financial services. There have not been any significant changes in the Bank’s main activities in the year under review.

A new business plan will be submitted to the Board within the second half of 2023 which we understand aims to focus more on intermediation while selling certain risk assets.

The Bank invests significantly in its IT systems with the objective of improving its business and financial performance monitoring and a new core banking system is expected to be rolled out in late 2023. The Directors regard such investment as necessary for improving expectations on the future of the business.

Results and dividend

The Bank’s loss for the year before taxation amounted to £5.3mn (2021: profit before taxation: £5.1mn).

The Directors do not recommend the payment of a dividend for the financial year 2022 (2021: £Nil).

Capital Structure

The Bank’s capital structure remains unchanged. As at 31 December 2022, the maturity of €17.7mn (equivalent to £15.6mn) subordinated debt remains until 2029.

Allotted, called up and fully Paid-up Capital of the Bank at the end of the year was £102.18mn (2021: £102.18mn) and Total Equity of £75.75mn (2021: £82.58mn).

Pillar 3 disclosures

Further information regarding the Bank’s approach to risk management and its capital adequacy is contained in the unaudited Pillar 3 disclosures made under the current regulatory capital requirements.

These disclosures will be published on the Bank’s website shortly after the approval of these financial statements at https://www.bankofafricaunitedkingdom.co.uk

Directors' report (continued)

Directors

The Directors, who all served throughout the year, unless otherwise shown are as listed on page 4 of the report. During the year under report, the Board held 11 meetings.

Directors' interests

None of the Directors has, or had during the year under review, any beneficial interest in the shares of the Bank.

Directors' insurance and indemnities

The Directors have the benefit of the indemnity provisions contained in the Bank's Articles of Association ('Articles'), and the Bank has maintained throughout the year Directors' liability insurance for the benefit of the Bank and the Directors.

The Bank has entered into qualifying third-party indemnity arrangements for the benefit of all its Directors in a form and scope which comply with the requirements of the Companies Act 2006 and which were in force throughout the year and remain in force.

Going concern basis of accounting

The Directors have a reasonable expectation that the Bank has adequate resources to continue in operational existence for the foreseeable future and for at least 12 months from the date of approval of the financial statements.

The business plan and forecasts in line with the Bank's new business strategy are currently under discussion with the parent company and once finalised will be presented to the Board for their approval.

Having obtained confirmation of continued support from the parent company and having assessed their ability to provide such support to the Bank, if the need arises, the Directors have a reasonable expectation that the Bank has adequate resources to continue in operation, meets its liabilities as they fall due.

In making this assessment, the Directors have considered a wide range of information relating to present and future conditions, including the current state of the balance sheet, available future projections of profitability, cash flows and capital resources, support from its parent company and the longer-term strategy of the business.

The Directors also concluded that both capital and liquidity forecasts remained within present regulatory requirements, over the period assessed and believe that it remains appropriate to continue to adopt the going concern basis in preparing these Bank's financial statements.

Auditors

Auditors Gravita Audit II Limited (formerly CBW Audit Limited) have expressed their willingness to continue in office as auditors and a resolution to appoint the auditors will be considered at the forthcoming annual general meeting.

Signed on behalf of the Board

Said Adren
Chief Executive Officer and Director

F Baker

Fabienne Baker-Menetrey
Chair of the Audit Committee

Date: 06 September 2023

Independent auditor's report to the members of Bank of Africa United Kingdom PLC

Qualified opinion on the financial statements

We have audited the financial statements of Bank of Africa United Kingdom PLC (the 'company') for the year ended 31 December 2022 which comprise Statement of Profit or Loss, the Statement of Other Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards in accordance with the requirements of the Companies Act 2006.

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of our report, the financial statements:

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

Basis for qualified opinion

The Company's deferred tax asset is carried in the statement of financial position at £8,781k. The Company's accounting policy as per note 2.36, is to review at each reporting date and reduce to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part to be recovered. Whilst the asset has been calculated and reviewed, we have not been provided with sufficient evidence that it is probable the Company will achieve sufficient taxable profits to recover this amount. The Company is confident that the new business strategy, which it is enacting in 2023, will ensure the asset is recoverable. However, we have been unable to obtain evidence to this extent and are unable to quantify any potential adjustment necessary. In addition, were any adjustment to deferred tax be required, the strategic report would also need to be amended.

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Our approach to the audit

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, considering the structure of the company, the accounting processes and controls, the industry in which they operate and assessing the risks of material misstatement in the financial statements.

As part of the audit process, there has been a number of challenges encountered during the audit processes which required further considerations by the management team and ultimately led to a significant number of adjustments to the financial statements as being necessary, including prior period adjustments. As a result of these matters, the company was unable to submit signed audited accounts to the PRA within the required timeframe.

As a result of the matters identified and the additional level of risk assessed in certain areas along with significant delays in obtaining audit evidence of sufficient quality, we increased the size of the audit team, carried out additional consultations on certain matters and performed additional audit procedures where necessary to obtain sufficient and appropriate audit evidence to support our opinion. This resulted in an adjustment to our initial planned audit approach and timetable.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the basis for opinion section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matters	How our scope addressed this matter
Revenue Recognition The Bank's interest income is recognised in accordance with the effective interest rate ('EIR') method. Most the bank's revenue is system generated and subsequently fee and interest income are manually adjusted to ensure compliance with the EIR method. Judgement is required to determine whether fees and commissions are recognised as part of EIR or recognised when the service has been performed. Revenue is therefore considered to be a significant risk in respect to EIR calculations and interest income adjustments.	For a sample of contractual interest income, a manual recalculation of the interest income was carried out and agreed to the general ledger. Key inputs in this calculation such as the principal amount and the interest rate were verified by vouching to supporting documentation such as client agreements. For a sample of counterparties, we performed manual re-calculations of the contractual interest income related to bonds and verified inputs to principals, interest rates and supporting documentation. A sample of fees were also agreed to agreements and were tested to ensure that they were recognised in accordance with the EIR method. The stated revenue recognition policies were reviewed to check compliance with IFRS 9 and IFRS 15 and the application corroborated throughout the testing approach, which included an assessment of whether management includes the appropriate fee cash flows within the calculation of the EIR. **Key observations:** Based on the work performed, we consider the application of EIR accounting appropriate and in line with the requirements of IFRS.
Expected credit loss provision The provision of credit services to banks, corporate and individual customers is one the banks main activities. The loan loss provision is a material balance that is subject to management's judgement and estimation, and as the bank is required to assess recoverability of the loan portfolio (per IFRSs), the expected credit loss (ECL) provision for all performing loan books collectively, taking into account IFRS 9 compliance by reviewing staging and also macro-economic factors including PD's, LGD's and EAD's.	We vouched the exposures per the ECL working to the trial balance for completeness. Our assets testing has been performed on the balances per the ECL breakdown as these are final figures and these have been audited via confirmations and obtaining supporting documentation confirming the Exposure and Default (EAD). We evaluated whether the definition of default used by the Bank is in accordance with the accounting standard.

	We selected a sample of Stage 1 and Stage 2 loans to test the application of SICR and the adequacy of the ECL by reference to the performance of the loan, collateral and potential recovery strategy. For Stage 3 loans, we tested the default trigger and management's strategy for recoverability. We reviewed the credit risk committee board meeting minutes to confirm updates on Stage 2 and Stage 3 loans and evaluated and challenged what constitutes a Significant Increase in Credit Risk (SICR). We reviewed disclosures in the financial statements relating to the recognised provision for loan exposures for compliance with statutory requirements, disclosures required by IFRS and the entity's own policies. We challenged the internal credit ratings determined by management for both entities and countries. We enquired with management about the reasons behind using the ratings and collaborated this with independent news reviews and subsequent financials With support of external IFRS9 modelling and economic experts we: Reviewed the model methodology, including review of the input parameters: PD, EAD and LGD. Assessed macro-economic adjustments for appropriateness with review of the following: baseline projections, alternative economic scenarios, and validation of weightings/scenario severity mix. Assessed the reasonability of multiple economic scenarios including the number, weighting and probability changes and performing sensitivity analysis. Assessed the appropriateness of using third parties such as S&P for calculating internal risk. **Key observations:** Based on the audit work performed, we consider the expected credit loss provision to be reasonable and consistent with the requirements of IFRS 9.
Due from banks, loans and advances to customers The Bank has accounts with customers and other banks where significant transactions take place daily and reconciliation for accurate balances in the financial statements are required.	A sample of balances were selected from the general ledger and third-party confirmations were obtained to confirm the existence and accuracy of these balances.

There can be procedural delays in performing these reconciliations or reconciliations are not performed and this can impact cash balances and loans or other amounts. A delay can in turn lead to needing correcting adjustments to those balances. The three main lending products included are loan solutions, trade finance and commodity trade finance.	In instances where third-party confirmations were not obtained for due from banks and loans and advances to customers, supporting documents such as letters of credit and loan agreements were obtained, and the balances were recalculated. Interest receivable balances were recalculated and agreed to the balances were the trial balance. Many variances were noted when interest receivable balances were recalculated and compared to this to the amounts per the trial balance, including some interest receivable balances which should have been cleared due to deals being matured. Various adjustments were proposed by the audit team, which have been accepted and posted by management For all Nostro accounts we sent external confirmations to obtain evidence over the existence and accuracy of balances. We obtained the Bank's reconciliations for all accounts and investigated reconciling items. The audit team proposed adjustments to clear items on the Nostro reconciliations which pertained to items settled in 2023, however these were mainly balance sheet reclassifications and did not impact the P&L **Key observations:** Based on the audit work performed and the subsequent adjustments noted above being made, the amounts reflected in ‘Due from banks’ and ‘Loans and advances to customers’ have been appropriately stated.
Impairment of goodwill The carrying value of the Bank’s goodwill is resulting from historic business combinations is £8.9m, net of £4.9m impairment recognised in previous years. The directors have allocated goodwill to the following cash generating units (CGUs): - Corporate and Investment Banking - Treasury and Capital Markets At reporting date, the carrying value of goodwill is assessed by management. The recoverable amount of CGUs is supported by value-in-use calculations based on discounted cash flows. Estimating discounted future cash flows requires the directors to use significant assumptions by applying judgement to determine future market conditions, business prospects, growth rates and discount rates.	We assessed the appropriateness of the Bank’s impairment methodology for the determination of goodwill as well as the assumptions in the impairment assessment. We have challenged management on key judgements and assumptions made. We have also verified the mathematical accuracy of the cash flow model used and checking the internal inconsistency of the models in place at the year end. Additionally, we have assessed the reasonableness of the significant inputs and assumptions used in the discounted cash-flow such as growth rates and discount rates. Management have based their assessment on the business strategy in place at the year end and were unable to provide the audit team with a revised business plan and forecast in line with the Bank’s new business strategy for the audit team to assess any additional impairment of goodwill. A disclosure has been added to the financial statements to indicate a there may be a potential impairment to this in 2023. **Key observations:** Based on the audit work performed, the amount reflected as ‘Goodwill’ has been appropriately stated.

Deferred tax As disclosed in note 12, the Bank has recognised deferred tax assets to the extent that it is probable that historical assessed tax losses will be realised. This requires management judgement in estimating future taxable income and is accordingly a key audit matter.	We involved our tax specialists to evaluate the recognition and measurement of the current and deferred tax assets and liabilities. This included analysing the current and deferred tax calculations for compliance with the UK tax legislation. We have evaluated management's assessment of the recoverability of deferred tax assets by comparing this to evidence obtained in respect of other areas, including the cashflow forecasts, business plans, minutes of directors' meetings and our knowledge of the business. Additionally, we have challenged management's assumptions for the deferred tax position to assess whether it is based on the most probable outcome. Management have based their assessment on their current business plan and were unable to provide the audit team with a revised business plan and forecast in line with the Bank's new business strategy for the audit team to assess recoverability of the deferred tax asset. **Key observations:** Based on the audit work performed, the audit team was unable to appropriately assess whether the deferred tax has been appropriately stated and is deemed recoverable. Therefore, the audit opinion has been modified in this respect.
Going Concern As disclosed in note 2.1, the Bank has performed the going concern assessment based on the current business plan and strategy. However, after year end the Bank have decided to change their business plan and strategy. At the time of this report the Bank's new business strategy is still under discussion with the parent company and being formulated by the management. The Bank has obtained confirmation of continued support from the parent company and has a formal credit facility which can only be removed with formal notice of no less than 367 days. The directors have satisfied themselves that the Bank will continue to operate on a going concern basis for the foreseeable future and at least for 12 months from the assessment and there is no material uncertainty on going concern.	Our procedures and conclusions in respect of going concern are set out below in the 'Conclusions relating to going concern' section below.

Our application of 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. We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

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

Materiality	£378,000
Basis for determining materiality	0.5% of net assets. This low percentage has been selected considering the entity and the execution of the audit.
Rationale for the benchmark applied	The majority of the stakeholders' interests in the bank are asset focused. This is also the key metric indicated by management and the group auditors of most importance when group reporting.
Performance materiality	£189,000
Basis for determine performance materiality	Performance materiality was set at 50% of materiality to reflect the high risk nature of the engagement in response to the failures internal controls, prior year adjustments and ongoing regulatory investigation.

We agreed with the audit committee that we would report to them misstatements identified during our audit above £18,000 as appropriate as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the entity's ability to continue to adopt the going concern basis of accounting included:

- Obtaining the Directors' assessment of the going concern, which includes the going concern assumptions, applied in the financial statements. For key assumptions included in the forecasts and stress scenarios, we have obtained an understanding of the Directors' rational for the assumptions made and agreed these where possible to relevant supporting documentation.
- Assessing the current forecast used to support the Going Concern assessment for arithmetical accuracy.
- Reviewing minutes of meetings of the board of directors for any factors that may affect going concern.
- In understanding the capital and liquidity of the Company, we have reviewed the ICAAP and capital adequacy ratio with the help of our regulatory experts. We have used this understanding to assess the Directors' capital and liquidity position.
- We have reviewed management's funding plans including recovery plans to ascertain appropriate measures are in place for worst case scenarios.
- Evaluating disclosures made in Note 2 in respect of going concern.
- Testing accuracy of current forecasts along with historical accuracy of forecasts which have been prepared.
- Obtaining appropriate comfort regarding financial support offered to the Bank and verifying the ability of relevant parties to provide this level of support.
- Considered publicly available information to identify if there is anything to contradict the assessment made by management, or if there are any indicators of potential risk to the group of industry.
- Considered the adequacy of the disclosures in the financial statements based on our knowledge gained through the above procedures.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Other Information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

As described in the basis for qualified opinion section of our report, we are unable to satisfy ourselves that deferred tax has been appropriately stated and is deemed recoverable. We have concluded that where the other information refers to deferred tax or related balances such as profit for the year or net assets, it may be materially misstated for the same reason.

Opinions on other matters prescribed by the Companies Act 2006

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Except for the possible effects of the matter described in the basis for qualified opinion section of our report, in our opinion, based on the work undertaken in the course of the audit:

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

Matters on which we are required to report by exception

Except for the matter described in the basis for qualified opinion section of our report, in the light of the knowledge and understanding of Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.

Arising solely from the limitation on the scope of our work relating to deferred tax, referred to above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether adequate accounting records have been kept.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the statement of directors' responsibilities set out on page 18, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the audit of the financial statements

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

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:

We ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations. The laws and regulations applicable to the company were identified through discussions with directors and other management, and from our commercial knowledge and experience of financial institutions. Of these laws and regulations, we focused on those that we considered may have a direct material effect on the financial statements or the operations of the company, including Companies Act 2006, international accounting standards in conformity with the Companies Act 2006, taxation legislation, compliance with licence conditions and supervisory requirements of the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA), data protection, anti-bribery, anti-money-laundering, employment, environmental and health and safety legislation. The extent of compliance with these laws and regulations identified above was assessed through making enquiries of management and inspecting legal correspondence. The identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud;
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations; and
- Understanding the design of the company's remuneration policies.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions; and
- read minutes of meetings of those charged with governance, reviewing internal audit reports and correspondence with the Financial Conduct Authority and the Prudential Regulation Authority. In addition we had a number of discussions with the Prudential Regulation Authority in respect of delays to signing the accounts and subsequent events.
- assessed whether judgements and assumptions made in determining the accounting estimates set out in note 3 were indicative of potential bias; and
- investigated the rationale behind significant or unusual transactions.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of meetings of those charged with governance;
- enquiring of management as to actual and potential litigation and claims; and
- reviewing correspondence with HMRC, relevant regulators and the company's legal advisors.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any. Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

A further description of our responsibilities is available on the FRC's website at: https://www.frc.org.uk/auditors/audit-assurance/auditor-s-responsibilities-for-the-audit-of-the-fi/description-of-the-auditor%E2%80%99s-responsibilities-for . This description forms part of our auditor's report.

Other matters which we are required to address

Following the recommendation of the audit committee, we were appointed by the Board of Directors on 1 February 2022 to audit the financial statements for the year ending 31 December 2021 and subsequent financial periods. Our total uninterrupted period of engagement is 2 years, covering the period ended 31 December 2022. Since the date of the last audit report, CBW Audit Limited has changed its name to Gravita Audit II Limited but for the avoidance of doubt is the same firm with the same audit licence.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the company. We remain independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit opinion is consistent with the additional report to the audit committee in accordance with ISAs (UK).

Use of our report

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

Gravita Audit II Limited

Daniel Rose (Senior Statutory Auditor)
For and on behalf of Gravita Audit II Limited, Statutory Auditor

66 Prescot Street
London
E1 8NN

06 September 2023

Statement of profit or loss for the year ended 31 December 2022

£'000	Note	2022	2021
Interest and similar income	6	21,817	21,793
Interest expense and similar charges	6	(6,747)	(3,212)
Net interest income		**15,070**	**18,581**
Fee and commission income	7	3,034	3,193
Fee and commission expense	7	(1,632)	(1,526)
Net fee and commission income		**1,402**	**1,667**
Net trading income	**8**	**3,000**	**4,298**
Other operating income		**33**	**51**
Net operating income		**19,505**	**24,597**
Personnel expenses	9	(10,282)	(8,982)
Depreciation of property, plant and equipment; and right-of-use assets	18	(1,244)	(1,236)
Amortisation of intangible assets	19	(461)	(653)
Other operating expenses	10	(7,471)	(7,018)
Total operating expenses before impairment losses		**(19,458)**	**(17,889)**
Net impairment losses	11	(5,325)	(1,648)
(Loss)/Profit before taxation		**(5,278)**	**5,060**
Taxation	12	**1,439**	622
(Loss)/Profit for the year		**(3,839)**	**5,682**

The (loss)/profit for the current and preceding years are derived from continued operations.

Statement of other comprehensive income for the year ended 31 December 2022

£'000	Note	2022	2021
(Loss)/Profit for the year after tax		**(3,839)**	5,682
Items that will be classified to profit or loss			
Foreign currency translation differences for foreign operations		248	(500)
Unrealised (loss)/gains on debt instruments at FVOCI		(3,229)	(4,970)
Tax on unrealised (loss)/ gains		(10)	(9)
Other comprehensive income for the year	13	**(2,991)**	**(5,479)**
Total comprehensive income for the year		**(6,830)**	**203**

Statement of financial position as at 31 December 2022

£'000	Note	2022	2021
Assets			
Cash and balances with central banks	14	45,655	43,395
Due from banks	15	90,560	121,178
Derivative financial instruments		42	89
Loans and advances to customers	16	148,285	162,016
Financial investments – Amortised Cost	17	89,665	87,687
Financial investments – FVOCI	17	43,949	52,020
Property ,Plant and Equipment and Right –of-use Assets	18	1,496	2,517
Goodwill and other intangible assets	19-20	11,561	9,802
Deferred tax assets	12	8,781	8,191
Other assets	21	12,396	9,791
Total assets		**452,390**	**496,686**
Liabilities and equity			
Due to banks	22	289,489	297,704
Derivative financial instruments		502	25
Due to customers	23	59,541	92,028
Other liabilities	24	11,254	9,316
Subordinated debt	25	15,853	15,032
Total liabilities		**376,639**	**414,105**
Equity attributable to equity holders			
Share capital	26	102,173	102,173
Other reserves	26	(6,845)	(3,854)
Accumulated losses	26	(19,577)	(15,738)
Total equity		**75,751**	**82,581**
Total liabilities and equity		**452,390**	**496,686**

Said Adren
Chief Executive Officer and Director

F Baker

Fabienne Baker-Menetrey
Chair of the Audit Committee

Statement of Changes in Equity

£'000	Note	Share Capital	Other Reserves	Accumulated Losses	Total
Balance as at 1 January 2021		**102,173**	**1,625**	**(21,420)**	**82,378**
Profit for the year		-	-	5,682	5,682
Other comprehensive income	**13**	-	(5,479)	-	(5,479)
Balance as at 31 December 2021		**102,173**	**(3,854)**	**(15,738)**	**82,581**
Balance as at 1 January 2022		**102,173**	**(3,854)**	**(15,738)**	**82,581**
Loss for the year		**-**	**-**	**(3,839)**	**(3,839)**
Other comprehensive income	**13**	**-**	**(2,991)**	**-**	**(2,991)**
Balance as at 31 December 2022		**102,173**	**(6,845)**	**(19,577)**	**75,751**

Other reserves category in the table above relates to changes in fair value of financial instruments measured at fair value through other comprehensive income and the effects of foreign currency translation on a foreign operation.

Statement of cash flows for the year ended 31 December 2022

£'000	Note	2022	2021
Cash flows from continuing operating activities			
Profit before tax		(5,278)	5,060
Adjustments for:			
Net interest income		(15,070)	(18,581)
Interest received		19,859	27,104
Interest paid		(7,197)	(4,236)
Change in operating assets	**28**	21,084	35,264
Change in operating liabilities	**28**	(35,633)	14,726
Other items included in profit before tax	**28**	(5,399)	1,625
Corporation tax		171	(868)
Net cash flows used by continuing operating activities		**(27,463)**	**60,094**
Cash flows from investing activities			
Purchase of financial investments		(6,272)	(82,228)
Proceeds from sales of financial investments		17,338	39,068
Purchase of Property ,Plant and Equipment and Right –of-use Assets		(233)	(66)
Purchase of intangible assets		(1,744)	(745)
Net cash flows generated by investing activities		**9,089**	**(43,971)**
Cash flows from financing activities			
Repayment of lease principal		(1,050)	(944)
Net cash flows used by financing activities		**(1,050)**	**(944)**
Net increase / (decrease) in cash and cash equivalents		**(19,424)**	**15,179**
Cash and cash equivalents as at 1 January		**87,968**	**72,789**
Cash and cash equivalents as at 31 December	**28**	**68,544**	**87,968**

Notes to the financial statements

1. Corporate Information

In these financial statements, BANK OF AFRICA United Kingdom Plc is referred to as “the Bank” or as “BoA UK”. The statements comprise the financial statements of BANK OF AFRICA United Kingdom Plc as an individual entity. The Bank also maintains a foreign branch that is located in Paris and Dubai.

The Bank provides corporate and investment banking, and treasury services in Europe as well as North, East, West and Central Africa. The principal activities of the Bank are described in the Strategic and Directors’ reports.

BANK OF AFRICA United Kingdom plc is incorporated and domiciled in England and Wales and is authorised and regulated by the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA). Its registered office is at 26 Upper Brook Street, London, W1K 7QE, United Kingdom.

The ultimate parent undertaking and ultimate controlling party is Bank of Africa S.A. (formerly known as Banque Marocaine du Commerce Exterieur S.A.), a Company incorporated in Morocco. BMCE International (Holdings) Limited, a company incorporated in and registered in England and Wales, is the immediate holding Company for the Bank.

Copies of the consolidated financial statements prepared in respect of Bank of Africa S.A. may be obtained by request on the following address: 140 Avenue Hassan II 2100 Casablanca or on the website: http://www.bankofafrica.ma/.

2. Significant accounting policies

2.1. Basis of preparation

The accounts are prepared on a going concern basis and in accordance with prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. These financial statements are also prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and its predecessor body or adopted as interpretations by the International Financial Reporting Standards Committee (IFRIC) and its predecessor body.

The management of the Bank reviews the output of the Going Concern assessment in advance of final evaluation by the Board. The directors have also satisfied themselves that they have the evidence necessary to support the statement in terms of the effectiveness of the internal control environment in place to mitigate risks. Having obtained confirmation of continued support from the parent company and having assessed their ability to provide such support to the Bank, if the need arises, the directors have a reasonable expectation that the Bank has adequate resources to continue in operation, meets its liabilities as they fall due.

The business plan and forecasts in line with the Bank’s new business strategy are currently under discussion with the parent company and once finalised will be presented to the Board for their approval. Although these are not yet final and approved by the Board, the Directors consider that there is no material uncertainty on going concern. The Directors also believe that 2023 and to a certain extent 2024 will be the year of consolidation for the Bank where the main focus will be on the successful implementation of the core banking system which will bring significant operational efficiencies within the Bank to grow and focus on the revised business plan approved by the Board.

With all considered, it is expected that the Bank will continue to operate on a going concern basis for the foreseeable future and at least for 12 months from this assessment; and that there is no material uncertainty on going concern.

Furthermore, there are no material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on a going concern basis. The financial statements have been prepared on a historical cost basis, except for derivative financial instruments, financial assets and financial liabilities held at fair value through profit or loss and investments in debt instruments measured at FVOCI that have been measured at fair value.

The Bank presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the statement of financial position date (current) and more than 12 months after the statement of financial position date (non-current) is presented in note 34.

Comparative information has been reclassified, rearranged or additionally incorporated in these financial statements for the purposes of better presentation; and not owing to any restatements due to errors or an accounting policy change.

2.2 Foreign currency translation

The financial statements are presented in British Pound, which is the Bank's functional and presentational currency. The functional currency of the foreign branch in Paris is Euro.

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the dates of the transactions. The foreign exchange gains and losses resulting from the settlement of such transactions are recognised in the statement of profit and loss. Unrealised gains and losses on unsettled transactions are also taken to the statement of profit and loss.

Non-monetary items measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. The results of the foreign branch are translated into the Bank's presentational currency on a monthly basis at the month end market exchange rate. All balances at the end of the period are converted at the period end rate. Any foreign exchange differences arising are accounted through other comprehensive income and accumulated in 'other reserves' in equity.

2.3 Net interest income

Interest income and expense for all financial instruments except for those classified or measured at FVTPL are recognised in 'Net interest income' as 'Interest income' and 'Interest expense' in the statement of profit or loss account using the effective interest method. Interest on financial instruments measured as at FVTPL is included within the fair value movement during the period, see 'Net trading income'.

The effective interest rate (EIR) is the rate that exactly discounts estimated future cash flows of the financial instrument through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. The future cash flows are estimated taking into account all the contractual terms of the instrument.

The calculation of the EIR includes all fees paid or received between parties to the contract that are incremental and directly attributable to the specific lending arrangement, transaction costs, and all other premiums or discounts. For financial assets at FVTPL transaction costs are recognised in profit or loss at initial recognition.

The interest income/ interest expense is calculated by applying the EIR to the gross carrying amount of non-credit impaired financial assets (i.e., at the amortised cost of the financial asset before adjusting for any expected credit loss allowance), or to the amortised cost of financial liabilities. For credit-impaired financial assets the interest income is calculated by applying the EIR to the amortised cost of the credit-impaired financial assets (i.e., the gross carrying amount less the allowance for expected credit losses (ECLs)).

2. Significant accounting policies (continued)

2.4 Net fee and commission income

The Bank earns fee and commission income from a diverse range of services it provides to its customers in connection with its principal activities and providing corporate advisory services. Fees and commission such as upfront fees and trade finance fees are recognised at a point in time. However, some fees earned for the provision of services over a period of time such as commitment fees are accrued over that period. These fees include commission income and advisory fees. Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the effective interest rate on the loan.

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

2.5 Net trading income

Net trading income includes all gains and losses from changes in the fair value of financial assets and financial liabilities classified as FVTPL as well as foreign exchange gains and losses. The Bank has elected to present the full fair value movement of trading assets and liabilities in trading income, including any related interest income, expense and dividends.

2.6 Financial instruments

Financial assets and financial liabilities are recognised in the Bank's balance sheet when the Bank becomes a party to the contractual provisions of the instrument. Recognised financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss. If the transaction price differs from fair value at initial recognition, the Bank will account for such difference as follows:

- if fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets, then the difference is recognised in profit or loss on initial recognition (i.e., day 1 profit or loss);

- in all other cases, the fair value will be adjusted to bring it in line with the transaction price (i.e., day 1 profit or loss will be deferred by including it in the initial carrying amount of the asset or liability).

After initial recognition, the deferred gain or loss will be released to profit or loss on a rational basis, only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the asset or liability.

2.7 Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at FVTPL.

Transaction costs directly attributable to the acquisition of financial assets classified as at FVTPL are recognised immediately in profit or loss. For all financial assets the amount presented on the statement of financial position represent all amounts receivable including interest accruals.

All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

- debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI), are subsequently measured at amortised cost;

- debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are SPPI, are subsequently measured at FVOCI; all other debt instruments (e.g., debt instruments managed on a fair value basis or held for sale) and equity investments are subsequently measured at FVTPL.

2.8 Debt instruments at amortised cost or at FVOCI

The Bank assesses the classification and measurement of a financial asset based on the contractual cash flow characteristics of the asset and the Bank's business model for managing the asset. For an asset to be classified and measured at amortised cost or at FVOCI, its contractual terms should give rise to cash flows that are SPPI.

For the purpose of SPPI test, principal is the fair value of the financial asset at initial recognition. That principal amount may change over the life of the financial asset (e.g., if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The SPPI assessment is made in the currency in which the financial asset is denominated.

Contractual cash flows that are SPPI are consistent with a basic lending arrangement. Contractual terms that introduce exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, such as exposure to change in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI. An originated or an acquired financial asset can be a basic lending arrangement irrespective of whether it is a loan in its legal form.

The Bank determines the business models at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Bank's business model depends on management's intentions for an individual instrument.

The Bank has more than one business model for managing its financial instruments which reflect how the Bank manages its financial assets in order to generate cash flows. The Bank's business models determine whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

When a debt instrument measured at FVOCI is derecognised, the cumulative gain/loss previously recognised in OCI is reclassified from equity to profit or loss. In contrast, for an equity investment designated as measured at FVOCI, the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss but transferred within equity.

Debt instruments that are subsequently measured at amortised cost or at FVOCI are subject to impairment.

2.9 Financial assets at FVTPL

Financial assets at FVTPL are:

- assets with contractual cash flows that are not SPPI; or/and
- assets that are held in a business model other than held to collect contractual cash flows or held to collect and sell; or
- assets designated at FVTPL using the fair value option.

For the current period, the Bank has not booked any financial assets at FVTPL other than derivatives.

2.10 Reclassifications

If the business model under which the Bank holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassifying the Bank's financial assets.

2.11 Impairment

The Bank recognises loss allowances for Expected Credit Losses ("ECL") on the following financial instruments that are not measured at FVTPL:

- loans and advances to banks;
- loans and advances to customers;
- debt investment securities;
- lease receivables;
- loan commitments issued; and
- financial guarantee contracts issued.

No impairment loss is recognised on equity investments.

ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e., ECL from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- full lifetime ECL, i.e., lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL.

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Bank under the contract and the cash flows that the Bank expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's EIR.

- for undrawn loan commitments, the ECL is the difference between the present value of the difference between the contractual cash flows that are due to the Bank if the holder of the commitment draws down the loan and the cash flows that the Bank expects to receive if the loan is drawn down; and
- for financial guarantee contracts, the ECL is the difference between the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the Bank expects to receive from the holder, the debtor or any other party.

The Bank measures ECL on exposures at default (EAD) on individual transaction. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original EIR, regardless of whether it is measured on an individual basis.

2.12 Credit-impaired financial assets

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit-impairment includes observable data about the following events:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- the disappearance of an active market for a security because of financial difficulties; or
- the purchase of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event—instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Bank assesses whether debt instruments that are financial assets measured at amortised cost or FVOCI are credit-impaired at each reporting date. To assess if sovereign and corporate debt instruments are credit impaired, the Bank considers factors such as bond yields, credit ratings and the ability of the borrower to raise funding.

A loan is considered credit-impaired when a concession is granted to the borrower due to a deterioration in the borrower's financial condition, unless there is evidence that as a result of granting the concession the risk of not receiving the contractual cash flows has reduced significantly and there are no other indicators of impairment. For financial assets where concessions are contemplated but not granted the asset is deemed credit impaired when there is observable evidence of credit-impairment including meeting the definition of default.

2.13 Definition of default

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk.

The Bank considers the following as constituting an event of default when the borrower is unlikely to pay its credit obligations to the Bank in full and/or customers who are late in payment by more than 90 days.

This definition of default is used by the Bank for accounting purposes as well as for internal credit risk management purposes. The definition of default is appropriately tailored to reflect different characteristics of different types of assets.

When assessing if the borrower is unlikely to pay its credit obligation, the Bank takes into account both qualitative and quantitative indicators. The information assessed depends on the type of the asset. Quantitative indicators are also key inputs in this analysis. The Bank uses a variety of sources of information to assess default which are either developed internally or obtained from external sources.

As noted in the definition of credit impaired financial assets above, default is evidence that an asset is credit impaired. Therefore, credit impaired assets will include defaulted assets, but will also include other non-defaulted given the definition of credit impaired is broader than the definition of default.

2.14 Significant increase in credit risk

The Bank monitors all financial assets, issued loan commitments and financial guarantee contracts that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Bank will measure the loss allowance based on lifetime rather than 12-month ECL.

The Bank's accounting policy is not to use the practical expedient that financial assets with 'low' credit risk at the reporting date are deemed not to have had a significant increase in credit risk. As a result, the Bank monitors all financial assets, issued loan commitments and financial guarantee contracts that are subject to impairment for significant increase in credit risk.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Bank compares the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of a default occurring that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognised. In making this assessment, the Bank considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort, based on the Bank's historical experience and expert credit assessment including forward-looking information.

For corporate lending, forward-looking information includes the future prospects of the industries in which the Bank's counterparties operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various internal and external sources of actual and forecast economic information.

The Bank allocates its counterparties to a relevant internal credit risk grade depending on their credit quality. The quantitative information is a primary indicator of significant increase in credit risk and is based on the change in lifetime PD.

The PDs used are forward-looking and the Bank uses the same methodologies and data used to measure the loss allowance for ECL.

The qualitative factors that indicate significant increase in credit risk are reflected in PD models on a timely basis. However, the Bank still considers separately some qualitative factors to assess if credit risk has increased significantly. For corporate lending there is particular focus on assets that are included on a 'watch list' given an exposure is on a watch list once there is a concern that the creditworthiness of the specific counterparty has deteriorated.

2.15 Modification and derecognition of financial assets

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date. In addition, the introduction or adjustment of existing covenants of an existing loan would constitute a modification even if these new or adjusted covenants do not yet affect the cash flows immediately but may affect the cash flows depending on whether the covenant is or is not met (e.g., a change to the increase in the interest rate that arises when covenants are breached).

The Bank renegotiates loans to customers in financial difficulty to maximise collection and minimise the risk of default. The revised terms in most of the cases include an extension of the maturity of the loan, changes to the timing of the cash flows of the loan (principal and interest repayment), reduction in the amount of cash flows due (principal and interest forgiveness) and amendments to covenants.

When a financial asset is modified the Bank assesses whether this modification results in derecognition. A modification results in derecognition when it gives rise to substantially different terms. To determine if the modified terms are substantially different from the original contractual terms the Bank considers the following:

- Qualitative factors, such as contractual cash flows after modification are no longer SPPI, change in currency or when rights to cash flows between the original counterparties expire because a new debtor replaces the original debtor (unless both debtors are under common control), the extent of change in interest rates, and maturity. If these do not clearly indicate a substantial modification, then;
- A quantitative assessment is performed to compare the present value of the remaining contractual cash flows under the original terms with the contractual cash flows under the revised terms, both amounts discounted at the original effective interest.

If the difference in present value is greater than 10% the Bank deems the arrangement is substantially different leading to derecognition. When performing a quantitative assessment of a modification or renegotiation of a credit-impaired financial asset or a purchased or originated credit-impaired financial asset that was subject to a write-off, the Bank considers the expected (rather than the contractual) cash flows before modification or renegotiation and compares those with the contractual cash flows after modification or renegotiation.

In the case where the financial asset is derecognised the loss allowance for ECL is remeasured at the date of derecognition to determine the net carrying amount of the asset at that date. The difference between this revised carrying amount and the fair value of the new financial asset with the new terms will lead to a gain or loss on derecognition. The new financial asset will have a loss allowance measured based on 12-month ECL except in the rare occasions where the new loan is considered to be originated credit impaired. This applies only in the case where the fair value of the new loan is recognised at a significant discount to its revised par amount because there remains a high risk of default which has not been reduced by the modification. The Bank monitors credit risk of modified financial assets by evaluating qualitative and quantitative information, such as if the borrower is in past due status under the new terms.

When the contractual terms of a financial asset are modified and the modification does not result in derecognition, the Bank determines if the financial asset's credit risk has increased significantly since initial recognition by comparing:

- the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms; with
- the remaining lifetime PD at the reporting date based on the modified terms.

Where a modification does not lead to derecognition the Bank calculates the modification loss by comparing the gross carrying amount before and after the modification (excluding the ECL allowance). Modification losses for financial assets are included in the profit or loss account in 'Losses on modification of financial assets'. Then the Bank measures ECL for the modified asset, where the expected cash flows arising from the modified financial asset are included in calculating the expected cash shortfalls from the original asset.

The Bank derecognises a financial asset only when the contractual rights to the asset's cash flows expire (including expiry arising from a modification with substantially different terms), or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another entity. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain/loss that had been recognised in OCI and accumulated in equity is recognised in profit or loss, with the exception of equity investment designated as measured at FVOCI, where the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss.

2.16 Write-off

Loans and debt securities are written off when the Bank has no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event. The Bank may apply enforcement activities to financial assets written off. Recoveries resulting from the Bank's enforcement activities will result in impairment gains.

2.17 Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL is measured as follows:

- If the restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset; and
- If the restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

2.18 Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- for financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;

- for debt instruments measured at FVOCI: as a deduction from the carrying amount of the assets

- for loan commitments and financial guarantee contracts: as a provision; and

- where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision.

2. Significant accounting policies (continued)

2.19 Financial liabilities and equity

Debt and equity instruments that are issued and classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

A financial liability is a contractual obligation to deliver cash or another financial asset or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Bank or a contract that will or may be settled in the Bank's own equity instruments and is a non-derivative contract for which the Bank is or may be obliged to deliver a variable number of its own equity instruments, or a derivative contract over own equity that will or may be settled other than by the exchange of a fixed amount of cash (or another financial asset) for a fixed number of the Bank's own equity instruments.

2.20 Financial liabilities

Financial liabilities are classified as 'other financial liabilities'. For all financial liabilities the amount presented on the statement of financial position represent all amounts payable including interest accruals. For the current period, the Bank has not recorded any financial liabilities being classified as financial liabilities at FVTPL.

Other financial liabilities, including deposits and borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

2.21 Modification and derecognition of financial liabilities

The Bank derecognises financial liabilities when, and only when, the Bank's obligations are discharged, cancelled, or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

2.22 Derivative financial instruments

The Bank enters into a variety of derivative financial instruments which are mainly held to manage essentially its exposure to foreign currency risk and balance sheet gap management. Derivative held mainly include foreign exchange forward contracts and cross currency swaps. 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. The resulting gain/loss is recognised in profit or loss immediately.

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.

2.23 Hedge accounting

During the current period, the Bank has not recorded any hedge relationship (fair value hedge, cash flow hedge, hedge of net investments in foreign operations).

2.24 Financial guarantee

The Bank gives financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognised in the financial statements at fair value, in 'Other liabilities' being the premium received. Subsequently, the FGC is measured at the 'higher of:

- the IFRS 9 Expected Credit Loss (ECL) allowance;
- the amount initially recognised (i.e., fair value) less any cumulative amount of income/ amortisation recognised.

2.25 'Day 1' profit

Where the transaction price in a non-active market is different to the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Bank immediately recognises the difference between the transaction price and fair value (a Day 1 profit) in the statement of profit and loss in 'Net trading income'.

In cases where data used is not observable, the difference between the transaction price and model value is only recognised in the statement of profit and loss when the inputs become observable, or when the instrument is derecognised.

2.26 Subordinated debt

These are long-term debt liabilities carried at amortised cost.

2.27 Off setting financial instruments

Financial assets and financial liabilities are offset, and the net amount reported in the statement of financial position only if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

2.28 Leasing

The Bank assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Bank as a lessee - The Bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Bank recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

- **Right-of-use assets** - The Bank recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term. The right-of-use assets are presented within Property, plant and equipment and right-of-use assets and are subject to impairment in line with the Bank's policy on Impairment of non-financial assets.

- **Lease liabilities** - At the commencement date of the lease, the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating the lease if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

Bank as a lessor - As a lessor BoA UK classifies its leases as either operating or finance leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset and classified as an operating lease if it does not. Leases in which the Bank does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases.

Rental income arising is accounted for on a straight-line basis over the lease terms and is included in "other operating income" line in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as other operating income in the period in which they are earned.

2.29 Cash and cash equivalents

Cash and cash equivalents as referred to in the cash flow statement comprise cash on hand, balances with central Banks and amounts due from Banks on demand or with an original maturity of three months or less. Cash and cash equivalent are carried at amortised cost in the statement of financial position.

For the purpose of the cash flow statement the Bank's operating activities include cash flows from loans and advances, customer deposits and derivative financial instruments. The Bank's financing activities comprise movements in issued share capital and subordinated debt.

2.30 Business combinations and goodwill

Business combinations are accounted for using the purchase method of accounting. This involves recognising identifiable assets (including previously unrecognised intangible assets) and liabilities (including contingent liabilities and excluding future restructuring) of the acquired business at fair value. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill.

Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of the business combination over the Bank's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Bank's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities acquired are assigned to those units. Each unit or group of units to which the goodwill is allocated:

- represents the lowest level within the Bank at which the goodwill is monitored for internal management purposes; and
- is not larger than an operating segment as defined under IFRS 8 Operating Segments.

2.31 Property, equipment and right-of-use assets

Property, Plant and Equipment and Right –of-use Assets, which consist of computer hardware and furniture and equipment are stated at cost less accumulated depreciation. Depreciation is calculated using the straight-line method to write down the cost of Property, Plant and Equipment and Right –of-use Assets to their residual values over their estimated useful lives. The residual estimated useful lives from 1 January 2021 are as follows:

- Computer hardware - 3 to 5 years; and

- Furniture and equipment - 5 to 9 years.

Right-of-use assets are presented together with Property, Plant and Equipment and Right –of-use Assets in the statement of financial position – refer to the accounting policy 2.27. Right-of-use assets are depreciated on a straight-line basis over the lease term.

2. Significant accounting policies (continued)

2.32 Other intangible assets

Intangible assets include the value of development costs and computer software. Expenditure on internally developed intangible assets, excluding development expenditure, is taken to the statement of profit and loss in the year in which it is incurred. Development expenditure is recognised as an intangible asset only after its technical feasibility and commercial viability can be demonstrated. Intangible assets acquired separately are measured on initial recognition at cost. Following the initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Amortisation is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives.

The residual estimated useful lives from 1 January 2021 are as follows:

- Licences - 5 to 10 years;

- Computer software - 3 to 10 years; and

- Development costs - 3 to 5 years.

2.33 Impairment of non-financial assets

The Bank assesses at each reporting date, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired, whether there is an indication that a non-financial asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Bank makes an estimate of the asset's recoverable amount (which is the greater of an asset 's fair value less costs to sell, or its value in use). Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

2.34 Pension benefits

The Bank operates a defined contribution pension plan. The contribution payable to a defined contribution plan is in proportion to the services rendered to the Bank by the employees and is recorded as an expense under 'Personnel expenses'.

2.35 Provisions

Provisions are recognised when the Bank has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

2.36 Taxes

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

Deferred tax is provided on temporary differences at the reporting date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. Detailed plans are produced for the next financial year, and using this as a basis, forecasts are produced for the following years.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current tax and deferred tax relating to items recognised directly in other comprehensive income are also recognised in other comprehensive income and not in the statement of profit and loss.

2.37 Dividends on ordinary shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Bank's shareholders.

Interim dividends are deducted from equity when they are declared and are no longer at the discretion of the Bank.

Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date.

3. Critical accounting judgements and key sources of estimation uncertainty

The directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3.1 Critical judgements in applying the Bank's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Bank's accounting policies and that have the most significant effect on the amounts recognised in financial statements:

- **Business model assessment** - Classification and measurement of financial assets depends on the results of the SPPI and the business model test (please see financial assets sections of note 2). The Bank determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective.

- **Significant increase of credit risk -** As explained in Note 2.11, ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. In assessing whether the credit risk of an asset has significantly increased the Bank takes into account qualitative and quantitative reasonable and supportable forward-looking information.

3. Critical accounting judgements and key sources of estimation uncertainty (continued)

- **Models and assumptions used -** The Bank uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.

- **Determination of the lease term for lease contracts with renewal and termination options (Bank as a lessee) -** The Bank determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Bank has several lease contracts that include extension and termination options. The Bank applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination.

- **Deferred tax asset –** The Bank has recognised a deferred tax asset of £8.8mn (2021: £8.1mn) of which £8mn (2021: £7.5mn) arises from trading losses carried forward. Note 12 to these financial statements provides quantitative measures of the deferred taxes.

  Recognition of the asset is based on the assumption that the future taxable profits of the Bank will be adequate to utilise the available trading losses of the Bank. Expectations of future profits take into account the long-term financial and strategic plans of the Bank and the expected future economic outlook.

  Due to the impact of the economic environment on the Bank's bond portfolio the management is willing to implement measures to drive a change in the business model and these measures have been taken into consideration when reaching the conclusion that the current level of deferred tax asset on the carried forward losses is appropriate. These key measures include:

  1) Continued support from the group in relation to the change in business model.
  2) Sale of assets to the group in future to increase capital adequacy.
  3) Increase in efficiencies and reduction in costs due to change in business model and roll out of the core banking system.
  4) Ability to successfully increase customer base through referral of business to the group and increase revenues.

  The business plan and forecasts in line with the Bank's new business strategy are currently under discussion with the parent company and once finalised will be presented to the Board for their approval. Whilst these are not yet final and approved by the Board, the management believes these to have no material impact on its current assessment of deferred tax asset recoverability, once finalised.

- **Provision for credit losses** - The Bank recognised provisions for credit losses of £5.3mn (2021: £1.6mn). Note 11 to the financial statements provides quantitative measurement of provisions for credit losses. The Bank uses historical and forward-looking data from Standard & Poor to calculate specific components of expected credit losses, probability of default and loss given default. The Bank sources this data externally as there is no sufficient historical internal data to go by. Therefore, there is considerable judgement about the appropriateness and relevance of the data. The judgements are around the reliability of the data, relevance of data to Bank's risk assets and the availability of the data at reasonable cost. In the main the Bank uses external credit ratings to rate each obligor. Where an exposure is not externally rated, the Bank uses its internal rating model to determine a credit rating for each obligor. The credit rating system and movements therein, determine the staging classification of each exposure in the expected credit loss model.

The internal rating model uses a range of financial and non-financial inputs. In assessing the credit gradings and the impact of the current macro challenges in the market the Bank has considered a number of qualitative and quantitative factors.

3.2 Key sources of estimation uncertainty

The following are key estimations that the directors have used in the process of applying the Bank's accounting policies and that have the most significant effect on the amounts recognised in financial statements:

- **Probability of default** - PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

- **Loss Given Default** - LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

- **Fair value measurement and valuation process** - In estimating the fair value of a financial asset or a liability, the Bank uses market-observable data to the extent it is available. Where such Level 1 inputs are not available the Bank uses valuation models to determine the fair value of its financial instruments.

- **Deferred tax assets** – Recognition of the asset is dependent on the assumption that the Bank's future taxable profits will be sufficient to utilise the carried forward tax losses. The Bank produces a business plan that is used to assess the recoverability of the deferred tax assets. The business plan forecasts the future taxable profitability of the Bank based on its strategy and business model approved by the Board, using various assumptions subject to estimation. Hence there is an uncertainty in estimating the future profits of the Bank and the recoverability of the deferred tax asset, particularly as the Bank's future performance is also subject to a number of external factors out of its control. The management also takes in to account the risks associated with future regulatory changes in order to produce the base case forecast of the future profits. Note 12 to the financial statements provides further details and quantitative measures in relation to the deferred tax asset recognised by the management.

- **Provision for credit losses** - The Bank's market includes some countries facing considerable challenges. These include Ghana, which is currently in selective default, Tunisia, Ethiopia and Egypt. For Ghana in particular, the Bank made certain assumptions about the likely outcome of the on-going restructuring negotiations and estimated that the loss from its exposure to Ghana would be about 30% of its net (unsecured) exposure. The exposure is held in the Bank's bond portfolio held at amortised cost. The management has made assumptions regarding the tenor to be agreed, coupon rates and likely lengths of moratorium period. This is identified as a key source of estimation uncertainty and has been based on the restructuring terms agreed with domestic lenders. Quantitative details about the Bank's impairment losses are disclosed in note 11 of these financial statements.

- **Impairment of goodwill** – Goodwill is tested at each reporting date for impairment and the evaluation requires significant management judgement in estimating the present value of future estimated cash flows expected to be derived from the cash generating units (CGU) to which goodwill has been allocated. Goodwill arising from business combination is allocated to CGU or group of CGU's that are expected to benefit from the synergies of the combination. Assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets or CGUs. Refer to note 20.

3. Critical accounting judgements and key sources of estimation uncertainty (continued)

- **Estimating the incremental borrowing rate** – The Bank cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ('IBR') to measure lease liabilities. The IBR is the rate of interest that the Bank would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Bank 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Bank estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific adjustments (such as the subsidiary's stand-alone credit rating, or to reflect the terms and conditions of the lease).

- **Revenue recognition – Fee income** The Audit Committee considered the nature of fees for loans to be recognised as an adjustment to the effective interest on loans and the output from the process for monitoring effective interest rate adjustments.

4. New and revised IFRSs in issue

A summary of the pronouncements which may be applied by entities for the first time in 2022 is as follows:

- Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (Amendments to IFRS 4)
- Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)
- Reference to the Conceptual Framework (Amendments to IFRS 3)
- Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16)
- Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37)
- Annual Improvements to IFRS Standards 2018–2020

None of the amendments and interpretations are expected to have a material impact on the Company's financial statements.

5. New and amended standards applicable for annual periods beginning on 1 January 2023 and beyond

There are no standards, amendments, and interpretations, which are relevant to the Company, and may have a material effect on the Company's forthcoming financial statements.

The adoption of all other standards, amendments, and interpretations are not expected to have a material impact.

6. Net interest income

£'000	2022	2021
Due from banks	4,448	4,264
Loans and advances to customers	9,581	10,844
Financial investments	7,788	6,685
Interest and similar income	**21,817**	**21,793**
Due to banks	(6,441)	(2,903)
Subordinated debt	(306)	(309)
Interest and similar charges	**(6,747)**	**(3,212)**
Net interest income	**15,070**	**18,581**

7. Net fees and commission income

£'000	2022	2021
Credit related fees and commissions	1,594	736
Corporate banking fees	1,440	2,457
Fees and commission income	**3,034**	**3,193**
Fees and commission expense	**(1,632)**	**(1,526)**
Net fees and commission expense	**1,402**	**1,667**

8. Net trading income

£'000	2022	2021
Foreign exchange	1,641	1,426
Foreign exchange - derivative foreign exchange	2,495	988
(Loss)/Gain on disposal of investments	(1,136)	1,884
Net trading income	**3,000**	**4,298**

9. Personnel expenses

£'000	2022	2021
Wages and salaries	(7,767)	(6,694)
Social security costs	(974)	(1,096)
Pension costs - defined contribution plans	(682)	(615)
Other benefits	(859)	(577)
Personnel expenses	**(10,282)**	**(8,982)**
Number of employees	**75**	**65**
The average monthly number of employees (including Directors) during the year was:		
Board	7	7
Corporate and Investment Banking	24	20
Treasury and Capital Markets	6	4
Operations and support	38	34
Paris Branch	**26**	**21**
Total BoA UK all locations	**101**	**86**

10. Other operating expenses

£'000	2022	2021
Marketing expense	(19)	(18)
Administrative	(3,327)	(3,472)
Professional fees	(2,734)	(1,683)
Statutory audit fees	(504)	(488)
Other expenses	(887)	(1,357)
Other operating expenses	**(7,471)**	**(7,018)**

11. Net impairment (losses) / recoveries

£'000	2022	2021
IFRS 9		
Stage 1 – Performing – 12 months ECL	(735)	(379)
Stage 2 – Performing – Life time ECL	216	35
Stage 3 – Non performing – Life time ECL	(4,806)	(1,304)
Net impairment losses	**(5,325)**	**(1,648)**

During the year, exposure of bond issued by Republic of Ghana was classified from stage 2 to stage 3 as credit impaired for which there has been a suspension of debt service payments and are part of an ongoing debt restructuring program. The bonds are classified at amortised cost. Management has applied the use of different reasonable assumptions, as disclosed in note 33(G), for the calculation of the ECL for this exposure. The Bank has performed an impairment assessment and accounted for provision charge of £3.9mn in 2022. In addition, there were other 7 impaired facilities within loans and advances to customers making up the remaining £0.9mn within stage 3 provision.

The gross exposure of impaired facilities is £8.2mn within loans and advances to customers out which £2.3mn is collateralised and the remaining is fully provided for. The gross exposure of impaired facilities within debt securities held at amortized cost is £17.1mn out of which £4.1mn is collateralised and £3.9mn provided for. Negotiations with Republic of Ghana are underway for the recovery and expected to reach an agreement before the end of 2023, therefore the management believes that this exposure is adequately impaired as at 31 December 2022, and the remaining £9.1m will be recovered.

12. Taxation

£'000	2022	2021
Analysis of tax credit / (charge) for the period		
Current corporation tax charge on profit for the year	619	(908)
Over / (under) provision from prior year.	220	(44)
Current tax credit / (charge)	**839**	**(952)**
Deferred Tax - current year	240	(196)
Change in tax rate	403	1,749
Prior period deferred tax adjustments	(43)	21
Deferred tax credit	**600**	**1,574**
Tax on profit on ordinary activities	**1,439**	**622**
Provision for deferred tax		
Accelerated capital allowances	737	696
Short term temporary differences	(9)	20
Losses and other deductions	8,053	7,475
Total deferred tax asset	**8,781**	**8,191**
Movement in provision:		
Provision at start of period	8,191	6,626
Correction provision at start	-	-
Deferred tax charged in the OCI for the period	(10)	(9)
Deferred tax charged in the Income statement for the period	600	1,574
Provision at end of period	**8,781**	**8,191**
Reconciliation of the total tax (charge)/ credit		
(Loss)/Profit before tax	(5,278)	5,060
Tax on profit/(loss) on ordinary activities at standard UK Corporation Tax rate of 19.00%	1,003	(961)
Effects of:		
Fixed asset differences	(12)	3
Expenses not deductible for tax purposes	(3)	(118)
Adjustments to brought forward values	-	-
Group relief (surrendered)/claimed	-	-
Adjustments to tax charge in respect of previous periods	177	(9)
Remeasurement of deferred tax for changes in tax rates	461	1,707
Movement in unrecognized deferred tax on losses	(187)	-
Tax credit for the period	**1,439**	**622**

12. Taxation (continued)

Deferred tax assets recognised to the extent that is it available based on wider tax rules for the company and probable that taxable profit will be available against which the deductible temporary differences and carry forward losses/credits can be utilised. Accordingly, the company has not recognised deferred tax assets on the movement of temporary differences in the year in respect of mark to market of FVOCI investments of £3.23mn as of 31 December 2022 as these may not be available.

The management's assessment of recognition of deferred tax is based on what it deems appropriately recoverable based on the future taxable profitability as per the business plan and the forecasts which also takes into consideration, the continued support from the Bank's parent and its ability to provide this. The business plan and forecasts in line with the Bank's new business strategy are currently under discussion with the parent company and once finalised will be presented to the Board for their approval. Whilst these are not yet final and approved by the Board, the management believes that these will not have any material impact on its current assessment of deferred tax asset recoverability.

Any futures changes in tax law could have a significant effect on the use of losses, including the period over which the losses are utilised.

In the March 2021 UK Budget, it was announced that the UK rate of corporation tax will increase from 19% to 25% effective 1 April 2023. The change was enacted on 10 June 2021. As a result, existing timing differences on which deferred tax has been provided may unwind in periods subject to the 25% rate. The deferred tax in relation to these timing differences have been recognised at the rates at which they are expected to unwind.

13. Other comprehensive income

£'000	Before tax 2022	Tax 2022	Net of tax 2022	Net of tax 2021
Unrealised loss on financial investments	(3,229)	(10)	(3,239)	(4,979)
Exchange differences on translating foreign operations	248	-	248	(500)
Total other comprehensive income	**(2,981)**	**(10)**	**(2,991)**	**(5,479)**

14. Net cash and cash equivalent position

£'000	2022	2021
Balances with central banks	45,655	43,395
Cash and cash equivalent with central banks	**45,655**	**43,395**
Current accounts with other banks	22,889	44,573
Cash and cash equivalent due from banks	**22,889**	**44,573**
Net cash and cash equivalent position	**68,544**	**87,968**
Loans and advances to banks	67,671	76,605
Due from banks	**90,560**	**121,178**

15. Due from banks

£'000 - 2022	Gross carrying amount	Loss allowance	Carrying amount
Stage 1 - Performing - 12 months ECL	82,997	(571)	82,426
Stage 2 - Performing - Life time ECL	8,272	(138)	8,134
Due from banks	**91,269**	**(709)**	**90,560**

£'000 - 2021	Gross carrying amount	Loss allowance	Carrying amount
Stage 1 - Performing - 12 months ECL	118,386	(499)	117,887
Stage 2 - Performing - Life time ECL	3,326	(35)	3,291
Due from banks	**121,712**	**(534)**	**121,178**

16. Loans and advances to customers

£'000 - 2022	Gross carrying amount	Loss allowance	Carrying amount
Stage 1 - Performing - 12 months ECL	138,815	(568)	138,247
Stage 2 - Performing - Life time ECL	7,799	(127)	7,672
Stage 3 - Non performing - Life time ECL	8,291	(5,925)	2,366
Loans and advances to customers	**154,905**	**(6,620)**	**148,285**

£'000 - 2021	Gross carrying amount	Loss allowance	Carrying amount
Stage 1 – Performing – 12 months ECL	152,521	(837)	151,684
Stage 2 - Performing - Life time ECL	-	-	-
Stage 3 – Non performing – Life time ECL	15,751	(5,419)	10,332
Loans and advances to customers	**168,272**	**(6,256)**	**162,016**

17. Financial investments

£'000 - 2022	Gross carrying amount	Loss allowance	Carrying amount
Financial investments - Amortised Cost			
Stage 1 – Performing – 12 months ECL-Amortised cost	77,173	(701)	76,472
Stage 3 – Performing – Life time ECL- Amortised cost	17,074	(3,881)	13,193
	94,247	(4,582)	89,665
Financial investments - FVOCI			
Stage 1 – Performing – 12 months ECL -FVOCI	45,725	(1,776)	43,949
Financial investments	**139,972**	**(6,358)**	**133,614**

£'000 -2021	Gross carrying amount	Loss allowance	Carrying amount
Financial investments - Amortised Cost			
Stage 1 – Performing – 12 months ECL -Amortised cost	88,384	(697)	87,687
Financial investments - FVOCI			
Stage 1 – Performing – 12 months ECL-FVOCI	52,895	(875)	52,020
Financial investments	**141,279**	**(1,572)**	**139,707**

18. Property, Plant and Equipment and Right-of-use Assets

£'000	2022	2021
Cost as at 1 January	**6,465**	**6,437**
Additions - other Property ,Plant and Equipment	29	70
Additions - Right of use assets	201	-
Write off - other Property, Plant and Equipment	(112)	-
Exchange adjustments	34	(42)
Cost as at 31 December	**6,617**	**6,465**
Depreciation as at 1 January	**(3,948)**	**(2,750)**
Charge for the year - Property ,Plant and Equipment	(131)	(124)
Charge for the year - Right –of-use Assets	(1,113)	(1,112)
Write off - other Property, Plant and Equipment	102	-
Exchange adjustments	(31)	38
Depreciation as at 31 December	**(5,121)**	**(3,948)**
Net book value Right of Use Asset	**1,378**	**2,290**
Net book value PPE	**118**	**227**
Net book value	**1,496**	**2,517**

£'000 – Breakdown	Furniture & Fixtures	IT Hardware	Right-of-use Asset Lands and buildings	Total
Cost as at 1 January	**1,207**	**73**	**5,185**	**6,465**
Additions	5	24	201	230
Write off	(112)	-	-	(112)
Exchange adjustments	30	4	-	34
Cost as at 31 December	**1,130**	**101**	**5,386**	**6,617**
Depreciation as at 1 January	**(1,010)**	**(43)**	**(2,895)**	**(3,948)**
Charge for the year	(108)	(23)	(1,113)	**(1,244)**
Write off	102	-	-	**102**
Exchange adjustments	(29)	(2)	-	(31)
Depreciation as at 31 December	**(1,045)**	**(68)**	**(4,008)**	**(5,121)**
Net book value 31/12/2022	**85**	**33**	**1,378**	**1,496**
Net book value 31/12/2021	**197**	**30**	**2,290**	**2,517**

19. Intangible assets – computer software

£'000	2022	2021
Cost as at 1 January	**4,745**	**4,849**
Additions	1,744	745
Write off	-	(849)
Cost as at 31 December	**6,489**	**4,745**
Amortisation as at 1 January	**(3,367)**	**(2,996)**
Charge for the year	(461)	(653)
Write back	-	282
Amortisation as at 31 December	**(3,828)**	**(3,367)**
Net book value	**2,661**	**1,378**

20. Goodwill

£'000	2022	2021
As at 1 January	**13,278**	**13,905**
Impairment brought forward	(4,854)	(4,854)
As at 31 December	**8,424**	**9,051**
Exchange adjustments	476	(627)
Net book value	**8,900**	**8,424**

Information about geographical areas:

Goodwill acquired through business combinations has been allocated to two individual cash-generating units (CGUs) for impairment testing as follows:

- Corporate and Investment Banking; and
- Treasury and Capital Markets.

£'000	2022	2021
Corporate and Investment Banking	7,379	5,412
Treasury and Capital Markets	1,521	3,012
Net book value	**8,900**	**8,424**

In 2022 the Bank assessed the impairment of Goodwill by considering the recoverable amounts of the CGUs.

As mentioned in note 27 once the business plan and forecasts in line with the Bank's new business strategy are finalised and approved by the Board, management will update their assessment for goodwill.

20. Goodwill (continued)

Key assumptions used in value in use calculations.

The recoverable amounts of the above CGUs have been determined based on a value in use calculation, using cash flow projections in perpetuity based on business plans approved by senior management for 3 years with an assumption of steady 5% to 10% growth in revenue in future years after the 3-year period and then discounted at a rate of 8%. These assumptions are considered by management to be reasonable.

The calculation of value in use for both of the CGUs does not lead to any indication of additional impairment.

The sensitivity to the key assumptions before a write down is required (assuming other factors remain constant), are as follows:

- The discount rate would need to exceed 9%
- Average growth rate would need to fall below 4% over the forecast period

The business plan and forecasts in line with the Bank's new business strategy are currently under discussion with the parent company and once finalised will be presented to the Board for their approval. Whilst these are not yet final and approved by the Board, the management believes that these will not have any material impact on its current assessment of goodwill impairment.

Net operating income: Net operating income is based on management assessments and is in line with values achieved in 2022.

Discount rates: Discount rates reflect management's estimate of the Bank's borrowing rate.

Projected growth rates: Projected growth rates are based on the Bank's ability to fully utilise its capital, together with its assessment of market conditions in Africa.

21. Other assets

£'000	2022	2021
VAT recoverable	628	452
Prepayments	1,261	409
Rent deposit	452	424
Other taxes and social security cost	1,224	231
Due from ultimate parent undertaking	5,574	5,189
Other sundry receivables	3,168	2,414
Lease receivables	89	672
Other assets	**12,396**	**9,791**

22. Due to banks

£'000	2022	2021
Current accounts	7,723	14,839
Term deposits due to banks	889	42,741
Due to fellow group undertakings less than 1 year	23,012	7,628
Due to ultimate parent undertaking	257,865	232,496
Due to banks	**289,489**	**297,704**

Due to fellow group undertakings are money market deposits from subsidiaries of Bank of Africa group other than the ultimate parent company (Bank of Africa S.A).

These deposits are at commercial arm's length rates.

23. Due to customers

£'000	2022	2021
Current accounts	55,426	91,243
Term deposits	4,115	785
Due to customers	**59,541**	**92,028**

24. Other liabilities

£'000		2022	2021
Accounts payable		4,286	3,319
Accruals		2,331	1,624
Contracts Liabilities *("Deferred income")*		2,206	1,097
Other taxes and social security costs		572	-
Other payables		604	388
Liabilities relating to sublease		89	672
Lease liabilities	**24.1**	1,166	2,216
Other liabilities		**11,254**	**9,316**

24.1 Lease liabilities details

£'000	2022	2021
As at 1 January	**2,216**	**3,237**
Additions	-	-
Interest expense	46	63
Lease payments	(1,096)	(1,008)
Effect of modification of lease	-	-
Exchange differences and advance rent	-	(76)
As at 31 December	**1,166**	**2,216**

The lease liabilities of the Bank are related solely to property rent as per IFRS16.

25. Subordinated debt

£'000	2022	2021
Principal	15,665	14,854
Accrued interest	188	178
Subordinated debt	**15,853**	**15,032**

Subordinated debt represents subordinated loans of €17.70mn (2021: €17.70mn) 2% fixed rate notes granted by the parent company with a redemption date of 2029.

£'000 - 2022	B/f from 2021	Cashflows	FX Change	Others	Total
Group subordinated debt	15,032	(306)	821	306	**15,853**

£'000 - 2021	B/f from 2020	Cashflows	FX Change	Others	Total
Group subordinated debt	16,117	(310)	(1,084)	309	**15,032**

26. Share capital and reserves

£'000	2022	2021
Share capital		
Authorised		
150,000,000 ordinary shares of £1 each	150,000	150,000
Issued, called up and fully paid		
102,173,000 shares ordinary shares of £1 each	102,173	102,173
Share capital as at 31 December	**102,173**	**102,173**

All shares rank equally with one vote per share. There is no entitlement to fixed income.

Reserves		
Reserves - FVOCI	(6,128)	(3,056)
Foreign currency translation	(717)	(798)
Accumulated losses	(19,577)	(15,738)
Reserves as at 31 December	**(26,422)**	**(19,592)**
Share capital and reserves	**75,751**	**82,581**

27. Events after the reporting date

There have been no facts or circumstances of a significant nature that have occurred between 31 December 2022 and the date of approval of the financial statements except for those stated below:

- The banking industry has come under pressure due to the recent collapse of Silicon Valley Bank in the United States (the UK arm being taken over by HSBC) and Credit Suisse which was taken over by UBS. The management took a swift initiative and concluded that it had no direct exposure to the above banks and that the bank's capital and liquidity ratios will remain within the regulatory requirements.

- Due to the rising interest rates the valuation of the Bank's bond portfolio came under pressure. The management and the Board whilst actively monitoring these have also kept a close eye on the impact of these on profitability, capital adequacy and the liquidity ratios. Subsequent to the year end a decision was made to sell some of these loss-making bonds within the FVOCI portfolio, due to which a loss of approximately £4.7m was realised till 6th September 2023. The bank is maintaining regulatory ratios well and above the requirements. The management and the Board are also satisfied with levels of provisions held against the assets which are in accordance with the requirements set out within the relevant accounting standards.

- As at 31 July 2023 the Bank's total exposure to African countries was £155.8mn out of which the debt securities amounted to £94.7mn. Subsequent to the year end the expected credit loss allowance has reduced by £0.8mn mainly due to the selling of bonds as mentioned above and due to reduction in other earning assets in line with the Bank's new business strategy.

- Due to the above, the management is willing to implement measures, through change in business model, to further strengthen the Bank's capital adequacy ratio, with continued support from the parent company. Key measures which will be included in the new business plan are given on page 57. Once the business plan and forecasts in line with the Bank's new business strategy are finalised and approved by the Board, the management will update their assessments for goodwill impairment and deferred tax asset recoverability.

- As part of the new business strategy, the Bank decided to wind down its Dubai branch. On 13 March 2023, Dubai International Financial Centre (DIFC) granted a new licence to Bank of Africa SA, to register a branch. As part of the wind down, the transfer of this branch's staff and premises to the parent was completed before 31st March 2023 and the branch licence in name of BoA UK expired in May 2023.

28. Additional cash flow information

£'000	2022	2021
Cash and balances with central banks	45,655	43,395
Current accounts with other banks	22,889	44,573
Cash and cash equivalent (note 14)	**68,544**	**87,968**
Net (increase) / decrease in:		
Due from banks	10,048	31,742
Derivative Financial Instruments	47	344
Loans and advances to customers	14,178	4,464
Other assets	(3,189)	(1,286)
Change in operating assets	**21,084**	**35,264**
Net increase / (decrease) in:		
Due to banks	(7,767)	21,439
Derivative financial instruments	477	(110)
Due to customers	(32,559)	(6,629)
Other liabilities	4,216	26
Change in operating liabilities	**(35,633)**	**14,726**
Depreciation and amortisation	1,705	1,889
Intangibles written off	-	566
Tangibles written off	10	-
Amortisation of premium and discount for FVOCI instruments	(14,272)	299
Impairment provisions	5,325	1,648
Loss /(Gain) on disposal of FVOCI instruments	1,136	(1,884)
Finance lease expense	63	63
Net foreign exchange losses /(gains)	634	(956)
Other items included in profit before tax	**(5,399)**	**1,625**

29. Contingent liabilities and commitments

These are credit-related instruments which include guarantees and commitments to extend credit. The contractual amounts represent the amount at risk should the contract be fully drawn upon and the client defaults.

Since a significant portion of guarantees and commitments are expected to expire without being drawn upon, the total of the contract amounts is not representative of future cash requirements.

These obligations are not recognised on the balance sheet, but they contain credit risk and are therefore part of the overall risk of the Bank. The total outstanding commitments and contingent liabilities are as follows:

29. Contingent liabilities and commitments (continued)

£'000	2022	2021
Financial guarantees	20,176	10,254
Letters of credit	26,476	95,023
Contingent liabilities	**46,652**	**105,277**
Undrawn commitments to lend	5,262	9,506
Commitments	**5,262**	**9,506**
Contingent liabilities and commitments	**51,914**	**114,783**

Finance lease commitments

Bank as lessee

The Bank contracted non-cancellable leases for its offices in London, Paris, Zurich and Dubai. The lease in Paris is shared with other group companies. As from January 1st 2019, the Bank applied IFRS 16 to its lease contracts. Non-cancellable lease payments as at 31 December 2022 were as follows:

£'000	2022	2021
Within one year	860	1,740
After one year but not more than five years	541	1,230
Lease commitments expiring	**1,401**	**2,970**

Bank as lessor

The Bank subleased a portion of its Paris premises and regularly monitors the collection of the rentals. Future minimum rentals receivable under the non-cancellable operating leases as at 31 December 2022 are as follows:

£'000	2022	2021
Within one year	-	54
Lease commitments receivable	**-**	**54**

30. Compensation and transactions with key management personnel of the Bank

Key management personnel include CEO, CFO, CRO, COO and MD of Treasury and Capital Markets along with the directors of the Bank.

One director was a member of the defined contribution scheme in 2022 with a total contribution of £28k (2021: £28k). The Bank made £89k employer pension contributions for other key management personnel. The non–executive Directors do not receive pension entitlements from the Bank.

The Bank did not enter into transactions, arrangements and agreements involving Directors, senior management and their business associates, or close family members.

30. Compensation and transactions with key management personnel of the Bank (continued)

£'000	2022	2021
Short-term employee benefits	1,097	960
Compensation of (CEO, CRO, CFO, COO, MD)	**1,097**	**960**
Short-term employee benefits	385	313
Compensation of Directors other than the CEO	**385**	**313**
Total compensation of key management personnel	**1,482**	**1,273**
Aggregate emoluments and benefits of highest paid director	**422**	**317**

Only 5 directors (2021: 5 directors) received remuneration from BoA UK during the year.

31. Related party transactions

The Bank is a wholly owned subsidiary of BMCE International (Holdings) Plc. The ultimate parent company of the Bank is Bank of Africa S.A. (formerly known as Banque Marocaine du Commerce Exterieur S.A.).

During the year there have been transactions between the Bank, its parent company, the ultimate parent company and other related parties. The Bank receives and provides a range of services from the parent and related parties, including funding, comfort letter (from Group parent), and various administrative services. The funding from the group parent can only be terminated with a notice of 367 days.

The outstanding balances at the year-end arose from the ordinary course of business and are unsecured and are all payable within a year. The interest, fees and commissions paid to or received from related parties are at normal commercial rates. In addition to entities within the scope of Bank of Africa S.A. group, key management personnel of the bank and the group are also considered as related parties. Compensations are disclosed in note 30.

£'000 - 2022	BOA Group Parent	BOA Network	Total
Interest charged by	(6,090)	(102)	(6,192)
Interest received from	490	21	511
Fees and commission received from	106	38	144
Net trading income/(expense)	(432)	1,771	1,339
Other operating expenses paid to	(10)	3	(7)
Amounts owed to	280,174	22,693	302,867
Amounts owed by	(9,102)	(2,855)	(11,957)
Financial guarantees and commitments given	(5,577)	(1,835)	(7,412)
Financial guarantees received	11,025	9,471	20,496

Amounts owed to the key management personnel and their spouse, of the group, held as deposits were £0.204mn (2021: £0.204mn).

31. Related party transactions (continued)

£'000 - 2021	BOA Group Parent	BOA Network	Total
Interest charged by	(2,769)	(11)	(2,780)
Interest received from	635	54	689
Fees and commission received from	72	105	177
Net trading income/(expense)	(1)	741	740
Other operating expenses paid to	(17)	(1)	(18)
Amounts owed to	256,801	7,659	264,460
Amounts owed by	(18,240)	(2,256)	(20,496)
			-
Financial guarantees and commitments given	(2,295)	(479)	(2,774)
Financial guarantees received	1,791	1,846	3,637

Amounts owed to the key management personnel and their spouse, of the group, held as deposits were £0.204mn (2020: £0.204mn).

BOA Group parent = Bank of Africa S.A. and related subsidiaries

BOA Network = Bank of Africa Group (*)

(*) Company owned and controlled directly by Bank of Africa S.A.

32. Risk management

A. Introduction

Effective risk management is an ongoing fundamental strategy for the Bank. Whilst it is in general a key capability for a successful financial services provider, risk management also plays a significant role in the Bank's current stage of development and is critical to the Bank's target of sustainable profitability. The key components of the Bank's risk management infrastructure are:

- Governance;
- Risk management processes; and
- Stress Testing.

The main risks facing the Bank are:

- Credit risk;
- Liquidity and Funding risk;
- Market risk;
- Operational risk;
- Regulatory risk; and
- Compliance risk.

B. Governance

The Board of Directors is responsible for the overall risk management approach and for approving the risk policies. It is supported by a number of committees as follows:

- **Risk Management Department (RMD) and Risk Committee:**

✓ The Credit Committee approves all credit applications within its delegated lending authority and recommend to the Risk Committee those applications outside of its delegated authority.

✓ The Board Risk Committee assists the Board in monitoring the adequacy and effectiveness of the Bank's risk management policies and processes.

- **Asset and Liability Committee (ALCO):** The ALCO is responsible for assisting the Board and senior management in the oversight of policies, strategies and processes. The role of ALCO is to assist the Bank in fulfilling its responsibilities relating to the oversight of the Bank's market risk management policies, strategies and processes that have the potential to impact significantly on the Bank's earnings performance and capital. ALCO's responsibilities include management and review of:
  - the Bank's exposure to market risk and its hedging strategy;
  - the Bank's liquidity;
  - the usage of capital including ensuring external regulatory requirements are met;
  - other categories of risk linked to market risk (country risk, counterparty risk);
  - regulatory developments and their impact on the prices of marketable assets;
  - the valuation of market assets and the measurement of market risk; and
  - market risk limits.

- **Audit Committee:** The Audit Committee consists of independent non-executive Directors (including the Chairman). The Audit Committee meets quarterly, or as frequently as is required to carry out properly its functions. Audit Committee's responsibility is one of oversight and review. The Audit Committee's role is to assist the Board in monitoring:
  - the integrity of the financial statements of the Bank;
  - the adequacy and effectiveness of the systems of internal controls of the Bank;
  - the qualifications and independence of the Bank's external auditors and the performance of the Bank's internal and external auditors;
  - conduct and compliance matters; and
  - any other relevant issue.

C. Measuring and reporting systems

The monitoring and controlling of risk is primarily performed against limits established by the Bank. These limits are established using an approved 'Credit Policies and Procedures Manual', 'Market Risk Policies and Procedures Manual' and 'Operational Risk Policies and Procedures Manual' and "Liquidity and Funding policies". Additionally, some limits are set via the Bank's Risk Appetite Statement (RAS).

32. Risk management (continued)

For Credit Risk the following limits are in place: counterparty limits including single obligor limits, country limits and concentration limits. Adherence to limits is measured through the use of excess reports, exceptional reports, and large exposure reports.

Market risk limits are mainly around open positions, value at risk and stop loss limits.

Adherence to liquidity limits is mainly measured by the use of Liquidity Coverage ratio (LCR).

Operational risk metrics are mainly measured by the use of limit/thresholds that are then monitored and reported monthly to senior Management and quarterly to the Board.

The Bank's policy is to generate reports on a daily basis from information compiled from all business systems, then analysed to identify control risks appropriately and promptly. These reports include (but are not limited to) exposure reports (counterparty exposure, country exposure, sector exposure), excess reports and concentration risks across all counterparties, countries and industries.

Other more detailed reports are compiled and reported to the Board on a quarterly basis.

D. Mitigation

As part of its overall risk management strategy the Bank may use derivatives and other financial instruments to manage exposures to interest rates, foreign currencies, credit risks and to pre-hedge those expected from future transactions.

33. Credit risk

Credit risk is the current or prospective risk to earnings or capital arising from an obligor's failure to meet the terms of a contract with BoA UK or its failure to perform as agreed.

BoA UK faces credit risk on its exposure to sovereigns and corporates from its capital markets, corporate banking, and project finance businesses, and from its exposure to financial institutions and corporates from its trade finance and treasury activities.

BoA UK has a detailed credit policy and procedures manual providing an operating model and information on how the credit risk management processes are embedded in the business and overseen at the highest level within BoA UK.

BoA UK continues to act on the financial market, providing solutions, products, and services accordingly with the defined risk appetite and within the governance in place for approving any credit risk.

A. Risk concentrations of the maximum exposure to credit risk

Risk concentrations arise when there are large exposures to the same counterparty, when a number of counterparties are engaged in similar business activities or activities in the same geographic region or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

Concentrations indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentration of risk the Bank's policies and procedures include specific guidelines regarding the importance of portfolio diversification. (See table on page 80 showing exposures by sector). Identified concentrations of credit risk are controlled and managed accordingly. Selective hedging may be used within the Bank to manage risk concentrations at both the relationship and industry levels.

33. Credit risk (continued)

Being a predominantly trade bank the Bank tend to have high exposures to Financial Institutions as it prefers this risk as opposed to direct corporate risk.

The Bank has country limits, sector limits and counterparty limits set in place and monitored accordingly in order that the Bank's portfolio is maintained at a level that is appropriately diversified.

Concentrations of risks are managed by client/counterparty, by geographical region and by industry sector.

B. Geographical analysis

The Bank's concentration of maximum exposure to credit risk, before taking into account any collateral held or other credit enhancements can be analysed by the following geographical regions:

£'000 - 2022	Total
Rest of Europe	92,076
United Kingdom	26,795
Africa	298,442
Americas	8,762
Asia	43,995
Total	**470,070**

£'000 - 2021	Total
Rest of Europe	80,905
United Kingdom	73,528
Africa	303,695
Americas	37,868
Asia	85,172
Total	**581,168**

The total amounts above include only book assets (other than PPE, goodwill and other intangible assets, deferred tax asset and other assets); and off-balance sheet commitments and contingent liabilities.

The general credit worthiness of a corporate customer tends to be the most relevant determinant of credit limit extended to it. However, collateral provides additional security, and the Bank generally requests that corporate borrowers to provide it. The Bank may take collateral in the form of cash overall corporate assets and other lines, credit insurance and guarantees.

The Bank uses insurance and other collateral to transfer or mitigate credit risk. Where appropriate independent valuation of collateral is received from third parties. For the Loan Solutions Desk Common collateral include real estate, project assets, insurance and government guarantees, while for trade finance the exposures are self-liquidating from the sale proceeds of the underlying goods. In this case the Bank closely monitor the prices of the commodities/goods financed.

Valuation of collateral is updated when the credit risk of a loan deteriorates significantly, and the loan is monitored more closely. For impaired loans, the Bank obtains an appraisal of collateral because the current value of the collateral is an input to the impairment measurement.

33. Credit risk (continued)

C. Maximum exposure to credit risk without taking account of any collateral and other credit enhancements

The table below shows the maximum exposure to credit risk for the components of the statement of financial position, including derivatives. The maximum exposure is shown gross, before the effect of mitigation through the use of collateral agreements:

£'000	2022	2021
Cash and balances with central banks	45,655	43,395
Due from banks	90,560	121,178
Derivative financial instruments	42	89
Loans and advances to customers	148,285	162,016
Financial investment - FVOCI	43,949	52,020
Financial investment-Amortised cost	89,665	87,687
Total	**418,156**	**466,385**
Contingent liabilities	46,652	105,277
Commitments	5,262	9,506
Total	**51,914**	**114,783**
Total maximum exposure to credit risk - gross	**470,070**	**581,168**

There was no collateral against the contingent liabilities and commitments in 2022 (2021: Nil).

An industry sector analysis of the Bank's financial assets, before and after taking into account collateral held or other credit enhancements, is as follows:

£'000	2022 Gross maximum exposure	2022 Net maximum exposure	2021 Gross maximum exposure	2021 Net maximum exposure
A - Agriculture, forestry and fishing	8,352	4,452	1,116	1,116
B - Mining and quarrying	17,981	3,716	21,744	21,744
C – Manufacturing	1,740	168	19,851	15,689
D - Electricity, gas, steam and air supply	4,394	-	2	2
F – Construction	10,790	8,568	9,214	7,809
G - Wholesale and retail trade	60,773	50,055	77,010	50,572
H -Transport and storage	4,095	4,095	21,975	21,975
J - Information and communication	3,743	347	5,524	798
K - Financial and insurance activities	191,724	155,667	253,178	138,969
L - Real estate activities	-	-	59	59
M - Professional, scientific and technical activities	2	2	8	-
N - Administrative and support service activities	-	-	-	-
O - Public administration, defence & compulsory social security	166,476	131,411	171,487	132,957
Total	**470,070**	**358,481**	**581,168**	**391,690**

33. Credit risk (continued)

D. Carrying amount per class of financial assets whose terms have been renegotiated

One corporate customer loan was restructured in January 2022 in line with restated and amended facility agreement. The loan is currently performing as per the new terms. At the yearend there were no other unimpaired facilities subject to restructuring.

E. Credit quality per class of financial assets

The credit quality of financial assets is managed by the Bank using internal credit ratings. Credit Risk Grades (CRG) generally apply to clients but can also be applied to specific transactions where considered appropriate. All facilities are considered to have the CRG of the client unless specifically stated otherwise. The latter will occur only where the transactions are considered to have a credit risk different to the legal entity concerned, an example being where some facilities or transactions are guaranteed by a stronger entity, or where the source of repayment is from a stronger entity in a ring-fenced structured finance transaction (both guarantee, and third-party repayment should be integral to the contract).

The following table shows the credit quality by class of asset for loan-related balance sheet lines, based on the Bank's credit rating system, using the industry standard credit rating agency definition of investment grade, e.g., Moody's Investors Service Baa3 or better, Fitch Ratings BBB- or better:

£'000 ' 2022	**Investment grade**	**Non investment grade**	**Impairment Allowances**	**Total**
Due from banks	8,515	82,754	(709)	90,560
Derivative financial instruments	40	2	-	42
Loans and advances to customers	-	154,905	(6,620)	148,285
Financial instruments – FVOCI	-	45,725	(1,776)	43,949
Financial instruments – Amortised cost	10,416	83,831	(4,582)	89,665
Total	**18,971**	**367,217**	**(13,687)**	**372,501**

£'000 ' 2021	**Investment grade**	**Non investment grade**	**Impairment Allowances**	**Total**
Due from banks	42,107	79,605	(534)	121,178
Derivative financial instruments	-	89	-	89
Loans and advances to customers	-	168,272	(6,256)	162,016
Financial instruments – FVOCI	-	52,895	(875)	52,020
Financial instruments –Amortised cost	9,520	78,864	(697)	87,687
Total	**51,627**	**379,725**	**(8,362)**	**422,990**

33. Credit risk (continued)

Focus on Financial Instruments- FVOCI and Amortised Cost.

£'000	2022 Amortised Cost	2022 FVOCI	2021 Amortised Cost	2021 FVOCI
Rated BB+ and Below	21,555	24,252	43,767	29,523
Rated CCC+ and Below	21,842	11,028	-	10,846
Government Bonds and Treasury Bills	**43,397**	**35,280**	**43,767**	**40,369**
Rated A-	4,427	-	3,999	-
Rated BBB+ to BBB-	5,989	-	5,589	-
Rated BB+ to B-	23,186	8,669	34,332	11,651
Rated CCC+ and Below	12,666	-	-	-
Financial Institution Bonds	**46,268**	**8,669**	**43,920**	**11,651**
Total	**89,665**	**43,949**	**87,687**	**52,020**

F. Credit risk ratings – IFRS 9 expected loss model

The Bank uses credit risk grades as a primary input into the determination of the term structure of the PD for exposures. The Bank collects performance and default information about its credit risk exposures analysed by jurisdiction or region and by type of product and borrower as well as by credit risk grading. The information used is both internal and external depending on the portfolio assessed. The table below provides the Bank's internal credit risk rating scale and their mappings to Points in time (PiT) PD ranges.

2022	Grade	Meaning	1Y PD range%
AAA	Investment	Excellent	0.0000 - 0.000048
AA+ to AA-	Investment	Excellent to strong	0.00018 - 0.0026
A+ to A-	Investment	Strong to good	0.00066 - 0.0039
BBB+ to BBB-	Investment	Good to satisfactory	0.0025 - 0.0106
BB+ to BB-	Non investment	Satisfactory to acceptable higher risk	0.0363 - 0.1376
B+ to B-	Non investment	Acceptable higher risk to marginal	0.306 - 6.775
CCC+	Unsatisfactory	Unsatisfactory	5.903- 6.776
CCC	Unsatisfactory	Substandard	18.459 - 18.640
Below CCC-	Unsatisfactory	Loss / Liquidation	Insolvency

2022	EAD (£'000)	Average PD	Average LGD
AAA	9,685	0.000%	62.01%
AA+ to AA-	48,320	0.000%	42.68%
A+ to A-	87,908	0.000%	30.90%
BBB+ to BBB-	10,968	0.000%	45.22%
BB+ to BB-	30,483	0.080%	40.42%
B+ to B-	235,525	2.300%	47.08%
CCC+ to CCC-	21,290	18.720%	72.21%
C	13,245	15.00%	100.00%
D	5,871	100%	100.00%

33. Credit risk (continued)

2021	Grade	Meaning	1Y PD range%
AAA	Investment	Excellent	0.0000 - 0.000013
AA+ to AA-	Investment	Excellent to strong	0.000069 - 0.00028
A+ to A-	Investment	Strong to good	0.00044 - 0.00411
BBB+ to BBB-	Investment	Good to satisfactory	0.00163 - 0.0062
BB+ to BB-	Non investment	Satisfactory to acceptable higher risk	0.0185 - 0.0848
B+ to B-	Non investment	Acceptable higher risk to marginal	0.079 - 5.65
CCC+	Unsatisfactory	Unsatisfactory	5.654
CCC	Unsatisfactory	Substandard	16.954
CCC-	Unsatisfactory	Doubtful or bad	-
Below CCC-	Unsatisfactory	Loss / Liquidation	Insolvency

2021	EAD (£'000)	Average PD	Average LGD
AAA	12,391	0.00%	69.30%
AA+ to AA-	53,648	0.00%	49.07%
A+ to A-	137,527	0.00%	22.32%
BBB+ to BBB-	12,164	0.00%	38.00%
BB+ to BB-	30,401	0.00%	40.28%
B+ to B-	257,774	2.91%	51.90%
CCC+ to CCC-	11,122	24.56%	62.94%
D	7,669	100%	100.00%

G. Measurement of ECL

The key inputs used for measuring ECL are:

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

PD is an estimate of the likelihood of default over a given time horizon. It is estimated as at a point in time. The calculation is based on statistical rating models and assessed using rating tools tailored to the various categories of counterparties and exposures.

These statistical models are based on market data (where available), as well as internal data comprising both quantitative and qualitative factors. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates. The estimation is based on current conditions, adjusted to take into account estimates of future conditions that will impact PD.

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the Bank would expect to receive, taking into account cash flows from any collateral. The LGD models for secured assets consider forecasts of future collateral valuation. LGD models for unsecured assets consider time of recovery, recovery rates and seniority of claims. The calculation is on a discounted cash flow basis, where the cash flows are discounted by the original EIR of the loan.

EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities. The Bank's modelling approach for EAD reflects expected changes in the balance outstanding over the lifetime of the loan exposure that are permitted by the current contractual terms, such as amortisation profiles, early repayment or overpayment, changes in utilisation of undrawn commitments and credit mitigation actions taken before default.

The Bank measures ECL considering the risk of default over the maximum contractual period (including extension options) over which the entity is exposed to credit risk and not a longer period, even if contract extension or renewal is common business practice. However, for financial instruments such as overdraft facilities that include both a loan and an undrawn commitment component, the Bank's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Bank's exposure to credit losses to the contractual notice period.

For such financial instruments the Bank measures ECL over the period that it is exposed to credit risk and ECL could be mitigated by credit risk management action. The measurement of ECL is based on probability weighted average credit loss and it is measured on an individual basis. The Bank does not apply collective basis measurement of ECL.

The recognition and measurement of ECL is highly complex and involves the use of significant judgment and estimation, which include the formulation and incorporation of forward-looking probability weighted scenarios into the calculation of ECL.

The Bank uses a model supported by an external provider (S&P) to calculate PD. The model is configured to allow multiple economic scenario inputs in the estimation of forward-looking PDs. The data is sourced from multiple sources (i.e., IMF, S&P, and World Bank). The scenarios identified are base, base -negative and base-positive scenarios, each scenario is assigned a weight.

The model incorporates the following forward-looking information projected out 5 years.

1. GDP Growth (%)
2. Change in Unemployment (% total labour force)
3. Change in Equity Index (%)
4. Change in Energy Index (%)
5. Change in Non-Energy Index (%)
6. Change in the Proportion of Downgrades (%)

The forward-looking information is incorporated accordingly on top of Long-Term cumulative PD. The model uses multiple economic scenarios in estimating the PiT PD and the PiT LGD. The methodologies for estimating these two are summarised below:

PiT PD –Methodology Overview

Ultimately, the goal is to estimate a forward-looking PiT PD term structure for a given entity. There are three steps involved in achieving this objective:

- Assign credit quality indicator (i.e., credit score) to obligor using internal rating if the obligor is not externally rated.

- Map credit rating to long-term probability of default term structure based on S&P Global default data (otherwise known as through-the-cycle (TTC) PD). These have been produced by S&P Global Market Intelligence for over 15 years for Basel Bank Capital Adequacy assessment under the internal ratings-based approach or IRB.

- Use systematic factors to adjust PD term structure for position in the credit cycle. (i.e., Apply Credit Cycle Projection Overlay). The aim of the Overlay is to convert PD curves based on long-term average default rates (as described above) into forward-looking PD curves considering current and future economic conditions.

The conversion process looks at the historical relationship between long-term PDs for a particular year and the observed (annual) default rate for the same year (known as the 'Z-factor') and a set of systematic factors for the year. This is then compared with the expected systematic factors and long-term PDs for a future year to estimate the PiT PDs for that future year.

The following process is followed in order to derive a Z-factor, which is then used to estimate PiT PDs for any given year:

1. Calculate historical annual Z-factors applicable for the period 1983 to last full year for which annual default data is available.

2. Establish a set of systematic risk factors that best predict historical Z-factors.

3. Derive benchmarks allowing one to estimate an expected/future Z-factor based on any given systematic factor.

4. Establish weights applicable to the Z-factors derived from each systematic factor to estimate the composite Z-factor for any given year.

5. Apply Z-factors to LT PDs to arrive to PiT PD estimates.

The table below show the weights applied for each economic scenario and the relevant z-factor adjustment for the period ended 31 December 2022. The second table show the weights attributed to each data source:

Scenario	S&P Weights Adjusted Z	Z-Adjustment
Base	75%	N/A
Base-Negative	15%	0.95
Base-Positive	10%	1.05

33. Credit risk (continued)

PiT LGD –Methodology Overview

In general, LGD for secured exposures are impacted by collateral values, the values of which vary with economic and credit cycles. The LGD for unsecured exposures also vary with time as the general condition of obligors track the credit cycle. Furthermore, the EAD, which is directly linked to LGD, also varies with the credit cycle for most exposures. Thus, the three most important factors for term structure LGD are:

Position in cycle – Reflected in the economic expectations factor in the calculation.

Collateral values – Reflected in the collateral value inputs in the formula

EAD – Direct input as the facility or exposure equivalent.

Thus, the term structure of LGD can be accurately estimated by forecasting only three elements, with the first and last often the most important. These observations are also supported by academic analysis conducted in this area of credit risk.

The model is designed to estimate LGD under three distinct economic scenarios/expectations. This granularity enables the model to meet IFRS 9 requirements on Multiple Economic Scenarios (MES) in the estimation of ECL. The three scenarios are Positive, Neutral and Negative Economic Expectations.

Positive: The Bank has positive economic expectations over the short-term (1 to 3 years) for the country/region to which the obligor is exposed. This is predicated on expectations of positive GDP growth and low (and sustained) unemployment (amongst other positive indicators), above that which is usually experienced in the average part of the credit cycle.

Neutral: This selection is appropriate in cases where the expectations are of little or no GDP growth. Stagnating growth in other relevant factors are also expected. This phase is typically between a trough and peak of a credit cycle.

Negative: This selection signals the expectation of an impending economic downturn, typically signaled by the expectation of consecutive quarter-on-quarter declines in GDP.

The final LGD is weighted based on the probabilistic economic scenario to materialize. This example shows the exact procedure:

Economic Expectations	LGD	Probability of Economic Scenario Materialising	Probability Weighted LGD
Positive	34.34%	30%	34.24% x 30% x 10.30%
Neutral	39.23%	30%	39.23% x 30% x 11.77%
Negative	43.90%	40%	43.90% x 40% x 17.56%

Final LGD (10.30% + 11.77% + 17.56%) = 39.63%

For the purposes of deriving a term structure for LGD the economic expectations factor is an essential factor, which can be forecast with both confidence and relative ease for future years.

33. Credit risk (continued)

As the estimation of PD and LDG is key to the calculation of the Bank's ECL as sensitivity analysis has been done by flexing the PD and LGD estimates for the portfolio and the results are given below:

- A 20% increase in the loss given default (LGD) across the whole portfolio will result in an increase of £0.78mn in the impairment allowance on stage 1 and 2 exposures.

- A 10% increase in the probability of default (PD) across the whole portfolio will result in an increase of £0.42mn in the impairment allowance on stage 1 and 2 exposures.

H. Credit quality – IFRS 9 expected loss model

The Bank monitors credit risk per class of financial instrument. The tables below outline the classes identified, as well as the financial statement line items and the notes that provide an analysis of the items included in the financial statement line for each class of financial instrument.

An analysis of the Bank's credit risk concentrations per sector and concentration by region for each class of financial asset is provided in the following tables. The amounts in the table represent net carrying amounts.

Cash and cash equivalent with central banks

£'000	2022	2021
Concentration per sector		
K - Financial and insurance activities	45,655	43,395
Total	**45,655**	**43,395**
Concentration by region		
Rest of Europe	45,655	43,395
Total	**45,655**	**43,395**

Due from banks

£'000	2022	2021
Concentration per sector		
K - Financial and insurance activities	90,560	121,178
Total	**90,560**	**121,178**
Concentration by region		
Rest of Europe	9,939	23,253
United Kingdom	4,539	39,308
Africa	73,546	52,412
Americas	2,536	6,205
Asia	-	-
Total	**90,560**	**121,178**

33. Credit risk (continued)

Loans and advances to customers

£'000	2022	2021
Concentration per sector		
A – Agriculture, forestry and fishing	8,352	1,116
B - Mining and quarrying	17,981	18,844
C – Manufacturing	1,740	19,851
D - Electricity, gas, steam and air conditioning supply	4,394	2
F – Construction	10,790	9,214
G - Wholesale and retail trade	60,262	47,121
H - Transport and storage	4,095	19,012
J - Information and communication	3,745	5,524
L - Real estate activities	-	59
N - Administrative and support service activities	-	-
O - Public administration and defence, compulsory social security	36,926	41,273
Total	**148,285**	**162,016**

Concentration by region		
Rest of Europe	27,719	6,305
United Kingdom	22,075	29,909
Africa	52,696	57,618
Americas	6,226	31,186
Asia	39,569	36,998
Total	**148,285**	**162,016**

Financial investments - Amortised Cost

£'000	2022	2021
Concentration per sector		
K - Financial and insurance activities	46,267	43,915
O - Public administration and defence, compulsory social security	43,398	43,772
Total	**89,665**	**87,687**

Concentration by region		
Rest of Europe	-	-
United Kingdom	-	-
Africa	85,239	83,687
Americas	-	-
Asia	4,426	4,000
Total	**89,665**	**87,687**

33. Credit risk (continued)

Financial investments - FVOCI

£'000	2022	2021
Concentration per sector		
K - Financial and insurance activities	14,556	17,478
O - Public administration and defence, compulsory social security	29,393	34,542
Total	**43,949**	**52,020**
Concentration by region		
Rest of Europe	8,669	7,744
United Kingdom	-	-
Africa	35,280	44,276
Americas	-	-
Asia	-	-
Total	**43,949**	**52,020**

Below is an analysis of the Bank's credit risk exposure per class of financial asset, internal rating and "stage" without taking into account the effects of any collateral or other credit enhancements is provided in the following tables. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

Due from banks

£'000 - 2022	Stage 1	Stage 2	Stage 3	Total
AAA to A-	2,879	-	-	2,879
BBB+ to B-	74,479	3,557	-	78,036
CCC+ to C-	5,494	4,737	-	10,231
Unrated	123	-	-	123
Total gross carrying amount	**82,975**	**8,294**	**-**	**91,269**
Loss allowance	(571)	(138)	-	(709)
Carrying amount as at 31 December 2022	**82,404**	**8,156**	**-**	**90,560**

Loans and advances to customers

£'000 - 2022	Stage 1	Stage 2	Stage 3	Total
AAA to A-	9,860	-	-	9,860
BBB+ to B-	125,186	-	-	125,186
CCC+ to C-	3,774	7,798	2,420	13,992
D	-	-	5,845	5,845
Unrated	22	-	-	22
Total gross carrying amount	**138,842**	**7,798**	**8,265**	**154,905**
Loss allowance	(568)	(127)	(5,925)	(6,620)
Carrying amount as at 31 December 2022	**138,274**	**7,671**	**2,340**	**148,285**

33. Credit risk (continued)

Financial investments - Amortised Cost

£'000 - 2022	Stage 1	Stage 2	Stage 3	Total
AAA to A-	4,427	-	-	4,427
BBB+ to B-	72,619	-	-	72,619
CCC to C	126	-	17,075	17,201
Total gross carrying amount	**77,172**	**-**	**17,075**	**94,247**
Loss allowance	(701)	-	(3,881)	(4,582)
Carrying amount as at 31 December 2022	**76,471**	**-**	**13,194**	**89,665**

Financial investments - FVOCI

£'000 - 2022	Stage 1	Stage 2	Stage 3	Total
AAA to A-	-	-	-	-
BBB+ to B-	33,144	-	-	33,144
CCC to C	12,581	-	-	12,581
Total gross carrying amount	**45,725**	**-**	**-**	**45,725**
Loss allowance	(1,776)	-	-	(1,776)
Carrying amount as at 31 December 2022	**43,949**	**-**	**-**	**43,949**

Due from banks

£'000 - 2021	Stage 1	Stage 2	Stage 3	Total
AAA to A-	29,098	-	-	29,098
BBB+ to B-	89,284	3,326	-	92,610
Unrated	4	-	-	4
Total gross carrying amount	**118,386**	**3,326**	**-**	**121,712**
Loss allowance	(499)	(35)	-	(534)
Carrying amount as at 31 December 2021	**117,887**	**3,291**	**-**	**121,178**

Loans and advances to customers

£'000 - 2021	Stage 1	Stage 2	Stage 3	Total
AAA to A-	-	-	-	-
BBB+ to B-	152,518	-	-	152,518
CCC+ to C-	-	-	-	-
D	-	-	10,099	10,099
Unrated	2	-	5,653	5,655
Total gross carrying amount	**152,520**	**-**	**15,752**	**168,272**
Loss allowance	(837)	-	(5,419)	(6,256)
Carrying amount as at 31 December 2021	**151,683**	**-**	**10,333**	**162,016**

33. Credit risk (continued)

Financial investments - Amortised Cost

£'000 - 2021	Stage 1	Stage 2	Stage 3	Total
AAA to A-	3,999	-	-	3,999
BBB+ to B-	84,385	-	-	84,385
CCC+ to C	-	-	-	-
Total gross carrying amount	**88,384**	**-**	**-**	**88,384**
Loss allowance	(697)	-	-	(697)
Carrying amount as at 31 December 2021	**87,687**	**-**	**-**	**87,687**

Financial investments - FVOCI

£'000 - 2021	Stage 1	Stage 2	Stage 3	Total
AAA to A-	-	-	-	-
BBB+ to B-	41,301	-	-	41,301
CCC+ to C	11,594	-	-	-
Total gross carrying amount	**52,895**	**-**	**-**	**52,895**
Loss allowance	(875)	-	-	(875)
Carrying amount as at 31 December 2021	**52,020**	**-**	**-**	**52,020**

I. Collateral held as security and other credit enhancements

The Bank holds collateral or other credit enhancements to mitigate credit risk associated with financial assets. The main types of collateral and the types of assets these are cash collateral, insurances, guarantees and tangible assets independently valued. Collaterals relate to instruments that are measured at amortised cost.

J. Loss allowances – IFRS 9 expected loss model

The tables below analyse the movement of the loss allowance during the year per class of assets.

Due from banks

£'000 - 2022	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January 2022	**(499)**	**(35)**	**-**	**(534)**
Movement with P&L impact				
New financial asset originated or purchased	(224)	-	-	(224)
Changes in PDs/LGDs/EADs	152	(103)	-	49
Loss allowance as at 31 December 2022	**(571)**	**(138)**	**-**	**(709)**

Loans and advances to customers

£'000 - 2022	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January 2022	**(837)**	**-**	**(5,419)**	**(6,256)**
Movement with P&L impact		**-**		
New financial asset originated or purchased	(420)	-	21	(399)
Changes in PDs/LGDs/EADs	689	(127)	(527)	35
FX and other movements	-	-	-	-
Loss allowance as at 31 December 2022	**(568)**	**(127)**	**(5,925)**	**(6,620)**

33. Credit risk (continued)

Financial investments - Amortised Cost

£'000 - 2022	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January 2022	**(697)**	**-**	**-**	**(697)**
Movement with P&L impact				
New financial asset originated or purchased	-	-	-	-
Changes in PDs/LGDs/EADs	(4)	-	(3,881)	(3,885)
FX and other movements	-	-	-	-
Loss allowance as at 31 December 2022	**(701)**	**-**	**(3,881)**	**(4,582)**

Financial investments - FVOCI

£'000 - 2022	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January 2022	**(875)**	**-**	**-**	**(875)**
Movement with P&L impact				
New financial asset originated or purchased	-	-	-	-
Changes in PDs/LGDs/EADs	(901)	-	-	(901)
FX and other movements	-	-	-	-
Loss allowance as at 31 December 2022	**(1,776)**	**-**	**-**	**(1,776)**

Due from banks

£'000 - 2021	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January 2021	**(912)**	**-**	**-**	**(912)**
Movement with P&L impact				
New financial asset originated or purchased	(214)	-	-	(214)
Changes in PDs/LGDs/EADs	627	(35)	-	592
Loss allowance as at 31 December 2021	**(499)**	**(35)**	**-**	**(534)**

Loans and advances to customers

£'000 - 2021	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January 2021	**(950)**	**(70)**	**(4,945)**	**(5,965)**
Movement with P&L impact				
New financial asset originated or purchased	(721)	-	(88)	(809)
Changes in PDs/LGDs/EADs	834	70	(392)	512
FX and other movements	-	-	6	6
Loss allowance as at 31 December 2021	**(837)**	**-**	**(5,419)**	**(6,256)**

33. Credit risk (continued)

Financial investments - Amortised Cost

£'000 - 2021	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January 2021	**(194)**	**-**	**-**	**(194)**
Movement with P&L impact				
New financial asset originated or purchased	(503)	-	-	(503)
Changes in PDs/LGDs/EADs	-	-	-	-
Loss allowance as at 31 December 2021	**(697)**	**-**	**-**	**(697)**

Financial investments - FVOCI

£'000 - 2021	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January 2021	**(479)**	**-**	**-**	**(479)**
Movement with P&L impact				
New financial asset originated or purchased	(396)	-	-	(396)
Changes in PDs/LGDs/EADs	-	-	-	-
Loss allowance as at 31 December 2021	**(875)**	**-**	**-**	**(875)**

34. Liquidity risk

Liquidity risk is the risk that the Bank may encounter difficulty in meeting obligations associated with financial liabilities when they fall due under normal and stressed conditions. The Bank has obtained funding, with appropriate maturities, from its ultimate parent in order to meet its liquidity needs.

In stressed situations, the Bank will utilise funding arrangements under market repurchase agreements and deposits from the parent Company. This funding will be provided on an arms-length basis. The liquidity position is assessed and managed under a variety of scenarios.

The most important of these is to maintain limits on the ratio of net liquid assets to customer liabilities, set to reflect market conditions.

The liquidity reserves consist of cash with central banks and any other high quality liquid assets securities being sold immediately. The Bank focuses on exposures due to mature within the next month. However, the Bank also monitors all assets and liabilities over their contractual maturities.

Other assets and other liabilities have been excluded from tables below as impacts on liquidity risk notes have been deemed not material.

A. Liquidity reserves

The table below shows the liquidity reserves:

£'000	2022 Carrying amount	2021 Carrying amount
Balances with central banks	45,655	43,395
Unencumbered debt securities issued by sovereigns	4,427	4,000
Total	**50,082**	**47,395**

34. Liquidity risk (continued)

B. Maturity profile

The table below summarises the maturity profile of the Bank's assets and liabilities as at 31 December 2022 based on contractual repayment obligations.

£'000 - 2022	Less than 1 month	1 to 3 months	Over 3 to 12 months	1 to 5 years	Over 5 years	Total
Assets						
Balances with central banks	45,655	-	-	-	-	45,655
Due from banks	41,229	37,384	3,574	8,373	-	90,560
Derivative financial instrument	42	-	-	-	-	42
Loans and advances to customers	13,536	36,932	42,761	47,286	7,770	148,285
Financial Investments - FVOCI	498	390	4,314	38,747	-	43,949
Financial Investments - Amortised Cost	-	499	462	59,355	29,349	89,665
Total Assets	**100,960**	**75,205**	**51,111**	**153,761**	**37,119**	**418,156**
Liabilities						
Due to banks	34,222	-	2,487	252,780	-	289,489
Derivative financial instrument	31	471	-	-	-	502
Due to customers	53,161	1,392	4,988	-	-	59,541
Subordinated debt	-	188	-	-	15,665	15,853
Total Liabilities	**87,414**	**2,051**	**7,475**	**252,780**	**15,665**	**365,385**

The table below summarises the maturity profile of the Bank's assets and liabilities as at 31 December 2021 based on contractual repayment obligations.

£'000 - 2021	Less than 1 month	1 to 3 months	Over 3 to 12 months	1 to 5 years	Over 5 years	Total
Assets						
Balances with central banks	43,395	-	-	-	-	43,395
Due from banks	47,783	8,665	33,603	31,127	-	121,178
Derivative financial instrument	89	-	-	-	-	89
Loans and advances to customers	26,613	31,565	34,873	63,078	5,887	162,016
Financial Investments - FVOCI	414	615	4,108	46,883	-	52,020
Financial Investments - Amortised Cost	199	770	58	31,743	54,917	87,687
Total Assets	**118,493**	**41,615**	**72,642**	**172,831**	**60,804**	**466,385**
Liabilities						
Due to banks	39,823	11,109	2,516	244,256	-	297,704
Derivative financial instrument	25	-	-	-	-	25
Due to customers	76,478	780	14,770	-	-	92,028
Subordinated debt	-	178	-	-	14,854	15,032
Total Liabilities	**116,326**	**12,067**	**17,286**	**244,256**	**14,854**	**404,789**

34. Liquidity risk (continued)

The table below summarises the split of the statement of the financial position between current and non-current assets and liabilities:

£'000	2022 less than 1 year	2022 more than 1 year	2021 less than 1 year	2021 more than 1 year
Assets				
Balances with central banks	45,655	-	43,395	-
Due from banks	82,187	8,373	90,051	31,127
Derivative financial instrument	42	-	89	-
Loans and advances to customers	93,229	55,056	93,051	68,965
Financial Investments - FVOCI	5,202	38,747	5,137	46,883
Financial Investments - Amortised Cost	961	88,704	1,027	86,660
Total Assets	**227,276**	**190,880**	**232,750**	**233,635**
Liabilities				
Due to banks	36,709	252,780	53,448	244,256
Derivative financial instrument	502	-	25	-
Due to customers	59,541	-	92,028	-
Subordinated debt	188	15,665	178	14,854
Total Liabilities	**96,940**	**268,445**	**145,679**	**259,110**

The above analysis shows the Bank has treated all demand customer deposits as repayable immediately, however long-term business relationships means that this is not the case in practice. The Bank has adequate arrangements to meet its liquidity requirements which are consistently monitored by Finance and Treasury & Capital Markets.

35. Market risk

Market risk is defined as the risk of losses on financial instruments arising from changes in market factors. The Bank is currently exposed to changes in interest rate risk, foreign exchange rate risk price risk and commodity price risk.

Market risk may be propagated by other forms of financial risk such as credit and market liquidity risks, prices potentially moving adversely for a number of reasons, including credit downgrading of securities held, general negative economic factors, and reduced liquidity.

The key specific types of market risk relevant to the Bank are:

- Interest rate risk;
- Foreign exchange risk;
- Price risk on investments in debt securities; and
- Commodity price risk

35. Market risk (continued)

The Bank's control framework has been designed using a risk-based approach i.e., to address the business risks which have been identified as being the most relevant to the Bank as a result of the type of business undertaken and according to the way its operations have been organised.

The other specific market type risks are managed and have the following potential financial impacts as follows:

A. Interest rate risk

- **Banking book**: Interest rate risk is the risk to earnings or capital arising from movement of interest rates. It arises from differences between the timing of rate changes and the timing of cash flows (re-pricing risk); from changing rate relationships among yield curves that affect Bank activities (basis risk); from changing rate relationships across the spectrum of maturities (yield curve risk); and, from interest-rate-related options embedded in Bank products (option risk). The evaluation of interest rate risk must consider the impact of complex, illiquid, hedging strategies or products, and also the potential impact on fee income that is sensitive to changes in interest rates.

  Banking Book includes amongst others the Bank's trade finance, money market and lending activities which are designed to earn a profit through the generation of fees and commissions and from the interest margin over the Bank's cost of funds. Interest Rate Risk in the Banking Book ("IRRBB") is the risk to earnings or capital arising from movements in interest rates arising from:

  - Repricing Risk - Relates to the timing mismatch in the maturity and repricing of assets and liabilities and off-balance sheet short- and long-term positions.
  - Basis Risk - Risks arising from hedging exposure to one interest rate with exposure to a rate which reprices under slightly different conditions; and
  - Yield Curve Risk - Risks arising from changes in the slope and the shape of the yield curve
  - Excessive levels of IRRBB can pose a threat to an institution's earnings and capital base. Accordingly, effective risk management that maintains interest rate risk at prudent levels is essential to the safety and soundness of an institution.
  - In BoA UK the following activities give rise to Interest Rate Risk:
  - Banking activities, including inter alia money market activities and the making of and accepting of loans.
  - Liquidity management, e.g., HQLA; and
  - Fixed income activities (Investment and Trading intent bond portfolios).

- **Trading book:** The Bank does not have a trading book.

The total sensitivity of all assets and liabilities held has been calculated as follows:

£'000 - Gain / (Loss) in profit or loss	2022	2021
Parallel shift in interest rates -2%	6,946	9,593
Parallel shift in interest rates +2%	(6,382)	(8,616)

Similarly rise or fall in interest rates would have a negative/positive impact of £2mn on the valuation of the FVOCI debt securities through Other Comprehensive Income.

B. Foreign exchange risk

Foreign exchange risk is the risk that the value of a financial instrument denominated in foreign currency will fluctuate in domestic currency terms due to changes in exchange rates. The Bank's policy is to monitor market exposures by the risk team on a daily basis.

35. Market risk (continued)

£'000 - 2022	USD	EURO	Other currencies
Net foreign currency exposures	(12,311)	6,947	(126)
Impact of 5% increase in foreign currency : GBP rate	616	(347)	6
Impact of 5% decrease in foreign currency : GBP rate	(616)	347	(6)

£'000 - 2021	USD	EURO	Other currencies
Net foreign currency exposures	(5,697)	1,684	(93)
Impact of 5% increase in foreign currency : GBP rate	284	(84)	5
Impact of 5% decrease in foreign currency : GBP rate	(284)	84	(5)

C. Price risk on investments in debt securities

The Bank holds investments in debt securities, which are classified as FVOCI and Amortised Cost. The unrealised gains and losses on debt securities are monitored by the Treasury and Capital Markets traders and reported to the ALCO committee which makes decisions on whether or not to dispose of these assets prior to its maturity. The policy is to hold assets with a maximum residual maturity of 7 years and only in markets where the Bank has experience in order to minimise risk. A 1% price change would result in approximately £0.40mn and £0.72mn (2021: £0.50mn and £0.84mn) change in fair value of debt instruments held at FVOCI and at amortised cost, respectively.

36. Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events. BOA UK will ensure the systemic identification, management, mitigation, monitoring and reporting of operational risks and incidents. Under an effective business continuity program, in the event of a severe business disruption, BOA UK is able to continue to operate and to minimize losses (including those that may arise from disturbances to trading, payment and settlement systems). The Bank recognises the potential for significant and material adverse consequences of operational risks materialising as risk events. The key operational risks for BOA UK are:

Business activity risks:

- Trade finance risk: While trade finance carries elevated levels of operational risk, controls are in place to identify, measure and monitor these.
- Organisation structure risk: Deficient communication between BOA UK and Parent Company (Bank of Africa) could lead to a misalignment of objectives and strategic purpose. Fail to Establish a network of operational risk co-ordinators in the business lines with prime responsibility to ensure smooth implementation of ORM processes tailored to the specific business.
- Organisational change risk: Lack of co-ordination between people and projects. The Loss Data Collection or Incidents Data Collection that permits the permanent follow-up of risk profile changes.
- Manual processes: The risk that processes are not sufficiently automated to ensure outcomes are delivered to the required standard, and capacity elasticity to changes in volumes.

36. Operational risk (continued)

People Risk:

- Loss of key staff: The risk of unexpected loss of staff that have key knowledge about critical business activities.
- Change management: The risk that some staff will have a different agenda to the business strategy and will resist the changes being made. This can disrupt the rate of progress and the effectiveness of operational processes and mitigants and have knock-on effect on other staff.
- Insufficient resources/skills: The risk that BOA UK will be able to obtain the appropriate staff with suitable skills in the short-term to deliver upon the financial objectives.

Technology Risk:

- Security: Traditional security solutions, such as firewalls, are becoming less effective against cyber-attacks as employees interact via open networks and carry sensitive information on portable devices. Although the Bank has zero appetite for cyber security risk, it recognizes that for vendor and system specific reasons a modest risk appetite in specific areas will be required as it may fall out of BOA UK's control.
- Integration of new systems: Failure to fully integrate new systems into BOA UK's existing technological infrastructure inhibits its overall effectiveness. Similarly, the failure to automate processes will jeopardise financial performance through increase in staff costs and heightened operational risk.

37. Conduct risk

The FCA expects BOA UK to examine all conduct, culture and behaviour that may affect the Bank, its customers and the wider financial markets it operates in. The Board takes a lead on Conduct Risk and:

- Defines the responsibilities or duties of each director and evaluates their performance in accordance with the Corporate Governance framework.
- Manages and approves reporting lines that seek to avoid conflict of interest.
- Owns and monitors Conduct Risk via good corporate governance arrangements such as:
  - Ensuring that regular Board and committee meetings are held in compliance with the Corporate Governance framework
  - Ensuring that the 'tone from the top' sets a good example to all staff

38. Compliance risk

Compliance risk is the risk of any governmental or regulatory penalties, economical loss or loss of reputation which the Bank of Africa UK Plc may suffer as a result of failure to comply with or breach of its compliance obligations.

The UK regulatory regime has set the standards for conducts and observations of standard market practises. At the centre of the regulatory expectation is the Senior Management Certification Regime; – an arrangement for holding Senior Management accountable for outcomes of the Bank's conduct and practises within the regulatory environment.

The Bank's Compliance function has been setup to manage the Bank's Compliance risks by defining relevant Compliance policies and procedures in line with the Bank's obligations.

The Compliance framework responds to the following sources of Compliance risks:

- Regulatory Risks

- Financial Crime Compliance Risks

Through the Board oversight function (Audit Committee), the Executive oversight body; and the Compliance department, the Bank performs its Compliance Risk Management function by promoting policies and procedures, advising business areas, Compliance risks assessments and monitoring and reporting of Compliance risks.

39. Fair Value

A. Fair Value Hierarchy

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and offer price for short positions), without any deduction for transaction costs.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value, comparison to similar instruments for which market observable prices exist and other relevant valuation models.

Derivatives are measured at Level 2, where the fair value is determined by applicable market forward rates.

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- **Level 1**: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

- **Level 2**: inputs other than quoted prices included within Level 1 that are observable directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

- **Level 3**: inputs that are unobservable. This category includes all instruments for which valuation technique includes inputs not based on observable data and the unobservable inputs have significant effect on the instruments valuation.

39. Fair Value (continued)

The accounting policy for determining fair values is detailed on page 42 under “Fair value measurement and valuation process”. Financial assets included in Level 3 are carried at amortised cost which approximate their fair values.

£'000 - 2022	Level 1	Level 2	Level 3	Total fair values
Assets				
Cash and balances with central banks	-	45,655	-	**45,655**
Amortised cost				
Due from banks	-	22,889	67,671	**90,560**
Loans and advances to customers	-	-	148,285	**148,285**
Fair value through profit & Loss				
Derivative financial instrument	-	42	-	**42**
Fair value through Other Comprehensive Income				
Investment securities - FVOCI	43,949	-	-	**43,949**
Amortised cost				
Investment securities – Amort. Cost	89,665	-	-	**89,665**
Liabilities				
Amortised cost				
Deposits from banks	-	30,739	258,750	**289,489**
Deposits from customers	-	-	59,541	**59,541**
Subordinated liabilities	-	-	15,853	**15,853**
Derivative financial instrument	-	502	-	**502**

All financial assets and liabilities carried at amortised cost approximate their fair values; except for the investment securities held at amortised cost whose fair value as at 31 December 2022 was £69.86mn (2021: £84.4mn). The fall in the market prices of the bonds held at amortised cost was mainly due to the downturn in the African bond market due to adverse economic conditions.

Derivative financial instruments and investment in debt securities are held at fair value. All other financial assets and financial liabilities are held at historic or amortised cost. In the opinion of management, the value of these assets in the financial statements represents their fair value.

Assumptions and inputs used in valuation techniques include risk-free and Libor benchmark interest rates, discount rate, bond and equity prices.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which observable market price exist and other valuation models.

The objective of the valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

Where available, the fair value of loans and advances is based on observable market transactions. Where market transactions are not available, fair value is based on reasonable approximation of market values. For collateral-dependent impaired loans, the fair value is measured based on the value of underlying collateral.

39. Fair Value (continued)

The carrying amount of deposits taken from financial institutions and non-bank customers are based on reasonable approximation of market value.

£'000 - 2021	Level 1	Level 2	Level 3	Total fair values
Assets				
Cash and balances with central banks	-	43,395	-	**43,395**
Amortised cost				
Due from banks	-	44,575	76,603	**121,178**
Loans and advances to customers	-	-	162,016	**162,016**
Fair value through profit & Loss				
Derivative financial instrument	-	89	-	**89**
Fair value through Other Comprehensive Income				
Investment securities - FVOCI	52,020	-	-	**52,020**
Amortised cost				
Investment securities – Amort. Cost	87,687	-	-	**87,687**
Liabilities				
Amortised cost				
Deposits from banks	-	60,114	237,590	**297,704**
Deposits from customers	-	-	92,028	**92,028**
Subordinated liabilities	-	-	15,032	**15,032**
Derivative financial instrument	-	25	-	**25**

B. Derivative financial instruments

The table below shows the fair values of derivative financial instruments, together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the reporting date and are indicative of neither the market risk nor the credit risk. For the valuation techniques used, please see above.

39. Fair Value (continued)

£'000 - 2022	Fair value of assets	Fair value of liabilities	Notional amount
Forward foreign exchange	27	31	19,951
Foreign exchange swaps	15	471	97,659
Derivatives held for trading	**42**	**502**	**117,610**

£'000 - 2021	Fair value of assets	Fair value of liabilities	Notional amount
Forward foreign exchange	22	20	16,850
Foreign exchange swaps	67	5	79,289
Derivatives held for trading	**89**	**25**	**96,139**

40. Capital management

A. Approach

The Bank's policy is to maintain a sufficient capital base to maintain stakeholders' confidence and to sustain the future development of the business. The impact of the level of the capital on shareholders' return is also considered and the Bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

B. Regulatory capital

The Bank is managing and monitoring its capital resources as per the Total Capital Requirement (TCR) in addition to the Pillar 2B requirements as set out by the PRA. The Bank's capital resources consist of paid-up capital, retained earnings additional Tier 1 and Tier II capital. The Bank and its individually regulated operations have not reported any breaches on externally imposed regulatory capital requirements during the year and have been in compliance with the regulatory capital requirements throughout the year.

The Bank's own assessment of the capital required to hold against its risks is known as ICAAP (Internal Capital Adequacy Assessment Process) and the SREP (Supervisory Review and Evaluation Process) is the qualitative assessment of the ICAAP.

Tier 1 capital £55,466k all qualifies as Common Equity Tier 1 (CET1) capital) - it includes ordinary share capital, retained earnings, reserves and other comprehensive income (OCI) after adjustment for deductions for goodwill and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.

40. Capital management (continued)

C. Monitoring

Management uses regulatory capital ratios to monitor its capital base. The allocation of capital between specific operation and activities is, to a large extent, driven by optimisation of the return achieved and the capital allocated. The amount of capital allocated to each operation or activity is based primarily on regulatory capital requirements, but in some cases the regulatory requirements do not fully reflect the varying degree of risk associated with different activities. In such cases, the capital requirements may be flexed to reflect differing risk profiles, subject to the overall level of capital to support a particular operation or activity not falling below the minimum required for regulatory purposes. The process of allocating capital to specific operations and activities is undertaken independently of those responsible for the operation by the Credit and Risk Committees and is subject to review by the ALCO.

Although maximisation of the return on risk-adjusted capital is the principal basis used in determining how capital is allocated within the Bank to particular operations or activities, it is not the sole basis used for decision making. Account is also taken of synergies with other operations and activities, the availability of management and other resources, and the fit of the activity with the Bank’s long-term strategic objectives. The Bank’s policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.