



Bank Mandiri (Europe) Limited

Annual Report and Financial Statement

For the year ended 31 December 2023

Company Registration No: 3793679

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Company Information

Directors

Mr Aries Syamsul Arifien	(Chief Executive)	
Mr Dian Triansyah Djani	(Chairman)	
Mr Geoffrey McDonald	(Non-Executive Director)	
Ms Venda Yuniarti	(Non-Executive Director)	(appointed 14 August 2023)
Mrs Eka Fitria	(Non-Executive Director)	(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

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Bankers

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Bank of America NA
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New York 10038
United States

Independent Auditor

Ernst & Young LLP
25 Churchill Place
Canary Wharf
LONDON E14 5EY

Chairman's Statement

On behalf of the Board of Directors, it is my pleasure to present the 2023 annual report and audited financial statements of Bank Mandiri (Europe) Limited ("BMEL"), a wholly-owned subsidiary of PT Bank Mandiri (Persero) Tbk, Indonesia.

During 2023, central banks continued raising interest rates to lower inflation to target levels. Whether interest rates have peaked and will now be cut remains to be seen as central banks seek to avoid tipping their economies into recession. Geopolitical tensions have only added to this challenge. Against this background, and with the support of our parent bank, BMEL has continued to grow its balance sheet in a sustainable manner and to manage its capital, funding and liquidity prudently. As a result, I am pleased to report that BMEL achieved net profits of US\$839k (2022 US\$609k) after provision for expected credit losses of US\$427k (2022 US\$116k). However, the Board of BMEL has decided no dividend will be declared for the year ended 31 December 2023.

The Board and the executive management remain focused on managing BMEL for all stakeholders and have sought to continue to improve their governance and risk management. During 2023, improvements were made to BMEL's IT security, given the ongoing threat to cyber security and the need for operational resilience.

A key objective for 2023 was to manage BMEL's balance sheet in an increasing interest rate environment. I am pleased to report that the net interest margin increased by US\$733k in 2023 (2022 US\$149k) with a greater focus on increasing the amount of loans booked at variable rates compared to fixed-rate securities. As of 31 December 2023, our total assets were US\$260m, an increase of 7.3% compared with 2022, with loans accounting for 33.68% of earning assets (2022- 30.62%).

BMEL continued to manage its assets and liabilities to ensure the business was supported by the appropriate capital, funding, and liquidity resources; more details about BMEL's liquidity management are contained in Note 23.2 of the financial statements. BMEL continues to demonstrate sufficient capital resources to sustain its planned business activities.

In August 2023, we welcomed Ms Venda Yuniarti to the Board as Non-Executive Director.

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 of BMEL for their dedication and professionalism throughout the year.



Dian Triansyah Djani
Chairman

23 April 2024

Strategic Report

The Directors present their strategic report for the year ended 31 December 2023 for Bank Mandiri (Europe) Limited (“the Bank”).

The Bank is authorised by the Prudential Regulation Authority (PRA) and regulated by the Financial Conduct Authority (FCA) and the PRA. The Bank is a wholly-owned UK-incorporated subsidiary of PT Bank Mandiri (Persero) Tbk (“the Parent Bank”), which is Indonesia's largest commercial bank in terms of total assets.

Principal activities and review of business

The Bank exists to leverage Bank Mandiri Group’s (the “Group”) wholesale banking ecosystem in the overseas market, acts as a conduit, and plays a pivotal role within the Group for its business in the UK and Europe, especially for those countries with trading links with Indonesia. The Bank carries out a limited range of wholesale banking activities and has no subsidiaries, branches, or minority interests.

The main activities conducted by the Bank are as follows:

1. **Accepting Deposit:** provides current/deposit accounts for corporate customers, mainly Indonesian corporations, and includes reimbursement and remittance services to these account holders. The Bank does not engage in correspondent banking services.
2. **Wholesale Funding:** raises funding from interbank markets, mainly Asian and Global banks, through bilateral loan and repo transactions.
3. **Corporate Lending:** undertakes selective lending to global corporates with Indonesian-related businesses through bilateral and syndicated loans.
4. **Trade Finance:** provides invoice financing, Letter of credit-related services, and other trade finance services with Indonesian-related businesses.
5. **Treasury Activities:** manages the Bank’s liquidity, foreign exchange exposure, and bond investment.

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

Financial highlight and 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.

Our operating model continues to align with the selective and sustained growth strategy. Despite the monetary tightening in developed countries, China's economic slowdown, and the emergence of new and complex issues related to geopolitical tensions in Ukraine and the Middle East, 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.

As of 31 December 2023, the Bank had total assets of US\$259 million, an increase of US\$17.6 million compared to 31 December 2022. As a result of the increasing assets, the Net Interest Income increased to US\$4.38 million from US\$3.65 million in the previous years. Hence, the Bank made a profit of US\$839k after tax, compared to US\$609k last year. The return on equity increased to 1.62% from 1.22% in the previous year.

The increase in asset size was driven by growth in loans and advances to customers and debt securities. Total customer advances were US\$87.42 million on 31 December 2023, growing by 18.04%. The Bank has invested in a securities portfolio which amounted to US\$118.990 million on 31 December 2023, growing by 19.68% compared to the previous year. The return on assets increased to 0.37% (2022: 0.30%). The Bank’s asset growth is supported by the increase in its interbank funding sources, which stood at US\$189.826 million (2022: US\$172,796 million), reflecting an increase of 9.86% year on year.

The Bank maintained good liquidity, stable funding, and sufficient capital during the year. The Bank's total capital ratio was 34.30% as of 31 December 2023 (2022: 34.09%), comfortably higher than regulatory requirements. The Bank's regulatory capital resources were US\$52.3 million on 31 December 2023 (2022: US\$49.71 million). The Bank's Liquidity Coverage Ratio (LCR) and Net Stable Fund Ratio (NSFR) were maintained higher than the regulators' minimum regulatory requirements of 100%. LCR was 264.29% as of 31 December 2023 (2022: 147.59%), reflecting comfortable short-term liquidity, while the NSFR was 131.85% as of 31 December 2023 (2022: 143.26%).

Key Performance Indicator (%)	2023	2022
Net Interest Margin (Net Interest Income / Average Earning Assets)	1.88%	1.81%
Return on Assets (Net Profit After Tax / Average Earning Assets)	0.37%	0.30%
Return on Equity (Net Profit After Tax / Average Shareholder Equity)	1.63%	1.22%
Cost Efficiency (Operating Cost / Total Operating Income)	70.88%	79.41%
Total Capital Ratio (Own Funds / Total Risk Weighted Asset)	34.30%	34.09%
Liquidity Coverage Ratio	264.29%	147.59%
Net Stable Fund Ratio	131.85%	143.26%

Principal risks and uncertainties

The Bank is exposed to several risks directly attributable to our business or general market-wide industry factors and macroeconomic conditions. The various committees in the Bank play a significant role in risk oversight and management. Responsibility for risk management policies, limits, and the level of risk assumed lies with the Board of Directors. The Board charges Senior Management with developing, presenting, and implementing these policies and limits. The structure is designed to provide a reasonable assurance that no single event or combination of events will materially affect the well-being of the Bank.

The Board has two sub-committees. The Audit and Risk Management Committee (ARMC) oversees the content and implementation of relevant risk policy statements and ensures that risk policies are reviewed and updated regularly in line with operating and risk environment changes. The Committee also oversees the annual internal and external audit plan, reviews and agrees on the annual report and accounts, reviews and monitors the external audit outcomes, and monitors and provides guidance to the "third line" of defence activity in the Bank. The ARMC is chaired by an iNED and meets quarterly or more frequently as circumstances dictate. The second committee is the Remuneration Committee, which reviews and approves the Bank's remuneration policy, performance-related pay arrangements and other high-level staff-related matters. The Remuneration Committee is chaired by an iNED and meets at least annually.

In addition to the Board and Management Committees, the Bank utilises a three lines of defence model as part of its overall risk management process, ensuring a robust governance and control framework to minimise potential risks to the Bank.

- First Line of Defence: Business, finance, and operation units provide proactive management by identifying risks and changes in risk circumstances, identifying risk and business improvement actions, implementing controls, and reporting progress.

- **Second Line of Defence:** The risk and compliance units oversee business processes and risks. Responsible for implementing policies and overseeing, monitoring, reporting and managing risks according to the scope of their respective responsibilities.
- **Third Line of Defence:** Independent and objective assurance is provided to the Board by the Internal Audit function on the bank risk management framework. This will include assurance of the effectiveness of the first and second lines. The Parent Bank's internal audit unit carries out the internal audit function for the Bank.

The Bank categorises its principal risk into several 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 annually, so the Bank remains aware of counterparties' risk profiles.

There is concentration risk across several dimensions, including Asia economies (61.22% of total exposure), reflecting the Bank business mandate, and sector concentration in banks (47.51% of total exposure). Other than banks, the Bank's largest sector exposure is to the sovereign (20.02% of total exposure), primarily exposure to the US Treasury for HQLA purposes. There are no non-performing loans at the end of 2023.
- **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 2023, 25% of our financial liabilities have more than 1-year maturity. Appropriate risk measurement, monitoring, reporting, and internal limits 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 (IRRBB), 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 significant operational risk losses in 2023 despite continuing 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 has embedded climate change risk consideration in its asset allocation and has included climate change risk in its Risk Appetite Statement. The Bank continues to develop its approach to managing and monitoring 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 expects modest growth with no material changes in its business model. It will continue providing commercial products, mainly concentrating on trade finance-related services, debt securities portfolios and syndication loans to Indonesian-related businesses overseas. In addition, the Bank plays a pivotal role within the

Group for their business in the UK & Europe, especially those countries with trading links with Indonesia. In doing so, the Bank 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 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 Banks' latest ILAAP and ICAAP stresses show the Bank can survive significant credit losses and would still be within its regulatory ratios.

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 driven by a 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 broader 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. There were regular meetings to discuss any hardships endured. The results allow us to analyse 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-calibre employees by developing, supporting, and motivating them to perform well. Examples of such training include treating customers fairly and complying with the 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 customers' 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 the UK and Indonesia, adapting to their needs by automating 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 appropriate 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 focuses on long-term sustainable growth in selective Far East market business segments underserved 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 optimise 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 2023, the Board refreshed the Bank's five-year strategy, considering its stakeholders' interests while deliberating the decision.

- Customers: The Board reviewed that the products offered, and investments revolve around customers' ease of doing business.
- Employees: The Board understands that resources are sometimes stretched as a smaller organisation. Thus, it has reviewed and agreed to a plan to strengthen the infrastructure and technology investments to simplify and automate tasks wherever possible.
- 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.
- 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 principal risks and uncertainties.

Environment

We acknowledge the global importance of considering the potential impact of climate change on our business model and the Bank's environmental impact. This drives 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. The Bank has incorporated climate risk considerations in its credit process and risk appetite.

Corporate governance

The Bank strongly emphasises internal governance and maintaining high ethical standards in its working practices. We are conscious that culture is filtered down from the top of an organisation, and we recognise the importance of diversity across the Board of Directors and the Bank. 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
23 April 2024

Directors' Report

The Directors presented their report and the audited financial statements for the year ending 31 December 2023. The Bank's approach to business relationships and employee engagements is covered within the strategic report on pages 5 to 10.

Results and dividends

The profit on ordinary activities after tax for the year amounted to US\$839,000 (2022: profit of US\$609,000). The Directors do not recommend paying a dividend (2022: nil).

Principal activities of the business

The strategic report on pages 5 to 10 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 3 of this report. During 2023 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 23 of the financial statements).

Auditor

At the date of Board approval of this Report and Financial Statements for the year ended 31 December 2023, 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 to make themselves aware of any relevant audit information and to establish that the auditor has been aware of that information.

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

This is the first year of an audit by Ernest & Young LLP, and they have expressed their willingness to continue in office as a 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
23 April 2024

Directors' Responsibilities Statement

The directors are responsible for preparing the Annual Report and the financial statements following 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 following the 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 an accurate 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 the company's financial position with reasonable accuracy at any time, 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.

Report on the audit of the financial statements

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

Opinion

We have audited the financial statements of Bank Mandiri (Europe) Limited (the Bank) for the year ended 31 December 2023 which comprise of Profit and Loss Account, the Balance Sheet, the statement of comprehensive income, the statement of changes in equity and the related notes 1 to 26 including material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the Bank's affairs as at 31 December 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Bank in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

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

- Obtaining an understanding of management's rationale for using going concern basis of accounting through review of the going concern assessment, including forecasts for the going concern period covering 12 months from the date of approval of the financial statements by the Board, and comparing historical budgeted financial information with actual results to form a view of the reliability of the forecasting;
- We evaluated management's going concern assessment which included assessing their evaluation of long-term business and strategic plans, capital adequacy, liquidity and funding positions. We assessed the reasonability of the macroeconomic assumptions and also challenged management's assessment by considering viability under different stress scenarios, including the impact of strategic plans and the current economic scenarios.
- We reviewed the results of adverse scenarios modelled by management to incorporate unexpected changes to forecasted liquidity and the capital position of the Bank, as well as its reverse stress testing exercise, to identify whether they indicated significant issues that might impact the Bank's ability to continue as a going concern.

- We read and evaluated the adequacy of the disclosures included in the Annual Report for conformity with the reporting standards and considered whether there were other events subsequent to the balance sheet date which could have a bearing on the going concern conclusion.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Overview of our audit approach

Key audit matters	<ul style="list-style-type: none"> • Allowance for expected credit loss • Improper recognition of interest income
Materiality	<ul style="list-style-type: none"> • Overall materiality of \$1.046 m which represents 2% of shareholders' equity

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the company and effectiveness of controls, the potential impact of climate change and changes in the business environment when assessing the level of work to be performed. All audit work was performed directly by the audit engagement team.

Climate change

Stakeholders are increasingly interested in how climate change will impact the Bank. The Bank has determined that the most significant future impacts from climate change on its operations will be 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. This is explained on page 7 in the strategic report. All of these disclosures form part of the "Other information," rather than the audited financial

statements. Our procedures on these unaudited disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated, in line with our responsibilities on "Other information". In planning and performing our audit we assessed the potential impacts of climate change on the Bank's business and any consequential material impact on its financial statements.

Our audit effort in considering the impact of climate change on the financial statements was focused on evaluating management's assessment of the impact of climate risk, physical and transition, and whether the effects of potential climate risks have been appropriately reflected in determining that the impact on the financial statements would be immaterial. As part of this evaluation, we performed our own risk assessment to determine the risks of material misstatement in the financial statements from climate change which needed to be considered in our audit.

Based on our work we have not identified the impact of climate change on the financial statements to be a key audit matter or to impact a key audit matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, 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 include 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 our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p>Allowance for expected credit loss (ECL): \$794k (2022 \$367k)</p> <p><i>Refer to the accounting policies page 24; and Note 23 of the Financial Statements page 42</i></p> <p>The forward-looking nature of International Financial Reporting Standard 9 – Financial Instruments means that a range of subjective inputs are required in determining a final position. These include the impacts of an uncertain geopolitical and economic outlook, a higher interest rate environment, a protracted period of inflation, and refinance risks, which were all considered in our risk assessment.</p> <p>The key judgements and estimates in respect of the timing and measurement of ECL include:</p> <ul style="list-style-type: none"> Allocation of assets to stage 1, 2 or 3 using criteria in accordance with the accounting standard; The accounting interpretations and modelling assumptions used to 	<p>We assessed the design effectiveness of key controls across the processes relevant to the ECL calculation, involving specialists to assist us in performing our procedures where appropriate. We reviewed the minutes of the Board committees where inputs, assumptions, and adjustments to the ECL were discussed and approved.</p> <p><i>Staging:</i> We evaluated the criteria used by management to allocate a financial asset to stage 1, 2 or 3 in accordance with IFRS 9. We recalculated the staging of the complete population of assets based on management’s criteria to assess its reasonableness.</p> <p><i>Model and model assumptions:</i> We involved EY modelling specialists to test the model assumptions, methodology and model implementation. This included a combination of assessing model design and formulae, challenging model assumptions by incorporating alternate data and, independently replicating ECL calculations to assess the appropriateness and reasonableness of the balances.</p> <p>To perform testing over completeness and accuracy of data used in the ECL models, we agreed a sample of key data fields to the source system and contracts and performed two-way testing between the ledger and other sources of information.</p>	<p>Based on the work we performed, we were satisfied that expected credit losses were reasonably stated and in compliance with the requirements of IFRS 9.</p>

<p>build the models that calculate ECL.</p>		
<p>Improper recognition of interest income: \$11.17m (2022: \$6.18m)</p> <p><i>Refer to the accounting policies page 24; and Note 2 of the Financial Statements page 34</i></p> <p>The key risks of improper recognition of interest income are incomplete or inaccurate recording of financing and investing activities.</p>	<p>Our approach focused on:</p> <p>Obtaining an understanding of the interest income recognition processes and assessing the design effectiveness of the key controls;</p> <p>Performing year-end cut off testing to check that interest income was recognised in the appropriate accounting period and seeking to identify any adjustments that have characteristics that could indicate unusual or inappropriate adjustment to accounting records;</p> <p>Recalculating a sample of the interest income and agreeing the inputs to the underlying contracts.</p>	<p>As a result of the procedures performed, we did not identify any evidence of material misstatement in the interest income.</p>

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the company to be \$ 1.046 million, which is 2% of shareholder's equity. Given the Bank's limited activities and the focus of key stakeholders, including the regulator and parent company, on solvency rather than profitability, we can reasonably conclude that shareholder's funds best reflect the nature of the business.

During the course of our audit, we reassessed initial materiality and there was no change in the assessment.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the company's overall control environment, our judgement was that performance materiality was 50% of our planning materiality,

namely \$0.523m. We have set performance materiality at this percentage based on a variety of risk assessment factors such as the expectation of misstatements, internal control environment considerations and other factors including this being an initial audit.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of \$52.3k, which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

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 this 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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 material misstatements in the strategic report or directors' report.

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 11, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Explanation as to what extent 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 irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Bank and determined that the most significant are Companies Act 2006, Financial Services and Markets Act 2003, Financial Services Act 2012, and relevant Prudential Regulation Authority and Financial Conduct Authority regulations and tax legislation,
- We understood how the Bank is complying with those frameworks making inquiries of management, internal audit, and those responsible for legal and compliance matters. We also reviewed regulatory correspondence and minutes of the Board and Audit Committee meetings held and gained an understanding of the Bank's approach to governance,
- We assessed the susceptibility of the Bank's financial statements to material misstatement, including how fraud might occur, by considering the controls that the Bank has established to address risks identified by the entity, or that otherwise seek to prevent, deter or detect fraud. We made enquiries of management and internal audit to supplement our assessment of how fraud might occur. We also considered performance and incentive plan targets and their potential to influence management to manage earnings or influence the perceptions of investors and stakeholders. Our procedures to address the risks identified also included incorporation of unpredictability into the nature, timing and/or extent of our testing, challenging assumptions and judgements made by management in their significant accounting estimates, testing year-end adjustments and other targeted journal entries and performing procedures to identify any significant items inappropriately held in suspense. We also assessed the risks of fraud in our key audit matters. Our procedures over our key audit matters and other significant accounting estimates included challenging management on the assumptions and judgements made in determining these estimates.

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- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved inquiries of executive management, and internal audit, and reviewing the key policies, and reports on the legal and regulatory frameworks. We also conducted a review of correspondence with the regulators.
 - The Bank operates in the financial services industry which is a highly regulated environment. As such, the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of specialists where appropriate.


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

Other matters we are required to address

- Following the recommendation from the audit committee we were appointed by the company on 21 November 2023 to audit the financial statements for the year ending 31 December 2023 and subsequent financial periods.
- No non-audit services prohibited by the FRC's Ethical Standard were provided to the company and we remain independent of the company in conducting the audit
- The audit opinion is consistent with the additional reporting to the audit committee.

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.



*Kenneth Eglinton (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
24 April 2024*

Profit and Loss Account

Year ended 31 December 2023

	Notes	2023 US\$'000	2022 US\$'000
Interest receivable	2	11,175	6,198
Interest payable	3	(6,790)	(2,546)
Net Interest Income		4,385	3,652
Fees and commissions receivable		243	205
Other operating income	4	378	472
Total operating income		5,006	4,329
Administrative expenses	5	(3,328)	(3,269)
Depreciation and amortisation	11-13	(150)	(168)
Loan impairment losses – charge	23.3	(427)	(116)
Profit on ordinary activities before tax		1,101	776
Tax charge	7	(262)	(167)
Profit on ordinary activities after tax		839	609

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 2023

	Notes	2023 US\$'000	2022 US\$'000
Profit for the financial year		839	609
Change in fair value of investment measured at FVOCI	20	1,770	(3,384)
Current charge on FVTOCI transitional adjustment		-	-
Deferred tax credit on FVTOCI transitional adjustment		-	-
Deferred tax credit/ on FVTOCI financial instruments		-	-
Effects of changes in tax rate		-	-
Total comprehensive income/(loss) for the period		2,609	(2,775)

Balance Sheet

Year ended 31 December 2023

	Notes	2023 US\$'000	2022 US\$'000
Assets			
Cash and cash equivalent		17,781	30,448
Loan and advances to banks	8	34,531	37,011
Loan and advances to customers	9	87,428	74,065
Debt securities	10	118,990	99,423
Tangible fixed assets	11	2	6
Intangible fixed assets	12	3	3
Right of use assets	13	381	499
Other assets, prepayment and accrued income	14	448	442
Total assets		259,564	241,897
Liabilities			
Deposit from banks	16	189,826	172,796
Customer accounts	17	15,674	17,526
Other liabilities, accruals, and deferred income	18	1,234	1,195
Lease liability	19	381	499
Current tax liability		126	167
Deferred tax liability		-	-
Total liabilities excluding shareholders' funds		207,241	192,183
Shareholders' funds			
Called up share capital	20	49,000	49,000
Capital reserve		11,496	11,496
Revaluation reserve	20	(1,189)	(2,959)
Profit and loss account		(6,984)	(7,823)
Total shareholders' funds – equity interests		52,323	49,714
Total liabilities and shareholders' funds		259,564	241,897

The financial statements of Bank Mandiri (Europe) Limited, registered number 3793679, were approved by the Board of Directors and authorised for issue on 23 April 2024 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 2023

Notes	Total Shareholders' Funds US\$'000	Share Capital US\$'000	Capital Reserve US\$,000	Revaluation Reserve US\$'000	Profit & (Loss) US\$'000
At 1 January 2023	49,714	49,000	11,496	(2,959)	(7,823)
Increase in fair value of debt securities	1,770			1,770	
UK corporation tax credit on fair value of financial instruments at FVOCI					
Profit for the year	839				839
Total other comprehensive income for the year	2,609				
At 31 December 2023	52,323	49,000	11,496	(1,189)	(6,984)

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 year and prior years.

Note to the Financial Statements

Year ended 31 December 2023

1. Accounting Policies

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

New and amended standards

There are no new or amended accounting standards issued but not yet effective which materially affect the Bank.

Standards issued not yet effective

There are no applicable accounting standards in issue which are not yet effective which materially affected the Bank.

1.1. 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 3.

The nature of the Company's operations and its principal activities are set out in the strategic report on pages 5 to 10.

1.2. Basis of Preparation

These financial statements are prepared following Financial Reporting Standard 101 "Reduced Disclosure Framework" (FRS 101) and following applicable accounting standards. The accounting policies that follow set out those policies that apply in preparing the financial statements for the year ended 31 December 2023, 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 following 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 2023 between US\$/GBP was 1.2742 (2022: 1.2046), and the average US\$/GBP rate for 2023 was 1.2472 (2022: 1.2302). The Bank incurs all its GBP operating expenses, converted to US Dollars, when recognising the expense to the Income statement.

1.3. 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 details are contained in the Strategic Report on pages 5 to 10.

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

1.4. Disclosure Exemptions

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard concerning the presentation of comparative information in respect of certain assets, presentation of a

1. Accounting Policies (continued)

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 27.

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

1.1. 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. Realised and unrealised foreign exchange gains and losses are recognised in the "other operating income" line item in the profit and loss account.

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

1.2. Tangible Fixed Assets and Intangible Assets

Fixed and intangible assets are stated at cost minus 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 amortisation are 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 fittings	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).

1. Accounting Policies (continued)

1.3. 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.

1.4. Financial Instruments

Financial assets and liabilities are recognised 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 acquiring financial assets or liabilities at fair value through profit or loss are recognised immediately in profit or loss.

1.4.1. 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 recognised on the trade date, i.e., the date that the Bank commits to purchasing or selling the assets.

1.4.2. Derecognition of Financial Instruments

A financial asset is derecognised 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 all the risks and rewards of the asset but has transferred control of the asset.

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

1.4.3. 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.

1.4.4. Financial Assets

All regular way purchases or sales of financial assets are recognised and derecognised 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 recognised financial assets are subsequently measured at either amortised cost or fair value, depending on the classification of the financial assets.

1.4.4.1. Classification of Financial Assets

Debt instruments that meet the following conditions are subsequently measured at amortised 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.

1. Accounting Policies (continued)

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 that meets the amortised 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 amortised 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 amortised cost of the debt instrument on initial recognition.

The amortised 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 amortisation 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 amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised 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 (iii) in Impairment of Financial Assets below).

For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised 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 recognised 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 recognises interest income by applying the credit-adjusted effective interest rate to the amortised 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 recognised in profit or loss.

ii. Financial assets at FVOCI

1. Accounting Policies (continued)

The 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 recognised in profit or loss. The amounts recognised in profit or loss are the same as those that would have been recognised in profit or loss if these listed redeemable notes had been measured at amortised cost. All other changes in the carrying amount of these listed redeemable notes are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When these listed redeemable notes are derecognised, the cumulative gains or losses previously recognised 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 amortised cost or FVTOCI (see (i) to (ii) above) are measured at FVTPL. In addition, debt instruments that meet either the amortised 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 recognising 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 recognised in profit or loss. The net gain or loss, if any, is recognised 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.

1.4.4.2. Impairment of Financial Assets

The Bank recognises a loss allowance for expected credit losses on investments in debt instruments measured at amortised cost or FVTOCI, amounts due from customers and financial markets. No impairment loss is recognised 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 recognises 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 recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of 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 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,

1. Accounting Policies (continued)

obtained from economic expert reports, financial analysts, governmental bodies, relevant think tanks, and other similar organisations, 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:

- 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 amortised 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 debtor's regulatory, economic, or technological environment that significantly decreases 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.

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 solid 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 determining 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..

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 can identify 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 considering 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.

1. Accounting Policies (continued)

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:

- significant financial difficulty of the issuer or the borrower;
- Amount is >90 days past due or there is evidence indicating the asset is credit-impaired
- 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 recognised 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 ranked on the following basis:

1. Accounting Policies (continued)

- 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.

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 recognises 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 recognised 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.

1.4.5. Financial Liabilities

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

The effective interest method calculates the amortised 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 amortised cost of a financial liability.

1.5. 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.

1.6. Income Recognition

Interest income is recognised 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 due to an impairment loss, interest income is then recognised using the interest rate 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 recognised as an adjustment to the effective interest rate on the loan.

1.7. Fees and commission income

Fees and commissions are generally recognised at the point in time when the performance obligation is satisfied. Loan participation fees are amortised over the term of the loan through inclusion in the effective interest rate. Commissions arising from trade finance such as advising and payments under letters of credit and clean remittance fees are recognised at the transaction date.

1.8. 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 enacted or substantively enacted by the end of the reporting period.

1. Accounting Policies (continued)

1.9. Deferred Taxation

Deferred taxation is recognised for 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 recognised 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.

1.10. 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 24.

1.11. 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.

1.11.1. 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

1.11.2. Measurement and Recognition of Lease as Lessee

The Bank recognises 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.

1. Accounting Policies (continued)

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.

1.12. Critical Accounting Judgements and Estimates

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 recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. The following are the accounting estimates and judgments that the directors have made in applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

1.12.1. Deferred Tax Asset

As a subsidiary Bank, we cannot reliably forecast for a period greater than five years. The Directors have reviewed the future profits and concluded that recognising a deferred tax asset associated with utilised losses is immaterial in the period and, therefore, has not been recognised. However, The Directors have identified this judgement as significant enough to warrant disclosure under IAS 1 – Presentation of Financial Statements, which is set out in Note 7.

1.12.2. Impairment Allowances on financial assets

In relation to the implementation of the IFRS 9 principle, the bank evaluates the allowance for impairment losses (expected credit loss) for each classification of financial assets based on the bank's stage assessment (1, 2, and 3) and level assessment (collective and individual) supported by a model from an external party (Moody's) that considers past events, current conditions, and forecast information to calculate forward-looking ECL that reflect changes in an asset's credit risk.

The bank follows the general methodology from IFRS 9 for ECL calculation under the collective impairment approach, which is the multiplication of Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD). The PD's is based on the Point-in-Time (PiT) PD model that leverages the financial, geographic, and sector-specific macroeconomic series to capture business cycle dynamics, which is reflected in the PiT PD Implied Rating provided by the model. For the LGD, the value is driven by the type of instrument, collateral, and fundamental financial factors that generate the recovery rate when an instrument goes into default. The bank determines the EAD by taking into account the on-balance sheet exposures, accrued interest, and off-balance sheet exposures that are adjusted by the credit-conversion factor according to the type of exposures.

Under the collective impairment approach, the ECL for Stage-1 financial assets is calculated using the 12-month ECL method, while the ECL for Stage-2 and Stage-3 financial assets is calculated using the Lifetime ECL method.

For the financial assets under the individual impairment approach, the bank uses the weighted average cash flow method, which aligns with the regulatory and IFRS9 standards that consider 3 (three) payment scheme scenarios through the discounted cash flow method and/or the fair value of collateral in assessing individual impairment (ECL).

All the bank's financial assets as of December 31, 2023, are classified as Stage-1 (current).

2. Interest Receivables

	2023 US\$'000	2022 US\$'000
Loan and advances to banks	1,360	585
Debt Securities	4,072	3,308
Loan and advances to customers	5,743	2,305
	<u>11,175</u>	<u>6,198</u>

The interest income from financial assets at amortised cost is US\$9,972,000 (2022: US\$4,373,000), and interest income derived from financial assets held at FVTOCI is US\$2,003,000 (2022: US\$1,825,000)

3. Interest Payable

	2023 US\$'000	2022 US\$'000
Bank deposits	6,782	2,539
Interest cost on lease liabilities	8	7
	<u>6,790</u>	<u>2,546</u>

Interest payable due to bank deposits includes amounts due to inter-group of US\$2,529,735 (2022: US\$1,331,000).

4. Profit on Ordinary Activities before Tax

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

	2023 US\$'000	2022 US\$'000
Auditor's remuneration – auditing of the financial statements	139	111
Depreciation	147	155
Amortisation	3	13
Loss allowance on other financial assets measured at amortised cost	444	147
Loss allowance on debt investments measured at FVTOCI	(17)	(31)
Foreign exchange profit	(82)	(239)
	<u> </u>	<u> </u>

5. Administrative Expenses

	2023 US\$'000	2022 US\$'000
Staff Costs:		
Wages and salaries	1,826	1,462
Social security costs	211	193
Pension costs (Note 21)	112	106
Other staff costs	299	347
Other administrative expenses	880	1,161
	<u>3,328</u>	<u>3,269</u>

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 2023 was 13 (2022:13). All were employed in management, operations, and administrative roles and were UK-based on permanent employment contracts.

6. Emoluments of Directors

	2023 US\$'000	2022 US\$'000
Directors' remuneration and other emoluments were:		
Directors' emoluments	<u>539</u>	<u>420</u>

No director accrues benefits under a money purchase pension scheme (2022: none). The emoluments of the highest-paid director were US\$ 430,000 (2022: US\$ 354,000). No director received benefits in the form of pension contributions during 2023 or 2022. No shares were granted to directors as part of their emoluments.

7. Tax on Profit on Ordinary Activities

7.1. Current Tax Charge

	2023 US\$'000	2022 US\$'000
UK corporation tax on profit on ordinary activities	(192)	(110)
Adjustment prior year	<u>1</u>	<u>-</u>
Total current tax charge	<u>(191)</u>	<u>(110)</u>

7.2. Deferred Tax Charge

	2023 US\$'000	2022 US\$'000
UK corporation tax	-	(43)
Adjustments prior years	(70)	-
Effects of changes in tax rate	<u>-</u>	<u>(14)</u>
Total deferred tax charge	<u>(70)</u>	<u>(57)</u>

7.3. Tax Included in Profit and Loss Account

	2023 US\$'000	2022 US\$'000
Total tax charge for the year	<u>(262)</u>	<u>(167)</u>

7.4. Other Comprehensive Income Items

	2023 US\$'000	2022 US\$'000
Relating to the origination and reversal of temporary differences	<u>-</u>	<u>144</u>

7. Tax on Profit on Ordinary Activities (continued)

7.5. Factors Affecting Total Tax Charge for the Years

	2023 US\$'000	2022 US\$'000
Profit on ordinary activities before tax	1,100	776
Corporation tax at 23.52% (2022: 19.00 %)	(259)	(147)
Effects of:		
Adjustment prior year		(2)
Expenses not deductible for tax purposes	(2)	-
Adjustments to tax charge in respect of Previous periods-deferred tax	(70)	
Tax rate changes	(4)	(14)
Movement in unrecognised deferred tax	73	(4)
The total tax charge for the year	(262)	(167)

7.6. Deferred Tax Assets and Liabilities

7.6.1. Recognised Deferred Tax Asset / Liabilities

	2023 US\$'000	2022 US\$'000
Deferred Tax (Asset) / Liabilities		
Tax losses	-	-
Accelerated capital allowance	-	-
Available for sale reserves	-	-
IFRS9 transitional adjustment	-	-
The total tax charge for the year	-	-
Deferred Tax movement		
At 1 January		87
Origination and reversal of temporary differences		(87)
Effect of change in tax rate	-	-
At 31 December	-	-

7.6.2. Unrecognised Deferred Tax Asset / Liabilities (Gross)

	2023 US\$'000	2022 US\$'000
Deferred Tax (Asset) / Liabilities		
Tax Losses	(28,017)	(28,289)

Bank Mandiri (Europe) Limited has tax losses as of 31 December 2023 of \$28,017,586 (2022: \$28,289,329), 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 recognised with respect to 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 utilise the losses fully.

7.7. Factors that may affect future tax charges

Finance Act 2021, enacted on 10th June 2021, increases 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 substantively enacted at the balance sheet date.

8. Loan and advances to banks

	2023 US\$'000	2022 US\$'000
Interest-bearing unsecured loans maturity within three months or less	<u>34,531</u>	<u>37,011</u>

9. Loan and advances to customers

	2023 US\$'000	2022 US\$'000
Remaining maturity:		
Repayable on demand or on short notice	-	40
Three months or less (excluding demand or at short notice)	28,282	38,881
Between three months and one year	12,315	4,097
Between one year and five years	47,151	31,184
Less: expected credit losses	<u>(320)</u>	<u>(137)</u>
	<u>87,428</u>	<u>74,065</u>

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\$74.06 million (2022: US\$59.91 million) comprise US\$40.597 million of trade finance exposures (2022: US\$42.978 million).

10. Debt Securities

	2023 US\$'000	2022 US\$'000
Analysed by issuer:		
FVOCI		
Issued by public bodies – government securities	40,521	18,205
Other debt securities – banks and corporates	<u>30,480</u>	<u>35,561</u>
	<u>71,001</u>	<u>53,766</u>
Amortised Cost		
Issued by public bodies – government securities	-	-
Other debt securities – banks and corporates	<u>47,989</u>	<u>45,657</u>
Total	<u>47,989</u>	<u>45,657</u>
Analysed by listing status		
FVOCI		
Listed	71,001	53,766
Amortised Cost		
Listed	<u>47,989</u>	<u>45,657</u>
Total	<u>118,990</u>	<u>99,423</u>

Remaining Maturity
FVOCI

Less than one year	43,591	9,761
Between one year and five years	27,410	44,005
	71,001	53,766

Amortised Cost

Less than one year	6,059	-
Between one year and five years	41,930	45,657
	47,989	45,657

Total	118,990	99,423
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Securities placed as collateral

Carrying value of investment	19,422	8,930
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The loss allowance for the corporate bonds measured at FVTOCI is recognised in other comprehensive income. The movement in loss allowance is disclosed in Note 20.

Debt securities with a carrying amount of US\$19.42 million (2022 US\$8.93 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.

The market value of held to amortised cost investments as of 31 December 2023 is US\$47,020,743 (2022:US\$43,533,455).

11. Tangible Assets

	Leasehold Improvements US\$'000	Computer Hardware and Other Equipment US\$'000	Furniture, Fixtures, and Fittings US\$'000	Total US\$'000
Cost:				
Balance as of 1 January 2023	676	294	287	1,257
Additions	-	2	-	2
Balance as of 31 December 2023	<u>676</u>	<u>296</u>	<u>287</u>	<u>1,259</u>
Accumulated Depreciation:				
Balance as of 1 January 2023	676	288	287	1,251
Charge for the year	-	4	-	4
Balance as of 31 December 2023	<u>676</u>	<u>292</u>	<u>287</u>	<u>1,255</u>
Net Book Value				
Balance as of 31 December 2023	<u>-</u>	<u>4</u>	<u>-</u>	<u>4</u>

12. Intangibles

	Computer Software US\$'000
Cost:	
Balance as of 1 January 2023	888
Additions	-
Balance as of 31 December 2023	<u>888</u>
Accumulated Depreciation:	
Balance as of 1 January 2023	884
Charge for the year	3
Balance as of 31 December 2023	<u>887</u>
Net Book Value	
Balance as of 31 December 2023	<u>1</u>

13. Right of Use Assets

	Right of Use Assets US\$'000
Cost:	
Balance as of 1 January 2023	606
Additions	
Disposal	
FX translation difference	35
Balance as of 31 December 2023	<u>641</u>
Accumulated Depreciation:	
Balance as of 1 January 2023	107
Charge for the year	13
Disposal	-
FX translation difference	10
Balance as of 31 December 2023	<u>260</u>
Net Book Value	
Balance as of 31 December 2023	<u>381</u>

14. Other Assets, Prepayments and Accrued Income

	2023 US\$'000	2022 US\$'000
Prepaid expenses	370	68
Other receivables	78	374
	<u>448</u>	<u>442</u>

15. Denomination of Assets and Liabilities

	2023 US\$'000	2022 US\$'000
Assets		
US Dollar	254,320	231,750
Euro	2,450	5,245
GBP	2,793	4,900
Other currencies	1	2
Total assets	259,564	241,897
Liabilities		
US Dollar	199,813	182,773
Euro	4,660	4,584
GBP	2,757	4,826
Total liabilities, excluding capital and other reserves	207,230	192,183

16. Deposit from Banks

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

	2023 US\$'000	2022 US\$'000
Repayable on demand	12,561	25,576
Three months or less	41,603	35,181
Between three months and one year	91,337	65,326
Between one and five years	44,325	46,713
Total liabilities	189,826	172,796
Include due to inter-group companies	111,026	91,142

17. Customer Accounts

Repayable on demand and non-interest-bearing

	2023 US\$'000	2022 US\$'000
Deposits	15,674	17,526

18. Other Liabilities Accruals and Deferred Income

	2023 US\$'000	2022 US\$'000
Accrued expense payable	1,234	1,195
Current tax liability	126	167
Lease Liability	381	499
	1,741	1,861

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:

	2023 US\$'000	2022 US\$'000
Lease commitments:		
Less than one year	142	96
Between one and five years	239	403
Total assets	381	499

20. Called up Share Capital

	2023 US\$'000	2022 US\$'000
Authorised, issued, allotted, and fully paid		
49,000,000 ordinary shares of US\$1 each and 2 subscription fees 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.

	2023 US\$'000	2022 US\$'000
Balance as of 1 January	(2,959)	425
Fair value profit /(loss) arising during the period	1,770	(3,384)
Income tax relating to gains arising during the period	-	-
Balance as of 31 December	(1,189)	(2,959)

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 amounts to US\$112,000 for 2023 (2022: US\$106,000) and represents contributions payable to these schemes by the Company at rates specified in the rules of the plans.

22. Fair Value of Financial Instruments

	Carrying Amount		Fair Value	
	2023 US\$'000	2022 US\$'000	2023 US\$'000	2022 US\$'000
Financial Assets at Amortised Cost				
Debt Securities	47,989	45,657	47,021	43,533
Loans and advances	87,428	99,423	87,428	71,107
Financial Assets at FVOCI				
Debt Securities	71,001	53,766	71,001	53,766

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 2023, 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 of 31 December 2023, the company held the following financial instruments measured at fair value:

	2023 US\$'000	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000
Financial assets at FVOCI	71,001	71,001	-	-

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

	2022 US\$'000	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000
Financial assets at FVOCI	53,766	53,766	-	-

The fair value of debt securities carried at amortized cost disclosed on page 35 consists of US\$47,020,743 (2022: US\$43,533,455) 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 are broadly in line with 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:

- a. **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.
- b. **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.
- c. **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.
- d. **Independent risk oversight:** the Bank has established an independent risk unit to evaluate, monitor, and report on risks.
- e. **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.

23.1. 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:

23.1.1. 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 interest rate risk limits and reports them periodically to the ALCO.

As at 31 December 2023, interest rate risk comprised:

Category of assets / liabilities	Less than 3mos US\$'000	3 mos to 6 mos US\$'000	6 mos to 1 yr US\$'000	1 yr to 5 yrs US\$'000	Non- int bearing US\$'000	Total US\$'000
Cash and money at call and deposits with central banks	-	-	-	-	17,781	17,781
Loan and advances to banks	34,531	-	-	-	-	34,531
Loan and advances to customers	67,448	14,085	5,895	-	-	87,428
Debt securities	14,968	24,695	9,988	69,339	-	118,990
Other assets	-	-	-	-	834	834
Total assets	116,947	38,780	15,883	69,339	18,615	259,564
Customer accounts	-	-	-	-	15,674	15,674
Deposit by banks	41,603	-	91,336	44,325	12,561	189,826
Shareholders' funds	-	-	-	-	52,323	52,323
Other liabilities	-	-	-	-	1,741	1,741
Total liabilities & shareholders' funds	41,603	-	91,336	44,325	82,299	259,564
Gap	75,344	38,780	(75,454)	25,014		
Cumulative Gap	75,344	114,124	38,670	63,684		
Effect on profit & equity						
Interest rate risk -1%	(753)	(1,141)	(387)	(637)	-	(2,918)
Interest rate risk +2%	1,507	2,282	773	1,274	-	5,836

As at 31 December 2022, interest rate risk comprised:

Category of assets / liabilities	Less than 3mos US\$'000	3 mos to 6 mos US\$'000	6 mos to 1 yr US\$'000	1 yr to 5 yrs US\$'000	Non- int bearing US\$'000	Total US\$'000
Cash and money at call and deposits with central banks	-	-	-	-	30,448	30,448
Loan and advances to banks	37,011	-	-	-	-	37,011
Loan 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
Customer accounts	-	-	-	-	17,526	17,526
Deposit by banks	90,346	-	16,391	40,483	25,576	172,796

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	12,755	(6,630)	49,179		
Cumulative Gap	7,955	20,730	14,100	63,279		
Effect on profit & equity						
Interest rate risk -1%	(80)	(207)	(141)	(633)		(1,061)
Interest rate risk +2%	159	415	282	1,266		2,121

23.1.2. 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.

23.2. 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.

The table below summarises the maturity profile of the Bank's financial liabilities as at 31 December 2023 and 2022 based on contractual 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\$190 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 3mos US\$'000	3mos to 12 mos US\$'000	1yr to 5yrs US\$'000
As of 31 December 2023						
Deposit by banks	187,642	189,826	12,561	41,603	91,336	44,325
Customer accounts	15,674	15,674	15,674	-	-	-
Other liabilities	1,741	1,741	1,741	-	-	-
Total financial liabilities	205,057	207,241	29,976	41,603	91,336	44,325
As of 31 December 2022						
Deposit by banks	171,802	172,796	25,576	35,180	65,327	46,713
Customer accounts	17,526	15,862	15,862	-	-	-
Other liabilities	1,861	1,861	1,861	-	-	-
Total financial liabilities	191,189	190,519	43,299	35,180	65,327	46,713

Memorandum Items

The table below shows the contractual expiry by maturity of the Bank's contingent commitments. The undrawn loan commitment is included in the time band containing the earliest date it can be drawn down.

Undrawn commitments	2023 US\$'000	2022 US\$'000
Up to one year	3,370	-
Between one year and five years	2,734	-
	6,104	-

23.3. 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.

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.

	Notes	Gross maximum exposure		Net maximum exposure	
		2023 US\$'000	2022 US\$'000	2023 US\$'000	2022 US\$'000
Cash and money at call and deposit with central banks		17,781	30,448	17,781	30,448
Loan and advances to banks	[8]	34,531	37,011	34,531	37,011
Loan and advances to customer*	[9]	87,748	74,065	46,831	38,923
Debt securities	[10]	119,465	99,423	118,990	99,423
Other assets prepayment & accrued income	[14]	448	442	448	442
Total		259,973	241,389	218,581	206,247

*Loans and advances to customers include US\$40,597k (2022: US\$42,978k) of UPAS transactions with customers of fellow Bank companies (see Note 26). These transactions have 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.

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
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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 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:

	2023	2022
	US\$'000	US\$'000
United Kingdom	32,743	5,894
Europe	1,234	4,039
Asia	159,702	191,267
North America	66,294	40,189
Total	259,973	241,389

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:

	2023	2022
	US\$'000	US\$'000
Bank	71,319	85,735
Sovereign	47,749	27,543
Telecommunication	1,140	1,868
Energy	11,920	11,814
Metal & mining	10,894	32,884
Transportation & port authorities	20,252	18,805
Food industry	25,272	2,096
Manufacturer of textile	6,103	5,832
Manufacturer of paper and paper products	7,631	9,377
Electrical goods	4,716	8,426
Oil industry	22,838	13,956
Poultry	-	4,522
Civil engineering	5,895	-
Other mining and quarrying	4,224	-
Others	20,020	18,531
Total	259,973	241,389

Credit quality per class of financial assets:

	Neither past due nor impaired US\$'000	12-mo ECL US\$'000	Total US\$'000
31 December 2023			
Due from banks			
Investment grade (rated Baa3 or above by Moody's)	52,312	-	52,312
Debt securities			
Investment grade (rated Baa3 or above by Moody's)	108,916	(300)	108,616
Sub-investment grade (rated below Baa3 by Moody's)	10,549	(175)	10,375
Loans and advances to customer			
Unrated	87,748	(320)	87,428
Other assets			
Unrated	448	-	448
Total	259,973	(795)	259,178
31 December 2022			
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 below Baa3 by Moody's)	26,230	(148)	26,082
Loans and advances to customer			
Unrated	74,202	(137)	74,065
Other assets			
Unrated	442	-	442
Total	241,756	(367)	241,389

Changes in loss allowance (12-mos ECL):

	2023 US\$'000	2022 US\$'000
As of 1 January	367	251
Originations	527	304
Repayment (incl increase decrease in provision)	(99)	(188)
As of 31 December	795	367

24. 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\$42.597 million (2022: US\$42.97 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:

	2023 US\$'000	2022 US\$'000
PT Bank Mandiri (Persero) Tbk	111,026	91,142

Financial assets with immediate parent and connected counterparties:

	2023 US\$'000	2022 US\$'000
PT Bank Mandiri (Persero) Tbk	73	75

Income and expenses with immediate parent and connected counterparties:

	2023 US\$'000	2022 US\$'000
Interest receivable: PT Bank Mandiri (Persero) Tbk	492	284
Interest expenses: PT Bank Mandiri (Persero) Tbk	1,465	566

25. Post Balance Sheet Items

There have been no material post-balance sheet events which would require adjustments or disclosure to the 2023 financial statements.

26. 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.