` Registration No. 05969821

GUARANTY TRUST BANK (UK) LIMITED

Annual Report and Financial Statements
For the year ended 31 December 2022

Guaranty Trust Bank (UK) Limited

Annual report and financial statements for the year ended 31 December 2022

Contents

Guaranty Trust Bank (UK) Limited

Officers and professional advisers

Directors

Olusegun Agbaje	(Chairman)
Babajide Okuntola	(Non-Executive Director)
Gbenga Alade	(Managing Director)
Stuart Orton	(Executive Director) Resigned 23rd September 2022
Paul Gospage	(Executive Director) Appointed 24th November 2022
Christopher Taylor	(Independent Non-Executive Director)
Robert Wild	(Independent Non-Executive Director)

Registered Office

10 Great Castle Street
London
W1W 8LP

Bankers

Citibank
London

NatWest Plc
London

Standard Chartered Bank
London

Auditor

Mazars LLP
Chartered Accountants
30 Old Bailey
London
EC4M 7AU

Directors' Report

The Directors have pleasure in presenting the audited financial statements for the year ended 31 December 2022 of Guaranty Trust Bank (UK) Limited (the "Bank").

Overview and principal activities

The Bank is an authorised banking institution incorporated in the United Kingdom. The Bank is authorised by the Financial Conduct Authority ("FCA") and regulated by the FCA and Prudential Regulation Authority ("PRA"). Any reference made herein to the "Regulator" shall be taken to mean either the FCA or the PRA, as applicable.

The Bank is 100% owned by Guaranty Trust Bank Limited ("GTBank Nigeria" or "the Parent''). The Parent is 100% owned by Guaranty Trust Holding Company Plc ("GTHoldCo"). GTHoldCo together with its subsidiaries are the "Group".

The principal activities include the provision of mortgage lending, trade finance, correspondent banking, personal banking services and deposit taking activities. The Bank continues to be one of the main correspondent banks in the UK, for the Parent bank, and subsidiary banks of the Parent in Africa. In addition, the Bank aims to become the premier African bank for non-resident Africans with business connections in the UK.

The Bank works closely with, and enjoys the benefits of the relationship with GTBank Nigeria and subsidiaries of the Parent, in providing structured trade finance products, and cross selling within the existing customer base of GTBank Limited. The Directors believe that the Bank is well placed as it continues to improve its product and service offerings, with the expectation that this will support its vision and strategy as a member of the Group.

Directors Indemnity

Directors' and Officers' Liability Insurance is maintained by the Bank.

The liability insurance covers defence costs in certain circumstances with respect to any third party liabilities that may arise as a result of their duties as Directors of the Bank. All Directors' indemnities were in place during the year, and will remain in force.

Financial results

The Bank returned to profitability in 2022 and made an after tax profit of £3.9m compared to an after tax loss of £8.3m in 2021, which included the provision of the FCA penalty of £7.7m made in 2021 and settled in January 2023.

Controls framework

The Bank continues to improve the internal controls framework and compliance monitoring through the recruitment of skilled senior staff, and the continued engagement of skilled consultants. The growth of the business is prudently managed within the risk appetite set by the Board. A summary of the Bank's principal risks, and risk management policies are included within the Strategic Report.

The financial statements for the year ended 31 December 2022 are shown on pages 22 to 66.

Going concern

Stress-testing of the Banks capital and liquidity positions forms a key element of its risk management framework and of the Board's assessment of the Bank as a going concern. As such, the firm's ICAAP and ILAAP apply significant stresses to capital and liquidity respectively. These follow the regulator's expectations of idiosyncratic and market-wide stresses and are reviewed periodically by the PRA via CSREP and LSREP. The stresses documented are applied over a five year planning period as directed by the Board. The financial projections of both the ICAAP and ILAAP are reviewed by the Bank's internal audit function. The Board is satisfied that the stresses applied to capital and liquidity, as part of these risk management processes are significant but plausible. The Bank has sufficient capital, liquidity and a business plan to operate as a going concern for a period of at least 12 months from the date of approval of the financial statements. In making this assessment, the Directors have considered a wide range of information including the current cost of living conditions, future projections of profitability, cashflows and capital resources.

Directors' Report (continued)

Cost of living crisis

The global recovery from the coronavirus (COVID-19) pandemic and the ongoing conflict in Russia and Ukraine has put pressure on inflation, resulting in increases in prices of goods and services at the fastest rate over the last four decades. The Bank is acutely aware of the effect this has had on customers. The bank takes its Consumer Duty seriously and has taken measures to ameliorate the effects of the cost of living crisis.
Directors are also monitoring the potential downside risks associated with the impact of economic downturn, and the situation in Ukraine. Following severe stress testing, Directors are satisfied that the Bank has the resources and Capital required to continue to conduct business during an economic slowdown.

Financial Risk Management

The Board is responsible for approving the Bank's Risk Appetite Statement. Executive Management is tasked with ensuring the Bank operates within the defined Risk Model. Directors have considered the risks faced by the Bank as contained in the Strategic report and Note 23 and believe the Bank is poised to withstand negative outcomes it may face.

Dividends

The Directors do not recommend the payment of a dividend (December 2021: £nil).

Charitable donations and political contributions

During the year the Bank made charitable donations of £5,500 to one charity. To note, these were not political contributions. (December 2021: £1,226 to three charities, no political contributions).

Organisation and governance

The Bank's organisation and governance is set out below and its risk management policies are set out in Note 23 to the financial statements.

The Board of Directors has a supervisory role in overseeing the business, strategic direction, compliance and risk management activities of the Bank.

The Directors who served on the Board of Directors and various Board Committees during the year are set out below.

Olusegun Agbaje	(Chairman)
Babajide Okuntola [1 2 3 4]	(Non-Executive Director)
Gbenga Alade [2 3]	(Managing Director)
Stuart Orton [2 3]	(Executive Director) Resigned 23rd September 2022
Christopher Taylor [1 2 4]	(Independent Non-Executive Director)
Robert Wild [1 2 3 4]	(Independent Non-Executive Director)
Paul Gospage [2 3]	(Executive Director) Appointed 24th November 2022

Key to membership of Board Committees:
(1) Board Audit Committee
(2) Board Risk and Compliance Committee
(3) Board Credit Committee
(4) Board Remuneration Committee

Directors' Report (continued)

Board meetings are held at least four times a year. The Board has also formed the following committees to develop strategy and set policy, review progress, and deal with specific and critical issues relevant to the committee's objectives. The committees and their responsibilities are set out below.

Further information concerning the Bank's approach to risk management and its capital adequacy are contained in the unaudited disclosures made under the requirements of Pillar 3. These disclosures are published on the Bank's website at www.gtbankuk.com/uploads/media.

Board Audit Committee

As at December 2022, the Audit Committee comprises two Independent Non-Executive Directors and one Non-Executive Director and is responsible for monitoring the integrity of the financial statements and advising the Board accordingly. It also reviews the effectiveness of the Bank's internal controls, financial controls, and risk management systems. Its more detailed responsibilities involve the review of the Internal Audit scope and annual programme, the review of the external audit scope, the analysis of audit reports, and the review of the arrangements for raising concerns.

Board Risk and Compliance Committee

The Risk and Compliance Committee is responsible for recommending policies to the Board on the Bank's risk profile and limits, and for assessing the adequacy of its risk management and compliance framework. The Committee's responsibilities include all risks with the exception of credit risk and financial crime risk, and its membership, as at December 2022, comprises the Managing Director, Executive Director, two Independent Non-Executive Directors and one Non-Executive Director.

Board Credit Committee

The Credit Committee is responsible for all credit related risks including approval and review of the Bank's Credit Policy. The Committee reviews all advances granted by the Bank; approves specific loans above the Management Credit Committee's approval limit, and ensures the maintenance of strong internal credit risk controls. The Committee, as at December 2022, comprises the Managing Director, Executive Director, one Independent Non-Executive Director and one Non-Executive Director.

Board Remuneration Committee

The Remuneration Committee, as at December 2022, comprises two Independent Non-Executive Directors and one Non-Executive Director, and it is responsible for monitoring remuneration policy and recommending the remuneration of the Executives, the Heads of the Compliance and Risk Management departments, and Internal Audit to the Board.

Disclosure of Information to the auditor

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 Bank's auditor is unaware of. Each Director has taken all the necessary steps to make themselves aware of any relevant audit information and to establish that the Bank's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Auditor

Mazars LLP has been appointed as auditor for the 2022 audit in accordance with section 487 of the Companies Act 2006. Management and the Board have expressed their desire to reappoint Mazars LLP as Auditor of the Bank.

Capital structure

There was no increase in the Bank's authorised share capital during the year.

Future Developments

Following the Russian invasion of Ukraine, the Bank assessed the impact on its business and determined that the conflict has had no material impact or other material risks in determining the long-term viability of the Bank and its

Directors' Report (continued)

ability to continue as a going concern for a period of at least 12 months from the date of approval of the financial statements. The bank is aware of and closely monitors the uncertainties in the global economy and the market turmoil. The Board has concluded that the Bank will be able to continue as a going concern and function within the Guaranty Trust Holding Company Plc Group framework, including Guaranty Trust Bank (UK) Limited and its fellow subsidiaries. The Bank will look to continue its strategy of providing retail banking products to its customers, in particular residential mortgages, together with correspondent banking facilities to members of Guaranty Trust Holding Company Plc.

Post balance sheet events

Refer to Note 26 for disclosures.

The Financial Statements, the notes thereto and the strategic report have been reviewed and authorised by the Board of Directors.

Gbenga Alade

Managing Director

21 December 2023

Registered Office

10 Great Castle Street
London
W1W 8LP

Strategic Report

The Directors of Guaranty Trust Bank (UK) Limited have the pleasure of presenting their strategic report for the year ended 31 December 2022.

Business Model

The Bank is authorised by the Financial Conduct Authority ("FCA") and regulated by the FCA and Prudential Regulation Authority ("PRA"). Guaranty Trust Bank (UK) Limited was established to provide trade finance, correspondent banking, corporate banking, and personal banking services. The principal focus of the business is the provision of mortgage products and trade finance to African counterparties, and aims to be the premier African bank for non-resident Africans who have business activities in the UK. The Bank also provides banking services to high-net-worth-individuals (HNIs) through the provision of personal banking.

Network Banking provides correspondent banking relationships between parent and Group subsidiaries, leveraging its geographical position.

Non-Resident Banking offers banking products to non-resident customers and offers banking services through referrals from GTBank Nigeria.

International Premium Banking focuses on High-Net-Worth individuals and offers premium services to cater for their needs, including residential mortgage products.

The Bank's risk appetite is set out in its Risk Appetite Statement, which articulates the risks it is prepared to accept, and assesses those risks and the mitigation measures it has set in place in furtherance of achieving its strategic objectives and business plans.

The Bank has outlined within the strategic report the Bank's principal risks and exposure to them.

Business Performance

The Bank made a profit before tax of £5.1m compared to a loss of £9.7m in 2021. The profit before tax was driven by a number of factors:

Net interest Income (NII) increased from £2.4m to £10.2m driven by a significant increase in Loans and advances to banks by £114m c.50% year on year. Loans and advances to customers also saw an increase in volume from £57.7m in 2021 to £61.9m in 2022. This resulted in Interest Income increasing by 283% from £3.2m in 2021 to £12.1m in 2022. A succession of interest rate hikes in the UK and USA contributed to the increase. While the overall cost of funds has gone up to £1.9m (2021: £0.8m) the Bank experienced a large inflow of relatively cheaper low-cost, short tenured funding from fellow subsidiaries and the Central Bank of Nigeria. This resulted in the Bank achieving a higher NII margin of 2.3% (2021: 0.6%).

Fees and commissions increased by 45% from £2.5m to £3.6m. The increase was attributable to Funds transfer income increasing from £1.9m to £2.8m as more volumes emanated from Parent and other Group subsidiaries. Other operating income is income earned on foreign exchange transactions from existing and new customers which increased by 45% from £2.6m to £3.8m.

Underlying operating costs, eliminating for the FCA penalty expense of £7.7m (recognised in 2021), were £2.9m higher in 2022, £12.5m compared to £9.6m on a like-for-like basis. While average headcount costs increased marginally, staff cost increased by £1.1m driven by on-going wage inflation. Other operating costs increased by £1.5m, £4.5m in 2022 compared to £3m in 2021, the increase was attributable to increases in other professional fees and other administrative expenses.

As a result of rising interest rates the investment securities portfolio was revalued lower than the carrying value as at 31 December 2022, resulting in a £0.6m loss(2021: £7k loss) being recognised in other comprehensive income.

The key KPIs that provide the Bank's operational effectiveness are:

Cost to Income ratio is a financial metric that compares operating expenses to operating income. There was an improvement on this metric in 2022 resulting in 71% compared with 233% in 2021 due to the FCA penalty (refer to note 26 for further details) of £7.7m and stagnating revenues in 2021.

Return on Risk Assets is the net interest income divided by total assets for the year, this ratio improved as the yield on risk assets increased with the Base rate increases starting in May 2022 and continuing throughout 2022.

Return on Total Assets is the net interest income divided by the total assets, this ratio improved as the net interest income increased year on year.

Return on Equity (ROE) is the profit/ (loss) after tax divided by average equity for the year, this improved the Bank moved from a loss position in 2021 to profit in 2022.

Strategic Report (continued)

Key Performance Indicators (unaudited)	2022	2021
Cost to Income	71%	233%
Return on Risk Assets	1.99%	0.64%
Return on Total Assets	1.63%	0.48%
Return on Equity	14.5%	-28.5%
Liquidity Coverage Ratio*	274%	356%
Capital Adequacy Ratio*	24.6%	25.5%

*Prudential measures as defined by the European Banking Authority.

Going Concern

Refer to page 4, Directors Report.

Regulatory Capital & Liquidity

The Bank manages its capital to ensure it complies with regulatory capital requirements, and it will continue as a going concern. The Bank complied with its regulatory capital requirements throughout the year and as at 31 December 2022 shareholders' funds stood at £28.3m (2021:£25.1m).

The Internal Capital Adequacy Assessment Process (ICAAP) is the process by which the Bank manages and assesses its compliance with:

- framework of the Bank's internal governance and operation of the risks;
- the capital management structure of the Bank;
- the results of the internal stress testing of risks; and
- the adequacy of capital resources to cover all levels of risks the Bank is faced with.

These risks are monitored and assessed regularly within the Bank's operating model and are discussed in Note 23.

Liquidity

The Internal Liquidity Adequacy Assessment Process (ILAAP) is the process by which the management of the Bank assesses and oversees on a regular basis:

- the Bank's liquidity management model;
- the likely effects of stress testing on liquidity and other risks;
- the mitigants in place to address these risks; and
- the adequacy of buffers held at each point in time.

From a liquidity perspective, the Bank has a sufficient liquidity buffer to satisfy business as usual and stress conditions. These have been demonstrated in the Banks ILAAP process.

Strategic Objective

The Bank will seek to leverage the network of Group subsidiaries and the parent, to deliver world-class services in trade finance, correspondent banking, corporate banking, and personal banking. To that end, it will seek to grow its mortgage book and also provide personal banking products to high-net-worth individuals (HNIs). The Bank will engage actively with Africans and African businesses to achieve these objectives.

Guaranty Trust Bank (UK) Limited recognises its dependence on African economies, particularly Nigeria, and has factored this into its risk management framework. The Bank has continued to monitor the situation in its source markets and is proactive in applying mitigating measures to combat the ever changing economic environment.

Principal Risks and uncertainties

The principal risks and uncertainties faced by the Bank such as conduct, credit, liquidity, market, operational, regulatory, interest rate and capital management risk, and the basis of mitigation, are stated in Note 23. The Bank also identifies that its operations, strategy and plan involve risk and uncertainty because they relate to events, and depend upon circumstances that will or may occur in the future. The factors that could cause deviation from actual business strategy, plans and/or results include, but are not limited to, general economic and business conditions in Africa and internationally; market related trends and developments; fluctuations in interest rates, inflation; the ability to access sufficient sources of capital, liquidity and funding when required; concentration of financial exposure; management and monitoring of conduct risk; technological changes and risks to the security of information technology and operational infrastructure, systems, data and information resulting from increased threat of cyber and other attacks; natural, pandemic and other disasters, adverse weather and similar contingencies outside the Bank's control; inadequate or failed internal or external processes or systems; acts of war, other acts of hostility, terrorist acts and responses to those acts, geopolitical, pandemic or other such events; risks relating to climate change; changes in laws, regulations, practices and accounting standards or taxation, changes to regulatory capital or liquidity requirements and similar contingencies outside the Bank's control; the policies, decisions and actions of governmental or regulatory authorities or courts in the UK, the EU, the US or elsewhere including the implementation and interpretation of key legislation and regulation together with any resulting impact on the future structure of the Bank; and exposure to regulatory or competition scrutiny, legal, regulatory or competition proceedings, investigations or complaints.

The on-going situation in Ukraine remains under close review, but to date has not had an impact on the Bank.

Credit Risk

Credit risk is the risk of loss as a result of the failure of a party with whom the Bank has contracted to meet its obligations. The main credit risks that the Bank will face relate to its exposure to banks and corporates from its trade finance business, inter-bank lending, and advances to corporate and retail borrowers.

The Board of Directors has delegated the management of credit risk to the Board Credit Committee. The Committee monitors all credit related risks at the Bank and approves and reviews the Credit Risk Management Framework. The Committee reviews all advances granted by the Bank and approves specific transactions and credit limits above the Management Credit Committee's authority, and ensures the maintenance of strong internal credit risk controls.

Conduct Risk

Conduct risk, is the risk that the Bank's customers suffer loss or detriment due to failures in product design, sales and marketing processes, poor customer service, or operational delivery.

The Bank is committed to working with its customers and service providers to ensure that its products are simple, fair, and transparent. Executive management is committed to the principles of treating customers fairly and achieving good customer outcomes. The Bank seeks to keep customers at the heart of decision making in line with its Orange Rules. The Bank has met the deadline of 31 July 2023, for implementation of the Consumer Duty regulation. The Orange Rules are principles for progression, success, relationship, and life. They guide our approach to banking and everything we do. The Orange Rules can be viewed on the Bank's website. www.gtbankuk.com.

Liquidity Risk

Liquidity risk is the risk that a firm, although solvent, either does not have available sufficient financial resources to enable it to meet its obligations as they fall due, or can secure such resources only at excessive cost.

The Bank's Liquidity Policy sets out further details on the liquidity operating model and provides information on how liquidity management is embedded in the business and overseen at the highest level within the bank.

Interest Rate Risk

Interest rate risk represents the sensitivity of the Bank to changes in interest rates. The risk to which assets and liabilities are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of changes in market interest rates. Interest rate risk is managed through monitoring interest rate gaps. The Asset and Liability Committee also monitors this risk in conjunction with the Treasury department, who are tasked with the intraday monitoring of interest rates.

Market Risk

Market risk is the risk that arises from fluctuations in the value of, or income from, assets. The Bank has no exposure to the equity or derivative markets, so it is not impacted by the market risk inherent in these products. It does not permit propriety trading in foreign exchange and keeps open positions under close control. The market risks that the Bank faces relate to movements in foreign exchange exposures arising from fulfilling customer FX orders.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems, or from external events. An overview of operational risk is undertaken by the Board Risk and Compliance Committee and ultimately the Board of Directors, who retain responsibility for operational risk. The operational risk management framework is developed by the Risk Management Department, and the implementation of controls to address operational risk is part of the line managements' day-to-day responsibilities.

Qualitative and quantitative reports and metrics are collated by the Risk Management Department and reported regularly to the Management Risk Committee and a summary report is submitted to the Board Risk and Compliance

Strategic Report (continued)

Committee and full Board on a quarterly basis. Capital is allocated by the Bank in order to mitigate Operational Risk, in accordance with the Bank's ICAAP.

Regulatory Risk

Regulatory risk is the risk that the Bank does not comply with the regulatory environment. The Bank's Risk and Compliance and Financial Crime Compliance teams monitor regulatory changes and report to the Executive and Board through the risk management reports presented at Management Risk Committee and Anti-Money Laundering Oversight Committee. These two executive committees report to the Board Risk and Compliance Committee and full Board respectively. The Bank's Enterprise Risk Management Framework includes an annual review of its Risk Appetite Statement (RAS). The RAS sets out qualitatively and quantitatively the risk tolerance for all areas of risk faced by the Bank, including Commercial, Climate, Credit, Capital, Market and Liquidity risks, in addition to Operational, Conduct and Regulatory risks – of which last Financial Crime risk forms part. Given the majority of the Bank's customers are resident or incorporated in high-risk countries the bank confers responsibility for Financial Crime oversight on an individual holding SMF17 of the Senior Managers and Certification Regime (SMCR). Regulatory risk in the form of Prudential and Regulatory Compliance risk is overseen by a separate individual holding prescribed responsibilities under SMF4 and SMF16. All areas of regulatory risk are therefore monitored by dedicated oversight functions operating in the Bank's second line of defence, subject to review by Executive and Board as noted above. The Bank continues to improve the internal controls framework and compliance monitoring through the recruitment of skilled senior staff and the continued engagement of skilled consultants. The growth of the business is prudently managed within the risk appetite set by the Board.

Regulatory Financial Penalty

On 10 January 2023, Guaranty Trust Bank UK Limited reached settlement with the FCA, accepting findings in relation to historic Anti-Money Laundering (AML) controls in its operations in the period October 2014 to July 2019. The amount of the financial penalty was £7,671,171, recognised in the income statement as of and for the year ended 31 December 2021 and this remains as part of other liabilities in the 2022 financial statements. The amount was paid by the Bank in January 2023.

The FCA's investigation focused on GTBank UK's AML controls and steps taken by GTBank UK to remediate these to ensure they operated in line with the relevant requirements. The FCA acknowledged in its findings that GTBank UK has spent considerable time and resource in order to bring its AML standards up to the required level.

Whilst there was no direct customer impairment arising from the period under review and the FCA's findings do not include any instances of suspected money laundering, we have since reinforced our AML control framework and implemented changes in our AML processes in line with best practice with a view to ensuring that the highest standards are maintained in our operations.

We have enhanced our AML control framework through a comprehensive remediation programme to address the specific issues identified in the FCA's findings and obtained specialist advice and review from external advisors. As relevant to the FCA's findings, these steps have included enhancements to our AML policies, to our procedures relating to on boarding, customer due diligence, ongoing monitoring, and other AML related processes and enhancements to staff training. We have also conducted a comprehensive programme of work to review and as necessary remediate our customer files, which have been subject to quality assurance review by external consultants.

Capital Management Risk

Capital management risk is the risk that the Bank may not have adequate capital resources to support its current and future business strategy due to unexpected capital loss. The Bank's capital requirements are set and monitored by its Regulators. The Bank's position as a wholly owned subsidiary has necessitated a risk averse approach to its business.

The Bank monitors the capital resources and the associated risks through the Internal Capital Adequacy Assessment Process (ICAAP).

Stresses in the Global Banking System

In the first quarter of 2023, a number of stresses occurred in global financial markets, including the failure of Silicon Valley Bank, Signature Bank, and Silvergate Bank, as well as the events that led to the sale of Credit Suisse. The Directors and Management of the Bank reviewed its risk profile in light of these events and continue to monitor the

Strategic Report (continued)

situation. The Bank has no direct exposure to any of these institutions; indirect exposure will be general market volatility, and the Bank manages this as part of its normal risk management process.

Nigerian Economy
The Bank's performance is largely dependent on the West African economy in general, in particular Nigeria, where the critical mass of its clients is based and from where a sizeable portion of its business flows are derived. For this reason, the economic conditions in Nigeria have an impact on the overall performance of the Bank. In the year under review, the Nigerian market has experienced slow growth in GDP, difficulties in obtaining foreign currencies and inflationary pressure which as part of a global trend, has made business in Nigeria difficult, with heightened market and liquidity risks. The Bank continues to monitor the business environment in Nigeria and takes proactive measures to mitigate any risks that may emanate from its exposures to the Nigerian market.

Outlook

In 2023 and into 2024, the Bank will continue to deliver its retail and wholesale banking products and services to private, corporate and institutional clients. The Bank's organisation and governance is set out in the Director's report and its risk management policies are set out in Note 23 to the financial statements.

Further information concerning the Bank's approach to risk management and its capital adequacy are contained in the unaudited disclosures made under the requirements of Pillar 3 and CRD IV. These disclosures are published on the Bank's website at www.gtbankuk.com.

Directors' Section 172 statement

Decisions by the Board are taken with stakeholders in mind, these decisions are supported by expert opinion and recommendations by subject matter experts. These ensure that the Board consider factors relevant with compliance with S172.

Guaranty Trust Bank (UK) Limited is a wholly owned subsidiary of the Parent bank, (Guaranty Trust Bank Limited) and engages in regular dialogue with them on matters of strategy, performance and business matters. GTHoldco and Guaranty Trust Bank Limited each has a director on the Board of the Bank. The Group Managing Director and CEO of GTHoldco serves as the Chairman of the Board of Directors.

Guaranty Trust Bank (UK) Limited is committed to growing a sustainable business and is therefore mindful of the impact of its actions on the society and environment. The Directors ensure that Bank's long term interests are the centre of the Board's decision making process.

Corporate Governance

Good corporate governance is important to the overall success of the Bank. The Board is responsible for the oversight governance of the Bank and sets the tone from the top, and it is responsible for providing direction on the regulatory and prudential conduct of the Bank in the United Kingdom.

The Board and its committees meet four times a year. The meeting times are agreed upon at the Board level for each year in advance and board agenda and papers are circulated two weeks before each meeting. The Board has delegated the day to day management of the Bank to the executive management and its executive committees.

The Executives have the following committees providing oversight on the day to day administration of the Bank:

Asset and Liability Management Committee 'ALMAC'- The ALMAC is responsible for managing the Bank's market, liquidity and balance sheet (assets and liabilities) risks. This committee meets every month and reviews the market satiation on an adhoc basis.

Anti-Money Laundering Oversight Committee 'AMLOC'- The AMLOC is responsible for reviewing and monitoring the high risk accounts and suspicious activities reports and transaction monitoring activities. AMLOC meets monthly.

Management Risk Committee 'MRC'- The MRC reviews and monitors the risks the Bank is facing across the business and products lines, and monitors the Bank's adherence to risk appetite as set by the Board, this committee -meets quarterly.

Management Credit Committee 'MCC'- The MCC reviews all credits applications and credit related policies and manages the credit risks of the Bank. This committee meets monthly.

The Information Technology & Information Security Steering Committee (ITSSC) – The ITSSC provides oversight over information technology (IT) and Information / Cyber Security (IS) investments by monitoring, evaluating,

Strategic Report (continued)

prioritizing, and approving actions related to projects, services, and risks in IT & IS respectively. This committee meets every quarter to review IT & IS commitments, operations and projects.

Directors' Duties

The Directors of the Bank are required to act in accordance with the requirements of section 172 of the UK Companies Act 2006. Directors of companies must act in the way they consider, in good faith, would most likely promote the success of the company for the benefit of the shareholders as a whole and in doing so have regard to:

- the likely consequence of any decision in the long term.
- the interest of the company's employees.
- the need to foster the Bank's business relationships with suppliers, customers and others.
- the impact of the Bank's operations on the community and environment.
- the need to act fairly between the shareholders of the Bank.
- the desirability of the Bank maintaining a reputation for high standards of business conduct.

Employees

The Bank is an equal opportunities employer and is committed to equality and diversity. The Bank is committed to the long term welfare and well-being of its staff, and it has invested in staff training and other staff related initiatives to help the development and retention of talent. It holds staff Town Hall meetings and staff surveys to drive its staff engagement process.

Customers

The Bank follows the Orange Rules, which guide its approach to banking, and these are principles for progression, success, relationships, and life. These rules are the foundational principles of the Group. In addition to these, we have implemented the new Consumer Duty in our customer relationship management process and this complies with the FCA's requirements and guidance. The Directors proactively pursue the strategy of a 'customer-first' approach with a view to improving consumer protection.

The Board of Directors understands their duties and responsibilities under the Companies Act 2006 (2006 Act). This section of the Strategic Report describes how the Directors have had regard to the matters set out in section 172(1) (a) to (f) of the 2006 Act.

Community and Environment

Our community stakeholder group includes both our local community and the wider environment. As an organisation that cares deeply and takes its responsibilities seriously, we are passionate about supporting the communities that we impact as well as contributing to a more sustainable future. The Board is developing its ESG strategy to align to its strategic ambitions.

The Board believes that effective leadership engagement is central to balanced outcomes while also helping to both shape the Bank's strategy and align business activities with stakeholders' expectations. When taking decisions, the Board balances the impact of those decisions on the Bank's various stakeholders whilst acting in a way that the Board considers will ensure that the Bank maintains a reputation for high standards of business conduct and promote the long-term success of the Bank.

As a regulated UK bank, the Bank is authorised by the Financial Conduct Authority ("FCA") and regulated by the FCA and the Prudential Regulation Authority ("PRA"). The Board understands the importance of further developing relationships with both, liaising regularly on a wide range of topics.

The Board meets quarterly as part of the governance structure and various board committees are in place to address key areas of the Bank's business.

This report was approved and authorised by the Board of Directors on December 2023, and signed on its behalf by the Managing Director.

Gbenga Alade

Managing Director

21 December 2023

Registered Office -10 Great Castle Street, London, W1W 8LP

Statement of Directors' responsibilities in respect of the strategic report, Directors' report and the financial statements

The directors present their annual report together with the audited financial statements of Guaranty Trust Bank (UK) Limited for the year ended 31 December 2022.

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

The financial statements have been prepared in accordance with applicable law and UK-adopted international accounting standards.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Bank and of its profit 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 reliable;
- ensure that the financial statements have been prepared in accordance with applicable law and UK-adopted international accounting standards;
- assess the Bank'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 Bank or to cease operations or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Bank's transactions and disclose with reasonable accuracy at any time the financial position of the Bank and enable them to ensure that 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 Bank and to prevent and detect fraud and other irregularities.

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

Gbenga Alade

Managing Director

21 December 2023

Registered Office
10 Great Castle Street
London
W1W 8LP

Independent auditor's report to the members of Guaranty Trust Bank (UK) Limited

Opinion

We have audited the financial statements of Guaranty Trust Bank (UK) Limited (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 Flows and the 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 its profit for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

Our audit procedures to evaluate the directors' assessment of the Bank's ability to continue to adopt the going concern basis of accounting included but were not limited to:

- Undertaking an initial assessment at the planning stage of the audit to identify events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern;
- Making enquiries of the directors to understand the period of assessment considered by them, the assumptions they considered and the implication of those when assessing the Bank's future financial performance;
- Reviewing the directors' going concern assessment, to determine that it appropriately considers an assessment of key business risks including the sufficiency of the Bank's capital and liquidity taking into consideration the most recent Internal Capital Adequacy Assessment Process and Internal Liquidity Adequacy Assessment Process including the directors' consideration of severe but plausible scenarios;
- Challenging the assumptions used in the forecasts, including assessing the arithmetical accuracy of the forecasts and incorporating back-testing to determine the historical accuracy of management's forecasting and budgeting;
- Inspecting correspondence with the Prudential Regulation Authority ('PRA') and with the Financial Conduct Authority ('FCA') and minutes of meetings of the board risk and compliance committee, the board audit committee, the board credit committee and the board of directors;

- Considering whether there were events subsequent to the balance sheet date which could have a bearing on the going concern conclusion;
- Considering the consistency of the directors' forecasts with other areas of the financial statements and our audit; and
- Assessing the appropriateness of the disclosures in the financial statements in relation to the description of the directors' assessment of going concern.

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

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

Key audit matters

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

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

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

Key Audit Matter	How our scope addressed this matter
Expected credit loss ('ECL') in relation to loans and advances to customers £111,527 (2021: £2,052) Refer to Significant Accounting Policies (Note 3) and Notes 2.e, 13 and 27 of the financial statements. The calculation of ECL requires the directors to make judgements over the ability of counterparties to make future loan repayments. The Bank uses a model to determine the expected credit losses which requires judgement to the input parameters and assumptions. The Bank's loan portfolio is highly collateralised with an average loan to value of 45% and has limited history of actual losses and therefore the assumptions are not based on the Bank's loss experience.	In relation to the overall ECL process, we performed the following procedures: • Obtained an understanding of the ECL process and assessed the design and implementation of key controls including in relation to the valuation of collateral; • Performed a stand-back assessment of the total ECL to assess its appropriateness and reasonableness, taking into consideration the overall credit risk profile of the portfolio including collateralization; and • Reviewed the financial statement disclosures to ensure compliance with IFRS 9. We performed the following procedures to address the key input and assumptions to the ECL calculation: • Tested the completeness and accuracy of the LGD data input into the model; • With the assistance of our Real Estate Valuation expert, tested the reasonableness of the underlying collateral valuations assigned to loan facilities, on a sample basis, which included: o Assessing the appropriateness of third-party valuation reports at the origination of the loan;

Loss given default ('LGD') is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cashflows due and those the Bank would expect to receive, including the realisation of any collateral. Given the significant level of collateral held by the Bank against the loan portfolio in the form of residential property, the ECL calculation output is dependent on the underlying collateral valuation and therefore the LGD inputs. Management is required to determine the collateral valuation within the portfolio and to determine when collateral should be considered for re-valuation and adjustment. Under reasonably possible stress scenarios, the loan to value remains low, demonstrating that the underlying collateral provides sufficient headroom to absorb reasonably possible house price reductions and potential credit loss is mitigated. Given that the ECL calculation is primarily sensitive to the LGD, where the collateral valuation is based on external valuations and indexing, we have identified an enhanced risk over the appropriateness of the LGD input and assumptions. The level of risk has decreased compared to our prior year audit, as in our re-assessment of the risk we have considered that the current low level of loan to value in the portfolio of loans and advances to customers provides sufficient headroom to absorb reasonably possible house price stress scenarios without causing a material impact on the resulting ECL.	o Assessing the independence, objectivity and competence of the third-party valuers used by the Bank at loan origination; and o Benchmarking valuations to external data sources to assess whether property valuations are appropriately adjusted reflecting changes in house prices subsequent to the valuation report. In respect of the model used to determine expected credit losses, we performed the following procedures with the assistance of our in-house credit modelling specialists: • Assessed the Bank's methodology against the requirements of IFRS 9 including the reasonableness of model methodologies; • Assessed the integrity of the ECL calculation including determining that the LGD criteria has been appropriately applied to the model calculation; • Performed a sensitivity assessment of the impact of key assumptions and data inputs to the ECL output; and • Performed a recalculation of the ECL model output using the rules defined in the Bank's methodology to ensure the model is operating as designed. **Our observations** Based on the procedures performed, we found that the impairment provision on loans and advances to customers is materially stated as at 31 December 2022 and is materially 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	£283,000 (2021: £327,600)
How we determined it	1% of net assets (2021: 1% of net assets excluding the impact of the £7,671,171 financial penalty outlined in Note 26 of the 2021 financial statements)
Rationale for benchmark applied	Net assets are deemed to be the most appropriate benchmark given this is the main focus of the shareholder (the overseas parent) to assess the value of their investment. Further, net assets as a benchmark is supported by the fact that regulatory capital is a key benchmark for management and regulators, where net assets is an approximation of regulatory capital resources.
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 £141,500 (2021: £163,800), which represents 50% (2021: 50%) of overall materiality. We considered several factors in determining performance materiality, including the level and nature of uncorrected and corrected misstatements in the prior year and the robustness of the control environment.
Reporting threshold	We agreed with the directors that we would report to them misstatements identified during our audit above £8,400 (2021: £9,800) 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 set out on page 14, 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 these financial statements.

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

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

Based on our understanding of the Bank and its industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: regulatory and supervisory requirements of the PRA and of the FCA and financial crime regulations.

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

- Gaining an understanding of the legal and regulatory framework applicable to the Bank and 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 the directors, management and, where appropriate, those charged with governance, as to whether the Bank is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence with the PRA and FCA and holding discussions with both regulators;
- Inspecting minutes of directors' meetings in the year and up to the signing of the financial statements;
- Attending board audit committee meetings and inspecting minutes of those meetings held during the year and up to the signing of the financial statements; 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 the Companies Act 2006 and UK tax legislation.

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

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

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud;
- 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.

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

Other matters which we are required to address

Following the recommendation of the board audit committee, we were appointed by the board of directors on 22 January 2021 to audit the financial statements for the year ended 31 December 2020 and subsequent financial periods. The period of total uninterrupted engagement is three years, covering the years ended 31 December 2020 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 board 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.

Maximiliano Bark (Senior Statutory Auditor) for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
30 Old Bailey, London, EC4M 7AU
21 December 2023

Guaranty Trust Bank (UK) Limited

Statement of comprehensive income
for the year ended 31 December 2022

	Notes	Year to 31 December 2022	Year to 31 December 2021
		£	£
Interest income	4	12,096,324	3,155,907
Interest expense	4	(1,902,227)	(780,155)
Net interest income		10,194,097	2,375,752
Fees and commissions income	5	3,569,967	2,462,438
Other operating income	6	3,764,651	2,587,967
Operating income		17,528,715	7,426,157
Personnel expenses	7	(5,831,341)	(5,096,462)
Depreciation	15	(2,176,624)	(1,569,766)
Other operating expenses	8	(4,458,281)	(10,651,872)
Operating expenses		(12,466,246)	(17,318,100)
Other income		180,144	176,822
Expected credit loss (charge)		(120,728)	(17,516)
Profit/(Loss) before taxation		5,121,885	(9,732,637)
Taxation (Charge)/Credit		(1,247,247)	1,402,823
Profit/(Loss)after taxation		3,874,638	(8,329,814)
Other comprehensive income, net of corporation tax			
Items that may be reclassified subsequently to profit or loss			
- Fair value (loss) on FVOCI Investment securities, net of tax		(629,408)	(6,686)
- Net profit/(loss) reclassified to profit or loss		9,507	(9,507)
Total comprehensive Income/ (loss) for the year		3,254,737	(8,346,007)

All of the profit for the current year and the losses for the prior year were derived from continuing activities.

The notes on pages 26 to 66 form an integral part of these financial statements.

Guaranty Trust Bank (UK) Limited

Statement of financial position as at 31 December 2022

	Notes	31 December 2022	31 December 2021
		£	£
Assets			
Cash and cash equivalents	11	97,716,359	116,275,570
Loans and advances to banks	12	345,107,924	230,460,594
Loans and advances to customers	13	61,872,149	57,660,949
Investment securities	14	107,015,424	82,190,414
Property and equipment	15a	2,292,269	691,135
Right-of-use leasehold property	15b	11,599,109	616,484
Other assets	17	291,795	898,439
Deferred tax asset	16	949,586	2,042,560
Total assets		626,844,615	490,836,145
Liabilities			
Deposits by banks	18	344,658,275	291,426,385
Deposits by customers	19	232,269,660	163,962,244
Leasehold liability	15c	11,215,172	704,605
Other liabilities	20	10,338,218	9,598,620
Deferred tax liability	16	18,912	54,650
Total liabilities		598,500,237	465,746,504
Called up share capital	21	37,000,000	37,000,000
Retained earnings		(8,026,214)	(11,900,852)
Fair value reserves		(629,408)	(9,507)
Shareholders' funds		28,344,378	25,089,641
Total liabilities and shareholders' funds		626,844,615	490,836,145

The notes on pages 26 to 66 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 21 December 2023.

Signed on behalf of the Board of Directors

Gbenga Alade
Managing Director

Bank Registration No. 05969821

Guaranty Trust Bank (UK) Limited

Statement of changes in equity
for the year ended 31 December 2022

As at 31 December 2022	Share capital	Retained earnings	Fair value reserve	Total equity
	£	£	£	£
Balance attributable to equity shareholders as at 31 December 2021	37,000,000	(11,900,852)	(9,507)	25,089,641
Profit for the year		3,874,638		3,874,638
Fair value (loss) on FVOCI Investment securities, net of tax			(629,408)	(629,408)
Net profit/(loss) reclassified to profit or loss			9,507	9,507
Balance attributable to equity shareholders as at 31 December 2022	37,000,000	(8,026,214)	(629,408)	28,344,378

As at 31 December 2021	Share capital	Retained earnings	Fair value reserve	Total equity
	£	£	£	£
Balance attributable to equity shareholders as at 31 December 2020	37,000,000	(3,571,038)	6,686	33,435,648
(Loss) for the year		(8,329,814)		(8,329,814)
Fair value (loss) on FVOCI Investment securities, net of tax			(6,686)	(6,686)
Net profit/(loss) reclassified to profit or loss			(9,507)	(9,507)
Balance attributable to equity shareholders as at 31 December 2021	37,000,000	(11,900,852)	(9,507)	25,089,641

The notes on pages 25 to 66 form an integral part of these financial statements.

Guaranty Trust Bank (UK) Limited

Statement of cash flows
for the year ended 31 December 2022

	Notes	31 December 2022	31 December 2021
		£	£
Cash flows from operating activities			
Profit/(Loss) for the period before taxation		5,121,885	(9,732,637)
Amortisation of investment securities		(1,476,950)	(31,652)
Depreciation	15a	379,244	570,173
Expected credit losses		120,728	-
Effective interest rate adjustment		(126,000)	-
Lease finance charge		209,082	-
Depreciation of leasehold right of use asset	15b	1,797,381	999,594
Operating cash flows before movement in working capital		6,025,370	8,194,522
(Increase)/decrease in loans and advances to banks	12	(6,313,430)	10,691,650
(Increase) in loans and advances to customers	13	(4,402,308)	(6,639,736)
Increase in other assets	17	606,644	52,687
Increase/(decrease) in deposits by banks	18	53,231,890	23,544,173
Increase/(decrease) in deposits by customers	19	68,307,416	9,653,264
Increase/(decrease) in other liabilities	20	491,009	6,491,391
Changes in working capital		117,946,591	35,598,835
Interest paid on leases		(209,082)	-
Net cash flow from operating activities		117,737,509	35,598,835
Cash flows from/(used) investing activities:			
Capital expenditure and financial investment:			
Acquisition of investment securities	14	(243,814,896)	(162,531,795)
Sale and maturity of investment securities	14	219,731,160	142,122,641
Acquisition of property and equipment	15a	(1,980,378)	(81,236)
Net cash (used) in investing activities		(26,064,114)	(20,490,390)
Cash flows from financing activities:			
Increase/(decrease) in lease liabilities	15	(1,892,429)	(1,411,693)
Net cash flow/(used) from financing activities		(1,892,429)	(1,411,693)
Net increase/(decrease) in cash and cash equivalents		89,780,966	13,696,735
Cash and cash equivalents at beginning of year		290,627,822	276,931,087
Cash and cash equivalents at end of year	11	380,408,788	290,627,822

*The cash and cash equivalents for 2021 have been re-presented to include money market placements with maturity of less than 3 months from the date of origination of such placements. The impact has been an increase in cash and cash equivalents at the beginning of the 31 December 2021 year of £193,625,102 to £276,931,087, and an increase at the end of the year of £174,352,252 to £290,627,822.

The notes on pages 26 to 66 form an integral part of these financial statements.

1. Reporting Entity

Guaranty Trust Bank (UK) Limited (the "Bank") is a wholly owned UK based subsidiary of the Parent, (Guaranty Trust Bank Limited) which is domiciled in Nigeria.

The registered address of the Bank is 10 Great Castle Street, London, W1W 8LP. The Bank relocated to this address on 27th February 2023. The previous registered office of the Bank was 62 Margaret Street, W1W 8TF.

2. Basis of preparation

(a) Going concern

Stress-testing of the firm's capital and liquidity positions forms a key element of its risk management framework and of the Board's assessment of the firm as a going concern. As such, the firm's ICAAP and ILAAP apply significant stresses to capital and liquidity respectively. These follow the regulator's expectations of idiosyncratic and market-wide stresses and are reviewed periodically by the PRA via CSREP and LSREP. The stresses documented are applied over a five year planning period as directed by the Board. The financial projections of both the ICAAP and ILAAP are reviewed by the firm's internal audit function. The Board is satisfied that the stresses applied to capital and liquidity, as part of these risk management processes are significant but plausible. The Bank has sufficient capital, liquidity and a business plan to operate for a period of 12 months from date of approval of the financial statements, and is able to operate as a going concern. In making this assessment, the Directors have considered a wide range of information including the current cost of living conditions, future projections of profitability, cashflows and capital resources.

(b) Statement of compliance

The financial statements comply with applicable law and UK-adopted international accounting standards.

(c) Basis of measurement

The financial statements have been prepared on the historical cost basis except for investment securities which are recognised at fair value through Other Comprehensive Income.

(d) Functional currency

The financial statements are presented in Sterling, which is the Bank's functional currency as this is the currency in the economic environment in which in which the Bank operates. The figures are presented to the nearest absolute figure.

(e) Significant Estimates and Judgements

The preparation of the financial statements in conformity with applicable law and UK adopted international accounting standards requires the Directors to make judgements, estimates and assumptions that effect 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 other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

In this regard, management have used judgments and/or estimates in the following areas:

Deferred tax

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

Deferred tax assets are recognised in the statement of financial position for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Judgment is involved in estimating the future profits, which is estimated using the business plan. The business plan includes estimates and judgments around business volumes, interest margins and future tax rates. These projections are made for the period over which future profitability is reliably estimatable to support the valuation of deferred tax assets.

Based on the internal projections by the Bank, the current deferred tax balance is justified at its present level and no adjustment to the carrying amount is necessary. As at 31 December 2022 the deferred tax asset amounted to £949,586 (2021:2,042,560).

Leases

Judgment is required to assess the relevant assumptions and estimates used in order to apply the definition in terms of leases, application of discount rate and consideration of future dilapidations costs arising from the lease agreements. As at 31 December 2022 the Right-of-Use leasehold property amounted to £11,599,109 (2021:616,484).

Expected Credit Loss Impairment Model

The Bank records allowance for Expected Credit Losses (ECL) for all financial assets that are not held at FVTPL. ECLs are an unbiased probability-weighted estimate of credit losses determined by evaluating a range of possible outcomes they are measured in a manner that reflects the time value of money and uses reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecast of future economic conditions.

The Bank reviews its wholesale portfolios, comprising predominantly undated and short-dated exposures, on an ongoing basis; each counterparty is graded according to the GTB UK internal rating system (in addition to the monitoring of any external rating) and fully reviewed at least annually, or more frequently should the Bank become aware of any factor indicating potential for a change of counterparty status or situation.

The mortgage books are reviewed quarterly, including revaluation using the Halifax house price index, compared to the outstanding balances in order to detect any significant adverse change in loan-to-value. Valuation stress-tests of 10%, 20%, 30% and 40% are additionally applied in order to test the sensitivity of individual exposures to potential severely adverse price falls.

The Bank adopts a three stage approach for measuring ECL based on changes in credit quality since initial recognition.

- Stage 1 – when a financial asset is first recognised, it is assigned to Stage 1. If there is no significant increase in credit risk from initial recognition the financial asset remains in Stage 1. Stage 1 also includes financial assets where the credit risk has improved (by definition an improvement is deemed as full repayment of any overdue amounts and there is good evidence that underlying reasons or drivers for the Significant Increase in Credit Risk (SICR) no longer pertain), and the financial asset has been reclassified back from Stage 2. For financial assets in Stage 1, a 12 month ECL is recognised. The expected credit loss is calculated by a probability of default occurring over the next 12 months. For those instruments with a remaining maturity less than 12 months, a probability of default corresponding to the remaining term to maturity is used.
- Stage 2 – when a financial instrument experiences a SICR subsequent to origination but is not considered to be in default, it is included in Stage 2. This requires the computation of expected credit loss based on the probability of default over the remaining estimated life of the financial instrument.
- Stage 3 - when there is objective evidence of impairment and the financial asset is considered to be in default, or credit impaired, it is moved to stage 3. For financial assets in stage 3, an individual ECL is recognised against each defaulted exposure.

For loan commitments, where the loan relates to the undrawn component of a facility, it is assigned to the same stage as the drawn component of the facility. For loans underwritten but not yet originated, the loan commitment is assigned to Stage 1.

A summary of ECL measurement is as follows:

- **Financial assets that are not credit impaired at the reporting date**: is the present value of all cash shortfalls. Cash shortfalls are the difference between the contractual cash flows due to the Bank and the cash flows that the Bank expects to receive.
- **Financial assets that are credit impaired at the reporting date**: is the difference between the gross carrying amount and the present value of estimated future cash flows.
- **Loan Commitments**: is 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 the Bank expects to receive. A credit conversion factor (CCF) to a balance sheet item is included in the calculation.

Credit impaired is defined by the Bank as a financial asset in Stage 3 as detailed above.

The Bank periodically reviews their financial assets carried at amortised costs to identify any indications of financial deterioration. For loans where there is default or an objective evidence of default, judgement is required

by management in the estimation of the amount and timing of expected cash flows, reliability and valuation of collateral in order to determine the level of impairment provisions to be recorded.

The Bank keeps a significantly collateralised portfolio and the estimate from the process above is low and the risk is therefore mitigated by the level of collateralisation. Judgement is involved in determining the level of collateral valuation within the portfolio and in determining when collateral should be considered for re-valuation and adjustment.

Expected credit losses in relation to cash balances, and loans to banks is minimal due to the low level of exposure and the credit quality of the counterparties. (See page 36 for instances of increase in credit risk and default.)

Judgements

Given the limited loss experience the Bank applies judgment in estimating the PD's and LGD's for the estimation of ECL. Where the external data is available for PD's and LGD's management sources the data and applies it. The Bank does not apply any forward looking adjustments in the estimation of ECL's as the mortgage book is highly collateralised with low loan to value (LTV). Management are of the view there is no need to make additional provisions.

Estimates

Underlying assumptions used in estimating ECL's are mainly around the indexation adjustment of the collateral. The Bank sources the house price index on a quarterly basis from Halifax data and applies it on the underlying collateral held. The balance of the ECL as at 31 December 2022 is £112k (2021: £2k).

The average LTV in the portfolio is less than 35% with the highest being 65%,

The impact of changing HPI to negative 20% results in the average LTV to increase to 43.2% this provides sufficient headroom of over 50% to absorb any plausible house price shocks.

3. Significant accounting policies

The accounting policies set out below have been applied consistently throughout the reporting period presented in the financial statements.

(a) Income recognition

Interest Income and Expense
Interest income on financial assets and interest expense on financial liabilities are recognised in Interest Income and Interest Expense in the statement of comprehensive income using the 'effective interest rate' method.
The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial asset or financial liability or where applicable a shorter period, to the net carrying amount of the financial asset or financial liability.
When applying the effective interest rate method, the Bank estimates the future cash flows taking into consideration all contractual terms of the financial instruments but not future credit losses.

The calculation of the effective interest rate includes all fees paid or received between parties to the contract that are an integral part of the EIR, transaction costs such as mortgage arrangement fees and other premiums or discounts where applicable.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue and disposal of a financial asset or liability.
Interest income and expense presented in the income statement include;

- Interest on financial assets and liabilities measured at amortised costs calculated on an effective interest rate basis.
- Interest on financial assets measured at fair value through OCI calculated on an effective interest rate basis.

Whilst interest revenue is always required to be presented as a separate line item, it is calculated differently according to the status of the assets with regard to credit impairment.

For a financial asset that that has not become credit impaired since initial recognition, interest revenue is calculated using a 'gross method' of applying the effective interest rate method to the carrying value of the asset (i.e. its carrying amount excluding the loss allowance).
For a financial asset that subsequently has become credit impaired, from the beginning of the next reporting period, interest revenue is calculated using a 'net method' of applying the effective interest rate to the net amortised cost balance (i.e. including the loss allowance).
Interest income on Stage 3 loans is recognised on a net basis as described above.

Interest on impaired financial assets is recognised at the original effective interest rate of the financial asset applied to the carrying amount as reduced by any allowance for impairment.

Fees and Commission Income

The Bank earns fee income from a number of services it renders to its customers. Fees are earned as follows:

- Fees earned on the execution of a transaction recognised as 'fee income' when the transaction is completed.
- Fees earned in respect of services provided are recognised as 'fee income' when the services are provided spread over the period of service provided;
- Fees which form an integral part of the 'effective interest rate' of a financial instrument are recognised as an adjustment to the effective rate and recorded in 'interest income'.

Other operating income

Other operating income relates to income received from closing customer driven foreign exchange transactions in the wholesale markets. Income is recognised based on margin earned on customer orders.

(b) Foreign currency

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling using the rate of exchange as at the year-end date and resulting gains or losses on translation are included in the statement of comprehensive income. Assets and liabilities denominated in foreign currencies that are stated at fair value are translated at foreign exchange rates ruling at the dates the fair values are determined.

(c) Cash and cash equivalents

Cash and cash equivalents comprise cash and demand deposits with banks and designated money market funds with original maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value.

(d) Property and equipment

Property and equipment are shown at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is provided on a straight-line basis to write-off the cost of assets over their expected useful lives as follows:

Leasehold improvement	-	Over the remaining period of the lease
IT equipment	-	20% - 33⅓ %
Motor vehicles	-	25%
Furniture and fittings	-	20%

(e) Pension cost

The Bank operates a defined contribution pension scheme for all staff. The cost of the scheme is equal to the contributions payable to the scheme for the year and is recognised within personnel expenses in the statement of comprehensive income. The Bank has no other obligation once the contributions have been paid.

(f) Lease rental income

Rental income from operating leases is recognised on a straight-line basis over the expected life of the lease. Rental income is included in other income on the statement of comprehensive income.

Costs incurred in the establishment of an operating lease under which rental income is recognised are deferred and amortised in proportion to the recognition of the rental income.

(g) Taxation

Tax on the profit and loss for the period comprises current and deferred tax using the tax rates and laws that have been enacted or substantively enacted at the year-end date. Corporation tax expense is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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

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

(h) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

(i) Contingent liabilities and commitments

Acceptances

Acceptances are undertakings by the Bank to pay bills of exchange drawn on customers. The Bank expects most acceptances to be settled simultaneously with the reimbursement from customers. They are booked as a form of guarantee.

Guarantees

The Bank provides financial guarantees and bonds to third parties on the request of customers and other banks. These agreements have fixed limits and generally do not extend beyond the period stated in each contract. All bonds and guarantees are disclosed in the financial statements in Note 22. Commissions and fees charged to customers for services rendered in respect of bonds and guarantees are recognized at the time the services or transactions are executed.

Commitments

The Bank enters into commitments to extend credit or deliver on sales or purchases of foreign exchange in the future. Commissions and fees charged to customers for services rendered in respect of commitments are held off balance sheet at the time the service or transaction is executed.

Where the financial instrument includes both a drawn and undrawn commitment and the contractual ability to demand repayment and cancel the undrawn commitment does not serve to limit the Bank's exposure to credit risk to the contractual notice period, the contractual period does not determine the maximum period considered. Instead, ECL is measured over the period the Bank remains exposed to credit risk that is not mitigated by credit risk management actions. The Bank commits a portion of its liquid assets to the maintenance of its liquidity buffer. As at 31 December 2022 the effect of ECL charge on commitments was considered immaterial.

Letters of credit

The Bank issues and confirms letters of credit to guarantee the performance of customers to third parties. These are disclosed in the financial statements in Note 22. Commissions and fees charged to customers for the service are recognised in the statement of comprehensive income at the time the service or transaction is completed.

(j) Financial Assets & Liabilities

Recognition
The Bank on the date of origination or purchase recognises loans, securities or deposits at the fair value of consideration paid. Origination date is the date the facility is disbursed. All other financial assets and liabilities are initially recognised on the trade date at which the Bank becomes a party to the contractual provisions of the instrument.

Classification and Measurement
Initial measurement of a financial asset or liability is a fair value plus transaction costs that are directly attributable to its purchase. Initial measurement of a financial asset or liability is at fair value through profit or loss, transaction costs are recognised immediately in profit or loss. Financial assets include both debt and equity instruments.

Financial assets are classified into one of the following measurement categories:

- Amortised cost
- Fair Value through Other Comprehensive Income (FVOCI)
- Fair Value through Profit or Loss (FVTPL)

The Bank classifies all of its financial assets based on the business model for managing the assets and the asset's contractual cash flow characteristics.

Financial Liabilities
Deposits are accounted for at amortised cost. Interest is recognised using the effective interest rate method and recorded within interest expense.

Reclassification of Liabilities
No reclassification of financial liabilities have been made during the current financial year.

Business Model Assessment
Business model assessment involves determining whether financial assets are managed in order to generate cash flows from collection of contractual cash flows, selling financial assets or both. The Bank assesses business model at a portfolio level reflective of how group of assets are managed together to achieve a particular business objective. For the assessment of business model, the Bank takes into consideration the following factors:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- how the performance of assets in a portfolio is evaluated and reported to Bank heads and other key decision makers within the Bank's business lines; the risks that affect the performance of assets held within a business model and how those risks are managed;
- how compensation is determined for the Bank's business lines' management that manages the assets; and
- the frequency and volume of sales in prior periods and expectations about future sales activity.

Management determines the classification of the financial instruments at initial recognition. The business model assessment falls under three categories:

- Business Model 1(BM1): Financial assets held with the sole objective to collect contractual cash flows;
- Business Model 2 (BM2): Financial assets held with the objective of both collecting contractual cash flows and selling; and
- Business Model 3 (BM3): Financial assets held with neither of the objectives mentioned in BM1 or BM2 above. These are basically financial assets held with the sole objective to trade and to realize fair value changes.

The Bank may decide to sell financial instruments held under the BM 1 category with the objective to collect contractual cash flows without necessarily changing its business model if one or more of the following conditions are met:

- When the Bank sells financial assets to reduce credit risk or losses because of an increase in the assets' credit risk. The Bank consider sale of financial assets that may occur in BM1 to be infrequent if the sale is one-off during the Financial Year and /or at most once during the quarter.

- Where these sales are infrequent even if significant in value.

- Where these sales are insignificant in value both individually and in aggregate even if frequent. A sale is considered insignificant if the portion of the financial assets sold is equal to or less than 5% of the carrying amount (book value) of the total assets within the business model.

Cash flow characteristics assessment

The contractual cash flow characteristics assessment involves assessing the contractual features of an instrument to determine if they give rise to cash flows that are consistent with a basic lending arrangement. Contractual cash flows are consistent with a basic lending arrangement if they represent cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

Principal is defined as the fair value of the instrument at initial recognition. Principal may change over the life of the instruments due to repayments. Interest is defined as consideration for the time value of money and the credit risk associated with the principal amount outstanding and for other basic lending risks and costs (liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Bank's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- Features that modify consideration of the time value of money – e.g. periodical reset of interest rates.

I. Financial assets measured at amortised cost

Financial assets are measured at amortised cost if they are held within a business model whose objective is to hold for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. After initial measurement, debt instruments in this category are carried at amortized cost using the effective interest rate method. Amortized cost is calculated taking into account any discount or premium on acquisition, transaction costs and fees that are an integral part of the effective interest rate. Amortisation is included in Interest income in the Statement of Comprehensive Income. Impairment on financial assets measured at amortized cost is calculated using the expected credit loss approach.

II. Financial assets measured at FVOCI

Financial assets such as Investment securities (Bonds) are measured at FVOCI if they are held within a business model whose objective is to hold for collection of contractual cash flows and for selling financial assets, where the assets' cash flows represent payments that are solely payments of principal and interest. Subsequent to initial recognition, unrealized gains and losses on debt instruments measured at FVOCI are recorded in Other Comprehensive Income (OCI), unless the instrument is designated in a fair value hedge relationship. Upon derecognition, realized gains and losses are reclassified from OCI and recorded in Other Income in the Statement of Comprehensive Income. Foreign exchange gains and losses that relate to the amortized cost of the debt instrument are recognized in the Statement of Comprehensive Income. Premiums, discounts and related transaction costs are amortized over the expected life of the instrument to Interest Income in the Statement of Comprehensive Income using the effective interest rate method. Impairment on financial assets measured at

FVOCI is calculated using the expected credit loss approach. The expected credit loss charge is recognised in the statement of comprehensive income.

III. Financial assets measured at FVTPL
The Bank does not have financial assets measured at FVTPL.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Bank changes its business model for managing assets. A change in the Bank's business model will occur only when it either begins or ceases to perform an activity that is significant to its operations such as:

- Significant internal restructuring or business combinations;
- Disposal of a business segment line i.e. disposal of a business segment;
- Any other reason that might warrant a change in the Bank's business model as determined by Board based on facts and circumstances.

The following are not considered changes in the business model:

- A change in intention related to particular financial assets (even in circumstances of significant changes in market conditions).
- A temporary disappearance of a particular market for financial assets.
- A transfer of financial assets between subsidiaries within the Group.

When reclassification occurs, the Bank reclassifies all affected assets in accordance with the new business model. Reclassification is applied prospectively from the 'reclassification date'. Reclassification date is the first day of the first reporting period following the change in business model. Gains, losses or interest previously recognised are not restated when reclassification occurs.

De-recognition of financial instruments

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. The Bank derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. A new financial liability based on modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.
The Bank derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of the ownership of the asset to another entity. If the Bank neither transfers nor retains substantially all the risks and rewards of the ownership and continues to control the transferred asset, the Bank continues to recognise the financial asset and also recognises a collateral borrowing for the proceeds received.
Financial assets that are transferred to a third party but do not qualify for recognition are presented in the balance sheet as 'Assets pledged as collateral', if the transferee has the right to sell or re pledge them.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), 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 been recognised in other comprehensive income is recognised in profit or loss.

Financial assets are derecognised when the terms of the financial asset are substantially modified and the cash flow of the modified asset are substantially different. In determining when a modification to terms of a financial asset is substantial or not to the existing terms, the Bank will consider the following non-exhaustive criteria:

Quantitative criteria

A modification would lead to derecognition of an existing financial asset and recognition of a new financial asset, i.e. substantial modification, if:

- The discounted present value of the cash flows under the new terms, including any fees received net of any fees paid and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial asset.

In addition to the above, the bank shall also consider qualitative factors as detailed below.

Qualitative criteria

Scenarios where modifications will lead to derecognition of existing loan and recognition of a new loan, i.e. substantial modification, are:

- The exchange of a loan for another financial asset with substantially different contractual terms and conditions such as the restructuring of a loan to a bond; conversion of a loan to an equity instrument of the borrower

Impairment of Financial Assets

In line with IFRS 9, the Bank assesses the unlisted financial instruments for impairment using Expected Credit Loss (ECL) approach:

- Amortised cost financial assets;
- Debt securities classified as at FVOCI;
- Off balance sheet loan commitments; and
- Financial guarantee contracts.

Expected Credit Loss Model

The Bank's allowance for credit loss calculations are outputs of models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. The expected credit loss impairment model reflects the present value of all cash shortfalls related to default, events either over the following 12 months or over the expected life of a financial instrument depending on credit deterioration from inception. The allowance for credit losses reflects an unbiased, probability weighted outcome which considers multiple scenarios based on reasonable and supportable forecasts.

The Bank adopts a three stage approach for impairment assessment based on changes in credit quality since initial recognition.

- Stage 1 – when a financial asset is first recognised, it is assigned to Stage 1. If there is no significant increase in credit risk from initial recognition the financial asset remains in Stage 1. Stage 1 also includes financial assets where the credit risk has improved (by definition an improvement is deemed as full repayment of any overdue amounts and there is good evidence that underlying reasons or drivers for the Significant Increase in Credit Risk (SICR) no longer pertain), and the financial asset has been reclassified back from Stage 2. For financial assets in Stage 1, a 12 month ECL is recognised. The expected credit loss is calculated by a probability of default occurring over the next 12 months. For those instruments with a remaining maturity less than 12 months, a probability of default corresponding to the remaining term to maturity is used.
- Stage 2 – when a financial instrument experiences a SICR subsequent to origination but is not considered to be in default, it is included in Stage 2. This requires the computation of expected credit loss based on the probability of default over the remaining estimated life of the financial instrument.
- Stage 3 - when there is objective evidence of impairment and the financial asset is considered to be in default, or credit impaired, it is moved to stage 3. For financial assets in stage 3, an individual ECL is recognised against each defaulted exposure.

Measurement of Expected Credit Losses

The probability of default (PD), exposure at default (EAD), and loss given default (LGD) inputs used to estimate expected credit losses are modelled based on macroeconomic variables that are most closely related with credit losses in the relevant portfolio.

Details of these statistical parameters/inputs are as follows:

- PD - The probability of default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the remaining estimated life if the facility has not been previously derecognised and is still in the portfolio.
- 12 months PDs – This is the estimated probability of default occurring within the next 12 months (or over the remaining life of the financial instrument if that is less than 12 months) This is used to calculate 12 month ECLs.
- Lifetime PDs – This is the estimated probability of default occurring over the remaining life of the financial instrument. This is used to calculate lifetime ECLs for stage '2'.
- EAD - The exposure at default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
- LGD - The loss given default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including the realisation of any collateral. It is usually expressed as a percentage of the EAD.

To estimate expected credit loss for off balance sheet exposures, a credit conversion factor (CCF) is usually computed. CCF is a modelled assumption which represents the proportion of any undrawn exposure that is expected to be drawn prior to a default event occurring. It is a factor that converts an off balance sheet exposure to its credit exposure equivalent. In modelling CCF, the Bank considers its account monitoring and payment processing policies including its ability to prevent further drawings during periods of increased credit risk. CCF is applied on the off balance sheet exposures to determine the EAD and the ECL impairment model for financial assets is applied on the EAD to determine the ECL on the off balance sheet exposures.

Forward-looking information

The measurement of ECL is required to be calculated on a forward-looking basis under IFRS 9. The ECL should be adjusted by probability weighted numbers based on a number of forward looking scenarios which should consider a range of factors such as GDP growth, unemployment rates and house price growth index. As set out in Note 27, the Bank has considered the impact of changing house price movements during the five year period, which is consistent with the behavioural life of the mortgage book. Under stressed scenarios the HPI could fall up to 11.4%, however as a result of the low LTV's across the portfolio the resulting impact on the ECL will not be material. There are no other macro-economic variables included in the estimation of ECL as the model is not sensitive to the changes in the PD's.

Assessment of significant increase in credit risk (SICR)

At each reporting date, the Bank assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the remaining expected life from the reporting date and the date of initial recognition. The assessment considers borrower-specific quantitative and qualitative information without consideration of collateral which includes expectations of forbearance and payment holidays, monitoring of arrears for staging calculations, monitoring of internal and external counterparty ratings and monitoring of adverse changes in economic conditions, and the impact of forward-looking macroeconomic factors.

The Bank adopts a multi factor approach in assessing changes in credit risk. This approach considers: Quantitative (primary), Qualitative (secondary) and Back stop indicators which are critical in allocating financial assets into stages. The quantitative models considers deterioration in the credit rating of obligor/counterparty based on the Bank's internal rating system or External Credit Assessment Institutions (ECAI) while qualitative factors considers information such as expected forbearance, restructuring, exposure etc.

A backstop is typically used to ensure that in the event that the primary (quantitative) indicators do not change and there is no trigger from the secondary (qualitative) indicators, an account that has breached the 30 days past due criteria for SICR and 90 days past due criteria for default is transferred to stage 2 or stage 3 as the case may be.

Significant Increase in Credit Risk is assessed once there is an objective indication of deterioration in credit risk. In addition, the Bank as part of its credit processes performs an assessment on a regular basis to identify instances of Significant Increase in Credit Risk (SICR).

Definition of Default and 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. 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.

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

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

Evidence that a financial asset is credit-impaired or in default 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. Assets are deemed to be in default when they are 90 days past their contractual due date;
- The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- Others include death, insolvency, breach of covenants, etc.

Presentation of allowance for ECL in the statement of financial position

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

- Financial assets measured at fair value through other comprehensive income (i.e. Investment securities)
- Financial assets measured at amortised costs (i.e. Cash and cash equivalents, Loans and Advances to Customers and Loans and Advances to Banks)
- Where a financial instrument includes both a drawn and an undrawn component, 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.
- Off balance sheet exposures such as Letters of Credit and Guarantees are converted on balance sheet by using a credit conversion factor (CCF). As at 31 December 2022 the figures was immaterial and not factored into the ECL charge.

Write-off
The Bank will write off an impaired asset (and the related impairment allowance) either partially or in full, where there is no reasonable expectation of recovery. After a full evaluation of a non performing exposure, in the event that either one or all of the following conditions apply, such exposure shall be recommended for write off (either partially or in full).

- continued contact with the customer is impossible;
- recovery cost is expected to be higher than the outstanding debt; the Bank's recovery method is foreclosing on collateral and the value of the collateral is such that there is a shortfall that cannot be recovered.

All credit facility write-offs shall require approval of the Board.
A write off constitutes a derecognition event. However, financial assets that are written off could be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amount due. When amounts recovered previously written-off credit exposures, such amount recovered is recognised at income on a cash basis only.

(k) Leases

The Bank as the lessee
Leases (right-of-use asset) are accounted for in accordance with IFRS 16 and are accounted for in line with the following, based on whether the Bank is the Lessor or the Lessee:

IFRS 16 'Leases' requires the Bank to recognise a 'right of use' asset and a corresponding liability on the balance sheet in respect of all leases, primarily property leases, where it is the lessee.
In accordance with IFRS 16 paragraph 18, the non-cancellable period for which the Bank has a the right of use to Great Castle Street building is determined to be 15 years from August 2022 to August 2037.

The rate used to discount the lease is 3.75% which is the last rate at which the Bank borrowed from the parent bank and also the incremental borrowing rate of the Bank.

The Right of Use asset is depreciated on a straight line basis over the life of the lease.

The Bank recognises that at the end of the lease, there is an obligation to restore the lease asset to the condition required by the terms and conditions of the lease; therefore, the dilapidation costs shall be included in the calculation of right of use asset and depreciated over the life of the lease.

At the commencement date, the Bank recognises a right of use asset at cost and a lease liability, where applicable, at the present value of the lease payments that are not paid at that date. The cost of the right of use asset comprises the amount of the initial measurement of the lease liability, estimated dilapidations costs and any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs incurred by the lease and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the asset to the condition required by the terms and conditions of the lease.
Subsequent to initial recognition, the Bank measures the right of use at cost less any accumulated depreciation and any impairment losses. The Bank measures the lease liability by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect lease payments made and re measuring the carrying amount to reflect any reassessment or modifications.
The corresponding lease liabilities are included in leasehold liabilities (see note 15). The interest element of the lease liabilities is charged to income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The Bank as the lessor
When assets are leased to a third party under operating lease terms, the present value of the lease income is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return.

(l) Offsetting financial assets and financial liabilities
Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The Bank does not have the intention to offset the balance and realise on a net basis, therefore the financial assets and liabilities are presented on a gross basis.

(m) New standards and interpretations not yet adopted
Certain new standards, amendments and interpretations have been issued by the IASB that are not yet effective for these financial statements.
The Bank has not adopted any of the standards, amendments, or interpretations mentioned below and does not intend to apply them before their mandatory effective date:

- IAS 1 – Presentation of Financial Statements (Classification of Liabilities as Current or Non-Current)
- IAS 8 – Accounting Policies: Definition of accounting estimates
- IAS 12 – Income Taxes (Deferred Tax related to Assets and Liabilities arising from a Single Transaction)
- IAS 16 - Property, Plant & Equipment (Proceeds before Intended Use)
- IFRS 17 – Insurance Contracts

4. Net interest income

	Year to 31 December 2022	Year to 31 December 2021
	£	£
Interest income		
Cash and cash equivalents	786,588	382,117
Loans and advances to banks	6,132,737	380
Loans and advances to customers	3,700,048	2,741,758
Investment securities	1,476,951	31,652
Total interest income	12,096,324	3,155,907

The Bank recognised interest income using the effective interest rate method. Interest income includes fee income amortisation of £126k (2021: £157k).

	Year to 31 December 2022	Year to 31 December 2021
Interest expense		
Deposits by banks	1,322,908	143,351
Deposits by customers	370,237	636,804
Lease Liability Finance cost	209,082	-
Total interest expense	1,902,227	780,155

5. Fees and commissions income

	Year to 31 December 2022	Year to 31 December 2021
	£	£
Letters of credit/guarantees	487,076	199,393
Funds transfer	2,803,391	1,886,548
Account management charges	56,508	49,774
Others	222,992	326,723
	3,569,967	2,462,438

6. Other operating income

	Year to 31 December 2022	Year to 31 December 2021
	£	£
Foreign exchange income	3,764,651	2,587,967
	3,764,651	2,587,967

Foreign exchange income is income derived from the spread the Bank earns from FX conversions for customers.

7. Personnel expenses

	Year to 31 December 2022	Year to 31 December 2021
	No.	No.
Average number of employees	88	86
	£	£
Wages and salaries	4,201,654	4,265,958
Compulsory social security obligations	576,234	499,418
Contribution to defined contribution pension plan	371,250	392,178
Other personnel costs	682,203	*(61,092)
Total personnel costs	5,831,341	5,096,462

*Other personnel costs include a reversal of £230k unpaid bonus accrued in 2019 reversed in 2021. Which resulted in "Other personnel costs" balance moving to credit rather than debit.
Directors' emoluments are included in personnel expenses.

8. Other operating expenses

	Year to 31 December 2022	Year to 31 December 2021
	£	£
Directors' fees	176,762	140,000
Premises costs	1,006,846	720,902
Other administration cost	3,274,673	9,790,970
	4,458,281	10,651,872

Other administrative cost includes recovered VAT of £618,755 (2021: £367,342)

Audit of the financial statements

Auditor's remuneration – Statutory audit	350,000	374,000*
	350,000	374,000

*Auditor's remuneration for 31 December 2021 includes overrun of £99k in relation to the 2021 year-end audit Agreed and recognised during the 2023 financial year.

9. Directors' emoluments

All directors

	Year to 31 December 2022	Year to 31 December 2021
	£	£
Directors' wages and salaries	379,908	380,000
Directors' fees	176,762	140,000
Pension contributions	29,315	31,700
	585,985	551,700

Highest paid director

	Year to 31 December 2022	Year to 31 December 2021
	£	£
Directors' wages and salaries	203,000	200,137
Directors' fees	12,000	12,000
Pension contributions	16,500	16,500
	231,500	228,637

10. Income tax expense

	Year to 31 December 2022	Year to 31 December 2021
	£	£
Current tax expense		
Current period:		
Prior year adjustment on current year tax	-	253,775
Current year deferred tax (charge)/credit	(1,242,756)	847,091
Prior year adjustment on deferred tax liability	(4,491)	301,957
Tax (charge)/credit for the year	(1,247,247)	1,402,823

All movements on deferred tax have been taken through the income statement.

	Year to 31 December 2022	Year to 31 December 2021
	£	£
Reconciliation of effective tax rate		
Profit/(Loss) for the year before taxation	5,121,885	(9,732,638)
Corporation tax at 19% (2020: 19%)	973,158	(1,849,201)
Expenses not deductible for tax purposes:		
Administrative expenses	1,591	1,627
Fixed asset depreciation	-	10,430
Provision for financial penalty	-	1,457,523
Adjustments for prior year	4,491	(555,733)
Effect of rate change	-	(467,363)
Effect of differences in tax rates	268,007	-
Unutilised tax losses / Rounding)	-	(106)
Total Tax (Credit) / Charge for the year	1,247,247	(1,402,823)

Tax losses of £2,892k (2021: £7,911k) have been carried forward. The Directors' have decided that a deferred tax asset of £949,586 should be recognised (See Note 16).

The deferred tax asset recognised as at 31 December 2022 has been recognised on the basis that the Directors' believe it is probable that sufficient future taxable profits will be generated against which it can be utilised.

11. Cash and cash equivalents

	As at 31 December 2022	As at 31 December 2021
	£	£
Cash and balances with banks	24,636,030	16,573,993
Designated money market funds	73,080,329	99,701,578
	97,716,359	116,275,570

Out of £345.1m (2021: £230.5m) loans and advances to banks £282.7m (2021: £174.4m) is considered to be a cash equivalent. Therefore, total cash and cash equivalents are £380.4m (2021: £290.6m)

Designated money market funds are held at FVOCI.

12. Loans and advances to banks

	As at 31 December 2022	As at 31 December 2021
	£	£
Three months or less	335,020,113	218,116,770
One year or less but over three months	10,166,817	12,416,941
Expected credit losses	(79,006)	(73,117)
	345,107,924	230,460,594

All loans and advances to banks at 31 December 2022 and 31 December 2021 were performing.

13. Loans and advances to customers

	As at 31 December 2022	As at 31 December 2021
	£	£
Three months or less	1,040,567	1,416,091
One year or less but over three months	6,260,705	4,406,409
Five years or less but over one year	15,958,829	16,188,919
Over five years	39,112,659	35,959,033
Less: Deferred Mortgage Arrangement Fees (EIR liability)	(389,084)	(307,451)
Expected credit losses	(111,527)	(2,052)
	61,872,149	57,660,949

As at 31 December 2022 £42,624 was advanced as staff loans (2021: £38,582). There are no loans to Directors. All loans and advances to customers and staff at 31 December 2022 and 31 December 2021 were either performing or were adequately collateralised and are presented in the above table based on contractual repayments.

Forbearance strategies

The Bank continues to invest in developing and enhancing its arrears management strategies to minimise credit risk whilst ensuring that customers are treated fairly. Such forbearance strategies include the use of arrangements or renegotiation of covenants to assist borrowers in arrears that are not able to meet agreed repayment strategies, including or excluding arrears balances. Forbearance strategies aim to avoid repossession.

Offsetting financial assets and financial liabilities

The Bank has the right to offset the gross loan with the three month pledged deposit. The Bank has not considered it necessary to carry out any offset in the period.

	Gross Amount	Amount Offset	Net amount presented on statement of financial position	Deposit Pledged	Net Amount
	£	£	£	£	£
As at 31 December 2022					
Financial assets					
Loan and advances to customers	61,872,149	-	61,872,149	(1,920,347)	59,951,802
Total financial Asset	61,872,149	-	61,872,149	(1,920,347)	59,951,802

	Gross Amount	Amount Offset	Net amount presented on statement of financial position	Deposit Pledged	Net Amount
	£	£	£	£	£
As at 31 December 2021					
Financial assets					
Loan and advances to customers	57,660,949	-	57,660,949	(1,927,378)	55,733,571
Balance as at 31 December 2021	57,660,949	-	57,660,949	(1,927,378)	55,733,571

14. Investment securities

	As at 31 December 2022	As at 31 December 2021
	£	£
Fair Value through Other Comprehensive Income	107,019,243	82,194,233
Expected credit losses	(3,819)	(3,819)
	107,015,424	82,190,414

Fair Value through Other Comprehensive Income securities are securities issued by government institutions in the United Kingdom and the United States of America, as at 31 December 2022 and 31 December 2021 these were performing.

The Fair Value through Other Comprehensive Income Investment in Securities are considered to be at Level 1 as per IFRS 13 classification.

15a. Property and equipment

	Leasehold Improvements	IT equipment	Motor vehicles	Furniture and fittings	*Capital Work in Progress	Total
	£	£	£	£		£
Cost						
Balance as at 31 December 2021	2,375,810	3,362,829	55,785	594,070	-	6,388,494
Additions	-	156,974	-	-	1,823,404	1,980,378
Balance as at 31 December 2022	2,375,810	3,519,803	55,785	594,070	1,823,404	8,368,872
Depreciation						
Balance as at 31 December 2021	2,262,676	2,803,815	55,785	575,083	-	5,697,359
Charge for the year	113,134	249,965	-	16,145		379,244
Balance as at 31 December 2022	2,375,810	3,053,780	55,785	591,228	-	6,076,603
Net book value						
Balance as at 31 December 2022	-	466,023	-	2,842	1,823,404	2,292,269
Balance as at 31 December 2021	113,134	559,014	-	18,987	-	691,135

*Capital Work in Progress additions in 2022 are with respect to the fit-out of the Bank's new office on 10 Great Castle Street, London.

There have been no indicators of impairment identified during the current or prior financial years.

	Leasehold improvements	IT equipment	Motor vehicles	Furniture and fittings	Capital Work in Progress	Total
	£	£	£	£		£
Cost						
Balance as at 31 December 2020	2,375,810	3,287,506	55,785	592,318	-	6,311,419
Additions	-	79,484	-	1,752	-	81,236
Transfers	-	(4,161)	-	-	-	(4,161)
Balance as at 31 December 2021	2,375,810	3,362,829	55,785	594,070	-	6,388,494
Depreciation						
Balance as at 31 December 2020	2,034,806	2,480,504	51,175	560,701	-	5,127,186
Charge for the year	227,870	323,311	4,610	14,382		570,173
Balance as at 31 December 2021	2,262,676	2,803,815	55,785	575,083	-	5,697,359
Net book value						
Balance as at 31 December 2021	113,134	559,014	-	18,987	-	691,135
Balance as at 31 December 2020	341,004	807,002	4,610	31,617	-	1,184,233

The table below discloses the split of the lease between the Bank and the tenant who sub-lease one floor of the 60-62 Margaret Street as referred in note 2(k).

	Leasehold Improvement Attributable to tenant	Leasehold Improvement Attributable to Bank	Total
Cost	£	£	£
Balance as at 31 December 2021	475,162	1,900,648	2,375,810
Additions	-	-	-
Balance as at 31 December 2022	475,162	1,900,648	2,375,810
Depreciation			
Balance as at 31 December 2021	452,535	1,810,141	2,262,676
Charge for the year	22,627	90,507	113,134
Balance as at 31 December 2022	475,162	1,900,648	2,375,810
Net book value			
Balance as at 31 December 2022	-	-	-
Balance as at 31 December 2021	22,627	90,507	113,134

Basis of Apportionment

On a pro-rata basis. 1/5th of the costs. As the tenants occupy 1 of the 5 floors of 60-62 Margaret Street.

15b. Right of Use - Lease

	60-62 Margaret street	10 Great Castle Street	Total
			£
Cost			
Balance as at 31 December 2021	14,991,861	-	14,991,861
Additions	1,102,007	11,677,999	12,780,006
Balance as at 31 December 2022	16,093,868	11,677,999	27,771,867
Depreciation			
Balance as at 31 December 2021	14,375,377	-	14,375,377
Charge for the year	1,472,992	324,389	1,797,381
Balance as at 31 December 2022	15,848,369	324,389	16,172,758
Net book value			
Balance as at 31 December 2022	245,499	11,353,610	11,599,109
Balance as at 31 December 2021	616,484	-	616,484

	Right of Use Lease
	£
Cost	
Balance as at 31 December 2020	14,991,861
Additions	-
Transfers	-
Balance as at 31 December 2021	14,991,861
Depreciation	
Balance as at 31 December 2020	13,375,784
Charge for the year	999,593
Balance as at 31 December 2021	14,375,377
Net book value	
Balance as at 31 December 2021	616,484
Balance as at 31 December 2020	1,616,077

15c. Lease Liability

	60-62 Margaret Street	10 Great Castle Street	Total £
Cost			
Balance as at 31 December 2021	704,605	-	704,605
Additions	1,013,886	11,389,110	12,402,996
Interest	39,232	169,850	209,082
Repayment	(1,757,723)	(343,788)	(2,101,511)
Balance as at 31 December 2022	-	11,215,172	11,215,172

	60-62 Margaret Street	Total £
Cost		
Balance as at 31 December 2020	2,116,298	2,116,298
Additions	-	-
Repayment	(1,411,693)	(1,411,693)
Balance as at 31 December 2021	704,605	704,605

16. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

	As at 31 December 2022 £	As at 31 December 2021 £
Deferred tax assets		
Loss carry-forwards	744,101	1,983,429
IFRS 16 leasehold timing differences	-	40,562
Temporary differences on adoption of IFRS 9	15,474	18,569
Timing Difference on FVOCI	190,011	
	949,586	2,042,560
Deferred tax liabilities		
Property Plant and Equipment	54,650	129,479
Movement in PPE	(35,738)	(74,829)
	18,912	54,650

The current year deferred tax is calculated at 25% (2021: 25%)

The Finance Act 2016 enacted reductions in the UK corporation tax rate to 19% with effect from April 2017. This rate is currently applicable and will increase to 25% from 2023 following the enactment of Finance Bill 2021, which was substantively enacted as at the year-end date.

The Directors have decided that a deferred tax asset of £949,586 (2021:£2,042,560) and a deferred tax liability of £18,912 (2021: £54,650) should be recognised.

The deferred tax asset recognised as at 31 December 2022 has been recognised on the basis that the Directors believe it is probable that sufficient future taxable profits will be generated against which it can be utilised.

Notes to the financial statements for the year ended 31 December 2022

Reconciliation of deferred tax

Deferred Tax Asset	Tax Losses	Temporary differences on adoption of IFRS16	Temporary differences on adoption of IFRS9	Total
	£	£	£	£
At 1 January 2022	**1,983,429**	**40,562**	**18,569**	**2,042,560**
Credit/(charge) to Income	(1,239,328)	(40,562)	(3,095)	(1,282,985)
Credit to OCI	-	-	-	190,011
At 31 December 2022	**744,101**	**-**	**15,474**	**949,586**

Deferred Tax Liability	Total
	£
At 1 January 2022	**54,650**
Credit to Income	(35,378)
At 31 December 2022	**18,912**

Deferred Tax Asset	Tax Losses	Temporary differences on adoption of IFRS16	Temporary differences on adoption of IFRS9	Total
	£	£	£	£
At 1 January 2021	850,471	101,405	16,465	**968,341**
Credit/(charge) to Income	1,132,958	(60,843)	2,104	1,074,219
At 31 December 2021	**1,983,429**	**40,562**	**18,569**	**2,042,560**

Deferred Tax Liability	Total
	£
At 1 January 2021	**129,479**
Credit to Income	(74,829)
At 31 December 2021	**54,650**

17. Other assets

	As at 31 December 2022	As at 31 December 2021
	£	£
Prepayment	266,465	674,936
Interest receivable	-	148,736
Others	25,330	74,767
	291,795	898,439

The prepayment comparatives include advance rent paid of £368k in respect of the Margaret St lease for the quarter ended 25 March 2022.

Interest receivable as at December 2022 is included as Loans and advances to customer and Loans and advances to Banks

18. Deposits by banks

	As at 31 December 2022	As at 31 December 2021
	£	£
Repayable on demand	273,887,169	225,973,372
Three months or less but not repayable on demand	66,280,833	61,443,956
One year or less but over three months	4,490,273	4,009,057
	344,658,275	291,426,385

Of which intragroup entities

	As at 31 December 2022	As at 31 December 2021
	£	£
Repayable on demand	123,209,624	69,199,709
Three months or less but not repayable on demand	19,083,659	20,282,860
One year or less but over three months	4,490,273	4,009,057
	146,783,556	93,491,626

19. Deposits by customers

	As at 31 December 2022	As at 31 December 2021
	£	£
Repayable on demand	197,914,789	135,311,005
Three months or less but not repayable on demand	9,555,258	6,246,925
One year or less but over three months	13,341,719	2,571,425
Five years or less but over one year	11,457,894	19,832,889
	232,269,660	163,962,244

20. Other liabilities

	As at 31 December 2022	As at 31 December 2021
	£	£
Taxation and social security	125,619	107,500
Accruals	743,146	658,989
Provision for dilapidations	288,889	-
Provision for FCA Penalty	7,671,171	7,671,171
Accrued interest	-	129,350
Accounts payable and others	1,509,393	1,031,610
	10,338,218	9,598,620

Accrued interest is included as Deposits from Customer and Banks.

21. Called up share capital

	31 December 2022	31 December 2022	31 December 2021	31 December 2021
	No. of shares	Amount £	No. of shares	Amount £
Issued, allotted and fully paid				
Ordinary shares of £1 each	37,000,000	37,000,000	37,000,000	37,000,000
	37,000,000	37,000,000	37,000,000	37,000,000

Ordinary shares

The Parent (Guaranty Trust Bank Limited) holds 100% (31 December 2021: 100%) of the ordinary shares of the Bank.

22. Contingent liabilities and commitments

Contingent liabilities

	As at 31 December 2022	As at 31 December 2021
	£	£
Letters of credit	295,760	506,848
Guarantees	5,982,041	144,029
Undrawn irrevocable loan commitments	10,957,582	5,500,810
	17,235,383	6,151,687

The figures above are expressed in nominal values.

23. Financial risk management

The Bank is exposed to the following risks through financial instruments:

- Conduct risk
- Credit risk
- Liquidity risk
- Market risk
- Capital management

The Bank is also exposed to the following risks through its operations and the environment:

- Operational risk
- Regulatory risk

Risk management framework

The Bank adopts the risk management model known as the 'three lines of defence' governance model. This is the model of risk management that sits below the Board and Board Committees to implement and control the decisions on strategy, risk and capital that are taken by the Board.

The framework for the oversight and management of risk is as follows:

First line: Management – responsibility for implementing strategy and the establishment and maintenance of internal control and risk management in the business. This includes senior management and business line heads.

Second line: Risk management – operating a risk management framework within which risk policies are set, overseen and challenged. This includes the Management Risk Committee, the Management Credit Committee, the Assets and Liabilities Management Committee, Anti Money Laundering Oversight Committee, the Risk Management Department and the Compliance Department.

Third line: Assurance – providing independent and objective assurance of the effectiveness of internal controls established by the first and second lines of defence. This is provided by the Internal Audit function, reporting to the Board Audit Committee.

This model is put into practice by the Bank ensuring the implementation of a tried and tested model in an efficient manner.

23.1 Conduct risk

Conduct risk is the risk that the Bank's customers suffer loss or detriment due to failures in product design, sales and marketing processes, poor customer service or operational delivery.

The Bank is committed to working with its customers and services providers to ensure that its products are simple, fair and transparent. Executive management is committed to the principles of treating customers fairly.

23.2. Credit risk

Credit risk is the risk of loss as a result of the failure of a party with whom the Bank has contracted to meet its obligations. The main credit risks that the Bank will face relate to its exposure to banks and corporates from its trade finance business, inter-bank lending, and advances to corporate and retail borrowers.

The Board of Directors has delegated the management of credit risk to the Board Credit Committee. The committee monitors all credit related risks at the Bank and approves and reviews the Credit Policy Guidelines. The committee reviews all advances granted by the Bank and approves specific transactions and credit limits above the Management Credit Committee's authorities, and ensures the maintenance of strong internal credit risk controls.

The table below shows the Bank's exposure to credit risk as reflected in the Balance sheet.

	Carrying value 31 December 2022	Fair value 31 December 2022	Carrying value 31 December 2021	Fair value 31 December 2021
	£	£	£	£
Cash and cash equivalents	97,716,359	97,716,359	116,275,570	116,275,570
Loans and advances to banks	345,107,924	345,186,930	230,460,594	230,460,594
Loans and advances to customers	61,872,149	61,983,673	57,660,949	57,660,949
Investment securities	107,015,424	107,019,243	82,190,414	82,190,414
Undrawn irrevocable loan commitments	10,957,582	10,957,582	5,500,810	5,500,810
Total	622,669,438	622,863,787	492,088,337	492,088,337

Undrawn irrevocable loan commitments are off-balance sheet items.

Loan commitments are firm commitments to provide credit under pre specified terms and conditions. These commitments were undrawn as at the balance sheet date

The tables below show the Bank's exposure to credit risk as at 31 December, these exposures were as follows;

Concentration by sector

	As at 31 December 2022	As at 31 December 2021
	£	£
Government	107,015,424	82,186,414
Banks	442,903,289	346,736,164
Retail	62,178,597	63,161,759
	612,097,310	492,084,337

Concentration by location of borrower

	As at 31 December 2022	As at 31 December 2021
	£	£
Asia	143,772,817	50,133,099
Europe (excluding United Kingdom)	85,384,119	32,241,361
Middle East and Africa	48,512,147	73,858,659
North America	181,198,567	41,859,943
United Kingdom	153,229,660	293,991,275
	612,097,310	492,084,337

Collateral against loans and advances to customers

The Bank holds collateral against each loan and advance in the form of property. The use of such collateral is in line with terms that are usual and customary to standard lending activities. The valuation of the collateral excludes any adjustments for obtaining and selling the collateral. Management perform a periodic valuation of the collateral which is based on the value at origination updated based on changes in the Halifax house price indices.

23.3 Fair values of financial instruments - Financial instruments not measured at fair value

The following table sets out the fair value of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised

	Level 1	Level 2	Level 3	Total Fair values	Total Carrying amount
2022	**£**	**£**	**£**	**£**	**£**
Assets					
Cash and cash equivalents	97,716,359	-	-	97,716,359	97,716,359
Loans and advances to banks	-	345,186,930	-	345,186,930	345,107,924
Loans and advances to custome1	-	-	61,983,673	61,983,673	61,872,149
Liabilities					
Deposits by banks	-	344,658,275	-	344,658,275	344,658,275
Deposits by customers	-	232,269,660	-	232,269,660	232,269,660

	Level 1	Level 2	Level 3	Total Fair values	Total Carrying amount
2021	**£**	**£**	**£**	**£**	**£**
Assets					
Cash and cash equivalents	116,275,50	-	-	116,275,570	116,275,570
Loans and advances to banks	-	230,460,594	-	230,460,594	230,460,594
Loans and advances to customer	-	-	57,660,949	57,660,949	57,660,949
Liabilities					
Deposits by banks	-	291,426,385	-	291,426,385	291,426,385
Deposits by customers	-	163,962,244	-	163,962,244	163,962,244

Fair value measurement recognised in the note above

- Level 1- fair value measurements are those derived from quoted prices in active markets for identical assets or liabilities
- Level 2- fair value measurements are those derived from inputs other than quoted prices within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3- fair value measurements are those derived from valuation techniques that include inputs for assets or liability that are not based on observable market data (unobservable inputs)

When a fair value is based on all significant market observable inputs, the valuation is classified as Level 2. Financial instruments traded in a less active market have been valued using indicative market prices, the present value of cash flows or other valuation techniques. Fair value estimates do not normally consider forced or liquidation sales.

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23.4. Liquidity risk

Liquidity risk is the risk that a firm, although solvent, either does not have available sufficient financial resources to enable it to meet its obligations as they fall due, or can secure such resources only at excessive cost.

The Bank's approach to managing liquidity is to ensure that it will always have sufficient available financial resources to meet its liabilities when due, under normal and stressed conditions, without any unacceptable losses or risk to the Bank's reputation.

All liquidity policies and procedures are subject to review by the Bank's Assets and Liability Management Committee "ALMAC" and approval by the Board. Daily reports cover liquidity positions and a summary report, including any exceptions and remedial action taken, is submitted regularly to ALMAC and quarterly to the Board Risk and Compliance Committee.

The key measure used by the Bank for managing liquidity risk is an assessment of the mismatch between the Bank's inflows (assets) and outflows (liabilities) within different time bands on a maturity ladder. A net mismatch is obtained by subtracting outflows from inflows in each time band. Mismatches are then measured on a net cumulative basis. The Bank also makes assumptions as to how assets, liabilities and contingent items will behave during times of stress, and maintains a buffer of highly liquid assets to ensure that acceptable levels of liquidity are available at all times.

The table below analyses liabilities into relevant maturity groupings based on the remaining period at the year-end date to the contractual maturity date:

Residual contractual maturities of financial Assets & liabilities as at	**Total**	**Less than 1 month**	**More than one month but not more than three months**	**One year or less but over three months**	**More than one year but not more than five years**	**More than five years**	**No Contractual maturity**
31 December 2022	**£**	**£**	**£**	**£**	**£**	**£**	**£**
Assets	505,276,049	433,777,039	-	16,427,522	15,958,829	39,112,659	-
Liabilities							
Deposits by banks	344,658,275	273,887,169	66,280,833	4,490,273	-	-	-
Deposits by customers	232,269,660	197,914,789	9,555,258	13,341,719	11,457,894	-	-
Leasehold liability	11,215,172	144,127	160,134	115,561	1,973,997	8,821,353	
Other liabilities	10,338,218	10,338,218	-	-	-	-	
Total liabilities	598,481,325	482,284,303	75,996,225	17,947,553	13,431,891	8,821,353	-
Net	(93,205,276)	(48,507,264)	(75,996,225)	(1,520,031)	2,526,938	30,291,306	-

Notes to the financial statements
for the year ended 31 December 2022

Residual contractual maturities of financial assets & liabilities as at	Total	Less than 1 month	More than one month but not more than three months	One year or less but over three months	More than one year but not more than five years	More than five years	No Contractual maturity
31 December 2021	**£**	**£**	**£**	**£**	**£**	**£**	**£**
Assets	404,779,738	335,808,436	12,416,941	4,406409	16,188,979	35,959,033	-
Liabilities							
Deposits by banks	291,426,385	225,973,372	61,443,956	4,009,057	-	-	-
Deposits by customers	163,962,244	135,311,005	8,818,350	19,832,889	-	-	-
Leasehold liability	704,605	-	-	704,605	-	-	-
Other liabilities	9,598,620	1,927,449	-	-	7,671,171	-	-
Deferred tax liability	54,650	-	-	54,650	-		
Total liabilities	465,746,504	363,211,826	70,262,306	24,601,201	7,671,171	-	-
Net	(60,966,766)	(27,403,390)	(57,845,365)	(20,194,792)	8,517,748	35,959,033	

In addition to the above, the Bank has established an Individual Liquidity Adequacy Assessment Process (ILAAP), which has been approved by the Board of Directors. The ILAAP describes how the Bank plans to manage its liquidity within predetermined limits and how it maintains a buffer of highly liquid assets to ensure that it will be able to meet its liabilities during times of stress. All internal and regulatory liquidity requirements have been met during 2022.

The following tables segments the gross contractual cashflows of the Bank's financial liabilities into relevant maturity bands. Totals in the following table differ to the preceding tables, and do not agree directly to the statement of financial position, as the table incorporates all cash flows, on an undiscounted basis, related to both principal and future interest payments. Estimated future interest payments are derived using interest rates and contractual maturities at the reporting date.

Notes to the financial statements for the year ended 31 December 2022

Residual contractual maturities of financial liabilities as at	Total	Less than 1 month	More than one month but not more than three months	One year or less but over three months	More than one year but not more than five years	More than five years
31 December 2022	£	£	£	£	£	£
Liabilities						
Deposits by banks	349,103,917	274,793,989	69,653,963	4,655,965	-	-
Deposits by customers	232,651,189	197,937,307	9,544,393	13,426,777	11,742,712	-
Leasehold liability	15,275,809	180,404	227,904	427,500	3,515,001	10,925,000
Other liabilities	11,979,494	11,979,494	-	-	-	-
Total liabilities	609,010,409	484,891,194	79,426,260	18,510,242	15,257,713	10,925,000

Residual contractual maturities of financial liabilities as at	Total	Less than 1 month	More than one month but not more than three months	One year or less but over three months	More than one year but not more than five years	More than five years	No Contractual maturity
31 December 2021	£	£	£	£	£		£
Liabilities							
Deposits by banks	278,923,306	214,675,653	60,424,619	3,823,034	-	-	-
Deposits by customers	155,765,686	126,667,787	5,887,222	21,379,668	1,831,009	-	-
Leasehold liability	669,375	-	-	669,375	-	-	-
Other liabilities	9,118,689	9,118,689	-	-	-	-	-
Deferred tax liability	51,918			51,918			
Total liabilities	444,528,974	350,462,129	66,311,841	25,923,995	1,831,009	-	-

23.5. Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Bank's income or the value of its holding of financial instruments.

Management of market risk

The Bank has developed detailed market risk management policies, which are subject to review by ALMAC and approval by the Board Risk and Compliance Committee. The Board sets the market risk tolerance levels which are managed on a day-to-day basis by the Bank's Treasury Department and the implementation reviewed by the Risk Management Department. The Bank does not operate a trading portfolio and market operations are primarily to support the Bank's commercial activities.

The Bank's Treasury Department implements and develops the firm's business objectives as they relate to treasury activities. It creates and manages liquidity, market, interest rate, credit and foreign exchange risks utilising both market opportunities and customer demand within limits defined by the Board. Capital is allocated to mitigate market risk in accordance with regulatory requirements.

Interest rate risk

Interest rate risk arises from financial instruments where net interest income and the market value of the Bank's assets are exposed to movements in interest rates. This risk only arises in the banking book as the Bank does not run a trading book, and therefore does not have the type of higher risk exposure run by many banking institutions.

The Bank uses the maturity or repricing schedules of statement of financial position items to determine the differences between maturing or repricing items within given tenor buckets.

The Bank then measures the potential pre-tax earnings impact over a specified reporting period for the accrual positions, from a defined change in the yield curve. This is a forward looking measure and the Bank places agreed limits based upon a pre-determined parallel shift in interest rates for all material currencies.

The highly liquid assets that the Bank has purchased to ensure that adequate levels of liquidity are maintained subject the bank to interest rate risk. The Bank has allocated an amount of capital to mitigate this risk.

These measurements are undertaken monthly and reported to ALMAC and to Board Risk and Compliance Committee quarterly.

Notes to the financial statements
for the year ended 31 December 2022

A summary of the Bank's interest rate gap position is as follows:

	Carrying amount £	Less than 3 months £	3 - 12 months £	More than 1 year £	No specific repricing £	Non-interest bearing £
As at 31 December 2022						
Assets						
Cash and cash equivalents	97,716,359	97,716,359	-	-	-	-
Loans and advances to banks	345,107,924	334,941,107	10,166,817	-	-	-
Loans and advances to customers	61,872,149	62,261,232	-	-	(389,083)	-
Investment securities	107,015,424	107,015,424	-	-	-	-
Property and equipment	2,292,269	-	-	-	-	2,292,269
Leasehold –right of use asset	11,599,109	-	-	-	-	11,599,109
Other assets	291,795	-	-	-	-	291,795
Deferred tax asset	949,586	-	-	-	-	949,586
Total assets	626,844,615	601,934,122	10,166,817	-	(389,083)	15,132,759
Liabilities & Equity						
Deposits by banks	344,658,275	340,168,002	4,490,273	-	-	-
Deposits by customers	232,269,660	207,470,047	13,341,719	11,457,894	-	-
Other liabilities	10,338,218	-	-	-	-	10,338,218
Leasehold liability	11,215,172	-	-	-	11,215,172	-
Deferred tax liability	18,912	-	-	-	-	18,912
Shareholders' funds	28,344,378	-	-	-	-	28,344,378
Total liabilities & equity	626,844,615	547,638,049	17,831,992	11,457,894	11,215,172	38,701,508
Net interest gap	-	54,296,073	(7,665,175)	(11,457,894)	(11,604,255)	(23,568,749)

	Carrying amount £	Less than 3 months £	3 -12 months £	More than 1 year £	No specific repricing £	Non-interest bearing £
As at 31 December 2021						
Assets						
Cash and cash equivalents	116,275,570	116,275,570	-	-	-	-
Loans and advances to banks	230,460,594	218,043,653	12,416,941	-	-	-
Loans and advances to customers	57,660,949	1,416,091	20,595,328	35,959,033	(309,503)	-
Investment securities	82,190,414	82,190,414	-	-	-	-
Property and equipment	691,135	-	-	-	-	691,135
Intangible assets	-	-	-	-	-	-
Leasehold – right to use asset	616,484	-	-	-	-	616,484
Other assets	898,439	-	-	-	-	898,439
Deferred tax asset	2,042,560	-	-	-	-	2,042,560
Total assets	490,836,145	417,925,728	33,012,269	35,959,033	(309,503)	4,248,618
Liabilities & Equity						
Deposits by banks	291,426,385	225,973,372	61,443,956	4,009,057	-	-
Deposits by customers	163,962,244	139,518,526	22,516,340	1,927,378	-	-
Other liabilities	9,598,620	-	-	-	-	9,598,620
Lease liabilities	704,605	-	-	-	-	704,605
Deferred tax liability	54,650	-	-	-	-	54,650
Shareholders' funds	25,089,641	-	-	-	-	25,089,641
Total liabilities & equity	490,836,145	365,491,898	83,960,296	5,936,435	-	35,447,516
Net interest gap	-	52,792,477	(50,948,027)	30,021,899	(307,451)	(31,198,898)

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Bank's financial assets and liabilities to various interest rate scenarios. The table below shows the impact on annual income of a 200 basis point (bp) rise or fall in the base rate of the main currencies traded by the Bank:

	As at 31 December 2022		As at 31 December 2021	
	200 basis point increase £	200 basis points decrease £	200 basis points increase £	200 basis points decrease £
GBP	198,000	(186,000)	40,000	(40,000)
USD	135,000	(132,000)	185,000	(185,000)
EUR	2,000	(2,000)	1,000	(1,000)

Foreign exchange risk

Foreign exchange risk is the risk that changes in foreign currency exchange rates will affect the Bank's income or the value of its holdings of financial instruments. The objective of foreign currency risk management is to manage and control foreign currency risk exposure within acceptable parameters while optimising the return on risk.

The Bank manages its exposure to changes in the market rates for foreign exchange by monitoring its overnight open foreign exchange positions and maintaining these positions within the parameters set by the Board. Foreign exchange exposure arises from normal banking activities, primarily from the receipt of deposits and the placement of funds. It is the policy of the Bank that it will, at all times, adhere to the limits laid down by the Regulator in respect of the "overall net open position". It is not the Bank's intention to take open positions on its own account (proprietary trading) but rather to maintain square or near square positions in all currencies.

The Bank does not currently deal, and has no plans to deal, in Foreign Exchange Futures, Foreign Exchange Options or Options on Foreign Exchange Futures. The Bank has no structural currency exposures.

The tables shown below give details of the Bank's assets and liabilities as at 31 December 2022 and 31 December 2021, in sterling, based on the currencies in which they are denominated to identify the extent to which the foreign currency exposures of the Bank are matched.

Foreign currency sensitivity has been performed on the foreign currency exposures inherent in the Bank's financial assets and financial liabilities at the reporting dates presented. The sensitivity analysis provides an indication of the impact on the Bank's profit or loss of possible changes in the currency exposure against the functional currency environment in which the Bank operates. The Bank believes that a 5% depreciation or appreciation in the value of the GBP against other major foreign currencies at 31 December 2022 will lead to a profit of £10,731 and a loss of £10,731 (31 December 2021 a profit of £8,193 and a loss of £8,193).

	Sterling £	US Dollar £	Euro £	Other £	Total £
As at 31 December 2022					
Assets					
Cash and cash equivalents	11,680,300	69,240,618	16,340,679	454,762	97,716,359
Loans and advances to banks	49,841,546	286,362,226	8,904,152	-	345,107,924
Loans and advances to customers	59,190,314	2,681,835	-	-	61,872,149
Investment securities	17,084,261	89,931,163	-	-	107,015,424
Property and equipment	2,292,269	-	-	-	2,292,269
Deferred tax asset	949,586	-	-	-	949,586
Other assets	-	-	171,801	119,994	291,795
Leasehold –right of use	11,599,109	-	-	-	11,599,109
Total assets	152,637,385	448,215,842	25,416,632	574,756	626,844,615
Liabilities & Equity					
Deposits by banks	9,448,721	312,523,278	22,431,457	254,819	344,658,275
Deposits by customers	94,160,871	135,201,142	2,907,647	-	232,269,660
Other liabilities	9,437,940	697,771	83,374	119,133	10,338,218
Leasehold liability	11,215,172	-	-	-	11,215,172
Subordinated liabilities	-	-	-	-	-
Deferred tax liability	18,912	-	-	-	18,912
Shareholders' funds	28,344,378	-	-	-	28,344,378
Total liabilities & Equity	152,625,994	448,422,191	25,422,478	373,952	626,844,615
Net assets / (liabilities)	11,391	(206,349)	(5,846)	200,804	-
As at 31 December 2021					
Assets					
Cash and cash equivalents	17,211,077	90,504,816	8,210,086	349,591	116,275,570
Loans and advances to banks	32,281,539	198,179,055	-	-	230,460,594
Loans and advances to customers	56,041,341	1,619,608	-	-	57,660,949
Investment securities	4,978,942	77,211,472	-	-	82,190,414
Property and equipment	691,135	-	-	-	691,135
Intangible assets	-	-	-	-	-
Deferred tax asset	2,042,560	-	-	-	2,042,560
Other assets	843,727	54,712	-	-	898,439
Leasehold – right of use	616,484	-	-	-	616,484
Total assets	114,706,805	367,569,663	8,210,086	349,591	490,836,145
Liabilities & Equity					
Deposits by banks	9,196,331	277,833,757	4,200,078	196,219	291,426,385
Deposits by customers	70,466,470	90,845,351	2,650,423	-	163,962,244
Other liabilities	9,166,755	353,509	78,356	-	9,598,620
Leasehold liability	704,605	-	-	-	704,605
Subordinated liabilities	-	-	-	-	-
Deferred tax liability	54,650	-	-	-	54,650
Shareholders' funds	25,089,641	-	-	-	25,089,641
Total liabilities & Equity	114,678,452	369,032,617	6,928,857	196,219	490,836,145
Net assets / (liabilities)	28,353	(1,462,954)	1,281,229	153,372	-

23.6. Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.

Overview of operational risk is undertaken by the Board Risk and Compliance Committee, and ultimately the Board of Directors, who retain responsibility for operational risk. The operational risk management framework is developed by the Risk Management Department and the implementation of controls to address operational risk is part of the line managements' day-to-day responsibilities.

Qualitative and quantitative reports and metrics are collated by the Risk Management Department and reported regularly to the Management Risk Committee and a summary report is submitted to the Board Risk and Compliance Committee and full Board on a quarterly basis. Capital is allocated by the Bank in order to mitigate Operational Risk, in accordance with the Bank's ICAAP.

23.7. Regulatory risk

Regulatory risk is the risk that the Bank does not comply with changes in the regulatory environment. The Bank's Risk and Compliance and Financial Crime Compliance teams monitor regulatory changes and report to the Executive and Board Risk and Complaince Committee through the risk management reports presented at Management Risk Committee and Anti-Money Laundering Oversight Committee. These two executive committees report to the Board Risk and Compliance Committee and full Board respectively. The Bank's Enterprise Risk Management Framework includes an annual review of its Risk Appetite Statement (RAS). The RAS sets out qualitatively and quantitatively the risk tolerance for all areas of risk faced by the Bank, including Commercial, Climate, Credit, Capital, Market and Liquidity risks, in addition to Operational, Conduct and Regulatory risks – of which last Financial Crime risk forms part.

Given the majority of the Bank's customers are resident or incorporated in high-risk countries the bank confers responsibility for Financial Crime oversight on an individual holding SMF17 of the Senior Managers and Certification Regime (SMCR). Regulatory risk in the form of Prudential and Regulatory Compliance risk is overseen by a separate individual holding prescribed responsibilities under SMF4 and SMF16. All areas of regulatory risk are therefore monitored by dedicated oversight functions operating in the Bank's second line of defence, subject to review by Executive and Board as noted above.

23.8. Capital management

The Bank's capital requirements are set and monitored by its Regulators.

The Bank's management undertakes an Internal Capital Adequacy Assessment Process (ICAAP), which is an internal assessment of its capital needs. This internal assessment makes use of the regulatory capital calculator and an internal evaluation of all other material risks for the Bank, which does not require the provision of regulatory capital. The ICAAP is performed annually or more frequently should the need arise.

The ICAAP is presented to the Management Risk Committee and then to the Board (with whom ultimate responsibility lies) for challenge and approval. The Regulator has assessed the Bank's ICAAP and set Individual Capital Guidance (ICG) for the Bank, which has been maintained during the year.

Regulatory and internal capital adequacy is monitored on a daily basis and reported to the Board Risk and Compliance Committee and the Board on a quarterly basis. An assessment of the impact on internal and regulatory capital adequacy is made before launching any new products or undertaking new activities.

23.8. (a) Regulatory capital (unaudited)

The Bank's capital, as detailed below is comprised of ordinary share capital; retained earnings (both of which qualify as Common Equity Tier 1 Capital) The Bank has no Additional Tier 1 capital and adjusts its Common Equity Tier 1 capital by adding the fair value reserve relating to fair value through other comprehensive income (FVOCI) items.
CRD IV is structured around 3 Pillars. Pillar 1 defines the minimum capital requirements of an institution. Pillar 2 refers to the supervisory review and Pillar 3 to the disclosures that the Bank is required to make.

With the Regulator's approval, the Bank uses the following methods to establish its minimum capital requirements:

The Standardised Approach for credit risk

The Position Risk Requirement for market risk

The Basic Indicator Approach for operational risk

	As at 31 December 2022 £	As at 31 December 2021 £
Tier 1 capital		
Ordinary share capital	37,000,000	37,000,000
Retained earnings	(8,026,214)	(11,900,852)
Fair value reserve	(629,408)	(9,507)
Total regulatory capital (Unaudited)	28,344,378	25,089,641

23.9. Country by country reporting

The CRD IV requirements stipulate reporting on a consolidated basis, by country where the reporting institution has an establishment, the name, and nature of activities, geographical location, and number of employees, turnover, pre-tax profit/loss, corporation taxes paid and any public subsidies received.

The Bank does not have any branches in the EU. The basis of preparation and details of the business activities are provided below:

Basis of preparation

Employees

This represents the year end number of full time equivalent employees during the year.

Turnover

The total turnover is represented by the balances of net interest income, net fee and commission income, realised gains on available for sale assets, and net foreign exchange gains.

Corporation Tax Paid

Represents total corporation tax cash payments made during the year ending 31 December 2022.

Number of employees	92
	£
Turnover	19,430,942
Profit before taxation	5,121,885
Corporation tax paid	-

There were no public subsidies received during the year

24. Related Party Transactions

A number of banking transactions were entered into with related parties in the normal course of business. These include loans and deposits. Outstanding balances at the end of the period and related interest income and expense for the period ended are as follows.

	Included in Note	As at 31 December 2022 £	As at 31 December 2021 £
Assets			
Amounts due from fellow subsidiaries	12	447,556	-
		447,556	-
Liabilities			
Amounts due to parent Bank			
Deposits	18	89,198,368	52,762,847
Amounts due to fellow subsidiaries			
Deposits	18	57,585,188	40,728,779
		146,783,556	93,491,626

	As at 31 December 2022 £	As at 31 December 2021 £
Income		
Fellow subsidiaries transactions	2,785	1,612
Expenses		
Parent Bank transactions	(53,351)	-
Fellow subsidiaries transactions	(263,820)	(173,280)
	(314,386)	(171,668)

Transactions with key management personnel

The Bank's key management personnel, and persons connected with them, are also considered to be related parties. The definition of key management includes the close family of members of key personnel and any entity over which they exercise control. The key personnel include, Executive and Non-Executive Directors, Management and Senior Managers of the Bank. Close family members are those family members who may be expected to influence, or be influenced by that individual in their dealings with Guaranty Trust Bank UK Limited. Personal loans outstanding as at 31st December 2021 were repaid in 2022.

	31 December 2022 £	31 December 2021 £
Loans and advances:		
Personal Loans	-	38,652
Liabilities:		
Deposits	3,160,789	2,665,593

Related party transactions

The Bank ensures that all of its business activities are carried out at arm's length. Controls are in place to ensure that related parties are identified, such as the review of vendors at on boarding, and declarations made by Directors of the Bank to prevent potential conflicts of interests.

25. Parent Bank

Guaranty Trust Bank (UK) Limited is wholly owned by Guaranty Trust Bank Limited, which itself is 100% owned by Guaranty Trust Holding Company PLC (GTHoldco), the ultimate parent.

Copies of the Group accounts of the Parent can be obtained from the website, www.gtbank.com

Corporate Affairs Department

Guaranty Trust Holding Company PLC, Plot 635 Akin Adesola Street, Victoria Island, Lagos, Nigeria.

26. Subsequent Events

On 10 January 2023, Guaranty Trust Bank UK Limited reached settlement with the FCA, accepting findings in relation to historic Anti-Money Laundering (AML) controls in its operations in the period October 2014 to July 2019. The amount of the financial penalty was £7,671,171, recognised in the income statement as of and for the year ended 31 December 2021 and this remains as part of other liabilities in the 2022 financial statements. The amount was paid by the Bank in January 2023.

27. Allowance for Credit Impairment Losses – IFRS 9

The following tables detail changes in the loss allowance and gross carrying value of loans to customers during the year.

Loans and advances to customers

	Stage 1		Stage 2		Stage 3		**Total**	
	Gross Loans	Allowance for credit impairment losses	Gross Loans	Allowance for credit impairment losses	Gross Loans	Allowance for credit impairment losses	**Gross Loans**	**Allowance for credit impairment losses**
	£	£	£	£	£	£	£	£
At 1 January 2022	54,563,020	(1,135)	(14,099)	(267)	3,112,028	(650)	**57,660,949**	**(2,052)**
Changes reflected in impairment loss allowance:								
Increases due to originations	17,962,220	(4,955)	-	-	-	-	**17,962,220**	**(4,955)**
Decreases due to repayments	(13,301,688)	765	(69,883)	271	(236,149)	454	**(13,607,720)**	**1,490**
Changes in credit risk	136,958	3	1,047,784	(74)	(1,184,742)	(105,939)	**-**	**(106,010)**
Other Movements	(31,773)	-	-	-	-	-	**(31,773)**	**-**
Amounts written off	-	-	-	-	-	-	-	-
At 31 December 2022	**59,328,737**	**(5,322)**	**963,802**	**(70)**	**1,691,137**	**(106,135)**	**61,983,676**	**(111,527)**

	Stage 1		Stage 2		Stage 3		**Total**	
	Gross Loans	Allowance for credit impairment losses	Gross Loans	Allowance for credit impairmen t losses	Gross Loans	Allowance for credit impairment losses	**Gross Loans**	**Allowanc for credi impairmen losse**
	£	£	£	£	£	£	£	
At 1 January 2021	47,366,858	(526)	578,598	(267)	3,075,757	(650)	**51,021,213**	**(1,443**
Changes reflected in impairment loss allowance:								
Increases due to originations	16,622,361	(609)	-	-	-	-	**16,622,361**	**(609**
Decreases due to repayments	(9,982,625)		-	-	-	-	**(9,982,625)**	
Changes in credit risk	578,598	-	(578,598)	-	-	-	-	
Other Movements	(22,172)	-	(14,099)	-	36,271	-	-	
Amounts written off	-	-	-	-	-	-	-	
At 31 December 2021	**54,563,020**	**(1,135)**	**(14,099)**	**(267)**	**3,112,028**	**(650)**	**57,660,949**	**(2,052**

Sensitivity analysis of expected credit losses

The measurement of expected credit losses (ECL) is complex and involves the use of judgement and estimation, which are included on Note 2. The Bank has considered the impact of changing house price movements during the five year period, depicted below, which is consistent with the behavioural life of the mortgage book. Under stressed scenarios the HPI could fall up to 19% over the next two years, however as a result of the low LTV's across the portfolio the resulting impact on the ECL will not be material. There are no other macro economic variables included in the estimation of ECL as the model is not sensitive to the changes in the PD's.

House Price Index

Parameters	2023	2024	2025	2026	2027
Base Case Scenario	-4.5%	0.7%	3.0%	3.2%	3.2%
Upside Scenario	0.4%	3.7%	3.8%	3.8%	3.8%
Downside Scenario	-8.6%	-11.4%	2.0%	2.2%	2.2%