2019

ANNUAL REPORT AND FINANCIAL STATEMENTS

Company Registration N°5321714 (England and Wales)

Contents

Part I

Board of Directors and secretary

Chairman's statement

Chief Executive Officer's review

Strategic report

Directors' report

Statement of Directors' responsibilities

Independent auditor's report

Part II

Statement of profit or loss

Statement of other comprehensive income

Statement of financial position

Statement of changes in equity

Statement of cash flows

Notes to the financial statements

Part I

Board of Directors and secretary - 04

Chairman's statement - 05

Chief Executive Officer's review- 06

Strategic report - 07

Statement of Directors' responsibilities - 16

Directors' report- 17

Independent Auditor's report - 18

BOARD

David SURATGAR
Independent Non-executive Director - Chairman

Houssam EL HAK MORSSI BARAKAT
Executive Director – Chief Executive Officer

Mohammed AGOUMI
Non-executive Director

Brahim BENJELLOUN-TOUIMI
Non-executive Director

Richard PARRY
Independent Non-executive Director

Ralph SNEDDEN
Independent Non-executive Director

Mohammed AFRINE
Non-executive Director

SECRETARY

TMF Corporate Administration Services Limited

AUDITOR

Mazars LLP
Chartered accountants and statutory auditor
Tower Bridge House
St. Katharine's Way
London
E1W 1DD

REGISTERED OFFICE

26 Upper Brook Street
London
W1K 7QE

BANKERS

Barclays Bank plc
1st Floor
99 Hatton Gardens
London
EC1N 8DN

Chairman's statement

2019 was a year in which we worked to strengthen our capital and liquidity position. It was also a year for starting the conversion of our representative offices into branches in Zurich and Dubai key locations for trade and commodity finance.

Brexit continued to affect us as it did to other foreign banks in London. The parent bank resolved to have the Paris branch remain with London. This requires regulatory approval by the authorities in the United Kingdom and France. This is underway as we seek a third country branch licence.

The year saw a major effort to bring our procedures and systems to the high standards required by the regulators in both London and Paris. We have, therefore moved to strengthen our Finance and our Compliance teams. The Board has been equally concerned with the need for a continuing assessment of our risk policies in the current environment.

The year also saw increasing turbulence in the international banking business in trade finance, reflecting the US-China trade dispute and in the FX markets. This was added to the inevitable Sterling/Dollar adjustments that followed the Brexit outcome and the British Election. We worked hard to adjust to the replacement of Libor affecting past as well as future transactions. Now we face the gravest economic set back the world has experienced since the nineteen-thirties.

It is thus vital to salute management of our bank and all our team on the efforts being made to meet multiple challenges. We also salute our parent bank and the strength we obtain from the support of the whole BMCE Bank of Africa Group. This is proving invaluable as we face the uncertainties of the year ahead. The Group Chairman Othman Benjelloun and our Casablanca based Non-Executive Directors were able to announce the positive outcome of the invitation for investment in the Group by this country's Commonwealth Development Corporation. The CDC has a proud record in project finance in Emerging Markets.

Chief Executive Officer’s review

Houssam El Hak Morssi Barakat

Despite the challenging global macroeconomic and geopolitical environment and lower interest rates in 2019, we made progress and delivered the highest net banking income since inception at £21.6M.

The profit before tax stands at £4.2M (+ 69%) while keeping our capital adequacy ratio at 17%.

We have reviewed and refreshed our strategy and repositioned our priorities to put our customer experience in the heart of everything we do. Our six strategic objectives encompass: improving our capitalisation and diversifying our sources of funding, better delivering our international network and continuing to expand our geographic footprint, growing our business and deposit base, improving our employees satisfaction and transforming our governance and operating model. We have therefore taken bold actions over the past few months to steer the bank in a new direction and make it more resilient to external shocks.

Improving our potential

We continue to secure our foundations and resolve legacy conduct and operational issues to unleash our full potential and execute our strategic priorities. We have performed a bank wide survey to give a voice to our employees and listen to them; corrective actions are being implemented in each department to address the key challenges the business and operations face. We, of course, still have much to do but as an organization we become more open to change and nimble in our approach. A sustained and consistent execution is paramount to improve our productivity, streamline our processes, control our operating expenses, attract talents and ultimately improve our cost of funds and our profitability.

Furthermore, we have decided to keep BMCE Bank Paris as a branch and we are currently closely working with the regulators in France and the UK to obtain the third-country branch licence, as part of the process that was put in place post Brexit. Also, I am pleased to announce that we have successfully upgraded our Dubai licence to a branch in March 2020, while the process of upgrading Zurich is ongoing in line with our core strategy to be at the heart of international trade in and out of Africa.

Conclusion and outlook

We are making strides in improving the way we operate and preparing our institution to attract new pools of capital and further strengthen our liquidity position. There is still much to be done and external conditions are likely to be more challenging in the near-term considering: the downward pressure on interest rates, the coronavirus (Covid-19) pandemic that comes with unpredictable human and economic consequences, the on-going US-China trade dispute and the Brexit negotiations, to name a few.

The covid-19 pandemic will have the most significant impact on our forecast for 2020 in terms of Return on Equity target and income growth. The quantification of this impact will largely depend on the length of the imposed lockdown, the size of the accommodative monetary policy across both Developed and Emerging markets, the stimulus to be provided by IMF and other development institutions to sovereign and corporates clients across our geographies. As an institution, we are playing a key role and we continue to support our core clients and finance international trade during these volatile times. We also support our employees and community as evidenced by the latest financial contribution of circa USD 100 million equivalent by our Parent company, BMCE Bank Group, to assist the most vulnerable impacted by Covid-19.

Against this backdrop, our strength and the opportunity will come from continuing to improving our resilience, federating our workforce and growing income at a faster rate than costs.

Strategic Report

The Directors present their Strategic Report for BMCE Bank International plc ("the Bank" or "BBI") for the year ended 31 December 2019.

Our Strategic priorities and progress

1 Organisation of governing bodies

2019 has been a noteworthy year with the board spending significant time dedicated to the development of BBI's strategy in response to the Brexit; reviewing processes to strengthen controls and improve effectiveness; and assessing the banks business plan. The governance structure of the bank remains unchanged and is represented by the following bodies:

- The Board of Directors consisting of six Non-Executive Directors of which three are independent Non-Executive and the Chief Executive Officer, and others regularly attended including the Managing Director and Head of Risk, the Chief Financial Officer and the Head of Internal Audit. The Board approves the overall strategy and the broad guidelines of BBI.

- The Risk Committee consists of two non-executive Directors. The Managing Director and Head of Risk has a standing invitation. Other members of the Board, the Chief Executive Officer, the Chief Financial Officer and the Head of Internal Audit are invited. The Risk Committee monitors and assesses the adequacy and effectiveness of risk management policies and processes. It monitors the full range of risks, financial and non-financial, including credit, market, liquidity, funding, capital, operational and regulatory risks.

- The Audit Committee consists of two Non-Executive Directors. The Head of Internal Audit has a standing invitation. The Chairman of the Board, the Chief Executive Officer, other members of the Board, and Departmental Heads, example, the Chief Financial Officer, the Head of Risk are regularly invited. The committee monitors the adequacy and effectiveness of controls, processes, governance, integrity of financial statements and objectivity of internal and external auditors.

- The Remuneration Committee is headed by a non-executive Director. According to best practices, this committee is established to ensure that remuneration arrangements support our business strategic aims and enable the recruitment, motivation and retention of senior executives, whilst also complying with the requirements of regulation.

- Other committees involved in the decision making processes of BBI are:
  - Executive Committee
  - Asset and Liability Committee
  - Credit Committee
  - Steering and Control Committee for Paris branch
  - Human Capital and Communication Committee
  - Compliance Committee

Brexit Plan

The Board appraised contingency responses to the Brexit.

In 2019, The UK government postponed twice the date of Withdrawal from the European Union. The United Kingdom withdrew from the European Union on 31 January 2020 and entered an Implementation Period which is scheduled to end on 31 December 2020. The Bank initially decided to launch the process to sale its Paris branch to the sister company in Madrid, BMCE Bank International SA. This sale was eventually dismissed.

However, Corporate banking operations were migrated from Paris to London. This project required significant investment in staff, process and more importantly in IT systems upgrade/deployment in London.

Compliance Remediation Plan

- BBI has successfully established an improved and effective KYC process and revisited its new account opening procedures.

Zurich & Dubai Licences

- BBI has launched application processes to convert the licence of its two representative offices in Zurich and Dubai into branches. Dubai application was approved in March 2020, while Zurich's application is still ongoing.

4 Achievement of business objectives

- Our long term success relies on generating value through:

1. Continuing sales oriented efforts towards Africa.
2. Protecting our business with improved controls and strong compliance & risk management processes.

- Commercial efforts: Remaining dynamic on marketing and communication by sponsoring several events, attending many meetings and conferences related to business in Africa.
- Group Synergies: Capitalising on the BMCE Bank of Africa brand for the acquisition of new customers and continually being a key player for creating synergies within the BMCE Bank of Africa Group. Several successful combined transactions with other entities of the Group generated substantial revenues at Group level. We are still developing our network and co-financing projects with other subsidiaries of BMCE Bank of Africa. We are still expecting strong benefits from Group synergies for both of the components "Buy Side" and "Sell Side".

Strategic Report (continued)

- Diversification: Emphasising the geographic and sectoral diversification of our "Target Market". BBI diversified its sources of funding including other banks outside the BMCE Group and in taking more deposits from corporate customers.

- Risks: Maintaining the level of "Risk Appetite" as approved by the Board. BBI Risk Appetite remains unchanged and we have kept strong risk management practices with risk limits aligned to a carefully considered business strategy.

- Focusing in continue enhancement of our system of governance and control to ensure that we are operating in an efficient manner.

Directors' Duties and Engagement with Stakeholders - Section 172 Statement

The directors have acted in good faith to promote the success of the company for the benefit of its shareholders as a whole whilst having regard to the following requirements:

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

The directors also took into consideration the views and interest of a wider stakeholders including customers, employees, regulators and the broader society. The following section summarizes how the Directors fulfil these duties.

Decision making in the Longterm

The Board considers and discusses information from across the organization in order to help it understand the impact of BBI operation and the interests and views of our key stakeholders. It reviews strategy, financial and operational performance as well as information covering areas such as key risks, legal and regulatory compliance. The board gets this information through reports sent in advance of each board meeting and presentations at board meetings. As a result of this, the Board has a broader overview of engagement with stakeholders, and other indices that enables the Directors to comply with their legal duty under section 172 of the Companies act.

People

Our people are at the heart of our business and BBI behavior is aligned with the expectation of our staff, clients, shareholders, communities and society as a whole. In order for our business to thrive, the bank manages its people's performance, develops talents and maintains highest level of culture, engagement and inclusiveness.

Business Relationship

The bank business model is centered on maintaining a strong and efficient client relationship. The bank equally values its suppliers and contractors and the important role they play in delivering services to the bank.

Community and Environment

The bank strategy is to always create positive change for the people and communities it interacts with while taking into consideration the impact of its action on the environment. This was done through Town Hall meetings where staff made suggestions on how to better engage with the community and charities they are already involved in.

Maintaining a reputation for high standards of business conduct

BBI creates an environment of good culture, values and high standard of good conduct. This has always guided the bank in managing its success and measures the likely consequences of any decision in the long term and on stakeholders.

Economic overview

1 Sub Sahara Environment

Growth in Sub-Saharan Africa was at a modest 2.4% in 2019 from 2.5% in 2018. There were big differences between countries. Four of the fastest growing economies in the world in 2019 were in Africa: Cote d'Ivoire, Ethiopia, Ghana, and Rwanda. The recovery in Nigeria, Angola, and South Africa—the region's three largest economies—has remained fragile and is bringing down the regional average. Excluding Nigeria, South Africa, and Angola, growth in the rest of the subcontinent is expected to remain robust, although slower in some countries.

2 International and Local Environment : Brexit…

According to the OECDE, the world economy grew by 2.9 percent in 2019, the weakest since 2009, when the world economy shrank.

High policy uncertainty, ongoing trade tensions/protectionism, and a further erosion of business and consumer confidence are all contributing to the slowdown.

UK Gross Domestic Product grew by 1.4% in 2019 slightly above the 1.3% growth seen between 2017 and 2018 as per the ONS.

Weaker global growth and Brexit-related uncertainties weighed on spending.

Climate Change

The bank is aware of its sustainability and has been analysing how climate change will impact its business and how its activities will impact the environment. The bank will continue to identify and access its exposure to risk from climate change and has put in place robust governance and risk management processes to mitigate its exposure to the emergence of climate change risk.

Risk Management Framework

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

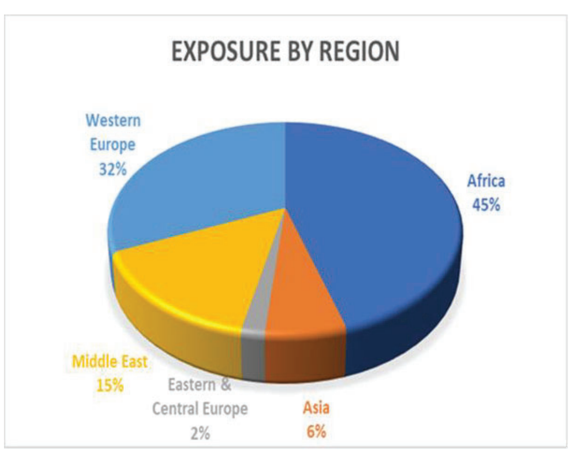
This model allows BBI to implement effective risk management and a risk culture.

The Board of Directors has ultimate accountability for risk management. Together, with various committees within BBI and risk policies , they are an integral part of BBI's Risk management framework.

BBI is committed to ensure that its risk management framework is robust, up to date and in line with best practice.

BBI periodically reviews its risk appetite and ensures that it is in line with the current environment, the strategy of BBI and budgets. This is provided in both business as usual and stressed conditions.

BBI Lending portfolio continues to be well diversified in terms of counterparty, business unit and country risk. The below graph shows :



Even with a diverse portfolio, certain sectors and regions have experienced some difficulties that mainly resulted to the contraction of our Commodity Finance portfolio.

However, BBI's portfolio continued to perform well in the four main business lines where it operates :

- Treasury & Capital Markets;
- Loan Solutions;
- Commodities Trade Finance; and
- Paris Branch.

Strategic Report (continued)

1 Credit Risk

Credit risk is the current or prospective risk to earnings or capital arising from an obligor's failure to meet the terms of a contract with BBI or its failure to perform as agreed.

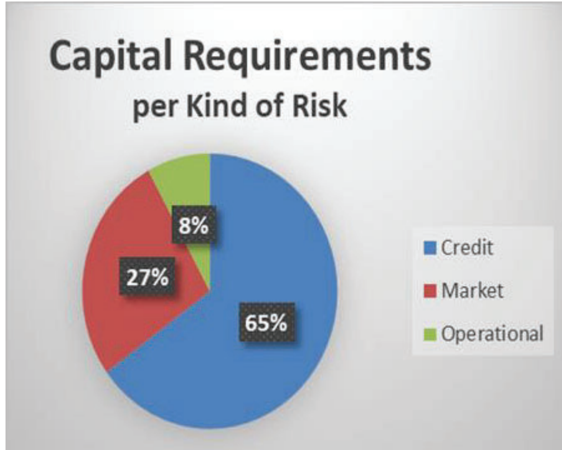
The credit risk includes counterparty risk, settlement risk and concentration risk.

BBI faces credit risk on its exposure to sovereigns and corporates from its capital markets, corporate banking and project finance businesses, and from its exposure to financial institutions and corporates from its trade finance and treasury activities.

BBI has a detailed credit policy and procedures manual providing an operating model and information on how the credit risk management processes are embedded in the business and overseen at the highest level within BBI.

BBI continues to act on the financial market, providing solutions, products and services accordingly with the defined risk appetite and within the governance in place for approving any credit risk.

Credit risk is the main risk in BBI as shown here below:



The lending portfolio of BBI increased significantly during the last four years, whilst the non performing-loans has managed to stay at a reasonable level.

BBI do not have significant open positions on derivative products. The results coming from these products are mainly due to commercial transactions. BBI do only FX swaps or interest rate swaps. The Capital requirement related to counterparty exposure for these products is calculated based on the standard approach and is not material.

2 Market Risk

Market risk covers the risks that arise from fluctuations in the values of, or income from tradable assets, in particular arising from changes in interest rates, foreign currency exchange rates, and the market prices of equities and commodities.

BBI is exposed to interest rate risk on its holdings of treasury and corporate bonds portfolio and the risk from trading foreign exchange.

The financial instruments (bond) portfolio is treated as asset held at fair value through other comprehensive Income (FOCI) for the purpose of capital calculations.

The fixed income portfolio represents 28% of the total balance-sheet.

31% is High Quality Liquid Assets and rated above AA-.

Only minimal currency risk will arise from BBI's fixed income activity as the purchase of most securities denominated in foreign currency will be funded on a matched basis.

Currency risk will arise, however, from BBI's trading in foreign exchange (mainly spot, forwards and at a later stage options). BBI manages an open position accordingly with its risk appetite.

Market risk in the banking book may arise from corporate banking activities; all market risk arising from this business will be passed to the trading book for active management and will therefore attract the additional capital requirements for interest rate and foreign exchange risk set out above.

3 Operational Risk

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

BBI currently uses the Basic Indicator Approach(BIA) to calculate it's Operational Risk requirements. Following the Basel III Committee recommendations, BBI will replace the BIA calculation with the new 'Standardised Measurement Approach' as soon as this revised calculation method is finalised and implemented by the regulator.

BBI continue to have a sound reputation and to steer its operational risk carefully and according to best practices.

BBI is dedicated to the management of operational risks. The framework aims to:

- Minimise losses generated by operational risk;
- Improve control of operations where necessary;
- Put in place adequate performance measurement and early warning signals; and
- Enhance operational risk awareness and culture.

4 Liquidity Risk

Liquidity risk is the risk that a firm, although solvent, either does not have available sufficient financial resources to enable it to meet its obligations as they fall due, or can secure such resources only at excessive cost. The liquidity ratio of BBI has continued to be well above the regulatory requirement and also well above the internal constraint, showing a comfortable liquidity position.

BBI monitors its liquidity very closely and within the Risk Tolerance approved by the Board.
These internal limits are benchmarked against the Individual Liquidity Guidance to ensure they are at least as stringent.

Principal risks and uncertainties

The table below summarizes the principal risks and uncertainties.

Risks and uncertainties	Description/Component/Impact	Mitigation	Change 2019/2018
Risks			
Credit Risk	• Description: Non-investment grade direct lending • Component: Sub-saharian area • Impact: Losses in notional	Country/counterparty analysis, Credit committee approval	↗
Market Risk	• Description: Interest rate hikes/Currency volatility • Component: USD rates • Impact: Market losses (% of notional)	Limit in place and potential hedge with Interest rate swap and Fx swaps	→
Regulatory	• Description: Heightened regulation • Component: Basel III • Impact: Regulatory breach • Paris 3rd country branch licence application	Regulatory updates and internal control	↗
Liquidity	• Description: Long term assets not covered by wholesale funding • Component: Funding diversification • Impact: Reputational risk	Application and implementation of ILAA (Individual Liquidity Adequacy Assessment)	→
Compliance	• Description: AML/KYC (Anti-Money Laundering / Know Your Customer) related issues • Component: High percentage of Political Exposed Persons (PEPs) and Specially Designated Nationals (SDNs) in our client base, in particular the oil business • Impact: Reputational risk	AML Officer, AML systems, AML policy	→
Operational	• Description: TI/Delta UK Migration: Component: risk of miss-booking/errors in corporate banking transactions • Impact: accounting of BBI assets /Reputational risk	• Operations centralised in Paris • Trade validation function created	↗
Uncertainties			
Economic difficulties in African countries	• Description: Lower growth in Africa • Component: Bearish commodities market; low oil market. • Impact: Lower banking income	Exploring new market opportunities in Africa	→
Brexit	• Description: Uncertainties about the final negociations results • Impact: operational risk	Monitoring impacts of ongoing UK/EU negotiations	→
COVID-19	• Risk of deterioration of the financial position of counterparties and breach of credit covenants.	Reducing activities in Oil linked business Additional review of clients activities	↗

Significant accounting judgements

The audit committee has considered the key areas of estimation and judgement applied in the financial statements as set out in note 3. The considerations for the most significant areas for 2019 included:

Key area	Action taken
IFRS 9 standards (business models, probability of default, loss given default, etc.)	• The audit committee considered management's key judgements used to establish the approriate level of expected credit loss allowances on the Bank's portfolio. The audit committee considered the range of estimates as disclosed in notes 36 – credit risk.
Revenue recognition – Fee income	• The audit committee considered the nature of fees for loans to be recognised as an adjustment to the effective interest on loans and the output from the process for monitoring effective interest rate adjustments. See note 2.3 and 2.4.
Deferred Tax Asset	• The audit committee considered the recoverability of deferred tax assets by reviewing forecast profitability and considering the sensitivities to those forecasts on the period to recover the deferred tax asset.
Impairment test of the Goodwill	• The audit committee considered the contribution of "Corporate & Investment Banking" and "Treasury & Capital Markets" the two Cash Generating Units (CGUs) for the valuation of the Goodwill and consequently concluded that no additional impairment was necessary.

Brexit

After three extensions and three and a half years of turnmoil, Brexit eventually took place on the 31st of January 2020. A window of eleven-months transition period opens with ongoing talks with the EU on a new trade deal. As a result of these trade negotiations, it is possible that BBI could face restrictions in providing certain services in the European Economic Area (EEA). However, the Bank's business model focus on doing business with Africa, such restrictions should have a limited impact in the Bank's business plan (in case of Hard Brexit).

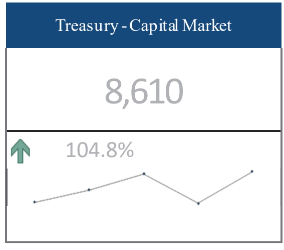
As far as the Paris branch is concerned the Board dismissed its original plans to sell it to its sister company in Spain, instead application for a third country licence was launched.

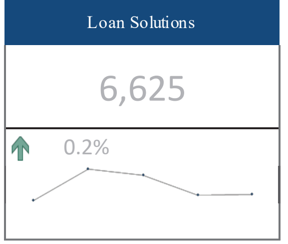
Strategic Report (continued)

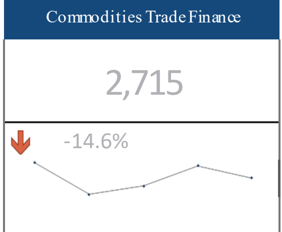
Development and performance by business lines for the year 2019

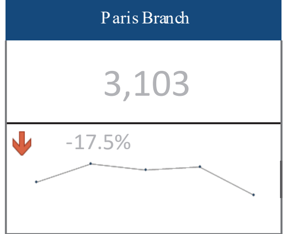
£'000	2019	2018
Profit/(Loss) on FX	360	(143)
Profit on bonds	7,416	2,390
Money Market	834	1,957
Treasury – Capital Market	8,610	4,204
Loan Solutions	6,625	6,613
Commodities Trade Finance	2,715	3,180
Paris branch	3,103	3,759
Corporate Banking	12,443	13,552
Other income not allocated	979	347
Subordinated debt interest not allocated	(421)	(635)
Net operating income	21,611	17,468

Graphs below show the 5 years trend.









Treasury – Capital Market (TCM)

Revenues net of funding generated by TCM in 2019 stood at £8,610k which is the highest performance since inception of BBI. TCM has more than double its net revenues compared to the £4.204k for FY2018 i.e. +105%. This outstanding result, driven by record profit on sales of bonds previously held at amortised costs, was achieved despite challenges & headwinds such as:

- The chaos and the saga that has been Brexit
- Trade war between the United States and China which occasionally caused great volatility
- Also, the funding cost went from an average 2.262% in 2018 to 2.746% in 2019 whilst the bond book returns were fixed throughout the period. The impact of increased cost of funding on TCM's net revenues amounted to a staggering £694k additional cost this year. Furthermore, net loss (yield – cost of funding) on the bank HQLA was £262k.

Corporate Banking

- Loan solutions –. Loan solution recorded a resistant performance this year despite the tough market conditions and a large number of transactions being postponed to close in 2020. Income generated by the department remained flat in 2019 to £6,625K (2018: £6,613K) . Collaboration with the two representative offices in Zurich and Dubai has begun to yield positive impact on the performance of the department.

- Commodities and Trade Finance (CTF)– CTF's 2019 performance was down by 15% to £2,715K (2018: £3,180K) due to a contraction of the Commodity Finance portfolio, while Trade Finance business grew significantly in 2019. CTF will continue to have a dynamic and diversified strategy in 2020 driven by the noteworthy collaboration with Zurich and Dubai and our Sister Companies in Casablanca and Shanghai.
- Paris branch – The Paris branch contribution to BBI's revenue is robust. In line with the global commercial strategy of BBI, the Paris Branch has demonstrated resilience in generating business on Trade Finance despite strong competition and increased funding costs.

Strategic Report (continued)

Income analysis

The net operating income increased by 23.7% to £21,611k. The increase in net operating income compared to the prior year resulted from a strong performance on the bond market but also from a resilient corporate banking activities.

Net interest income grew by 0.5% to £16,855k (2018: £16,766k.

For the fourth consecutive year, the interest margin suffered due to the increase in the cost of funding provided by the Group parent company despite three hikes on US FED rate in 2019.

The level of interest expenses reflected also BBI's willingness to hold strong liquidity level to meet regulatory requirements.

The fees and commissions entered into a negative territory with a net result of £-484k (2018: £581K) mainly driven by the slowdown on commodoties trade business.

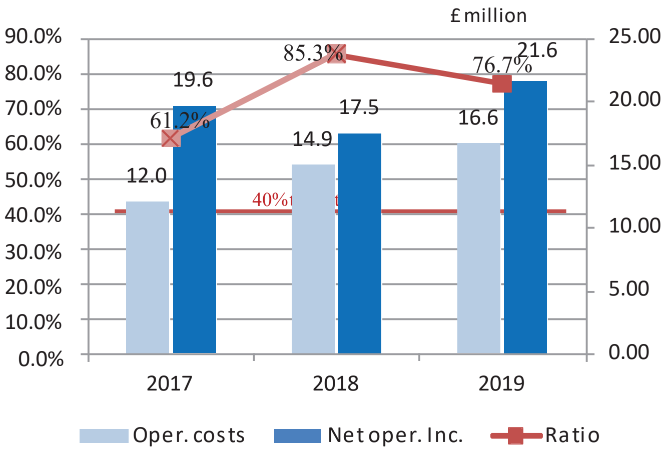
Net trading income jumped from £105k in 2018 to achieve £4,261K in 2019 taking the benefit from a favorable bond market due to the US FED's decision to hike rates three times in 2019.

Operating expenses rose to £16,580k up by 11% (2018: £14,900k), mainly driven by staff costs. Swings between other operating expenses and depreciation resulted mainly from the first time application of IFRS 16 on leases.

Personnel expenses increased significantly by 14.2% to reach £7,082 (2018: £6,201k). The Bank kept its on-going commitment to invest in human capital resources by strengthening teams and retaining talented people.

Amortisation and depreciation rose by 78% (£1,569K VS £879K in 2018) because of operating leases being booked under the new standard.

The cost income ratio improved from 85.3% in 2018 to 76.7% in 2019.



Expected credit loss allowances rose to reach £834k in 2019 mainly due to the deterioration of stage 3 assets with an impact of £1.2M despite an appreciation of stage 2 assets for £390K.

Profit before tax recorded a sharp rise of 69.1% to £4,166K vs £2,464k in 2018.

Profit before tax – Evolution:

Amid favourable market conditions but Brexit uncertainties, the bank remains profitable and continues to recognise deferred tax assets in full. Deferred tax assets are expected to be recovered over 10 years.

Consequently, BMCE Bank International plc recorded a net profit of £2,852k for the year ended 31 December 2019 resulting in a 31% inccrease compared to last year (2018: £2,169k)

Strategic Report (continued)

Balance sheet analysis

The total assets decreased by 18.7% to £467,778k (2018: £575,063k). Earning assets decreased by £112,240k to £436,905k (2018: £549,145k). Loans to Banks decreased by 71,795k to £85,602k (2018: £ 157,397k) whereas loans to customers increased by £4,456k to £216,052k (2018: £211,596k).

Deposit liabilities decreased by 24.5% to £359,958k (2018: £476,862k). The decrease was mainly from the Group entities and deposits coming from corporate customers.

Total shareholder's equity increased by 7.4% to £81,016k (2018: £75,454k) mainly due to a combined effect from gains on sales of financial instruments and the net profit fully reinvested by the shareholder. BBI continued to operate a profitable business model based on its funding and its good quality assets portfolio held.

Capital management

. Definition

The Bank's regulatory capital consists of the sum of the following elements:

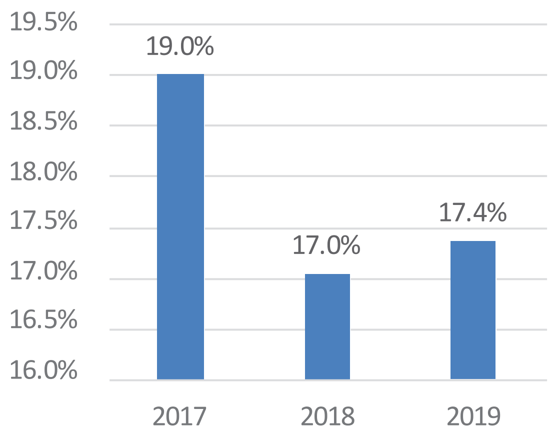
- Tier 1 capital (all qualifies as Common Equity Tier 1 (CET1) capital) - it includes ordinary share capital, retained earnings, reserves and other comprehensive income (OCI) after adjustment for deductions for goodwill and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.
- Tier 2 capital - it includes qualifying subordinated liabilities.

£'000	
Tier 1 Capital	65,965
Subordinated debt (principal)	15,051
Own funds	81,016
Required capital	69,046
Surplus capital	12,506
Risk weighted assets	469,702
Tier 1 capital ratio	14.04%
Solvency ratio	17.36%

As at 31 December 2019, BBI recorded a capital adequacy ratio of 17.36% (2018: 17.0%) with a core tier 1 capital ratio of 14.16% (2018: 13.5 %). The capital ratios remained in excess of regulatory requirements as at the reporting date and demonstrated the robust capital position of the BBI.

Risk weighted assets increased by 2.9%% to £469,702k (2018: £456,561k). It is expected that with the strength of our current capital ratios, the shareholder's decision to waive dividends until 2020 and the rigourous BBI's approach to find the right risk/return mix, BBI will be able to meet its regulatory capital requirements in the future.

Solvency ratio Evolution:



Liquidity and funding

BBI's funding strategy continued to rely on funding from the Group. However, the continuous profitable performance recorded for the last 5 years allowed BBI to diversify its source of funding outside the ultimate parent company; and with the same aim to get altrnative funding sources to manage costs and guard against funding disruption. BBI continued to maintain a reserve account with the Banque de France and to hold high-quality, unemcumbered liquid assets in line with the regulatory buffer asset requirements. In addition, highly liquid money market instruments were held to support liquidity requirements.

BBI is committed to meet strong level of regulatory requirements both LCR and NSFR.

Key performance indicator

Return on shareholders' equity improved to 3.5% (2018: 2.9%).

Signed on behalf of the Board

10/07/2020

David Suratgar
Chairman

Houssam El Hak Morssi Barakat
Chief Executive Officer and Director

Statement of Directors' responsibilities

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

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

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- provide additional disclosures when compliance with specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Bank will continue in business or unless they intend either to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Bank's transactions and disclose with reasonable accuracy at any time the financial position of the Bank and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. 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.

Directors' statement of disclosure to auditors

Each of the Directors confirms that:

- to the best of each Director's knowledge and belief, there is no information relevant to the preparation of their report of which the Bank's auditor is unaware; and
- each Director has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Bank's auditor is aware of that information.

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

Signed on behalf of the Board 10/07/2020

Houssam El Hak Morssi Barakat
Chief Executive Officer and Director

Date:

David Suratgar
Chairman

Directors' report

The Directors of BMCE Bank International plc present their Directors' report for the year ended 31 December 2019. As permitted by Paragraph 1A of Schedule 7 to the Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008 certain matters which are required to be disclosed in the Directors' Report have been omitted as they are included in the Strategic Report on pages 7-15. These matters relate to Future Developments; and Financial Risk Management

Principal activities

The Bank is authorised and regulated by the Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA).

The Bank's principal activities are Corporate and Investment Banking, focusing on trade, structured and project finance and corporate lending for target customers based in Africa or with an interest in the region and Treasury and Capital Markets, focusing on currency and interest rate markets of the region.

The Bank operates in the United Kingdom, in France (Branch) and had two rep offices in Switzerland and Dubai which are being converted to branches post 31/12/2019 .

Business review

BMCE Bank International plc is an authorised credit institution and provides a range of banking and financial services. There have not been any significant changes in the Bank's main activities in the year under review.

The Directors are not aware, at the date of this report, of any likely changes in the Bank's activities in the forthcoming period.

BMCE Bank International plc invests significantly in human capital and its IT systems with the objective of improving its business and financial performances. The Directors regard such investment as necessary for shifting expectations on the future of the business.

Results and dividend

The Bank's profit for the year after taxation amounted to £2,852k (2018: £2,169k).

No dividend was paid during the year (2018: £Nil). The Directors do not recommend the payment of a final dividend for for the financial year 2019 (2018: £Nil)

Capital structure

The Bank's capital structure remains unchanged. However, the negative retained earnings have decreased due to profits being fully reinvested in the business.

As at 31 December 2019, the maturity of €17,700k subordinated debt remained 2023.

Pillar 3 disclosures

Further information regarding the Bank's approach to risk management and its capital adequacy is contained in the unaudited Pillar 3 disclosures made under the current regulatory capital requirements.

These disclosures will be published on the Bank's website shortly after the approval of these financial statements at http://www.bmce-intl.co.uk/finance.

Directors

The Directors, who all served throughout the year, unless otherwise shown are as listed on page 4 of the report.

Directors' interests

None of the Directors has, or had during the year under review, any beneficial interest in the shares of the Company.

Directors' insurance and indemnities

The Directors have the benefit of the indemnity provisions contained in the Company's Articles of Association ('Articles'), and the Company has maintained throughout the year Directors' liability insurance for the benefit of the Company and the Directors.

The Company has entered into qualifying third party indemnity arrangements for the benefit of all its Directors in a form and scope which comply with the requirements of the Companies Act 2006 and which were in force throughout the year and remain in force.

COVID-19

The Directors are closely monitoring the impact of the global pandemic from the outbreak of Covid-19 which became significant in March 2020 and is causing widespread disruption to normal patterns of business activity across the world, including the UK. This pandemic has created unprecedented challenges for individuals, economies, financial markets, financial institutions and governments.

In response to this evolving situation, the Bank keeps reviewing its business activities so as to adapt to the ongoing situation and has put in place contingent plans to enable staff to work remotely which has been working successfully.

Going concern basis of accounting

The Directors have a reasonable expectation that the Bank has adequate resources to continue in operational existence for the foreseeable future and for at least 12 months from the date of approval of the financial statements.

The directors consider that there is no material uncertainty on going concern.

In making this assessment, the Directors have considered a wide range of information relating to present and future conditions, including the current state of the balance sheet, future projections of profitability, cash flows and capital resources, support from its parent company and the longer-term strategy of the business.

The Bank has taken into considering the current and potential impacts of Covid-19, including on its business plans.

The Bank's capital and liquidity plans have been stress tested under a range of stressed scenarios and have been reviewed by the Directors.

The Directors assessed a range of scenarios including stressed scenarios and the results indicated that the Bank would have sufficient capital and liquidity to fund its balance sheet for each reasonably possible scenario.

The Directors also concluded that both capital and liquidity forecasts remained within present regulatory requirements, over the period assessed.

The Directors therefore believe that it remains appropriate to continue to adopt the going concern basis in preparing these Bank's financial statements.

Signed on behalf of the Board – 10/07/2020 :

Houssam El Hak Morssi Barakat

Chief Executive Officer and Director

David Suratgar Chairman

Independent auditor's report to the members of BMCE Bank International plc

Opinion

We have audited the financial statements of BMCE Bank International plc ("the company") for the year ended 31 December 2019 which comprise the Statement of Profit or Loss, the Statement of Other Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company 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 other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key audit matters

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

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

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

Area of focus	How our audit addressed the area of focus
Credit risk in relation to loan loss provisions Refer to Significant Accounting Policies (Note 2); and Notes 3, 13 and 18 of the financial statements. The impairment provision relating to the company's loans and advances to customers portfolio is an inherently judgemental area due to the use of subjective assumptions and high degree of estimation. It requires the directors to make judgements over the ability of the counterparties to make future loan repayments. IFRS 9 requires the company to consider impairment provisions using an expected credit loss ('ECL') model. The company uses a model to determine the expected losses, applying judgement to the input parameters used within the model including those related to future economic scenarios. Judgement is also required to determine which of the IFRS 9 three stages risk categories the exposure falls into, which in turn determines the appropriate expected loss metric to be used.	We assessed the design and implementation and tested the operating effectiveness of the key controls operating in the company in relation to credit risk on loans and advances to customers. We performed the following procedures, on a sample basis: • Reviewed the credit files for significant loan exposures included in the watch list; and • Reviewed the credit files for performing loans to identify indicators of deterioration in credit quality. In respect of the model used to determine expected credit losses, we: • Considered the appropriateness of the methodology used by the company in the preparation of IFRS 9 provisions including the process in place for allocating loans to IFRS 9 three stages risk categories; • Engaged our credit risk specialists to review the appropriateness of the ECL model used; recalculated the ECL and compared the results with the company's position to assess reasonableness; • Reviewed key assumptions used in applying the methodology adopted and assessed them for reasonableness; and • Tested the mathematical integrity of the model, completeness of the loan portfolio applied and data inputs used. Key observations We found that the approach taken in respect of loan loss provisions was consistent with the requirements of IFRS 9 and judgements made were reasonable.
Risk of fraud in revenue recognition Refer to Significant Accounting Policies (Note 2); and Notes 7 and 8 of the financial statements. As the majority of the company's revenue is system generated, the fraud risk over revenue recognition relates specifically to the recognition of fee and commission income which are identified manually and recognised using the effective interest rate ('EIR') method. Fee and commission income, which forms an integral part of the EIR of a financial asset, is included in the measurement of the EIR which is used in the computation of interest income. EIR adjustments are estimated and monitored manually. Judgement is required to determine whether fees and commissions are recognised as part of the EIR or recognised when a service has been performed. Judgement is also required to determine the expected life of the loan.	We assessed the design and implementation and tested the operating effectiveness of the key controls over revenue recognition, in particular around fee and commission income recognised on an EIR basis. With respect to EIR calculation, over a sample of instruments we: • Verified data inputs used in the calculation to the respective underlying agreements; • Assessed the period over which yield adjustments were applied; • Assessed management's consideration for the recognition of fees and commissions as part of the EIR or on the performance of a service; • Considered the appropriateness of judgement applied in determining the basis of revenue recognition; and • Re-performed the EIR calculations. Key observations We found that the judgements and estimates applied in determining the basis for revenue recognition in relation to fee and commission income were reasonable and consistent with the requirements of IFRSs.

Key audit matter	How our audit addressed the key audit matter
Recoverability of deferred tax asset recognised in relation to tax losses Refer to Significant Accounting Policies (Note 2); and Notes 3 and 14 of the financial statements Net deferred tax assets ('DTA') of £5.9m are recognised on balance sheet in respect of temporary differences, of which £5.3m relate to tax losses carried forward. DTA on tax losses is recognised on the basis that in the directors' assessment it is probable that sufficient future taxable profits will be generated against which the losses can be utilised. Judgement is required to assess reliably the amount of future taxable income that will be available for relief and there is further uncertainty over the reliability of the forecast for the extended forecasting period. Furthermore, there are restrictions on the utilisation of tax losses per year for banks.	We reviewed the directors' assessment of the recoverability of DTA, including assessing financial projections and assumptions on future profitability. In particular, we performed the following procedures: • Reviewed the underlying deferred tax calculations for accuracy and completeness, with the assistance of our tax specialists; • Evaluated the key assumptions underpinning future taxable profit projections used in the directors' recoverability assessment, in particular the forecasting period used; • Where relevant considered the consistency of these forecasts with board approved financial plans; and • Analysed historical budgeting accuracy through discussion with management regarding material movements in actual results against the approved budgets and performed our own sensitivity analysis. Key observations We found that the methodology and assumptions used in assessing the recoverability of DTA recognised in relation to tax losses were reasonable.
Risk of unrecognised goodwill impairment Refer to Significant Accounting Policies (Note 2); and Notes 3 and 23 of the financial statements The carrying value of the company's goodwill resulting from historic business combinations is £8.5m, net of £4.9m impairment recognised in previous years. The directors have allocated goodwill to the following cash generating units (CGUs): • Corporate and Investment Banking; and • Treasury and Capital Markets. The directors assess, at each reporting date, the carrying value of goodwill. This is done by estimating the present value of future estimated cash flows expected to be derived from the underlying CGUs (the recoverable amount). The recoverable amount of the underlying CGUs is supported by value-in-use calculations based on discounted future cash flows ('DCF'). Estimating discounted future cash flows requires the directors to use significant assumptions by applying judgement regarding future economic and market conditions, business prospects, growth rates and discount rate applied.	We reviewed the directors' goodwill impairment assessment including assessing financial projections and assumptions on future cash flows. In particular, we performed the following procedures: • Assessed the appropriateness of the CGUs identified by management and allocation of goodwill to these CGUs; • Evaluated the methodical and mathematical accuracy of the model used for the impairment testing; • Evaluated the key assumptions underpinning the DCF forecasts, including long term growth rates, the discount rate and the methodology used by management to conduct the impairment assessment; • Where relevant considered the consistency of these forecasts used in DCF calculation with board approved financial plans; and • Analysed historical budgeting accuracy through discussion with management regarding material movements in actual results against the approved budgets and performed our own sensitivity analysis. Key observations We found that the company's estimates and judgments used in assessing goodwill impairment as at 31 December 2019 were reasonable.

Impact of the outbreak of COVID-19 on the financial statements	
Refer to Strategic Report, Directors' Report, Significant Accounting Policies (Note 2); and Note 30 of the financial statements. Since the balance sheet date there has been a global pandemic from the outbreak of COVID-19. The potential impact of COVID-19 became significant in March 2020 and is causing widespread disruption to normal patterns of business activity across the world, including the UK. The directors' consideration of the impact on the financial statements is disclosed in the strategic report on page 11, directors' report on page 17 and going concern assessment on pages 17 and 31. Whilst the situation is still evolving, based on the information available at this point in time, the directors have assessed the impact of COVID-19 on the business and have concluded that adopting the going concern basis of preparation is appropriate. As per Note 30 to the financial statements, the directors have also concluded that COVID-19 is a non-adjusting post balance sheet event.	We assessed the directors' conclusion that the matter be treated as a non-adjusting post balance sheet event and that adopting the going concern basis for preparation of the financial statements is appropriate. We considered: • The timing of the development of the outbreak across the world and in the UK; and • How the financial statements and business operations of the company might be impacted by the disruption. In forming our conclusions over going concern, we evaluated how the directors' going concern assessment considered the impacts arising from COVID-19 as follows: • We reviewed the directors' going concern assessment including COVID-19 implications based on a range of scenarios and including stressed scenarios as approved by the board of directors; • We made enquiries of directors to understand the period of assessment considered by the directors, and the potential impact of COVID-19 on the company's financial performance, business operations, and liquidity and regulatory positions; • We evaluated the key assumptions used in the scenarios indicated above and considered whether these appeared reasonable; • We assessed the potential impact of COVID-19 on the company's capital utilisation and considered whether the directors' conclusion that adequate capital headroom remains is reasonable; and • We evaluated the adequacy and appropriateness of the directors' disclosure in respect of COVID-19 implications, including events after the reporting period and going concern. Key observations Based on the work performed, we are satisfied that the matter has been appropriately reflected in the financial statements. Our conclusions on going concern are set out under 'Conclusions relating to going concern' above.

Our application of materiality

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

Overall materiality	£405,000
How we determined it:	0.5% of net assets
Rationale for benchmark applied	We have used net assets as the benchmark to calculate materiality. Net assets are considered to reflect appropriately the size of the company’s operations and it remains a key focus for the users of the financial statements.
Performance materiality	Performance materiality is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the financial statements exceeds overall materiality. Performance materiality of £304,000 (based on 75% of overall materiality) was applied in the audit.
Reporting threshold	We agreed with the company’s audit committee that we would report to them misstatements identified during our audit above £12,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

An overview of the scope of our audit, including extent to which the audit was considered capable of detecting irregularities, including fraud

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

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

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements.

In identifying and assessing risks of material misstatement in respect to irregularities including non-compliance with laws and regulations, our procedures included but were not limited to:

- at planning stage, we gained an understanding of the legal and regulatory framework applicable to the company, the industry in which it operates and considered the risk of acts by the company which were contrary to the applicable laws and regulations;
- we discussed with the directors the policies and procedures in place regarding compliance with laws and regulations;
- we discussed amongst the engagement team the identified laws and regulations, and remained alert to any indications of non-compliance; and
- during the audit, we focused on areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussions with the directors (as required by auditing standards), from inspection of the regulatory and legal correspondence and review of minutes of directors' meetings in the year. We identified that the principal risks of non-compliance with laws and regulations related to breaches of regulatory requirements of the Prudential Regulation Authority and the Financial Conduct Authority. We also considered those other laws and regulations that have a direct impact on the preparation of financial statements, such as the Companies Act 2006 and UK tax legislation (governed by HM Revenue and Customs).

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

- inquiries of management whether they have knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risk related to fraud;
- discussion amongst the engagement team regarding risk of fraud such as opportunities for fraudulent manipulation of financial statements, and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation loan impairments and revenue recognition requiring the application of EIR method of income recognition, and significant one-off or unusual transactions; and
- addressing the risk of fraud through management override of controls by performing journal entry testing.

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

As a result of our procedures, we did not identify any additional "Key audit matters" relating to irregularities. The risks of material misstatement that had the greatest effect on our audit, including fraud, are discussed under "Key audit matters" within this report.

Other information

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

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.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of Directors

As explained more fully in the Statement of Directors' responsibilities set out on page 16, 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 company'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 company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Other matters which we are required to address

We were initially appointed to audit the financial statements for the year ended 31 December 2013 and subsequent financial periods. The period of total uninterrupted engagement including renewals and reappointments is 7 years, covering the years ended 31 December 2013 to 31 December 2019.

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

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

Use of the audit 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.

Maximiliano Bark (Senior Statutory Auditor)
for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
Tower Bridge House,
St Katharine's Way
London
E1W 1DD
10 July 2020

Part II

Statement of profit or loss - 26

Statement of other comprehensive income - 27

Statement of financial position - 28

Statement of changes in equity - 29

Statement of cash flows - 30

Notes to the financial statements - 31

Statement of profit or loss for the year ended 31 December 2019

£'000	Note	2019	2018
Interest and similar income	7	25,268	23,532
Interest expense and similar charges	7	(8,413)	(6,766)
Net interest income		16,855	16,766
Fee and commission income	8	1,622	2,728
Fee and commission expense	8	(2,106)	(2,147)
Net fee and commission (expense)\income		(484)	581
Net trading income	9	4,261	105
Other operating income	10	979	16
Net operating income		21,611	17,468
Personnel expenses	11	(7,082)	(6,201)
Depreciation of property and equipment	21	(809)	(172)
Amortisation of intangible assets	22	(761)	(707)
Other operating expenses	12	(7,928)	(7,820)
Total operating expenses before impairment losses		(16,580)	(14,900)
Net impairment (losses)	13	(865)	(104)
Profit before taxation		4,166	2,464
Taxation	14	(1,314)	(295)
Profit for the year		2,852	2,169

The profits for the current year and preceding year are derived from continuing operations.

The notes on pages 31 – 81 form part of these financial statements.

Statement of other comprehensive income

Statement of other comprehensive income for the year ended 31 December 2019

£'000	Note	2019	2018
Profit for the year		2,852	2,169
Items that may qualify for reclassification			
Foreign currency translation differences for foreign operations		118	(23)
Gains/(losses) on debt assets classified as FVOCI		4,323	(1,664)
FV (losses)/gains on reclassified to P&L on disposal of debts classified as FVOCI	9	(1,519)	19
Tax on Unrealised gains		(212)	-
Other comprehensive income/(Losses) for the year	15	2,710	(1,668)
Total comprehensive income for the year		5,562	501*

* 2018 has been represented to include the impact of taxation in the profit for the year.

During the year, the bank decided to designate its debts securities at Fair Value Through Other Comprehensive Income

The notes on pages 31- 81 form part of these financial statements.

Statement of financial position as at 31 December 2019

£'000	Note	2019	2018
Assets			
Cash and balances with central banks	16	3,108	17,698
Due from banks	17	85,601	157,397
Derivative financial instruments	39	254	231
Loans and advances to customers	18	216,052	211,596
Financial investments – FVOCI	19	131,889	113,678
Financial investments – Amort. Cost	20	-	48,545
Property and equipment	21	5,363	426
Goodwill and other intangible assets	22 -23	11,182	12,115
Deferred tax assets	14	5,851	6,640
Other assets	24	8,478	6,737
Total assets		467,778	575,063
Liabilities and equity			
Due to banks	25	263,150	367,631
Derivative financial instruments	39	33	-
Due to customers	26	96,774	109,231
Other liabilities	27	11,574	6,453
Subordinated debt	28	15,231	16,294
Total liabilities		386,762	499,609
Equity attributable to equity holders			
Share capital	29	102,173	102,173
Other reserves	29	1,172	(1,538)
Accumulated losses	29	(22,329)	(25,181)
Total equity		81,016	75,454
Total liabilities and equity		467,778	575,063

The notes on pages 31 – 81 form part of these financial statements.
Approved by the Board and authorised for issue on 10/07/2020

Houssam El Hak Morssi Barakat
Chief Executive Officer and Director

David Suratgar
Chairman

Statement of changes in equity for the year ended 31 December 2019

£'000	Note	Share capital	Other reserves	Accumula-ted losses	Total
Balance as at 1 January 2018		102,173	130	(25,869)	76,434
Change on initial application of IFRS 9	6.D	-	-	(1,480)	(1,480)
Restated balance as at 1 January 2018		102,173	130	(27,349)	74,954
Profit for the year		-	-	2,169	2,169
Other comprehensive income	15	-	(1,668)	-	(1,668)
Total comprehensive income	29	-	(1,668)	2,169	501
Balance as at 31 December 2018		102,173	(1,538)	(25,181)	75,454
Balance as at 1 January 2019		102,173	(1,538)	(25,181)	75,454
Profit for the year		-		2,852	2,852
Other comprehensive income	15	-	2,710		2,710
Total comprehensive income	29	-	2,710	2,852	5,562
Balance as at 31 December 2019		102,173	1,172	(22,329)	81,016

Other reserves category in the table above relates to changes in the fair value of financial instruments measured at fair value through other comprehensive income and the effects of foreign currency retranslation on a foreign operation.

The notes on pages 31 - 81 form part of these financial statements.

Statement of cash flows for the year ended 31 December 2019

£'000	note	2019	2018
Cash flows from continuing operating activities			
Profit before tax		4,166	2,464
Adjustments for:			
Net interest income		16,855	16,765
Interest received		(4,130)	(5,245)
Interest paid		8,944	6,295
Change in operating assets	31	10,809	(42,081)
Change in operating liabilities	31	(112,605)	85,298
Other items included in profit before tax	31	870	882
Corporation tax		(1,314)	(295)
Net cash flows (used by)/ generated by continuing operating activities		(76,405)	64,083
Cash flows from investing activities			
Purchase of financial investments		(151,190)	(87,875)
Proceeds from sales of financial investments		185,231	41,262
Purchase of property and equipment		(81)	(267)
Purchase of intangible assets		(333)	(1,325)
Net cash flows generated by / (used by) investing activities		33,628	(48,205)
Cash flows from financing activities			
Group subordinated debt		(617)	(635)
Net cash flows used by financing activities		(617)	(635)
Net (decrease)/increase in cash and cash equivalents		(43,395)	16,513
Cash and cash equivalents as at 1 January		90,895	74,382
Cash and cash equivalents as at 31 December	31	47,500	90,895

The notes on pages 31 – 81 form part of these financial statements.

1. Corporate Information

In these financial statements, BMCE Bank International plc is referred to as the "Bank". The statements comprise the financial statements of BMCE Bank International plc as an individual entity. The Bank also maintains a foreign branch that is located in Paris.

The Bank provides Corporate and Investment Banking and Treasury services in Europe as well as North, East, West and Central Africa. The principal activities of the Bank are described in the strategic and Directors' reports.

BMCE Bank International plc is incorporated and domiciled in England and Wales and is authorised and regulated by the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA). Its registered office is at 26 Upper Brook Street, London, W1K 7QE, United Kingdom.

The ultimate parent undertaking and ultimate controlling party is Banque Marocaine du Commerce Exterieur S.A. (BMCE Bank of Africa Group), a Company incorporated in Morocco. BMCE International (Holdings) plc, a Company incorporated in the United Kingdom and registered in England and Wales, is the immediate holding Company for the Bank.

Copies of the consolidated financial statements prepared in respect of Banque Marocaine du Commerce Exterieur S.A. may be obtained by request on the following address: 140 Avenue Hassan II 2100 Casablanca or on the website: http://www.bmcebank.ma/.

2. Significant accounting policies

1. Basis of preparation

The accounts are prepared on a going concern basis and in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) and interpretations issued by the IFRS Interpretations Committee of the IASB as adopted by the European Union (EU) (together IFRS).

The Bank's Directors have made an assessment of the Bank's ability to continue as a going concern as described in the Director's Report on page 17 and are satisfied that it has the adequate resources to continue in business for the foreseeable future, and for a period of at least 12 months from the approval date of the financial statements. Furthermore, there are no material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on a going concern basis.

The financial statements have been prepared on a historical cost basis, except for derivative financial instruments, financial assets and financial liabilities held at fair value through profit or loss investments in debt instruments measured at FVOCI that have been measured at fair value.

The Bank presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the statement of financial position date (current) and more than 12 months after the statement of financial position date (non-current) is presented in note 37.

2.2 Foreign currency translation

The financial statements are presented in British Pound, which is the Bank's functional and presentational currency. The functional currency of the foreign branch in Paris is Euro.

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the dates of the transactions. The foreign exchange gains and losses resulting from the settlement of such transactions are recognised in the statement of profit and loss. Unrealised gains and losses on unsettled transactions are also taken to the statement of profit and loss.

Non-monetary items measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. The results of the foreign branch are translated into the Bank's presentational currency on a monthly basis at the month end market exchange rate. All balances at the end of the period are converted at the period end rate. Any foreign exchange differences arising are accounted through other comprehensive income and accumulated in 'other reserves' in equity.

2.3 Net interest income

Interest income and expense for all financial instruments except for those classified as held for trading or those measured or designated as at FVTPL are recognised in 'Net interest income' as 'Interest income' and 'Interest expense' in the statement of profit or loss account using the effective interest method. Interest on financial instruments measured as at FVTPL is included within the fair value movement during the period, see 'Net trading income'.

The effective interest rate (EIR) is the rate that exactly discounts estimated future cash flows of the financial instrument through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. The future cash flows are estimated taking into account all the contractual terms of the instrument.

The calculation of the EIR includes all fees paid or received between parties to the contract that are incremental and directly attributable to the specific lending arrangement, transaction costs, and all other premiums or discounts. For financial assets at FVTPL transaction costs are recognised in profit or loss at initial recognition.

2. Significant accounting policies (continued)

The interest income/ interest expense is calculated by applying the EIR to the gross carrying amount of non-credit impaired financial assets (i.e. at the amortised cost of the financial asset before adjusting for any expected credit loss allowance), or to the amortised cost of financial liabilities. For credit-impaired financial assets the interest income is calculated by applying the EIR to the amortised cost of the credit-impaired financial assets (i.e. the gross carrying amount less the allowance for expected credit losses (ECLs)). For financial assets originated the EIR reflects the ECLs in determining the future cash flows expected to be received from the financial asset.

2.4 Net fee and commission income

The Bank earns fee and commission income from a diverse range of services it provides to its customers in connection with its principal activities, and providing corporate advisory services. Fees and commission are recognised at point in time. However, some fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and advisory fees. Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the effective interest rate on the loan.

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

2.5 Net trading income

Net trading income includes all gains and losses from changes in the fair value of financial assets and financial liabilities held for trading as well as foreign exchange gains and losses. The Bank has elected to present the full fair value movement of trading assets and liabilities in trading income, including any related interest income, expense and dividends.

2.6 Financial instruments

Financial assets and financial liabilities are recognised in the Bank's balance sheet when the Bank becomes a party to the contractual provisions of the instrument. Recognised financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss. If the transaction price differs from fair value at initial recognition, the Bank will account for such difference as follows:

-if fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets, then the difference is recognised in profit or loss on initial recognition (i.e. day 1 profit or loss);

-in all other cases, the fair value will be adjusted to bring it in line with the transaction price (i.e. day 1 profit or loss will be deferred by including it in the initial carrying amount of the asset or liability).

After initial recognition, the deferred gain or loss will be released to profit or loss on a rational basis, only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the asset or liability.

2.7 Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at FVTPL.

Transaction costs directly attributable to the acquisition of financial assets classified as at FVTPL are recognised immediately in profit or loss. For all financial assets the amount presented on the statement of financial position represent all amounts receivable including interest accruals.

All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

-debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI), are subsequently measured at amortised cost;

-debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are SPPI, are subsequently measured at FVTOCI; all other debt instruments (e.g. debt instruments managed on a fair value basis, or held for sale) and equity investments are subsequently measured at FVTPL.

2.8 Debt instruments at amortised cost or at FVTOCI

The Bank assesses the classification and measurement of a financial asset based on the contractual cash flow characteristics of the asset and the Bank's business model for managing the asset. For an asset to be classified and measured at amortised cost or at FVTOCI, its contractual terms should give rise to cash flows that are SPPI.

For the purpose of SPPI test, principal is the fair value of the financial asset at initial recognition. That principal amount may change over the life of the financial asset (e.g. if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The SPPI assessment is made in the currency in which the financial asset is denominated.

Contractual cash flows that are SPPI are consistent with a basic lending arrangement. Contractual terms that introduce exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, such as exposure to change in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI. An originated or an acquired financial asset can be a basic lending arrangement irrespective of whether it is a loan in its legal form.

The Bank determines the business models at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Bank's business model depends on management's intentions for an individual instrument.

The Bank has more than one business model for managing its financial instruments which reflect how the Bank manages its financial assets in order to generate cash flows. The Bank's business models determine whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

When a debt instrument measured at FVTOCI is derecognised, the cumulative gain/loss previously recognised in OCI is reclassified from equity to profit or loss. In contrast, for an equity investment designated as measured at FVTOCI, the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss but transferred within equity.

Debt instruments that are subsequently measured at amortised cost or at FVTOCI are subject to impairment.

2.9 Financial assets at FVTPL

Financial assets at FVTPL are:

-assets with contractual cash flows that are not SPPI; or/and

-assets that are held in a business model other than held to collect contractual cash flows or held to collect and sell; or

-assets designated at FVTPL using the fair value option.

For the current period, the Bank has not booked any Financial assets at FVTPL other than derivatives.

2.10 Reclassifications

If the business model under which the Bank holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassifying the Bank's financial assets.

During the current financial year, the bank sold the all its amortised cost bonds portfolio and decided to designate all its new debt securities at Fair Value Through Other Comprehensive Income (FVOCI).

2. Significant accounting policies (continued)

2.11 Impairment

The Bank recognises loss allowances for Expected Credit Losses ("ECL") on the following financial instruments that are not measured at FVTPL:

- loans and advances to banks;
- loans and advances to customers;
- debt investment securities;
- lease receivables;
- loan commitments issued; and
- financial guarantee contracts issued.

No impairment loss is recognised on equity investments.

ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL.

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Bank under the contract and the cash flows that the Bank expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's EIR.

- for undrawn loan commitments, the ECL is the difference between the present value of the difference between the contractual cash flows that are due to the Bank if the holder of the commitment draws down the loan and the cash flows that the Bank expects to receive if the loan is drawn down; and
- for financial guarantee contracts, the ECL is the difference between the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the Bank expects to receive from the holder, the debtor or any other party.

The Bank measures ECL on exposures at default (EAD) on individual transaction. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original EIR, regardless of whether it is measured on an individual basis.

2.12 Credit-impaired financial assets

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit-impairment includes observable data about the following events:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- the disappearance of an active market for a security because of financial difficulties; or
- the purchase of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event—instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Bank assesses whether debt instruments that are financial assets measured at amortised cost or FVTOCI are credit-impaired at each reporting date. To assess if sovereign and corporate debt instruments are credit impaired, the Bank considers factors such as bond yields, credit ratings and the ability of the borrower to raise funding .

A loan is considered credit-impaired when a concession is granted to the borrower due to a deterioration in the borrower's financial condition, unless there is evidence that as a result of granting the concession the risk of not receiving the contractual cash flows has reduced significantly and there are no other indicators of impairment. For financial assets where concessions are contemplated but not granted the asset is deemed credit impaired when there is observable evidence of credit-impairment including meeting the definition of default.

2. Significant accounting policies (continued)

2.13 Definition of default

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

The Bank considers the following as constituting an event of default when the borrower is unlikely to pay its credit obligations to the Bank in full.
This definition of default is used by the Bank for accounting purposes as well as for internal credit risk management purposes. The definition of default is appropriately tailored to reflect different characteristics of different types of assets.

When assessing if the borrower is unlikely to pay its credit obligation, the Bank takes into account both qualitative and quantitative indicators. The information assessed depends on the type of the asset. Quantitative indicators are also key inputs in this analysis. The Bank uses a variety of sources of information to assess default which are either developed internally or obtained from external sources.

As noted in the definition of credit impaired financial assets above, default is evidence that an asset is credit impaired. Therefore credit impaired assets will include defaulted assets, but will also include other non-defaulted given the definition of credit impaired is broader than the definition of default.

2.14 Significant increase in credit risk

The Bank monitors all financial assets, issued loan commitments and financial guarantee contracts that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Bank will measure the loss allowance based on lifetime rather than 12-month ECL.

The Bank's accounting policy is not to use the practical expedient that financial assets with 'low' credit risk at the reporting date are deemed not to have had a significant increase in credit risk. As a result the Bank monitors all financial assets, issued loan commitments and financial guarantee contracts that are subject to impairment for significant increase in credit risk.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Bank compares the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of a default occurring that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognised. In making this assessment, the Bank considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort, based on the Bank's historical experience and expert credit assessment including forward-looking information.

For corporate lending, forward-looking information includes the future prospects of the industries in which the Bank's counterparties operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various internal and external sources of actual and forecast economic information.

The Bank allocates its counterparties to a relevant internal credit risk grade depending on their credit quality. The quantitative information is a primary indicator of significant increase in credit risk and is based on the change in lifetime PD.

The PDs used are forward-looking and the Bank uses the same methodologies and data used to measure the loss allowance for ECL.

The qualitative factors that indicate significant increase in credit risk are reflected in PD models on a timely basis. However the Bank still considers separately some qualitative factors to assess if credit risk has increased significantly. For corporate lending there is particular focus on assets that are included on a 'watch list' given an exposure is on a watch list once there is a concern that the creditworthiness of the specific counterparty has deteriorated.

2.15 Modification and derecognition of financial assets

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date. In addition, the introduction or adjustment of existing covenants of an existing loan would constitute a modification even if these new or adjusted covenants do not yet affect the cash flows immediately but may affect the cash flows depending on whether the covenant is or is not met (e.g. a change to the increase in the interest rate that arises when covenants are breached).

2. Significant accounting policies (continued)

The Bank renegotiates loans to customers in financial difficulty to maximise collection and minimise the risk of default. The revised terms in most of the cases include an extension of the maturity of the loan, changes to the timing of the cash flows of the loan (principal and interest repayment), reduction in the amount of cash flows due (principal and interest forgiveness) and amendments to covenants.

When a financial asset is modified the Bank assesses whether this modification results in derecognition. A modification results in derecognition when it gives rise to substantially different terms. To determine if the modified terms are substantially different from the original contractual terms the Bank considers the following:

-Qualitative factors, such as contractual cash flows after modification are no longer SPPI, change in currency or when rights to cash flows between the original counterparties expire because a new debtor replaces the original debtor (unless both debtors are under common control), the extent of change in interest rates, and maturity. If these do not clearly indicate a substantial modification, then;

-A quantitative assessment is performed to compare the present value of the remaining contractual cash flows under the original terms with the contractual cash flows under the revised terms, both amounts discounted at the original effective interest.

If the difference in present value is greater than 10% the Group deems the arrangement is substantially different leading to derecognition. When performing a quantitative assessment of a modification or renegotiation of a credit-impaired financial asset or a purchased or originated credit-impaired financial asset that was subject to a write-off, the group considers the expected (rather than the contractual) cash flows before modification or renegotiation and compares those with the contractual cash flows after modification or renegotiation.

In the case where the financial asset is derecognised the loss allowance for ECL is remeasured at the date of derecognition to determine the net carrying amount of the asset at that date. The difference between this revised carrying amount and the fair value of the new financial asset with the new terms will lead to a gain or loss on derecognition. The new financial asset will have a loss allowance measured based on 12-month ECL except in the rare occasions where the new loan is considered to be originated credit impaired. This applies only in the case where the fair value of the new loan is recognised at a significant discount to its revised par amount because there remains a high risk of default which has not been reduced by the modification. The Bank monitors credit risk of modified financial assets by evaluating qualitative and quantitative information, such as if the borrower is in past due status under the new terms.

When the contractual terms of a financial asset are modified and the modification does not result in derecognition, the Bank determines if the financial asset's credit risk has increased significantly since initial recognition by comparing:

-the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms; with

-the remaining lifetime PD at the reporting date based on the modified terms.

Where a modification does not lead to derecognition the Bank calculates the modification loss by comparing the gross carrying amount before and after the modification (excluding the ECL allowance). Modification losses for financial assets are included in the profit or loss account in 'Losses on modification of financial assets'. Then the Group measures ECL for the modified asset, where the expected cash flows arising from the modified financial asset are included in calculating the expected cash shortfalls from the original asset.

The Bank derecognises a financial asset only when the contractual rights to the asset's cash flows expire (including expiry arising from a modification with substantially different terms), or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another entity. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain/loss that had been recognised in OCI and accumulated in equity is recognised in profit or loss, with the exception of equity investment designated as measured at FVTOCI, where the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss.

2.16 Write-off

Loans and debt securities are written off when the Bank has no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event. The Bank may apply enforcement activities to financial assets written off. Recoveries resulting from the Bank's enforcement activities will result in impairment gains.

2. Significant accounting policies (continued)

2.17 Presentation of allowance for ECL in the statement of financial position

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

-for financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;

-for debt instruments measured at FVOCI: as a deduction from the carrying amount of the assets

-for loan commitments and financial guarantee contracts: as a provision; and

-where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Group presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision.

2.18 Financial liabilities and equity

Debt and equity instruments that are issued are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

A financial liability is a contractual obligation to deliver cash or another financial asset or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Bank or a contract that will or may be settled in the Bank's own equity instruments and is a non-derivative contract for which the Bank is or may be obliged to deliver a variable number of its own equity instruments, or a derivative contract over own equity that will or may be settled other than by the exchange of a fixed amount of cash (or another financial asset) for a fixed number of the Group's own equity instruments.

2.19 Financial liabilities

Financial liabilities are classified as 'other financial liabilities'. For all financial liabilities the amount presented on the statement of financial position represent all amounts payable including interest accruals. For the current period, the Bank has not recorded any financial liabilities being classified as financial liabilities at FVTPL.

Other financial liabilities, including deposits and borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

2.20 Modification and derecognition of financial liabilities

The Bank derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

2.21 Derivative financial instruments

The Group enters into a variety of derivative financial instruments some of which are held for trading while others are held to manage essentially its exposure to foreign exchange rate risk. Derivative held include foreign exchange forward contracts, interest rate swaps, cross currency interest rate swaps and credit default swaps. Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain/loss is recognised in profit or loss immediately.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability.

2.22 Hedge accounting

During the current period, the Bank has not recorded any hedge relationship (fair value hedge, cash flow hedge, hedge of net investments in foreign operations).

2.23 Financial guarantee

The Bank gives financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognised in the financial statements at fair value, in 'Other liabilities' being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amortised premium and the best estimate of expenditure required settling any financial obligation arising as a result of the guarantee.

Any increase in liability relating to financial guarantees would be taken to the statement of profit and loss in 'Credit loss expense'. The premium received is recognised in the statement of profit and loss in 'Net fees and commission income' on a straight line basis over the life of the guarantee.

2. Significant accounting policies (continued)

2.24 'Day 1' profit

Where the transaction price in a non-active market is different to the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Bank immediately recognises the difference between the transaction price and fair value (a Day 1 profit) in the statement of profit and loss in 'Net trading income'.

In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognised in the statement of profit and loss when the inputs become observable, or when the instrument is derecognised.

2.25 Subordinated debt

These are long-term debt liabilities carried at amortised cost.

2.26 Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

2.27 Leasing

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 Property, equipment and right-of-use assets and are subject to impairment in line with the Bank's policy on Impairment of non-financial assets.
- 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. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

Bank as a lessor - As a lessor BBI classifies its leases as either operating or finance leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset and classified as an operating lease if it does not. Leases in which the Bank does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned

2.28 Cash and cash equivalents

Cash and cash equivalents as referred to in the cash flow statement comprise cash on hand, balances with central Banks and amounts due from Banks on demand or with an original maturity of three months or less. Cash and cash equivalent are carried at amortised cost in the statement of financial position.

For the purpose of the cash flow statement the Bank's operating activities include cash flows from loans and advances, customer deposits and derivative financial instruments. The Bank's financing activities comprise movements in issued share capital and subordinated debt.

2. Significant accounting policies (continued)

2.29. Business combinations and goodwill

Business combinations are accounted for using the purchase method of accounting. This involves recognising identifiable assets (including previously unrecognised intangible assets) and liabilities (including contingent liabilities and excluding future restructuring) of the acquired business at fair value. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill.

Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of the business combination over the Bank's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Bank's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities acquired are assigned to those units. Each unit or group of units to which the goodwill is allocated:

- represents the lowest level within the Bank at which the goodwill is monitored for internal management purposes; and
- is not larger than an operating segment as defined under IFRS 8 Operating Segments.

2.30 Property, equipment and right-of-use assets

Property and equipment, which consist of computer hardware and furniture and equipment are stated at cost less accumulated depreciation. Depreciation is calculated using the straight-line method to write down the cost of Property and equipment to their residual values over their estimated useful lives. The residual estimated useful lives from 1 January 2019 are as follows:

- Computer hardware - 3 to 5 years; and

- Furniture and equipment - 5 years to 9 years.

Right-of-use assets are presented together with property and equipment in the statement of financial position – refer to the accounting policy 2.27. Right-of-use assets are depreciated on a straight-line basis over the lease term.

2.31 Other intangible assets

Intangible assets include the value of development costs and computer software. Expenditure on internally developed intangible assets, excluding development expenditure, is taken to the statement of profit and loss in the year in which it is incurred. Development expenditure is recognised as an intangible asset only after its technical feasibility and commercial viability can be demonstrated. Intangible assets acquired separately are measured on initial recognition at cost. Following the initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Amortisation is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives.

The residual estimated useful lives from 1 January 2019 are as follows:

- Licences: 5 to 10 years;

- Computer software - 3 to 10 years; and

- Development costs - 3 to 5 years.

2.32 Impairment of non-financial assets

The Bank assesses at each reporting date, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired, whether there is an indication that a non-financial asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Bank makes an estimate of the asset's recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

2.33 Pension benefits

The Bank operates a defined contribution pension plan. The contribution payable to a defined contribution plan is in proportion to the services rendered to the Bank by the employees and is recorded as an expense under 'Personnel expenses'.

2.34 Provisions

Provisions are recognised when the Bank has a present obligation (legal or constructive) as a result of a past event 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.

2. Significant accounting policies (continued)

2.35 Taxes

Current tax and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted, by the reporting date.

Deferred tax is provided on temporary differences at the reporting date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. Detailed plans are produced for the next financial year, and using this as a basis, forecasts are produced for the following years.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current tax and deferred tax relating to items recognised directly in equity are also recognised in equity and not in the statement of profit and loss.

2.36 Dividends on ordinary shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Bank's shareholders.

Interim dividends are deducted from equity when they are declared and are no longer at the discretion of the Bank.

Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date.

3. Critical accounting judgements and key sources of estimation uncertainty

The directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3.1 Critical judgements in applying the Bank's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Bank's accounting policies and that have the most significant effect on the amounts recognised in financial statements:

- Business model assessment - Classification and measurement of financial assets depends on the results of the SPPI and the business model test (please see financial assets sections of note 1). The Bank determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective.

- Significant increase of credit risk - As explained in note 1, ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. In assessing whether the credit risk of an asset has significantly increased the Bank takes into account qualitative and quantitative reasonable and supportable forward-looking information.

- Models and assumptions used - The Bank uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.

- Determination of the lease term for lease contracts with renewal and termination options (Bank as a lessee) - The Bank determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Bank has several lease contracts that include extension and termination options. The Bank applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination.

3.2 Key sources of estimation uncertainty

The following are key estimations that the directors have used in the process of applying the Bank's accounting policies and that have the most significant effect on the amounts recognised in financial statements:

- Probability of default - PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

- Loss Given Default - LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

- Fair value measurement and valuation process - In estimating the fair value of a financial asset or a liability, the Bank uses market-observable data to the extent it is available. Where such Level 1 inputs are not available the Bank uses valuation models to determine the fair value of its financial instruments.

- Deferred tax assets – The Bank produces a business plan that is used in order to assess deferred tax assets. The business plan forecast future taxable profitability in using various assumptions subject to estimation.

- Impairment of goodwill – Goodwill is tested at each reporting date for impairment and the evaluation requires significant management judgement in estimating the present value of future estimated cash flows expected to be derived from the cash generating units (CGU) to which goodwill has been allocated. Goodwill arising from business combination is allocated to CGU or group of CGU's that are expected to benefit from the synergies of the combination. Assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets or CGUs. Refer to note 23.

- Estimating the incremental borrowing rate – The Bank cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ('IBR') to measure lease liabilities. The IBR is the rate of interest that the Bank would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Bank 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Bank estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific adjustments (such as the subsidiary's stand-alone credit rating, or to reflect the terms and conditions of the lease).

4. Application of new and revised International Financial Reporting Standards (IFRSs)

In the current year, the Bank has applied IFRS 16 Leases and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after 1 January 2019. Please refer to note 6 for details.

In the current year, the Bank has also applied a number of amendments to IFRSs and new interpretations issued by the International Accounting Standards Board (IASB) as endorsed by European Union that are mandatorily effective for an accounting period that begins on or after 1 January 2019.

Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

- Amendments to IFRS 9: Prepayment Features with Negative Compensation;
- IFRIC 23 Uncertainty over Income Tax Treatments;
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement; and
- Annual Improvements to IFRS Standards 2015-2017 Cycle.

5. New and revised IFRSs in issue

The standards, amendments, and interpretations, which are relevant to the Company, and may have a material effect on the Company's forthcoming financial statements are as follows. The adoption of all other standards, amendments, and interpretations are not expected to have a material impact.

Below is a list of new and revised IFRSs that are not yet mandatorily effective (but allow early application) for the year ending 31 December 2019:

- Standards effective date: 01/01/2020 or later.

- Amendments to IFRS 9, IAS 39 and IFRS17: Interest Rate Benchmark Reform ;
- Amendments to IAS 1 and IAS 8: Definition of Material;
- Amendments to References to the Conceptual Framework in IFRS Standards.
- Amendment to IFRS 3 Business Combinations;
- Amendments to IAS 1 and IAS 8: Definition of Material.

6. Changes in accounting policies

In these financial statements, the Bank has applied IFRS 16 Leases for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard are described below.

FRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Bank is the lessor.

The Bank adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Bank elected to use the transition practical expedient to not reassess whether a contract is or contains a lease at 1 January 2019. Instead, the Bank applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

Upon adoption of IFRS 16, the Bank applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. Refer to 2.27 for the accounting policy beginning 1 January 2019. The standard provides specific transition requirements and practical expedients, which have been applied by the Bank. The practical expedients include the following:

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Applied the exemption not to recognise right –of-use assets and liabilities with less than 12 months of lease term and also leases of low-value assets.
- Not to reassess the definition of a lease on transition to IFRS16.

Based on the above, as at 1 January 2019:

- Right-of-use assets of £1,472k were recognised and presented in the statement of financial position within “Property, plant and right-of-use assets”.
- Additional lease liabilities of £1,472k (included in “Other liabilities”) were recognised; and
- The adoption of IFRS 16 had no impact on the Bank’s retained earnings and no material impact on its CET1 ratio.

6. Changes in accounting policies (continued)

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

£'000	Note	
Operating lease commitments as at 31 December 2018		1,484
Adjustment		85
Adjusted operating lease commitments as at 31 December 2018		1,569
Weighted average incremental borrowing rate as at 1 January 2019		2.69%
Discounted operating lease commitments as at 1 January 2019	21	1,472
Lease liabilities as at 1 January 2019		1,472

7. Net interest income

£'000	2019	2018
Due from banks	4,057	3,262
Loans and advances to customers	14,204	14,455
Financial investments - FVOCI	3,629	4,295
Financial investments – Amort. cost.	3,378	1,520
Interest and similar income	25,268	23,532
Due to banks	(7,992)	(6,131)
Subordinated debt	(421)	(635)
Interest and similar charges	(8,413)	(6,766)
Net interest income	16,855	16,766

8. Net fee and commission income

£'000	2019	2018
Credit related fees and commissions	146	95
Corporate banking fees	1,476	2,633
Fee and commission income	1,622	2,728
Fees and commission expense	(1)	(13)
Other fees paid	(2,105)	(2,134)
Fees and commission expense	(2,106)	(2,147)
Net fee and commission (expense)/income	(484)	581

9. Net trading income

£'000	2019	2018
Foreign exchange	(468)	417
Foreign exchange - derivative foreign exchange	276	(293)
Gain on disposal - FVOCI	1,519	(19)
Gain on disposal – Amort. Cost.	2,934	-
Net trading income	4,261	105

10. Other operating income

£'000	2019	2018
Subleases	636	(7)
Other income	343	23
Other operating income	979	16

11. Personnel expenses

£'000	2019	2018
Wages and salaries	(5,290)	(4,616)
Social security costs	(960)	(980)
Pension costs - defined contribution plans	(478)	(424)
Other benefits	(355)	(181)
Personnel expenses	(7,082)	(6,201)

Number of employees	79	74
The average monthly number of employees (including Directors) during the year was:		
Board	7	7
Corporate and Investment Banking	12	17
Treasury and Capital Markets	6	4
Operations and support	54	48

Only 4 directors (2018: 4 directors) received remuneration from BBI during the year.

12. Other operating expenses

£'000	2019	2018
Marketing expense	(54)	(66)
Administrative	(3,762)	(4,453)
Professional fees	(1,945)	(1,279)
Statutory audit fees*	(196)	(198)
Other expenses	(1,971)	(1,824)
Other operating expenses	(7,928)	(7,820)

*2019: Amount included interim report of £20k and overruns in respect of prior year of £20k.

13. Net impairment (losses) / recoveries

£'000	2019	2018
IFRS9		
Stage 1 – Performing – 12 months ECL	(8)	(66)
Stage 2 – Performing – Life time ECL	390	55
Stage 3 – Non performing – Life time ECL	(1,247)	(94)
	(865)	(104)

14. Taxation

£'000	2019	2018
Current Income tax	(441)	(65)
Prior period current tax adjustments	(292)	(5)
Current tax	(733)	(70)
Relating to origination and reversal of temporary differences	(323)	-
Change in tax rate	(771)	(26)
Prior period deferred tax adjustments	513	171
Derecognition of deferred tax assets	-	(350)
Deferred tax	(581)	(224)
Taxation	(1,314)	(295)

Reconciliation of the total tax charge		
Profit before tax	4,166	2,464
Income tax calculated at a tax rate of 19.00% (2018: 19%)	(791)	(468)
Other non-deductible items	(9)	(23)
Other deductible items	-	201
Group relief	36	-
Depreciation in excess of capital allowances	-	(167)
Capital allowances in excess of depreciation	-	371
Effect of change in tax rate	(699)	(26)
Adjustment in respect of prior years -CT	(292)	166
Adjustment in respect of prior years -DT	513	-
Derecognition of tax effect of previously recognised deferred tax	-	(349)
Adjustment of tax in OCI / rate change	(72)	-
Income tax benefit reported in the statement of profit and loss	(1,314)	(295)

The deferred tax asset is due to temporary differences on the following:		
Tax losses available	5,281	5,533
Deferred tax liability on FVOCI	(251)	-
Property and equipment	609	829
IFRS 9 impact	212	278
Total	5,851	6,640

Deferred tax has been measured at the 17% corporation tax rate that was expected to apply to the periods when the asset is realised or the liability is settled, based on tax rates that had been enacted by the end of the reporting period.
As a result of bank loss relief restriction, the deferred tax asset is expected to be realised over 10 years.

The deferred tax asset (DTA) recognised as at 31 December 2019 has been recognised on the basis that the Directors believe it is probable that sufficient future taxable profits will be generated against which it can be utilised.

14. Taxation (continued)

In arriving at this conclusion the Directors have estimated the future profit performance for the Bank which is subject to a number of variables. If forecast profit before tax reduces by 10% the Directors would still deem recognition of the deferred tax assets as appropriate.

The Directors are satisfied the calculation of the deferred tax asset will be utilised with future taxable profits.

A sensitivity analysis has been applied to the initial scenario described previously. A range of +10% - 6% change in the forecast income of the Bank would change the period over which the losses will be fully utilised by 0 - 1 year.

Any futures changes in tax law could have a significant effect on the use of losses, including the period over which the losses are utilised.

15. Other comprehensive income

£'000	Before tax 2019	Tax 2019	Net of tax 2019	Net of tax 2018
Unrealised gain / (loss) on Financial Investments	2,804	(212)	2,592	(1,645)
Exchange differences on translating foreign operations	118	-	118	(23)
Total other comprehensive income / (loss)	2,922	(212)	2,710	(1,668)

16. Net cash and cash equivalent position

£'000	2019	2018
Balances with central banks	3,108	17,698
Cash and cash equivalent with central banks	3,108	17,698
Current accounts with other banks	44,392	71,612
Money market placements with other banks	-	1,585
Cash and cash equivalent due from banks	44,742	73,197
Net cash and cash equivalent position	47,500	90,895
Loans and advances to banks	40,859	84,200
Due from banks	85,601	157,397

17. Due from banks

£'000	Gross carrying amount	Loss allowance	Carrying amount 2019	2018
Stage 1 – Performing – 12 months ECL	86,038	(437)	85,601	157,397
Due from banks	86,038	(437)	85,601	157,397

18. Loans and advances to customers

£'000	Gross carrying amount	Loss allowance	Carrying amount 2019	2018
Stage 1 – Performing – 12 months ECL	187,518	(432)	187,086	171,983
Stage 2 – Performing – Life time ECL	13,317	(636)	12,681	36,428
Stage 3 – Non performing – Life time ECL	20,340	(4,055)	16,285	3,185
Loans and advances to customers	221,175	(5,123)	216,052	211,596

19. Financial investments – Fair value through other comprehensive income

£'000	Carrying amount 2019	2018
Stage 1 – Performing – 12 months ECL	131,889	113,226
Stage 2 – Performing – Life time ECL	-	453
Financial investments - FVOCI	131,889	113,678

20. Financial investments – Amortised cost

£'000	Gross carrying amount	Loss allowance	Carrying amount 2019	2018
Stage 1 – Performing – 12 months ECL	-	-	-	48,545
Financial investments – Amort. cost	-	-	-	48,545

Notes to the financial statements

21. Property ,Plant and Equipment and Right –of-use Assets

£'000	2019	2018
Cost as at 1 January	1,121	846
Additions - Right of use assets on initial application of IFRS 16	1,472	-
Restated cost as at 1 January	2,593	846
Additions - other property and equipment	81	267
Additions - Right of use assets	4,196	-
Disposals	-	-
Exchange adjustments	(31)	8
Cost as at 31 December	6,839	1,121
Depreciation as at 1 January	(695)	(513)
Charge for the year - Right of use assets	(657)	-
Charge for the year - other property and equipment	(151)	(175)
Disposals	-	-
Exchange adjustments	27	(7)
Depreciation as at 31 December	(1,476)	(695)
Net book value	5,363	426

22. Intangible assets – computer software

£'000	2019	2018
Cost as at 1 January	4,453	3,128
Additions	333	1,325
Disposals	-	-
Cost as at 31 December	4,786	4,453
Amortisation as at 1 January	(1,383)	(674)
Charge for the year	(761)	(709)
Disposals	-	-
Amortisation as at 31 December	2,144	(1,383)
Net book value	2,642	3,070

23. Goodwill

£'000	2019	2018
As at 1 January	13,898	13,771
Impairment brought forward	(4,854)	(4,854)
As at 31 December	9,044	8,917
Exchange adjustments	(505)	127
Net book value	8,539	9,044

A. Information about geographical areas

Goodwill acquired through business combinations has been allocated to two individual cash-generating units (CGUs) for impairment testing as follows:

- Corporate and Investment Banking; and
- Treasury and Capital Markets.

£'000	2019	2018*
Corporate and Investment Banking	5,486	-
Treasury and Capital Markets	3,053	-
Net book value	8,539	-

* In 2018, the bank assessed the impairment of Goodwill by considering the valuation of the Paris branch, but used an assessment of the recoverable amounts of the CGUs mentioned above instead in 2019."

Key assumptions used in value in use calculations

The recoverable amounts of the above CGUs have been determined based on a value in use calculation, using cash flow projections in perpetuity based on business plans approved by senior management for 5 years with an assumption of steady 3% growth in future years after the 5 years period and then discounted at a rate of 11%. These assumptions are considered by management to be reasonable. These business plans, which also form the basis of the assessment of the deferred tax recognition (see note 14), assume:

- An on-going cost reduction programme including premises savings and eliminating resource duplication justifying the assumption of 1.5% growth ; and
- Adequate capital to cover asset growth.

The calculation of value in use for both of the CGUs does not lead to any indication of additional impairment.

The sensitivity to the key assumptions before a write down is required (assuming other factors remain constant), are as follows:

- The discount rate would need to exceed 18%, or
- The average growth rate would need to fall below 9% over the forecast period.

Net operating income : Net operating income are based on management assessments and are in line with values achieved prior 2019. These are maintained over the budget period for anticipated market conditions.

Discount rates: Discount rates reflect management's estimated return on the Bank's capital employed (ROCE).

Projected growth rates: Projected growth rates are based on the Bank's ability to fully utilise its capital, together with its assessment of market conditions in Africa.

24. Other assets

£'000	2019	2018
VAT recoverable	251	272
Prepayments	1,336	2,063
Rent deposit	236	231
Due from ultimate parent undertaking	4,246	3,558
Other sundry receivables	547	613
Lease receivables	1,863	-
Other assets	8,478	6,737

25. Due to banks

£'000	2019	2018
Current accounts	11,134	66,924
Term deposits due to banks	3,795	-
Due to fellow group undertakings less than 1 year	3,441	71,961
Due to ultimate parent undertaking	244,780	228,746
Due to banks	263,150	367,631

Due to fellow group undertakings are money market deposits from subsidiaries of BMCE Bank of Africa Group other than the ultimate parent company (Banque Marocaine du Commerce Exterieur S.A).

These deposits are at commercial arms length rates.

26. Due to customers

£'000	2019	2018
Current accounts	95,488	105,720
Term deposits	1,286	3,511
Due to customers	96,774	109,231

27. Other liabilities

£'000	2019	2018
Accounts payable	966	1,352
Accruals	1,977	2,856
Other taxes and social security costs	(55)	164
Deferred income	2,007	2,041
Other payables	30	40
Lease liabilities	6,649	-
Other liabilities	11,574	6,453

28. Subordinated debt

£'000	2019	2018
Principal	15,052	15,912
Accrued Interest	179	382
Subordinated debt	15,231	16,294

Subordinated debt represent subordinated loans of €17,700k 2% fixed rate notes granted by the parent company on with a redemption date of 2023.

£'000	2019	Cash flows	Fx change	Other	
Group subordinated debt	16,294	(617)	(626)	179	15,231

£'000	2018	Cash flows	Fx change	Other	Total
Group subordinated debt	16,072	(635)	475	382	16,294

See note 29, issued Share capital, for movement in the banks reserves which also represent the Banks funding sources.

29. Share capital and reserves

£'000	2019	2018
Share capital		
Authorised 150,000,000 ordinary shares of £1 each		
Issued, called up and fully paid 102,173,000 shares ordinary shares of £1 each	102,173	102,173
Share capital as at 31 December	102,173	102,173
All shares rank equally with one vote per share. There is no entitlement to fixed income		
Reserves		
Reserves - FVOCI	1,243	(1,349)
Foreign currency translation	(71)	(189)
Accumulated losses	(22,329)	(25,181)
Reserves as at 31 December	(21,157)	(26,719)
Share capital and reserves	81,016	75,454

30. Events after the reporting date

There has been a global outbreak of a novel strain of Coronavirus (Covid-19) after the balance sheet date. Due to the level of uncertainty surrounding this unprecedented event, it is difficult to predict its duration and the full extent of implications. Subsequent to the balance sheet date, the Bank has experienced deteriorations in the carrying value of its debt securities portfolio at FVOCI in line with market conditions. Moreover, the Bank considers that there is a reasonable chance of experiencing negative impacts on other areas including its loan book (specifically asset quality and ECLs), net interest income, impairments and provisions; although the financial implications of these potential impact cannot currently be reliably estimated. The Bank considers the emerging impacts arising from this pandemic to be a non-adjusting event after the reporting period and therefore no adjustments have been made to the financial information as of 31 December 2019.

On 17 March 2020, Budget Resolutions were passed by the UK's House of Commons with the effect that the main rate of corporation tax will remain at 19%. The impact of this on the deferred tax asset would be an increase of £0.7 million. This constitutes a non-adjusting event after the reporting period and therefore no adjustments have been made in this respect to the financial information as of 31 December 2019.

31. Additional cash flow information

£’000	2019	2018
Cash and balances with central banks	3,108	17,698
Current accounts with other banks	44,392	71,612
Money market placements with other banks	-	1,585
Cash and cash equivalent (note 16)	47,500	90,895
Net decrease / (increase) in:		
Due from banks	42,857	(20,911)
Derivative Financial Instruments	(23)	909
Loans and advances to customers	(5,247)	(4,957)
Other assets	(5,640)	1,166
Interest	(21,138)	(18,288)
Change in operating assets	10,809	(42,081)
Net (decrease) / increase in:		
Due to banks	(104,481)	87,892
Derivative financial instruments	33	(74)
Due to customers	(12,457)	(3,118)
Other liabilities	4,830	126
Interest	(531)	472
Change in operating liabilities	(112,605)	85,298
Depreciation and amortisation	1,569	884
Impairment provisions	653	104
Gains on securities	(1,519)	19
Net foreign exchange gain	167	(125)
Other items included in profit before tax	870	882

32. Contingent liabilities and commitments

These are credit-related instruments which include guarantees and commitments to extend credit. The contractual amounts represent the amount at risk should the contract be fully drawn upon and the client defaults.

Since a significant portion of guarantees and commitments are expected to expire without being drawn upon, the total of the contract amounts is not representative of future cash requirements.

These obligations are not recognised on the balance sheet but they contain credit risk and are therefore part of the overall risk of the Bank.

The total outstanding commitments and contingent liabilities are as follows:

£'000	2019	2018
Financial guarantees	6,882	1,993
Letters of credit	52,448	72,063
Bills for collection	27,616	12,179
Contingent liabilities	86,946	86,235
Undrawn commitments to lend	3,859	10,924
Commitments	3,859	10,924
Contingent liabilities and commitments	90,805	97,159

Operating lease commitments

Bank as lessee

The Bank contracted non-cancellable operating leases for its offices in London, Paris, Zurich and Dubai.

The lease in Paris is to be shared with other group companies.

As from January, 1st 2019, the bank applies IFRS 16 to its lease contracts.

Non-cancellable operating lease payments as at 31 December 2018 were as follows:

£'000	2018
Within one year	1,407
After one year but not more than five years	77
Lease commitments expiring	1,484

32. Contingent liabilities and commitments (continued)

Bank as lessor –

The Bank subleased a portion of its Paris premises. Future minimum rentals receivable under the non-cancellable operating leases as at 31 December are as follows:

£'000	2019	2018
Within one year	643	584
Lease commitments receivable	643	584

33. Compensation and transactions with key management personnel of the Bank

The non-executive Directors do not receive pension entitlements from the Bank.

Key management personnel include senior management of the Bank.

One director was a member of the defined contribution scheme in 2018 and 2019. The non–executive Directors do not receive pension entitlements from the Bank.

The Bank did not enter into transactions, arrangements and agreements involving Directors, senior management and their business associates, or close family members.

£'000	2019	2018
Short-term employee benefits	795	623
Compensation of key management personnel (includingexecutive directors)	795	623
Short-term employee benefits	545	724
Compensation of Directors	545	724
Aggregate emoluments and benefits	285	226
Highest paid Director	285	226

34. Related party transactions

The Bank is a wholly owned subsidiary of BMCE International (Holdings) plc. The ultimate parent company of the Bank is Banque Marocaine du Commerce Exterieur S.A. (BMCE).

During the year there have been transactions between the Bank, its parent company, the ultimate parent company and other related parties. The Bank receives and provides a range of services from the parent and related parties, including loans and guarantees and various administrative services.

34. Related party transactions (continued)

The outstanding balances at the year end arose from the ordinary course of business and are unsecured. The interest, fees and commissions paid to or received from related parties are at normal commercial rates.

In addition to entities within the scope of BMCE Group, key management personnel are also considered as related parties. Compensations are disclosed in note 33.

£'000 - 2019	BMCE	BOA	
Interest charged by	(7,372)	(460)	(7,832)
Interest received from	0	161	161
Fees and commission paid to	(1)	0	(1)
Fees and commission received from	105	121	226
Net trading income/(expense)	355	(1,041)	(686)
Other operating expenses paid to	763	171	935
Amounts owed to	269,244	5,649	274,893
Amounts owed by	(4,751)	(959)	(5,710)
Financial guarantees and commitments given	(140)	454	314
Financial guarantees received	14,589	6,806	21,395

£'000 - 2018	BMCE	BOA	Total
Interest charged by	(5,686)	(664)	(6,350)
Interest received from	462	158	619
Fees and commission paid to	(13)	-	(13)
Fees and commission received from	366	81	447
Net trading income/(expense)	882	85	967
Other operating expenses paid to	(1,018)	-	(1018)
Amounts owed to	277,204	50,419	327,623
Amounts owed by	6,598	8,821	15,419
Financial guarantees and commitments given	237	11,152	11,389
Financial guarantees received	31,175	3,655	34,830

BMCE = Banque Marocaine du Commerce Exterieur S.A and related subsidiaries
BOA = Bank of Africa Group (*)

(*) Company owned and controlled directly by Banque Marocaine du Commerce Exterieur SA

35. Risk management

A. Introduction

Effective risk management is an ongoing fundamental strategy for the Bank. Whilst it is in general a key capability for a successful financial services provider, risk management also plays a significant role in the Bank's current stage of development and is critical to the Bank's target of reaching profitability. The key components of the Bank's risk management infrastructure are:

- Governance; and
- Risk management processes.

The main risks facing the Bank are:

- Credit risk;
- Liquidity risk;
- Market risk; and
- Operational risk.

B. Governance

The Board of Directors is responsible for the overall risk management approach and for approving the risk strategies. It is supported by a number of committees as follows:

- Risk Management Department (RMD) and Risk Committee:
  - The RMD is organised along traditional risk functions: Market/Liquidity, Credit, and Operational risks. The RMD is responsible for implementing, measuring and maintaining risk related procedures to ensure that an independent control process is present.
  - The Risk Committee assists the Board in monitoring the adequacy and effectiveness of the Bank's risk management policies and processes. The Credit Risk Committee approves all credit applications.
- Treasury Asset and Liability Committee (TALCO)- TALCO is responsible for assisting the board and senior management in the oversight of risk policies, strategies and processes. The role of TALCO is to assist the Bank in fulfilling its responsibilities relating to the oversight of the Bank's market risk management policies, strategies and processes that have the potential to impact significantly on the Bank's earnings performance and capital. TALCO's responsibilities include management and review of:
  - the Bank's exposure to market risk and its hedging strategy;
  - the Bank's liquidity;
  - the usage of capital including ensuring external regulatory requirements are met;
  - risk management processes;
  - other categories of risk linked to market risk (country risk, counterparty risk);
  - regulatory developments and their impact on the prices of marketable assets;
  - the valuation of market assets and the measurement of market risk; and
  - market risk limits.
- Audit Committee:

  The Audit Committee consists of independent non-executive Directors (including the Chairman of the Audit Committee). The Audit Committee meets quarterly, or as frequently as is required to carry out properly its functions. The Audit Committee's responsibility is one of oversight and review. It does not provide expert advice nor exercise any executive role. The Audit Committee's role is to assist the Board in monitoring:
  - the integrity of the financial statements of the Bank;
  - the adequacy and effectiveness of the systems of internal controls of the Bank;
  - the qualifications and independence of the Bank's external auditors and the performance of the Bank's internal and external auditors; and
  - any other relevant issue.

C. Measuring and reporting systems

The monitoring and controlling of risk is primarily performed against limits established by the Bank. These limits are established using an approved 'Credit Policies and Procedures Manual', 'Market Risk Policies and Procedures Manual' and 'Operational Risk Policies and Procedures Manual'. Additionally, a qualitative and quantitative approach within this framework is used.

The Bank's policy is to generate reports on a daily basis from information compiled from all business systems, then analysed to identify control risks appropriately and promptly. These reports include (but are not limited to) exposure reports (counterparty exposure, country exposure, sector exposure), excess reports and concentration risks across all counterparties, countries and industries.

D. Mitigation

As part of its overall risk management strategy the Bank may use derivatives and other financial instruments to manage exposures to interest rates, foreign currencies, equity price risks, credit risks and to pre-hedge those expected from future transactions

36. Credit risk

Credit risk is one of the major risk areas for the Bank and is defined as the risk of loss from default by debtors (including bond issuers) or trading counterparties.

All such risks taken by the Bank must have been approved at the appropriate levels, and must adhere to the policies and procedures contained within the Credit Risk Policy Manual. Monitoring credit risks on a day-to-day basis, and making sure that exposures are within approved limits, is key responsibility of the Risk Management Department.

The Bank has an established credit review process to provide a periodic assessment of the creditworthiness of counterparties. An internal credit risk classification system is used to assess and allocate a credit risk grade notwithstanding the external rating assigned.

A. Risk concentrations of the maximum exposure to credit risk

Risk concentrations arise when a number of counterparties are engaged in similar business activities or activities in the same geographic region or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

Concentrations indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risk the Bank's policies and procedures include specific guidelines regarding the importance of portfolio diversification. Identified concentrations of credit risks are controlled and managed accordingly. Selective hedging may be used within the Bank to manage risk concentrations at both the relationship and industry levels.

The Bank has country limits and sector limits set in place and monitored accordingly in order that the Bank's portfolio is maintained at a level that is appropriately diversified.

Concentrations of risks are managed by client/counterparty, by geographical region and by industry sector.

The maximum gross credit exposure to one counterparty, other than to related parties by risk concentration as of 31 December 2019 was £22,653k (2018: £27,307k).

B. Geographical analysis

The Bank's concentration of maximum exposure to credit risk, before taking into account any collateral held or other credit enhancements can be analysed by the following geographical regions:

£'000 - 2019	CIB	TCM	
Europe	69,412	45,053	114,465
United Kingdom	62,852	22,897	85,749
Africa	76,393	71,295	147,688
Others	78,388	19,092	97,480
Total	287,045	158,337	445,382

£'000 - 2018	CIB	TCM	Total
Europe	36,756	111,284	148,040
United Kingdom	43,790	33,271	77,061
Africa	129,067	80,824	209,891
Others	65,762	55,128	120,890
Total	275,375	280,507	555,882

36. Credit risk (continued)

The general creditworthiness of a corporate customer tends to be the most relevant indicator or credit quality of a loan extended to it. However, collateral provides additional security and the Bank generally requests that corporate borrowers provide it. The Bank may take collateral in the form of floating charges over all corporate assets and other lines, credit insurance and guarantees.

Because of the Bank's focus on corporate credit worthiness, the Bank does not routinely update the valuation of the collateral held against all loans to corporate customers. Valuation of collateral is updated when the credit risk of a loan deteriorates significantly and the loan is monitored more closely. For impaired loans, the Bank obtains an appraisal of collateral because the current value of the collateral is an input to the impairment measurement.

C. Maximum exposure to credit risk without taking account of any collateral and other credit enhancements

The following table shows the maximum exposure to credit risk for the components of the statement of financial position, including derivatives.

The maximum exposure is shown gross, before the effect of mitigation through the use of collateral agreements:

£'000	2019	2018
Cash and balances with central banks	3,108	17,698
Due from banks	85,601	157,397
Derivative financial instruments	254	231
Loans and advances to customers	216,052	211,596
Financial investment - FVOCI	131,889	113,678
Financial investment – Amort. cost	-	48,545
Other assets	8,478	6,737
Total	445,382	555,882
Contingent liabilities	86,946	86,235
Commitments	3,859	10,924
Total	90,805	97,159
Contingent liabilities and commitments	536,187	653,041

36. Credit risk (continued)

An industry sector analysis of the Bank's financial assets, before and after taking into account collateral held or other credit enhancements, is as follows:

£'000	2019 Gross maximum exposure	2019 Net maximum exposure	2018 Gross maximum exposure	2018 Net maximum exposure
A - Agriculture, forestry and fishing	-	-	986	685
B - Mining and quarrying	13,509	13,509	10,663	10,663
C – Manufacturing	13,191	4,679	17,590	8,773
D - Electricity, gas, steam and air supply	6,907	650	9,175	843
F – Construction	33,646	29,757	8,696	8,696
G - Wholesale and retail trade	44,460	30,524	36,065	22,040
H -Transport and storage	34,077	32,368	19,151	10,879
J - Information and communication	31,184	18,415	22,652	14,125
K - Financial and insurance activities	163,401	144,971	409,020	349,488
L - Real estate activities	54	54	56	56
M - Professional, scientific and technical activities	205	196	362	-
N - Administrative and support service activities	7,866	7,866	-	-
O - Public administration and defence, compulsory social security	162,422	124,536	100,687	44,170
Q - Human health services and social work activities	15	15	15	15
S - Other services	25,250	25,250	17,923	17,893
Total	536,187	432,790	653,041	488,326

D.Carrying amount per class of financial assets whose terms have been renegotiated

No loans have been restructured in 2019, same as 2018.

E. Credit quality per class of financial assets

The credit quality of financial assets is managed by the Bank using internal credit ratings. Credit Risk Grades (CRG) generally apply to clients, but can also be applied to specific transactions where considered appropriate. All facilities are considered to have the CRG of the client unless specifically stated otherwise. The latter will occur only where the transactions are considered to have a credit risk different to the legal entity concerned, an example being where some facilities or transactions are guaranteed by a stronger entity, or where the source of repayment is from a stronger entity in a ring-fenced structured finance transaction (both guarantee and third party repayment should be integral to the contract).

36. Credit risk (continued)

E. Credit quality per class of financial assets

The following table shows the credit quality by class of asset for loan-related balance sheet lines, based on the Bank's credit rating system, using the industry standard credit rating agency definition of investment grade, e.g. Moody's Investors Service Baa3 or better, Fitch Ratings BBB- or better:

£'000 - 2019	Investment grade	Non investment grade	Impaired	
Due from banks	39,882	46,156	(437)	85,601
Derivative financial instruments	69	186	-	254
Loans and advances to customers	-	221,174	(5,122)	216,052
Financial instruments – FVOCI	51,831	80,058	-	131,889
Financial instruments – amortised cost	-	-	-	-
Total	91,781	347,574	(5,559)	433,796

£'000 - 2018	Investment grade	Non investment grade	Impaired	Total
Due from banks	45,685	112,016	(304)	157,397
Derivative financial instruments	224	7	-	231
Loans and advances to customers	20	215,907	(4,331)	211,596
Financial instruments – FVOCI	81,894	31,874	(90)	113,678
Financial instruments – amortised cost	19,206	29,540	(201)	48,545
Total	147,029	389,344	(4,929)	531,444

£'000	2019	2018
Rated AAA	38,020	50,326
Rated BBB+ to BBB-	-	-
Rated BB+ and Below	55,395	40,631
Government Bonds and Treasury Bills	93,415	90,958
Rated A-	-	11,704
Rated BBB+ to BBB-	5,700	31,597
Rated BB+ and Below	24,662	27,964
Financial Institution Bonds	30,362	71,266
Rated BBB+ to BBB-	8,112	-
Corporate Bonds	8,112	-
Total	131,889	162,223

36. Credit risk (continued)

F. Credit risk ratings – IFRS 9 expected loss model

The Bank uses credit risk grades as a primary input into the determination of the term structure of the PD for exposures. The Bank collects performance and default information about its credit risk exposures analysed by jurisdiction or region and by type of product and borrower as well as by credit risk grading. The information used is both internal and external depending on the portfolio assessed. The table below provides the Bank's credit risk grades to external rating.

2019	Grade	Meaning	1Y PD range
AAA	Investment	Excellent	0 - 0.004
AA+ to AA-	Investment	Excellent to strong	0.004 - 0.026
A+ to A-	Investment	Strong to good	0.026 - 0.093
BBB+ to BBB-	Investment	Good to satisfactory	0.093 - 0.282
BB+ to BB-	Non investment	Satisfactory to acceptable higher risk	0.282 - 1.163
B+ to B-	Non investment	Acceptable higher risk to marginal	1.163 - 8.108
CCC+	Unsatisfactory	Unsatisfactory	8.108 - 15.190
CCC	Unsatisfactory	Substandard	15.190 - 28.465
CCC-	Unsatisfactory	Doubtful or bad	28.465 - 53.348
Below CCC-	Unsatisfactory	Loss / Liquidation	Insolvency

2019	EAD (£'000)	Average PD	Average LGD
AAA	37.83	0.000%	40.900%
AA+ to AA-	25.69	0.001%	39.667%
A+ to A-	102.78	0.002%	26.505%
BBB+ to BBB-	26.10	0.064%	34.124%
BB+ to BB-	42.77	0.070%	40.358%
B+ to B-	283.27	2.793%	35.147%
Below CCC-	5.14	100.000%	87.500%

36. Credit risk (continued)

G. Forward looking information – IFRS9 expected loss model

The Bank uses forward-looking information that is publicly available without undue cost or effort in its assessment of significant increase of credit risk.
The forward looking information embedded in the three scenarios represent the forecasted year to year change in the macroeconomic fundamentals.
The macroeconomic & commodity fundamentals data used in the different scenarios is sourced from independent reputable organisations as: IMF, World Bank, ILO, The Economist Intelligent Unit.
Different scenarios means different forecasts provided by different sources.

	2020	2021	2022	2023
GDP Growth Scenarios				
Scenario I	2.35%	2.32%	2.92%	3.06%
Scenario II	3.06%	2.99%	3.44%	3.17%
Scenario III	3.18%	2.38%	2.57%	2.71%
Change in unemployment Scenario				
Scenario I	1.21%	1.04%	0.28%	0.48%
Scenario II	0.82%	0.77%	0.78%	0.89%
Scenario III	1.01%	0.94%	0.87%	0.87%
Change in energy Index				
Scenario I	-1.34%	0.62%	0.73%	0.61%
Scenario II	-1.34%	0.62%	0.73%	0.61%
Scenario III	-1.34%	0.62%	0.73%	0.61%
Change in non energy Index				
Scenario I	1.44%	1.30%	1.40%	1.38%
Scenario II	1.44%	1.30%	1.40%	1.38%
Scenario III	1.44%	1.30%	1.40%	1.38%

36. Credit risk (continued)

G. Forward looking information – IFRS9 expected loss model - Continued

The Bank implemented the IFRS 9 solution by employing recognised models and historical information from a reputable rating agency.

The Bank uses publicly available forecasted information to generate the Probability of Default (PD) Points in Time (Pit) for different economies.

The table above summarises the principal macroeconomic indicators included in the economic scenarios used at 31 December 2019 and the forecasted years, for Nigeria, Chad, Congo, UAE and France; countries in which the Bank operates and therefore are the countries that have materially impacted the ECL.

To capture the sector risk, BBI included the change in the proportion of downgrades for the three main sectors: Corporates, Financial Institutions and Sovereigns. Therefore, the probability of default through the cycle is defined at a granular level for each counterparty, based on country fundamentals (macro data), sector data, financial market performance and commodities fundamentals. Note: where only 1 year data is shown below, this relates to data for which there are lagging indicators (and no forecasts indicators).

H. Measurement of ECL

The key inputs used for measuring ECL are:

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

PD is an estimate of the likelihood of default over a given time horizon. It is estimated as at a point in time. The calculation is based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on market data (where available), as well as internal data comprising both quantitative and qualitative factors. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates. The estimation is based on current conditions, adjusted to take into account estimates of future conditions that will impact PD.

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from any collateral. The LGD models for secured assets consider forecasts of future collateral valuation. LGD models for unsecured assets consider time of recovery, recovery rates and seniority of claims. The calculation is on a discounted cash flow basis, where the cash flows are discounted by the original EIR of the loan.

EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities. The Bank's modelling approach for EAD reflects expected changes in the balance outstanding over the lifetime of the loan exposure that are permitted by the current contractual terms, such as amortisation profiles, early repayment or overpayment, changes in utilisation of undrawn commitments and credit mitigation actions taken before default.

The Bank measures ECL considering the risk of default over the maximum contractual period (including extension options) over which the entity is exposed to credit risk and not a longer period, even if contact extension or renewal is common business practice. However, for financial instruments such as overdraft facilities that include both a loan and an undrawn commitment component, the Bank's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Bank's exposure to credit losses to the contractual notice period.

For such financial instruments the Bank measures ECL over the period that it is exposed to credit risk and ECL could be mitigated by credit risk management action.

The ECL calculation for accounting purposes is different to the ECL calculation for regulatory purposes, although many inputs used are similar. The Bank has ensured that the appropriate methodology is used when calculating ECL for both accounting and regulatory purposes.

The measurement of ECL is based on probability weighted average credit loss and it is measured on an individual basis. The Bank does not apply collective basis measurement of ECL.

36. Credit risk (continued)

I. Credit quality – IFRS 9 expected loss model

The Bank monitors credit risk per class of financial instrument. The table below outlines the classes identified, as well as the financial statement line item and the note that provides an analysis of the items included in the financial statement line for each class of financial instrument.

An analysis of the Bank's credit risk concentrations per class of financial asset is provided in the following tables. The amounts in the table represent net carrying amounts.

Cash and cash equivalent with central banks

£'000	2019	2018
Concentration per sector		
K - Financial and insurance activities	3,108	17,698
Total	3,108	17,698
Concentration by region		
Europe	3,108	17,698
Total	3,108	17,698

Due from banks

£'000	2019	2018
Concentration per sector		
K - Financial and insurance activities	85,601	157,397
Total	85,601	157,397
Concentration by region		
Europe	29,654	46,693
United Kingdom	22,597	48,459
Africa	26,649	42,921
Others	6,701	19,325
Total	85,601	157,397

36. Credit risk (continued)

I. Credit quality – IFRS 9 expected loss model

Loans and advances to customers

£'000	2019	2018
Concentration per sector		
B - Mining and quarrying	1,499	21
C – Manufacturing	11,551	9,908
D - Electricity, gas, steam and air conditioning supply	7,004	9,334
F – Construction	16,656	8,828
G - Wholesale and retail trade	52,327	52,935
H - Transport and storage	23,911	14,027
J - Information and communication	15,157	20,659
K - Financial and insurance activities	35,432	22,939
L - Real estate activities	61	63
N - Administrative and support service activities	8,508	-
O - Public administration and defence, compulsory social security	42,188	72,881
S - Other services	1,808	-
Total	216,052	211,596
Concentration by region		
Europe	47,096	38,365
United Kingdom	38,247	23,033
Africa	89,063	120,158
Others	41,646	30,040
Total	216,052	211,596

36. Credit risk (continued)

I. Credit quality – IFRS 9 expected loss model

Financial investments – Fair value through other comprehensive income

£'000	2019	2018
Concentration per sector		
B - Mining and quarrying	8,111	-
K - Financial and insurance activities	68,384	105,843
O - Public administration and defence, compulsory social security	31,735	7,836
S - Other services	23,659	-
Total	131,889	113,678
Concentration by region		
Europe	39,282	15,597
Africa	71,280	47,110
Others	21,327	50,971
Total	131,889	113,678

Financial investments – Amortised cost

£'000	2019	2018
Concentration per sector		
B - Mining and quarrying	-	7,802
K - Financial and insurance activities	-	7,947
O - Public administration and defence, compulsory social security	-	14,871
S - Other services	-	17,925
Total	-	48,545
Concentration by region		
Europe	-	7,802
Africa	-	36,812
Others	-	3,931
Total	-	48,545

Notes to the financial statements

36. Credit risk (continued)

I. Credit quality – IFRS 9 expected loss model

Below an analysis of the Bank's credit risk exposure per class of financial asset, internal rating and "stage" without taking into account the effects of any collateral or other credit enhancements is provided in the following tables. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

Due from banks

£'000	Stage 1	Stage 2	Stage 3	
AAA to A-	25,247	-	-	25,247
BBB+ to B-	60,791	-	-	60,791
Total gross carrying amount	86,038	-	-	86,038
Loss allowance	(437)	-	-	(437)
Carrying amount as at 31 December 2019	85,601	-	-	85,601

Loans and advances to customers

£'000	Stage 1	Stage 2	Stage 3	
AAA to A-	-	-	-	-
BBB+ to B-	187,518	13,317	14,509	215,344
Impaired	-	-	5,831	5,831
Total gross carrying amount	187,518	13,317	20,340	221,175
Loss allowance	(432)	(636)	(4,055)	(5,123)
Carrying amount as at 31 December 2019	187,086	12,681	16,285	216,052

Financial investments – fair value through other comprehensive income

£'000	Stage 1	Stage 2	Stage 3	
AAA to A-	38,020	-	-	38,020
BBB+ to B-	93,869	-	-	93,869
Total gross carrying amount	131,889	-	-	131,889
Loss allowance	(227)	(5)	-	(232)
Carrying amount as at 31 December 2019	131,662	(5)	-	131,657

36. Credit risk (continued)

J. Loss allowances – IFRS9 expected loss model

The tables below analyse the movement of the loss allowance during the year per class of assets.

Due from banks

£'000	Stage 1	Stage 2	Stage 3	
Loss allowance as at 1 January 2019	(304)	-	-	(304)
Movement with P&L impact				
New financial asset originated or purchased	(196)	-	-	(196)
Changes in PDs/LGDs/EADs	73	-	-	73
Changes to model assumptions and methodologies	(10)	-	-	(10)
Loss allowance as at 31 December 2019	(437)	-	-	(437)

Loans and advances to customers

£'000	Stage 1	Stage 2	Stage 3	
Loss allowance as at 1 January 2019	(516)	(1,475)	(2,340)	(4,331)
Movement with P&L impact				
New financial asset originated or purchased	(339)	-	(36)	(375)
Changes in PDs/LGDs/EADs	684	84	(1,207)	(439)
Changes to model assumptions and methodologies	(2)	-	-	(2)
FX and other movements		-	25	25
Loss allowance as at 31 December 2019	(173)	(1,391)	(3,559)	(5,122)

36. Credit risk (continued)

J. Loss allowances – IFRS9 expected loss model

Financial investments – fair value through other comprehensive income

£'000	Stage 1	Stage 2	Stage 3	
Loss allowance as at 1 January 2019	(85)	(5)	-	(90)
Movement with P&L impact				
New financial asset originated or purchased	(51)	-	-	(51)
Changes in PDs/LGDs/EADs	(91)	-	-	(91)
Loss allowance as at 31 December 2019	(227)	(5)		(232)

Financial investments – amortised cost

£'000	Stage 1	Stage 2	Stage 3	
Loss allowance as at 1 January 2019	(201)	-	-	(201)
Movement with P&L impact				
Changes in PDs/LGDs/EADs	201	-	-	201
Loss allowance as at 31 December 2018	-	-	-	-

K. Collateral held as security and other credit enhancements

The Bank holds collateral or other credit enhancements to mitigate credit risk associated with financial assets. The main types of collateral and the types of assets these are cash collateral, insurances, guarantees and tangible assets independently valued. Collaterals relate to instruments that are measured at amortised cost.

37. Liquidity risk

Liquidity risk is the risk that the Bank may encounter difficulty in meeting obligations associated with financial liabilities when they fall due under normal and stressed conditions.

The Bank has obtained funding, with appropriate maturities, from its ultimate parent in order to meet its liquidity needs.

In stressed situations, the Bank will utilise funding arrangements under market repurchase agreements and deposits from the parent Company. This funding will be provided on an arms-length basis. The liquidity position is assessed and managed under a variety of scenarios. The most important of these is to maintain limits on the ratio of net liquid assets to customer liabilities, set to reflect market conditions.

The liquidity reserves consist of cash with central banks and any other high quality liquid assets securities being sold immediately. The Bank focuses on exposures due to mature within the next month. However the Bank also monitors all assets and liabilities over their contractual maturities.

A. Liquidity reserves

The table below shows the liquidity reserves:

£'000	2019 Carrying amount	2018 Carrying amount
Balances with central banks	3,088	17,698
Unencumbered debt securities issued by sovereigns	38,020	50,326
Total	41,108	68,024

37. Liquidity risk (continued)

B. Maturity profile

The table below summarises the maturity profile of the Bank's assets and liabilities at 31 December 2019 based on contractual repayment obligations.

£'000 - 2019	Less than 1 month	1 to 3 months	Over 3 to 12 months	1 to 5 years	Over 5 years	Total
Assets						
Balances with central banks	3,108	-	-	-	-	3,108
Due from banks	58,202	9,608	14,008	3,783	-	85,601
Derivative financial instrument	254	-	-	-	-	254
Loans and advances to customers	11,546	43,777	41,600	100,991	18,138	216,052
Financial Investments – FVOCI	455	15,513	23,599	58,388	33,934	131,889
Financial Investments - AC	-	-	-	-	-	-
Property and equipment	-	-	-	-	5,363	5,363
Goodwill and other intangible assets	-	-	-	-	11,182	11,182
Deferred tax assets	-	-	-	-	5,851	5,851
Other assets	8,478	-	-	-	-	8,478
Total Assets	82,043	68,898	79,207	163,162	74,468	467,778
Liabilities						
Due to banks	24,012	791		238,347		263,150
Derivative financial instrument	33					33
Due to customers	95,488		1,286			96,774
Subordinated debt		180			15,051	15,231
Other liabilities	11,574	-	-	-	-	11,574
Total Liabilities	131,107	971	1,286	238,347	15,051	386,762
Net Assets/(Liabilities)	(49,064)	67,927	77,921	(75,185)	59,417	81,016

37. Liquidity risk (continued)

The table below summarises the maturity profile of the Bank's assets and liabilities at 31 December 2018 based on contractual discounted repayment financial obligations.

£'000 – 2018	Less than 1 month	1 to 3 months	Over 3 to 12 months	1 to 5 years	Over 5 years	Total
Assets						
Balances with central banks	17,698	-	-	-	-	17,698
Due from banks	85,660	32,665	30,751	8,321	-	157,397
Derivative financial instrument	231	-	-	-	-	231
Loans and advances to customers	31,405	23,220	25,828	115,213	15,930	211,596
Financial Investments AFS	120	226	43,279	70,054	-	113,678
Financial Investments HTM	189	151	342	17,571	30,291	48,545
Property and equipment	-	-	-	-	426	426
Goodwill and other intangible assets	-	-	-	-	12,115	12,115
Deferred tax assets	-	-	-	3,320	3,320	6,640
Other assets	6,737	-	-	-	-	6,737
Total Assets	142,040	56,262	100,200	214,479	62,082	575,063
Liabilities						
Due to banks	101,163	43,105	-	223,363	-	367,631
Derivative financial instrument	-	-	-	-	-	-
Due to customers	106,504	376	2,351	-	-	109,231
Subordinated debt	-	382	-	-	15,912	16,294
Other liabilities	6,453	-	-	-	-	6,453
Total Liabilities	214,120	43,863	2,351	223,363	15,912	499,609
Net Assets/(Liabilities)	(72,080)	12,399	97,849	(8,884)	46,170	75,454

37. Liquidity risk (continued)

The table below summarises the split of the statement of the financial position between current and non-current assets and liabilities:

£'000	2019 Less than 1 year	2019 More than 1 year	2018 Less than 1 year	2018 More than 1 year
Assets				
Cash and balances with central banks	3,108	-	17,698	-
Due from banks	81,818	3,783	149,077	8,321
Derivative financial instruments	254	-	231	-
Loans and advances to customers	96,923	119,129	80,453	131,143
Financial Investments – FVOCI	39,567	92,322	43,624	70,055
Financial Investments - AC	-	-	682	47,862
Property and equipment	-	5,363	-	426
Goodwill and other intangible assets	-	11,182	-	12,115
Deferred tax assets	-	5,851	664	5,976
Other assets	8,478	-	6,737	-
Total assets	230,148	237,630	299,166	275,898
Liabilities				
Due to banks	24,803	238,347	134,871	223,363
Derivative financial instruments	33	-	-	-
Due to customers	96,774	-	118,629	-
Other liabilities	11,574		6,441	11
Subordinated debt	180	15,051	382	15,912
Total liabilities	133,364	253,398	260,323	239,286
Net Assets/(Liabilities)	96,784	(15,768)	38,843	36,612

The above analysis shows the Bank has treated all demand customer deposits as repayable immediately, however long term business relationships means that this is not the case in practice. The Bank has adequate arrangements to meet its liquidity requirements.

The majority of the inter bank funding is comprised of a series of term deposits from the ultimate parent Company with staggered maturities.

38. Market risk

Market risk is defined as the risk of losses on financial instruments arising from changes in market factors. The Bank is currently exposed to changes in interest rate risk , foreign exchange rate risk and price risk.

Market risk may be propagated by other forms of financial risk such as credit and market liquidity risks, prices potentially moving adversely for a number of reasons, including credit downgrading of securities held, general negative economic factors, and reduced liquidity. The key specific types of market risk relevant to the Bank are:

- Interest rate risk;
- Foreign exchange risk; and
- Price risk on investments in debt securities.

The Bank's control framework has been designed using a risk-based approach i.e. to address the business risks which have been identified as being the most relevant to the Bank as a result of the type of business undertaken and according to the way its operations have been organised.

The other specific market type risks are managed and have the following potential financial impacts as follows:

A. Interest rate risk

- Banking book: Interest rate risk is the risk to earnings or capital arising from movement of interest rates. It arises from differences between the timing of rate changes and the timing of cash flows (re-pricing risk); from changing rate relationships among yield curves that affect Bank activities (basis risk); from changing rate relationships across the spectrum of maturities (yield curve risk); and, from interest-rate-related options embedded in Bank products (option risk). The evaluation of interest rate risk must consider the impact of complex, illiquid, hedging strategies or products, and also the potential impact on fee income that is sensitive to changes in interest rates.
- Trading book: The current low level of the trading book means there is no significant interest rate risk at this time.

The total sensitivity of all assets and liabilities held has been calculated as follows:

£'000 - Gain / (Loss) in profit or loss	2019	2018
Parallel shift in interest rates -2%	164	(5,277)
Parallel shift in interest rates +2%	(339)	5,899

38. Market risk (continued)

B. Foreign exchange risk

Foreign exchange risk is the risk that the value of a financial instrument denominated in foreign currency will fluctuate in domestic currency terms due to changes in exchange rates.

The bank policy's is to monitor market exposures by the risk team on a daily basis.

£'000 - 2019	USD	EUR	
Net foreign currency exposures	14,795	(823)	516
Impact of 5% increase in foreign currency : GBP rate	(740)	41	(26)
Impact of 5% decrease in foreign currency : GBP rate	740	(41)	26

£'000 - 2018	USD	EUR	Other Currencies
Net foreign currency exposures	6,094	(2,545)	395
Impact of 5% increase in foreign currency : GBP rate	(305)	127	(20)
Impact of 5% decrease in foreign currency : GBP rate	305	(127)	20

C. Price risk on investments in debt securities

The Bank holds investments in debt securities, which in accordance with International Financial Reporting Standards are marked to market through other reserves. The unrealised gains and losses on these bonds are monitored by the Treasury and Capital Markets traders and reported to the TALCO committee which makes decisions on whether or not to dispose of these assets. The policy is to hold assets with a maximum residual maturity of 7 years and only in markets where the Bank has experience in order to minimise risk. A 1% price reduction would result in a loss of approximately £-1,319k. Similarly a 1% price rise would result in a gain of approximately £1,319k.

39. Fair Value

A. Fair Value Hierarchy

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and offer price for short positions), without any deduction for transaction costs.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value, comparison to similar instruments for which market observable prices exist and other relevant valuation models.

Derivatives are measured at Level 2, where the fair value is determined by applicable market forward rates.

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: inputs other than quoted prices included within Level 1 that are observable directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- Level 3: inputs that are unobservable. This category includes all instruments for which valuation technique includes inputs not based on observable data and the unobservable inputs have significant effect on the instruments valuation.

The accounting policy for determining fair values is detailed on page 41 under "Fair value measurement and valuation process".

No transfer of financial instruments between categories occurred during the year 2019.

£'000 - 2019	Level 1	Level 2	Level 3	Total fair values
Assets				
Cash and balances with central banks	-	3,108	-	3,108
Amortised cost				
Due from banks	-	31,966	53,986	85,995
Loans and advances to customers	-	-	216,052	216,052
Fair value through profit & Loss				
Derivative financial instrument	-	254	-	254
Fair value through Other Comprehensive Income				
Investment securities - FVOCI	131,889	-	-	131,889
Amortised cost				
Investment securities – Amort. Cost	-	-	-	-
Liabilities				
Amortised cost				
Deposits from banks	-	20,924	242,226	263,150
Deposits from customers	-	-	96,774	96,774
Subordinated liabilities	-	-	15,231	15,231
Fair value through profit & Loss				
Derivative financial instrument	-	33	-	33

39. Fair Value (continued)

£'000 - 2018	Level 1	Level 2	Level 3	Total fair values
Assets				
Cash and balances with central banks	-	17,698	-	17,698
Amortised cost				
Due from banks	-	72,882	84,515	157,397
Loans and advances to customers	-	-	211,596	211,596
Fair value through profit &Loss				
Derivative financial instrument	-	231	-	231
Fair value through Other Comprehensive Income				
Investment securities - FVOCI	113,678	-	-	113,678
Amortised cost				
Investment securities – Amort. Cost	48,545	-	-	48,545
Liabilities				
Amortised cost				
Deposits from banks	-	79,707	287,924	367,631
Deposits from customers	-	-	109,231	109,231
Subordinated liabilities	-	-	16,294	16,294
Fair value through profit &Loss				
Derivative financial instrument	-	-	-	-

39. Fair Value (continued)

Derivative financial instruments and investment in debt securities at fair value. All other financial assets and financial liabilities are held at historic or amortised cost.

In the opinion of management the value of these assets in the financial statements represents their fair value.

Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, discount rate, bond and equity prices.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which observable market price exist and other valuation models.

The objective of the valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

Where available, the fair value of loans and advances is based on observable market transactions. Where market transactions are not available, fair value is based reasonable approximation of market values. For collateral-dependent impaired loans, the fair value is measured based on the value of underlying collateral.

The carrying amount of deposits taken from financial institutions and non-bank customers are based on reasonable approximation of market value.

B. Derivative financial instruments

The table below shows the fair values of derivative financial instruments, together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the reporting date and are indicative of neither the market risk nor the credit risk.

For the valuation techniques used, please see above.

£'000 - 2019	Fair value of assets	Fair value of liabilities	Notional amount
Forward foreign exchange	35	33	4,390
Foreign exchange swaps	219	-	76,564
Derivatives held for trading	254	33	80,955

£'000 - 2018	Fair value of assets	Fair value of liabilities	Notional amount
Forward foreign exchange	8	-	16,529
Foreign exchange swaps	223	-	73,889
Derivatives held for trading	231	-	90,418

40. Capital management

A. Approach

The Bank's policy is to maintain a sufficient capital base to maintain stakeholders' confidence and to sustain the future development of the business. The impact of the level of the capital on shareholders' return is also considered and the Bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

B. Regulatory capital

The Bank and its individually regulated operations have not reported any breaches on externally imposed regulatory capital requirements during the year and have been in compliance with the regulatory capital requirements throughout the year..

C. Monitoring

Management uses regulatory capital ratios to monitor its capital base. The allocation of capital between specific operation and activities is, to a large extent, driven by optimisation of the return achieved and the capital allocated. The amount of capital allocated to each operation or activity is based primarily on regulatory capital requirements, but in some cases the regulatory requirements do not fully reflect the varying degree of risk associated with different activities. In such cases, the capital requirements may be flexed to reflect differing risk profiles, subject to the overall level of capital to support a particular operation or activity not falling below the minimum required for regulatory purposes. The process of allocating capital to specific operations and activities is undertaken independently of those responsible for the operation by the Credit and Risk Committees and is subject to review by the TALCO.

Although maximisation of the return on risk-adjusted capital is the principal basis used in determining how capital is allocated within the Bank to particular operations or activities, it is not the sole basis used for decision making. Account is also taken of synergies with other operations and activities, the availability of management and other resources, and the fit of the activity with the Bank's long-term strategic objectives. The Bank's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

BMCE Bank International plc
26 Upper Brook Street,
Mayfair - London W1K 7QE
United Kingdom
Tel. +44 (0) 207 429 5500
Fax. +44 (0) 207 248 8595

BMCE Bank International plc is registered in England and Wales under registration number 5321714

Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and Prudential Regulation Authority

Contact us
Tel. +44 (0) 207 429 5500
info@bmce-intl.co.uk

Website BMCE Bank International plc
www.bmce-intl.co.uk

Website BMCE Bank of Africa
www.bmcebank.ma