Company Registration No. 3793679

Bank Mandiri (Europe) Limited

Annual Report and Financial Statements

Year Ended 31 December 2022

Bank Mandiri (Europe) Limited
Annual Report and Financial Statements 2022

Contents

Officers and Professional Advisers

Directors

Mr. Mahendra Siregar (Chairman)	(resigned on 9 May 2022)
Mr. Aries Syamsul Arifien (Chief Executive)	
Mr. Dian Triansyah Djani (Chairman)	(appointed on 30 December 2022)
Mr. Geoffrey McDonald (Non-Executive Director)	
Mrs. Elisabeth R.T. Siahaan (Non-Executive Director)	(resigned on 19 January 2022)
Mrs. Eka Fitria (Non-Executive Director)	(appointed on 9 May 2022 - resigned on 14 March 2023)

Management

Mr. Aries Syamsul Arifien	(Chief Executive)
Mr. Ajay Joshi	(Head of Finance & Operations)
Ms. Sonya Posavec	(Head of Compliance, MLRO & Internal Control))

Company Secretary

Mr. Ajay Joshi

Registered Office

4 Thomas More Square
London
E1W 1YW

Bankers

HSBC Bank Plc
60 Fenchurch Street
London EC3M 4BA

Independent Auditor

Deloitte LLP
2 New Street Square
LONDON EC4A 38Z

Chairman's Statement

On behalf of the Board of Directors, it is my pleasure to present the 2022 annual report and audited financial statements of Bank Mandiri (Europe) Limited ("BMEL" or the "Bank"), a wholly-owned subsidiary of PT Bank Mandiri (Persero) Tbk, Indonesia.

2022 was another challenging year, with economies worldwide impacted by supply chain problems and significantly higher energy and other costs. This has led to central banks raising interest rates several times in response to above-target inflation levels. Although we are not immune from these economic challenges, our priorities have not changed. We have continued to serve our customers, look after the welfare of our staff and prudently manage the capital and liquidity base of the Bank. As a result, I am pleased to report that BMEL achieved net profits of US$609k (2021: US$376k) after expected credit losses of US$116k (2021: US$123k).

The Bank's selective and sustainable growth strategy remains as we look to increase our assets portfolio and diversify our funding. In addition, the Board and the executive management remain focused on the impact of climate change on the Bank's business model to ensure a sustainable business in the future and the Bank's operational resilience.

As of 31 December 2022, our total assets were US$242m, an increase of 32% compared with 2021. However, due to a high portion of fixed-rate securities (41% of total assets) in an increasing interest rate environment, the Bank only booked a 4.3% increase in net interest income in 2022 (USD 3.7m in 2022 vs. USD 3.5m in 2021). The Bank continues to monitor the impact of higher interest rates on the portfolio and manage the interest rate risk exposure.

The Bank continued to manage its assets and liabilities to ensure the business was supported by the appropriate capital, funding, and liquidity resources; more details about the Bank's liquidity management are contained in Note 23 of the financial statements. The Bank continues to demonstrate sufficient capital resources to sustain the Bank's planned business activities.

The Board of BMEL has decided that no dividend will be declared for the year ended 2022.

In May 2022 and 14 March 2023, Mr. Mahendra Siregar and Mrs. Eka Fitria retired from the Board, respectively. On behalf of the Board, I would like to thank them for their significant contribution to the Bank as Chairman and Non-Executive Director, respectively, and to wish them every success in their future endeavours.

Finally, my sincere thanks to our customers and business counterparts for their support and custom over the past year, and to my fellow directors, the executive management, and, not least, the staff for their commitment and professionalism throughout the year.

Dian Triansyah Djani
Chairman

12 May 2023

Strategic Report

Principal activities and review of business

The Bank is an authorized UK Bank under the Banking Act 1987 and carries on international Corporate and Institutional Banking business, which includes the following activities:

(1) Trade Finance

(2) Inter-bank Deposits

(3) Current and Deposit Accounts

(4) Commercial Loan and Syndicated Loan

(5) Purchase of Investment Securities and Marketable Securities

The Chairman's Statement covers details of the Review of Business.

Principal risks and uncertainties

The Board, in conjunction with Senior Management of the Bank, has established comprehensive policies and procedures to manage and mitigate the risks and uncertainties facing the Bank. The ongoing implementation of such policies is monitored by Management and through an independent internal audit function provided by the parent company.

The Bank categorizes its principal risk into several different risks: credit risk, liquidity risk, interest rate risk, operational risk, and climate change risk.

- Credit Risk
  Credit risk arises from exposure to different counterparties, industries, and countries. Accordingly, the Bank uses a formal credit process to quantify and evaluate proposed credit risk and ensure appropriate returns for assuming risk. In addition, the Bank undertakes an ongoing review of the clients at least annually, so the Bank remains aware of counterparties' risk profiles.
  There is concentration risk across several dimensions, including Asia economies (79% of total exposure), reflecting the Bank business mandate, and sector concentration in banks (36% of total exposure). Other than banks, the Bank's largest sector exposure is to the sovereign (11% of total exposure), primarily being exposure to US Treasury for HQLA purposes. There are no non-performing loans at the end of 2022.

- Liquidity Risk
  Liquidity risk remains a key focus of the Bank as we have a limited customer deposit base. However, the Bank's funding sources are well diversified, and we continued to strengthen our liquidity through long-term funding. At the end of 2022, 24% of our financial liabilities have more than 1-year maturity. Appropriate risk measurement, monitoring, reporting, and internal limit are in place, and liquidity stress testing is undertaken against various scenarios.

- Market Risk
  Market risk includes interest rate risk and foreign exchange risk. The Bank has no trading activities. Therefore, the market risk mainly arises from a mismatch between banks' assets and liabilities. The Bank has strict limits for currency exposure and interest rate risk in the banking book, which Senior Management and the Asset and Liability Committee regularly monitor.

- Operational Risk
  Operational risk is when deficiencies in information systems or internal controls result in unexpected business, financial and operating losses. The Bank incurred no operational risk losses in 2022 despite the Bank continuing with a hybrid working schedule. Senior Management applies stringent procedures to mitigate the risk of error, fraud, money laundering, and other irregularities. In addition, robust disaster recovery procedures have been formulated and are tested on at least a yearly basis.

- Climate Change Risk
  Climate change risk arises from the physical impacts of climate change and the transition to a low-carbon economy, which can affect the Bank's financial performance and reputation. The Bank continues to develop its approach to managing and reporting climate risk in line with the guidance provided by its regulator and the parent bank.

More details about the principal risks and uncertainties the Bank faces and the mitigation thereof are contained in Note 23 of the Financial Statements.

Future developments

The Bank will continue exploring the trade finance business and building its securities and loan portfolio. It will also look to provide services to high-profile Indonesian – UK/European trade-related corporate customers, servicing their requirements in areas such as commercial borrowing, trade finance, forfeiting or bills discounting, and remittance services. In so doing, BMEL will also seek to enhance relations with the interbank market by diversifying its source of funds, thus seeking to strengthen its funding structure.

Going Concern

The financial statements are prepared on a going concern basis, as the Directors are satisfied that the Bank has sufficient resources to continue in business for the foreseeable future. In making this assessment, the Directors have considered future projections of profitability, liquidity, capital resources, and the Bank's risk profile.

Management has stress tested the Bank's capital requirements. This stress testing considers reasonably likely developments in the above risks, the Board's balance sheet management strategy, and the deteriorating market conditions. This stress testing has demonstrated that the Bank has an adequate capital buffer above the approved Individual Capital Guidance (ICG) to support the existing business and future plans. In addition, the Bank also stress-tested the liquidity position, which showed adequate liquidity to meet all of its funding and regulatory obligations.

The existing and potential effects of COVID-19 on the business of the Bank have been considered as part of the going concern analysis, including the impact on liquidity and capital, operational capacity, performance, and asset valuations.

Key performance indicators ('KPI')

The Board of Directors regularly monitors the Bank's progress against its strategic objectives. Progress is assessed by comparing financial measures with the Bank's strategy, budget plan, and historical performance.

As of 31 December 2022, the Bank had total assets of US$242 million, an increase of US$59 million compared to 31 December 2021. The Bank made a profit of US$609k after tax, compared to US$376k in the previous year.

Our operating model continues to align with the selective and sustained growth strategy. Despite the ongoing Covid-19 pandemic and the emergence of new and complex issues related to geopolitical tensions in Ukraine, we have achieved positive performance growth. This success can be attributed partly to the resiliency of Indonesia's economy, where most of our business is related.

	2022	**2021**
Return on average total shareholder equity	1.22%	0.71%
Return on assets	0.30%	0.23%
Cost efficiency	79.41%	69.60%
Yield on assets	3.32%	3.03%

Return on average total shareholder equity measures the return on the equity held in the business enabling management to benchmark against competitors.

Return on assets measures the return on average interest-earning assets.

Cost efficiency is a relative measure that indicates the consumption of resources in generating revenue. This is measured by dividing the total operating cost incurred to generate gross revenue.

Yield on assets measured the average interest rate on all interest-earning assets. This is calculated by dividing the gross interest income by the total interest-earning assets.

The Bank maintained good liquidity, stable funding, and sufficient capital during the year. Yield on assets measured the average interest rate on all interest-earning assets. This is calculated by dividing the gross interest income by the total interest-earning assets.

The Bank maintained good liquidity, stable funding, and sufficient capital during the year.

Disclosure under Section 172(1)

Under Section 172(1) of the Companies Act 2006, the Directors are required to describe how they consider a broad range of stakeholders when performing their duty to promote the success of the Bank and maintain transparency with the stakeholders. We have developed into a successful and profitable business, whose success is driven by focus on core values, a clear strategy and efforts to consider our stakeholders' interests throughout our decision-making process. In this statement we have detailed our key stakeholders, their importance to our business and how we have engaged with them throughout the year. We then provide examples of key decisions we have made in the year, describing how we considered stakeholders in these decisions and how the decisions will add long-term value.

Stakeholder engagement

We recognise and promote the importance of respectful business relationships with our stakeholders across all of our business lines, and we are committed to engaging with them to ensure we maintain long-term relationships and add long lasting value to the wider community in which we operate. Below we give examples of stakeholder engagement:

- **Employees**

  We place a great deal of faith in our employees and how they help drive the success of our business through their high levels of expertise and strong relationships with our customers and other external stakeholders. We aim to ensure our employees feel valued and appreciated while working for us. The Management and the Board of Directors engage with our employees through regular meetings and feedback sessions and through a structured appraisal process to help understand the needs of the employees. During the COVID-19 pandemic, the Bank provided all the staff members with the necessary requirements and training to ensure they could easily support their functions. In addition to this, there were regular meetings to discuss any hardships endured. The results allow us to analyze and identify areas needing improvement to increase commitment to and success of the Company and our customers. A particular and consistent area we have continued to focus on every year is training and development programs for staff to ensure we invest in and retain high-caliber employees by developing, supporting, and motivating them to perform well. Examples of such training include treating customers fairly and complying with General Data Protection Regulation.

- **Customers**

  Customers remain at the heart of our business. Our continuous interaction with customers via regular meetings shows a customer-focused strategy. This has allowed us to have a deep understanding of our customer's needs and values and allowed us to act upon the feedback they have given. This year we have continued to focus on providing fast solutions for our customers for business transactions between UK and Indonesia and adapting to their needs by automation of processes where possible and continuously investing in the training of our people.

- **Regulators**

  It is within the Bank's culture to promote high standards of conduct within the Bank and with all external parties. In particular, as directors of a regulated industry, adherence to all relevant aspects of regulation is critical to the Bank's business model. We and the relevant staff maintain awareness of this through engagement with regulators, industry bodies, and specialist advisors. This engagement is typically maintained through regulatory seminars, online forums, and round table events. This has allowed us to stay on top of the increasing regulatory requirements and ensure we operate to the standard required.

Key decisions

Our strategy is focused on long-term sustainable growth in selective business segments of the far east market under-served by large banks. The Bank is a wholly owned subsidiary of an Indonesian state-owned bank and is not subject to the distractions of short-term share price fluctuations in the public markets. We make careful decisions to maintain strategic focus, control costs, and ensure sufficient capital and liquidity. All the decisions are made to ensure we adhere to the regulatory context and the full range of stakeholders mentioned herein. The decision to explore and assist the potential business partnership between Indonesian and prospective UK and European companies willing to invest in Indonesia was taken to optimize and expand our customer base and staff experience. This will enable the Bank to diversify, take advantage of the segmented market, and allow staff to gain experience dealing with global customers, directly increasing staff motivation. During 2022, the following key decision was made and described how the Board considered the interest of its stakeholders while deliberating the decision.

- **Appointing of a Chairman.**
  a. Employees: The Board ensured that the incoming Chairman had a good understanding of the Bank’s culture to ensure that the employee’s requirements were met in line with the five-year strategy.
  b. Regulator: The Board considered the regulator in relation to the appointment of the new Chairman and informed them of their decision.
- **Refreshed five-year strategy.**
  a. Customers: The Board reviewed that the products being offered, and investment being made revolve around ease of doing business by customers.
  b. Employees: The Board understands, being a smaller organization, sometimes resources are stretched. Thus, it has reviewed and agreed to a plan to strengthen the infrastructure and technology investments to simplify and automate tasks wherever possible.
  c. Shareholder: The Board reviewed and ensured that the strategy included the balance between the requirement of return by the shareholder and the sustainability of the Bank in the long term.
  d. Regulators: The Board ensured that the plan was made within the regulatory requirement of the regulator in terms of capital and liquidity.

Financial risk management objectives.

Our strategic report sets our financial risk management objectives with our principal risks and uncertainties.

Climate change

We acknowledge the global importance of considering the potential impact of climate change on our business model and the Bank’s environmental impact. This drove our decision to continue developing our approach and embed climate change consideration into the Bank’s business model from a financial and environmental perspective, aligning it with the guidance from the regulator and the inter-group.

Director appointments

We are conscious that culture is filtered down from the top of an organization, and we recognize the importance of diversity across the Board of Directors and the Bank as a whole. Board composition has always been an important focus and motivated our decision to appoint one new Board member in the year, ensuring the Board continues to have a varied and balanced skill set that will support the growth and success of the Bank for all stakeholders.

Approved by the Board and signed on its behalf by

A J Joshi
Company Secretary
12 May 2023

Directors' Report

The Directors present their report and the audited financial statements for the year ended 31 December 2022.

The Bank's approach to business relationships and employee engagements is covered within the strategic report on pages 3 to 6.

Results and dividends

The profit on ordinary activities after tax for the year amounted to US$609,000 (2021: profit of US$376,000).

The Directors do not recommend the payment of a dividend (2021: nil).

Principal activities of the business

The strategic report on pages 3 to 6 contains details of the principal activities of the Bank and developments during the year, details of exposure to risks and uncertainties, and indications of likely future developments and any significant post-balance sheet events.

Directors

The details of the Directors who served during the year and up to the date of signing can be seen on page 1 of this report. During 2022 and to the date of this report, Directors and Officers indemnity insurance covers all the Board members from liabilities arising from the normal course of business. This insurance aims to provide financial protection for the Directors and Officers against the consequences of actual or alleged "wrongful acts" when acting in the scope of their duties.

Share Capital

The Bank's capital structure consists of fully paid ordinary share capital and retained earnings (as detailed in the Statement of Changes in Equity on page 21 of the financial statements).

Auditor

At the date of Board approval of this Report and Financial Statements for the year ended 31 December 2022, each of the Directors has confirmed that:

- as far as they are aware, there was no relevant audit information of which the Company's auditor was unaware; and
- they have taken all the steps necessary as a Director in order to make themselves aware of any relevant audit information and to establish that the auditor has been made aware of that information.

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

This the final year audit by Deloitte LLP and Ernest & Young LLP have expressed their willingness to take over as statutory auditor.

Post balance sheet events

The Directors are unaware of any other material events that have occurred since the end of the financial year to the date of signing this report that could impact the Bank's financial health.

Approved by the Board and signed on its behalf by

A J Joshi
Company Secretary
12 May 2023

Directors' Responsibilities Statement

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable laws and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". 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 accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a 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 sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the company's financial position, enabling them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the company's assets and taking reasonable steps to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BANK MANDIRI (EUROPE) LIMITED

Report on the audit of the financial statements

1. Opinion

In our opinion the financial statements of Bank Mandiri (Europe) Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 26.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matter that we identified in the current year was: • *Loan impairment provisions*

Materiality	The materiality that we used in the current year was $489,000 which was determined on the basis of 1% of *shareholder's funds.*
Scoping	*We have performed a full scope audit of the Company, executed at the level of materiality above.*
Significant changes in our approach	Given the increase in the syndicated lending balance in the period we have refined our key audit matter to the determination of the ECL on the syndicated lending portfolio and performed additional procedures over the associated impairment provision.

4. Conclusions relating to going concern

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

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included the following procedures:

- challenged the key judgements made by the directors in the going concern assessment, namely the future projections of profitability, liquidity, capital resources and the risk profile of the bank;
- read correspondence with regulators to understand their areas of focus and the bank's capital and liquidity requirements;
- supported by our prudential regulatory risk specialists, we read the most recent Internal Capital Adequacy Assessment Process ("ICAAP") and Internal Liquidity Adequacy Assessment Process ("ILAAP") submissions, assessed management's capital and liquidity projections, assessed the results of management's capital and liquidity stress testing;
- assessed the historical accuracy of forecasts prepared by management;
- evaluated the appropriateness of the company's disclosures related to going concern.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Loan impairment provisions

Key audit matter description	IFRS 9 Financial Instruments requires loan impairment provisions to be recognised on an expected credit loss (ECL) basis. The estimation of ECL provisions in the entity's loan portfolios is inherently uncertain and requires mangement judgement. We, therefore, consider this to be a key audit matter due to the risk of fraud or error in respect of the entity's ECL provision. Given the increase in the syndicated lending portfolio to $30.9m from $13.5m in 2021 there has been an increase the complexity in estimating ECLs and lead to an increase of from $31,930 to $137,320 in associated ECL. We identified the syndicated lending portfolio to be the loan portfolio which contained significant judgement and contains assumptions to which the overall ECL provision is more sensitive as set out in the accounting policies and critical accounting estimates in relation to the determination of the Loss Given Default ("LGD") on Note 2 on page [x]
How the scope of our audit responded to the key audit matter	We obtained an understanding of the relevant financial controls over the ECL provision with particular focus on controls over significant assumptions and judgements used in the ECL determination. To challenge the entity's determination of the ECL for the syndicated lending portfolio, we performed individual assessments for all material counterparties which included the follow procedures; • Independently obtained the external credit rating used to determine the probability of default; • inspected evidence of post-year end repayments being made by the counterparty; • inspected the legal charge over the collateral, used to determine the LGD, to assess that the entity had the rights to future cash flows from the collateral; • assessed the date of the last independent third-party valuation of the collateral; and • challenged the rationale for the haircuts applied to collateral by comparing these to external valuation reports where a forced sale valuation was provided.
Key observations	Based on the procedures performed, we determined that the ECL provision as at 31 December 2022 was reasonable. As set out in section 7.2 we identified control deficiencies and reported them to the audit committee.

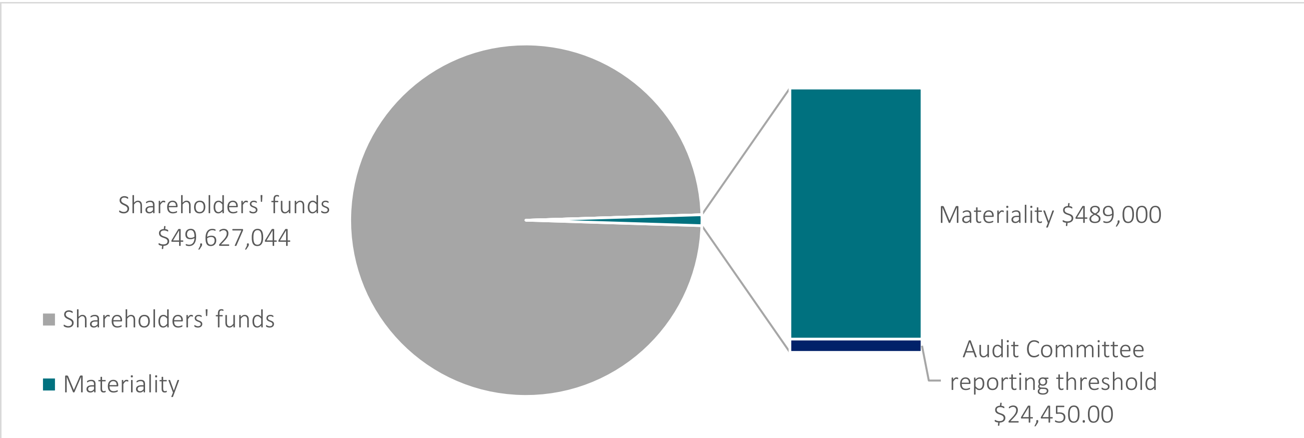
6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Materiality	$489,000 (2021: $1,560,000)
Basis for determining materiality	1% of Shareholders' funds. (2021: 3% of Shareholders' funds)
Rationale for the benchmark applied	Considering the company's limited activity and key stakeholders including the regulator and the parent company are focussed on solvency rather than profitability, we conclude that shareholder's funds appropriately reflects the nature of the business. We also considered using other possible income statement benchmarks. With consideration of indicative materialities from income statement benchmarks, we reduced the percentage applied to shareholders' equity from 3% to 1% to be more in line with these other benchmarks.



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 70% of materiality for the 2022 audit (2021: 70%). In determining performance materiality, we considered a number of factors, including: our understanding of the control environment; our understanding of the business; and the low number of uncorrected misstatements identified in the prior year.

Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of $24,450 (2021: $78,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Scoping

Our audit was scoped by obtaining an understanding of the entity and its environment, including internal control, and assessing the risks of material misstatement. The Company has no branches. We have performed a full scope audit of the Company, executed at the level of materiality above.

7.2. Our consideration of the control environment

We obtained an understanding of the entity and its control environment, including the IT environment and key business process.

Where deficiencies were identified in the control environment our risk assessment procedures included an assessment of those deficiencies to determine the impact on our audit plan. Where we were unable to identify or test mitigating controls, we adopted a non-controls reliance approach and performed additional substantive procedures. We identified several control deficiencies in relation to the estimation of the ECL on syndicated lending, financial reporting, and going concern and reported these to the audit committee.

7.3. Our consideration of climate-related risks

In planning our audit, we have considered the impact of climate change on the entity's operations and impact on its financial statements, through obtaining an understanding of management's process and controls in considering the impact of climate risk. Management have considered the potential impact of climate change on their business model and the Company's impact on the environment. The entity does not consider there to be a material impact on its judgements and estimates as at 31 December 2022.

We have read the climate related disclosure on page [47] and in note [2] and considered whether the disclosure was materially consistent with our knowledge and understanding of the bank and evidence obtained in the audit.

As part of our audit procedures we are required to read these disclosures to consider whether they are materially inconsistent with the Financial Statements or knowledge obtained in the audit and we did not identify any material inconsistencies as a result of these procedures.

8. Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of directors

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

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

10. Auditor's responsibilities for the audit of the financial statements

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

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the company's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, the directors and the audit committee about their own identification and assessment of the risks of irregularities, including those that are specific to the company's sector;
- any matters we identified having obtained and reviewed the company's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including regulatory specialists, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the relation to the determination of the loan impairment provisions. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the company operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included the company's regulatory solvency requirements, Prudential Regulation Authority and Financial Conduct Authority requirements and regulations which are fundamental to the company's ability to continue as a going concern.

11.2. Audit response to risks identified

As a result of performing the above, we identified loan impairment provisions key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the audit committee concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;

- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with the Financial Conduct Authority “FCA” and Prudential Regulation Authority “PRA”; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

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

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

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors’ report.

13. Matters on which we are required to report by exception

13.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, 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.

We have nothing to report in respect of these matters.

13.2. Directors’ remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors’ remuneration have not been made.

We have nothing to report in respect of this matter.

14.Other matters which we are required to address

14.1. Auditor tenure

Following the recommendation of the audit committee, we were appointed by the board of directors on 8 November 2012 to audit the financial statements for the year ending 31 December 2022 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 11 years, covering the years ending 31 December 2012 to 31 December 2022.

14.2. Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

15.Use of our report

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

Alexander Morton ACA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

12 May 2023

Profit and Loss Account

Year ended 31 December 2022

	Notes	2022 US$'000	2021 US$'000
Interest receivable	2	6,198	4,431
Interest payable	3	(2,546)	(928)
Net interest income		**3,652**	**3,503**
Fees and commissions receivable		205	246
Other operating income	4	472	90
Total operating income		**4,329**	**3,839**
Administrative expenses	5	(3,269)	(3,012)
Depreciation and amortisation	13 & 14	(168)	(230)
Loan impairment losses – charge		(116)	(123)
Profit on ordinary activities before tax	4	**776**	**474**
Tax charge	7	(167)	(98)
Profit on ordinary activities after tax		**609**	**376**

The profit above arises from continuing operations.

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

Statement of Comprehensive Income
Year ended 31 December 2022

	Notes	2022 US$'000	2021 US$'000
Profit for the financial year		609	376
Change in fair value of investments measured at FVTOCI	22	(3,384)	(938)
Current charge on FVTOCI transitional adjustment		-	-
Deferred tax credit on FVTOCI transitional adjustment		-	-
Deferred tax credit/ on FVTOCI financial instruments		-	178
Effects of changes in tax rate		-	(34)
Total comprehensive (loss)/income for the period		(2,775)	(418)

Balance Sheet

Year ended 31 December 2022

	Notes	2022 US$'000	2021 US$'000
Assets			
Cash and money at call and deposits with central banks		30,448	31,508
Loans and advances to banks	8	37,011	19,985
Loans and advances to customers	9	74,065	59,912
Debt securities	10	99,423	71,107
Tangible fixed assets	11	6	15
Intangible fixed assets	12	3	16
Right-of-use assets	13	499	37
Other assets, prepayments, and accrued income	14	442	776
Total assets	15	241,897	183,356
Liabilities			
Deposits from banks	16	172,796	113,533
Customer accounts	17	17,526	15,862
Other liabilities, accruals and deferred income	18	1,195	1,279
Lease liability	18 & 19	499	37
Current tax liability	18	167	69
Deferred tax liability	18	-	87
Total liabilities excluding shareholders' funds	15	192,183	130,867
Shareholders' funds			
Called up share capital	20	49,000	49,000
Capital reserve		11,496	11,496
Revaluation reserve	20	(2,959)	425
Profit and loss account		(7,823)	(8,432)
Total shareholders' funds - equity interests		49,714	52,489
Total liabilities and shareholders' funds		241,897	183,356

The financial statements of Bank Mandiri (Europe) Limited, registered number 3793679 were approved by the Board of Directors and authorised for issue on 12 May 2023 and are signed on its behalf by:

Mr Aries Syamsul Arifien
Chief Executive

The accompanying notes are an integral part of these financial statements

Statement of Change in Equity

Year ended 31 December 2022

	Notes	Total shareholders' funds US$'000	Share capital US$'000	Capital reserve US$'000	Revaluation reserve US$'000	Profit and (loss) US$'000
At 1 January 2022		**52,489**	**49,000**	**11,496**	**425**	**(8,432)**
Decrease in fair value of debt securities	20	(3,384)	-	-	(3,384)	-
UK corporation tax credit on fair value of financial instruments at FVTOCI		-	-	-	-	-
Profit for the year	PL	609	-	-	-	609
Total other comprehensive income for the year		(2,775)	-	-	(3,384)	609
At 31 December 2022		**49,714**	**49,000**	**11,496**	**(2,959)**	**(7,823)**

Description of Reserves

Share Capital - represents the nominal value of shares that have been issued.

Capital reserve - represents sale proceeds less carrying value of assets sold to fellow Group undertaking.

Revaluation reserve - represents accumulated gains/ (losses) on market revaluation of debt securities.

Profit & (Loss) - includes accumulated comprehensive income/loss for the yar and prior years.

Notes to the Financial Statements

Year ended 31 December 2022

1. Accounting policies

The accounting policies, all of which, unless specifically stated, have been consistently applied throughout the year, are detailed below:

General Information

The Company is incorporated in the United Kingdom. The Company is a private company limited by shares registered in England and Wales. The address of the Company's registered office is shown on page 1.

The nature of the Company's operations and its principal activities are set out in the strategic report on pages 3 to 6.

Basis of Preparation

These financial statements are prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" (FRS 101) and in accordance with applicable accounting standards. The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2022 and all figures are related to the UK.

The financial statements have been prepared on a going concern basis under the historical cost convention as modified by the revaluation of debt securities and other financial assets and in accordance with the Companies Act 2006 and applicable Accounting Standards in the United Kingdom.

The functional currency is considered US Dollars as this is the currency in which most loans are denominated and, therefore, considered the primary economic environment in which the Company operates. The conversion rate as of 31 December 2022 between US$/GBP was 1.2046 (2021: 1.3506), and the average US$/GBP rate for 2022 was 1.2302 (2021:1.3762). The Bank incurs all its operating expenses in GBP which are converted to US Dollars at the time of recognizing the expense to the Income statement.

Going Concern

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing financial statements. Further detail is contained in the Strategic Report on pages 3 to 6.

In assessing the Going Concern, the Directors have reviewed the Company's forecasts and projections, taking into account possible changes in trading performance, which show that the Company has sufficient financial resources in terms of liquidity and capital to continue for the foreseeable future.

Disclosure Exemptions

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to the presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, impairment of assets and related party transactions between two or more wholly-owned members of the group. Where required, equivalent disclosures are given in the accounts of PT Bank Mandiri (Persero) Tbk. The accounts of PT Bank Mandiri (Persero) Tbk are available to the public and can be obtained as set out in Note 24.

The following disclosure exemptions under FRS 101 have been considered and applied where deemed to be applicable:

- IAS 7 Statement of Cash Flows and related notes;
- reduced IAS 36 disclosures of impairment reviews;
- reduced IFRS 7 disclosures for financial instruments;
- reduced IFRS 13 disclosures relating to fair value measurement;

1. Accounting Policies (continued)

- IAS 24 related party disclosures for intra-group transactions and disclosure of key management compensation;
- reduced disclosure for IFRS 16 Leases.

Foreign Currencies

Transactions or accruals in foreign currencies other than the entity's functional currency are recorded in the profit and loss account at the exchange rate applicable on that date. Monetary assets and liabilities denominated in foreign currencies are translated into US Dollars at the rates of exchange prevailing as of each reporting date. Realized and unrealized foreign exchange gains and losses are recognized in the "other operating income" line item in the profit and loss account.

Tangible Fixed Assets and Intangible Assets

Fixed and Intangible assets are stated at cost less accumulated depreciation and accumulated impairment loss. Cost includes the asset's original purchase price and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation and amortization is provided at rates calculated to write off the cost less estimated residual value of each asset on a straight-line basis from the date of use over its estimated useful life as follows:

Leasehold Improvements	5 years
Computer Hardware and other equipment	3 years
Computer Software	3 years
Furniture,Fixtures and Fitttings	5 years

At each reporting date, the company reviews the carrying values of tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the asset's recoverable amount is estimated to determine the extent of the impairment loss (if any).

Pensions

The Bank offers its staff a money purchase arrangement under which it undertakes to pay a fixed percentage contribution based on the employee's gross salary. Payments to defined contribution retirement benefit schemes are charged to the Profit and Loss account as incurred.

Financial Instruments

Financial assets and financial liabilities are recognized when the Bank becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial Assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognized financial assets are subsequently measured in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

Date of Recognition

The purchase or sale of financial assets and liabilities that require the delivery of assets within the time frame generally established in the marketplace are recognized on the trade date, i.e., the date that the Bank commits to purchase or sell the assets.

1. Accounting Policies (continued)

Derecognition of Financial Assets and Financial Liabilities

A financial asset is derecognized where:

- the rights to receive cash flows from the asset have expired; or
- the Bank has transferred its right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party; and
- either (a) the Bank has transferred substantially all the risks and rewards of the asset, or (b) the Bank has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

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

Determination of Fair Value

The determination of fair values of financial instruments is based upon quoted market prices or dealer price quotations for financial instruments traded in active markets.

Classification of Financial Assets

Debt instruments that meet the following conditions are subsequently measured at amortized cost:

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

Debt instruments that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are subsequently measured at FVTPL.

Despite the previous, the Bank may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Bank may irrevocably designate a debt investment that meets the amortized cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (see (iii) below).

(i) Amortised cost and effective interest method

The effective interest method calculates the amortized cost of a debt instrument and allocates interest income over the relevant period.

For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs, and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortized cost of the debt instrument on initial recognition.

1. Accounting Policies (continued)

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

Interest income is recognized using the effective interest method for debt instruments measured subsequently at amortized cost and FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see (c) below).

For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Bank recognizes interest income by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit impaired.

Interest income is recognized in profit or loss.

(ii) Debt instruments classified as at FVTOCI

Listed redeemable notes held by the Bank are classified as at FVTOCI. Fair value is determined in the manner described in Note 22. The listed redeemable notes are initially measured at fair value plus transaction costs. Subsequently, changes in the carrying amount of these listed redeemable notes as a result of foreign exchange gains and losses (see below), impairment gains or losses (see below), and interest income calculated using the effective interest method (see (i) above) are recognized in profit or loss. The amounts recognized in profit or loss are the same as those that would have been recognized in profit or loss if these listed redeemable notes had been measured at amortized cost. All other changes in the carrying amount of these listed redeemable notes are recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. When these listed redeemable notes are derecognized, the cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss.

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI (see (i) to (ii) above) are measured at FVTPL. Specifically:

- Debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria (see (i) and (ii) above) are classified as FVTPL. In addition, debt instruments that meet either the amortized cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. The Bank has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss. The net gain or loss, if any, is recognized in profit or loss, includes any dividend or interest earned on the financial asset, and is included in the ‘other gains and losses’ line item.

1. Accounting Policies (continued)

Foreign Exchange Gains and Losses

The carrying amount of financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

- for financial assets measured at amortized cost that are not part of a designated hedging relationship, exchange differences are recognized in profit or loss in the ‘other operating income line item;
- for debt instruments measured at FVTOCI that are not part of a designated hedging relationship, exchange differences on the amortized cost of the debt instrument are recognized in profit or loss in the ‘other operating income’ line item. Other exchange differences are recognized in other comprehensive income in the revaluation reserve;
- for financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognized in profit or loss in the ‘other operating income’ line item; and
- for equity instruments measured at FVTOCI, exchange differences are recognized in other comprehensive income in the revaluation reserve.

Impairment of Financial Assets

The Bank recognizes a loss allowance for expected credit losses on investments in debt instruments measured at amortized cost or FVTOCI, amounts due from customers and financial markets. No impairment

loss is recognized for investments in equity instruments. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since the initial recognition of the respective financial instrument.

The expected credit losses on these financial assets are estimated using a provision matrix based on the Bank’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions, and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Bank recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Bank measures the loss allowance for that financial instrument at an amount equal to 12 months ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12 months ECL represents the portion of lifetime ECL expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Bank compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Bank considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the prospects of the industries in which the Bank’s debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think tanks, and other similar organizations, as well as consideration of various external sources of actual and forecast economic information that relates to the Bank’s core operations, namely the metal mining, food industry, telecommunications, and wholesale financial markets.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

1. Accounting Policies (continued)

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g., a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortized cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Bank presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due unless the Bank has reasonable and supportable information that demonstrates otherwise.

Despite the previous, the Bank assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term, and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

For loan commitments and financial guarantee contracts, the date that the Bank becomes a party to the irrevocable commitment is considered the date of initial recognition to assess the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since the initial recognition of a loan commitment, the Bank considers changes in the risk of a default occurring on the loan to which a loan commitment relates; for financial guarantee contracts, the Bank considers the changes in the risk that the specified debtor will default on the contract.

The Bank regularly monitors the effectiveness of the criteria used to identify whether credit risk has significantly increased. It revises them as appropriate to ensure that the criteria are capable of identifying a significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

The Bank considers the following as constituting an event of default for internal credit risk management purposes, as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Bank, in full (without taking into account any collaterals held by the Bank).

Irrespective of the above analysis, the Bank considers that default has occurred when a financial asset is more than 90 days past due unless the Bank has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on that financial asset's estimated future cash flows have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

1. Accounting Policies (continued)

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event (see (ii) above);
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

In the event that a financial asset is credit impaired they are classified as Stage 3 and the Company will no longer recognise interest income.

(iv) Write-off policy

The Bank writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g., when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Bank's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

(v) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e., the magnitude of the loss if there is a default), and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for loan commitments and financial guarantee contracts, the exposure includes the amount drawn down as of the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Bank's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Bank in accordance with the contract and all the cash flows that the Bank expects to receive, discounted at the original effective interest rate.

For a financial guarantee contract, as the Bank is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Bank expects to receive from the holder, the debtor, or any other party.

For undrawn loan commitments, the expected credit loss is the present value of the difference between the contractual cash flows due to the Bank if the holder of the loan commitment draws down the loan and the cash flows that the Bank expects to receive if the loan is drawn down.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are banked on the following basis:

- Nature of financial instruments (i.e., the Bank's trade receivables and amounts due from customers are each assessed on a separate basis. Loans to related parties are assessed for expected credit losses on an individual basis);
- Past-due status;
- Nature, size, and industry of debtors; and
- External credit ratings where available.

1. Accounting Policies (continued)

If the Bank has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Bank measures the loss allowance at an amount equal to 12 months ECL at the current reporting date.

The Bank recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

Cash and Cash Equivalents

Cash and money at call and deposits with central banks comprise cash in hand, and cash with banks and central banks. Other short-term investments are classified as loans and advances to banks.

Income Recognition

Interest income is recognized in the profit and loss account as it accrues using the effective interest rate specific to each loan. Once a loan has been written down as a result of an impairment loss, interest income is then recognized using the rate of interest used to discount the estimated future cash flows to measure the impairment loss.

Loan commitment fees for loans that are likely to be drawn down and other credit-related fees are deferred and recognized as an adjustment to the effective interest rate on the loan.

Taxation

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

Deferred Taxation

Deferred taxation is recognized in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or a right to pay less, tax in the future have occurred at the balance sheet date. Deferred tax is measured on an undiscounted basis at the tax rates expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognized only to the extent that the directors consider it more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing difference can be deducted.

Related Parties

The Bank has taken advantage of the exemption available in FRS 101 from disclosing transactions with related parties that are part of the Bank Mandiri Group, as consolidated financial statements are publicly available.

However, certain transactions with related parties are material to the financial statements; therefore, the details of these transactions have been disclosed in Note 25.

Critical Accounting Judgements

The Directors have identified one critical accounting judgement as listed below significant enough to warrant disclosure under IAS 1 – Presentation of Financial Statements.

- **Deferred Tax Asset**

  As a subsidiary Bank, we cannot reliably forecast for a period greater than five years. The Directors have reviewed the future amount of profits and concluded that the recognition of a deferred tax asset associated with utilized losses is therefore immaterial in the period and therefore has not been recognized. The utilized losses as of 31 December 2022 are set out in Note 7.

1. Accounting Policies (continued)

- **Climate Related Risks**

  In preparing the financial statements, the entity has considered the impact of climate-related risks on its financial position and performance. While the effects of climate change represent a source of uncertainty, the entity does not consider there to be a material impact on its judgements and estimates from the physical or transition risks in the short term. Accordingly, there is no significant risk of material adjustment of the carrying amounts of assets and liabilities within the next financial year as a result of climate change.

Key Sources of Estimation Uncertainty

In applying the Company's accounting policies, described in Note 1, the directors are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Accordingly, actual results may differ from these estimates.

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

The following are the accounting estimates that the directors have made in applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the financial statements.

- **Impairment allowances on loans and advances**

  Key estimates used by Management are as follows:

  (i) Loss Given Default (LGD)

  Loss-given-default is the percentage of the Exposure at Default "EAD" that the Bank will most probably lose if default occurs.

  Currently and for the foreseeable future the only collateral held by the Bank is cash held under legally binding set-off rights and corporate guarantees, including guarantees given by parent group of the borrower. Such rights crystallise only when default occurs and the collateral is applied, therefore, to the LGD of such exposures rather than the EAD.

  Management considers that the LGD is the key indicator for any loan defaults and hence has performed sensitivity analysis on the provision model. An increase in the LGD to 100%, would result in a loss of $772k as at end of the year.

Leased Assets and Liabilities

IFRS 16 defines a lease as a contract, or part of a contract, that conveys a right to use the asset for a period of time in exchange for consideration.

For any new contracts entered into on or after 1 January 2019, the Bank considers whether a contract is a lease or contains one. On determining whether a contract is a lease, the Bank assesses whether the contract meets the following criteria: The contract contains an identified asset that is either explicitly identified in the contract or implicitly specified at the point it is made available for use by the Bank, and the Bank has the right to obtain substantially all of the economic benefits from the use of the identified asset throughout the period of use.

Lease Term

The lease term begins on the commencement date and includes any rent-free or reduced periods. It comprises:

- the non-cancellable period of the lease;
- periods covered by an option to extend the lease if the Bank is reasonably certain to exercise that option; and
- periods covered by an option to terminate the lease if the Bank is reasonably certain not to exercise that option

1. Accounting Policies (continued)

Measurement and Recognition of Lease as Lessee

The Bank recognizes a right-of-use asset and a lease liability on the Balance Sheet on the lease commencement date.

The right-of-use is measured at cost, which is the sum of the initial measurement of the lessee liability, any initial direct costs incurred, an estimate of the costs of removal at the end of the lease, and any lease payments made in advance of the commencement date, less any incentives received.

The Bank depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the end of the useful life of the right-to-use asset or the end of the lease term, whichever is the earliest.

The Lease liability is the sum of the fixed payments from the commencement date, any certain variable payments, amounts expected to be payable under a residual value guarantee, termination penalties, and any payments arising from options reasonably certain to be exercised.

All the components of the lease liability are discounted on initial recognition to reflect the present value of the payments. The discount rate used is the Bank's incremental funding rate if this cannot be readily determined. The Bank's incremental funding rate represents what the Bank would have to pay to fund the obtainment of an asset of similar value to the right-of-use asset in a similar economic environment over a similar term.

Financial Liabilities

All financial liabilities are measured subsequently at amortized cost using the effective interest method or at FVTPL.

The effective interest method calculates the amortized cost of a financial liability and allocates interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs, and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized cost of a financial liability.

2. Interest Receivable

	2022 US$'000	2021 US$'000
Loans and advances to banks	585	52
Debt securities	3,308	2,627
Loans and advances to customers	2,305	1,752
	6,198	4,431

The interest income from financial assets at amortised cost is US$4,373,000 (2021: US$2,619,000) and interest income derived from financial assets held at FVTOCI is US$1,825,000 (2021: US$1,812,000)

3. Interest Payable

	2022 US$'000	2021 US$'000
Bank deposits	2,539	915
Interest cost on lease liabilities	7	13
	2,546	928

Due to banks - including amounts due to inter-group of US$1,331,000 (2021: US$136,000).

4. Profit on Ordinary Activities before Tax

The profit before tax is stated after charging/(crediting) the following:

	2022 US$'000	2021 US$'000
Auditor's remuneration - auditing of the financial statements	111	103
Depreciation	155	192
Amortisation of intangibles	13	38
Loss allowance on other financial assets measured at amortised cost	147	(79)
Loss allowance on debt investments measured at FVTOCI	(31)	(44)
Foreign exchange profit	(239)	(90)

5. Administrative Expenses

	2022 US$'000	2021 US$'000
Staff Costs:		
Wages and salaries	1,462	1,465
Social security costs	193	227
Pension costs (Note 21)	106	111
Other staff costs	347	291
Other administrative expenses	1,161	918
	3,269	3,012

Other administrative expenses mainly comprise payments to third party goods and services, rental expenses, and general insurance. The average monthly number of employees during the year ended 31 December 2022 was 13 (2021:13). All were employed in management, operations, and administrative roles and were UK based on permanent employment contracts.

6. Emoluments of Directors

	2022 US$'000	2021 US$'000
Directors' remuneration and other emoluments were:		
Directors' emoluments	420	705

There is no director accruing benefits under a money purchase pension scheme (2021: none). The emoluments of the highest paid director were US$ 354,000 (2021: US$ 517,000). No director received benefits in the form of pension contributions during 2022 or 2021. No shares were granted to directors as part of their emoluments.

7. Tax on Profit on Ordinary Activities

(a) Analysis of Charge for the Year

	2022 US$'000	2021 US$'000
Current Tax		
UK corporation tax on profit on ordinary activities	(110)	(69)
Adjustment prior year	-	1
Total current tax charge	(110)	(68)

(b) Deferred Tax

	2021 US$'000	2021 US$'000
Current Year		
UK corporation tax	(43)	-
Relating to origination and reversal of temporary differences	-	(44)
Effects of changes in tax rate	(14)	14
Total deferred tax charge	(57)	(30)

(c) Tax Included in Profit and Loss Account

	2021 US$'000	2021 US$'000
UK corporation tax	(167)	(98)
Total current tax charge	(167)	(98)

(d) Other Comprehensive Income items

Relating to origination and reversal of temporary differences	144	(144)
Total current tax credit /(charge)	144	(144)

7. Tax on Profit on Ordinary Activities (continued)

(e) Factors Affecting Total Tax Charge for the Years

	2022 US$'000	2021 US$'000
Profit on ordinary activities before tax	776	474
Corporation tax at 19.00% (2021: 19.00 %)	(147)	(90)
Effects of:		
Adjustment prior year	(2)	1
Tax rate changes	(14)	14
Movement in unrecognised deferred tax	(4)	(23)
Total tax charge for the year	(167)	(98)

(f) Deferred tax

Deferred Tax recognised:

	2022 US$'000	2021 US$'000
Deferred Tax (Assets) / Liabilities:		
Tax losses	-	(29)
Accelerated capital allowances	-	(6)
Available -for- sale reserve	-	144
IFRS 9 transitional adjustment	-	(22)
	-	87
Deferred Tax movements are:		
At 1 January	87	201
Origination and reversal of temporary differences	(87)	(135)
Effect of change in tax rate	-	21
At 31 December	-	87

Unrecognized Deferred Tax Assets (Gross)

	2022 US$'000	2021 US$'000
Deferred Tax Assets:		
Tax losses	(28,289)	(28,481)
	(28,289)	(28,481)

7. Tax on Profit on Ordinary Activities (continued)

Bank Mandiri (Europe) Limited has tax losses as of 31 December 2022 of $28,289,329 (2021: $28,481,190), all incurred before 31 March 2015. These tax losses are available indefinitely against future taxable profits. The amount of current-year taxable profits that can be relieved by unused tax losses incurred by 31 March 2015 is restricted to 25% of such profits. A deferred tax asset has not been recognized in respect of a partial amount of these gross losses of $28,289,329 as there is uncertainty as to whether there will be sufficient profits in the near future to fully utilize the losses.

(g) Factors that may affect future tax charges

The Finance Act 2021, enacted on 10 June 2021, increased the headline corporation tax rate from 19% to 25% on 1 April 2023. Deferred tax balances have been calculated at the rate at which the balances are expected to be settled, based on tax rates that have been substantively enacted at the balance sheet date.

8. Loans and Advances to Banks

	2022 US$'000	2021 US$'000
Interest bearing unsecured loans maturity within three months or less	37,011	19,985
	37,011	19,985

9. Loans and Advances to Customers

	2022 US$'000	2021 US$'000
Remaining maturity:		
Repayable on demand or short notice	40	43
Three months or less (excluding demand or at short notice)	38,881	39,457
Between three months and one year	4,097	17,901
Between one year and five years	31,184	2,560
Less expected credit loss	(137)	(49)
	74,065	59,912

The Bank derives and manages its loan portfolio in a risk-averse manner. The Directors have agreed that the customer portfolio will comprise principally of short-term self-liquidating trade finance exposures and medium-term syndicated loans. The loans and advances to customers after expected credit loss provisions of US$74 million (2021: US$60 million) comprise US$43 million of trade finance exposures (2021: US$46 million).

10. Debt Securities

	FVTOCI	
	2022	**2021**
	US$'000	**US$'000**
Investment securities		
Issued by public bodies - government securities	18,205	24,596
Pledged as collateral	8,930	8,796
Other debt securities – banks/corporates	26,631	27,515
	53,766	60,907
Investment securities		
Listed	53,766	60,907
Remaining maturity:		
Less than one year	9,761	10,999
Between one year and five years	44,005	49,908
Over five years	-	-
	53,766	60,907

	2022	**2021**
	US$'000	**US$'000**
Valuation		
Fixed rate notes	53,766	60,907

Fixed-rate securities are purchased to comply with the regulatory liquidity requirements and provide an even flow of fixed-rate interest receipts.

The loss allowance for the corporate bonds measured at FVTOCI is recognized in other comprehensive income. The movement in loss allowance is disclosed in Note 23.

Debt securities with a carrying amount of US$8.930 million (2021 US$8.796 million) have been pledged to secure the borrowings. The Bank is not allowed to pledge these assets as security for other borrowings or to sell them to another entity, and the Bank receives the cash flows from these securities.

	Held at Amortised cost	
	2022	**2021**
	US$'000	**US$'000**
Investment securities		
Listed debt securities – banks/corporate	45,657	10,200
Remaining maturity:		
Between one year and five years	45,657	10,200
	45,657	10,200

Fixed rate securities are purchased with the purpose to provide an even flow of fixed rate contractual interest receipts.

Market value of held to amortised cost investments as at 31 December 2022 is US$43,553,455 (2021:US$10,492,709).

11. Tangible Fixed Assets

	Leasehold Improvements US$'000	Computer Hardware and Other Equipment US$'000	Furniture fixtures and fittings US$'000	Total US$'000
Cost				
Balance as at 1 January 2022	676	290	287	1,253
Additions	-	4	-	4
At 31 December 2022	676	294	287	1,257
Accumulated depreciation				
At 1 January 2022	676	276	287	1,239
Charge for the year	-	12	-	12
At 31 December 2022	676	288	287	1,251
Net book value				
At 31 December 2022	-	6	-	6
At 31 December 2021	-	15	-	15

12. Intangibles

	Computer Software US$'000
Cost	
Balance as at 1 January 2022	888
Additions	-
At 31 December 2022	888
Accumulated amortisation	
At 1 January 2022	872
Charge for the year	13
At 31 December 2022	885
Net book value	
At 31 December 2022	3
At 31 December 2021	16

13. Right-of-Use Assets

	Right-of-use assets US$'000
Cost	
Balance as at 1 January 2022	504
Additions	633
Disposal	(504)
F/X translation difference	(27)
At 31 December 2022	606
Accumulated depreciation	
At 1 January 2022	467
Charge for the year	143
Disposal	(504)
F/X translation difference	1
At 31 December 2021	107
Net book value	
At 31 December 2022	499
At 31 December 2021	37

There has been no impairment recognized in the Right-of-use asset. The total cash outflow associated with the lease for the year was £121,406 (2021: £121,406). The lease period on the Right-of-use asset expires in September 2026.

14. Other Assets, Prepayments and Accrued Income

	2022 US$'000	2021 US$'000
Prepaid expenses	68	135
Other receivables	374	641
	442	776

15. Denomination of Assets and Liabilities

Denomination of assets and liabilities	2022 US$'000	2021 US$'000
Denominated in US dollars	231,750	176,479
Denominated in Euro	5,245	3,224
Denominated in GBP	4,900	3,625
Denominated in other currencies	2	28
Total assets	241,897	183,356

15. Denomination of Assets and Liabilities (continued)

	2022 US$'000	2021 US$'000
Denominated in US dollars	182,773	124,045
Denominated in Euro	4,584	3,897
Denominated in GBP	4,826	2,925
Total liabilities excluding capital and other reserves	192,183	130,867

16. Deposits from Banks

With agreed maturity dates or periods of notice, by remaining maturity of:

	2022 US$'000	2021 US$'000
Repayable on demand	25,576	12,447
Three months or less	35,181	5,924
Between three months and one year	65,326	85,158
Between one and five years	46,713	10,004
	172,796	113,533

Amounts include funding received from inter-group companies:

	2022 US$'000	2021 US$'000
Due to inter-group companies	91,142	60,025

17. Customer Accounts

Repayable on demand and non-interest bearing

	2022 US$'000	2021 US$'000
Deposits	17,526	15,862

18. Other Liabilities Accruals and Deferred Income

	2022 US$'000	2021 US$'000
Accrued expenses payable	1,195	1,279
Current tax liability	167	69
Deferred tax liability	-	87
Lease liability	499	37
	1,861	1,472

19. Lease Liability

As at the balance sheet date, the entity had outstanding commitments for future minimum lease payments in GBP converted to USD using year end rate @1.2046 under non-cancellable lease, which fall due as follows:

	2022 US$'000	2021 US$'000
Lease Commitments:		
Less than one year	96	37
Between two and five years	403	-
	499	37

20. Called-up Share Capital

	2022 US$'000	2021 US$'000
Authorised, issued, allotted, and fully paid		
49,000,000 ordinary shares of US$1 each and 2 subscription shares of £1 each*	49,000	49,000

*The 2 subscription shares of £1 each were translated at the exchange rate on the date of issuance.

Revaluation Reserve

The revaluation reserve represents the cumulative gains and losses arising on the revaluation of debt instruments classified as FVTOCI, excluding cumulative loss allowance on these investments and cumulative gain/loss reclassified to profit and loss upon disposal or reclassification of these investments.

	2022 US$'000	2021 US$'000
Balance as at 1 January	425	1,219
Fair value loss arising during the period	(3,384)	(938)
Income tax relating to gain arising during the period	-	144
Balance as at 31 December	**(2,959)**	**425**

21. Pensions

The Bank provides each of its employees with an individual money purchase pension arrangement which is administered by the Standard Life Assurance Company. The sums allocated into each individual's pension fund are paid on a monthly basis. The cost of the contributions to the money purchased pension scheme amount to US$106,000 for 2022 (2021: US$111,000) and represents contributions payable to these schemes by the Company at rates specified in the rules of the plans.

22. Financial Instruments

Fair Value of Financial Assets and Liabilities

	Carrying Amount		Fair Value	
	2022	2021	2022	2021
	US$'000	US$'000	US$'000	US$'000
Financial Assets at Amortised Cost				
Debt securities	45,657	10,200	43,533	10,493
Loans and advances	99,423	99,423	71,107	71,107
Financial assets at FVTOCI				
Financial instruments at FVTOCI	53,766	60,907	53,766	60,907

The carrying value of other financial instruments recorded in the financial statements at amortized cost approximates to their fair value (Level three). Fair values are based upon market prices where there is a market or on the effects on fair values of fixed rate assets and liabilities in changes of interest rates and credit risk. Assets and liabilities not measured at fair value in the financial statements but for which the fair value is disclosed are level three fair value measurements.

Fair Value Hierarchy

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

Level 1: quoted (unadjusted) prices in active markets for identical assets and liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data. Fair values for which any one or more significant input is not based on observable market data and the unobservable inputs have a significant effect on the instrument's fair value. Management judgement and estimation are usually required for the selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instruments being valued, determination of the probability of counterparty default and prepayments.

During the reporting period ended 31 December 2022, there were no transfers between level 1 and level 2 fair value measurements, and no transfers into and out of the level 3 fair value measurements.

As at 31 December 2022, the company held the following financial instruments measured at fair value:

	2022	Level 1	Level 2	Level 3
	US$'000	US$'000	US$'000	US$'000
Assets measured at fair value				
Financial assets at FVTOCI				
Financial instruments at FVTOCI	53,766	53,766	-	-

As at 31 December 2022, the company held the following financial instruments measured at fair value:

	2021 US$'000	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000
Assets measured at fair value				
Financial assets at FVTOCI				
Financial instruments at FVTOCI	60,907	60,907	-	-

The fair value of debt securities carried at amortized cost disclosed on page 41 consists of US$43,553,455 (2021: US$10,492,709) level 1 securities. Fair value of any other financial assets or liabilities not disclosed separately is since the carrying amount approximates the fair value.

23. Risk Management

The Bank has adopted a governance framework in line with the corporate governance practices commonly adopted by other UK financial institutions. The Board is assisted by its sub-committees, the Audit & Risk Management Committee, and follows Mandiri Group's overall risk management framework. The Board has delegated responsibility for the day-to-day management of the Bank to the Chief Executive Officer, supported by the Management Committee, the Credit Committee, and the Asset Liability Management Committee (ALCO).

The Bank recognizes that effective risk management is critical to maintaining the trust and confidence of our customers, stakeholders, and regulators. As such, the Bank has established a robust risk management framework designed to identify, measure, monitor, and control the various types of risks the Bank's face in its business activities.

The fundamental principle underlying the Bank risk management framework are as follows:

1. Board oversight: the Board of Directors has ultimate responsibility for the risks assumed by the Bank. The Board oversees the Bank's risk management framework's development, implementation, and effectiveness and ensures it is aligned with strategic objectives and risk appetite.
2. Policies and procedures: the Bank has established a set of policies and procedures that govern the Bank's risk in its business activities. These policies and procedures are reviewed and updated regularly to ensure they remain effective in the face of evolving risks.
3. Risk culture: the Bank promote a risk-aware culture throughout our organization and provide ongoing support to employees to ensure they understand their roles and responsibilities in managing risk.
4. Independent risk oversight: the Bank has established an independent risk unit to evaluate, monitor, and report on risks.
5. Continuous improvement: the Bank continuously monitors and evaluates the risk management framework to ensure it remains effective despite evolving risks. We regularly review and enhance our policies, processes, and procedures to ensure they remain relevant and aligned with strategic objectives and risk appetite.

As part of the implementation of a Risk Management framework, the Bank has developed a risk appetite statement based on its strategy, an examination of best practices, and the risk appetite statement of the Parent. The Board has reviewed and approved the risk appetite statement annually, which governs the Bank's limit.

The critical material risks of the Bank's financial instrument include credit risk (including concentration risk), market risk (interest rate risk in the banking book and currency risks), and liquidity risk. The approach adopted by the management to manage the key risks facing the Bank is outlined below.

23. Risk Management (continued)

(A) Market Risk

Market risk is the risk of financial loss arising from adverse market price or rate changes. Market risk can arise from various sources, including changes in interest rates, foreign exchange rates, equity prices, commodity prices, and credit spreads. These changes can impact the value of financial instruments, such as stocks, bonds, loans, and derivatives, held or traded by the Bank. The Bank's key policies in managing market risk are the Treasury policy.

Market risk is an inherent part of the Bank's business activities. As the Bank does not engage in proprietary trading, the market risk source mainly comes from its investment, funding, and operational activities. The key market risk that the Bank expose to is related to:

1. Interest Rate Risk

The Bank faces interest rate risk, which refers to the potential loss resulting from changes in interest rates. Interest income and expense on interest-sensitive assets and liabilities are affected by changes in interest rates. Moreover, changes in interest rates impact the value of the investment portfolio, the underlying value of the Bank's other assets and liabilities, and off-balance sheet instruments, as the present value of future cash flows changes.

The Bank uses a re-pricing gap to measure interest rate risk and estimates net interest income sensitivity to interest rate changes across different currencies. This sensitivity is calculated using a scenario of a 100 and a 200 basis points adverse change in the interest rate level. The Bank monitors the utilization of the various

As at 31 December 2022, interest rate risk comprised:

Category of asset/liability	Less than 3 months US$'000	3 months to 6 months US$'000	6 months to 1 year US$'000	1 year to 5 years US$'000	Non-int. bearing US$'000	Total US$'000
Cash and money at call and deposits with central banks	-	-	-	-	30,448	30,448
Loans and advances to banks	37,011	-	-	-	-	37,011
Loans and advances to Customers	61,290	12,775	-	-	-	74,065
Debt securities	-	-	9,761	89,662	-	99,423
Other assets	-	-	-	-	950	950
Total assets	98,301	12,775	9,761	89,662	31,398	241,897

23. Risk Management (continued)

Category of asset/liability	Less than 3 months US$'000	3 months to 6 months US$'000	6 months to 1 year US$'000	1 year to 5 years US$'000	Non-int. bearing US$'000	Total US$'000
Customer accounts	-	-	-	-	17,526	17,526
Shareholders' funds	-	-	-	-	49,714	49,714
Other liabilities	-	-	-	-	1,861	1,861
Total liabilities & shareholders' funds	90,346	-	16,391	40,483	94,677	241,897
Gap	7,955	12,775	(6,630)	49,179		
Cumulative gap	7,955	20,730	14,100	63,279		
Effects on profit & equity						
Interest rate risk -1%	(80)	(207)	(141)	(633)	-	(1,061)
Interest rate risk +2%	159	415	282	1,266	-	2,122

As at 31 December 2021, interest rate risk comprised:

Category of asset/liability	Less than 3 months US$'000	3 months to 6 months US$'000	6 months to 1 year US$'000	1 year to 5 years US$'000	Non-int. bearing US$'000	Total US$'000
Cash and money at call and deposits with central banks	-	-	-	-	31,508	31,508
Loans and advances to banks	19,985	-	-	-	-	19,985
Loans and advances to Customers	39,500	6827	11,025	2,560	-	59,912
Debt securities	-	1021	9,978	60,108	-	71,107
Other assets	-	-	-	-	844	844
Total assets	59,485	7,848	21,003	62,668	32,352	183,356

23. Risk Management (continued)

Category of asset/liability	Less than 3 months US$'000	3 months to 6 months US$'000	6 months to 1 year US$'000	1 year to 5 years US$'000	Non-int. bearing US$'000	Total US$'000
Customer accounts	-	-	-	-	15,862	15,862
Shareholders' funds	-	-	-	-	52,489	52,489
Other liabilities	-	-	-	-	1,472	1,472
Total liabilities & shareholders' funds	5,924	60,158	25,000	10,004	82,270	183,356
Gap	53,561	(52,310)	(3,997)	52,664		
Cumulative gap	53,561	1,251	(2,746)	49,918		
Effects on profit & equity						
Interest rate risk -1%	(536)	(13)	27	(499)		(1,021)
Interest rate risk +2%	1,072	25	(55)	998		2,040

2. Currency risk

This risk arises due to positions in non-US Dollar-denominated currencies, which derive from assets and liabilities in those currencies and customer transactions. The Bank does not actively trade in the foreign exchange markets on its own account, and where possible, the Bank matches its customer currency transactions. Therefore, the primary exposure to currency risk comes from operational expenses that are mostly GBP.

Currency risk is managed within the Treasury function following approved position limits. The currency exposure at the end of the year is presented in Note 15.

(B) Liquidity risk

Liquidity risk arises from mismatches in inflows and outflows in cash. The liquidity risk management process ensures that the Bank can honour all its financial commitments as they fall due. As approved by the Board, the Bank's key policies for managing liquidity risk are the Internal Liquidity Adequacy Assessment Process (ILAAP) and the Liquidity policy. Liquidity is monitored daily through reports provided to Senior Management against appropriate limits set by the Board of Directors with reference to regulatory requirements. In addition, the Asset and Liability Committee and the Audit and Risk Management Committee review the liquidity position periodically.

The Bank monitors and manages its overall liquidity risk appetite by ensuring it maintains a liquidity coverage ratio above regulatory requirements by having adequate liquid assets for projected stressed outflows under various scenarios. The Bank mitigates the risk of a liquidity mismatch by managing the liquidity profile of the balance sheet through both short-term liquidity management and a long-term funding strategy. Short-term liquidity management relates to funding in a less than one-year time horizon. Longer-term funding is used to manage the Bank's strategic liquidity profile, which is determined by the Bank's balance sheet structure. The Bank also prepares dynamic cash flow reports, which in addition to scheduled cash flows, also consider the liquidity requirements of incremental business and the funding thereof.

23. Risk Management (continued)

The table below summarises the maturity profile of the Bank's financial liabilities as at 31 December 2022 and 2021 based on contractual undiscounted repayment obligations. Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Bank expects that many customers will not request repayment on the earliest date as the majority of the total financial liabilities of US$192 million below are payable to fellow Bank undertakings. Therefore, the table below does not reflect the expected cash flows indicated by the Bank's deposit retention history.

	Carrying amount US$'000	Gross cash flow US$'000	On demand US$'000	Less than 3 months US$'000	3 to 12 months US$'000	1 to 5 years US$'000
As at 31 December 2022						
Due to banks	171,802	172,796	25,576	35,180	65,327	46,713
Customer accounts	17,526	15,862	15,862	-	-	-
Other financial liabilities	1,861	1,861	1,861	-	-	-
Total financial liabilities	191,189	190,519	43,299	35,180	65,327	46,713
As at 31 December 2021						
Due to banks	113,533	114,091	12,447	-	91,336	10,308
Customer accounts	15,862	15,862	15,862	-	-	-
Other financial liabilities	1,472	1,472	1,472	-	-	-
Total financial liabilities	130,867	131,425	29,781	-	91,336	10,308

(C) Credit Risk

Credit risk is the risk of losses arising from the Bank's borrowers or market counterparties failing to meet obligations under a contract. The Credit Risk Policy governs credit risk-related aspects and describes the principles that underpin and drive the Bank's approach to credit risk management and the systems and processes through which they are implemented and administered.

The Bank ensures that there is an independent challenge of credit proposals by adopting a two-stage process whereby the business development unit or the treasury & financial institution unit assesses and proposes a transaction or limit, and this proposal is then reviewed independently and evaluated by a risk unit. The credit proposal is presented to the credit committee for approval, and the board should approve credit facilities above a certain amount.

The borrower/counterparty risk is evaluated by considering the following:

• The financial position of the borrower by analysing the quality of its financial statements, its past financial performance, and its cash flow adequacy

• The borrower's relative market position and operating efficiency

• The quality of management by analysing its track record

Credit quality is monitored continuously but can also be triggered by any material credit event coming to the Bank's notice through primary or secondary sources. The business development unit, treasury and financial institution unit, and risk unit focus on monitors developments in the Bank's portfolio through the early warning indicators to identify potential vulnerabilities.

23. Risk management (continued)

From time to time the Bank takes collateral to mitigate credit or transactional risks. The taking of collateral as security is governed by detailed policies and procedures and where necessary, the security is registered and perfected in the relevant jurisdictions using legal counsel. Other credit mitigants that the Bank considers when assessing a credit facility are personal and corporate guarantees, fixed and floating charges over the assets of the borrower and mortgages on real estate properties. These credit mitigants were not assigned a value as at the year end as this value cannot be measured reliably.

The table below shows the maximum exposure to credit risk for the components of the balance sheet. The maximum exposure is shown gross, before the effect of mitigation through use of master netting agreements and collateral agreements.

		Gross maximum exposure		Net maximum exposure	
	Notes	**2022 US$'000**	**2021 US$'000**	**2022 US$'000**	**2021 US$'000**
Cash and money at call and deposits with central banks		30,448	31,508	30,448	31,508
Loans and advances to banks	[10]	37,011	19,985	37,011	19,985
Loans and advances to customers *	[11]	74,065	59,912	38,923	25,574
Debt securities	[12]	99,423	71,107	99,423	71,107
Other assets prepayments and accrued income	[16]	442	776	442	776
Total		241,389	183,288	206,247	148,950

*Loans and advances to customers includes US$42,978k (2021: US$34,388k) of UPAS transactions with customers of fellow Bank companies (see Note 25). These transactions are funded by interbank cash deposits and a set-off agreement against the cash deposit that is in place which can be utilised in the event of default. The net maximum exposure for loans and advances to customers in the table above is presented after the netting of interbank deposits against these transactions. In addition to this, letter of credit issued as at 31 December were fully cash collaterlised, hence the net exposure has been reflected above.

The Bank's current credit risk grading framework comprises the following categories:

Stage	Category	Description	Basis for recognising expected credit losses (ECL)
Stage 1	Performing	The counterparty has a low risk of default and does not have any past-due amounts	Stage 1 – a 12-month ECL allowance is recognised where there is no significant increase in credit risk (SICR) since initial recognition
Stage 2	Doubtful	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition	Stage 2 – a lifetime ECL allowance is recognised for assets where a SICR is identified since initial recognition. The assessment of whether credit risk has increased significantly since initial recognition is performed for each reporting period for the life of the loan
Stage 3	In default	Amount is >90 days past due or there is evidence indicating the asset is credit-impaired	Stage 3 – requires objective evidence that an asset is credit impaired, at which point a lifetime ECL allowance is recognised.
	Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Bank has no realistic prospect of recovery	The full amount is written off

All exposure as at 31 December 2022 and 2021 is included within the performing group**.**

23. Risk management (continued)

Risk concentrations of the maximum exposure to credit risk

Concentration of risk is managed by client/counterparty, by geographical region and industry sector. The maximum credit exposure to any non-bank client during the year has been within the prescribed Large Exposure limit set by the PRA and HM Treasury before taking into account of collateral held.

The Bank's financial assets, before taking into account any collateral held, other credit enhancements or impairment allowances can be analysed by the following geographical regions based on the location of the customer:

	2022 US$'000	2021 US$'000
United Kingdom	5,894	17,105
Europe	4,039	12,938
Asia	191,267	118,089
North America	40,189	35,156
Total	241,389	183,288

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

	2022 US$'000	2021 US$'000
Bank	85,735	69,170
Sovereign	27,543	18,271
Telecommunications	1,868	2,568
Energy	11,814	4,880
Metal & Mining	32,884	11,979
Transportation & Port Authorities	18,805	4,951
Food Industry	2,096	3,061
Other	18,531	3,267
Manufacturer of textile	5,832	181
Manufacturer of paper and paper products	9,377	31,399
Electrical goods	8,426	267
Oil Industry	13,956	22,310
Poultry	4,522	-
Property Management	-	10,984
Total	241,389	183,288

23. Risk management (continued)

Credit quality per class of financial assets:

31 December 2022	Neither past due nor impaired US$'000	12 - month ECL US$'000	Total US$'000
Due from banks			
Investment grade (rated Baa3- or above by Moody's)	67,465	(6)	67,459
Debt securities			
Investment grade (rated Baa3- or above by Moody's)	73,417	(76)	73,341
Sub-investment grade (rated BBB- or above by Moody's)	26,230	(148)	26,082
Loans and advances to customers			
Unrated	74,202	(137)	74,065
Other assets			
Unrated	442	-	442
Total	241,756	(367)	241,389

31 December 2021			
Due from banks			
Investment grade (rated Baa3- or above by Moody's)	51,513	(20)	51,493
Debt securities			
Investment grade (rated Baa3- or above by Moody's)	51,166	(25)	51,141
Sub-investment grade (rated BBB- or above by Moody's)	20,123	(157)	19,966
Loans and advances to customers			
Unrated	59,961	(49)	59,912
Other assets			
Unrated	776	-	776
Total	183,539	(251)	183,288

Changes in the Loss Allowance

	12- Month ECL (US$'000)
At 1 January 2022	251
Originations	304
Repayments	(188)
At 31 December 2022	**367**

23. Risk management (continued)

	12- Month ECL (US$'000)
At 1 January 2020	128
Originations	193
Repayments	(70)
At 31 December 2021	**251**

24. Ultimate Parent Company

PT Bank Mandiri (Persero) Tbk, a part government owned bank incorporated in the Republic of Indonesia, is the immediate and ultimate parent, and the ultimate controlling party of the Bank.

The registered address is:

Plaza Mandiri
JL. Gatot Subroto Kav 36-38
Jakarta 12190
Indonesia

The smallest and largest bank in which the results of the Bank are consolidated is that headed by PT Bank Mandiri (Persero) Tbk. The consolidated financial statements of PT Bank Mandiri (Persero) Tbk are available to the public at its registered office.

25. Related Parties

The banking transactions with related parties are executed on the same terms, including interest rates (deposit/advances) as those prevailing at the time for comparable transactions with unrelated parties. The details of the transactions are as listed below.

Custodian Fee

The parent company acts as the custodian for the Bank and earns a custodian fee for its services. However, the amount is not considered material.

Usance payable at sight ("UPAS") transactions with the parent company

Usance Payable at Sight "UPAS" transactions are advances given to customers against letters of credit issued by other banking institutions. During the year UPAS transactions were entered into with customers of our parent company. At the year-end, the outstanding balance of these transactions was US$42.97 million (2021: US$34.8 million) all of which have full recourse against our parent company and for which a set-off agreement is in place.

Borrowings/deposits from immediate parent and connected counterparties:

	2022 US$'000	**2021 US$'000**
PT Bank Mandiri (Persero) Tbk.	91,142	62,472

Financial assets with immediate parent and connected counterparties:

	2022 US$'000	**2021 US$'000**
PT Bank Mandiri (Persero) Tbk.	75	101

25. Related Parties (continued)

	2022 US$'000	2021 US$'000
Interest Receivable: PT Bank Mandiri (Persero) Tbk.	284	44
Interest Expenses: PT Bank Mandiri (Persero) Tbk.	566	136

26. Post Balance Sheet Events

There have been no material post-balance sheet events which would require adjustments to the 2022 financial statements.