



iFAST Global Bank Limited

(previously BFC Bank Limited)

Annual Report 2021



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Strategic Report

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Throughout the Annual Report, reference to "BFC Bank", "the Bank" "BFC" or BFC Bank Limited is deemed to refer to iFAST Global Bank Limited. iFAST Global Bank Limited is trading under the name "iFAST Global Bank", "iFAST" and "Wholesale Currency Services" for its corporate banking and wholesale banknote businesses and under "EzRemit" for its consumer banking activities.

Directors, Officers and Professional Advisers

Board of Directors

| | |
|-------------------------|--|
| Peter Stuart Hinson | Chairman |
| Ebrahim Ezra Nonoo | Vice Chairman - Resigned 28.03.2022 |
| Alfred Barrington Meeks | Senior Independent Non-Executive Director - Resigned 14.06.2021 |
| Anthony Wagerman | Independent Non-Executive Director |
| Derek Daniel O'Herlihy | Independent Non-Executive Director |
| Kubra Ali Merza | Non-Executive Director – Resigned 24.02.2021 |
| Maurice Benedict Horan | Non-Executive Director - Resigned 28.03.2022 |
| Chuan Yong Goh | Executive Director- Appointed 28.03.2022 |
| Vincent Tong | Non-Executive Director- Appointed 28.03. 2022 |
| Russell Saunders | Senior Independent Non-Executive Director - Appointed 28.03.2022 |
| Andrew Graham | Independent Non-Executive Director - Appointed 28.03.2022 |
| Mujahid Malik | Chief Executive Officer |

Executive Management

| | |
|------------------------|--|
| Mujahid Malik | Chief Executive Officer |
| Gerald Keith Watts | Chief Commercial Officer and General Manager Wholesale |
| Prashanth Veeramangala | General Manager Consumer |
| Martin Maguire | Head of Compliance & MLRO |

Independent Auditors

MHA MacIntyre Hudson LLP
6th Floor, 2 London Wall Place
London
EC2Y 5AU

Company Secretary

Elemental Company Secretary Limited
27 Old Gloucester Street
London
WC1N 3AX

Registered Address

Company Registration Number: 04797759
South Quay Building
9th Floor
77 Marsh Wall
London E14 9SH
United Kingdom

Chairman's statement

2021 has been a year of recovery as we started to exit the pandemic and with completion of sale in March 2022 the Bank is well placed to grow and take advantage of the opportunities that arise.



The sale of the Bank completed on 28 March 2022 after which iFAST Corporation Ltd, a Singapore based listed financial institution became the majority shareholder. This change in control will enable the Bank to grow and for our customers, both existing and new, to receive a high quality of service.

The unequivocal support of our previous and new shareholders has been a feature since the launch of the Bank and we are confident that the change in control is a strategic milestone and positive move forward for the Bank and its employees.

Overall the Bank delivered its best annual trading results to date. After accounting for central costs, the operating loss of £3m was a significant improvement over the previous year loss of £4m. The balance sheet at £72m remains highly liquid representing the nature of our products and services and the deposit base is sufficiently adequate to meet the working capital needs of the business units.

I would like to thank all stakeholders for their contribution to the success of the Bank. This year, in particular, the teams in all divisions of the Bank have continued to develop required skills and these efforts have been leveraged in our reaction to the pandemic and the pressures of working from home.

In the long term, with new shareholders on board, we believe the Bank has a clear path to delivering expected returns. In the face of considerable change, our principal points of focus remain:

- To deliver outstanding service to customers whilst optimising our mix of business units.
- Maintaining strong Governance, Compliance and Risk Management across our business units and in doing so, meet all applicable UK laws, regulatory requirements and guidelines; and
- To ensure adequacy of capital, whilst managing the risks in a prudent and responsible manner.

We also seek to integrate Environment, Social and Governance into our financing and investment activities and support The Principles for Responsible Banking and Responsible Investment.

We exit 2021 with a solid base to enable expansion of our customer and product base, notwithstanding the challenges that lie ahead, I am confident that we are well positioned to take full advantage of opportunities as they arise with the flexibility within the Bank to adopt to change and wider experience within the existing teams and iFAST Group.

Next year I hope to report on how the foundations laid in the last few years will widen our customer offering and with additional capital injection from the shareholders to accelerate Bank's growth potential and move closer to our desired level of sustainable returns.

Peter Stuart Hinson
Chairman
21 April 2022

Chief Executive's Review

Despite all the challenges we performed exceptionally well with significant reduction in losses and are now well placed to grow with the help of our new shareholders iFAST.



The Annual Report provides an overview of some of the key risks that the Bank has faced, the steps which have been taken to mitigate these risks and the many successful outcomes that have, nevertheless, been achieved.

Overview

Any successful bank starts and ends with people and I am enormously proud of the commitment and dedication shown by our colleagues in what was challenging and demanding second consecutive year since the launch of the Bank. But I am immensely excited with the opportunity this has created for the Bank, with iFAST Group, a leading fintech wealth management platform becoming the majority shareholder and the advantages it will bring to the Bank, its people and the customers.

The most significant achievement for the Bank is becoming a direct participant of CHAPS. Teams across the Bank worked tirelessly during 2021 with the Bank of England and other direct participants to ensure the success of this milestone project. On 31 January 2022 we were admitted as the 37th member of the scheme which is a significant achievement for a newly established bank. Along with our already well established Faster Payments Scheme membership, we are now able to execute all our GBP transactions, domestic and international in-house without dependence on correspondent banking relationships which gives us greater control and better equips us to respond to market changes.

This will no doubt create openings in immediate future as well as significant market opportunities in the years ahead, with the upcoming changes in the UK clearing space, to build a leading digital provider of transaction banking services targeting a wide customer base.

Capital continued to be eroded by losses in the year, however we managed to keep our capital ratios well within the regulatory limits. More importantly, following completion of sale, which brought an equity capital injection of £15m along with conversion of AT1 Loan note into equity in Q1 2022, our levels of capital are adequate to support the Bank going forward.

Throughout the year our business continuity processes proved to be adequately robust to enable workforce to work remotely whilst minimising the impact on our customers and we were able to complete all key tasks in accordance with our obligations. Since start of the year 2022 we have started welcoming our teams back into office, which will increase in coming months. We have utilised the benefits of flexibility and at times intrusion while working from home and are excited to see colleagues back in office working together.

Financial Performance

Although the global pandemic and uncertainty impacted all businesses and financial markets, the impact on the Bank's financial position at year end was minimal.

The carrying values of the assets and liabilities have not been impacted and the credit provisioning assessed under the expected credit loss model provided in IFRS 9, has remained unchanged. As the Bank does not provide loan facilities or have other long term commitments, the uncertainty in financial markets had no bearing on our expected credit loss provisions. This provided the Bank the opportunity to continue to serve customers', while depositors' monies continued to be available on demand.

The total assets in the Balance Sheet at the year-end were £72m and the Bank continued to add depositors to meet its working

capital requirements. Our balance sheet comprises of short term assets supported by comparatively longer term liabilities, we are therefore able to manage liquidity efficiently with consequent benefits to income.

The result is an underlying increase in net operating results over the previous year along with reduction in our operating costs. Consequently, the loss for the year was reduced to £3m from £4m in previous year which was also lower than the £5m loss in year 2019, a progress we expect to continue in the coming year.

The Bank has remained steadfast in its support of both British and foreign nationals needing to send money overseas. This has been possible due to the considerable effort that has been expended to build capability, resilience and sustainability right across the business. It could not have been achieved without the additional support of some highly committed shareholders.

Throughout the process, we have had to invent new ways of working and new ways to meet and advise our customers, and the experience has strengthened our ambitions to become a better and simpler bank. The tactical actions taken by the business in 2021 will ensure that the Bank is well placed to scale and grow existing business units.

Outlook

We have come to the end of a critical period for the Bank, both with the challenges of the pandemic and successful completion of sale of the Bank which had caused some level of uncertainty.

2022 is expected to be a year of strategic enhancements for the Bank. Having worked extensively on strengthening the operational resilience of the Bank and improving trading performance over the last year, we now look forward to embarking on the next stage of our growth as iFAST come on board as new shareholders, bringing with them an established fintech ecosystem comprising of not just customers and corporate partners from five markets in Asia, but also in-house technological capabilities. This will help us deliver valuable and differentiated propositions and products to our customers

With CHAPS membership, the shareholders and the management team will be able to provide the optimal skillset to help the Bank become a market leader in transaction banking.

We are pleased with what we have achieved to-date and we enter 2022 with confidence that it will be a transformational year for the Bank.

I assure you we will remain focused on establishing a sustainable and well risk managed bank in which customers, employees and shareholders can all take pride.

Mujahid Malik
Chief Executive Officer
21 April 2022

Business Model and Financial Performance

I. Business Model

The Bank's Business Model essentially incorporates three core business lines

1. Money transfer and foreign exchange services for customers.
2. Wholesale banknote services for Central Banks, Commercial Banks and Top Tier Non-Bank Retailers including travel companies and multi-nationals.
3. Transactional banking services of taking Deposits, International Payments, UK Faster Payments and multi-currency corporate accounts.

Our primary Strategic Objectives are:

- Strengthen the Bank's operational resilience, capital and liquidity position.
- Continue to deliver growth in our Consumer remittance business.
- Bring the Wholesale business back to profitability and become a leading player in the UK & Europe.

II. Financial Performance

Since receiving the banking licence, the Bank has continued to achieve sustained growth in trading performance and invest in the central functions – Risk Management, Compliance, IT & Information Security, Operations and Finance to support its business lines.

In 2021, the Bank losses for the year were reduced to £3m (2020: loss of £4.0m) due to effective management of trading revenues with its cost base.

| | 2021 Results | 2020 Results |
|--|-----------------|-----------------|
| | £'000 | £'000 |
| Net interest (expense)/ income | (450) | (687) |
| | (450) | (687) |
| Fee and commission income | 4,832 | 5,968 |
| Fee and commission expense | (1,369) | (1,462) |
| Net trading profit on foreign exchange | 4,479 | 5,489 |
| Fair value gain/(loss) on derivatives | (531) | 368 |
| Other operating income | 88 | 514 |
| Net Operating income | 7,049 | 10,190 |
| Depreciation and amortisation | (998) | (1,430) |
| Other operating expenses – Business units | (4,783) | (4,323) |
| Other operating expenses – Central cost unit | (4,764) | (8,430) |
| Net foreign exchange gain | 501 | 10 |
| Total operating expenses | (10,134) | (14,173) |
| Profit/(Loss) for the year | (3,085) | (3,983) |

Net Operating Income for the year decreased by 31% to £7.0m (2020: £10.2m), attributable to the following:

- Fee and Commission Income decreased by 19% to £4.8m (2020: £5.9m), mainly due to off boarding of corporate customers and the impact of travel restrictions due to COVID-19 on our Wholesale business. Fee and Commission Expense also decreased by 7% to £1.4m (2020: £1.5m)
- Net interest expense decreased by 34% to £450k (2020: £687k) and trading profit on foreign exchange decreased by 13% to £4.8m (2020: £5.5m).

Total Operating Expenditure in the year decreased by 29% to £10m (2020: £14m) mainly due to the following:

- Staff costs decreased by 24% to £5.0m (2020: £6.6m) mainly due to off boarding of corporate customers and related staff costs.
- Legal and Professional fees decreased by 50% to £0.8m (2020: £1.6m), largely because of reduction in contract staff which were replaced by permanent staff.
- IT expenditure decreased by 35% to £1.7m (2020: £2.6m).

Total Assets at the year-end were £72m (2020: £79m). Reduction was mainly due to off boarding corporate customers and the associated current accounts. The assets include primarily cash and financial investments of £54m (2020: £63m), whilst intangible assets decreased to £4.0m (2020: £4.5m) due to amortisation.

Financial Review by business lines

CONSUMER DIVISION

Sustainable growth

The trading profit for the business decreased by 28% to £4.9m in 2021 (2020 £6.8m). Although the transaction numbers increased the margin decreased, owing to implementation of prudent hedging strategies and volatility in markets due to impacts of COVID. In addition, there was a 13% increase in expenditure to £3.4m (2020 £3.0m).

Going forward, the aims of the business are:

- To continue to grow volumes in the low risk payment space, whilst improving margins and expansion into additional corridors.
- To maximise the income opportunities arising from the strong relationship with our existing partners, whilst continuing to add new major relationships.

WHOLESALE DIVISION

Stable platform to attain growth objectives

In 2019 the Bank grew the UK banknote business, with a reputation for competitive pricing and high-quality service, delivered by a team of industry-leading specialists. That reputation resulted in an increasing number of central banks, commercial banks and top tier travel companies, retail groups and multi-nationals turning to iFAST.

As with all travel related businesses, the COVID-19 crises from Q1 2020 continued to impact the business in 2021. This drop in volume significantly reduced the revenues and increased the trading losses.

CORPORATE DIVISION

Strength of payments infrastructure

The Corporate business reported a trading loss of £5.2m (2020: £0.7m trading loss) representing the costs in the business unit.

We continue to maintain infrastructure for our Corporate division including deposit taking and direct membership of Faster Payment Services, along with membership of CHAPS attained in January 2022.

Capital and Liquidity Position

Capital position maintained during the year

The total capital of the Bank in 2021 remained the same as 2020 at £44.7m. As at 31 December 2021, the Bank's Total Tier 1 Capital ratio position was 22% (2020: 28%) and a Leverage Ratio of 19% (2020: 20%).

The Bank closely monitors its CET1 capital surplus, to ensure that it operates within Board agreed tolerances, and maintains a 5-year forward projection to ensure that it operates with a surplus above the minimum level required to provide for Pillar 1, Pillar 2 and the PRA Buffer.

From a liquidity perspective, the Bank has a Liquid Assets Buffer (LAB) of £19m (2020 £26m). The LAB principally comprises cash held in vaults and investments held in the Bank of England Reserve Account. The nature of the business ensures that the Bank continues to operate with an extremely strong Liquidity Coverage Ratio (LCR) that is well above the minimum 100% regulatory limit.

The Bank offers range of 3, 6 and 12-Months Fixed Rate deposits to both retail and SME clients as well as 95 days' notice account. It raised the required amount of deposits during the year to provide working capital to underpin growth of the business.

Risk and Governance

The Bank's Board of Directors is responsible for the overall governance of the Bank. Good corporate governance underpins the integrity of the business and the wider stakeholders and communities in which it operates. The key objectives of the Board are to build and maintain a business that is profitable, sustainable, well capitalised and with sufficient liquidity to meet its obligations, which operates within an established framework of internal control, risk management and compliance, in accordance with regulatory requirements.

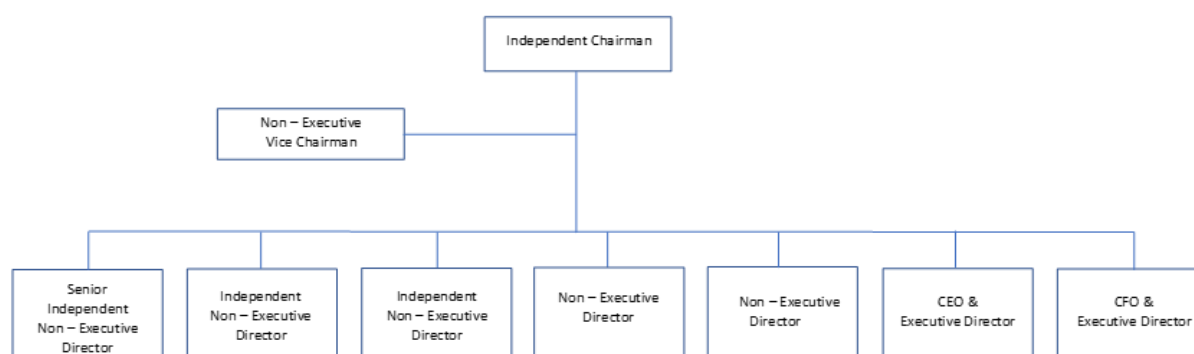
The primary responsibilities of the Board include:

- Setting the Bank's strategy taking into account the interests of its stakeholders;
- Ensuring that the business has an effective system of internal control and management of business risks and is conducted in accordance with the FCA's Principles for Business and the PRA's Fundamental Rules;
- Monitoring financial information and reviewing the overall financial condition of the Bank and its position as a going concern;
- Reviewing major developments in business lines and support units;
- Reviewing the priorities for allocating capital and operating resources;
- Monitoring of compliance and reputational issues;
- Reviewing the market, credit & liquidity risks with additional oversight and control over capital management;
- Reviewing the application of stress tests and appropriateness of the Bank's stress testing policy.

To assist the Board in discharging and overseeing their responsibilities, it has delegated certain responsibilities to Senior Management and Board-appointed committees, for which Terms of Reference are in place.

I. Board Composition and oversight

The board of iFAST Global Bank Limited during the year comprises an Independent Chairman, a Non-Executive Vice-Chairman, five Non-Executive Directors (NEDs) - of whom three are independent (INEDs) - and two Executive Directors.



Each member of the Bank's directorship contributes to the mix of relevant skills, shoulders specific individual duties and, as a component part of the group, collectively shares responsibility for control and governance of the Bank. The Executive Directors are responsible not only for the day-to-day management of the Bank, but also their individual portfolios.

The Board members who held directorships at 31 December 2021 were

Peter Stuart Hinson



Peter is the Chairman having joined as an independent Non-Executive Director in 2016.

He has spent 45 years in the Financial Services industry, mostly with Barclays Bank where he was Managing Director of Barclays Bank Cayman Islands and, previously, Director of the Knightsbridge International Banking Centre.

As a Board Member of Barclays Offshore Services, he played a key role in the merger with CIBC Offshore, based in the Caribbean, and in the flotation of the new entity on public markets. In 2002, after leaving Barclays, Peter set up a new bank in London, FBN Bank (UK) Ltd., which operated principally as a commodity and trade finance entity. As Managing Director, he was responsible for raising in excess of £1billion of funds and, over 13 years, FBNUK became one of the best performing banks in London in terms of Return on Equity.

Peter holds regulatory approval from the PRA/FCA for SMF9.

Ebrahim Ezra Nonoo



Ebrahim (Abe) is Vice-Chairman and a Member of the Board Nominations, Remuneration and Governance Committee.

Abe joined Bahrain Financing Company - the company founded by his grandfather - in 1992. The following year, he became a Director of BFC, and subsequently, along with his family, expanded the business into Kuwait, setting up the Bahrain Exchange Company (BEC). He founded a further company, EzRemit Limited, in the UK in 2003, which then started trading as BFC Exchange Limited before getting a banking licence to form BFC Bank.

When, along with many other Exchange companies, faced with a threat of closure of its bank accounts at the height of the “de-risking” crisis, Abe responded by announcing the decision to set up BFC Bank specifically to provide banking services to other payment service providers. In 2009, following the acquisition of a major shareholding in BFC by Bank Alkhair (formerly Unicom Investment Bank), Abe was appointed as Managing Director & CEO of BFC Group Holdings W.L.L.

Abe holds regulatory approval from the PRA/FCA for SMF7.

Anthony Wagerman



Anthony is an Independent Non-Executive Director and Chairman of Board Nominations, Remuneration and Governance Committee (NORICO).

He spent seventeen years in a variety of positions at Travelex, before becoming its Chief Executive Officer from 2015-2018. Travelex is the world's largest specialist foreign exchange company, operating across thirty countries.

During his time at Travelex he has worked across several senior functions and a number of different regions, helping to build Travelex into a global leader in foreign exchange for retail and corporate customers. He has held posts as Retail Director, Managing Director for Europe & Americas, and Deputy CEO. Prior to Travelex he held communications and marketing posts in a variety of companies, including Heron Corporation and a spell at Arthur D Little Management Consultants.

Anthony has a BSc (Hons) in Chemistry, and an MBA, from City, University of London. He is also a Senior Advisor to the Esselco Group of Companies, and a Trustee of the Dorfman Foundation.

Anthony holds regulatory approval from the PRA for SMF 12.

Derek Daniel O'Herlihy



Derek is an Independent Non-Executive Director and Chairman of the Board Operations, Technology and Information Security Committee (OPTIS).

He has over 20 years' experience in Financial Services, having held CIO and Director appointments at Credit Suisse First Boston, TD Waterhouse Investor Services and Arab National Bank. He also served on the Board of EDS Financial Services (Ireland).

Prior to this, Derek worked in the Information Technology sector, covering a range of technical and management roles including IT Director for the Ministry of Electricity & Water, Kingdom of Bahrain and Managing Director of EDS Gulf States.

Derek graduated from Trinity College Dublin with a BA in mathematics

Maurice Benedict Horan



Maurice is a Non-Executive Director and Chairman of Board Credit Committee (BCC). He was previously the Chairman of the Bank's parent BFC Group Holdings W.L.L.

Maurice has more than 30 years' experience in commercial and investment banking, having served as General Manager and Chief Executive Officer at several leading institutions in Ireland and the Gulf region. His main area of specialism is in corporate and 'big-ticket' loan restructuring and he has provided independent advisory services to a range of industry sectors, with a focus on business development, corporate finance and strategy.

Maurice serves as both a Non-Executive and Independent Non-Executive Director on the boards of a number of companies in Ireland and the United Kingdom and has previously served on Boards in the United States, Saudi Arabia and Bahrain.

He holds an MBA from UCD Michael Smurfit Graduate Business School in Dublin, a B.A. (Mod) in Economics and Finance from Trinity College Dublin, and a Diploma in Dairy Science from University College Cork.

Mujahid Malik



Muj is the Acting Chief Executive Officer, Chief Financial Officer, an Executive Director and Chairman of Asset and Liability Committee (ALCO).

He is a fellow of the Institute of Chartered Accountants in England & Wales and has more than 25 years' experience in Financial Services sector.

Muj started his career with Deloitte LLP where he spent over ten years in the Banking and Capital Markets group and worked on a wide range of audit and advisory assignments. He was then appointed as the Chief Financial Officer of Dexia Bank, predominantly to oversee the re-structuring of its business following the financial crisis of 2008, paving the way for a managed wind-down of its UK operations. He also served as the senior finance consultant at Deutsche Bank, advising on the implementation of new international financial and reporting standards and served as CFO of London Business Bank before joining the Board of iFAST Global Bank Limited.

Muj holds regulatory approval from the PRA/FCA for SMF2, SMF3 and Acting SMF1.

II. The Executive Management Team

The Board delegates specific powers and authorities to the various management committees for the main day-to-day decision-making authority of the Bank and to the CEO personally.

The CEO is responsible for establishing a clear and appropriate apportionment and allocation of significant responsibilities amongst the officers and managers, and for establishing and maintaining appropriate systems and controls such that the business can be adequately monitored. The core responsibilities of the Senior Management Team are as follows:

Chief Executive Officer (CEO). Overall responsibility for leadership of the Bank, including implementing the Board agreed strategy.

Chief Financial Officer (CFO). Responsible for Finance functions including management of Financial Resources, Planning, Reporting and Forecasting, Capital and Liquidity management and oversight of the Treasury function.

Chief Commercial Officer (CCO). Responsible for developing and delivering the strategic plan to ensure revenue targets are met in each of the business divisions.

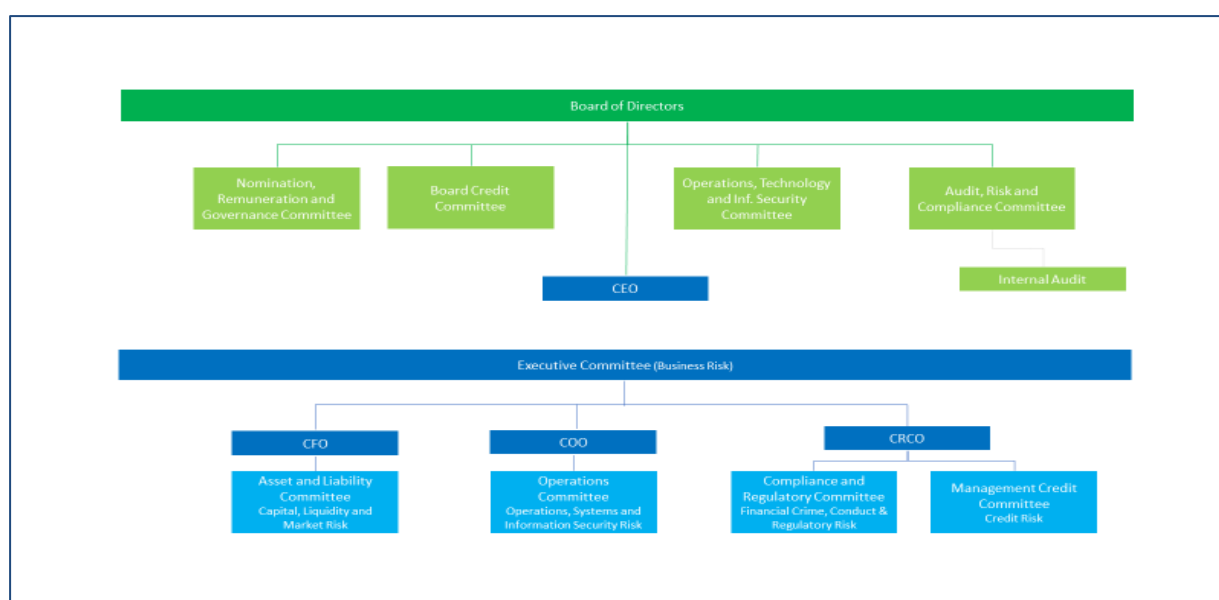
Chief Operating Officer (COO). Responsible for all Operations, IT, back office and administrative functions including HR and Project Management.

Chief Risk & Compliance Officer (CRCO). Responsible for defining the Bank's Risk Management Framework for effective governance of significant risks and providing oversight to the Money Laundering Reporting Officer (MLRO).

The Bank's Corporate Governance framework clearly defines the roles, responsibilities and composition of the Board-approved persons and Senior Management through job descriptions, Terms of Reference and documented operating procedures. In selecting and appointing Directors, the Bank pays particular attention to the specific value they bring to the Board, based on skills, experience, behaviour and knowledge of the UK business and regulatory environment.

III. The Committee Structure

The Bank operates five Board level committees and five Management level committees as shown in the chart below.



The Nominations, Remuneration and Governance Committee (NORICO), the Board Credit Committee (BCC), the Board Operations, Technology and Information Security Committee (OPTIS) and the Audit, Risk and Compliance Committee (ARCC) are all sub-committees of the Board. The Board, in turn, delegates responsibility for the day-to-day management of the business to the Executive Committee (EXCO). Internal Audit is a separate function that reports independently to ARCC and its Chairman who, in turn discusses the issues arising directly with the CEO.

The Asset and Liability Committee (ALCO), the Management Credit Committee, the Compliance and Regulatory Committee and the Operations Committee are all sub-committees of the Executive Committee (EXCO), chaired by members of the Senior Management Team, with each committee responsible for specific risks faced by the Bank.

IV. Risk Management Framework

The Bank manages its risk through a comprehensive framework of systems and internal controls, which are designed to identify, manage, monitor and report on risks that the Bank is exposed to. Through careful and regular review, this provides reasonable assurance against the risk of material events or losses.

The effectiveness of the internal controls is regularly reviewed by the Board, Audit Committee and Risk Committee. This involves receiving reports from management including reports from Finance, Risk, Compliance, Internal Audit and the business lines. The Audit Risk and Compliance Committee also receives reports on internal controls from the Group's external auditor. Where recommendations are identified for improvements to controls, these are monitored by Group Internal Audit who report the progress made in implementing them to the Audit Risk and Compliance Committee.

Our Risk Management Framework (RMF) defines the Bank's overall approach to strategy execution and risk management across all functions within the organisation. The RMF is the Bank's overarching performance document, to which all subsidiary risk policies and frameworks must align. The RMF is subject to Board approval, at least annually. The RMF describes the integration between strategy execution and risk management and ensures that the Bank continually executes strategy within its risk appetite.



The following principles guide the Bank's overall approach to risk management:

- The Board sets risk appetite and an appropriate "tone from the top" and leads by example with regard to risk management.
- Risk management is structured around the Bank's Principal Risk categories, which are updated at least annually as part of the RMF.
- The Bank maintains a robust Risk Appetite Framework, manages to an agreed risk appetite using an approved set of metrics, and reports to senior management at least monthly. The Board measures adherence to the Risk Appetite through a set of Key Risk Indicators. These are quantitative measures that are continually monitored to ensure they remain below a limit agreed and set by the Board.
- The Bank regularly undertakes stress tests to ensure that it remains resilient to shocks and sustainable as a bank, including during plausible but severely adverse economic and/ or idiosyncratic conditions.
- The approach to remuneration ensures that fair customer outcomes and prudent decision-making within risk appetite are incentivised.

The Bank ensures that appropriate policies and procedures are in place to ensure that all risks are properly identified, assessed, mitigated, monitored and reported.

The principal risks faced by the Bank along with their definitions and Key Risk Indicator (KRI) are summarised in the table:

| Key Risks | Definition and KRI |
|----------------------|---|
| Business Risk | Ensure that the Bank meets its budgetary targets and financial projections approved by the Board. The risk is influenced by numerous factors including inability to implement the strategic plan, lower than anticipated margins or volumes, competition and the overall market and economic conditions. |
| Capital | Ensure that Bank maintains sufficient regulatory capital levels at all times to support its business and maximise shareholders value while adhering to both external and internal capital requirements. |
| Liquidity | The Bank must maintain the liquid asset buffer of HQLAs to meet both its short-term liquidity requirements as well as long term structural funding needs, ensuring it meets its payment obligations when they fall due as a result of mismatches in the timing of the cash flows under both normal and stress conditions. |
| Market Risk | Ensure that safeguarding measures are taken for any fluctuations in fair value or future cash flows of financial instruments due to changes in market variables such as interest rates, foreign exchange rates and equity prices. |
| Credit | Take appropriate steps to avert the possibility of financial loss to the Bank if its customers or counterparties fail to discharge their contractual obligations. The risk arises principally from its short term nostro balances, trade and agents receivables. |
| Financial Crime Risk | The bank does not tolerate systemic weaknesses in its financial crime systems and controls or any breach of the legislative and regulatory framework. |
| Conduct Risk | The bank has no appetite for deliberate or negligent actions that result in poor customer outcomes, resulting in reputational damage and/or financial loss. The bank has no appetite for any conduct rule breaches. |
| Regulatory Risk | The bank has no appetite for non compliance with applicable laws, rules, regulations, standards and codes of conduct, leading to breaches of regulatory requirements, resulting in regulatory sanctions, material financial loss and or reputational damage. |
| Operations | The Bank will ensure adequate systems and controls are in place to maintain an appropriate level of operational resilience and sufficient capacity across People, Processes and Technology to be able to deliver business services and allow the business to grow |
| Information security | The Bank will operate its IT systems and data in a controlled and well managed environment with no appetite for data loss |

Our Risk framework provides an integrated strategy and risk management approach, which places risk and specifically risk appetite, at the core of strategy execution.

Although risk appetite is the central pivot of the framework and methodology, the approach is essentially a strategic management methodology, not a risk management solution. The methodology begins with formulation of strategy, and in execution enables us to align risk-taking into our strategy to drive sustainable strategic execution.

Statement of Risk Appetite

The Statement of Risk Appetite (SRA) is a key component of the RMF and sets the approach the Bank takes to the risks it faces as a result of its strategy. It defines the risks and the limits at the highest level of aggregation and applies to the overall firm.

The SRA defines the path that the bank will take in pursuit of its strategic goals. Each identified risk within the firm, will have a defined appetite in terms of level of risk the Bank can and is prepared to accept in pursuit of its strategy. The appetite is multifaceted in terms of business exposure and translated through a set of key business drivers. It is the emphasis on risk appetite that makes this particularly appropriate for managing the Bank and its resources as it aims to accelerate growth. Bringing strategy and risk closer together is fundamentally important, but it is working with the parameters of appetite – the amount and type of risk that we are willing to take in pursuit of our strategic objectives – that will enable us to both operate the controls and inculcate the agility that are required as we grow.



Business Drivers

The most important component of our risk appetite is that of the business drivers. These are the vital few factors that are the key determinants of our success. When setting the risk appetite, the Board in conjunction with the executive team identify the drivers that are most vital to the organisation. These represent the fundamental drivers of value and are used as the base for establishing the risk appetite.

The Bank has defined the following as the key business drivers for the Bank:

- Capital
- Income
- Reputation
- Information Security
- Customer protection (antonym to detriment)
- Regulatory compliance

As part of the strategy formulation process, subjective statements such as “we are a low risk organisation” are translated into tangible values based on the identified business drivers. This enables a common understanding of risk to emerge at the Board and executive level. With a common definition of potential levels of risk-taking, the Board is then in a position to set the boundaries within which it expects the Bank to operate while we go about the business of strategy execution.

Our strategy formulation and strategy management is about developing a clear sense of direction as to where we are going, how much risk we are willing or required to accept to get there and what the key opportunities and threats are along the way.

Managing Risk

Risk management is all about understanding the risks the Bank faces in pursuit of its objectives and the continuous monitoring and management of those risks. It is also about understanding that risks can present opportunities as well as threats.

As with objectives, a broad set of risks are identified as part of the strategy management process and therefore within the set strategy discipline. These are then the basis for the executive team to define a set of key risks, which are monitored and managed to increase the probability that our objectives will be achieved.

The set of risks will be continually reviewed with a level of challenge to ensure that they really are the ‘key’ risks. Additionally, as the strategy is executed other risks are likely to emerge which also need to be monitored and managed, and ‘key’ risks may become non-key. A major part of the risk management process is the regular assessment of our risk to understand the level of risk that we are exposed to.

By paying close attention to, and integrating, the disciplines of Managing Performance and Managing Risk, we will gain

significant clarity over and above that provided by a suite of objectives and a suite of risks that have been defined in isolation from each other.

The end result is a much more focused and clearly defined strategic framework made up of the ‘vital few’ strategic objectives, risks and controls, supported by a clear more detailed operational framework made up of processes, initiatives, systems or people with each having their own set of specific risks or controls. This provides an important benefit of contributing towards the fashioning of a strategy-focused, risk-aware culture.

Aligning Risk with Strategy

A key component of operating within appetite is appetite alignment: the process of continually aligning current risk exposure to the defined appetite. This is about understanding if our current risk taking is aligned to our chosen business strategy, that is, are we operating within appetite. We use an appetite alignment matrix to do this.

V. Three Lines of Defence

The Bank’s risk management practices are organised according to the principles of the “Three Lines of defence model”. This segregates duties between;

- (1) Business lines, Operations and Support functions that either enter directly into transactions with customers or otherwise expose the Bank to risk (first line).
- (2) The Risk and Compliance function in charge of risk oversight and control (second line), and
- (3) The Internal Audit function (third line)

First Line of Defence

The front office employees of each business line / support function are responsible for identifying, assessing and managing risks in their respective areas and for executing the policies, processes and procedures required to manage those risks. Specifically, the First Line of Defence is responsible for:

- Identifying, assessing, owning and managing risks
- Designing and implementing controls to manage risk
- Testing these controls to ensure they are fit for purpose
- Monitoring, reporting and escalating risks and events
- Taking actions to address any issues identified with how risks are managed

Second Line of Defence

The second line of defence comprises the Compliance & Financial Crime teams and is responsible for:

- Developing the Risk Management Framework, including risk appetite statement, the policy framework and risk strategy
- Supporting the First Line of Defence with advice and guidance on the framework
- Providing independent challenge and oversight of Risk Management activities within First Line of Defence
- Reporting to the Board on risk profiles and the efficacy of the risk management control

The Risk department is also specifically responsible for overseeing the Credit Risk function, and for advising both the Board of Directors and the Board Credit Committee in respect of approving credit exposures.

The Compliance function is primarily responsible for ensuring that the Bank continues to operate in accordance with UK and any other prevailing regulation or standards and that all business areas comply with agreed standards.

Third Line of Defence

The third line of defence is made up of the Internal Audit function outsourced to Grant Thornton, who submit their reports to ARCC. Key responsibilities are as follows:

- Provide independent assurance to the Board that first and second line functions are properly discharging their risk management responsibilities
- Validate the appropriateness of risk management controls and governance
- Track audit actions to completion

VI. Control Environment

To ensure that the Board has effective assurance that the operations of the Bank are managed within risk appetite and to ensure that risks are appropriately monitored and mitigated, the following systems and controls are in place to supplement the overarching Governance arrangements:

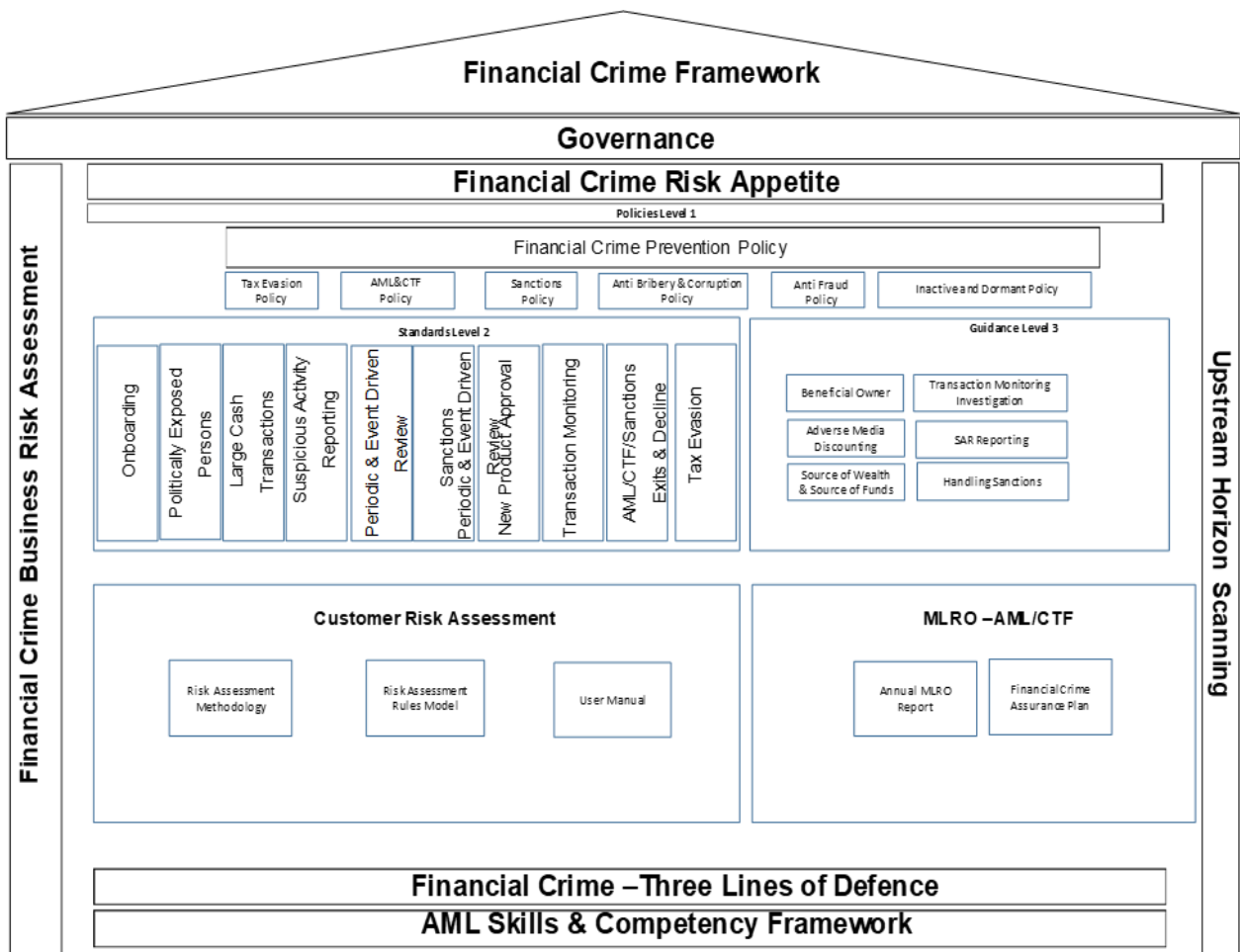
Compliance

The compliance function is responsible for ensuring that the Bank remains, at all times, in compliance with the PRA's and FCA's requirements and other relevant regulations to the operations of the Bank. This includes ensuring monitoring of any changes to the regulatory environment both in the context of ongoing compliance but also relative to the Bank's strategic goals. Practically, this involves the establishment and maintenance of effective systems and controls for compliance. The Framework covers Conduct and Regulatory risks and includes ensuring the Bank's policies and procedures are fit for purpose, compliance training for all staff and designing and executing on the compliance monitoring program.

Financial Crime

The financial crime function is responsible for ensuring that the Bank has effective, well-executed systems and controls in place to prevent money laundering, terrorist financing, bribery, corruption, tax evasion and fraud. A key focus of this area is effective due diligence of customers during the on-boarding phase, ongoing due diligence so that the Bank can assure adherence to agreed operating procedures and robust transaction monitoring.

The Financial Crime Framework is represented in the following schematic:



Internal Audit

The Audit, Risk & Compliance Committee consists of two Independent Non-Executive Directors and one Non-Executive Director, assisted by a third-party supplier of appropriately skilled and experienced internal auditors (Grant Thornton).

The Internal Audit Strategy uses a risk-based approach that is designed to enhance the control environment whilst taking account of the nature and size of the Bank and the level of resources available to it. Specific attention is given to emerging risks and those areas where, given the nature of the bank's client base, it is considered most prudent.

Business Continuity and Disaster Recovery

The Bank has prepared a Business Continuity Plan (BCP) and a Disaster Recover (DR) plan that are fully consistent with the regulatory requirements and industry standards. These are designed to ensure that the bank is resilient to disruptive events and is able to absorb shocks, rather than contributing to them. We focus our business continuity drivers on operational resilience with the emphasis on maintaining customer and third-party services, with minimum disruption while the event is recovered from.

Culture and Values

The Board of Directors is responsible for defining the desired Culture of the company, setting the framework of Values and Behaviours within which it can evolve and thrive and ensuring effective Governance at all levels of the organisation.

Culture

Delivering effective cultural change remains a key priority for the Bank as it continues to evolve and grow. Management have always sought to balance the drive towards profitability with an equally rigorous focus on strengthening the Bank's capital position, improving operational resilience, enhancing the risk management framework and investing in key personnel in order to assure the long-term sustainability of the firm. These are the cornerstones, at every level, upon which the Bank is built and will remain constant.

Values

The Bank has defined its Values as follows:

1. **Care:** We are passionate about understanding our customers and responding in a manner that meets their needs. Knowing that we are part of a family who look out for one another
2. **Trust:** We are open, honest, accountable and operate in everyone's best interest. We work together to create a culture of respect and appreciation for all
3. **Efficiency:** We work hard looking for ways to improve our operations through creativity and innovation. Building a professional multi-cultural team, to connect with our customers.

The extent to which Management has effectively embedded these values in operational policies and practices is monitored on an annual basis through the annual appraisal process. The Bank also has a Grievance and Whistle Blowing policy to provide employees with a means by which to raise any individual concerns, especially regarding adherence to the Bank's Code of Business Conduct and Ethics.

Employees and Environment

Employees

The Board is pleased with the commitment of the employees and the collaborative culture in the Bank, particularly in 2020 when our employees, while adopting safe working practices, have adapted the way they work to ensure that customers have been supported throughout the pandemic. During this challenging period, employees have continued to support each other and work together to deliver for our customers.

NORICO reports to the Board and plays an active role in promoting and challenging progress in establishing a truly diverse and inclusive culture at the Bank and carries out succession planning reviews to ensure continuity of skilled employees.

Environment

The Bank acknowledges and is focussed on effectively seeking to integrate Environment, Social and Governance into its financing and investment activities and supports The Principles for Responsible Banking and Responsible Investment.

In 2020, the Board supported management's plan for addressing the requirements within the PRA's Supervisory Statement on 'Managing the Financial Risks from Climate Change', approving the allocation of responsibility for identifying and managing financial risks from climate change to the Chief Risk Senior Management Function ("SMF 4"). The Board expects developments on climate change to evolve rapidly, seeing these as being consumer-led as opposed to being led by regulation.

Section 172 Statement

The Directors have used their best endeavours to promote the success of the Bank and in doing so had considered, amongst others the following:

- Ensure the Bank maintains high standards of Governance, Compliance and Risk Management;
- Develop good relationships with customers, service providers and suppliers;
- Enhance the skills of its employees;
- Consequences of any strategic decisions;
- Develop the operation resilience of the Bank and its impact on the environment; and
- Act fairly and responsibly in dealings with all stakeholders of the Bank.

The Board meets regularly to review strategy, financial performance, operational performance and risks and compliance. It also engages directly with certain stakeholder groups when it determines that a decision would impact them significantly.

The Board provides direction to the management and provides guidance on overview of engagement with all stakeholders, which enables the Directors to comply with their legal duty under section 172 of the Companies Act 2006.

| Bank's key stakeholders | Considerations of stakeholders in decision making |
|-------------------------|---|
| Shareholders | Chairman's Statement and Chief Executive's Review |
| Regulators | Risk and Governance |
| Customers | Business Model and Financial Performance |
| People | Employees and Environment |

More information on how the Board operates and the way it makes decisions is included in Risk and Governance section

The Strategic Report on Pages 1 to 19 was approved by the Board and signed on its behalf by:

Mujahid Malik
Chief Executive Officer
21 April 2022

Directors' Report

The directors present their report and financial statements for the year ended 31 December 2021. iFAST Global Bank Limited is incorporated and domiciled in England & Wales, having its registered office in England and is authorised by the PRA and is regulated by the FCA and the PRA.

Further information regarding a review of the business, performance and risk management is disclosed in the Strategic Report.

Results

The statement of comprehensive income and the statement of financial position can be found on page 29 and 30 respectively. The directors do not recommend the payment of dividend for 2021 (2020: Nil).

During the year cash generated by capital was utilised primarily to provide working capital to the business units.

Future Developments

Following completion of the sale, the Bank will now look to enhance its product offering and customer base and build on the existing strategic plan of the business.

Going Concern Basis

The business activities together with the Bank's performance and position, the principal risks, uncertainties and factors likely to affect its future development are set out in Notes 24 to 28 as well as the Strategic Report.

In assessing the impact of all of the risks that could impact its business model and in addition to the risks associated with the normal course of business, the Bank has also considered the potential impact of COVID-19.

The directors are not aware of any other material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern and therefore have a reasonable expectation that the Bank has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and the financial statements.

Risk Management

The Bank faces a number of risks including credit, market and operational risks. Although it recognises that the range of risks that it faces are broad and ever changing, the Bank ensures that appropriate processes are in place to ensure that risks are properly identified, assessed, mitigated and communicated.

Decision-making responsibility for risk management lies with the Board. This is cascaded down through the organisation by delegation of responsibility to the main committees and through individuals' documented responsibilities.

The risk management is discussed in more details in the Strategic Report.

Financial Instruments

The Bank uses financial instruments to manage certain types of risk, including liquidity and market risk.

Also, in accordance with IFRS 9 Financial Instruments the Bank assesses the requirements for impairment, recognition and measurement and accounts for loan loss impairments with a forward-looking expected credit loss (ECL) approach. An assessment of loan loss impairment at 31 December 2021 was carried out and is disclosed in the Note 26 "Impairment of financial assets".

Political Donations

During the year no political contributions were made by the Bank (2020: Nil)

Post Balance Sheet Events

There are no events since the balance sheet that the directors believe need to be disclosed other than those disclosed in Note 32 to the financial statements.

Directors

The directors who served the Bank during the year and up to the date of approval of the financial statements were as follows:

| | |
|-------------------------|--|
| Peter Stuart Hinson | Chairman |
| Ebrahim Ezra Nonoo | Vice Chairman - Resigned 28.03.2022 |
| Alfred Barrington Meeks | Senior Independent Non-Executive Director - Resigned 14.06.2021 |
| Anthony Wagerman | Independent Non-Executive Director |
| Derek O'Herlihy | Independent Non-Executive Director |
| Kubra Ali Mirza | Non-Executive Director - Resigned 24.02.2021 |
| Maurice Benedict Horan | Non-Executive Director - Resigned 28.03.2022 |
| Mujahid Asghar Malik | Chief Executive Officer |
| Chuan Yong Goh | Executive Director- Appointed 28.03.2022 |
| Vincent Tong | Non-Executive Director- Appointed 28.03. 2022 |
| Russell Saunders | Senior Independent Non-Executive Director - Appointed 28.03.2022 |
| Andrew Graham | Independent Non-Executive Director - Appointed 28.03.2022 |

Qualifying third party indemnity provisions (as defined by section 234 of the Companies Act 2006) were in force during 2021 as the Bank maintains Directors' & Officers' Liability Insurance which gives appropriate cover for legal action brought against its directors.

Auditors

The Bank has a policy governing appointment of the external auditor for non-audit engagements, which allows monitoring of independence of the external auditor.

Each of the persons who is a Director at the date of approval of this report confirms that:

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

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

MHA MacIntyre Hudson have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be considered at the forthcoming Annual General Meeting.

Approved by the Board and signed on its behalf by:

Mujahid Malik
Chief Executive Officer
21 April 2022

Statement of Directors' Responsibilities

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

Company law requires the directors to prepare such financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The financial statements have also been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Bank and of the profit or loss of the company for that period.

In preparing those financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable IFRSs in conformity with the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial position statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Bank 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.

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

Approved by the Board and signed by order of the Board

Chuan Yong Goh
Executive Director

21 April 2022

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF iFAST GLOBAL BANK LIMITED

Opinion

We have audited the financial statements of iFAST Global Bank Limited.

The financial statements that we have audited comprise:

- Statement of Comprehensive Income for the year ended.
- Statement of Financial Position at 31 December 2021.
- Statement of Changes in Equity for the year then ended.
- Statement of Cash Flows for the year then ended.
- Notes 2 to 32 of the financial statements, including the accounting policies.

The financial reporting framework that has been applied in their preparation is the Companies Act 2006 and UK adopted international accounting standards.

In our opinion the financial statements:

- give a true and fair view of the state of the Bank's affairs as at 31 December 2021 and the Bank's profit for the year then ended;
- have been properly prepared in accordance with the Companies Act 2006 and the UK adopted international accounting standards

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

Basis for opinion

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

Conclusions relating to going concern

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

- Liquidity of the Bank and its ability to settle its outstanding liabilities as they fall due.
- Financial forecasts for the Bank covering a minimum of 12 months from the date of signing the financial statements and consideration of the period beyond.
- The availability of support from the parent and the parent's ability to provide such support, in particular the financial guarantee provided by the parent.
- The impact of COVID-19 on the Bank's operations and the risk of further credit losses in the loan portfolio.
- The impact of past and future actions by the regulatory authorities in the form of fines or restrictions to the Bank's operations in the UK.
- Our tests also included a review of the client's evaluation of any scenario modelling on the impact of Covid-19 on the Bank's operations and financial performance.

Overview of our audit approach

| Materiality | 2021 | 2020 | |
|--------------------|-------|-------|--|
| Materiality | £259k | £301k | 1.5% of net assets |
| | £13k | £15k | The threshold for reporting to those charged with governance |

Key audit matters

Recurring

- **Valuation of the expected credit loss allowance**

Key Audit Matters

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

Valuation of the expected credit loss allowance

| | |
|---|--|
| Key audit matter description | <p>The valuation of Expected Credit Loss (ECL) provisions is inherently judgmental. This is particularly evident for credit impaired loans which are individually assessed.</p> <p>Management use expert judgement to adjust modelled outcomes where workout scenarios are complex, and models do not incorporate all information. There is therefore significant judgement and estimation involved, possible material misstatement of the financial statements.</p> |
| How the scope of our audit responded to the key audit matter | <p>Our work in this area included the following procedures to challenge the valuation of the Bank's ECL provisions:</p> <ul style="list-style-type: none"> • We evaluated the design and implementation of the relevant controls related to the Bank's impairment assessment process and provisioning calculation. This included an assessment of the credit sanctioning, credit monitoring and credit provisioning of loans and receivables. • We engaged our IFRS 9 specialists to assess the appropriateness of the IFRS 9 methodology developed by management and challenged management on the appropriateness in accordance with the accounting standard • We engaged our IT specialists to review the IT General controls in the credit control processes for determining the expected credit losses. This included a review of specific application controls. • We selected a sample of credit impaired loans, covering all material stage 3 loans at the balance sheet date, and challenged the valuation of ECL provisions. |
| Key Observations | <p>We found the approach taken in respect of the expected credit loss provisions to be reasonable and judgements and disclosures made were reasonable and compliant with the requirements of IFRS.</p> |

Our application of materiality

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

Materiality in respect of the Bank was set at £259k (2020: £301k) which was determined on the basis of 1.5% of the bank's net assets.

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

Performance materiality for the Bank was set at £155k (2020: £181k) which represents 60% (2020 – 60%) of the above materiality levels.

The determination of performance materiality reflects our assessment of the risk of undetected errors existing, the nature of the systems and controls, the impact of there being a number of components and locations and the level of misstatements arising in previous audits.

We agreed to report any corrected or uncorrected adjustments exceeding £13k to the audit committee as well as differences below this threshold that in our view warranted reporting on qualitative grounds.

The scope of our audit

Our audit was scoped by obtaining an understanding of the Bank and its environment, including the Bank's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

Reporting on other information

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

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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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.

Strategic Report and Directors' Report

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

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

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

Directors' remuneration report

Those aspects of the Directors' remuneration report which are required to be audited have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

Responsibilities of the Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

The specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud is detailed below:

- Obtaining an understanding of the legal and regulatory frameworks that the Bank operates in, focusing on those laws and regulations that had a direct effect on the financial statements. The key laws and regulations we considered in this context included the Companies Act 2006, Consumer Credit Act 1974, Banking Reform Act 2013 and the Financial Services and Markets Act 2000 and applicable tax legislation. In addition, we considered compliance with the UK Bribery Act and employee legislation, as fundamental to the Bank's operations.
- Reviewing key correspondence with regulatory authorities such as the Financial Conduct Authority, Prudential Regulatory Authority, and Financial Reporting Council.
- Enquiry of management to identify any instances of non-compliance with laws and regulations.
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.
- Enquiry of management around actual and potential litigation and claims.
- Enquiry of management to identify any instances of known or suspected instances of fraud.
- Discussing among the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.
- Reviewing minutes of meetings of those charged with governance.
- Reviewing internal audit reports.
- Reviewing the control systems in place and testing the effectiveness of the controls.
- Performing audit work over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business, and reviewing accounting estimates for bias; and
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular with respect to provisions for impairment of loans and amounts advanced to customers.
- A further description of our responsibilities for the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other requirements

We were re-appointed by the Directors on 23 March 2022. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is three years.

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

Use of our report

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

Rakesh Shaunak FCA, CTA
(Senior Statutory Auditor)
For and on behalf of MHA MacIntyre Hudson
Chartered Accountants and Statutory Auditor
6th Floor
2 London Wall Place
London
EC2Y 5AU

22 April 2022

Statement of comprehensive income

Year ended 31 December 2021

| | Notes | Year ended 31 December 2021 £'000 | Year ended 31 December 2020 £'000 |
|--|-------|---|---|
| Interest and similar income | | 13 | 126 |
| Interest and similar expense | | (463) | (813) |
| Net Interest expense | 2 | (450) | (687) |
| Fee and commission income | 3 | 4,832 | 5,968 |
| Fee and commission expense | 3 | (1,369) | (1,462) |
| Net trading profit on foreign exchange | 4 | 4,479 | 5,489 |
| Fair value (loss)/ gain on derivatives | | (531) | 368 |
| Other operating income | 5 | 88 | 514 |
| Net Operating income | | 7,049 | 10,190 |
| Depreciation | 15 | (363) | (795) |
| Amortisation | 16 | (635) | (635) |
| Other operating expenses | 6 | (9,637) | (12,753) |
| Net foreign exchange (loss) / gain | | 501 | 10 |
| Total operating expenses | | (10,134) | (14,173) |
| Loss before tax and loss for the year | | (3,085) | (3,983) |

There was no other comprehensive income during the year.

The result for the year is derived entirely from continuing activities.

The accompanying notes on pages 33 to 58 are an integral part of the financial statements.

Statement of financial position

As at 31 December 2021

| | | 31 December 2021 | 31 December 2020 |
|-------------------------------------|-------|------------------|------------------|
| | Notes | £'000 | £'000 |
| Assets | | | |
| Cash and cash equivalents | 11 | 53,534 | 62,516 |
| Trade and other receivables | 12 | 11,037 | 5,936 |
| Other assets | 13 | 993 | 2,490 |
| Derivative financial assets | 14 | 187 | 1,314 |
| Property, plant and equipment | 15 | 2,066 | 2,443 |
| Intangible assets | 16 | 3,919 | 4,554 |
| Total assets | | 71,736 | 79,253 |
| Liabilities | | | |
| Trade and other payables | 17 | 8,811 | 10,344 |
| Due to customers | 18 | 42,307 | 43,972 |
| Derivative financial liabilities | 14 | 82 | 679 |
| Other liabilities | 19 | 3,587 | 4,224 |
| Total liabilities | | 54,787 | 59,219 |
| Equity | | | |
| Share Capital | 20 | 40,200 | 40,200 |
| Contingent Capital Note | 21 | 4,500 | 4,500 |
| Retained earnings | | (27,751) | (24,666) |
| Total equity | | 16,949 | 20,034 |
| Total liabilities and equity | | 71,736 | 79,253 |

The accompanying notes are an integral part of the financial statements.

The financial statements on pages 33 to 58 were approved by the Board of Directors on 21 April 2022 and signed on its behalf by:

Mujahid Malik
Chief Executive Officer

Chuan Yong Goh
Executive Director

Statement of changes in equity

Year ended 31 December 2021

| | Share Capital £'000 | Contingent Capital Note £'000 | Retained Earnings £'000 | Total equity £'000 |
|-------------------------------------|---------------------------|-------------------------------------|-------------------------------|--------------------------|
| At 1 January 2020 | 37,700 | 4,500 | (20,683) | 21,517 |
| Increase in Share Capital [Note 20] | 2,500 | - | - | 2,500 |
| Loss for the year | - | - | (3,983) | (3,983) |
| As at 31 December 2020 | 40,200 | 4,500 | (24,666) | 20,034 |
| Loss for the year | - | - | (3,085) | (3,085) |
| As at 31 December 2021 | 40,200 | 4,500 | (27,751) | 16,949 |

The accompanying notes on pages 33 to 58 are an integral part of the financial statements.

Statement of cash flows

Year ended 31 December 2021

| | Notes | 31 December 2021 £'000 | 31 December 2020 £'000 |
|---|-------|---------------------------|---------------------------|
| Cash outflows generated from operating activities: | | | |
| Loss before tax | | (3,085) | (3,983) |
| Adjustment for non-cash items | | | |
| - Depreciation | 15 | 363 | 795 |
| - Amortisation | 16 | 635 | 635 |
| - Fair value gain on derivatives | | 531 | (368) |
| - Net foreign exchange gain/(loss) | | (501) | (10) |
| - Finance costs | | 174 | 40 |
| - Other non-cash items included in profit before tax | | 7 | 142 |
| Changes in operating assets and liabilities | | | |
| Net decrease/(increase) in receivables | | (2,477) | 2,211 |
| Net (decrease)/increase in payables | | (4,432) | (36,583) |
| Interest received | | (13) | (126) |
| Interest paid | | 170 | 920 |
| Net inflows from/ (used in) operating activities | | (8,628) | (36,327) |
| Cash flows from investing activities: | | | |
| Purchase of property, plant and equipment | 15 | (125) | (66) |
| Net outflows from investing activities | | (125) | (66) |
| Cash flows from financing activities: | | | |
| Proceeds from the issue of ordinary shares | 20 | - | 2,500 |
| Payment of principal portion of lease liabilities | | (730) | (608) |
| Net inflows from financing activities | | (730) | 1,892 |
| Net increase in cash and cash equivalents | | (9,483) | (34,501) |
| Cash and cash equivalents at beginning of year | | 62,516 | 97,007 |
| Effect of exchange rate fluctuations on cash and cash equivalents | | 501 | 10 |
| Cash and cash equivalents at end of financial year | 11 | 53,534 | 62,516 |

The accompanying notes on pages 33 to 58 are an integral part of the financial statements.

Notes to the financial statements

1. Accounting Policies

i. Corporate Information

iFAST Global Bank Limited is a private company limited by shares incorporated and registered in England and Wales. It provides a range of banking and financial services focusing on international and domestic payments, cash management solutions, wholesale currency and money transfer services.

ii. Basis of preparation and accounting convention

The financial statements have been prepared on the historical cost basis, with the exception of measuring derivative financial assets and derivative financial liabilities at fair value through profit or loss in accordance with the Companies Act 2006 and with International Financial Reporting Standards ("IFRSs") as adopted in the United Kingdom and international accounting standard in conformity with the Companies Act 2006. The principal accounting policies are set out in this note.

iii. Functional and presentation currency

These financial statements are presented in Pounds Sterling (GBP or £), which is the Bank's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

iv. Standards issued but not yet effective

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

Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current

On 23 January 2020, the International Accounting Standards Board (IASB) issued 'Classification of Liabilities as Current or Non-current (Amendments to IAS 1)' providing a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments were originally effective for annual reporting periods beginning on or after 1 January 2022; their effective date, however, has been delayed to 1 January 2023.

The Bank does not expect a material impact on its financial statements from these amendments.

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

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

The Bank does not expect a material impact on its financial statements from these amendments.

Amendments to IAS 16 Property, Plant and Equipment

The amendments require any proceeds from selling items produced (and related production costs) in the course of bringing an item property, plant and equipment into operation to be recognised in profit or loss clarifying that such items are not reflected in the cost of the asset.

The Bank does not expect a material impact on its financial statements from these amendments.

Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets

The amendments clarify that the cost of fulfilling a contract are costs that relate directly to that contract. Such costs can be the incremental costs of fulfilling that contract or an allocation of other costs directly related to fulfilling that contract.

The Bank does not expect a material impact on its financial statements from these amendments.

v. IAS 1 and IAS 8: Definition of material

The amendments clarify the definition of material and aligns the definition used in the Conceptual Framework. The explanations accompanying the definition have been improved.

The amendments ensure that the definition of material is consistent across all IFRS Standards and will be applied prospectively. The amendment is not expected to have a significant impact on the annual financial statements.

vi. IFRS9 Financial Instruments; Recognition and Measurement

IFRS 9 - Financial instruments, including requirements for impairment and recognition & measurement sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items and brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

Financial assets and liabilities

The Bank applies IFRS 9 Financial Instruments to the recognition, classification and measurement, and derecognition of financial assets and financial liabilities as well as impairment of financial assets.

The Bank measures loans and advances provided to agents who originate remittance transactions for Bank's Consumer remittance business (treated as trade receivables in the financial statements), balances due from banks and cash balances at amortised cost if the following conditions are met:

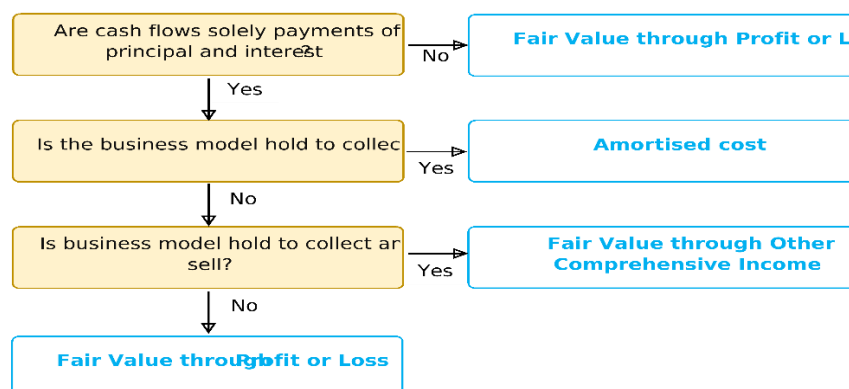
- The financial asset is held within the business model with the objective to hold financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal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

The details of these conditions are outlined below.

Business model assessment

The business model reflects how a portfolio of the Bank's assets is managed to achieve business objectives, whether by holding the financial assets, selling the assets or both. Using the flow chart below and the nature of each balance sheet item the Bank has classified its financial assets for measurement.

Summary of Bank's IFRS 9's classification model for financial assets



The Bank's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel
- The risks that affect the performance of the business model and the financial assets held within that business model and, in particular, the way those risks are managed.

- The expected frequency, value and timing of sales are also important aspects of the Bank's assessment

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The SPPI test

As a second step of its classification process the Bank assesses the contractual terms of financial assets to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Bank applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

Below further details on how the Bank recognises and classifies its financial instruments.

(i) Recognition

Financial assets and liabilities are recognised when the Bank becomes party to the terms of the contract. For the purchase or sale of securities this is deemed to be the trade date as the Bank is legally committed to the transaction.

(ii) Classification and measurement

Financial assets and liabilities are initially recognised at fair value and may be held at amortised cost, Fair Value through Other Comprehensive Income (FVOCI), or Fair Value through P&L (FVTPL) by the Bank.

Debt instruments are measured at amortised cost if both of the following conditions are met:

- The asset is held within the business model whose objective is to hold assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments are measured at FVOCI if both of the following conditions are met:

- Asset is held within the business model in which assets are managed to achieve a particular objective by both collecting contractual cash flows and selling financial assets.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that are not measured at amortised cost or at FVOCI are measured at FVTPL. Equity instruments and derivatives are measured at FVTPL.

(iii) Derecognition

Financial assets are derecognised by the Bank where the contractual rights to cash flows from these assets has expired, or have been transferred, usually by sale, when substantially all the risks and rewards of ownership are transferred.

Financial liabilities are derecognised when the liability has been settled, has expired or has been extinguished. An exchange of an existing financial liability for a new liability with the same lender on substantially different terms is accounted by the Bank as an extinguishment of the original financial liability and the recognition of a new financial liability.

(iv) Impairment

The adoption of IFRS 9 has changed the Bank's accounting for loan loss impairments approach with a forward-looking expected credit loss (ECL) approach. In accordance with IFRS 9 the Bank records allowance for ECLs for all loans and other debt financial assets not held at fair value through profit or loss (FVTPL), together with loan commitments and

financial guarantee contracts.

The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there is a significant increase in credit risk since origination. If the financial asset meets the definition of purchased or originated credit impaired (POCI), the allowance is based on the change in the ECLs over the life of the asset.

The Bank has incorporated forward looking information in both assessment of significant changes in credit risk and the measurements of ECLs.

Derivatives

The Bank defines derivative as financial instrument or other contract which meets all of the following characteristics:

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

The Bank enters into derivative transactions with various counterparties for forward foreign exchange contracts.

Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. The notional amount and fair value of such derivatives are disclosed separately in the notes to the financial statements. These are measured at fair value as they are imperfect hedges in accordance to IFRS 9 standard.

vii. Leases

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

Bank as a lessee

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

Right-of-use assets

The Bank recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

The right-of-use assets are presented within the notes to the financial statements

Lease liabilities

At the commencement date of the lease, the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate.

The Bank leases office premises and branches. The total operating lease liability at 31 December 2020 was £2.1m. In 2021 this lease liability was discounted using an average incremental borrowing rate of 0.68% resulting in the recognition of a lease liability of £1.9m.

Presentation

Right-of-use assets and lease liabilities are presented together with property, plant and equipment in the statement of financial position.

viii. Going Concern

The financial statements have been prepared on a going concern basis as the Directors are satisfied that the Bank has the resources to continue in business for the foreseeable future, which has been determined as a period of twelve months from the date of approval of the financial statements. In making this assessment, the Directors have considered a wide range of information relating to present and future conditions facing the Bank, including the current statement of financial position, capital resources, cash flows, COVID-19 and the sale of the Bank.

The Bank benefits from financial and other support of its parent undertaking when required, as evidenced through the additional capital injections over the years. Furthermore, the shareholder, is resolved in its intention and has the ability to ensure that the Bank will at all times be adequately capitalised to meet its regulatory capital requirements.

The Bank's forecasts and projections show that it will be able to operate at adequate levels of both liquidity and capital for the foreseeable future, including under a range of stressed scenarios. The Bank has sufficient capital to enable it to continue to meet its regulatory capital requirements as set out by the Prudential Regulation Authority ("PRA").

After making due enquires, the Directors believe the Bank has sufficient and competent resources to continue its activities for the foreseeable future.

ix. Revenue

Revenue is measured at the fair value of the consideration received or receivable, net of discounts, and represents amounts receivable for goods supplied or services rendered. Revenue is recognised when the amount of revenue can be reliably measured, when it is probable that future economic benefits will flow to the Bank, and when specific criteria have been met for each of the Bank's activities, as described below:

Commission Income

Commission income is earned for the money transfer services to customers and banking fees and commissions charged to clients. It is recognised when services have been provided.

Net trading profit on foreign exchange

Gains and losses from dealing in foreign currencies represents the exchange margin realised on wholesale and retail foreign currency transactions. Exchange margin is the difference between the deal rate and market rate prevailing on the date of transaction.

IFRS 15

Revenue from Contracts with Customers does not have a material impact on revenue recognition and related disclosures, as all contracts with customers have very short maturities.

For management purposes, the Bank is organised into business units based on its products and services and has three reportable revenue segments as follows:

- *Consumer:* The business unit focuses on remittance of foreign exchange for consumers. There are no long term contracts with customers and maturity is typically 1 day to 5 days.
- *Wholesale:* The business unit focuses on the purchase and sale of financial instruments (e.g. cash, forward contracts and derivatives) with other financial institutions. These contracts fall within the scope of IFRS 9 Financial Instruments.
- *Corporate:* Business line offers corporate banking products with emphasis on international payments, multi-currency cash management as well as UK domestic payments for customers. No lending service is provided to customers and there are no long-term contracts. The product life cycle is on average overnight to a few days.

x. Interest and similar income and expense

The Bank applies IAS 1 Presentation of Financial Statements, to present interest income and expense separately on the face of the statement of comprehensive income to provide symmetrical and comparable information. Therefore, the Bank shows all interest income under the heading "Interest and similar income" and it is also consistent with all internal reporting. The Bank has also elected to present its interest expense in a manner consistent and symmetrical with interest income.

Net interest income comprises interest income and interest expense calculated using other method other than the effective interest rate (EIR) method.

xi. Fee and commission expense

Fee and commission expense is payable to financial institutions and corporates for the money transfer services to customers and is recognised when services have been provided

xii. Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Property, plant and equipment are depreciated at their depreciable amounts according to the straight-line method over the estimated useful life of each class of asset. Depreciable amount is the cost of an asset, or other amount substituted for cost, less its residual value. The depreciation method is as follows:

| | |
|--------------------|-------------------|
| Furniture | 20% straight line |
| Computer equipment | 20% straight line |

At each balance sheet date Furniture and Computer equipment are assessed for indications of impairment. If indications are present, these assets are subject to an impairment review. The impairment review comprises a comparison of the carrying amount of the asset with its recoverable amount the higher of the asset's net selling price and its value in use.

Net selling price is calculated by reference to the amount at which the asset could be disposed of in a binding sale agreement in an arm's length transaction evidenced by an active market or recent transactions for similar assets. Value in use is calculated by discounting the expected future cash flows obtainable as a result of the asset's continued use, including those resulting from its ultimate disposal, at a market-based discount rate on a pre-tax basis.

The carrying values of fixed assets are written down by the amount of any impairment and this loss is recognised in the income statement in the period in which it occurs. A previously recognised impairment loss relating to a fixed asset may be reversed in part or in full when a change in circumstances leads to a change in the estimates used to determine the fixed asset's recoverable amount.

The carrying amount of the fixed asset will only be increased up to the amount that it would have been had the original impairment not been recognised.

xiii. Intangible asset

Intangible assets with finite useful lives that are acquired or built are carried forward at cost less accumulated amortisation and impairment losses. Amortisation is recognised on a straight line basis over the estimated useful lives.

The estimated useful life and amortisation method are reviewed at the end of reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. The useful life for intangible asset is as follows:

Banking Platform

Expenditure on development activities is capitalised if the product or process meets the following conditions:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale.
- Its intention to complete the intangible asset and use or sell it.
- Its ability to use or sell the intangible asset
- How the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset.
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- Its ability to measure reliable the expenditure attribute to the intangible asset during its development.

Development activities involve a plan or design for the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials and direct labour. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

Amortisation is provided on a straight line basis over 10 years after the asset is put to use.

At each reporting date, the Bank reviews the carrying amounts of its intangible 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 to determine the extent of the impairment loss (if any).

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately.

xiv. Employee benefits

Short-term employee benefits, such as salaries, paid absences and other benefits, are accounted for on an accruals basis over the period which employees have provided services in the year. Bonuses are recognised to the extent that the Bank has a present obligation to its employees that can be measured reliably. All expenses related to employee benefits are recognised in the profit or loss, which is included within operating expenses.

The Bank provides a defined contribution pension scheme for its staff. Payments to a defined contribution scheme, including state-managed retirement benefit schemes are charged as expenses as they fall due.

xv. Provisions

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

xvi. Due to customers

Due to customers, represent fixed term deposits received from SME and retail customers as well as current accounts held by customers. Both fixed term deposits and current accounts are measured at fair value.

xvii. Taxes

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

Current tax is the tax expected to be payable on the taxable profit for the year, calculated using tax rates and laws enacted or substantively enacted by the reporting date, and any adjustment to tax payable in respect of previous year.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Statement of Financial Position and the amounts attributed to such assets and liabilities for tax purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is determined using tax rates and legislation enacted, or substantively enacted, by the reporting date and is expected to apply when the deferred tax asset is realised or the deferred tax liability is settled.

Deferred and current tax assets and liabilities are only offset when they arise in the same tax reporting group and where there is both the legal right and the intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

xviii. Foreign currencies

Items included in the financial statements of the Bank are measured using their functional currency, being the currency of the primary economic environment in which the entity operates. Foreign currency transactions are translated into the appropriate functional currency using the exchange rates prevailing at the dates of the transactions. Monetary items denominated in foreign currencies are retranslated at the rate prevailing at the period end.

At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies that are retranslated at the rates prevailing on the balance sheet date. Any gain or loss arising from a change in exchange rate subsequent to the date of transaction is included as exchange gain or loss in profit or loss. The Bank has no non-monetary item denominated in foreign currencies.

xix. Cash and Cash Equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less from inception that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown in current liabilities in the Statement of Financial position.

Cash and cash equivalents comprise cash in vaults and demand deposits.

xx. Use of estimates and judgements

The preparation of the Bank's financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Existing circumstances and assumptions about future developments may change due to circumstances beyond the Bank's control and are reflected in the assumptions if and when they occur. Items with the most significant effect on the amounts recognised in the financial statements with substantial management judgement and/or estimates are collated below with respect to judgements/estimates involved.

- The Bank reviews capitalisation of intangible assets at each reporting date to assess whether an impairment loss should be recognised in the income statement.
- An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., product type and customer type and rating).
- The Bank's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt on the Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.
- Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profit will be available against which the losses can be utilised. Although tax losses can be utilised indefinitely, judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits, together with future tax-planning strategies
- The Bank operates in an environment and faces risks inherent to its operations. When the Bank can reliably measure the outflow of economic benefits in relation to a specific case and considers such outflows to be probable, the Bank records a provision against the case. Where the probability of outflow is considered to be remote, or probable, but a reliable estimate cannot be made, a contingent liability is disclosed. However, when the Bank is of the opinion that disclosing these estimates on a case-by-case basis would prejudice their outcome, then the Bank does not include detailed, case-specific disclosures in its financial statements.

All estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

2. Net interest expense

| | 31 December 2021 | 31 December 2020 |
|------------------------------------|------------------|------------------|
| | £' 000 | £' 000 |
| Interest and similar income | | |
| Due from banks | 13 | 126 |
| | <u>13</u> | <u>126</u> |

| | 31 December 2021 | 31 December 2020 |
|---------------------------------------|------------------|------------------|
| | £' 000 | £' 000 |
| Interest and similar expense | | |
| Due to banks | (3) | (6) |
| Due to customers | (286) | (767) |
| Finance costs: | | |
| Interest expense on lease liabilities | (174) | (40) |
| | <u>(463)</u> | <u>(813)</u> |
| Net Interest expense | <u>(450)</u> | <u>(687)</u> |

3. Fee and commission income and expense

| | 31 December 2021 | 31 December 2020 |
|-----------------------------|------------------|------------------|
| | £' 000 | £' 000 |
| Fee and Commission income | 4,832 | 5,968 |
| Fee and Commission expenses | <u>(1,369)</u> | <u>(1,463)</u> |

4. Net trading profit on foreign exchange

| | 31 December 2021 | 31 December 2020 |
|----------------------------------|------------------|------------------|
| | £' 000 | £' 000 |
| Foreign exchange dealing income | 5,881 | 7,339 |
| Foreign exchange dealing expense | <u>(1,402)</u> | <u>(1,850)</u> |
| | <u>4,479</u> | <u>5,489</u> |

5. Other operating income

| | 31 December 2021 | 31 December 2020 |
|------------------------|------------------|------------------|
| | £' 000 | £' 000 |
| Other operating income | 88 | 514 |
| | <u>88</u> | <u>514</u> |

6. Other operating expenses

| | 31 December 2021 | 31 December 2020 |
|---------------------------------------|------------------|------------------|
| | £' 000 | £' 000 |
| Staff costs (Note 7) | 4,900 | 6,652 |
| Legal and professional fees | 753 | 1,378 |
| Auditor's remuneration (see below) | 176 | 210 |
| Rent, rates & services charges | 341 | 267 |
| IT expenses | 1,731 | 2,635 |
| Staff and travel expenses | 86 | 238 |
| Property repairs and maintenance | 64 | 71 |
| Business promotion and communications | 1,105 | 912 |
| Other expenses | 488 | 532 |
| Allowance for impairment losses | (7) | (142) |
| | 9,637 | 12,753 |

Allowance for impairment losses are determined in accordance with IFRS9 for each category but not disclosed separately in the statement of comprehensive income as the amounts are not considered material.

The analysis of Auditor's remuneration is as follows:

To the Bank's auditor for:

| | | |
|---|-----|-----|
| - the audit of the Bank's annual financial statements | 176 | 172 |
| - (over)/under provision in previous years | - | 38 |
| | 176 | 210 |

7. Staff costs

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

| | 31 December 2021 No | 31 December 2020 No |
|------------------------------|------------------------|------------------------|
| Executive | 11 | 13 |
| Business | 53 | 59 |
| Operations | 13 | 22 |
| Finance, Risk and Compliance | 19 | 15 |
| Information Technology | 5 | 9 |
| | 101 | 118 |

The aggregate remuneration comprises:

| | 31 December 2021 | 31 December 2020 |
|---|------------------|------------------|
| | £' 000 | £' 000 |
| Wages and salaries | 4,433 | 5,805 |
| Social security costs | 467 | 602 |
| Pension costs – defined contribution scheme | 122 | 163 |
| Other pension costs | 48 | 82 |
| | 5,070 | 6,652 |

8. Key management personnel and directors' remuneration

Key management personnel are those individuals who have the authority and responsibility for planning, directing and controlling the activities of the Bank. The compensation paid or payable to key management personnel and the directors during the year were as follows:

| | 31 December 2021 | 31 December 2020 |
|---|------------------|------------------|
| | £'000 | £'000 |
| Key management compensation | | |
| Salaries | 1,100 | 1,836 |
| Pension costs – defined contribution scheme | 15 | 28 |
| Other benefits | 14 | 46 |
| | <u>1,129</u> | <u>1,910</u> |

The information above includes directors' remuneration detailed below:

| | 31 December 2021 | 31 December 2020 |
|--|------------------|------------------|
| | £'000 | £'000 |
| Directors emoluments | | |
| Salaries | 456 | 563 |
| Compensation | - | 324 |
| Company contribution to defined contribution pension | 9 | 13 |
| Other benefits | 3 | 5 |
| | <u>468</u> | <u>905</u> |

Remuneration disclosed includes amounts paid to the highest paid director as follows:

| | 31 December 2021 | 31 December 2020 |
|--|------------------|------------------|
| | £'000 | £'000 |
| Directors emoluments | | |
| Salaries | 225 | 86 |
| Compensation | - | 324 |
| Company contributions to defined contribution pension scheme | 9 | 4 |
| Other benefits | 3 | 2 |
| | <u>237</u> | <u>416</u> |

9. Taxation

The income tax charge/(credit) for the year was Nil (2020: Nil)

The actual tax charge differs from the expected tax charge by applying the standard rate of UK corporation tax as follows:

| | 31 December 2021 | 31 December 2020 |
|---|------------------|------------------|
| | £'000 | £'000 |
| Reconciliation of effective tax rate | | |
| Loss before tax | (3,085) | (3,983) |
| Expected tax charge at 19% (2020: 19%) | (586) | (757) |
| Non-deductible expenses | - | - |
| Under/(over) provided in prior years | - | - |
| Unrecognised deferred tax | 586 | 757 |
| Total income tax charge | - | - |

10. Deferred taxation

The Directors have concluded that it is not appropriate to recognise a deferred tax asset at the balance sheet date as the majority of accumulated losses will not be available to offset against future taxable profits because there is insufficient certainty with respect to the availability of suitable future profits in the foreseeable future.

11. Cash and cash equivalents

| | 31 December 2021 | 31 December 2020 |
|---------------------------------------|------------------|------------------|
| | £'000 | £'000 |
| Cash in hand and held at vaults | 11,639 | 15,117 |
| Cash at Bank | 41,929 | 47,446 |
| Less: allowance for impairment losses | (34) | (47) |
| | <u>53,534</u> | <u>62,516</u> |

Cash held at vaults is kept at high security locations and is comprehensively insured.

12. Trade and other receivables

| | 31 December 2021 | 31 December 2020 |
|---------------------------------------|------------------|------------------|
| | £'000 | £'000 |
| Trade receivables | 11,045 | 5,938 |
| Less: allowance for impairment losses | (8) | (2) |
| | <u>11,037</u> | <u>5,936</u> |

13. Other assets

| | 31 December 2021 | 31 December 2020 |
|-------------------|------------------|------------------|
| | £'000 | £'000 |
| Prepayments | 825 | 2,218 |
| Other receivables | 168 | 272 |
| | <u>993</u> | <u>2,490</u> |

14. Derivative financial instruments

The Bank enters into derivatives for risk management purposes. These are imperfect hedges, therefore the Bank does not apply hedge accounting.

The table below shows the fair values of derivative financial instruments recorded as assets or liabilities together with their notional amounts.

| | 31 December 2021 | 31 December 2021 | 31 December 2020 | 31 December 2020 |
|--|---------------------|---------------------|---------------------|---------------------|
| | £'000 | £'000 | £'000 | £'000 |
| | Assets | Liabilities | Assets | Liabilities |
| Forward foreign exchange contracts hedges non trading book | 187 | 82 | 1,314 | 679 |
| Total | <u>187</u> | <u>82</u> | <u>1,314</u> | <u>679</u> |
| Notional principal amounts | 29,794 | 41,194 | 55,024 | 65,601 |

The notional amounts represent the amounts of all outstanding contracts at year end. It is the sum of the absolute amount of

all purchases and sales of derivative instruments. The notional amounts of the derivatives provide a basis for comparison with instruments recognised on the balance sheet but does not indicate the amounts of future cash flows involved or the current fair value of the instruments and therefore do not indicate the Bank's exposure to credit or market risks.

Forward foreign exchange contracts are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forwards are customised contracts transacted in the over the counter market. Futures contracts are transacted at standardised amounts on regulated exchanges and are subject to daily cash margin requirements.

As part of its asset and liability management, Bank uses derivatives for economic hedging purposes in order to reduce its exposure to market risks. This is achieved by hedging specific financial instruments and forecast transactions as well as strategic hedging against overall financial position exposures (e.g. macro cash flow hedges)

The main differences in the risks associated with forward and futures contracts are credit risk and liquidity risk. The Bank has credit exposure to the counterparties of forward contracts. The credit risk related to future contracts is considered very low because the cash margin requirements of the exchange help ensure that these contracts are always honoured. Forward contracts are usually settled gross and are, therefore, considered to bear a higher liquidity risk than the futures contracts which, unless chosen to be executed by delivery, are settled on a net basis. Both type of contracts result in market risk exposure.

Derivatives are measured at their fair value, which is calculated as the present value of future expected net contracted cash flows at market related rates as of the balance sheet date. Gains and losses arising from the revaluation of foreign currency assets and liabilities into pounds sterling have been hedged with forward foreign exchange contracts and the result is reported in the Statement of Comprehensive Income under net fair value gain on derivatives.

15. Property, plant and equipment

| | Furniture | Computer and equipment | Right-of-use assets leases | Total |
|--------------------------------------|-----------|------------------------|----------------------------|-------|
| COST | £'000 | £'000 | £'000 | £'000 |
| At 1 January 2020 | 906 | 698 | 3,050 | 4,654 |
| Additions | - | 66 | - | 66 |
| Disposals | (61) | (60) | - | (121) |
| At 31 December 2020 & 1 January 2021 | 845 | 704 | 3,050 | 4,599 |
| Additions | - | - | 125 | 125 |
| Disposals | - | 3 | (142) | (139) |
| At 31 December 2021 | 845 | 707 | 3,033 | 4,585 |
| DEPRECIATION | | | | |
| At 1 January 2020 | 636 | 529 | 317 | 1,482 |
| Disposals | (61) | (60) | - | (121) |
| Charge for year | 102 | 86 | 607 | 795 |
| At 31 December 2020 & 1 January 2021 | 677 | 555 | 924 | 2,156 |
| Disposals | - | - | - | - |
| Charge for year | 70 | 71 | 222 | 363 |
| At 31 December 2021 | 747 | 626 | 1,146 | 2,519 |
| NET BOOK VALUE | | | | |
| At 31 December 2021 | 98 | 81 | 1,887 | 2,066 |
| At 31 December 2020 | 168 | 149 | 2,126 | 2,443 |

The carrying amounts of lease liabilities (included in 'Other liabilities') and the movements during the year

| | 2021 £'000 | 2020 £'000 |
|------------------------|---------------|---------------|
| As at 1 January 2020 | 2,140 | 2,748 |
| Additions | 125 | - |
| Disposal | (142) | - |
| Accretion of interest | 355 | 40 |
| Payments | (588) | (648) |
| As at 31 December 2021 | 1,890 | 2,140 |

16. Intangible Assets

| | Banking Platform £'000 | Total £'000 |
|--------------------------------------|---------------------------|----------------|
| Cost | | |
| At 1 January 2020 | 6,354 | 6,354 |
| At 31 December 2020 & 1 January 2021 | 6,354 | 6,354 |
| At 31 December 2021 | 6,354 | 6,354 |
| Amortisation | | |
| At 1 January 2020 | 1,165 | 1,165 |
| Charge for the year | 635 | 635 |
| At 31 December 2020 & 1 January 2021 | 1,800 | 1,800 |
| Charge for the year | 635 | 635 |
| At 31 December 2021 | 2,435 | 2,435 |
| Net Book Value | | |
| At 31 December 2021 | 3,919 | 3,919 |
| At 31 December 2020 | 4,554 | 4,554 |

The banking platform was developed and provided by an external supplier based on specifications and requirements of the Bank. These assets are recognised as core banking assets that were brought into use during the year 2018 following receipt of full banking license on 16 October 2017.

At each balance sheet date, the Bank reviews the recoverable amounts of these assets to determine whether there is any indication that these assets have suffered an impairment. The recoverable amounts of these assets are calculated based on their value in use, determined by discounting future cash flows expected to be generated from the continuing use of the assets.

17. Trade and other payables

| | 31 December 2021 £'000 | 31 December 2020 £'000 |
|-----------------------------------|---------------------------|---------------------------|
| Trade payables | 7,108 | 8,151 |
| Amount owed to group undertakings | 1,703 | 2,193 |
| | 8,811 | 10,344 |

18. Due to customers

| | 31 December 2021 £'000 | 31 December 2020 £'000 |
|---------------------|---------------------------|---------------------------|
| Current Account | - | 73 |
| Fixed term deposits | 42,307 | 43,899 |
| | 42,307 | 43,972 |

19. Other liabilities

| | | 31 December 2021 | 31 December 2020 |
|-----------------|---------|------------------|------------------|
| | | £'000 | £'000 |
| Accruals | | 1,502 | 1,821 |
| Lease liability | Note 15 | 1,890 | 2,140 |
| Other payables | | 195 | 263 |
| | | 3,587 | 4,224 |

20. Share capital

| | 31 December 2021 | 31 December 2020 |
|--|------------------|------------------|
| | Number of shares | Number of shares |
| Authorised, allotted, called up and fully paid: | | |
| Ordinary shares of £1 each | 40,200,000 | 40,200,000 |
| | Number of shares | £'000 |
| Ordinary shares of £1 each | | |
| At 1 January 2020 | 37,700,000 | 37,700 |
| Issued during the year | 2,500,000 | 2,500 |
| At 31 December 2020 & 1 January 2021 | 40,200,000 | 40,200 |
| Issued during the year | - | - |
| At 31 December 2021 | 40,200,000 | 40,200 |

Shares are classified as equity instruments when there is no contractual obligation to deliver cash or other assets to another entity on terms that may be unfavourable. Ordinary shares are classified as equity and have full voting rights attached.

During the year no authorised share capital was raised and share capital remained the same as 2020.

21. Contingent capital note

| | 31 December 2021 | 31 December 2020 |
|------------------------------------|------------------|------------------|
| | £'000 | £'000 |
| Fixed Rate Contingent Capital Note | 4,500 | 4,500 |

On 25 April 2018, the Bank issued £4.5 million Fixed Rate Perpetual Additional Tier 1 Contingent Capital Note (the "Note"). Net proceeds arising from the issuance, after deducting issuance costs were £4.5 million

The Note is perpetual and has no fixed redemption date. Redemption of the Note is at the option of the Bank on 25 April 2023 or thereafter. The Note pays interest at an initial rate of 6 per cent per annum, payable annually in arrears from the distributable reserves of the Bank. The Issuer has full discretion to cancel any interest scheduled to be paid under certain terms and conditions of the Note.

22. Fair Value Measurement

The following table provides the fair value measurement hierarchy of the Bank's assets and liabilities at year end including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

| 2021 | Mandatorily at FVTPL- others £'000 | Total carrying amount £'000 | Level 1* £'000 | Level 2** £'000 | Level 3*** £'000 | Total £'000 |
|--|---|--|---------------------------|--------------------------------|---------------------------------|------------------------|
| Assets measured at fair value: | | | | | | |
| Derivative financial assets - Foreign exchange forward contracts | 187 | 187 | - | 187 | - | 187 |
| Liabilities measured at fair value: | | | | | | |
| Derivative financial liabilities - Foreign exchange forward contracts | 82 | 82 | - | 82 | - | 82 |
| 2020 | Mandatorily at FVTPL- others £'000 | Total carrying amount £'000 | Level 1* £'000 | Level 2** £'000 | Level 3*** £'000 | Total £'000 |
| Assets measured at fair value: | | | | | | |
| Derivative financial assets - Foreign exchange forward contracts | 1,314 | 1,314 | - | 1,314 | - | 1,314 |
| Liabilities measured at fair value: | | | | | | |
| Derivative financial liabilities - Foreign exchange forward contracts | 679 | 679 | - | 679 | - | 679 |

*Quoted prices in active markets

**Significant observable inputs

***Significant unobservable inputs

23. Capital management

The Bank maintains an actively managed capital base to cover risks inherent in the business and is meeting the capital adequacy requirements of the banking supervisor. The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision (BIS rules/ratios) and adopted by the Bank of England and the PRA in supervising the Bank.

The primary objectives of the capital management is to ensure that the Bank complies with both external and internal requirements and that the Bank maintains healthy capital ratios in order to support its business and maximise shareholders value.

The Bank manages its capital structure and makes adjustments to it in the light of changes in economic conditions, risk characteristics of its activities and regulatory requirements.

The Pillar 2 framework is intended to ensure that the Bank has adequate capital to support relevant risks in their business and ensure it has appropriate processes to comply with CRD IV. Pillar 2 addresses risks that the Bank is not adequately covered by Pillar 1 and risks to which it may become exposed over a forward looking planning horizon. This encourages the Bank to develop and use better risk management techniques in monitoring and managing its risks. The Pillar 2 frameworks includes an Internal Capital Adequacy Assessment Process (ICAAP) carried out by the Bank to analyses and conclude on the additional capital required and the regulators review of the process.

For the Bank Pillar 2A addresses 5 risks: Credit risk, operational risk, market risk, concentration risk and counterparty credit risk. The capital requirements of Pillar 1 and Pillar 2A together form the Total Capital Requirement (TCR) for the Bank. The table below summaries the TCR for the Bank at year end.

| | 31 December 2021 | 31 December 2020 |
|-------------------------------|------------------|------------------|
| | £'000 | £'000 |
| Pillar 1 Capital Requirement | 4,719 | 4,456 |
| Pillar 2A Capital Requirement | 2,764 | 2,764 |
| Total Capital Requirement | 7,483 | 7,220 |

The adequacy of Bank's capital is monitored using, amongst others, the rules and ratios established by the PRA.

24. Risk Management

Risk appetite

The Bank's risk appetite is approved by the Board of Directors and defines the types and amounts of risk that the Bank is willing to take in pursuit of its business strategy. This is reviewed regularly and provides qualitative statements and quantitative measures to assist with the monitoring of risk appetite.

The Bank's risks are managed taking into account the following principles:

- a strong ethical and risk culture is maintained so that risk awareness is embedded into all activities;
- there is independent and effective risk oversight and assurance;
- the process is underpinned by comprehensive, transparent and objective disclosure of risk exposures to senior management, the Board of Directors, regulators and other stakeholders;
- capital, liquidity and profitability are protected by effective controlling of the risk exposures across all material risk types and businesses; and

Risk management framework

The Bank's risk management activities are managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Bank's continuing profitability and each individual within the Bank is accountable for the risk exposures relating to his or her responsibilities.

The Board determines the Bank's strategy and its risk appetite. It sets the Bank's values and standards and ensures that its fiduciary duties to shareholders and other stakeholders are appropriately discharged.

To assist the Board in discharging and overseeing their responsibilities it has delegated responsibilities to sub committees of the Board as follows:

- Audit, Risk & Compliance Committee
- Nominations, Remuneration & Governance Committee
- Board Credit Committee
- Board Operations, Technology and Information Security Committee

The Board also delegates responsibility for the day-to-day management of the business to the Executive Committee (EXCO). Internal Audit is an independent function and reports to the Audit, Risk & Compliance Committee and its Chairman.

The Bank has exposure to the following risks arising from financial instruments:

- (i) credit risk
- (ii) liquidity risk
- (iii) market risk
- (iv) operational risk

The information in notes 24 to 29 describe the risks faced by the Bank and the policies of the Bank to manage them. The Directors consider the current risk management structure is sufficient for identification, monitoring and control of significant financial risks to the Bank at present.

25. Credit risk

Credit risk is the risk of financial loss to the Bank if its customers or counterparties fail to discharge their contractual obligations. It arises principally on its bank balances, trade and other receivables.

The Bank limits its credit risk with regard to bank balances by dealing with reputable banks with high credit ratings as obtained from Moody's, S&P, and Fitch.

The Bank also manages credit risk by adopting a policy of dealing with credit worthy corporate and other counter parties as a mean of mitigating the risk of financial loss for defaults. Credit worthiness is assessed on an individual account basis. There are credit limits and ratings of such parties where available in place.

The following table shows the maximum exposure to credit risk by class of financial asset:

| | Cash balances with central banks and due from banks * | Trade receivables | Derivative financial instruments | Total |
|--------------------------------|--|----------------------|--|--------|
| | £'000 | £'000 | £'000 | £'000 |
| 31 December 2021 | | | | |
| Stage 1 | 42,584 | 10,256 | 187 | 53,027 |
| Stage 2 | - | - | - | - |
| Stage 3 | - | - | - | - |
| Gross | 42,584 | 10,256 | 187 | 53,027 |
| Less: allowance for impairment | (34) | (8) | - | (42) |
| Net | 42,550 | 10,248 | 187 | 52,985 |
| | | | | |
| | Cash balances with central banks and due from banks * | Trade receivables | Derivative financial instruments | Total |
| | £'000 | £'000 | £'000 | £'000 |
| 31 December 2020 | | | | |
| Stage 1 | 48,159 | 7,133 | 1,314 | 56,606 |
| Stage 2 | - | - | - | - |
| Stage 3 | - | - | - | - |
| Gross | 48,159 | 7,133 | 1,314 | 56,606 |
| Less: allowance for impairment | (41) | (8) | - | (49) |
| Net | 48,118 | 7,125 | 1,314 | 56,557 |

* This is part of cash and cash equivalents but excluding cash at vaults. Gross balances are used for credit assessment.

Analysis of changes in gross carrying amount and ECL allowances for financial assets in scope of IFRS 9 is as follows:

| 2021 | Stage 1 | Stage 2 | Stage 3 | Total |
|--|---------|---------|---------|---------|
| Gross Exposure | £'000 | £'000 | £'000 | £'000 |
| Carrying amount as at 1 January 2021 | 56,606 | - | - | 56,606 |
| Assets derecognised or repaid (excluding write offs) | (3,579) | - | - | (3,579) |
| At 31 December 2021 | 53,027 | - | - | 53,027 |
| | | | | |
| ECL | | | | |
| ECL allowance as at 1 January 2021 | 49 | - | - | 49 |
| Assets derecognised or repaid (excluding write offs) | (7) | - | - | (7) |
| At 31 December 2021 | 42 | - | - | 42 |

| 2020 | Stage 1 | Stage 2 | Stage 3 | Total |
|--|----------------|----------------|----------------|--------------|
| Gross Exposure | £'000 | £'000 | £'000 | £'000 |
| Carrying amount as at 1 January 2020 | 67,952 | - | - | 67,952 |
| Assets derecognised or repaid (excluding write offs) | (11,346) | - | - | (11,346) |
| At 31 December 2020 | 56,606 | - | - | 56,606 |

ECL

| | | | | |
|--|-------|---|---|-------|
| ECL allowance as at 1 January 2020 | 191 | - | - | 191 |
| Assets derecognised or repaid (excluding write offs) | (142) | - | - | (142) |
| At 31 December 2020 | 49 | - | - | 49 |

The following table shows the total exposure by geographical region:

| | Cash balances with central banks and due from banks | Trade receivables | Derivative financial instruments | Total |
|------------------------------------|--|----------------------|--|--------------|
| 31 December 2021 | £'000 | £'000 | £'000 | £'000 |
| Europe | 22,930 | 3,333 | 187 | 26,450 |
| GCC Countries | 6,476 | 4,682 | - | 11,158 |
| Other including Middle East & Asia | 13,178 | 2,241 | - | 15,419 |
| | 42,584 | 10,256 | 187 | 53,027 |

| | Cash balances with central banks and due from banks | Trade receivables | Derivative financial instruments | Total |
|------------------------------------|--|----------------------|--|--------------|
| 31 December 2020 | £'000 | £'000 | £'000 | £'000 |
| Europe | 28,251 | 121 | 1,314 | 29,686 |
| GCC Countries | 8,145 | 3,310 | - | 11,455 |
| Other including Middle East & Asia | 11,763 | 3,702 | - | 15,465 |
| | 48,159 | 7,133 | 1,314 | 56,606 |

The following table shows the split of counterparties by external ratings, where available:

| | 2021 | 2021 | 2020 | 2020 |
|------------|---------------------------|--------------------------|---------------------------|--------------------------|
| | Financial Institutions | Corporates and Others | Financial Institutions | Corporates and Others |
| Aaa to Aa3 | 1 | - | 2 | - |
| A1 to A2 | 4 | - | 7 | - |
| B1 to Baa3 | 15 | - | 27 | 1 |
| Caa1 to Ca | - | - | 2 | - |
| Not rated | 25 | 34 | 4 | 40 |

The following table shows the split of credit quality of counterparties:

| | Investment Grade | Non-investment grade | Not rated | Total |
|----------------------------------|---------------------|-------------------------|---------------|---------------|
| 31 December 2021 | £'000 | £'000 | £'000 | £'000 |
| Amount owed by group undertaking | | | | |
| Cash at Bank | 23,601 | 6,268 | 12,715 | 42,584 |
| Trade receivables | - | - | 10,256 | 10,256 |
| Total assets | 23,601 | 6,268 | 22,971 | 52,840 |
| | Investment Grade | Non-investment grade | Not rated | Total |
| 31 December 2020 | £'000 | £'000 | £'000 | £'000 |
| Amount owed by group undertaking | | | | |
| Cash at Bank | 29,811 | 17,960 | 388 | 48,159 |
| Trade receivables | - | 806 | 6,327 | 7,133 |
| Total assets | 29,811 | 18,766 | 6,715 | 55,292 |

26. Impairment of financial assets

The Bank has applied the 'expected credit loss' model in accordance with IFRS9. The impairment model also applies to certain loan commitments and financial guarantee contracts but not to equity investments. Pervasive concept in measuring ECL is that it measures forward-looking information.

The Bank has followed the 'three-stage' model for impairment, based on changes in credit quality since initial recognition of these as summarised below:

Stage 1

A financial instrument which comprises primarily of Nostro balances and receivables from agents that are not credit-impaired on initial recognition are classified as 'Stage 1' and their credit risk monitored by the Bank.

Stage 2

If a significant increase in credit risk is identified since initial recognition, the financial instruments are moved to 'Stage 2' but are not deemed to be credit-impaired.

Stage 3

If the financial instrument is credit-impaired it is moved to 'Stage 3'.

The maturity of Bank's credit exposures is very short term and on average credit is not provided for more than 1 month. Financial instruments in Stage 1, Stage 2 and Stage 3 have their ECL measured at amount equal to the expected credit losses that result from potential default events.

Significant increase in credit risk

When determining whether the risk of default of financial instrument has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience and expert credit assessment and includes forward-looking information.

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

- Actual or expected deterioration of the financial performance of the counterparty. This is not limited to review of their financial statements but includes at least weekly interaction and assessment by the Bank with the counterparties.
- Past performance of length of time taken to settle outstanding balances.
- Changes to regulatory and economic conditions in the country where the counterparty operates.
- Expected changes to the agreements with the counterparties.

The Bank assesses whether credit risk has increased significantly since initial recognition at each reporting date. Determining whether an increase in credit risk is significant depends on the characteristics of the financial instrument and the geographical region in which the counterparty operates.

For Stage 1, the credit exposure are treated as performing as they have been paying the amounts due on time in accordance with the credit terms granted and within the maximum 60 days for all agents.

Should a counterparty face a significant increase in credit risk, as per above criteria, the exposure is moved to Stage 2, making the account underperforming or watch.

Credit exposure is moved to Stage 3 when the counterparty is in default and its status is moved to non-performing. In terms of the loss allowance, an individual review of the counterparty is conducted for non-performing accounts.

Definition of default

A key issue in measuring expected losses is identifying when a “default” may occur. Although IFRS 9 does not define the term, the Basel Committee has recommended that the definition of default adopted for IFRS 9 accounting purposes is guided by the definition used for regulatory purposes which is 90 days. Given the short-term tenure of the exposures, the default definition for the Bank has been set at 90 days.

The Bank considers a financial asset to be in default when:

- Counterparty is more than 90 days past due on any material credit obligation to the Bank; and
- It is unlikely to pay its credit obligations to the Bank in full,

Incorporation of forward-looking information

A measure of ECL is an unbiased probability-weighted amount that is determined by evaluating a range of possible outcomes and using 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.

The Bank continues to monitor macro-economic environment and apply additional conservatism based on expert judgement where it is considered appropriate. The bank accesses market information which includes; research papers, market updates from Moody's and several other organisations as appropriate which are incorporated in Bank's internal credit assessment process.

Explanation of inputs, assumptions and estimation technique

The Expected Credit Loss (ECL) is measured on 60 day lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition. ECL is a product of Exposure at Default (EAD), Probability of Default (PD), and Loss Given Default (LGD) defined as follows:

(i) Exposure at Default (EAD)

EAD represents the expected exposure of the Bank. The Bank derives EAD from its current exposures to counterparties and potential changes allowed under the agreement. EAD is the gross carrying amount and is broken down by exposure to the counterparty into local currency and non-local currency as this impacts the PD. The exposures of the Bank are primarily from two types of counterparties i.e., trade receivables from its Agents or Nostro accounts with other banks.

Based on IFRS 15, the Bank has classified expected cash flows from its agents as trade receivables for Consumer business unit and trading of bank notes by Wholesale business unit. The nature of these exposures does not require enhanced risk management techniques and is therefore based on lifetime basis under the simplified approach. Exposures to banks have been segregated into the following categories; Central Banks, Developed Markets Banks and Emerging Markets Banks, as the characteristics of each is different. For these exposures, individual PDs and LGDs are calculated.

(ii) Probability of Default (PD)

For the Bank the 12-month PDs are the same as the lifetime PDs as all counterparty exposures are under one year. The 12-month PD is the estimated probability of default occurring within the next 12 months (or over the remaining life of the financial asset if that is less than 12 months).

(iii) Loss Given Default (LGD)

LGD is the estimate of loss arising on default of the counterparty. It is based on the difference between contractual cash flows that are due and expected to receive including from collateral. The PDs and LGDs have been calculated using third party software Moodys RiskCalc.

Write-offs

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

The table summarises the expected credit loss and the associated impairment included in the financial statements at year end

| | ECL | | | |
|--|------------------|------------------|------------------|----------------|
| | Stage 1 £'000 | Stage 2 £'000 | Stage 3 £'000 | Total £'000 |
| 2021 | | | | |
| Cash and cash equivalents* at amortised cost | 34 | - | - | 34 |
| Trade receivables at amortised cost | 8 | - | - | 8 |
| At 31 December 2021 | 42 | - | - | 42 |

| | ECL | | | |
|--|------------------|------------------|------------------|----------------|
| | Stage 1 £'000 | Stage 2 £'000 | Stage 3 £'000 | Total £'000 |
| 2020 | | | | |
| Cash and cash equivalents* at amortised cost | 41 | - | - | 41 |
| Trade receivables at amortised cost | 8 | - | - | 8 |
| At 31 December 2020 | 49 | - | - | 49 |

* This is part of cash and cash equivalents but excluding cash at vaults

Impairment allowance for cash and cash equivalents (excluding cash at vaults) is shown in the table below:

| | Stage 1 £'000 | Stage 2 £'000 | Stage 3 £'000 | Total £'000 |
|--|------------------|------------------|------------------|----------------|
| 2021 | | | | |
| ECL allowance as at 1 January 2021 | 49 | - | - | 49 |
| New assets originated or purchased | - | - | - | - |
| Assets derecognised or repaid (excluding write offs) | (15) | - | - | (15) |
| At 31 December 2021 | 34 | - | - | 34 |
| | Stage 1 £'000 | Stage 2 £'000 | Stage 3 £'000 | Total £'000 |
| 2020 | | | | |
| ECL allowance as at 1 January 2020 | 191 | - | - | 191 |
| New assets originated or purchased | - | - | - | - |
| Assets derecognised or repaid (excluding write offs) | (150) | - | - | (150) |
| At 31 December 2020 | 41 | - | - | 41 |

Impairment allowance for cash and cash equivalents (excluding cash at vaults) based on credit ratings is shown in the table below:

| 2021 | Stage 1 £'000 | Stage 2 £'000 | Stage 3 £'000 | Total £'000 |
|--------------|------------------|------------------|------------------|----------------|
| A1 | 0.04 | - | - | 0.04 |
| A2 | 0.6 | - | - | 0.6 |
| A3 | - | - | - | - |
| Aa2 | - | - | - | - |
| Aa3 | 0.9 | - | - | 0.9 |
| B1 | 0.7 | - | - | 0.7 |
| B2 | 1.8 | - | - | 1.8 |
| B3 | 4.7 | - | - | 4.7 |
| Baa2 | 0 | - | - | 0 |
| Baa3 | 0.2 | - | - | 0.2 |
| Caa1 | - | - | - | - |
| NR | 33.1 | - | - | 33.1 |
| Total | 42 | - | - | 42 |

| 2020 | Stage 1 £'000 | Stage 2 £'000 | Stage 3 £'000 | Total £'000 |
|--------------|------------------|------------------|------------------|----------------|
| A1 | 0.2 | - | - | 0.2 |
| A2 | 0.1 | - | - | 0.1 |
| A3 | 0.8 | - | - | 0.8 |
| Aa2 | 1.4 | - | - | 1.4 |
| Aa3 | 2.7 | - | - | 2.7 |
| B1 | 22.2 | - | - | 22.2 |
| B2 | 9.1 | - | - | 9.1 |
| B3 | 2.7 | - | - | 2.7 |
| Baa2 | - | - | - | - |
| Baa3 | 0.3 | - | - | 0.3 |
| Caa1 | 1.2 | - | - | 1.2 |
| NR | 8.7 | - | - | 8.7 |
| Total | 49 | - | - | 49 |

Impairment allowance for trade receivables is shown in the table below:

| 2021 | Days past due | | |
|--|---------------|--------------|--------|
| Provision matrix | 0-30 Days | Over 30 Days | Total |
| Expected credit loss rate | 0.11% | 100% | - |
| Estimated total gross carrying amount at default (£'000) | 10,256 | - | 10,256 |
| Expected credit loss (£'000) | 8 | - | 8 |

Credit exposure by ECL Stages of all categories of financial assets in scope of IFRS9:

| | Stage 1 £'000 | Stage 2 £'000 | Stage 3 £'000 | Total £'000 |
|------------|------------------|------------------|------------------|----------------|
| Aaa to Aa3 | 8,385 | - | - | 8,385 |
| A1 to A3 | 14,685 | - | - | 14,685 |
| B1 to Baa3 | 6,322 | - | - | 6,322 |
| Caa1 to Ca | - | - | - | - |
| Not rated | 23,452 | - | - | 23,452 |
| | 52,844 | - | - | 52,844 |

2020

Provision matrix

| | 0-30 Days | Days past due Over 30 Days | Total |
|--|-----------|-------------------------------|-------|
| Expected credit loss rate | 0.11% | 100% | - |
| Estimated total gross carrying amount at default (£'000) | 7,133 | - | 7,133 |
| Expected credit loss (£'000) | 8 | - | 8 |

Credit exposure by ECL Stages of all categories of financial assets in scope of IFRS9:

| | Stage 1 £'000 | Stage 2 £'000 | Stage 3 £'000 | Total £'000 |
|------------|------------------|------------------|------------------|----------------|
| Aaa to Aa3 | 12,209 | - | - | - |
| A1 to A3 | 17,043 | - | - | 17,043 |
| B1 to Baa3 | 18,550 | - | - | 18,550 |
| Caa1 to Ca | 775 | - | - | 775 |
| Not rated | 6,715 | - | - | 6,715 |
| | 55,292 | - | - | 55,292 |

27. Liquidity risk

Liquidity risk is defined as the risk that the Bank will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Bank might be unable to meet its payment obligations when they fall due as a result of mismatches in the timing of the cash flows under both normal and stress circumstances. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The ultimate responsibility for liquidity risk management and for setting the Bank's Liquidity Risk Appetite rests with the Board of Directors, with the ALCO having responsibility to build an appropriate liquidity risk management framework for the management of the Bank's short, medium and long-term funding and liquidity management requirements on a day-to-day basis. The Bank manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring actual, forecast and cash flows and matching the maturity profiles of financial assets and liabilities.

The Bank's Internal Liquidity Adequacy Assessment Process (ILAAP) document sets out the details of its approach to measuring, monitoring and controlling liquidity risk. Liquidity management is carried out by ALCO, within the parameters set out in the ILAAP. To guard against the liquidity risk, management has diversified funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of cash and cash equivalents.

The Bank maintains a portfolio of highly marketable and diverse assets that are assumed to be easily liquidated in the event of an unforeseen interruption in cash flow. In addition, the Bank holds and maintains highly liquid assets in form of cash in vaults.

The table below summarises the maturity profile of the Bank's assets and liabilities based on contractual repayment arrangements. The contractual maturities of assets and liabilities have been determined on the basis of the remaining period at the statement of financial position date to the contractual maturity date.

| | Carrying amount £'000 | Gross Contractual cash flows £'000 | Within 1 year £'000 | 1 year to 5 years £'000 | Over 5 years £'000 |
|--------------------------------------|--------------------------|---|------------------------|-------------------------------|-----------------------|
| 31 December 2021 | | | | | |
| Assets | | | | | |
| Cash and bank balances | 53,534 | 53,534 | 53,534 | - | - |
| Accounts receivable and other assets | 11,205 | 11,205 | 11,205 | - | - |
| Derivative financial instruments | 29,794 | 29,794 | 29,794 | - | - |
| | 94,533 | 94,533 | 94,533 | - | - |
| Liabilities | | | | | |
| Trade and other payables | 8,811 | 8,811 | 8,811 | - | - |
| Due to customers | 42,307 | 42,307 | 42,307 | - | - |
| Other liabilities | 3,587 | 3,587 | 1,941 | 324 | 1,322 |
| Derivative financial instruments | 41,194 | 41,194 | 41,194 | - | - |
| | 95,899 | 95,899 | 94,253 | 324 | 1,322 |

| | Carrying amount | Gross Contractual cash flows | Within 1 year | 1 year to 5 years | Over 5 years |
|--------------------------------------|-----------------|------------------------------------|---------------|----------------------|--------------|
| 31 December 2020 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Assets | | | | | |
| Cash and bank balances | 62,516 | 62,516 | 62,516 | - | - |
| Accounts receivable and other assets | 6,208 | 6,208 | 6,208 | - | - |
| Derivative financial instruments | 55,024 | 55,024 | 55,024 | - | - |
| | 123,748 | 123,748 | 123,748 | - | - |
| Liabilities | | | | | |
| Trade and other payables | 10,344 | 10,344 | 10,344 | - | - |
| Due to customers | 43,972 | 43,972 | 43,972 | - | - |
| Other liabilities | 4,224 | 4,224 | 2,084 | 919 | 1,221 |
| Derivative financial instruments | 65,601 | 65,601 | 65,601 | - | - |
| | 124,141 | 124,141 | 122,001 | 919 | 1,221 |

28. Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices.

The Bank's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. Most of the Bank's activities fall into one of three currencies: EUR, GBP and USD. However, the Bank has business interests in a number of different quarter geographic regions and thus additional foreign currency positions are held. The Bank identifies foreign exchange rate risk as the risk to future cash-flows from adverse foreign exchange movements. This can have an impact on both the earnings and economic value of the Bank and as a consequence, the Board seeks to manage these risks to ensure the achievement of its business objectives.

The Board has set limits on positions by currency including foreign exchange positions and hedges. In accordance with the Bank's policy, positions are monitored on a daily basis and hedging strategies are used to ensure positions are maintained within established limits.

Risks are managed by ALCO through monitoring of limits and restricting product exposures. Management Information Systems are in place to measure foreign exchange risk, which is measured as the estimate of the exposures/liabilities accepted in non GBP currencies which are not offset by a corresponding position or derivative transaction.

The table below analyses the effect of a 5% movement of GBP against Euro, USD and other currencies with all the other variables held constant on the statement of comprehensive income.

The table below analyses the effect of a 5% movement of GBP against Euro, USD and other currencies with all the other variables held constant on the equity.

| Currency | Net Open positions | | Change | Impact on equity (Increase)/Decrease | |
|----------|--------------------|---------------|--------|---|---------------|
| | 2021 £'000 | 2020 £'000 | | 2021 £'000 | 2020 £'000 |
| USD | 13,144 | 12,808 | 5% | 657 | 640 |
| Euro | 2,512 | 2,441 | 5% | 126 | 122 |
| Others | 11,880 | 10,221 | 5% | 594 | 511 |

29. Operational risk

Operational risk is the risk of loss arising from human error, fraud, and control or system failure. When controls fail to operate effectively, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Bank cannot expect to eliminate all operational risks, but it endeavours to manage these risks through a control framework and by monitoring and responding to potential risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, such as the use of internal audit.

The Bank has implemented a corporate governance and control mechanism to prevent potential operational risks. It actively manages operational risk in accordance with regulation and guidance from the regulatory bodies. Changes in liabilities arising from financial activities in shown in the table below. Others include renewal and disposal of operating as well as change in interest rates.

| | 1 January 2021 £'000 | Cash flows £'000 | Others £'000 | 31 December 2021 £'000 |
|---|----------------------------|------------------------|-----------------|------------------------------|
| Current Lease Liabilities | 2,140 | (588) | 337 | 1,889 |
| Total Liabilities from financing activities | 2,140 | (588) | 337 | 1,889 |
| | 1 January 2020 £'000 | Cash flows £'000 | Others £'000 | 31 December 2020 £'000 |
| Current Lease Liabilities | 2,748 | (648) | 40 | 2,140 |
| Total Liabilities from financing activities | 2,748 | (648) | 40 | 2,140 |

30. Related party transactions

During the year Bahrain Financing Company B.S.C. (c), a fellow subsidiary undertaking, provided management services to the Bank totalling £ 188,342 (2020 - £322,716). At the balance sheet date the Bank owed £1,701,374 (2020: £2,065,692) to Bahrain Financing Company B.S.C. (c) of which £ 1,692,1097 (2020: £971,936) was payable in respect of commission from rebates. This balance is unsecured and payable on demand with a 90 day notice.

At the balance sheet date, the Bank owed BFC Group Holdings W.L.L., its parent undertaking, £ Nil- (2020: £127,920). This balance is unsecured, interest free and repayable on demand.

Note: Until the year end at 31 December 2021, the Bank was owned by BFC Group as explained in Note 31.

31. Parent undertaking

The smallest group of financial statements which this company is included in is BFC Group Holdings W.L.L., and the largest group in which this company is included in is Bank AlKhair B.S.C. (c). Both these companies are incorporated in Bahrain.

The immediate parent undertaking of BFC Bank Limited is BFC Group Holdings W.L.L. Copies of these companies' financial statements are available from Flat 11, Building 150, Road 1507, lock 315, Manama, Kingdom of Bahrain.

The ultimate parent undertaking of BFC Bank Limited is Bank AlKhair B.S.C. (c). Copies of these companies' financial statements are available from 4th Floor, Building No 2304, Road No 2830, Seef District 428, Manama, Kingdom of Bahrain.

32. Subsequent events

The sale of the shares of the Bank completed on 28 March 2022 after which iFAST Corporation Ltd, a Singapore based listed financial institution became the ultimate majority shareholder through their investment in Eagles Peak Holdings Limited which owns 100% of the Bank.

The Bank's application to change the name to iFAST Global Bank Limited was approved on 31 March 2022.

The Bank initiated VAT registration with HMRC after the year end and first VAT return will be completed in Q2 2022. This will take account of VAT for previous years and VAT recoverable is estimated to be £2.7m.



iFAST Global Bank Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority

iFAST Global Bank Limited
Registered in England and Wales,
company number 4797759.

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9th Floor, South Quay Building
77 Marsh Wall, London E14 9SH,
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Financial Services Register number:
716167.
