
Diamond Bank (UK) Plc

Annual Financial Statements
Year Ended 31 December 2015



Company Registered Number: 06278016

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Chairman's Statement

Year ended 31st December 2015

Despite well publicised headwinds in our core niche market, I am delighted to report that the Bank achieved pre-tax earnings of £2.32m in 2015, over 40% higher than 2014. With no impairments charges, these results are testament to the success of DBUK's business model, further reinforcing the decision to invest in a UK subsidiary for the benefit of the wider Diamond Group and its internationally active clients. Further details of the strategies underpinning these results and the issues affecting the Bank's business are set out in the Strategic Report.

The regulatory agenda continued to consume a significant amount of Board and management time in 2015 with changes to capital and liquidity reporting given closer harmonisation of rules across the EU. In the final quarter, our focus turned to ensuring readiness for the Senior Managers & Certification Regime (SMCR) and I am pleased to report that DBUK was fully compliant when the first phase of SMCR came into force in early March. Our Board welcomes these moves to further strengthen governance and accountability in UK banking.

Our defences against money-laundering and terrorism financing are regularly tested and remain robust. These risks, together with credit and cybersecurity, feature prominently in an upgraded Risk Management Framework (RMF) introduced during the year.

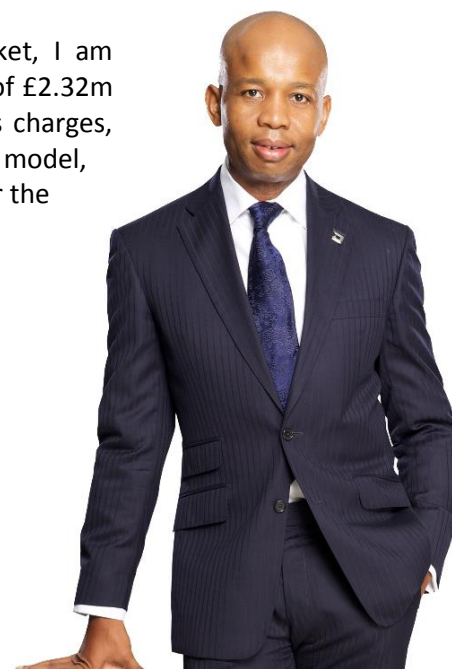
In my 2015 report I alluded to challenges facing our core market - Nigeria - where falling oil prices have, as expected, had a material impact. The Board has continued to monitor developments closely and to take a prudent stance. We remain mindful nevertheless, that there will always be opportunities for banks with close knowledge of these markets and a service-driven business model to provide exporters with secure payment terms that they seek.

On behalf of the Board I thank Rollo Greenfield, who as the Bank's first CEO since the change of ownership was responsible for leading us to the position we are now – a successful, established, well organised and profitable international bank in London. We wish Rollo all success in his future career. I am delighted to welcome Peter Horton to the Board. Our new CEO is a career banker with extensive previous experience working with Barclays in the UK and Africa and more recently as CEO of banks in the Maldives and Bermuda. He therefore brings a wealth of relevant experience to take DBUK to the next level of success.

Finally I would like to take this opportunity to thank my fellow directors for their ongoing support and constructive challenge and the management and staff of the bank for the teamwork and dedication that they have shown at a time of rapid and profitable business expansion.

Uzoma Dozie

Chairman



GROUP VALUES

Best People

Best Client Experience

Best Shareholder Return

Strategic Report

Year ended 31st December 2015

GOVERNANCE STATEMENT

Sound corporate governance lies at the heart of the Bank's corporate mission to ensure delivery of value to all of its stakeholders. The Board is acutely aware that along with capital and liquidity, good governance is central to the UK prudential agenda and the Board undertakes regular training with a view to ensuring via self-assessment that it will comply with the provisions of the UK Corporate Governance Code.

Monitoring Risk

The Bank undertakes at least annual assessments of its liquidity and capital position using the regulatory Individual Liquidity Adequacy Assessment (ILAA) and Individual Capital Adequacy Assessment Process (ICAAP) frameworks respectively. These assessments, which include a variety of proscribed and Bank generated stress tests, provide confidence, including via Board challenge, that it possesses adequate financial resources to continue its mission. The Bank has also prepared a Recovery and Resolution Plan (RRP) with a series of trigger events to indicate the possible need for recovery of the business and in extremis the options for recovery on ultimate failure. The trigger events include an index of Key Risk Indicators that are monitored at both Management and Board level.

Leadership

The Group recognises the need to ensure that the UK subsidiary acts as a stand-alone bank and upholds the principle of 'mind and matter' residing in London. Alongside representation from the parent bank, the inclusion of three Non-Executive Directors (NED's) of which two are Independent Non-Executive Directors (INEDs) with appropriate banking, risk and controls, and relevant market experience ensures both actions that are in the best interests of the Bank but also effective challenge to the Executive.

The Board comprises the following members:-

Mr Uzoma Dozie (Chairman and Non-Executive Director)

Uzoma Dozie graduated in 1991 with a Bachelor of Science degree in Chemistry from the University of Reading, Berkshire England. He obtained a Master of Science degree in Chemical Research from University College, London in 1992 and an MBA from Imperial College Management School, London in 1998.

Uzoma started his banking career in the Commercial Banking Unit at Guaranty Trust Bank Plc where he worked for some years and later moved to Citizens International Bank Limited where he worked in the Oil and Gas Division. In 1998, he joined Diamond Bank Limited as an Assistant Manager and Head of the Bank's Oil and Gas Unit.

He was also the Head, Financial Control and Head Retail banking (where he spear-headed the introduction of lifestyle-changing retail products in the bank). Mr Dozie was also the Head of two distinctive strategic business units in the Bank before his appointment as Executive Director in 2005 and Group Managing Director in late 2014 and Chairman designate of the Bank and the Group's other banking subsidiary - Diamond Bank Bénin S.A.

Uzoma has attended various specialist and executive development courses in Nigeria and overseas.

Mr Christopher Duncan (Independent Non-Executive Director)

(Chairman Board Audit & Risk Committee and member of Board Remuneration & General Purposes Committee)

Christopher Duncan was an employee of the Barclays Group for over 36 years and retired on the 31 December 2002. He was appointed to Group Senior Executive status in 1987 and successfully carried out a wide range of International Retail, Corporate and Private Banking Management roles in the United Kingdom, Africa, the Far East and continental Europe. During the last years of his career he established and ran the central Risk Management function for the Barclays Group Affluent, High Net Worth and International businesses. He is a highly experienced and successful Retail and Commercial Banking General Manager.

In retirement he has undertaken consulting and training assignments in retail and commercial banking risk and governance for clients in UK and West Africa. In addition to his role at the Bank, Chris also serves as the Financial Services Supervisor, appointed by the British Government, for the South Atlantic territories of St Helena, Ascension and Tristan da Cunha Islands.

Mr Carey Leonard (Independent Non-Executive Director)

(Chairman Board Credit Committee and member of Board Audit & Risk Committee)

Carey Leonard is an international banker with over 40 years' experience, 33 years at Standard Chartered Bank, for whom he worked in Hong Kong, Sri Lanka, Nigeria, South Africa, Botswana, Swaziland, Bahrain, Abu Dhabi and the UK. In senior leadership roles, he acquired strong commercial banking disciplines in the areas of governance, strategy, business development and wholesale banking, as well as risk and problem loan management. He was a member of the bank's Business Leadership Team from 2002 to 2006.

Key appointments include the establishment in 1992 of the bank's first specialised Textile and Garment Industry unit in its Corporate Banking Division in Hong Kong, where he oversaw the creation of a business with assets in excess of USD1.5 billion and profits of USD20 million in 1994. He was then appointed Country CEO, Sri Lanka in 1995 where he successfully turned around an underperforming business. Following this, in 1999 he became CEO and Managing Director of Standard Chartered Bank Nigeria Limited, leading the return of the bank to Nigeria and establishing what is now the bank's largest business in Africa. Appointed CEO in South Africa in 2002 he successfully managed the transition of the bank's Representative Office there to a fully licensed Wholesale Bank operation.

Retiring from Standard Chartered in 2006, he has continued to utilise his deep banking and emerging markets experience, undertaking various consultancies and expert witness work.

Mr Garry Marsh (Non-Executive Director)

(Chairman Board Remuneration and General Purposes Committee and member of Board Credit Committee)

Garry Marsh has over 40 years of full time work experience in banking in the UK, Gulf and Africa. He has been a Retail Banking specialist since the mid 1980's and Retail Banking, incorporating consumer and micro, small and medium enterprises (MSME), is his passion. He spent 35 years with Barclays before resigning and joining Ahli Bank Qatar as Deputy CEO, responsible for Retail and Private Banking which included an Islamic as well as conventional bank. His last 4 years of full time work was with the Parent bank, where he was Senior Advisor to the CEO but also responsible for the Retail Bank.

As Retail Banking Director in various countries Garry had full responsibility for all customer segments within consumer and MSME. In addition, for over 2 years he was the Africa Regional Director for Barclaycard International, responsible for credit card issuing and card acquiring. During his time with Barclays he was a Board member in Zambia, Kenya and Egypt and in his Pan-African role also attended Board meetings in Zimbabwe and Ghana.

Mrs Chizoma Okoli (Non-Executive Director)

(Member Board Remuneration and General Purposes Committee and Member of Board Credit Committee)

Chizoma Okoli graduated from the University of Benin with an L.L.B., attended the Nigerian Law School and holds an MBA from Warwick Business School in the U.K.

Chizoma began her banking career in Diamond Bank in April 1992, starting as an executive trainee and in a career spanning over 20 years has risen to become Head of the Corporate Banking Directorate, one of the most senior executive positions at the bank. She has oversight of a balance sheet in excess of NGN 375bn (£1.2bn).

Mr Peter Horton (Managing Director and Chief Executive Officer)

(Member of Board Credit Committee and attends all other Board Committees)

Peter Horton brings a wealth of international banking experience to DBUK with a proven track record of generating positive results across the globe. Prior to joining the Bank in March 2016, Peter was the CEO at Bermuda Commercial Bank (BCB) where he was responsible for managing the businesses of the Bank, setting the strategic plans, ensuring the Group companies met BSB statutory obligations and maintaining its vision and values and the Bank's relationships with its external stakeholders, including BCB's clients and the Bermuda Monetary Authority. Peter previously served as CEO/MD of the Bank of Maldives where he was responsible for developing and implementing Bank of Maldives strategy, leading operations and was instrumental in turning around the fortunes of the Bank.

Peter started his career with the Barclays Banking Group holding senior posts at Barclays Bank Kenya and elsewhere in Africa and subsequently at First Caribbean International Bank in the Bahamas and Turks and Caicos.

Mrs Fiona Christiansen (Executive Director and Chief Financial Officer)

(Attends all Board Committees)

Fiona Christiansen is an Associate member of the Chartered Institute of Management Accountants (CIMA) and has extensive experience of financial accounting, tax compliance and statutory and regulatory reporting gained from working in international banking environments. A graduate of Oxford Brookes University, her career spans over 25 years with banking and consultancy organisations where Fiona established a track record of success whilst managing change and performing a wide variety of duties. Before the appointment as Director and Chief Financial Officer at Diamond Bank (UK) Plc, Fiona had worked for 6 years as the Financial Controller of the Bank. Prior to this Fiona had held senior roles in a variety of financial institutions including Crown Agents Bank, Banamex Investment Bank, Danske Bank and Dai-Ichi Kangyo Bank.

Changes to the Board and Non-Executive Director Contracts

In August 2015 Mrs Chizoma Okoli was appointed to the Board upon receipt of approval from the UK regulatory authorities.

In March 2016 Mr Peter Horton was appointed to the Board following receipt of approval from the UK regulatory authorities. Mr Rollo Greenfield's fixed term contract with the Bank expired in March 2016.

All Directors' job descriptions and contracts are under review as part of the Bank's implementation of the Senior Managers & Certification Regime.

Meetings

The Board meets quarterly with ad hoc meetings called as required. The work of the Board Committees is timed such that their reserved matters have been dealt with in good time for formal noting, ratification or approval as appropriate at the subsequent Board meeting. A Board Committees day is scheduled approximately two weeks before each quarterly Board meeting to achieve this end. Work for Board meetings begins well in advance with circulation and agreement of an agenda and then preparation of papers that are circulated with sufficient time to enable members to duly consider the issues. Access by Non-Executive Directors to the Bank's Executive is encouraged at all times so that additional information can be provided and assumptions tested and challenged. Members of Senior Management either attend or may be called to present at individual meetings.

Sufficient time is set aside to enable a full discussion of all matters including strategy. Following change of control in March 2013 the medium term strategy remains to focus on the Bank's niche markets, support the international business activities of the wider Diamond Bank Group and to further extend client reach and diversify its sources of funding by offering a range of products and services to other wholesale and professional market counterparties. Tactics to implement the strategy are discussed regularly and in particular as part of the preparation of the Bank's Budget and Business Plan which takes place in the third quarter of the year.

As business accelerated further in 2015 the Board remained clearly focussed on risk issues including obtaining assurance that operational controls remained effective and that very close attention was paid to the prevention of money-laundering and counter-terrorism financing given the Bank's focus on markets that are classified internally as being high-risk from an Anti-Money Laundering / Counter Terrorism Financing perspective.

Board Responsibilities

The Board determines DBUK's strategy and its risk appetite. It sets the company's values and standards and ensures that its fiduciary duties to shareholders and other stakeholders are appropriately discharged. The Board of DBUK is the highest authority in the management structure and is ultimately and collectively responsible for the management of the bank including the meeting of all applicable legal and regulatory requirements. The Board understands and engages actively in discussing and challenging key regulatory documents produced by the Executive which it ultimately approves including, but not limited to the Individual Liquidity Adequacy Assessment Process (ILAAP), the Internal Capital Adequacy Assessment Process (ICAAP) and Recovery and Resolution Plans (RRP).

The Board's terms of reference clearly define those matters which are reserved for it as opposed to the various committees which it has established that are more fully described in the next section of this report. These documents were reviewed as part of the preparation for the Senior Managers & Certification Regime.

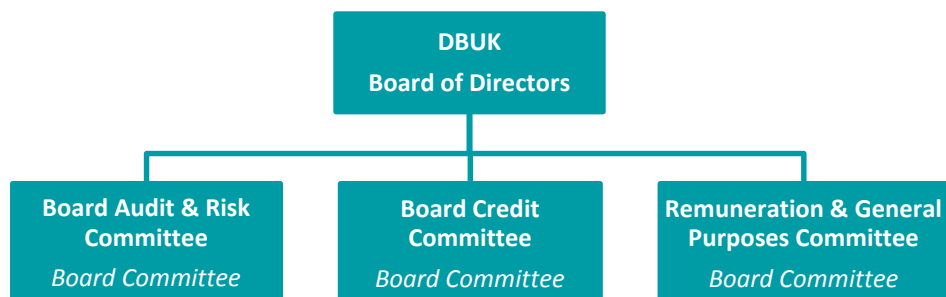
The Board continued its training programme in 2015 to cement its commitment to comply with industry best practice in relation to corporate governance rules. Board evaluation was also conducted by an external party providing additional assurance.

Management and Board succession plans are in place. The Board is mindful of the constraints of tenure of directors and notes that the UK regulatory authorities expect the Bank to have at least two INEDs serving on the Board on a continuous basis. It is never the Bank's intention that two INEDs should leave at the same time requiring prior planning to ensure continuity. In view of the modest size of the organisation it is recognised that recourse to external candidates will be likely to fill INED and Executive Director positions.

Governance Framework

To support the Board in considering and challenging specific subject matters three board sub-committees and an Executive Management Committee have been established.

The Board Committees' structure is illustrated below:



Board Audit & Risk Committee (BARC)

BARC supports the Board with technical expertise in respect to audit related matters and to oversee and challenge the services provided by the outsourced internal audit services provider. The Committee also oversees and challenges the adequacy of systems and controls in place making recommendations to the Board for decision.

BARC reviews and monitors the integrity of the financial statements and significant financial reporting judgements made in them and ensures that the Annual Report and other published information meets all statutory requirements.

The Committee reviews the robustness of the Bank's internal financial controls and control and risk management systems and monitors the effectiveness of the Bank's internal audit, compliance, anti-money laundering and financial crime functions. It also reviews the performance of the external auditors and makes recommendations to the Board on their appointment and terms of engagement.

With regard to internal audit services, which are currently outsourced, BARC reviews and approves the internal audit plan and amendments to the Bank's policy on the use of the external auditor for non-audit services and makes recommendations to the Board as appropriate. It reviews all internal audit reports and monitors implementation of recommendations and agreed corrective actions. As a matter of course, the Committee reviews the approach towards the use of outsourced service providers with a view to ensuring that they remain fit for purpose.

BARC oversees the management of all risks except credit risk in the Bank. It reviews and recommends to the Board the ICAAP, the RRP (including the Liquidity Contingency Funding Plan), the ILAAP and the stress test assumptions based on recommendations from the Executive Management Committee. The Committee brings to the attention of the Board any matters in respect of which it considers that action or improvement is needed, including ethical standards and guidelines for business behaviour. It also covers regulatory and compliance risk together with all risks relating to financial crime and ensures that internal controls and operational risk management systems are effective and properly maintained.

The Committee meets formally four times per annum, on an ad hoc basis as required, and reports formally to each meeting of the Board. The Board Audit & Risk Committee comprises three members, with an INED serving as Chairman. In addition, the attendance on a non-voting basis is required of the CEO, failing whom the Chief Risk Officer, and the outsourced internal audit providers. Other individuals whether Board members or not may attend by invitation, also on a non-voting basis.

During 2015 BARC focussed on ensuring operational risk was effectively managed as the Bank entered a growth phase, whilst continuing to place great emphasis on robust defences against the unintended use of the firm to launder the proceeds of financial crime or to support terrorist activities.

The Directors consider that all key operational and reputational risk issues are understood and managed effectively. A Risk Management Framework is in place including a Risk Register that identifies and ranks risks facing the Bank and those that are emerging, and a Key Risk Indicator tool that uses both lead and lag indicators highlights the emergence of possible future threats. Further assurance is gained via the internal audit process which continues to indicate that control risk in the Bank is well controlled.

Ensuring effective governance, keeping abreast and ensuring compliance with a fast moving regulatory agenda and the outcome of thematic reviews were constant themes. Cybersecurity continues to be an area of focus with the Bank's defences and contingency planning being further upgraded during the year.

Board Credit Committee (BCC)

BCC is a sub-committee of the Board and is responsible for overseeing all aspects of the Bank's credit risk management framework.

The Committee makes recommendations on risk appetite with respect to client, product, geographic, sector and maturity risk and approves credit risk management policies, underwriting guidelines and relevant credit proposals on the recommendation of the EXCO. It also considers and recommends to the Board authorities for credit approval including approval and renewal authorities delegated to the CEO and Executive Credit Committee.

BCC approves the Bank's credit rating methodology and reviews its implementation. It also approves and reviews credit facilities that are within limits defined by the Bank's credit policy and recommends all credit facility requests above its stipulated limit to the Board.

The Committee meets four times a year or on an ad hoc basis as required and reports formally to each meeting of the Board. Membership comprises a minimum of three directors, one of whom, an INED, acts as chairman and includes the CEO or in his absence the other Executive Director. The CRO attends as a non-voting member and other individuals may be asked to attend as required.

During 2015 in addition to its regular credit work, BCC monitored trends in emerging markets as commodity prices fell and adjusted risk appetite accordingly.

Board Remuneration and General Purposes Committee (RGPC)

RGPC supports the Board with technical expertise in respect of Remuneration, Human Capital Management, Capital Expenditure and Business Planning.

The Committee approves the remuneration of the Bank's staff, receiving proposals from the Executive for annual increments and variable remuneration where applicable and making recommendations to the Board in respect of all aspects of the remuneration of Executive Directors and secondees.

RGPC monitors the terms under which the Bank employs its staff, the governing legislation and employment and remuneration practice in the UK market and reviews the employee handbook. RGPC also nominates for Board approval individuals whom are being proposed to hold UK regulator-approved Controlled Functions, with the input from BARC as appropriate.

RGPC review capital projects, systems requirements and other resource issues as required or requested by the Board. It also reviews the Bank's annual budget and business plan and executive expenditure authorities for recommendation to the Board.

The Committee meets four times a year or on an ad hoc basis as required and reports formally to each meeting of the Board. Membership comprises three directors, one of whom is an INED and one of whom, a NED acts as Chair. Other individuals, whether board members or not, may attend by invitation on a non-voting basis.

During 2015 in addition to its regular agenda work, RGPC was closely involved in overseeing the Bank's preparation for the Senior Managers & Certification Regime.

Executive Management Committee (EXCO)

EXCO has been given delegated authority by the Board to make decisions and recommendations which comply with Board Policy in relation to the overall day to day management and business of the Bank. It is chaired by the CEO. The following management committees report to EXCO:

Asset and Liability Committee (ALCO)

ALCO undertakes a formal monthly review of the Bank's balance sheet, capital, liquidity, financial and operational trends, business development, financial market developments and prospects and KRIs.

Chair : Chief Financial Officer and Executive Director
Members : CEO and Executive Director
Chief Business Development Officer
Chief Risk Officer
Head of Compliance
Head of Operations
Head of Treasury
Financial Controller

Credit Committee

Credit Committee handles the day to day credit process acting within delegated authorities

Chair : Chief Risk Officer
Members : CEO and Executive Director
Chief Financial Officer and Executive Director
Chief Business Development Officer
Head of Treasury
Manager Credit & Risk

Audit and Risk Committee

Audit & Risk Committee focuses on policies and procedures

Chair : Chief Risk Officer
Members : CEO and Executive Director
Chief Financial Officer and Executive Director
Chief Business Development Officer
Head of Compliance
Head of Treasury

Business Objectives

The Bank's overarching purpose and principal business activity is supporting the international business activities of the wider Diamond Bank Group ('Group') and its internationally active clients. The Group is headquartered in Lagos, Nigeria and also maintains operations in Bénin, Sénégal, Côte d'Ivoire and Togo. In addition the Bank seeks to build own relationships with other corporate and institutional clients linked to its niche markets.

A presence in London provides international synergies for the wider Group and supports its corporate banking business growth ambitions whilst ensuring that revenues are maximised by capturing business flows and revenues that would otherwise be handled by non-Group companies.

The Bank's focus is to maintain a strong financial position providing products within the Bank's risk appetite with enhanced service delivery levels as a means generating client engagement and long-term value for the parent.

Strategy

The Bank seeks to remain focussed on its niche markets but further extend its client reach and diversify its sources of funding by offering a range of products and services to other wholesale and professional market counterparties and by partnering with multilateral financial institutions.

To deliver this strategy the Bank will:

- Execute its detailed 2016 business development plan
- Focus on international trade finance and associated payments and FX activity
- Continue to grow the Bank's share of business currently handled by non-group banks
- Explore opportunities to diversify its liability base
- Seek opportunities become involved in financing the exports from the Bank's niche markets
- Leverage its London base and parent's significant client base to intermediate for profit in international trade transactions
- Extend its operational capabilities to the best advantage
- Comply with both the spirit and letter of all relevant legal and regulatory requirements

Business model

The Bank's activities are regulated in the UK jointly by The Prudential Regulation Authority (PRA) and The Financial Conduct Authority (FCA). The Bank's permissions for deposit taking are covered by a 'wholesale only' exclusion which means that no individual or small company accounts¹ may be held.

Prudential rules governing connected counterparty exposures require that unsecured exposures to Diamond Bank Group may not exceed 25% of the Bank's regulatory capital. In order to support the current and planned level of Group business being handled by the Bank, cash collateral is provided by the Parent in support of exposures that exceed this threshold. Cash collateral is also provided for corporate transactions referred by the Parent that would, on an unsecured basis, exceed the Bank's single obligor and sectorial lending limits.

All functional areas share the same focus on in-depth product knowledge and expertise. Service delivery is monitored to ensure standards are maintained and in order to build lasting, trust-based client relationships.

¹ As defined in the Companies Act (2006)

Products and Services

Trade and Payment Operations

Trade finance provides the mainstay of activity and earnings via the issuance and confirmation of documentary letters of credit and the discounting of or direct lending in relation to receivables on behalf of the Group, other professional counterparties and corporate clients.

To augment earnings from proprietary business, the Bank is also a participant in the secondary market for trade finance transactions subject to counterparty credit appetite and available liquidity. The Bank has limited access to wholesale professional markets and also benefits from regular placements from the Central Bank of Nigeria. The latter are subject to full repayment at each rollover so may not be used to fund longer dated assets.

Funds transfers are undertaken for Group banks and corporate clients. The activity is closely managed under a risk-based approach with comprehensive AML/CTF controls in place.

Lending and Fixed Income

A portfolio of fixed income bonds is held to support regulatory buffer requirements and enhance returns on capital funds that are not otherwise being used to fund long-term loans and discounts. All such instruments are held on an available-for-sale basis. A portfolio of floating rate syndicated loans is used as a means of boosting financial returns but also hedging interest rate risk as USD interest rates have moved up.

Foreign Exchange

The Bank is an active participant in the foreign exchange market quoting prices to West African banks and hedging the risk with a growing number of UK professional market counterparties. The Bank is not authorised to undertake proprietary trading and all customer orders are processed on a strictly matched basis.

Resources

Capital

The Bank was recapitalised in 2013 on change of control. Whilst balance sheet footings have grown rapidly, much of the business undertaken is supported by eligible cash security such that risk weighted assets remain relatively modest and the Bank continues to be in compliance with, and comfortably meet, the regulatory capital requirements. The board has decided that the Bank should not pay dividends until a longer track-record of stable earnings has been established. The profit earned in 2015 will therefore be reinvested in the business.

Other Resources

To support its business model the Bank has an appropriate management information system and an effective budget and business planning process subject to challenge at Board Committee level and ultimately Board approval.

The core banking system remains suitable for the existing business model. The network and peripheral infrastructures are upgraded as required to meet business needs and ensure maintenance of a robust data security environment.

Staff resources are reviewed at each meeting of the remuneration and General Purposed Committee to ensure that they remain aligned with the Bank's existing and likely future needs. Further Management Development training and staff Town Hall meetings were held in 2015. Core standards of behaviour are in place and linked to variable remuneration as a means of monitoring and reinforcing standards of fitness and propriety at all staff levels. The standards further the Bank's social agenda and are aimed at creating better skilled, more engaged, productive and socially responsible employees

who are well equipped to handle the challenges of rapid business growth. The Bank supports charitable giving and is committed to remaining an equal opportunities employer.

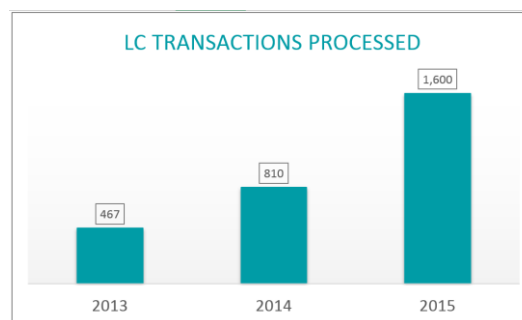
BUSINESS ENVIRONMENT

Business Trends

The Bank's business accelerated in 2015 with a notable build-up of activity evidenced in trade and payment processing volumes and FX activity that have driven significantly higher on and off balance sheet footings and resulted in significantly enhanced profitability.

L/C transaction volumes doubled in 2015. The build-up of volumes raised awareness of the Bank and encouraged third parties to offer lines of credit and more attractive pricing which is leading to higher margins being earned.

The growth was highest in the early part of the year with a fall-off in quarter 4. This trend has been partly reversed in the early part of 2016.



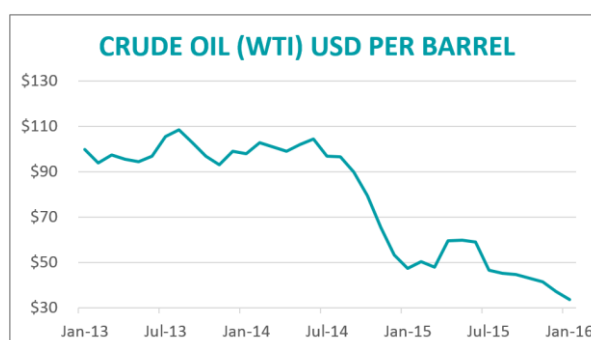
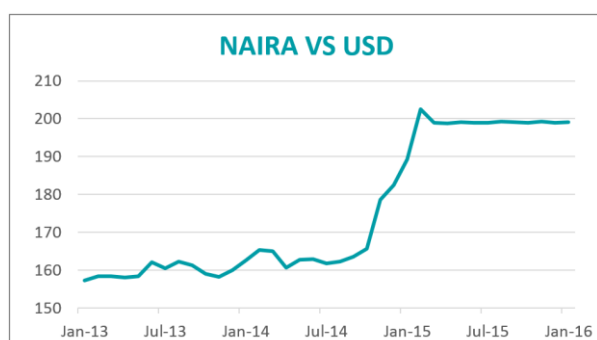
During 2015 oil prices fell further leading to further Government action aimed at conserving FX reserves and forcing importers of non-essential goods to fund their transactions from commercial sources. Despite a fall in overall imports to Nigeria in 2015, DBUK's share increased as it fulfilled its strategic ambition to secure a higher share of the wider Group's business.

Nigerian funds transfer activity was lower as FX became scarcer in 2015. However, payment on behalf of the Group member banks in Francophone West Africa grew strongly, again in line with strategy to retain available earnings from international business within the Group wherever possible. Stringent controls including sanctions monitoring and risk-based assessment protocols continue to be enforced and regularly audited to ensure compliance with all relevant regulations.

Business Factors

Commodity Cycle

The core markets served by the Bank are dependent on international commodity sales to fund imports and in the absence of other sources of external financing, the overall level of imports by these markets may be impacted by falling commodity prices (e.g. Nigeria – oil) or crop failures (e.g. Côte d'Ivoire – cocoa).



Official Naira/US\$ exchange rates have been held by the Central Bank at approximately -N- 199 = US\$1 for much of 2015 despite market speculation that a devaluation would occur. Any such devaluation might have consequences for domestic inflation, but would increase the competitiveness of Nigerian non-oil exports giving rise to different financing opportunities for the Bank.

The drop in global oil prices, the fall in the value of the Naira and FX shortages in Nigeria have had a negative impact on the Nigerian economy and the Bank has witnessed a reduction in business activity, particularly in Q4. The local banks in Nigeria have sufficient Naira liquidity but the restriction on foreign exchange has led to some deferrals on trade finance obligations. Where delays have occurred, the Bank has ensured sufficient and appropriate funding is in place to cover all liquidity management issues. The bank has adopted a conservative approach to limit setting with some lines being reduced however the bank has no non-performing loans at the year end.

Interest Rates

Prevailing low interest rates in major international currencies have severely impacted the margin that can be earned on deposit liabilities for many years and remain at record lows. Given sustained growth in the US economy one modest rise in rates occurred in late 2015. Further, more material rate rises would be income positive for the bank. Rising rates will also increase basis risk for banks and close monitoring and hedging of these exposures will be required.

Regulatory Issues

The financial crisis has added further weight to the regulatory agenda and EU legislation has caught up with the responses taken by the UK authorities in the immediate aftermath of the bank collapses and bail-outs required in 2008. The degree and pace of change is significant in all key policy areas with changes to liquidity, depositor protection, recovery and resolution planning processes. Whilst Basel 3 is now largely embedded, international consultation is underway to consider moving away from the ratings based approach to credit risk adopted by banks on the Standardised Approach, including DBUK. The Board and Executive will continue to devote considerable effort to ensuring that the Bank remains compliant in all respects.

Changes to Depositor Protection rules mean that wholesale depositors are now covered by the UK Financial Services Compensation Scheme. As the Bank is a wholesale only deposit taker, all of its non-professional clients are covered up to a maximum of £75,000.

Ratings

The rating of the Parent is in part determined by the sovereign rating of Nigeria. The Bank's standing in the eyes of market analysts may be impacted by either of these ratings. It follows that any downgrade of either the Parent or Nigeria could have an impact on the Bank's ability to extend its franchise by leveraging access to professional markets, notwithstanding its separate capitalisation and UK incorporation and regulatory status.

Factors that could affect the ratings of Nigeria include the destabilising effects of lower oil prices, the Government's fiscal response to reduced external revenues and any significant economic impact of the northern insurgency. On a positive note, elections held in 2015 were praised internationally as evidence that a sustainable and peaceful democratic tradition has been achieved.

Performance and Position

The Bank operates in an increasingly competitive market with the number of Nigerian owned licenced banks growing in recent years. The Bank will focus clearly on customer experience in order to increase its market share and will work closely with its Group to capture higher volumes of business.

Nigeria is the largest economy in Africa. With a population of approximately 180 million, hitherto modest external debt, abundant natural resources and relative political stability, the country has significant need to import goods that cannot yet be produced domestically. In late 2013 the Bank's parent was designated by the Central Bank of Nigeria (CBN) as one of 8 so-called 'systemically important' Nigerian banks and is a fast growing and dynamic institution whose shares are publicly

listed. The UK economy meanwhile is seen as increasingly competitive with high value added export businesses of the type that can fulfil part of Nigeria's import requirements.

The reduction in oil prices and subsequent active management of FX reserves by the Nigerian Government and its desire to prioritise import substitution will inevitably lead to changing patterns of international trade over time. Given its close shareholder and other links to this market, the Bank is well-placed to anticipate and respond to market changes and opportunities.

Ongoing Performance Monitoring

The Bank's performance and strategy is reviewed monthly by ALCO and at EXCO meetings and quarterly by the Board. The CEO and other members of the Bank's Executive Management also attend and present at Group Quarterly Business Review meetings held in Lagos.

The Bank uses the balanced scorecard process to ensure that financial objectives are supported by adequate resources, a focus on serving clients and training and development for future growth.

In order to assess the Bank's relative position in the UK market, peer analyses are undertaken with a view to identifying profitable growth strategies, subject to risk appetite. Regular networking at conferences and industry association events is also a key facet of keeping abreast of all relevant developments both from a business and regulatory compliance perspective.

Key policies are updated annually or more frequently as required by changes in business circumstances. This work is designed to ensure the Bank has sufficient liquidity and capital to support its medium term requirements under the regulatory ICAAP and ILAAP processes respectively. Business resilience is tested regularly including an annual Emergency Response Team disaster recovery invocation. A successful test at an offsite location was undertaken in 2015.

Forward Guidance

Having been re-launched as Diamond Bank (UK) Plc in early 2013, the Bank has a limited track record although the directors note the notably positive volume trends evidenced in the interim and the fact that the Bank is operating profitably as encouraging factors. A separate Going Concern Assessment is made elsewhere in this report.

As a private limited company, the Bank does not publish official forward guidance.

Director's Report

Year ended 31st December 2015

The Directors present their annual report and the audited financial statements for the year for Diamond Bank (UK) Plc ("DBUK" or "the Bank"). These financial statements have been prepared in accordance with the Companies Act 2006 and applicable accounting standards.

Legal Form and Change of Ownership

Established as a non-listed UK public limited company in 2007, the Bank formerly known as Intercontinental Bank (UK) plc was purchased by Diamond Bank Plc, Lagos Nigeria ("DBPLC") on 25th March 2013 and the Change in Control became effective on 2nd April 2013. The Bank was recapitalized on 3rd April 2013 through the issue of 17 million fully paid shares of £1 each and is a wholly-owned subsidiary of DBPLC.

Principal Activity and Business Review

The Bank's principal activities are the provision of international trade finance and associated payment and FX execution services on behalf of wholesale clients and eligible professional counterparties. Activity is centred on West Africa and the clients and business of the wider Diamond Bank Group which has presences in Nigeria, Bénin, Sénégal, Côte d'Ivoire and Togo. Further information is provided in the Strategic Report.

Results

The profit after taxation for the year amounted to £2,232,135 (2014: Profit £1,683,879). The Directors do not recommend a dividend (2014: No dividend was paid). The annual profit resulted from sharply increased flows of business being directed to the Bank by its new owners and concerted efforts to build processing capacity and offer products in the areas of foreign exchange and funds transfer to members of the wider Group.

Key Performance Indicators (KPIs)

In reviewing its performance the Bank takes account of its Return on Equity (ROE) and Cost to Income Ratio (CIR) as the principal KPIs. For the year ended 31st December 2015 the ROE was a positive 7.6% (31st December 2014: positive 5.6%). The CIR for the same periods were 0.72:1 and 0.76:1 respectively. The improvement in each case resulted from increased business activity and income rising faster than costs.

Going Concern basis of preparation

These Financial Statements have been prepared on a going concern basis, as the Directors are satisfied that the Group has the resources to continue in business for the foreseeable future.

In making this assessment, the Directors have taken into account that the Bank is part of the Diamond Bank Plc Group and has reported a profit for the year ended 31st December 2015. In arriving at their conclusion, the Directors have taken due account of the impact of lower oil prices and foreign currency availability on the Nigerian economy and the potential impact of these factors on the Bank's capital and liquidity position. The Directors have concluded that no unsecured exposures require impairment based on current circumstances after having duly considered the current levels of oil prices and the issues in relation to US dollar accessibility in the Nigerian economy .

DBUK receives a significant portion of its funding for its loan book from the parent through robust cash collateral agreements, whereby the parent cannot be repaid until the asset underlying the collateral agreement has matured. In addition, the Bank had regulatory capital (Common Equity Tier 1) of £30,008,151 as at 31st December 2015 which is comfortably in excess of the regulatory capital requirement.

The Bank is having continuing success in on-boarding non-group counterparties and has access to sources of wholesale money market funding. The Directors have reviewed the Bank's business plan, business model and regulatory compliance measures, including liquidity levels, capital adequacy, governance arrangements and data security.

Based on all these factors, the bank has concluded that the going concern basis of preparation remains appropriate and there are no material uncertainties noted.

Directors and their interests

The Directors, all of whom served for the year unless indicated, are set out on page 17. No directors have any beneficial interest in the shares of the Bank. Mr Uzoma Dozie holds 1 share on behalf of the parent bank. Details of Directors' interests in the shares of the parent bank are disclosed in the financial statements of the parent which are available at www.diamondbank.com.

Auditors

KPMG LLP have indicated their willingness to continue to act as the Bank's auditors and in accordance with the Companies Act 2006, a resolution for their reappointment is to be proposed at the forthcoming Annual General Meeting.

Approval

By order of the Board

John Connell
Company Secretary

36-38 Leadenhall Street
London
EC3A 1AT
15 April 2016

Directors and Senior Management

Directors

Mr. Uzoma Chuckwumaeze Dozie	Chairman
Mr. Garry Andrew Marsh	Non-Executive Director and Chairman of Remuneration and General Purposes Committee
Mr. Christopher Stuart Duncan	Independent Non-Executive Director and Chairman of Board Audit and Risk Committee
Mr. Carey Anthony Pennington Leonard	Independent Non-Executive Director and Chairman of Board Credit Committee
Mrs. Chizoma Joy Okoli Appointed 20 th August 2015	Non-Executive Director
Mr. Peter Horton Appointed 1 st March 2016	Chief Executive Officer
Mr. David Rollo Greenfield Contract ended 31 st March 2016	Chief Executive Officer
Mrs. Fiona Jane Christiansen	Chief Financial Officer

Senior Management

Peter Horton	Chief Executive *
Fiona Christiansen	Chief Financial Officer *
Vince Sharma	Chief Risk Officer *
Mark Ifashe	Chief Business Development *
Robert Garai	Head of Compliance
Gillian Heggs	Head of HR
Stephen Humphries	Head of Operations
Craig MacBeth	Head of IT
Ayodele Okunola	Head of Business Development
Paul Welham	Head of Treasury

* Denotes member of Executive Management Committee (EXCO)

Company Secretary

John Connell

Registered Office

36-38 Leadenhall Street
London EC3A 1AT

Statement of Directors' Responsibilities in respect of the Strategic Report, The Directors' Report and the Financial Statements

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 they have elected to prepare the financial statements in accordance with IFRSs as adopted by the EU and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company 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 and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent Auditor's Report to the Members of Diamond Bank (UK) Plc

We have audited the financial statements of Diamond Bank (UK) Plc for the year ended 31 December 2015, set out on pages 20 to 53. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 18, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the bank's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the EU; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received 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 specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Suvro Dutta (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

KPMG Chartered Accountants. 15 Canada Square, London E14 5GL

Statement of Financial Position

	Note	2015 £	2014 £
Assets			
Cash and cash equivalents	16	84,748,921	109,989,913
Loans and advances to banks	17	184,014,811	158,014,422
Loans and advances to customers	18	51,581,809	35,615,731
Available-for-sale financial assets	19	25,786,285	12,386,341
Derivative financial instruments	21	14,273	205,555
Property, plant and equipment	22	423,908	336,582
Intangible assets	23	32,471	56,853
Other assets	24	4,458,218	1,998,154
Total assets		351,060,696	318,603,551
Liabilities			
Deposits from banks	25	316,330,464	287,125,125
Deposits from customers	26	978,531	157,769
Derivative financial instruments	21	331,617	16,591
Other liabilities	27	1,147,327	1,234,265
Total liabilities		318,787,939	288,533,750
Equity			
Share capital	28	48,000,000	48,000,000
Retained losses	29	(15,299,763)	(17,531,898)
Other reserves	30	(427,480)	(398,301)
Total equity		32,272,757	30,069,801
Total equity and liabilities		351,060,696	318,603,551

The financial statements were approved by the Board of Directors on 15 April 2016 and authorised for issue on that date.

Signed on behalf of the Board by:

Uzoma Chuckwumaeze Dozie
 Chairman
 15 April 2016

Peter Horton
 Director and Chief Executive Officer
 15 April 2016

The accompanying Notes set out on pages 24 to 53 form an integral part of these Financial Statements.

Statement of Comprehensive Income

	Note	2015 £	2014 £
Interest income		10,428,622	7,871,651
Interest expense		(3,473,400)	(1,853,560)
Net interest income	9	6,955,222	6,018,091
Fee and commission income		1,932,103	1,246,309
Fee and commission expense		(435,148)	(585,311)
Net fee and commission income	10	1,496,955	660,998
Other gains - net	11	89,711	327,564
Total revenue		8,541,888	7,006,653
Administrative expenses	12(a)	(6,155,734)	(5,343,748)
Net Impairment gains on loans and advances	18	-	20,974
Profit before income tax		2,386,154	1,683,879
Income tax expense	14	(154,019)	-
Profit for the year	29	2,232,135	1,683,879
Other comprehensive income:			
Gains recognised directly in equity:			
Revaluation of available-for-sale financial assets	30	(29,179)	(378,466)
Other comprehensive income/ (loss) net of tax		(29,179)	(378,466)
Total comprehensive income for the year		2,202,956	1,305,413
Profit attributable to equity holders of the Bank		2,232,135	1,683,879
Total comprehensive income attributable to equity holders of the Bank		2,202,956	1,305,413

All income has been derived from continuing operations.

The accompanying Notes set out on pages 24 to 53 form an integral part of these Financial Statements

Statement of Changes in Equity

	Note	Share capital £	Other reserves £	Retained earnings £	Total equity £
Balance at 1 January 2014					
Comprehensive income		48,000,000	(19,835)	(19,215,777)	28,764,388
Profit for the year	29	-	-	1,683,879	1,683,879
Available-for-sale financial assets	19	-	(378,466)	-	(378,466)
Balance at 31 December 2014		48,000,000	(398,301)	(17,531,898)	30,069,801
Profit for the year	29	-	-	2,232,135	2,232,135
Available-for-sale financial assets	19	-	(29,179)	-	(29,179)
Total comprehensive income		-	(29,179)	2,232,135	2,202,956
Balance at 31 December 2015		48,000,000	(427,480)	(15,299,763)	32,272,757

The accompanying Notes set out on pages 24 to 53 form an integral part of these Financial Statements

Cash Flow Statement

Continuing Operations	Note	2015	2014
		£	£
Cash flows from operating activities			
Net cash generated from / (used in) operations	15	(12,331,706)	66,799,326
Tax paid		-	-
Net cash generated from / (used in) operating activities		(12,331,706)	66,799,326
Cash flows from investing activities			
Proceeds from sale of available for sale financial assets	19	22,231,202	9,808,454
Acquisition of available for sale financial assets	19	(34,943,944)	(17,328,244)
Proceeds from sale of held to maturity financial assets	20	-	1,785,013
Purchase of property, plant and equipment	22	(196,544)	(219,038)
Purchase of intangible assets	23	-	(46,145)
Net cash generated from / (used in) investing activities		(12,909,286)	(5,999,960)
Cash flows from financing activities			
Proceeds from issue of ordinary shares	28	-	-
Net cash from financing activities		-	-
Net increase / (decrease) in cash and cash equivalents		(25,240,992)	60,799,366
Cash and cash equivalents at beginning of year		109,989,913	49,190,547
Cash and cash equivalents at end of year	16	84,748,921	109,989,913
Cash and cash equivalents comprise:			
Cash in hand		13,570,710	13,652,161
Short term bank deposits		71,178,211	96,337,752
Cash and cash equivalents at end of year	16	84,748,921	109,989,913

The accompanying Notes set out on pages 24 to 53 form an integral part of these Financial Statements

Notes to the Financial Statements

1. Reporting entity

These financial statements are prepared for Diamond Bank (UK) Plc (“the Bank”), the principal activity of which is wholesale banking. The financial statements are prepared for the Bank only. The Bank is a wholly owned subsidiary of Diamond Bank PLC, incorporated in Nigeria.

The Bank is a public limited company, incorporated and domiciled in the UK. The address of the registered office of the Bank is 36-38 Leadenhall Street, London EC3A 1AT.

2. Compliance with International Financial Reporting Standards

The financial statements have been prepared in accordance with International Financial Reporting Standards (‘IFRS’), adopted for use in the EU, interpretations of the International Financial Reporting Interpretations Committee (‘IFRIC’) and the Companies Act 2006 applicable to companies reporting under IFRS.

3. Country by country reporting

The Capital Requirements Directive 4 (“CRD IV”) requirements stipulate reporting on a consolidated basis, by country where the reporting institution has an establishment, the name, nature of activities, geographical location, number of employees, turnover, pre-tax profit/loss, corporation taxes paid and any public subsidies received.

Basis of Preparation

Table 1 below presents the Bank’s turnover, profit or loss before tax, corporation tax paid, public subsidies received and average number of employees and secondees based on the geographic locations the Bank operates in.

Employees and Secondees

Represents the average number of full time equivalent employees and secondees during the year.

Turnover

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

Corporation Tax Paid

There were no corporation tax payments made during the year ending 31 December 2015.

Public Subsidies Received

The Bank received no public subsidies during 2015.

Geographical location	UK
Number of employees and secondees	35
Turnover	£8,541,888
Pre-tax profit	£2,386,154
Corporation tax paid during the year	£nil

Notes to the Financial Statements (continued)

4. Accounting policies and basis of preparation

These financial statements are prepared in compliance with the principal accounting policies set out below, which have been consistently applied.

Basis of preparation

The financial statements have been prepared under the historical cost convention modified to include the fair valuation of certain financial instruments to the extent required or permitted under International Accounting Standard (“IAS”) 39, ‘Financial Instruments, recognition, and measurement’, as set out in the relevant accounting policies. They are stated in pounds sterling, the currency of the country in which the Bank is incorporated.

Going concern

As noted in the Directors Report on pages 15 - 16, these Financial Statements have been prepared on a going concern basis, as the Directors are satisfied that the Group has the resources to continue in business for the foreseeable future. In making this assessment, the directors have taken into account the current economic situation in Nigeria, the Bank’s future strategy, immediate business plan, availability of funding, concentration risk, liquidity and dependency on DBPLC. The directors have also considered the Bank has received significant funding from DBPLC and is reliant upon the parent bank for significant input to the business model.

The Bank has moved on from the loss making position of previous years and recorded its second full year profit in 2015. The Bank had regulatory capital (Common Equity Tier 1) of £30,008,151 as at 31 December 2015 which is in excess of the regulatory capital requirement by £17,777,363. The Bank’s funding is mainly through capital, Group deposits (including those used as cash collateral for underlying exposures), wholesale money market deposits, and CBN placements. Having considered the current capital and funding position, the Directors have concluded that the Bank would be able to continue to operate as a going concern on a standalone basis for the foreseeable future.

Accounting judgements

The preparation of financial statements in accordance with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the accounting policies. The Notes to the financial statements set out areas involving a higher degree of judgment or complexity, or areas where assumptions are significant to the financial statements.

New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for annual periods beginning after 1 January 2015, and have not been applied in preparing these financial statements. None of these will have an effect on the financial statements of the Bank, with the exception of IFRS 9 Financial Instruments, which becomes mandatory for the Bank's 2018 financial statements and could change the classification and measurement of financial assets.

The Bank does not plan to adopt this standard early and the extent of the impact has not been determined. The requirements of this standard represent a significant change from the existing requirements in IAS 39 in respect of financial assets. The standard contains two primary measurement categories for financial assets: amortised cost and fair value.

Notes to the Financial Statements (continued)

Accounting policies and basis of preparation

A financial asset would be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value. The standard eliminates the existing IAS 39 categories of held to maturity, available for sale and loans and receivables.

The standard requires that derivatives embedded in contracts with a host that is a financial asset within the scope of the standard are not separated; instead the hybrid financial instrument is assessed in its entirety as to whether it should be measured at amortised cost or fair value. The standard is effective for annual periods beginning on or after 1 January 2015. Earlier application is permitted.

The Bank is currently in the process of evaluating the potential effect of this standard. Given the nature of the Bank's operations, this standard is not expected to have a pervasive impact on the Bank's financial statements.

(a) Foreign currency translation

The financial statements are presented in pounds sterling, which is the functional currency of the Bank.

Foreign currency transactions are translated into pounds sterling using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Monetary items denominated in foreign currencies are re-translated at the rate prevailing at the period end. Foreign exchange gains and losses resulting from the retranslation and settlement of these items are recognised in the income statement.

(b) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and provisions for impairment, if any. Additions and subsequent expenditures are capitalised only to the extent that they enhance the future economic benefits expected to be derived from the assets.

Depreciation is provided on the depreciable amount of items of property, plant and equipment on a straight-line basis over their estimated useful lives. The depreciable amount is the gross carrying amount, less the estimated residual value at the end of its economic life.

The Bank uses the following annual rates in calculating depreciation:

Leasehold improvements	10% - 20%
Other equipment	20%
Computer hardware	25 - 33.3%
Computer software	25%
Office furniture	33.3%

Depreciation rates, methods and the residual values underlying the calculation of depreciation of items of property, plant and equipment are kept under review to take account of any change in circumstances. When deciding on depreciation rates and methods, the principal factors the Bank takes into account are the expected rate of technological developments and expected market requirements for, and the expected pattern of usage of, the assets.

Notes to the Financial Statements (continued)

(c) Intangible assets

Computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful life of 4 years and included in the income statement under administrative expenses.

(d) Held-to-maturity financial assets

Held-to-maturity investments are financial instruments with fixed or determinable payments and fixed maturity that the Bank has the positive intention and ability to hold to maturity. Held-to-maturity investments are initially recorded at fair value plus any directly attributable transaction costs, and are subsequently measured at amortised cost using the effective interest rate method, less any impairment. The effective interest method is a way of calculating the amortised cost of a financial asset and of allocating the interest income over the relevant period.

(e) Available-for-sale financial assets

Available-for-sale financial assets (AFS) are debt securities that are not classified as trading securities at fair value through profit or loss or as loans and receivables.

Financial instruments classified as AFS are recognised or derecognised on trade date, which is the date on which the bank commits to purchase or sell the asset or issue or repurchase the financial liability.

The gains and losses arising from changes in the fair value of investments classified as available-for-sale are recognised directly in other comprehensive income, until the financial asset is either sold, becomes impaired or matures, at which time the cumulative gain or loss previously recognised in other comprehensive income is recognised in the income statement. Interest calculated using the effective interest method and foreign exchange gains and losses on debt securities denominated in foreign currencies are recognised in the income statement.

(f) Loans and receivables

Loans and receivables include loans and advances to banks and customers and are reported in the balance sheet under loans and advances. Loans and receivables are initially recognised when cash is advanced to the borrowers at fair value inclusive of transaction costs. Financial assets classified as loans and receivables are accounted for at amortised cost using the effective interest method less provision for impairment.

Impairment

At each balance sheet date the Bank assesses whether, as a result of one or more events occurring after initial recognition and prior to the balance sheet date, there is objective evidence that an asset or group of financial assets has become impaired.

The criteria that the Bank uses to determine that there is objective evidence of an impairment loss include:

- Delinquency in contractual payments of principal and/or interest;
- Indications that the borrower or group of borrowers is experiencing significant financial difficulty;
- Restructuring of debt to reduce the burden on the borrower;
- Breach of loan covenants or conditions; and
- Initiation of bankruptcy or individual voluntary arrangement proceedings.

If necessary, a collective impairment provision is determined after taking into account historical loss experience of the portfolio and management's experienced judgments. Given a significant portion of the

Notes to the Financial Statements (continued)

loan portfolio is fully cash collateralised and not subject to credit risk and the small loan portfolio is under constant management review, the risk of "incurred but not reported risk" is deemed to be very small and the Bank has not recognised a collective impairment provision.

Loans and receivables and held to maturity investments

If there is objective evidence that an impairment loss has been incurred, an allowance is established which is calculated as the difference between the balance sheet carrying value of the asset and the present value of estimated future cash flows discounted at that asset's original effective interest rate.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, such as an improvement in the borrower's credit rating, the allowance is adjusted and the amount of the reversal is recognised in the income statement.

Non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

Available for sale financial assets

Impairment losses on available for sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity, to profit or loss. The cumulative loss that is reclassified from equity to profit and loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in profit and loss. Changes in impairment provisions attributable to application of the effective interest rate method are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available for sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit and loss, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss.

(g) Derivative financial instruments

Derivative financial instruments are used to hedge foreign currency exposures related to non-trading book positions. These are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value which is derived from quoted market rates in active markets. Changes in the fair value of derivatives are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. Certain foreign currency transactions entered into are hedged with forward foreign exchange contracts.

Derivatives are carried in the balance sheet as assets when their fair value is positive and as liabilities when their fair value is negative (see Note 21).

(h) Cash and cash equivalents

For the purposes of the cash flow statement, cash comprises cash on hand, demand deposits, and cash equivalents. Cash equivalents comprise highly liquid investments that are convertible into cash with an insignificant risk of changes in value. Trading balances are not considered to be part of cash equivalents.

Notes to the Financial Statements (continued)

(i) Provisions

Provisions are recognised for present obligations arising as consequences of past events where it is more likely than not that a transfer of economic benefits will be necessary to settle the obligation, and these can be reliably estimated.

(j) Revenue recognition

- Interest receivable and payable
Interest receivable and payable, calculated using the effective interest rate, is recognised in the profit and loss account on an accruals basis.
- Fees and commissions
Fees and commissions are accounted for depending on the services to which the income relates. Fees earned in respect of services are recognised in fee income. Some fees earned on the execution of a significant act are recognised in fee income when the act is completed. Other fees which form an integral part of the effective interest rate of a financial instrument are recognised as an adjustment to the effective interest rate and recorded in interest income.

(k) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight line basis over the period of the lease.

(l) Income taxes, including deferred income taxes

Income tax payable on taxable profits ('current tax') is recognised as an expense in the period in which the profits arise. Income tax recoverable on tax allowable losses are recognised as an asset only to the extent that it is regarded as recoverable by offset against current or future taxable profits.

Deferred income tax is provided in full, using the liability method, on temporary timing differences arising from the differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates and legislation enacted or substantially enacted by the balance sheet date and is expected to apply when the deferred tax asset is realised or the deferred tax liability is settled.

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

Deferred tax assets are only recognised if, in the opinion of the Directors, there is reasonable certainty that there will be sufficient taxable profits in the future to recover these amounts.

5. Financial risk management

The Bank's activities expose it to a variety of financial risks. The Board of Directors monitors the Bank's financial risks and has responsibility for ensuring effective risk management and control. The Bank has a risk management framework to ensure the level of risk incurred is within the constraints of the Board's risk appetite. The framework embodies clear reporting lines, defined areas of responsibility and risk

management procedures and includes formal risk management procedures and regular reporting as necessary.

Notes to the Financial Statements (continued)

5. (i) Financial risk factors

The main financial risks that the Bank is exposed to are highlighted as follows:

(a) Market risk

Market risk is the risk that the Bank's earnings or capital, or its ability to meet business objectives will be adversely affected by changes in the level or volatility of market rates or prices such as interest rates, equity prices and foreign exchange rates. Assets are invested at market rates within the constraints of the Bank's risk appetite as approved by the Board.

- **Interest rate risk**

Interest rate risk is the risk that changes in interest rates will result in reduced income and / or higher financing costs from the Bank's interest bearing financial assets and liabilities.

During the year to 31 December 2015 the Bank held interest-bearing liabilities in the form of short term deposits from CBN, group entities and from wholesale bank counterparties. Interest rate risk arises at the Bank where the interest re-pricing date for assets is different to the re-pricing date for liabilities. The Bank aims to match the re-pricing characteristics of assets and liabilities where possible. ALCO is responsible for monitoring interest rate risk.

- **Foreign exchange risk**

Foreign currency risk arises due to the extent of the Bank's foreign currency assets not matched by foreign currency borrowings in the same currency. All material foreign exchange risks are hedged through forward foreign exchange transactions and monitored on a daily basis through the Bank's risk management reporting systems.

The table below shows the impact on the profit and loss account, pre-tax, at 31 December 2015 of foreign currency weakening/strengthening by 4% against the UK pound, with all other variables held constant.

31 December 2015	EUR £ equiv.	USD £ equiv.	CAD £ equiv.	JPY £ equiv.
Net foreign currency exposure	11,385	27,616	6,132	7,709
Impact of 4% increase in foreign currency	(455)	(1,105)	(245)	(308)
Impact of 4% decrease in foreign currency	455	1,105	245	308

Notes to the Financial Statements (continued)

31 December 2014	EUR £ equiv.	USD £ equiv.	CAD £ equiv.	JPY £ equiv.
Net foreign currency exposure	(16,799)	(30,658)	2,471	(7,390)
Impact of 4% increase in foreign currency	(672)	(1,226)	(99)	(296)
Impact of 4% decrease in foreign currency	672	1,226	99	296

Notes to the Financial Statements (continued)

(b) Liquidity risk

Liquidity risk is the risk that the Bank's cash and committed facilities may be insufficient to meet its payment obligations as they fall due. On a daily basis, liquidity mismatch reports are reviewed by senior management and undrawn lending commitments, overdrafts and contingent liabilities are considered. The Bank has produced an Individual Liquidity Adequacy Assessment ("ILAA") which has been reviewed and approved by ALCO, EXCO and the Board. The ILAA includes stress testing undertaken to assess and plan for the impact of a range of scenarios on the Bank's liquidity along with the planned management actions to be taken to mitigate the effects of the stress scenarios. Regular stress testing is undertaken by management during the year to assess the impact of the stresses on the Bank's liquidity and to plan management action.

The Bank maintains access to sufficient funds on a day-to-day basis to cover all contractual obligations, maturing liabilities and contingencies while raising funds at economical cost. The Bank is also required to maintain an adequate buffer of high quality liquid asset securities in line with the PRA liquidity requirements. It is the policy of the Bank that the internal Liquid Assets Buffer target should, at all times be greater than the regulatory buffer requirement for Standardised Banks.

Liquidity Coverage Ratio (LCR) was 90% at 31 December 2015 against regulatory requirement of 80%.

The following table indicates the contractual maturity of financial assets and financial liabilities:

31 December 2015	Note	Demand	< 1 year	> 1 year but < 5 years	> 5 years	Non- financial instruments	Total
		£	£	£	£	£	£
Assets							
Cash and cash equivalents	16	71,275,464	13,473,457	-	-	-	84,748,921
Loans and advances to banks	17	2,095,424	152,278,216	2,694,691	26,946,480	-	184,014,811
Loans and advances to customers	18	150,486	1,850,865	31,671,988	17,908,470	-	51,581,809
Available-for-sale financial assets	19	-	14,888,861	10,897,424	-	-	25,786,285
Derivative financial instruments	21	-	14,273	-	-	-	14,273
Other assets	24	61,793	3,360,658	192,087	-	843,680	4,458,218
Total		73,583,167	185,866,330	45,456,190	44,854,950	843,680	350,604,317
Liabilities							
Deposits from banks	25	23,693,413	219,808,343	31,662,625	41,166,083	-	316,330,464
Deposits from customers	26	978,531	-	-	-	-	978,531
Derivative financial instruments	21	-	331,617	-	-	-	331,617
Other liabilities	27	-	235,038	20,361	85,597	806,331	1,147,327
Total		24,671,944	220,374,998	31,682,986	41,251,680	806,331	318,787,939
Net		48,911,223	(34,508,668)	13,773,204	3,603,270	37,349	31,816,378

Notes to the Financial Statements (continued)

31 December 2014	Note	Demand	< 1 year	> 1 year but < 5 years	>5 years	Non- financial instruments	Total
		£	£	£	£	£	£
Assets							
Cash and cash equivalents	16	77,353,579	32,636,334	-	-	-	109,989,913
Loans and advances to banks	17	7,502,855	143,454,404	7,057,163	-	-	158,014,422
Loans and advances to customers	18	-	32,172,365	443,366	-	-	35,615,731
Available-for-sale financial assets	19	-	3,207,362	9,178,979	-	-	12,386,341
Derivative financial instruments	21	13,594	191,961	-	-	-	205,555
Other assets	24	56,739	1,065,048	143,831	-	732,536	1,998,154
Total		84,926,767	215,727,474	16,823,339	-	732,536	318,210,116
Liabilities							
Deposits from banks	25	26,570,912	260,554,213	-	-	-	287,125,125
Deposits from customers	26	157,769	-	-	-	-	157,769
Derivative financial instruments	21	12,123	4,468	-	-	-	16,591
Other liabilities	27	187	441,721	91,743	-	700,614	1,234,265
Total		26,740,991	261,000,402	91,743	-	700,614	288,533,750
Net		58,185,776	(45,272,928)	16,731,596	-	31,922	29,676,366

(c) Credit risk

Credit risk is the risk of suffering financial loss, should any of the Bank's customers or market counterparties fail to fulfil their contractual obligations to the Bank. As at 31 December 2015 the Bank's credit risks arose principally from trade finance related lending and investment activities.

Credit risk exposures relating to on-balance sheet assets are as follows:

	2015	2014
	£	£
Cash and cash equivalents	84,748,921	109,989,913
Loans and advances to banks	184,014,811	158,014,422
Loans and advances to customers	51,581,809	35,615,731
Available-for-sale financial assets	25,786,285	12,386,341
Derivative financial instruments	14,273	205,555
Other assets¹	3,614,539	1,265,617
Maximum exposure to credit risk	349,760,638	317,477,579

[¹Other assets include accrued fee and interest receivables.]

Notes to the Financial Statements (continued)

Credit risk exposures relating to off-balance sheet assets are as follows:

	2015	2014
	£	£
Documentary credits and other short term trade related credits	22,311,047	24,439,641
Maximum exposure to credit risk	22,311,047	24,439,641

The above table represents a worst case scenario of credit risk exposure to the Bank without taking account of any collateral held on trade finance receivables (see Note 33(c)).

At 31 December 2015 none (2014: £nil) of the Bank's financial assets were impaired. The credit quality of all financial assets is considered by the Directors to be satisfactory and in line with the Board's credit policy. The Bank's credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to wholesale customers, including outstanding receivables and committed transactions. A significant portion of the credit exposures to wholesale customers is fully cash collateralised. The minimum credit rating and credit quality for all lending and financial assets are disclosed within the credit policy and risk appetite of the Bank (see Note 8).

(d) Capital risk

Capital risk is the risk that the Bank does not have sufficient capital resources to meet its regulatory capital requirements or to support its current business and strategy for future development.

The Bank is required by the PRA to retain financial resources (i.e. liquid financial assets and net capital) sufficient for the proper performance of its regulated activities. These requirements are monitored daily by risk and senior management and are subject to stress testing as part of the Internal Capital Adequacy Assessment Process ("ICAAP") which is reviewed annually by the Board of Directors.

The information below from (e) to (h) is unaudited

(e) Operational risk

The Bank's business is dependent on the ability to process a large number of transactions efficiently and accurately. To manage this risk, the Bank has implemented risk controls and loss mitigation actions, and substantial resources are devoted to developing efficient procedures and to staff training.

(f) Regulatory risk

Regulatory risk is the risk of an adverse impact resulting from the failure to comply with laws, regulations, codes of conduct and standards of good practice governing a financial institution operating in the UK market. The Bank has a Compliance Department and devotes adequate resources towards managing this risk.

(g) Reputational risk

Reputational risk is the risk of a loss of reputation, both of the Bank and its parent or another Group entity, most likely to arise as a consequence of a failure to manage the other principal risks. The Bank has an experienced management team, follows all rules and regulations of the UK Regulatory bodies and adheres to the parent bank's core values.

Notes to the Financial Statements (continued)

(h) Competition risk

The Bank operates in a highly competitive environment particularly around price and product availability and quality. During the year the Bank's operations mainly involved trade finance and investing capital and surplus funds in the UK money market.

5. (ii) Fair value of financial instruments

The fair value of a financial instrument is the amount for which the instrument could be exchanged or a liability settled, in an arm's length transaction between knowledgeable willing parties. The fair value of the Bank's financial instruments reflect the carrying value, as the valuations are observable either in an active market or derived from prices within an active market.

Accounting standards specify a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Bank's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 - The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring transactions on an arm's length basis.
- Level 2 – The fair value of financial instruments that are not traded in active markets (for example over the counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.
- Level 3 – If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

In 2015, the company transferred assets of £9,178,978 from level 1 to level 2 in the available-for-sale portfolio.

The following table presents the Bank's assets and liabilities that are measured at fair value:

At 31 December 2015	Level 1	Level 2	Level 3	Total
Assets	£	£	£	£
Available-for-sale financial assets	11,436,607	14,349,678	-	25,786,285
Derivatives	-	14,273	-	14,273
Total assets	11,436,607	14,363,951	-	25,800,558
Liabilities				
Derivatives	-	331,617	-	331,617
Total liabilities	-	331,617	-	331,617

Notes to the Financial Statements (continued)

At 31 December 2014	Level 1	Level 2	Level 3	Total
Assets	£	£	£	£
Available-for-sale financial assets	12,386,341	-	-	12,386,341
Derivatives	-	205,555	-	205,555
Total assets	12,386,341	205,555	-	12,591,896
Liabilities				
Derivatives	-	16,591	-	16,591
Total liabilities	-	16,591	-	16,591

All other financial assets and liabilities are held at amortised cost, and the fair valuation levelling of these instruments is level 2. The fair value of deposits from banks is estimated using discounted cash flow techniques, applying the rates that are offered for deposits of similar maturities and terms. The fair value of deposits payable on demand is the amount payable at the reporting date.

The fair value of loans and advances to customers, which mostly have a residual maturity of less than one year, generally approximate to their carrying value. There has been no significant movement in credit spreads and a substantial portion of these loans are cash collateralised. As at 31 December 2015 £47,842,669 of loans and advances to customers (2014: £29,320,000) were fully cash collateralised (see Note 18).

6. Segmental information

All the Bank's activities are derived from one main activity, the provision of banking services, and all arise in the United Kingdom.

Notes to the Financial Statements (continued)

7. Financial assets and liabilities by category

31 December 2015	Note	Loans and receivables	Available for sale	Derivatives	Total	Fair value
Assets per balance sheet		£	£	£	£	£
Cash and cash equivalents	16	84,748,921	-	-	84,748,921	84,748,921
Loans to banks	17	184,014,811	-	-	184,014,811	184,014,811
Loans to customers	18	51,581,809	-	-	51,581,809	51,581,809
Available-for-sale financial assets	19	-	25,786,285	-	25,786,285	25,786,285
Derivative financial instruments	21	-	-	14,273	14,273	14,273
Other assets ¹	24	3,614,539	-	-	3,614,539	3,614,539
Total		323,960,080	25,786,285	14,273	349,760,638	349,760,638

Liabilities per balance sheet		Other financial liabilities	Derivatives	Total	Fair Value
		£	£	£	£
Deposits by banks	25	316,330,464	-	316,330,464	316,330,464
Deposits by customers	26	978,531	-	978,531	978,531
Derivative financial instruments	21	-	331,617	331,617	331,617
Other liabilities ¹	27	101,377	-	101,377	101,377
Total		317,410,372	331,617	317,741,989	317,741,989

Notes to the Financial Statements (continued)

31 December 2014	Note	Loans and receivables	Available for sale	Derivatives	Total	Fair value
Assets per balance sheet		£	£	£	£	£
Cash and cash equivalents	16	109,989,913	-	-	109,989,913	109,989,913
Loans to banks	17	158,014,422	-	-	158,014,422	158,014,422
Loans to customers	18	35,615,731	-	-	35,615,731	35,615,731
Available-for-sale financial assets	19	-	12,386,341	-	12,386,341	12,386,341
Derivative financial instruments	21	-	-	205,555	205,555	205,555
Other assets ¹	24	1,265,617	-	-	1,265,617	1,265,617
Total		304,885,683	12,386,341	205,555	317,477,579	317,477,579

Liabilities per balance sheet		Other financial liabilities	Derivatives	Total	Fair Value
		£	£	£	£
Deposits by banks	25	287,125,125	-	287,125,125	287,125,125
Deposits by customers	26	157,769	-	157,769	157,769
Derivative financial instruments	21	-	16,591	16,591	16,591
Other liabilities ¹	27	459,688	-	459,688	459,688
Total		287,742,582	16,591	287,759,173	287,759,173

[¹This analysis is required for financial assets and liabilities, non-financial instruments are excluded.]

Notes to the Financial Statements

8. Credit quality of financial assets

	2015	2014
	£	£
Cash at bank and short term bank deposits		
AA-	1,203,119	9,502,356
A+	714,125	4,147,136
A-	3,920,937	9,623,404
BBB ³	7,730,573	34,831,206
BBB+ ³	10,000,000	-
BBB- ³	16,841,822	25,662,411
B+	-	12,831,206
B	29,587,932	13,389,526
Counterparties without external credit rating ³ :		
Group 2 ¹	14,750,413	2,668
Total cash at bank and short term bank deposits	84,748,921	109,989,913

	2015	2014
	£	£
Loans and advances to banks		
A-	-	4,639,347
B+ ³	7,071,673	3,826,000
B	168,231,204	-
B-	4,420,412	-
B ³	-	146,318,885
Counterparties without external credit rating ³ :		
Group 1	3,901	3,230,190
Group 2 ²	4,287,621	-
Total loans and advances to banks	184,014,811	158,014,422

	2015	2014
	£	£
Loans and advances to customers		
B	1,986,202	-
Counterparties without external credit rating ³ :		
Group 1 ¹	-	2,005,262
Group 2 ²	49,595,607	33,610,469
Total loans and advances to customers	51,581,809	35,615,731

	2015	2014
	£	£
Available-for sale debt securities		
AAA	11,436,607	3,207,362
BBB-	4,891,754	1,302,175
BB+	-	3,122,249
B+	3,897,909	-
B	5,560,015	4,754,555
Total available-for sale debt securities	25,786,285	12,386,341

Notes to the Financial Statements (continued)

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rates.

Counterparties with external credit rating (Fitch):

	2015	2014
	£	£
Derivative financial instruments		
A	100	8,718
A+	-	5,303
B+	-	187,445
B	-	4,089
BBB	1,353	-
BBB+	12,820	-
Total derivative financial instruments	14,273	205,555
	2015	2014
	£	£
Other assets		
A-	-	382
BBB ³	-	343
BBB- ³	26,058	21,205
B+ ³	123	22,339
B ³	1,430,699	969,898
B+	77,820	-
B-	38,899	-
Counterparties without external credit rating ³ :		
Group 1 ¹	-	15,482
Group 2 ²	2,884,619	235,968
Total other assets	4,458,218	1,265,617

¹ Group 1 – new customers/ related parties (less than 6 months).

² Group 2 – existing customers/ related parties (more than 6 months) with no defaults in the past.

³ All exposures, rated BBB and below, that have fallen due subsequent to 31 December 2015, have been received in line with the agreed repayment schedule.

No financial assets that are performing have been restructured in 2015 (2014: £nil). None of the loans are past due but not impaired as at 31 December 2015 (2014: £nil).

At 31 December 2015 the Bank received £234,614,717 in collateral for credit risk mitigation for on balance sheet exposures (2014: £125,557,514).

Notes to the Financial Statements (continued)

9. Net interest income

	2015	2014
	£	£
Interest income		
Cash and cash equivalents	532,859	360,824
Loans and advances to banks	4,579,830	2,000,294
Loans and advances to customers	4,356,175	4,951,580
Held to maturity financial assets	-	34,442
Available for sale financial assets	959,615	524,301
Other	143	210
Total interest income	10,428,622	7,871,651
Interest expense		
Deposits from banks	3,473,400	1,853,560
Total interest expense	3,473,400	1,853,560
Net interest income	6,955,222	6,018,091

10. Net fee and commission income

	2015	2014
	£	£
Fee and commission income		
Trade related transactions	1,838,714	1,149,731
Funds transfer	41,008	53,147
Other	52,381	43,431
Total fee and commission income	1,932,103	1,246,309
Fee and commission expense		
Loan management fees	402,837	556,046
Brokerage and account fees	32,311	29,265
Total fee and commission expense	435,148	585,311
Net Fee and commission income	1,496,955	660,998

11. Other gains net

	2015	2014
	£	£
Realised gains on available-for-sale assets	78	262,168
Net foreign exchange gains	89,633	65,396
Total other gains – net	89,711	327,564

Notes to the Financial Statements (continued)

12. (a) Administrative expenses

The following items have been charged in arriving at operating profit:

	Note	2015 £	2014 £
Staff costs	13a	3,860,830	3,144,012
Depreciation	22	109,218	65,478
Amortisation	23	24,382	47,406
Services provided by Bank's auditor and its associates	12b	67,209	72,908
Operating lease payments		213,036	335,887
Other expenses		1,881,059	1,678,057
Total administrative expenses		6,155,734	5,343,748

(b) Auditor's remuneration

During the year the Bank obtained the following services from the Bank's auditor and its associates:

	2015 £	2014 £
Audit of the Bank's financial statements	57,500	55,000
Tax compliance services	9,709	17,908
Other services	-	-
Total auditor's remuneration	67,209	72,908

13. Employee information

(a) Staff costs

Staff costs comprise of the following:

	2015 £	2014 £
Wages and salaries	3,464,565	2,772,084
Social security costs	320,169	282,482
Other staff costs	76,096	89,446
Total staff costs	3,860,830	3,144,012

(b) Average number of people employed

The average number of persons employed during the year, excluding agency staff, was 35 (2014: 28).

14. Income tax expense

The analysis of the charge for the year is as follows:

	2015 £	2014 £
Current tax on profits for the year	154,019	-
Adjustments in respect of prior years	-	-
Total tax charge	154,019	-

Notes to the Financial Statements (continued)

A numerical reconciliation of the applicable tax rate and the effective tax rate is as follows:

	2015	2014
	£	£
Profit /Loss before tax	2,386,154	1,683,879
Tax charge at average UK corporation tax rate	483,196	362,034
Expenses not deductible for tax purposes	5,522	4,906
Unrecognised deferred tax asset	(334,699)	(366,940)
Effects of the UK corporation tax rate change	-	-
Adjustment in respect of prior years	-	-
Total tax charge	154,019	-

The standard rate of corporation tax in the UK for 2015 was 20.25% (2014: 21.50%), being 21% for the 3 months to 31 March 2015 and 20% for the 9 months to 31 December 2015.

Legislation has been enacted that will reduce the UK corporation tax rate from 20% to 19% from 1 April 2017. It was also announced at the 2016 Budget on 16 March 2016 that the UK corporation tax rate will be further reduced to 17% from 1 April 2020.

Details of deferred taxation are reported under Note 31.

15. Cash generated from operations

		2015	2014
	Note	£	£
Profit /(loss) before taxation		2,386,154	1,683,879
Net (increase) in loans to banks	17	(26,000,389)	(120,376,610)
Net decrease / (increase) in loans to customers	18	(15,966,078)	71,124,343
Fair value (profit) / loss on derivative financial instruments	21	506,308	82,035
Depreciation and amortisation	22,23	133,600	112,884
Net decrease /(increase) in other assets	24	(2,460,064)	(1,052,547)
Net (decrease)/ increase in other liabilities	27	(86,938)	(2,223,137)
Net increase in deposits from banks	25	29,205,339	117,553,408
Net increase in deposits from customers	26	820,762	157,769
Realised gains on financial assets	19	(639,922)	(297,949)
Corporation tax liability	14	(154,019)	-
Other non-cash movements (including premium/discount on Available-for-sale and Held-to-maturity securities)	19	(76,459)	35,251
Net cash generated from / (used in) operations		(12,331,706)	66,799,326

16. Cash and cash equivalents

An analysis of cash and cash equivalents, comprising balances with less than 3 months maturity from the date of acquisition, is as follows:

	2015	2014
	£	£
Short term deposits	71,178,211	96,337,752
Cash at bank and on hand	13,570,710	13,652,161
Total	84,748,921	109,989,913

The carrying value of cash and cash equivalents approximates to their fair value.

Notes to the Financial Statements (continued)

17. Loans and advances to banks

An analysis of loans and advances to banks is as follows:

	2015	2014
	£	£
Loans to banks	184,014,811	158,014,422
Total	184,014,811	158,014,422

The carrying amounts of loans and advances to banks are denominated in the following currencies:

	2015	2014
	£	£
UK pound	38,435	1,667
Euros	1,117,694	1,953,274
US dollar	182,830,591	156,057,549
Swiss francs	28,091	-
Canadian dollar	-	1,932
Total	184,014,811	158,014,422

As at 31 December 2015 loans and advances to banks of £184,014,811 (2014: £158,014,422) were fully performing. All loans and advances to banks are unsecured.

See Note 5(i)b for the maturity analysis of loans and advances to banks.

18. Loans and advances to customers

An analysis of loans and advances to customers is as follows:

	2015	2014
	£	£
Loans to customers	51,581,809	35,615,731
Total	51,581,809	35,615,731

The carrying amounts of loans and advances to customers are denominated in the following currencies:

	2015	2014
	£	£
UK pound	24,511	38,690
US dollar	51,557,298	35,577,041
Total	51,581,809	35,615,731

As at 31 December 2015 loans and advances to customers £51,581,809 (2014: £35,615,731) were fully performing and £47,842,669 (2014: £29,320,000) were fully cash collateralised against cash pledges received from the parent, which are available to be set off in the event of default by the counterparty.

As at 31 December 2014 loans and advances to customers of £nil (2014: £nil) were impaired and fully provided for. During 2015, the bank received a recovery of £nil (2014: £20,974) relating to a loan granted by Intercontinental Bank UK (Plc) that had been fully impaired and written off.

See Note 5(i)b for the maturity analysis of loans and advances to customers.

Notes to the Financial Statements (continued)

19. Available-for-sale financial assets

	2015	2014
	£	£
At 1 January	12,386,341	4,958,797
Additions	34,943,944	17,328,244
Maturities and sales	(22,231,202)	(9,808,454)
Amortisation of discount and premium	76,459	(11,729)
Net realised gains transferred from equity to profit and loss	398,301	19,835
Net unrealised losses recognised in equity	(427,480)	(398,301)
Exchange difference	639,922	297,949
At 31 December	25,786,285	12,386,341

The carrying amounts of available-for-sale financial assets are denominated in the following currencies:

	2015	2014
	£	£
US dollar	25,786,285	12,386,341
Total	25,786,285	12,386,341

Available-for-sale financial assets include listed debt securities and treasury bills. None of these financial assets are past due or impaired.

The maximum exposure to credit risk at the reporting date is the carrying value of the debt securities classified as available for sale.

20. Held-to-maturity financial assets

	2015	2014
	£	£
At 1 January	-	1,808,535
Sale of held to maturity financial assets	-	(1,785,013)
Amortisation of discount and premium	-	(846)
Exchange differences	-	(22,676)
At 31 December	-	-

Held-to-maturity financial assets include listed debt securities. None of these financial assets are past due or impaired. The maximum exposure to credit risk at the reporting date is the carrying value of the debt securities classified as held-to-maturity.

The held to maturity portfolio was disposed of during 2014 for a combination of credit and commercial concerns. The Bank's intention at initial recognition was to hold these financial assets to maturity. As a result the portfolio became tainted in accordance with IAS 39. The financial assets were reclassified to the available for sale portfolio at their fair value, the date of reclassification being 8th April 2014. Going forward all these assets will be classified as available for sale.

Notes to the Financial Statements (continued)

21. Derivative financial instruments

	2015		2014	
	£		£	
	Assets	Liabilities	Assets	Liabilities
Forward foreign exchange contracts hedges non trading book	14,273	331,617	205,555	16,591
Total	14,273	331,617	205,555	16,591

The notional principal amounts of forward foreign exchange contracts at 31 December 2015 were £20,692,686 (2014: £12,755,958). Gains and losses arising from the revaluation of foreign currency assets and liabilities into pounds sterling have been hedged with forward foreign exchange contracts and the net result is reported in the Statement of Comprehensive Income under "Other (losses)/gains - net".

22. Property, plant & equipment

Movements in, and details of, the Bank's property, plant and equipment are as follows:

	Leasehold Improvement	Computer Hardware	Computer Software	Other equipment	Office furniture	Total
	£	£	£	£	£	£
Year ended 31 December 2014						
Opening net book amount	156,051	21,572	5,315	-	84	183,022
Additions	140,228	7,920	27,709	4,806	38,375	219,038
Disposals	-	-	-	-	-	-
Depreciation charge	(47,821)	(8,212)	(5,626)	-	(3,819)	(65,478)
Closing net book amount	248,458	21,280	27,398	4,806	34,640	336,582
At 31 December 2014						
Cost	494,985	411,671	530,523	49,220	164,804	1,651,203
Accumulated depreciation	(246,527)	(390,391)	(503,125)	(44,414)	(130,164)	(1,314,621)
Net Book amount	248,458	21,280	27,398	4,806	34,640	336,582
Year ended 31 December 2015						
Opening net book amount	248,458	21,280	27,398	4,806	34,640	336,582
Additions	14,113	27,046	154,211	750	424	196,544
Reclassification	-	4,806	-	(4,806)	-	-
Depreciation charge	(61,256)	(11,652)	(23,300)	(125)	(12,885)	(109,218)
Closing net book amount	201,315	41,480	158,309	625	22,179	423,908
At 31 December 2015						
Cost	486,736	443,523	684,734	44,385	165,228	1,824,606
Accumulated depreciation	(285,421)	(402,043)	(526,425)	(43,760)	(143,049)	(1,400,698)
Net book amount	201,315	41,480	158,309	625	22,179	423,908

Notes to the Financial Statements (continued)

23. Intangible assets

Movements in, and details of, the Bank's intangible assets are as follows:

	Software Licences £	Total £
Year ended 31 December 2014		
Opening net book amount	58,114	58,114
Additions	46,145	46,145
Amortisation for the year	(47,406)	(47,406)
Closing net book amount	56,853	56,853
At 31 December 2014		
Cost	498,027	498,027
Accumulated amortisation	(441,174)	(441,174)
Net book amount	56,853	56,853
Year ended 31 December 2015		
Opening net book amount	56,853	56,853
Additions	-	-
Amortisation for the year	(24,382)	(24,382)
Closing net book amount	32,471	32,471
At 31 December 2015		
Cost	498,027	498,027
Accumulated amortisation	(465,556)	(465,556)
Net book amount	32,471	32,471

24. Other assets

An analysis of other assets is as follows:

	2015 £	2014 £
Prepaid expenses	415,319	381,243
Accrued interest	3,579,481	1,190,009
Accrued fee receivables	35,058	75,608
Other receivables	428,360	351,294
Total	4,458,218	1,998,154

Notes to the Financial Statements (continued)

The carrying amounts of other assets are denominated in the following currencies:

	2015	2014
	£	£
UK pound	845,449	733,137
Euros	2,592	1,569
US dollar	3,610,177	1,263,448
Total	4,458,218	1,998,154

25. Deposits from banks

	2015	2014
	£	£
Deposits from banks held as collateral	272,067,662	241,185,265
Bank borrowings	44,262,802	45,939,860
Total	316,330,464	287,125,125

	£	£
Repayable on demand	23,693,413	26,570,912
Maturity in less than 3 months	40,384,484	245,156,766
Maturity in more than 3 months and less than 1 year	252,252,567	-
Maturity more than 1 year	-	15,397,447
Total	316,330,464	287,125,125

All collateral is in the form of cash. This collateral is taken as security against the Bank's liability under confirmed letters of credit and loans and advances. Payment, withdrawal or transfer of any collateral is covered by formal collateral agreements (see Note 33(c)).

The carrying amounts of deposits by banks are denominated in the following currencies:

	2015	2014
	£	£
UK pound	3,342,657	876,279
Euros	3,554,055	5,912,480
USD dollar	309,363,365	279,594,239
Canadian dollar	70,387	343
Swiss francs	-	741,784
Total	316,330,464	287,125,125

Notes to the Financial Statements (continued)

26. Deposits from customers

	2015	2014
	£	£
Deposits from customers	978,531	157,769
Total	978,531	157,769

	£	£
Repayable on demand	978,531	157,769
Total	978,531	157,769

The carrying amounts of deposits by banks are denominated in the following currencies:

	2015	2014
	£	£
UK pound	-	64
USD dollar	978,531	157,705
Total	978,531	157,769

27. Other liabilities

An analysis of other liabilities is as follows:

	2015	2014
	£	£
Accrued expenses	806,331	762,186
Accrued interest	33,329	17,646
Amounts due to related parties	454	228,508
Other payables	85,600	39,502
Corporation tax liability	154,019	-
Deferred income	67,594	186,423
Total	1,147,327	1,234,265

The carrying amounts of other liabilities are denominated in the following currencies:

	2015	2014
	£	£
UK pound	960,350	771,898
Euros	-	468
US dollar	186,977	461,899
Total	1,147,327	1,234,265

Notes to the Financial Statements (continued)

28. Called up share capital

Particulars of the Bank's share capital were as follows:

	Number of shares	Ordinary shares £	Total £
At 31 December 2014	48,000,000	48,000,000	48,000,000
Proceeds from shares issued	-	-	-
At 31 December 2015	48,000,000	48,000,000	48,000,000

At 31 December 2015 the authorised share capital of the Bank was £100,000,000 (2014: £100,000,000) comprising 100,000,000 ordinary shares of £1 each. Issued shares of 48,000,000 at £1 each are all fully paid.

At 31 December 2015 Diamond Bank PLC owned 100% of the issued ordinary shares. All issued shares have the same voting rights.

29. Retained losses

Movements in the retained earnings are as follows:

	2015 £	2014 £
At 1 January	(17,531,898)	(19,215,777)
Net profit for the period	2,232,135	1,683,879
At 31 December	(15,299,763)	(17,531,898)

30. Other reserves

	Available-for-sale investments £	Total £
At 1 January 2014	(19,835)	(19,835)
Revaluation – gross	(378,466)	(378,466)
At 31 December 2014	(398,301)	(398,301)
Revaluation – gross	(29,179)	(29,179)
At 31 December 2015	(427,480)	(427,480)

See Note 19 for the net gains and losses transferred to and from reserves.

Notes to the Financial Statements (continued)

31. Deferred taxation

Potential deferred tax assets amounting to £2,897,975 (2014: £3,381,827), consisting of deferred taxation in respect of unused tax losses of £2,818,833 (2014: £3,218,911), deferred tax in respect of accelerated capital allowances of £160,363 (2014: £242,577) and other comprehensive income of £81,221 (2014: £79,660) have not been recognised in these financial statements due to uncertainty in relation to the timing of future profits.

The potential deferred taxation asset amounts given above have been calculated using an assumed corporation tax rate of 19%, which is the rate expected to be applicable at the earliest date timing differences will reverse.

32. Pension

In accordance with statutory requirements and subject always to the rules of the relevant plan, the Bank operates a defined contribution (stakeholder) pension plan.

33. Contingencies and commitments

(a) Legal issues

As at 31 December 2015 there were no contingent liabilities in respect of legal claims arising in the ordinary course of business (2014: £nil).

(b) Operating lease commitments

The Bank leases office premises under non-cancellable operating lease agreements. The lease, renegotiated in 2015, expires in 2021. The future aggregate minimum lease payments are as follows:

	2015	2014
	£	£
No later than 1 year	347,020	377,830
Later than 1 year and no later than 5 years	1,470,820	806,995
Later than 5 years	68,772	-
Total operating lease commitments	1,886,612	1,184,825

(c) Off balance sheet commitments

- Trade finance related transactions

	2015	2014
	£	£
Documentary credits and other short term trade related transactions	22,311,047	24,439,641

Acceptances and letters of credit are accounted for as off balance sheet transactions and disclosed as contingent liabilities.

Documentary credits commit the Bank to make payments to third parties, on production of documents, which are usually reimbursed immediately by customers or in advance by cash collateral agreements. (see Notes 25 and 34(e)).

- Undrawn commitments

	2015	2014
	£	£
Other commitments	1,275,000	-

Notes to the Financial Statements (continued)

34. Related party transactions

At 31 December 2015 the Bank's parent was Diamond Bank PLC, Nigeria. Diamond Bank PLC acquired the Bank in April 2013 from Access Bank Plc, Nigeria. The following transactions were carried out in 2015 with parties related to the Diamond Bank Group.

(a) Key management compensation

The following information is presented only in respect of those employees of the Bank who would be considered as key management personnel, as defined under IAS 24 (related party disclosures). At 31 December 2015, the number of key management personnel was 8 (2014: 8).

The key management personnel of the Bank include executive and non-executive directors and the Company Secretary. The compensation paid or payable to key management for employee services is shown below:

	2015	2014
	£	£
Salaries and other short term benefits	671,218	626,563
Long term benefits	51,934	136,751
Termination payment	-	71,318
Total remuneration and compensation	723,152	834,632

(b) Directors

The following information is presented only in respect of the directors and non-executive directors of the Bank. At 31 December 2015, the number of directors and non-executive directors was 7 (2014: 6). No directors held shares or share options in the Bank during the year.

	2015	2014
	£	£
Salaries and other short term benefits	625,073	580,802
Long term benefits	51,635	127,326
Termination payment	-	71,318
Aggregate emoluments	676,708	779,446

The emoluments of the highest paid director:

	2015	2014
	£	£
Salary and other short term benefits	287,964	311,971
Long term benefits	32,800	24,600
Aggregate emoluments	320,764	336,571

(c) Amounts due from related parties

	2015	2014
	£	£
Amounts due from parent	186,871,918	108,313,905
Amounts due from fellow subsidiaries	812,678	1,812,973
Total amounts due from related parties	187,684,596	110,126,878

Interest income earned during the year from the parent bank totalled £975,639 (2014: £1,311,538).
 Interest income earned during the year from fellow subsidiaries totalled £33,140 (2014: £29,389).

Notes to the Financial Statements (continued)

(d) Deposits from related parties

	2015	2014
	£	£
Amounts due to parent bank	274,880,042	237,858,959
Amounts due to fellow subsidiaries	973,357	5,028,702
Total deposits from related parties	275,853,399	242,887,661

Interest expense paid during the year to the parent bank on deposits totalled £3,318,954 (2014: £1,650,281).

Interest expense paid during the year to the fellow subsidiaries on deposits totalled £713 (2014: £31,319).

Fees paid during the year to parent bank totalled £401,448 (2014: £556,046).

(e) Other transactions with related parties

	2015	2014
	£	£
Documentary credits and other short term trade related transactions from parent bank	45,832,146	33,828,377
Documentary credits and other short term trade related transactions from fellow subsidiaries	1,755,734	3,663,107
Total other transactions with related parties	47,587,880	37,491,484

35. Events after the balance sheet date

There were no significant events after the balance sheet date.

36. Ultimate Parent

At 31 December 2015 Diamond Bank PLC was the ultimate parent and the results of the Bank are to be consolidated into the group accounts of Diamond Bank PLC. Diamond Bank PLC is a bank incorporated in Nigeria and copies of its accounts may be obtained from the Company Secretary, Diamond Bank PLC, Head Office, PGD's Place, Plot 4, Block 5, Bis Way Off Lekki Expressway, Lekki, Lagos, Nigeria or via that Bank's website at www.diamondbank.com.

The registered address of Diamond Bank PLC is PGD's Place, Plot 4, Block 5, Bis Way Off Lekki Expressway, Lekki, Lagos, Nigeria.