BACB

year ended 31 December 2022

ANNUAL REPORT & FINANCIAL STATEMENTS

BACB

your banking partner for
SPECIALIST MARKETS

A UK BANK DELIVERING TRADE FINANCE & INVESTMENT EXPERTISE

to enable clients, countries & communities to prosper

winners

TREASURY MANAGEMENT INTERNATIONAL
TREASURY4GOOD AWARD 2022

BEST COMMUNITY ENGAGEMENT

for their work with charities in and around London

GLOBAL FINANCE MAGAZINE'
TRADE FINANCE AND SUPPLY CHAIN AWARDS

BEST TRADE FINANCE PROVIDER FRONTIER MARKETS

GTR LEADERS IN TRADE 2023

BEST TRADE FINANCE BANK, NORTH AFRICA

shortlisted

GTR LEADERS IN TRADE 2023

BEST TRADE FINANCE BANK, WEST AFRICA

ICE INTERNAL COMMUNICATIONS AND
ENGAGEMENT AWARDS

BEST INTERNAL COMMUNICATIONS
FINANCIAL SERVICES SECTOR

AWARDS

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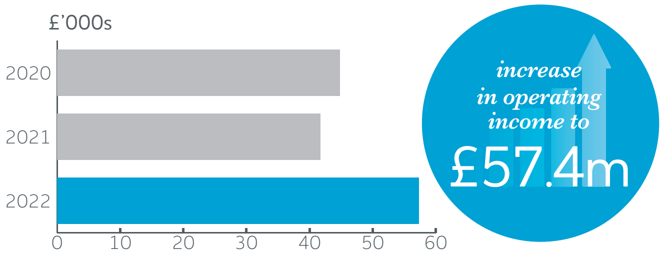
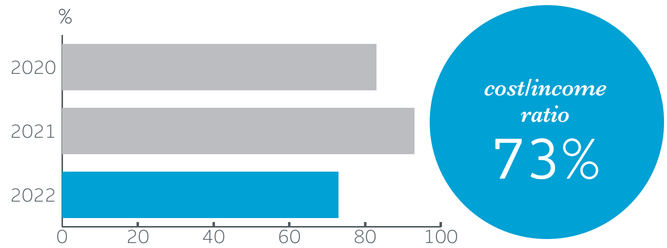
FINANCIAL HIGHLIGHTS

2022 YEAR END RESULTS

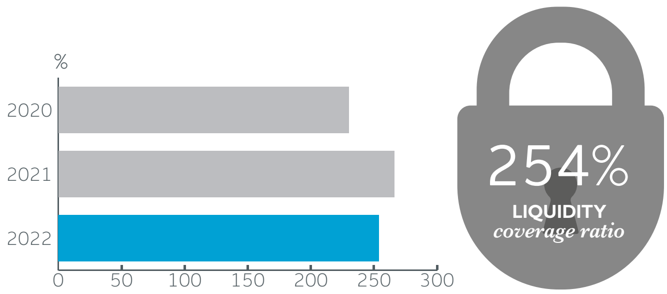
OPERATING INCOME



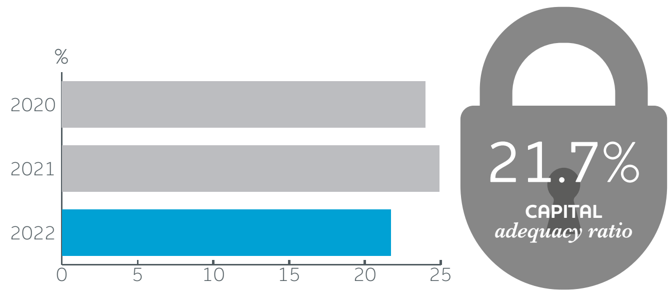
COST/INCOME RATIO



LCR

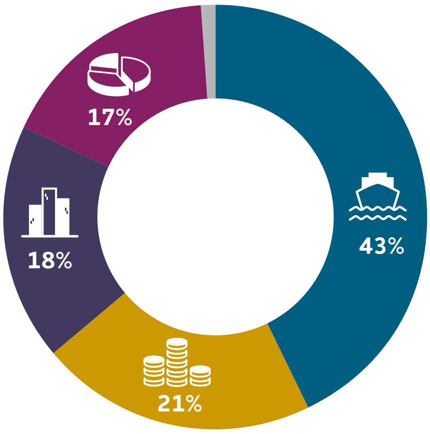


CAPITAL STRENGTH



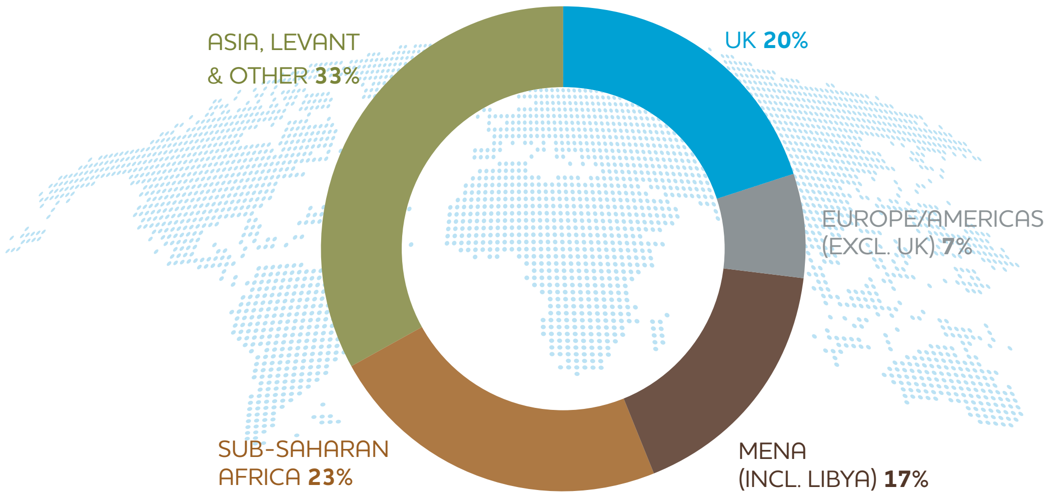
The Bank offers Banking Services by acting as a banking correspondent for key clients providing tailored account and international payment services. Banking services compliment trade finance services.

2022 REVENUE BY BUSINESS



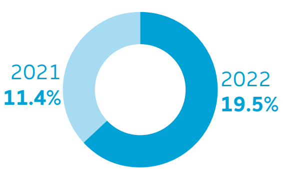
£24.4m £12m £10.1m £9.2m

2022 OPERATING INCOME BY REGION

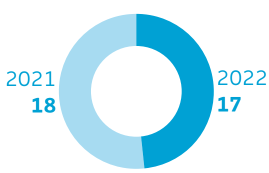


NON-FINANCIAL KPIs

EMPLOYEE TURNOVER %



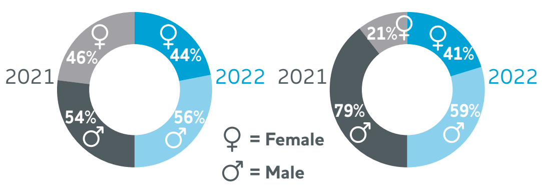
NATIONALITIES EMPLOYED



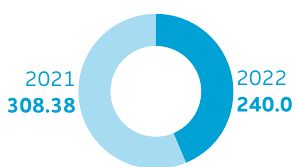
GENDER RATIO

All staff gender

Exco & MRT



EMISSIONS MADE BY BACB tCO2e



BOARD OF DIRECTORS

The Board of Directors led by the Chairman Dr Yousef Abdullah Al Awadi KBE.

DR YOUSEF ABDULLAH AL AWADI KBE
Chairman
Independent Non-Executive Director

EDDIE NORTON
CEO
Executive Director

MOHAMED ZINE
Non-Executive Director

LAZHAR LATRECHE
Non-Executive Director

SUNDEEP BHANDARI
Independent
Non-Executive Director

NIGEL BOOTHROYD
Independent
Non-Executive Director

FAESAL OTHMAN
Non-Executive Director

AIMAN LASWAD
Non-Executive Director

DR AHMED MIHOOB
Non-Executive Director

CHAIRMAN'S STATEMENT

"we begin 2023 in a strong position and look forward with confidence"

Dear Shareholders,

I am pleased to present the Annual Report and Audited Financial Statements of British Arab Commercial Bank plc (BACB), for the twelve months ended 31st December 2022.

OVERVIEW

The last year has been significant for BACB, as the Bank marked its 50th anniversary, having successfully navigated challenging market conditions, and delivered strong results.

The Bank began 2022 with a renewed and positive attitude to business development, and despite testing conditions during the year has created a track record of transforming challenges into opportunities and producing exceptional overall results, particularly in terms of revenue and profitability. The contribution of each of the Bank's three core business streams of Trade Finance, Real Estate, and Treasury were meaningful and positive drivers for this improved performance.

OUR BOARD OF DIRECTORS

Last year I was honoured to be appointed as Chairman of the Board of Directors of BACB. Having led organisations across the international financial sector, I recognise the significance of the role played by BACB in providing a bridge for those operating in and trading with specialist markets. My predecessor Mr Michael Stevenson retired as Chairman in June 2022, having served as a Board member since 2011. Mr Mohamed Shokri also retired from the Board last year, having served as Vice-Chairman since 2012. Additionally, Mr Jehangir Jawanmardi stepped down from the Board, having served as an Independent Non-Executive Director and Chair of the Audit Committee since 2018. I thank them all for their years of devoted service to BACB.

The Board were delighted to welcome Dr Ahmed Mihoob who was appointed as a Non-Executive Director in May 2022 and brings to BACB a wealth of experience from many years spent working in BACB's core markets.

PERFORMANCE OF THE BANK

In last year's report it was noted that substantial investment in the organisation was taking place, with a focus on improving client service, and scaling the Bank's business.

The quality of the Bank's assets has improved substantially over the course of the last two years, and our Executive Team has delivered on its mandate to improve revenues and create a more efficient organisation, that can provide sustainable profitability.

The Bank closed 2022 with strong capital and liquidity metrics, a balance sheet that had grown 15% year-on-year, with an operating income of £57m, and an operating profit before recoveries and impairment charges of £15.4m. The Bank's cost-income ratio has also noticeably improved year-on-year.

AWARD WINS

During 2022 BACB was again recognised for the important role it plays in facilitating trade in North Africa, winning the Global Trade Review (GTR) Leaders in Trade Award 2022 as the Best Trade Finance Bank in North Africa. This is the third time that BACB has won this award, and reflects the level of specialist expertise, quality of service and strategically important function that the Bank provides for the region. More recently BACB was awarded the Global Finance Award as the Best Bank for Trade Finance in Frontier Markets, recognising the importance of the work that the Bank undertakes across the markets in which it operates in.

For the first time BACB received acknowledgement for the work the Bank does in the local community, winning the TMI Treasury4Good Awards 2022 for Best Community Engagement. This recognises the Bank's ongoing role supporting charitable initiatives and organising volunteering events for staff to help charities and community organisations across London, through the BACB Together scheme.

STRATEGIC DIRECTION

BACB's Board-approved programme of strategic change is ongoing and has seen the Bank focus on its traditional strengths and core markets while enhancing risk management. The successful execution of this strategy has seen significant improvement in the quality of the Bank's balance sheet, a large rise in both revenue and profit, and an improved cost-income ratio. The Board commends the leadership of the Executive Management and the efforts of the entire BACB team in delivering this set of results. We are confident that under the direction of the Bank's Executive Team, BACB will continue to achieve sustainable profitable growth in the years to come.

OUR STAKEHOLDERS

The Board of BACB recognises the responsibilities it has to all stakeholders: our clients, correspondents, regulators, shareholders and to our people, as well as regarding wider environmental, social and governance matters, in the markets and communities we serve.

Investment in our Bank continues to ensure that our operational resilience and the provision of high-quality service is maintained, and that our clients experience the best we can offer. Strong governance is of paramount importance to us. BACB meets all regulatory obligations, and partners with institutions working in specialist markets to provide guidance on transactions and to lead capacity-building initiatives, as we seek to go above and beyond what is expected.

Having put in place extensive monitoring procedures, BACB has robust internal structures that continue to ensure it remains within regulatory capital and liquidity thresholds.

The Board is grateful for the dedicated commitment of everyone at BACB, and I would like to add a personal note of thanks to all those who have worked so hard to make 2022 such a successful year. Furthermore, I wish to recognise and thank our shareholders, especially Libyan Foreign Bank, for their steadfast and much valued support, and also our clients for allowing us to serve and support them as their businesses grow.

As an organisation, we begin 2023 in a strong position and look forward with confidence and cautious optimism to the year ahead.

DR YOUSEF AL AWADI KBE

Chairman

6th April 2023

BUSINESS STRATEGY AND MARKET ENVIRONMENT

> *"BACB commences the next chapter of delivering on a plan for long-term sustainable growth, which builds on the strong foundations and excellent results achieved in 2022."*

I am delighted to report that we have delivered an excellent set of results for 2022. This has been despite a challenging political and economic backdrop and is reflective of the extensive efforts that have taken place across the firm over the past two years, repositioning our business model, to deliver safe, sustainable growth.

Our strategy – to build a business with long-term, sustainable growth at its heart – is delivering value for our shareholders, clients and employees. Our business is focused on our areas of core competence, and we continue to grow in the markets where we have deep knowledge, and in so doing strengthen our existing customer relationships while building new ones. Business lines that do not support our strategic direction have been exited, and the enhancement of our risk and control functions continues.

The measures taken were essential to strengthen the Bank and improve the quality of our assets and earnings, bolstering our resilience and preparing us for the fresh challenges in 2022, most notable of which being the events in Ukraine. In addition to the profound human impact, international markets – barely recovered from the pandemic – were hit hard by price volatility, rising inflation, and supply chain constraints.

Despite these global shockwaves the Bank has achieved significant year-on-year growth in operating income and continued to help mitigate risk for our clients and partners. While there are further predicted headwinds, I am confident that BACB enters 2023 in a strong position with a business that continues to grow.

A MILESTONE YEAR

2022 marked our Golden Anniversary: 50 years ago, we were established to provide a high-quality service to clients based in and working with specialist markets. Throughout this time, BACB has acted as a trusted banking partner for those working across Africa, the Middle East and Asia. This milestone was an opportunity for us to reflect on and renew our commitments to the clients, countries and communities we serve. An occasion to celebrate our achievements, both personal and professional, and to reflect on our purpose:

A UK bank delivering trade finance and investment expertise, to enable clients, countries, and communities to prosper.

Simultaneously, initiatives to enhance BACB's corporate culture and conduct were launched across the organisation, defining a set of values and behaviours in alignment with the strategic direction of the Bank. Distilled into single words, these are: *Loyal, Trusted, Agile, Driven*

These values reflect BACB's core principles.

RESULTS

Operating income of £57m represent a 37% year-on-year increase and delivered a robust level of operating profit before recoveries and impairment charges, growing from £3m in 2021 to reach £15m in 2022. We continue to invest in our people and infrastructure while delivering a significant improvement in our cost-income ratio. Concurrently we are maintaining both strong capital and liquidity metrics.

In last year's statement we outlined a strategy to enhance the quality of our assets while driving business growth by focussing on our core businesses of Trade Finance, Real Estate and Treasury, leveraging our expertise in the markets where we operate, while simultaneously exiting higher risk activity. The benefits of this strategy have been evident over the last two years where the level of impairments has been significantly lower than in prior years, resulting in most of the operating profit being preserved as profit before tax. This contrasts to previous years where profits were impacted by higher provisions and 2021 where profit was mainly the result of recoveries for prior impairments.

I am therefore pleased that the profit before tax of £13.9m is largely driven by our core activities. On an adjusted basis therefore PBT excluding recoveries has increased five times year-on-year.

Our focus is, and will remain, originating prime assets that deliver sustainable revenues in our core markets.

PEOPLE

Our strong performance is founded on the hard work and dedication of our skilled team, and I want to thank my colleagues for their efforts. 2022 was a year focused on our people, and I am delighted to see that BACB has continued to attract the best talent in the industry. We remain committed to the development of talent that exists within our teams and have promoted key individuals into senior roles throughout the year.

We have welcomed a new Chairman, Dr Yousef Abdullah Al Awadi KBE, who joined BACB in May following the retirement of longstanding Chairman Michael Stevenson. The appointment of Dr Al Awadi adds further support to an already strong working relationship between our Executive team and the Board.

OUTLOOK

As we enter 2023, BACB commences the next chapter of delivering on a plan for long-term sustainable growth, which builds on the strong foundations and excellent results achieved in 2022. Although global markets are projected to remain challenging and uncertain with central banks focusing on controlling inflation against a backdrop of trade and geopolitical tensions, I am confident that BACB will go from strength to strength, supported by the commitment of our capable and hard-working teams, as well as the collaboration of our valued partners and clients.

EDDIE NORTON
Chief Executive Officer
6th April 2023

STRATEGIC REPORT

BUSINESS AND PERFORMANCE OVERVIEW

OUR NETWORK

BACB HEAD OFFICE
LONDON

Representative offices:
Tripoli, LIBYA
Algiers, ALGERIA
Abidjan, CÔTE D'IVOIRE

LOYAL TRUSTED AGILE DRIVEN

BUSINESS AND PERFORMANCE OVERVIEW

OVERVIEW

British Arab Commercial Bank plc is an international wholesale bank with over 50 years' experience providing global trade solutions to clients trading in and out of specialist markets.

Based in the City of London, the Bank is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. BACB leverages its position in the world's leading financial market to forge close ties with the global banking community.

We are a trusted partner, active across Africa, the Middle East and Asia, supporting trade flows and connecting those markets with the rest of the world.

In addition to our core Trade Finance offering, we provide niche UK Real Estate Finance facilities, and operate a full Treasury function, which is active in foreign exchange, derivative and debt capital markets. The ability to leverage local knowledge and product expertise makes BACB our clients' natural choice as their banking partner for specialist markets.

Our purpose is that we are "a UK bank delivering trade finance and investment expertise to enable clients, countries and communities to prosper".

THE STRATEGIC VISION

As outlined in the Chief Executive Officer's Statement our objective is to originate prime assets in our core markets which deliver long-term sustainable revenues. Our strategy therefore is one of measured expansion, based on our heritage in Africa, and expertise across chosen geographies.

We have a robust network of relationships, offering maximum value to our partners. With a client-centric approach and product-specific expertise, we strengthen our offering by supporting stakeholders across the supply chain.

STRATEGIC OUTLOOK

The Bank is conscious of the economic uncertainty facing global markets in 2023. In these challenging conditions central banks are increasingly focused on controlling inflation with the higher interest rate environment expected to prevail throughout 2023. Geopolitical tensions will remain with the ongoing Russia-Ukraine conflict at the heart of this causing volatility in markets and disrupting supply chains.

As a niche provider, with both geographic and product expertise, BACB remains focused on its core markets and continues to carefully monitor economic and political developments which have the potential to impact upon the Bank's strategy. It is the opinion of the management that these challenging market conditions will also create opportunities for those customers and financial institutions that have a long-term commitment to such markets.

BACB has experienced stability in its core markets, including shareholder countries, throughout 2022 and expects this positive trend to continue. Furthermore, the Bank's ability to structure transactions to mitigate risk in frontier markets gives additional comfort as well as the Bank's strong trade distribution channels which allows BACB to be more relevant to its customers and markets.

BUSINESS OVERVIEW

BACB has three key business lines:

- TRADE FINANCE
- REAL ESTATE
- TREASURY

These business lines are aligned to our strategic vision; our Trade Finance and Treasury functions deliver valuable product offerings to our core markets, while our Real Estate Finance business diversifies income streams, generating GBP revenue, and providing protection against the cyclical nature of global trade.

Our balance sheet strategy is intentionally prudent, maintaining a relatively sizable book of liquid assets.

In 2022 we demonstrated strong business growth, the direct result of the successful execution of a strategy focused on leveraging our existing expertise and investing in the development of our core markets.

BACB's team of banking professionals based in London and in our representative offices in Algiers, Abidjan and Tripoli, work in partnership with our correspondents to provide high quality service to our clients.

During the year the team's work included significant intra-African trade transactions. Partnering with pan-African banking groups, BACB has helped link some of the continent's major and developing economies. Our work has provided security and financial assistance to some of the world's largest traders, as they expand their global reach into the regions that we specialise in.

Despite significant global challenges, the trade flows to and from the Bank's core markets strengthened in 2022, and BACB's support has remained critically important in ensuring that traders operating in them are able to mitigate the risks they face. The Bank is proud of the part it plays in facilitating the movement of goods, and endeavours to make the financing and provision of services as flexible as possible to best meet client needs.

TRADE FINANCE

BACB supports companies to develop their international trading opportunities by providing trade finance solutions, throughout the supply chain, across specialist markets.

Working closely with a network of international banking partners, BACB provides an experienced and personalised service. Over the course of 2022, BACB has continued to offer its core Trade Finance activities across 43 markets, including 22 in Africa, and handled over USD 3bn of trade assets for our clients. The Trade Finance business contributed 43% of the Bank's total revenue, representing a year-on-year revenue increase of 23% in USD.

Thanks to over 50 years' experience serving predominantly Middle Eastern and African markets, BACB has developed a comprehensive and award-winning trade finance service designed to give confidence to our clients. Key to this is local market expertise combined with the operational advantages of dealing with a UK-domiciled and regulated bank.

In 2022 BACB won Global Trade Reviews Award for the Best Trade Finance Bank in North Africa, having previously also won the award in 2019 and 2020. BACB is one of the few banks which facilitates transactions from every North African market, and the award recognised BACB's significant contribution to supporting trade flows across the region. More recently BACB won the Global Finance Award as the Best Trade Finance Bank in Frontier Markets, a significant industry award recognising the Bank's commitment to developing trade and promoting financial inclusion in markets often underserved by larger global banks.

Through decades of experience in specialist markets BACB provides bespoke solutions tailored to individual client needs. BACB offers a broad range of trade finance services, including Import and Export Letters of Credit, Standby Letters of Credit, Bills for Collection and/or Discount, Payment Guarantees, Bid/Performance Bonds, Trade Loans and Invoice Discounting. Our solid reputation enables us to advise and confirm transactions globally, thereby providing enhanced financial security to traders and improved management of international exposures and cash flow.

The Bank continued to develop its trade distribution capability, growing its syndication and distribution platform across bank and non-bank investors, with USD 1bn of trade assets distributed in 2022, a year-on-year increase of 84%. This enables efficient balance sheet usage and enhanced risk appetite, while creating additional liquidity in the international financial markets. This capability also allows BACB to deliver high value transactions in frontier markets, with a prime example in 2022 being a EUR50m transaction originated in Côte d'Ivoire covering intra-African trade flows, for the world's largest energy trader.

REAL ESTATE

The Real Estate business provides term lending facilities secured against high quality UK real estate assets, both residential and commercial, with relatively conservative loan-to-value and interest coverage ratios.

As at 2022-year end, the Real Estate book stood at £435m. This represents a marginal increase over the year, as the Bank saw business growth across the portfolio, successfully securing new Real Estate Finance customers and supporting the existing client base. During the year, some deals matured naturally, however by maintaining risk appetite and focusing on relationship banking the business continued a trajectory of growth. Revenues met budget, and the Real Estate business remains a key part of the Bank's diversification strategy contributing 18% of operating income. It provides a good risk adjusted Sterling denominated annuity income flow.

External factors such as interest rate rises have affected our ability to take on new business, underlining the importance of the management of the existing portfolio. We closely partner with our Real Estate clients, ensuring a proactive dialogue is maintained. This provides us with a deep understanding of the client requirements, and the necessary transactional oversight.

The key factors determining success include the maintenance of the appropriate levels of term funding to support the business, with diversification across the sectors and geographies, while continuing to support existing customers. Throughout recent economic turbulence the priority of the Real Estate Finance Department has been to maintain a robust approach to risk management and to act in the best interest of the Bank's borrowers.

TREASURY

Treasury is mandated to perform two primary roles: a facilitator of client transactions via the global financial markets, and as the Bank's balance sheet management function.

Through its growing access of the global markets, the Treasury team facilitates client flow, across a range of treasury products, including Foreign Exchange, Money Markets and Securities trading.

Foreign Exchange is a key offering and through its focused marketing and competitive pricing capacity, the Treasury team has successfully managed rising client volumes throughout 2022, resulting in a strong financial performance.

The Treasury team ensures the Bank is always fully compliant with its internal and regulatory liquidity metrics and aligned with the Bank's risk appetite. The team actively manages significant holding of high-quality liquid assets (HQLA), while investing excess capital in highly rated corporate and bank bonds. It also encompasses cashflow and interest rate risk management.

During 2022 a significant decline in emerging market bond valuations triggered an exit from this portfolio.

The Treasury team manages the balance sheet to ensure consistently strong liquidity, with the Bank's average LCR ratio over the 12 months in 2022 being 254%.

We can be enormously proud of the results delivered by the Bank's businesses in 2022, and while there are headwinds, we begin 2023 in a very strong position. We look forward to another successful year of growth.

INTERNAL OPERATIONS

The Bank is committed to continuous enhancement of the efficiency and effectiveness of its internal operations as well as meeting its regulatory and compliance obligations in all its activities, as detailed below:

FINANCIAL CRIME RISK

As a UK-regulated financial institution, BACB recognises the importance of maintaining a robust financial crime control framework that is commensurate with the risks posed by its products and services, client base, and geographic footprint. BACB complies with all applicable anti-bribery and corruption laws in the jurisdictions in which the Bank operates, it has a dedicated Anti-Bribery and Corruption Policy, and annual training is provided to all employees.

BACB operates a "three lines of defence" model and has a dedicated Financial Crime Risk Team within the second line of defence. This team is responsible for providing oversight and guidance to the first line of defence on all financial crime risk matters. The Bank's employees are required to undertake annual financial crime compliance training and receive supplementary guidance and training in response to regulatory developments and changes to industry best practice.

During 2022, BACB continued to strengthen its financial crime risk mitigation abilities by enhancing key components of its financial crime control framework. The United Kingdom's separation from the European Union following the end of the transitional period has created additional complexity due to the new UK regulatory regime; BACB works to ensure compliance with all UK, EU, US, and UN requirements when undertaking business.

BACB proactively engages with partner institutions to assist their understanding of the regulatory standards to which BACB adheres, organising training events and providing the necessary information to ensure due diligence requirements are met for all transactions. This work helps to build capacity in the markets in which the Bank operates, enhances transactional oversight, and ultimately makes trade flows run more smoothly.

The unprecedented impact of the Ukraine conflict and the subsequent changes to the sanction regime must not be understated, the scale and rapidity with which new directives were issued impacted all banks. As the war unfolded and sanctions were imposed on Russian assets, BACB engaged in extensive dialogue, both internally and externally, to determine the impact on transactions. The Bank maintained an open line of communication with clients, clearly explaining sanctions and ensuring their complete application, while avoiding unnecessary disruption.

BACB works pragmatically as situations develop, recognising the importance of Ukrainian agricultural exports to our core markets in Africa. BACB has continued to facilitate strategic trade flows to prevent food shortages in some of the world's most deprived regions.

REGULATORY COMPLIANCE

BACB is committed to maintaining an effective, risk-based, regulatory Compliance framework. This is in full alignment with the requirements of a UK-regulated bank operating within its target markets, products and service streams.

During 2022 several strategic hires were made in the Compliance area, helping to build out the knowledge base and capacity of the team, and leading to significant increases in areas of focus and overall potential.

As a result, the Compliance function is well engaged, progressive, dynamic, and approachable. This enables the Compliance team to continue its ongoing review of each of the major compliance risks. During 2022 the team delivered its bank-wide monitoring and assurance plan on schedule, as well as managing all its key advisory demands across the Bank. This work has created a strong regulatory foundation, ready for 2023.

The Compliance team has also been actively involved in the Bank's continuing Culture and Conduct journey, part of which included participating in the creation and delivery of new Values and Behaviours.

RISK MANAGEMENT

Risk management enables the Bank to capitalise on opportunities and achieve its strategy through serving customers and growing the business in line with risk appetite, maintaining the balance between risk and opportunity.

The CEO implemented a transitional strategy with four core pillars to stabilize and refocus the Bank:

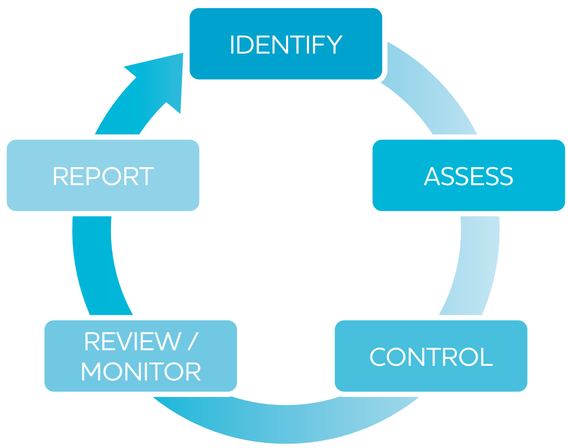
- Safe, sustainable growth
- De-risking the legacy
- Improving efficiency and resilience
- Culture and conduct

Whilst simultaneously strengthening our risk appetite framework.

BACB's Risk Management framework is in the process of being refreshed. The Board approved the initial stages of this in September 2022, with a revised Risk Taxonomy, Risk Appetite Statement, and refresh of Principal Risks.

BACB risk universe is viewed in the following way:

The processes for managing risks are aligned to industry standards as demonstrated below.

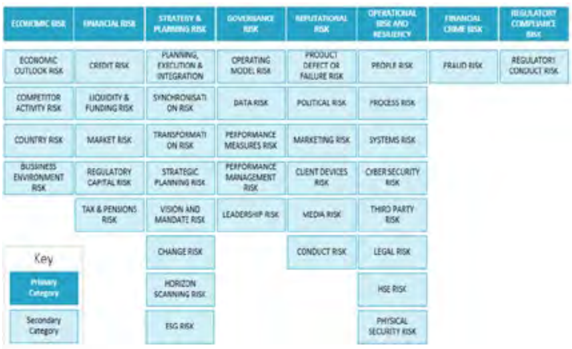


Risk Taxonomy and Appetite

The Risk Taxonomy is common language which covers the range of risks the Bank may face. By having this comprehensive set of risk categories, "Primary Risks", this allows us to:

- recognise patterns and link similar risks;
- support business function leaders and risk owners in considering the types of risks that could affect the successful delivery of the Bank's objectives;
- provide a structure to manage risks at a business area level and the ability to aggregate those risks at varying management nodes; and
- facilitate trend analysis of risk events and the capture of emerging risks for all reporting levels across the Bank.

The Risk Taxonomy has been set at Primary and Secondary level to date, with Risk Appetite set at Primary risk level. The Primary Risks are aligned to the Bank's strategy and business plan. They are sufficiently broad to enable mapping of business function detailed risks which will continue to evolve over time. BACB has a formally documented Risk Taxonomy, which captures the population of risks implied in pursuing the activities set out in the Bank's business plan. The Risk Taxonomy is approved by the Board on an annual basis. It was last approved in September 2022.



BACB RISK TAXONOMY

Governance and Reporting

For each risk type, MI is reviewed against the agreed appetite and challenged in the relevant governance forum. Risks are subsequently aggregated into a single enterprise position, with transversal and principal risks considered as part of this review.

Our risk management structure allows us to respond to emerging risks and incidents as they arise, the approach taken being specific to the type of risk.

Escalations are documented in the CRO report to ExCo, which includes commentary from the MLRO and Chief Compliance Officer and other SMEs as appropriate to ensure cross-taxonomy coverage. Escalations up through to Board are in line with the Governance structure noting that the CRO has direct access to escalate to the Chair of the Risk and Conduct Committee and the Chairman of the Board.

Policies and procedures are in place to manage the specific areas of risk and in support of the three established business areas: Trade Finance, Real Estate and Treasury.

Primary Risks

- Economic Risk relates to the likelihood that macroeconomic conditions (conditions in the whole economy) may affect an investment or the bank's prospects domestically or abroad.
- Financial Risk relates to the organisation's finance and ability to obtain sufficient funding, funds being appropriately used, financial performance being managed according to expectations or results being appropriately disclosed or reported. This includes the firm's ability to comply with its Prudential Regulatory obligations.
- Strategy & Planning Risk relates to high level goals, aligned with and supporting the organisation's mission, vision and mandate.
- Governance Risk relates to organisational decisions or the implementation of these decisions.
- Reputational Risk relates to the threat or danger to the good name and / or standing of the business.

- Operational Risk and Resilience relates to effective and efficient use of the organisation's resources. Operational risk is the risk of losses caused by flawed or failed processes, policies, systems, people or events that disrupt business operations.
- Financial Crime Risk relates to either a breach of firm's financial crime systems and controls (e.g. policies) by insiders or associated persons (third parties), or the Risk that BACB's financial crime systems and controls are deemed to be inadequate by the Regulator, resulting in potential criminal investigation, regulatory sanction and/or reputational risk.
- Regulatory Compliance Risk relates to a failure to identify and comply with UK regulatory requirements.

Operational Risks are assessed and described as inherent and residual; **Inherent risk** is defined as operational risk prior to the effectiveness of the relevant controls being considered; while **residual risk** is defined as operational risk after the effectiveness of the relevant controls have been accounted for.

Enhancement of the operational and resilience risk frameworks are being undertaken as part of the Bank's ongoing commitment to continuously improve and embed regulatory requirements, into the day-to-day operations of the Bank and its business.

INFORMATION TECHNOLOGY (IT)

Information Technology remains a critical area for BACB, both to ensure the delivery of excellent service to our clients, and to underpin the efficiency of our internal processes. The Bank has an annually reviewed, Board-approved IT strategy which is backed by open and transparent IT Governance. The IT Steering Group, comprising senior staff from across the Bank, oversees the implementation of the Bank's IT strategy.

The Bank's IT strategy aims to provide cost-effective IT services in support of the Bank's overall strategy of safe, sustainable growth. The IT strategy delivers a system infrastructure that enhances client service, data integrity, quality and security across the Bank. BACB's systems support sound decision-making, efficient processing and regulatory compliance, in a controlled and cost-effective manner. The Bank monitors and implements regulatory and financial technology solutions as required.

Operational Resilience is at the heart of BACB's effectiveness, which now is based on a hybrid office and home working model. This success of the IT estate is underpinned by regular cyber security and resilience capability testing, and close collaboration with Risk, Compliance and Audit teams.

INTERNAL AUDIT

The Internal Audit function is independent of the business and has a primary reporting line to the Chair of the Audit Committee. The function is fully outsourced.

In 2022, this service was provided by Deloitte.

PEOPLE, CULTURE AND CONDUCT

PEOPLE

BACB provides a collaborative, open and inclusive workplace, widely acknowledged for its trade and investment expertise in specialist markets. The Bank's People Strategy is reviewed annually to align with the overall business strategy, and is focused on attracting, developing, and retaining talent.

2022 saw the further development of the hybrid working model that had been implemented in the previous year, balancing the needs to provide flexibility for colleagues across the organisation, while enhancing productivity, maintaining team cohesion, and creating an inclusive working environment.

Investment in systems and processes has meant that many aspects of working life including meetings are now held in a hybrid format. Throughout the year the Bank has continued its initiatives to enhance communication with employees, hosting a series of hybrid town hall and training events, supporting mental health and wellbeing, and monitoring engagement levels through an online survey tool. Sports and social activities and charity fundraising events have continued throughout the year.

PEOPLE DEVELOPMENT

The Bank recognises the importance of developing employees and helping them reach their potential, adding value and contributing to the success of the Bank. During 2022 the Bank continued to focus on staff development, hosting regular hybrid "lunch and learn" events, online workshops and a programme of regulatory compliance and risk awareness training. BACB launched programmes focused on People Management and High Potential Development, consisting of both face-to-face and online modular training, assisting 37 colleagues from across all areas and all levels of the Bank.

A new staff onboarding framework was introduced in 2022, which applies to joiners at all levels from Board down. This consists of an on-boarding guide with task lists, resourcing guides, compliance training, as well as providing team and corporate-culture inductions.

Development forms an integral part of our performance management process, which has been tailored to create a continuous dialogue of feedback and support on performance, achievements, and behaviours. The Bank uses a performance management software tool to link staff objectives and development to the overall business strategy.

Over the course of 2022 BACB has continued to demonstrate its ability not only to recruit the best talent available but also to develop the skills and knowledge of the current team, ensuring that the Bank maintains a strong level of expertise across the organisation.

CULTURE AND CONDUCT

'Culture and Conduct' is a key area of focus for BACB, UK regulators, and the banking industry as a whole. The Bank's aim is to ensure that staff understand good conduct, recognising that process is as important as outcome.

2022 saw the successful creation of a new set of values and behaviours. Their introduction at a town hall presentation was the culmination of a substantial process of bank-wide engagement and external industry research.

The new values and behaviours have been reinforced through the creation of "You & BACB" welcome booklets, focused learning and development activities and town hall events. Furthermore, the Going the Extra Mile (GEM) Awards have also been repositioned to reflect the new values and behaviours.

Working in partnership with the HR Team detailed behavioural measurements are being created, which are to be implemented in the 2023 target setting and appraisal processes. This forms part of an ongoing programme to ensure that the values and behaviours run through our organisation and are actively present in how we operate as individuals, and as a company.

The Culture and Conduct Steering Group covers multiple workstreams which have led to the creation of a BACB Women's Network, Risk Culture Awareness Workshops, and Green Park training and data gathering on diversity and inclusion. Culture continues to be the focus of staff surveys, with metrics showing a steady improvement in employee engagement and perception of the culture at BACB.

The Steering Group is now co-chaired by the Deputy Chief Executive Officer and Chief Banking Officer and the Chief Operations and Control

Officer, highlighting the significance of this work across the front and back office, and embedding this as part of all day-to-day business activity.

The Bank has a Whistleblowing Policy, led by a Board member, which enables all employees to raise concerns. The Bank has continued to focus on ensuring that the Whistleblowing framework is up to date and effective through the provision of enhanced training and information.

BACB is and has always been a diverse and inclusive place to work, reflective of the communities in which we do business. BACB recognises the importance of data to the development of its culture and conduct agenda. HR Management Information is produced and reviewed on a quarterly basis and has been built out to include more detailed diversity and inclusion information.

At BACB all individuals are assessed for behaviours and values as well as the results they have delivered. A formal employee recognition scheme 'Going the Extra Mile (GEM)' was launched in 2020 to recognise and celebrate those individuals and teams who have been role models in their business activities and the values and behaviours they displayed. This recognised 82 colleagues from across the organisation during 2022. During the year, the Bank also appointed Wellbeing Champions. These are volunteers from across BACB who have received specialist training, in order to provide an additional resource to support colleagues.

ENVIRONMENTAL, SOCIAL AND GOVERANCE (ESG)

The Bank's values of Loyal, Trusted, Driven and Agile were developed following input from across the organisation. These values define both our internal culture and our approach to delivering excellent client service.

More broadly, the Bank continues to develop its approach to ESG with a steering group to guide the process inaugurated during 2022. This will include an ESG materiality risk assessment which will be used as a basis for developing our ESG strategic approach. Our priorities will continue to be our people with an aim to strengthen diversity, inclusion and wellbeing at all levels in the organisation as well as making a positive impact on the communities where we operate.

A system to evaluate the Bank's counterparties and assign each an ESG rating was introduced in early 2022. By the end of the year, over 90% of counterparties had been graded. Given the Bank's operating markets, which are in many cases targets for the UN's Sustainable Development Goals, a significant proportion of the Bank's counterparties score at the lower end of the scale.

In response to the pioneering work being undertaken by UK Regulators, the Bank has consulted with them on "Enhancing banks' and insurers' approaches to managing the financial risks from climate change". Furthermore, the Bank has nominated a Senior Management Function and Board Sponsor to assess and manage exposure to physical and transitional risks identified.

BACB recognises its share of responsibilities in combating climate change by supporting the transition to a low carbon and climate resilient economy. As a financial institution, we are committed to playing our part in addressing this global challenge through our role as a financial intermediary between the economy, the environment and society. As BACB is essentially a short-term transaction driven bank rather than a longer-term asset driven bank, our exposure to physical or transition risks is at the lower end of the spectrum, although our market focus (jurisdictions dependent on oil and gas) may mean that climate change could have a material impact on our strategy in the longer term. On a look forward basis, we continue to review our approach to assessing and managing physical and transitional climate change risk, as part of wider ESG considerations.

For 2022 those exposures which may carry physical risk were reviewed. These make up less than 0.1% of the balance sheet and consist of legacy assets. We have also considered the Bank's exposure to liability risk due to its financing of Libyan oil exports and its exposure to oil related legacy syndicated facilities in the Republic of Chad. At present we are not aware of any successful claim for damages for carrying out this business, however we will continue to monitor developments and will re-appraise this if appropriate in the future.

Since the Bank's establishment, it has promoted a message of reduce, reuse, and recycle; encouraging low carbon transportation methods through a cycle to work scheme and season ticket loans.

The Bank has invested in numerous environmental improvements over the past few years including the full implementation of a zero waste to landfill process. Redundant IT equipment is removed by companies selected for their environmentally friendly processes. Furthermore, working in partnership with our cleaning providers we now have no chemical-based cleaning products on-site, and have been able to substantially reduce single use plastics. Working in partnership with the Heart of the City, BACB is defining metrics enabling us to become carbon-neutral with the aim of meeting net-zero requirements. During 2022, the Bank emissions amounted to 240 tCO_2e with an intensity ratio of 0.087 tCO_2e / sq ft.

Ongoing major investment in our facilities has seen a phased implementation of a new heating system. In the first phase the gas boilers were removed, de-carbonising BACB's offices, and replaced with an electric boiler system, using electricity from 100% renewable energy sources. The second phase of the project will see a heat pump system installed during 2023, substantially reducing the environmental impact of BACB's day-to-day operation. This work followed the upgrade of the Building Management System completed in 2022, which has significantly reduced the Bank's energy consumption.

LOCAL COMMUNITIES

In 2022 the Bank continued to support employee fundraising through the Bank's '£ for £' scheme, which matches employee fund raising.

The Bank facilitates 'Give As You Earn' charitable giving by employees and encourages employee volunteering events for staff to participate in throughout the year through the BACB Together initiative, and by matching holiday days for staff who volunteer. BACB also with key suppliers who also actively contribute to the benefit of the local community.

During 2022, the Bank was able to run seven Employee Volunteering events at charities in and around London. These one-day events provide our colleagues with the opportunity to get involved in a wide range of charitable projects, to give back to the community and support worthy causes closest to them.

STRATEGIC REPORT

PRINCIPAL RISKS

LOYAL TRUSTED AGILE DRIVEN

BACB is in the process of refreshing its Risk Management Framework to ensure a holistic approach is embedded across the Bank. In 2022 The Board approved a revised Risk Taxonomy, Risk Appetite Statement and Principal Risks.

DEFINITION

BACB defines a risk as the combination of the probability of an event and its consequence. Consequences can range from positive to negative. BACB operates a Risk Taxonomy which covers eight Primary Risks, each of which is then subdivided into Secondary Risk categories.
Principal risks are defined as a risk, or combination of risks, that can seriously affect the performance, prospects, or reputation of the Bank.

MANAGING PRINCIPAL RISKS

Principal Risks are identified by the Executive and are categorised in line with the Risk Taxonomy which enables an integrated approach to managing principal risks and associate bottom-up risks.
It is the role of the Risk and Conduct Committee to monitor the Bank's Principal Risks in line with the Bank's approved risk appetite.
The Board have oversight for the effective determination of the nature and extent of Principal Risks of the Bank.
BACB identified 10 Principal Risks, which were approved by Board in September 2022.
Work is ongoing to embed this revised methodology into BACB's holistic approach to Risk management. This includes reviewing definitions to extended coverage were identified through the Principal Risk review process.

PRINCIPAL RISK 1: CYBER SECURITY RISK

The risk that our systems or those within our service chain are attacked and/or held to ransom, resulting in our inability to provide adequate services or that we are unaware that our core processes have been compromised.

Primary Risk[1]: Operational Risk & Resiliency

The oversight of Cyber Security falls under Operational Risk and the Bank's appetite for Operational Risk has been agreed as "Low". The Bank's approach to Cyber Security risk must therefore map to this appetite. Consequently, our approach to Cyber Security must manage risk where possible with controls in place which aim to fully mitigate the level of inherent risk.
In June 2021, the Bank adopted the National Institute of Standards and Technology (NIST) Special Publication 800-53 as the Bank's Cyber Security framework. The NIST framework is recognised internationally as presenting Cyber Security best practice. It details Cyber Security controls across five domains: Identify, Detect, Protect, Respond and Recover and each domain contains several elements which in turn relate to Cyber Security subject areas like Access Control, Incident Response, Disaster Recovery amongst others.
The Bank follows best practice and a methodical approach to managing Cyber Security Risks. We have adopted a layered approach to Cyber Security, defining policies and practices that govern our Cyber Security culture and operational activities whilst deploying a variety of technical controls across our estate. We monitor the effective operation of our controls and regularly test them for weaknesses. We adopt an approach of continuous improvement and monitor the threat landscape to ensure we can defend against emerging threats.

[1] *To support use of common language across the Bank and to improve our understanding of the risks we manage we are introducing a risk taxonomy. A Primary risk is the first category of labelling for a Risk.*

PRINCIPAL RISK 2: IT RISK

The risk that the wrong IT infrastructure strategy is selected and does not provide stable foundations for growth or efficiently support hybrid working. (Operational Risk & Resiliency)

Primary Risk: Operational Risk & Resiliency

The risk definition approved by Board will be extended to cover the risk of not providing stable foundations to BAU operations in addition to growth.

The Chief Information Officer chairs an IT Steering Group, with representation across the business, to ensure the needs of the business are understood and weaknesses in infrastructure identified.

From 2019 the Board's approved IT strategy has been 'Buy not Build" and Cloud services have been introduced with increasing frequency since then. In 2022, using Cloud first was approved (providing it meets Bank risk guidelines) and there is a structured programme of work to deliver this across the Bank.

The Bank successfully moved staff to home working at the beginning of the pandemic and has operated a hybrid model ever since. The Board has approved an IT programme of investment for 2023, looking to build an enhanced, revised platform of IT infrastructure alongside our change in approach to office design, in support of an improved hybrid working model.

PRINCIPAL RISK 3: PEOPLE RISK

The risk that key person dependencies are not fully identified and/or addressed resulting in the loss of critical institutional knowledge and skills if the person was to leave.

Primary Risk: Operational Risk & Resiliency

As is to be expected of a bank of our size and nature, People Risk represents an important risk that the bank manages closely. Significant work was undertaken in 2022 as covered in People, Conduct and Culture section above.

At BACB we communicate and engage with our staff, ensuring that we recognise, motivate and energise our people to deliver on our ambitious change agenda. Investment in our people is important to us and we focus on all those areas in addition to individual development plans, Wellbeing, Diversity & Inclusion, Talent, and Learning and Development Programmes.

Our remuneration approach remains focused and aligned to the market to ensure we can reward and retain our key people based on their performance and behaviours. Our annual People Review identifies successors for ExCo and Material Risk Takers (MRT) roles as well as Key Person Risk, High Potential and Emerging Talent individuals and actions to mitigate gaps and risks.

A core vulnerability resulting from our size, that is managed through our Operational Resilience Framework, is our exposure to people risk in circumstances where our available staffing levels could drop below the minimum number required to operate a critical process. Ongoing cross training and automation increases our ability to remain within impact tolerances and to withstand short term periods of high staff absence. This risk is further mitigated by the ability of our staff to work from home in our new hybrid way of working; this reduces the likelihood of staff being exposed to the same risk simultaneously.

Should there be a need to address short term periods of high staff absence, plans are in place to redirect focus on processing critical transactions in order to maintain Important Business Services until staffing levels can be restored.

The risk that staffing levels and skills, combined with the business growth agenda, put significant pressure on specific teams and individuals which may impact physical and mental wellbeing has been recognised. Additional targeted resourcing has been approved throughout 2022, and further headcount increases are included in the 2023 plan.

PRINCIPAL RISK 4: DATA RISK

The risk that the lack of appropriate systems, an unclear end-to-end data governance strategy, and manual processes results in data misalignment, inadequate business intelligence or erroneous reporting.

Primary Risk: Operational Risk & Resiliency

The Bank has a core banking system which covers all business areas. As such it is the primary source of data for MI and reporting purposes. Since its implementation at the end of 2018, reports have been continually enhanced and added to meet business requirement requests. A catalogue of all currently available reports is published to all staff on the Bank's intranet.

An End User Application Policy is in place, designed to implement effective controls where individual departments design and maintain their own tools to further process and report data derived from core systems, or where data is sourced and maintained outside of core systems. This policy and supporting framework is being further enhanced as part of the implementation and embedding of the bank's Operational Resilience Framework.

In response to the increasing demands of reporting requirements and the need for timely and accurate MI, as well as risks identified with the manual nature of many data management processes across the bank, a Bank-wide Data Strategy Programme has been initiated by the Executive Committee and is being led by the Chief Operations and Control Officer. This has been further supported by the Board and is included within the 2023 Business Plan.

PRINCIPAL RISK 5: PROCESS RISK

The risk that reliance on manual processes leads to operational loss or inefficiencies through the cost of mitigating controls.

Primary Risk: Operational Risk & Resiliency

The risk definition approved by Board will be extended to cover other direct non-financial impacts of process failure or error.

Each department maintains Procedure Manuals, on which all relevant staff members are trained and which staff are required to follow. In addition, the Bank maintains end-to -end process maps for all key processes, across departments. These document the controls in place, which are then tested on a structured basis with outcomes of this reported to the Board Risk and Conduct Committee as a standing item.

The Operational Resilience Self-Assessment, approved by the Board on an annual basis has identified three Important Business Services. In relation to these the reliance on a minimum number of staff in specific departments being available to operate key processes was identified as a critical vulnerability.

Work has been undertaken to manage this risk, and wider Bank risks linked to manual processes, as set out above under Principal Risk 3: People Risk.

In addition, the Bank continues to invest in enhancing the level of automation which reduces the level of manual processes – during 2022 this included roll out of an automated workflow tool, implementation of Robotic Process Automation, alongside of strategic enhancement to the Bank's core banking system (Temenos Transact). Further automation initiatives are included in the 2023 plan.

PRINCIPAL RISK 6: REGULATORY RISK

The risk that the Bank knowingly or unknowingly breaches any of its regulatory systems and control obligations, arising from the behaviours, acts, or omissions of its employees or of our third-party providers which result in reputational damage and increased requirements on capital.

Primary Risk: Regulatory Compliance Risk

The Bank maintains an independent Compliance function which oversees a structured framework of policies, systems and controls to ensure ongoing compliance with the Bank's obligations under the UK regulatory system.

Responsibility for the effective operation of the Compliance function is assigned to The Chief Compliance Officer. Horizon scanning is undertaken to identify new applicable regulations to ensure the Bank is set to comply with both existing and future legislation.

Routine reporting to the Board is undertaken, as is a programme of structured mandatory training.

PRINCIPAL RISK 7: FINANCIAL CRIME RISK

The risk that we are exposed to actual or potential loss as a result of knowingly or unknowingly facilitating any form of Money Laundering, Tax Evasion, Sanctions Evasion, Bribery or Corruption.

Primary Risk: Financial Crime Risk

The risk definition approved by Board will be extended to include Fraud within the Principal Risk definition.

The markets and products in which we operate carry high inherent financial crime risks – and it is part of our Unique Selling Point (USP) that we serve these markets. We rely on our stringent systems and controls to ensure that we appropriately manage this risk – we have no appetite for breaches of financial crime regulations.

The first line of defence against financial crime involves dedicated Customer and Transaction Due Diligence teams, as well as the maintenance and operation of screening and monitoring tools.

The second line of defence comprises a team of financial crime SMEs acting as a point of escalation. They ensure that the independent assessment and oversight of the framework of policies, systems and controls is in place to manage financial crime risk. Responsibility for the oversight and ongoing effectiveness of this systems and control framework is assigned to the Money Laundering Reporting Officer (MLRO).

PRINCIPAL RISK 8: REPUTATIONAL RISK

The risk that current or future customers do not consider BACB to be an appropriate partner due to a failure to deliver on customer expectations and/or because of adverse media exposure.

Primary Risk: Reputational Risk

The risk definition approved by Board will extend to include service providers or other counterparties.

The Bank protects itself from material damage to its reputation by ensuring that any business activity is satisfactorily assessed and managed and granted an appropriate level of management and governance oversight. The Bank's primary defence against reputational risk is its commitment to operating in conformity with all applicable laws and regulations – including sanctions and anti-money laundering requirements.

PRINCIPAL RISK 9: STRATEGY RISK

The risk that available returns decline and/or the costs of safely delivering those returns increase to the point that medium-term earnings do not sustain the Bank's business model or growth strategy.

Primary Risk: Strategy & Planning Risk

The Board approves the Bank's strategy – which in 2022 focused on pursuing safe, sustainable, growth and de-risking the balance sheet. To achieve this, the Bank focused on delivering our core products to our core markets, most notably trade finance.

An ongoing evaluation of risk and reward is considered as part of active business planning.

All business opportunities are considered through this lens. Looking to the future, we will extend our focus to emerging and frontier markets with trade links to our core business areas.

For each of our three core business areas, Trade Finance, Real Estate and Treasury, we have documented Product Programmes, which set out the type and nature of business we will undertake, together with defined limits.

PRINCIPAL RISK 10: STAKEHOLDER RISK

The risk that key stakeholders become unwilling or unable to provide their ongoing consent or support to the Bank's current and proposed operations; or that they take inappropriate decisions based on their own expectations and requirements.

Primary Risk: Strategy & Planning Risk

BACB is largely dependent on its parent, Libyan Foreign Bank (LFB) and the Central Bank of Libya (CBL) for funding in order to sustain its current business model.

The Bank maintains excellent relations with both organisations and partakes in regular structured engagement.

In the event of a total and immediate discontinuation of the Bank's funding, our analysis shows that the Bank can remain liquid for a sustained period of time.

Capital and liquidity metrics are monitored and reported on an ongoing basis.

STRATEGIC REPORT

CORPORATE GOVERNANCE

SHAREHOLDERS

The Bank's shareholders as at the reporting date were:

- Libyan Foreign Bank (86.92%);
- Banque Extérieure d'Algérie (6.54%);
- Banque Centrale Populaire (6.54%).

During 2022 the minority shareholders increased their shareholding following a script dividend (Note 28).

GOVERNANCE

The governance arrangements followed by the Bank's Board of Directors (the Board) are mandated in a Shareholders' Agreement and in its Articles of Association.

These mandates provide that the shareholders of the Bank may appoint directors in accordance with the proportion of their shareholdings. They also provide for the appointment of the Chairman and the Chief Executive, Deputy Chief Executive and for the formation of certain committees to oversee the day-to-day running of the Bank. Schedules of Reserved Matters specify matters to be decided by the Board or reserved for approval and by the shareholders.

The Board governance arrangements are complemented by an executive governance structure. The executive governance structure operates under clearly articulated governance principles and risk management objectives. The Executive considers and reports on the principal areas of risk for the Bank and the associated controls framework, including risk appetite parameters. The Bank has adopted the market accepted 'three lines of defence' model. The outsourced Internal Audit function acts as the third line of defence and provides independent assurance to the Audit Committee on the appropriateness and efficacy of the internal controls system.

BOARD ARRANGEMENTS

The Bank benefits from the skills and experience of its Board members. Shareholder representatives bring experience of BACB markets. Board diversity in terms of experience and background ensure the optimal composition of the Board and its sub-committees.

During 2022, the following individuals served on the Board:

BOARD MEMBER	SUB-COMMITTEE MEMBER	STATUS
Dr YOUSEF AL-AWADI KBE[1] *Chairman*	AC/NRC	I-NED
Mr SUNDEEP BHANDARI	AC/RCC	I-NED
Mr NIGEL BOOTHROYD	RCC/NRC	I-NED
Mr AIMAN LASWAD	RCC/BCC	NED
Mr LAZHAR LATRECHE	AC/BCC	NED
Mr EDWARD NORTON		ED
Dr AHMED MIHOOB[2]	AC/NRC	NED
Mr FAESAL OTHMAN	AC/RCC/BCC	NED
Mr MOHAMED ZINE	RCC/BCC	NED
Mr MICHAEL STEVENSON[3]	AC/NRC	I-NED
Mr MOHAMED SHOKRI[4]	AC/NRC	NED
Mr JEHANGIR JAWANMARDI[5]	AC/RCC	I-NED

Note 1: Dr Al-Awadi was appointed to the Board on 20 May 2022

Note 2: Dr Mihoob was appointed to the Board on 20 May 2022

Note 3: Mr Stevenson resigned from the Board on 20 May 2022

Note 4: Mr Shokri resigned from the Board on 20 May 2022

Note 5: Mr Jawanmardi resigned from the Board on 31 July 2022

At the 31st of December 2022, the Board had three independent non-executive directors, including the Chair of the Board, Chair of the Audit Committee, Chair of the Risk and Conduct Committee and Chair of the Nominations and Remuneration Committee. During 2022 certain members of the Executive Committee attended Board meetings.

The Board met formally on eight occasions during 2022.

BOARD EVALUATION

The Chairman conducts an annual Board member evaluation as part of each individual member's annual Fit and Proper assessment, supported by the Compliance Department and overseen by the Nominations and Remuneration Committee. The findings of the evaluation process are reported annually to the Board and any relevant matters addressed.

An independent third party was commissioned by the Board to review the Board's effectiveness in 2021. While there were no material deficiencies identified the Board took the opportunity to implement initiatives to improve its effectiveness in certain areas and to move closer to best-in-class benchmarks. This work has seen improvement over the course of 2022 and will be ongoing in 2023.

SECTION 172 STATEMENT

This statement sets out how the Directors have approached and met their responsibilities under section 172 Companies Act 2006, and in particular how the Directors have satisfied themselves that they have acted in a way which is most likely to promote the success of the Bank for the benefit of its members as a whole whilst also having regard to stakeholders' interests.

As a Board, we have always taken wider stakeholders' needs into account while making our decisions. We understand the need to consider the likely consequences of any decision for the long term and uphold our reputation for high standards of business conduct and robust governance, overseen by our Risk and Conduct Committee.

We ensure the requirements of s172 of the Companies Act 2006 are met and our stakeholders' interests considered through a combination of (amongst other things):

SHAREHOLDERS

Responsible behaviour towards our shareholders and treating them fairly and equally to ensure they benefit from the success of our business strategy. The Board recognises that the Bank's strategic objective of sustainable profitable growth can only be achieved if it delivers on all stakeholders' expectations. All shareholders have representation on the Board via a nominated director or directors.

EMPLOYEES

During 2022 we have continued to make progress delivering on the People Strategy, approved by the Board, with the aim of building a collaborative culture to enhance employees' engagement. We conducted regular employee surveys throughout the year using an online engagement tool, with the output calling for a focus on communication, collaboration and training, which have resulted in a measurable action plan calibrated to key business drivers. Workshops on Diversity and Inclusion, Purpose Statement, Risk Culture and Values and Behaviours have also taken place.

At the Board level, we continue to invite members of executive management to present and discuss their business lines at meetings of the Board and its sub-committees.

SUPPLIERS

We monitor payments to our suppliers (and comply with the reporting on payment practices regulations) and ensure a transparent tender process to all bidders. Detailed due diligence is applied on critical suppliers to monitor their activities and supply chain (to ensure compliance with the modern slavery rules, for example).

CUSTOMERS

Understanding our Clients and Customers is the cornerstone of our business; for half a century, BACB has served its core markets across Africa, the Middle-East and Asia, enabling our clients to prosper. At BACB we are proud to have a team of professionals our clients can trust, who are experts in their field and who care about our customers and about BACB. During 2022 we have continued to focus on addressing the needs of our clients and improving our service offering. Our Board receives regular updates on both satisfaction and complaints data.

COMMUNITY AND THE ENVIRONMENT

As part of its commitment to sustainability and the environment, the Bank endeavours to follow environmental best practice, and has policies, procedures and targets in place to achieve this objective. Our policy of reduce, reuse and recycle is implemented across our operations, and the Bank has a Sustainability Working Group whose work has led to the implementation of numerous environmental improvements.

During 2022 BACB ran seven separate Employee Volunteering events at charities in and around London and hosted an in-house Community Business Forum for local charities. These one-day events provide our colleagues the opportunity to get involved in a wide range of charitable projects, to give back to the community and support worthy causes closest to them. BACB is also a supporter of The Lord Mayor's Appeal and City Giving Day, hosting one of the 2022 Quiz Nights at the Bank's premises. The Bank also supports employees' individual fundraising through the Bank's '£ for £' scheme, which matches fund raising up to £500 per employee per year and facilitates a 'Give As Your Earn' scheme. BACB's work in this area led to the Bank winning the Treasury4Good Bank and Fintech Award for Best Community Engagement 2022.

REGULATORS, GOVERNMENTS, AND WIDER INDUSTRY

BACB is authorised by the Prudential Regulation Authority and is regulated by the Financial Conduct Authority and the Prudential Regulation Authority. The Bank regularly corresponds with its regulators as part of its commitment to maintaining an effective, risk-based regulatory compliance framework. This is in full alignment with the requirements of a UK-regulated institution operating within its target markets, products and service streams.

ADDITIONAL CONSIDERATIONS

Standing agenda items and papers are presented at each Board meeting, for example the Chief Executive Officer presents an update on people matters, business strategy and shareholder matters at each meeting.

Each year we undertake a detailed strategy review, which considers the purpose and values of the Bank along with the future strategy of the business. This is reflected in our budget for the following year along with a medium term (three-year) operating plan.

Through their regular business updates, the members of the executive team routinely provide the Board with details of stakeholder interaction and feedback.

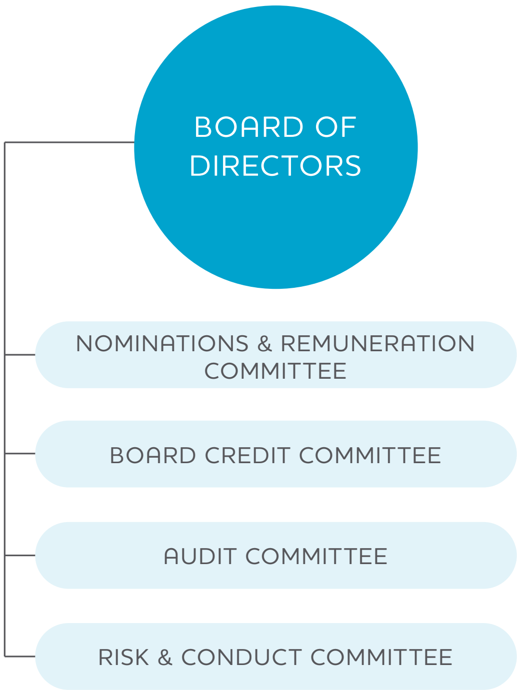
STAKEHOLDERS	ENGAGEMENT	OUR RESPONSE
Shareholders	Bilateral engagement with private shareholders; Board representation	Provision of Financial information
Employees	Employee surveys; Whistleblowing programme	Championed internal talent through training and promotions; hybrid working environment; diversity & inclusion activities
Suppliers	Supplier interactions	Purchase Order process established late 2021.
Customers	Surveys; Complaints; Customer interactions	Restructure to improve customer service: client tiering and Transaction and Client Service Department established
Community & the environment	Industry initiatives	Supporting emerging market economies; Supporting local charities
Regulators, governments, & wider industry	Government institutions and quangos through face-to-face meetings	ESG agenda

GOVERNANCE FRAMEWORK

The Board has ultimate responsibility for establishing, approving and periodically reviewing the strategy of the Bank and its governance framework. The Board oversees senior management to ensure that they manage the Bank's activities in a manner that is consistent with the strategy and governance framework.

BOARD SUB-COMMITTEES

The Board has established several Sub-Committees to enhance and streamline its decision making, as outlined below. All Sub-Committees, with the exception of the Board Credit Committee, are Chaired by an Independent Non-Executive Director.



NOMINATIONS AND REMUNERATION COMMITTEE ("NRC")

The Nominations and Remuneration Committee has a mandate to agree the remuneration and employment policies of the Bank and to make key appointments. The NRC meets formally six times a year with ad hoc meetings held as and when required.

BOARD CREDIT COMMITTEE ("BCC")

The Board has delegated authority to approve the granting of credit applications to executive management subject to certain limits. Applications above those limits must be referred to the Board Credit Committee for consideration and approval. The Committee considers applications as they arise. The Board Credit Committee met eight times during 2022.

AUDIT COMMITTEE ("AC")

The Committee considers the Bank's financial reporting, the nature and scope of audit reviews, and the effectiveness of the internal systems and controls. The AC met eight times during 2022.

RISK AND CONDUCT COMMITTEE ("RCC")

The Committee considers the Bank's risk management, compliance, financial crime, whistleblowing, and conduct matters.

The CEO, CRO and CFO attend each meeting of the AC and RCC, along with the Bank's external auditor, its outsourced internal auditors, and other Executives as required. The RCC met eight times during 2022.

EXECUTIVE GOVERNANCE

The Executive Committee ("ExCo") derives its mandate and operates under delegated authority from the Board. The Board reviews and approves the Terms of Reference for ExCo, on an annual basis. Led by the Chief Executive, ExCo has a business and prudential remit and is responsible for:

- Formulating and endorsing the Bank's strategy and annual operating plan for approval by the Board;
- Ensuring the Bank is managed in accordance with the strategy;
- Ensuring the Bank is managed in a sound, prudent and ethical manner and in accordance with all relevant laws, regulation and guidance;
- Agreement of the Bank's Purpose Statement;
- Managing the Bank's interface to its principal stakeholders including the Board, regulators, customers and auditor.

As at December 2022, the Executive Committee members are:

- Chief Executive Officer (CEO)
- Deputy Chief Executive Officer & Chief Banking Officer (DCEO & CBO)
- Chief Financial Officer (CFO)
- Chief Risk Officer (CRO)
- Chief Operations and Control Officer (COCO)
- Interim Chief People Officer (CPO)
- Chief Compliance Officer & Money Laundering Reporting Officer (CCO & MLRO)
- Chief Information Officer (CIO)

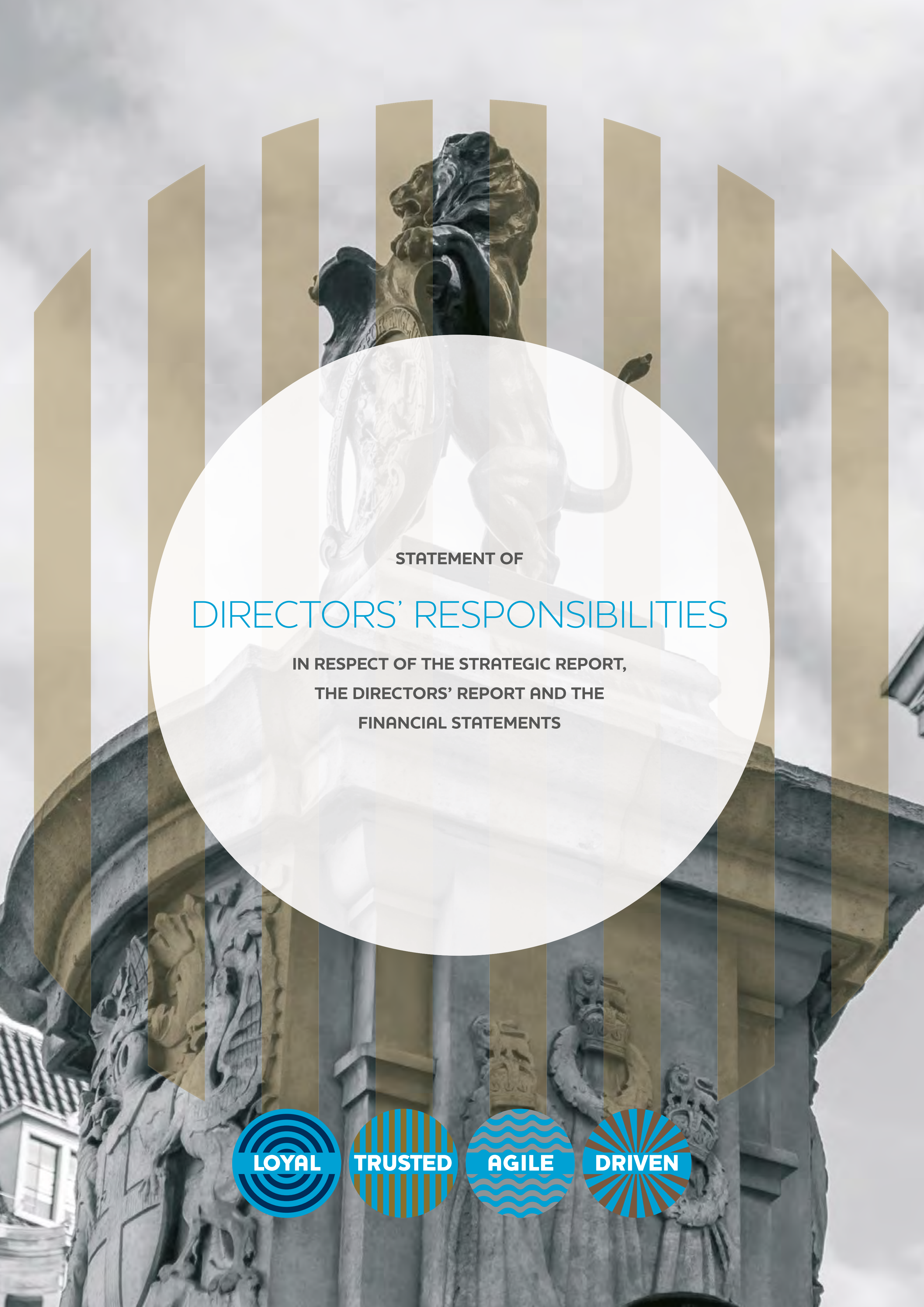
ExCo has established several sub-committees to cover risk management, governance, regulatory compliance, anti-financial crime, operational resilience, and information security. The ExCo Sub-Committee structure as at 31 December 2022 is summarised below:

The Strategic Report was approved by the Board of Directors on 6th April 2023.

EDDIE NORTON

On behalf of the Board

6th April 2023



STATEMENT OF

DIRECTORS' RESPONSIBILITIES

IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

LOYAL TRUSTED AGILE DRIVEN

STATEMENT OF

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

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 they have elected to prepare the financial statements in accordance with UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006 and applicable law.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of its profit or loss for that period. In preparing the 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 prudent;
- state whether they have been prepared in accordance with UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company 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 Company's transactions and disclose with reasonable accuracy, at any time, the financial position of the Company and enable them to ensure that its 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report and a Directors' Report that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

DIRECTORS' REPORT

FOR THE YEAR ENDED

31 DECEMBER 2022

LOYAL TRUSTED AGILE DRIVEN

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

The Directors present their annual report and the audited financial statements for the year ended 31 December 2022. These financial statements have been prepared in accordance with the Companies Act 2006 and applicable accounting standards.

The Directors have recommended a final dividend payment for 2022 of £6m (2021: £10m), which is subject to approval at the Annual General Meeting in Quarter 2 of 2023. The Bank did not make any political donations during the year (2021: nil).

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Bank's objectives and policies, with regard to financial and other risks, are set out in the Strategic Report Principal Risks. Note 4 to the financial statements discloses the Bank's exposure to financial risks.

FUTURE PROSPECTS AND DEVELOPMENTS

The Bank's business activities, together with factors likely to affect its future development and position are set out in the Strategic Report: Business and Performance overview on page 1.13.

RESULTS

The profit after taxation for the year amounted to £15,100,000 (2021: £13,035,000).

GOING CONCERN

These Financial Statements have been prepared on a going concern basis as the Directors are satisfied that the Bank has the resources to continue in business for the foreseeable future and for at least 12 months from the date of the approval of the financial statements. The rationale is discussed further in Note 2.

COMPANY NAME AND NUMBER

British Arab Commercial Bank plc is an unlisted public company registered in England and Wales. The company number is 1047302.

DIRECTORS AND THEIR INTERESTS

A list of the directors who served during the year is shown on page 1.31, directors' remuneration is disclosed in Note 14 on page 2.47. None of the directors holds or has held shares in the Bank. All of the directors benefited from qualifying third party indemnity insurance in place during the financial year and at the date of this report.

COMPANIES ACT SECTION 172 DISCLOSURE

The statement by the Directors in performance of their statutory duties in accordance with section 172 (1) of the Companies Act 2006 is included in detail in the Strategic Review.

STAKEHOLDER ENGAGEMENT

The Board recognises the importance of taking into account all stakeholder interests, including in the principal decisions taken by the company during the financial year. We continue to seek feedback from our customers, our colleagues, shareholders and ourselves as a Board. Inclusion of both standing and rolling agenda items in our yearly cycle of meetings enable us to factor these into our decision-making and ensure our stakeholders' interests are met. Further details can be found in the s172 statement.

AUDITOR

Mazars LLP was appointed as the auditor of the Bank at its Annual General Meeting on 31 May 2022, to hold office until the conclusion of the next General Meeting at which Financial Statements are laid before the company. In accordance with Section 489 of the Companies Act of 2006, a resolution for the reappointment of Mazars LLP as auditor of the Bank is to be proposed at the forthcoming Annual General Meeting.

DIRECTORS' REPRESENTATION

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

EDDIE NORTON

By order of the Board
6th April 2023

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF
BRITISH ARAB COMMERCIAL BANK PLC

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF BRITISH ARAB COMMERCIAL BANK PLC

OPINION

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

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

In our opinion, the financial statements:

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

BASIS FOR OPINION

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

CONCLUSIONS RELATING TO GOING CONCERN

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

We identified going concern of the Bank as a key audit matter. Description of the risk and our audit procedures to evaluate the directors' assessment of the Bank's ability to continue to adopt the going concern basis of accounting is set out in the "Key audit matters" section below.

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 Banks's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We summarise below the key audit matters in forming our audit opinion above, together with an overview of the principal audit procedures performed to address each matter and key observations arising from those procedures.

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

KEY AUDIT MATTER	HOW OUR SCOPE ADDRESSED THIS MATTER
Going concern **Refer to significant accounting policy (Note 2 (a)) in pages 2.6-2.7 and note 32 on page 2.66 .** The financial statements explain how the directors have formed a judgement that it is appropriate to adopt the going concern basis of preparation for the Bank's financial statements. The judgement is based on an evaluation of the inherent risks to the Bank's business model, and how those risks might affect the Bank's financial resources or ability to continue operations over a period of at least twelve months from the date of approval of the financial statements. There are four areas of risks:	Our overall audit procedures to evaluate the directors' assessment of the Bank's ability to continue to adopt the going concern basis of accounting included but were not limited to: • Undertaking an initial assessment at the planning stage of the audit to identify events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern; • Obtaining an understanding of the relevant control relating to the directors' going concern assessment; • Evaluating the directors' method to assess the Bank's ability to continue as a going concern including the specific risks areas identified; and • Evaluating the key assumptions used and judgements applied by the directors including consideration of the events after balance sheet date in forming their conclusions on going concern. In relation to specific risks identified, we considered whether each of the risks individually, or in combination, may cast significant doubt about the Bank's ability to continue as a going concern. Our audit procedures included the following:
1. Suspended penalty: As explained in Note 32 and Note 2(a), in 2019 the Bank reached a settlement agreement with US	**1. Suspended penalty:** • Evaluating the directors' assessment of the Bank's compliance commitment as set out in the settlement agreement; • Assessing adherence to the settlement agreement including

regulatory authorities for a payment of suspended penalty and to maintain sanctions compliance commitment for five years. There is a risk that if there were to be a compliance commitment breach, the US regulatory authorities may conduct a new investigation or impose the penalty.

the review of annual sanctions compliance programme attested by the Bank's external advisors;

- Enquiring with the Bank's external counsel on the existence of any actual pending or threatened matters against the Bank raising any material risk;
- Inspecting board meeting minutes;
- Meeting with the Prudential Regulation Authority (PRA) and inspecting correspondences with regulators; and
- Evaluating the adequacy and appropriateness of the director's disclosure in the financial statements.

2. Regulatory Capital position:
Sufficiency of the Bank's regulatory capital in the event of unprecedented increase in impairment charges or revenue reductions and continued regulatory focus as discussed above.

2. Regulatory capital position:

- Reviewing and challenging the Directors' assessment of the Bank's projections of its capital requirements, including the sensitivities to plausible stressed scenarios of increased credit risk charges or decreased revenues and evaluating the achievability of planned actions to improve position;
- Meeting with the PRA and inspecting correspondences with regulators; and
- Evaluating the adequacy and appropriateness of the director's disclosure in the financial statements.

3. Correspondent bank relationships:
Risk of loss of future trade and continue operating under the current business model should the key correspondent banks decide to cease transacting with the Bank.

3. Correspondent bank relationships:

- Evaluating the directors' analysis of their relationships with correspondent banks, including the assessment of the potential actions that can be taken to mitigate the risks should the key correspondent banks decide to terminate their relationship;
- Meeting with the PRA and inspecting any correspondences with regulators; and
- Evaluating the adequacy and appropriateness of the director's disclosure in the financial statements.

4. Funding concentration:
Availability of funding, should the need arise, as most of the Bank's funding is concentrated and dependent on its principal shareholder Libyan Foreign Bank, and its shareholder the Central Bank of Libya which are exposed to uncertainties relating to the situation in Libya.

4. Funding concentration:

- Assessing ongoing political and economic developments in Libya through independent research;
- Reviewing and challenging the directors' assessment of the Bank's projections of its liquidity position and requirements, including the sensitivities to plausible stressed scenarios and evaluating the achievability of planned actions to improve position;
- Meeting with the PRA and inspecting correspondences with regulators; and

There is significant judgement used by the Directors to conclude that it is appropriate to adopt the going concern basis of preparation of financial statements. The impact of each of the risk individually, or in combination, may impact the Bank's ability to continue as a going concern therefore requires significant focus in the audit.

The level of risk has remained consistent with the prior year.

- Evaluating the adequacy and appropriateness of the director's disclosure in the financial statements.

Our observations

Our conclusions are set out within 'Conclusions relating to going concern' section above.

Allowance for credit losses - Refer to significant accounting policy (Note 3 (k)) and Note 13 of the financial statements in pages 2.13-2.17 and 2.44-2.46.

As at 31 December 2022, the Bank has an expected credit loss ('ECL') allowance of £20.6 million (2021: £17.8 million) in the statement of financial position. The ECL (reversal)/ charge recognised in the Bank's statement of comprehensive income for the year ended 31 December 2021 is £1.5 million (2021: £(11.7) million).

The Bank has a diverse range of credit exposures. These include a book of loans to counterparties in the Middle East and North Africa, trade and commodity finance portfolios, and a UK real estate portfolio. The Bank's business model involves the regular extension of credit to counterparties in countries which are subject to increased levels of political and economic instability.

The estimation of ECL on credit exposures, involves significant judgement and estimation uncertainty.

Our audit procedures included, but were not limited to:

- Assessing the design and implementation, and testing the operating effectiveness, of key controls over the monitoring and reporting of credit exposures, and the completeness of provisioning watchlists;
- Reviewing the ECL methodology applied by the Bank and assessing its compliance with the requirements of IFRS 9;
- Independent credit review testing and challenging management on the application of Significant increase in credit risk ('SICR') for a sample of counterparties to identify indicators of credit deterioration to assess the appropriateness of the staging and associated ECL estimate;
- With the assistance of our in-house credit risk specialist assessing and challenging the assumptions used by the Bank in its impairment models using our understanding of the Bank, current and past performance of its loans and our knowledge of the industry in respect of similar loan types;
- With the assistance of our in-house economists, assessing and challenging the reasonableness of economic scenarios and the probability weightings applied in the ECL model;
- Reperforming calculations and agreeing data inputs to supporting documentation where applicable, including collateral valuation reports and PDs;
- Assessing the methodology of the stage 3 ECL for compliance with the requirements of IFRS 9;
- Independently recalculating the ECL for all stage 3 loans including taking into consideration the completeness and accuracy of the key inputs, assumptions and the incorporation of forward-looking information; and

A model is used to calculate the level of ECL and the model is reliant on number of subjective assumptions and sensitive to changes and movements in these assumptions.

For credit exposures classified as either stage 1 or 2, a modelled assessment is performed to calculate ECL. The key areas where we identified greater levels of management judgement and therefore increased levels of audit focus in the Bank's estimation of ECL are:

- The selection and application of the probability of defaults (PD);
- The selection and application of the loss given defaults (LGD);
- The probability weighted scenarios determined using forward looking information; and
- Staging of loans and the identification of significant increase in credit risk.

For credit exposures classified as stage 3, management typically performs an impairment assessment at an individual loan level, based on estimated future cash flows discounted to present value at the rate inherent in the loan. This is a highly manual and judgemental process, with several assumptions.

We have identified this area as significant risk and a key audit matter in our audit as it involves application of significant judgement by management and therefore requires significant focus in the audit.

The level of risk has remained consistent with the prior year.

- Evaluating whether the disclosures appropriately reflect and address the uncertainty which exists when determining the expected credit losses, including sensitivity analysis and key judgements.

Our observations

We found that the allowance for credit losses recognised as at 31 December 2021 is reasonable and the approach taken in respect of ECL to be consistent with the requirements of IFRS 9.

OUR APPLICATION OF MATERIALITY AND AN OVERVIEW OF THE SCOPE OF OUR AUDIT

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

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

Overall materiality	£1,000,000 (2021: £1,010,000)
How we determined it	0.5% net assets (2021: 0.5% net assets)
Rationale for benchmark applied	We believe that the benchmark of net assets is a key focus of users of the financial statements, as, in the current environment of the Bank, they are more focused on balance sheet strength as determined by regulatory capital for which net assets is a good proxy. We have therefore used net assets given its importance for the users of the financial statements.
Performance materiality	Performance materiality is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the financial statements exceeds materiality for the financial statements as a whole. We set performance materiality at £500,000 (2021: £404,000) which represents 50% (2021: 40%) of overall materiality.
Reporting threshold	We agreed with the directors that we would report to them misstatements identified during our audit above £30,000 (2021: £30,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

As part of designing our audit, we assessed the risk of material misstatement in the financial statements, whether due to fraud or error, and then designed and performed audit procedures responsive to those risks. In particular, we looked at where the directors made subjective judgements, such as assumptions on significant accounting estimates.

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole. We used the outputs of our risk assessment, our understanding of the Bank, its environment, controls, and critical business processes, to consider qualitative factors to ensure that we obtained sufficient coverage across all financial statement line items.

OTHER INFORMATION

The other information comprises the information included in the Annual Report and Financial Statements, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

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

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the statement of directors' responsibilities in respect of the strategic report, the directors' report and the financial statements set out on page 1.38, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

Based on our understanding of the Bank and its industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: regulatory and supervisory requirements of the PRA and the Financial Conduct Authority ('FCA'), sanctions requirements by the U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC), and financial crime regulations.

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

- Gaining an understanding of the legal and regulatory framework applicable to the Bank, the industry in which it operates and considering the risk of acts by the Bank which were contrary to the applicable laws and regulations, including fraud;
- Inquiring of management and, where appropriate, those charged with governance, as to whether the Bank is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence with the US regulatory authorities, PRA and FCA;
- Reviewing minutes of directors' meetings in the year; and
- Discussing amongst the engagement team the laws and regulations listed above, and remaining alert to any indications of non-compliance.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as tax legislation, pension legislation and the Companies Act 2006.

In addition, we evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to allowance for credit losses.

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

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Performing control testing over the Bank's transaction monitoring processes;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing; and
- Being skeptical to the potential of management bias through judgements and assumptions in significant accounting estimates, in particular in relation to allowance for credit losses, and performing the procedures described in the "Key audit matters" section of our report.

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

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

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

OTHER MATTERS WHICH WE ARE REQUIRED TO ADDRESS

Following the recommendation of the audit committee, we were appointed by the Board of Directors on 18 May 2021 to audit the financial statements for the year ended 31 December 2021 and subsequent financial periods. The period of total uninterrupted engagement is two years, covering the years ended 31 December 2021 to 31 December 2022.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Bank and we remain independent of the Bank in conducting our audit.

Our audit opinion is consistent with our additional report to the audit committee.

USE OF THE AUDIT REPORT

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

RUDI LANG
(Senior Statutory Auditor) for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
30 Old Bailey
London, EC4M 7AU
6th April 2023

STATEMENTS OF

COMPREHENSIVE INCOME
FINANCIAL POSITION
CHANGES IN EQUITY
CASH FLOW

AND NOTES
TO THE ACCOUNTS

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	**2022**	*2021*
Interest and similar income	8	71,950	*33,156*
Less: Interest expense and similar charges	8	(38,301)	*(12,248)*
Net interest income		**33,649**	***20,908***
Fee and commission income	9	21,653	*17,502*
Less: Fee and commission expense	9	(4,035)	*(1,599)*
Net fee and commission income		**17,618**	***15,903***
Net trading income	10	6,522	*3,393*
Other operating (expense)/income	11	(356)	*1,540*
Operating income before allowance for credit losses		**57,433**	***41,744***
Allowance for credit losses	13	(3,306)	*(1,245)*
Reversal of allowances booked in previous periods	13	1,825	*12,441*
Recoveries of amounts written off in previous periods	13	4	*547*
Net allowances for credit losses		**(1,477)**	***11,743***
Net operating income		**55,956**	***53,487***
Administrative expenses	14	(42,031)	*(38,784)*
Profit before income tax		**13,925**	***14,703***
Income tax credit/(charge)	15	1,175	*(1,668)*
Profit for the year		**15,100**	***13,035***
Other comprehensive income/(expense):			
Items that will not be reclassified to profit or loss			
Remeasurement of defined benefit liability	26	(4,161)	*3,231*
Equity investments designated at fair value through other comprehensive income	19	*(376)*	*(138)*
Revaluation of property, plant & equipment	20	*7,851*	*-*
Related Tax	15	(1,153)	*(588)*
		2,161	*2,505*
Items that are or may be reclassified to profit or loss			
Change in fair value for debt securities designated at fair value through other comprehensive income		*(14,178)*	*(3,924)*
Credit loss on debt securities designated at fair value through other comprehensive income transferred to profit and loss		*(57)*	*(218)*
Fair value gains attributable to debt securities designated at fair value through other comprehensive income transferred to income upon derecognition		*(646)*	*1,130*
Related Tax	15	3,349	*551*
		(11,532)	*(2,461)*
Other comprehensive (expense)/income for the year, net of tax		(9,371)	***44***
Total comprehensive income for the year		**5,729**	***13,079***

The Notes on pages 2.6–2.68 form part of these financial statements.

ALL AMOUNTS IN £'000s UNLESS OTHERWISE STATED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Note	2022	2021
Assets			
Cash, notes and coins		-	*218*
Derivatives	16	1,344	*616*
Reverse Repurchase agreements		236,927	*215,824*
Loans and advances to banks	17	755,184	*588,843*
Loans and advances to customers	18	463,780	*484,536*
Financial investments	19	1,695,000	*1,456,288*
Corporation tax receivable		223	-
Property, plant and equipment	20	27,271	*19,719*
Intangible assets	20	6,222	*7,582*
Deferred tax assets	22	3,561	*504*
Prepayments, accrued income and other debtors	23	3,014	*3,437*
Net pension asset	26	2,219	*4,437*
Total assets		**3,194,745**	***2,782,004***
Liabilities			
Deposits from banks	24	2,144,470	*1,876,756*
Other deposits	24	737,763	*604,750*
Derivatives	16	507	*1,268*
Other liabilities, accruals and deferred income	25	27,080	*17,530*
Corporation tax payable		-	*900*
Subordinated liabilities	27	77,659	*70,514*
Total liabilities		**2,987,479**	***2,571,718***
Called up share capital	28	105,592	*104,357*
Capital redemption reserve	29	4,104	*4,104*
Other reserves	29	97,570	*101,825*
Capital and reserves attributable to the Bank's equity holders	29	**207,266**	***210,286***
Total liabilities and equity		**3,194,745**	***2,782,004***

The Notes on pages 2.6–2.68 form part of these financial statements.

Signed:

Dr Yousef Abdullah Al Awadi KBE
Chairman

Mr Eddie Norton
CEO

6th April 2023

ALL AMOUNTS IN £'000s UNLESS OTHERWISE STATED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	Share capital	Capital redemption reserve	Other reserves				Total equity
			Retained earnings	Revaluation reserve	Fair Value reserve	Total	
Balance at 1 Janaury 2021	**104,357**	**4,104**	**83,713**	**-**	**5,033**	**88,746**	**197,207**
Profit for the year	-	-	13,035	-	-	13,035	13,035
Other comprehensive income/ (expense)	-	-	2,547	-	(2,503)	44	44
Total comprehensive income for the period	-	-	15,582	-	(2,503)	13,079	13,079
Balance at 31 December 2021	**104,357**	**4,104**	**99,295**	**-**	**2,530**	**101,825**	**210,286**
Balance at 1 Janaury 2022	**104,357**	**4,104**	**99,295**	**-**	**2,530**	**101,825**	**210,286**
Profit for the year	-	-	15,100	-	-	15,100	15,100
Reclassifcation between FV Reserve and Retained Earnings	-	-	126	-	(110)	16	16
Other comprehensive income/ (expense)	-	-	(3,727)	5,888	(11,532)	(9,371)	(9,371)
Total comprehensive income for the period	-	-	11,499	5,888	(11,642)	5,745	5,745
Issue of Share Capital	1,235	-	-	-	-	-	1,235
Dividend	-	-	(10,000)	-	-	(10,000)	(10,000)
Balance at 31 December 2022	**105,592**	**4,104**	**100,794**	**5,888**	**(9,112)**	**97,570**	**207,266**

The Notes on pages 2.6–2.68 form part of these financial statements.

ALL AMOUNTS IN £'000s UNLESS OTHERWISE STATED

STATEMENT OF CASH FLOW

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022	2021
Cash flows from operating activities			
Profit before taxation		13,925	*14,703*
Adjustments for:			
Allowance for credit losses	13	3,306	*1,245*
Recoveries of allowance for credit losses	13	(1,825)	*(12,441)*
Depreciation and amortisation	14,20	2,753	*2,544*
Loss on sale or impairment of property, plant and equipment	14	28	*9*
Net interest income and other non cash items included in net profit		366	*(3)*
Non-cash items included in net profit		**4,628**	***(8,646)***
Reverse repuchase agreements		(21,103)	*(36,757)*
Loans, advances other than cash or cash equivalents		(68,881)	*(13,840)*
Debt securities other than cash equivalents		(221,117)	*7,009*
Derivatives		(728)	*465*
Other debtors and prepayments		(1,161)	*1,497*
Change in operating assets		**(312,990)**	***(41,626)***
Customer accounts and deposits by banks		165,574	*238,429*
Other liabilities		9,288	*(12,379)*
Change in operating liabilties		**174,862**	***226,050***
Income tax (paid)		(1,169)	*(1,074)*
Net cash (used in)/gained from operating activities		**(120,744)**	***189,407***
Cash flows from investing activities			
Purchase of property, plant and equipment	20	(552)	*(274)*
Proceeds from sale of property, plant and equipment	20	42	-
Purchase of intangible assets	20	(853)	*(540)*
Proceeds from sale of intangible assets	20	269	-
Net cash used in investing activities		**(1,094)**	***(814)***
Cash flows from financing activities			
Dividend paid		(8,765)	-
Lease payments for Right of Use assets		(6)	*(4)*
Net cash used in financing activities		**(8,771)**	***(4)***
Net (decrease)/increase in cash and cash equivalents		**(130,609)**	***188,589***
Cash and cash equivalents at the beginning of the year		766,720	*586,617*
Effect of exchange rate change on cash and cash equivalents		64,684	*(8,486)*
Cash and cash equivalents at the end of the year		**700,795**	***766,720***
Cash and cash equivalents comprise:			
Cash, notes and coin		-	*218*
Loans and advances to banks of original maturity three months or less		391,580	*376,162*
Certificates of deposit and other debt securities of three months original maturity or less		309,215	*390,340*
Cash and cash equivalents		**700,795**	***766,720***

The Notes on pages 2.6–2.68 form part of these financial statements.

ALL AMOUNTS IN £'000s UNLESS OTHERWISE STATED

1. General information

British Arab Commercial Bank plc ("the Bank" or "BACB") is a public company, limited by shares. The Bank was incorporated in England and Wales on 23 March 1972 as UBAF Limited. The Bank's name was changed to UBAF Bank Limited on 4 January 1977 and to British Arab Commercial Bank Limited on 4 March 1996. On 2 June 2009, the Bank was re-registered as a public company, and its name changed to the current style. The Bank's registered office (and principal place of business) is situated in England and is currently at 8-10 Mansion House Place, London EC4N 8BJ.

The Bank carries on the business of international banking. The Bank is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

The financial statements were authorised for issue by the Board of Directors on 6th April 2023.

2. Basis of preparation

a) Going Concern

These financial statements have been prepared on a going concern basis as the Directors are satisfied that the Bank has the resources to continue in business for the foreseeable future and for at least 12 months from the date of the approval of the financial statements.

In making this assessment, the Directors have considered a wide range of information relating to present and future conditions. Information relevant to this assessment regarding the Bank's principal activities, strategic direction and challenges and uncertainties are described in the Strategic Report. This assessment includes a review of current and future projections of profitability, capital resources and liquidity, which the Directors have subjected to stress testing. It also includes a review of progress against the Bank's sanctions compliance commitments as agreed under the terms of the settlement agreement reached with OFAC on 3 September 2019 and other key risks around our core markets, operational risks, and operational resiliency.

Although the political situation in Libya remains unsettled following the postponement of the election originally scheduled for December 2021 to late 2023, this does not necessarily increase uncertainty for BACB. The Bank holds historical relationships with Libyan markets. Oil production in Libya typically remains at an average of 1.2 million barrels per day, which continue to bring some stability to the country's levels of FX reserves which have increased from USD 71 billion in 2021 to USD 81 billion in 2022. It should be noted that this is still sufficient to fund an estimated 40 months of import requirements.

Current funding levels from Libya remain both stable and strong, with a staggered maturity profile. BACB remains strategically important to Libya in its interaction with the global economy and as a means of providing access to the international financial markets, including for its oil and gas revenues. Furthermore, if, as happened in 2011, the Libyan political situation results in the imposition of international sanctions, the funding would become permanent for their duration. Details of the funding provided by Libyan Foreign Bank ('LFB') and Central Bank of Libya ('CBL') are set out in Note 33.

The Bank is not wholly reliant on business flows to and from Libya. Net exposure to Libya after risk mitigation is less than 1% of total exposures; however, absence of Libyan business does put a strain on the total revenue of the Bank. While Libya continues to be a key market for the Bank, its strategy of geographic diversification has diluted the overall impact of the current situation and, as and when stability returns to Libya, this market holds significant upside potential.

The Directors have also considered LFB’s intent to continue to support the Bank. LBF has a very strong relationship with the Bank and is supportive of its Board and its executive management team. In recent years evidence of ongoing support from LFB has included, ongoing renewal of deposits in addition to the subordinated loan maturity extension to 2027. The Directors remain confident of the ongoing support of LFB, including meeting the Bank's ongoing liquidity needs for at least the next twelve months. The Directors have considered (i) LFB’s policy towards all of its participations, and (ii) the Bank’s continuing positive liquidity noting that during the course of the year LFB continued its funding to BACB and, in light of the Bank’s funding risk, are confident of the Bank’s continuing positive liquidity.

The Directors have considered the need for correspondent banks to continue to operate with BACB and to provide critical facilities. This review has specifically considered a sector-wide trend in recent years for correspondent banks to review such relationships due to the potential reputational and legal risks associated with clearing transactions initiated by other banks, particularly those who operate with clients linked to countries perceived as higher risk. The Directors acknowledge the dependency of the Bank on preserving these essential correspondent banking relationships and the Board is reassured by the continuing stability of the Bank’s principal correspondent and the stability of other correspondent bank relationships.

The Directors acknowledge their continued obligation relating to the Bank’s sanctions compliance commitments as agreed under the terms of the settlement agreement reached with OFAC on 3 September 2019, further details are disclosed in Note 32. The changes to the Bank’s sanctions compliance processes and controls since the events of 2009-2014, together with plans to maintain the compliance commitments, were presented to OFAC. The Directors are of the view that the Bank is on track in maintaining the sanctions compliance commitments. BACB is at the end of year four of five of the OFAC settlement agreement and the risk of enforcement action is significantly lowered as there have been extensive enhancements to, and further embedding of, the sanctions compliance programme.

The settlement agreement includes a substantial suspended penalty that could be imposed if the Bank fails to meet the sanctions compliance commitments. The Directors having considered legal advice believe it is a low risk that the suspended penalty would be re-imposed as they are confident that the Bank has put in place appropriate processes and controls to meet its obligations under the settlement agreement, such that although the matter could be subject to a degree of subjectivity it would be minimal risk that the Bank would be seen as being in material breach of the requirements.

With regards to the situation the Bank would face in case of a further sanctions’ violation, the commitments under the agreement are not a guarantee that there will not be further violations, but an undertaking by the Bank, on a risk-based approach, that it will take appropriate steps to minimize that risk.

In assessing the current and future projections of profitability, capital resources and liquidity the Directors considered a range of severe but plausible stress scenarios within the Bank’s core markets in particular as well as considering the impact from other emerging risks. These scenarios included stress tests aligned to the ICAAP for which the Bank uses an internal model. This analysis indicated that the Bank would maintain capital and liquidity headroom throughout the period covered by the forecasts, even in reasonable possible downside scenarios.

Although there are a range of operational risks that the Bank faces, in each case the risks have been identified and controls / mitigants are in place and constantly being reassessed and enhanced, under the oversight of both the Non-Financial Risk Committee and the Board Risk and Conduct Committee.

Consequently, the Directors are confident that the Bank will be able to operate with adequate levels of both liquidity and capital for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

b) Compliance with International Financial Reporting Standards

The Bank has prepared its financial statements 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 International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and its predecessor body or adopted as interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and its predecessor body.

The financial statements have been prepared in the Bank's functional and presentation currency, Sterling, rounded to the nearest thousand, unless otherwise indicated. They are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: leasehold premises and improvements, derivative financial instruments, financial instruments held at fair value through profit or loss, financial instruments held at fair value through other comprehensive income and the defined benefit pension fund.

The preparation of financial statements in conformity with international accounting standards in conformity with the requirements of the Companies Act 2006 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The results form the basis for making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. 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.

Judgements made by management in the application of international accounting standards in conformity with the requirements of the Companies Act 2006 that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in Note 5.

c) Developments in Accounting Standards

There were no new accounting standards adopted during the year.

On 14th July 2022, the Bank changed its accounting policy for its leasehold premises from the cost to the revaluation model. As at 31 December 2022 the impact of this change in accounting policy results in a revaluation surplus of £7.9m (£5.9m after deferred taxation).

During 2021 the Bank implemented the risk-free rate reform (referred to as IBOR reform). Legacy contract positions are actively being managed down in line with regulatory transition milestones. The Bank's exposure to interest rate benchmarks subject to reform as at 31 December 2022 and 2021 is as follows:

31 December 2022	Sterling	Dollars	Euro	*31 December 2021*	*Sterling*	*Dollars*	*Euro*
Assets				***Assets***			
Loans and advances to customers	-	25,788	-	*Loans and advances to customers*	*2,954*	*40,285*	*1,944*
Financial investments	-	5,653	-	*Financial investments*	*10,002*	*171,116*	-
Liabilities				***Liabilities***			
Deposits	-	-	-	*Deposits*	-	*291,229*	*12,534*
Derivatives				***Derivatives***			
Derivatives (at contract notional value)	-	53,982	-	*Derivatives (at contract notional value)*	-	*92,336*	-

ALL AMOUNTS IN £'000s UNLESS OTHERWISE STATED

There are no published future developments in accounting standards that will have a material impact on the Bank's accounting policies.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to both years presented in these financial statements.

a) Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognised in the statement of comprehensive income using the effective interest rates of the financial assets or financial liabilities to which they relate.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. The effective interest rate is applied to the gross carrying amount of asset to calculate interest income for performing assets and applied to amortised cost to calculate interest income for non-performing assets.

The calculation of the effective interest rate includes transaction costs and fees (for example, loan origination fees) and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Interest received on securities held for dealing purposes, and associated funding costs, are included within Interest and similar income, and Interest expense and similar charges, respectively.

b) Fee and commission income

The Bank earns fee income from a range of services which it provides to its customers. Fee income is accounted for as follows:

- income earned on transaction-based arrangements which are recognised at a point in time when we have fully provided the service to the customer (for example, fees arising from negotiating, or participating in the negotiation of, a transaction for a third party, such as the arrangement for the acquisition of securities); and
- income earned on services provided over time, where the income is recognised on a straight-line basis over the life of the agreement.

The Bank provides certain guarantee facilities which are dependent on uncertain future events. These facilities include surety, fidelity, performance, bid and advance payment bonds. For the majority of these transactions the guarantees given by the Bank are covered by matching counter-indemnities provided by a third party. Fees and commissions arising from the provision of such services are recognised over the period for which the service is provided.

c) Foreign currencies

The Directors regard Sterling as the currency of the primary economic environment in which the Bank operates. Accordingly, Sterling is regarded as being the functional currency of the Bank and is also the reporting currency of the Bank.

Transactions in foreign currencies are recorded in Sterling at the rate of exchange prevailing on the date on which the transaction arose. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange ruling at the statement of financial position date. Any resulting exchange differences are included in the statement of comprehensive income within net trading income or, for non-monetary FVOCI assets, in other comprehensive income within equity investments designated at FVOCI. Non-monetary assets and liabilities (shareholders' equity, property plant and equipment, and intangible assets) that are measured at historical cost are translated into the functional currency using the rate of exchange at the transaction date, and those measured at fair value are translated at the exchange rate at balance sheet date.

d) Net trading income

Net trading income comprises gains, less losses related to financial assets and liabilities classified at fair value through profit and loss and includes all realised and unrealised fair value changes. Interest income earned from financial assets classified at fair value through profit and loss is included with net interest income under accounting policy 3 a). Foreign exchange gains and losses on financial instruments measured at amortised cost as well as fair value through profit and loss are also included.

e) Income tax

Income tax on the profit or loss for the year comprises current tax and deferred tax. Income tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised in other comprehensive income, in which case it is recognised there.

Current tax is the tax expected to be payable or receivable on the taxable profit or loss for the year, calculated using tax rates enacted or substantively enacted by the statement of financial position date, and any adjustment to tax payable in respect of previous years. Current tax assets and liabilities are offset when the Bank intends to settle on a net basis and the legal right to set off exists.

Deferred tax is recognised on temporary differences between the carrying amount of assets and liabilities in the statement of financial position and the amount attributed to such assets and liabilities for tax purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent it is probable that future taxable profits will be available against which deductible temporary differences can be utilised, this is assessed annually based on the Bank's future probability forecasted in the corporate plan and taking into consideration external factors that might impact on the Bank's future profitability.

Deferred tax is calculated using the tax rates expected to apply in the years in which the assets will be realised or the liabilities settled.

Deferred tax relating to actuarial gains and losses arising from defined benefit pension plans are recognised in other comprehensive income. Temporary differences arising from the Bank's contribution to the Employee Defined Benefit pension scheme are recognised in the income tax on the profit or loss for the year.

Deferred tax relating to fair value re-measurement of FVOCI investments is recognised in other comprehensive income and, subsequently, in the statement of comprehensive income when the related investment is realised.

f) Derivatives

Derivatives are measured at fair value through profit and loss in the statement of financial position.

X-Valuation Adjustment ('XVA')

XVA fair value adjustments comprise Credit Valuation Adjustments ("CVA"), Debt Valuation Adjustments ("DVA") and Funding Valuation Adjustments ("FVA"). CVA is the mark to market cost of protection required to hedge credit risk from counterparties in the Bank's derivative and repo portfolios, and depends on expected and potential future exposures, default probability and recovery rates. DVA is taken to reflect the credit quality of the Bank in the valuation of liabilities measured at fair value and is measured symmetrically to the CVA on the same products and calculation methodologies, based on the negative potential and expected exposures and the Company's own creditworthiness. FVA measures the impact to funding for valuation estimates for derivatives.

The Bank manages its derivative portfolios on the basis of its net exposure and thus has elected to measure these portfolios at fair value which represents the price that would be received to sell a net long or to transfer a net short position for a particular risk exposure in an orderly transaction between market participants at the measurement date under current market conditions.

g) Financial assets – classification and measurement

On initial recognition, the Bank classifies its financial asset as measured at: fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVOCI) or amortised cost.

A financial asset is measured at amortised cost if it meets both the following conditions and is not designed as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- The financial asset is held within a business model whose objective is achieved by both collecting the contractual cash flows and selling the financial assets; and
- The contractual terms of the contract give rise on specific dates to cash flows that are solely payments of principal and interest on the principal outstanding.

The Bank has taken the irrevocable election to classify equity investments and investment in funds at fair value through other comprehensive income.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL.

Purchases and sales of financial assets which are at FVTPL or fair value through other comprehensive income are recognised on trade date, being the date on which an irrevocable commitment to enter into a contract is executed. Financial assets are initially recognised at fair value plus directly attributable transaction costs for all financial assets not carried at fair value through profit or loss. Assets measured at amortised cost are recognised on the date on which they are originated.

Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and allowances for credit losses are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and allowances for credit losses are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity and other investments at	These assets are subsequently measured at fair value. Dividends are

FVOCI	recognised as income within net trading income in the income statement. Other net gains and losses are recognised in OCI and are never recycled to profit or loss even if the asset is sold or derecognised.

The fair values of quoted investments in active markets are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Bank establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models, net asset value and other valuation techniques commonly used by market participants.

Business model assessment

The Bank's assessment of the objective of the business model in which an asset is held is carried out on a portfolio level basis, with assets being grouped into portfolios based on how those assets are managed by the business in order to generate cash flows. The key factors considered in making this assessment include:

- the business stated policies and objectives for the portfolio and the operation of those policies in practice;
- how the performance of the portfolio is evaluated and reported to management;
- how managers of the business are compensated; and
- the risks that affect the performance of the assets within the portfolio and the Bank's strategy to manage those risks.

For the purpose of assessing whether contractual cashflows are solely payments of principal and interest, principal is defined as the fair value of the financial asset on initial recognition and interest is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding. In performing this assessment, the Bank considers the contractual terms of the instrument. In respect of the legacy structure finance portfolio which include several non-standard clauses with little conformity between the facilities within the portfolio and a number of legacy loans which have been restructured, significantly altering their original terms, each facility agreements and credit renewal file are reviewed individually to determine that the cashflow meets the requirement of the SPPI test.

When customers request facilities that exceed the Bank's limit for single client exposure under the Bank's credit risk policy or impact the Bank's capital position, the facilities are approved, and the Bank enters into funded risk participations with third parties to sell part of the facilities. The portion of the facilities that are transferred to third parties are classified as falling under the hold to sell business model and are measured at FVTPL.

h) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date.

Derivatives

Derivatives are recognised on trade date, being the date on which an irrevocable commitment to enter into a contract is executed. They are subsequently carried at fair value. Fair values are obtained from quoted market prices in active markets, or by using valuation techniques, including recent market transactions, where an active market does not exist. Valuation techniques include discounted cash flow models and option pricing models as appropriate. All derivatives are classified as assets when their fair value is positive or as liabilities when their fair value is negative.

In the normal course of business, the fair value of a derivative on initial recognition is considered to be the transaction price (i.e. the fair value of the consideration given or received). However, in certain circumstances the fair value of an instrument will be evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets, including interest rate yield curves, option volatilities and currency rates. When such evidence exists, the Bank recognises a trading profit or loss on inception of the derivative.

i) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is currently a legally enforceable 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. The Bank did not have any material offsetting financial instruments in 2022 or 2021.

j) De-recognition of financial assets and liabilities

Financial assets are de-recognised when the rights to receive cash flows from the assets have expired; or where the Bank has transferred its contractual right to receive the cash flows of the financial assets and either:

- substantially all the risks and rewards of ownership have been transferred;
- substantially all the risks and rewards have neither been retained nor transferred but control is not retained; or
- the asset has been substantially modified, so that an old asset is derecognised and a new one recognised in its place.

On de-recognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss. Any interest in transferred financial assets that qualify for de-recognition that is created or retained by the Bank is recognised as a separate asset or liability.

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. If the cash flows of the renegotiated asset are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised, and the new financial asset is recognised at fair value.

Financial liabilities are de-recognised when they are extinguished, i.e., when the obligation is discharged or cancelled or expired.

k) Impairment of financial assets

The Bank recognises impairment allowances for expected credit losses (ECL) on the following financial instruments that are not measured at FVTPL:

- lending exposures including funded trade finance exposures and reportable undrawn commitments;
- debt instruments held for liquidity purposes;
- money market deposits and placements classified at amortised cost; and
- letters of credit and guarantees offered by the Bank.

No impairment loss is recognised on equity investments, debt securities held for trading and derivatives held at FVTPL.

12-month ECL is the portion of ECL that results from default events on financial instruments that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as '**Stage 1 financial instruments**'.

Lifetime ECL is the ECL that results from all expected default events over the expected life of financial instruments. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as '**Stage 2 financial instruments**'.

Financial assets can be transferred between the different stages depending on their relative increase in credit risk since initial recognition. The ECL is measured on either 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition. When determining whether there has been a significant increase in credit risk, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Bank's historical experience and expert credit assessment and including forward-looking information.

The Bank uses three criteria for determining whether there has been a significant increase in credit risk:

- a quantitative test based on movement in probability of default;
- qualitative indicators; and
- a backstop of 30 days past due.

The Bank allocates each exposure to a credit risk grade based on a variety of data that is determined to be predicative of the probability of default. To ensure that credit grades are at all times a reasonable representation of the probability of default of each exposure each credit grade is reviewed at least annually or when new information is received.

In normal course of business days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received.

Financial assets within Lifetime ECL (stage 2), are transferred back to 12-month ECL (stage 1) when they are no longer considered to have experienced a significant increase in credit risk for a consecutive period of 12 months.

Where significant increase in credit risk was determined, using quantitative measures the instruments will automatically transfer back where the residual lifetime probability of default reverts to at least residual lifetime PD which is not significantly different from the origination PD for the same time period. Where the significant increase in credit risk was determined due to qualitative factors, the issues that led to the reclassification must be cured before the instruments can be reclassified in such instances management must determine that the cure is non-temporary through its review of the client's circumstances before the exposure is reclassified.

Measurement of ECL

ECL is a probability weighted estimate of credit losses. It is measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls, i.e., the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive over the shorter of 12 months or the period to maturity;
- debt investment securities which have credit risk rating equivalent to the globally understood definition of "investment grade" are considered to have low credit risk and are measured at 12-month ECL. The Bank does not apply the low credit risk exemption to any other financial instrument;
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of all estimated future cash flows;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive over the shorter of 12 months or the period to maturity; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Bank expects to recover over the shorter of 12 months or the period to maturity.

Cash flows are discounted to their present value using their original effective interest rate (EIR) or an approximation thereof.

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

During 2022 the Bank implemented new probability of default models and forward-looking macro-economic scenario analysis. The scenarios are modelled for each of the Bank's active business lines and formulate forecasted probabilities of default based on various prescribed economic indicators relevant for each business sector.

The models incorporate specific forecasted macro-economic factors such as GDP growth, oil prices and other non-oil price indexes for trade finance and treasury exposures, whilst the UK real estate exposures consider factors such as unemployment rate, property price indexes, property acquisition and sales data.

The individual weights applied to the type of macro-economic data considered within the models, is adjusted for each of the geographic areas to which BACB is sensitive in accordance with the prevailing trends and near-term outlook for these respective markets. The appropriateness of the type and level of macro-economic factor weightings are formally evaluated for relevance periodically.

The Bank assesses the resulting probabilities based on a the most likely outcome, referred to as the 'BAU scenario', and two less likely scenarios, referred to as 'optimistic' and 'downturn' scenarios.

The weightings for 2022 are applied at the probability of default level for determining the ECL and follow advised standards for calculation using specific metrics such as GDP, unemployment, interest rates, house prices and equity prices that are globally consistent. These are sourced by BACB from independent external providers who have the empirical historical data to provide such probabilities for forecasted scenario weightings given the specific markets and geographical locations in which the Bank operates.

	2022			***2021***		
	Optimistic	BAU	Downturn	*Optimistic*	*BAU*	*Downturn*
Default/Scenario probability weightings	40%	30%	30%	*10-20%*	*50-65%*	*15-40%*

The impact of the change in the PD modelling is disclosed in Note 17, Note 18 and Note 30.

In prior years BACB considered similar economic scenarios and used expert judgement to determine the weightings within ranges for each scenario for the purpose of incorporating forward looking variables. External information including market intelligence, economic data and forecasts were considered at a geographical level and were applied on the scenario based ECL calculations. In 2021 the Bank adjusted the scenarios for several current economic impacts. These included: Covid-19, political and economic developments in North Africa, the Middle East and Turkey; and potential conflicts between the United States and its trade partners.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. Note 13 shows sensitivity of the ECL provision to possible alternative economic scenarios and different assumptions.

Post model adjustments

During 2021 the Bank adopted an overlay to reflect the relatively higher risk sectors within Real Estate, where the Bank held external valuations predating the start of the Covid-19 pandemic. This overlay was removed during 2022 as the Bank updated the valuations of its real estate portfolio and thus the ECL model had updated data and information and no additional overlays were required.

The Bank's Credit Risk Oversight Committee oversees and reviews management's assessment regarding the origination, measurement, and release of the ECL overlay.

ALL AMOUNTS IN £'000s UNLESS OTHERWISE STATED

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.

Credit-impaired financial assets

At each reporting date, the Bank assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit impaired (referred to as '**Stage 3 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.

Evidence that a financial asset is credit impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the client on terms that the Bank would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the exposure is 90 days past due;
- the disappearance of an active market for a security because of financial difficulties; or
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

A loan that has been renegotiated due to deterioration in the borrower's condition is usually considered to be credit impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

For financial assets that are credit-impaired, a transfer to Lifetime ECL (stage 2) or 12-month ECL (stage 1) is only permitted where the instrument is no longer considered to be credit-impaired on a non-temporary basis. This is determined by management giving due regard to both quantitative and qualitative information on a case-by-case basis for each credit-impaired exposure.

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:

- *financial assets measured at amortised cost*: as a deduction from the gross carrying amount of the assets;
- *loan commitments and financial guarantee contracts*: as a provision within "other liabilities, accruals and deferred income";
- *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; and
- *debt instruments measured at FVOCI:* no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

Write-offs

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally 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. This assessment is carried out at the individual asset level. Recoveries of amounts previously written off are included in 'Allowance for credit losses' in the statement of comprehensive income.

Financial assets that are written off could still be subject to enforcement activities in line with the Bank's procedures for recovery of amounts due.

l) Reverse repos

Securities purchased under commitments to resell ("reverse repos") are not recognised on the statement of financial position. Rather, a loan receivable is recorded in respect of the initial consideration paid. Non-trading reverse repos are measured at amortised cost. The difference between the purchase and resale price is treated as interest and recognised in net interest income over the life of the agreement.

m) Property, plant and equipment

During the year, the Bank changed its accounting policy for its leasehold premises from the cost to the revaluation model. All other property, plant and equipment are stated at cost less accumulated depreciation calculated on a straight-line basis to write off the assets over their estimated useful lives as follows:

Long leasehold premises and improvements	
Leasehold improvements	10 years
Leasehold premises	50 years
Other assets	
Equipment	3 or 5 years
Motor vehicles	5 years
Furniture, fixtures and fittings	5 or 10 years

Leasehold premises and leasehold land comprise the Bank's principal office at 8-10 Mansion House Place, London, EC4N 8BJ which since July 2022 are valued using the revaluation model. An independent valuation took place as at 30 June 2022 and an updated valuation was performed in early January 2023 for 31 December 2022. The premises, but not the land, are categorised as a right of use asset under note 30 and depreciated using the straight-line method from the commencement date to the end of the lease term.

Items of property, plant and equipment under the revaluation model are carried at fair value at the date of revaluation, less any subsequent accumulated depreciation and any subsequent accumulated impairment losses. Land and buildings are recognised at fair value based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings. Depreciation is calculated on the basis of revalued amount less residual value over the remaining useful life. A revaluation surplus has been credited to the revaluation reserve in shareholders' equity.

The change in accounting policy to the revaluation model is being applied prospectively without the need to restate prior period numbers as per the requirements of IAS 8 and IAS 16.

All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

ALL AMOUNTS IN £'000s UNLESS OTHERWISE STATED

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

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

n) Intangible assets

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software, including directly incurred internal costs. Costs associated with maintaining computer software programs are recognised as an expense as incurred.

The capitalised cost of the Enterprise Architect software is amortised over 7 years, Enterprise Architect Licenses over 10 years and all other computer software is amortised over either 3 or 5 years, or the remaining term of the software licence, from the date on which it is available for use.

The Bank is following the IFRIC agenda decision on how to account for configuration or customisation costs associated with software purchased from a supplier in a Software as a Service (SaaS). Customisation and configuration costs of a SaaS arrangement are only capitalised as an intangible if they give rise to software controlled by the Bank. Where an intangible asset is not recognised for the costs of configuration or customisation of the application software, then the costs are recognised as an expense in line with the nature of the contract and based on who performs the services. The costs may therefore be expensed immediately or recognised as a prepayment and expensed over the term of the contract. SaaS licenses are not capitalised as an intangible.

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

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

o) Leases

At inception or reassessment of a contract, the Bank assesses whether a contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. At inception or on reassessment of a contract that contains a lease component the Bank allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

As a lessee

The Bank's lease agreements relate to its main office at 8-10 Mansion House Place, London EC4N 8BJ, the rental of office facilities for each of the overseas representative offices and the lease of motor vehicles and other equipment.

The Bank recognises a right-of-use (ROU) asset and a lease liability at the lease commencement date. The ROU asset is initially measured at cost which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date plus any initial direct costs incurred and an estimate of costs to restore the asset less any lease incentives received.

The ROU asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or if that rate cannot be determined the Bank's incremental borrowing rate.

The lease liability is measured at amortised cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate or if the Bank changes its assessment of whether it will exercise an extension or termination option. When the lease liability is remeasured this way, a corresponding adjustment is made to the carrying amount of the ROU asset or is recorded in the statement of comprehensive income if the carrying amount of the ROU asset has reduced to zero.

Lease payments included in the measurement of the lease liability comprise minimum non-cancellable payments as such the minimum ground rent payments due in relation to the Bank's main London office as well as that due for each of the representative offices.

The Bank presents right of use assets in property plant and equipment and lease liabilities in other liabilities, accruals and deferred income in the statement of financial position.

The Bank has elected not to recognise right-of-use and lease liabilities for short-term leases of equipment that have a lease term of 12 months or less. The Bank recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a lessor

The Bank sub-lets a part of its main office. The Bank recognises lease payments received as income on a straight-line basis over the lease term as part of other operating income.

p) Cash and cash equivalents

Cash, notes and coins includes notes and cash on hand, these are initially measured at fair value and subsequently carried at amortised cost in the statement of financial position.

For the purposes of the cash flow statement, cash and cash equivalents include unrestricted highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Such investments are normally those with less than three months' maturity from the date of acquisition, and include cash, notes and coin, treasury bills and other eligible bills, professional market placements to banks, amounts held at correspondents and certificates of deposit.

q) Provisions

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are determined by discounting the expected future cash flows at a pre-tax discount rate that reflects the current market assessment of the time value of money and, where appropriate, the risks specific to the liability.

r) Contingent liabilities

Contingent liabilities are possible obligations whose existence depends on the outcome of uncertain future events or those present obligations where the outflows of resources are uncertain or cannot be measured reliably.

Contingent liabilities are not recognised in the financial statements but are disclosed unless they are remote.

s) Employee benefits

The Bank provides both a defined benefit and a defined contribution pension scheme for its staff. The defined benefit scheme was closed to future accrual in 2014. In each case, the assets of the schemes are held separately from those of the Bank. A defined benefit scheme is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. A defined contribution scheme is a pension plan under which the Bank pays fixed contributions into a separate entity, and where the Bank has no legal or constructive obligations to pay further contributions.

The net asset or liability recognised in the statement of financial position in respect of the defined benefit pension plan is the fair value of the plan assets less the present value of the defined benefit obligation at the statement of financial position date. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows. The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the Bank's obligations.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. Other gains and losses are recognised in profit or loss.

For the defined contribution scheme, the Bank pays contributions to the BACB Defined Contribution Retirement Benefit Scheme. The Bank has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

t) Share capital

Share issue costs

Incremental costs directly attributable to the issue of new shares are shown in the statement of changes in equity as a deduction, net of tax, from the proceeds.

Dividends on ordinary shares

Dividends are recognised in equity in the year in which they are approved by the Bank's shareholders.

Foreign currencies

Share capital is measured in terms of historical cost in a foreign currency as translated into the functional currency using the rate of exchange at the date of the initial transaction.

4. Risk Management

Approach to Risk Management

BACB takes a holistic approach to risk management and is in the process of enhancing its risk management processes to ensure the range of risks the Bank is exposed to are well articulated and evidenced, to support risk informed decision making and areas of Executive and Board focus.

BACB operates a Three Lines of Defence model as summarised below:

- First Line of Defence (1LoD) are the risk and control owners responsible for identifying, mitigating, managing and, monitoring risks. Identifying and establishing controls in line with the Bank's Risk Appetite and within the Operational Risk Management Framework.

- Second Line of Defence (2LoD) provides independent challenge and review of risks, validates and assesses the effectiveness of controls, and provide a holistic view of risks across the Bank.

- Third line of Defence (3LoD) assures process are adequate and complied with, as well as assessing the effectiveness of risk management across the organisation.

CREDIT AND COUNTRY RISKS

The Bank's risk management of credit and country risk is aligned and largely managed jointly. The Bank's appetite for credit and country risks is set in response to its business plans and overall risk appetite noting that overall Risk Appetite for Financial Risk is medium and for Economic Risk is High, noting the markets in which we operate and the products we provide.

Credit Risk is the possibility of a loss resulting from a borrower's failure to repay a loan or meet contractual obligations in a timely manner. This includes long term risks associated with Environmental or Climate Change factors. The Bank's principal sources of credit risk are:

- exposures to banks, multilateral institutions and sovereigns in respect of foreign exchange and money market activities and the management of the Bank's liquidity portfolios;
- on and off-balance sheet exposures to bank and corporate counterparties in respect of obligations under trade finance transactions including letters of credit, guarantees and bonds; and
- loans and overdrafts to corporates, partnerships and private individuals arising from the Bank's residential and commercial, real estate.

Country Risk refers to the uncertainty associated with investing in a particular country, and more specifically the degree to which that uncertainty could lead to economic losses. For the Bank, country risk largely arises as a result of the Bank taking credit risk on borrowers or counterparties outside the UK.

The Chief Risk Officer and their direct report, the Head of Credit, are responsible for:

- development and oversight of the credit and country risk management frameworks;
- developing credit and country risk policies, tools and frameworks across the business, including credit grading systems;
- managing effective credit and country risk assessment strategies and independent challenge of requests from the first line for new, increased or extended limits;
- oversight of credit and country risk activities undertaken by the first line;
- credit reporting and performance monitoring, including stress testing and portfolio modelling; and
- monitoring and managing the Bank's impaired exposures and making recommendations jointly with the Chief Financial Officer on required levels of individual and collective impairment provisions and write-offs.

Credit and country risk management is overseen at an executive level by the Risk Committee (RiskCo), noting that in 2022 this was the Credit Risk Oversight Committee, which reviews and makes recommendations via the Executive Committee, (ExCo), to the Risk and Conduct Committee (RCC) at least annually on the Bank's credit and country risk appetite and policies, or approves proposals within delegated authority, having regard to the Bank's business plans and Credit and Country Risk standards as approved by the RCC from time to time. Significant credit decisions are escalated to the Board Credit Committee (BCC).

The Bank's strategic focus means that a significant portion of its credit and country risks are towards the higher risk end of its grading systems. In order to mitigate its credit and country risks the Bank employs a number of risk mitigants:

- a framework of concentration limits and guidelines which diversify the risk of excessive exposure to individual countries, regions or sectors and to individual counterparties within those concentrations;
- limits are established for individual countries and counterparties based on their grading;
- these limits govern quantum, nature and tenor of exposure. Typically, the Bank will no longer enter transactions in excess of one year other than in its real estate activity or for strategic customers or counterparties of appropriate credit quality;
- the Bank takes cash collateral for a significant portion of its exposures and employs other risk mitigants where appropriate. Other mitigants include distribution via sale of back-to-back commitments to financial institutions including banks or insurance companies of acceptable quality, or security;
- liquidity buffers are only used to purchase fixed and floating securities issued by of OECD governments and multilateral development bank which qualify as High-Quality Liquid Assets under the PRA's Liquidity Coverage Ratio regime; and
- other surplus liquidity is primarily placed with or invested in the bonds of highly rated financial institutions.

Whilst risk appetite recovered gradually post-pandemic, low-rated emerging markets, which are predominantly focus of our business strategy, have been disproportionately impacted by very challenging backdrop of front-loaded tightening by the Fed, fallout from Russia-Ukraine conflict and growth scarring from the pandemic. The Bank continuously re-assessed appetite throughout 2022 in line with the ongoing developments and managed its risk exposures through the following actions:

- In its Trade Finance business by reducing obligor and country limits and the tenor of transactions, focusing on trading in strategic goods; and
- In its Real Estate business reducing its risk appetite across all sectors including margins of advance and loan amount, with no new business written in some sectors.
- Enhancing the level of monitoring and reporting.

Credit risk quantitative disclosures

Credit risk is assessed below using various analyses of the following balances disclosed in these financial statements:

	2022	2021
Cash, notes and coins	-	218
Financial investments: debt securities (Note 19)	1,689,091	1,450,003
Reverse repurchase agreements	236,927	215,824
Loans and advances to banks (Note 17)	755,184	588,843
Loans and advances to customers (Note 18)	463,780	484,536
Derivatives (Note 16)	1,344	616
Total on balance sheet	**3,146,326**	**2,740,040**
Financial guarantees (Note 30)	73,580	96,032
Other commitments (Note 30)	445,366	377,339
Less: off balance sheet exposures impaired by provision on balance sheet (Note 25)	(2,488)	(2,930)
Total off balance sheet	**516,458**	**470,441**
Total	**3,662,784**	**3,210,481**

The Bank holds mitigation against certain of its credit exposures. The table below sets out the principal types of mitigation held against different types of financial assets.

Type of credit exposure	Percentage of exposure that is subject to collateral 2022	2021	Principal types of collateral held
On-balance sheet:			
Reverse repurchase agreements	**96.7%**	99.7%	Debt securities
Loans and advances to banks			
Funds held at correspondent banks	**1.5%**	0.0%	Cash and guarantees
Professional market placements	**0.0%**	0.0%	
Term lending	**36.1%**	23.7%	Cash and guarantees
Bills discounted	**25.1%**	30.0%	Cash and guarantees
Overdrafts and other advances	**6.1%**	3.0%	Cash and guarantees
Loans and advances to customers			
Term Lending	**0.0%**	0.0%	
Real Estate	**100.0%**	100.0%	Residential/Commercial property
Overdrafts and other advances	**0.0%**	0.0%	
Bills discounted	**0.0%**	0.0%	
Off-balance sheet:			
Credit lines and other commitments	**46.5%**	42.8%	Cash and guarantees

Note: *Guarantees include credit risk insurance and unfunded risk participations.*

The maximum exposure to credit risk for financial assets, including derivatives, recognised on the Statement of Financial Position is typically the carrying amount and is represented in the table below which analyses maximum exposure to credit risk by asset class, representing credit risk arising from counterparty default.

ALL AMOUNTS IN £'000s UNLESS OTHERWISE STATED

31 December 2022	Maximum exposure	Cash collateral *	Property collateral	Debt securities	Guarantees	Net exposure to credit risk
On-balance sheet:						
Financial investments: debt securities (Note 19)	1,689,091	-	-	-	-	1,689,091
Reverse repurchase agreements	236,927			(229,010)		7,917
Loans and advances to banks						
Funds held at correspondent banks	21,348	(320)	-	-	-	21,028
Professional market placements	132,689	-	-		-	132,689
Term lending	259,906	(4,152)	-	-	(89,727)	166,027
Bills discounted	344,129	(20,666)	-	-	(65,805)	257,658
Overdrafts and other advances	616	(37)	-	-	-	579
Less: Provisions for impairments (Note 17)	(3,504)	-	-	-	-	(3,504)
Loans and advances to customers						
Term Lending	42,030	-	-	-	-	42,030
Real Estate	435,253	-	(435,253)	-	-	-
Overdrafts and other advances	941	-	-	-	-	941
Less: Provisions for impairments (Note 18)	(14,444)	-	-	-	-	(14,444)
Derivatives	1,344	-	-	-	-	1,344
Total on balance sheet	**3,146,326**	**(25,175)**	**(435,253)**	**(229,010)**	**(155,532)**	**2,301,356**
Off-balance sheet:						
Credit lines and other commitments	516,458	(227,703)	-	-	(12,611)	276,144
Total off balance sheet	**516,458**	**(227,703)**	**-**	**-**	**(12,611)**	**276,144**
Total	**3,662,784**	**(252,878)**	**(435,253)**	**(229,010)**	**(168,143)**	**2,577,500**

31 December 2021	*Maximum exposure*	*Cash collateral **	*Property collateral*	*Debt securities*	*Guarantees*	*Net exposure to credit risk*
On-balance sheet:						
Cash, notes and coins	*218*	-	-	-	-	*218*
Financial investments: debt securities (Note 19)	*1,450,003*	-	-	-	-	*1,450,003*
Reverse repurchase agreements	*215,824*			*(215,116)*		*708*
Loans and advances to banks						
Funds held at correspondent banks	*19,334*	*(93)*	-	-	-	*19,241*
Professional market placements	*149,449*	-	-		-	*149,449*
Term lending	*68,643*	-	-	-	*(16,259)*	*52,384*
Bills discounted	*346,214*	*(65,565)*	-	-	*(38,176)*	*242,473*
Overdrafts and other advances	*6,334*	-	-	-	*(189)*	*6,145*
Less: Provisions for impairments (Note 17)	*(1,131)*	-	-	-	-	*(1,131)*
Loans and advances to customers						
Term Lending	*40,738*	-	-	-	-	*40,738*
Real Estate	*418,790*	-	*(418,790)*	-	-	-
Bills discounted	-	-	-	-	-	-
Overdrafts and other advances	*38,199*	-	-	-	-	*38,199*
Less: Provisions for impairments (Note 18)	*(13,191)*	-	-	-	-	*(13,191)*
Derivatives	*616*	-	-	-	-	*616*
Total on balance sheet	***2,740,040***	***(65,658)***	***(418,790)***	***(215,116)***	***(54,624)***	***1,985,852***

**In the markets where the Bank operates, the quality of and access to collateral can be less certain hence the Bank's strategy to hold cash collateral.*

Real estate lending is collateralised with residential or commercial property. The value of collateral for property loans is based on the most recently available valuations from independent sources. All security is subject to valuation at least every three years or more frequently if there is objective evidence either on a standalone or sectoral basis of value decline.

In certain cases, cash collateral is held against other forms of lending and off-balance sheet exposures. At 31 December 2022 this includes the utilised portion of a £207,623,951 (USD 250,000,000) deposit *(2021:*

ALL AMOUNTS IN £'000s UNLESS OTHERWISE STATED

£184,672,206 (USD 250,000,000)) placed by Libyan Foreign Bank as collateral for the obligations of itself, affiliated entities and a number of other Libyan counterparties. Collateral may also be taken in the form of personal guarantees given by individuals associated with the obligating counterparty, but no value is ascribed in these circumstances. Other mitigants include credit insurance and back-to-back commitments from financial institutions of acceptable quality, or security. When customers request facilities that exceed the Bank's limit for single client exposure under the Bank's credit risk policy, the Bank may enter into distribution arrangements with third parties to buy or underwrite part of these facilities to ensure that the clients' exposure remains within the approved credit limit.

Residential and commercial mortgage lending

The table below stratifies credit exposures for residential and commercial property loans by ranges of loan-to-value (LTV) ratio. LTV is calculated as the ratio of the gross amount of the loan to the value of the collateral. The gross amounts exclude any impairment allowance.

	2022	*2021*
LTV ratio		
Less than 55%	121,358	*118,617*
55 - 65%	166,329	*147,708*
66 - 75%	137,965	*103,972*
76 - 85%	-	*8,014*
86 - 95%	9,601	*21,280*
More than 95%	-	*19,199*
Total	**435,253**	***418,790***

As at 31 December 2021, the exposures with LTV ratio over 95% relates to commercial property loans in higher risk sectors that were subject to the ECL overlay were the Bank holds external valuations predating the start of the Covid-19 pandemic.

By industry, concentrations of credit risk were as follows:

	2022	*2021*
Financial institutions (including central banks)		
Banks	1,659,095	*1,507,776*
Multilateral development banks	558,695	*599,080*
Other financial intermediaries	28,385	*2,864*
	2,246,175	***2,109,720***
Corporates		
Commodities	2,056	*41,735*
Construction and engineering	1,420	*1,265*
Energy	135,647	*127,830*
Transport and storage	28,868	*28,279*
Real estate	382,268	*401,404*
Other	37,305	*24,510*
	587,564	***625,023***
Public administration	**832,022**	***464,437***
Others	**17,459**	***28,553***
Impairments	(20,436)	*(17,252)*
Maximum exposure to credit risk	**3,662,784**	***3,210,481***

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Credit grading

The Bank uses a credit grading system, known as the Master Rating Scale and set out below to facilitate the monitoring of the portfolio and individual exposures.

A credit grade is a numerical measure of the Probability of Default (PD), which is the likelihood that a customer will default within the next twelve months. Credit grades range from 1 to 20 as per the Bank's Master Rating Scale. A credit grade of 20 is used if the customer or customer Group is in default. In addition to the credit grade a Watchlist grade is also utilised for customers exhibiting unsatisfactory features or considered to be of concern. The models used to establish credit grades and the associated PDs are subject to annual validation.

A credit grade must be agreed for each customer and reviewed at least annually, or when new information is received, to ensure that it is at all times a reasonable representation of the PD for that customer.
Credit grades are determined through the use of a model or methodology appropriate to the customer type using financial and non-financial information. Financial information includes the most recent available audited financial statements. Non-financial information includes:

- Country Capping, i.e., the maximum credit grading available to customers from a specific domicile;
- Post balance sheet date events; and
- External credit ratings or benchmark credit grades for peer companies.

Performance is continually monitored; customers are placed on Watch-list (WL) if there are any concerns. BACB applies the following categories of Watch-list:

Substandard category	Credit Grade	Definition
Watchlist 1 ("WL1")		A temporary/cautionary classification for clients who exhibit some unsatisfactory features, however we consider viability sound This should be considered where any amount is overdue by 10 business days or more.
Watchlist 2 ("WL2")	18	Some concerns over recoverability exists. This also captures any accounts that have been on Watchlist over 12 months or accounts where any amount is overdue by 30 days or more.
Watchlist 3 ("WL3")	19	Real concerns that if the position deteriorates the Bank could be at risk of loss or accounts where any amount is overdue by 60 days or more.
Default	20	There has been an actual event of default

Master Rating Scale - 2022

			External benchmarks					
			S&P		Moody's		Fitch	
Category	Grade	Probability of Default*	From	To	From	To	From	To
Investment Grade	1 - 10	0.001% - 0.387%	AAA	BBB-	Aaa	Baa3	AAA	BBB-
Non-Investment Grade	11 - 18	0.388% - 17.841%	BB+	CCC	Ba1	Caa2	BB+	CCC
Grades 15 to 17	15 - 17	2.739% - 17.841%	B	CCC	B2	Caa2	B	CCC
Grade 18	18	12.343% - 17.841%	CCC	CCC	Caa2	Caa2	CCC	CCC
Grade 19	19	17.842% - 50.000%	CCC-	CCC-	Caa3	Caa3	CCC-	CCC-
Default	20	100%	CC/D	CC/D	Ca	Ca	DDD-D	DDD-D

ALL AMOUNTS IN £'000s UNLESS OTHERWISE STATED

Master Rating Scale - 2021

			External benchmarks					
			S&P		*Moody's*		*Fitch*	
Category	***Grade***	***Probability of Default****	***From***	***To***	***From***	***To***	***From***	***To***
Investment Grade	*1 - 10*	*0.001% - 0.387%*	*AAA*	*BBB-*	*Aaa*	*Baa3*	*AAA*	*BBB-*
Non-Investment Grade	*11 - 18*	*0.388% - 17.841%*	*BB+*	*CCC*	*Ba1*	*Caa2*	*BB+*	*CCC*
Grades 15 to 17	15 - 17	*2.739% - 17.841%*	*B*	*CCC*	*B2*	*Caa2*	*B*	*CCC*
Grade 18	18	*12.343% - 17.841%*	*CCC*	*CCC*	*Caa2*	*Caa2*	*CCC*	*CCC*
Grade 19	19	*17.842% - 50.000%*	*CCC-*	*CCC-*	*Caa3*	*Caa3*	*CCC-*	*CCC-*
Default	*20*	*100%*	*CC/D*	*CC/D*	*Ca*	*Ca*	*DDD-D*	*DDD-D*

**Source: Moody's*

Credit risks assessed in accordance with this methodology are shown below.

Assets measured at amortised cost and debt securities measured at fair value through other comprehensive income and fair value through profit and loss:

31 December 2022 Grade	**Financial guarantees and other commitments**	**Cash, loans and advances, debt securities and derivatives**	**Maximum exposure to credit risk**	**Cash collateral**	**Net credit exposure**
Grades 1- 10 (Investment Grade)	**49,018**	**2,125,237**	**2,174,255**	**-**	**2,174,255**
Grades 11 - 17 (Non-Investment Grade)	**218,242**	**931,017**	**1,149,259**	**(28,314)**	**1,120,945**
Grades 18 - 19 (Watchlist + Substandard)	**248,971**	**73,171**	**322,142**	**(224,564)**	**97,578**
Grade 20 (Default)	**2,715**	**34,849**	**37,564**	**-**	**37,564**
	518,946	**3,164,274**	**3,683,220**	**(252,878)**	**3,430,342**
Loss allowance	**(2,488)**	**(17,948)**	**(20,436)**	**-**	**(20,436)**
Carrying amount	**516,458**	**3,146,326**	**3,662,784**	**(252,878)**	**3,409,906**

31 December 2021 Grade	*Financial guarantees and other commitments*	*Cash, loans and advances, debt securities and derivatives*	*Maximum exposure to credit risk*	*Cash collateral*	*Net credit exposure*
Grades 1- 10 (Investment Grade)	*81,445*	*1,925,691*	*2,007,136*	*(1,847)*	*2,005,289*
Grades 11 - 17 (Non-Investment Grade)	*200,210*	*728,370*	*928,580*	*(35,813)*	*892,767*
Grades 18 - 19 (Watchlist + Substandard)	*188,634*	*89,263*	*277,897*	*(206,706)*	*71,191*
Grade 20 (Default)	*3,082*	*11,038*	*14,120*	*(721)*	*13,399*
	473,371	*2,754,362*	*3,227,733*	*(245,087)*	*2,982,646*
Loss allowance	*(2,930)*	*(14,322)*	*(17,252)*	*-*	*(17,252)*
Carrying amount	*470,441*	*2,740,040*	*3,210,481*	*(245,087)*	*2,965,394*

There are exposures with credit grade 18 and 19 which are based upon country caps but have not displayed a significant increase in credit risk. In addition to the cash collateral, loan receivables in respect of securities purchased under commitments to resell (“reverse repos”) are secured on AAA securities amounting to £236,927,000 as at 31 December 2022 *(2021: £215,824,000)*.

Equity investments classified at fair value through other comprehensive income not included in the analysis above amount to £5,909,000 as at 31 December 2022 *(2021: £6,285,000)*.

Credit quality analysis

The following tables set out information about the credit quality of financial assets measured at amortised cost. The amounts in the table represent the gross carrying amounts. For financial guarantees and other commitments, the amounts in the table represent the amounts guaranteed or committed respectively.

ALL AMOUNTS IN £'000s UNLESS OTHERWISE STATED

Loans and advances to banks - 31 December 2022

Gross exposure	Stage 1	Stage 2	Stage 3	Total
Grades 1- 10 (Investment Grade)	158,142	-	-	158,142
Grades 11 - 17 (Non-Investment Grade)	570,304	-	-	570,304
Grades 18 - 19 (Watchlist + Substandard)	25,144	5,098	-	30,242
	753,590	**5,098**	**-**	**758,688**
Loss allowance	**(3,473)**	**(31)**	**-**	**(3,504)**
Carrying amount	**750,117**	**5,067**	**-**	**755,184**

Loans and advances to customer - 31 December 2022

Gross exposure	Stage 1	Stage 2	Stage 3	Total
Grades 1- 10 (Investment Grade)	42,295	-	-	42,295
Grades 11 - 17 (Non-Investment Grade)	336,565	21,589	-	358,154
Grades 18 - 19 (Watchlist + Substandard)	37	42,889	-	42,926
Grade 20 (Default)	-	-	34,849	34,849
	378,897	**64,478**	**34,849**	**478,224**
Loss allowance	**(856)**	**(4,048)**	**(9,540)**	**(14,444)**
Carrying amount	**378,041**	**60,430**	**25,309**	**463,780**

Off balance sheet - 31 December 2022

Gross exposure	Stage 1	Stage 2	Stage 3	Total
Grades 1- 10 (Investment Grade)	49,018	-	-	49,018
Grades 11 - 17 (Non-Investment Grade)	215,185	3,058	-	218,243
Grades 18 - 19 (Watchlist + Substandard)	53,025	195,945	-	248,970
Grade 20 (Default)	-	-	2,715	2,715
	317,228	**199,003**	**2,715**	**518,946**
Loss allowance	**(244)**	**(220)**	**(2,024)**	**(2,488)**
Carrying amount (provision)	**316,984**	**198,783**	**691**	**516,458**

Loans and advances to banks - 31 December 2021

Gross exposure	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Grades 1- 10 (Investment Grade)	*231,029*	-	-	*231,029*
Grades 11 - 17 (Non-Investment Grade)	*303,240*	-	-	*303,240*
Grades 18 - 19 (Watchlist + Substandard)	*55,705*	-	-	*55,705*
Grade 20 (Default)	-	-	-	-
	589,974	**-**	**-**	***589,974***
Loss allowance	***(1,131)***	**-**	**-**	***(1,131)***
Carrying amount	***588,843***	**-**	**-**	***588,843***

ALL AMOUNTS IN £'000s UNLESS OTHERWISE STATED

Loans and advances to customer - 31 December 2021

Gross exposure	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
Grades 1- 10 (Investment Grade)	*39,663*	-	-	*39,663*
Grades 11 - 17 (Non-Investment Grade)	*377,712*	*35,801*	-	*413,513*
Grades 18 - 19 (Watchlist + Substandard)	-	*33,513*	-	*33,513*
Grade 20 (Default)	-	-	*11,038*	*11,038*
	417,375	***69,314***	***11,038***	***497,727***
Loss allowance	***(632)***	***(4,388)***	***(8,171)***	***(13,191)***
Carrying amount	***416,743***	***64,926***	***2,867***	***484,536***

Off balance sheet - 31 December 2021

Gross exposure	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
Grades 1- 10 (Investment Grade)	*81,446*	-	-	*81,446*
Grades 11 - 17 (Non-Investment Grade)	*197,349*	*2,860*	-	*200,209*
Grades 18 - 19 (Watchlist + Substandard)	*188,044*	*590*	-	*188,634*
Grade 20 (Default)	-	-	*3,082*	*3,082*
	466,839	***3,450***	***3,082***	***473,371***
Loss allowance	***(463)***	***(12)***	***(2,455)***	***(2,930)***

The Bank provides facilities to in excess of 330 counterparties encompassing trade finance exposures in over 43 countries and territories (*2021: in excess of 320 counterparties encompassing exposures in over 64 countries and territories*).

The following table sets out the credit quality of trading debt securities measured at FVTPL. The analysis has been based on S&P rating:

	2022	*2021*
Rated AA to A-	4,037	*3,158*
Rated BBB+ and below	-	*5,396*
	4,037	***8,554***

Debt securities which are measured at FVOCI are subject to ECL provisions. As at 31 December 2022 debt securities measured at FVOCI with a fair value of £1,685,054 *(2021: £1,441,449,000)* are categorised as stage 1.

Regional concentrations of credit risk arising from operations were as follows:

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31 December 2022	Financial guarantees and other commitments	Cash, loans and advances, debt securities and derivatives	Total
United Kingdom	7,081	416,996	424,077
Europe excluding UK	48,108	492,385	540,493
Libya	223,543	3,909	227,452
Other Middle East and Africa	225,874	531,842	757,716
United States	6,315	855,004	861,319
Other Countries	8,025	864,138	872,163
Provision for credit losses	(2,488)	(17,948)	(20,436)
Maximum exposure to credit risk	**516,458**	**3,146,326**	**3,662,784**

31 December 2021	*Financial guarantees and other commitments*	*Cash, loans and advances, debt securities and derivatives*	*Total*
United Kingdom	*47,099*	*366,134*	*413,233*
Europe excluding UK	*82,356*	*448,962*	*531,318*
Libya	*175,165*	*36,445*	*211,610*
Other Middle East and Africa	*131,471*	*429,424*	*560,895*
United States	*4,353*	*444,322*	*448,675*
Other Countries	*32,927*	*1,029,075*	*1,062,002*
Provision for credit losses	*(2,930)*	*(14,322)*	*(17,252)*
Maximum exposure to credit risk	***470,441***	***2,740,040***	***3,210,481***

MARKET RISK

Market Risk is the risk of a decline in the Bank's capital or GBP P&L due to a change in market prices.

Risk Management:

The Bank's appetite for market risk is set in response to its business plans and overall risk appetite.

The Chief Risk Officer and their direct report, the Director, Market Risk, are responsible for:

- development and oversight of the market risk management framework;
- developing the market risk policy, tools and framework across the business;
- managing effective market risk assessment strategies and independent challenge of requests from the first line for new, increased or extended limits;
- oversight of market risk activities undertaken by the first line, including daily monitoring, and reporting of compliance with limits designed to ensure adherence with the Bank's risk appetite in respect of market and liquidity risks; and
- market reporting and performance monitoring.

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Market risk management is overseen at an executive level by the Asset and Liability Committee which reviews and makes recommendations via the Executive Committee to the Risk and Conduct Committee at least annually on the Bank's market risk appetite and policy, or approves where within delegated authority, having regard to the Bank's business plans and market risk policy as approved by the Risk and Conduct Committee from time to time.

Risk Mitigation:

The Bank's Treasury function has day-to-day responsibility for managing its market and liquidity exposures. The Bank does not budget for more than 10% of its revenue to be earned from principal position trading exposures to bonds, interest rates or foreign exchange, and profits should be driven where feasible by customer flows. Derivative contracts may be used to modify market risk exposures. In the banking book, derivative contracts are used to hedge market risk exposure arising from banking book positions. The Bank does not deal in complex derivative transactions.

Exchange rate risk

The Bank manages its exposures to traded foreign exchange risk by way of limits on the size of permitted positions. Overnight trading positions should be protected by stop-loss orders placed with reputable counterparties. The size of the position limits is consistent with the amount of profit that the Bank is prepared to place at risk in the foreign exchange markets. The Bank also accepts a degree of structural FX risk in its balance sheet as the majority of its risk weighted assets are denominated in US dollars or Euros whilst its share capital is denominated in Sterling, which is its reporting currency. With the exception of revenues deriving from its real estate activity, the Bank earns the majority of its revenues in currencies other than Sterling but incurs the majority of its operating costs in Sterling.

The Bank's overall net open position (on foreign exchange open positions and cash arising on settled trades) at 31 December 2022 (being the Sterling equivalent value of all the currencies where the currency obligations were higher than currency receivables) was £1,872,278 (*2021: £1,304,000*). Were these currencies to strengthen by 5% against the remaining currencies, then the Bank would lose £93,614 (*2021 (loss): £65,000*).

Overall net open positions as calculated on a daily basis were as follows:

	2022	*2021*
Maximum	3,878	*2,966*
Minimum	451	*206*
Average	1,491	*1,090*

As at the reporting date, there was no significant exposure to any one currency representing more than 10% of the Bank's equity.

Interest rate risk

The Bank is exposed to changes in interest rates in various currencies arising from gaps in the future dates of repricing of assets, liabilities and derivative instruments.

The Bank measures that risk by calculating sensitivity of changes in the present value of committed future cash flows to a 0.01% change in interest rates using the Price Value of a Basis Point ("PVBP") methodology (this is a common method of measuring the price sensitivity of a bond by measuring the absolute value of the change in the price of a bond for a one basis point change in yield). Limits are placed on the overall amount of calculated PVBP for the banking book, with separate limits for the Bank's trading books. The Bank considers the impact of changes in future interest rates on its future income streams by reference to these interest rate gaps.

As at 31 December 2022, PVBP amounted to £28,109 (*2021: £29,654*). PVBP (calculated on a daily basis) was as follows:

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	2022	2021
Maximum	41	*40*
Minimum	16	*10*
Average	29	*27*

The Bank also assesses interest rate risk in respect of net interest income through the Basel Committee on Banking Supervision ("BCBS") prescribed stress tests. As at 31 December 2022, a parallel shock up of 2% in the interest rate would reduce net interest income by £3.8m and a parallel shock down of 2% would have positive impact of £3.6m.

Economic hedges

Derivative contracts are used in the banking books to modify market risk exposures in the light of perceptions about future movements in those markets. Derivative contracts are used to reduce market risk exposure arising from interest rates. Derivatives in respect of the banking book as at 31 December 2022 include interest rate futures whose purpose is to reduce economic exposure to interest rate risk. Futures are used to manage the overall quantum of interest rate risk.

The repricing characteristics of the Bank's statement of financial position are set out below:

31 December 2022	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
Financial investments	426,336	1,196,900	24,993	40,862	-	5,909	1,695,000
Reverse repurchase agreements	236,927	-	-	-	-	-	236,927
Loans and advances to banks	194,190	266,920	294,074	-	-	-	755,184
Loans and advances to customers	95,942	358,097	9,841	(104)	-	4	463,780
Other assets	6,049	-	283	683	2,903	33,936	43,854
Total assets	**959,444**	**1,821,917**	**329,191**	**41,441**	**2,903**	**39,849**	**3,194,745**
Deposits from banks	1,238,914	554,919	309,955	40,682	-	-	2,144,470
Other deposits	453,209	37,452	24,713	222,389	-	-	737,763
Subordinated liabilities	47,267	30,392	-	-	-	-	77,659
Other liabilities	20,612	-	-	-	-	6,975	27,587
Shareholders' funds*	-	-	-	-	-	207,266	207,266
Total equity and liabilities	**1,760,002**	**622,763**	**334,668**	**263,071**	**-**	**214,241**	**3,194,745**
Overall gap	**(800,558)**	**1,199,154**	**(5,477)**	**(221,630)**	**2,903**	**(174,392)**	
Reverse Cumulative gap	**174,392**	**974,950**	**(224,204)**	**(218,727)**	**2,903**	**(174,392)**	

31 December 2021	*Up to 1 month*	*1-3 months*	*3-12 months*	*1-5 years*	*Over 5 years*	*Non-interest bearing*	*Total*
Financial investments	*254,396*	*1,098,350*	*26,913*	*68,029*	*2,315*	*6,285*	*1,456,288*
Reverse repurchase agreements	*215,824*	-	-	-	-	-	*215,824*
Loans and advances to banks	*283,761*	*167,286*	*137,796*	-	-	-	*588,843*
Loans and advances to customers	*115,892*	*366,126*	*2,451*	*67*	-	-	*484,536*
Other assets	*3,835*	*99*	*50*	*71*	*5,480*	*26,978*	*36,513*
Total assets	***873,708***	***1,631,861***	***167,210***	***68,167***	***7,795***	***33,263***	***2,782,004***
Deposits from banks	*858,192*	*482,527*	*312,657*	*223,380*	-	-	*1,876,756*
Other deposits	*342,578*	*41,315*	*24,252*	*196,605*	-	-	*604,750*
Subordinated liabilities	*41,758*	*28,756*	-	-	-	-	*70,514*
Other liabilities	*12,034*	*441*	*146*	-	-	*7,077*	*19,698*
*Shareholders' funds**	-	-	-	-	-	*210,286*	*210,286*
Total equity and liabilities	***1,254,562***	***553,039***	***337,055***	***419,985***	-	***217,363***	***2,782,004***
Overall gap	***(380,854)***	***1,078,822***	***(169,845)***	***(351,818)***	***7,795***	***(184,100)***	
Reverse Cumulative gap	***184,100***	***564,954***	***(513,868)***	***(344,023)***	***7,795***	***(184,100)***	

** Shareholders' funds are non-interest bearing.*

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Non-interest bearing items comprise share capital, accumulated impairments, tangible and intangible assets and other sundry debtors and creditors not subject to interest.

Trading book

The Bank's trading book activities are limited to transactions in financial instruments mainly comprising the trading of foreign exchange, interest rate futures and debt securities. As well as PVBP limits to manage the interest rate risk in those books, risk is mitigated through:

- limits on the size of particular books and individual positions within those books; and
- stop loss limits to prevent the accumulation of losses from the Bank's principal position trading activities.

LIQUIDITY RISK

Liquidity Risk is the risk that funding is unavailable or is available only on terms which are inconsistent with the strategic goals, regulatory requirements, or reporting obligations of the Bank.

Liquidity risk is assessed annually through the Internal Liquidity Adequacy Assessment Process ("ILAAP") carried out under the rules of the Bank's regulator. The Bank manages its exposure to liquidity risk by ensuring that it holds a buffer of High-Quality Liquid Assets (HQLA) that will enable it to meet its obligations as they fall due under both normal and a range of stressed conditions. In addition, the Bank monitors the ratio of its longer dated assets to capital and longer-term funding to mitigate the funding risk deriving from maturity transformation.

The Bank's appetite for liquidity risk is low. This is evidenced by the Bank's LCR which shows that the surplus of HQLA is greatly in excess of the minimum amount the PRA requires the Bank to hold.

The Bank monitors a range of liquidity indicators including net cash flows over 14 days plus HQLA; the Liquidity Coverage Ratio (LCR); and net cash flows over 91 days plus HQLA. The Bank's risk appetite is to be able to survive a 91-day period assuming no non-contractual rollover of Group funding. The Board is of the opinion that it has taken appropriate steps to provide reasonable assurance that the liquidity risk of the Bank is and will continue to be managed in a prudent manner.

The table below analyses the remaining contractual maturity of the Bank's assets and liabilities. The table below has been complied on the basis of undiscounted cashflows which include estimated interest payments and has not been adjusted to reflect any behavioural characteristics that may have been observed by the Bank.

At 31 December 2022	Carrying amount	Gross nominal inflow (outflow)	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Undated
Financial assets by type								
Financial investments	1,695,000	1,828,054	225,582	622,319	119,983	675,333	184,837	-
Reverse repurchase agreements	236,927	236,927	236,927	-	-	-	-	-
Loans and advances to banks	755,184	755,184	194,190	266,920	294,074	-	-	-
Loans and advances to customers	463,780	463,780	22,007	74,238	113,516	254,019	-	-
Other assets	43,854	43,854	6,049	-	674	683	2,903	33,545
Total assets	**3,194,745**	**3,327,799**	**684,755**	**963,477**	**528,247**	**930,035**	**187,740**	**33,545**
Financial liabilities by type								
Deposits from banks	2,144,470	2,228,261	1,029,964	560,269	334,889	303,139	-	-
Other deposits	737,763	859,341	457,017	44,702	92,236	265,386	-	-
Subordinated liabilities	77,659	89,116	377	732	3,411	84,596	-	-
Other liabilities	27,587	27,587	20,601	-	-	-	-	6,986
Shareholders' funds*	207,266	207,266	-	-	-	-	-	207,266
Total equity and liabilities	**3,194,745**	**3,411,571**	**1,507,959**	**605,703**	**430,536**	**653,121**	**-**	**214,252**

ALL AMOUNTS IN £'000s UNLESS OTHERWISE STATED

At 31 December 2021	Carrying amount	Gross nominal inflow (outflow)	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Undated
Financial assets by type								
Financial investments	*1,456,288*	*1,580,524*	*60,257*	*391,339*	*209,738*	*749,951*	*169,239*	*-*
Reverse repurchase agreements	*215,824*	*215,824*	*215,824*	*-*	*-*	*-*	*-*	*-*
Loans and advances to banks	*588,843*	*588,843*	*283,764*	*167,283*	*137,796*	*-*	*-*	*-*
Loans and advances to customers	*484,536*	*484,536*	*47,726*	*9,763*	*153,612*	*268,070*	*5,365*	*-*
Other assets	*36,513*	*36,513*	*3,296*	*99*	*50*	*71*	*5,480*	*27,517*
Total assets	***2,782,004***	***2,906,240***	***610,867***	***568,484***	***501,196***	***1,018,092***	***180,084***	***27,517***
Financial liabilities by type								
Deposits from banks	*1,876,756*	*1,954,433*	*859,389*	*483,716*	*327,853*	*283,475*	*-*	*-*
Other deposits	*604,750*	*710,606*	*343,087*	*42,358*	*69,085*	*256,076*	*-*	*-*
Subordinated liabilities	*70,514*	*81,529*	*95*	*194*	*2,426*	*8,300*	*70,514*	*-*
Other liabilities	*19,698*	*19,698*	*11,544*	*441*	*146*	*-*	*-*	*7,567*
*Shareholders' funds**	*210,286*	*210,286*	*-*	*-*	*-*	*-*	*-*	*210,286*
Total equity and liabilities	***2,782,004***	***2,976,552***	***1,214,115***	***526,709***	***399,510***	***547,851***	***70,514***	***217,853***

** Shareholders' funds are undated (have no fixed maturity).*

5. Critical accounting estimates and judgements in applying accounting policies

The Bank makes estimates and assumptions that may affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Valuation of financial instruments

The Bank's accounting policy on fair value measurements is discussed in Notes 3(h) and 3(i). The estimates made in assessing valuations of financial instruments are described in Note 7.

Impairment losses on loans and advances

For financial assets that are credit-impaired at the reporting period, the credit provision is calculated as the difference between the gross carrying amount and the present value of the estimated future cashflows.

ECL for non credit-impaired financial assets is made up by 12 month ECL (Stage 1) and lifetime ECL (Stage 2) as described in Note 3(k).

At 31 December 2022 12 loans to customers were credit impaired (*2021: 8 loans to customers*). The restructuring of 2 loans were the subject of continuing negotiations between lending syndicates and the borrowers, the outcomes of which were uncertain at 31 December 2022. Assumptions have been made regarding the outcome of these negotiations, and hence future cash flows based on information regarding the value of underlying assets and businesses, and on indicative secondary market pricing where available.

The key assumptions used by management in determining ECL provisions is described in Note 3(k). The ECL provision is sensitive to judgements and assumptions made regarding formulation of forward-looking scenarios and as at reporting date by the judgements used in determining the overlay to the modelled ECL. Significant judgement is also made in establishing the criteria for determining whether credit risk on the financial assets has increased significantly since initial recognition. The sensitivity analysis of the ECL outcomes to different assumptions are carried out and are disclosed in Note 13.

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Pension fund

The Bank assesses the value of its defined benefit pension fund in accordance with IAS 19. The standard requires that certain assumptions be made which are set out in Note 26. Note 26 also sets out an analysis of the sensitivity of the defined benefit obligations to changes in certain assumptions.

IAS19 allows an employer to recognise a surplus as an asset to the extent that it is able to recover a surplus either through reduced contributions in the future or through refunds from the plan, even if the refunds may only be available at some distant time in the future, such as after the last benefit has been paid. IFRIC14 provides a detailed interpretation of this provision of IAS19, and the potential impact of any statutory funding requirements. The Directors' view is that, under the scheme rules although not expressly stated, the Bank has an unconditional right to any surplus assuming the gradual settlement of liabilities over time until all members have left the scheme. Furthermore, in the ordinary course of business the Trustee has no rights to unilaterally wind up, or otherwise augment the benefits due to members of the scheme. Therefore, under IFRIC 14 the Bank is neither required to reflect any additional liabilities in relation to deficit funding commitments, nor restrict any scheme surplus that arises.

Deferred taxation

The Bank has carry forward tax losses that are available to offset against future taxable profit. However, deferred tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the unused tax losses or tax credits can be utilised. Management judgement is exercised in assessing whether this is the case, taking into account future profitability expectations. Temporary differences are calculated using the tax rates expected to apply in the years in which the assets will be realised or the liabilities settled.

To the extent that actual outcomes differ from management's estimates, income tax charges or credits, and changes in current and deferred tax assets or liabilities, may arise in future periods.

Discontinued operations

During 2021, the Bank assessed that the exit of its Commodity Finance product offering does not represent a discontinued operation under IFRS 5. Commodity Finance was managed by the Bank as part of its core Trade Finance business and the withdrawal from this product does not change the Bank's business or operating model nor the geographical markets the Bank specialises and services.

There were no discontinued operations in 2022.

Recognition and measurement of contingencies

Provisions for legal claims are recognised when the Bank has a legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. In determining whether it is likely that significant liability will arise from legal claims, management take appropriate legal advice. In particular, the OFAC settlement agreement includes a substantial suspended penalty that could be imposed if the Bank fails to meet the sanctions compliance commitments. The Directors having considered legal advice believe it is a low risk that the suspended penalty would be re-imposed as they are confident that the Bank has put in place appropriate processes and controls to meet its obligations under the settlement agreement.

Other

The Bank's Directors are not aware of any other judgement areas that would materially affect the statement of comprehensive income.

6. Analysis of financial assets and liabilities by measurement basis

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The summary of significant accounting policies in Note 3 describes how the classes of financial instruments are measured, and how income and expense, including fair value gains and losses, are recognised.

The following table analyses the financial assets and liabilities in the statement of financial position by the class of financial instrument to which they are assigned and therefore by the measurement basis.

31 December 2022	Assets and liabilities held at amortised cost	Debt securities held at FVOCI	Equity Investments held at FVOCI	Assets and liabilities designated at FVTPL	Total
Assets					
Cash, notes and coins	-	-	-	-	-
Financial investments	-	1,685,054	5,909	4,037	**1,695,000**
Reverse Repurchase agreements	236,927	-	-	-	**236,927**
Loans and advances to banks	755,184	-	-	-	**755,184**
Loans and advances to customers	463,780	-	-	-	**463,780**
Derivatives	-	-	-	1,344	**1,344**
Total financial assets	1,455,891	1,685,054	5,909	5,381	**3,152,235**
Total non-financial assets					**42,510**
Total assets					**3,194,745**
Liabilities					
Deposits from banks	2,144,470	-	-	-	**2,144,470**
Other deposits	737,763	-	-	-	**737,763**
Derivatives	-	-	-	507	**507**
Subordinated liabilities	77,659	-	-	-	**77,659**
Total financial liabilities	2,959,892	-	-	507	**2,960,399**
Total equity and non-financial liabilities					**234,346**
Total equity and liabilities					**3,194,745**

31 December 2021	*Assets and liabilities held at amortised cost*	*Debt securities held at FVOCI*	*Equity Investments held at FVOCI*	*Assets and liabilities designated at FVTPL*	*Total*
Assets					
Cash, notes and coins	*218*	-	-	-	***218***
Financial investments	-	*1,441,449*	*6,285*	*8,554*	***1,456,288***
Reverse Repurchase agreements	*215,824*	-	-	-	***215,824***
Loans and advances to banks	*588,843*	-	-	-	***588,843***
Loans and advances to customers	*484,536*	-	-	-	***484,536***
Derivatives	-	-	-	*616*	***616***
Total financial assets	*1,289,421*	*1,441,449*	*6,285*	*9,170*	***2,746,325***
Total non-financial assets					***35,679***
Total assets					***2,782,004***
Liabilities					
Deposits from banks	*1,876,756*	-	-	-	***1,876,756***
Other deposits	*604,750*	-	-	-	***604,750***
Derivatives	-	-	-	*1,268*	***1,268***
Subordinated liabilities	*70,514*	-	-	-	***70,514***
Total financial liabilities	*2,552,020*	-	-	*1,268*	***2,553,288***
Total equity and non-financial liabilities					***228,716***
Total equity and liabilities					***2,782,004***

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Of the total £5,381,000 *(2021: £9,170,000)* assets at fair value through the profit and loss account, £5,381,000 *(2021: £9,170,000)* represents financial assets and derivatives.

Of the total £507,000 *(2021: £1,268,000)* liabilities at fair value through the profit and loss account, £507,000 (*2021: £*1,268,000*)* represents derivatives. As at 31 December 2022, there were no financial liabilities designated at fair value through the profit and loss account at inception *(2021: Nil)*.

7. Fair values of assets and liabilities

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

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category comprises instruments valued using reference to quoted market data such as yield curves.

Level 3: Valuation techniques using significant unobservable inputs. This category comprises equity investments valued by reference to published accounts or third-party valuations.

In respect of level 3 assets and liabilities valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist, Black-Scholes and polynomial option pricing models and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other data used in estimating discount rates, bond prices and foreign currency exchange rates. The objective of 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. In respect of revalued property, plant and equipment the Bank uses an independent external valuer.

a) Financial assets and liabilities held at amortised cost

The fair values of assets and liabilities held at amortised costs are required to be estimated and disclosed, and the table below summarises both the carrying amounts and the estimated fair values of those financial assets and liabilities. Bid prices are used to determine fair values of assets, whereas offer prices are applied for liabilities. Observable market prices are not available for many of the Bank's financial assets and liabilities not measured at fair value.

The fair values set out below are based on indices for proxy assets and liabilities not already carried at fair value which are considered to be similar, but not identical, to those held by the Bank. Further, these fair values have been determined using internal models, the results of which might not be equivalent to those which would be arrived at between willing buyer and willing seller. Internal models may use inputs which are unobservable or be based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

31 December 2022	Level 1	Level 2	Level 3	Total	Carrying value (Note 6)
Reverse Repurchase agreements	-	-	236,927	236,927	236,927
Loans and advances to banks	-	-	753,912	753,912	755,184
Loans and advances to customers	-	-	463,777	463,777	463,780
Financial assets held at amortised cost	**-**	**-**	**1,454,616**	**1,454,616**	**1,455,891**
Deposits from banks	-	-	2,144,470	2,144,470	2,144,470
Other deposits	-	-	737,763	737,763	737,763
Subordinated liabilities	-	-	74,158	74,158	77,659
Financial liabilities held at amortised cost	**-**	**-**	**2,956,391**	**2,956,391**	**2,959,892**

31 December 2021	*Level 1*	*Level 2*	*Level 3*	*Total*	*Carrying value (Note 6)*
Cash, notes and coins	-	*218*	-	*218*	*218*
Reverse Repurchase agreements	-	-	*215,824*	*215,824*	*215,824*
Loans and advances to banks	-	-	*588,843*	*588,843*	*588,843*
Loans and advances to customers	-	-	*484,112*	*484,112*	*484,536*
Financial assets held at amortised cost	**-**	***218***	***1,288,779***	***1,288,997***	***1,289,421***
Deposits from banks	-	-	*1,921,802*	*1,921,802*	*1,876,756*
Other deposits	-	-	*612,169*	*612,169*	*604,750*
Subordinated liabilities	-	-	*69,121*	*69,121*	*70,514*
Financial liabilities held at amortised cost	**-**	**-**	***2,603,092***	***2,603,092***	***2,552,020***

Loans and advances to banks and customers

Loans and advances to banks include professional market placements and other loans and advances, net of accumulated impairments.

The estimated fair value of professional market placements (which are for terms up to one year) is based on discounted cash flows using prevailing market interest rates for the relevant periods.

The estimated fair value of term and real estate lending is derived by comparing the actual yields being received on loans advanced by the Bank with observed yields from corporate and financial bond indices considered to be of similar credit quality and duration. On 31 December 2022 observed market yields for those indices were higher than those being achieved, and as a result the estimated fair market value of the loans at that date represents an overall discount to their carrying value as shown above. The Bank has no current intention of disposing of any of these loans, and accordingly, in the opinion of the Directors, the amount of the discount is not indicative of an impairment which should be recognised through the Bank's accounts. Loans and advances which are impaired are stated at their book value without further adjustment.

Deposits

The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand. The estimated fair value of fixed interest-bearing deposits and other borrowings without a quoted market price is based on discounted cash flows using market interest rates for debts with similar remaining maturity.

The market interest as at year end for the principal currencies in which the Bank has assets and liabilities, and by reference to which assets and liabilities have been valued, were as follows:

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	31 December 2022			31 December 2021		
	Sterling	*US Dollars*	*Euro*	*Sterling*	*US Dollars*	*Euro*
Interest rates						
3 month	3.70%	4.54%	2.20%	*0.29%*	*0.04%*	*-0.62%*
6 month	4.04%	4.75%	2.61%	*0.45%*	*0.14%*	*-0.62%*
1 year	4.40%	4.84%	3.22%	*0.71%*	*0.34%*	*-0.53%*
5 year	4.05%	3.68%	3.13%	*1.00%*	*1.07%*	*-0.03%*

Subordinated liabilities

Subordinated liabilities represent term obligations. The obligations are not quoted, and a valuation has been estimated using discounted cash flow techniques based on yields observed in the market for subordinated instruments issued by other similar organisations with similar credit profile.

As other financial institutions use different valuation methodologies and assumptions in determining fair values, comparisons of fair values between financial institutions may not be meaningful and users are advised to exercise caution when using this data.

Cash, notes and coins

Fair value is disclosed as being the same as carrying value for cash, notes and coins given the nature of the assets.

b) Financial assets and liabilities held at fair value

The majority of the Bank's financial instruments measured at fair value are valued using quoted market prices or market standard valuation techniques based on observable market data.

The Bank uses widely recognised valuation models to determine the fair value of common and simple financial instruments that use only observable market data and require little management judgement and estimation. Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations, this reduces the need for management judgement and estimation and also reduces the uncertainty associated with determining fair values. For all other financial instruments, the Bank determines fair values using other valuation techniques described above.

The table below analyses financial instruments measured at fair value at the end of the reporting year, by the level in the fair value hierarchy into which measurement is categorised.

31 December 2022	**Level 1**	**Level 2**	**Level 3**	**Total fair value (Note 6)**
Financial investments	1,689,091	-	5,909	1,695,000
Property, plant and equipment	-	-	22,000	22,000
Derivative assets	1,344	-	-	1,344
Total assets held at fair value	**1,690,435**	**-**	**27,909**	**1,718,344**
Derivative liabilities	507	-	-	507
Total liabilities held at fair value	**507**	**-**	**-**	**507**

ALL AMOUNTS IN £'000s UNLESS OTHERWISE STATED

31 December 2021	*Level 1*	*Level 2*	*Level 3*	*Total fair value (Note 6)*
Financial investments	*1,435,205*	*14,798*	*6,285*	*1,456,288*
Derivative assets	*616*	*-*	*-*	*616*
Total assets held at fair value	***1,435,821***	***14,798***	***6,285***	***1,456,904***
Derivative liabilities	*1,268*	*-*	*-*	*1,268*
Total liabilities held at fair value	***1,268***	***-***	***-***	***1,268***

There were no significant transfers of assets between levels during 2022, and no significant changes in valuation techniques.

Debt securities

The aggregate fair values of listed debt securities are calculated based on quoted market prices and are all categorised accordingly as Level 1. Unlisted debt securities would be valued by reference to discounted cash flows using market interest rates for debts with similar remaining maturity. In the prior year, the Bank has a small portfolio of certificate of deposits that are valued using inputs other than quoted prices included within Level 1 that are observable either directly or indirectly and are classified as Level 2.

Equity shares and investment funds

Assets categorised as Level 3 comprise the Bank's investments in equity shares and investment funds. These assets are valued by reference to reports from fund managers, and from the audited annual reports (which may be a year in arrears) of the companies in which the Bank is invested. The sensitivity of value of these assets is therefore directly related to the movements in the value of the net assets of the investee entities, subject to currency fluctuations. Given the bespoke nature of the analysis in respect of each equity holding, it is not practical to quote a range of key unobservable inputs. Movements during the year of these assets are set out in Note 19.

Derivative assets and liabilities

The fair values of spot and forward foreign exchange contracts and interest futures are based upon observable market prices and are all categorised accordingly as Level 1. The fair values of interest rate swaps and foreign exchange options are derived from net present value and discounted cash flow models, with interest rates derived from yield curves derived from market data. These instruments are categorised as Level 2, the Bank did not hold such instruments as at 31 December 2021 and 2022.

Property, Plant and Equipment

The fair value of Mansion House Place has been ascertained from an independent valuation report prepared by Montagu Evans, a qualified chartered surveyors familiar with the market for such assets. As such, the asset has been categorised as Level 3 based on third party valuations. The report takes into consideration such factors as economic outlook, investor sentiment, inflationary pressures and comparisons to other similar properties on the market.

ALL AMOUNTS IN £'000s UNLESS OTHERWISE STATED

8. Net interest income

Interest income is made up as follows:

	2022	*2021*
Interest income		
Loans, advances and overdrafts	41,935	*26,598*
Professional market placements and debt securities	30,015	*6,558*
	71,950	***33,156***

The amount recorded in interest arising on financial assets at fair value through profit and loss is £564,000 *(2021: £770,000)*.

Interest expense is made up as follows:

	2022	*2021*
Interest expense		
Deposits from banks and other deposits	(34,967)	*(9,924)*
Subordinated loans	(3,147)	*(2,137)*
Interest on lease liabilities	(187)	*(187)*
	(38,301)	***(12,248)***

During the year, the Bank held a portfolio of Euro denominated repurchase agreements for which it is charged negative interest rates. The amount of £537,813 *(2021: £1,469,500)* is being classified as interest expense for the year.

9. Net fee and commission income

Fee and commission income from contracts with customers in the scope of IFRS 15 is made up as follows:

	2022	*2021*
Fee and commission income		
Trade services:		
Documentary credit and trade finance fees	18,704	*13,641*
Guarantees	626	*676*
Banking payments and services	1,553	*2,396*
Term lending (other than amounts which form part of the effective interest rate)	770	*789*
	21,653	***17,502***
Fee and commission expense		
Brokerage and other fees	**(4,035)**	***(1,599)***

ALL AMOUNTS IN £'000s UNLESS OTHERWISE STATED

10. Net trading income

Net trading income is made up as follows:

	2022	2021
Foreign exchange dealing	8,509	4,068
Realised losses - Debt securities held at FVTPL	(1,693)	(195)
Unrealised fair value movements - Debt securities held at FVTPL	(76)	(409)
Other	(218)	(71)
	6,522	***3,393***

Foreign exchange dealing income includes gains and losses from spot and forward contracts, options and translated foreign currency assets and liabilities.

11. Other operating income

Other operating income is made up as follows:

	2022	2021
Realised (loss)/gains - Debt securities at FVOCI	(646)	1,115
Rental Income	278	273
Dividends from equity shares and investment funds measured at FVOCI	108	227
Other operating loss	(208)	(96)
Net Interest Income from defined benefit pension scheme	112	21
	(356)	***1,540***

12. Business Line review

As at 31 December 2022, the Bank has three active business lines which comprise its principal operating departments. While sharing customers in common, the departments offer different products and services with different risk and operational characteristics. Internal management information is constructed to measure separately the operational and risk characteristics of these departments, together with the resources they consume, and the financial results that they produce. Business decisions are made with reference to risk adjusted return on capital.

During 2021 the Bank announced its exit from the Commodity Finance product, which was completed by May 2022. Although Commodity Finance is presented as a separate reporting line below, as set out in Note 5 the exit of Commodity Finance does not represent a discontinued operation under IFRS 5.

The summary below describes the operations of each of the Bank's business lines:

Active business lines:

- Trade Finance: the provision of core trade finance instruments supporting export and import customers.
- Real Estate Lending: the Bank provides tailored repayments facilities to investors in respect of commercial and high value residential properties.
- Treasury: In addition to servicing the Bank's own funding and market risk management requirements, Treasury provides access to the international financial markets for the Bank's customers and assumes a limited amount of market risk by way of own account trading activities.

The Bank also offers Banking Services by acting as a banking correspondent for key clients providing tailored account and international payment services. Banking services compliment trade finance services.

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Legacy business:

- Commodity Finance: the provision of short-term secured facilities to commodity companies supporting trading activities.
- Structured finance: relates to legacy transactions which are being run off.

Other:

- This represents items not specifically allocated to the Bank's business lines, principally rental income, returns on investments, foreign exchange revaluation.

Information regarding the results of each business line is included below. Performance is measured based on net business line profit as included in the internally generated management information and is stated after charging (or crediting) interest between business lines in respect of the assets or liabilities which either require or generate funding. There are no other significant transactions between business lines.

Operating income before allowance for credit losses by business line is as follows:

					Legacy			
31 December 2022	**Trade Finance**	**Real Estate**	**Banking**	**Treasury**	**Commodity Finance**	**Structured Finance**	**Other**	**Total**
Net Interest Income	8,445	9,799	8,617	6,449	147	379	(187)	33,649
Net fee and commission income	15,953	283	1,323	(117)	172	4	-	17,618
Net trading income	-	-	-	6,522	-	-	-	6,522
Other operating income	-	-	-	(646)	-	-	290	(356)
Total Operating Income	**24,398**	**10,082**	**9,940**	**12,208**	**319**	**383**	**103**	**57,433**

					Legacy			
31 December 2021	***Trade Finance***	***Real Estate***	***Banking***	***Treasury***	***Commodity Finance***	***Structured Finance***	***Other***	***Total***
Net interest income	*5,309*	*9,326*	*479*	*3,402*	*1,633*	*946*	*(187)*	*20,908*
Net fee and commission income	*12,394*	*713*	*1,399*	*(50)*	*1,410*	*37*	*-*	*15,903*
Net trading income	*-*	*-*	*-*	*3,393*	*-*	*-*	*-*	*3,393*
Other operating income	*-*	*-*	*-*	*1,115*	*-*	*-*	*425*	*1,540*
Total Operating income	***17,703***	***10,039***	***1,878***	***7,860***	***3,043***	***983***	***238***	***41,744***

The analysis of total operating income below is based on the location of the customer giving rise to the revenue. Revenue from the Bank's main shareholder market of Libya is included within MENA and comprises 16% of the total *(2021: 20%).*

	2022	*2021*
United Kingdom	11,479	*11,337*
Europe / Americas (excl. UK)	3,863	*3,809*
MENA (incl Libya)	9,553	*9,378*
Sub - Saharan Africa	13,435	*10,320*
Asia, Levant and Other	18,991	*6,879*
	57,321	***41,723***

ALL AMOUNTS IN £'000s UNLESS OTHERWISE STATED

13. Allowance for credit losses

The below table shows the movement in impairment provisions on loans and advances to banks and customers at amortised cost, debt securities at fair value though other comprehensive income, and on financial guarantees and other commitments for the year ended 31 December 2022.

31 December 2022	Loans	Debt Securities	Off-balance sheet positions	Other movements	Total
Balance at 1 January	**14,322**	**181**	**2,930**	**-**	**17,433**
Exchange translation	1,444	16	391	-	1,851
New allowances	3,022	-	-	-	3,022
Administrative expenses associated with impaired loans	-	-	-	284	284
Allowances for credit losses	3,022	-	-	284	**3,306**
Reversal of Stage 1&2 allowances booked in previous periods	-	(35)	(65)	-	(100)
Reversal of Stage 3 allowances booked in previous periods	(840)	-	(768)	-	(1,608)
Recoveries of interest from impaired loans	-	-	-	(117)	(117)
Recoveries of amounts written off in previous periods	-	-	-	(4)	(4)
Reversals of allowances and recoveries of amounts written off in previous periods	(840)	(35)	(833)	(121)	**(1,829)**
ECL allowances relating to loans written off in the current year	-	-	-	-	-
Balance at 31 December	**17,948**	**162**	**2,488**		**20,598**
Credit impaired	9,540	-	2,024	-	11,564
Not credit impaired	8,408	162	464	-	9,034
Total credit losses allowance against loans, debt securities and off balance positions	**17,948**	**162**	**2,488**	**-**	**20,598**

31 December 2021	*Loans*	*Debt Securities*	*Off-balance sheet positions*	*Other movements*	*Total*
Balance at 1 January	***60,845***	***420***	***4,479***	***-***	***65,744***
Exchange translation	*59*	*(24)*	*(44)*	*-*	*(9)*
New allowances	*571*	*-*	*416*	*-*	*987*
Loans reclassed from Stage 3 to Stage 2					*-*
Administrative expenses associated with impaired loans	*-*	*-*	*-*	*258*	*258*
Allowance for credit losses	*571*	*-*	*416*	*258*	*1,245*
Reversal of Stage 1&2 allowances booked in previous periods	*(2,563)*	*(215)*	*(176)*	*-*	*(2,954)*
Reversal of Stage 3 allowances booked in previous periods	*(7,471)*		*(1,745)*	*-*	*(9,216)*
Recoveries of interest from impaired loans	*-*	*-*	*-*	*(271)*	*(271)*
Recoveries of amounts written off in previous periods	*(547)*	*-*	*-*	*-*	*(547)*
Reversals of allowances and recoveries of amounts written off in previous periods	*(10,581)*	*(215)*	*(1,921)*	*(271)*	*(12,988)*
Reclassification of exposure from off balance sheet to on balance sheet		*-*		*-*	*-*
ECL allowances relating to loans written off in the current year	*(36,572)*	*-*	*-*	*-*	*(36,572)*
Balance at 31 December	***14,322***	***181***	***2,930***		***17,433***
Credit impaired	*8,171*	*-*	*2,455*	*-*	*10,626*
Not credit impaired	*6,151*	*181*	*475*	*-*	*6,807*
Total credit losses allowance against loans, debt securities and off balance positions	***14,322***	***181***	***2,930***	***-***	***17,433***

The reconciliation from the opening to the closing balance of the allowance for credit losses by class of financial instrument are showed in Note 17, Note 18 and Note 30 respectively. The basis for determining transfers due to changes in credit risk is set out in our accounting policy Note 3(k).

The contractual amount outstanding on financial assets that were written off during the reporting period and are still subject to enforcement activity was *Nil* (*2021: £5,644,000*).

The Bank is active in wholesale markets. Accordingly, its portfolio of financial assets comprises a relatively small number of individually significant claims, rather than a large number of individually insignificant claims as would be the case for financial institutions acting in retail markets. This means that each claim due to the Bank is subject to individual impairment review at the reporting date taking account of the factors described in Note 3(k).

Impairment loss allowances on not credit-impaired financial assets and off-balance sheet exposures are made up by 12-month ECL (Stage 1) and lifetime ECL (Stage 2), and total £7,822,000 for 2021 (*2021: £6,807,000).*

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Further information with regards to impaired and other facilities is shown in the table below. There was a total of 12 impaired facilities at 31 December 2021 (*2021: 8 facilities*), with new impairment allowances recognised for 5 of those facilities during the year (*2021: 1 facility*). Of the 12 facilities impaired as at 31 December 2022, 4 facilities had no collateral in place (*2021: 3 facilities*).

	2022		*2021*	
	Number of Facilities	**Gross Exposure ***	*Number of Facilities*	*Gross Exposure **
Impaired facilities				
Total impaired facilities	12	37,564	*8*	*14,120*
Impaired facilities against which there was no collateral	3	7,763	*3*	*7,529*
Of the above:				
Companies in liquidation. Impairment in respect of these facilities £7,000 (*2021: £6,000*)	1	7	*1*	*6*
Waiver on repayments. Impairment in respect of these facilities £6,907,000 (*2021: £6,143,000*)	1	6,907	*1*	*6,143*
Shortfall to be paid on maturing underlying contracts. Impairment in respect of this facility £849,000 (*2021: £1,380,000*)	1	849	*1*	*1,380*
Unimpaired facilities subject to forbearance, restructuring or close monitoring				
Watchlist or substandard facilities subject to closer monitoring than normal	5	39,416	*1*	*12,270*
Breach of covenant, which is being addressed	1	5,687	*10*	*40,433*

* Gross exposure net of cash collateral

Forbearance: as part of its banking and trade services business the Bank may renegotiate loans to customers in financial difficulties (referred to as 'forbearance' activities) to maximise collection opportunities and minimise the risk of default. Loan forbearance may be granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms. The revised terms may include extending the maturity, changing the timing of interest payments, and amending the terms of loan covenants.

'Watchlist' items are so designated where there may have been some deterioration in the financial strength of the counterparty. The Bank may have granted forbearance in such cases or may simply be monitoring the position more closely with no element of forbearance granted.

Impact of multiple economic scenarios on the ECL and sensitivity to alternative assumptions

The ECL recognised in the financial statements reflects the effect on expected credit losses of a range of possible outcomes, calculated on a probability-weighted basis, based on the economic scenarios. The probability-weighted amount is typically a higher number than would result from using only the base economic scenario. Credit losses and defaults typically have a non-linear relationship to the many factors which influence credit losses, such that more favourable macroeconomic factors do not reduce expected losses as much as less favourable macroeconomic factors increase expected losses.

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The sensitivity of ECLs outcome to different assumptions is as follows:

- A 20% increase in the loss given default (LGD) downturn scenario weighting, coupled with a 10% decrease in the weighting of the BAU scenario and a 10% decrease in the optimistic scenario would result in an increase of £0.8 million in the impairment allowance on stage 1 and 2 exposures.

- A 50% increase in the effective interest rate (EIR) would result in an increase of £0.1 in the ECL stage 1 and 2 allowance.

- If loan to value ratios on real estate exposures are 20% higher the amount of the impairment on stage 1 and stage 2 which would have been charged in 2022 in respect of those loans would have been increased by £1.6 million.

- A 20% increase in probability of default (PD) on trade finance exposures would result in an increase in the ECL stage 1 and 2 allowance of £0.8 million.

During 2022 management continued to review the performance of the Bank's exposures and its ECL models and determined that the modelling uncertainty resulting from the Covid-19 pandemic (for which the Bank included an overlay to its ECL calculation in 2020 and 2021) no longer impacts the Bank's ECL model hence there was no overlay charged in 2022. The charge in the income statement in 2021 in respect of the overlay amounted to £133,000.

14. Administrative expenses

	2022	*2021*
Staff costs:		
Salaries and other emoluments	20,905	*18,385*
Social security costs	2,703	*2,355*
Other pension costs:		
Pension Running costs for both schemes	399	*273*
Defined contribution scheme	1,832	*1,799*
Total staff employment costs	**25,839**	***22,812***
Reorganisation costs	461	*792*
Other employment related costs	1,968	*1,401*
Total staff costs	**28,268**	***25,005***
Fees payable to the Bank's auditors for the audit of the Bank's annual financial statements	669	*494*
Fees payable to the Bank's auditors for other services :		
Other services pursuant to legislation	10	*10*
Depreciation (including amortisation of intangibles)	2,753	*2,544*
Loss on sale of tangible assets	28	*9*
Regulatory supervision fees	94	*103*
Other administrative expenses		
Premises & Technology	5,137	*5,205*
Legal & Professional	2,074	*2,581*
Other	2,998	*2,833*
Administrative expenses	**42,031**	***38,784***

The average number of employees in place during the year was 195 (*2021: 201*).

The fees payable to the Bank's auditors included above include overrun fees for prior year audits of £80,000 in 2022 and £66,000 in 2021.

Directors' remuneration included above totalled £1,346,274 *(2021: £1,285,042)*. The emoluments of the highest paid director were £596,745 *(2021: £545,656)*. There were no pension contributions for any directors during the year *(2021: Nil)*.

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15. Income tax

	2022	*2021*
Current tax		
Total UK corporation tax charge	662	*1,167*
Current tax adjustment in respect of previous periods	(617)	*14*
Deferred tax (Note 22)		
Origination and reversal of timing differences	583	*565*
Effect of tax rate change	32	*(213)*
Deferred tax adjustment in respect of unused losses	(1,835)	*135*
	(1,220)	*487*
Total income tax charge	**(1,175)**	*1,668*

The tax charge on the profit for the year is based on the average UK corporation tax rate of 19% (2021: 19%). The Finance Act 2021 enacted an increase in corporation tax to 25% with effect from 1 April 2023. This change was enacted by the reporting date and hence is applied to temporary differences in the relevant periods in which management has reasonable expectation that they will reverse.

The tax charge for the year is lower *(2021: lower)* than the charge resulting from applying the standard rate of UK corporation tax. The differences are explained below:

	2022	*2021*
Profit on ordinary activities before tax	**13,925**	*14,703*
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK	2,646	*2,794*
Effects of:		
Adjustment in respect of previous periods	(617)	*14*
Effect of change in tax rate	32	*(213)*
Non taxable income	(25)	*(47)*
Non deductible items	236	*1,054*
Prior period losses recognised as a deferred tax asset	(1,835)	*135*
Previously unrecognised losses utilised during the year	(1,612)	*(2,069)*
Total income tax charge	**(1,175)**	*1,668*

Income tax recognised in other comprehensive income is made up as follows:

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	2022 Before tax	Tax	Net of tax	2021 Before tax	Tax	Net of tax
Actuarial (loss)/gain on pension fund	(4,161)	731	(3,430)	*3,231*	*(614)*	*2,617*
Change in fair value of equity investments designated at FVOCI	(376)	79	(297)	*(138)*	*26*	*(112)*
Change in fair value of debt securities designated at FVOCI	(14,178)	3,303	(10,875)	*(3,924)*	*620*	*(3,304)*
Fair value (gains)/losses attributable to FVOCI financial assets transferred to income	(646)	46	(600)	*1,130*	*(69)*	*1,061*
Change in valuation of PPE	7,851	(1,963)	5,888	-	-	-
	(11,510)	**2,196**	**(9,314)**	***299***	***(37)***	***262***

During 2021 and 2022 all the tax charge is due on transactions recorded and undertaken in the United Kindom. No public subsidies were received during the reporting year.

16. Derivatives

Derivative positions at 31 December were as follows:

	Contract amount	31 December 2022 Positive fair values (Assets)	Negative fair values (Liabilities)
Spot and forward foreign exchange contracts held for trading purposes	658,834	378	507
Interest futures held for trading purposes	95,635	966	-
		1,344	**507**

	Contract amount	*31 December 2021 Positive fair values (Assets)*	*Negative fair values (Liabilities)*
Spot and forward foreign exchange contracts held for trading purposes	*265,372*	*540*	*1,123*
Interest futures held for trading purposes	*152,336*	*76*	*145*
		616	***1,268***

The Bank's activities expose it primarily to the financial risk of changes in foreign currency exchange rates, and interest rates. The Bank uses foreign exchange forward contracts and options and futures, and similar instruments to hedge these exposures. Derivative positions may also be held for trading purposes.

The Bank monitors derivative portfolios, and based upon the credit quality of counterparties, and the short-term maturity profile of contracts has concluded that no XVA adjustment is required.

Foreign exchange risk

A spot foreign exchange transaction is an agreement between two parties to buy one currency against selling another currency at an agreed price for settlement on the spot date.

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A forward foreign exchange contract is an agreement by which a fixed amount of one currency is exchanged for a fixed amount of a different currency on a specified future date. The contract amount in the table above is the amount receivable.

A foreign exchange option contract is an agreement that gives the right but not the obligation to exchange money denominated in one currency into another currency at a pre-agreed exchange rate on a specified date. Foreign exchange options at fair value through the profit and loss represent either contracts executed for customers against similar contracts with market counterparties, or else represent trading positions.

Interest rate risk

Interest rate futures are exchange traded contracts whose price is determined by reference to changes in interest rates between the date the contract is entered into, and the valuation date, calculated in respect of notional deposits with future start and maturity dates. Interest rate futures at fair value through the profit and loss account comprise economic hedges against fixed rate banking book positions. Interest rate futures held for trading comprise economic hedges against trading book positions.

Derivatives entered into by the Bank are in accordance with standard market terms.

17. Loans and advances to banks

	2022	*2021*
Funds held at correspondent banks	21,348	*19,334*
Professional market placements	132,689	*149,449*
Term lending	259,906	*68,643*
Bills discounted	344,129	*346,214*
Overdrafts and other advances	616	*6,334*
Less: Provisions for impairments	(3,504)	*(1,131)*
	755,184	***588,843***

The following tables show the gross carrying amount and impairment loss allowances subject to 12 month and lifetime ECL on loans and advances to banks at amortised cost at 1 January 2022 and at 31 December 2022.

The opening gross carrying amount and impairment loss allowance on loans and advances to banks at amortised cost is presented as those subject to 12 month and lifetime ECL measurement. The Bank had no financial assets that were initially purchased or originated credit-impaired during the year ended 31 December 2021 and 2022.

Gross exposure	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Funds held at correspondent banks	21,348	-	-	21,348
Professional market placements	132,689	-	-	132,689
Term lending	259,906	-	-	259,906
Bills discounted	339,031	5,098	-	344,129
Overdrafts and other advances	616	-	-	616
Total	**753,590**	**5,098**	**-**	**758,688**

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Impairment allowance	Stage 1	Stage 2	Stage 3	Total
Funds held at correspondent banks	(2)	-	-	(2)
Professional market placements	(7)	-	-	(7)
Term lending	(3,370)	-	-	(3,370)
Bills discounted	(91)	(31)	-	(122)
Overdrafts and other advances	(3)	-	-	(3)
Total	**(3,473)**	**(31)**	**-**	**(3,504)**

Net Exposure	Stage 1	Stage 2	Stage 3	Total
Funds held at correspondent banks	21,346	-	-	21,346
Professional market placements	132,682	-	-	132,682
Term lending	256,536	-	-	256,536
Bills discounted	338,940	5,067	-	344,007
Overdrafts and other advances	613	-	-	613
Total	**750,117**	**5,067**	**-**	**755,184**

31 December 2021

Gross exposure	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Funds held at correspondent banks	*19,334*	-	-	*19,334*
Professional market placements	*149,449*	-	-	*149,449*
Term lending	*68,643*	-	-	*68,643*
Bills discounted	*346,214*	-	-	*346,214*
Overdrafts and other advances	*6,334*	-	-	*6,334*
Total	*589,974*	-	-	*589,974*

Impairment allowance	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Funds held at correspondent banks	*(2)*	-	-	*(2)*
Professional market placements	*(12)*	-	-	*(12)*
Term lending	*(385)*	-	-	*(385)*
Bills discounted	*(728)*	-	-	*(728)*
Overdrafts and other advances	*(4)*	-	-	*(4)*
Total	*(1,131)*	-	-	*(1,131)*

Net Exposure	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Funds held at correspondent banks	*19,332*	-	-	*19,332*
Professional market placements	*149,437*	-	-	*149,437*
Term lending	*68,258*	-	-	*68,258*
Bills discounted	*345,486*	-	-	*345,486*
Overdrafts and other advances	*6,330*	-	-	*6,330*
Total	*588,843*	-	-	*588,843*

The following table shows the reconciliation from the opening to the closing balance of the impairment loss allowance.

	Provision for impairments			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance as at 31 December 2021	1,131	-	-	1,131
New financial assets originated or purchased	1,927	27	-	1,954
Financial assets that have been derecognised	(1,271)	-	-	(1,271)
Impact of change in PD modelling	1,545	4	-	1,549
Foreign exchange and other movements	141	-	-	141
Balance as at 31 December 2022	**3,473**	**31**	**-**	**3,504**

ALL AMOUNTS IN £'000s UNLESS OTHERWISE STATED

	Provision for impairments			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 31 December 2020	*1,600*	*25*	*900*	*2,525*
Change in other risk parameter (incl change in account balances)	*1*	-	-	*1*
New financial assets originated or purchased	*1,132*	-	-	*1,132*
Financial assets that have been derecognised	*(1,579)*	*(25)*	-	*(1,604)*
Write-offs	-	-	*(908)*	*(908)*
Foreign exchange and other movements	*(23)*	-	*8*	*(15)*
Balance as at 31 December 2021	*1,131*	-	-	*1,131*

18. Loans and advances to customers

	2022	*2021*
Term and Real Estate lending	477,283	*459,528*
Overdrafts and other advances	941	*38,199*
Less: Provisions for impairments	(14,444)	*(13,191)*
	463,780	***484,536***

The following tables show the gross carrying amount and impairment loss allowances subject to 12 month and lifetime ECL on loans and advances to customers at amortised cost at 31 December 2021 and at 31 December 2022.

The opening gross carrying amount and impairment loss allowance on loans and advances to banks at amortised cost is presented as those subject to 12 month and lifetime ECL measurement. The Bank had no financial assets that were initially purchased or originated credit-impaired during the years ended 31 December 2021 and 2022.

31 December 2022

Gross exposure	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Term and Real Estate lending	378,834	64,478	33,971	477,283
Overdrafts and other advances	63	-	878	941
Total	**378,897**	**64,478**	**34,849**	**478,224**

Impairment allowance	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Term and Real Estate lending	(856)	(4,048)	(9,018)	(13,922)
Overdrafts and other advances	-	-	(522)	(522)
Total	**(856)**	**(4,048)**	**(9,540)**	**(14,444)**

Net Exposure	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Term and Real Estate lending	377,978	60,430	24,953	463,361
Overdrafts and other advances	63	-	356	419
Total	**378,041**	**60,430**	**25,309**	**463,780**

31 December 2021

Gross exposure	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Term and Real Estate lending	*379,176*	*69,314*	*11,038*	*459,528*
Overdrafts and other advances	*38,199*	-	-	*38,199*
Total	*417,375*	*69,314*	*11,038*	*497,727*

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Impairment allowance	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Term and Real Estate lending	*(599)*	*(4,388)*	*(8,171)*	*(13,158)*
Overdrafts and other advances	*(33)*	*-*	*-*	*(33)*
Total	*(632)*	*(4,388)*	*(8,171)*	*(13,191)*

Net Exposure	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Term and Real Estate lending	*378,577*	*64,926*	*2,867*	*446,370*
Overdrafts and other advances	*38,166*	*-*	*-*	*38,166*
Total	*416,743*	*64,926*	*2,867*	*484,536*

The following tables show reconciliations from the opening to the closing balance of the impairment loss allowance.

	Provision for impairments			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance as at 31 December 2021	632	4,388	8,171	13,191
Transfer out of Stage 1	(174)	-	-	(174)
Transfer to Stage 2	-	1,409	-	1,409
Transfer out of Stage 2	-	(551)	-	(551)
Transfer to Stage 3	-	-	1,370	1,370
Change in other risk parameter (incl change in account balances)	69	(1,436)	(275)	(1,642)
New financial assets originated or purchased	130	-	-	130
Financial assets that have been derecognised	(68)	(7)	(571)	(646)
Impact of change in PD modelling	246	(189)	-	57
Foreign exchange and other movements	21	434	845	1,300
Balance as at 31 December 2022	**856**	**4,048**	**9,540**	**14,444**

	Provision for impairments			
	Stage 1	*Stage 2*	*Stage 3*	*Total*
Balance as at 31 December 2020	*1,342*	*5,764*	*51,214*	*58,320*
Transfer to Stage 2	*87*	*(601)*	*-*	*(514)*
Transfer to Stage 3	*-*	*-*	*571*	*571*
Change in other risk parameter (incl change in account balances)	*(605)*	*(511)*	*(7,080)*	*(8,196)*
New financial assets originated or purchased	*10*	*-*	*-*	*10*
Financial assets that have been derecognised	*(200)*	*(302)*	*-*	*(502)*
Write-offs	*-*	*-*	*(36,572)*	*(36,572)*
Foreign exchange and other movements	*(2)*	*38*	*38*	*74*
Balance as at 31 December 2021	*632*	*4,388*	*8,171*	*13,191*

As at 31 December 2022 loans and advances to customers are not subject to any ECL model overlay. As at 31 December 2021 loans and advances to customers, which are subject to the ECL model overlay, amount to £38.9 million and the related overlay charged to the income statement amounted to £133,000.

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19. Financial investments

	2022	*2021*
Debt issued by governments and multilateral development banks designated as FVOCI	1,383,707	*1,036,703*
Other listed debt securities issued by banks designated as FVOCI	278,007	*401,151*
Other listed debt securities issued by non-banks designated as FVOCI	23,340	*3,595*
Debt securities designated as FVTPL	4,037	*8,554*
Total debt securities	**1,689,091**	***1,450,003***
Equity shares and investment funds designated at FVOCI	**5,909**	***6,285***
	1,695,000	***1,456,288***

Debt securities with fixed interest rates (other than those with a single interest period less than 1 year) amounted to £34,699,000 *(2021: £61,655,000).*

Equity shares comprise long-term participations of not more than 10% of the share capital of the following company: International Company for Leasing SAE: 1,727,999 ordinary shares of Egyptian Pounds 10.

Investment funds comprise long-term participations in limited partnership investment funds managed by third parties, whose purpose is to identify growing companies in the Middle East North Africa region.

Equity shares and investment funds are categorised by the Bank as “Level 3” investments (see Note 7). The movements on these investments were as follows:

	2022	*2021*
Balance at 1 January	6,285	*6,423*
Changes in fair value during the year	(376)	*(138)*
Balance at 31 December	**5,909**	***6,285***
Comprising:		
Equity shares	2,067	*2,849*
Investment funds	3,842	*3,436*
	5,909	***6,285***

As at 31 December 2022 the Bank has a commitment in respect of uncalled capital in one of its investment funds of £2,500,000 (*2021: £2,200,000*).

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20. Property, plant and equipment, and intangible assets

	Property, plant and equipment			Intangible assets	
	Long leasehold premises and improvements	Other assets	Total	Computer software	Total
Balance at 31 December 2021					
At cost	30,362	3,035	33,397	13,302	46,699
Work in progress at cost	20	-	20	-	20
Accumulated depreciation	(11,074)	(2,624)	(13,698)	(5,720)	(19,418)
Balance at 31 December 2021	**19,308**	**411**	**19,719**	**7,582**	**27,301**
Additions during the year	466	86	552	853	1,405
Revaluation during the year	7,851	-	7,851	-	7,851
Disposals during the year - Cost	(20)	(1,418)	(1,438)	(375)	(1,813)
Disposals during the year - Accumulated Depreciation	-	1,396	1,396	106	1,502
Depreciation Charge for the year	(684)	(125)	(809)	(1,944)	(2,753)
Movement to 31 December 2022	7,613	(61)	7,552	(1,360)	6,192
At fair value	22,000	-	22,000	-	22,000
At cost	4,810	1,703	6,513	13,229	19,742
Work in progress at cost	452	-	452	551	1,003
Accumulated depreciation	(341)	(1,353)	(1,694)	(7,558)	(9,252)
Balance at 31 December 2022	**26,921**	**350**	**27,271**	**6,222**	**33,493**

	Property, plant and equipment			*Intangible assets*	
Cost	*Long leasehold premises and improvements*	*Other assets*	*Total*	*Computer software*	*Total*
Balance at 1 January 2021	*21,031*	*2,891*	*23,922*	*13,375*	*37,297*
Reclassified from prepayments	*9,261*	*-*	*9,261*	*-*	*9,261*
Additions during the year	*90*	*184*	*274*	*540*	*814*
Disposals during the year	*-*	*(40)*	*(40)*	*(613)*	*(653)*
At 31 December 2021	*30,382*	*3,035*	*33,417*	*13,302*	*46,719*
Less: accumulated depreciation and amortisation					
Balance at 1 January 2021	*9,290*	*2,512*	*11,802*	*4,395*	*16,197*
Reclassified from prepayments	*1,318*	*-*	*1,318*	*-*	*1,318*
Charge for the year	*466*	*140*	*606*	*1,938*	*2,544*
Disposals during the year	*-*	*(28)*	*(28)*	*(613)*	*(641)*
At 31 December 2021	*11,074*	*2,624*	*13,698*	*5,720*	*19,418*
Net book value at 31 December 2021	***19,308***	***411***	***19,719***	***7,582***	***27,301***

The long leasehold premises are at 8-10 Mansion House Place, London EC4N 8BJ. The net book value of £26,921,000 *(2021: £19,308,000)*, including improvements, includes the lease of land, for which a premium has been prepaid and at balance sheet date amounts to £7,818,000 *(2021: £7,880,000)*.

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On 14th July 2022 the Bank received a valuation report from Montagu Evans LLP in connection with Mansion House Place prepared by qualified chartered surveyors familiar with the market for such assets estimating that the market value of the property is valued at £27,200,000. Subsequently the Bank elected to adopt the revaluation model under IAS 16 resulting in a revaluation surplus of £12.6m (£9.5m after deferred taxation) being credited to the Bank's revaluation reserve. Under typical market conditions valuations are carried out annually, however, as the UK economy suffered market shocks in Q3 2022 market conditions at the Bank's financial year end are deemed to be materially different from 30th June 2022 and an updated valuation was performed in early January 2023 for December 2022. The updated independent valuation estimated that the market value of the property at £22,000,000. This updated valuation has been adopted by the Bank in 2022 and is reflected in the net book value above. Under the cost model the carrying value of MHP as at 31 December 2022 would be £14,360,000.

Depreciation is calculated on the basis of revalued amount less residual value over the remaining useful life. The revalued amount will be depreciated over the asset's remaining useful life. The remaining useful life of Mansion House Place is currently 27 years (based on an original useful life of 50 years). The revaluation has thus increased the depreciation charge to the income statement by £458,000 per annum.

Right-of-use assets in respect of leasehold premises and leases relating to representative offices of £12,271,000 *(2021: £12,376,000)* is included within the category of long leasehold premises and improvements.

Other assets comprise of: technology hardware; furniture, fixtures and fittings; and motor vehicles.

Additions during the year of £939,000 (*2021: £724,000)* including expenditure of Nil *(2021: £150,000)* related to Enterprise Architecture intangible assets for the core banking system. In evaluating the recoverable amount of intangible assets, the Directors have considered future profitability of the Bank.

The original cost of fully depreciated tangible and intangible assets still in use by the Bank at year end was £5,519,235 *(2021: £6,676,000).*

There were commitments for capital expenditure on 31 December 2022 of £279,000 *(2021: £573,000)*.

21. Lease commitments

Leases as Lessee

The Bank leases their main office at 8-10 Mansion House Place and representative offices in Libya, Algeria and Ivory Coast.

In respect to the main office at Mansion House Place a lease premium has been prepaid over the lease term (Note 20). The Bank has obligations to make payments for ground rent in its capacity as lessee and is entitled to rental and service charge receipts in its capacity as sub-lessor. The ground rent is re-negotiated every five years to reflect market rentals and is recognised as a right-of use asset and lease liability.

The lease contract terms for the Bank’s representative offices in Libya, Algeria and Ivory Coast are less than one year. These leases are short-term, and the Bank has elected not to recognise right-of use assets and lease liabilities for these leases.

Information about leases for which the Bank is a lessee is presented below.

Right-of-use assets

Right-of-use assets related to the ground rent of the main office and representative offices that are presented with property and equipment (see Note 20).

Right-of-use assets	**2022**	**2021**
Balance as at 1 January	12,376	12,477
Additions	12	-
Depreciation charge for the year	(103)	(101)
Balance as at 31 December	**12,285**	**12,376**

Lease liabilities are disclosed with Other liabilities, accruals, and deferred income (Note 25).

ALL AMOUNTS IN £'000s UNLESS OTHERWISE STATED

Lease liability	2022	2021
Balance as at 1 January	4,645	4,696
Additions	12	-
Lease payable	(192)	(237)
Interest on lease liabilities	187	187
Balance as at 31 December	**4,652**	**4,646**

Amounts recognised in statement of comprehensive income are as follows:

Amounts recognised in the income statement	2022	2021
Depreciation charge for the year	103	101
Interest on lease liabilities	187	187
Total amount recognsided in the income statement	**290**	**288**

On implementation of IFRS 16 on 1 January 2019 when measuring lease liabilities for operating leases, the Bank discounted lease payments using the interest rate implicit in the lease or if that rate cannot be determined the Bank's incremental borrowing rate. The weighted average rate applied is 4%.

Amounts recognised in the cashflow statement	2022	2021
Right of use payments made in the year	**6**	4

Contractual maturity profile of lease payables	2022	2021
Less than 1 year	290	279
Between two and five years	385	376
Over 5 years	22,731	22,919
	23,406	**23,574**

The Bank's lease on Mansion House Place is renewable every 5 years until 2147, the next renewal is due in January 2025. Under the terms of the lease the Bank is committed to pay a minimum rent based on the market rental value of the property as well as a percentage of annual net rents received. The cashflows included above as payable after January 2025 are an estimate based on the undiscounted value of the lease liability, the negotiated terms may differ from this estimate.

Lease as lessor

The Bank sub-leases part of the building under a finance lease agreement in its capacity as a lessor.

The following table sets out the maturity analysis of lease receivables showing the undiscounted lease payments to be received.

Contractual maturity profile of lease receivables	2022	2021
Less than 1 year	238	170
Between two and five years	183	-
	421	**170**

ALL AMOUNTS IN £'000s UNLESS OTHERWISE STATED

22. Deferred taxation

	Balance at 1 January 2022	Recognised in Profit or Loss	Recognised in Other Comprehensive Income	Deferred tax assets*	Deferred tax liabilities*	Presented in Pension Surplus
Property, plant and equipment and intangible assets	(399)	(163)	(1,963)	-	(2,525)	-
Unused tax losses loss carried forward	265	1,898	-	2,163	-	-
Tax liability on pension assets (Note 26)	(1,043)	(372)	731	-		(684)
Debt securities classified at fair value through OCI	(472)	-	3,349	2,877	-	-
Equity Investments classified at fair value through OCI	47	-	79	126	-	-
IFRS 9 Transitional adjustment	1,063	(143)	-	920	-	-
		1,220	**2,196**	**6,086**	**(2,525)**	**(684)**

	Balance at 1 January 2021	*Recognised in Profit or Loss*	*Recognised in Other Comprehensive Income*	*Deferred tax assets**	*Deferred tax liabilities**	*Presented in Pension Surplus*
Property, plant and equipment and intangible assets	*(275)*	*(124)*	-	-	*(399)*	-
Staff benefits	*14*	*(14)*	-	-	-	-
Unused tax losses loss carried forward	*400*	*(135)*	-	*265*	-	-
Tax liability on pension assets (Note 26)	*(144)*	*(285)*	*(614)*	-	-	*(1,043)*
Debt securities classified at fair value through OCI	*(1,023)*	-	*551*	-	*(472)*	-
Equity Investments classified at fair value through OCI	*21*	-	*26*	*47*	-	-
IFRS 9 Transitional adjustment	*992*	*71*	-	*1,063*	-	-
		(487)	*(37)*	*1,375*	*(871)*	*(1,043)*

*Deferred tax asset and liability balances are off-settable, within the Statement of financial Position the net position is disclosed, as at 31 December 2022 net deferred tax assets of £3,561,000 (2021: asset of £504,000).

The Bank recognises deferred tax asset for unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised. Based on this criterion, the Bank has recognised a deferred tax asset of £2,163,000 *(2021: £265,000)*. The estimate of future taxable profit has been compiled taking into account the current economic situation and the Bank's risk appetite and thus is reflective of management's best estimates. As at 31 December 2021 the Bank has unused tax losses of £14,723,624 for which no deferred tax asset is recognised in the Statement of Financial Position; these losses do not have a fixed expiry date.

Deferred tax is calculated using the tax rates expected to apply in the years in which the assets will be realised or the liabilities settled. In respect of the deferred tax liability on pension asset a refund of the pension asset to BACB would attract a 35% tax charge however BACB's right to the surplus assets only arises on the gradual settlement of the scheme's liabilities over time. In view of the scheme's duration and the Bank's commitment to fund contributions to the scheme, the deferred tax liability has been calculated using the effective tax rate of 23.5% which management expects to be the rate applicable when the surplus is utilised.

ALL AMOUNTS IN £'000s UNLESS OTHERWISE STATED

23. Prepayments, accrued income, and other debtors

	2022	*2021*
Amounts held in repect of collateral	-	*831*
Prepayments and accrued income	2,054	*1,579*
Other debtors	960	*1,027*
	3,014	***3,437***

24. Deposits

	2022	*2021*
Deposits from banks	2,144,470	*1,876,756*
of which deposits with fixed interest rates	4,883	*55,943*
Other deposits	737,763	*604,750*
of which deposits with fixed interest rates	1,358	*924*

The Bank did not default on any principal or interest, nor did it breach any covenants with respect to its own liabilities during the year.

25. Other liabilities, accruals, and deferred income

	2022	*2021*
Accruals and deferred income	8,944	*6,012*
Lease liability	4,652	*4,645*
Loss allowance provision on financial guarantees and other commitments (Note 30)	2,488	*2,930*
Unsettled trades - payable	-	*764*
Employment related liabilities	828	*731*
Collateral for exchange traded transactions	7,664	*605*
Trade creditors	329	*133*
Other liabilities	2,175	*1,710*
	27,080	***17,530***

26. Pension funds

Defined benefit scheme

The Bank sponsors the Scheme which is a funded defined benefit arrangement, and which closed to future pension accrual during 2014. This is a separate trustee administered fund holding the pension scheme assets to meet long-term liabilities for 250 deferred or pensioner members as at 31 December 2022 *(2021: 256 deferred or pensioner members)*. The level of retirement benefit is based on basic salary at 1 April 2014, or on leaving the scheme if earlier than this, and is linked to changes in inflation up to retirement.

The Scheme is subject to the funding legislation, which came into force on 30 December 2005, outlined in the Pensions Act 2004. This, together with documents issued by the Pensions Regulator and Guidance Notes adopted by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

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The trustees of the Scheme are required to act in the best interest of the Scheme's beneficiaries. The appointment of the trustees is determined by the Scheme's trust documentation. It is policy that at least one third of all trustees should be nominated by the members.

A full actuarial valuation was carried out as at 31 December 2019 in accordance with the scheme funding requirements of the Pensions Act 2004 and the funding of the plan is agreed between the company and the trustees in line with those requirements. These in particular require the surplus / deficit to be calculated using prudent, as opposed to best estimate actuarial assumptions. This actuarial valuation showed a deficit of £7,805,000. The company has agreed with the trustees that it will aim to eliminate the deficit over a period of 4 years and 4 months from 31 December 2019 by the payment of annual contributions of £1,472,000, in monthly instalments, from 1 November 2020 until 30 April 2024.

The Bank has considered the impact of IFRIC 14 and concluded that the Bank would have an unconditional right to any residual surplus from the Scheme.

For the purposes of IAS19 the actuarial valuation as at 31 December 2019 has been updated on an approximate basis to 31 December 2021. There have been no changes in the valuation methodology adopted for this year's disclosures compared to the previous year's disclosures.

Amounts included in the statement of financial position

	2022	*2021*
Fair value of Scheme assets	55,662	*85,080*
Present value of defined benefit obligation	(52,759)	*(79,600)*
Related taxes payable on surplus	(684)	*(1,043)*
Net Surplus in the Scheme - net asset	**2,219**	***4,437***

The present value of Scheme liabilities is measured by discounting the best estimate of future cash flows to be paid out by the Scheme using the projected unit credit method. The value calculated in this way is reflected in the net asset on the statement of financial position as shown above. Consistent with the Bank's strategy to reduce future risk, the Scheme has purchased insurance policies to match the liabilities in relation to the pensioner members.

The projected unit credit method is an accrued benefits valuation method in which allowance is made for projected earnings increases. The accumulated benefit obligation is an alternative actuarial measure of the Scheme liabilities, whose calculation differs from that under the projected unit credit method in that it includes no assumption for future earnings increases. In assessing this figure for the purpose of these disclosures, allowance has been made for future statutory revaluation of benefits up to retirement. At the statement of financial position date the accumulated benefit obligation was £52,759,000 (i.e. the same as the defined benefit obligation).

All actuarial gains and losses will be recognised in the year in which they occur in Other Comprehensive Income (OCI).

In order to enhance the disclosure in respect of Bank's net surplus attributable from the pension scheme, the related taxes payable in respect of the distribution of the pension surplus are being presented together with the scheme's assets and present value of the defined benefit obligation. To ensure consistency of presentation, the December 2021 disclosures have been amended accordingly.

ALL AMOUNTS IN £'000s UNLESS OTHERWISE STATED

Reconcilation of opening and closing present value of the Defined Benefit Obligation

	2022	*2021*
Defined benefit obligation at start of period	79,600	*84,080*
Interest expense	1,399	*1,148*
Actuarial losses due to scheme experience	6,663	*(1,287)*
Effect of changes in demographic assumptions	(59)	*(161)*
Effect of changes in financial assumptions	(31,093)	*(50)*
Benefits paid and expenses	(3,751)	*(4,130)*
Defined benefit obligation at end of period	**52,759**	***79,600***

The Scheme closed to future accrual on 1 April 2014. The curtailment has been measured at this date based on actuarial assumptions consistent with market conditions at this date. The curtailment measures the reduction in liabilities due to active members' benefits no longer being linked to future salary growth.

Reconciliation of opening and closing values of the Fair Value of Plan Assets

	2022	*2021*
Fair value of scheme assets at start of period	85,080	*84,836*
Interest income	1,511	*1,169*
Return on scheme assets (excluding amounts included in interest income)	(28,650)	*1,733*
Contributions by the Bank	1,472	*1,472*
Benefits paid and expenses	(3,751)	*(4,130)*
Fair value of scheme assets at end of period	**55,662**	***85,080***

The actual return on the Scheme's assets over the year ended 31 December 2022 was negative £27,139,000 (*2021: £2,902,000)*.

Defined benefit income recognised in Profit and Loss

	2022	*2021*
Net interest income	112	*21*
Defined benefit income recognised in profit and loss	**112**	***21***

Defined benefit costs recognised in other Comprehensive Income

	2022	*2021*
Return on scheme assets (excluding amounts included in interest income) - (loss)/gain	(28,650)	*1,733*
Experience gains arising on the defined benefit obligation	(6,663)	*1,287*
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain	59	*161*
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain	31,093	*50*
Total (loss)/gain recognised in other comprehensive income	**(4,161)**	***3,231***

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Assets

	2022	*2021*
Liability Driven Investment (LDI)	11,202	*17,877*
Diversified Growth Funds	14,715	*27,103*
Cash	785	*194*
Purchased Annuities	28,960	*39,906*
Total assets	**55,662**	***85,080***

None of the fair values of the assets shown above include any direct investments in the Bank's own financial instruments or any property occupied by, or other assets used by, the Bank. All of the Scheme assets have a quoted market price in an active market with the exception of the Purchased Annuities and the Scheme bank account balance.

It is the policy of the trustees and the Bank to review the investment strategy at the time of each funding valuation. The trustees' investment objectives and the processes undertaken to measure and manage the risks inherent in the Scheme investment strategy are documented in the Scheme's Statement of Investment Principles.

The plan has purchased insurance policies to match the liabilities in relation to the majority of the pensioner members.

Significant Actuarial Assumptions

The weighted-average assumptions used to determine the defined benefit obligation are summarised below:

	2022	*2021*
	% per annum	*% per annum*
Rate of discount	5.00	*1.80*
Inflation (RPI)	3.15	*3.35*
Allowance for revaluation of deferred pensions of RPI or 7.5% p.a. if less	3.15	*3.35*
Allowance for pension in payment increases of RPI or 7.5% p.a. if less	3.15	*3.35*
Allowance for commutation of pension for cash at retirement	75% of Post A-Day	*75% of Post A-Day*

During 2020, the Bank has updated its approach to setting RPI and CPI inflation assumptions in light of the RPI reform proposals published on the 4th September 2019 by the UK Government and UK Statistics Authority. The Bank continues to set RPI inflation in line with the market break-even expectations less an inflation risk premium. In 2022 the Bank maintained the approach followed in 2021 of adjusting the gilt market implied RPI inflation rate by an inflation premium of 0.3% p.a.

The mortality assumptions adopted at 31 December 2021 are 96% of the standard tables S3PMA /S3PFA_M, Year of Birth, no age rating for males and females, projected using CMI_2021 converging to 1.25% p.a. These imply the following life expectancies:

	2022	*2021*
	Life expectancy at age 60 (years)	*Life expectancy at age 60 (years)*
Male retiring in 2019	27.1	*27.1*
Female retiring in 2019	29.1	*29.0*
Male retiring in 2029	27.8	*27.7*
Female retiring in 2029	29.8	*29.8*

ALL AMOUNTS IN £'000s UNLESS OTHERWISE STATED

The following table analyses of the sensitivity to the principal assumptions of the present value of the Defined Benefit Obligation:

Assumption	Change in assumption	Change in liability
Discount rate	Increase of 0.5% p.a.	49,751
Rate of inflation	Increase of 0.25% p.a.	54,376
Rate of mortality	Increase in life expectancy of 1 year	54,305
Rate of mortality	Mortality improvement - long term rate 1% p.a	52,460
Cash commutation	50% of Post A-Day max using current factors	52,761

The sensitivities shown above are approximate. Each sensitivity calculation considers one change in isolation. The inflation sensitivity includes the impact of changes to the assumptions for revaluation and pension increases. The average duration of the defined benefit obligation at the year ended 31 December 2022 is 14 years.

The Scheme typically exposes the Bank to actuarial risks such as investment risk, interest rate risk, mortality risk and longevity risk. A decrease in corporate bond yields, a rise in inflation or an increase in life expectancy would result in an increase to Scheme liabilities. This would detrimentally impact the balance sheet position and may give rise to increased charges in future profit and loss accounts. The trustees have in part managed these risks by securing some pensioner liabilities with insurance policies which exactly match the benefits provided under the Scheme.

The best estimate of contributions to be paid by the Bank to the scheme for the year commencing 1 January 2023 is £1,472,000.

Defined contribution scheme

At 31 December 2022 192 employees *(2021: 183 employees)* were members of the BACB Defined Contribution Retirement Benefit Scheme. Contributions to this Scheme are made by both employer and employee in accordance with a fixed formula. In the year ended 31 December 2022, the Bank paid £1,833,036 (2021: £1,798,720) by way of contributions into that scheme. There were no outstanding or pre-paid contributions to this scheme at 31 December 2022 *(2021: nil)*.

27. Subordinated liabilities

Subordinated loans in issue are denominated in US dollars and Euros and are subordinated in all respects to the claims of other creditors. The loans can only be repaid before their due dates either on liquidation of the borrower after all other claims have been satisfied, or with express permission granted by the Prudential Regulation Authority. The loans, which have been subscribed in full by the Bank's principal shareholder, Libyan Foreign Bank, qualify for inclusion in the Bank's capital base as Tier 2 capital as at 31 December 2022 and bear interest based on inter-bank offered rates for dollar and Euro deposits. The amounts disclosed below include accrued interest.

	2022	*2021*
Due 29 April 2027	20,794	*18,370*
Due 27 October 2027	26,473	*23,388*
Due 17 June 2027	30,392	*28,756*
	77,659	***70,514***

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28. Called up share capital

Authorised share capital comprises 115,000,000 Ordinary Shares of £1 each, 140,000,000 Ordinary Shares of US$1 each and 5,000,000 Deferred Non-Voting Shares of £1 each. Each paid up Ordinary £1 share carries the same rights as each paid up Ordinary $1 share. No rights attach to the Deferred Non-Voting shares until such time as they become paid up.

Issued share capital comprises:

	Number of shares ('000)		Paid up amount	
	2022	*2021*	**2022**	*2021*
Ordinary Shares of £1 each fully paid	31,638	*30,403*	31,638	*30,403*
Ordinary Shares of US$1 each fully paid	115,488	*115,488*	73,954	*73,954*
Deferred Non-Voting Shares of £1 each nil paid	5,000	*5,000*	-	-
	152,126	***150,891***	**105,592**	***104,357***

During 2022, the minority shareholders reinvested their share of the dividend declared by the Bank back into the Bank's share capital. As a result, the Bank's share capital increased by £1,235,000 (2021: Nil).

29. Capital and reserves attributable to the Bank's equity holders

	2022	*2021*
Called up share capital (Note 28)	105,592	*104,357*
Capital redemption reserve	4,104	*4,104*
Other reserves		
Retained earnings	100,794	*99,253*
Revaluation reserve	5,888	-
Fair Value reserve	(9,112)	*2,572*
	97,570	101,825
	207,266	***210,286***

The Capital redemption reserve arose on the purchase and cancellation of issued share capital in 2008.

The fair value reserve arises in respect of changes in the market value of assets categorised as being fair value through other comprehensive income (Note 3(g)) and the revaluation reserve arises from the revaluation of property plant and equipment (Note 3(m)). Neither the fair value reserve nor the revaluation reserve are distributable to the Bank's shareholders.

The Directors have recommended a final dividend for the year ended 31 December 2022 of £6m (*2021: £10m*) to the Bank's next Annual General Meeting.

The Bank is subject to the regulatory capital requirements of the Prudential Regulation Authority. The Bank's objectives in the management of capital are to maintain appropriate levels of capital to support its business strategy and to meet its regulatory requirements. In accordance with the parameters set out in the PRA Rulebook, the Internal Capital Adequacy Assessment Process ("ICAAP") is embedded in the Bank's risk management framework. The Bank did not breach any capital requirements during the year.

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30. Financial guarantees and other commitments

The Bank extends commercial facilities to customers which provide for the issuance of performance guarantees, bid and bail bonds, and other types of guarantees. Financial guarantees and other commitments have been classified and measured in accordance with IFRS 9. This involves measuring the loss allowance provision for financial guarantees and other commitments on a 12 month or lifetime ECL approach.

	2022	*2021*
Financial guarantees	73,580	*96,032*
Other commitments comprise:		
Credit lines and other commitments to lend: original maturity		
under one year	10,401	*51,668*
over one year	3,660	*1,350*
Documentary credits and short-term trade-related transactions	427,865	*322,122*
Own acceptances	3,440	*2,199*
	518,946	***473,371***

The following tables show the contract amount and loss allowance provisions subject to 12 month and lifetime ECL on financial guarantees and other commitments at 31 December 2021 and at 31 December 2022.

Contract amount	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Financial guarantees	67,309	3,556	2,715	73,580
Other commitments	249,919	195,447	-	445,366
Total	**317,228**	**199,003**	**2,715**	**518,946**

Loss allowance provision	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Financial guarantees	(74)	(2)	-	(76)
Other commitments	(170)	(218)	(2,024)	(2,412)
Total	**(244)**	**(220)**	**(2,024)**	**(2,488)**

Contract amount	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Financial guarantees	*89,942*	*3,008*	*3,082*	*96,032*
Other commitments	*376,897*	*442*	*-*	*377,339*
Total	*466,839*	*3,450*	*3,082*	*473,371*

Loss allowance provision	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Financial guarantees	*(172)*	*-*	*(2,455)*	*(2,627)*
Other commitments	*(291)*	*(12)*	*-*	*(303)*
Total	*(463)*	*(12)*	*(2,455)*	*(2,930)*

The following tables show reconciliations from the opening to the closing balance of the contract amount and the loss allowance provision.

	Excepted credit loss provision			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance as at 31 December 2021	463	12	2,455	2,930
Transfer out of Stage 1	(13)	-	-	(13)
Transfer to Stage 2	-	73	-	73
Change in other risk parameter (incl change in account balances)	(121)	(1)	1	(121)
New positions originated or purchased	136	193	-	329
Financial assets that have been derecognised	(304)	-	(703)	(1,007)
Impact of change in PD Modelling	(36)	(58)	-	(94)
Foreign exchange and other movements	119	1	271	391
Balance as at 31 December 2022	**244**	**220**	**2,024**	**2,488**

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	Excepted credit loss provision			
	Stage 1	*Stage 2*	*Stage 3*	*Total*
Balance as at 31 December 2020	*650*	*42*	*3,787*	*4,479*
Transfer from Stage 2	*(2)*	*3*	*-*	*1*
Change in other risk parameter (incl change in account balances)	*(237)*	*(8)*	*457*	*212*
New positions originated or purchased	*251*	*-*	*-*	*251*
Financial assets that have been derecognised	*(173)*	*(24)*	*(1,772)*	*(1,969)*
Foreign exchange and other movements	*(26)*	*(1)*	*(17)*	*(44)*
Balance as at 31 December 2021	***463***	***12***	***2,455***	***2,930***

31. Foreign currency assets / liabilities

Foreign currency assets and liabilities for the Bank were as follows:

31 December 2022	**Sterling**	**Dollars**	**Euro**	**Other currencies**	**Total**
Total assets	727,846	2,126,070	320,685	20,144	3,194,745
Total Liabilities	(507,774)	(2,138,388)	(321,719)	(19,781)	(2,987,662)
Derivatives (at contract notional value)	1,936	27,631	(30,161)	594	-
Total Equity	(207,083)	-	-	-	(207,083)
Net exposures	**14,925**	**15,313**	**(31,195)**	**957**	**-**
Contingent liabilities and other commitments	12,546	317,967	179,598	8,835	518,946

31 December 2021	*Sterling*	*Dollars*	*Euro*	*Other currencies*	*Total*
Total assets	*653,433*	*1,786,154*	*312,937*	*29,480*	*2,782,004*
Total liabilities	*(444,126)*	*(1,785,203)*	*(312,897)*	*(29,492)*	*(2,571,718)*
Derivatives (at contract notional value)	*61,747*	*(26,829)*	*(30,389)*	*(4,529)*	*-*
Total Equity	*(210,286)*	*-*	*-*	*-*	*(210,286)*
Net exposures	*60,768*	*(25,878)*	*(30,349)*	*(4,541)*	*-*
Contingent liabilities and other commitments	*60,846*	*254,941*	*151,033*	*6,551*	*473,371*

The Bank's policies for managing the risk of exchange revaluations on foreign currency assets and liabilities are explained in Note 4.

32. Legal proceedings

On 3rd September 2019 the Bank reached a final settlement with the U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC") regarding alleged historical U.S. dollar bulk funding practices between 2009 and 2014. Under the terms of the 2019 settlement agreement, OFAC made no finding of fault regarding BACB, which did not admit liability for any violations. No further action will be taken against the Bank by OFAC if it meets certain conditions including the payment of £3 million (USD224,840,000 suspended penalty), which was reflected in full in the Statement of Comprehensive Income for the period ended 31 December 2018, and the annual certification of the Bank's sanctions compliance program, which it is acknowledged, could be subject to a degree of subjectivity. All previously in-scope transactions have fallen outside the statute of limitation period as at 27 April 2022.

No further civil or criminal enforcement proceedings are pending or considered to be threatened.

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33. Related parties

The Bank regards the following as being related parties in accordance with IAS24:

a) The Bank regards Libyan Foreign Bank as its parent company. Libyan Foreign Bank and all of its subsidiaries, together with Libyan Foreign Bank's owner, the Central Bank of Libya and all of its subsidiaries, are considered to be related parties. The Bank considers these parties to be in a position to exert significant influence over the Bank. The Bank enters into commercial transactions in the ordinary course of business with these parties on an arm's-length basis. The ultimate parent company of the Bank is the Central Bank of Libya.

b) Key management personnel, including the Bank's Directors, and the members of the Executive Committee and their close family members.

The analysis below sets outs balances with the Bank's parent company and its subsidiaries:

	Parent & Ultimate Controlling Party		Other Subsidiaries	
	2022	*2021*	**2022**	*2021*
Balances outstanding				
Debt securities	-	-	-	*14,811*
Loans and advances	17	*15*	4,237	*38,922*
Deposits	1,175,766	*1,160,887*	296,258	*238,924*
Subordinated liabilities	77,659	*70,514*	-	-
Contingent liabilities and other commitments	12,722	*2,419*	93,562	*76,823*
Included in income statement				
Interest receivable	1	-	209	*137*
Interest payable	(25,186)	*(8,276)*	(823)	*(873)*
Fees and commissions receivable	213	*459*	2,417	*1,996*
Fees and commissions payable	-	-	-	*(12)*
Net trading income	12	-	-	*(34)*

At 31 December 2022 £3,576 was outstanding in respect of interest free loans or interest bearing loans due from key management personnel of the Bank (2021: £nil). No amount was outstanding from any director.

In addition, the Bank has entered into the following related party transactions:

i. The Bank meets the employment costs of executives seconded to it by related parties. The costs of these secondments were £609,327 *(2021: £702,735)*.

ii. Key management personnel compensation:

	2022	*2021*
Directors' remuneration	750	*739*
Executive Managers		
Salaries and other short term benefits	3,315	*2,769*
Termination benefits (including amounts payable during contractual notice periods)	154	*886*
Post-employment benefits to non Directors	107	*118*

ALL AMOUNTS IN £'000s UNLESS OTHERWISE STATED

c) During the year, the Bank received funding from the Libyan Foreign Bank and the Central Bank of Libya. The following tables set out the deposits (excluding subordinated liabilities) at year end:

Funding received	**2022**	*2021*
Libyan Foreign Bank	453,554	*480,024*
Central Bank of Libya	712,652	*678,397*
Total	**1,166,206**	***1,158,421***

Weighted average maturity	*2022*	*2021*
Libyan Foreign Bank	***0.53 years***	*0.51 years*
Central Bank of Libya	***0.12 years***	*0.14 years*

34. Events after the reporting period

OFAC Attestation

The Bank has made its fourth annual certification to OFAC on 1 March 2023 in accordance with its compliance commitments under the 2019 settlement agreement.

Proposed Dividend

During a Board meeting on 10th February 2023 the Directors have recommended a final dividend for the year ended 31 December 2022 of £6m (equivalent to £0.057 per share). The dividend is subject to approval by the Bank's Annual General Meeting which is scheduled in Quarter 2 of 2023.

There are no further matters that have taken place since the year end that require disclosure.

ALL AMOUNTS IN £'000s UNLESS OTHERWISE STATED

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