FirstBank UK

Empowering Futures

FirstBank UK Limited

Annual Report and Accounts 2023

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In this Report

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The FirstBank UK Limited audited financial statements in this Annual Report have been prepared under the International Financial Reporting Standards (IFRS). Unless otherwise stated, the income statement compares the 12 months of 2023 to the corresponding 12 months of 2022, while the statements of financial position compare the closing balances as at 31 December 2023 with those as at 31 December 2022. Except where otherwise disclosed, all balances and figures relate to continuous operations. Relevant terms used in this document but not defined under applicable regulatory guidance or the IFRS are re-explained in the abbreviation section of this Report.

FirstBank UK Limited is a subsidiary of First Bank of Nigeria Limited.

AT A GLANCE

STRATEGIC REPORT

CORPORATE RESPONSIBILITY AND SUSTAINABILITY

GOVERNANCE

RISK REVIEW

FINANCIAL STATEMENTS

At a Glance

Our Business

FirstBank UK is a licensed bank in the United Kingdom, authorised by the Prudential Regulation Authority (PRA) and regulated by the Financial Conduct Authority (FCA) and the PRA. FirstBank UK was incorporated in England and Wales in 2002 as a Limited Company under the Companies Act 1985. Prior to that it had operated as a Branch of its parent company since 1982, being the first Nigerian bank in the UK. Our vision is to be the leading UK bank for African trade and investment, driving responsible growth and providing excellent services. We have built a reputation on highly personalised client services, an unparalleled expertise of Nigeria and other African markets, and robust compliance and governance that takes a long-term view of our clients' and our own businesses to ensure the right outcomes and best service for our customers. As the preferred service provider, we create prosperity, changing lives for the better.

FirstBank UK is a subsidiary of First Bank of Nigeria Limited (FirstBank) and an ultimate subsidiary of FBN Holdings Plc, a publicly listed entity on the Nigerian Exchange. FirstBank is Nigeria's most valuable banking brand and one of the country's largest financial institutions in terms of total assets and gross earnings. FirstBank was founded in 1894 as the Bank of British West Africa, and it was the first financial organisation on the African continent. FirstBank UK provides banking services to government institutions, financial institutions, corporates and individuals from Europe, Nigeria and Sub-Saharan Africa (SSA), with the aim of becoming their preferred UK and European Bank. The Bank is the international banking arm of FirstBank and acts as a correspondent to many African banks. As part of the FirstBank Group, FirstBank UK benefits from the strong support of its parent company. The Bank operates from the city of London with representative offices in Paris and Lagos.

Our Strategy

The Bank's current 2020-2024 strategic plan approved by the Board focuses on embedding stability, generating sustainable profits, and growing the business safely. The current business plan is expected to deliver the following strategic imperatives, with good progress made thus far:

COMMERCIAL BUSINESS

Improve the quality of the commercial loan portfolio by selecting the correct growth opportunities in Corporate Banking; maintain current corresponding banking opportunities with the FirstBank Group; lead the Group-wide drive towards an effective Global Account Management (GAM) programme; grow a capital-light residential mortgage portfolio in the UK; and expand the market trading business.

REGULATORY RELATIONS

Strengthen regulatory relations through regular engagement, timely and accurate reporting, and the embedding of enhanced procedures.

COMPLIANCE

Promote high compliance standards and enforce strict regulatory adherence.

PEOPLE

Create a conducive work environment that attracts talents and promotes the right behaviours; an environment where our colleagues are empowered yet accountable for the efficient delivery of excellent customer service; and foster a culture that is in line with our purpose, vision and values and allows our colleagues to maintain their wellbeing and positive engagement with the Bank.

Our Business

RISK

Enforce a disciplined and safe business-enabling risk culture by enhancing our Enterprise Risk Management framework and commence the embedding of our Climate Change Risk Framework.

REVENUE GROWTH AND COST MANAGEMENT

Achieve a sustainable revenue base and rate of growth; and at the same time optimise our cost base to reflect the nature and complexity of our business.

OPERATIONAL EXCELLENCE

Establish an efficient operational infrastructure to support excellent service delivery by streamlining the operating model to drive improved business value, reduced operational risk and delivery of excellent customer experience.

TECHNOLOGY

Upgrade the Bank's technology capabilities and provide a strong platform for product offerings by investing in strong technology infrastructure, implementing agile digital platforms to give better customer experiences (see further details under the non-financial highlights of this Strategic Report).

FirstBank UK Structure

FIRSTBANK UK STRUCTURE

FirstBank UK provides banking and financial services to individuals and firms interested in carrying out transactions within Nigeria and other African countries. The Bank's business units offer a wide range of banking products and services, namely:

Corporate Banking

Provides trade and commodity financing, structured financing, corporate lending and advisory services for trading houses and African corporates; and is the primary driver of incremental income through:

- Sector expertise in energy, mining and metals, and soft commodities, with a focus on enhancing origination and risk management capabilities;
- Increased interaction with African firms and commodities trading houses as well as diversification of our existing clientele base; and
- Improving First Bank of Nigeria Limited's performance across the origin-to-distribute value chain by developing risk distribution capabilities and becoming a global asset distribution centre.

Institutional Banking

Focuses primarily on African financial institutions, including commercial banks and non-bank financial institutions that provide short-term and medium-term trade finance:

- Utilises FirstBank's existing financial institution partnerships across the network and expands strategic relationships at the FirstBank UK level; and
- Captures European export flows into Africa, providing risk advisory and mitigation services to European exporters.

Private Banking

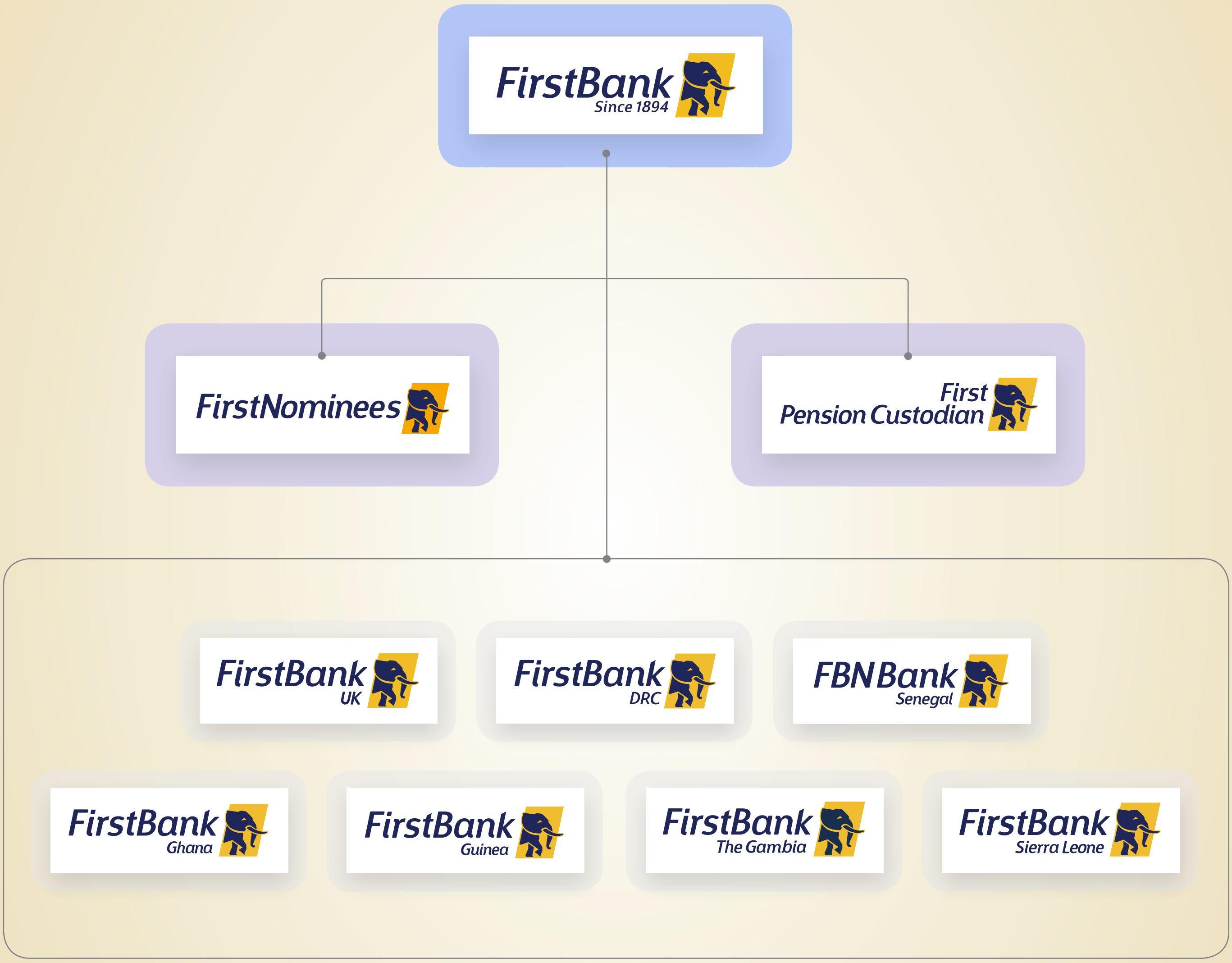
Provides offshore private banking solutions for FirstBank Group customers and other customers, with a strong focus on Nigerian high-net-worth individuals.

Markets

Enhances our value proposition and serves our customers in multiple geographies by providing a niche service in flow business for our customers in capital markets instruments including Nigerian/ SSA Eurobonds, Non-Deliverable Forwards (NDF) and Open Market Operation (OMO) bills.

These strategic business units are complemented by the Treasury division which ensures the availability of a stable funding to support their growth.

Our Structure



Business Model

The principal activities of FirstBank UK are the provision of banking and financial services to individuals and companies with an interest in Nigeria and Sub-Saharan Africa. The Bank offers a range of banking products and services through its strategic business units, namely:

Corporate Banking

Structures financial solutions for African corporates and international trading houses.

Institutional Banking

Delivers a range of financing products to facilitate trade flows into and out of African markets in conjunction with financial institutions, sovereign entities and global exporters in Sub-Saharan Africa.

Private Banking

Provides offshore private banking solutions to customers of the FirstBank Group and other customers outside the FirstBank Group with a strong focus on Nigerian and SSA high-net-worth individuals.

Markets

Enhance our value proposition and serve our customers in multiple geographies by providing a niche service in flow business for our customers in capital markets instruments including Nigerian/SSA Eurobonds, Non-Deliverable Forward (NDF) and Open Market Operation (OMO) bills.

These strategic business units are complemented by the Treasury division which is responsible for the availability of stable funding to support their growth.

Performance Highlights (Financial)

GROSS EARNINGS

2023: $168.40mn
2022: $115.07mn
▲ 46.3%

Gross earnings grew by 46.3%, resulting from high yield across all earning assets due to an increased favourable interest rate environment during the year.

NET INTEREST INCOME

2023: $95.38mn
2022: $83.25mn
▲ 14.6%

Net interest income increased by 14.6%, resulting from the improved yield opportunities in a rising interest rate environment.

NON-INTEREST INCOME

2023: $13.13mn
2022: $6.78mn
▲ 93.7%

Non-interest income improved by 93.7% due to an increase in fees and commissions income, a reduction in loss from the sale of securities and an increase in other operating income.

OPERATING EXPENSES

2023: $50.30mn
2022: $41.30mn
▲ 21.8%

Operating costs grew by 21.8% as a result of inflationary pressures on operating expenses.

PROFIT BEFORE TAX

2023: $47.55mn
2022: $47.58mn
▼ -0.1%

Profit before tax is flat year-on-year.

RETURN ON EQUITY (ROE)

2023: 11.4%
2022: 16.3%
▼ -30.1%

ROE declined to 11.4% due to higher average equity holding in the year and the impact of income tax charges from the unwinding of deferred tax assets.

CAPITAL ADEQUACY RATIO (CAR)

2023: 28.7%
2022: 26.1%
▲ 10.0%

CAR remains robust and increased by 10% arising from profit accretion and changes to the Bank's balance sheet mix.

Performance Highlights (Non-Financial)

Culture and Corporate Values

We put our customers at the heart of everything we do, which is central to our Purpose, Vision and Values. We are committed to maintaining a culture of doing the right thing in the right way every day for our customers, shareholders, and all other stakeholders. Our vision is to drive responsible growth and provide excellent service, with consistent standards of quality and compliance assurance across our customer base.

We also strive to create an inclusive and diverse workforce by focusing strongly on respect for different cultures and perspectives. In relation to markets, our conduct and values-driven approach is observed in the strong standards applied by the Bank in dealing with our counterparties, market players and all relevant regulatory bodies across our locations.

Our commitment to safeguarding the financial system is deeply rooted in how we operate. It is further enhanced by our continuous internal effort to operate with high-performance standards towards achieving best-in-class practices.

Anti-Bribery and Corruption

The Bank's anti-bribery and corruption policy governs its operations across all business areas and functions. It is the Bank's policy to conduct its business honestly and ethically. The Bank takes a zero-tolerance approach to bribery and corruption and is committed to acting professionally, fairly and with integrity in all relationships and business dealings, and to implementing and enforcing effective systems to counter bribery and corruption in all forms. The Bank provides all employees, including new hires, with annual training on countering bribery and corruption.

Corporate and Social Responsibility

FirstBank UK is committed to conducting its business in a socially responsible way. Hence, it refrains from certain types of business for ethical and legal reasons.

Communities and Environment

The Bank believes that strong business can only be done with care for customers, communities, and the environment.

At FirstBank UK, we continue to deliver on our commitments to provide donations to and support charitable causes and social enterprises. Several worthy projects have been supported in the past to demonstrate the Bank's commitment to its social responsibility. FirstBank UK donated $11,607 in 2023 (2022: £4,800.00) to such causes.

In our drive towards environmental sustainability, we are further reducing direct carbon emissions by deploying technology and improving our business practices. We also prioritise lending activities to environmentally sustainable partners through our Climate Change Risk Framework.

IT and Data Management

FirstBank UK has successfully implemented several application enhancements during the year as part of its automation program for building a more agile institution that is more responsive to its customers' needs. The Bank leverages data strategically to drive innovation and derive a competitive business advantage, a key priority for us at FirstBank UK. Expanding our data management infrastructure allowed us to introduce innovative solutions to meet our customers' needs and improve service delivery and customer experience.

Performance Highlights (Non-Financial)

Human Rights and Modern Slavery Act

FirstBank UK is committed to its Human Rights Policy and Modern Slavery Statement. The Bank's supply chain primarily consists of online, IT-enabled enterprise and software service suppliers, and suppliers of office related goods and services in the UK. The Bank sources its products and supplies from global suppliers and requires that they do not use or benefit from any form of modern slavery or human trafficking. The Bank's vendor due diligence process has enhanced the validation of its suppliers' stance on modern slavery and compliance with its standards.

The Bank's risk of infringement in relation to the modern slavery act is adjudged to be low, based on the assessment of its employment arrangements. Our Whistleblowing policy allows anyone to raise concerns anonymously and safely, and any concerns raised are investigated and the appropriate actions taken.

Handling Complaints

FirstBank UK seeks to handle all customer complaints in an honest and fair manner. The current regulation extends to eligible complainants only. However, FirstBank UK ensures that all complaints are dealt with to the same standard. This demonstrates the Bank's commitment to treating customers fairly and ensuring best risk mitigation practices.

FirstBank UK's Board and management support these procedures and are committed to meeting the highest standards. A positive approach is essential to ensure complaints are handled correctly. Controls have been put in place so that any recurring or systematic problems can be identified, and corrective action is taken. Root cause analysis is conducted to identify emerging trends, if any. The leadership team also acknowledges and acts on any concerns expressed by managers and staff.

Leadership

The Bank is led by a team of highly skilled, diverse, and internationally experienced individuals. The leadership team is well-positioned as respected leaders and experts on African trade. Our leaders foster a highly professional and supportive work environment that enables our people maximise business opportunities for our clients. Our people are at the heart of our business, and each person plays a vital role in our success. The hard work, ideas, and collective experiences our people bring shape our culture and drives the future of our business. Our people are all expected to be leaders in their fields of expertise, and together with the senior management team, are encouraged to shape the future of FirstBank UK.

Cyber Security

The Bank continued to devote significant resources towards developing cyber security controls and capability to minimise the potential effect of cyber-attacks while working to protect employees and customers by educating them on fraud and scam activity. The Bank operates a multi-layered defence approach and continues to invest in control enhancements to minimise cyber-related threats. Measures are in place not only to protect the Bank in the event of an attack, but to monitor and alert about potential issues and security threats.

Strategic Report

Chairman's Statement

No shortage of global challenges

We have now entered the final year in the five-year strategic planning cycle of FirstBank UK Limited (the 'Bank'). We are now focusing on our strategy for the next five years. The current cycle has been marked by a series of external shocks for the world economy (the COVID-19 pandemic, Russia/Ukraine war and the Israel/Gaza conflict). These are uncertain times and we should prepare ourselves for additional shocks.

Inflation has slowed in advanced economies and some emerging markets but not yet in Nigeria. This has brought monetary easing in some jurisdictions. The next step by the US Federal Reserve will likely be a rate cut later this year. This positive change in underlying market sentiment has enabled sovereigns in Sub-Saharan Africa to issue Eurobonds in the International Capital Markets.

I am pleased to report that in this difficult environment the Bank produced another strong result in 2023 and similar to the previous year (note that we also changed our functional currency to US Dollar from Pound Sterling). The interest-rate environment was supportive, but the achievement also reflects our tighter credit discipline. Institutional funding proved challenging throughout the year, so I want to highlight the 58% increase in First Save retail deposits to $879m at the end of 2023. We again benefited from working closely with our Group on relationships with leading Nigerian corporates. More detail on our performance is provided in the Chief Executive's review of the year and in the Strategic Report.

Andrew Alli

Chairman,
FirstBank UK Limited

Our Board

The Board's mandate is to guide the senior management of the Bank on strategy and to monitor its performance. An independent consultant reviewed its effectiveness in 2023. The review was highly positive with few recommendations, which the Board is considering.

I am pleased to announce some changes to the Board. I have been chairing since June and I am indebted to Oye Hassan-Odukale, my predecessor as substantive chairman, for his leadership over several years and for building the foundations for the Bank's strong recovery. I would also like to thank Patrick Crawford for holding the fort with élan in an interim capacity and Geoffrey Russell, one of our Independent Non-Executive Directors, who resigned in February. I am grateful to Geoffrey for his loyal and effective service. I would like to welcome Dr Catherine Raines who joined the Board on 28 March 2024. Olukorede Adenowo (KO), our Chief Executive, joined the Board in November. KO took over from Sam Aiyere, former CEO, who stepped down in June. I would like to thank Sam for the strong success and rich history of the Bank under his leadership.

On behalf of the Board, I want to thank our customers for their loyalty, our shareholders for their unequivocal support, and the Bank's management and staff for their hard work and dedication in these difficult times. We will shortly launch our Culture Transformation journey after extensive consultation with our staff. It is designed to enhance the working environment in pursuit of the Bank's vision in line with our values.

Outlook

The global economy is faced with headwinds from geopolitical tensions and market volatility. That said, the rate of inflation is slowing, led by the advanced economies. Monetary easing has begun in some emerging markets and should follow in the G7 economies later this year. The risk appetite of financial investors is on the rise. These trends will ease the pressure on businesses and households. Growth in emerging markets is uneven. India and, to a lesser extent, China are leading the pack while growth in the larger economies in Sub-Saharan Africa remains marginal.

The Nigerian economy continues to expand in line with demographic growth. The services sector is driving growth, while we see slow improvement in volumes of oil production. With the new government assuming office in May 2023, we have high expectations from their policy stance. The exchange rate reform has brought short-term pain for consumers as well as an immediate boost to public finances. However, once market liquidity improves, the rate is expected to settle with benefits for households, corporates and the broader economy. The Nigeria Stock Exchange has soared and is among the best performing globally this year.

> ...the Bank produced another **strong result** in 2023 and similar to the previous year.

There are some green shoots visible in the global economy, and it is hoped that this will not be derailed by another unexpected shock. The Bank, however, has the tools to mitigate these risks in the face of uncertainty. I am confident that it will overcome the challenges of 2024 and reinforce the gains it has already posted by way of sustainable profitability and balance sheet growth.

Andrew Alli

Andrew Alli

Chairman, FirstBank UK Limited

I am cautiously optimistic for the current year and am confident that together we will rise above the global headwinds

Olukorede Adenowo

Managing Director/CEO
FirstBank UK Limited

Managing Director's Review

Another robust performance in a challenging environment

Global Economy

The world economy expanded by about 3.1% in 2023 (IMF), compared with 3.5% the previous year. Growth in the advanced economies (1.6%) again fell short of that posted in emerging market and developing economies (EMDEs; 4.1%). The drivers behind this outperformance were India (6.7%) and China (5.2%) rather than sub-Saharan Africa (3.3%).

A second year of the Russia/Ukraine war and the passthrough to the global economy took its toll in 2023. Although the impact of the COVID pandemic continued to fade, the Israel/Gaza conflict has further heightened geopolitical tensions giving rise to the risk of supply chain disruptions.

The World Economic Outlook is that the risks of a hard landing for the world economy have declined due to steady disinflation. Monetary policy rates in advanced economies have peaked, and the debate has turned to the timing of the pivot (when central banks adjust from a hold to an easing stance). Consumer price inflation in the US slowed from a recent high of 9.1% in June 2022 to 3.1% in January 2023. We expect a similar trend in the Eurozone and the UK hopefully with impact in the second half of 2024.

In the EMDEs the pattern is uneven. In Nigeria inflation remains stubbornly high, rising to 31.7% in February 2024 from 21.8% recorded in January 2023. The drivers include limited access to foreign exchange and weak domestic food production. The Monetary Policy Committee hiked its benchmark rate by 4.25% (425 basis points) to 22.75% in February 2024. Further tightening is now expected in order to consolidate the gains from the effective devaluation of the naira.

Our Operating Environment

The Bank maintained its remote working arrangements in 2023. The current hybrid working arrangement is for employees to spend 60% of their working time in the office.

The arrangement is subject to review; yet it could well prove the right balance for the years ahead. I am pleased to say that the staff attrition rate at the Bank declined last year (as it did across the industry), and that several vacancies at senior management level have been filled.

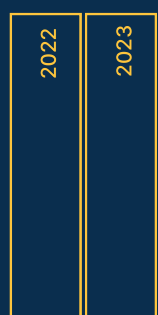
Our representative office in Paris had a good year under the direction of Olivier Follin. We benefit from the office's close relationships in francophone Africa, specifically in the Group's presence countries.

Our Culture Transformation initiative is central to ongoing discussions on our operating environment. This is work in progress, and currently being developed by our staff, senior management and Board prior to its formal adoption. The policy will set out our purpose, vision and values as we deliver on our strategic ambitions. Our vision is to be the leading UK bank for African trade and investment, and we aim to meet our objective in an inclusive and controlled risk environment.

As part of our culture transformation initiative, we launched quarterly surveys for our staff in March 2023. The engagement and response rates have both steadily improved over the four surveys we have conducted to date.

"The Bank delivered another robust performance in 2023 with profit before tax of US$47.5mn, similar to the result in 2022. All strategic business units (institutional, corporate and private banking) met their revenue targets and delivered a strong performance."

US$47.5 mn



profit before tax
similar to 2022

Our Performance

The Bank delivered another robust performance in 2023 with profit before tax of US$47.5mn, similar to the result in 2022. All strategic business units (institutional, corporate and private banking) met their revenue targets and delivered a strong performance. In line with the industry performance, our results were supported by healthy net interest margins and attractive yields on our Treasury holdings. We are benefiting from the earlier de-risking of our credit portfolio, notably the reduction in our soft commodities loan book. The non-performing loan ('NPL') ratio stood at a respectable 2.1% at end-December 2023 and has since improved in 2024.

The Strategic Report highlights the solidity of our core performance indicators. The Bank's capital adequacy ratio closed the year at 28.7% (2022: 26.1%); the cost to income ratio (excluding impairments) was 46.4%, a marginal increase from the 45.9% recorded in 2022.

Outlook

The growth in the volume of world trade in goods and services slowed from 5.2% in 2022 to just 0.4% last year but is forecast by the IMF to recover to 3.3% in 2024 (and 4.5% in EMDEs). The impact of monetary tightening and supply chain disruptions from different geographic tensions in the world has been challenging arising from different geopolitical tensions in the world.

Recent trends in inflation have been somewhat positive. The global rate is forecast by the IMF to slow from 6.8% last year to 5.8% in 2024: for EMDEs, the projected decline is modest in comparison, from 8.4% to 8.1%. Oil and non-fuel commodity prices will be in retreat this year and next (according to the IMF's projections) with benefits to the advanced economies.

For Nigeria, we view 2024 with some confidence now that the new administration has been in place since May and has launched bold reforms. The non-oil, non-agriculture economy continues to show its resilience; and the oil price is in positive territory with a simultaneous improvement in oil production. The two most prominent reforms are the effective devaluation of the Naira and the removal of the fuel price subsidy. The latter should free up fiscal resources for more productive government spending. The exchange rate now mirrors the parallel market and seems to be reaching equilibrium. Beyond the obvious negatives in the short term for inflation and living standards, the reform should boost public finances, the balance of payments, foreign-exchange liquidity and investor inflows.

Finally, I wish to thank all members of the Bank for their hard work and contribution for another strong performance. I am cautiously optimistic for the current year and am confident that together we will rise above the global headwinds. None of us can predict the next external shock; yet we feel that we are well positioned for it.

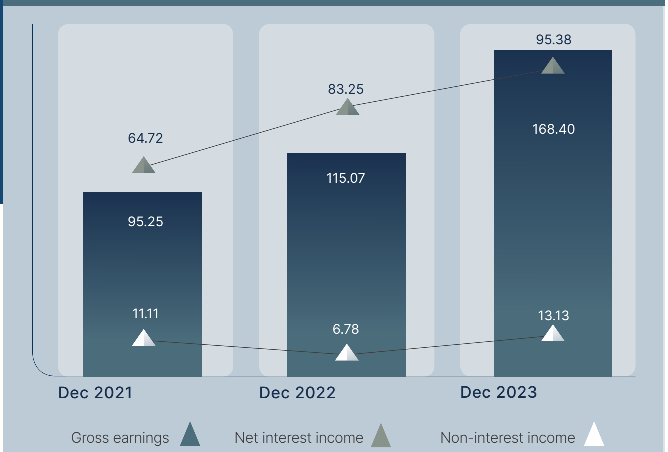
Olukorede Adenowo
Managing Director/CEO
FirstBank UK Limited

Financial Review

The inflation pressure of the prior year persisted throughout the year, forcing monetary authorities to continue their inflation targeting measure of interest rate hikes. While improvements were recorded in energy prices, the red sea crisis introduced new supply chain disruption to the global economy. Nigeria, our primary market recorded several macro-economic shocks. Against this background, the Bank's profit performance was flat y-o-y with profit before tax of $47.6m (2022 $47.6m).

Financial Performance Review

Gross earnings and components ($ 'mn)



Net Interest Income

The Bank's net interest income increased by 15% due to the impact of elevated market interest rate on both earning assets and liabilities. Interest income grew by 43%, while interest expense rose by 139% due to higher volume of retail deposits sourced. Interest income from debt instruments increased by 17% and interest on loans and advances (banks and customers) increased by 52%. Interest income from loans and advances to banks was the largest contributor, growing by 70% to $84.9m while debt instruments recorded a 17% growth to $27.1m benefitting from base interest rate hike and yield improvement on government securities.

Interest expense increased by 139% driven by rising interest rates and changes to the Bank's funding mix as retail and fixed deposits increased significantly during the year. Fixed deposits command higher yields and raised funding costs compared to prior year.

Non-Interest Income

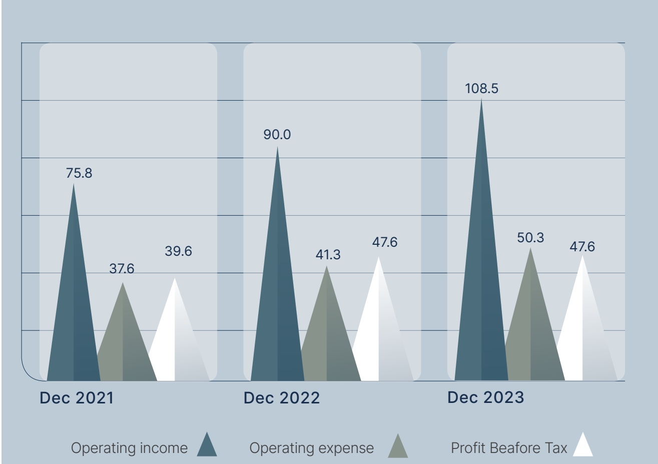
Non-interest income rose by 94% to $13m in 2023 with fees and commissions income contributing 85% ($11.2m), this arose from growth in the Bank's trade financing portfolio.

Operating Expense

Inflationary pressure continue to have effect on the Bank's cost alongside digitisation and other business transformation initiatives aimed at improved efficiency and effective risk management controls. The Bank's professional fees and IT spend increased on the back of culture transformation, continuous automation and efficiency initiatives undertaken during the year.

Credit impairment losses increased by $9.5m reflecting the classification of a corporate loan into stage 3 and increase in the portfolio size.

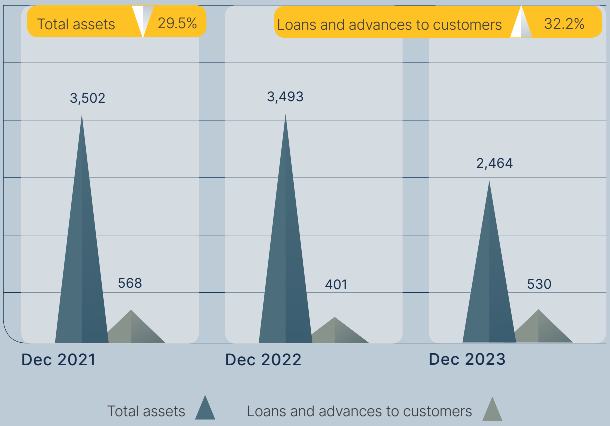
Three-year summary of operating income, operating expense and profit before tax ($ 'mn)



Statement of Financial Position Review

Assets

Three-year comparison of total assets and loans and advances ($ 'mn)



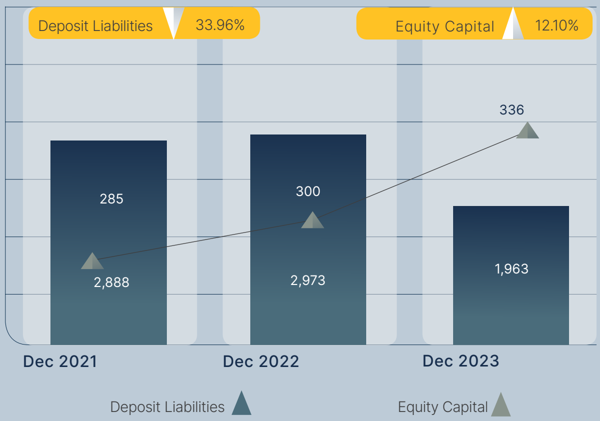
Total assets decreased by 30% as the treasury investments portfolio reduced by 63.5% to match reduction in deposits from banks. Loans and advances to customers grew by 32%; the corporate banking portfolio growth was in line with the Bank's strategy to focus the portfolio in FirstBank Group presence countries.

Liabilities and Equity

	2023 $m	2022 $m	Change %
Deposits from Banks	714	1,765	(60%)
Customer Deposits	1,249	1,208	3%
Other Liabilities	164	220	(25%)
Equity	336	300	12%

Deposit liabilities (banks and customers combined) declined by 34%, deposit from customers marginally grew by 3.4% while deposits from banks reduced by 60%. The Bank's retail funding base continues to be well diversified with a strong support for its flagship product FirstSave. Improvement was also recorded in the volume of customer deposits; its mix of total deposits grew from 41% in 2022 to 64% in 2023. Equity grew by 12% with the addition of $36.3m of profit after tax added to shareholders' funds.

Three-year data of deposit liabilities and equity capital ($ 'mn)

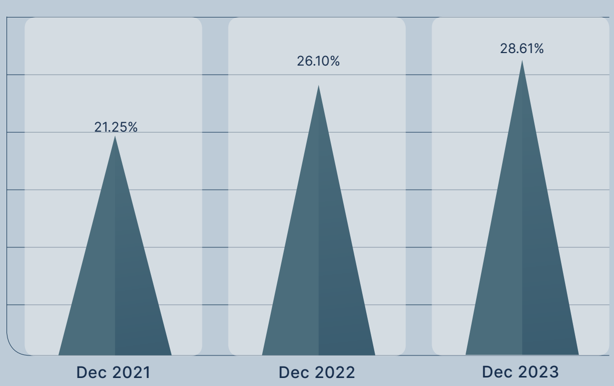


Capital and Liquidity Management

	2023 $m	2022 $m	Change %
Risk Weighted Assets	1,237	1,229	1%
CET 1 Capital	309	268	15%
Total Available Capital	354	313	13%
CET 1 Capital Adequacy Ratio	25.0%	21.8%	
Total Capital Adequacy Ratio	28.6%	26.1%	
Liquidity Capital Ratio (Pillar 1)	161%	241%	

Risk weighted assets was flat y-o-y as the Bank cautiously grew its risk weighted assets due to the macro-economic headwinds in its primary market while focusing building healthy capital buffer for its business. The available capital increased by 13% as profit after tax for the year was added to the capital available. Total capital adequacy ratio of 28.6% was well above the regulatory requirement with sufficient buffers to absorb shocks. The Bank maintained healthy liquidity ratio with significant headroom above the regulatory threshold of 100% for both pillar 1 and pillar 2 liquidity coverage ratios.

Capital adequacy ratio (%)



2024 Outlook

The Bank's outlook for the year is positive as it pursues sustainable growth and profitability. It anticipates reduction in interest rates and inflation, creating opportunities for yield improvement and cost reduction to support its profitability objective. Investment in automation to improve operational efficiency is expected to yield benefits and the onboarding of a new deposit aggregator partner will drive further diversification of the Bank's funding base.

Divisional Operating Review

Introduction

FirstBank UK creates value by offering a range of banking services through its three strategic business units: Corporate Banking, Institutional Banking, and Private Banking.

FirstBank UK provides outstanding customer service through committed and experienced relationship managers, backed by support teams dedicated to creating world-class customer experiences. Through its four core business groups, FirstBank UK provides a wide range of products and services primarily to corporates, financial institutions, and high-net-worth individuals (HNIs).

FirstBank UK is a customer-focused organisation that continuously offers its customers cutting-edge financial solutions and exceptional professional services. The Bank's market presence has earned it numerous awards and recognitions. Our unique competitive advantage in a highly competitive market stems from our in-depth understanding of the African market and our ability and capacity to retain highly skilled staff to implement the Bank's business strategies and provide customers with specialised knowledge.

Overview

FirstBank UK has operated from the city of London for the past 41 years, starting as a branch before transitioning to a fully-fledged subsidiary of the FirstBank Group in 2002. It has maintained steady growth since then, which has been achieved through strategic business diversification, strengthening of the capital base, expansion of funding base, continued excellent service delivery, and the attraction and retention of talented people.

Corporate Banking

This business unit creates value for customers by supporting African and other emerging markets corporate in trade and commodity finance, structured financing, corporate lending and advisory. It provides financial solutions, particularly funding to both large and medium-sized corporates, in the form of trade commodity loans, purchasing and discounting facilities, transactional stock financing, and general working capital financing.

In this business unit, income is derived from interest earned on lending activities, fees and commissions for facility and trade transactions. FirstBank UK's corporate facilities are predominantly short-term and revolving. The major sectors served include oil and gas, soft commodities, metals and mining.

FirstBank UK remains a strategic partner of choice due to its capacity, credibility and strength of a UK-incorporated financial institution and a deep understanding of, and proximity to the African market, in addition to being a flagship within the FirstBank Group. Corporate banking will continue to be a strategically important segment to the Bank, through a deliberate policy of attracting high-quality customers and selling down of lower-rated assets.

Total portfolio income of $32.35mn (2022: $25.80mn) represented 19.8% (2022: 22.4%) of FirstBank UK's total business revenue.

Institutional Banking

FirstBank UK acts as a correspondent Bank to several African banks, facilitating trade flows between various African countries and the rest of the world through its Institutional Banking business unit. This is achieved through transactions with other financial institutions. These transactions include; trade finance, letters of credit confirmations, foreign exchange transactions, payments and cash management, clearing and general lending.

FirstBank UK earns interest and fee income from balance sheet lending to financial institutions, while commissions are generated from trade finance business activities, remittances and foreign exchange transactions.

Institutional Banking will continue to be a strategic business unit at FirstBank UK as we seek new opportunities to expand our market share and further deepen the trade flows between Africa and the rest of the world, leveraging the footprint of the FirstBank Group. Institutional Banking contributed $77.72mn (2022: $50.63mn) or 47.6% (2022: 44.0%) of the Bank's total business revenue.

Private Banking

Private Banking provides coverage of wealth management and investment advisory, portfolio lending, mortgage finance and lifestyle services. The Bank aims to provide highly professional, and personalised service through advice on investment products in addition to more traditional banking services. This business unit aims to create a private banking brand that offers holistic wealth management service to HNI's from West Africa and working in synergy with the FirstBank Group. London remains the world's financial headquarters and our Private Banking team offers exciting solutions to our customers.

Our Private Banking business continues to significantly grow its assets under management (AUM) portfolio. The gross income generated by the business unit in 2023 was $11.37mn (2022: $9.03mn) representing 7.0% (2022: 7.8%) of FirstBank UK's total business revenue.

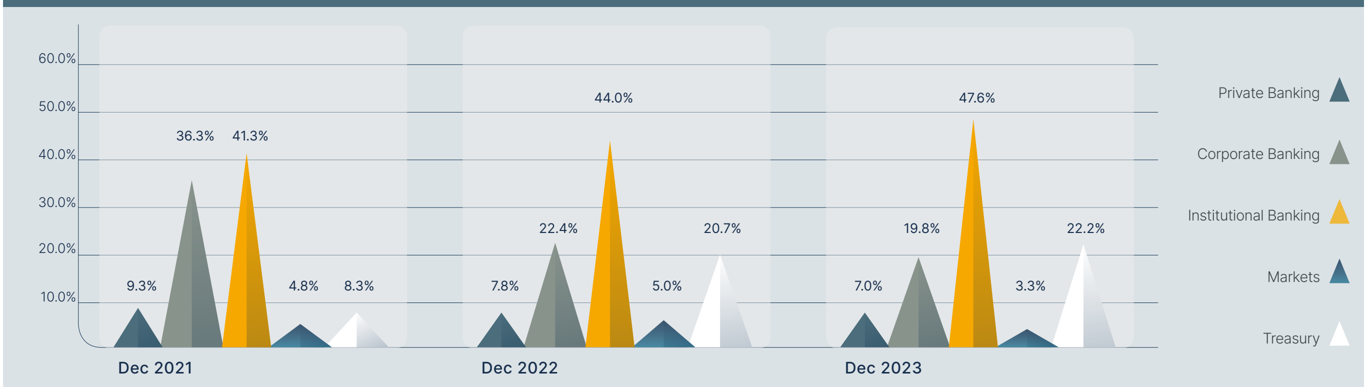
Treasury & Market

The treasury function provides liabilities to fund asset growth and ensures compliance with liquidity requirements. Interest income is derived from investing surplus liquidity into treasury investments. Businesses are charged funding cost based on size and tenure of risk assets, which is reflected as income to Treasury. Other Income is mainly derived from Foreign Exchange activities including swap cost.

Market business focuses on credit trading in SSA (Sub-Saharan Africa) Eurobonds.

Treasury and Market remain affected by emerging markets debt challenges and the increase in yield on investment portfolios as central banks hiked base interest rates. Revenue for the year was $41.72mn (2022: $29.61mn) representing 25.6% (2022: 25.7%) of the Bank's total revenue.

SBU Revenue Contribution



Corporate Responsibility & Sustainability

Our Role in the Community

FirstBank UK has continued to support communities and social causes in 2023. Employees were also encouraged to participate in charitable donations and fundraising efforts.

Save the Children

Save the Children is a leading independent children's right charity. The movement operates in 115 countries to provide unique care to children based on their specific needs, protect children from harm, provide essential health and nutrition, and ensure they have access to quality education. FirstBank UK employees were invited to participate in Save The Children's Christmas Jumper Day in December. The Bank made charitable donations, and employees could also make personal donations to the charity via a registered Just Giving page.

Turkey and Syria Earthquake Disasters Emergency Committee (DEC) Appeal

The Disasters Emergency Committee (DEC) was formed to help aid agencies and other interested parties cooperate closely when providing relief after disasters overseas. The organisation over the last sixty (60) years has responded to several disaster and humanitarian needs across more than 60 countries.

DEC launched the Turkey-Syria Earthquake appeal in February 2023 after southern Turkey and northwest Syria were hit by devastating earthquake. There was widespread damage and fatalities, the United Nations estimated about 1.5 million people were left homeless.

As a gesture of support for the recovery efforts, FirstBank UK donated £8,000 on behalf of our colleagues to the DEC appeal.

Our Role in the Community

S.P.A.R.K (Start Promoting Random Acts of Kindness) Week

The Group celebrates CR&S week annually. As part of the celebration, in October 2023 FirstBank UK encouraged employees to vote for charities of their choice and embrace the kindness ripple effect. The Bank donated £1,000 to Save The Children and enjoined the employees to remember that Random Acts of Kindness extends far beyond SPAK week and should be a part of their day to day.

The Bank also provided employees with COSTA gift cards as a treat in the spirit of SPARK week.

Alive and Kicking

Alive and Kicking is a UK registered charity, a not-for-profit ball manufacturer. The charity creates ethical jobs for adults from vulnerable job groups and empowers refugees to set up their own micro enterprises. They also utilize profit from sales of balls and additional fundraising to deliver programmes proven to boost physical, mental and social wellbeing of those that access them.

In June 2023, FirstBank UK employees participated in 5-a-side fundraising tournament, the bank also donated £500 to support the charity.

Governance

Introduction

FirstBank UK's vision is to be Africa's first-choice Bank in the United Kingdom and Europe. As the UK subsidiary of the foremost Nigerian bank, our mission statement is "to provide world-class international banking and trade services supporting commercial relations between Nigeria and Africa and the rest of the world." We are fully committed to operating our business responsibly and sustainably.

How do we ensure long-term sustainability?

A strong corporate governance framework provides a stable foundation for FirstBank UK to achieve its vision and mission. Our corporate governance framework is an integral component of our approach to protecting shareholder value.

Compliance statement

FirstBank UK is not a premium listed company. However, the Bank endeavours to meet the highest standards in corporate governance laid out in the UK Corporate Governance Code (the Code) as are relevant to the business. The Board believes that it complied with the applicable provisions of the Code during the financial year under review.

Monitoring risk

FirstBank UK has implemented an Internal Capital Adequacy Assessment and an Internal Liquidity Adequacy Assessment process, as required by the Prudential Regulation Authority. These processes and documents provide assurance that FirstBank UK has sufficient capital and liquidity to continue its operations.

FirstBank UK also put a recovery and resolution plan in place that enables the Board to plan actions to recover from adverse conditions that would otherwise have curtailed its growth and survival. The recovery plan outlines a menu of options for FirstBank UK to address firm-specific or market-wide stress.

Leadership and focus on people

We have a succession plan in place for key executive management positions. Every position is covered at least once, and potential internal candidates are given appropriate training.

Delivering shareholder value

The FBNHoldings Group retains a majority shareholding in FirstBank UK. It is critical that the shareholders, First Bank of Nigeria Limited and Avery Row Capital are satisfied with FirstBank UK's performance, in terms of creating value for all stakeholders.

The decision to pay dividends to shareholders is driven by the Bank's capital management policy, which considers its growth aspirations and value returned to shareholders. The Board will determine the percentage of post-tax profit to be paid as dividend annually, considering the Bank's business needs and regulatory requirements. The shareholders have given approval for the Bank to build its capital base organically, to support growth ambitions and comply with the regulatory compliance requirements. Therefore, no dividends were paid in the current year.

This Report explains the key features of FirstBank UK's governance structure, to provide a greater understanding of how the main principles of the Code have been applied and to highlight areas of focus during the year. The Report also includes items required by the disclosure and transparency rules.

The statutory disclosures required in the Strategic and Directors' reports are included in the Annual Report alongside our business model, as recommended by the Code.

The growth of FirstBank UK has been strongly supported by the continuous evolution of its governance structure. To sustain this development, additional activities are planned and changes to promote good governance are implemented continuously. These interventions are discussed in greater detail in the following sections.

"This Report explains the key features of FirstBank UK's governance structure, to provide a greater understanding of how the main principles of the Code have been applied and to highlight areas of focus during the year."

Leadership - Board of Directors









FirstBank UK Board of Directors:

Andrew Alli
Chairman

Olukorede Adenowo
Managing Director/CEO

Lekan Adelekan
Executive Director,
Business Development

David Davis
Executive Director,
Chief Financial Officer

Dr Adesola Adeduntan
Non-Executive Director

Patrick Crawford CB
Senior Independent Non-Executive Director

Mfon Akpan
Independent Non-Executive Director

Oluwatosin Adewuyi
Non-Executive Director

Dr Catherine Raines
Independent Non-Executive Director

Leadership - Management Team

FirstBank UK Management Team:

Olukorede Adenowo
Managing Director/CEO

Lekan Adelekan
Executive Director,
Business Development

David Davis
Executive Director,
Chief Financial Officer

Grace Igbiniyesu
Chief Risk Officer

Antonio Gutierrez
Chief Operations Officer

Paddy O'Hara
Money Laundering Reporting Officer

Fozia Nazir
Head of Compliance

Leadership

Andrew Alli holds a B.Eng. in Electronics and Electrical Engineering, King's College London, an MBA, INSEAD Business School and is a fellow of the Institute of Chartered Accountants in England and Wales. He is a business leader and institution builder with over thirty-five years' experience, of which twenty-five years have been spent investing in and managing businesses in Africa. He is an institutional banker and investor who has been involved in well over USD 10billion worth of investments in Africa.

In 2008, after a stint as the co-founder of a private equity fund, Andrew was appointed President and CEO of the Africa Finance Corporation (AFC), which he led for ten years. Under his leadership, the AFC delivered over USD 4.5billion in investments across thirty countries, becoming a leading African financier of infrastructure.

Andrew also has an extensive directorship experience, serving on the boards of several organisations in various jurisdictions across two continents.

Andrew Alli
Chairman
Independent Non-Executive Director

Committees:
Member, Board Nomination & Remuneration Committee
Member, Board Credit Committee
Member, Board Audit & Risk Assessment Committee

Olukorede Adenowo (K.O) was Chief Executive Officer (CEO) at Standard Chartered Bank Nigeria until he resumed his role at FirstBank UK in November 2023. He had previously served as MD/CEO for Standard Chartered Bank (SCB) Gambia (with Senegal responsibility), DMD/ DCEO for SCB Cameroon, Managing Director Corporate, Commercial and Institutional Banking for Standard Chartered Bank Nigeria and West Africa. K.O has also served as Non-Executive Director of SCB Gambia and SCB Sierra Leone, Vice President of the Gambia Bankers Association and Trustee of the Institute of Bankers of Gambia.

He has a total of 36 years post-university experience in Banking, Finance and Consulting and was conferred with the 2015 Distinguished Alumni award by Deloitte Nigeria and Fellow of the Institute of Chartered Accountants of Nigeria in 2003.

In his penultimate role as Africa Co-Head Financial Institutions (FI) and Public Sector business for SCB, K.O provided strong leadership in building and managing key strategic FI relationships across West Africa. He worked closely with several Banks and Governments across the region in advising them on accessing international capital markets and ultimately improving the banks' visibility in Public Sector for business success and growth in an increasingly stringent regulatory environment. He has served as Managing Director, Origination and Client Corporates for Standard Chartered Bank, and Director in Wholesale Banking in Standard Chartered Bank Nigeria. He was appointed the first Regional Head of Global Corporates for Standard Chartered Africa where he led the Africa Multinational business.

He was a founding staff of SCB Nigeria and has held other positions in Standard Chartered Bank Group in the last 24 years. He has worked in Societe Generale Bank Nigeria and Deloitte Nigeria, where he qualified as a Chartered Accountant in 1990.

Olukorede Adenowo
Managing Director/CEO

Leadership

Lekan Adelekan
Executive Director,
Business Development

Lekan Adelekan is directly responsible for supervising and implementing the Bank's business strategy across all development areas. Prior to joining FirstBank UK, he spent the last 10 years of his career as a Senior Management Staff with First Bank of Nigeria Limited, where he was responsible for the Bank's Oil and Gas businesses, covering four key energy hubs (Lagos, Port Harcourt, Bonny and Abuja) and driving business synergies across FirstBank present countries in the UK, China, Ghana, Guinea, Gambia, Senegal, Sierra Leone and DR Congo. Before joining FirstBank in 2011, he worked for Zenith, Access and First City Monument Bank. He handled various projects, structured commodity financing and relationships with multinational corporations and commercial clients, among other things.

Lekan is an experienced banker with over twenty-five years of experience in operations, cash management, public sector, retail, commercial and corporate banking. He has led and participated in many asset acquisitions through bi-lateral and syndicated financing arrangements and tombstone corporate and project finance structures in Gas-To-Liquid (GTL) and infrastructural development within and outside Nigeria. Origination and client coverage, risk management, trades and structured commodity finance and portfolio remediation, are amongst his skill set.

Lekan holds a Bachelor of Science Degree in Agronomy with First Class Honours from the University of Ibadan. He also has a Master of Management (MSc) from the London School of Economics and Political Science (LSE) and a Master of Business Administration (MBA) in Finance from Obafemi Awolowo University in Ile-Ife. He has taken several Executive Management and Leadership courses, including 'BOS' at INSEAD, the University of Michigan Ross School of Business and Cornell University. He is a Fellow of the Risk Management Association of Nigeria (RIMA), a qualified member of the Chartered Institute of Bankers of Nigeria (CIBN) - ACIB, a qualified member of the Institute of Chartered Accountants of Nigeria (ICAN) - ACA and a member of the Energy Institute of the United Kingdom (EIUK).

David Davis
Executive Director,
Chief Financial Officer

David Davis has responsibility for overseeing the Finance, Treasury & Markets functions of the Bank. He performed the role of interim CEO from April to November 2023 with an expanded remit to manage the Bank's business operations, resources and administration ensuring the right balance between growth and operational resilience in full compliance with all regulatory requirements.

Before joining FirstBank UK, David held senior finance positions whilst working with Standard Chartered for over 16 years at Group Finance in UK and as Country CFO in UAE, Botswana and Gambia. David is an accomplished banker with extensive experience in banking and financial services.

He has built and maintained strong professional relations with regulators, chairmen and board of directors in developing and implementing strategic plans, drive and deliver performance improvement, effectively manage capital and liquidity and optimise the Bank's balance sheet. David has vast experience and exposure to the UK regulatory environment and has led and directed the Bank's ICAAP and ILAAP processes for several years.

David has over the years developed an impactful leadership style with a reputation of getting things done. David is a Chartered Certified Accountant, holds a BSc (Hons) Economics degree from the London School of Economics, a Post Graduate Diploma in Management from Henley Business School and an MBA from Oxford Brookes University.

Dr. Adesola Adeduntan (FCA) is the Managing Director/Chief Executive Officer of First Bank of Nigeria Limited and Subsidiaries, having previously been an Executive Director and Chief Financial Officer of the Bank.

Prior to joining FirstBank, Dr Adeduntan was a Director and Chief Financial Officer/ Business Manager at Africa Finance Corporation. He had also served as a Senior Vice-President and Chief Financial Officer at Citibank Nigeria Limited, a senior manager in the Financial Services Group of KPMG Professional Services and a manager at Arthur Andersen Nigeria.

He has extensive experience in treasury and financial management, risk management, corporate governance, corporate strategy development and implementation, corporate finance, business performance management, financial advisory, investors, regulators, rating agencies, relationship management, information technology deployment and management and compliance.

Dr Adeduntan serves on the boards of Africa Finance Corporation, FBN Holdings Plc, Nigeria InterBank Settlement Systems Plc, FMDQ Plc and the Nigeria Economic Summit Group. He is also a member of the Chartered Institute of Bankers of Nigeria's Governing Council (CIBN) and received his Doctor of Veterinary Medicine (DVM) degree from the University of Ibadan. He also has an MBA from Cranfield University Business School in the United Kingdom, where he was a Chevening Scholar. He has completed executive/leadership programmes at Harvard, Cambridge, Oxford and INSEAD.

Dr Adesola Adeduntan
Non-Executive Director

Committees:
Chair, Strategy Advisory Forum

Member, Board Nomination & Remuneration Committee

Patrick Crawford is a Non-Executive Director and Chair of Gridworks Development Partners LLP, which invests in transmission, distribution and distributed renewable energy in Africa and which is wholly owned and supported by British International Investment, the UK Government's development finance institution. He is a Non-Executive Director of the Private Infrastructure Development Group Limited (PIDG), an infrastructure project developer and investor in Sub-Saharan Africa and South and South-East Asia funded by six governments and the International Finance Corporation.

He is also a member of the Alternative Investment Board of the Pearson Pension Fund and a Director of the Pearson Pension Property Fund; the Chair of The Caxton Trust, a UK educational charity; and the Honorary Treasurer of the Artists' General Benevolent Institution.

Patrick has been Chief Executive of Charity Bank, a UK-regulated deposit-taking bank with a social purpose, and of UK Export Finance, the UK Government's export credit agency. Before that, he was the managing director of Emerging Africa Advisers and the manager of the Emerging Africa Infrastructure Fund (now a PIDG entity). This followed twenty-six years in international export, project and trade finance, at Morgan Grenfell & Co. Limited and Deutsche Bank AG London, where he was a managing director and the global head of export and project finance.

Patrick Crawford CB
Senior Independent Non-Executive Director

Committees:
Chair, Board Nomination & Remuneration Committee

Chair, Board Credit Committee

Leadership

Mfon Akpan
Independent
Non-Executive Director

Committees:
Chair, Board Audit & Risk Assessment Committee

Member, Board Nomination & Remuneration Committee

Mfon Akpan is a Big Four-trained, multi-disciplinary Risk, Assurance and Governance professional, with over two decades of cross-border leadership experience spanning the financial services industry and beyond.

She has held specialist and leadership roles in Risk, Assurance and Governance at a number of blue-chip institutions, including: Barclays Group Plc, HSBC Group Plc, KPMG, Arthur Andersen and, in recent years, the International Finance Corporation (part of the World Bank Group), as a Risk Management Specialist, and Standard Bank Group, where she was the Chief Risk Officer and Regional Head of Risk for its operations in Nigeria and across West Africa, respectively, and a Non-Executive Director and Chair of the Board Audit Committee for its stockbroking subsidiary in Nigeria. Her Big Four experience covered audit and business advisory, regulatory examinations and consulting assignments in the financial services industry across Sub-Saharan Africa.

Mfon is currently a Director at the UK National Audit Office, where her remit includes policy formulation on the government's (and its overseas territories') financial and risk management practices. She is a Sloan Fellow from the London Business School (LBS), a Fellow Chartered Accountant (FCA), a Certified Risk Manager (CRM), B.Sc. Accountancy graduate, a British Chevening Scholar and has attended leadership and senior management courses at Wharton and Harvard Business Schools.

Tosin Adewuyi
Non-Executive Director

Committees:
Member, Board Audit & Risk Assessment Committee

Member, Board Credit Committee

Tosin Adewuyi is the Executive Director, Corporate Banking Directorate at First Bank of Nigeria Limited (FirstBank). Prior to this appointment, Tosin was FirstBank UK's Executive Director and Head of Business Development, a role he occupied when he joined FirstBank in 2017. Tosin was also Group Executive, Corporate Banking, FirstBank, before his appointment as Executive Director. Under his leadership, the Corporate Banking Franchise at FirstBank achieved significant growth in assets and net revenue and took a market-leading position. Tosin was able to help reposition the business and portfolio of FirstBank UK, in line with the FirstBank Group's revised strategy for the UK Franchise.

Tosin pioneered collaborations between FirstBank, FirstBank UK and the African Subsidiaries via the Global Account Management Programme (GAM) and is responsible for ensuring growth across the Bank's Corporate Client base. He is an international banker, with over twenty-five years' experience covering Sub-Saharan Africa, with over fifteen of those spent in Senior Management roles. He joined FirstBank from J. P. Morgan, where he was a Managing Director and the Head of its Nigeria Business for eight years. Prior to J.P. Morgan, he worked at Standard Bank London Limited for six years and qualified as a Certified Chartered Accountant during the four years he worked at KPMG before the commencement of his banking career.

Dr. Catherine Raines is a transformational business leader and former senior diplomat, who has lived and worked across the globe: in the UK, USA, Sweden and China.

In the first half of her career, she held various corporate leadership roles for AstraZeneca (AZ), starting out in a role as the first ever female production plant manager and culminating 20 years later as Vice President of Corporate Development (China), based in Shanghai (where she was also an executive member of the AZ (China) Board). She went on to hold senior Prime-Ministerial appointments in public life, firstly as Director-General of UK Trade and Investment for Greater China (UKTI China) based in Beijing - a role in which she led the UK contribution to the so-called "Golden Era" of trade and investment between the two countries, increasing supported trade outcomes 12-fold inside 2 years.

Subsequently she was appointed global CEO of UKTI, leading 2,700 people in 108 countries - and overseeing the digital transformation of operational services. Later, after the Brexit referendum, Catherine supported the formation of the Department for International Trade (DIT), becoming a founder member of the DIT Board. She also sat on the Board of the Foreign and Commonwealth Office.

After leaving government, Catherine was appointed CEO of the Association of Foreign Banks: she led the AFB through the post-Brexit period, the COVID-19 pandemic and most recently the Russian banks sanctions.

Catherine currently sits on the Board of the State Bank of India (UK) Ltd., where she also chairs the Board Audit Committee. Her previous governance roles include Head of Group Corporate Audit worldwide for AZ; Chair of the Audit Committee and the NomRemCo for HM Land Registry; and Chair of the Audit, Risk and Assurance Committee for the British Army.

Catherine holds a First Class Honours degree in Pharmacy, a PhD in Chemical Engineering (both from University of London) and an Honorary Doctorate from Keele. Catherine is married and has two grown up sons.

Dr Catherine Raines
Independent
Non-Executive Director

Changes to the Board and its activities

There have been the following departures and appointments at the Board level:

- Geoffrey Russell resigned from the Board on 22 February 2023
- Samuel Aiyere retired from the Bank on 30 June 2023
- Olukorede Adenowo joined the Board on 18 November 2023

The Board meets at least once in each quarter, with additional meetings convened as required. The annual calendar of Board and Committee meetings is approved in advance at the last meeting of the Board in the previous year, and all Directors are expected to attend each Board meeting. Their attendance record is detailed in the Board and Committee Governance Structure section on page 38.

All Board committees meet during the week before each Board meeting to present a report to the Board and obtain approval for various committee recommendations. The close dates between the Board and the Committee meetings have proven to be extremely effective in ensuring that any concerns raised by the Committees can be discussed and resolved by the Board immediately as they are still fresh in the minds of the Directors and Senior Management by the date of the Board meeting.

The Board agenda is carefully designed to allow sufficient time for each item to be debated. Directors are encouraged and expected to examine all Board and Bank matters actively. If it is necessary to discuss a matter in-depth, Board meetings are usually scheduled for an entire day. Members of the Executive Senior Management team are frequently summoned to Board meetings to provide relevant reports. If additional questions arise, Non-Executive Directors have direct access to senior management before and after Board meetings.

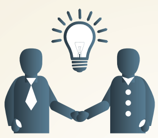
The Strategy Advisory Forum ensures that strategy and product development are given adequate time for discussion at Board meetings. There is also a strong representation of FirstBank UK's Senior Management at the Forum meetings, providing Non-Executive Directors with the opportunity for deeper interaction on strategy and product development.

FirstBank UK has sought to maximise profitability while maintaining prudent risk management. The Board has worked hard to keep the Bank's risk management process and procedures as comprehensive and up-to-date as possible. FirstBank UK has sought to develop new business areas within this framework as appropriate opportunities continuously arise.

The Board is fully committed to its responsibilities for addressing the many regulatory changes and challenges in the financial sector. The Directors' training programme for 2023 emphasised detailed compliance training.

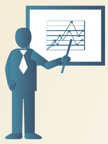
The Directors have agreed to and are aware of the following primary responsibilities of the Board:

The Board must always act in the best interests of FirstBank UK and its shareholders.



The Board must provide leadership, set strategic aims, give direction to the Management and ensure that the necessary financial and human resources are in place for FirstBank UK to meet its objectives.

The Board must set the Company's values and standards.



The Board must review Management's performance and determine its remuneration.

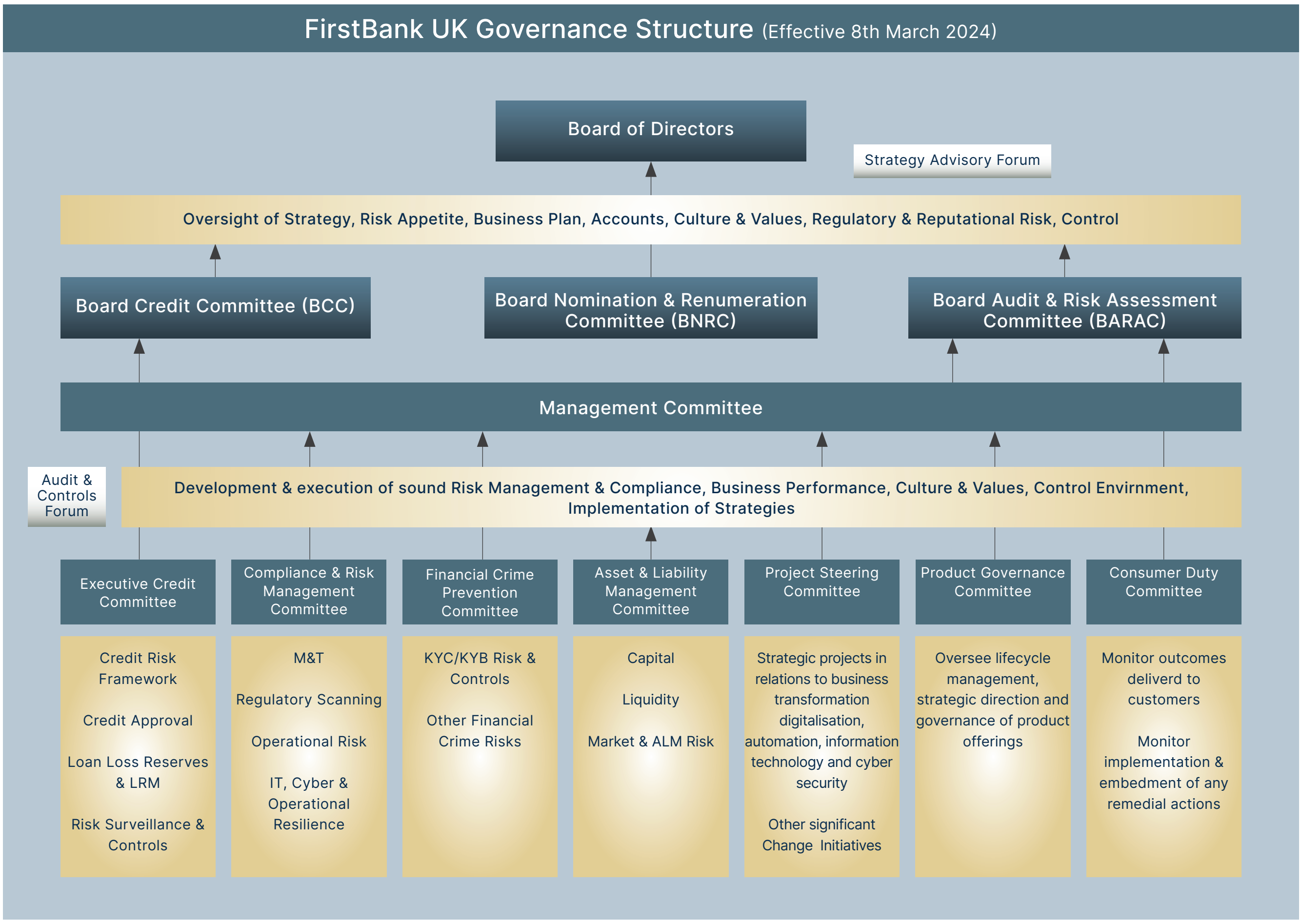
The Board has established a framework of prudent and effective internal controls that enables risk to be assessed and managed and this framework also allows the Board to monitor and assess the effectiveness of the internal controls established.

To assist with these responsibilities and to review the terms of reference of the Board Committees on an annual basis, the Board agrees on a list of matters reserved solely for its consideration, that is, matters that can only be decided by the Board and cannot be delegated to a committee or individual.

The Board's responsibilities include agreeing on long-term objectives and strategies and overseeing FirstBank UK's operations, to ensure adequate control and compliance with regulatory requirements. The capital structure is viewed as an important focus for the Board; it is especially necessary for the current climate, with the regulators' prioritisation of liquidity and capital requirements as well as culture and conduct risks. There is also focus on financial reporting, internal control and risk management.

In terms of governance, the Board's responsibilities include Board membership, Directors and Senior Executives' remuneration and the appointment of the Company Secretary. The need for clear delegation of authority is addressed to balance the interests of the shareholders.

Leadership


FirstBank UK Governance Structure (Effective 8th March 2024)
Board of Directors
Strategy Advisory Forum
Oversight of Strategy, Risk Appetite, Business Plan, Accounts, Culture & Values, Regulatory & Reputational Risk, Control
Board Credit Committee (BCC)
Board Nomination & Renumeration Committee (BNRC)
Board Audit & Risk Assessment Committee (BARAC)
Management Committee
Audit & Controls Forum
Development & execution of sound Risk Management & Compliance, Business Performance, Culture & Values, Control Envirnment, Implementation of Strategies
Executive Credit Committee
Compliance & Risk Management Committee
Financial Crime Prevention Committee
Asset & Liability Management Committee
Project Steering Committee
Product Governance Committee
Consumer Duty Committee
Credit Risk Framework
Credit Approval
Loan Loss Reserves & LRM
Risk Surveillance & Controls
M&T
Regulatory Scanning
Operational Risk
IT, Cyber & Operational Resilience
KYC/KYB Risk & Controls
Other Financial Crime Risks
Capital
Liquidity
Market & ALM Risk
Strategic projects in relations to business transformation digitalisation, automation, information technology and cyber security
Other significant Change Initiatives
Oversee lifecycle management, strategic direction and governance of product offerings
Monitor outcomes deliverd to customers
Monitor implementation & embedment of any remedial actions

Board and Committee Governance Structure

As indicated in the above framework, the Board has three standing committees.

The table below shows the composition and attendance at each of the Committees' scheduled meetings in 2023 (as well as attendance at the Board meetings).

Board Meetings attendance 2023

Members	18 January	9 February	28 March	28 April	04 August	10 November	Total Attended
Andrew Alli	✓	✓	✓	✓	✓	✓	6
Patrick Crawford	✓	✓	✓	✓	✓	✓	6
Mfon Akpan	✓	✓	✓	✓	✓	✓	6
Adesola Adeduntan	✓	✓	✓	✓	✓	✓	6
Tosin Adewuyi	✓	✓	✓	✓	✓	✓	6
David Davis	✓	✓	✓	✓	✓	✓	6
Lekan Adelekan	✓	✓	✓	✓	✓	✓	6
Geoffrey Russell	✓	✓	R	R	R	R	2
Samuel Aiyere	✓	✓	✓	R	R	R	3

✓ Attendance | X – Apology | NYA – Not Yet Appointed | R – Retired/Resigned

Board Audit & Risk Assessment Committee (BARAC) attendance 2023

Members	07 February	23 March	25 April	07 July	02 August	20 October	08 November	Total Attended
Mfon Akpan	✓	✓	✓	✓	✓	✓	✓	7
Andrew Alli	NYA	✓	X	✓	✓	✓	✓	5
Tosin Adewuyi	✓	✓	✓	✓	✓	X	✓	6
Geoffrey Russell	✓	R	R	R	R	R	R	1

✓ Attendance | X – Apology | NYA – Not Yet Appointed | R – Retired/Resigned

BARAC's objectives include the following:

- Assist the Board in performing its responsibilities for risk management, accounting policies, internal control systems and procedures, financial reporting and liaison with FirstBank UK's regulators and external auditors. The internal auditors report to the Committee's Chairman;
- Examine how Management ensures and monitors the adequacy, nature, scope and effectiveness of FirstBank UK's accounting and internal control systems and procedures. This is done in accordance with FirstBank UK's policies and rules and the standards of the regulatory regimes to which the Bank is subject;
- Ensure the integrity of FirstBank UK's financial information and other formal documents relating to its financial performance and make appropriate recommendations to the Board prior to publication. Accounting for unusual transactions, significant reporting issues and management decisions, particularly the classification and treatment of exceptional items, are discussed, and the views of the external auditors are considered. Compliance with accounting standards and consistency of accounting policies across FirstBank UK on a year-to-year basis are important factors in ensuring the integrity of the financial statements;

- Supervise Management's responsibilities for assessing and managing FirstBank UK's risk profile, including market risk, funding and liquidity risk and operational risk; and
- Focus on proposed regulatory changes proposed by the Prudential Regulation Authority and the Financial Conduct Authority, which are expected to impact FirstBank UK and the banking industry. Regulatory requirements are expected to change in the year and the BARAC will keep an eye on these developments. The Committee will continue to focus on this issue.

The EDBD also attends BARAC meetings, in addition to committee members and the Company Secretary, are the Chief Executive Officer, the Chief Operations Officer, the Executive Director/Chief Financial Officer, the Chief Risk Officer, the Head of Compliance and the MLRO, the Head of Treasury and the Internal Auditors. The external auditors also attend annually, to report on the final audited annual accounts.

Board Nomination & Remuneration Committee (BNRC) attendance 2023

Members	12 January	07 February	03 March	10 March	27 March	25 April	25 May	03 July	02 August	11 October	23 October	08 November	Total Attended
Patrick Crawford	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	12
Adesola Adeduntan	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	12
Mfon Akpan	X	✓	✓	✓	X	✓	✓	✓	✓	✓	✓	✓	10
Andrew Alli	NYA	NYA	NYA	NYA	NYA	NYA	NYA	✓	✓	✓	✓	✓	5

✓ Attendance | X – Apology | NYA – Not Yet Appointed | R – Retired/Resigned

The goal of BNRC is to guide the Board in carrying out its responsibilities for executive nominations and improve FirstBank UK's governance, through a continuous assessment of its approach to corporate governance. It also oversees executive remuneration and establishes best practices to ensure that governance guidelines relating to executive remuneration are appropriate and effective. Its secondary goal is to assist the Board in carrying out its responsibilities related to FirstBank UK's capital expenditure, infrastructure and human resources (HR) requirements.

BNRC is responsible for three major areas including new Director nominations, corporate governance, and remuneration issues. BNRC is also in charge of the annual review of the Board and its committees, as well as any actions that result from that review each year.

The duties of the Committee include the following:

- Considering and recommending certain expenditures outside the approved annual budget, significant changes to FirstBank UK's structure chart, remuneration structure and senior management appointments. They are also the final arbiter of disciplinary measures likely to lead to dismissal;
- The approval of capital and recurrent expenditure within the approved annual budget;
- The review and approval of FirstBank UK's HR policy; and
- The recommendation to the Board of any proposed remuneration incentive schemes.

As FirstBank UK continues to grow, this Committee ensures that there are enough human resources to cover the work and manage the entire body of staff, ensuring that there is no overcapacity or overspend in any area.

Apart from Committee members, the Chief Executive Officer, Head of Human Resources and the Company Secretary are regular attendees.

Board Credit Committee (BCC) scheduled attendance 2023

Members	06 February	24 April	01 August	06 November	Total Attended
Patrick Crawford	✓	✓	✓	✓	4
Andrew Alli	NYA	✓	✓	✓	3
Tosin Adewuyi	✓	✓	✓	✓	4
Geoffrey Russell	✓	R	R	R	1

✓ Attendance | X – Apology | NYA – Not Yet Appointed | R – Retired/Resigned

The objective of the BCC is to assist the Board in performing its responsibilities related to the approval and periodic consideration of its credit and other risk policies and portfolios, to ensure consistency with established guidelines and limits.

- Responsible for the oversight of Management's responsibilities to assess and manage FirstBank UK's credit risks;
- Review and approve credit applications that are above the authority of the Executive Credit Committee;
- Grant credit facilities and monitor the resulting exposure in compliance with FirstBank UK's policies and risk appetite;
- Recommend the need for any investigations on any credit matters;
- Review potential loss situations and consider the adequacy of provisions and the recovery strategy; and
- Consider proposals for changes to FirstBank UK's credit policies.

In addition to Non-Executive Directors, other regular attendees at BCC meetings are the Chief Executive Officer, Chief Risk Officer and the Deputy Head of Risk.

Strategy Advisory Forum (SAF)

The objective of the SAF is to assist the Board in carrying out its responsibilities regarding FirstBank UK's long-term strategy. Its responsibilities include reviewing progress against the agreed strategic plan, considering proposals affecting FirstBank UK's strategic direction and making recommendations to the CEO and Board on these matters.

SAF is also concerned with the progress of new products or services introduced by FirstBank UK as part of its strategy. If the SAF believes that a service or product is underperforming, it will bring its concerns to the Board for further consideration and agreement on a course of action.

The Chief Risk Officer, the Head of Compliance and the Director of Strategy are also regular attendees at this Forum's meetings.

Management Committees

The principal management committee 'Management Committee' oversees the day-to-day management of FirstBank UK. Its membership is as follows:

Management Committee

- Chief Executive Officer;
- Executive Director Business Development;
- Executive Director, Chief Financial Officer;
- Chief Risk Officer;
- Chief Operations Officer;
- Head of Compliance; and
- Money Laundering Reporting Officer (MLRO).

Management Committee operates through a number of committees, of which the following are the main management committees:

Leadership

ECC comprises the following:	
Chairperson	Chief Executive Officer (CEO)
Vice-Chairperson	Chief Risk Officer (CRO)
	Chief Financial Officer (CFO)
Other Members	Executive Director Business Development (EDBD)
	Head of Credit Risk
	Head of Portfolio Management and Control

PSC comprises the following:	
Chair	Chief Operations Officer
Vice-Chair	Director of Strategy
Other Members	Head of Business Transformation Office
	Head of Operational Risk
	Chief Technology Officer
	Head of Finance
	Head of Operations

CARMCO comprises the following:	
Co-Chairs	Head of Compliance
	Chief Risk Officer
Other Members	Money Laundering Reporting Officer
	Chief Operations Officer
	Head of Operational Risk
	Head of Corporate Banking
	Head of Institutional Banking
	Head of Private Banking
	Director of Strategy

FCPC comprises the following:	
Chair	Executive Director Business Development
Vice-Chair	Chief Executive Officer
Other Members	MLRO
	Deputy MLRO

ALCO comprises the following:	
Chair	Chief Executive Officer
Co-Chair	Chief Financial Officer
Other Members	Executive Director Business Development
	Chief Risk Officer
	Head of Finance
	Head of Treasury

Effectiveness

One of the main principles of the United Kingdom's Corporate Governance Code (the Code) is that the Board and its committees must be effective. Although the Code is not strictly applicable to the Bank because it is not a publicly traded company, we have implemented it in various ways.

At the Board level, we have maintained an appropriate balance of skills, experience, independence and knowledge. As a Bank focused on African-related businesses in the United Kingdom and Africa, we have Directors from the United Kingdom and Nigeria with extensive knowledge of the African market. This enables the Board to understand African needs, their businesses and the specific relationships between Africa and the rest of the world.

On the Board, we currently have a wide range of experience and skills required for the relevant oversight function of the Board. Our Non-Executive Directors' extensive experience and knowledge in the banking industry has been a valuable resource and support for the current Executive Team managing FirstBank UK's operations.

The number of Executive and Non-Executive Directors on the Board is well-balanced for the size of our operation. Majority of the current Board of Directors, including the Chairman, are Non-Executive Directors, with four designated as Independent Non-Executive Directors.

The Board continues to attract a broad range of cultural backgrounds, with a healthy balance of British and African members. In line with the Code, there is a clear division of responsibilities at the top of FirstBank UK between running the Board and the business. The positions of Chairman and Chief Executive Officer are held by different people.

The Chairman, an Independent Non-Executive Director, is fully responsible for the Board's leadership and effectiveness. The Board has set the responsibilities for the Chairman to ensure clarity within this structure.

All Directors have access to the Company Secretary, who reports on all corporate governance matters to Management through the Chief Executive Officer and the Board, via the Chairman.

The Company Secretary advises the Directors on their duties, good governance and ethics, as required. Additionally, the Company Secretary ensures that Board procedures and applicable laws and regulations are followed and participates actively in Directors' induction and training. The Board of Directors is ultimately responsible for appointing and dismissing the Company Secretary.

The Board has the power to consult with and retain, at FirstBank UK's expense and subject to prior approval, such independent or outside professional advisers and experts as it deems necessary or appropriate to carry out its responsibilities.

At each Board meeting, the progress of FirstBank UK is reviewed against its budget and year-end targets and actions are tracked to ensure they are completed. As a result, the Board is effective in its oversight of FirstBank UK's operations.

As a growing bank, we understand the critical nature of achieving and maintaining the highest governance standards through Board reviews and evaluations. The objective of such Board evaluations is to identify areas where improvements in Board effectiveness and efficiency can be made and agree on specific actions to implement any necessary improvements.

Consideration is given to the following areas:

- The roles and responsibilities of the Board and its Committees and how successful they are in fulfilling their key roles and responsibilities;
- The extent to which the Board and its Committees adhere to best practices in their structure and procedures; and
- The extent to which the culture of the Board and its Committees is conducive to the efficient operation of the Board.

During the year, an independent external firm was commissioned to review the Bank's corporate governance, as part of the process to ensure that the Bank continues to adopt appropriate best practices.

The terms of reference for each of the Board Committees were also reviewed. A review of the terms of reference of the Board Committees will be conducted annually, to ensure the Board Committees remain effective, have adequate authority to perform their functions and can exercise control where necessary.

Appointment Philosophy and Induction Process

When FirstBank UK requires a new Director, the Board Governance Committee considers the matter. After the Committee issues its final recommendations, the request is forwarded to the Board of Directors for approval.

When recruiting candidates for the Board, the objective is to find individuals with a strong understanding of banking in Africa, particularly Nigeria, as well as the United Kingdom and Europe, as FirstBank UK has a presence in Paris. As a result, the Board comprises a mixture of Nigerian and British Non-Executive Directors and Executive Directors. Where the Board lacks experience in a particular area, there is a strong emphasis on identifying someone with the requisite knowledge. Additionally, any Non-Executive Director chosen must have sufficient time to devote exclusively to FirstBank UK to effectively discharge their responsibilities.

Once appointed, each new Director, whether Executive or Non-Executive, undergoes an induction process that includes basic information about FirstBank UK, the Articles of Association, the Committees' terms of reference and the Company's major policies, as well as guidance on Directors' responsibilities. This guidance considers legal requirements and responsibilities under the Companies Act and English law, as well as Directors' responsibilities as authorised persons in accordance with the regulatory requirements of financial regulatory bodies.

A newly appointed Director is expected to meet with FirstBank UK's department heads to become acquainted with the Bank's operations. In addition, the new Director is expected to attend a training session on basic legal responsibilities with the Company Secretary.

Once Board members are appointed, FirstBank UK keeps the Board informed of the challenges, opportunities, and risks confronting business areas and the Bank in general. This is achieved through management reporting at Board and Committee meetings and occasional training sessions. FirstBank UK places a high value on its Directors' training and believes in the importance of training in improving the effectiveness of its Directors in their work.

Engagement

In line with the United Kingdom's Corporate Governance Code (the Code), FirstBank UK engages with its shareholders regularly. However, FirstBank UK is not required by English Company Law to hold Annual General Meetings (AGMs) because it is a private limited company. Nonetheless, the parent company presently has two representatives sitting on its Board, ensuring its interests are considered in any decision the Board makes.

It is of great importance to the Board that it maintains a good relationship with its parent company. As a result, engagement is achieved in various ways. FirstBank UK and FirstBank are in continual collaboration to encourage an effective working relationship.

FirstBank UK holds a Strategy Day annually to align its strategy with FirstBank's. This is attended by FirstBank UK's Board and Senior Management and by senior representatives of FirstBank. Ramping up the synergy between them, there has been a continuous drive to develop more business through referrals between FirstBank UK and FirstBank. This is encouraged through events and information given to the Relationship Managers of the parent company to raise their awareness of what FirstBank UK has to offer to its clients.
FirstBank UK's relationship with its parent, FirstBank, is close, positive and productive.

Governance Structure Principles

FirstBank UK conducts its business under various regulations and across many jurisdictions. As such, a robust governance structure is vital for the following reasons:

(i) Supporting sustainable growth within the regions we operate; and
(ii) To ensure that the Bank is fully aligned in adopting regulatory best practices.

The governance structure is based on the following principles:

Risk and Performance Centricity

FirstBank UK believes in sustainable, controlled growth and therefore considers risk management as central to the achievement of this objective.

Committees' input and output are risk and performance-based and include relevant management information (MI), including a higher use of quantitative metrics.

Each Committee is expected to determine and define a dashboard of key risk and/or performance indicators and appropriate controls.

Clarity and Effectiveness

At the Executive Management level there are seven Governance Committees.

Each Committee has a defined membership.

Clear and focused terms of reference have been established for each Committee to provide effectiveness and accountability.

Transparency and Inclusion

Where appropriate, a number of senior managers are newly appointed as members of sub-committees (or will receive a permanent invitation). This will enable the introduction of complementary skills, fresh views and subject matter expertise.

Whistleblowing Procedures

Whistleblowing is the process of raising concerns about wrongdoing, illegal actions, or unlawful conduct such as fraud, corruption, bribery, or theft. In accordance with regulatory obligations, FirstBank UK encourages both internal whistle-blowers (staff, contract employees, management, or directors) and external whistle-blowers (customers, service providers, applicants, auditors, consultants, regulators, and other stakeholders) to report issues of concern where they believe the fulfilment of the Bank's legal or regulatory obligations are threatened by inappropriate action or inaction by another staff member.

All stakeholders – internal and external – are obliged to report any unlawful, improper or unethical conduct they may have observed through the different whistleblowing channels. A variety of routes are made available for the escalation of such concerns with the guarantee of confidentiality without fear of harassment, intimidation, victimisation, reprisal or retaliation. Internal escalation through line management is always preferable, but staff are free to use external whistleblowing facilities if they prefer or if line management is implicated in the issue. The facilities provide for anonymity to be protected if desired and there is the ability to report directly to the bank. This promotes an open organisational culture where employees are not only aware of how to report but also have the confidence to make such reports.

All concerns raised through the whistleblowing channel of the Bank are thoroughly and independently investigated and reported according to the Bank's Whistleblowing Policy. The Bank whistleblowing champion is an Independent NED, who also serves as the Chair of Board Audit and Risk Assessment Committee, while the nominated whistleblowing officer of the Bank is the Head of Compliance.

Assessment of Controls

Our controls around whistleblowing are determined to be effective based on the following evidence:

- We do not have evidence of instances of misconduct during the period that would have been known to other staff and warranted a whistleblowing report where one was not in fact made.
- We have not been made aware of any instances of whistleblowing staff facing retributive action as a result of their reports. The Whistleblowing Champion has proactively sought any such evidence.


Risk
Review

Risk Overview

The Board determines the overall risk strategy for the Bank. The Risk Appetite Statement (RAS) outlines the Bank's risk appetite. It articulates the nature and extent of material risks that the Bank is willing to undertake to achieve its strategic objectives, business plan, and regulatory requirements.

The RAS reflects the strategy and sets the parameters for its implementation. These parameters are used in Bank's the strategic plan, business plan, and budgets. The RAS forms the basis for establishing boundaries within which the Bank must operate. Over the years, the Bank's risk appetite has evolved to include financial and non-financial factors.

Risk management forms an integral part of our business planning and decision-making. The central role of the Bank is to extend credit and offer various products to selected clients, by carefully managing the associated risks to ensure that the risk is acceptable and compliant with the RAS. In this process, the Risk and Compliance Departments and the Board constantly challenge these activities which are led by the responsible senior business managers. Whilst it is expected that the external or volatile market conditions will have an impact on risk profiles and exposures, various risk measures are in place to provide early warning signals.

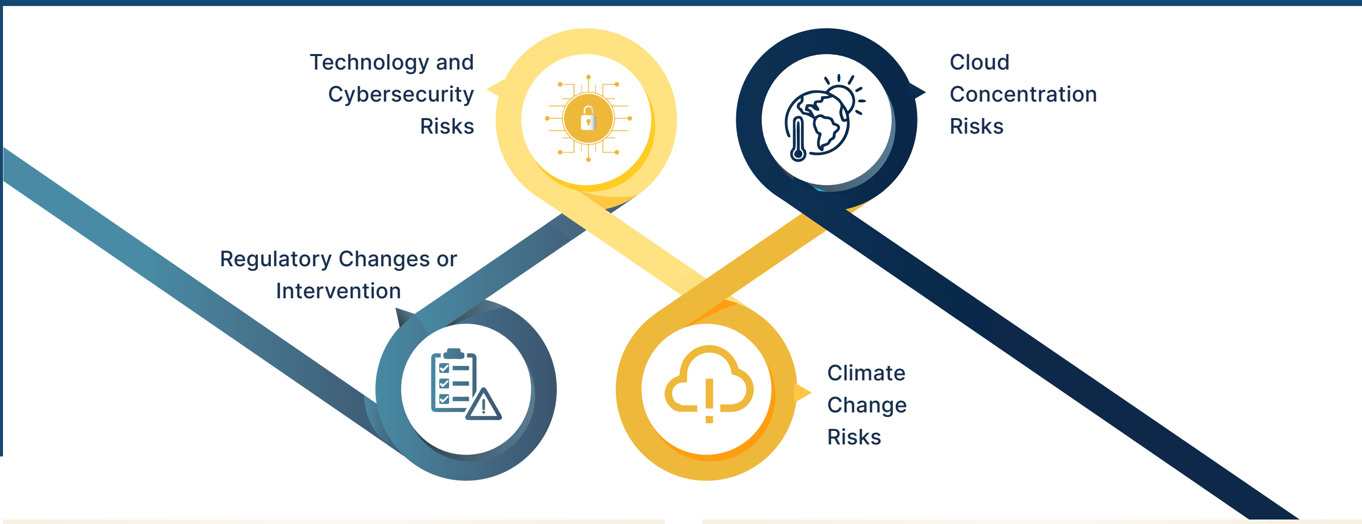
The Bank conducts stress tests regularly on macroeconomic factors, monitors KPIs (Key Performance Indicators) to ensure that it operates within its RAS; and adjusts its risk limits in response to changes in business and/or macroeconomic conditions. Where necessary, the Bank performs appropriate sensitivity and scenario analysis at counterparty and borrower levels and takes appropriate risk mitigation actions, such as reduction of exposure or enhancement of collateral .

FirstBank UK continually seeks to strengthen its Risk and Compliance framework in line with its evolving operating environment. It adopts a proactive approach to monitoring and dealing with potential issues, not only from a standard credit risk perspective but also taking account of non-traditional risks such as financial crime and cyber security which could negatively impact our business. Furthermore, the Bank has made great strides in addressing conduct risks by delivering various training programmes to its staff; clearly demonstrating the Bank's commitment to mitigating conduct risk.

"The Bank conducts stress tests regularly on macroeconomic factors, monitors KPIs (Key Performance Indicators) to ensure that it operates within its RAS; and adjusts its risk limits in response to changes in business and/or macroeconomic conditions."

Emerging Risks

These are risks that are specific to the Bank and forward-looking in nature, of which the likelihood and/or impact cannot be readily quantified and have not yet crystallised. At this point in time, emerging risks include:



Regulatory Changes or Intervention

The financial sector is exposed to many changing regulatory requirements and/or interventions, e.g. the consumer duty. The Bank's risk arises from non-compliance with, or non-implementation of, regulatory requirements. Furthermore, changes to regulatory rules could negatively impact the Bank's strategy and business model.

What are we currently doing

- Maintaining a well-defined and embedded process for regulatory and legislative horizon scanning and preparation for confirmed and potential changes.
- Monitoring regulatory websites for the latest guidelines and regulatory interpretations to mitigate operational missteps and disclosure challenges.
- Modifying governance arrangements to support the achievement of conformance, e.g. the establishment of the product governance committee and consumer duty committee at the executive level.
- Project steering committees are in place to ensure implementation, compliance and embedment.
- Liaising with the regulatory authorities, if necessary, to seek guidance.

Technology and Cybersecurity Risks

Technology and cybersecurity, including information security risks remain significant and high-profile across all industries. Risks may arise from outdated and misunderstood technology. Cybercrime may result in financial loss, disruption for customers, loss of data and reputational damage.

What are we currently doing

- Continuing to identify, manage, monitor and report our cyber strategy, to align with our IT strategy.
- Regularly rolling out information security awareness campaigns across the Bank.
- Strengthening identity and access management controls.
- Increasing governance and monitoring.

Emerging Risks

Climate Change Risks

Climate change creates financial risks that are far-reaching in breadth and scope.

The physical and transitional risks of climate change could create inherent default risk to the Bank's assets and operating activities portfolio.

What are we currently doing

In line with PRA Supervisory Statement SS3/19 (Enhancing Banks' and Insurers' Approaches to Managing Financial Risks from Climate Change), the Bank has implemented a Climate Change Risk Management Framework. The objective of the Framework is to assess the potential business, strategic and financial implications of climate change risk reflected through various forms of risks and to formulate strategies to identify, manage and report these risks.

The Board is ultimately responsible for overseeing the implementation and embedding of the climate risk framework. A climate risk appetite has also been incorporated within the risk appetite of the Bank. There is no appetite for high climate change risk exposures.

The Bank has assessed its climate change risk impact as being low on a 12-month forward-looking basis). The Bank has also commenced the process of incorporating climate change-related risk impacts into its stress testing scenarios in its risk management process, which are required to be performed at least annually or more frequently, when necessary.

The Bank will continuously develop and enhance its methodologies in this emerging area of risk, by acquiring more data and information to improve on its key performance indicators.

Cloud Concentration risk

Cloud concentration risk refers to the potential risk of becoming overly reliant on a single cloud platform, such that all critical data and applications are in one cloud environment and a single incident could endanger the entire operation.

What are we currently doing

- The geographical concentration of Cloud Service Providers is all in stable and developed countries with strong privacy laws in place to avoid regulatory risk.
- Ongoing risk assessment is being carried out for cloud security and resilience, as well as cloud concentration.

Principal Risks

Based on our business model and operating environment, the Bank is confronted with several risks, which we have listed below and detailed our strategies to mitigate them. These risks are considered the most significant for the Bank.

Strategic Risk

The risk arising from poor business and strategic decisions and improper strategy implementation.

Strategic Activity

- Conducting business that is aligned with the Bank's vision, linked to African markets and core to our client's needs.
- The business could be adversely impacted if strategy and decisions are poorly executed or if the strategy does not effectively respond to changes in the regulatory, macroeconomic or competitive environments in the geographic locations in which we operate.

Mitigation

We will only be involved in businesses where we have the expertise, resources and competencies to grow safely with minimal adverse impact on capital and earnings in times of moderate economic stress.

Further mitigants include the following:

- Having a sound planning and budgeting process in place, including regular performance reporting against budget.
- Focusing on countries where FirstBank Group has its footprint and gives a unique advantage of being close to the customer.
- Regular review and update of business plans.
- Regular environmental scanning for emerging risks and developments that may impact the business and our strategy.

Credit Risk

The risk of loss arising from the borrower or counterparty's inability or unwillingness to meet their financial obligations, giving rise to financial losses.

Strategic Activity

- Represents one of the biggest risks for the Bank, which may impact capital adequacy and liquidity.

Mitigation

The Bank operates in selected markets, sectors, and products in which it has a good understanding.

This is supported by:

- Prudent management of concentration risks by country, sector and single obligor.
- Consistent application of sound credit underwriting principles.
- Operating within well-defined delegated approval authorities.
- Regular review of portfolio performance and risk appetite metrics.
- Sound transaction structures, including those secured by physical and financial collateral.
- Robust credit portfolio management, with a strong early-warning framework to identify early-warning signals.
- Timely recognition of expected credit losses under the IFRS9 Impairment policies.

Principal Risks

Market Risk

The risk of loss in our portfolio of financial instruments arising from adverse movements in market variables such as interest and currency exchange rates.

Strategic Activity

- Customer lending, deposits and treasury activities legally commit the Bank to exposures that are ultimately dependent on external market prices; and
- Changes in market prices, such as interest rates or exchange rates, create the risk of financial loss by reducing earnings or changing the value of assets/ liabilities.

Mitigation

- The Bank has established policies and procedures that are regularly reviewed and updated to control market risk.
- The Bank's Asset & Liability Committee regularly reviews market developments, including the level and impact of market risk.

Some of the mitigants applied by the Bank to manage market risk are as follows:

- Matching the interest rate structure of assets and liabilities, thereby creating a natural hedge.
- Maintaining a tight limit for interest rate risk, in line with our regulatory risk appetite.
- Careful management of the repricing profile of assets and liabilities.
- Hedging of income and cost to manage volatility in earnings arising from FX risk.
- Market risk techniques, such as value-at-risk limits, stop losses limits, duration risk and counterparty risk limits, are tightly controlled for monitoring purposes.

Operational Risk

The risk of direct and indirect loss caused due to an event or action resulting in failure of internal processes or systems, people or from external events and including legal risks.

Strategic Activity

The Bank's day-to-day operations involve many activities and processes performed manually and/or rely on IT systems.

Mitigation

Key operational risk mitigants in place include:

- An ongoing and comprehensive risk and control self-assessment (RCA) process to ensure that operational risks are identified and managed effectively.
- Regular risk incident reporting, including near-misses to embed the risk event reporting process.
- Identifying and regularly testing the Bank’s ability to anticipate, plan for and handle responses to unexpected events, external pressures and disruptions to its important business services.
- The Bank has set out the nature and level of operational risk considered acceptable (and unacceptable) by defining the boundaries for business activities and behaviours through risk tolerances, policies and controls.

Conduct Risk

The risk that detriment is caused to our clients, markets or the Bank because of ill-designed processes, inappropriate judgement, intent to cause detriment, breach of regulatory reporting requirements or material negligence in the execution of our activities.

Strategic Activity

Adherence to regulatory requirements.

Mitigation

The Bank adopts a zero-tolerance approach to conduct risk and any breach will immediately trigger an investigation.

The Bank maintains processes that focus on fair customer outcomes, including metrics on staff performance, training, customer feedback and complaints management.

Financial Crime Risk

The risk is that financial, reputational and other losses may arise from onboarding or transacting with customers, supporting our customers and on our own transactions, when in doing so, we may be dealing with confirmed or suspected proceeds of crime.

Strategic Activity

Adherence to regulatory requirements.

Mitigation

Performing the requisite checks on all customers, including money laundering, sanctions, terrorism financing, bribery and corruption and facilitation of tax evasion.

Capital Risk

The risk is that the Bank could have insufficient capital to withstand an extreme but plausible loss and might expose its customers, internal and external stakeholders and shareholders to losses.

Strategic Activity

To accept deposits and lend to customers, banks are required to hold minimum levels of high-quality capital.

Mitigation

- Maintaining robust controls for Pillar I and II reporting.
- Performing a comprehensive annual assessment of all material capital risks under our Internal Capital Adequacy Assessment Process (ICAAP).
- Planning to meet capital requirements on a forward-looking basis, formally assessing confirmed and potential changes in regulatory rules.
- Maintaining an appropriate internal capital buffer over and above fully loaded regulatory requirements to protect the Bank against unexpected losses or to support risk-weighted asset growth.
- Performing regular stress testing and scenario analysis to test any potential vulnerability that could cause the Bank to breach its risk appetite and any regulatory requirement.

Liquidity Risk

The inability to meet expected or unexpected cash flow needs while continuing to support our business and customers under a range of economic conditions.

Strategic Activity

Originating loans and accepting deposits means significant movement and transfer of funds.

Mitigation

- Maintaining a sufficient portfolio of cash and highly liquid assets to absorb liquidity shocks.
- Performing a comprehensive, annual Internal Liquidity Adequacy Assessment Process (ILAAP) assessment of all material liquidity risks to meet all internal and regulatory buffers on an ongoing basis.
- Monitoring the Bank's liquidity position daily.
- Performing regular stress testing and scenario analysis to test any potential vulnerability that could cause the Bank to breach its risk appetite and any regulatory requirement.

Reputational Risk

Damage to our reputation and brand due to the actions of the Bank itself or indirectly via actions of employees, suppliers and other parties.

Strategic Activity

Building a strong brand with customers, the regulator, and counterparties.

Mitigation

- Maintaining a clear and well-articulated reputational risk policy requirement to which all staff must confirm their understanding and adherence.
- Ensuring that the relevant committee considers the reputational impact of changes to products, systems and controls.
- Zero appetite for reputational risk resulting from inappropriate judgement in acting, transacting or participating in events which may cause detriment or actions of material negligence in the execution of our activities. Any reputational risk will immediately trigger an investigation and subsequent actions.

Principal Risks

Model Risk

The risk of a model error or wrongful model usage which may result in inaccurate data or information, leading to inappropriate or erroneous decision-making.

Strategic Activity

The Bank has several models, which are either built in-house or outsourced to vendors. These models are subject to model risk.

Any adverse consequences could lead to non-compliance with prudential regulation, financial position could be impacted or damage to the bank's reputation. The risk can also lead to financial loss, as well as qualitative limitations.

Mitigation

- The Model and Spreadsheet Policy of the Bank requires that all models and spreadsheets are risk assessed that key person dependencies around material models or spreadsheets are managed effectively and that an annual assessment of models and spreadsheets is performed by the 2nd Line of defence to provide assurance to the Board on the compliance with this policy.
- An independent validation of the critical or high-risk models is also performed annually.

Geo-Political and Disruption Risk

The Bank is exposed to uncertainties arising from geo-political issues and from the macro-economic outlook in the regions of our operation.

Strategic Activity

Geo-political and macroeconomic issues have heightened in the recent past and are likely to have an impact on the Bank's operations.

Some such issues are:
- The Red Sea; the conflict between Iran and Israel has had an impact on trading, as the majority of shipping companies have suspended using that route due to attacks.
- Ongoing war between Russia and Ukraine since 2022.
- Monetary and fiscal policy reforms by the newly elected Nigerian Government, which resulted in significant Naira devaluation.
- Heightened global inflation leading to rising interest rates.

Mitigation

- The Bank performs stress testing across various portfolios including corporate, institutional and private banking. This enables the Bank understand the impact of these macro-economic events and make the right decisions.

Change Management Risk

This is the risk of poor management and implementation of a change initiative which leads to poor outcomes, increased organizational costs or lost opportunities.

Strategic Activity

The Bank is undertaking several regulatory change initiatives in the areas of risk culture and governance, culture change, equality diversity and inclusion and other non-regulatory projects.

Mitigation

- The identification of risks inherent in each change project is identified and monitored on an ongoing basis throughout the project lifecycle.
- The Bank employs leading consultancy firms to assist it with its various change initiatives and projects.
- Project working groups are set up at management level to oversee change initiatives.
- Board steering committees are also in place to provide overseeing on various regulatory change initiatives.

Third-Party Risk

Service delivery is impacted by external vendors who performs critical services for the Bank.

Strategic Activity

The Bank has critical third-party vendors that exposes it to additional external risks.

Mitigation

- Vendor criticality assessment upon on-boarding.
- Regular reviews, depending on vendor risk profile.
- Monitoring the effectiveness of controls performed by outsource partners and adherence to service level agreements.

Financial Statements

Corporate Information

Chairman	
	Andrew Alli
Directors	
	Dr Adesola Kazeem Adeduntan
	Olalekan Adelekan
	Olukorede Adenowo (Appointed 16 November 2023)
	Oluwatosin Adewuyi
	Samuel Oladipupo Aiyere (Resigned 30 June 2023)
	Mfon Akpan
	Jeremy Patrick Steward Crawford CB
	David Tunde Davis
	Dr Catherine Raines (Appointed 28 March 2024)
	Geoffrey Scott Russell (Resigned 22 February 2023)
Company Secretary	
	Barry Taleghany
Registered Number	
	04459383
Registered Office	
	28 Finsbury Circus
	London
	EC2M 7DT
Bankers	
	HSBC Bank Plc
	London and New York
	Standard Chartered Bank Plc
	London, New York, Japan, China and UAE
	Deutsche Bank
	Frankfurt
	Credit Suisse
	Zurich
Independent Auditor	
	MHA
	Statutory Auditor
	6th Floor
	2 London Wall Place
	London
	EC2Y 5AU

Directors' Report

The Directors have pleasure in presenting their report together with the audited Financial Statements for the year ended 31 December 2023.

The particulars of important events affecting the Company since the financial year-end can be found in the notes to the Financial Statements, and an indication of likely future developments can be found in the Strategic Report.

Results and Dividend

The Financial Statements have been prepared in accordance with United Kingdom adopted International Financial Reporting Standards ("UK adopted IFRS") in conformity with the requirements of the Companies Act 2006. The profit after tax for the year amounted to US$36.32m (2022: US$46.14m). The Directors do not recommend the payment of dividend for the year ended 31 December 2023 (2022: Nil).

Capital Structure

There was no increase in the Bank's authorised or ordinary share capital during the year. Further information on the Company's share capital can be found in Note 26 to the Financial Statements.

Further information regarding FirstBank UK's approach to risk management and its capital adequacy is contained in the unaudited disclosures made under current regulatory capital requirements (see the Pillar 3 disclosures which will be published on FirstBank UK's website at https://www.fbnbank.co.uk/ after the approval of these Financial Statements).

Activities

FirstBank UK is authorised under the terms of the Financial Services and Markets Act 2000. It is authorised by the Prudential Regulation Authority (PRA) and is regulated by the Financial Conduct Authority (FCA) and the PRA.

The Bank operates in the City of London with representative offices in France and Nigeria.

FirstBank UK continues to provide banking services to existing and new customers with business interests spanning Africa, Europe and the rest of the world.

Business Review

FirstBank UK is an authorised banking institution and provides a range of banking and financial services. There have not been any significant changes in FirstBank UK's principal activities in the year under review. The Directors are not aware, as at the date of this report, of any likely changes in the Bank's activities in the forthcoming year that would be material.

The Directors support FirstBank UK's drive for improved productivity through its investments in human capital and technology. These investments are required for the long-term sustainability of the Bank.

Directors' Report

Directors

The Directors, who served during the year and up to the date these Financial Statements were signed were:

Mr. Andrew Alli	Chairman, Independent Non-Executive Director
Mr. Patrick Crawford CB	Independent Non-Executive Director
Ms. Mfon Akpan	Independent Non-Executive Director
Dr. Adesola Adeduntan	Non-Executive Director
Mr. Oluwatosin Adewuyi	Non-Executive Director
Dr. Catherine Raines	Independent Non-Executive Director (Appointed 28 March 2024)
Mr. Olukorede Adenowo	Chief Executive Officer (Appointed 16 Nov 2023, approved on 1 Mar 2024)
Mr. Olalekan Adelekan	Executive Director, Business Development
Mr. David Davis	Chief Financial Officer (Acting Chief Executive Officer since 1 Apr 2023)
Mr. Geoffrey Russell	Independent Non-Executive Director (Resigned 22 Feb 2023)
Mr. Samuel Aiyere	Managing Director/Chief Executive Officer (Retired 30 Jun 2023)

Financial Risk Management Objectives and Policies

FirstBank UK's objectives and policies regarding financial risks and other risks are set out in the Strategic Report and Note 31 to the Financial Statements.

Going Concern Basis of Accounting

In preparing the Bank's Financial Statements, the Directors are required to:

- 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.

In order to assess the appropriateness of the going concern basis, the Directors considered the Bank's financial position, the cash flow requirements underpinning its forecast and the potential risks likely to affect its future development and performance. The Bank is profitable and generates additional regulatory capitals from these profits. The Bank's Tier 2 capital will start amortising from a regulatory perspective from March 2024, and so is no longer fully available as part of the Bank's capital forecast.

The Bank has modelled a range of possible macro-economic forecasts and produced capital and liquidity forecasts based on these models. Reverse stress testing has been carried out which indicated that the Bank has sufficient capital and liquidity buffers available to continue in the worst-case scenarios modelled.

The Bank's business activities, financial position, capital, factors likely to affect, and its objectives and policies in managing the financial risks to which it is exposed are discussed in the future prospects and going concern section of the Strategic Report.

The Directors have evaluated these risks in the preparation of the Financial Statements and consider it appropriate to prepare the Financial Statements on a going concern basis.

Streamlined Energy and Carbon Reporting (SECR)

This section includes our mandatory reporting of greenhouse gas emissions for the period 1 January 2023 to 31 December 2023 and is pursuant to the Companies Act 2006 (Strategic Report and Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 which came in force on 1 April 2019. Qualifying organisations are required to comply with the Regulations for all financial reporting periods that have a start date on or after 1 April 2019.

Directors' Report

The table below shows the Bank's total energy consumption and greenhouse gas emissions for the relevant period and actions it has taken to reduce energy consumption and carbon output.

	2023	2022
Energy consumption used to calculate emissions: kWh	Electricity: 350,834 kWh Total: 350,834 kWh	Electricity: 308,806 kWh Total: 308,806kWh
Emissions from combustion of gas tCO2e (Scope 1)	N/A	N/A
Emissions from business travel in company owned vehicles (Scope 1)	N/A	N/A
Emissions from purchased electricity (Scope 2, location-based)	72.6 tCO2e	59.7 tCO2e
Intensity ratio: tCO2e gross figure based on above mandatory fields	0.73 tCO2e per average number of colleagues on site	0.85 tCO2e per colleagues on site
Methodology	Billing/invoice data and intensity ratio data provided to TEAM (Energy Auditing Agency Limited) for calculation.	Billing/invoice data and intensity ratio data provided to TEAM (Energy Auditing Agency Limited) for calculation.
Energy Efficient Actions taken	The implementation of new waste disposal practices	The migration of most of the IT infrastructure to the cloud to reduce server room energy usage.

Preparation of financial statements

The Directors have elected to prepare the Company's accounts in accordance with United Kingdom adopted International Financial Reporting Standards ("UK adopted IFRS").

The Directors consider that, in preparing the Financial Statements, the Company has used appropriate accounting policies, supported by reasonable judgements and estimates, and that all accounting standards which they consider to be applicable have been followed.

The Directors are satisfied that the Annual Report and Financial Statements, taken as a whole, provide the information necessary for its shareholder to assess the Company's position and performance, business model and strategy. Directors are responsible for such internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Research and Development

FirstBank UK continues to invest in research and development initiatives to drive growth and improve its overall competitiveness, reduce cost, provide better customer experience, generate more revenues, and capacity for expansion into adjacent products or regions. During 2023, the Bank implemented a new order management system in its Markets business and also launched 'Oja' its eurobond trading platform. Oja is novel in Africa, allowing independent Eurobond price discovery and execution for the Bank's client.

Directors' indemnity

The Director's Indemnity Policy covers the cost of compensation claims made against the Bank's Directors and key managers during 2023 and thereafter against any alleged wrongful acts up to a sum of £15m (2022: £15m).

Directors' Report

Auditor

Each of the Directors as at the date of approval of this report confirms that:

- as far as the Director is aware, there is no relevant audit information of which the Bank's auditor is unaware; and
- the Director has taken all steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Bank's 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.

MHA MacIntyre Hudson having served as the Bank's Statutory Auditor for four years will be stepping down and the Bank has appointed Mazars as its new Statutory Auditor.

Approved and authorised for issue by the Board of Directors and signed by order of the Board:

Barry Taleghany
Company Secretary
For and on behalf of
FirstBank UK Limited
Date: 23 April 2024

Strategic Report

The Directors of FirstBank UK Limited ('FirstBank UK') have pleasure in presenting their Strategic Report for the year ended 31 December 2023. The preceding Chairman's Statement and Chief Executive's Review form an integral part of this Strategic Report.

Business Review and Key Performance Indicators

The key performance indicators (KPIs) that provide measurement of the Bank's operational effectiveness are:

Return on Assets slight decrease to 1.2% (2022: 1.3%) driven by unwinding of deferred tax asset which has increased the Bank's effective tax rate.

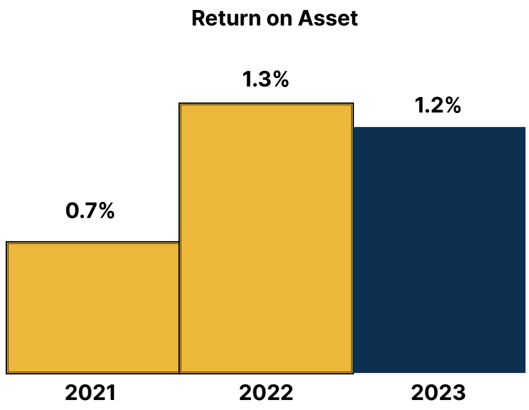
Return on Equity decreased to 11.4% (2022: 15.8%) due to higher average equity holding in the year and the impact of an income tax charge from the unwinding of deferred tax asset.

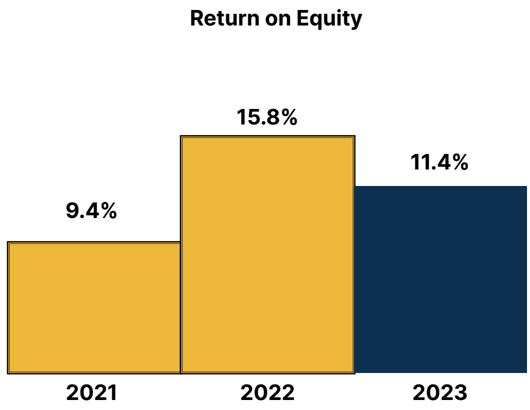
Cost-to-Income Ratio increased to 46.4% (2022: 45.9%) as a result of inflationary pressures on operating expenses.

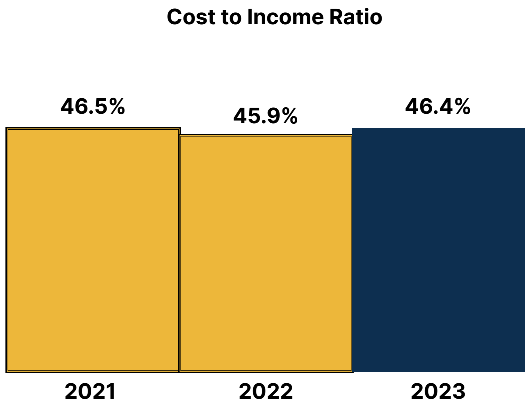
Loan-to-Deposit Ratio increased by 920bps due to 32.2% growth in net loans and advances to customers while customer deposits grew by 3.4% year-on-year.

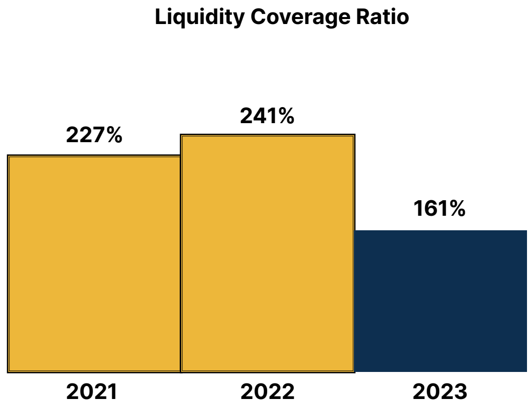
Capital Adequacy Ratio (CAR) improved to 28.7% (2022: 26.1%) arising from profit accretion and changes to the Bank's balance sheet mix.

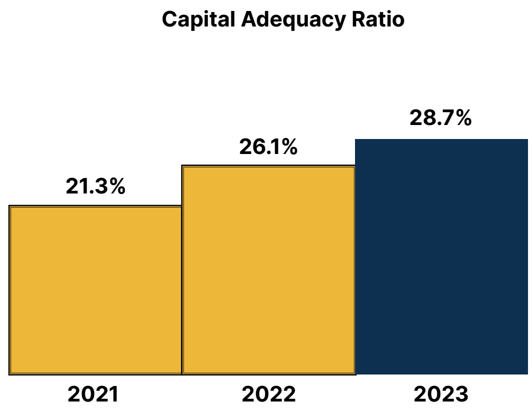
Liquidity Coverage Ratio (LCR) reduced to 161% (2022: 241%) driven by changes in the Bank's deposits profile and assets mix. The ratio was well above the regulatory limit of 100% throughout the year.

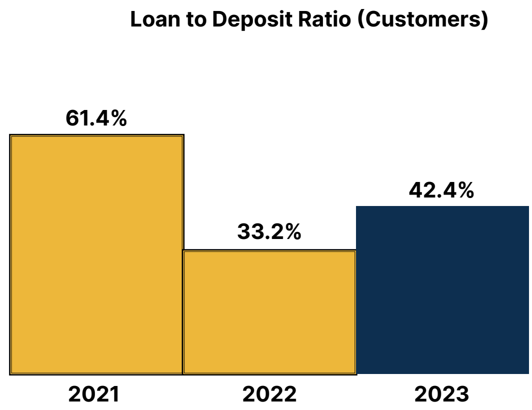












Directors' section 172 statement

The Directors provide this statement describing how they have had regard to the matters set out in section 172 of Companies Act 2006 when performing their duty to promote the success of the Company. The statement considers how the Directors have engaged with and had regard to the interest of stakeholders.

The Directors have acted in a way that they considered, in good faith, to be most likely to promote the success of the Company for the benefit of its members, and in doing so had regard, amongst other matters, to:

- the likely consequences of any decision in the long term
- the interests of the Bank'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 the environment
- the desirability of the Bank maintaining a reputation for high standards of business conduct
- the need to act fairly between members of the Bank.

In its discussions and decision-making, the Board considers regular reports from senior management on issues concerning its various stakeholders, the environment and its communities. In addition, the Board undertakes training to enhance its understanding of key issues impacting the Bank's stakeholders. Furthermore, members of the Board have had interactions with various stakeholders including regulators and key customers.

We have discussed our leadership, culture and values, as well as our approach to handling complaints within the non-financial highlights section on page 10 of this Strategic Report.

Regulators

The members of the Board and senior management maintained an open and cooperative engagement with the Bank's regulators.

During the year, the Bank continued to engage actively with its regulators as the Board and senior management had regular meetings with both the PRA and FCA to keep them continually updated on the business and operational performance of the Bank. All regulatory requirements were identified, tracked, and acted upon by the Bank on an ongoing basis. The Bank gave due consideration to regulatory impact throughout its activities.

Strategic Report

Customers

The Board is supportive of management in making appropriate decisions that provide the best outcome for our customers in all circumstances. The Bank retains a team of experienced relationship managers that interact with its customer regularly while also creating opportunities for customers to meet with its directors, so providing constant feedback to management.

Employees

The Board recognises the criticality of employees' wellbeing to the performance of the Bank; expected behaviours are aligned with the Bank's purpose, vision and values. It recognises performance management, talent development and promoting the right culture giving the right impetus for growth. The Bank has undertaken a culture transformation journey to redefine its culture through an employee led strategy. This objective was pursued through iterative workshops and surveys focused on distilling the desired outcomes. This has helped the Bank to identify key priorities and develop action plans aimed at embedding the culture while turning the Bank to a great place to work. The Board fully supported senior management's other initiatives aimed at promoting the financial, emotional, and mental health of employees. The Bank is also an equal opportunities employer and committed to equality and diversity enshrined in its 'being inclusive' value.

Suppliers

As part of the Bank's outsourcing and operational resilience procedures, senior management met regularly with key strategic partners and suppliers to perform due diligence review to ensure that a good standard service delivery was maintained. Regular management information and reports were provided to relevant committees.

Maintaining a reputation for high standards of business conduct

The Board requires that the Bank fully complies with the Senior Manager and Certification Regime set by the PRA, which sets out high standards and accountability for personal and business conduct; and it receives regular reports from HR and Compliance in this respect. The HR Department conducts an annual exercise of reviewing that all senior managers and certified staff are fit and proper. The Bank seeks to creates an environment of good culture and values and of holding to a high standard of good conduct.

Shareholders

The Board is committed to delivering sustainable growth and returns to its shareholders, on a consistent basis in line with the strategic aspiration of the Bank. Taking into consideration the importance to our shareholders, and investors in FBN Holdings Plc more broadly, of the long-term security and soundness of the Bank and the sound preservation of its balance sheet, the Board encouraged senior management to ensure that lending decisions would continue to be taken prudently, notwithstanding our growth aspiration.

The Board is pleased to end the year with a strong capital position and wishes to thank its shareholders for their continued support. In determining the timing of dividends payment in future, the Board will continue to consider relevant factors, the expectations of our shareholders, the long-term value of retaining capital to grow the business, the level of profits after tax available to distribute and the maintenance of appropriate levels of capital in line with the Bank's risk appetite and regulatory requirements.

Future prospects and going concern

The Directors of FirstBank UK, recognising their obligation to assess whether the Bank can continue as a going concern for the 12 months following the signing of the accounts, have performed an assessment of going concern. The Bank's business activities, financial performance, capital levels, liquidity and funding positions and risk management approach are described in other sections of this annual report.

In undertaking the assessment, the Directors considered the risks faced by the Bank, resulting from regions that the Bank serves, particularly the Nigerian market and the economic uncertainty associated with it. Central to the assessment is the Bank's three-year financial forecast, which undergoes stress testing. The Bank has a robust process for managing and mitigating this key uncertainty with regards to the level of expected credit losses (ECLs) related to customer lending, arising from stress on macroeconomic variables such as global output contraction, a drop in oil price, and variations in exchange rates. This is consistent with the approach adopted in the Bank's ICAAP. The Bank assessed downside scenarios of varying severity and determined that it would be able to continue to operate with sufficient capital and liquidity to meet regulatory requirements, even in severe but plausible scenarios.

The Bank measures and manages liquidity adequacy in line with its liquidity risk appetite metrics and maintains a liquidity and funding profile to enable it to meet its financial obligations under normal, and stressed, market conditions. Liquidity ratios remain very strong and above regulatory and risk appetite limits. The Bank's over-arching risk appetite is to maintain sufficient liquidity resources to ensure a 'survival period' of at least 12 months against any severe yet plausible adverse liquidity stress.

The Directors concluded that the Bank has adequate resources to continue in operational existence during this time and that it is appropriate for the Bank's financial statements to be prepared on a going concern basis.

Operational resilience

Operational resilience remained a key focus for the Bank. A series of scenarios setting out the crystallisation of severe but plausible combinations of significant risks was developed to support planning and appropriate forward-looking risk management strategies. In order to provide continuity of service for customers with minimal disruption, we continue to monitor and assess a diverse and evolving array of threats, both external and internal, as well as developing, strengthening or adapting our existing control capability to be able to absorb and adapt to such disruptions. Throughout the year, the Bank operated a hybrid working model but can switch back to remote working arrangement with minimal key staff attending the office at any time and without notice. This remote working arrangement has been further enhanced by using two combined technologies for the purposes of operational redundancy. Furthermore, our governance structure for remote working continued to be enhanced for effective management of a heightened risk environment as we seek to continue providing a seamless and uninterrupted service to our customers while ensuring the safety and wellbeing of our staff.

Taxation payments

FirstBank UK is resident only in the United Kingdom with representative offices in Nigeria and France. It makes appropriate periodic tax payments including income tax, PAYE and national insurance contributions deducted from employee wages and salaries to the tax authorities in all jurisdictions. FirstBank UK complies with the United Kingdom's Code of Practice on Taxation for Banks.

Approval

This report was approved and authorised for issue by the Board of Directors on 23 April 2023 and signed on its behalf by:

Barry Taleghany
Company Secretary

Statement of Directors' Responsibilities

for the year ended 31 December 2023

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

Company law requires Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Company accounts in accordance with United Kingdom adopted International Financial Reporting Standards ("UK adopted IFRS"). Under company law the Directors must not approve the annual report and financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in UK adopted IFRS is insufficient to enable users to understand the impact of particular transactions, or other events or conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

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

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

Independent Auditor's Report to the Members of FirstBank UK Limited

for the year ended 31 December 2023

For the purpose of this report, the terms "we" and "our" denote MHA in relation to UK legal, professional and regulatory responsibilities and reporting obligations to the members of FirstBank UK Limited. For the purposes of the table on pages 68 to 71 that sets out the key audit matters and how our audit addressed the key audit matters, the terms "we" and "our" refer to MHA. The "Bank" is defined as FirstBank UK Limited. The relevant legislation governing the Bank is the United Kingdom Companies Act 2006 ("Companies Act 2006").

Opinion

We have audited the financial statements of FirstBank UK Limited for the year ended 31 December 2023. The financial statements that we have audited comprise:

- the Statement of Profit or Loss and Other Comprehensive Income
- the Statement of Financial Position
- the Statement of Changes in Equity
- the Statement of Cash Flows, and
- Notes 1 to 37 of the financial statements, including significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Bank's financial statements is applicable law and UK adopted International Financial Reporting Standards (UK adopted IFRS).

In our opinion the financial statements:

- give a true and fair view of the state of the Bank's affairs as at 31 December 2023 and of the Bank's profit for the year then ended;
- have been properly prepared in accordance with UK adopted IFRS; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

Basis for opinion

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

Conclusions relating to going concern

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

Independent Auditor's Report

for the year ended 31 December 2023

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

- The consideration of inherent risks to the Bank's operations and specifically its business model.
- The evaluation of how those risks might impact on the Bank's available financial resources.
- Where additional resources may be required, the reasonableness and practicality of the assumptions made by the Directors when assessing the probability and likelihood of those resources becoming available.
- Capital and liquidity considerations including examination of the Bank's cash flow and liquidity projections.
- The evaluation of the base case scenario and stress scenario and the respective sensitivities and rationale.

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 at least twelve months from when the financial statements are authorised for issue.

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

Overview of our audit approach

Scope	Our audit was scoped by obtaining an understanding of the Bank and its environment, including the Bank's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the directors that may have represented a risk of material misstatement.		
Materiality	**2023**	**2022**	
Bank	$3,321.8k	$2,832.4k	0.99% (2022: 0.94%) of Net Assets
Key audit matters			
Recurring	Expected credit loss ("ECL") provisions		

Independent Auditor's Report

for the year ended 31 December 2023

Key Audit Matters

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

Expected credit loss ("ECL") provisions

Key audit matter description

At 31 December 2023 the Bank had the following portfolio of assets carried at amortised cost:

Type of financial asset	2023 Gross exposure ($'000)	2023 ECL ($'000)	2022 Gross exposure ($'000)	2022 ECL ($'000)
Loans and advances to banks	**1,190,924**	**4,711**	1,248,447	4,115
Loans and advances to customers	**543,982**	**14,035**	404,289	3,565
Debt securities at amortised cost	**639,796**	**5,141**	1,746,458	5,061
Cash and bank balances	**38,232**	**1**	28,825	1
Loan commitments	**87,448**	**470**	256,537	854

IFRS 9 requires these amounts to be presented in the financial statements net of an associated allowance for Expected Credit Loss ("ECL").

The determination of the ECL allowance requires the Bank to make a number of highly complex, judgmental and highly sensitive assumptions that involve significant management estimation and judgement.

The following areas have greater level of management judgement and estimations involved and therefore assessed as significant risk areas in the estimation of ECL:

- Estimation of Probability of Default ("PD") for Loans to Banks and corporates - the PD models for Loans to Banks and corporate exposures poses a significant risk due to the sensitivity and underlying assumptions inherent in the PD estimation process. The Bank estimates PDs using Moody's RiskCalc /Credit Lens application which involves the input of both qualitative and quantitative factors which involves management judgement.

- Estimation of PD for mortgages included in loans and advances to customers - the PD models for mortgage loans poses a significant risk due to the subjectivity and underlying assumptions in the PD estimation. The Bank estimates the PDs using the historical default data which is derived from the average default rate over a five year period. The PD calculation incorporates forward looking information for the PD related to the UK GDP and House price index.

Independent Auditor's Report

for the year ended 31 December 2023

	• Estimation of Loss Given Default (LGD) for loans to corporates and Banks - the LGD model for loans to corporates and banks poses a significant risk due to the subjectivity involved in the estimation of LGD. The Bank uses Moody's Risk Calc for generating the LGD which involve quantitative and qualitative factors. These quantitative and qualitative factors require management judgement. • Determination of whether there has been a significant increase in credit risk ("SICR") - The identification of whether there has been a SICR is a significant judgement which directly affects the Bank's ECL modelling for either 12 month or lifetime approaches. • Determination of staging - The timely allocation of financial assets to stage 1, 2 or 3 in accordance with Bank's ECL policy and the requirements of IFRS 9 directly affect the approach used to model ECL and also affects how interest is calculated for those assets. • Use of macroeconomic scenarios ("MES") - MES are considered significant risk due to the estimations involved while estimating the macroeconomic variables ("MEVs") and the weightings assigned to the macroeconomic scenarios. • Adjustments - Adjustments to the model-driven ECL results are raised by management to address know impairment model limitations or emerging trends as well as risks not captured by the models. In model and post- model adjustments (IMAs and PMAs) are recognised address the model data limitations which are inherently uncertain and significant management judgment. The Bank has applied PMAs in the ECL model by applying the judgmental override on the PDs to align the borrower's credit rating with the sovereign rating.
How the scope of our audit responded to the key audit matter	Controls testing - We evaluated the design and implementation of key controls over the ECL process, including those over management's judgments and estimates noted. These processes controls, among others, covered: • The determination of credit risk and PDs from the Moody's Risk Calc/Credit Lens for Loans to Banks and corporates • The determination of credit risk and PDs for the mortgages • The extraction of relevant data from the banks underlying systems and its inclusion in the appropriate elements of the ECL modelling. • the allocation of assets into stages including management's monitoring of stage effectiveness. • Credit monitoring including governing the watchlist process and identification of credit-impaired loans; • the generation of the MES and MEVs including governance processes and the application of weightings to the different scenarios; and • the governance and review of in-model adjustments (IMAs) and post-model adjustments (PMAs). Overall assessment of the ECL methodology -We have evaluated the Bank's ECL methodology and modelling of different components of ECL within the different portfolios of the Bank including PD, LGD and EAD and assessed the appropriateness of the components and the compliance with the requirements of IFRS 9. We engaged the support of our external credit modelling experts to assess the performance of the ECL models and the appropriateness of management's key judgements and assumptions in the context of the current economic environment and our wider industry experience.

We also performed assessment of the ECL provision levels by stages to determine if they are reasonable by considering the overall credit quality of the Bank’s portfolios, risk profile and the Bank’s borrowers.

Assessment of PD model for loans to banks and corporates - We engaged our external credit modelling experts to critically assess the conceptual soundness of the methodology applied by the Bank to evaluate the Bank’s methodology is compliant with the requirements of IFRS 9. Our external credit modelling expert assessed the quantitative and qualitative factors with the Moody’s Risk Calc/ Credit Lens and assessed the appropriateness of the estimation of PD. Further, we have also selected a sample of exposures and tested the quantitative data inputs into the Moody’s Risk Calc/Credit Lens application.

Assessment of PD model for mortgages – We engaged our external credit risk experts to evaluate and assess the Bank’s methodology to critically assess the conceptual soundness of the methodology applied by the Bank to evaluate the Bank’s methodology is compliant with the requirements of IFRS 9. Our external credit risk experts also assessed the reasonableness of historical defaults used by the management and the forward looking information related to the UK GDP and House Price Index.

Staging - We evaluated the criteria used to allocate a financial asset to stage 1, 2 or 3 in accordance with IFRS 9. We have performed credit reviews over a sample of loans to assess if the loans are allocated to the correct stage.

Economic scenarios – we engaged our external credit modelling experts to challenge the Bank’s economic scenarios with external sources and have assessed if the weightings used by the Bank to each macroeconomic scenarios are complete and appropriate. We also assessed if the forecasted macroeconomic variables are complete and appropriate. Our external credit modelling experts also evaluated the correlation and translation of the macroeconomic factors to the ECL.

Adjustments – we assessed and tested the judgements applied by the management to address the credit risk in the Bank’s portfolios that was not reflected in modelled outputs, evaluating, and challenging the methodology, completeness and application. We engaged our external credit risk experts to assess the risk of bias and to assess the completeness of these adjustments by considering the data, judgements, methodology, sensitivities, and governance of the adjustments considering the model shortcomings.

In addition to the specific audit procedures on the significant risk within the valuation of expected credit loss allowance, we have performed the following procedures on other areas within the valuation of expected credit loss allowance;

We evaluated the design and implementation of controls across the processes relevant to ECL. Our walkthrough covers the following areas;

- Model governance including model validation and controls;
- The recording of collaterals into lending system for mortgage loans;
- Data accuracy and completeness;
- Journal entries related to the ECL.

Independent Auditor's Report

for the year ended 31 December 2023

	• Obtained an understanding of the different types of portfolios and nature of exposures along with the business models for significant exposures. • We have performed credit reviews on a sample of mortgage borrowers to assess the valuation of the property collaterals and the LGD on the mortgage borrowers. • Identified the key data elements and assumptions within the ECL model and assessing the appropriateness of the assumptions and testing the completeness and accuracy of the key data elements relevant to the ECL model. • Disclosure - We tested the data flows used to populate the disclosures and assessed the adequacy of disclosures for compliance with the accounting standards and regulatory considerations.
Key observations communicated to the Bank's Audit Committee	We found the approach taken in respect of ECL to be consistent with the requirements of IFRS 9 and we have concluded that the assumptions and judgements made by the management in the application of ECL were reasonable and supportable.

Our application of materiality

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

Materiality in respect of the Bank was set at $3,321.8k (2022: $2,832.4k) which was determined on the basis of 0.99% (2022: 0.94%) of net assets. This was deemed to be the appropriate benchmark for the calculation of materiality as this is a key area of the financial statements with which the users of the financial statements are principally concerned. We have considered the primary users of the financial statements to be the ultimate parent company, customers of the Bank, and the UK regulators (FCA and PRA).

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

Performance materiality for the Bank was set at $2,065.5k (2022: $1,982.7k) which represents 60% (2022: 70%) of the above materiality levels. On each audit period we perform a reassessment of the percentage being used based on the risk of the engagement, developments on our methodology and the result of regulatory inspections amongst the industry.

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

We agreed to report any corrected or uncorrected adjustments exceeding $172.1k (2022: $141.7k) to the Audit Committee as well as differences below this threshold that in our view warranted reporting on qualitative grounds.

The control environment

We evaluated the design and implementation of those internal controls of the Bank which are relevant to our audit, such as those relating to the financial reporting cycle. We also tested operating effectiveness and placed reliance on certain controls.

We deployed our internal IT audit specialists to get an understanding of the general IT environment.

Independent Auditor’s Report

for the year ended 31 December 2023

Climate-related risks

In planning our audit and gaining an understanding of the Bank, we considered the potential impact of climate-related risks on the business and its financial statements. We obtained management’s climate-related risk assessment, along with relevant documentation and reports relating to management’s assessment and held discussions with management to understand their process for identifying and assessing those risks.

We critically reviewed management’s assessment and challenged the assumptions underlying their assessment. We also designed out audit procedures to specifically consider those assets where we anticipated, based on the work performed, that the highest impact arising from climate change might fall. We have agreed with managements’ assessment that climate-related risks are not material to these financial statements.

Reporting on other information

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

We have nothing to report in this regard.

Strategic report and directors report

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

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

In the light of the knowledge and understanding of the 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.

Matters on which we are required to report by exception

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

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

Independent Auditor's Report

for the year ended 31 December 2023

Responsibilities of directors

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

In preparing the financial statements, the directors are responsible for assessing the 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 responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

Identifying and assessing potential risks arising from irregularities, including fraud

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

- We considered the nature of the industry and sector the control environment, business performance including remuneration policies and the Bank's own risk assessment that irregularities might occur as a result of fraud or error. From our sector experience and through discussion with the directors, we obtained an understanding of the legal and regulatory frameworks applicable to the Bank focusing on laws and regulations that could reasonably be expected to have a direct material effect on the financial statements, such as provisions of the Companies Act 2006, UK tax legislation or those that had a fundamental effect on the operations of the Bank including the regulatory and supervisory requirements of the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA).

- We enquired of the directors and management concerning the Bank's policies and procedures relating to:

    - identifying, evaluating and complying with the laws and regulations and whether they were aware of any instances of non-compliance;

  - detecting and responding to the risks of fraud and whether they had any knowledge of actual or suspected fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- We assessed the susceptibility of the Bank's financial statements to material misstatement, including how fraud might occur by evaluating management's incentives and opportunities for manipulation of the financial statements. This included utilising the spectrum of inherent risk and an evaluation of the risk of management override of controls. We determined that the principal risks were related to posting inappropriate journal entries to increase revenue or reduce costs, creating fictitious transactions to hide losses or to improve financial performance, and management bias in accounting estimates particularly in determining expected credit losses.

Audit response to risks identified

In respect of the above procedures:

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

Other requirements

We were appointed by the Directors on 11 November 2020. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 4 years.

We did not provide any non-audit services which are prohibited by the FRC's Ethical Standard to the Bank, and we remain independent of the Bank in conducting our audit.

Independent Auditor's Report

for the year ended 31 December 2023

Use of our report

This report is made solely to the 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.

R Shaunak

Rakesh Shaunak FCA
(Senior Statutory Auditor)
for and on behalf of MHA, Statutory Auditor
London, United Kingdom
24 April 2024

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

Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2023

	Note	31 December 2023 $	Restated 31 December 2022 $
Interest income on financial assets at amortised cost	4	**153,506,805**	106,489,627
Interest Income on financial assets at FVTPL		**1,768,622**	1,808,086
Interest expense	4	**(59,896,149)**	(25,047,792)
Net interest income		**95,379,278**	83,249,921
Net fee and commission income	5	**11,223,206**	7,659,373
Foreign exchange losses	6	**(5,819,509)**	(3,830,135)
Losses on derecognition of financial assets at amortised cost		**(747,336)**	(2,509,443)
Net gains on financial assets at FVTPL	7	**3,136,274**	3,193,574
Other operating income	8	**5,331,799**	2,262,952
Profit on sale of property and equipment		**3,171**	-
Operating income		**108,506,883**	90,026,242
Personnel expenses	9	**(24,913,408)**	(22,715,638)
Depreciation and amortisation	10	**(2,387,971)**	(2,637,211)
Other operating expenses	11	**(22,999,787)**	(15,944,630)
Operating expenses		**(50,301,166)**	(41,297,479)
Credit impairment charge	12	**(10,652,655)**	(1,144,902)
Profit before taxation		**47,553,062**	47,583,861
Income tax expense	13	**(11,237,778)**	(1,437,447)
Profit after taxation		**36,315,284**	46,146,414
Total comprehensive income for the year		**36,315,284**	46,146,414

The above results were derived from continuing operations.

The Notes on page 80 - 129 form an integral part of these financial statements.

Statement of Financial Position

as at 31 December 2023

	Note	31 December 2023 $	Restated 31 December 2022 $	Restated 31 January 2022 $
Assets				
Cash and bank balances	14	**38,230,748**	28,823,807	54,332,780
Loans and advances to banks	15	**1,186,212,834**	1,244,331,748	1,005,849,379
Loans and advances to customers	16	**529,947,204**	400,732,733	567,660,716
Financial assets held at fair value through profit or loss	17	**37,038,076**	31,395,546	20,681,758
Financial investments at amortised cost	18	**634,655,385**	1,741,397,473	1,802,789,968
Property and equipment	19	**7,737,741**	9,104,891	11,811,462
Intangible assets	20	**1,121,550**	1,780,979	2,729,471
Other assets	21	**3,280,512**	2,429,178	2,539,879
Deferred tax asset	13	**25,818,620**	32,635,950	33,972,221
Total assets		**2,464,042,670**	3,492,632,305	3,502,367,633
Liabilities				
Deposits from banks	22	**713,970,494**	1,764,738,929	1,859,526,473
Deposits from customers	23	**1,249,444,331**	1,208,196,255	1,028,660,662
Financial liabilities at fair value through profit or loss	17	**16,659,543**	27,887,739	19,345,123
Current tax liability	13	**1,295,628**	2,494,062	1,571,022
Subordinated liabilities	24	**60,255,000**	60,255,000	60,333,209
Other liabilities	25	**85,963,626**	128,921,556	248,034,407
Total liabilities		**2,127,588,622**	3,192,493,541	3,217,470,896
Called up share capital	26	**242,000,000**	242,000,000	270,000,000
Share premium	27	**24,227,532**	24,227,532	27,607,106
Translation reserve	27	**475,187**	475,187	-
Retained earnings/(Accumulated losses)	27	**69,751,329**	33,436,045	(12,710,369)
Equity shareholders' funds		**336,454,048**	300,138,764	284,896,737
Total equity and liabilities		**2,464,042,670**	3,492,632,305	3,502,367,633

Approved by the Board and authorised for issue on 23 April 2024 and signed on its behalf by:

Olukorede Adenowo
Chief Executive Officer

Andrew Alli
Chairman

Company Registration No. 04459383

The Notes on page 80 - 129 form an integral part of these financial statements.

Statement of Changes In Equity

for the year ended 31 December 2023

	Share capital $	Share premium $	Retained earnings/ (Accumulated losses) $	Translation reserve $	Total equity $
Balance attributable to equity shareholders as at 1 January 2022*	270,000,000	27,607,106	(12,710,369)	-	284,896,737
Translation impact on share capital and premium	(28,000,000)	(3,379,574)	-	475,187	(30,904,387)
Total comprehensive income for the year	-	-	46,146,414	-	46,146,414
Balance attributable to equity shareholders as at 31 December 2022*	242,000,000	24,227,532	33,436,045	475,187	300,138,764
Total comprehensive income for the year	-	-	36,315,284	-	36,315,284
Balance attributable to equity shareholders as at 31 December 2023	**242,000,000**	**24,227,532**	**69,751,329**	**475,187**	**336,454,048**

*Figures for 2022 have been restated

The Notes on page 80 - 129 form an integral part of these financial statements.

Statement of Cash Flows

for the year ended 31 December 2023

	Note	31 December 2023 $	Restated 31 December 2022 $
Cash flows from operating activities			
Profit for the year before taxation		47,553,062	47,583,861
Adjustment to reconcile profit to cash flow from operating activities			
Depreciation of property and equipment	19	1,553,258	1,577,263
Amortisation of intangible assets	20	834,713	1,059,948
Interest expenses on subordinated liability		5,475,000	11,863,324
Profit from sale of investment securities		747,336	2,509,443
Foreign currency revaluation losses	6	5,819,509	3,830,135
Credit impairment losses	12	10,652,655	1,144,902
		72,635,533	69,568,876
Net (increase) / decrease in assets relating to operating activities			
Loans and advances to banks		22,100,735	(76,514,233)
Loans and advances to customers		(139,867,128)	105,947,878
Financial assets held at fair value through profit or loss		(5,642,530)	(12,894,565)
Other assets		(851,334)	(159,470)
		(124,260,257)	16,379,610
Increase / (decrease) in liabilities relating to operating activities			
Deposits from banks		(1,050,768,435)	101,289,192
Deposits from customers		41,248,076	288,002,144
Other liabilities		(41,704,800)	(91,730,351)
Financial liabilities are fair value through profit or loss		(17,047,705)	6,824,115
Income taxes paid		(5,819,386)	(2,567,718)
		(1,074,092,250)	301,817,382
Net cash (used in) / generated from investing activities			
Acquisition of property, plant and equipment		(186,105)	(86,580)
Acquisition of intangible assets		(175,283)	(379,395)
Proceeds from sale/(purchase) of financial investments at amortised cost		1,105,994,751	(131,164,090)
Proceeds from sale of property and equipment		3,171	-
		1,105,636,534	(131,630,065)
Cash flows used in financing activities			
Interest expense on subordinated liability		(5,475,000)	(5,459,692)
Payment of lease liabilities		(1,253,403)	(1,225,171)
		(6,728,403)	(6,684,863)
Net (decrease) / increase in cash and cash equivalents		(26,808,842)	249,450,940
Cash and cash equivalents as at 1 January		522,342,258	274,093,095
Exchange difference		197,332	(1,201,776)
Cash and cash equivalents as at 31 December	34	495,730,748	522,342,259

The Notes on page 80 - 129 form an integral part of these financial statements.

Notes to the Financial Statements
for the year ended 31 December 2023

Significant accounting policies

1 General information

FirstBank UK Limited ('FirstBank UK' or 'the Bank') is a company limited by shares and registered in England and Wales under the Companies Act 2006 with registration number 04459383. The nature of the Bank's operations and of its principal activities is set out in the Directors' Report. The Bank changed its name on 24th February 2023.

Statement of compliance

FirstBank UK has prepared these financial statements in accordance with United Kingdom adopted International Financial Reporting Standards ("UK adopted IFRS") and those parts of the Companies Act 2006 that are relevant to companies which apply UK adopted IFRS. The principal accounting policies applied in the preparation of the financial statements are set out below, and in the relevant notes to the financial statements.

Basis of preparation

The financial statements have been prepared under the historical cost convention modified to include the fair valuation of particular financial instruments, to the extent required or permitted under IFRS as set out in the relevant accounting policies.

Change in Functional and Presentation currency

On the 1st January 2023, the Bank changed its functional and presentation currency from British Pounds (GBP) to US Dollars (USD) following a review of the functional currency of its primary economic environment. This review included a study of its current and future primary economic environments, its underlying transactions, events and circumstance, and direction of future business expansion and funding plans.

The change included the redenomination of the Bank's ordinary shares to USD.

Comparative information in these financial statements is presented in USD using the following basis:

- Assets, liabilities, and capital were translated based on the exchange rates at the end of the reporting periods.
- Items of income and expenses, and cash flows relating to transactions were translated using the average exchange rates for the period.

Presentation of comparative information on the above basis resulted in a residual balance in equity which is reported in the Statement of Changes in Equity.

The Directors regard USD as the currency of the primary economic environment in which the Bank operates. Thus, USD is both the functional and presentation currency of the Bank.

Going concern

The Directors have assessed going concern, taking in to account the Bank's capital and liquidity positions over the next 12 months, including consideration of reasonably plausible stress scenarios.

FirstBank UK's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report and Directors' Report on pages 57 to 64. The financial position of the Bank, its cash flow and capital position are as described on pages 76 to 79. In addition, FirstBank UK's business objectives, capital structure policies and financial risk management objectives are as stated in the Strategic and Directors' Reports. Details of its financial instruments and hedging activities, and its exposures to credit and liquidity risks are provided in Note 30 of the Financial Statements.

The Bank estimated the potential impact on expected credit losses in respect of its credit portfolio under various stress scenarios assuming downgrade by several notches on the Bank's portfolio to account for stress on macroeconomic variables and its impact on credit and counterparty risk. Under these stress scenarios there would be an increase in expected credit loss provisions; and this has been considered in the assessment of 'going concern'. When assessing 'going concern', no regulatory capital ratios were breached in the base to mid case stress scenarios. In the most severe scenario, the Bank would be able to restore its capital by taking appropriate management action to reduce balance sheet growth by reducing lending, which in turn reduces its capital requirement.

From a liquidity perspective, the Bank has sufficient liquidity buffer to satisfy both business as usual and under stress conditions, as demonstrated in the various stress scenarios modelled.

After making enquiries, in addition to an assessment of the impact of principal risks as set out on page 50 of the Strategic Report, the Directors have a reasonable expectation that the Bank has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continued to adopt the 'going concern' basis in preparing the annual report and accounts.

Notes to the Financial Statements

for the year ended 31 December 2023

The principal accounting policies adopted are described below.

2 Accounting policies

a. Changes in accounting policy

FirstBank UK has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. None of the standards, interpretations and amendments which are effective for periods beginning after 1 January 2024 and which have not been adopted early, are expected to have a material effect on the financial statements.

New standards, interpretations, and amendments effective from 1 January 2023

The IASB has issued a number of minor but mandatory amendments to IFRS as follows:

IAS 1 and IAS 8 on amendments on disclosure and estimates of accounting policies

On 12 February 2021, the IASB issued 'Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)' with amendments that are intended to help preparers in deciding which accounting policies to disclose in their financial statements and 'Definition of Accounting Estimates (Amendments to IAS 8)' to help entities to distinguish between accounting policies and accounting estimates. The amendments are effective for annual periods beginning on or after 1 January 2023.

IAS 12 amendments on deferred tax

On 7 May 2021, the IASB issued 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction that clarify how companies account for deferred tax on transactions such as leases and decommissioning obligations. The amendments are effective for annual periods beginning on or after 1 January 2023.

IAS 12 amendments on International tax reform – Pillar two model rules

The IASB issued final amendments to IAS 12 on 23 May 2023, the amendments are effective immediately.

This Standard applies to income taxes arising from tax law enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (OECD). The Amendments create a temporary mandatory exception to the requirements of IAS 12 Income Taxes from recognition and disclosure of information about deferred tax assets and liabilities related to Pillar Two income taxes. The Amendments also provide for additional disclosure requirements with respect to an entity's exposure to Pillar Two income taxes

Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Bank's financial statements are disclosed below. The Bank intends to adopt these standards, if applicable, when they become effective.

IAS 1 amendments on classification

On 23 January 2020, the International Accounting Standards Board (IASB) issued 'Classification of Liabilities as Current or Non-current (Amendments to IAS 1)' providing a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The Board deferred the effective date of the amendments to annual reporting periods beginning on or after 1 January 2024.

b. Income recognition

Interest income and expense

Interest income on financial assets and interest expense on financial liabilities that are measured at amortised cost are recognised in 'Interest income' and 'Interest expense', respectively, in the statement of profit or loss using the "effective interest rate" method.

The effective interest rate (EIR) is the rate that exactly discounts expected future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortised cost of a financial liability. The effective interest rate incorporates fees receivable that are an integral part of a financial instrument. FirstBank UK calculates interest income by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets.

When a financial asset becomes credit-impaired and is, therefore, regarded as 'Stage 3', FirstBank UK calculates interest income by applying the effective interest rate to the net amortised cost of the financial asset. If the financial assets become cured and is no longer credit impaired, FirstBank UK reverts to calculating interest income on a gross basis.

Notes to the Financial Statements

for the year ended 31 December 2023

Interest income on financial assets mandatorily required to be measured at fair value through profit or loss (FVTPL) is recognised using the contractual interest rate in interest income.

All income derives from banking business carried out in the United Kingdom.

Fees and commissions income

The Bank determines fee and commission revenue recognition using the following five steps: (1) identify the contract(s) with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognise revenue when (or as) the Bank satisfies a performance obligation.

Fees and commissions income are accounted for depending on the services to which the income relates as follows:

- fees earned on the execution of a significant act are recognised in 'fee income' when the act is completed;
- fees earned in respect of services are recognised in 'fee income' as the services are provided; and
- fees which form an integral part of the "effective interest rate" of a financial instrument are recognised as an adjustment to the effective interest rate and recorded in 'interest income'.

Other operating income

Other operating income relates to reclaimed VAT expense and is recognised on accrual basis for each quarter in the year.

Foreign exchange revaluation loss

Dealing and exchange losses relate to foreign exchange income derived from customer foreign exchange transactions and the revaluation of foreign currency assets and liabilities.

Foreign currency transactions and balances

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 dollars using the rate of exchange as at the balance sheet date and resulting gains and losses on translation are included in the statement of profit or loss.

Exchange profits/(loss) on foreign exchange transactions with customers are recognised during the year.

c. Financial instruments - initial recognition

Date of recognition

The Bank applies IFRS 9 – Financial Instruments to the recognition, classification and measurement, and derecognition of financial assets and financial liabilities which includes derivative financial instruments and the impairment of financial assets.

Recognition

The Bank recognises financial assets and liabilities when it becomes a party to the terms of the contract. Trade date or settlement date accounting is applied depending on the classification of the financial asset. Financial assets and liabilities, except for loans and advances to customers and balances due to customers, which are initially recognised on the trade date, i.e., the date on which FirstBank UK becomes a party to the contractual provisions of the instrument. This includes regular way trades: i.e., purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace. Loans and advances to customers are recognised when funds are transferred to the customers' accounts. FirstBank UK recognises balances due to customers when funds are transferred to the Bank.

Classification and measurement

Financial assets are classified on the basis of two criteria:

(i) the business model within which financial assets are managed; and

(ii) their contractual cash flow characteristics (whether the cash flows represent 'solely payments of principal and interest' (SPPI)).

Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value, transaction costs are added to, or subtracted from their fair value, except in the case of financial assets and financial liabilities recorded at FVTPL where transaction costs are expensed in profit or loss. Trade receivables are measured at the transaction price which is the amount to which an entity expects to be entitled in exchange

Notes to the Financial Statements

for the year ended 31 December 2023

for the transfer of services. When the fair value of financial instruments at initial recognition differs from the transaction price, FirstBank UK accounts for the Day 1 profit or loss, as described below.

Day 1 profit or loss

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, FirstBank UK recognises the difference between the transaction price and fair value in net trading income. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in profit or loss when the inputs become observable, or when the instrument is derecognised or amortised.

Measurement categories of financial assets and liabilities

Financial assets

FirstBank UK classifies all its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortised cost
- Fair value through other comprehensive income (FVOCI); or
- Fair value through profit or loss (FVTPL)

Financial assets are measured at amortised cost if they are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and their contractual cash flows represent SPPI.

Financial assets are measured at fair value through other comprehensive income if they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and their contractual cash flows represent SPPI.

Other financial assets are measured at FVTPL if they are not held within either a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

Business model assessment

The Bank's business model reflects how it manages its financial assets in order to generate cash flows; its business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets, or both. This assessment is performed on the basis of scenarios that the Bank reasonably expects to occur.

This business model is determined by the Bank's key management personnel at a level that reflects how groups of financial assets (not individual instruments) are managed together to achieve a particular business objective. Judgement are applied when determining the level of aggregation to which the business model assessment should be directed. Factors considered by the Bank in determining the business model for a group of assets include past experience on how cash flows for these assets were collected, how the assets' performance were evaluated and reported to key management personnel, and how risks are assessed and managed

It should also be noted that, if cash flows are realised in a way that is different from the Bank's expectations at the date that it assessed the business model, this does not give rise to a prior period error in the Bank's financial statements nor does it change the classification of the remaining financial assets held in that business model, as long as the Bank has considered all relevant information that was available at the time that it made the business model assessment.

SPPI test

As a second step of its classification process, FirstBank UK assesses the contractual terms of financial assets to identify whether the cash flows are solely payment of principal and interest on the principal amount outstanding on specified dates. In making this assessment, the Bank considers whether the contractual cash flows are consistent with basic lending arrangement i.e. they are solely payments of principal and interest which includes only consideration for the time value of money, credit risk, other lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual cash flows introduce exposure to risks or volatility inconsistent with basic lending arrangement e.g, changes in equity prices or commodity prices, the related financial asset is classified and measured at FVTPL.

Notes to the Financial Statements

for the year ended 31 December 2023

Loans and advances to banks, loans and advances to customers, financial investments at amortised cost

FirstBank UK only measures loans and advances to banks, loans and advances to customers and other financial investments at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

Derivatives recorded at fair value through profit or loss

A derivative is a financial instrument or other contract with all three of the following characteristics.

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract (i.e., the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts expected to have a similar response to changes in market factors.
- It is settled at a future date.

FirstBank UK enters into derivative transactions with various counterparties which include forward foreign exchange contracts. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. The notional amount and fair value of such derivatives are disclosed separately in the Financial Statements. Changes in the fair value of derivatives are included in the foreign currency revaluation line of the income statement.

Financial liabilities

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

- Fair value through profit or loss (FVTPL)
- Amortised cost

Financial liabilities are measured at FVTPL when they are designated as such on initial recognition using the fair value option or when they meet the definition of held for trading i.e.

- It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- On initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking; or
- It is a derivative

Financial liabilities not held at FVTPL are subsequently measured at amortised cost using the effective interest method.

Derecognition due to substantial modification of terms and conditions

FirstBank UK derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be purchased/originated credit impaired (POCI) asset.

When assessing whether or not to derecognise a loan to a customer, amongst others, FirstBank UK considers the following factors:

- Change in currency of the loan
- Change in counterparty
- If the modification is such that the instrument would no longer meet the SPPI criterion

If the modification does not result in cash flows that are substantially different, then the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, FirstBank UK records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

Derecognition other than for substantial modification

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised

Notes to the Financial Statements

for the year ended 31 December 2023

when the rights to receive cash flows from the financial asset have expired. FirstBank UK also derecognises the financial asset if it has transferred the financial asset and the transfer qualifies for derecognition.

FirstBank UK has transferred the financial asset if it has transferred its contractual rights to receive cash flows from the financial asset. A transfer only qualifies for derecognition if either the Bank has transferred substantially all the risks and rewards of the asset or the Bank has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset. FirstBank UK considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and can exercise that ability unilaterally and without imposing additional restrictions on the transfer.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

Impairment of financial assets

Overview of the ECL principles

FirstBank UK records the allowance for expected credit loss (ECL) for all loans, debt financial assets not held at FVTPL, loan commitments and contingent exposures (Letters of Credit and Guarantee), all being referred to as 'financial instruments'. Equity instruments are not subject to impairment under IFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss, LTECL), unless there has been no significant increase in credit risk since origination; in that case, the allowance is based on the 12 months' expected credit loss (12mECL). The 12mECL is the portion of LTECLs associated with the possibility of a financial instrument defaulting in the next 12 months.

Both LTECLs and 12mECLs are calculated on contractual basis.

The significant increase in credit risk (SICR) test

The Bank's policy on staging include three indicators to determine whether there has been a significant increase in credit risk. These are:

- Primary indicator – This applies a 12-month probability of default (PD) variation approach which uses a notch movement within rating grades (change in credit rating).
- Secondary indicator – Entry onto Watchlist list.
- Backstop indicator – Days Past Due for all exposures

The Bank has an internal rating system that is used to carry out regular credit assessment of borrowers and to provide a credit rating. The credit rating reflects the default risk of the borrower which is computed using the current and future information on the borrowers. For the SICR assessment, the Bank uses the latest internal rating at the reporting date and the internal rating of the borrower at the facility origination date.

Based on the movement in the internal rating between the origination and reporting dates and pre-defined rating notch criteria, the

SICR assessment is then carried out. If the movement is more than the agreed notches, the facility is deemed to have increased in credit risk and is classified as stage 2. The use of 12-month PD variation is relative to the structure of the Banks portfolio, repayment pattern (amortising) and frequency of rating review which is annual at the minimum. Per policy requirements, a watchlist account is a credit exposure for which an increased credit risk is perceived. The increased credit risk is identified by potential weaknesses which if left uncorrected could result in a deterioration of repayment prospects. Days Past Due (DPD) at 30 days or more is used as a backstop measure to supplement the PD and secondary indicators to determine a SICR. Regardless of whether there is a breach in PD threshold or entry into the Watchlist list, an exposure would be considered to have experienced a SICR if it is more than 30 DPD.

The occurrence of a SICR is conditional on either of the criteria above being met.

FirstBank UK assesses a SICR based on qualitative and quantitative factors which are used to assign exposures into various stages. The assessment of significant increase in credit risk is detailed below:

Stage	Description	Accounting Implication
Stage 1	No significant changes in credit quality of exposure since initial recognition	12-month expected credit losses.
Stage 2	The credit risk of the exposure has increased significantly since initial recognition	Lifetime expected credit losses.
Stage 3	The credit risk of the exposure has increased significantly since initial recognition and there is objective evidence of impairment	Lifetime expected credit losses.

Low credit risk expedient and use of 30 days DPD backstop

Low credit risk expedient is not adopted by the Bank, the assessment of SICR is applied for all exposures at the individual contract level.

Calculation of ECLs

The Bank's ECL model uses risk and financial data such as the Probability of Default (PD), Loss Given Default (LGD), Exposure at Default (EAD) and Effective Interest Rate (EIR) to estimate ECL for each contractual exposure. The ECL is a function of the PD, LGD and EAD discounted to account for the time value of money. A 12-month ECL calculation is applied on Stage 1 contracts, while a Lifetime ECL calculation will be applied on Stage 2 and 3 contracts.

In estimating the ECL, the Bank incorporates the impact of changing macroeconomic scenarios on ECL computation through consideration of three discrete scenarios (Upturn, Base and Downturn) with probabilities of occurrence (probability weights) applied to each scenario. The sensitivities are intended to indicate how the PD and LGD will change per counterparty until maturity of the exposure.

Loans and advances to customers/debt instruments measured at fair value through OCI

The ECL for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. An adverse change in the credit risk component would go through the impairment item line in the profit and loss with the remainder going through OCI. The accumulated loss recognised in OCI is recycled to the profit and loss upon derecognition of the assets.

Collateral valuation

To mitigate its credit risks on loan portfolio, FirstBank UK seeks to obtain collateral, where possible. Such collateral may come in various forms, such as cash, securities, real estate, receivables, inventories, other non-financial assets or credit enhancements such as letters of credit/guarantees & netting agreements. Collateral, other than cash, is not recorded on the Bank's statement of financial position. However, the fair value of collateral affects the calculation of ECL. It is generally assessed, at a minimum, at inception and re-assessed periodically. However, where the collateral type is cash, it is valued daily.

Notes to the Financial Statements

for the year ended 31 December 2023

To the extent possible, FirstBank UK uses active market data for valuing securities held as collateral. Other types of collateral which do not have readily determinable market values are valued based on market standard valuation methodologies. Non-financial collateral, such as real estate property, is valued based on valuation provided by professional valuers or based on house price indices.

Collateral repossessed

The Bank will typically seek legal advice on the most appropriate approach with regards to conditions under which liquidation or insolvency proceedings may be initiated, the method of repossession and other legal requirements to ensure that repossessed security is adequately controlled, managed and efficiently disposed of.

In its normal course of business, the Bank does not physically repossess properties or other assets in its mortgage portfolio but engages external agents to repossess and recover funds to settle outstanding debt. Any surplus funds are returned to the customers/ obligors. As a result of this practice, the real estate properties under legal repossession processes are not recorded on the balance sheet.

Write-offs

Financial assets are written off either partially or in their entirety only when the probability of recovery is very low. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit impairment losses.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.
Depreciation begins when an asset is available for use and ceases at the earlier of the date the asset is derecognised or classified as held for sale in line with IFRS 5.
Depreciation is provided on a straight-line basis at the following rates to write off the cost of the property and equipment over their estimated useful life as follows:

Asset class	Depreciation method and rate
Leasehold improvements	Ten years (or lease period if shorter)
Furniture and equipment	Five years
Computer hardware	Three years
Motor vehicles	Four years
Right of use assets	Over the lease period

Items of property and equipment are derecognised on disposal or when no future economic benefits are are expected from their use or disposal. Any gain or loss arising on derecognition of the asset is recognised in income statement in the period the asset is derecognised.

Intangible assets

Expenditure on research and cost incurred on maintenance of computer software programmes are recognised as an expense as incurred. Development costs are recognised as intangible assets when the recognition criteria are met.

Intangible assets are stated at cost less amortisation and accumulated impairment losses. The related assets are primarily computer software which are amortised on a straight-line basis over their useful life, five years, in a manner that reflects the pattern to which they contribute to future cash flows.

Items of intangible assets are derecognised on disposal or when no future economic benefits are are expected from their use or disposal. Any gain or loss arising on derecognition of the asset is recognised in income statement in the period the asset is derecognised.

Notes to the Financial Statements
for the year ended 31 December 2023

Impairment of non-financial assets

At each balance sheet date, non-financial assets are assessed for indications of impairment. If indications are present, these assets are subject to an impairment review. The impairment review comprises a comparison of the carrying amount of the asset with its recoverable amount, being the higher of the asset's fair value less cost of disposal or its value in use. Fair value less cost of disposal is calculated by reference to the amount at which the asset could be disposed of in a binding sale agreement in an arm's length transaction evidenced by an active market or recent transactions for similar assets. Value in use is calculated by discounting the expected future cash flows obtainable as a result of the assets continued use, including those resulting from its ultimate disposal, at a market-based discount rate on a pre-tax basis.

The carrying values of fixed assets are written down by the amount of any impairment and this loss is recognised in the income statement in the period in which it occurs. A previously recognised impairment loss relating to a non-financial asset may be reversed in part or in full when a change in circumstances leads to a change in the estimates used to determine the non-financial asset recoverable amount. The carrying amount of the non-financial asset will only be increased up to the amount that it would have been had the original impairment not been recognised.

Leases

At inception of a contract, the Bank assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Bank assesses whether:

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly and should be physically distinct or represent substantially all the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Bank has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Bank has the right to direct the use of the asset.

The Bank has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Bank has the right to direct the use of the asset if either:

- the Bank has the right to operate the asset; or
- the Bank designed the asset in a way that predetermines how and for what purpose it will be used.

The Bank primarily leases buildings for use as office spaces for its operations. Lease terms are negotiated on an individual basis and contain different terms and conditions, including extension and termination options. On renewal of a lease, the terms may be renegotiated; lease terms range from 1 year to 15 years. The lease agreements do not impose any covenants; leased assets, however, may not be used as security for borrowing purposes. Contracts may contain both lease and non-lease components. The Bank has elected to separate lease and non-lease components and treat them accordingly.

Leases in which the Bank is a lessee

Leases are recognised as a right-of-use asset with a corresponding liability at the date at which the leased asset is available for use by the Bank. Each lease payment is allocated between the liability and finance cost. Where the lease does not transfer ownership of the underlying asset at the end of the lease, the right-of-use asset is depreciated over the shorter of the useful life of the underlying asset or the lease term on a straight-line basis.

Leases in which the Bank is a lessor

The Bank does not have any lease arrangements as a lessor or intermediate lessor.

Lease liabilities

At the commencement date of a lease, the Bank recognises lease liabilities at the present value of lease payments to be made over the lease term. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the Bank under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and

Notes to the Financial Statements

for the year ended 31 December 2023

- payments of penalties for terminating the lease, if the lease term reflects the Bank exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

Where the rate implicit in the lease is not readily determinable, the lease payments are discounted using the Bank's incremental borrowing rate, being the rate that the Bank would have to pay to borrow the funds necessary to obtain an asset of similar value to the right of use asset in a similar economic environment with similar terms, security and conditions.

The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Bank's estimate of the amount expected to be payable under a residual value guarantee, or if the Bank changes its assessment of whether it will exercise a purchase, extension or termination option.

Right of use assets

Right-of-use assets are initially measured at cost, comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date, less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are depreciated over the lease term on a straight-line basis. If the Bank is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Extension and termination options

Extension and termination options are included in all the Bank's lease arrangements. These are used to maximise operational flexibility in terms of managing the assets used in its operations. Most of the extension options are subject to mutual agreement by the Bank and the lessors and some of the termination options held are exercisable only by the Bank.

Extension and termination options - Determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of properties, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Bank is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Bank is reasonably certain to extend (or not terminate).
- Otherwise, the Bank considers other factors, including historical lease durations and the costs and business disruption required to replace the leased asset.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Bank becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and is within the control of the Bank.

Provisions

Provisions are recognised when it is probable that an outflow of economic benefits will be required to settle a current legal or constructive obligation as a result of past events and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the statement of profit or loss. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as part of finance costs in the statement of profit or loss.

Income tax

The income tax expense represents the sum of the tax currently payable and deferred tax.

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of the assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

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

Deferred tax is calculated using the tax rates and laws that are expected to apply in the year when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited to other comprehensive income or directly to equity, in which case the deferred tax is also dealt with in other comprehensive income, or equity, respectively.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits with banks together with short-term highly liquid investments that are readily convertible to known amount of cash with a maturity of three months or less from inception.

Offsetting

Financial assets and financial liabilities are offset with the net amount reported in the financial statement only if there is a current enforceable legal right to offset the recognised amounts and an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

Financial liabilities and equity

FirstBank UK classifies a financial instrument that it issues as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

An instrument is classified as a liability if it is a contractual obligation to deliver cash or another financial asset, or to exchange financial assets or financial liabilities on potentially unfavourable terms.

An instrument is classified as equity if it evidences a residual interest in the assets of FirstBank UK after the deduction of liabilities.

The components of a compound financial instrument issued by FirstBank UK are classified and accounted for separately as financial liabilities or equity as appropriate.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis. Share premium is recognised on new issues of shares where the share issue price is higher than the nominal amount.

Deposits

Deposits (which include deposits from banks and deposits from customers) and subordinated liabilities are recognised initially at fair value, being their issue proceeds net of transaction costs incurred (if any). These instruments are subsequently stated at amortised cost using the effective interest method. The interest on the subordinated liabilities is recognised in the income statement as interest expense.

Contingent liabilities

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is uncertain or cannot be reliably measured. Contingent liabilities comprise letters of credit (standby, irrevocable, etc) issued for trade related transactions and guarantees issued on behalf of a customer to underpin a future performance. Contingent liabilities are disclosed in the financial statements unless the crystallisation of a liability is remote.

Notes to the Financial Statements

for the year ended 31 December 2023

Employee benefits

FirstBank UK operates a defined contribution pension scheme and the amount charged to the income statement in respect of pension costs and other post-retirement benefits is the amount of contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Bank in respect of services provided by employees up to the reporting date.

3 Critical accounting judgements and key sources of estimation uncertainty

The preparation of the Bank's financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities.

Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Bank's accounting policies, management has made the following judgements and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Existing circumstances and assumptions about future developments may change due to circumstances beyond the Bank's control and are reflected in the assumptions if and when they occur.

It is reasonably possible, based on existing knowledge, that outcomes within the next financial year that are different from the assumption could require a material adjustment to the carrying amount of the asset or liability affected. Items with the most significant effect on the amounts recognised in the financial statements with substantial management judgement and/or estimates are collated below with respect to judgements/estimates involved:

Impairment losses on financial assets

The measurement of impairment losses under IFRS 9 across all categories of financial assets requires judgement in the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Bank's ECL calculations are outputs of an economic response model with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The determination of LGDs for certain Stage 3 exposures based upon management's assessment of the facts and circumstances of the exposures. By default, the PD is 100% for stage 3 loans.

Management has made estimations in relation to the following items in determining the ECL:

i. LGD of stage 3 accounts: The estimation of LGD for stage 3 loans requires significant judgement where the entity is in default. The LGD is estimated under three scenarios (best case, mid case, worst case) with probability weights assigned to each scenario based on recovery prospects. Changing the scenario for a key stage 3 account to a 100% worst case scenario (downside) results in a $5.7m (2022: $0.48m) increase in ECL while a 100% best case scenario (upside) yields $2.4m (2022: $0.76m) reduction in ECL.

ii. Probability weight of macroeconomic scenario: The Bank incorporates forward looking information and an allowance for changes in macro-economic conditions and forecasts through consideration of three discrete scenarios (Upturn, Base and Downturn). The main drivers contributing to the Bank's ECL calculation are crude oil prices (given the concentration of Nigerian exposures and the correlation of oil prices both to the level of non-performing loans of Nigerian banks and the global outlook. Other variables considered are interest rates, GDP (UK/World) and House Price Index (UK). The macro-economic variables applied for forward looking adjustments (FLA) is relative to the structure of the Bank's portfolio, risk drivers and correlation with defaults.

Notes to the Financial Statements

for the year ended 31 December 2023

At 31 December 2023, the base case, upside and downside scenarios each carried a 34:32:34% weighting respectively. The choice of alternative scenarios and scenario weights is a combination of quantitative analysis and judgemental assessment to ensure that the full range of possible outcomes and material non-linearity of losses is captured. The redistribution of scenario weights result in changes to the ECL estimation in the portfolio, with 100% upside or 100% downside scenarios resulting in a $0.41m (2022: $1.45m) reduction and a $0.76m (2022: $1.93m) increase in ECL respectively.

Deferred tax asset

The recognition of a deferred tax asset is driven by the estimation of future profits against which the Bank's unrelieved tax losses can be offset in the future. There is significant estimation uncertainty in the determination of the future profit as the Bank's future performance is subject to several factors that cannot be successfully modelled or measured.

Fair value of derivatives and other financial instruments.

As described in Note 34, the Directors use their judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. For derivative financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instrument.

Notes to the Financial Statements

for the year ended 31 December 2023

4 Net interest income

	31 December 2023 $	31 December 2022 $
Interest income on financial assets at amortised cost:		
Loans and advances to banks measured at amortised cost	84,940,496	49,988,920
Loans and advances to customers measured at amortised cost	41,435,263	33,253,263
Debt instruments measured at amortised cost	27,131,045	23,247,444
Interest income	153,506,805	106,489,627

	31 December 2023 $	31 December 2022 $
Interest expense:		
Deposits from banks measured at amortised cost	20,094,538	5,570,556
Deposits from customers measured at amortised cost	33,977,554	13,609,104
Debt issued and other borrowed funds measured at amortised cost	5,475,000	5,469,227
Lease liabilities	349,058	398,905
Interest expense	59,896,149	25,047,792

5 Net fee and commission income

	31 December 2023 $	31 December 2022 $
Fee and commission income		
Credit related fees	741,214	584,530
Letters of credit	9,582,029	6,204,219
Funds transfer	180,367	206,168
Other	805,184	664,455
	11,308,794	7,659,373
Fee and commission expense		
Assets under management expense	(85,587)	-
	11,223,206	7,659,373

6 Foreign exchange losses

	31 December 2023 $	31 December 2022 $
Revaluation loss on foreign currency	5,819,509	3,830,135

Notes to the Financial Statements
for the year ended 31 December 2023

7 Net gains on financial assets at FVTPL

	31 December 2023 $	31 December 2022 $
Trading income on debt securities	2,900,842	2,996,251
Revaluation gain on financial assets at FVTPL	235,432	197,323
	3,136,274	3,193,574

8 Other operating income

Included in other operating income is VAT recoverable and insurance claim received on a loan facility.

9 Personnel expenses

Information regarding Directors and employees

Personnel expenses include the following:

	Note	31 December 2023 $	31 December 2022 $
Wages and salaries		21,232,784	19,912,428
Social security costs		2,417,314	1,740,842
Other pension costs	28	1,263,309	1,062,367
		24,913,408	22,715,636

The Bank has a Long-Term Incentive Plan for certain categories of staff. The Plan is structured such that awards made are vested at future dates subject to strict rules. The expected obligation in respect of the plan has been included in wages and salaries above.

The average monthly number of employees (including three executive directors (2022: three executive directors)) was:

	31 December 2023 $	31 December 2022 $
Banking division	39	33
Operations	49	50
Administration	68	67
	156	150

The Directors' remuneration for the year was as follows:

	31 December 2023 $	31 December 2022 $
Emoluments	3,127,383	2,434,861
Contributions to defined contribution pension scheme	110,771	120,051
Directors' fees paid to parent	-	65,638
	3,238,154	2,620,549

The highest paid director received emoluments, excluding pension contributions, totalling $814,940 (2022: $780,443) and pension contributions of $45,533 (2022: $86,421). Four directors received pension benefits in the year (2022: three). Long term incentive benefit accrued in respect of Executive Directors for the year was $179,255 (2022: $165,986).

Notes to the Financial Statements

for the year ended 31 December 2023

10 Depreciation and amortisation

Depreciation and amortisation expenses include the following:

	Note	31 December 2023 $	31 December 2022 $
Depreciation of property, plant and equipment	19	1,553,258	1,577,263
Amortisation of intangible assets	20	834,713	1,059,948
		2,387,971	2,637,211

11 Other operating expenses

Other operating expenses include the following:

	31 December 2023 $	31 December 2022 $
Auditor's remuneration	561,147	463,982
Legal and consultancy fees	9,297,816	4,828,926
Repairs & maintenance	4,832,976	4,358,485
Other administrative expenses	8,307,848	6,293,237
	22,999,787	15,944,630

Auditor's remuneration for the current year in respect statutory audit is $481,339 (2022: $409,830), CASS audit fee is $8,729 (2022: $8,615) and other assurance services $71,079 (2022: $45,537) paid to MHA.

12 Credit impairment charge/(reversal)

	31 December 2023 $	31 December 2022 $
Cash and bank balances (refer to note 14)		
12- month ECL	(272)	(323)
	(272)	(323)
Loans and advances to banks (refer to note 15)		
12- month ECL	595,627	1,393,036
	595,627	1,393,036
Loans and advances to customers (refer to note 16)		
12- month ECL	3,603,633	(317,340)
Lifetime ECL	6,865,506	116,167
	10,469,139	(201,173)
Net recoveries on loans previously written off	(5,113)	(3,501,728)
	10,464,026	(3,702,901)
Financial assets at amortised cost (refer to note 17)		
12- month ECL	80,014	3,709,531
	80,014	3,709,531
Off balance sheet (refer to note 25)		
Reversal of impairment	(486,740)	(254,441)
	(486,740)	(254,441)
Net impairment charge	10,652,655	1,144,902

13 Income tax

Income tax charged in the Statement of Comprehensive Income consisted of:

	31 December 2023 $	31 December 2022 $
Current taxation		
Current income tax charge	4,485,166	3,726,937
Adjustments in respect of income tax of previous periods	(64,719)	(671)
Total current tax	4,420,447	3,726,266
Deferred taxation		
Origination and reversal of timing differences	6,821,774	(2,434,995)
Adjustments in respect of previous year	(408)	1,705
Effects of changes in tax rates	(4,035)	144,472
Total deferred taxation	6,817,331	(2,288,818)
Income tax charge	11,237,778	1,437,447

Notes to the Financial Statements

for the year ended 31 December 2023

13 Income tax (continued)

The tax on profit for the year is lower than the standard rate of corporation tax in the UK of 25% (2022 – 19%).

The differences are reconciled below:

	31 December 2023 $	31 December 2022 $
Profit before tax	47,553,061	47,583,862
Income tax at 23.5% (2022: 19%)	11,184,742	9,040,934
Adjustments in respect of prior years	(68,754)	1,034
Expenses not deductible for tax purposes net of reliefs	16,580	12,422
Tax rate changes	(408)	144,472
Foreign Exchange and other impact	105,618	-
Deferred tax now recognised	-	(7,761,418)
Total tax charge	11,237,778	1,437,443

The change of the main UK corporation tax rate from 19% to 25% from 1 April 2023, announced in the UK Government's Budget on 3 March 2021, was substantively enacted on 24 May 2021. As a result, existing temporary differences on which deferred tax has been provided may unwind at this rate and deferred tax has been recognised on this basis.

The effect of the rate change is disclosed in the total tax reconciliation above. During the Autumn Statement the UK government announced a reduction in the UK banking surcharge from 8% to 3% and increase in the threshold on which profits are subject to the banking surcharge from $25m to $100m from the 1 April 2023.

Provision for income tax

	31 December 2023 $	31 December 2022 $
Provision for income tax at 1 January	2,494,062	1,405,366
Tax paid during the year (net of refund)	(5,819,386)	(2,567,718)
Current tax charge	4,420,447	3,726,266
Effect of changes in exchange rate	200,505	(69,852)
Provision for income tax at 31 December	1,295,628	2,494,062

Deferred tax assets:

	31 December 2023 $	31 December 2022 $
Provision at start of year	32,635,950	30,390,039
Adjustment in respect of prior years	4,035	(1,673)
Recognised in income statement	(6,821,365)	2,247,584
Provision at end of period	25,818,620	32,635,950

13 Income tax (continued)

Reconciliation of deferred tax liability and assets

	Accelerated tax depreciation $	Temporary differences on IFRS9 $	Tax losses $	Provision $	Total $
At 1 January 2022	(289,832)	8,260,003	24,442,546	1,559,473	33,972,221
Prior year adjustment	(4,056)	-	2,384	-	(1,673)
Effect of tax rate change	18,413	1,163,364	854,584	148,603	(141,765)
Translation difference	28,256	(855,114)	(2,631,046)	(169,925)	(3,627,828)
Charge/(credit) to income	122,945	(845,947)	2,865,294	292,702	2,434,995
At 31 December 2022	(124,273)	5,395,579	25,533,792	1,830,853	32,635,950
Prior year adjustment	**-**	**-**	**4,035**	**-**	**4,035**
Charge/(credit) to income	**174,833**	**(1,026,690)**	**(5,898,502)**	**(71,005)**	**(6,821,365)**
At 31 December 2023	**50,560**	**4,368,889**	**19,639,325**	**1,759,848**	**25,818,620**

At the balance sheet date, the Bank has unused tax losses of $78.56 million (2022: $103.37m) available for offset against future profits. A deferred tax asset has been recognised in respect of $78.56 million (2022: $103.37m) of such losses. The tax losses may be carried forward indefinitely. A deferred tax asset was recognised based on the profit forecast for the foreseeable future.

14 Cash and bank balances

	31 December 2023 $	31 December 2022 $
Cash	**26,829**	111,875
Current balances with other banks	**38,204,896**	28,713,180
	38,231,725	28,825,055
Less: 12-month ECL allowance	**(977)**	(1,249)
	38,230,748	28,823,807

Impairment allowance for cash and bank balances

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances. Details of the Bank's internal grading system are provided in Note 31:

Impairment allowance – credit quality and maximum exposure to risk as at 31 December 2023

	Stage 1 12-month ECL $	Stage 2 Lifetime ECL $	Stage 3 Lifetime ECL $	Total $
Investment grade	**36,517,318**	**-**	**-**	**36,517,318**
Sub-investment grade	**1,714,407**	**-**	**-**	**1,714,407**
	38,231,725	**-**	**-**	**38,231,725**
Loss allowance	**(977)**	**-**	**-**	**(977)**
	38,230,748	**-**	**-**	**38,230,748**

Notes to the Financial Statements

for the year ended 31 December 2023

14 Cash and bank balances (continued)

Impairment allowance – credit quality and maximum exposure to risk as at 31 December 2022

	Stage 1 12-month ECL $	Stage 2 Lifetime ECL $	Stage 3 Lifetime ECL $	Total $
Investment grade	26,247,864	-	-	26,247,864
Sub-investment grade	2,577,192	-	-	2,577,192
	28,825,056	-	-	28,825,056
Loss allowance	(1,249)	-	-	(1,249)
	28,823,807	-	-	28,823,807

Changes in expected credit impairment loss

An analysis of changes in the ECL allowance is, as follows:

	Stage 1 12-month ECL $	Stage 2 Lifetime ECL $	Stage 3 Lifetime ECL $	Total $
As at 1 January 2023	**1,249**	**-**	**-**	**1,249**
Reversal of impairment	**(272)**	**-**	**-**	**(272)**
At 31 December 2023	**977**	**-**	**-**	**977**

	Stage 1 12-month ECL $	Stage 2 Lifetime ECL $	Stage 3 Lifetime ECL $	Total $
As at 1 January 2022	1,752	-	-	1,752
Translation difference	(180)	-	-	(180)
Reversal of impairment	(323)	-	-	(323)
At 31 December 2022	1,249	-	-	1,249

15 Loans and advances to banks

	31 December 2023 $	Restated 31 December 2022 $
Maturity		
Repayable on demand	**457,499,025**	493,517,204
3 months or less excluding on repayable on demand	**476,098,437**	518,475,220
1 year or less but over 3 months	**228,627,888**	218,779,070
5 years or less but over 1 year	**28,698,462**	17,675,605
	1,190,923,812	1,248,447,099
Less: 12-month ECL allowance	**(4,710,978)**	(4,115,351)
	1,186,212,834	1,244,331,748

Total loans advanced to First Bank of Nigeria Limited (Parent Bank) at 31 December 2023 were $388,617,830 (2022: $441,126,134). Loans and advances to banks are measured at amortised cost. None of the loans and advances to banks were impaired (2022: $Nil) and $314,830,330 (2022: $380,204,848) was held as cash collateral against these loans. The analysis of residual maturity for prior year has been represented to correct the allocation of instruments to different maturity buckets.

Impairment allowance for loans and advances to banks

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances. Details of the Bank's internal grading system are provided in Note 31:

Impairment allowance – credit quality and maximum exposure to risk as at 31 December 2023

	Stage 1 12-month ECL $	Stage 2 Lifetime ECL $	Stage 3 Lifetime ECL $	Total $
Investment grade	**457,879,026**	**-**	**-**	**457,879,026**
Sub-investment grade	**728,645,483**	**4,399,303**	**-**	**733,044,786**
	1,186,524,509	**4,399,303**	**-**	**1,190,923,812**
Loss allowance	**(4,595,644)**	**(115,334)**	**-**	**(4,710,978)**
	1,181,928,865	**4,283,969**	**-**	**1,186,212,834**

Impairment allowance – credit quality and maximum exposure to risk as at 31 December 2022

	Stage 1 12-month ECL $	Stage 2 Lifetime ECL $	Stage 3 Lifetime ECL $	Total $
Investment grade	476,769,548	-	-	476,769,548
Sub-investment grade	771,677,551	-	-	771,677,551
	1,248,447,099	-	-	1,248,447,099
Loss allowance	(4,115,352)	-	-	(4,115,352)
	1,244,331,748	-	-	1,244,331,748

Notes to the Financial Statements

for the year ended 31 December 2023

15 Loans and advances to banks (continued)

Changes in expected credit impairment loss

An analysis of changes in ECL allowance is, as follows:

	Stage 1 12-month ECL $	Stage 2 Lifetime ECL $	Stage 3 Lifetime ECL $	Total $
As at 1 January 2023	4,115,351	-	-	4,115,351
Charge to income statement	480,293	115,334	-	595,627
At 31 December 2023	4,595,644	115,334	-	4,710,978

	Stage 1 12-month ECL $	Stage 2 Lifetime ECL $	Stage 3 Lifetime ECL $	Total $
As at 1 January 2022	3,072,395	-	-	3,072,395
Charge to income statement	1,393,037	-	-	1,393,037
Translation difference	(350,081)	-	-	(350,081)
At 31 December 2022	4,115,351	-	-	4,115,351

16 Loans and advances to customers

	31 December 2023 $	31 December 2022 $
Corporate	390,230,613	279,068,823
Individual	153,751,098	125,229,278
	543,981,711	404,298,101
Less:		
12-month ECL allowance	(6,620,632)	(2,998,779)
Lifetime ECL allowance	(7,413,875)	(566,589)
	529,947,204	400,732,733
Maturity		
3 months or less	152,152,992	72,096,790
1 year or less but over 3 months	81,171,255	100,260,334
5 years or less but over 1 year	83,710,340	109,459,508
Over 5 years	204,302,236	117,084,586
Non-performing accounts	22,644,888	5,396,884
	543,981,711	404,298,101

16 Loans and advances to customers (continued)

As at 31 December 2023, FirstBank UK had advanced $15,794 as overdrafts (31 December 2022:$132,321) and $543,966,446 in fixed term loans (31 December 2022: $404,127,838) to customers. $13,538 was granted as staff loans (31 December 2022: $37,942). Loans and advances to customers are categorised as 'hold to collect' and measured at amortised cost. In the circumstances where a mortgage customer is unable to make payments due on financial assets, for example due to a deterioration in the changing economic environment, FirstBank UK will show forbearance and work with its customer to ensure an equitable renegotiation of the terms attached to the financial asset.

Impairment allowance for Loans and advances to customers

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances. Details of the Bank's internal grading system are provided in Note 31:

Impairment allowance – credit quality and maximum exposure to risk as at 31 December 2023

	Stage 1 12-month ECL $	Stage 2 Lifetime ECL $	Stage 3 Lifetime ECL $	Total $
Investment grade	20,099,038	-	-	20,099,038
Sub-investment grade	499,405,654	1,832,131	-	501,237,785
Default	-	-	22,644,888	22,644,888
	519,504,692	1,832,131	22,644,888	543,981,711
Loss allowance	(6,620,632)	(62,945)	(7,350,930)	(14,034,507)
	512,884,060	1,769,186	15,293,958	529,947,204

Impairment allowance – credit quality and maximum exposure to risk as at 31 December 2022

	Stage 1 12-month ECL $	Stage 2 Lifetime ECL $	Stage 3 Lifetime ECL $	Total $
Investment grade	3,160,220	-	-	3,160,220
Sub-investment grade	394,725,467	1,015,530	-	395,740,997
Default	-	-	5,396,884	5,396,884
	397,885,687	1,015,530	5,396,884	404,298,101
Loss allowance	(2,998,779)	(26,901)	(539,688)	(3,565,368)
	394,886,908	988,629	4,857,196	400,732,733

Notes to the Financial Statements

for the year ended 31 December 2023

16 Loans and advances to customers (continued)

Changes in expected credit impairment loss

An analysis of changes in ECL allowance is, as follows:

	Stage 1 12-month ECL $	Stage 2 Lifetime ECL $	Stage 3 Lifetime ECL $	Total $
As at 1 January 2023	**2,998,779**	**26,901**	**539,688**	**3,565,368**
Transfer between stages	**18,220**	**75,185**	**(93,405)**	**-**
Charge/(credit) to income statement	**3,603,633**	**(39,141)**	**6,904,647**	**10,469,139**
At 31 December 2023	**6,620,632**	**62,945**	**7,350,930**	**14,034,507**

	Stage 1 12-month ECL $	Stage 2 Lifetime ECL $	Stage 3 Lifetime ECL $	Total $
As at 1 January 2022	3,698,285	62,586	12,458,041	16,218,911
Transfer between stages	1,849	(40,698)	38,849	-
Charge/(credit) to income statement	(317,340)	11,834	104,333	(201,173)
Write-offs	-	-	(10,745,947)	(10,745,947)
Translation difference	(384,015)	(6,821)	(1,315,588)	(1,706,422)
At 31 December 2022	2,998,779	26,901	539,688	3,565,368

17 Financial assets and liabilities at fair value through profit and loss

	31 December 2023 $	31 December 2022 $
Debt securities		
Bonds held for trading	**12,076,951**	9,401,231
Derivative assets	**24,961,125**	21,994,315
Total assets held at fair value through profit and loss	**37,038,076**	31,395,546

The maximum exposure to credit risk is $37.0m (2022: $31.4m).

17 Financial assets and liabilities at fair value through profit and loss (continued)

	31 December 2023			31 December 2022		
	Notional contract amount $	Fair Value Asset $	Fair Value Liability $	Notional contract amount $	Fair Value Asset $	Fair Value Liability $
Forward FX contract	646,608,963	24,961,125	16,659,543	758,322,937	21,994,315	27,887,739
	646,608,963	24,961,125	16,659,543	758,322,937	21,994,315	27,887,739
Current	646,608,963	24,961,125	16,659,543	758,322,937	21,994,315	27,887,739
Non-Current	-	-	-	-	-	-
	646,608,963	24,961,125	16,659,543	758,322,937	21,994,315	27,887,739

Derivative financial instruments consist of FX forward (delivery and non-delivery) contracts. Forward FX contracts are held for day-to-day cash management rather than for trading purposes and are held at fair value. The movement in fair value is as a result of changes in the exchange rates of the currency.

18 Financial investments at amortised cost

	31 December 2023 $	31 December 2022 $
Debt securities at amortised cost		
Treasury bills	150,267,698	867,510,437
Bonds	489,528,232	878,947,567
	639,795,930	1,746,458,004
12-month ECL on financial investments at amortised cost	(5,140,545)	(5,060,531)
	634,655,385	1,741,397,473
Maturity		
Less than three months	219,761,851	395,355,331
1 year or less but over 3 months	231,663,318	816,686,504
Between one year and five years	182,915,884	529,128,251
More than five years	5,454,878	5,287,918
	639,795,930	1,746,458,004

FirstBank UK assesses its debt securities in the 'hold to collect' portfolio at each balance sheet date for objective evidence that the portfolio or a specific debt security is impaired. There is no purchased credit-impaired asset within financial investments carried at amortised cost.

Impairment allowance for financial investments carried at amortised cost

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification of its financial investments carried at amortised cost. The amounts presented are gross of impairment allowances. Details of the Bank's internal grading system are provided in Note 31:

Notes to the Financial Statements

for the year ended 31 December 2023

18 Financial investments carried at amortised cost (continued)

Impairment allowance – credit quality and maximum exposure to risk as at 31 December 2023

	Stage 1 12-month ECL $	Stage 2 Lifetime ECL $	Stage 3 Lifetime ECL $	Total $
Investment grade	575,282,296	-	-	575,282,296
Sub-investment grade	60,531,634	-	-	60,531,634
Default	-		3,982,000	3,982,000
Gross carrying amount	635,813,930	-	3,982,000	639,795,930
Loss allowance	(2,154,045)	-	(2,986,500)	(5,140,545)
Carrying amount	633,659,885	-	995,500	634,655,385

Impairment allowance – credit quality and maximum exposure to risk as at 31 December 2022

	Stage 1 12-month ECL $	Stage 2 Lifetime ECL $	Stage 3 Lifetime ECL $	Total $
Investment grade	1,685,009,494	-	-	1,685,009,494
Sub-investment grade	57,346,436	-	-	57,346,436
Default	-	-	4,102,074	4,102,074
Gross carrying amount	1,742,355,930	-	4,102,074	1,746,458,004
Loss allowance	(2,074,031)	-	(2,986,500)	(5,060,531)
Carrying amount	1,740,281,899	-	1,115,574	1,741,397,473

Changes in expected credit impairment loss

An analysis of changes in the ECL allowance is, as follows:

	Stage 1 12-month ECL $	Stage 2 Lifetime ECL $	Stage 3 Lifetime ECL $	Total $
As at 1 January 2023	2,074,031	-	2,986,500	5,060,531
Charge to income statement	80,014	-	-	80,014
At 31 December 2023	2,154,045	-	2,986,500	5,140,545

	Stage 1 12-month ECL $	Stage 2 Lifetime ECL $	Stage 3 Lifetime ECL $	Total $
As at 1 January 2022	1,587,982	-	-	1,587,982
Charge to income statement	665,978	-	3,043,554	3,709,532
Translation difference	(179,929)	-	(57,054)	(236,983)
At 31 December 2022	2,074,031	-	2,986,500	5,060,531

Notes to the Financial Statements
for the year ended 31 December 2023

19 Property and equipment

	Computer hardware $	Leasehold improvements $	Furniture and equipment $	Motor vehicles $	Right of use assets $	Total $
Cost						
At 1 January 2022	1,338,189	5,236,959	707,166	112,070	12,982,785	20,377,169
Exchange Differences	(141,105)	(552,208)	(74,567)	(11,817)	(1,368,962)	(2,148,659)
Additions	70,459	-	16,121	-	-	86,580
At 31 December 2022	1,267,543	4,684,751	648,720	100,253	11,613,823	18,315,090
Additions	15,692	-	-	138,067	32,348	186,107
Disposal	-	-	-	(44,668)	-	(44,668)
Write off*	(900,321)	(25,872)	(550,485)	(55,585)	-	(1,532,263)
At 31 December 2023	**382,914**	**4,658,879**	**98,235**	**138,067**	**11,646,171**	**16,924,266**
Depreciation						
At 1 January 2022	1,218,307	3,375,682	668,507	112,070	3,191,142	8,565,708
Exchange Differences	(130,635)	(364,831)	(70,824)	(11,817)	(354,666)	(932,773)
Charge for year	115,796	473,919	17,820	-	969,729	1,577,264
At 31 December 2022	1,203,468	3,484,770	615,503	100,253	3,806,205	9,210,199
Charge for the year	62,495	465,279	15,089	34,517	975,878	1,553,258
Disposal	-	-	-	**(44,668)**	-	**(44,668)**
Write off*	**(900,321)**	**(25,872)**	**(550,485)**	**(55,585)**	-	**(1,532,263)**
At 31 December 2023	**365,642**	**3,924,177**	**80,107**	**34,517**	**4,782,083**	**9,186,526**
Carrying amount						
At 31 December 2023	**17,272**	**734,702**	**18,128**	**103,550**	**6,864,088**	**7,737,741**
At 31 December 2022	**64,075**	**1,199,983**	**33,218**	-	**7,807,617**	**9,104,891**

*This relates to write off of items of property and equipment that have been fully depreciated as of 3 January 2023.

Notes to the Financial Statements

for the year ended 31 December 2023

20 Intangible assets

	Computer software $
Cost	
At 1 January 2022	8,709,638
Exchange difference	(918,383)
Additions	379,395
At 31 December 2022	8,170,650
Additions	175,283
Write off*	(3,830,063)
At 31 December 2023	4,515,870
Amortisation	
At 1 January 2022	5,980,167
Exchange difference	(650,445)
Amortisation charge	1,059,948
At 31 December 2022	6,389,670
Amortisation charge	834,713
Write off*	(3,830,063)
At 31 December 2023	3,394,320
Carrying amount	
At 31 December 2023	1,121,550
At 31 December 2022	1,780,979

*This relates to write off of items of intangible assets that have been fully depreciated as of 3 January 2023.

21 Other assets

	31 December 2023 $	31 December 2022 $
Accounts receivable	1,793,662	1,005,450
Prepayments	1,486,850	1,423,728
	3,280,512	2,429,178

22 Deposits from banks

	31 December 2023 $	31 December 2022 $
Repayable on demand	197,565,527	1,207,533,808
With agreed maturity dates or periods of notice by remaining maturity:		
Three months or less but not repayable on demand	416,361,827	389,963,370
One year or less, but over three months	100,043,140	167,241,751
	713,970,494	1,764,738,929

Total deposits due to First Bank of Nigeria Limited as at 31 December 2023 was $366,099,251 (2022: $378,542,642).

23 Deposits from customers

	31 December 2023 $	31 December 2022 $
Repayable on demand	197,018,055	394,011,093
With agreed maturity dates or periods of notice by remaining maturity:		
Three months or less but not repayable on demand	324,963,811	429,639,830
One year or less, but over three months	347,953,850	219,112,476
More than one year but less than five years	379,508,615	165,432,855
	1,249,444,331	1,208,196,255

24 Subordinated liabilities

	31 December 2023 $	31 December 2022 $
Principal	60,000,000	60,000,000
Accrued interest	255,000	255,000
	60,255,000	60,255,000

Subordinated liabilities representing USD 60million Tier 2 capital due to the parent company, First Bank of Nigeria Limited. The loan is repayable on 20 March 2029 at an interest rate of 9.00% (2022: 9.00%).

25 Other liabilities

	31 December 2023 $	31 December 2022 $
Financial liabilities		
Cash collateral (see note(i) below)	61,241,383	103,462,712
Customers unclaimed balances	449,200	438,362
Other payables	16,085,914	15,998,290
Lease liabilities (see note ii, below)	7,717,038	8,168,299
	85,493,535	128,067,663
Non-financial liabilities		
ECL allowance for lending commitments (see note(iii) below)	470,091	853,893
	85,963,626	128,921,557

(i) The cash collateral balance relates to security taken in respect of various outstanding contingent liability transactions.

Notes to the Financial Statements

for the year ended 31 December 2023

25 Other liabilities (continued)

(ii) Lease liabilities

	31 December 2023 $	31 December 2022 $
Opening balance as at 1 January	**8,168,299**	10,063,146
Interest expense	**349,058**	398,905
Exchange rate differences	**453,084**	(1,068,581)
Payments made during the year	**(1,253,403)**	(1,225,171)
	7,717,038	8,168,299
Current lease liabilities	**895,972**	1,225,172
Non-current lease liabilities	**6,821,066**	6,943,128
	7,717,038	8,168,299

Maturity analysis of lease liabilities as at 31 December 2023 is:

	0-90 days $	91 – 180 days $	181 – 365 days $	1 year - 5 years $	Over 5 years $	Total $
Lease liabilities	229,536	220,878	445,558	895,972	5,925,094	7,717,038

There were no lease extension or termination option applied to these lease liabilities. The critical judgement factor in measurement of these lease liabilities was the incremental borrowing rate set at 4.3%.

(iii) ECL allowance for lending commitments

To meet the financial needs of customers, the Bank enters various irrevocable commitments and contingent liabilities transactions with its customers. These consist of undrawn loan commitments, letters of credit and guarantees. Even though these obligations may not be recognised on the statement of financial position, they contain credit risk and, therefore, form part of the overall risk of the Bank. Letters of credit (including standby letters of credit) and guarantees commit the Bank to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods or performance of an activity.

The balance is the ECL allowance recognised on the outstanding letters of credit and guarantees as at 31 December 2023; see Note 29 for the nominal value of the outstanding obligations.

Changes in ECL allowance for lending commitments

	31 December 2023 $	31 December 2022 $
Opening balance as at 1 January	**853,893**	1,233,646
Credit to income statement	**(486,740)**	(254,441)
Effect of changes in exchange rate	**102,938**	(125,312)
Closing balance as at 31 December	**470,091**	853,393

Notes to the Financial Statements

for the year ended 31 December 2023

26 Share capital

	31 December 2023		31 December 2022	
	No. of shares	$	No. of shares	$
Issued, allotted and fully paid				
Ordinary shares of $1.21 each	200,000,000	242,000,000	200,000,000	242,000,000

First Bank of Nigeria Limited holds 182,000,000 (2022: 182,000,000) or 91% (2022: 91%) of the ordinary shares issued, the remaining issued shares are held by ARC Fin LLP.

The Bank changed its functional currency in 2023. This involved a redenomination of its share capital from Sterling to US Dollars on 03 January 2023. The Bank's share capital of 200,000,000 with nominal share value of $1 was redenominated to a nominal share value of $1.21.

The holders of ordinary shares are entitled to one vote per share at the Bank's meetings.

27 Reserves

Share premium

The share premium account represents the excess of the issue price over the par value on shares issued less transaction costs arising on issue.

Retained earnings/(Accumulated losses)

The balance in the retained earnings account represents the total profit and loss reserves of the Bank.

Translation reserve

The balance in translation reserve arose as a result of change in the Bank's functional currency.

28 Pension and other schemes

FirstBank UK operates a defined contribution pension scheme for staff and contributions were made during the year totalling $1,263,309 (2022: $1,062,367). There were no outstanding or prepaid contributions at the reporting date (2022: nil).

29 Contingent liabilities and commitments

Off balance sheet liabilities

	31 December 2023 $	31 December 2022 $
Letters of credit	64,392,132	162,474,690
Guarantees given to third parties	-	1,260,000
Undrawn irrevocable loan commitments	23,055,833	92,802,090
	87,447,965	256,536,780

Uncertainty exists with respect to the timing of when these obligations may crystallize.

Notes to the Financial Statements

for the year ended 31 December 2023

30 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, asset sale and purchase, and foreign currency transactions. Outstanding balances at the end of the year and related income and expenses for the year are as follows:

	31 December 2023 $	31 December 2022 $
Assets		
Cash at bank from parent bank	2,220	-
Loans due from parent bank	388,617,830	441,019,804
Loans due from fellow subsidiaries	155,050	7,285,237
	388,775,100	448,305,041
Income		
From parent bank	32,562,041	18,666,212
From fellow subsidiaries	10,554	9,843
	32,572,595	18,676,055
Letters of credit and guarantees issued/received		
Guarantee received from parent bank	77,000,000	77,000,000
Letters of credit issued to parent bank	14,318,677	35,787,800
Letters of credit issued to group subsidiaries	7,634,050	10,390,467
	98,952,727	77,000,000
Liabilities		
Amounts due to parent bank	366,099,251	419,315,799
Subordinated liabilities	60,255,000	60,255,000
Amount due to fellow subsidiaries	38,573,037	35,458,413
	464,927,288	515,029,212
Expenses		
To parent bank	6,922,070	7,530,162
To fellow subsidiaries	-	-
	6,922,070	7,530,162

These transactions were entered under normal banking terms and are settled on cash basis. There were no doubtful debts due from a related entity. FirstBank UK retains the right to set-off credit advanced against deposits held.

Loans were approved and advanced on a commercial arm's length basis to five (2022: four) senior management members of First Bank of Nigeria Limited during the year. As at 31 December 2023, a total loan amount of $4,412,049 (2022: $5,075,624) was outstanding in respect of these senior management members of First Bank of Nigeria Limited which included a non-executive director of FirstBank UK.

Deposit liabilities totalling $2,819,328 (2022: $256,665) were held by the FirstBank UK in respect of these senior management members including a non-executive director of FirstBank UK.

No loans were advanced to key management personnel of FirstBank UK during 31 December 2023 (2022: nil)
Key management personel includes executive directors, compensation paid to key management personnel are as disclosed in Note 10.

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

31 Financial risk management

Derivatives and other financial instruments

FirstBank UK's financial instruments, other than derivatives and bonds, principally comprise loans and deposits that arise from its operations as a lending and deposit-taking institution.

The Bank transacts derivative products (all forward foreign currency contracts). The purpose of the transactions is to manage the currency risks arising from the Bank's operations. The Bank invests in bond instruments. The purpose of the transactions is to improve profitability and to better manage the Bank's liquidity.

FirstBank UK holds and issues financial instruments for three main purposes:

- to earn an interest margin or a fee;
- to finance its operations; and
- to manage the interest rate and currency risks arising from its operations and from its sources of finance.

FirstBank UK has a small trading book operated within the banking book. The Bank finances its operations by a mixture of shareholders' funds and customer and bank deposits. The deposits raised may be in a range of currencies at variable or fixed rates of interest. FirstBank UK's lending is mainly in US dollars, GB pound sterling and Euro. The Bank deals in spot and forward foreign exchange transactions.

The main risks arising from FirstBank UK's financial instruments are credit risk, market risk and liquidity risk. Market risk includes interest rate risk and foreign currency risk. The management reviews and agrees policies for managing each of these risks and they are summarised below. These policies were reviewed within the period being reported.

Credit risk

Credit risk is the risk that financial loss arises from the failure of a customer or counterparty to meet its loan repayments or contractual obligations. It arises principally from lending, trade finance and treasury activities. Internal controls are in place within FirstBank UK's Credit function which are designed to ensure that loans are made in accordance with the Bank's credit policy and that once made, such facilities are monitored on a regular basis as appropriate.

Moreover, significant changes in the economy, or state of a particular industry could result in risks that are different from those provided for at the balance sheet date. To manage these risks, appropriate credit facility structures are applied, and management has established limits in relation to individual borrowers or group of borrowers.

Risk appetite and credit risk management

The Risk Appetite is an expression of the level and type of risk FirstBank UK is willing and able to accept in pursuit of its strategic objectives expressed in a business plan. The Risk Appetite Statement (RAS) forms the basis for establishing the risk boundaries within which the Bank must operate. The Bank regularly conducts stress tests and monitors key performance indicators (KPI) to ensure that it operates within Board approved thresholds, and where needed adjust limits in response to changes in the business and/or macroeconomic conditions. Results of the stress scenarios which includes ECL sensitivity are applied to ensure adequate capital and liquidity to support the Bank's strategy and business plan. ECL Sensitivity assumptions and outputs are incorporated into the internal capital assessment process (ICAAP) and business planning.

Management of Credit Risk

Credit risk is the single largest risk for the Bank's business and therefore importance is placed on effective management of this risk. It is created when the Bank commits to, or enters into, an agreement with an obligor or counterparty.

The Credit Risk Policy is the primary reference document for identifying, measuring, approving and reporting credit risk and adopted in conjunction with the impairment policy and other risk related policies. The Credit Risk Management Policy is designed to:

- Provide a comprehensive guide and framework in creating and managing risk assets.
- Ensure prompt identification of problem credits and prudent management of decline in credit quality.
- Outline the requirements for administration and reporting of individual exposures and the overall risk asset portfolio.

Risk limit control and mitigation policies

The Bank manages concentrations of credit risk in particular to individual counterparties and groups, industries and countries. Such risks are monitored on a regular basis and subject to an annual or more frequent reviews where required. Limits on the level of credit risk by product, country industry/sector, obligor or group of related parties are set by the Board of Directors on the recommendation of the Chief Risk Officer. Concentration metrics (single obligor, country, and sector) are calibrated to express the maximum risk appetite as timing of exposure will vary.

However, the measurement of concentration metrics will operate within the defined risk appetite metrics for capital and liquidity with any exposure initiation subject to compliance with capital and liquidity risk appetite ratios.

Credit risk measurement

In measuring credit risk of financial assets, the Bank reflects the following components:

- The character and capacity to pay of the client or counterparty to meet its contractual obligations;
- Current exposures to the counterparty and its likely future performance;
- Credit history of the counterparty; and
- The likely recovery in case of default obligations – value of collateral and other ways out.

Obligor Risk Rating

The Bank has a robust internal rating system it leverages on to determine credit worthiness of its borrowers and likelihood of default. The rating scale shown below reflects the range of default probabilities defined for each rating class. This means that, in principle, exposures migrate between classes as the assessment of their probability of default changes.

The obligor risk rating grids is based on a 21-master rating scale mapped in to 9 buckets to provide a pre-set objective basis for making credit decisions and estimating expected credit loss (ECL) in line with IFRS 9 requirements. The rating adopted depends on outcome of quantitative and qualitative factors considered on the customer and reflects the inherent risks associated with each customer.

The rating tools are reviewed and upgraded when necessary. The Bank regularly validates the performance of the rating tools and their predictive powers regarding default events.

Notes to the Financial Statements

for the year ended 31 December 2023

Each risk bucket may be denoted alphabetically and by range of scores as follows:

Scale Rating	Rating	Bucket	Description
			Investment Grade
1	Aaa	Aaa	Highest quality, with minimal credit risk
2	Aa1	Aa	High quality, subject to very low credit risk
3	Aa2		
4	Aa3		
5	A1	A	Considered upper-medium grade and are subject to low credit risk
6	A2		
7	A3		
8	Baa1	Baa	Considered medium-grade and may possess certain speculative characteristics
9	Baa2		
10	Baa3		
			Non- Investment Grade
11	Ba1	Ba	Considered to have speculative elements and are subject to substantial credit risk
12	Ba2		
13	Ba3		
14	B1	B	Considered speculative and are subject to high credit risk
15	B2		
16	B3		
17	Caa1	Caa	Considered to be of poor standing and are subject to very high credit risk
18	Caa2		
19	Caa3		
20	Ca	Ca	In or near default, with possibility of recovery
21	C	C	In default with little chance of recovery

Determination of ECL – Forecast of future economic conditions

Selection of macro-economic variables (MEVs) applied for forward looking adjustments (FLA) is relative to the structure of the Bank's portfolio, risk drivers and correlation with defaults.

The Bank's portfolio is segmented into four segments for IFRS 9 modelling purposes. The segmentation is based on FirstBank UK's current exposure structure and portfolio characteristics. The four segments are:

- Wholesale (Corporate and FI exposures)
- Mortgages
- Treasury (Investments in AAA rated T-bill and HQLA, Placements, Nostro)
- Other Retail (Non-Material)

Notes to the Financial Statements

for the year ended 31 December 2023

For the wholesale segment, average NPL rates of the Nigerian Banking industry are adopted as default proxy, as the Bank's wholesale portfolio is closely linked to Nigeria and other African markets, while for the mortgage portfolio, the UK mortgage industry arrear rates from Bank of England is used as default proxy. The time series for the proxies (the dependent variable) are regressed against the macro-economic variables (independent variables) to establish correlations to evaluate the strength of relationship between them. The correlation analysis was supplemented with judgement to shortlist suitable variables for the model development. The proxies are representative of the portfolio until sufficient internal default data becomes available.

For the wholesale and mortgage portfolio, a test of statistical significance was carried out using single and multiple factor analysis. For the single factor analysis, the default rates were regressed individually against each variable after applying the appropriate transformations to the macro-economic variables. The shortlisted variables from the Single Factor Analysis were then run in two and three variable regression models. Out of multiple combinations, two models (challenger and champion model) with 3 variables each were selected based on statistical testing and judgement. For the mortgage portfolio a two-factor model was adopted. The performance of champion and challenger models are compared, with both passing all the statistical tests and those variables which are more intuitive predictors for the Bank's portfolio are selected for the wholesale and mortgage portfolios.

Determination of ECL – Economic assumptions

As at 31 December 2023, the Bank incorporated the impact of changing macroeconomic scenarios on ECL computation through consideration of three discrete scenarios (Upturn, Base and Downturn) with probability weights assigned to these three scenarios. The probability weights were updated to 34%, 32% and 34% for base, upturn and downturn respectively from the prior 35:32:33. The rationale provides the basis for estimating the scenario weights for the macroeconomic variables (MEVs) which impact on the Bank's portfolio. The MEVs applied to the portfolio are Libor, Oil Price, and GDP (world) for the corporate portfolio and UK HPI and UK GDP for the mortgage portfolio. The determination of the updated weights is based on a quantitative analysis which uses a robust sample size (20 years) that covers the varying cycles experienced by the economy and businesses. It involves computing the confidence interval (CI) at a 99% confidence level, the critical value at a two-tailed Z test is used. This is used to estimate the ideal range of estimate for the mean of the variables based on the samples. This range is taken as the base case of the variable.

The MEV samples in the population are based on actuals over a 20-year timeframe and sourced from Moody's data buffet using December of each year as cut off. The MEV (actuals) for each variable is allocated to each scenario bucket based on the Confidence Interval (lower bound, upper bound). Any sample that falls above the upper bound is considered an upside scenario, while any sample that falls below the lower bound is classed as a downturn scenario, while the baseline is neither.

A probability estimate is used to determine the likelihood of each scenario in the sample data for each MEV. The probability of a scenario is defined as the number of samples in that scenario divided by the total number of samples. The scenario weight is then determined using an average of the probability derived for the scenario across all the variables.

FirstBank UK's credit policy documents and risk appetite statement include details on lending authorities, large exposures, concentration risk, transactions with parent and affiliates, country risk exposure, industry lending, use of external credit assessments, credit risk collateral and provisioning.

31 Financial risk management (continued)

The table below shows the Bank's financial assets and the Bank's exposure to credit risk based on the earlier of the next interest rate re-pricing or residual maturity date.

As at 31 December 2023	Not more than 3 months $'000	Within 6 months $'000	Between 6 months and 1 year $'000	Between 1 and 5 years $'000	After more than 5 years $'000	Total $'000
Assets						
Cash and bank balances	38,231	-	-	-	-	38,231
Loans and advances to banks	928,886	228,628	-	28,698	-	1,186,213
Loans and advances to customers	136,073	57,735	23,437	107,380	205,323	529,947
Financial investments at amortised cost	214,621	103,692	127,971	182,916	5,455	634,655
Financial assets held at fair value through profit and loss	24,961	2,889	-	6,539	2,649	37,038
Other assets	-	1,794	-	-	-	1,794
Total	1,342,772	394,738	151,408	325,533	213,427	2,427,878

As at 31 December 2022	Not more than 3 months $'000	Within 6 months $'000	Between 6 months and 1 year $'000	Between 1 and 5 years $'000	After more than 5 years $'000	Total $'000
Assets						
Cash and bank balances	28,824	-	-	-	-	28,824
Loans and advances to banks	1,007,877	102,027	116,752	17,676	-	1,244,333
Loans and advances to customers	67,079	60,782	39,478	110,912	122,481	400,733
Financial investments at amortised cost	390,295	383,125	433,561	529,128	5,288	1,741,397
Financial assets held at fair value through profit and loss	22,017	-	1,460	5,554	2,364	31,396
Other assets	-	1,005	-	-	-	1,005
Total	1,516,091	546,941	591,252	663,271	130,132	3,447,387

Notes to the Financial Statements

for the year ended 31 December 2023

31 Financial risk management (continued)

Age analysis of past due but not impaired assets

The table below shows the age analysis of past due but not impaired risk assets. FirstBank UK held collateral against these assets:

	31 December 2023			31 December 2022		
	Gross amount $'000	Collateral $'000	Amount $'000	Gross amount $'000	Collateral $'000	Amount $'000
Past due up to 30 days	120	688	(568)	-	393	(393)
Past due by 30 - 60 days	1,712	7,481	(5,769)	798	3,076	(2,278)
Past due 60-90 days	-	-	-	-	-	-
Above 90 days	-	-	-	-	-	-
	1,832	8,169	(6,337)	798	3,469	(2,671)

Analysis of impaired financial assets

	31 December 2023			
	Gross amount $'000	12-month ECL $'000	ECL $'000	Amount $'000
Loans and advances to customers (note 16)	22,645	-	(7,351)	15,294
Financial investments carried at amortised cost (note 18)	3,982	-	(2,987)	996
	26,627	-	(10,338)	16,289

	31 December 2022			
	Gross amount $'000	12-month ECL $'000	ECL $'000	Amount $'000
Loans and advances to customers (note 16)	5,397	-	(540)	4,857
Financial investments carried at amortised cost (note 18)	4,102	-	(2,987)	1,115
	9,499	-	(3,527)	5,972

Modification of financial assets

The Bank sometimes modifies the terms of loans provided to customers due to commercial renegotiations, or for distressed loans, with a view to maximising recovery. Such restructuring activities include extended payment term arrangements, payment holidays and payment forgiveness. Restructuring policies and practices are based on indicators or criteria which, in the judgement of management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans.

The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original asset. The Bank monitors the subsequent performance of modified assets. The Bank may determine that the credit risk has significantly improved after restructuring, so that the assets are moved from Stage 3 or Stage 2 (Lifetime ECL) to Stage 1 (12-month ECL). This is only the case for assets which have performed in accordance with the new terms for three consecutive months. The gross carrying amount of such assets held as at 31 December 2023 was nil (2022: Nil).

31 Financial risk management (continued)

There are no financial assets with lifetime ECL whose cash flows were modified during the period as part of the Bank's restructuring activities.

The tables below show the the Bank's credit exposure at carrying amounts as categorised by industry sectors and geographical region in which the Bank's customers conduct their business.

Credit exposure by sector

31 December 2023	Banks $'000	Corporates $'000	Government $'000	Individual $'000	Total $'000
Cash and bank balances	38,231	-	-	-	38,231
Loans and advances to banks	1,186,213		-	-	1,186,213
Financial assets at FVTPL	34,049	1,068	1,921	-	37,038
Financial investments at amortised cost	486,178	1,810	146,667	-	634,655
Loans and advances to customers	-	375,568	-	154,379	529,947
	1,744,671	378,446	148,588	154,379	2,426,084

Credit risk exposure relating to off balance sheet items are as follows:

Undrawn loan commitments	9,607	13,449	-	-	23,056
Letters of credit	57,222	7,170	-	-	64,392
	66,829	20,619	-	-	87,448

31 December 2022	Banks $'000	Corporates $'000	Government $'000	Individual $'000	Total $'000
Cash and bank balances	28,824	-	-	-	28,824
Loans and advances to banks	1,244,332	-	-	-	1,244,332
Financial assets at FVTPL	29,799	399	1,197	-	31,396
Financial investments at amortised cost	876,756	-	864,642	-	1,741,397
Loans and advances to customers	-	274,772	-	125,961	529,947
	2,179,599	275,282	865,839	125,961	3,446,681

Credit risk exposure relating to off balance sheet items are as follows:

Undrawn loan commitments & Guarantees	7,472	86,590	-	-	94,062
Letters of credit	160,243	2,232	-	-	162,475
	167,715	88,822	-	-	256,537

Notes to the Financial Statements

for the year ended 31 December 2023

31 Financial risk management (continued)

Credit exposure by geography

31 December 2023	Western Europe $'000	Africa $'000	North America $'000	Others $'000	Total $'000
Cash and bank balances	10,190	1,714	24,399	1,927	38,231
Loans and advances to banks	453,168	733,045	-	-	1,186,213
Financial assets at FVTPL	24,961	12,077	-	-	37,038
Financial investments at amortised cost	241,209	62,007	182,821	148,618	634,655
Loans and advances to customers	9,860	436,820	77	83,191	529,947
	739,389	1,245,663	207,297	233,736	2,426,084

Credit risk exposure relating to off balance sheet items are as follows:

Undrawn loan commitments	9,607	6,824	6,625	-	23,056
Letters of credit	7,170	57,222	-	-	64,392
	167,715	88,822	6,625	-	87,448

31 December 2022	Western Europe $'000	Africa $'000	North America $'000	Others $'000	Total $'000
Cash and bank balances	10,168	2,577	10,824	5,254	28,824
Loans and advances to banks	488,545	754,930	857	-	1,244,332
Financial assets at FVTPL	21,994	9,401	-	-	31,396
Financial investments at amortised cost	404,295	61,449	1,004,904	270,750	1,741,397
Loans and advances to customers	20,592	239,778	119	140,244	400,733
	945,594	1,068,134	1,016,705	416,249	3,446,681

Credit risk exposure relating to off balance sheet items are as follows:

Undrawn loan commitments & Guarantees	6,212	87,850	-	-	94,062
Letters of credit	-	160,243	-	2,232	162,475
	6,212	248,093	-	2,232	256,537

FirstBank UK extends credit facilities to quality rated and unrated counterparties. All rated counterparties must have acceptable Moody's (or equivalent) ratings. A sizeable percentage, 64% (2022: 64%) of FirstBank UK's total financial assets was to high quality financial institutions, the majority of which had ratings of between A and AAA.

As at 31 December 2023, FirstBank UK's maximum exposure to credit risk was $2,486m (2022: $3,685m), of which $26m (2022: $9m) was deemed to be impaired or doubtful. These amounts include all financial assets and undrawn irrevocable loan and trade commitments.

Total trade related exposure was $65m (2022: $162m) against which the Bank held cash collateral of $61m (2022: $103m). In addition, FirstBank UK had collateral of $835m (2022: $786m) in respect of other credit exposures.

Generally, FirstBank UK reduces its credit risk exposure by entering collateral arrangements with certain counterparties with whom it undertakes a significant volume of transactions including its parent, FirstBank. Under the terms of the collateral agreements, cash deposits are charged to the Bank as collateral for counterparty exposures. These arrangements do not result in an offset of balance sheet assets and liabilities. However, for regulatory reporting purposes the risk weighted assets are reduced by the amount of collateral held.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. FirstBank UK's market risk is primarily to foreign currency risk and interest rate risk. The objective of market risk management is to maintain market risk exposures within acceptable parameters, whilst optimising the return on risk.

Interest Rate Risk

Interest rate risk originating from banking activities arises due to FirstBank UK holding a combination of fixed and variable rate assets and liabilities that arise during the normal course of business.

Interest rate benchmark reform

Overview

A reform of major interest rate benchmarks ('IBOR reform') is being undertaken globally, which involves the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates. The Bank has significant exposure to certain IBORs on its financial instruments that are being reformed as part of these market-wide initiatives.

The Bank is exposed principally to USD IBOR, on its financial instruments that will be reformed as part of this market-wide initiative. These exposures arise on derivatives and non-derivative financial assets and liabilities with various counterparties. The alternative reference rate of the USD LIBOR is the Secured Overnight Financing Rate (SOFR) while the alternative reference rate for the GBP LIBOR is the Sterling Overnight Index Average (SONIA). The main risks to which the Bank is exposed as a result of IBOR reform are operational and financial risks. The financial risk is predominantly limited to interest rate risk.

i. Non-derivative financial assets, financial liabilities and loan commitments

The Bank's IBOR exposures on floating-rate loans to customers is predominantly USD LIBOR. For these assets, the Secured Overnight Financing Rate ('SOFR') is the selected replacement for the exposures in USD LIBOR. This also consisted of a change to the underlying calculation methodology. SOFR is a broad measure of the cost of borrowing cash overnight collateralised by U.S. Treasury securities in the repurchase agreement (repo) market. This rate is robust, is not at risk of cessation, and it meets international standards. It is produced by the New York Fed in cooperation with the Office of Financial Research.

ii. Derivatives

The Bank holds derivatives for risk management purposes (see Note 17). None of the derivatives are designated in hedging relationships. The Bank's derivative instruments are governed by the International Swaps and Derivatives Association (ISDA)'s 2006 definitions. ISDA has reviewed its definitions in light of IBOR reform and issued an IBOR fallbacks supplement on 23 October 2020. This sets out how the amendments to new alternative benchmark rates (e.g. SOFR) in the 2006 ISDA definitions will be accomplished. The effect of the supplement is to create fallback provisions in derivatives that describe what floating rates will apply on the permanent discontinuation of certain key IBORs or on ISDA declaring a non-representative determination of an IBOR. The Bank's derivative contracts are not indexed to IBORs.

The tables below summarise the variable rate assets and liabilities as at 31 December 2023 as a basis of disclosing the Bank's interest rate sensitivity analysis.

Interest rate sensitivity analysis

FirstBank UK holds a combination of fixed and variable rate assets and liabilities. As a consequence of holding variable rate financial instruments, the Bank is exposed to cash flow interest rate risk.

Interest rate sensitivity analysis has been performed on the net cash flow interest rate risk exposures as at the reporting dates. A range of possible upward/downward movements in LIBOR/Euribor of 100 to 150bps has been assumed for the different currencies based on our expectation of future price movements.

If all other variables are held constant, the tables below present the likely impact on the Bank's profit or loss.

Notes to the Financial Statements

for the year ended 31 December 2023

31 Financial risk management (continued)

As at 31 December 2023	GBP $'000	USD $'000	EUR $'000	Other currencies $'000	Total $'000
Total financial assets	596,219	1,704,972	59,163	7,431	2,367,785
Less: fixed rate assets	-	(1,277,030)	(34,279)	(7,431)	(1,318,739)
	596,219	427,942	24,884	-	1,049,045
Total financial liabilities	959,956	1,042,183	66,739	2,965	2,071,842
Less: fixed rate liabilities	(903,868)	(522,213)	(9,792)	-	(1,435,873)
	56,088	519,970	56,946	2,965	635,969
Net Cash Flow Interest Rate Risk exposures	540,131	(92,027)	(32,062)	(2,965)	413,076
Possible movement in reference rate (bps)	100	150	100	100	-
Possible impact of increase in reference rate on profit/loss	5,401	(1,380)	(321)	(30)	3,670
Possible impact of decrease in reference rate on profit/loss	(5,401)	1,380	321	30	(3,670)

As at 31 December 2022	GBP $'000	USD $'000	EUR $'000	Other currencies $'000	Total $'000
Total financial assets	614,068	2,729,639	42,334	8,386	3,394,428
Less: Fixed Rate assets	-	(2,375,013)	(25,486)	(8,386)	(2,408,885)
	614,068	354,626	16,848	-	985,543
Total Financial Liabilities	650,441	2,427,508	53,288	6,302	3,137,539
Less: Fixed Rate Liabilities	(577,211)	(670,609)	(11,334)	-	(1,259,154)
	73,231	1,756,899	41,954	6,302	1,878,385
Net Cash Flow Interest Rate Risk exposures	540,838	(1,402,272)	(25,106)	(6,302)	(892,832)
Possible movement in reference rate (bps)	100	150	100	100	-
Possible impact of increase in reference rate on profit/loss	5,408	(14,023)	(251)	(63)	(8,929)
Possible impact of decrease in reference rate on profit/loss	(5,408)	14,023	251	63	8,929

Foreign exchange risk

Foreign exchange exposure arises from normal banking activities, particularly from the receipt of deposits and the placement of funds denominated in foreign currencies. It is the policy of FirstBank UK to match the currencies of its assets and liabilities as far as practicable. It is also the policy of FirstBank UK to adhere to the limits laid down by the Board in respect of the "overall net open position". The tables below give details of the FirstBank UK's net foreign currency exposures as at 31 December 2023 as a basis of disclosing the Bank's foreign currency sensitivity analysis.

31 Financial risk management (continued)

Foreign exchange sensitivity analysis

Foreign currency sensitivity analysis has been performed on the foreign currency exposures inherent in FirstBank UK's financial assets and financial liabilities at the reporting dates presented, net of FX derivatives. The sensitivity analysis provides an indication of the impact on FirstBank UK's profit or loss of reasonably possible changes in the currency exposures embedded within the functional currency environment that the Bank operates in. Reasonably possible changes are based on an analysis of historical currency volatility, together with any relevant assumptions regarding near-term future volatility.

FirstBank UK believes that for each foreign currency net exposure it is reasonable to assume a 5% appreciation/depreciation against the Bank's functional currency. If all other variables are held constant, the tables below present the impact on the Bank's profit or loss if these currency movements had occurred.

As at 31 December 2023	GBP $'000	EUR $'000	Other currencies $'000
Net foreign currency exposures	(18,530)	(6,254)	9,478
Impact of 5% increase in foreign currency: USD rate	926	313	(474)
Impact of 5% decrease in foreign currency: USD rate	(926)	(313)	474

As at 31 December 2022	USD $'000	EUR $'000	Other currencies $'000
Net foreign currency exposures	(243,901)	16,973	16,869
Impact of 5% increase in foreign currency: GBP rate	12,195	(849)	(843)
Impact of 5% decrease in foreign currency: GBP rate	(12,195)	849	843

Liquidity risk

FirstBank UK is regulated in the United Kingdom by the PRA which sets the required liquidity mismatch parameters.

FirstBank UK manages the liquidity structure of its assets, liabilities and commitments so that cash flows are appropriately balanced to ensure that all funding obligations are met when due and the required mismatch parameters by the PRA are not breached. The policy of FirstBank UK is to match the maturities and currencies as far as practicable for all (and particularly large) exposures or placements.

Maturity analysis

Maturity analysis is based on the (undiscounted) contractual cashflows and on the earlier of the periods to the next interest rate pricing date or the maturity dates.

Notes to the Financial Statements

for the year ended 31 December 2023

31 Financial risk management (continued)

2023	Not more than 3 months $'000	Within 6 months $'000	Between 6 months and 1 year $'000	Between 1 and 5 years $'000	After more than 5 years $'000	Total $'000
Liabilities						
Deposits from banks	613,927	100,043	-	-	-	713,970
Deposits from customers	521,982	52,803	295,151	379,509	-	1,249,445
Subordinated liabilities	255	-	-	-	60,000	60,255
Other liabilities	85,964	-	-	-	-	85,964
	1,222,128	152,846	295,151	379,509	60,000	2,109,634
Off balance sheet items:						
Letters of credit	25,470	24,988	13,935	-	-	64,393
Guarantees	-	-	9,607	6,824	6,625	23,056
	1,247,598	177,834	318,693	386,333	66,625	2,197,083

2022	Not more than 3 months $'000	Within 6 months $'000	Between 6 months and 1 year $'000	Between 1 and 5 years $'000	After more than 5 years $'000	Total $'000
Liabilities						
Deposits from banks	1,597,498	67,202	100,041	-	-	1,764,741
Deposits from customers	823,651	29,124	189,989	165,432	-	1,208,196
Subordinated liabilities	255	-	-	-	60,000	60,255
Other liabilities	128,068	-	-	-	-	128,068
	2,549,472	96,326	290,030	165,432	60,000	3,161,260
Off balance sheet items:						
Letters of credit	87,591	63,336	6,768	4,779	-	162,475
Guarantees	23,850	6,212	15,000	49,000	-	94,063
Total liabilities	2,660,913	165,874	311,798	219,211	60,000	3,417,796

32 Capital management

Capital is made up of tier 1 and tier 2 capital elements. FirstBank UK's Tier 1 capital is equivalent to its equity which consists of paid share capital, retained earnings and revaluation reserves as stated in the statement of financial position. The tier 2 capital is the issued subordinated debt due March 2029. The Bank's capital management strategy is to provide a sufficient capital base to cover business risks, future business levels and comply with all regulatory requirements. It aims to maintain healthy capital ratios to support its business.

The Prudential Regulation Authority (PRA) supervises the Bank, receiving information on the capital adequacy and setting the capital requirements. The Bank actively manages its capital position, reporting regularly to the Board and senior management through its Asset and Liability Committee (ALCO) and other governance committees. ALCO is responsible for managing the capital of the Bank in line with the Risk Appetite set out by the Board, including approving policy, overseeing internal controls and setting internal limits for capital ratios. The Bank's approach is based on the three Pillars with the first Pillar based on minimum capital requirements at 8%, the second Pillar uses the Internal Capital Adequacy Assessment process to assess capital risks and to determine the Total capital requirement. Additionally, the PRA sets buffer requirements.

Pillar 3 covers the requirement for disclosures to market participants covering the Bank's capital, risk weighted assets and risk assessment processes. Further details about the Bank's regulatory capital requirement and its management are disclosed in the Bank's Pillar 3 Disclosure document published on its website.

33 Fair value of financial instruments

Categories of financial instruments

The table below represents FirstBank UK's assets and liabilities carrying amounts, classified by the categories as defined in IFRS 9.

31 December 2023	Fair Value through profit and loss $'000	Amortised cost $'000	Total $'000
Financial assets			
Cash and bank balances	-	38,231	38,231
Loans and advances to banks	-	1,186,213	1,186,213
Loans and advances to customers	-	529,947	529,947
Financial assets held at fair value through profit or loss	37,038	-	37,038
Financial investments carried at amortised cost	-	634,655	634,655
Other assets	-	1,794	1,794
	37,038	2,390,840	2,427,878
Financial liabilities			
Deposits from banks	-	713,970	713,970
Deposits from customers	-	1,249,444	1,249,444
Other liabilities	-	85,494	85.494
Financial liabilities at fair value through profit and loss	16,660	-	16,660
Subordinated liabilities	-	60,255	60,255
	16,660	2,109,163	2,125,823

31 December 2022	Fair Value through profit and loss $'000	Amortised cost $'000	Total $'000
Financial assets			
Cash and bank balances	-	28,824	28,824
Loans and advances to banks	-	1,244,332	1,244,332
Loans and advances to customers	-	400,733	400,733
Financial assets held at fair value through profit or loss	31,396	-	31,396
Financial investments carried at amortised cost	-	1,741,397	1,741,397
Other assets	-	2,429	2,429
	31,396	3,417,715	3,449,111
Financial liabilities			
Deposits from banks	-	1,764,739	1,764,739
Deposits from customers	-	1,208,196	1,208,196
Other liabilities	-	128,068	128,068
Financial liabilities at fair value through profit and loss	27,888	-	27,888
Subordinated liabilities	-	60,255	60,255
	27,888	3,161,258	3,189,146

Notes to the Financial Statements

for the year ended 31 December 2023

33 Fair value of financial instruments (continued)

Set out below is a year-end comparison of carrying and fair values of all the FirstBank UK's financial instruments by category. The fair values are determined as stated below.

	Carrying value		Fair value	
	31 December 2023 $'000	31 December 2022 $'000	31 December 2023 $'000	31 December 2022 $'000
Cash and bank balances	38,231	28,824	38,231	28,824
Loans and advances to banks	1,186,213	1,244,331	1,186,213	1,244,331
Loans and advances to customers	529,947	400,733	529,947	400,733
Financial assets held at fair value through profit and loss	37,038	31,395	37,038	31,395
Financial instruments at amortised cost	634,655	1,741,397	621,588	1,708,480
Other assets	1,794	1,006	1,794	1,006
	2,427,878	3,447,687	2,414,781	3,414,769
Deposits from banks	713,970	1,764,739	713,970	1,764,739
Deposits from customers	1,249,444	1,208,196	1,249,444	1,208,196
Financial liabilities held at FVTPL	16,660	27,888	16,660	27,888
Subordinated liabilities	60,255	60,254	60,255	60,254
Other liabilities	85,494	128,068	85,494	128,068
	2,125,823	3,189,146	2,125,823	3,189,145

Basis of determination of fair values

Cash at bank and in hand

These consist of cash held in hand and balances held in nostro accounts with other banks. The carrying amount of the cash balances is deemed to be a reasonable representation of the fair value.

Loans and advances to banks

These comprise of loans granted to financial institutions and short-term placements with banks. The carrying amount of the loans is deemed a reasonable approximation of their fair value.

Loans and advances to customers

These comprise loans and other facilities granted to non-bank customers. The carrying amount of the loans is deemed a reasonable approximation of their fair value.

Financial instruments at amortised cost

These comprise mainly of marketable debt securities. The basis of estimating the fair value of these assets is by ascertaining the market value as at the balance sheet date.

Notes to the Financial Statements

for the year ended 31 December 2023

33 Fair value of financial instruments (continued)

Financial assets – derivatives

These consist mainly of forward foreign exchange contracts of which the fair value is determined by applying valuation techniques include forward pricing and swap models that use present value calculations. The models incorporate various inputs including the credit quality of counterparties and forward rate curves of the underlying instrument.

Financial Instruments at fair value through profit or loss

These comprise debt instruments held for the purpose of trading. These securities are fair valued at each reporting date using the quoted market prices.

Deposits from banks

These comprise mainly of deposits taken from financial institutions and the carrying amount of these deposits is deemed to approximate their fair value.

Deposits from customers

These comprise mainly of deposits taken from non-bank customers and the carrying amount of these deposits is deemed to approximate their fair value.

Financial liabilities - derivatives

These consist mainly of forward foreign exchange contracts of which the fair value is determined by applying valuation techniques include forward pricing and swap models that use present value calculations. The models incorporate various inputs including the credit quality of counterparties and forward rate curves of the underlying instrument.

Subordinated liabilities

These are long-term debt liabilities, fair value of which has been estimated using the carrying amount of these liabilities as reasonable approximation of market value.

Fair value measurement recognised in the statement of financial position

The following tables provide an analysis of financial instruments for FirstBank UK that are measured and recorded at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

Notes to the Financial Statements

for the year ended 31 December 2023

- **Level 1** - fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- **Level 2** - fair value measurements are those derived from inputs other than quoted prices included 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 the asset or liability that are not based on observable market data (unobservable inputs).

33 Fair value of financial instruments (continued)

The table below shows the carrying value of financial assets not measured at fair value.

31 December 2023	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets				
Cash and bank balances	-	-	38,231	38,231
Loans and advances to banks	-	-	1,186,213	1,186,213
Loans and advances to customers	-	-	529,947	529,947
Financial investments carried at amortised cost	634,655	-	-	634,655
Other assets	-	-	1,794	1,794
Financial liabilities				
Deposits from banks	-	-	713,970	713,970
Deposits from customers	-	-	1,249,444	1,249,444
Subordinated liabilities	-	-	60,255	60,255
Other liabilities	-	-	85,494	85,494

31 December 2022	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets				
Cash and bank balances	-	-	28,824	28,824
Loans and advances to banks	-	-	1,244,331	1,244,331
Loans and advances to customers	-	-	400,733	400,733
Financial investments carried at amortised cost	1,741,397	-	-	1,741,397
Other assets	-	-	1,006	1,006
Financial liabilities				
Deposits from banks	-	-	1,764,739	1,764,739
Deposits from customers	-	-	1,208,196	1,208,196
Subordinated liabilities	-	-	60,254	60,254
Other liabilities	-	-	128,068	128,068

Notes to the Financial Statements
for the year ended 31 December 2023

33 Fair value of financial instruments (continued)

The table below show the fair value hierarchy of financial instruments measured at fair value.

31 December 2023	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets held at fair value through profit or loss				
Derivatives	-	24,961	-	24,961
Debt securities	12,077	-	-	12,077
Financial liabilities held at fair value through profit or loss				
Derivatives	-	16,660	-	23,093

31 December 2022	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets held at fair value through profit or loss				
Derivatives	-	21,994	-	21,994
Debt securities	9,401	-	-	9,401
Financial liabilities held at fair value through profit or loss				
Derivatives	-	27,888	-	27,888

34 Analysis of balances of cash and cash equivalents in the statement of cashflows

	Note	31 December 2023 $	Restated 31 December 2022 $
Cash and bank balances	14	38,231,723	28,825,055
Loans and advances to banks - repayable on demand	15	457,499,025	493,517,204
		495,730,748	522,342,259

The Bank has restated its previously issued statement of cashflow as at 31 December 2022. The Bank corrected the component of cash and cash equivalents which in previous year erroneously included loans and advances to customers – repayable on demand.

Changes in liabilities arising from financing activities.

	31 December 2022 $	Cash flows $	Foreign exchange movement $	Others $	31 December 2023 $
Current interest-bearing loans and borrowings	-	-	-	-	-
Current lease liabilities	1,225,172	(1,253,403)	-	924,203	895,972
Non-current interest-bearing loans and borrowings	60,255,000	(5,475,000)	-	5,475,000	60,255,000
Non-current lease liabilities	6,943,128	-	-	(122,061)	6,821,067
Total liabilities from financing activities	68,423,300	(6,728,403)	-	6,277,142	67,972,039

'Others' comprises the reclassification from non-current lease liabilities to current lease liabilities and the interest cost on these liabilities for the current year.

Notes to the Financial Statements

for the year ended 31 December 2023

34 Analysis of balances of cash and cash equivalents in the statement of cashflows (continued)

	31 December 2021 $	Cash flows $	Foreign exchange movement $	Others $	31 December 2022 $
Current interest-bearing loans and borrowings	-	-	-	-	-
Current lease liabilities	1,077,319	(1,225,171)	-	1,373,024	1,225,172
Non-current interest-bearing loans and borrowings	53,971,409	(5,459,692)	6,376,582	5,366,701	60,255,000
Non-current lease liabilities	7,924,724	-	-	(981,596)	6,943,128
Total liabilities from financing activities	62,973,452	(6,684,863)	6,376,582	5,758,128	68,423,300

35 Dividends

No dividend was paid by FirstBank UK Limited in respect of the year ended 31 December 2023 (2022: Nil).

36 Parent and ultimate parent undertaking

The Bank's immediate parent is First Bank of Nigeria Limited. The ultimate parent company and controlling party is FBN Holdings Plc. a company incorporated in Nigeria, and which prepares group accounts including all companies within the FirstBank group. The parent of the smallest and largest group for which Group accounts are prepared and of which the FirstBank UK is a member is FBN Holdings Plc. The registered address of FBN Holdings Plc is 11th Floor, Samuel Asabia House, 35 Marina, Lagos, Nigeria. Copies of such accounts may be obtained from the group website www.fbnholdings.com.

37 Post balance sheet events

The Directors are not aware of any material events that have occurred between the date of the Statement of Financial Position and the date of this report.

Five-Year Summary

for the year ended 31 December 2023

	December 2023 $	December 2022 $	December 2021 $	December 2020 £	December 2019 £
Balance Sheet					
Assets					
Cash at bank and in hand	**38,230,747**	28,823,807	54,332,780	26,632,884	25,768,067
Loans and advances to banks	**1,186,212,834**	1,244,331,748	1,005,849,379	749,252,262	711,298,294
Loans and advances to customers	**529,947,204**	400,732,733	567,660,716	475,851,293	461,477,846
Financial investments at amortised cost	**634,655,385**	1,741,397,473	1,802,789,968	1,052,603,457	1,397,254,348
Financial assets held at fair value through profit or loss	**37,038,076**	31,395,546	20,681,758	26,651,619	19,642,723
Property and equipment	**7,737,741**	9,104,891	11,811,462	10,000,779	11,133,361
Intangible assets	**1,121,550**	1,780,979	2,729,471	2,749,267	3,191,245
Other assets	**3,280,513**	2,429,178	2,539,878	1,630,499	1,666,897
Deferred tax asset	**25,818,620**	32,635,950	33,972,221	24,453,836	21,996,048
	2,464,042,670	3,492,632,305	3,502,367,633	2,369,825,896	2,653,428,829
Financed by:					
Share capital	**242,000,000**	242,000,000	270,000,000	200,000,000	200,000,000
Share premium	**24,227,532**	24,227,532	27,607,106	20,449,708	20,449,708
Reserves	**70,226,516**	33,911,232	(12,710,369)	(36,964,560)	(53,415,682)
Deposits by banks	**713,970,494**	1,764,738,929	1,859,526,473	1,212,689,338	1,443,514,550
Customer accounts	**1,249,444,331**	1,208,196,255	1,028,660,662	774,785,918	759,589,918
Financial liabilities at fair value through profit or loss	**16,659,543**	27,887,739	19,345,123	126,009	-
Other liabilities	**87,259,254**	131,415,618	249,605,429	154,652,566	237,582,556
Subordinated liabilities	**60,255,000**	60,255,000	60,333,209	44,086,917	45,707,779
	2,464,042,670	3,492,632,305	3,502,367,633	2,369,825,896	2,653,428,829
Income statement					
Gross earnings	**168,403,032**	115,074,034	95,246,737	84,130,432	99,447,566
Operating income	**108,506,883**	90,026,241	75,835,669	60,905,302	69,228,148
Operating expenses	**(50,301,166)**	(41,297,478)	(37,612,342)	(28,314,168)	(31,029,707)
Provision for losses	**(10,657,768)**	(4,646,630)	326,750	(33,220,172)	(5,217,849)
Loan recovery	**5,113**	3,501,728	1,030,368	15,491,107	-
Profit/(Loss) before tax	**47,553,062**	47,583,861	39,580,446	14,862,069	32,980,592
Taxation	**(11,237,778)**	(1,437,447)	(1,670,307)	1,589,053	(5,999,106)
Profit/(Loss) after tax	**36,315,284**	46,146,414	37,910,138	16,451,122	26,981,486
Dividend					

Abbreviation

AFC	Africa Finance Corporation
AGM	Annual General Meeting
AUM	Assets Under Management
BARAC	Board Audit & Risk Assessment Committee
BCC	Board Credit Committee
BNRC	Board Nomination & Renumeration Committee
CAR	Capital Adequacy Ratio
CRM	Certified Risk Manager
ICAN	Chartered Accountants of Nigeria
CIBN	Chartered Institute of Bankers of Nigeria
CEO	Chief Executive Officer
CFO	Chief Financial Officer
DEC	Disasters Emergency Committee
DVM	Doctor of Veterinary Medicine
EMDE	Emerging Market and Developing Economies
EIUK	Energy Institute of the United Kingdom
EDBD	Executive Director – Business Development
FCA	Fellow Chartered Accountant
FCA	Financial Conduct Authority
FI	Financial Institutions
GTL	Gas-To-Liquid
GAM	Global Account Management Programme
HNIs	High-Net-Worth Individuals
HR	Human Resources
ICAAP	Internal Capital Adequacy Assessment Process
ILAAP	Internal Liquidity Adequacy Assessment Process
IFRS	International Financial Reporting Standards
KPIs	Key Performance Indicators
LBS	London Business School
LSE	London School of Economics

MI	Management Information
MBA	Master of Business Administration
MSc	Master of Management
NDF	Non-Deliverable Forwards
NPL	Non-performing Loan
OMO	Open Market Operation
PIDG	Private Infrastructure Development Group Limited
PRA	Prudential Regulation Authority
ROE	Return on Equity
RCA	Risk and Control Self-assessment
RAS	Risk Appetite Statement
RIMA	Risk Management Association of Nigeria
SCB	Standard Chartered Bank
SPARK	Start Promoting Random Acts of Kindness
SAF	Strategy Advisory Forum
SSA	Sub-Saharan Africa

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First Bank Ghana Limited	Plot No: 6, 7 and 9 Liberation Road Accra, 111 Liberation Road, Accra Ghana. GA-007-8141	+233 302 23 6133, +233 302 23 5819
FirstBank Guinea Limited	Immeuble Kalinko Dye, Boulevard Telli Diallo, Koulewondy Commune, Kaloum, Conakry, Guinea	+224 611 711 010
FirstBank Sierra Leone Limited	3 Charlotte Street, Freetown, Sierra Leone	+232 77 995 481, +232 74 518 558
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Pension Custodial Services		
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