the access bank uk

Focussed on delivering **more**

Annual Report & Accounts 2018

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international business growth

Our Dubai operation is opening up extensive business opportunities within the MENA region and supporting our goal of being Africa's most respected bank.

The Access Bank UK's primary objective is **to grow the international business of the Access Bank Group**, using a combination of excellent customer service, innovative solutions in trade finance, commercial and asset management, and exemplary corporate governance.

As we enter the second year of the Bank's third five-year strategic plan, we remain committed to delivering value and sustainable growth to our parent and principal stakeholders.

Contents

We are authorised by the Prudential Regulation Authority (PRA), and regulated by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority, which puts us in a strong position to support opportunities in the Organisation for Economic Co-operation of Development (OECD) markets for Access Bank Group customers. Our role as Access Bank Group's OECD operational hub supports the flow of investment into markets in Nigeria, Sub-Saharan and West Africa. We are also authorised by the Dubai Financial Services Authority (DFSA) to run our Dubai operation located within the Dubai International Finance Centre (DIFC), which enables us to assist with trade and investment requirements between the UAE and Sub-Saharan Africa. The Access Bank UK is a wholly-owned subsidiary of Access Bank Plc, a Nigerian Stock Exchange listed company.

We take time to build long-term relationships, and work closely with our customers to understand their goals, in order to create a strategy tailored to their needs. We provide constant support and development opportunities for our employees, which reflects in their dedication and professionalism. The Bank is led by a team of accomplished individuals committed to the delivery of superior financial solutions to businesses and individuals. Our staff have worked in the Sub-Saharan, West African and international marketplaces, so offer a wealth of knowledge and in-depth experience.

Like our parent, The Access Bank UK is committed to developing a sustainable business model for the environment in which it operates. This is reflected in our moderate appetite for risk, a passion for customer service and our commitment to working in close partnership with our customers to forge long-term relationships with them.

We play a key role in our Group's vision to be the world's most respected African bank. As such, we refuse to chase unsustainable yields as a route to growth, but instead focus on the strength of our customer relationships to develop the business in a measured and structured way.

2018 Highlights

We joined the three key UK payment clearing systems: BACS (Bankers' Automated Clearing Services), C&CCC (Cheque and Credit Clearing Company's Image Clearing System) and Faster Payments.

We were awarded Finance Monthly CEO Award 2018; Best African Trade Finance Bank Award from International Finance; and, for the third year in a row, Best Africa Trade Finance Bank 2018 by Capital Finance International (CFI).

Measured expansion into Ghana, Kenya and Tanzania.

Recouped investment from Dubai start-up.

Operating income increased 47% year-on-year to £53m.

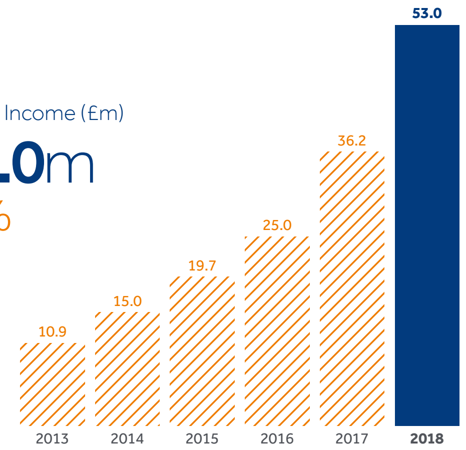
Pre-tax profits increased 50% year-on-year to £33m.

Post-tax profits increased 47% year-on-year to £26m.

Operating Income (£m)

£**53.0**m

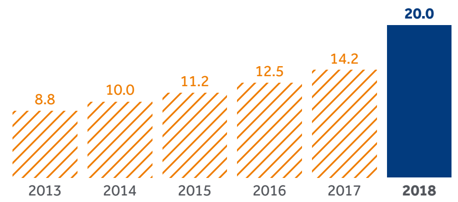
+47%



Operating Costs (£m)

£**20.0**m

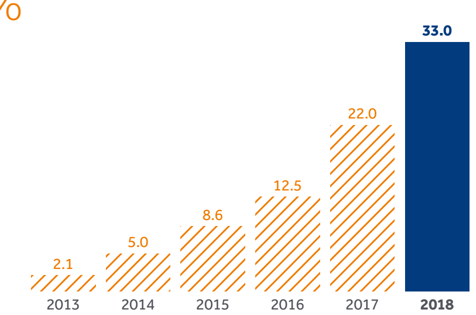
+41%



Pre-Tax Profits (£m)

£**33.0**m

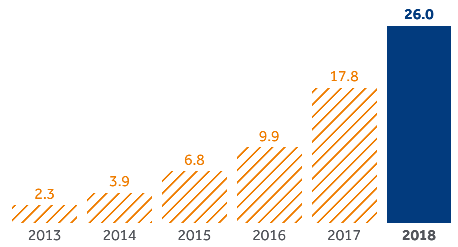
+50%



Post-Tax Profits (£m)

£**26.0**m

+47%



The Bank's growth was built squarely on our commitment to customer service and our six core values: Excellence; Passion for customers; Innovation; Empowered employees; Professionalism; and Leadership.

You can find more details about our values on page 7.

Strategic Business Units - Overview

The Access Bank UK is a wholly-owned subsidiary of Access Bank Plc. We provide Trade Finance, Commercial Banking and Asset Management services for clients of Access Bank Group in their dealings with OECD markets, and support companies exporting to African markets.

The Access Bank UK is authorised by the Prudential Regulation Authority (PRA) and regulated by the UK's Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA). Our operation in Dubai is regulated by the Dubai Financial Services Authority (DFSA).

All of our IT systems are independent, wholly located in the UK and adhere to these authorities' standards of data collection and management. Our operations are comprised of the following Business Units: **Trade Finance, Commercial Banking, Asset Management and Dubai.**

Trade Finance

- OECD trade finance hub for Access Bank Group.
- Confirming bank for customers of Access Bank Group and exporters to the Sub-Saharan African and MENA markets.
- Correspondent bank to institutions in Nigeria and other countries in Sub-Saharan Africa.
- Approved correspondent and trade finance bank for the Central Bank of Nigeria (CBN).
- Issues Letters of Credit on behalf of the Nigerian government and Nigerian National Petroleum Company (NNPC).
- Accredited by IFC (World Banking Commercial Arm).

Trade Finance Income
£23.7m
+20% yoy

Correspondent Banking
£9.3m
+45% yoy

Discounting Services
£7.6m
+255% yoy

Commercial Banking

- Relationship-based service for corporate and individual customers encompassing bank accounts, international transfers, foreign exchange transactions and a range of Dollar, Sterling and Euro deposit-based products.
- Bespoke trade finance solutions to facilitate the import of goods into Nigeria and other Sub-Saharan African countries together with the MENA region.
- Offers Retail Savings Bonds 1, 2 & 3 year with fixed rates for UK nationals.
- Offers both investment and owner-occupied loans on UK properties.

Commercial Banking Income
£21.9m
+90% yoy

Customer Deposits
£481m
+13% yoy

Nigerian Corporates
£7.2m
+140% yoy

Asset Management

- Relationship-based service developing a clear understanding of our clients' changing requirements.
- Provides bespoke discretionary portfolio management services, fixed interest and execution-only portfolios, bringing worldwide investment products to high net worth customers primarily in Nigeria and Ghana.
- Lending services through portfolio and other asset instruments.

Income
£1.7m
+13% yoy

Assets Under Management
$98.8m
+26% yoy

Lending Book
£53.1m
+58% yoy

Dubai

- Linking Sub-Saharan Africa and Europe with the MENA region.
- Bespoke trade finance solutions to facilitate the import and export of goods between these regions.

Income
£2.1m
+213% yoy

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staff training and skills development

Our consistently low staff turnover is an endorsement of our advances in training and development and reflects the Bank's positive working environment and culture.

We work closely in partnership with BPP and the Chartered Institute of Personnel & Development (CIPD) programmes. We have also established an **internal mentoring programme**, supported by external courses, to develop the skills of both mentors and the mentees.

Our Values

Six core values have informed the Bank's five-year plans and underpinned its approach to meeting targets. These values are shared in common with the wider Access Bank Group.

Excellence

Surpassing ordinary standards to be the best in all that we do.

Setting the standard for what it means to be exceptional.

Never losing sight of our commitment to excellence, even when the going gets tough.

Remembering that excellence requires dedication and commitment.

Our approach is not that of excellence at all costs – it is excellence on all fronts so that we deliver outcomes that are economically, environmentally and socially responsible.

Innovation

Identifying new market needs and opportunities.

Creativity, invention, inspiration, exploration.

Pioneering new ways of doing things, new products and services, new approaches to clients/customers.

Being first, testing the waters, pushing boundaries.

Going from concept to market/reality.

Anticipating and responding quickly to market needs with the right technology, products and services to achieve our customers' objectives.

Professionalism

Putting our best foot forward in everything we do, especially in high-pressure situations.

Consistently bringing the best of our knowledge and expertise to the table in all interactions with stakeholders.

Setting the highest standards in our work ethic, behaviour and activities, in the way we treat our customers and - just as importantly - each other.

Putting our customers' needs ahead of our own.

Maintaining composure and clear thinking at all times.

Ensuring continuous learning through growth and career development.

Passion for customers

We live to serve our customers.

As well as delivering excellent customer service, we focus on our corporate responsibilities, supporting growth and opportunity in Africa and elsewhere.

Empowered employees

Recruiting and retaining the right people and teams, based on shared values and vision.

Developing our people to become world-class professionals.

Encouraging a sense of ownership at individual level, while fostering team spirit and loyalty to a shared vision.

Promoting a sense of belonging and community.

Facilitating continuous learning by providing the training, tools and coaching to help our people grow.

Helping our people to take care of their health.

Pursuing a positive work/life balance for increased productivity and improved employee satisfaction.

Encouraging a diverse workforce, and respecting and appreciating differences in ethnicity, gender, age, national origin, disability and religion.

Leadership

Leading by example, leading with guts.

Being first, being the best, sometimes being the only.

Courage to be the change we want to see.

Setting the standard.

Challenging the status quo.

Market-making.

Self-awareness in being able to maintain a balanced assessment of externalities and costs incurred in the pursuit of leadership.

Our Business Model

Summary

Our success in establishing The Access Bank UK has been built on ensuring that we develop strong relationships with our customers. This enables us to understand and anticipate their individual needs better, which also serves to reduce the operational risk of the Bank.

Our relationship-based approach has driven the successful delivery of the key milestones in the Bank's development (please see page 11).

Developing our business model

Our relationship-based philosophy continues to drive the growth being delivered as part of the Bank's second five-year plan.

We are confident that this strong focus on relationships will enable the Bank to build on the achievements delivered to date, despite the current challenges resulting from the headwinds in global growth.

Our Vision

To be the world's most respected African bank.

Our Mission

Setting standards for sustainable business practices that unleash the talents of our employees, deliver superior value to our customers and provide innovative solutions for the markets and communities we serve.

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growth from strong, dynamic customer relationships

We strive to deliver exceptional banking practices, and innovative products and services, to build long-term relationships with our customers.

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awards and media endorsement

We are proud to have received many awards in 2018. These awards acknowledge our progress towards becoming recognised as the **World's Most Respected African Bank.**

We were awarded 'Best Africa Trade Finance Bank 2018' by Capital Finance International for the third year running and were also proud to win the 'International Finance Award for 2018 for the Best African Trade Finance Bank' and the 'Finance Monthly CEO Award for 2018'.

Our Milestones

2015

Launched operations in the UAE
We were authorised by the DFSA and DIFC to establish and run our office in Dubai. This is located in the prestigious DIFC and enables us to serve our customers based in the region and facilitate trade and investment between Sub-Saharan Africa and the UAE.

Launched High Net Worth regulated execution-only mortgage product
We were authorised by the PRA/ FCA to undertake regulated execution-only mortgage products for our High Net Worth customers. This provides our customers with expanding options for property ownership.

Launched our online retail savings product
This was to enhance the service channels and product offering to our retail savings customers. We launched a quick and simple online application and also expanded the product range to incorporate a three-year fixed rate bond.

2016

Achieved full branch status
We broadened our operation in Dubai/UAE to full branch status.

Expanding range of products
We launched our execution-only portfolios to expand the range of products and services for all Private Bank customers.

Winning awards
We were awarded 'Best Africa Trade Finance Bank 2016' by Capital Finance International.

Success with staff graduation
We achieved successful staff graduation from our Higher Apprentice Scheme.

Developing skills within the Bank
We launched our own mentoring scheme to coach and develop the skills of mentors and mentees within the Bank.

2017

Winning awards
We were awarded 'Best Africa Trade Finance Bank 2017' by Capital Finance International for the second consecutive year. This award recognises our progress towards our vision of being the World's Most Respected African Bank.

Developing skills within the Bank
We were delighted to have been awarded IIP Gold Standard Status reflecting the focus that we have to continually invest and develop the skills and abilities of our people.

Expanding range of products
We further enhanced our Private Bank offering with the addition of fixed interest portfolios for customers wishing to diversify their risk profile.

2018

Direct membership of the UK clearing system
We successfully completed the transition to become direct members of the UK clearing system and are now direct members of Faster Payments, BACS and C&CCC. This will enable us to provide an enhanced level of service to our customers and provide us with a platform for the further development of our retail offering.

Expanding our product range
We further enhanced our Private Bank offering with the addition of execution-only portfolios to provide our customers with a more diversified product range to suit their requirements.

Winning awards
We were awarded 'Best Africa Trade Finance Bank 2018' by Capital Finance International for the third year running. We were also proud to have been awarded the 'International Finance Award for 2018 for the Best African Trade Finance Bank' and the 'Finance Monthly CEO Award for 2018'. These awards acknowledge our progress towards becoming recognised as the World's Most Respected African Bank.

Chairman's Statement

Herbert Wigwe
Chairman and Non-Executive Director

The completion of The Access Bank UK's first decade of trading was one of the year's major milestones. It has been a period during which the Bank earned a reputation for innovation and flexibility, outperformed its own targets by a significant margin and, thanks to the enduring strength of its customer relationships, has built the foundations for its continued progression.

The UK operation's ongoing development will now take place within the framework of a new and enlarged Access Bank Group which, in fusing its brand with Diamond Bank's, sees the formation of a commercial and retail banking business that offers customers, shareholders, staff and other stakeholders greater choices and more opportunities than ever before.

Our new brand promise – ***access. more than banking*** – neatly captures the essence of the two Banks. The combination of Diamond Bank's strong retail customer franchise and leading digital platform, in tandem with Access Bank's proven corporate banking capabilities, proven risk management and capital management expertise, is a strong statement of intent and symbolises our shared philosophy.

Both Banks share the same vision, namely to build a large, diversified retail bank that is modern, intelligent and digitally led; operates on a global scale; and offers strong payment capabilities. Guiding our 29 million customers worldwide to realising their dreams and ambitions, while simultaneously supporting our national economy, and Africa as the gateway to the world, is a powerful motivation for all of us.

In reflecting on The Access Bank UK's many operational highlights of 2018, including a 50% year-on-year increase in pre-tax profits to £33m, it is clear that the Group's UK operation is ideally positioned to capitalise on the greater international capabilities of an enlarged Group and, with its customer-focused, solutions-driven approach, go on to even greater success.

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I would also like to highlight the contribution of our growing Dubai operation. In opening up the extensive business opportunities within the MENA region, it is supporting our goal of being Africa's most respected bank and helping to establish the Group as 'Africa's Gateway to the World'.

I cannot end without paying tribute to Tim Wade, one of our founding directors. His contribution in first developing, then steering The Access Bank UK Ltd in its formative days, cannot be overstated. Although he has retired from the Board, we will still be able to call on his wisdom and counsel as we continue our evolution, and now welcome David Charters as our second independent Non-Executive Director.

Finally, I would like to extend the thanks of the Board to our customers for their continued loyalty and trust; to our shareholders; and to our staff, for their unstinting efforts and commitment to the delivery of the high-class standards of service that make the Bank what it is today. With God's continuing guidance, we look forward to another successful decade.

Herbert Wigwe
Chairman and Non-Executive Director

Chief Executive's Review

Jamie Simmonds
CEO and Managing Director

Despite uncertainty over the outcome of Nigeria's Presidential elections, and growing competition from international banks with their return to the Nigerian marketplace as the country has emerged from recession, our relationship-based approach has continued to prove highly resilient and served us well during another challenging year, in which the Bank remained profitable and operationally robust.

The Bank recorded across-the-board growth during 2018, a year which was also notable for our measured expansion into Sub-Saharan Africa and for recouping the investment in our key Dubai operation in only its second full year of operation.

The four strategic business units continued to perform well, with all posting double-digit income growth over the previous year. The importance of Dubai as a conduit to Nigeria and the rest of Africa was borne out by a 213 % increase in income, to £2.1m.

Operating income grew significantly to £53m, a year-on-year increase of 47%, and pre-tax profits once again grew significantly – by 50% – to £33m.

Our balance sheet grew by 36% year-on-year to £1.9bn and our share capital increased to £197m, an increase of 26% year-on-year. There was significant improvement across all of our key ratios.

The Bank's growth has flowed naturally from the strength of dynamic customer relationships and the trust that comes from the continuity of delivery by the same team.

The Bank's Cost Income ratio continued to improve, reducing year-on-year from 39% to 38%, against ongoing investment in our staff, which grew by 15%, to ensure that the integrity of our customer service offering is maintained.

Pre-tax return on equity (RoE) rose to 18.3%, up from 16.6% in 2017. Despite an increase in our cost of funds following the increase in LIBOR rates, the return on assets (RoA) grew modestly to 2.05% from 2%. It is also pleasing to note that we continued our history of having no non-performing loans (NPLs).

Our relationship-based culture has given us a sustainable, flexible business model and the platform to innovate and respond to customer needs quickly. The Bank's growth has flowed naturally from the strength of dynamic customer relationships and the trust that comes from the continuity of delivery by the same team.

It is a proven strategy to which we remain committed and which underpins the Bank's operational philosophy.

Trade Finance
The Bank's Trade Finance operation continues to be our largest strategic business unit. Income grew by 20% year-on-year to £23.7m, of which £9.3m was accounted for by correspondent banking, representing annual growth of 45%.

This is an important development and reflects our decision to expand this key service into other African countries, including Ghana, Kenya and Tanzania. We have followed a number of key customers into these new territories, to support their plans to establish pan-African businesses. This is a further measure of the solidity of the Bank's relationships with these customers, and of the trust they have shown in us.

Our clear positioning in the Nigerian marketplace provides the necessary platform to broaden our services in an increasingly competitive market, and we see further opportunities to build on our success to date.

Commercial Banking
Commercial Banking had another exceptional year, with income growing by 90% to £21.9m. This was partly a reflection of the successful introduction of a number of innovative products, and organic growth amongst our existing customer base. We continued to see an increase in customer deposits, which increased by 13% to £481m.

The 1, 2 and 3-year bonds that we launched in 2014, with attractive yields to UK nationals, have continued to attract substantial deposits, which totalled £285m by year end. This extra liquidity is reinvested to provide enhanced solutions for our customers.

The operation is well-positioned to support infrastructure development and we worked closely with a number of organisations to bring some large-scale projects to fruition. Growth in the Nigerian corporate sector was encouraging and generated income of £7.2m, an increase of 140%. This is a key area of focus for the Bank.

Dubai
We completed the return of the initial investment to establish our operation in Dubai a year earlier than anticipated. Income of £2.1m represents year-on-year growth of 213%, in what was only our second full year of operation, and reinforces that this market offers considerable potential.

The strategy behind Dubai is to capitalise on the growing trade flows between the MENA region and Sub-Saharan Africa. What has been pleasing is that, while the emirates of Dubai and Abu Dhabi have featured strongly in this process, other countries have started to use the operation as a hub for trade finance.

The MENA region is attracting growing interest from China, India and Singapore as a gateway to the wider African continent. We have already started to develop relationships with customers from those territories who see our expertise, reputation and footprint in Nigeria, and other Sub-Saharan countries, as critical to exploring opportunities in Sub-Saharan Africa and further afield.

This, combined with a strong balance sheet, a moderate risk appetite, the confidence generated by strong regulatory oversight in the UK and Dubai, on-site relationship management in Dubai, and back office support via our Northwich facility in the UK, gives us a strong and sustainable platform for continued expansion.

The Bank was the first Nigerian bank to achieve Investors in People accreditation. We are proud to have now advanced our status to gold, putting us among the UK's top companies.

Asset Management
Asset Management reported another successful year, with income growing by 13% to £1.7m, Assets under management now total US$98.8m, up 26% on 2017. Again, this growth can be attributed to a range of new products developed to meet the varying needs of our customers.

Our lending book continued to grow to £53.1m, representing a 58% uplift year-on-year.

Treasury
Treasury's principal function is to support the Bank's business functions and to manage its balance sheet effectively, ensuring that we meet regulatory requirements and maintain our capital and liquidity ratios within our moderate risk appetite.

In all respects, Treasury has again been effective in applying a clear strategy in supporting the Bank's operations in line with our risk appetite, as evidenced by the fact that our loan-to-deposit and cost income ratios have both strengthened.

Investors in People
Our people are key to establishing the strong customer relationships that are an integral part of our business culture, and so are critical to the Bank's ongoing development. The majority of our frontline team have been with us for eight years or more, while most of our middle and senior managers joined us as juniors and have developed with us. Our staff turnover is well below the average for the banking sector.

We invest heavily in staff training and professional development, giving everybody the opportunity to progress within the Bank by actively encouraging them to acquire additional specialist professional qualifications.

The Bank was the first Nigerian bank to achieve Investors in People accreditation. We are proud to have now advanced our status to gold, putting us amongst the UK's top companies. We also work closely in partnership with BPP and the Chartered Institute of Personnel and Development programmes.

Operations development
The Bank invests in the latest technology to ensure that its infrastructure adheres to industry standards, while providing essential operational resilience and future-proofing.

The Bank's policy of not outsourcing, and only managing customer assets in-house, provides a stronger and more flexible operational platform. The direct involvement of our senior wealth managers – many of whom have been with us from the outset – in managing a customer's wealth deepens already strong relationships.

The Bank's ongoing investment in its infrastructure gave us the opportunity to launch an execution-only product to sit alongside our discretionary management service. This has broadened the service offering that we can provide to our customers and is in response to their growing needs.

Retail fixed deposits for UK nationals are similarly also handled in-house. Some £285m has been invested in our 1, 2 and 3-year fixed rate bonds, helping to build balance sheet resilience. The Bank's willingness to offer the same competitive rates to existing and new customers ensures that we are consistently among the UK's top 20 providers.

Cybercrime and fraud awareness is high on our agenda and we continue to invest in state-of-the-art security systems tested through regular external penetration testing.

Risk Management and Compliance
The implementation of new and increasingly complex regulatory demands, covering risk management, compliance and data protection, places significant responsibilities on today's international banking industry. To keep pace with these demands, the Bank strengthened its compliance team with the additional recruitment of 22% more staff during the year.

The Bank has implemented new requirements in respect of MiFID II (Markets in Financial Instruments Directive II) and the PSD2 (Payments Service Directive 2) regulations seamlessly, and GDPR (General Data Protection Regulation), the EU's latest data protection directive, within the required timelines and on budget.

The closeness of the relationship with our parent is important, and we continue to collaborate closely, alongside the independent income streams that we have built to ensure we have a resilient and sustainable UK operation.

Outlook
The strength of the Bank's financial performance, and the careful stewardship of our balance sheet, are powerful incentives to investing further to broaden our global reach. However, we will only do so in a measured and sustainable way, and through innovation, so that our service to customers reflects what is required in these new territories.

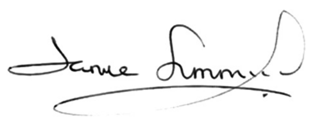
There is a mixed picture ahead of us. Whilst global growth is slowing, our view is that the impact of any downturn will not be significantly felt during 2019 and that the Bank is sufficiently resilient to withstand these challenges. It is clear that markets will not become easier, but neither do we anticipate any contraction in those territories where we are traditionally strong.

Nigeria will continue to grow. We see opportunities for further infrastructure investment in the country, where we can continue to undertake a significant role.

The closeness of the relationship with our parent is important, and we continue to collaborate closely, alongside the independent income streams that we have built to ensure that we have a resilient and sustainable UK operation.

The Bank's membership of the three key UK payment clearing systems is a major landmark and completes our transition to direct membership of the UK payment clearing system.

This will enhance our service provision, and gives us a sustainable programme for growing our business, with a strong focus on building our service offer to personal customers over the next two to three years.



Jamie Simmonds
CEO and Managing Director

Business Segment Review

The Access Bank UK drives the development and growth of Access Bank Group's international business interests, through four strategic Business Units supported by our Treasury team. Each of the Units is charged with increasing revenues, using a combination of outstanding service and innovative products, to leverage already strong customer relationships while maintaining the Bank's appetite for moderate risk.

Trade Finance

The Trade Finance operation continues to be the Bank's largest Strategic Business Unit. In addition to its role as confirming bank for Access Bank plc, one of the year's highlights was the continued development of correspondent banking activities more broadly within Sub-Saharan Africa.

This included expanding its reach to a number of other African countries, including Ghana, Kenya and Tanzania, with our proven correspondent banking offer. The strategy resulted in a significant 45% increase in income, to £9.3m, from correspondent banking during the year, and has considerably bolstered important ties with external banks throughout Sub-Saharan Africa.

Correspondent banking activities are an important element in The Access Bank UK's overall business strategy and service offering. A number of accolades, including awards from Capital Finance International (CFI) for 'Best Africa Trade Finance Bank 2018', for the third year running, and from International Finance for 'Best African Trade Finance Bank' for 2018 are welcome recognition of our progress in this area.

With our strong positioning in the Nigerian marketplace, the Bank has the necessary platform to broaden its correspondent banking, and other services, despite an increasingly competitive market.

Trade Finance Income

£23.7m +20% yoy

Correspondent Banking

£9.3m +45% yoy

Discounting Services

£7.6m +255% yoy

Commercial Banking

The successful introduction of a number of innovative products, tailored specifically for our corporate customers, and organic growth amongst our existing customer base, contributed to the 90% growth in income, to £21.9m, in our Commercial Banking operation in 2018.

We continued to see an increase in customer deposits, which grew by 13% to £481m, while the 1, 2 and 3-year bonds that we launched in 2014 once again proved popular with savers looking for attractive yields. Deposits totalled £285m at year end.

Growth in the Nigerian corporate sector has accelerated sharply over the last two years. This is attributed to the emergence from recession of the Nigerian economy, and our continued focus on actively supporting infrastructure development in the country. The previous year's growth in this area was further enhanced in 2018 to generate income of £7.2m, an increase of 140%.

We expect to maintain our momentum in the corporate sector by supporting the financing of further large-scale projects and, with the growth of our Dubai operation, to introduce new partners from Asia and the Middle East.

Commercial Banking Income

£21.9m +90% yoy

Customer Deposits

£481m +13% yoy

Nigerian Corporates

£7.2m +140% yoy

Asset Management

The ability to be flexible and understand the changing needs and requirements of our customers underpins our relationship-driven, problem-solving approach.

This has enabled us to develop innovative solutions and products that make up our range of bespoke discretionary portfolio management services, fixed interest and execution-only portfolios. High net worth customers throughout Nigeria, Ghana and Sub-Saharan Africa utilise our range of portfolios which comprise global/world-class investment products. The value of assets under management increased by 26% during 2018 to US$98.8m.

The Bank's appetite for moderate risk extends to the implementation of loan facilities for each customer. It is a prudent strategy which has served us well and has resulted in no non-performing loans in 2018. Our asset management lending book continued to grow, to £53.1m, representing a 56% uplift year-on-year.

The broad range of services and products we now have has ensured that we attract new and retain existing customers resulting in asset management income for the year of £1.7m, an increase of 13% on 2017.

Income

£1.7m +13% yoy

Assets Under Management

$98.8m +26% yoy

Lending Book

£53.1m +58% yoy

Dubai

Our branch in Dubai International Financial Centre is ideally positioned at the geographical hub between East and West and, increasingly, Africa to harness the growing appetite among the established economies of China, India and Singapore for developing stronger trade links in the MENA region and Sub-Saharan Africa.

The return of the initial investment to establish the Dubai branch – a year earlier than forecast – is a strong endorsement of the branch's growing value to regional and international customers, both as a reliable source of advice on doing business in Africa, and for access to trade finance.

Access Bank Group's high-profile presence and reputation throughout Nigeria and Sub-Saharan Africa, coupled with The Access Bank UK's ability to offer on-the-ground expertise in Dubai, is proving a powerful combination in forging relationships with customers. They see the Bank as critical to their efforts to develop new opportunities and strengthen existing relationships in Africa.

Income of £2.1m represents year-on-year growth of 213%, in only the second full year of operation. This market, we believe, offers scope for further expansion and significant opportunities to enhance our reputation as the established bank for undertaking business on the African continent.

Income

£2.1m +213% yoy

Corporate Social Responsibility

The heart of our culture is a belief in building and maintaining close, long-term relationships with our customers and developing products and services to meet their changing needs. Similarly, for our employees, we provide the leadership and resources that enable continuous professional development. As a business the sustainability of our model underpins our active support for growth and opportunity in Nigeria, Sub-Saharan and West Africa.

Access Bank Polo Day 2018

As part of its continued support of UNICEF, Access Bank Group, along with Fifth Chukker, The Access Bank UK and Access Private Bank hosted the 'Access Bank Polo Day' at the Guards Polo Club in Windsor, summer last year.

The event was attended by 700 esteemed guests and raised an incredible $2.2 million; this will help fund 46 classrooms for around 1,840 children in Northern Nigeria via a UNICEF project, for over the next five years.

The day was filled with exciting polo tournaments between Fifth Chukker, Delaney, Keffi Ponies and Shoreline. The tournament follows on from the Access Bank/UNICEF Charity Shield Polo Tournament which is now in its 11th year.

The event was a huge success and its sponsorship provides a platform for supporting orphaned and vulnerable children in Nigeria.

The Lord Mayor's Appeal – City Giving Day 2018

The Access Bank UK was proud to support last year's Lord Mayor's Appeal through the City Giving Day initiative, which forms part of The Access Bank UK's corporate social responsibility activities.

Colleagues at The Access Bank UK joined other participants at the City Giving Day 2018 Countdown Breakfast to hear from the Lord Mayor's Appeal team about their plans for City Giving Day.

The Lord Mayor's Appeal aims to support three charity partners; Samaritans, OnSide Youth Zones and Place2Be, who will be delivering ground breaking programmes that can help change people's lives and help create A Better City for All.

City Giving Day provides small businesses, large corporations and charities with a chance to engage with their employees, recruit volunteers, to have fun, raise money and showcase their charity partners/ charitable giving.

The Lord Mayor's Appeal aims to have a transformational impact on people's lives by bringing together businesses, neighbouring communities, employees and charities to find solutions to some of London's most pressing societal issues.

Community investment and service to society

The wider Access Bank Group is committed to supporting the growth and prosperity of local communities, therefore deliberate efforts are made to support various projects, organisations and events focused on making a positive difference in the communities. Our priority areas are health, education, sports, arts, environment and social welfare. Since 2015 ₦5.59 billion has been invested in various corporate social responsibility initiatives, thereby impacting 1,038 communities, reaching 28,540,046 lives and 630 Non-Governmental Organisations.

Women's empowerment and gender inclusiveness

The Access Bank Group recognises the importance of women's empowerment and sets a direct path towards gender equality, poverty eradication and inclusive economic growth. With over a decade of supporting women and four years of Inspiring, Connecting and Empowering, we constantly deploy initiatives that have helped us maintain our position as the Bank of Choice for Women.

The Bank continues to showcase their commitment to the social and economic empowerment of women in Nigeria, Africa and the world at large. The Group is committed to maintaining sustainable best practices, and initiatives are deployed that help them achieve this.

Policies are created and resources made available that foster gender diversity and inclusion, as well as ensuring an enabling environment that encourages women's participation.

Employee volunteering activities

The Access Bank Group highlights the importance of employee volunteering as an innovative way for the Group to invest in their people and local communities. Employees are guided and advised on how to impact communities in these focus areas, donating their time, skills and resources during work hours to tackle local social issues. The past year showed the passion and commitment of our employees to community investment and this was reflected in the calibre of projects various groups embarked on.

In total, employees have volunteered 2,618,280 hours, in over 300 strategic community initiatives across the six geo-political zones since 2015. We have achieved 100% employee participation in the Access Bank's Employee Volunteering initiative, empowering employees to contribute to the sustainable development of communities.

Environmental sustainability

Access Bank's strategy has Sustainability Environmental Management embedded in it. At Access Bank, we recognise that a better and prosperous future is linked to the well-being and health of our planet. Thus, the protection of the environment is important to us. This drives us to continue to invest in innovative technologies and techniques that promote the efficient use of resources and address sustainability issues when managing risk. We are committed to a clean environment and the fight against climate change. This commitment is reflected in various aspects of our business process, such as analysis of the social and environmental risks of our financing activities and measurement of our environmental footprint.

In 2018, Access Bank in collaboration with 27 global banks from across five continents formed a Core Group that developed the Principles for Responsible Banking. The draft Principles for Responsible Banking was launched at the GRT on 26 November, 2018 in Paris, France by the CEOs and representatives of the Core Group banks. The banking industry, ably represented by leading UNEP FI member banks, developed the Principles to define the banking industry's roles and responsibilities in aligning financing with the Sustainable Development Goals and Paris Agreement on Climate Change.

The Bank is continuously trying to find ways to be more environmentally friendly; from the efficiency of our buildings to our progress in managing energy, water and waste, we have embedded sustainability throughout our businesses.

Supporting UNICEF through the 2018 Access Bank Polo Day tournament

Head of Commercial Banking Johnson Ememandu alongside the Lord Mayor

Funds raised via the Access Bank, Fifth Chukker and UNICEF project are put towards facilitating schools in Nigeria.

Risk Management

The Bank continues to adopt a moderate appetite for risk, which is formalised in our published Risk Appetite Statement and covers all areas of credit, liquidity, operational and market risk. It is fully aligned with our current five-year plan and defines our development of new products and services.

Our risk management structure includes established teams dealing with operational, credit, compliance and anti-money laundering risk and Key Risk Indicators that provide an early warning system for our top ten risks. We have embedded enhanced risk management tools across our business and increased the leveraging of investment in our IT infrastructure.

The Bank operates in strict accordance with the requirements of its regulators in the UK and Dubai. In respect of the UK, capital and liquidity requirements are managed through detailed planning and stress assumptions contained within the Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP) documents. These are updated regularly and overseen by the Bank's executives and an established committee structure.

A detailed Recovery Plan and Resolution Pack is in place, with appropriate triggers to ensure management action can be taken at an early stage, if stresses to the Bank's moderate risk appetite in our business plan were to occur. We operate a 'three-line of defence' risk management model: we provide controls through front-line staff, compliance and risk management functions and additional oversight through auditors (internal and external) and directors.

We support this risk management model with an employee culture in which our risk strategy is firmly embedded and clearly communicated. The consistent risk management approach is supported by the Bank's policy framework. Risk management is integrated into our operations through the attendance at the Executive Committee and all sub-committees of our Risk and Compliance Director.

It is also policy to focus on investment-grade institutions and to deal only with those banks that are generally considered to be both stable and systemically important. As part of our ongoing risk management strategy, we continue to monitor the ten most significant risks to our business. We have identified these as follows:

Risk	Control Strategy
Reputational Risk The risk of loss resulting from damages to a firm's reputation. This could include a decline in stakeholder's confidence, value lost in respect of the brand name and costs incurred following an actual or potential breach of a socially or professionally accepted code of conduct.	The Bank is wholly-owned by a single shareholder, with whom the Bank has close and transparent relations, and a particular focus on KYC/AML together with the UK Bribery Act, supports this. The Bank conducts careful due diligence of prospective clients, suppliers and financial counter-parties. The Bank has a robust approval process which requires its Executive Committee management team to review and approve all high-risk category clients and to have oversight of counter-party relationships and new markets.
Documentation Risk Documentation risk comprises four areas of risk: breach of data handling rules according to the Data Protection Act (DPA); PRA and FCA Record Keeping Rules; Accuracy; and Archiving and Recovery.	Our strategy incorporates clear policies and procedures and document maker checker requirements. Systemic record retention procedures have been established to ensure that records are retained for all systemic activity. The Bank has strict policies and procedures to ensure compliance with the General Data Protection Regulation. These include system controls and safeguards that restrict the misuse of data. Documents are subject to compliance, and senior manager review and oversight. Data is held securely on systems and is backed up on secure and remote locations to ensure that records can be recovered in the event of loss. Enhanced and ongoing due diligence is undertaken on all third-party suppliers to ensure any data held is compliant.
Conduct Risk (including Financial Crime) The risk that the Bank's behaviour will result in poor outcomes for consumers; Internal Staff Theft and False Accounting; Third Party Fraud; Management Fraud; Bribery Act 2010.	The Bank has clear policies and procedures which define our approach. We have a governance structure which ensures the culture is maintained from the Board (including NEDs) down to all areas of the business, with emphasis on the Bank's vision and values. The Bank has established numerous indicators of conduct risk, including customer complaints, new product design and conflicts of interest. The Bank's three-line defence strategy operates to minimise the risk of loss and fraud at any level.

Risk	Control Strategy
Cyber Risk Cybercrime is any electronic activity which defrauds consumers or businesses, or compromises computers or networks. It includes financial theft, data theft, denial of service, takeover fraud and reputational compromise.	The Bank has a robust IT security strategy, involving multiple security controls, to reduce the impact of a direct attack on its IT systems and customer data. Staff are fully trained and regularly reminded of their responsibilities in terms of security and safe email handling. Personal security procedures are followed that are consistent with industry practices. These include tight password and access security. Internal internet 'firewalls' are employed to protect the Bank's systems from rogue attacks. The Bank's external and internal electronic security is tested annually by the Penetration Test.
Regulatory Risk Impact of New Regulation; Regulatory returns; Senior Managers' Regime, Licensing and Authorisation; and Compliance with Laws and Regulations; Capital Adequacy; Financial Reporting; Information Security; Automatic Exchange of Information, FATCA, CDOT & CRS, Immigration Act 2014, PEP/ High Risk accounts, FSCS Single Customer View file.	Regulation requirements are documented in the Compliance Policy and Anti Money Laundering/ Combatting the Financing of Terrorism Policy. All new and existing employees are required to review these requirements on a regular basis and when joining the Bank, identify new rules and amendments to ensure we maintain the highest standards in this important area. Senior management is updated monthly on all new regulatory changes. The process of Senior Manager authorisation is robust and detailed, ensuring that all staff are fit and proper for their roles.
Liquidity Risk Liquidity risk is the risk that the Bank is unable to meet its payment obligations when they fall due and to replace funds when they are withdrawn. There are two forms of liquidity risk; market liquidity and funding liquidity.	The Bank has a high level of liabilities, above the required regulatory standards, and is not highly leveraged. The Finance Director monitors the Bank's position according to Internal Liquidity Adequacy Assessment Process (ILAAP). The Asset and Liabilities Committee (ALCO) meets regularly to review positions.
Credit Risk Credit Risk is a combination of the following: Unauthorised Lending; Base rate lending changes; Country or Sovereign Risk; Concentration Risk; New products; Collateral; and Credit Default.	A risk review is conducted at the design stage of each new product/ service to identify potential risks. The Credit Risk team undertakes an analysis of the counter-party risks to provide an independent critical analysis of business, financial, management and security risks in order to formulate a structured view on the realistic probability of default and loss in the event of any default of the counter-party. The Credit Risk team monitors the value of ongoing security. The risk assessment process requires that each credit proposition is reviewed and recommended by the Credit Function before approval is sought through the Bank's Committee structure.

Risk	Control Strategy
Counter-party Risk The Counter-party Exposure Limit refers to the maximum transaction exposure the Bank can have to a counter-party, a requirement to perform ongoing due diligence on trading counter-parties and to determine the risk on complex transactions.	Credit limits are monitored by the Credit Risk and Finance Department. Limits are publicised to the Treasury team to ensure compliance and adherence, with online and real time systems used to support adherence to these limits. The Bank employs highly qualified Treasury personnel who are under the supervision of the CEO/MD.
Staff Competence Risk Staff Competence Risk covers: Training and Competence; Health and Safety; Resourcing; and Remuneration.	All senior appointments are subject to review and approval by the PRA and the Bank's CEO/MD. All staff appointments are subject to review and interview by the CEO/MD, with appropriate EXCO members as required. A wider programme of personal development has been implemented to improve broader employee competency. The Bank has a policy of reward and remuneration that sits in the upper quartile of industry expectations.
Key Person Risk The risk covers the need for succession planning and professional indemnity insurance. The primary reason for business succession planning is to minimise business risk and focuses on identifying specific back-up candidates for given key senior management positions.	Senior roles and positions are supported by deputy appointments, so the loss of one individual is unlikely to cause disruption. The payback from the Bank's growing investment in formal training and qualifications is that staff are now better able to cover roles and have increased their skills and knowledge set. Personal development plans ensure that all staff benefit from the personal skills development most relevant to them. The Bank has established good working relations with recruitment agencies. The response to recruitment advertisements is consistently positive and candidates can be readily identified to provide replacement cover if required.

Board of Directors

Herbert Wigwe
Chairman & Non-Executive Director

Herbert Wigwe started his professional career with Coopers and Lybrand Associates, an international firm of Chartered Accountants. He spent over 10 years at Guaranty Trust Bank where he managed several portfolios including Financial institutions, Corporates and Multinationals.

He left Guaranty Trust as an Executive Director to co-lead the transformation of Access Bank Plc in March 2002 as Deputy Managing Director. He was appointed Group Managing Director/CEO effective 1 January, 2014. In March 2019 Access Bank merged with Diamond Bank to form the largest bank in Africa, by customer numbers.

He is an Alumnus of Harvard Business School Executive Management Programme. He holds a Masters degree in Banking and International Finance from the University College of North Wales, a Masters degree in Financial Economics from the University of London and a B.Sc. degree in Accounting from the University of Nigeria, Nsukka. He is also a Fellow of the Institute of Chartered Accountants of Nigeria (ICAN).

Mr Wigwe is the Chairman of The Access Bank UK Ltd and Non-Executive Director of Nigerian Mortgage Refinance Company Plc.

Stephen Clark
Independent Non-Executive Director

Independent Non-Executive Director Stephen Clark was formally appointed Non-Executive Director at The Access Bank UK on 7 November 2016.

Stephen was formerly Chief Executive Officer of VTB Bank, responsible for the leadership and transition of the Commercial Bank to the Investment Bank. Prior to this Stephen served as Chief Executive of Gerrard Ltd, a subsidiary of Old Mutual Plc. He also served as Partner and CoCEO of CIBC Oppenheimer International. Stephen is an Honours Graduate in Financial Services from University of Manchester Institute of Science and Technology (UMIST) and is a qualified banker.

He has a wealth of financial and corporate finance experience, with a career spanning 27 years with Natwest Bank Plc where he became Managing Director and Group Finance Director of the International Investment Bank County Natwest. Stephen is currently a Non-Executive Director at Nutmeg Saving and Investment Limited, Chairman at Medway NHS Trust and is a Senior Advisor and Chairman of the Disciplinary Panel for the Chartered Institute for Securities & Investment (CISI).

Tim Wade
Independent Non-Executive Director

A Non-Executive Director of The Access Bank UK Limited from 2008-2019, Tim Wade was formerly a Managing Director of AMP Limited, responsible for the Group's banking operations in the UK and Australia. Previously, Tim was Chief Financial Officer of Colonial Limited, where he was an Executive Director of Colonial State Bank Limited. Before that, Tim worked at Arthur Andersen in Melbourne and Singapore where he became a Partner in 1992. Tim is qualified as a lawyer and an accountant, and has a long career in financial services around the world.

Tim is currently an Independent Non-Executive Director at Clydesdale Bank, Chubb Underwriting Agencies Limited and Royal Bank of Canada Europe Limited. He was formerly a Non-Executive Director of Macquarie Bank International, Friends Life Group and Monitise PLC.

Roosevelt Ogbonna
Non-Executive Director

Non-Executive Director Roosevelt Ogbonna was appointed Group Deputy Managing Director of Access Bank Plc in April 2017. Prior to his appointment, he served as the Executive Director, Wholesale Banking Division of Access Bank Plc. He has a wealth of experience in the Banking industry spanning the various areas of treasury, commercial, corporate and investment banking. Before joining Access Bank in 2002, he managed the largest Business Team in the Institutional Banking Group of Guaranty Trust Bank Plc.

Roosevelt holds a Master's degree in Business Administration from the Institute of Management Development (IMD), an Executive Master's degree in Business Administration from Cheung Kong Graduate School of Business and a BSc. in Banking & Finance from The University of Nigeria, Nsukka. He is a Fellow of the Institute of Chartered Accountants of Nigeria and also sits on the Board of Access Bank Zambia, Africa Finance Corporation and Central Securities Clearing System Plc. He is an alumnus of the Harvard Business School (HBS) and the Institute of Management Development (IMD).

Jamie Simmonds
CEO & Managing Director

Jamie Simmonds was appointed founding CEO/MD of The Access Bank UK Limited in January 2008. He is an alumnus of Harvard Business School Executive Management Programme, an Associate of the Chartered Institute of Bankers, a member of the Association of Foreign Bankers and a certified financial adviser.

He has a wealth of financial services experience, having held a number of director roles at National Westminster, Coutts, Royal Bank of Scotland, Gerrards and Close Brothers. He has a proven track record in the startup and turnaround of financial service businesses, delivering sustainable benefits for all stakeholders. He has extensive knowledge of corporate, retail and private banking.

Sean McLaughlin
Finance Director

Sean McLaughlin is a chartered accountant with excellent financial and operational management skills. He has more than 18 years' proven success gained in senior positions with international investment banking institutions. He qualified with Deloitte, and worked as a senior manager specialising in the auditing of complex banking and securities firms.

He spent ten years as Finance Director at Credit Lyonnais Securities, where he had responsibility for the settlements and middle office departments. He spent five years as Chief Operating Officer at Robert W Baird Limited, the UK subsidiary of the US investment bank, and was responsible for all operational functions. Before joining The Access Bank UK in 2008, he spent two years with an internet startup developing a property trading exchange dealing with small institutions and investors.

Strategic Report

The Directors of The Access Bank UK Limited have pleasure in presenting their Strategic Report for the year ended 31 December 2018.

Business review

Principal activities

The Access Bank UK Limited (the "Bank") is a wholly owned subsidiary of Access Bank Plc, a bank incorporated in Nigeria (the "parent bank"). Access Bank Plc ranks among the Tier 1 banks in Nigeria.

The Bank was authorised by the Financial Services Authority ("the FSA") on 12 August 2008. The Bank is currently regulated by the Prudential Regulation Authority ("PRA"), as lead regulator, and authorised by the Financial Conduct Authority ("FCA"). The Bank is authorised to undertake a wide range of banking activities. The permissions granted to the Bank are set out on the FCA website at: *https://register.fca.org.uk/ShPo_Firm DetailsPage?id=001b000000Mg9TnAAJ.*

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

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

Performance of the Bank in 2018

The financial statements for the year ended 31 December 2018 are shown on pages 15 to 59. During the year the Bank grew operating income by 47% from £36.2m to £53.1m, and profit before tax by 50% from £22.0m to £33.0m. The statement of comprehensive income is set out on page 15.

Net fee and commission income grew by 17% from £11.7m to £13.7m, and within this trade finance fees increased by 19% from £10.8m to £12.9m. Net interest income showed an increase of 61% from £24.3m to £39.1m reflecting the increase in loans to customers and money market placements during the year. A further analysis of income is included in notes 4 and 6 of the financial statements. This increase was achieved whilst still operating within the Bank's moderate risk appetite, relative to the Bank's peers, as set by the UK Board.

Our 2017 Strategic Report highlighted the significant challenges faced by the Nigerian economy during that year, including the restrictions imposed by the Central Bank of Nigeria regarding access to foreign currency, and in particular US Dollars. We also reported that the Central Bank of Nigeria started to ease these restrictions, with the introduction of the Investors and Exporters window for the purchase of foreign currency.

This easing saw an increase in trade finance volumes in 2017, and we are pleased to report that we saw a further increase in 2018. Having emerged from recession in 2017, the Nigerian economy continued to grow in 2018, with projected GDP growth of 1.9%. This growth in the Nigerian economy in part arises from the growth in oil production and also the underlying oil price, with oil prices continuing to increase throughout most of 2018, and despite a fall in prices towards the end of 2018, prices remain significantly above the low point achieved in 2016.

The Directors undertake regular reviews of the impact of these and other factors on the asset quality, capital and liquidity of the Bank. Despite this increase in the availability of foreign currency, there continue to be restrictions. In line with Board and parent company discussions, the Bank approved a number of extensions to trade finance loans denominated in US Dollars for the Nigerian banks for which the Bank provides trade confirmations, to allow them time to source the required foreign currency. The related exchange rate risk is borne by these banks.

In 2016 the Strategic Report highlighted the Referendum vote to leave the European Union, and in particular the decline in the value of Sterling against the US Dollar. This weakness continued throughout the first half of 2017, with Sterling gradually strengthening in the second half. In 2016 the average exchange rate from Sterling to US Dollar was $1.36, with this dropping to $1.29 for 2017. In 2018 the average rate increased to $1.33. With the vast majority of the Bank's assets and revenues denominated in US Dollars, this had a negative impact on the Bank's revenues in 2018.

The Board of the Bank regularly reviews the Bank's functional and reporting currency which to date has been Sterling. At the Board Meeting of the Bank held on 26 November 2018 a further review was undertaken and, recognising the continued increase of the Bank's US Dollar denominated revenues as a percentage of total revenues, it was agreed that the Bank would change its functional currency to US Dollar with effect from 2 January 2019. This will serve to minimise the impact on the Bank of any future exchange rate movements.

Whilst the Bank continues to keep a firm control on costs, these did rise by 41.5% in the year, with the most significant part of the increase being as a result of continued investment in our employees through training and recruitment. The Bank's policy for investment in staff was reflected in the Bank receiving the Gold Award from Investors in People in 2017, having previously been awarded Bronze in 2015. In addition, the increase reflects costs incurred by the Bank in becoming a member of the Sterling Clearing system. During 2018 the Bank became a direct participant in the Faster Payments Service, BACS, and the Image Clearing System of the Cheque and Credit Clearing Company. This has enhanced the Bank's service provision and gives the Bank a sustainable base for growing our business and will allow the Bank to build our service offer to personal customers over the next two years.

The Bank saw strong growth in total assets during 2018, with growth of 36% from £1,402.5m as at 31 December 2017 to £1,910.1m as at 31 December 2018. This growth in assets was in part funded by the continued success of the Bank's Fixed Term Deposit product range which is targeted at the UK retail market. Deposits for this product continue to grow at a consistent and satisfactory rate in line with plan, with good retention levels being maintained.

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

Ratio	2018	2017
Cost to income	**37.93%**	39.13%
Return on average shareholders' equity	**18.32%**	16.57%
Loans to deposit	**51.75%**	49.55%
Non-interest income / total operating income	**26.47%**	32.91%

Return on average shareholders' equity is calculated as the profit before tax for the year divided by the average of the opening and closing shareholders' funds for the year with an adjustment to reflect the additional shareholders' funds received in May 2018. The improvement in the return reflects the significant increase in the Bank's operating income and continued control over the rate of increase in costs.

During the year, the ratio of loans to deposits increased to 51.75%, from the 49.55% for 2017, with the 37% growth in deposit from banks and customers allowing for a controlled increase in lending in line with the Bank's moderate risk appetite.

Regulatory capital

The Bank manages its capital to ensure that it fully meets its regulatory capital requirements, and that it will be able to continue as a going concern. As at 31 December 2018 the Bank's equity shareholders' funds stood at £197.6m (2017: £155.9m).

The Internal Capital Adequacy Assessment Process ("ICAAP") is the process under which the management of the Bank oversees and regularly assesses:

- the Bank's processes, strategies and systems;
- the major sources of risk to the Bank's ability to meet its liabilities as they fall due;
- the results of internal stress testing of these risks; and
- the amounts and types of financial and capital resources and whether they are adequate to cover the nature and level of the risks to which the Bank is exposed.

These risks are continually assessed in line with the Bank's business, and include credit risk, market risk, and liquidity risk (further discussed in note 23).

As at 31 December 2018 the Bank's regulatory capital base was £196.6m and the Bank had a Tier 1 capital ratio of 23.4% (2017: 26.1%).

Liquidity

The Individual Liquidity Adequacy Assessment Process ("ILAAP") is the process under which the management of the Bank oversees and regularly assesses:

- the Bank's liquidity management framework;
- the quantification of the Bank's liquidity risks;
- the effects of stress testing on these liquidity risks;
- how the Bank seeks to mitigate these risks; and
- the level of liquidity buffer required in light of these risks.

An analysis of the liquidity risks faced by the Bank and the liquidity position as at 31 December 2018 is set out in note 23 of the audited financial statements. The Bank undertakes daily liquidity monitoring to ensure that funds are properly managed and PRA liquidity limits (including LCR and NSFR) are fully met at all times. Note 23 of the audited financial statements shows the liquidity maturity profile of the Bank, with a strong short- and medium-term net liquidity position, once the liquidity buffer assets held by the Bank are taken into account. Of the Bank's total assets of £1,910m, £1,166m (61%) had a contractual maturity date of less than three months, with this percentage rising to 71% once the liquidity buffer assets with a maturity over three months are added, and only £158m (8%) had a contractual maturity date of more than one year. This latter figure includes £30.2m of syndicated loans to customers and banks, and £99.9m of loans that were either secured on investment properties in the United Kingdom, or portfolios held by the Asset Management Strategic Business Unit.

Included in the total of investment securities were £308.5m of US government securities that constituted eligible liquidity buffer securities and included in cash at bank were reserve account deposits with the Bank of England of £464m, both of which form the majority of what is held to meet the PRA's liquidity requirements, and which were available to be realised on demand.

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

Whilst at the time of the accounts being signed, there is still uncertainly over Brexit, the final outcome is not expected to have a significant impact on the Bank. The Bank's activity is focused on trade into and out of Nigeria and other Sub-Saharan countries, with little to other European countries. The Bank has significantly mitigated any adverse impact from significant movements in the value of Sterling, by switching its functional currency into US Dollar. Whilst some Brexit scenarios are forecast to potentially have a significant impact on UK property prices, given the Bank's moderate risk approach to property lending, a result of which is that the Bank's property portfolio does not have a high Loan to Value Ratio, the Bank does not expect there to be a significant impact from Brexit.

Further details of the risks faced by the Bank and the Three Lines of Defence Risk Management Framework are set out in note 23, on page 55 of the financial statements.

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

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

Having met the key targets set out in this plan, with the Bank outperforming the projections for 2017 included in the plan, during the second half of 2017 the Bank developed a new five-year plan which embodies the same principles that have guided the Bank's development to date. This five-year plan reflects and is in line with Access Bank Plc's five-year plan which embodies the vision of becoming "Africa's Gateway to the World".

The Bank will continue to follow a relationship-based banking model, growing its business through the depth and quality of customer relationships, whilst maintaining a moderate appetite for risk, relative to our peers. The success of this strategy was reflected in the Bank being named as the winner of the Capital Finance International Award 2018 for Best Africa Trade Finance Bank for the third consecutive time together with the International Finance Award for Best African Trade Finance Bank.

The current five-year plan is also predicated on the basis that the Bank will continue to work closely with fellow Access Bank Group companies in a number of key areas: to access the growing opportunities primarily in Nigeria and Ghana; to develop the private bank and investment products into an increased share of the affluent professional market in these countries; and to continue to diversify income streams by leveraging the profile and credibility established for the Bank.

With regard to the Bank's core trade finance markets in Africa, Nigeria remains the key market. The decline in oil production volumes during the first half of 2016 due to challenges in the Niger Delta caused significant economic headwinds in Nigeria trade in 2016, reducing US Dollar based trade and creating uncertainty for the Naira, leading to a fall in GDP in the year. In 2017 both oil production and oil prices improved and as a result the country moved out of recession. This increase in both oil production and oil price has continued into 2018 with output reaching 1.8 million barrels per day (bpd) in December, and expectations of further growth in 2019. This improvement had a positive impact on Nigerian GDP, with the latest forecasts estimating that it will have grown at circa 1.9% for 2018 and is forecast to grow at 2.7% in 2019. The Bank will therefore continue to have a key role to play in facilitating the flow of trade to and from Nigeria.

The Bank will also continue to leverage the brand recognition that it enjoys in its chosen markets to broaden its base of trade finance and commercial banking customers. Given the continued signs of improvement in the situation in Nigeria, the Directors are confident that the outlook for the Bank is a positive one.

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

J Simmonds
Director
11 March 2019

more

focus on the communities around us

Our community activities are founded on dialogue and collaboration with organisations in every sector of society, with a focus during 2018 on gender equality/ women's empowerment, education, environment, health, arts and sports.

Directors' Report

The Directors of The Access Bank UK Limited have pleasure in presenting their Directors' Report and audited financial statements for the year ended 31 December 2018.

Principal activities, results and future developments
Details of the Bank's principal activities, results and future developments are detailed in the Bank's Strategic Report.

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

Political contributions and charitable donations
During the year the Bank made charitable donations of £250 (2017: £250).

No political donations were made during the year (2017: nil).

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

H Wigwe	(Chairman)
R Ogbonna	(Non-Executive Director)
S Clark	(Independent Non-Executive Director)
T Wade	(Independent Non-Executive Director)
J Simmonds	(Chief Executive Officer/Managing Director)
S McLaughlin	(Finance Director)

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

Future prospects and going concern
The Directors have undertaken a detailed review of the Bank's business model, profitability, capital and liquidity. As at 31 December 2018 the Bank had a capital adequacy ratio that was significantly in excess of the minimum regulatory capital requirements, and it is the intention of the Directors that this will be maintained at satisfactory levels in the future. In addition, as at 31 December 2018 the Bank maintained liquidity buffer assets significantly in excess of the minimum regulatory requirements, and the Directors intend to ensure that the Bank maintains a strong liquidity position to enable it to meet its obligations as they fall due.

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

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

Employees
Our relationship-based approach to banking rests upon the skills of our employees in identifying and responding to the needs of our customers. The Bank is therefore committed to investing significantly in the skills of the people that we employ through training and employee development. This investment was recognised in 2017 when the Bank was awarded Gold by Investors in People.

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

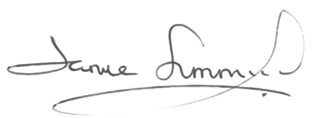
The Bank is an equal opportunities employer, and is committed to equality and diversity.

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

Independent auditors
The auditors, PricewaterhouseCoopers LLP, will continue to hold office in accordance with section 487 of the Companies Act 2006.

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

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



J Simmonds
Director
11 March 2019

Company Registration No. 06365062

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the Bank for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Independent Auditors' Report

to the members of The Access Bank UK Limited

Report on the financial statements

Opinion

In our opinion, The Access Bank UK Limited's (the "Bank") financial statements:

- give a true and fair view of the state of the Bank's affairs as at 31 December 2018 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Report and Financial Statements, which comprise: the statement of financial position as at 31 December 2018; the statement of comprehensive income, the statement of cash flows, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

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

Other than those disclosed in note 10 to the financial statements, we have provided no non-audit services to the Bank in the period from 1 January 2018 to 31 December 2018.

Our audit approach

Overview

- Overall materiality: £1,473,000 (2017: £1,075,000), based on 5% (2017: 5%) of profit before tax.
- The Bank prepares individual company financial statements. The Bank has one branch and three subsidiaries which are immaterial and not in the scope of our audit.
- We perform a full scope audit of the financial statements of the Bank as a whole.
- The appropriateness of the assumptions and methodologies used in the calculation of impairment provisions on loans to banks and customers and the accuracy of critical inputs to the calculation.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the Bank and the industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of banking regulations such as, but not limited to, the relevant rules of the Prudential Regulatory Authority as the Bank's lead regulator, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting inappropriate journal entries to increase revenue. Audit procedures performed by the engagement team included:

- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud. There were no such matters identified;
- Reading key correspondence with regulatory authorities such as the Prudential Regulation Authority in relation to compliance with banking regulations;
- Reviewing customer complaints for any indication that there has been a breach of relevant laws and regulations or instances of fraud; and
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations or posted by senior management.

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

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
The appropriateness of the assumptions and methodologies used in the calculation of impairment provisions on loans to banks and customers and the accuracy of critical inputs to the calculation. We focused on this area because the calculation of impairment provisions under IFRS 9 requires judgement. As detailed in note 2, 2018 is the first year of adoption of IFRS 9: Financial Instruments, which introduces significant changes including new impairment models where losses are recognised on an expected, forward-looking basis, reflecting the Bank's view of potential future economic events. As a result, a new methodology encompassing new estimates and judgements is required to calculate impairment under IFRS 9, and there are new disclosure requirements. Our audit work in 2017 focused on the impact of IFRS 9 on transition. This work provided a foundation for our testing in 2018. Our audit effort was focused on the following areas: • The assessment of key assumptions and accuracy of critical inputs used by management in the IFRS 9 Expected Credit Loss (ECL) model. We focused our work on the key assumptions in the model, including the Probability of Default (PD) and Loss Given Default (LGD); • The appropriateness of the 'staging' of loans and hence whether a 12 month or lifetime loss provision is recorded; and the application of forward-looking economic assumptions used in the ECL model, including the appropriateness of management's assumptions and the relevant weightings applied in the ECL calculation.	We evaluated the design and tested the operating effectiveness of controls over the approval of new loans and the extension of existing loans and the monthly review by the Management Credit Committee of watchlist loans and advances. We determined that these controls were designed and operated effectively and therefore we determined that we could place reliance on them for the purposes of our audit. In addition, we performed the following substantive procedures: • We understood and critically assessed the methodology applied in the impairment model and tested key assumptions and judgements made by management and used in the calculation of impairment provisions. • We tested the 'staging' of loans by considering a combination of qualitative and quantitative factors such as the existence of missed payments, continuing rolling and extension of facilities and independently searching for any adverse developments in the borrowers. • We tested the accuracy of critical data inputs used in the impairment model on a sample basis to supporting documentation. • When testing the application of forward-looking information, we compared the forward-looking assumptions to publicly available benchmarks where available. We also considered the reasonableness of management's downside assumptions and probability weightings. • We tested that the credit risk disclosures made by management were compliant with IFRS 9 and agreed the disclosures to source data without exception. Based on the evidence obtained, we concluded that the impairment provision has been calculated in accordance with IFRS 9 and is reasonable.

How we tailored the audit scope

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

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

Our overall approach to setting our audit scope was to focus our audit in areas where we identified a higher risk of material misstatement to the financial statements, including areas where the Directors made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. To conduct this risk assessment, we considered the inherent risks facing the Bank, including those arising from its respective business operations, and how the Bank manages these risks.

We also considered a number of other factors including the design and implementation of the Bank's control environment relevant to the audit, the appropriateness of the use of the going concern basis of accounting in the preparation of the financial statements and the risk of management override of controls.

We performed audit work for all financial statement line items with balances above our performance materiality of £1,104,750.

Materiality

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

Independent Auditors' Report continued
to the members of The Access Bank UK Limited

Materiality continued

Overall materiality	£1,473,000 (2017: £1,075,000).
How we determined it	5% (2017: 5%) of profit before tax.
Rationale for benchmark applied	We believe that profit before tax is the primary measure used by the shareholders in assessing the performance of the entity and is a generally accepted auditing benchmark.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:
We agreed with the Board Risk and Audit Committee that we would report to them misstatements identified during our audit above £73,650 (2017: £54,200) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern
ISAs (UK) require us to report to you when:
- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Bank's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Bank's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union, which is currently due to occur on 29 March 2019, are not clear, and it is difficult to evaluate all of the potential implications on the Bank's trade, customers, suppliers and the wider economy.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report
In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements
As explained more fully in the Statement of Directors' responsibilities set out on page 8, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the 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.

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

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

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

Other required reporting
Companies Act 2006 exception reporting
Under the Companies Act 2006 we are required to report to you if, in our opinion:
- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Bank, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment
The Board of Directors appointed us on 4 March 2013 to audit the financial statements for the year ended 31 December 2013 and subsequent financial periods. The period of total uninterrupted engagement is six years, covering the years ended 31 December 2013 to 31 December 2018.

Nicholas Morrison

Nicholas Morrison (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
13th March 2019

Statement of Comprehensive Income
For the year ended 31 December 2018

	Note	Year ended 31 December 2018 £	Year ended 31 December 2017 £
Operating income			
Interest income	4	54,258,310	34,129,177
Interest expense	5	(15,167,910)	(9,861,357)
Net interest income		39,090,400	24,267,820
Fee and commission income	6	13,873,187	11,697,999
Fee and commission expense	6	(126,272)	(16,524)
Net fee and commission income		13,746,915	11,681,475
Credit impairment losses		(44,791)	–
Other income		313,324	221,745
Total operating income		**53,105,848**	**36,171,040**
Operating expenses			
Personnel expenses	8	(13,629,105)	(10,380,562)
Depreciation and amortisation	9	(477,695)	(351,306)
Other expenses		(6,037,345)	(3,421,993)
Total operating expenses		**(20,144,145)**	**(14,153,861)**
Profit before tax		32,961,703	22,017,179
Taxation	11	(6,899,656)	(4,234,319)
Profit for the year		**26,062,047**	**17,782,860**
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Change in value of available-for-sale financial assets		–	544,987
Net loss on investment securities measured at FVOCI		(96,354)	–
Total comprehensive income for the year		**25,965,693**	**18,327,847**

The notes on pages 28 to 70 form an integral part of these financial statements.

Statement of Financial Position
As at 31 December 2018

	Note	31 December 2018 £	31 December 2017 £
Assets			
Cash at bank		555,487,515	314,980,672
Money market placements		159,792,934	333,380,601
Investment securities	12	309,642,176	–
Available for sale investments	12	–	133,316,431
Loans and advances to banks	13	413,810,586	340,434,556
Loans and advances to customers	14	463,156,344	271,198,650
Property, plant and equipment	15	1,389,708	382,207
Intangible assets	16	970,424	676,586
Other assets	17	5,806,114	8,105,788
Total assets		**1,910,055,801**	**1,402,475,491**
Liabilities			
Deposits from banks	18	1,212,881,579	808,990,707
Deposits from customers	19	481,700,295	425,269,827
Deferred tax liability	11	135,473	108,405
Other liabilities	20	17,760,755	12,177,748
Total liabilities		**1,712,478,102**	**1,246,546,687**
Equity			
Share capital	24	138,000,000	122,000,000
Other reserves		59,748,274	–
Retained earnings		(170,575)	34,003,025
Available for sale reserve		–	(74,221)
Total equity		197,577,699	155,928,804
Total liabilities and equity		**1,910,055,801**	**1,402,475,491**

The notes on pages 28 to 70 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 8 March 2019.

They were signed on its behalf by:

J. Simmonds
Managing Director / Chief Executive Officer
11 March 2019

S. McLaughlin
Finance Director

Company Registration No. 06365062

Statement of Changes In Equity

For the year ended 31 December 2018

	Share capital £	Retained earnings £	Other reserves £	Available for sale reserve £	Total equity £
Balance as at 1 January 2018	**122,000,000**	**34,003,025**	**–**	**(74,221)**	**155,928,804**
Changes on initial application of IFRS 9 (see note 2)	–	(316,798)	(74,221)	74,221	(316,798)
Restated balance as at 1 January 2018	**122,000,000**	**33,686,227**	**(74,221)**	**–**	**155,612,006**
Profit for the year	–	26,062,047	–	–	26,062,047
Other comprehensive expense for the year	–	–	(96,354)	–	(96,354)
Total comprehensive income for the year	–	26,062,047	(96,354)	–	25,965,693
Proceeds from shares issued (note 24)	16,000,000	–	–	–	16,000,000
Balance at 31 December 2018	**138,000,000**	**59,748,274**	**(170,575)**	**–**	**197,577,699**

	Share capital £	Retained earnings £	Available for sale reserve £	Total equity £
Balance as at 1 January 2017	**98,000,000**	**16,220,165**	**(619,208)**	**113,600,957**
Profit for the year	–	17,782,860	–	17,782,860
Other comprehensive income for the year	–	–	544,987	544,987
Total comprehensive income for the year	–	17,782,860	544,987	18,327,847
Proceeds from shares issued (note 24)	24,000,000	–	–	24,000,000
Balance at 31 December 2017	**122,000,000**	**34,003,025**	**(74,221)**	**155,928,804**

The notes on pages 28 to 70 form an integral part of these financial statements.

Statement of Cash Flows

For the year ended 31 December 2018

	Note	Year ended 31 December 2018 £	Year ended 31 December 2017 £
Cash flows from operating activities			
Profit before tax		**32,961,703**	**22,017,179**
Adjustments for:			
Depreciation	15	218,997	123,839
Amortisation	16	258,698	227,467
Impairment charge on financial assets		25,398	–
Operating cash flows before movements in working capital		**33,464,796**	**22,368,485**
Changes in money market placements		173,573,657	(75,579,355)
Changes in loans and advances to banks and customers		(265,661,909)	(100,985,856)
Changes in other assets		2,299,674	(3,442,807)
Changes in deposits from banks		403,890,872	126,570,254
Changes in deposits from customers		56,430,468	114,054,799
Changes in other liabilities		4,817,416	3,484,992
		375,350,178	**64,102,027**
Taxation paid		(6,106,998)	(3,333,379)
Net cash inflows from operating activities		**402,707,976**	**83,137,133**
Cash flows from investing activities			
Net purchase of investment securities		(176,422,099)	(71,919,895)
Net purchase of property, plant and equipment		(1,257,998)	(249,263)
Purchase of intangible assets		(521,036)	(68,335)
Net cash outflows from investing activities		**(178,201,133)**	**(72,237,493)**
Cash inflows from financing activities			
Proceeds from issue of share capital	24	16,000,000	24,000,000
Cash inflows from financing activities		**16,000,000**	**24,000,000**
Net increase in cash and cash equivalents		**240,506,843**	**34,899,640**
Cash and cash equivalents at the beginning of the year		314,980,672	280,081,032
Cash and cash equivalents at the end of the year		**555,487,515**	**314,980,672**

The notes on pages 28 to 70 form an integral part of these financial statements.

Notes to the Financial Statements

For the year ended 31 December 2018

1. General information

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

2. Basis of preparation and significant accounting policies

2.1 Basis of preparation

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

The financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards (IFRSs) and IFRS Interpretations Committee (IFRS IC) as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements have been prepared under the historical cost accounting convention as modified by the revaluation of financial assets at fair value through other comprehensive income (FVOCI) and derivative financial instruments at fair value through profit or loss. The financial statements incorporate the results of the Bank's Dubai branch. Whilst the Bank has three subsidiaries as detailed in note 27, these have not traded in 2018 and the Bank has taken advantage of the exemption in the Companies Act from producing consolidated accounts on the grounds that the inclusion of the subsidiaries is not material for the purpose of giving a true and fair view.

2.2 Going concern

The Bank's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 2 to 5. Note 23 to the financial statements includes the Bank's financial risk management objectives, details of its financial instruments and hedging activities, and its exposures to credit and liquidity risk.

The Bank has considerable financial resources. As a consequence, the Directors believe that the Bank is well placed to manage its business risks successfully.

After making enquiries, the Directors have a reasonable expectation that the Bank has adequate resources to continue in operational existence for the foreseeable future. The Directors have satisfied themselves that there is no evidence to believe that a material uncertainty exists in respect of the economic situation in Nigeria that might cast doubt on the Bank's going concern assumption. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

2.3 Changes in accounting policies

IFRS 9

The Bank has adopted IFRS 9 as issued by the IASB in July 2014 with a date of transition of 1 January 2018, which resulted in changes in the accounting policies and adjustments to the amounts previously recognised in the financial statements. The Bank did not early adopt any of IFRS 9 in previous periods.

As permitted by the transitional provisions of IFRS 9, the Bank elected not to restate comparative figures. Any adjustments to the carrying amount of financial assets and liabilities at the date of the transition were recognised in the opening retained earnings and available for sale reserve of the current period.

Consequently, for notes disclosures, the consequential amendments to IFRS 7 disclosures have also only been applied to the current period. The comparative period notes disclosures repeat those disclosures made in the prior year.

The adoption of IFRS 9 has resulted in changes in our accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 Financial instruments: Disclosures.

Set out below are disclosures relating to the impact of the adoption of IFRS 9 on the Bank and further details on the specific IFRS 9 accounting policies applied in the current period (as well as the previous IAS 39 accounting policies applied in the comparative period).

a. Classifications and measurement of financial instruments

The measurement category and the carrying amount of the financial assets and liabilities in accordance with IAS 39 and IFRS 9 at 1 January 2018 are compared as follows:

	IAS 39		IFRS 9	
	Measurement category	Carrying amount £'000	Measurement category	Carrying amount £'000
Financial assets				
Cash at bank	Amortised cost (Loans and receivables)	314,981	Amortised cost	314,977
Money market placements	Amortised cost (Loans and receivables)	333,381	Amortised cost	333,364
Loans and advances to banks	Amortised cost (Loans and receivables)	340,435	Amortised cost	340,250
Loans and advances to customers	Amortised cost (Loans and receivables)	271,199	Amortised cost	271,088
Investment securities	Available for sale	133,316	FVOCI	133,316

There were no changes to the classification and measurement of financial liabilities.

b. Reconciliation of statement of financial position balances from IAS 39 to IFRS 9

The Bank performed a detailed analysis of its business models for managing financial assets and analysis of their cash flow characteristics. The following table reconciles the carrying amount of financial assets from their previous measurement category in accordance with IAS 39 to their new measurement categories upon transition to IFRS 9 on 1 January 2018:

	IAS 39 Carrying amount 31 Dec 2017 £'000	Reclassifications £'000	Remeasurements £'000	IFRS 9 Carrying amount 1 Jan 2018 £'000
Amortised cost				
Cash at bank				
Opening balance under IAS 39	314,981			
Remeasurement: ECL allowance			(4)	
Closing balance under IFRS 9				314,977
Money market placements				
Opening balance under IAS 39	333,381			
Remeasurement: ECL allowance			(17)	
Closing balance under IFRS 9				333,364
Loans and advances to banks				
Opening balance under IAS 39	340,435			
Remeasurement: ECL allowance			(185)	
Closing balance under IFRS 9				340,250
Loans and advances to customers				
Opening balance under IAS 39	271,199			
Remeasurement: ECL allowance			(111)	
Closing balance under IFRS 9				271,088
Total financial assets measured at amortised cost	**1,259,996**	**–**	**(317)**	**1,259,679**
Investment securities – available for sale financial assets				
Opening balance under IAS 39 and closing balance under IFRS 9	133,316	–	–	133,316
Total financial assets measured at FVOCI	**133,316**	**–**	**–**	**133,316**

The total remeasurement loss of £316,798 was recognised in the opening reserves at 1 January 2018.

Notes to the Financial Statements continued

For the year ended 31 December 2018

2. Basis of preparation and significant accounting policies continued

2.3 Changes in accounting policies continued

c. Reconciliation of impairment allowance balance from IAS 39 to IFRS 9

The following table reconciles the prior period's closing impairment allowance in accordance with the IAS 39 incurred loss model to the new impairment allowance measured in accordance with the IFRS 9 expected loss model at 1 January 2018:

Measurement category	Loan loss allowance under IAS 39 £'000	Reclassification £'000	Remeasurement £'000	Loan loss allowance under IFRS 9 £'000
Loans and receivables (IAS 39)/Financial assets at amortised cost (IFRS 9)				
Cash at bank	–	–	4	4
Money market placements	–	–	17	17
Loans and advances to banks	–	–	185	185
Loans and advances to customers	–	–	111	111
Total	**–**	**–**	**317**	**317**
Available for sale financial instruments (IAS 39)/ Financial assets at FVOCI (IFRS 9)				
Investment securities	–	–	–	–
Total	**–**	**–**	**317**	**317**

IFRS 15

The Bank has adopted IFRS 15 Revenue from Contracts with Customers from 1 January 2018 which has resulted in minor changes to the wording of the accounting policies. The adoption has not resulted in any adjustments to the amounts recognised in the financial statements as the Bank's previous accounting treatment is in line with the requirement of IFRS 15.

2.4 Significant accounting policies

2.4.1 Accounting policies effective for the year ended 31 December 2018 – IFRS 9

Financial assets and liabilities

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

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

Amortised cost and effective interest rate

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

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or liability to the gross carrying amount of a financial asset or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, discounts and fees that are integral to the effective interest rate such as originated fees.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the entity recognises the difference as follows;

i. When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.

ii. In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined on an individual basis. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised on settlement.

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

Interest income

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

Classification and subsequent measurement of financial assets

In accordance with IFRS 9, the Bank classifies its financial assets in the following measurement categories:

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

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

Debt instruments

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

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

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

- Amortised cost: assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest (SPPI), and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised. Interest income from these financial assets is included in 'interest income' using the effective interest rate method.
- Fair value through other comprehensive income: financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payment of principal and interest, are measured at fair value through other comprehensive (FVOCI). Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains and losses on the instrument's amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified to profit or loss and recognised in 'Net interest income'. Interest income from these financial instruments is included in 'interest income' using the effective interest rate method.
- Fair value through profit or loss: assets that do not meet the criteria for amortised costs or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through the statement of comprehensive income and is not part of a hedging relationship is recognised in the statement of comprehensive income in the period in which it arises. Interest income from these financial assets is included in 'interest income' using the effective interest rate method.
- Business model: the business model reflects how the Bank manages the assets in order to generate cash flows. That is, whether the Bank's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVPL. Factors considered by the Bank in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, and how risks are assessed and managed.
- SPPI: where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Bank assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Bank considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending agreement, the related financial asset is classified and measured at fair value through profit or loss.

Equity instruments

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

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

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

Impairment

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

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

Modification of loans

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

Notes to the Financial Statements continued

For the year ended 31 December 2018

2. Basis of preparation and significant accounting policies continued

2.4 Significant accounting policies continued

2.4.1 Accounting policies effective for the year ended 31 December 2018 – IFRS 9 continued

If the terms are substantially different, the Bank derecognises the original financial asset and recognises a 'new' asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Bank recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in the statement of comprehensive income.

Classification and subsequent measurement of financial liabilities

In both the current and prior period, financial liabilities are classified and subsequently measured at amortised cost, except for:

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

Derecognition

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

Financial guarantee contracts and loan commitments

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

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

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

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

2.4.2 Accounting policies effective for the year ended 31 December 2017 – IAS 39

Financial assets and liabilities

On initial recognition, financial assets are classified into available for sale financial assets or loans and receivables. Financial liabilities are measured at amortised cost, except for trading liabilities and other financial liabilities designated at fair value through profit or loss on initial recognition which are held at fair value. The Bank initially recognises loans and receivables and deposits when the Bank becomes a party to the contractual provisions of the instrument. Purchases and sales of securities and other financial assets and trading liabilities are recognised on trade date, being the date that the Bank is committed to purchase or sell an asset.

The Bank derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognise the financial asset and also recognise a collateralised borrowing for the process received.

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation is discharged), cancelled or expire.

Financial instruments at FVTPL

Financial instruments are classified as at FVTPL where the financial instrument is either held for trading or it was designated by management as being at FVTPL on initial recognition.

A financial instrument is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identical portfolio of financial instruments that the Bank manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designed and effective as a hedging instrument.

A financial instrument other than a financial instrument held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial instrument forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Bank's documented risk management or investment strategy, and information about the Bank is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial instruments at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest on the financial instrument.

Use of effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees payable or receivable that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Held to maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturity that the Bank has the positive intention and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest method less any impairment, with revenue recognised on an effective yield basis.

Available for sale

Available for sale financial assets are non-derivatives. These assets are initially recognised at fair value, with subsequent changes recognised in equity until the financial assets are derecognised or impaired at which time the cumulative gain or loss previously recognised in equity is recognised in the statement of comprehensive income.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For bonds classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment. For all other financial assets, including loans and advances and redeemable notes classified as AFS, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

When an AFS debt instrument is considered to be impaired, cumulative gains previously recognised in equity are reclassified to profit or loss in the period.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised through profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised directly in equity.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Bank after deducting all of its liabilities.

Equity instruments issued by the Bank are recorded at the proceeds received, net of direct issue costs.

Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured initially at their fair values and are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies set out above.

Other financial liabilities

Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

2.4.3 Accounting policies effective for both the year ended 31 December 2018 and 31 December 2017

Collateral and other credit enhancements

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

Notes to the Financial Statements continued

For the year ended 31 December 2018

2. Basis of preparation and significant accounting policies continued

2.4 Significant accounting policies continued

2.4.3 Accounting policies effective for both the year ended 31 December 2018 and 31 December 2017 continued

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

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

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

Foreign currency translation

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

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

Presentation of financial statements

The Bank has applied revised IAS 1 Presentation of Financial Statements.

Revenue recognition

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

Fee and commission income

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

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

Cash and cash equivalents

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

Derivative financial instruments

The Bank may enter into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts, interest rate swaps and foreign currency options. Further details of derivative financial instruments are disclosed in note 21 to the financial statements.

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

Derivative assets and liabilities are only offset if the transactions are with the same counterparty; a legal right of offset exists; and the parties intend to settle on a net basis.

Valuation of financial instruments

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

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

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

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

Property, plant and equipment

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

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

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

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

Intangible assets

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

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

Software	5 years

Trade and other payables and receivables

Trade and other payables and receivables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Impairment of non-financial assets

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

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

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

Provisions

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

Current and deferred tax

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

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

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised.

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

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

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

Share capital

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

Pension costs

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

Restricted Share Plan

The Bank operates a share-based compensation plan under which it receives services from employees as consideration for shares in Access Bank Plc. The minimum vesting period is three years from the award date, and staff may elect for the shares to vest at any time up to the tenth anniversary of the award date. On vesting, the shares are settled in cash. The shares on award date are purchased by The AB EBT Limited on behalf of The Access Bank UK Employee Benefit Trust. As the shares are cash settled, a liability is recognised in the statement of financial position and an expense is recognised in the statement of comprehensive income in operating expenses over the course of the minimum vesting period. The liability is remeasured at each reporting date with gains and loss reported in the statement of other comprehensive income. Should any employee within the scheme leave the Bank within the vesting period, the shares may be forfeited.

Notes to the Financial Statements continued

For the year ended 31 December 2018

2.5 New standards and interpretations in issue but not yet effective

The Bank is not required to adopt the following Standards and Interpretations which are issued by the IASB but not yet effective (and in some cases had not yet been endorsed by the EU):

- IFRS 16 Leases (effective for annual periods beginning on or after 1 January 2019 with earlier application permitted if IFRS 15 Revenue from Contracts with Customers, is also applied).

IFRS 16 will affect primarily the accounting by lessees and will result in the recognition of almost all leases on balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases.

The Bank is currently reviewing the impact of the new Standard but does not expect the impact to be material.

3. Critical accounting estimates and judgements

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

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

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

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 23, which also sets out key sensitivities of the ECL to changes in these elements.

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

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL; and
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL.

Detailed information about the judgements and estimates made by the Bank in the above areas is set out in note 23.

4. Interest income

	2018 £	2017 £
Derived from:		
Cash and money market placements	359,079	7,092
Loans and advances to banks	21,790,588	15,551,189
Loans and advances to customers	29,778,526	17,732,576
Investment securities	2,330,117	838,320
Total interest income	**54,258,310**	**34,129,177**

5. Interest expense

	2018 £	2017 £
Payable on:		
Customer term deposits	7,556,174	4,527,410
Other customer deposits	10,527	5,243
Deposits from banks	7,601,209	5,328,704
Total interest expense	**15,167,910**	**9,861,357**

6. Fee and commission income and expense

	2018 £	2017 £
Derived from:		
Trade finance	12,896,280	10,816,764
Funds transfer	294,381	181,472
Other	682,526	699,763
Total fee and commission income	13,873,187	11,697,999
Fee and commission expense on trade finance	(126,272)	(16,524)
Net fee and commission income	**13,746,915**	**11,681,475**

7. Business and geographical segments

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

8. Information regarding Directors and employees

Employment costs are as follows:

	2018 £	2017 £
Personnel expenses		
Wages and salaries	11,523,483	8,538,126
Pension costs – defined contribution scheme	574,231	519,958
Social security costs	788,917	852,918
Other personnel expenses	742,474	469,560
Total personnel expenses	**13,629,105**	**10,380,562**

Included in wages and salaries is the sum of £570,000 (2017: £470,000) in respect of bonuses that have been deferred for 3 years.

A share based payments scheme was launched in 2014 for eligible Directors and employees. Shares of Access Bank Plc, the ultimate parent, are acquired and allotted to the Directors and employees. The minimum vesting period is three years from award date, and staff may elect for the shares to vest at any time after this date and up to the tenth anniversary of the award date. On vesting the shares are settled in cash. 12,089,082 shares with an initial value of £302,051 were granted in 2018 (2017: 22,304,690 shares with an initial value of £254,932). 1,678,497 shares were forfeited in the year (2017: nil shares).

Notes to the Financial Statements continued

For the year ended 31 December 2018

8. Information regarding Directors and employees continued

	2018	2017
Number of employees at year end	133	116
Monthly average number of employees during the year	124	113

During the year, there were an average of 58 (2017: 48) employees involved in fee-earning roles and 66 (2017: 65) in administration.

Included within employment costs are:

	2018 £	2017 £
Directors' remuneration and fees		
Fees	238,333	161,250
Other emoluments	1,534,743	1,249,005
Pension contributions	27,681	26,875
	1,800,757	**1,437,130**

The highest paid Director received emoluments excluding pension contribution totalling £1,014,303 (2017: £841,926) and pension contributions of Nil (2017: Nil). Retirement benefits are accrued under defined contribution schemes.

9. Operating profit before tax

	2018 £	2017 £
Operating profit before tax is stated after charging:		
Depreciation	218,997	123,839
Amortisation	258,698	227,467
Total auditors' remuneration	**477,695**	**351,306**

10. Auditors' remuneration

	2018 £	2017 £
Fees payable to the company's auditors for the audit of the financial statements:		
Audit of these financial statements	76,705	86,090
Audit of the year end group reporting package	41,745	26,910
Audit of the half year group reporting package	43,440	36,225
Other audit related services	59,380	44,300
Other assurance services	2,500	–
Total auditors' remuneration	**223,770**	**193,525**

The costs of the audit of the half year reporting package were incurred by the Bank and recharged to Access Bank Plc.

11. Taxation

	2018 £	2017 £
Current tax:		
UK corporation tax	6,872,588	4,248,353
Deferred tax:		
Temporary difference, origination and reversal	27,068	(14,034)
Tax charge on profit on ordinary activities	**6,899,656**	**4,234,319**
Effective tax rate	20.93%	19.23%

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

	2018 £	2017 £
Reconciliation of tax charge on profit for the year:		
Profit before tax	32,961,703	22,017,179
Profit before tax multiplied by the UK mainstream 19.00% (2017: 19.25%)	6,262,724	4,238,307
Effect of:		
Expenses not deductible for tax purposes	3,429	971
Capital allowances less than depreciation	(24,607)	9,829
Bank surcharge	636,936	–
Temporary difference, origination and reversal	27,068	(14,034)
Effect of tax rate change	(5,894)	(754)
Current tax expense	**6,899,656**	**4,234,319**
Deferred tax liability:		
Balance as at 1 January	108,405	122,439
(Charged)/credited to comprehensive income	27,068	(14,034)
Balance as at 31 December	**135,473**	**108,405**

The mainstream rate of corporation tax for the tax year was 19% and the bank corporation tax surcharge rate of 8% was applicable on profits above £25m and this resulted in a weighted average rate of 20.92% for 2018 (2017: 19.25%). The deferred tax liability as at 31 December 2018 has been calculated based on an effective rate of 20.92%.

12. Investment securities (2017: Available for sale investments)

	2018 £	2017 £
Treasury bills and government bonds	308,531,183	130,065,195
Listed equity securities in Financial Institutions	1,110,993	3,251,236
	309,642,176	**133,316,431**

The Treasury bills and government bonds are held as part of the Bank's liquidity buffer. As at 31 December 2018 there were no impaired investments (2017: nil). The maturity analysis of these investment securities is disclosed in note 23.

Notes to the Financial Statements continued

For the year ended 31 December 2018

13. Loans and advances to banks

	2018 £	2017 £
Loans to group undertakings		
Parent Bank	91,210,795	183,109,820
Fellow Subsidiaries	10,226,281	899,550
Loans to other banks	312,579,518	156,425,186
Total gross amount	**414,016,594**	**340,434,556**
Allowance for impairment losses	(206,008)	–
Total net amount	**413,810,586**	**340,434,556**

Loans and advances to banks are categorised as 'amortised cost' in accordance with IFRS 9 and 'loans and receivables' under IAS 39. See note 2 for definition.

As at 31 December 2018 there were no loans to banks that were credit impaired (2017: there were no impaired loans). The fair value of the cash collateral held and the maturity profile of these loans is disclosed in note 23.

14. Loans and advances to customers

	2018 £	2017 £
Loans and advances to corporates	368,264,298	183,012,297
Loans secured on property	83,423,261	81,618,224
Other secured personal loans	11,590,962	6,568,129
Total gross amount	**463,278,521**	**271,198,650**
Allowance for impairment losses	(122,177)	–
Total net amount	**463,156,344**	**271,198,650**

Loans and advances to customers are categorised as 'amortised cost' in accordance with IFRS 9 and 'loans and receivables' under IAS 39. See note 2 for definition.

As at 31 December 2018 there were two property loans to customers of £1.14m that were impaired (2017: nil). These loans were collateralised with property value of £2m. The maturity profile of these loans is disclosed in note 23.

15. Property, plant and equipment

	Leasehold improvements £	Computer equipment £	Motor vehicles £	Furniture, fixtures and fittings £	Capital work in progress £	Total £
Cost						
Balance at 1 January 2018	393,906	509,969	88,123	267,022	103,554	1,362,574
Additions	339,007	96,429	–	22,972	809,015	1,267,423
Disposals / write-offs	–	–	(16,192)	–	(9,425)	(25,617)
Transfers	13,300	–	–	1,187	(45,987)	(31,500)
Balance at 31 December 2018	746,213	606,398	71,931	291,181	857,157	2,572,880
Balance at 1 January 2017	321,406	483,470	88,123	213,185	7,127	1,113,311
Additions	72,500	26,499	–	53,837	96,427	249,263
Balance at 31 December 2017	393,906	509,969	88,123	267,022	103,554	1,362,574

15. Property, plant and equipment continued

	Leasehold improvements £	Computer equipment £	Motor vehicles £	Furniture, fixtures and fittings £	Capital work in progress £	Total £
Accumulated depreciation						
Balance at 1 January 2018	(286,659)	(418,095)	(76,501)	(199,112)	–	(980,367)
Depreciation for the year	(97,854)	(90,909)	(9,384)	(20,850)	–	(218,997)
Disposals	–	–	16,192	–	–	16,192
Balance at 31 December 2018	(384,513)	(509,004)	(69,693)	(219,962)	–	(1,183,172)
Balance at 1 January 2017	(255,322)	(348,999)	(66,054)	(186,153)	–	(856,528)
Depreciation for the year	(31,337)	(69,096)	(10,447)	(12,959)	–	(123,839)
Balance at 31 December 2017	(286,659)	(418,095)	(76,501)	(199,112)	–	(980,367)
Net book value						
At 31 December 2018	**361,700**	**97,394**	**2,238**	**71,219**	**857,157**	**1,389,708**
At 31 December 2017	**107,247**	**91,874**	**11,622**	**67,910**	**103,554**	**382,207**

Capital work in progress in 2018 represents costs incurred on various computer equipment projects. The costs will be depreciated when brought into primary use.

16. Intangible assets

	2018 £	2017 £
Cost		
Balance at the beginning of the year	2,167,540	2,099,205
Additions	521,036	68,335
Transfers from capital work in progress	31,500	–
Balance at the end of the year	**2,720,076**	**2,167,540**
Accumulated amortisation		
Balance at the beginning of the year	(1,490,954)	(1,263,487)
Amortisation for the year	(258,698)	(227,467)
Balance at the end of the year	**(1,749,652)**	**(1,490,954)**
Net book value		
Balance at the end of the year	**970,424**	**676,586**

The intangible assets relate to software applications and licences purchased, and capitalised consultancy fees relating to their implementation.

Notes to the Financial Statements continued

For the year ended 31 December 2018

17. Other assets

	2018 £	2017 £
Financial assets		
Derivative financial instruments (see note 21)	181,264	1,829,501
Accrued income	1,075,276	1,809,755
Amounts due from fellow group undertakings	2,348,277	1,691,297
Other receivables	1,159,475	2,004,792
	4,764,292	**7,335,345**
Non-financial assets		
Prepayments	1,041,822	770,443
	5,806,114	**8,105,788**

18. Deposits from banks

	2018 £	2017 £
Amounts due to group undertakings		
Parent Bank	352,579,736	268,275,525
Fellow Subsidiaries	24,041,839	29,940,033
Amounts due to other banks	836,260,004	510,775,149
	1,212,881,579	**808,990,707**

The maturity profile of these deposits is disclosed in note 23.

19. Deposits from customers

	2018 £	2017 £
Current accounts	101,785,035	98,113,048
Deposit accounts	379,915,260	327,156,779
	481,700,295	**425,269,827**

The maturity profile of these deposits is disclosed in note 23.

20. Other liabilities

	2018 £	2017 £
Financial liabilities		
Trade creditors	4,900	4,900
Derivative financial instruments (see note 21)	43,726	53,702
Amounts due to fellow group undertakings	328,094	31,537
Social security and other taxes	229,314	190,053
Other financial liabilities	2,032,191	1,466,226
Provision for corporation tax	3,272,591	2,506,998
Deferred income	6,115,336	3,978,249
	12,026,152	**8,231,665**
Non-financial liabilities		
Other creditors including accrued expenses	5,734,603	3,946,083
	17,760,755	**12,177,748**

21. Derivative financial instruments

	2018 £	2017 £
Forward foreign currency contracts		
Receivables	181,264	1,829,501
Payables	(43,726)	(53,702)

Derivative financial instruments consist of short-term forward foreign exchange contracts. Forwards are held for day to day cash management rather than for trading purposes and are held at fair value. These foreign exchange contracts have intended settlement dates within twelve months. This is the only category of derivative instruments held by the Bank as at 31 December 2018. All forward contracts are considered to be level 2 (i.e. are priced with reference to observable market data).

22. Commitments and guarantees

a) Pension commitments

The Bank provides a defined contribution pension scheme for all staff. The assets of the scheme are held separately from those of the Bank in independently administered funds. During the year, pension costs of £574,231 (2017: £519,958) were charged to profit and loss. As at balance sheet date there was a pension payable balance of £833 (2017: £27).

b) Trade finance – commitments

	2018 £	2017 £
Letters of credit (including cash-backed)	175,879,202	139,368,646
Other commitments	2,848,923	2,318,994
Guarantees	4,129,171	8,771,962
	182,857,296	**150,459,602**

Included in letters of credit and guarantees are cash collateralised transactions amounting to £90,263,103 (2017: £80,795,982). Other commitments relates to undrawn property commitments.

c) Operating lease commitments

Non-cancellable operating lease payables:

	2018 £	2017 £
Less than 1 year	736,577	723,122
1 – 5 years	397,068	1,062,203
Above 5 years	410,792	410,792
	1,544,437	**2,196,117**

The above table shows the total of future minimum lease payments under non-cancellable operating leases including value added tax. Significant lease payables relate to the Bank's leased properties. During the year, £724,599 (2017: £694,832) was recognised as an expense in profit and loss in respect of operating leases.

Notes to the Financial Statements continued

For the year ended 31 December 2018

23. Financial instruments

a) Financial instruments classification

2018	Amortised cost £	Financial assets at FVPL £	Financial assets at FVOCI £	Total £
Assets				
Cash at bank	555,487,515	–	–	555,487,515
Money market placements	159,792,934	–	–	159,792,934
Loans and advances to banks	413,810,586	–	–	413,810,586
Loans and advances to customers	463,156,344	–	–	463,156,344
Derivative instruments	–	181,264	–	181,264
Investment securities	–	–	309,642,176	309,642,176
Other financial assets	4,583,028	–	–	4,583,028
Total assets	**1,596,830,407**	**181,264**	**309,642,176**	**1,906,653,847**

	Financial liabilities at amortised cost £	Financial liabilities at FVOCI £	Total £
Liabilities			
Deposits from banks	1,212,881,579	–	1,212,881,579
Deposits from customers	481,700,295	–	481,700,295
Derivatives	–	43,726	43,726
Other financial liabilities	11,982,426	–	11,982,426
Total liabilities	**1,706,564,300**	**43,726**	**1,706,608,026**

2017	Loans & receivables £	Financial assets at fair value through profit or loss £	Available for sale financial assets £	Total £
Assets				
Cash at bank	314,980,672	–	–	314,980,672
Money market placements	333,380,601	–	–	333,380,601
Loans and advances to banks	340,434,556	–	–	340,434,556
Loans and advances to customers	271,198,650	–	–	271,198,650
Derivative instruments	–	1,829,501	–	1,829,501
AFS investment securities	–	–	133,316,431	133,316,431
Other financial assets	5,505,844	–	–	5,505,844
Total assets	**1,265,500,323**	**1,829,501**	**133,316,431**	**1,400,646,255**

	Financial liabilities at amortised cost £	Financial liabilities at fair value through profit or loss £	Total £
Liabilities			
Deposits from banks	808,990,707	–	808,990,707
Deposits from customers	425,269,827	–	425,269,827
Derivatives	–	53,702	53,702
Other financial liabilities	8,286,368	–	8,286,368
Total liabilities	**1,242,546,902**	**53,702**	**1,242,600,604**

b) Valuation hierarchy

Financial assets and liabilities carried at fair value

The table below analyses the financial assets and liabilities of the Bank which are carried at fair value. They are categorised into levels 1 to 3 based on the degree to which their fair value is observable. The fair value measurement approach is recurring in nature.

2018	Level 1 £	Level 2 £	Level 3 £	Total £
Financial assets at FVPL:				
Derivative financial instruments	–	181,264	–	181,264
Financial assets at FVOCI				
Investment securities	308,531,183	1,110,993	–	309,642,176
	308,531,183	**1,292,257**	**–**	**309,823,440**
Financial liabilities at FVPL:				
Derivative financial instruments	–	43,726	–	43,726
	–	**43,726**	**–**	**43,726**

2017	Level 1 £	Level 2 £	Level 3 £	Total £
Financial assets at fair value through profit or loss:				
Derivative financial instruments	–	1,829,501	–	1,829,501
Available for sale financial assets:				
Investment securities	132,486,004	830,427	–	133,316,431
	132,486,004	**2,659,928**	**–**	**135,145,932**
Financial liabilities at fair value through profit or loss:				
Derivative financial instruments	–	53,702	–	53,702
	–	**53,702**	**–**	**53,702**

c) Risk management

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

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

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

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

Notes to the Financial Statements continued

For the year ended 31 December 2018

23. Financial instruments continued

d) Credit risk

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

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

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

Multiple methodologies are used to inform the decision on individual large credits, including internal analysis, rating agency ratings, and for wholesale assets market information such as credit spreads. For smaller credits, a single source may suffice such as the result from a rating agency. The Basel III approach is used to implement the Standardised Model.
Credit risk is the single largest risk for the Bank's business; management therefore carefully manages its exposure to credit risk.
Credit risk management and control are centralised in a credit risk management team which reports regularly to the Board of Directors.

Loans and advances (incl. loan commitments and guarantees)

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

The Bank measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD).

The Bank has used reasonable and supportable information that is available without undue cost or effort about past events, current conditions and forecasts of future economic conditions. The Bank commissioned a leading Pan African Credit Rating Agency to provide Probability of Default data ("PD") for the Bank's main lending portfolio but has used publicly available PD data for the other key portfolios, data (cash and short-term placements with banks rated BBB- and above).

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

Loans to banks

This is mainly made up of loans to Sub-Saharan African Correspondent banks and group undertakings (which were fully cash collateralised). The Bank utilised the ratings and PD data supplied by a leading Pan African Credit Rating Agency across the Correspondent Banking lending portfolios.

- The Bank has calculated the EAD to be the full value of the exposure plus future interest accrued to maturity (or a 12-month period) on a transaction by transaction basis.
- Loss Given Default (LGD) – LGDs are determined individually for contingent and direct exposures. The starting point for estimating the LGD is the standard LGD rate of 45% set out in the capital requirement framework under Basel II, which is then adjusted to reflect any collateral received, and the specific circumstances of the borrower.

Loans to customers

This is mainly made up of loans and advances to corporates, loans secured by property and other secured personal loans. For the loans and advances to corporates, the Bank has utilised the ratings and PD data supplied by Access Bank Plc where available, which management deem to be a reasonable estimation, given their in-depth knowledge of the local market, and these customers. With respect to corporates where Access Bank plc has been unable to provide a PD, as a proxy we have applied a PD rating of 11.4%, equivalent of a Bank risk rating of 3, being the lowest rated customer that the Bank would lend to under this product.

- The Bank has calculated the EAD to be full value of the exposure plus future interest accrued to maturity (or a 12-month period) on a transaction by transaction basis.
- Loss Given Default (LGD) – LGDs are determined individually for contingent and direct exposures. The starting point for estimating the LGD is the standard LGD rate of 45% set out in the capital requirement framework under Basel II, which is then adjusted to reflect any collateral received, and the specific circumstances of the borrower.

Cash at bank and money market placements

This portfolio reflects the following activity:

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

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

Investment securities

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

Expected credit loss measurement

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

- Underlying assets classed as 'Performing', with no notable increase in credit risk are classified in 'Stage 1'. Stage 1 credit grade includes ECL staging of investment grade or standard monitoring dependent on the credit rating of the ultimate obligor. Investment grade are obligors with Fitch investment grade ratings of AAA, AA or A while others are standard monitoring.
- The underlying asset would be moved to 'Stage 2' if there is an increase in credit risk that is deemed to be significant. This asset is classed as 'Under Performing'. There the ECL staging would be special monitoring.
- The underlying asset is moved to 'Stage 3' if it is classed as 'Non-Performing' and is deemed to be credit impaired.

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

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

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

Change in credit quality since original recognition

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

Transition from 'Stage 1' to 'Stage 2'

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

Quantitative measures

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

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

Qualitative measures

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

- Covenant breaches
- Security shortfalls
- Significant adverse developments

Notes to the Financial Statements continued
For the year ended 31 December 2018

23. Financial instruments continued
d) Credit risk continued

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

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

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

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

Measuring ECL – explanations of inputs, assumptions and estimation techniques
The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD), defined as below:
- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per "definition of default and credit-impaired" above), either over the next 12 months (12M PD), or over the remaining Lifetime (Lifetime PD) of the obligation.
- EAD is based on the amounts the Bank expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining Lifetime (Lifetime EAD). For example, for a revolving commitment, the Bank includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.
- Loss Given Default (LGD) represents the Bank's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

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

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

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

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

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

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

For cash at bank and money market placements, in determining the three scenarios, we have considered GDP growth, interest rates, and total consumer spending. The base scenario is assigned a weighting of 75%, the upside scenario 10% and the downside scenario 15%. To model the impact of each scenario, we have assumed that for the upside scenario the PDs and LGDs are each decreased by 10% (i.e. a 20% PD would become 18%), and for the downside scenario the PDs and LGDs are each increased by 15%.

For loans and advances to banks and corporates that are related to Nigeria and other Sub-Saharan countries, in determining the three scenarios, we have considered GDP growth, oil prices, oil production and foreign currency reserves. The base scenario is assigned a weighting of 60%, the upside scenario 10% and the downside scenario 30%. To model the impact of each scenario, we have assumed that for the upside scenario the PDs and LGDs are each decreased by 10%, and for the downside scenario the PDs and LGDs are each increased by 20%.

For loans secured on property, the key determinant was house prices. The base scenario is assigned a weighting of 50%, the upside scenario 15% and the downside scenario 35%. For the upside scenario we have assumed a one-year increase in house prices of 4%, and for the downside scenario we have assumed a one-year decrease in house prices of 16%.

Across the portfolio, the credit impairment provision is not particularly sensitive to a change in the weightings. A 20% increase in the scenario weighting of the downside scenarios across the portfolios (e.g. the downside weighting for cash at bank and money market placements increases from 15% to 35%), coupled with a 20% decrease in the weighting of the base scenario, would result in an increase of £29k in the impairment provision.

Applying a weighting of 100% to the downside scenario would result in an increase of £81k in the impairment provision.

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

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

	£'000	£'000
Cash at bank		555,488
Money market placements		159,793
Investment securities		309,642
Loans to customers		
Retail loans (including retail mortgages)	72,979	
Corporate loans (including corporate mortgages)	390,177	
		463,156
Loans to banks		413,811
Total on balance sheet		**1,901,890**
Guarantees		4,129
Other commitments		2,849
Letters of credit		175,879
Maximum credit risk exposure		**2,084,747**

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

Notes to the Financial Statements continued

For the year ended 31 December 2018

23. Financial instruments continued

d) Credit risk continued

	Cash at bank 2018 ECL Staging			
	Stage 1 12-month ECL £'000	Stage 2 lifetime ECL £'000	Stage 3 lifetime ECL £'000	Total £'000
Credit grade				
Investment grade	543,459	–	–	543,459
Standard monitoring	12,048	–	–	12,048
Gross carrying amount	**555,507**	**–**	**–**	**555,507**
Loss allowance	(19)	–	–	(19)
Carrying amount	**555,488**	**–**	**–**	**555,488**

	Money market placements 2018 ECL Staging			
	Stage 1 12-month ECL £'000	Stage 2 lifetime ECL £'000	Stage 3 lifetime ECL £'000	Total £'000
Credit grade				
Investment grade	57,624			57,624
Standard monitoring	102,184	–	–	102,184
Gross carrying amount	**159,808**	**–**	**–**	**159,808**
Loss allowance	(15)	–	–	(15)
Carrying amount	**159,793**	**–**	**–**	**159,793**

	Loans to customers 2018 ECL Staging			
	Stage 1 12-month ECL £'000	Stage 2 lifetime ECL £'000	Stage 3 lifetime ECL £'000	Total £'000
Credit grade				
Standard monitoring	461,176	–	–	461,176
Special monitoring	–	963	–	963
Default monitoring / credit impaired	–	–	1,139	1,139
Gross carrying amount	**461,776**	**963**	**1,139**	**463,278**
Loss allowance	(122)	–	–	(122)
Carrying amount	**461,054**	**963**	**1,139**	**463,156**

	Loans to banks 2018 ECL Staging			
	Stage 1 12-month ECL £'000	Stage 2 lifetime ECL £'000	Stage 3 lifetime ECL £'000	Total £'000
Credit grade				
Standard monitoring	414,017			414,017
Gross carrying amount	**414,017**	**–**	**–**	**414,017**
Loss allowance	(206)	–	–	(206)
Carrying amount	**413,811**	**–**	**–**	**413,811**

Maximum exposure to credit risk – financial instruments subject to impairment

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

	Maximum exposure to credit risk £'000
Derivatives	181
Financial asset designated at fair value	–
Debt securities	–
Other financial assets not subject to impairment	4,583

Collateral and other credit enhancements

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

The Bank prepares a valuation of the collateral obtained as part of the loan origination process. This assessment is reviewed periodically.

The principal collateral types for loans and advances are:

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

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

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

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

The Bank's financial assets originated by the mortgage business have sufficiently low "loan to value" (LTV) ratios, which results in no loss allowance being recognised in accordance with the Bank's expected credit loss model. The carrying amount of such financial assets is £83,423,261 as at 31 December 2018.

The Bank closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the Bank will take possession of collateral to mitigate potential credit losses. Financial assets that are credit-impaired and related to collateral held in order to mitigate potential losses are shown below:

	Gross exposure £'000	Impairment allowance £'000	Carrying amount £'000	Fair value of collateral held £'000
Credit-impaired assets				
Loans to individuals:				
Mortgages	1,139	–	1,139	2,002
Total credit-impaired assets	**1,139**	**–**	**1,139**	**2,002**

Notes to the Financial Statements continued

For the year ended 31 December 2018

23. Financial instruments continued

d) Credit risk continued

Loss allowance

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

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

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

Cash at bank	Stage 1 12-month ECL £'000	Stage 2 lifetime ECL £'000	Stage 3 lifetime ECL £'000	Total £'000
Loss allowance as at 1 January 2018	4	–	–	4
Movements with P&L impact				
New financial assets originated or purchased	15	–	–	15
Total net P&L charge during the period	**15**	**–**	**–**	**15**
Loss allowance as at 31 December 2018	**19**	**–**	**–**	**19**

Money market placements	Stage 1 12-month ECL £'000	Stage 2 lifetime ECL £'000	Stage 3 lifetime ECL £'000	Total £'000
Loss allowance as at 1 January 2018	17	–	–	17
Movements with P&L impact				
New financial assets originated or purchased	(2)	–	–	(2)
Total net P&L charge during the period	**(2)**	**–**	**–**	**(2)**
Loss allowance as at 31 December 2018	**15**	**–**	**–**	**15**

Loans to customers	Stage 1 12-month ECL £'000	Stage 2 lifetime ECL £'000	Stage 3 lifetime ECL £'000	Total £'000
Loss allowance as at 1 January 2018	111	–	–	111
New financial assets originated or purchased	11	–	–	11
Total net P&L charge during the period	**11**	**–**	**–**	**11**
Loss allowance as at 31 December 2018	**122**	**–**	**–**	**122**

Loans to banks	Stage 1 12-month ECL £'000	Stage 2 lifetime ECL £'000	Stage 3 lifetime ECL £'000	Total £'000
Loss allowance as at 1 January 2018	185	–	–	185
New financial assets originated or purchased	21	–	–	21
Total net P&L charge during the period	**21**	**–**	**–**	**21**
Loss allowance as at 31 December 2018	**206**	**–**	**–**	**206**

Significant increases in the gross carrying amount of the various financial assets was the main driver of changes in the loss allowance.

Write-off policy

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

Age analysis of past due but not impaired assets

The table below shows the age analysis of past due but not impaired risk assets. These relate to a number of customers for whom there is no recent history of default property loans which are fully secured by collateral.

	2017 £
Less than three months	57,714
Between three to six months	18,865
Over six months but less than one year	–
Over one year	–
	76,579

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

	2018 £	2017 £
Concentration by sector		
Banks	669,795,378	771,132,246
Corporate	479,285,092	201,541,434
Government / multilateral development banks	679,298,805	356,434,138
Retail	78,274,572	71,538,437
	1,906,653,847	**1,400,646,255**
Concentration by location		
Africa	806,997,345	633,387,245
Europe	636,246,099	576,679,413
Other	463,410,403	190,579,597
	1,906,653,847	**1,400,646,255**

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

The Bank extends credit facilities for international trades to quality rated and unrated counterparties. In respect of placements with banks, all must have a Fitch (or equivalent) rating of no less than BBB-. In respect of banks for which correspondent banking services are provided, all rated counterparties must have a Fitch (or equivalent) rating of no less than B-. As at 31 December 2018, 78% of the Bank's cash and money market placements were held with financial institutions, with ratings of A- or above (2017: 83%).

The Bank's maximum exposure to credit risk before allowing for collateral held was £2,085m (2017: £1,552m), of which property loans of £1.1m (2017: nil) which were fully collateralised were impaired. These amounts include all financial assets and commitments.

As at 31 December 2018, the Bank's maximum exposure to credit risk after allowing for collateral held was £1,559m (2017: £956m).

Total trade related exposure was £965m (2017: £667m) against which the Bank had cash collateral of £289m (2017: £260m), Nigerian Treasury Bills and Federal Government of Nigeria Bonds of £87.2m held with Access Bank Plc (2017: £36m), and Ghanaian Treasury Bills of £0.4m with Access Bank (Ghana) Plc.

All disclosed numbers relating to 2017 are on the basis of IAS 39.

Notes to the Financial Statements continued
For the year ended 31 December 2018

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

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

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

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

2018	Sterling £	US dollars £	Euro £	Other currencies £	Total £
Assets	564,555,483	1,312,951,876	28,268,745	877,743	1,906,653,847
Liabilities	349,329,263	1,328,247,369	28,555,094	476,300	1,706,608,026
Foreign exchange forward contracts	(14,900,729)	15,043,002	223,329	(365,602)	–
Net financial assets/(liabilities)	200,325,491	(252,491)	(63,020)	35,841	200,045,821

2017	Sterling £	US dollars £	Euro £	Other currencies £	Total £
Assets	417,001,319	965,903,795	17,048,853	692,288	1,400,646,255
Liabilities	320,041,143	904,809,136	17,578,694	171,631	1,242,600,604
Foreign exchange forward contracts	60,822,464	(60,994,572)	543,162	(371,054)	–
Net financial assets/(liabilities)	157,782,640	100,087	13,321	149,603	158,045,651

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

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

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

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

Impact on profit or loss and equity

	31 Dec 2018 £	31 Dec 2017 £
Increase	2,129,000	2,407,000
Decrease	(2,193,000)	(2,439,000)

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

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

This table shows the liquidity analysis of financial assets and liabilities analysed based on their contractual maturity date. The figures are shown on an undiscounted basis and there is no significant difference between the contractual amounts of financial liabilities and their carrying amount.

2018	Less than 3 months £	Between 3 & 12 months £	More than 12 months £	Carrying amount £
Assets				
Cash at bank	555,487,515	–	–	555,487,515
Money market placements	154,687,019	5,105,915	–	159,792,934
Loans and advances to banks	144,492,385	228,911,907	40,406,294	413,810,586
Loans and advances to customers	197,760,191	149,967,092	115,429,061	463,156,344
Financial derivatives	146,797	34,467	–	181,264
Investment securities	113,279,771	195,251,412	1,110,993	309,642,176
Other financial assets	213	3,950,975	631,840	4,583,028
Total assets	**1,165,853,891**	**583,221,768**	**157,578,188**	**1,906,653,847**
Liabilities				
Customers deposits	104,306,638	147,718,518	229,675,139	481,700,295
Deposits from banks	845,735,319	347,469,704	19,676,556	1,212,881,579
Financial derivatives	3,553	40,173	–	43,726
Other financial liabilities	11,982,426	–	–	11,982,426
Total liabilities	**962,027,936**	**495,228,395**	**249,351,695**	**1,706,608,026**

Included in Cash at bank is an amount of £464m (2017: £226m) held in a reserve account with the Bank of England and included in Investment securities are £309mm (2017: £130m) of US Treasury bills and government bonds held at fair value through other comprehensive income. Both amounts are held to meet liquidity buffer requirements, which can be drawn upon on demand.

Notes to the Financial Statements continued

For the year ended 31 December 2018

23. Financial instruments continued

f) Liquidity risk continued

2017	Less than 3 months £	Between 3 & 12 months £	More than 12 months £	Carrying amount £
Assets				
Cash at bank	314,980,672	–	–	314,980,672
Money market placements	330,613,195	2,767,406	–	333,380,601
Loans and advances to banks	267,038,022	58,435,800	14,960,734	340,434,556
Loans and advances to customers	104,235,270	51,444,653	115,518,727	271,198,650
Financial derivatives	1,829,501	–	–	1,829,501
Available for sale investments	96,941,721	33,123,474	3,251,236	133,316,431
Other financial assets	3,848,542	1,555,273	102,029	5,505,844
Total assets	**1,119,486,923**	**147,326,606**	**133,832,726**	**1,400,646,255**
Liabilities				
Customers deposits	203,083,930	120,245,611	101,940,286	425,269,827
Deposits from banks	641,291,415	167,699,292	–	808,990,707
Financial derivatives	53,702	–	–	53,702
Other financial liabilities	4,119,070	1,850,852	2,316,446	8,286,368
Total liabilities	**848,548,117**	**289,795,755**	**104,256,732**	**1,242,600,604**

g) Capital management

Capital is defined as the total of share capital, share premium, retained earnings and other reserves. Total capital at 31 December 2018 was £197,577,699 (2017: £155,928,804). Regulatory capital is determined in accordance with the requirements of the PRA in the UK. Total regulatory capital as at 31 December 2018 was £196,584,395 (2017: £155,153,672).

Capital adequacy and the use of regulatory capital are monitored regularly by the Bank's management, employing techniques based on the guidelines developed by the Basel Committee and the European Community Directives, as implemented by the PRA in the UK, for supervisory purposes. The PRA requires each bank to maintain a ratio of total regulatory capital to risk-weighted assets at or above a level determined for each institution.

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

The Bank has calculated its regulatory capital as at 31 December 2018 in accordance with these definitions as laid out in the table below:

Capital resources	**2018 £**	2017 £
Tier one capital		
Shareholders' funds	197,577,699	155,928,804
Less:		
Intangible assets	(970,424)	(676,586)
CRD IV adjustments	(22,880)	(98,546)
Total Tier 1 capital	196,584,395	155,153,672
Total regulatory capital	**196,584,395**	**155,153,672**

The Bank complied with its regulatory capital requirements throughout the year.

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

24. Share capital

	Ordinary shares	
	No. of shares	**Amount £**
As at 1 January 2018	122,000,000	122,000,000
Proceeds from shares issued	16,000,000	16,000,000
As at 31 December 2018	138,000,000	138,000,000

	Ordinary shares	
	No. of shares	Amount £
As at 1 January 2017	98,000,000	98,000,000
Proceeds from shares issued	24,000,000	24,000,000
As at 31 December 2017	122,000,000	122,000,000

On 2 May 2018, the Bank issued and the parent company subscribed for a further 16,000,000 shares at par. At 31 December 2018 the issued share capital comprised 138,000,000 ordinary shares (2017: 122,000,000) with a par value of £1. All issued shares are fully paid.

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

Notes to the Financial Statements continued

For the year ended 31 December 2018

25. Related party transactions

Key management personnel are considered to be the Directors. Disclosures regarding Directors' emoluments and other transactions are given in note 8.

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

	2018 £	2017 £
Assets		
Amounts due from parent bank	193,218,831	274,615,102
Amounts due from fellow subsidiaries	10,226,281	899,550
	203,445,112	275,514,652

	2018 £	2017 £
Liabilities		
Amounts due to parent bank	352,863,629	268,307,061
Amounts due to fellow subsidiaries	24,041,838	29,940,033
	376,905,467	298,247,094

	2018 £	2017 £
Fee and commission income		
Parent Bank	1,109,797	1,677,896
Fellow Subsidiaries	309,957	377,767
	1,419,754	2,055,663

	2018 £	2017 £
Interest income		
Parent Bank	10,410,587	8,377,374
Fellow Subsidiaries	(37,367)	19,086
	10,373,220	8,396,460

	2018 £	2017 £
Interest expense		
Parent Bank	4,608,794	3,720,940
Fellow Subsidiaries	194,511	293,778
	4,803,305	4,014,718

There was one mortgage approved and advanced, to a director of the parent company for £1,800,000 (2017: £2,740,945). As at 31 December 2018, the outstanding amount for the mortgage was £1,729,835 (2017: £2,713,177) in respect of the director of the parent company.

Deposits by directors of the parent company as at 31 December 2018 were £81,708 (2017: £189,564) with the largest deposit as at year end being £46,074 (2017: £69,221).

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

26. Fair values of financial instruments

Cash and money market placements

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

Loans and advances to banks

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

Loans and advances to customers

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

Financial assets – derivatives

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

Investment securities

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

Deposits from customers

These comprise mainly deposits taken from non-bank customers and the carrying amount of these deposits is based on reasonable approximation of market value, in the absence of which the Directors' estimation is used.

Deposits from other banks

These comprise mainly deposits taken from financial institutions and the carrying amount of these deposits is based on reasonable approximation of market value, in the absence of which the Directors' estimation is used.

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

Notes to the Financial Statements continued

For the year ended 31 December 2018

26. Fair values of financial instruments continued

Set out below is the year end comparison of book and fair values of all the Bank's financial instruments by category. The fair values are determined as stated below:

	2018 Book value £	2018 Fair value £	2017 Book value £	2017 Fair value £
Assets				
Cash at bank	555,487,515	555,487,515	314,980,672	314,980,672
Money market placements	159,792,934	159,792,934	333,380,601	333,380,601
Loans and advances to banks	413,810,586	413,810,586	340,434,556	340,434,556
Loans and advances to customers	463,156,344	463,156,344	271,198,650	271,198,650
Derivative financial instruments	181,264	181,264	1,829,501	1,829,501
Investment securities	309,642,176	309,642,176	133,316,431	133,316,431
Other financial assets	4,583,028	4,583,028	5,505,844	5,505,844
	1,906,653,847	1,906,653,847	1,400,646,255	1,400,646,255
Liabilities				
Deposits from customers	481,700,295	481,700,295	425,269,827	425,269,827
Deposits from banks	1,212,881,579	1,212,881,579	808,990,707	808,990,707
Derivative financial instruments	43,726	43,726	53,702	53,702
Other financial liabilities	11,982,426	11,982,426	8,286,368	8,286,368
	1,706,608,026	1,706,608,026	1,242,600,604	1,242,600,604

27. Subsidiary undertakings

The Bank has established three wholly owned subsidiaries which did not trade during 2018. The Bank has taken advantage of the exemption in the Companies Act from producing consolidated financial statements on the grounds that the inclusion of the subsidiaries is not material for the purpose of giving a true and fair view.

28. Ultimate parent company and controlling party

The Bank's immediate and ultimate parent and controlling party is Access Bank Plc, a bank incorporated in Nigeria. Group financial statements into which the Bank is consolidated are available from the Head Office, at Plot 999c, Danmole Street, Off Adeola Odeku/Idejo Street, Victoria Island, Lagos, Nigeria.

29. Events subsequent to the balance sheet date

Following a review of the Bank's operations the Board of the Bank approved that the functional currency of the Bank would be changed from Pounds Sterling to US Dollar. The Board therefore approved that the nominal value of the Bank's ordinary shares be redenominated from £1 to $1.26, this being the rate prevailing at the close of business on 2 January 2019.

Five-Year Record

Statement of financial position	31 December 2014 £	31 December 2015 £	31 December 2016 £	31 December 2017 £	**31 December 2018 £**
Assets					
Placements and cash at banks	69,001,078	152,649,045	537,882,278	648,361,273	**715,280,449**
Loans and advances to banks	223,036,626	295,961,169	274,334,638	340,434,556	**413,810,586**
Loans and advances to customers	94,704,132	146,217,408	236,312,712	271,198,650	**463,156,344**
Investment securities	75,941,211	14,298,064	60,851,549	133,316,431	**309,642,176**
Other assets	3,714,561	5,823,708	5,755,482	9,164,581	**8,166,246**
Total assets	466,397,608	614,949,394	1,115,136,659	1,402,475,491	**1,910,055,801**
Liabilities					
Deposits from banks	324,355,083	354,869,538	682,420,453	808,990,707	**1,212,881,579**
Deposits from customers	81,587,463	171,112,175	311,215,028	425,269,827	**481,700,295**
Other liabilities	3,275,850	10,161,622	7,900,221	12,286,153	**17,896,228**
Total liabilities	409,218,396	536,143,335	1,001,535,702	1,246,546,687	**1,712,478,102**
Shareholders' funds	57,179,212	78,806,059	113,600,957	155,928,804	**197,577,699**
Total liabilities and equity	466,397,608	614,949,394	1,115,136,659	1,402,475,491	**1,910,055,801**

Advisors

Deloitte
Hill House
1 Little New Street
London
EC4A 3TR

Internal Auditors
Grant Thornton UK LLP
30 Finsbury Square
London
EC2P 2YU

External Auditors
PricewaterhouseCoopers LLP
7 More London Riverside
London
SE1 2RT

Retained Lawyers
CMS Cameron McKenna LLP
Mitre House
160 Aldersgate Street
London
EC1A 4DD

Employment Lawyers
Squire Sanders
7 Devonshire Square
London
EC2M 4YH

Offices

The Access Bank UK Limited
4 Royal Court
Gadbrook Way
Gadbrook Park
Northwich
Cheshire
CW9 7UT

The Access Bank UK Limited
1 Cornhill
London
EC3V 3ND

The Access Bank UK Limited
Representative Office
No. 7, 6th Street
Osborne Foreshore Estate
Ikoyi
Lagos
Nigeria

The Access Bank UK Limited – Dubai Branch
Level 15, Gate Building
Dubai International Financial Centre
Dubai, 121208,
United Arab Emirates

Designed and produced by Honey, London. www.honey.co.uk

The Access Bank UK Limited
4 Royal Court
Gadbrook Way
Gadbrook Park
Northwich
Cheshire
CW9 7UT

www.theaccessbankukltd.co.uk